APPENDIX C: TOOLS

This appendix contains in-depth narratives and process maps for implementation of the tools that could be beneficial to the City of Elkhart. There are three main target audiences for these tools – local government/financial institutions, developers, and homeowners. The table below summarizes which tools may be relevant to each audience.

Icon Legend	
●	Owner-Occupied Tool
▲	Rental Tool
□	Market-Rate Tool
◆	Affordable Tool
⬟	Eligible for Rehabilitation Projects

Local Government/Financial Institutions	**Developers**	**Homeowners/Tenants**
C.1 Appraiser Resources ● ▲ □ ◆ ⬟	C.4 Tax Abatement ● ▲ □ ◆ ⬟	C.3 Government-Affiliated Non-Profit Housing Provider ● ◆
C.2 CDBG ● ▲ ◆	C.8 Fast-Tracked Review ● ▲ □ ◆ ⬟	C.4 Tax Abatement ● ▲ □ ◆ ⬟
C.3 Government-Affiliated Non-Profit Housing Provider ● ◆	C.10 Elkhart Community Foundation Grants ● ▲ □ ◆ ⬟	C.7 Innovative Rehabilitation Financing Model ● □ ◆ ⬟
C.5 Lead Removal Financing ● ▲ ◆ ⬟	C.12 Fee Waivers ● ▲ □ ◆ ⬟	C.8 Fast-Tracked Review ● ▲ □ ◆ ⬟
C.6 TIF ● ▲ □ ◆ ⬟	C.19 FHLBI – AHP ● ▲ ◆ ⬟	C.11 Soft Second Mortgages ● □ ◆
C.7 Innovative Rehabilitation Financing Model ● □ ◆ ⬟	C.24 LIHTC ▲ ◆ ⬟	C.13 Neighborhood LIFT ● ◆

C.8 Fast-Tracked Review ● ▲ □ ◆ ⬟	C.25 HTC ▲ ◆ ⬟	C.15 Below Market Land Cost ● ▲ □ ◆
C.9 NHTF ● ▲ ◆ ⬟	C.26 Historic Blueprints ● ▲ □	C.16 HOME ● ▲ ◆ ⬟
C.10 Elkhart Community Foundation Grants ● ▲ □ ◆ ⬟	C.27 Receivership ● ▲ ◆ ⬟	C.17 FHLBI – NIP ● ◆ ⬟
C.12 Fee Waivers ● ▲ □ ◆ ⬟	C.29 FHLBI – CIP ● ▲ □ ⬟	C.18 FHLBI – AMP ● ◆ ⬟
C.13 Neighborhood LIFT ● ◆	C.30 Modular Construction ● ▲ □	C.20 FHLBI – HOP ● ◆
C.14 CRA ● ▲ ◆	C. 31 Indiana Landmarks Grants ● ▲ □ ◆ ⬟	C.21 HUD Title 1 ● ▲ ◆ ⬟
C.15 Below Market Land Cost ● ▲ □ ◆		C.28 Multibank Consortium Mortgage ● ◆
C.16 HOME ● ▲ ◆ ⬟		C.30 Modular Construction ● ▲ □
C.17 FHLBI – NIP ● ◆ ⬟		
C.18 FHLBI – AMP ● ◆ ⬟		
C.19 FHLBI – AHP ● ▲ ◆ ⬟		
C.20 FHLBI – HOP ● ◆		
C.22 Employer-Assisted Housing ● ▲ □ ◆ ⬟		
C.23 Utility Credit ● ▲ □ ◆		
C.29 FHLBI – CIP ● ▲ □ ⬟		

C.1 APPRAISER RESOURCES

- This tool is applicable to Local Government/Financial Institutions
- It can be used for both owner-occupied housing and rental housing
- It applies to both market-rate housing and affordable housing
- Can be used for rehabilitation projects

During the mortgage loan process, it is required that all lenders order an appraisal of the home/property for which they need a loan. An appraisal is an "unbiased estimate of the true (or fair market) value of what a home is worth."[1] The value of an appraisal is reached by considering various facets of a property and the area surrounding it. An appraisal is based on:

- Recent sales information for similar properties (comps)
- The current condition of the property
- The location of the property, which includes how the neighborhood around the property affects the value of the property

Appraisals are carried out exclusively by highly trained and licensed professionals (known as appraisers), and it is their job is to remain objective and without bias in their appraisals.[1] One issue brought about by appraisals is that the appraised value of a property often does not match the actual cost of the property (including any and all required repairs or construction on the property) in today's market. This creates a financing gap, as traditional lenders (i.e. banks) only approve loans up to the appraised value of the property. This has been an issue in the State and Division Neighborhood, due in part to a lack of recent sales information as well as the disrepair seen in the neighborhood in recent years.

Though appraisals must remain unbiased, there is one aspect of appraisals that can affect the values and could be somewhat subjective. This is known as the "neighborhood life cycle," which consists of four phases – growth, stability, decline, and renewal. In this cycle, a neighborhood grows (growth) until it reaches a plateau (stability), and post-growth, over time, there is wear and tear on the neighborhood, which leads to declining quality of the neighborhood (decline) if proper investments are not made to keep the neighborhood stable.[2] To combat further decline, the community then invests in the neighborhood through infrastructure and other projects to revitalize it (renewal). When appraisers prepare appraisals, they must consider where the neighborhood stands in this life cycle.

Applied specifically to the State and Division Neighborhood, the neighborhood has gone through a steady decline, but in recent years it is starting to shift somewhat into the renewal phase. In the near future, it should be expected that funds will be invested in the neighborhood, and in turn, the neighborhood should see a dramatic rise in property values and vibrancy.

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[1] Discover, House Appraisal Process – Getting a House Appraised. (2019). Retrieved from https://www.discover.com/home-loans/articles/the-home-appraisal-process

[2] Balboa Real Estate Group, Everything You Must Know About the Lifecycle of a Neighborhood. (2018, February 16). Retrieved from http://balboaresidential.com/2018/02/16/the-lifecycles-of-a-neighborhood/

Combining these two ideas, the general idea that should be utilized particularly in the State and Division Neighborhood is to help demonstrate to appraisers that the neighborhood is in renewal and to seek out appraisers who understand this vision. Doing so could go a long way in obtaining higher appraisal values and help to shrink the financing gap that currently exists. This is also somewhat of a self-fulfilling prophecy, as getting residents to buy into the renewal phase would accelerate the actual renewal of the neighborhood.

ELIGIBILITY

This tool is not strictly a financial tool or program like many of the other tools listed in this appendix. It is, however, a vastly important facet of the overall project, as getting appraisers to buy into the renewal of the neighborhood will help shrink the financing gap, which will not only help affordability of construction and rehabilitation projects, but it will also make the use of other financial tools more feasible and more effective.

According to an appraiser with experience in the Elkhart market, below are the qualities the Redevelopment Commission and local residents should be looking for when selecting an appraiser:[3]

- The appraiser must be able to clearly define the neighborhood
- The appraiser must be able to properly identify the stage of the neighborhood life cycle that the neighborhood is in
- Reference supports
- Limit the project to two or three appraisers to get consistent appraisals
- The appraisers should use the GPAR form for appraisals
- The appraiser can do an assignment for less money when there are multiple similar appraisals to be done
- An appraiser should have better training than a state minimum licensure (it should be noted that the interviewed appraiser stated that MAI designation is NOT superior credentials to an SRA)

COMBINATION/EXCLUSION WITH OTHER PROGRAMS

As noted above, this "tool" is not like the other tools in this appendix, so it is not necessarily limited in how it can be used. In general, it would help leverage the effectiveness of many other subsidies and grants.

ALLOCATION PROCESS

The general process of implementing this tool would be to first find suitable appraisers and develop a packet to provide them to promote the acceptance of the neighborhood's progression into and through renewal. The Redevelopment Commission should create a packet that includes the following elements:

- The number of remodeled permits in the neighborhood
- The number of demolished properties

[3] Iverson Grove, (Data Cruz, Licensed Appraiser), meeting with Lara Grotz, May 28, 2019, Elkhart, IN

- Percentage of owner-occupied vs. tenant-occupied units and (if possible) compare this to the percentages five years ago
- The assessment change over the last five years (can be obtained from the Elkhart County Assessor)
- (If possible) the number of vacant units now vs. the number of vacant units five years ago
- List of recent infrastructure and other public improvements
- Citations from the relevant plans and other documents, including the City's Comprehensive Plan, Neighborhood Plan, or redevelopment plans
- Provide gateway mile map
- Provide model specs

This will help ensure that the appraisers have the best possible information to show that the neighborhood is in renewal and that increased appraisal values are warranted.

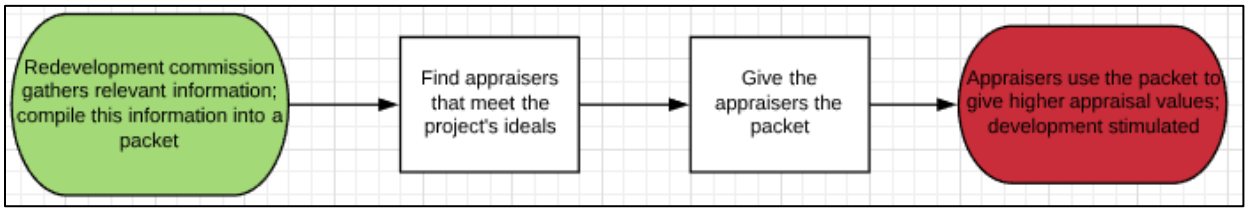
TIMELINE

There is no set timeline for this tool. It should be done as quickly and efficiently as possible, without sacrificing quality.

EXAMPLES OF PROJECTS

As part of the non-traditional nature of this tool, there are not readily available examples of this. This does not, however, mean it is unfeasible or suggests any such barrier to the tool. It is simply due to the nature of the idea.

PROCESS MAP



C.2 COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)

- This tool is applicable to Local Government/Financial Institutions
- It can be used for both owner-occupied housing and rental housing
- It is targeted towards affordable housing

The Community Development Block Grant (CDBG) program was founded in 1974 by the U.S. Department of Housing and Urban Development (HUD), and it is one of HUD's longest continuously run programs.[4] The program provides annual grants to more than 1,200 units of local governments and states across the U.S., and the funds are awarded based on a formula that HUD uses. The mission of the program is to "ensure decent affordable housing, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses."[1]

Some of the CDBG funds are given to states so that the states themselves can decide which localities within the state get the funds. The rest of the CDBG funds go directly to communities labeled as "entitled" communities. Entitled communities are comprised of three separate types of communities – principal cities of Metropolitan Statistical Areas (MSAs); metropolitan cities with at least 50,000 in population; and qualified urban counties with a population greater than 200,000 (excluding the population of the entitlement cities within the county).[5] When the states distribute their funds, they do so only to non-entitlement communities.

ELIGIBILITY

Outside of the entitlement/non-entitlement requirements noted above, there are a few more eligibility requirements with the CDBG program. These include both hard requirements (i.e. measured quantitatively with strict limits) and soft requirements (i.e. qualitative measures). The primary hard requirement is that over a 1, 2, or 3-year period, at least 70 percent of CDBG funds must be used for activities that benefit low-to-moderate-income people in the community. Additionally, each activity must meet at least one of the national objectives for the program, which are:[2]

- Benefit low-to-moderate-income people
- Prevent or eliminate slums or blight
- Address community development needs having an urgency because existing conditions pose a serious and immediate threat to the welfare or health of the community (for which other funding is not available)

Other CDBG requirements are concerned with citizen participation. Each grantee must develop and follow a plan that provides for and encourages citizen participation. Specifically, the grantee

[4] HUD, Community Development Block Grant Program - CDBG. (2019). Retrieved from https://www.hud.gov/program_offices/comm_planning/communitydevelopment/programs

[5] HUD Exchange, CDBG Entitlement Program Eligibility Requirements. (2019). Retrieved from https://www.hudexchange.info/programs/cdbg-entitlement/cdbg-entitlement-program-eligibility-requirements/

is to target participation by people of low-to-moderate-income and residents of the areas in which the grantee will use CDBG funds. Furthermore, the plan must do all of the following:[2]

- Provide citizens with reasonable and timely access to local meetings, information, and records related to the grantee's proposed and actual use of funds
- Provide for public hearings to obtain citizen views and to respond to proposals and questions at all stages of the community development program, including at least the development of needs, the review of proposed activities, and review of program performance
- Provide for timely written answers to written complaints and grievances
- Identify how the needs of non-English speaking residents will be met in the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate

The following is a list of activities that are generally ineligible:[2]

- Acquisition, construction, or reconstruction of buildings for the general conduct of government
- Political activities
- Certain income payments
- Construction of new housing (with some exceptions)

Below is a (non-comprehensive) list of activities that are eligible for use of CDBG funds and could be beneficial for the City of Elkhart:

- Owner-occupied rehabilitation project
    - The City specifically funds a lot of these projects (see below under the "Examples" section)
- Sewer fee subsidy
- Pre-approved blueprints
    - Essentially, pre-set blueprints for housing projects that make it such that each project does not need to go through the blueprint approval process
- Home lead abatement
- Incentive program to help cover acquisition of property, including legal fees and appraisal fees
- Site plan remediation and analysis
- Site remediation
- Building permit and application fee waivers
- Construction costs in areas affected by blight (such as State and Division)
- Subsidy for interest rates and mortgage principal amounts
- Payment of the premium for mortgage insurance (required up-front by the lender)
- Payment of closing costs
- Payment of up to 50% of the down payment required by the mortgage
- Principal Write-Down
- Façade grants
- Wi-Fi hotspot generators

Any residential projects that are assisted with CDBG funds are subject to the income requirements (less than or equal to 80% AMI).

COMBINATION/EXCLUSION WITH OTHER PROGRAMS

State-allocated CDBG funds are often combined with other federal programs to finance public facility construction. For example, water and sewer systems are often funded with a combination of state CDBG, USDA-Rural Utilities Service money, and EPA Clean Water or Drinking Water State Revolving Fund.[6] One important note on this is that if CDBG funding is used in collaboration with these other programs, the aforementioned CDBG eligibility requirements apply to the entirety of the project.

Another program with which CDBG can be effectively combined is the HOME Investment Partnerships Program (HOME), which works similarly to CDBG (see the section on HOME in Section C.16).

ALLOCATION PROCESS[7,8]

The annual process begins at the federal level where funds are allocated to HUD by Congress after approval by the President. The allocation is usually completed by October 1st every year, which is also the Federal Fiscal Year. The amount of each grant that HUD gives out, both to states (30% of total funds) and to entitled communities (70%), is determined by using a formula that is comprised of several measures of community need. These include the extent of poverty, population, housing overcrowding, age of housing, and population growth lag in relation to other areas.

When finished, HUD must submit their apportionment to the Office of Management and Budget (OMB) for approval. After these funds are allotted and approved, the states further divide up their funds based on their understanding of the needs throughout the state. That allocation will vary from state to state, but it is likely that each state has its own formula that is at least somewhat like that used by HUD. The rest of the project funding allocation is done within these communities, with the main requirement being that at least 70 percent of the funds must be used to benefit people of low-to-moderate-income.

Through this process, the City of Elkhart receives annual CDBG funds of around $750,000.

CDBG TIMELINE[5]

As noted above, the timeline of the CDBG process is fluid. There is a target date for the process to start and proceed as rapidly as possible starting on October 1st of each year, but this target is rarely met. After the President finally does sign Congress' appropriations bill into law, HUD goes

[6] HUD Exchange (2019). Retrieved from https://www.hudexchange.info/onecpd/assets/File/CDBG-State-National-Objectives-Eligible-Activities-Chapter-2.pdf

[7] HUD Exchange, How to Use CDBG for Housing Activities. Retrieved from https://www.hudexchange.info/onecpd/assets/File/How-to-Use-CDBG-for-Housing-Activities-Transcript.pdf

[8] HUD Exchange, CDBG Formula and Appropriation Process. Retrieved from https://www.hudexchange.info/onecpd/assets/File/CDBG-Formula-Appropriation-Process-Transcript.pdf

through their allocation process, which can take up to 90 days. When HUD finishes their process, they submit the apportionment to the OMB for approval, which is a process that can take up to 30 days. After this, HUD checks off on everything and makes sure that all their apportionments fit in the budget, and they finally notify Congress of the process' completion and release the funds to the communities.

EXAMPLES OF CDBG PROJECTS[9, 10, 11]

Successful CDBG projects can be found just about anywhere. For example, in Elkhart, in the fiscal year 2016 alone (July 1, 2016 – June 30, 2017), 11 single-unit residential households were assisted in their rehab projects with CDBG, 37 more multiple-unit residential households were also assisted. In the field of public services, 99 people benefitted from CDBG funding towards the operating costs of homeless/AIDS patients programs; 48 people benefitted from funding towards transportation services; 348 people benefitted from funding towards battered and abused spouses' services; 7 people benefitted from funding towards employment training; 102,680 people benefitted from Fair Housing activities; and 18,860 people benefitted from neighborhood cleanups.

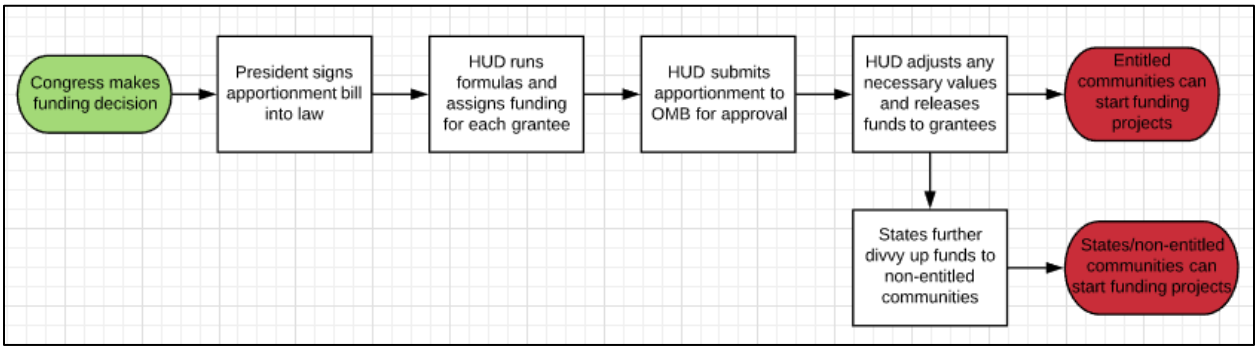
Furthermore, funding towards senior services benefitted 63 people. This all totaled out to a benefit of 122,153 people just in the Elkhart CDBG community. The total amount spent on these projects in the Elkhart CDBG community during the fiscal year 2016 was $585,733.10. Within this CDBG community, 100 percent of the expenditures went towards assisting low-to-moderate-income people and households, with a grand total of 83.25 percent of the expenditures benefitting people of extremely low income (income less than or equal to 30% of the area median income).

