

HOME - HOUSING DEVELOPMENT LOAN PROGRAM

1. Eligible Applicants

Any not-for-profit corporation that has the capacity to undertake and complete the construction or rehabilitation of housing for low and moderate income persons, and that has not previously defaulted under any program administered by the Department of Redevelopment. The corporation must be a 501 (c) 3 or 4 tax exempt organization. The corporation shall not be eligible for loan funds under this program if any of its officers or board members are in default of any taxes or debts owed to any bank or governmental unit. The corporation must have presently served the community as a housing organization for a minimum of 5 continuous years prior to the application date. Community Housing Development Organizations (CHDO) are encouraged to apply.

2. Eligible Purposes

HOME Housing Development Funds must be used solely for the cost of the physical construction or rehabilitation of housing for the benefit of mentally or physically disabled persons, very low and low income persons, homeless or disadvantaged youth. Housing project applications for the homeless will be given priority. Single family and duplexes will be given priority over multi-unit projects. Properties developed with HOME Housing Development Funds must be rented to and occupied by eligible residents for not less than 20 years. No board members or officers of the corporation shall be eligible tenants in any housing constructed or rehabilitated under this program.

3. Eligible Property

Buildings eligible for construction or rehabilitation with HOME funds must be located in census blocks with a median income that does not exceed 80% of the median income for the City. Buildings must be capable of meeting applicable building and housing codes after construction or rehabilitation.

4. Application Process

Notice of funding availability shall be advertised in the Terre Haute Tribune Star. Loans shall be allocated on a first-come, first-serve basis. Applications will be recorded according to the date and time received by the Department of Redevelopment. Reservation of funds shall be awarded by the Department of Redevelopment.

5. Loan Requirements

The loan amount shall be forgiven over twenty (20) years from the initial occupancy date after the completion of construction. Buildings rehabilitated shall be forgiven over a period of 5 to 20 years depending on the amount of HOME funds used for the project. Each loan amount shall be reduced to zero, prorated monthly, during the affordability period if the use of the building has not been changed. Interest on the loans shall be at the Applicable Federal Rate and non-forgivable for projects financed in part under the Low Income Housing Tax Credit Program.

6. Loan Maximum

The maximum loan for any project that a not-for-profit applicant may receive shall not exceed \$80,000.00 per housing unit. Loans made under this program are intended to leverage other private funds to finance any additional development costs. The maximum loan amount shall not exceed the amount needed to cause the project to have a positive cash flow as determined by the Department of Redevelopment.

7. Application Fee

There will be no application fee for a HOME Housing Development Loan.

8. Required Construction or Rehabilitation

Buildings to be constructed or rehabilitated under the HOME Housing Development Loan Program will be inspected by the Department of Redevelopment which will prepare cost estimates, plans, and specifications for the work to be completed. Specifications shall be in compliance with all applicable building codes.

9. Contracting

The loan recipient shall be required to hire a general contractor to perform the work that is procured through a public bid process. Bid administration shall be performed by the Department of Redevelopment. Construction or rehabilitation contracts shall be specified by the Department of Redevelopment and awarded by the loan recipient.

10. Release of Funds

Loan funds will be released to the loan recipient and contractor upon completion of work activity as identified in the work write-up by line item.

11. Affordability Period

All HOME assisted rental projects must remain affordable to or be occupied by income eligible households for the appropriate Period of Affordability in accordance with the following:

<u>SUBSIDY</u>	<u>TERM</u>
Under \$15,000.00	5 years
Between \$15,000.00 and \$40,000.00	10 years
Over \$40,000.00 or Rehabilitation involving financing	15 years
New Construction or acquisition of newly constructed housing	20 years

12. Resale Provisions

Use of funds for development subsidies shall be subject to the Resale provisions of 24 CFR §92.254(a)(5)(i).

When HOME funds are provided as a development subsidy the Resale provisions will be utilized in the event the property affected is transferred during the Affordability Period. Upon sale during the Affordability Period the subsequent purchaser must meet the following requirements: (A) Income cannot exceed sixty percent (60%) of the median family income of Vigo County; (B) Mortgage principal and interest, taxes and home insurance (PITI) cannot exceed thirty percent (30%) of homebuyers annual gross income and (C) Utilize the property as their principal residence during the Affordability Period.

The initial owner of the affected property shall be entitled to a fair return on its investment defined as the original initial investment plus capital improvements and the percentage change in median real estate sale prices in Vigo County over the period of ownership.

Capital Improvements is defined as those improvements approved by the Department in advance and completed by a licensed contractor. Capital Improvements will be valued for purpose of fair return by the national average increase in value a specific improvement brings at sale.

Imposition of the Resale provisions will be reflected in written agreements between the Department and the party receiving the subsidy and will be evidenced by recorded deed restrictions and covenants running with the land. In the event of breach of any of the restrictions or covenants during the Affordability Period the Department shall have all rights of enforcement under Indiana law for the collection of the subsidy and foreclosure of the lien interest.

13. Affirmative Marketing and Equal Housing Opportunity

Loan recipients shall make a good faith effort to attract eligible residents from all racial, ethnic, and gender groups in the housing market area in projects consisting of 5 or more housing units.

Further information –

For further information contact Phil Kesner at the Department of Redevelopment, Room 301 City Hall, 812-244-2396.