[9] HUD Exchange, Use of CDBG Funds by Elkhart, IN (2018). Retrieved from https://files.hudexchange.info/reports/published/CDBG_Expend_Grantee_ELKH-IN_IN_2016.pdf

[10] HUD Exchange, Elkhart, IN, CDBG Accomplishment Report (2018). Retrieved from https://files.hudexchange.info/reports/published/CDBG_Accomp_Grantee_ELKH-IN_IN_2016.pdf

[11] HUD Exchange, CDBG Performance Profile, Elkhart, IN (2018). Retrieved from https://files.hudexchange.info/reports/published/CDBG_Perform_Grantee_ELKH-IN_IN_2016.pdf

PROCESS MAP OF OBTAINING CDBG



C.3 Government-Affiliated Non-Profit Housing Provider

- This tool is applicable to Local Government/Financial Institutions
- It can be used for owner-occupied housing
- It is targeted towards affordable housing

One way to help with affordability of homebuying in a locality is to build a non-profit corporation that includes representation from the local government, local financial institutions (banks and credit unions), and community members. This corporation can provide lending, assistance with closing costs, and homebuying/pre-lending counseling sessions, all of which make the prospects of homebuying and home construction more feasible and more affordable for income-limited community members. An example of such a corporation that can serve as a model for Elkhart County is the Community Homebuyers Corporation of St. Joseph County (CHC).

The CHC consists of six local financial institutions – 1st Source Bank, Lake City Bank, Teachers Credit Union (TCU), Mutual Bank, Notre Dame Federal Credit Union (ND FCU), and Community Wide Federal Credit Union (CW FCU) – as well as representatives from the City of South Bend.[12] The CHC has a mission to "provide affordable mortgage opportunities and knowledge on how to be successful homeowners to low- and moderate-income residents of St. Joseph County with emphasis upon providing housing opportunities within the city limits of South Bend."[13] The program works closely with local, state, and federal governmental housing agencies, but the program is not itself a governmental agency.

The program offers two elements of financial support:[14]

1. A forgivable second mortgage of up to 20% of the purchase price, based on household income
    a. This mortgage is forgiven if the lender remains in the home (with on-time payments) for at least five years
2. $1,000 paid at closing to help cover closing and settlement costs; this can also be worked such that if the entire $1,000 is not necessary to help with closing costs, the remainder will be used to reduce the principal amount of the first mortgage

The CHC is marketed around South Bend in various ways, including word of mouth, the CHC website, WSBT digital ads, and on Facebook with the Big Idea Company. The program is targeted to help people with low-to-moderate-income (under 80% of AMI), and one of the specific goals is to help single mothers and their children.

The CHC homebuyers' assistance program has been in effect since 1992, and it helps roughly 20 households per year, for a total of over 500 families since the program's inception.[1] All the banks

[12] Community Homebuyers Corporation. Retrieved from http://www.ahomeallmyown.org/

[13] Ibid.

[14] Ibid.

in the CHC provide funding, and the City of South Bend allocates about $15,000 toward the program annually.

ELIGIBILITY

The program has many specific requirements including which homes are eligible, their location, and the eligibility of the borrowers themselves. In order to be eligible for a mortgage loan, a property must be located within the South Bend city limits.

Eligible properties must meet the following requirements:[1]

- Properties must be an owner-occupied, single-family unit; condominiums and townhomes are eligible
- The maximum property sales price cannot exceed $110,000
- The property must appraise for *at least* the sale price
- Properties must meet certain physical standards and must be inspected by CHC staff
    - Homes should be brought to a condition that ensures minimal need of additional repairs and costly maintenance during the five years after closing
    - An inspection for wood-infesting insects is also required (by a certified pest control company)
    - There is a $250 inspection fee from CHC that allows individuals to have up to three properties inspected
        - An additional $250 can be charged for up to three additional property inspections after the initial three
    - CHC also recommends that all their clients get additional property inspections independent of the CHC inspections

Eligible borrowers must meet the following requirements:[1]

- Must have an adjusted gross household income that does not exceed 80% of the area median income (AMI)
- Must have completed the required financial management/budget and pre-purchase counseling curriculum
- Must be a first-time home buyer, with the following exceptions:
    - An applicant who owns a mobile home
    - An applicant who has been displaced from their home due to a legal situation such as a divorce
    - An applicant who has moved to this area and who has not previously owned a home in the area
    - An applicant who has not owned a home within the past three years
    - An applicant with a foreclosure history who had extenuating circumstances
- Applicant must be a U.S. citizen
- Applicant must possess at least $2000 in verifiable cash reserves prior to their CHC loan committee review
- Borrower must make twelve consecutive, on-time payments within the first five years
- Must attend six post-purchase counseling sessions with the City of South Bend Housing Counseling Agency within the first year

- Attend one final meeting with City of South Bend Housing Counselor for review and to receive the certificate
- Post-purchase counseling must be completed with the City of South Bend Housing Counseling Agency

The forgiveness of the second mortgage is forfeited if any of the following occur:

- Abandonment of the property
- Receipt of income for the use of the real property while not an occupant of the property, for thirty or more days, whether or not consecutive, in any calendar year
- Sale of any interest in the property
- No longer using the property as the borrower's principal residence
- Seeks bankruptcy protection
- Becomes subject to a foreclosure action under the first obligation

COMBINATION/EXCLUSION WITH OTHER PROGRAMS

It is not stated that there is any exclusion from other programs within CHC, and there is also no mention of incorporating other tools with it. The CHC operates independently of other tools. It is assumed that if other programs are implemented in conjunction with CHC, the projects will have to meet CHC requirements as well as the other program's requirements.

ALLOCATION PROCESS

To acquire CHC funding, a potential borrower must go through the CHC application process. First, the CHC Processor determines the borrower's income eligibility and housing counseling requirement status. Once a certificate of counseling completion is acquired, the applicant is referred to 1st Source Bank.

When the applicant meets with a loan processor from 1st Source, a fee is collected. The application is processed by 1st Source to verify the information. All income-eligible applicants who have completed applications are then presented to the CHC Lenders Committee for underwriting approval or denial. The decisions of the committee – which is comprised of representatives from the CHC's participating financial institutions – are final. However, if an applicant gets denied, he or she may appeal the decision to the CHC Board of Directors. This appeal must be in writing and cite specific reasons for further consideration. This appeal must be made within 30 days after the notification of denial.

The following aspects of an applicant are in consideration for their participation in the program:

- Employment
- Non-taxable income
- Part-time income
    - Only if the applicant has maintained the position for at least six months; alternatively, if the work is seasonal, the applicant must provide at least two years of tax returns verifying the wages and employment
- Rental history
- Credit
- Debt ratio

- Foreclosure history
- Bankruptcy
- Repayment plans (Agency or Chapter 13)
- Judgments
- Available funds
- Gift funds
- Counseling requirements
- Credit union membership

Applicants then search for their desired property and get it inspected. Once they decide on eligible property, the loan can be approved, and the project/purchase can be conducted.

CHC TIMELINE

The timeline is conducted on a case-by-case basis, and the time that each application takes is variable, but CHC provides a general timeline, which flows in the direction previously mentioned in the allocation process.

As stated, there is no specific time frame in which each of these steps occurs, but there have been some complaints that the realtors take too long (up to four months).

EXAMPLES OF PROJECTS

Along with CHC, there are various other such corporations throughout the country. One of the best such examples outside of CHC is the Alabama Multifamily Loan Consortium (AMLC) based in Montgomery, Alabama. The AMLC provides permanent mortgages for multifamily housing throughout the state. The AMLC was founded in 1996 and has created 4,750 low-income housing units. The majority of the AMLC's work is new construction that leverages low-income housing tax credits to help fund projects. Also, 60% of the consortium's lending is in rural areas.[15]

Another example is Community Lenders, which operates in Pennsylvania. It is a nonprofit, multi-bank community development corporation (CDC) that partners with both public and private organizations, and the banks that are members of Community Lenders pool their loan money and share the lending risk to contribute to stronger communities in Pennsylvania.[16]

A third example of such a corporation is the Network for Oregon Affordable Housing (NOAH) that is based in Portland, Oregon. It has 22 member banks, and it is a nonprofit bank consortium that devotes its resources to overcome affordable housing challenges. NOAH is governed by a 12-member board of directors that consists of bankers, professionals, and community group members.[17]

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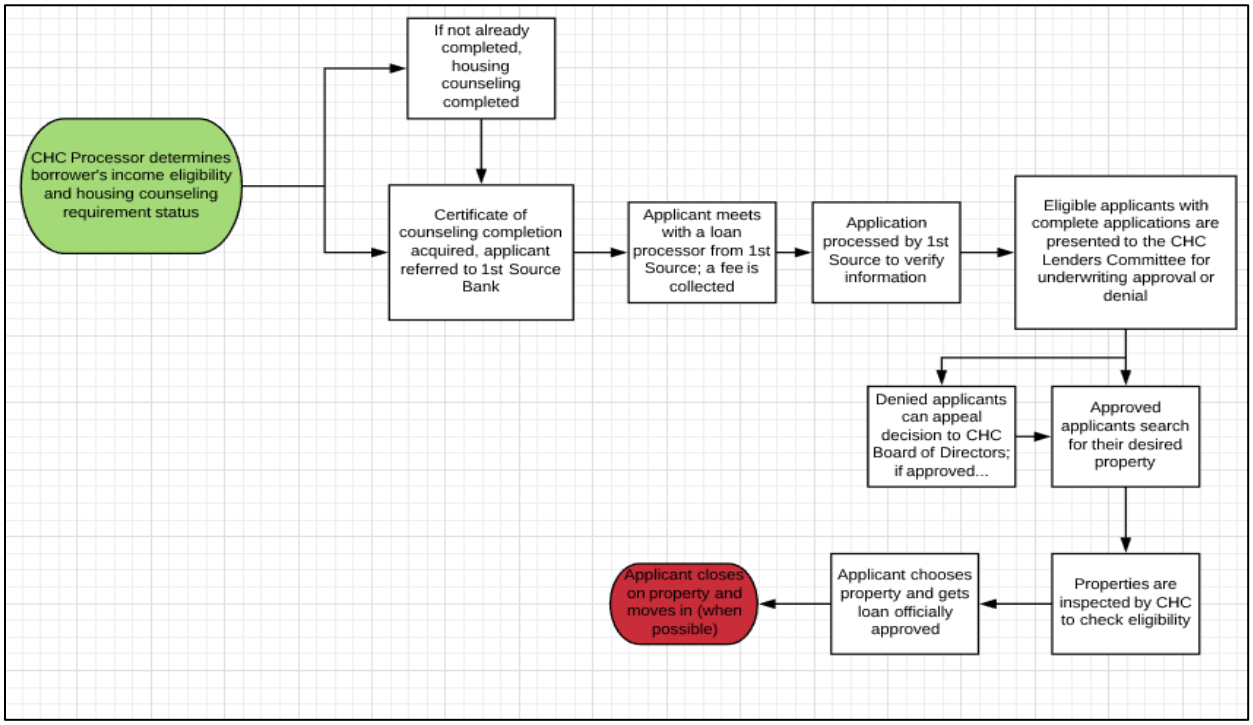
[15] The Center for Community Lending, Alabama Multifamily Loan Consortium. Retrieved from https://centercommunitylending.org/lenders/alabama-multifamily-loan-consortium/

[16] Community Lenders, About Us (2019). Retrieved from https://communitylenderspa.org/about-us-2/

[17] HUD, Multibank Consortia Sustain Communities by Advancing Affordable Rental Housing (2011). Retrieved from https://www.huduser.gov/portal/periodicals/em/spring11/highlight3.html

PROCESS MAP OF OBTAINING CHC FUNDS



C.4 TAX ABATEMENT PROGRAM

- This tool is applicable to **Developers**
- It can be used for both owner-occupied and rental housing
- It applies to both market-rate and affordable housing
- Can be used for rehabilitation projects

Tax abatement, referred to as a tax phase-in in the State of Indiana, is a governmental program that grants a person or entity a tax reduction for real and/or personal property. When a property is developed, there is a deduction schedule in which a certain percentage of taxes (usually zero in the first year) is paid, and the percentage progressively increases year after year until the full value of taxes is paid.[18]

Tax phase-ins are realized tax savings, but they are not strictly taxed savings. They take the form of a deduction in assessed valuation for a property due to new investment. In doing this, the amount of property taxes that property owners owe are reduced during this period. These forms of tax abatement promote development because they help save a significant sum of money during the high-cost portion of a project. That is what makes tax phase-ins an effective tool to promote new development.

Tax phase-ins can be granted for real property and personal property.

- **Real property** is property that is fixed permanently to a certain location. Real property cannot be moved
    - Real property includes buildings, land, and any features of the land (i.e. waterways, rights to minerals, etc.).
- **Personal property,** on the other hand, can be moved from one location to another. An easy example of this is furniture. Furniture is clearly the property of a certain person or household, but it is in no way fixed to the land, so it can be moved.[19]

This program offers tax phase-in periods ranging from one year to ten (10) years. The period length for each phase-in is determined by the local government.

A very important note is that the State and Division Neighborhood qualifies as a residential tax abatement area. To obtain a phase-in deduction, an applicant must fill out the Form 322/RE and file it with the County Auditor.

ELIGIBILITY

The City of Elkhart has a property tax phase-in program. Within this program, new buildings that are constructed can be eligible for real property tax abatement. Substantial improvements to

[18] Economic Development Corporation of Elkhart County, 2011 Data. Retrieved from https://static1.squarespace.com/static/53e3c54de4b0ec0638164aa3/t/5442fbe7e4b02d01b173163d/1413676007215/Demos+for+Elkhart+Co.pdf

[19] Dugger A., Study.com, Real Property and Personal Property: Definition and Differences. Retrieved from https://study.com/academy/lesson/real-property-and-personal-property-definition-and-differences.html

existing buildings can also be eligible, but it is only the value of the improvement that qualifies the property.

Properties that are eligible for these tax phase-ins are located in areas that the local government has declared to be economic revitalization areas (ERA). ERAs are areas that have become undesirable (or, more severely, impossible) for normal development and occupancy because of "a lack of development, cessation of growth, deterioration of improvements or character or occupancy, age, obsolescence, substandard buildings, or other factors that prevent development or use of a property as designated by a Designating Body."[20]

Each deduction decision is approved by the County Auditor. For a residential property to even be considered, however, there are some general eligibility requirements for the property. As mentioned above, there are three ways in which a property can be eligible for these deductions, and they are as follows:[3]

1. The property is a multi-family residential facility in which 20% of the units are available for low-to-moderate-income people
2. The property is located within an EDTA
    a. An EDTA is "a geographic area limited to 15% of a unit's jurisdiction as identified and recommended by an economic development commission to the Designating Body of a city or town that will allow for an assessed valuation deduction…that (i) meets the criteria of an ERA or (ii) has been designated as a 'Registered Historic District or encompasses buildings, structures, or sites on the National Register of Historic Places, listed on or eligible for the Indiana Register for Historic Sites and Historic Structures as prepared by the Historic Landmarks Foundation of Indiana'."[3]
3. The property is located within an RDA
    a. An RDA is a "geographic area as designated by the Designating Body that meets the same criteria as an ERA including the additional findings generally that: (i) the area is comprised of parcels that are unimproved; or (ii) contain 1- or 2- family dwellings or multi-family designed for up to four families…"[3]

COMBINATION/EXCLUSION WITH OTHER PROGRAMS:

There is no mention of these phase-in deductions being exclusionary or explicitly combined with other programs, subsidies, or grants.

ALLOCATION PROCESS[21]

To begin the process, the first step is simply determining whether the property that an individual seeks phase-in deduction for is real property or personal property. As highlighted above, this is typically fairly easy to determine. If the property is real property, it may be eligible for this program (there is also a personal property phase-in program in Indiana, but that is not pertinent here). After it has been determined that a property is real property, the process continues by

[20] Building Indiana, Tax Abatement 101 (2017, May 23). Retrieved from https://www.buildingindiana.com/tax-abatement-101/

[21] Allen County, Indiana, Abatements. Retrieved from https://www.allencounty.us/property-tax-division-and-deductions/abatements

determining the other eligibility factors mentioned above. If a property meets these eligibility requirements, the applicant then fills out and files the deduction application Form 322/RE with the Elkhart County Auditor before May 10 in a given year. With this form in hand, the County Auditor makes the decision on the number of years for the deduction period and the abatement schedule for the property. Often, the County Auditor will also ask the assessor to review the residential tax deduction. Finally, the County Auditor makes a decision on the deduction, and the property owner has 45 days to appeal the decision in writing.

PHASE-IN DEDUCTION TIMELINE[22]

Everything up until the filing of the Form 322/RE is done strictly at the pace that the applicant decides. The main timeline determinant for this program is that all forms must be filed to the County Auditor before May 10 in a given year. If they are not filed by May 10, the property owner can apply between January 1 and May 10 of the following year for the remainder of the abatement term. After the forms are filed to the County Auditor, the County Auditor reviews and makes his or her decision on the deduction application. As part of this, he or she determines the number of years for the property's deduction, as well as the abatement schedule. This is the second major component of the timeline for these projects. The number of years ranges from one year to ten years. According to the abatement schedule, a property owner pays taxes on a reduced assessment valuation over the course of the deduction period, with the valuation increasing towards full value each year. Each year, each deduction property must also submit a CF-1 form each year to ensure that the property is remaining in compliance with the terms of the tax abatement.

EXAMPLES OF PHASE-IN DEDUCTION PROJECTS

It is hard to find much in the way of publicized details concerning tax abatements for residential properties, in part due to the private nature of these properties. It is somewhat easier to find examples of industrial and manufacturing property tax abatements. However, the accounts are still not all that detailed, unfortunately.

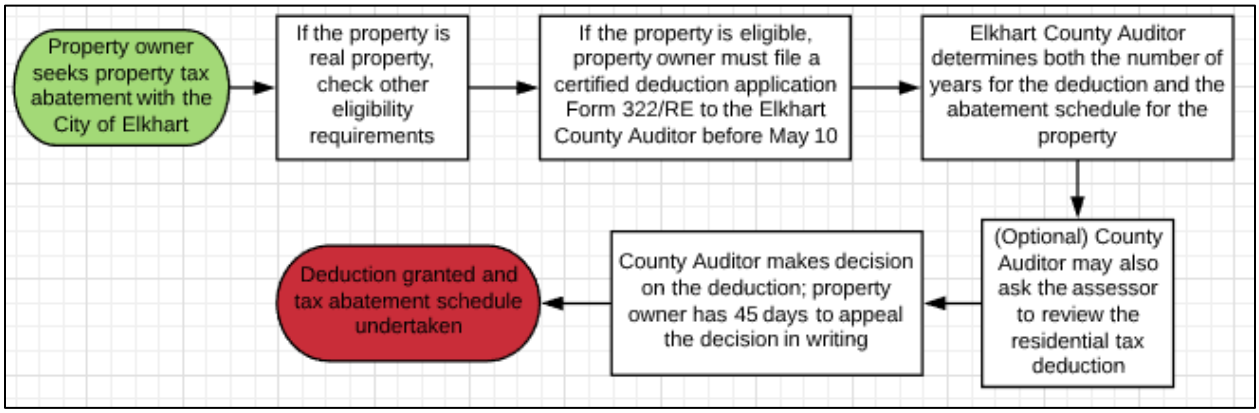
Allen County, Indiana, publicizes its payable tax abatements on a yearly basis. The data sheet includes the property companies' names as well as important information such as the yearly abatement amount and the years remaining on each abatement. Below are the details on a few such properties, chosen at random:[4]

- Accugear, Inc. - $100,376 abatement amount on January 1, 2018; 1 year remaining
- Centlivre LLC - $3,560,900 abatement amount; 9 years remaining

[22] Ibid.

- DDC Real Estate LC/Don Yeoman Service Center - $218,880 abatement amount; 8 years remaining

PROCESS MAP OF OBTAINING PHASE-IN DEDUCTION



C.5 LEAD REMOVAL FINANCING

- This tool is applicable to Local Government/Financial Institutions
- It can be used for both owner-occupied and rental housing
- It is targeted towards affordable housing
- Can be used for rehabilitation projects

In homes built before 1978 – like most of the homes in the State and Division Neighborhood – the initial paint used on both the interior and exterior of the houses most likely was lead-based. Over time, society has come to realize that this is extremely problematic. Lead is highly toxic, and it has been shown to cause various health problems, especially in young children.[23]

In homes that have lead paint, there are various ways in which lead poisoning can be caused. As lead paint deteriorates, it mixes with dust and soil around the household. This makes it possible for children (and possibly adults) to face lead poisoning by doing any of the following things:

- Putting their hands or other lead-contaminated objects into their mouths
- Eating paint chips found in homes with peeling or flaking lead-based paint
- Playing in lead-contaminated soil

Lead paint removal can be both costly and dangerous. There are governmental grants available that can help finance lead paint remediation. The largest such program is through the U.S. Department of Housing and Urban Development (HUD), and it is called the Lead-Based Paint Hazard Reduction grant program (LBPHR). This program operates by awarding grants of up to $3.5 million to state and local governments to help finance lead paint removal.

For further clarity:

- The minimum grant is $1 million
- Grants to large, urban jurisdictions have a maximum of $3.5 million
- Grants to other jurisdictions have a maximum of $3 million
- Jurisdictions that are receiving their first LBPHR grant can be awarded grants with a maximum of $2 million

In the fiscal year 2018, the program had an overall funding allotment of $180 million, with a target of awarding approximately 50 total awards. Each of these grants requires a minimum funding match by the recipient of at least 10 percent of the grant (i.e. if a jurisdiction receives a $3 million grant, it must put forth at least $300,000 of additional funding for the project). Jurisdictions must provide clear documentation of the source and intended use of all match funding that they provide.[24]

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[23] HUD, About Lead-Based Paint. Retrieved from https://www.hud.gov/program_offices/healthy_homes/healthyhomes/lead

[24] HUD, Lead-Based Paint Hazard Reduction Program (2018). Retrieved from https://www.hud.gov/sites/dfiles/SPM/documents/FR-6200-N-12TC-NOFA.pdf

One stipulation of these grants is that at least 65 percent of the grant money needs to be spent directly on lead hazard control direct costs:

- The performance of lead paint identification and remediation activities.
    - These activities include inspections and testing; lead paint hazard control (control or elimination of lead-based paint in a home); minimal household rehabilitation; temporary relocation; and associated support costs.[2]

Any state or local government that seeks a LBPHR grant must go through an application process that will be highlighted below (See: "Allocation Process"). HUD offers various outreach materials for this program on their website at https://www.hud.gov/program_offices/healthy_homes/lbp/lhc.

ELIGIBILITY

Eligible applicants must be a state or local government, and they must meet multiple other requirements. First, these governments must be registered with the System for Award Management (SAM) before submitting their application to HUD. Second, they must be able to provide a valid Dun and Bradstreet Universal Numbering System (DUNS) Number. Additionally, as the application is conducted through Grants.gov, the governments must be registered with Grants.gov before applying. HUD also offers the following list of requirements that affect applicant eligibility:[2]

- Outstanding delinquent federal debts
- Debarments and/or suspensions
- Pre-selection review of performance
- Sufficiency of financial management system
- False statements
- Mandatory disclosure requirement
- Prohibition against lobbying activities
- Equal participation of faith-driven organizations in HUD programs and activities

Furthermore, there are requirements that are known as "threshold requirements," and if they are not met, then an applicant will be deemed ineligible. These threshold requirements are:

- Timely submission of applications
- Resolution of civil rights matters
- Other reasons for ineligibility:
    - Requested funds exceeding maximum award amount
    - Duplicate applications
    - Application does not include documentation for fund matching system
    - Application does not contain each of the required application documents
    - If currently holding a HUD Office of Lead Hazard Control and Healthy Homes (OLHCHH) grant, if the jurisdiction's performance is below 75% of any of the performance benchmarks of the program
        - Similarly, if the previous grant ended on high risk status
    - If the applicant does not clearly identify in the application abstract the jurisdiction in which it will be utilizing grant funds

        - Jurisdiction must be identified as a city, township, borough, or any other comparable local jurisdiction terminology

In addition to all of the eligibility requirements mentioned above, for any grant awardee, the following criteria of beneficiaries must be met:[2]

- For rental housing, at least 50 percent of the units must either be occupied by or made available to families with incomes at or below 50 percent of the area median income (AMI); all the remaining units must be occupied by or made available to families with incomes at or below 80 percent of the AMI.
    - In all cases, the landlord must give priority in assisted renting units to families with children under the age of 6 for no fewer than three years after the lead abatement is completed
    - In buildings that have five or more units, up to 20 percent of the units can be occupied by families with incomes over 80 percent of the AMI
- For owner-occupied housing, all units that are assisted must be the primary residence of families with incomes at or below 80 percent of the AMI, and no fewer than 90 percent of the assisted units must be occupied by a family with a child under the age of six or must be units where a child under the age of six spends a significant amount of time visiting (this is defined as at least two times per week at which such a child spends at least 3 hours at the residence).[25]

COMBINATION/EXCLUSION WITH OTHER PROGRAMS

Given that this program is the only tool that addresses lead-based paint, it is not explicitly combined with any other tools or exclusionary with other tools, with one caveat – funds from other programs (such as CDBG) can be used by governments to help cover the matching requirement.[2]

ALLOCATION PROCESS

As noted above, all agencies that wish to be awarded LBPHR grants must fill out an application through Grants.gov. The Application Instruction and Application Package are downloaded from Grants.gov. The Application Package contains the proper Adobe forms that Grants.gov uses. The Instruction Download contains official copies of the Notice of Funding Availability (NOFA), as well as the forms necessary for a complete application. Complete applications contain the following content:

- Form HUD_424_CBW: HUD Detailed Budget Worksheet
- Standard Form 424 (SF424), Application for Federal Assistance
- Form HUD_2991, Consistency with Consolidated Plan
- Acknowledgment of Application Receipt (HUD2993), if applicable
- Narratives and non-form attachments (see below)

[25] Carroll E. and Ward G., HUD, Unit Eligibility (2018). Retrieved from https://www.hud.gov/sites/dfiles/HH/documents/2018%20PMS%20%20Unit%20Eligibility%20vj%20.pdf

There are various narratives and other non-form attachments that must be included in the application. These attachments must follow specific formatting as put forth by HUD. The attachments that fall into this category are:

- An abstract
- A narrative response
- A budget narrative
- A consolidated plan lead-based paint element
- Additional materials in the appendices
    - Resumés
    - Consolidated Plan's lead segment (or link to it)
    - Documentation of minimum match requirements through commitment letters

After the application has been submitted, it is reviewed by HUD. HUD has three rating factors that are utilized to determine which applicants receive grants. These rating factors are as follows:

Rating Factor 1: Capacity of the Applicant and Relevant Organizational Experience (worth 40 points)
Rating Factor 2: Justification of Applicant Need (worth 20 points)
Rating Factor 3: Budget Proposal (worth 40 points)

These rating factors are all viewed independently of each other. There are a total of 100 possible points from the three rating factors, and there are an additional two points that are awarded as "Preference Points," bringing the maximum score to 102. For more specific information on these rating factors and the scoring process, visit https://www.hud.gov/sites/dfiles/SPM/documents/FR-6200-N-12TC-NOFA.pdf (specifically Section V.A).

In reviewing applications, HUD also considers the jurisdiction's past performance (if applicable) as well as the applicant's risk factor.

After HUD selects the applicants for the grant awards and notifies the awardees, HUD and these awardees enter into negotiations to determine the specific terms of the grant agreement, budget, work plan, benchmarks, and other requirements.[2] If HUD and the awardee do not come to an agreement within a HUD-designated period, the award is not granted. If an agreement is reached, the awardee must return the signed grant agreement by a specified date. The effective start date of each awardee's project is determined by HUD and delivered to the awardee when they are notified of their award.

From there, the awardee may start its project according to the timeline and work plan set forth in the agreement. Along the way, HUD requires the awardees to submit performance and financial reports periodically.[2]

LBPHR GRANT TIMELINE

The specifics of the timeline are not publicly defined. What is known is that in 2018 the deadline for application submission was at 11:59 PM EST on September 25th. It is unclear if this deadline is standard for each year or if it was merely the deadline declared for 2018.

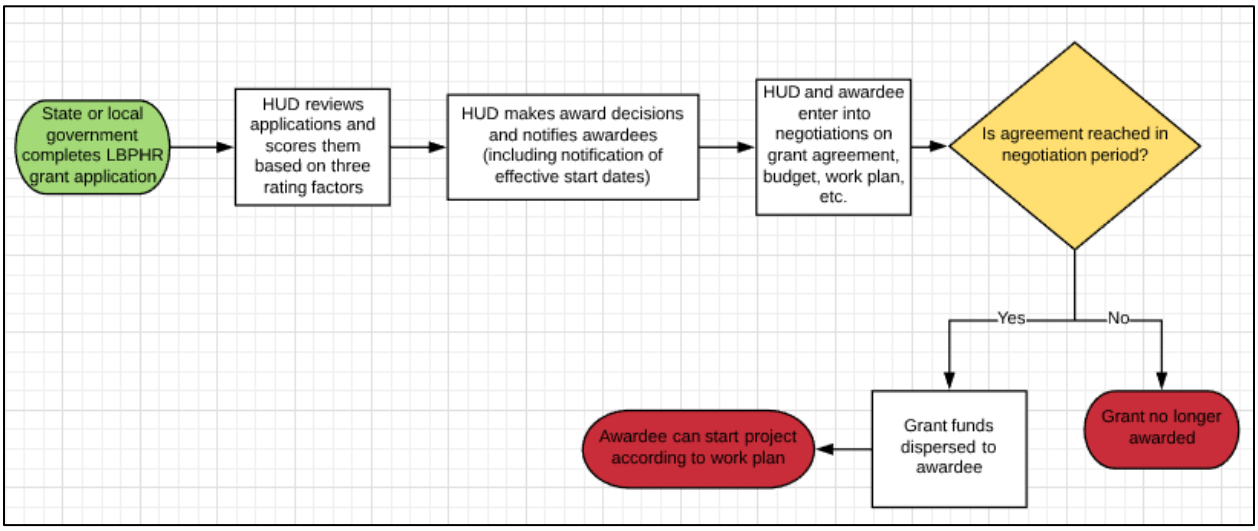
It is once the application is in the hands of HUD that the timeline becomes unclear. HUD takes however long it needs to come to award decisions, and it also gets to set the negotiation period with each awardee, on a case-by-case basis. As previously noted, the start date of projects is completely determined by HUD, and the work plan and timeline are decided in negotiations between HUD and the awardee.

EXAMPLES OF LBPHR PROJECTS

The Government Accountability Office (GAO) released some overall data in June 2018 that is helpful for demonstrating where grant funds have been spent. The GAO found that from 2013 to 2017, the amount of grant money that was awarded increased from $93 million to $124 million, and the number of grantees increased from 36 to 47. The GAO also publishes percentages on which regions of the country are receiving these grants. They found that over the course of 2013-2017, 41 percent of the grant money was awarded to jurisdictions in the Northeast, 32 percent to the Midwest, 16 percent to the South, and 12 percent to the West.[26]

HUD has also published some general numbers as well. Throughout the course of the program, HUD has helped make almost 400,000 housing units lead-safe. For the fiscal year 2019, HUD's goal is to target creating 6,500 more lead-safe housing units.[27]

PROCESS MAP OF OBTAINING LBPHR GRANTS



[26] Government Accountability Office, Lead Paint in Housing (2018, June). Retrieved from https://www.gao.gov/assets/700/692708.pdf (see Appendix V)

[27] HUD, Annual Performance Plan (2019). Retrieved from https://www.hud.gov/sites/dfiles/SPM/documents/FY19_APP.pdf

C.6 TAX INCREMENT FINANCING (TIF)

- This tool is applicable to Local Government/Financial Institutions
- It can be used for both owner-occupied and rental housing
- It applies to both market-rate and affordable housing
- Can be used for rehabilitation projects

Tax increment financing (TIF) is an economic development tool that was developed in California in 1952.[28] Its implementation and policies differ from state to state. In Indiana, a redevelopment commission consisting of five to seven members as appointed by the locality.[29] The appointed commissioners have the duty of assessing which locations within the locality need redevelopment and, to the extent possible, attempt to "combat the causes of areas needing redevelopment,"[30] and establish TIF districts. These districts are required to remain active for a maximum of 25 years, if established after June 30, 2008.

Once a TIF district is established:

- The present value of the redevelopment area is assessed at the TIF establishment, and this value is labeled as the "base assessed value."
- Increases in value in this allocation area during the TIF district's lifespan are considered "incremental assessed value."[2] Taxes paid on this additional value are redirected to the redevelopment commission, who can use this money to fund its redevelopment projects.
- Usually, at the onset of a TIF project, the redevelopment commission raises all the money that it plans on spending on the project through the sale of bonds, and the commission repays this money with the funds gained from taxes on the incremental assessed value.[2] If the tax revenue is insufficient in paying off these debts by the end of the project, the locality must come up with the difference. In some areas, a "pay as you go" method is instead used. With this method, the redevelopment commission instead pays for projects only with the money that comes in from incremental assessed value, and it funds projects only when it obtains this money (on a yearly basis).
    - The City of Elkhart mostly uses the "pay as you go" method to fund its projects

Each year, on April 15, each TIF district's annual report is due and must be filed with the executive and fiscal bodies of the locality and must include all relevant info about the project, ranging from the list of redevelopment commissioners to the expenses and the purpose of each expenditure.[2]

ELIGIBILITY

The target of all TIF projects is, ideally, to benefit the public health, safety, morals, and welfare of the community, with a focus on benefitting low-to-middle income people. In the past, TIF

[28] Dye, R., & Merriman, D., Lincoln Institute of Land Policy, Tax Increment Financing (2006). Retrieved from https://www.lincolninst.edu/publications/articles/tax-increment-financing

[29] State of Indiana, Tax Increment Financing (TIF) Local Income Tax (LIT) (2017, May). Retrieved from https://www.in.gov/sboa/files/Rogers_TIF%20and%20LIT_Spring_2017.pdf

[30] Law Server, Indiana Code 36-7-14-11 (2017). Retrieved from https://www.lawserver.com/law/state/indiana/in-code/indiana_code_36-7-14-11

district establishment has been subject to a "but for" test, in which it is stated that TIF cannot be used unless the project could not be completed "but for" the use of TIF. However, this requirement has fallen to the wayside in most areas, and TIF is generally allowed in projects in which it may be important but non-vital. Thus, nowadays, the eligibility requirements for TIF are rather loose.[2]

COMBINATION/EXCLUSION WITH OTHER TAX CREDITS/SUBSIDIES

TIF is often combined or supplemented with other economic development subsidies.

ALLOCATION PROCESS

TIF funding is generally dependent on the outcome of the project itself. Though funds are usually raised through the sale of bonds that are paid back as incremental assessed value is accrued, in the end, the true allocation of funds is dependent on the incremental assessed value. One could argue that, in theory, the true allocation is established when the redevelopment commission decides how much money to raise for the project through the sale of bonds. However, if the incremental assessed value actually ends up being larger than this value, the allocation will essentially be the incremental assessed value, not the value of the bonds (unless the commission decides to release the additional funds back to the state). The dependence on incremental assessed value is especially true when using the aforementioned "pay as you go" method, in which no bonds are sold, and funding is 100% dependent on incremental assessed value.

TIF TIMELINE

TIF timelines differ from state to state. In Indiana, TIF districts can be established, with the redevelopment commission's approval, at any time. As stated above, they are established with a declaratory resolution as well as a confirmatory resolution being drawn up to establish the end of the process. The TIF district, at its designation, is given its term, which is now limited to a maximum of 25 years. At the outset, the base assessed value is taken, and incremental assessed value is calculated throughout the TIF district's term based off of this value. As stated above, an annual report must be submitted to the Department of Local Government Finance for each TIF district on April 15 of each year.[2]

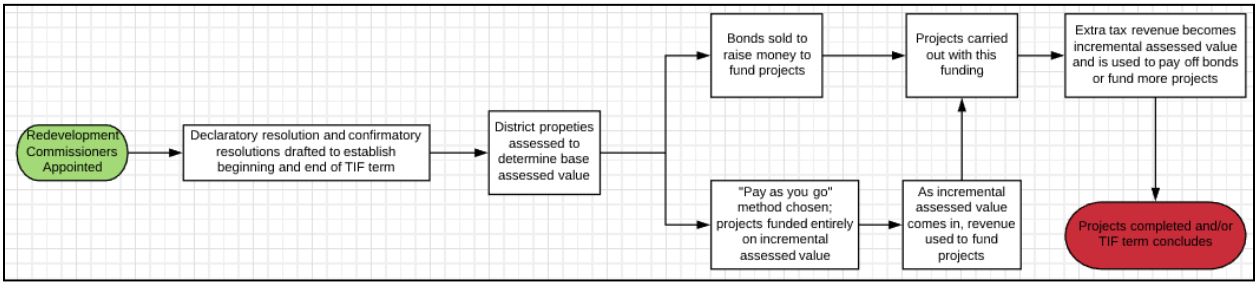
EXAMPLES OF TIF PROJECTS

Starting in 1985, the City of Evanston, Illinois used TIF on the western edge of its downtown business district to create a joint venture research park between the city and Northwestern University, as well as to develop parking, commercial, and residential land uses. The City used TIF to finance land assembly, construction of a parking garage, an operating subsidy for parking, and hotel property tax rebate. To finance these projects, the City used property tax increments, sales taxes, hotel taxes, amusement taxes, and parking revenues. The end result was a $400 million research park project.[31]

[31] Greifer, N., Government Finance Officers Association, An Elected Official's Guide to Tax Increment Financing (2005). Retrieved from https://www.gfoa.org/sites/default/files/EOGTIF.pdf

For a small-scale example, the La Estancia project in Chicago offers a good look at a successful project. The project covered three buildings and created nearly 60 affordable apartments (one-to-four-bedroom), as well as ground-floor commercial spaces, creating a mixed-use development. The project used over $1 million in TIF funds and also created 25 temporary construction jobs.[32]

PROCESS MAP OF OBTAINING TIF



[32] City of Chicago, TIF Success Stories (2019). Retrieved from https://www.chicago.gov/city/en/depts/dcd/supp_info/tif_success_stories.html

C.7 Innovative Rehabilitation Financing Model with Mortgages Above Appraisal Value

- This tool is applicable to Local Government/Financial Institutions
- It is used for owner-occupied housing
- It applies to both market-rate and affordable housing
- Can be used for rehabilitation projects

As mentioned in other areas throughout this report, a major obstacle in financing property rehabilitation is the financing gap between the appraisal value of a property and the overall cost of acquiring and rehabilitating the property. This leads to complications because traditional financial institutions will only offer loans (mortgages) up to the appraisal value of a property. The only ways to fund such projects are to:

- Bridge the financing gap with cash (very difficult for most people)
- Use some form of government subsidy – most likely through the help of a nonprofit or the locality – or come up with some sort of innovative financing model that offers a mortgage above the appraisal value of a property

One of the best examples of such a financing model is the Detroit Home Mortgage (DHM) program. The program was launched in February 2016 to combat the financing gap that had been limiting mortgage availability throughout Detroit.[33] It is a collaboration of banks (both local and national), foundations, and nonprofit groups. The Office of the Comptroller of the Currency (OCC) has also offered support to DHM. Overall, the program has up to approximately $150 million in lending capital available. The main goal of the program is to support the needs of aspiring, creditworthy Detroit homeowners and, by doing so, to help alleviate the issues of blight and high vacancy levels across Detroit.

Since the inception of DHM, the number of mortgages in the City of Detroit has risen by 25 percent year over year (YOY), and approximately half of this increase has been attributed to the efforts of DHM. Furthermore, the program has boosted home buyer confidence, which helps the program expand its efforts even more. By the end of 2017, about 75 families had been prequalified for a mortgage and were searching for their dream home, and more than 150 additional families had already closed on their mortgage or had already been approved.[34]

With this program, banks can:

- Lend at the full value of the cost of the project (including acquisition costs and rehabilitation costs) – even if the cost is up to $75,000 greater than the appraisal

[33] Altman F., OCC, Detroit Home Mortgage: Innovative Rehabilitation Financing (2018 February). Retrieved from https://www.occ.gov/publications/publications-by-type/other-publications-reports/cdi-newsletter/single-family-february-2018/article-4-detroit-financing.html

[34] Ibid.

- Loan qualified existing homeowners the full amount of what they need to rehabilitate their current homes, helping to keep more homes from becoming uninhabitable

The program works as follows:[35]

1. First, qualifying borrowers receive the first mortgage on their property, which is at the appraised value of the house, minus a 3.5 percent down payment.
    - All DHM lenders offer an identical low fixed interest rate, with no bank fees, and they all utilize the same underwriting guidelines. Within these guidelines, the first mortgages are fixed-rate and fully amortized over a maximum period of 20 years, and they are held on the balance sheets of the banks.
2. The DHM then offers a second mortgage of up to $75,000 to fill the remaining gap between the appraised value and the overall cost of the project.
    - All DHM second mortgages have a five percent fixed interest rate, and they have amortization terms that match those of the first mortgage for the property
    - Of note is that after any necessary rehabilitation is finished, the second mortgage for that property is sold into a loan fund that is both developed and administered by the Community Reinvestment Fund, USA (CRF)

Both the first and second mortgages of any DHM-funded property must be repaid. However, there is some protection that is offered to the homeowner. If there is a case of hardship that requires a homeowner to sell his or her home at a short sale, the Kresge Foundation (one of the foundations involved with DHM) has guaranteed to forgive the portion of the second mortgage that is greater than the sale value of the house, thus making the borrower whole.

DHM is marketed in a multitude of ways. The program is helped by a direct outreach by the program lenders, and DHM has a strong social media campaign that resonates with the market. Furthermore, there is general media support for the co-branding of DHM with the bank partners that help play off the strength of the banks' market presence. Finally, the program has an active community marketing outreach. An example of this is that in August 2016, over 250 real estate agents gathered for a DHM outreach event. There was an overwhelmingly enthusiastic response, and DHM lenders are still meeting one-on-one with these realtors to further educate them on the program.

ELIGIBILITY

- DHM has no minimum loan size and no income restriction, so eligibility restrictions are fairly lax overall.
- Aspiring homeowners must be deemed "creditworthy," however, as is the case with most loan programs. There is no publicized hard requirement for this, and it is assumed to be different from bank to bank.
- Loan-seekers must have sufficient cash reserves to make the 3.5 percent down payment on their desired property.
- Properties must be within the City of Detroit (though homeowners do not need to be current residents of Detroit).

[35] Ibid.

- Additionally, all borrowers must complete the standard home buyer education curriculum from the U.S. Department of Housing and Urban Development (HUD) and the Michigan State Housing Development Authority (MSHDA). This curriculum is offered by 10 housing counseling agencies.
    - An additional specialized component of this home buyer education curriculum has been developed to ensure that borrowers understand the financial risks that are involved in borrowing an amount that is greater than the appraised value of a home. This information is also included in a disclosure form that all DHM borrowers are required to sign at their closing on their property.[36]

COMBINATION/EXCLUSION WITH OTHER PROGRAMS:

There is no mention of the program being exclusionary with any other financial tools or programs. Additionally, there are no specifics about which corporations are eligible or how their efforts are combined, but according to the OCC, DHM supports neighborhood-based community development corporations (CDC) in the community.[1]

ALLOCATION PROCESS[37]

The allocation process is straightforward overall. Any prospective borrower seeks out a DHM member lender and seeks approval. If deemed creditworthy and granted approval, the borrower becomes pre-qualified for a first and second mortgage through DHM. Then the pre-qualified borrower must fulfill the home buyer's education requirement. After this requirement is fulfilled, the borrower finds a home and goes through the process of choosing a DHM project manager and finding a contractor. With a contractor and property finally chosen, the bank orders a property appraisal. The contractor is officially signed, and a timeline for the project is established – including a site visit timeline for the project manager. Once this is completed, the borrower is able to secure their mortgages through DHM and close on their home, and finally, they can start their project. If the borrower is looking to renovate their current home, they follow the same process, simply cutting out the step of finding a home. After the money for the mortgages is given to the borrower, the allocation process then shifts into the mortgage amortizing and the borrower repaying the lender.

DETROIT HOME MORTGAGE TIMELINE

DHM projects can be conducted at any time (there is no specific annual timeline in which projects are conducted or mortgages are given out) after approval. The actual timeline for each project is conducted on a case-by-case basis, following the flow laid out above.

[36] Ibid.

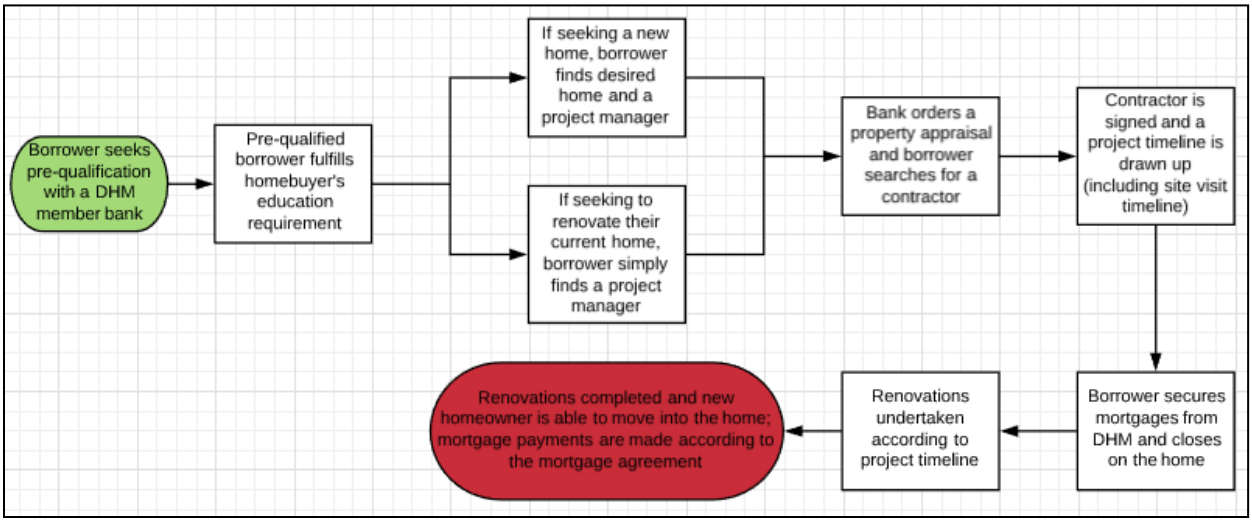
[37] Detroit Home Mortgage, Renovation Education. Retrieved from http://www.detroithomemortgage.org/DHM-REHAB.pdf

EXAMPLES OF DETROIT HOME MORTGAGE PROJECTS[38]

DHM projects are distinctly personal and private, so most of the projects are not publicized. OCC offered a short write-up on one Detroit homebuyer's experience with DHM. In June 2016, a woman named Marcie Kansou closed on a house in the Rosedale Park Neighborhood of Detroit. In doing so, she became the first person to purchase a home through DHM.

In this project, Kansou purchased the house at a price of $53,000, but the house required $40,000 of additional rehabilitation work. Thus, the overall cost was $93,000. The house had an appraisal value of $75,000, so there existed a financing gap of $18,000. Kansou turned to DHM. There was a $3,000 down payment, and Kansou was given a first mortgage of $72,000 over 20 years at a fixed 3 percent rate as well as a second mortgage over 20 years at a fixed 5 percent rate to cover the remaining renovation costs. Through DHM, she was also able to roll in her closing costs, her first-year payments on property taxes and insurance, as well as other expenses. Furthermore, she does not have to pay private mortgage insurance. Without DHM, Kansou would not have been able to purchase this house.

PROCESS MAP OF OBTAINING DETROIT HOME MORTGAGE FUNDING



[38] Altman F., OCC, Detroit Home Mortgage: Innovative Rehabilitation Financing (2018 February). Retrieved from https://www.occ.gov/publications/publications-by-type/other-publications-reports/cdi-newsletter/single-family-february-2018/article-4-detroit-financing.html

C.8 FAST-TRACKED REVIEW AND PERMITTING PROCESS

- This tool is applicable to **Developers**
- It can be used for both owner-occupied and rental housing
- It applies to both market-rate and affordable housing
- Can be used for rehabilitation projects

Whenever someone constructs, alters, repairs, moves, removes, improves, converts, or demolishes a building or other structure,[39] he or she must first obtain a building permit from the city in which the project is taking place. The process for obtaining these permits can be lengthy and can delay projects.

Some government agencies around the country have decided to implement permitting process fast-tracking programs that can expedite the permitting process. In this section, programs will be highlighted, the City of Elkhart could adapt the program however they want, provided that the end goal of expediting the permitting and review process is achieved. From research, we have found that the City of Elkhart already has adapted many best-practice methods for processing permits to Indiana standards.

There is a Northeast Indiana Regional Partnership Permitting Excellence Coalition (PEC) that is determined to streamline permitting processes.[40] Currently, neither the City of Elkhart nor Elkhart County is participating in this partnership.

It is worthwhile to highlight the general steps of the typical, non-expedited process. Each locality could feasibly conduct the process somewhat differently, but below is the most common general step-by-step process:[41]

1. Create the project plan
2. Pre-application meeting with a local code official
3. Complete and submit building permit application
4. Permit review process conducted by local code official
5. Obtain building permit
6. On-site inspections
7. Final approval

The main issues that cause the permitting process to be so lengthy are:

[39] City of San Luis Obispo, CA, A Customer Guide to the Building Permit Process. Retrieved from http://www.slocity.org/home/showdocument?id=3878

[40] Northeast Indiana Regional Partnership, Streamlined Permitting (2019). Retrieved from https://neindiana.com/regional-vision/streamlined-permitting

[41] FEMA, Checklist to Acquire a Building Permit. Retrieved from https://www.fema.gov/media-library-data/20130726-1902-25045-3085/building_codes_toolkit_checklist_building_permit_508.pdf

- There is often a great back-up of permit applications in the hands of local or state code officials, so, once an application is submitted, applicants often wait a long time for the review process to be completed;
- Contractors have historically had to submit their plans in-person, which can be time-consuming and deter the progress of projects; and
- The applications have historically been done on paper, which can cause logistical issues.[42] Thus, efforts to expedite the process are generally focused on speeding up reviews as well as overcoming logistical issues that delay the process.

Two primary examples of programs that have established expedited permitting processes are the Velocity program implemented by the District of Columbia's Department of Consumer and Regulatory Affairs (DCRA) and the Orange County (FL) Fast Track Online Permitting Services. Many specific details about each program are kept mostly confidential, but there are also valuable details about each program that are open to the public.

The DCRA's Velocity program is a program that specifically expedites the review process conducted by local code officials:[43]

- Velocity service - for "customers whose design concepts and plans are 100% complete and ready for submission"
- Expedition service - "for customers whose plans are currently in the design phase."[44] The way that this program works is that customers who seek a permit can pay a fee to receive expedited review.
- Presumably, customers that pay the fee see their applications pushed to the top of the code officials' piles, whereas customers that decide not to pay the fee to use the program see their applications set aside until all Velocity applications are reviewed. The program has been effective for those that can afford the fees, as applications through the Velocity program are often approved within one day of submission.[45]
- The fees differ for the two different services. For the Velocity service, fees start at $50,000; for the Expedition service, fees start at $12,500. All compliance requirements still apply to those utilizing the services.

The Fast Track Online Permitting Services of Orange County, Florida, take a different route to expedite the process. Launched in August 2017, the program allows contractors to submit

[42] Orange County (FL) Government, Orange County's Division of Building Safety Expands Fast Track Online Permitting Services (2018, June 29). Retrieved from https://newsroom.ocfl.net/2018/06/orange-countys-division-building-safety-expands-fast-track-online-permitting-services/

[43] Department of Consumer and Regulatory Affairs, Velocity: Fast-Track Permit Review. Retrieved from https://dcra.dc.gov/velocity-program

[44] Milrose Consultants, Inc., DCRA Offers a Fast-Track Permit Review Program – Velocity (2018, July 17). Retrieved from https://www.milrose.com/insights/dcra-fast-track-permit-review-velocity

[45] Department of Consumer and Regulatory Affairs, Velocity: Fast-Track Permit Review. Retrieved from https://dcra.dc.gov/velocity-program

construction plans online rather than on paper and in-person[46]. This reduces the logistical strain on local code officials and saves time for contractors, making the process easier for all involved. In April 2018, the program was enhanced by "allowing applicants to submit permit applications, as well as plans for review and permit issuance."[47] Furthermore, non-contractors can also join as Fast Track members, which allows them to upload e-plans, pay any fees, and monitor the activity of their approval process (if they have a permit number pending issuance). Below is a list of abilities granted to Fast Track members:[3]

- Track an application's status
- Research contractor licenses
- Schedule and cancel inspections
- Download development documents
- View meetings and hearing dates, topics, and notes
- Search for permits, investigative reports, addresses, and parcels
- Track the progress of inspectors en route to locations

Fast Track has seen plenty of success as well, as over 84,000 permits were issued using Fast Track in 2017 alone. In terms of expediting the process, it has been found that "most licensed contractors submitting electronic plans for residential single-family permits have seen their wait time reduced by more than 50 percent for permitting approvals, with current approval times ranging from 12 to 17 days."[48] On a per-submission basis, approximately 200 hours are saved with each electronic submission (compared to traditional submissions).[49]

Expediting the permitting process can have tremendous benefits, as it can strongly promote development in areas that desperately need it, as contractors and homeowners can undertake the projects much more quickly, making each project less daunting and offering the capacity for more completed projects overall.

ELIGIBILITY

There are not any truly specific eligibility requirements for either program, as neither program has a target population. For the Velocity program, one eligibility requirement is the ability to pay the fees required through the program. Other than that, the only other eligibility requirement for either program is simply that the permit is approved by the local code official, which will be decided based on the plans' compliance with the local codes.

[46] FEMA, Checklist to Acquire a Building Permit. Retrieved from https://www.fema.gov/media-library-data/20130726-1902-25045-3085/building_codes_toolkit_checklist_building_permit_508.pdf

[47] Ibid.

[48] Ibid.

[49] Ibid.

COMBINATION/EXCLUSION WITH OTHER PROGRAMS:

Programs such as these are unique from all other financial tools listed in this appendix. There is no reason for these programs to either be combined with or exclusionary with any other financial programs or grants.

ALLOCATION PROCESS

The seven-step general allocation process for building permits is highlighted above. For the Fast Track program, the process is not different overall; the process is just conducted differently, as it is now done primarily online instead of on-paper and in-person.

The Velocity program does have a somewhat different allocation process. The process begins with a project consultation with DCRA in which applicants discuss the scope, timeline, and budget for their project. This can be conducted in-person, through web conference, or by phone. At this point, once the consultation has been completed and the preliminary application is accepted, the applicant must pay a $5,000 deposit before proceeding.[50] Next, there is a Pre-Submittal Review Meeting (PSRM) with DCRA Plan Reviewers, at which all design professionals working on the project must be present and participating. After comments by the professionals are addressed, there is a second plan review session. At the end of this session, DCRA will approve all final plans. As soon as the final plans are approved, permits are ready for issuance. Applicants receive an invoice for the payment of the Standard Permit Fee and the Fast Track Plan Review Fee at this point, and when those payments are made, permits are issued.

FAST-TRACKED PERMITTING PROCESS TIMELINE

As noted above, the process has no timeline that is set in stone, and it is extremely variable depending on where the permit is sought. Information on Elkhart's general timeline is not readily available. The steps of the allocation process are done in the order given above, but the timeline of each application is at least to some degree done on a case-by-case basis – essentially just whenever the code officials get to the applications.

For the specific programs mentioned in this write-up, once again the timelines are to some degree done on a case-by-case basis, but some general information is given. For the Velocity program, it is known that the review process can be done in as little as a day (though it is not known how quickly all of the consultation meetings can be conducted). For the Fast Track program, it is known that the process is generally being completed in 12 to 17 days.

EXAMPLES OF FAST-TRACKED PERMITTING PROCESS PROJECTS

There are no specific project examples that are publicized using these programs. That is due to a couple reasons. First and foremost, most (if not all) of these construction projects are done by private homeowners, making it unlikely that the projects would be publicized unless the owners chose to speak out about it themselves. Second, there is not much in the way of financial information that can be reported for this tool, as it is merely a logistical tool.

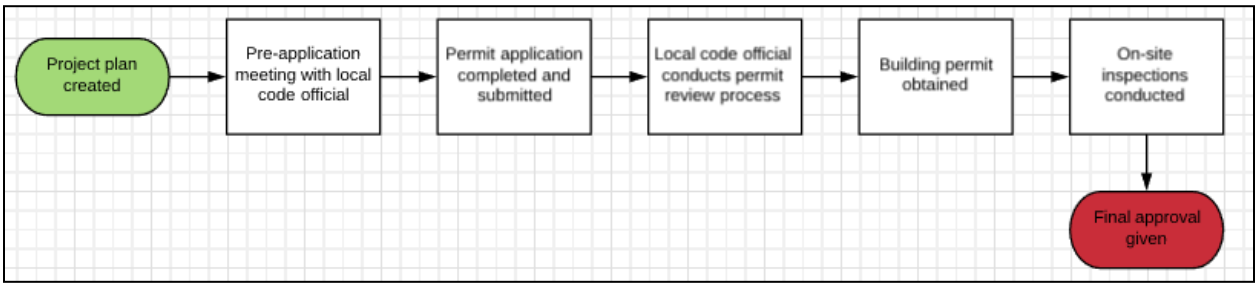
[50] Department of Consumer and Regulatory Affairs, Velocity: Fast-Track Permit Review. Retrieved from https://dcra.dc.gov/velocity-program

As noted above, however, the Fast Track services of Orange County helped expedite the process for 84,000 permits in 2017 alone, and the services saved about 200 hours per submission in the process.

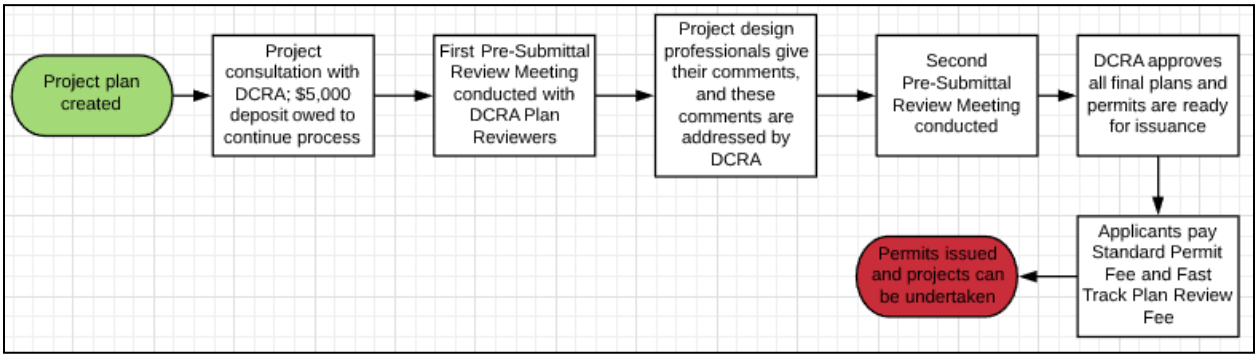
PROCESS MAP OF OBTAINING FAST-TRACKED PERMITS

Instead of just one process map, here are two process maps. The first is the general permitting process (which the Fast Track program mirrors, more or less). The second is for the Velocity program.

GENERAL PROCESS:



VELOCITY PROGRAM:



C.9 AFFORDABLE HOUSING TRUST FUND (HTF)

- This tool is applicable to Local Government/Financial and Developers
- It can be used for both owner-occupied and rental housing
- It applies to both market-rate and affordable housing
- Can be used for rehabilitation projects

The National Housing Trust Fund (NHTF), established in 2008, is a program through the U.S. Department of Housing and Urban Development (HUD) that "complements existing federal, state, and local efforts to increase and preserve the supply of decent, safe, and sanitary affordable housing for extremely-low and very-low-income households."[51]

The funds can produce or preserve affordable housing through various methods. These include acquisition, new construction, reconstruction, and rehabilitation of non-luxury housing with suitable amenities. The program is a formula grant program that is administered by states. States may choose to administer their own program or designate an entity to administer the funds on their behalf. State agencies receive applications from people or groups who desire NHTF funds for their projects, and the agencies determine which projects get funding and how much each project receives based on several criteria. In 2019, there are roughly $248 million in NHTF funds.[52] Indiana has been given $3,625,159 of those funds for the fiscal year of 2019.[53]

NHTF is funded outside of the HUD appropriations process, so it has no cost to the federal government. The initial source of funding for the NHTF is a small fee of 0.042% on Freddie Mac and Fannie Mae activity, 65% of which goes to the NHTF.[4] The plan moving forward is that Congress will eventually designate some funds in the future, but in general NHTF is expected to remain mostly funded outside of the appropriations process.[54] The NHTF campaign expects the program to be funded with revenues dedicated specifically to the fund.

ELIGIBILITY

As state block grants, NHTF funds are automatically granted to states, so all eligibility requirements have to do with how the funds are spent. Specifically, 90 percent of NHTF funds must be used for the production, preservation, rehabilitation, or operation of affordable rental housing. Up to 10 percent may be used in the same capacity but for first-time homebuyers rather than rental housing.

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[51] HUD Exchange, National Housing Trust Fund Factsheet (2019). Retrieved from https://files.hudexchange.info/resources/documents/National-Housing-Fund-Trust-Factsheet.pdf

[52] National Low-Income Housing Coalition, National Housing Trust Fund. Retrieved from https://nlihc.org/explore-issues/projects-campaigns/national-housing-trust-fund

[53] National Low-Income Housing Coalition, HTF Allocations (2019). Retrieved from https://nlihc.org/explore-issues/projects-campaigns/national-housing-trust-fund/allocations

[54] National Low-Income Housing Coalition, National Housing Trust Fund Frequently Asked Questions (2013, April). Retrieved from https://nlihc.org/sites/default/files/NHTF_FAQ_4-12-13.pdf

NHTF is the single most highly targeted federal rental housing capital and homeownership program. It is required by law that:

- At least 75 percent of NHTF funds that are used to support rental housing must benefit extremely-low-income (ELI) households – households that earn 30 percent or less of the area median income (AMI)
- Furthermore, all NHTF funds must benefit households with very low incomes (households earning no more than 50 percent of AMI)[55]

After NHTF-funded projects are completed, there are further requirements for the housing units. All NHTF-funded rental housing must meet affordability for at least 30 years. On the homeownership side, the minimum affordability period also exists, but it is dependent on the amount of NHTF funds invested in the unit. These minimum periods are 10 years, 20 years, or 30 years depending on the funding.

The following is a list of eligible activities and expenses:

- Real property acquisition
- Site improvements and development hard costs
- Related soft costs
- Demolition
- Financing costs
- Relocation assistance
- Operating cost assistance for rental housing (up to 30% of each grant)
- Reasonable administrative and planning costs

Priority for funding is based on the following factors:

- Geographic diversity
- The applicant's ability to obligate NHTF dollars and undertake funded activities in a timely manner
- The extent to which rents will be affordable in the proposed project
- The length of time rents will remain affordable
- The use of other funding sources in the proposed project
- The merits of an applicant's proposed activity

COMBINATION/EXCLUSION WITH OTHER PROGRAMS

As of September 2018, NHTF funds have been used in conjunction, to some capacity, with the Low Income Housing Tax Credit (LIHTC), the HOME program, the Federal Home Loan Banks' Affordable Housing Program (AHP), and state or local housing trust funds.[56] Given NHTF's strict funding requirements, it is likely that all of these projects also had to conform to these restrictions.

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[55] National Low-Income Housing Coalition, HTF Factsheet (2017, March 10). Retrieved from https://nlihc.org/sites/default/files/HTF_Factsheet.pdf

[56] Gramlich E., National Low Income Housing Coalition, Getting Started: First Homes Being Built with 2016 National Housing Trust Fund Awards (2018, September). Retrieved from https://nlihc.org/sites/default/files/NHTF_Getting-Started_2018.pdf

ALLOCATION PROCESS

As previously noted, thus far, the NHTF has been funded through a small fee on Freddie Mac and Fannie Mae activity. HUD, as is the case with Community Development Block Grants (CDBG), utilizes a formula that measures a state's need for funds and allocates funds through that. This occurs on a yearly basis. No state (or the District of Columbia) can receive less than $3 million. After HUD allocates funds, they are released to the states, who have the flexibility to make their own decisions on how the funds are spent, with the only stipulation being that all expenses must remain compliant with NHTF requirements.

A designated state agency administers the funds, and after they have made their decision, they must write an allocation plan showing how the funds will be distributed. It has not been approved yet, but there is a proposed regulation that would allow the designated state agencies to pass some or all their NHTF funds down to local governments or other state agencies to act as "subgrantees." These subgrantees would have to draw up allocation plans as well. When states have the money, people or groups who desire NHTF funding submit applications to the state agencies, and the state agencies decide how to distribute their funds by considering the aforementioned factors for each application.

NHTF TIMELINE

There is not yet a set yearly timeline for NHTF. The above process is simply followed whenever NHTF funds are released to the states. The one timeline requirement of note is that states must commit their funds to projects within two years, or they will be recaptured by HUD and reallocated to other states.

EXAMPLES OF NHTF PROJECTS[6, 57]

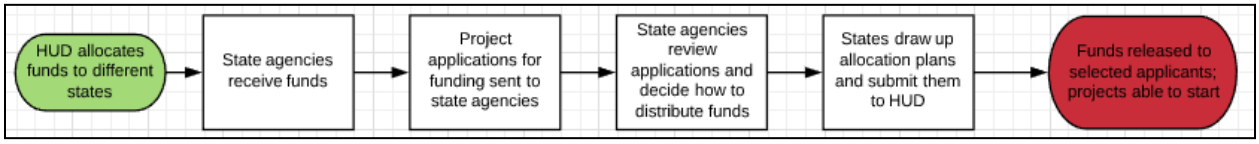
In September 2018, the National Low-Income Housing Coalition published a report on the first projects conducted through the NHTF (from the 2016 NHTF funds). Not all states had fully allocated their funds by this point, so there was a supplemental report in March 2019. While there are no clearly defined success metrics, here are the results of the first round of funding:

- 160 projects across the 50 states (and D.C.) with 1,918 HTF-assisted housing units
- Various Target Populations (note that intra-project overlap leads to a total greater than 160)
    - Homeless – 45 projects, 595 units, in 24 states
    - People with Disabilities – 47 projects, 506 units, in 26 states
    - Elderly: 35 projects, 361 units, in 25 states
    - Veterans: 12 projects, 136 units, in 11 states
    - Families: 47 projects, 557 units, in 24 states
- Type of Project
    - New Construction – 100 projects, 1,104 units, in 45 states
    - Rehabilitation – 34 projects, 462 units, in 24 states
    - Preservation

[57] National Low Income Housing Coalition, Supplemental Update to Getting Started (2019, March 25). Retrieved from https://nlihc.org/sites/default/files/Supplement%20Getting%20Started.March.25b.19.pdf

- Of HUD or RD Projects – 16 projects, 229 units, in 10 states
- Through the Rental Assistance Demonstration (RAD) – 7 projects, 170 units, in 5 states

PROCESS MAP OF OBTAINING NHTF



C.10 Elkhart Community Foundation Grants

- This tool is applicable to Local Government/Financial Institutions and Developers
- It can be used for both owner-occupied and rental housing
- It applies to both market-rate and affordable housing
- Can be used for rehabilitation projects

The Community Foundation of Elkhart County (formerly known as the Elkhart County Community Foundation) was founded in 1989 and has a mission of improving the quality of life in Elkhart County by inspiring generosity.[58] The Community Foundation does this through the following avenues:

- Advising all types of donors (as well as their professional advisors) on charitable giving
- Awarding grants to nonprofit organizations that are doing invaluable work in Elkhart County
- Providing leadership to address the major needs of the area, with a focus on youth development, vibrant communities, and overall quality of life

As of July 1, 2018, the Community Foundation has a total of $295 million in assets, has over 350 endowed funds, and has awarded over $25 million in grants and scholarships.[1]

The specific program within the Community Foundation that is pertinent to the City of Elkhart Housing project is the Grants for Community Investment. These grants are funded through the portion of the Community Foundation's resources that is unrestricted (meaning it is not specifically designated towards a certain fund or program).[59] They are awarded to nonprofit organizations in the community for projects. Projects and programs funded with these grants are focused on at least one of the three priority areas established by the Community Foundation – career pathways, kids and families, and placemaking. For this project, the specific priority area would be that of placemaking, which includes neighborhoods as one of its sub-focuses. There is no specific limit on what each grantee can receive, but the process for receiving grants of more than $25,000 takes significantly longer. These grants are marketed on the Community Foundation's website (www.inspiringgood.com).

ELIGIBILITY

To be eligible for a Community Investment grant, an organization must be classified as a non-profit tax-exempt public charity. Most of these organizations will be identified as 501(c)(3), but this is not a requirement. Schools, municipalities, libraries, and chambers of commerce may also qualify for the program. Eligibility for the grants does not ensure that a grant will be awarded upon application.[60]

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[58] Community Foundation of Elkhart County, About (2019). Retrieved from https://www.inspiringgood.org/about/

[59] Community Foundation of Elkhart County, Grants for Community Investment (2019). Retrieved from https://www.inspiringgood.org/community-investment/

[60] Community Foundation of Elkhart County, Grants for Community Investment (2019). Retrieved from https://www.inspiringgood.org/community-investment/

COMBINATION/EXCLUSION WITH OTHER PROGRAMS

There is no mention of the grants being exclusionary with any other financial tools or programs. It most likely can be combined with other forms of financial assistance for which a project is eligible.

ALLOCATION PROCESS[61]

All grants are awarded through an application process, which can be submitted online at any time. The application is available for requests of all sizes, including single- and multi-year projects. There is a 7-10 business day initial follow up required from each applicant's program officer. The Community Foundation also recommends that they are given at least a 60 to 90-day lead-time on all requests for particular events.

The applications include standard information about the organization (such as name, address, executive director, website, etc.) as well as specifics about the project or program. In addition to a 250-word summary of the project or program, the following must also be submitted:

- Requested amount
- Multi-year and/or match/challenge explanation (if applicable) (100-word max.)
- Start date of the project
- End date of the project
- What will happen with the idea if you receive partial funding or a denial (100-word maximum)
- Three CORE criteria for consideration
    1. Goals (100-word max.)
        - Goals of the idea; success definition and measurement; specific targets; who are you hoping to impact? what communities are you hoping to impact? is there another similar idea that has been successful?
    2. Partners (100-word max.)
        - Explain how your donors support the idea with their own time, talent, and/or treasure; specify amounts raised or anticipated to be raised; include any planned fundraisers, number of volunteers and hours served, in-kind contributions, time, etc.; will a grant from the Community Foundation help you secure additional funding?; is this idea a collaboration effort with other NPOs?
    3. Sustainability (100-word max.)
        - Is this a long-term idea? If so, what is the sustainability plan for this project or program once the grant has been exhausted? Does this idea bring about efficiency, cost reduction, or improvement within your organization?

Applications are to be submitted as PDFs and in black and white. They must also include the following attachments:

- Project specific budget (required)

[61] Ibid.

- Sponsorship level flyer (if applicable)
- For requests over $100,000:
    - Agency budget (current and prior year) and balance sheet
    - Board of directors
    - Mission statement

The Community Foundation has three different committees – one for each priority area – that make decisions on applications within their priority areas. The committees meet twice a year (October and April) to make recommendations for project approvals, and the committees compose a summary that they pass onto the Board of Trustees for approval. After the approval, the grantees receive the funds and within the first year must file a report on their project. A site visit with the Community Foundation might also be required in that first year. For multi-year projects, the reports and site visits are conducted annually.

COMMUNITY FOUNDATION GRANT TIMELINE[62]

As stated above, applications can be completed online at any time. For the current grant cycle, applications over $25,000 are due on August 1st, 2019. It is unclear if this is a yearly deadline or simply a one-time deadline for this year. The timeline otherwise is as follows:

1. The application is submitted, with an initial follow-up 7-10 business days after submission with the program officer.
2. Depending on the size of the grant, the process takes anywhere from less than six weeks (for grants under $25,000) to 2-6 months (for grants over $25,000).
3. The committees meet in October and April (with additional meetings in December and June for projects that are time-sensitive) to make their recommendations for grant awards.
4. The Board of Trustees must approve each grant, and the money is then released to be used.

EXAMPLES OF COMMUNITY FOUNDATION GRANT PROJECTS

One example of a placemaking grant given by the Community Foundation of Elkhart County is the recent $390,000 grant given to Bethany Christian Schools in Goshen. The project allowed Bethany Christian Schools to extend the Winona Trail, bicycles and pedestrian path in Goshen.[63]

Another example is the $900,000 grant given to the Goshen Parks and Recreation Department to work on the construction of a multi-use pavilion and ice rink. The plan is for the pavilion to be available to rent for community and private events, and will be used for ice hockey leagues, pickup games, weddings, concerts, and additional community events.[64] This project, like that of

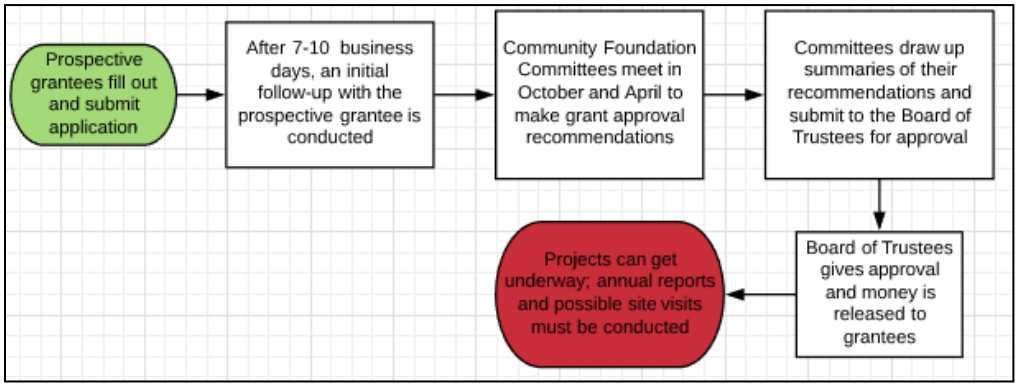
[62] Ibid.

[63] Davila B., ABC 57, Community Foundation of Elkhart County Awards $390,000 to Bethany Christian Schools (2019, May 2). Retrieved from https://www.abc57.com/news/community-foundation-of-elkhart-county-awards-390-000-to-bethany-christian-schools

[64] Indiana Philanthropy Alliance, Community Foundation of Elkhart County Awards $1.1 Million to Goshen Parks & Recreation Department and SPA Women's Ministry (2017, December 18). Retrieved from

Bethany Christian Schools, is not yet completed, but it is expected to be completed in December 2019.

PROCESS MAP OF OBTAINING COMMUNITY FOUNDATION GRANTS



https://www.inphilanthropy.org/news/community-foundation-elkhart-county-awards-11-million-goshen-parks-recreation-department-and

C.11 "SOFT SECOND" MORTGAGES

- This tool is applicable to **Homeowners/Tenants**
- It can be used for owner-occupied housing
- It applies to both market-rate and affordable housing

A "soft second" mortgage is a "second, subordinate mortgage loan that is used to cover down payment and closing costs."[65] Soft second mortgages are targeted for individuals of low-to-moderate income to help make the home buying process more affordable. What makes these mortgages "soft" is that the payment schedule for the mortgages is deferred such that borrowers do not have to make any payments on the loans until or unless they sell their home or refinance the mortgage. As implied by the payment schedule, many soft second mortgages are forgivable over a specified term. This means that in many cases if a borrower stays in his or her house for a certain period, the loans are completely forgiven, and the borrower does not need to pay back any part of the loan.

A pertinent example of such a mortgage is that the Indiana Housing and Community Development Authority (IHCDA) offers down payment assistance with loans of up to 3 to 4 percent of the purchase price of the home at zero percent interest with no monthly payments. These loans are fully forgiven after two years if the borrower remains in the house.[1]

There are many benefits of soft second mortgages:

- One such benefit is that it makes homebuying a realistic option for many people of low-to-moderate income.
- Another benefit is that these programs accomplish a lot without even adding to the monthly cost of owning a home, which makes soft second mortgages a great avenue for increasing housing affordability.
- Lastly, soft second mortgages can be positively considered under the Community Reinvestment Act, which can benefit lenders and encourage them to offer soft second mortgages.[1]

Along with the benefits of these programs comes a good deal of challenges as well:

- It is often the case that the terms of these soft second mortgages are difficult to understand, in which case borrowers often misunderstand the terms that they are agreeing to, which can lead to issues down the line
- Soft second mortgages can have restrictions on transfers or selling of the home, which can lead to some homebuyers feeling trapped in the house that they bought, even if it has major problems
- Soft second mortgages add a layer of complexity to the loan process, which can be daunting for both lenders and borrowers

[65] FDIC, Down Payment and Closing Cost Assistance. Retrieved from https://www.fdic.gov/consumers/community/mortgagelending/guide/part_2_docs/down_payment.pdf

- The last main challenge is that there is a limited pool of borrowers that is eligible due to the strict income limits[1]

Of interest for this report is the IHCDA program mentioned above. The IHCDA has a program called "Next Home Advantage" (NHA) that is dedicated to making the home buying process more affordable for people of low-to-moderate income. The program has the following main qualities:[66]

- Buyers do NOT have to be a first-time homebuyer
- IHCDA income limits apply (more detail in the "Eligibility" section)
- 30-year fixed rate (set by IHCDA)
- Conventional financing
- Purchase price cannot exceed the appraised value of the home/property
- Borrowers must have a minimum credit score of 640
- Down payment assistance (DPA) is 3% of the lower of the purchase price or appraised value
- DPA forgiven in 2 years
- Program reservation fee of $100

There are four different sub-programs within the NHA program. These are

1) The standard NHA program highlighted above
2) NHA with mortgage credit certificate (MCC)
3) NHA with additional subsidy
4) NHA with MCC and subsidy

Each sub-program has slightly different requirements. The main program of interest for this part of the report, however, is the standard NHA program. The other sub-programs add a layer of complexity that could lead to too much confusion. If interested in the other sub-programs, visit https://www.in.gov/ihcda/homeownership/2371.htm for more details.

The IHCDA has also designated specific "Target Areas" for their programs. These areas are areas that meet at least one of the following requirements:

1) 70% or more of the families in the census tract have an income at or below 80% of the statewide median income
2) the area is "an Area of Chronic Economic Distress," as designated by the State and approved by the Secretary of the U.S. Department of Treasury and the Secretary of the U.S. Department of Housing and Urban Development.[67]

These target areas include various counties throughout Indiana, as well as some census tracts within counties that are not themselves declared to be target areas. Elkhart County is not a target area, but there is one census tract within the county that is a target census tract. A census tract

[66] IHCDA, Programs (2019). Retrieved from https://www.in.gov/ihcda/homeownership/2371.htm

[67] IHCDA, 2019 Next Home Advantage Program Guide (2019). Retrieved from https://www.in.gov/ihcda/homeownership/files/2019%20next-home-adv-prog-guide.pdf

does not have to be a target area for residents to be eligible for the NHA program, but being in a target area helps reduce the number of requirements needed to qualify as borrowers.

ELIGIBILITY

While there are no general eligibility requirements for soft second mortgages as a whole, IHCDA's NHA program has numerous requirements. There are three types of eligibility requirements for the NHA program. They are mortgagor (borrower) requirements, property requirements, and mortgage financing requirements.

In terms of borrower eligibility requirements, the main requirement is that the borrower must be income-eligible according to IHCDA's income limits, which are done on a county-by-county basis.[68] In Elkhart County, these limits are $66,000 for a household of one or two people and $76,590 for households of three or more people.[69] The IHCDA calculates household income through analyzing the Gross Annual Income that borrowers provide on the Uniform Residential Loan Application (URLA Form 1003). Gross Annual Income includes gross wages and salaries from employment, as well as the following:

- "Child support, alimony, and separate maintenance payments in which the mortgagor(s) is responsible for informing the lender if this income is received
- Periodic payments for trust, annuities, inheritances, insurance policies, pensions, retirement funds, and lotteries
- All public assistance payments (excluding Medicaid and food stamps) including any amount by which educational grants, scholarships, and/or Veteran Administration educational benefits exceed expenses for tuition, fees, books, and equipment and reasonable rent and utility costs for a student living away from home
- Interest and dividends
- Payments in lieu of earnings, including social security, unemployment benefits, worker's compensation, severance pay, disability or death benefits
- Income from partnerships
- Rental income from property owned
- Recurring monetary contributions or gifts regularly received from a person not living in the residence
- All regular pay, special pay, and allowances of a member of the Armed Forces except special pay to a family member serving in the Armed Forces who is exposed to hostile fire"[3]

In terms of property eligibility requirements, they are as follows:[70]

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[68] IHCDA, 2019 Next Home Advantage Program Guide (2019). Retrieved from https://www.in.gov/ihcda/homeownership/files/2019%20next-home-adv-prog-guide.pdf

[69] IHCDA, Acquisition and Income Limits (2019). Retrieved from https://www.in.gov/ihcda/homeownership/files/2019%20Acquisition%20and%20Income%20Limits_Effective%204.29.19%20ACQUISITION%20ONLY.PDF

[70] IHCDA, 2019 Next Home Advantage Program Guide (2019). Retrieved from https://www.in.gov/ihcda/homeownership/files/2019%20next-home-adv-prog-guide.pdf

- Property must be located in Indiana
- The property must be one of the following:
    - A one-unit family dwelling
    - A condominium
    - A townhome following the specific product guide
    - A planned unit development
- Manufactured Homes are NOT permitted
- The "Acquisition Cost" must not exceed the applicable Program acquisition cost limits (for Elkhart County, this amount is $283,349). The Acquisition Cost includes all of the following:
    - All amounts paid, either in cash or in kind, by the mortgagor to the seller(s) as consideration for the residence
    - If the residence is incomplete, the estimated cost of repairs
    - Settlement and financing costs in excess of amounts which are usual and reasonable
    - Property taxes, if not prorated between ownership by mortgagor and seller
    - The cost of the land, or, if a gift, the appraised value, is to be added to the Acquisition Cost if the mortgagor has owned the land for less than two years prior to construction of residence
- No more than 10% of the total area of the residence can be reasonably used for the sake of business
- Any residence that is used as an investment property, rental property, or a recreational home does not qualify as a principal residence

Lastly, the mortgage financing eligibility requirements are as follows:[71]

- IHCDA cannot finance the following:
    - "Acquisition of personal property
    - Land not appurtenant to the residence
    - Land appurtenant to the residence but not necessary to maintain the basic livability of the residence which provides, other than incidentally, a source of income to the mortgagor
    - Settlement and financing costs that are in excess of that considered usual and reasonable
    - Land identified as buildable
    - Land that could be used as a source of income"
- IHCDA funds cannot refinance an existing loan or replace existing financing on the property
- No assumptions will be allowed on any IHCDA loans
- Participating lenders may provide DPA using conventional financing only

[71] Ibid.

COMBINATION/EXCLUSION WITH OTHER PROGRAMS

There is no explicit mention of combining this program with other financial tools, although the use of other tools would have to also abide by the IHCDA requirements listed above. There are also no explicit mentions of exclusions with other programs.

ALLOCATION PROCESS

From the attainable information from IHCDA, it is not possible to say with exact certainty what the step-by-step allocation process is. That said, it seems that a general framework can be deduced from the available information.[72]

To start off the process, a participating lender (i.e. a bank) must receive a fully executed purchase agreement from a prospective borrower. Then, the lender must determine if the home in question is located in a target area or not and if the mortgagor meets all of the eligibility requirements for the program. Once this is decided, the lender makes a reservation request with IHCDA to secure funding for a loan that will be given to the borrower. This is done through the IHCDA Online electronic system. All reservations are accepted on a first-come, first-served basis, and they are also always subject to availability of funds. At this time, the interest rate for the loan is locked in. At some point during this part of the process, the lender must pay a $100 reservation fee to the IHCDA. As part of the reservation process, the lender must submit an IHCDA Homeownership Affidavit that shows the mortgagor's eligibility for the program, and a Certificate of Completion of FrameWork must also be uploaded if applicable. For the affidavit, mortgagors fill out the aforementioned URLA Form 1003.

When IHCDA finishes reviewing the affidavit and determines that it is complete and fully compliant with the program's requirements, IHCDA changes the status of the reservation to reflect Closing Upload in IHCDA Online. The date on which the loan expires – which is known as the Commitment Expiration Date (60 days from the date of reservation) – and the lender must have received its final approval from IHCDA, and the loan must be purchased by the Master Servicer on or before this date.

On or before the Commitment Expiration Date, the loan closing package must be uploaded and get final approval from IHCDA, as well as purchased by the Master Servicer.

When IHCDA determines that the closing package is complete and fully compliant, it changes the status of the loan to "Approved."

At the time that a loan reservation has reached the stage of Committed "Approved," the money can be wired to the mortgagor. The lender is not allowed to fund the DPA for the mortgagor – the money must come from IHCDA funds. Also, if the loan is not closed within three business days of the original closing date, the lender is required to return the funds to IHCDA.

At some point in this process (it is unclear when), a second mortgage agreement between the lender and the mortgagor is reached, and after the funds are received from IHCDA, the mortgage

[72] Ibid.

begins and is provided with conventional financing. As a reminder, this DPA may not exceed the lower value of 3% of either the purchase price or the appraised value of the home.

SOFT SECOND MORTGAGE/NHA TIMELINE

There is no specific annual timeline for the NHA, and each loan is handled on a case-by-case basis. That said, there are a few specifics that apply to each case. First and foremost, IHCDA only accepts loan reservations on Mondays-Fridays from 9 AM to 5 PM. Second, after a reservation is made and the fee is paid/affidavit uploaded, the lender and mortgagor then have 60 days from that time (aka the Commitment Expiration Date) to receive final approval from IHCDA and close on the loan.

Another timeline note is that IHCDA asks that lenders and mortgagors allow 48 business hours for funds to be disbursed after final approval. Also, the loan must be closed within three days of the original closing date, or the money must be returned to IHCDA.

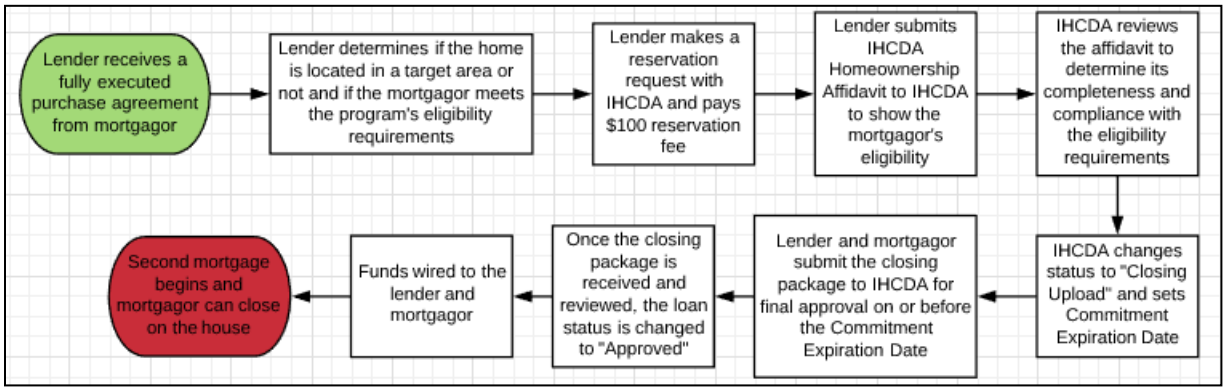
The timeline for after the disbursement of funds is that for two years after the loan is given, the mortgagor is required to pay the loan back in full if he or she sells the home or refinances. Otherwise, after two years, the DPA loan is completely forgiven.

EXAMPLES OF SOFT SECOND MORTGAGE/NHA PROJECTS

Soft second mortgages and programs like NHA are private in nature, and as a result, almost none of the projects are publicized. Luckily, with NHA, there is one story that has been published about a couple that chose to use NHA to "turn a dream into a reality."[73] A couple by the names of Stacia Hoover and Brandon Frazee wanted to purchase a home at the beginning of 2013. Even though homeownership did not seem like a realistic possibility, the couple got into touch with Caliber Home Loans and was introduced to the IHCDA's Homeownership Programs. They chose to utilize the NHA program, and even though there are no financial numbers given (for privacy's sake), there are some interesting details about how quickly the process occurred. Stacia and Brandon's reservation was made on April 5, 2013, and the application package was received on April 16. This allowed the couple to close on their new home by April 26.

[73] Pearson, T., IHCDA, IHCDA Homeownership: Taking Hoosier Homeownership from Dream to Reality (2014). Retrieved from http://docs.epageview.com/IHCDA/IHCDA/7687d615-4d16-4529-a4fc-a38700e0c47b/IHCDA%20Summer%20FINAL.pdf

PROCESS MAP OF OBTAINING NHA FUNDS



C.12 PERMIT FEE WAIVERS

- This tool is applicable to Local Government/Financial Institutions and Developers
- It can be used for both owner-occupied and rental housing
- It applies to both market-rate and affordable housing
- Can be used for rehabilitation projects

One of the key ways to promote new development in a neighborhood is to provide financial incentives to developers/property owners that help alleviate additional external costs incurred after a project is completed or property is rehabilitated. This can be done in the form of a fee waiver provided to the developer/property owner towards a building permit, certificate of occupancy, etc.

The City of Loveland, Colorado offers building permit fee waivers to property owners in the Loveland Historic District under the Historic Preservation Building Permit fee program. The City encourages the "maintenance, upkeep and improvement"[74] of historic buildings through the incentive program. Based on section 15.56.160[75] of the municipal code of the city, owners of properties contributing to a historic district or with historic designation can receive financial incentive to restore, preserve or rehabilitate the exterior of their properties only. The incentive will waive the fee levied by the City for building permits and will be received once the exterior restoration, preservation, or rehabilitation is approved by City officials. The waiver could be for "plan check fees, structural building permit fees, electrical permit fees, mechanical permit fees, and plumbing permit fees"[76] as it applies to a project.

ELIGIBILITY

For an owner/contractor to be eligible for a waiver, they must satisfy the criteria described below.[77]

- The property should be listed on the City of Loveland Historic Register and holds an approved Landmark Alteration Certificate before the permit is used.
- Fees can only be waived off for work performed on the exteriors of the property.
- Projects must comply with the Historic Residential Design Guidelines set by the City, and work must fall within the U.S. Secretary of the Interior's definitions of restoration, preservation or rehabilitation of a historic property.
- Properties can receive a waiver for new construction that supports the viability of the building, if it does not exceed 10% of the building's total square footage.

[74] City of Loveland, Historic Preservation Building Permit Fee Waiver Policies. Retrieved from http://www.cityofloveland.org/home/showdocument?id=10197

[75] Ibid.

[76] Ibid.

[77] Ibid.

COMBINATION/EXCLUSION WITH OTHER PROGRAMS

There is no mention of the program being exclusionary with any other financial tools or programs. It most likely can be combined with other forms of financial assistance for which a project is eligible.

ALLOCATION PROCESS[78]

Property owners should apply for the Landmark Alteration Certificate that also includes the building permit fee request. Members of the Historic Preservation Commission review the application once it is submitted. The commission issues the certificate based on the impact of the alteration and approves the fee waiver request. Owner/contractor will then apply for a building permit through the City of Loveland, given that they comply with the City's regulations and rules. Certificate of occupancy is obtained once the performed work is approved by the Historic Preservation Staff.

FEE WAIVER TIMELINE[79]

The duration to obtain the Landmark Alteration Certificate is about two weeks, with a possibility of the process extending to a total of four weeks. Once the certificate is issued by the Historic Preservation Commission, the City of Loveland takes less than a week to issue a building permit and the related fee waiver.

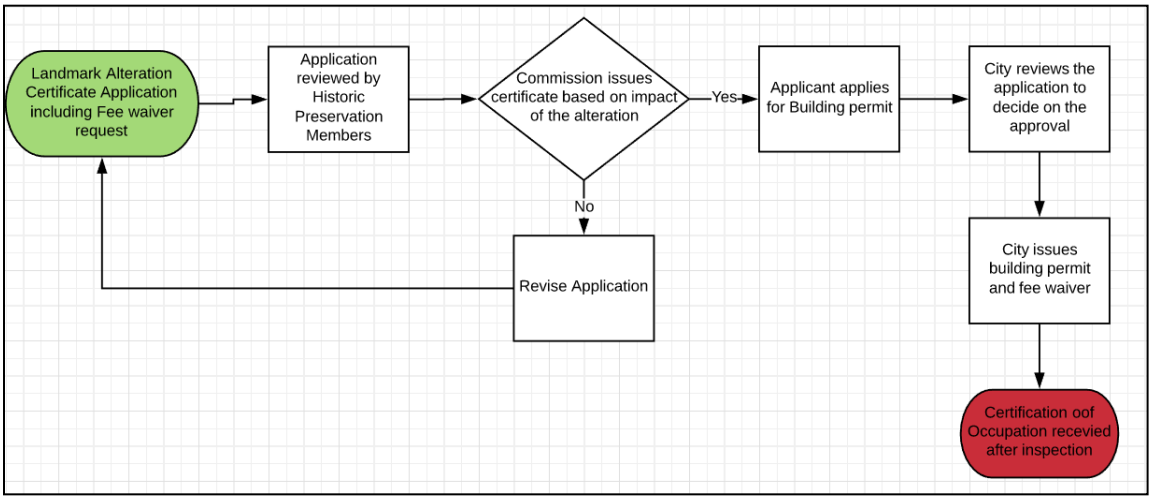
EXAMPLES OF PROJECTS USING THE FEE WAIVER

No specific examples of projects were found for this tool.

[78] Ibid.

[79] Ibid.

PROCESS MAP OF OBTAINING FEE WAIVER



C.13 Down Payment and Closing Cost Assistance Programs – NeighborhoodLIFT

- This tool is applicable to Local Government/Financial Institutions and Homeowners/Tenants
- It can be used for owner-occupied housing
- It is targeted towards affordable housing

Whereas soft second mortgages are a form of down payment and closing cost assistance (DPA) that may need to be repaid, there are other programs that offer grants to prospective homebuyers for DPA. These grants do not need to be repaid under any circumstances. A prominent example of such a program is actually a group of programs that are a partnership between NeighborWorks America and the Wells Fargo Foundation.[80] These programs are called LIFT programs, and there are three different types, depending on the scope of the project:

1. HomeLIFT
2. NeighborhoodLIFT
3. CityLIFT

Through these programs, Wells Fargo has committed over $442 million to help support sustainable and affordable housing, primarily in cities that have been affected by the economic downturn.[1] The program offers DPA to qualified homebuyers. It also offers homebuyer and financial education to help the buyers as they prepare for homeownership. Lastly, the program also offers events that showcase homes in the area that are up for sale.

The way in which the LIFT program works is that it is set up in a given city through local NeighborWorks organizations and/or other nonprofits. This group then hosts a two-day launch event in that city, and potential homebuyers come and learn about if they qualify for the DPA program. At these events, local nonprofits also enroll homebuyers in the required pre-purchase education programs, and participants also have the opportunity to tour available neighborhood homes and properties.[1]

The LIFT program was started in 2012 and has been used in over 60 locations across the US, with programs still ongoing in 27 locations currently. Each location conducts the program slightly differently, so general facts about the program are not too abundant. However, information is readily available online of a LIFT program in the state of Mississippi through Hope Enterprise Corporation.[81]

Through the Hope Neighborhood LIFT program, eligible homeowners can receive up to $7,500 in DPA on qualified properties (they can receive up to $10,000 if they are veterans, service members, teachers, paraprofessionals, law enforcement officers, firefighters, or emergency medical

[80] NeighborWorks, LIFT Programs (2019). Retrieved from https://www.neighborworks.org/homes-finances/homeownership/lift-programs

[81] Hope Enterprise Corporation, NeighborhoodLIFT Program (2019). Retrieved from https://hopecu.org/neighborhoodlift-program/

technicians). Also, as with other LIFT programs, Hope provides homebuyer education programs. Another aspect to note is that with the Hope program, the assistance is not limited to first-time homebuyers.[2]

Also, of note is that though the LIFT program is a great example of a DPA grant program, it is not the only way in which a DPA program can occur. Localities can fund their own grant programs through many avenues if they so choose. An example that could be utilized in Elkhart County is the use of Community Development Block Grant (CDBG) funds to give out DPA grants. However, since the LIFT program offers the most available and specific information for DPA grants and how they can be awarded, the information in this tool write-up will be focused on LIFT.

ELIGIBILITY

It is unclear if the eligibility requirements are generalized across all LIFT programs, but the Hope program does offer the eligibility requirements of a specific program, at least. There are two layers of eligibility that must be met to qualify for the Hope program – homebuyer requirements and property requirements.

To be eligible, homebuyers must meet both the household size and income limits for the program. For the household size limits, it is the case that any qualified household must contain 8 or fewer individuals. Income limits are dependent on household size. The income limits are the same in households of one to four people. In most Mississippi counties, this limit is $39,600. In the rest of the counties, the limit is $53,750.[82]

As for property eligibility, the properties must meet the following requirements:

- Must be in the state of Mississippi
- Must be the primary, owner-occupied home of the buyers
- Must be a single-family home, two to four unit home, condominium, townhome, PUD, co-op, land trust, or qualified manufactured home

COMBINATION/EXCLUSION WITH OTHER PROGRAMS

There is no mention of combination or exclusion with other programs listed for the LIFT program. Any household that is getting DPA assistance through a grant program will likely not also get DPA assistance through a soft second mortgage program.

ALLOCATION PROCESS

The best information for the allocation process lies in the specific example of Hope. The Hope NeighborhoodLIFT program offers a four-step process for homeowner qualification, but it is unclear if this makes up the entirety of the allocation process. The four-step process is as follows:[2]

1. Buyer gets pre-approved for a mortgage by an approved participating lender

[82] Hope Enterprise Corporation, NeighborhoodLIFT Down Payment Assistance Program 2019 Income Limits (2019). Retrieved from https://hopecu.org/manage/media/2019-Mississippi-Income-Limits.pdf

2. Buyer finds a house to purchase and gets a signed purchase and sale agreement to purchase the home. Must have a signed purchase and sale agreement in hand to apply for LIFT funds
3. Buyer registers for the homebuyer education program and must complete this 8-hour course before closing on the home.
4. Beginning on October 29, 2019, buyers visit the Hope website to make an appointment to assess their eligibility for the program.

Since actual grants have not been awarded in the Hope program yet, it is unclear how the process will continue after this. If a homebuyer is deemed eligible, the Hope NeighborhoodLIFT program members will evaluate the homebuyer's situation and, depending on the amount of funds available, will make a decision on whether or not to give a grant to the buyer.

NEIGHBORHOODLIFT TIMELINE

Unfortunately, no project timeline can be found for any LIFT program project. Each project is done on a case-by-case basis, as qualified buyers can apply for a grant at any time once they meet the requirements.

EXAMPLES OF LIFT PROJECTS

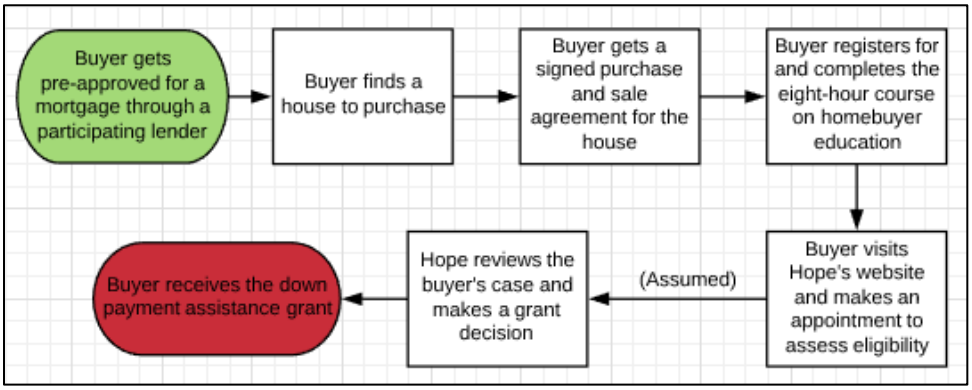
While there are not readily available examples of housing projects that have been conducted through LIFT programs, there are examples of how the introduction of a LIFT program has benefitted a city or neighborhood as a whole.

One such example is the LIFT program through the Neighborhood Housing Services (NHS) of Baltimore.[83] LIFT allowed NHS to offer homeownership to 300 families in Baltimore over 18 months. Furthermore, LIFT's operational funding provided NHS with $25,000 that allowed them to upgrade their technological systems and make their systems more efficient. An additional benefit is that the incorporation of LIFT allowed NHS to qualify for Community Development Financial Institution (CDFI) funding for the first time. Lastly, the introduction of LIFT led to NHS expanding from 300 homebuyer education customers per year to over 1,000 customers. This created a good deal of additional revenue for NHS.

[83] NeighborWorks, While Helping Homebuyers, an Organization Gets a LIFT (2017, July 17). Retrieved from https://www.neighborworks.org/Media-Center/Stories/2017/While-helping-homebuyers-an-organization-gets-a-LIFT

PROCESS MAP OF OBTAINING LIFT DPA ASSISTANCE

From available information, it is not possible to come up with a general process map for LIFT programs. Below is the best attempt at constructing a process map for the Hope Neighborhood LIFT program.



C.14 COMMUNITY REINVESTMENT ACT (CRA) AND CRA-MOTIVATED LENDING

- This tool is applicable to Local Government/Financial Institutions
- It can be used for both owner-occupied and rental housing
- It is targeted towards affordable housing

The Community Reinvestment Act (CRA) was established in 1977. It is intended to encourage banks – as well as other savings associations – to help meet the credit needs of all sectors of their communities, including low-to-moderate-income(LMI) neighborhoods and individuals.[84] This encouragement was brought about to prevent the practice of redlining – the act of banks refusing to offer home loans in certain neighborhoods due to income, racial, and/or ethnic demographics. Within this program, banks are regulated by three separate federal regulating organizations – the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (FDIC).

These regulators evaluate banks and assess their record in fulfilling their obligations to the community. These records are important, as they are brought into considerations when banks apply for charters, mergers, acquisitions, and branch openings. Each bank is supervised by one of the regulators.[85]

It should be noted that neither the CRA nor its regulations designate ratios or benchmarks that regulators must use. Essentially, that means that banks do not have to necessarily hit a specific threshold in their investments to low-to-moderate-income individuals. Furthermore, the CRA does not require banks to take on high-risk loans to engage LMI community members. In actuality, the CRA maintains that banks must fulfill their CRA requirements by using strictly safe and sound operations.[1]

Banks are assigned one of four ratings when they are evaluated – Outstanding, Satisfactory, Needs to Improve, or Substantial Noncompliance. Regulators take into account both the qualities of the institution and of the community it serves when conducting their evaluations. At the end of each evaluation process, the regulators prepare a written performance evaluation of the bank's CRA activities. This report is available to the public, which is an important incentive for banks to want to score well, as a poor score could result in reduced demand for that bank's services. Additionally, regulators (per the OCC[1] – the other regulators may handle it slightly differently) publish an advance notice of scheduled CRA evaluations and allow members of the public – including community, civic, and government organizations – to provide comments and express their views on the banks' CRA performances, including any and all public concerns. Banks are also required to keep all of these comments public for at least three years.

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[84] OCC, Community Reinvestment Act Fact Sheet (2014, March). Retrieved from https://www.occ.gov/topics/community-affairs/publications/fact-sheets/pub-fact-sheet-cra-reinvestment-act-mar-2014.pdf

[85] Federal Reserve, Community Reinvestment Act (2018). Retrieved from https://www.federalreserve.gov/consumerscommunities/cra_about.htm

Banks are evaluated approximately every three years, although a recent law mandates that very small banks with under $250 million in current assets that received a rating of Outstanding or Satisfactory on its last evaluation be evaluated on a less frequent basis, typically no more than once every 60 months (if last receiving a rating of Outstanding) or every 48 months (if last receiving a rating of Satisfactory).

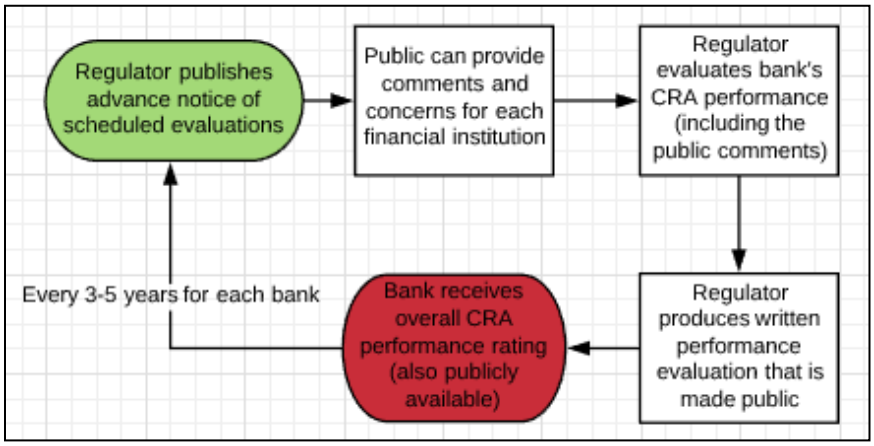
The CRA is specifically important for this strategy because its implementation motivates various lending programs by banks. Banks and other financial institutions desire good ratings, so they participate in or devise lending programs that satisfy the goals of the CRA. Furthermore, the CRA has a major goal of providing a framework under which financial institutions can partner with community organizations, such as local governments and community development organizations (CDOs), to benefit the community.

For specific examples of programs that are motivated by the CRA, see the appendix reports for 1) the Community Homebuyers' Corporation (CHC) of South Bend and 2) the Multibank Consortium for Affordable Mortgages.

ELIGIBILITY

The CRA applies to FDIC-insured depository institutions, which includes national banks, savings associations, and state-chartered commercial and savings banks.[1] It does not apply to credit unions that are insured by the National Credit Union Share Insurance Fund (NCUSIF) or non-bank entities supervised by the Consumer Financial Protection Bureau (CFPB).

PROCESS MAP OF CRA



C.15 BELOW MARKET LAND COST AND FREE LAND

- This tool is applicable to Local Government/Financial Institutions and Homeowners/Tenants
- It can be used for both owner-occupied and rental housing
- It applies to both market-rate and affordable housing

As part of acquiring a property for a house (whether new construction or rehabilitation), homebuyers must purchase the actual parcel of land itself. In some cases, this land belongs to the city. In other cases, the city can acquire the land from the current owners before re-selling it to new buyers. This process is part of the formation of a "land bank."[86] Land banks are typically formed to help turn vacant, abandoned, and/or tax-delinquent properties into productive properties.

A way to use land banks to improve the affordability of housing projects is to have a land bank in Elkhart that either a) gives the land away for free, or b) sells the land at below market value. Though this would impart a cost to the government agency in charge of the land bank, it could have far-reaching benefits by making housing projects affordable for prospective homeowners, which would lead to housing development and various benefits to the city and community.

Specifically, in the State and Division Neighborhood, the City of Elkhart owns 13 parcels of land that are being targeted for new construction. The City could give away the land or sell it at below market value to help spur development within the neighborhood.

ELIGIBILITY

There are no specific eligibility requirements for this tool, as the City can dispense the land at its own discretion. Depending on the target of the development, there could be income limits if the goal is to create affordable housing and benefit low-to-middle-income people. Additionally, property development eligibility requirements could be developed (i.e. require all projects to be owner-occupied), once again at the City's discretion.

Other locations that have conducted land giveaway in such a manner have required that projects be completed within a certain time period after the land is given to the buyer.[87]

COMBINATION/EXCLUSION WITH OTHER PROGRAMS

Such a program would not explicitly be combined with or exclusionary to other programs; however, it would be reasonable to suggest that such a program could spur the usage of other

[86] Center for Community Progress, Frequently Asked Questions on Land Banking (2018). Retrieved from https://www.communityprogress.net/land-banking-faq-pages-449.php#What%20is%20a%20land%20bank?

[87] Ferguson, D., Dime Will Tell, These Places in the US are Giving Out FREE Land in 2019 (2019, March 12). Retrieved from https://dimewilltell.com/free-land/

programs, including down payment assistance programs and rehabilitation financing models, as it would help buyers clear the first hurdle towards homeownership.

ALLOCATION PROCESS

Looking strictly at the aforementioned 13 City of Elkhart-owned parcels of land that are being targeted for development in the State and Division Neighborhood, the allocation process would be extremely simple. Since the City already owns the land, they need only choose a buyer for each property and give the land to him or her – or sell it at a low price.

FREE LAND/BELOW-MARKET LAND TIMELINE

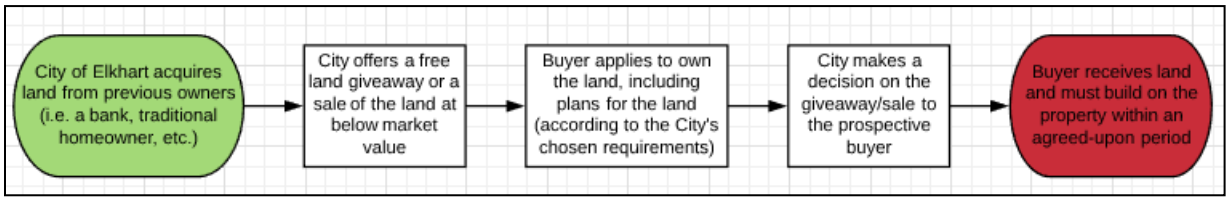
All land sales, including free, discounted or market-rate land, must be approved by the Redevelopment Commission at a public meeting. The Redevelopment Commission meets the second Tuesday of every month. Requests to purchase the property from the Redevelopment Commission must be submitted to staff ten days prior to the meeting. If the Redevelopment Commission approves a proposal, the entity or person purchasing the property must complete their project in a reasonable amount of time, as determined by the Redevelopment Commission.

EXAMPLES OF FREE LAND/BELOW-MARKET LAND PROJECTS

Starting in 2004, the City of Lincoln, Kansas began to to give away building sites for a new subdivision, which cost nearly two-thirds of a million dollars. The town gave building sites to the first 21 qualified applicants who agreed to build homes that comply with the City's requirements.[88] Though no numbers are available in regards to the impact of this project, the City notes that in conjunction with this project, there have been numerous recent advances in their schools, quality-of-life amenities, public safety, and recreation.

[88] City of Lincoln, Kansas, Free Home Site Program (2019). Retrieved from http://www.lincolnks.org/Housing.html.

PROCESS MAP OF OBTAINING FREE LAND/BELOW-MARKET LAND



C.16 HOME INVESTMENT PARTNERSHIP PROGRAMS

- This tool is applicable to Local Government/Financial Institutions Homeowners/Tenants
- It can be used for both owner-occupied and rental housing
- It is targeted towards affordable housing
- Can be used for rehabilitation projects

The HOME Investment Partnership Program awards grants to states and local governments who identify as participating jurisdictions (PJs) with the objective of increasing "homeownership and affordable housing opportunities for low and very low-income citizens" through the implementation of housing strategies that bolster community development. The largest Federal block grant is provided annually to PJs and can be utilized in many ways including "building, buying or rehabilitating affordable housing for rent or homeownership, or given as direct loans, loan guarantees and other forms of rental assistance."[89]

A participating jurisdiction (PJ), as defined by U.S. Department of Housing and Urban Development (HUD) is "any state, local government, or consortium that HUD has designated to receive HOME funds and administer a HOME program. HUD designation as a PJ occurs if a state or local government meets the funding thresholds, notifies HUD that it intends to participate in the program, and has a HUD-approved Consolidated Plan."[90]

IHCDA allocates the received HOME funds to two different programs that it administers, including HOME Homebuyer and HOME Rental. The programs are targeted towards providing funds for rehabilitation and/or new construction of single-family homes and rental housing respectively to low-income families. Program requirements specific to IHCDA can be found on https://www.in.gov/myihcda/home.htm.

ELIGIBILITY

- States and local governments should be a PJ to be eligible for HOME funds or should be part of a consortium
- All HOME funds should be allocated towards housing for low and very low-income households
- 90% of the rental housing should be provided to households with incomes at or below 60% AMI
- "Homeownership assistance must be provided to households with income at or below 80% AMI"

[89] HUD Exchange, HOME INVESTMENTS PARTNERSHIP PROGRAM. Retrieved from https://www.hud.gov/program_offices/comm_planning/affordablehousing/programs/home

[90] Defined Term, As Defined by HOME and the Low-Income Housing Tax Credit Guidebook (HUD). Retrieved from https://definedterm.com/participating_jurisdiction/160260

- PJs must provide a 25% match of their HOME funds and must provide community housing development organizations (CHDOs) 15% of their total allocated funds for the development of new housing to be owned
- HOME assisted rental housing must comply with rent limits set by HUD every year
- Rental housing funded by HOME funds should remain affordable for a period of 20 years whereas 5-15 for new homeownership housing[91]

ELIGIBLE ACTIVITIES

Besides rehabilitation or construction of new homes, HOME can be used to fund:[92]

- Acquisition of Land/Site
- "Demolishing of dilapidated housing"[93]
- Relocation expenditure

The eligible States either receive a total funding of $3 million or their respective formula allocation (whichever is greater) whereas local governments are awarded at least $500,000.[94] One of the many program areas of HOME is Homeowner Rehabilitation. This program area aims to aid "existing homeowners with the repair, rehabilitation or reconstruction of owner-occupied units."[95] Other program areas include Rental Housing, where HOME funds can be utilized for "acquisition, new construction, or rehabilitation of affordable housing."[96] Other criteria that need to be met by the renter in order to be eligible for this assistance that includes income and the period for which the property is occupied.

Another program area is the HOME Homeownership that aids homebuyers to purchase or construct new homes only. Income eligibility, restrictions on the property being the primary residence of the applicant, etc. need to be met to be eligible for this form of assistance.

COMBINATION/EXCLUSION WITH OTHER PROGRAMS

One program with which HOME Investment Partnerships Program (HOME), can be effectively combined is CDBG (see section on CDBG later in Appendix C). Furthermore, it can also be combined with FHLBI Affordable Housing Program (see section on FHLBI AHP in Appendix C) as well as Low-Income Housing Tax Credits (see Appendix C). Other programs it can be used in

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[91] HUD Exchange, HOME INVESTMENTS PARTNERSHIP PROGRAM. Retrieved from https://www.hud.gov/program_offices/comm_planning/affordablehousing/programs/home

[92]HUD Exchange, HOME INVESTMENTS PARTNERSHIP PROGRAM. Retrieved from https://www.hud.gov/program_offices/comm_planning/affordablehousing/programs/home

[93]HUD Exchange, HOME INVESTMENTS PARTNERSHIP PROGRAM. Retrieved from https://www.hud.gov/program_offices/comm_planning/affordablehousing/programs/home

[94]HUD Exchange, THE HOME PROGRAM: HOME INVESTMENT PARTNERSHIPS Retrieved from https://www.hud.gov/hudprograms/home-program

[95]HUD Exchange, HOME Homeowner Rehabilitation. Retrieved from https://www.hudexchange.info/programs/home/topics/homeowner-rehabilitation/#policy-guidance-and-faqs

[96]HUD Exchange, HOME Rental Housing. Retrieved from https://www.hudexchange.info/programs/home/topics/rental-housing/#policy-guidance-and-faqs

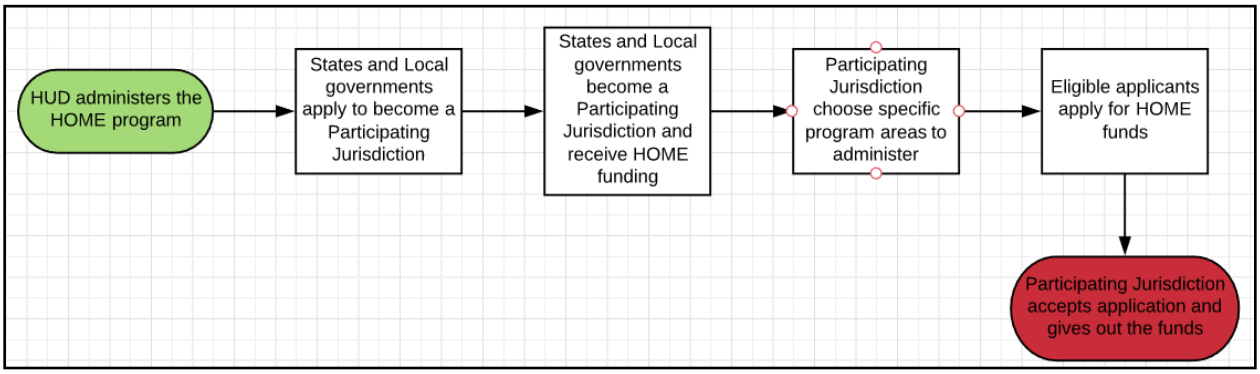
tandem with include Housing Trust Funds, USDA Housing assistance program, Housing Choice Voucher Program Section 8, etc.[97]

HOME TIMELINE

The time it takes to receive the assistance varies on the program area the applicant is applying for. There is no mention of a specific timeframe that it takes for a state or a local government to become a PJ.

[97] HUD Exchange, HOME and other Federal Programs. Retrieved from https://www.hudexchange.info/programs/home/topics/home-and-other-federal-programs/#policy-guidance

PROCESS MAP OF OBTAINING HOME



C.17 FEDERAL HOME LOAN BANK OF INDIANAPOLIS (FHLBI) NEIGHBORHOOD IMPACT PROGRAM (NIP)

- This tool is applicable to Local Government/Financial Institutions and Homeowners/Tenants
- It can be used for owner-occupied housing
- It is targeted towards affordable housing
- Can be used for rehabilitation projects

FHLBI is a regional wholesale bank, created by Congress to provide its members with economical funding options. It represents one of 11 regional Federal Reserve banks with a mission to serve as a dependable entity to meet the financial needs of its members. The members are comprised of credit unions, member banks, community development financial institutions and insurance companies[98] with the goal of creating effective homeownership opportunities through housing financing and reasonable loans and grants. FHLBI is a privately-owned entity with over 400 members contributing to the overall capital of the banking system. FHLBI provides many programs under its umbrella to support homeownership and affordable housing initiatives for low-to-moderate-income families in the state of Indiana and Michigan. These programs include:[99]

- Neighborhood Impact Program (NIP)
- Accessibility Modifications Program (AMP)
- Affordable Housing Program (AHP)
- Homeownership Opportunities Program (HOP)

NIP is another homeownership Initiative from the FHLBI that provides a grant of up to $7,500 per home for rehabilitation purposes. The funds are targeted to aid households with deferred maintenance repairs, with the broader vision of maintaining market competitiveness of the property. Since there are three different grants available through the Homeownership Initiative, each household can only receive one of those three for the same property.

ELIGIBILITY

- Total household income should be at or below 80% of the Area Median Income (AMI) of the region
- "Eligible properties include single-family homes, condominiums and modular units (duplexes with certain restrictions)"[100]

[98] FHL Bank of Indianapolis, About the Federal Home Loan Bank System. Retrieved from https://www.fhlbi.com/

[99] FHLBI, Homeownership Initiatives. Retrieved from https://www.fhlbi.com/products-services/community-investment-and-housing/homeownership-initiatives

[100] FHLBI, Neighborhood Impact Program (NIP). Retrieved from https://www.fhlbi.com/docs/default-source/resources/community-investment/homeownership-initiatives/fact-sheets/nip.pdf?sfvrsn=9de9371e_2

- Homeowners must be a resident of their homes for at least six months prior to being enrolled in the program
- "Mortgage obligations on the property must be current and paid as agreed"[101]

In addition, the program participation requirements, there are limitations on the type of modifications performed on the homes eligible for NIP. These include repair/replacement of HVAC systems, septic and sewer systems, windows, roofing, etc.[102]

COMBINATION/EXCLUSION WITH OTHER PROGRAMS:

There is no mention of the program being exclusionary with any other financial tools or programs.

ALLOCATION PROCESS

Members of FHLBI participate in the program by submitting a Homeownership Initiative Programs Master Agreement and Registration and Certification Form. New members to the programs are then required to participate in training to learn about "programs guidelines, disbursements, and documentation requirements."[103] Once the Master Agreement, Registration, and Certification Form are approved and the required training is completed, members receive a Starter kit describing the disbursement process.

Members can begin to enroll households in the Bank Homeownership Initiatives Program, who then submit all household documents to procure funds from FHLBI. After careful review, FHLBI disburses the funds to the member's CMS account, within ten business days of receiving the request.[104] Homeowners should complete all modifications for which the funds were requested within six months of receiving the grant. Members are required to submit a Rehabilitation Closing Statement (RCS) to FHLBI upon completion of the modifications.

NIP TIMELINE

The disbursement request should be filed by the participating member within 30 days of enrolling households in the Homeownership Initiatives Program. After FHLBI receives the request for funds, they take a maximum of ten business days to credit the requested amount in the member's FHLBI CMS account, who then transfers the individually requested amounts to each household.

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[101] FHLBI, Accessibility Modifications Program (AMP) Retrieved from https://www.fhlbi.com/docs/default-source/resources/community-investment/homeownership-initiatives/fact-sheets/amp.pdf?sfvrsn=81e9371e_2

[102] FHLBI, Neighborhood Impact Program (NIP). Retrieved from https://www.fhlbi.com/docs/default-source/resources/community-investment/homeownership-initiatives/fact-sheets/nip.pdf?sfvrsn=9de9371e_2

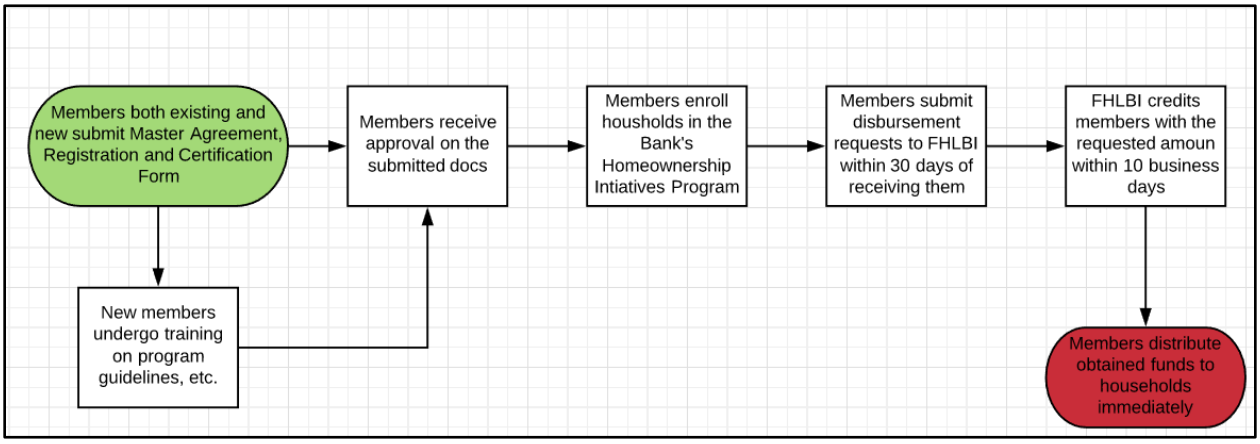
[103] FHLBI, AHP Implementation Plan (2019). Retrieved from https://www.fhlbi.com/docs/default-source/resources/community-investment/ahp-implementation-plan/2019-i-plan/2019-ahp-implentation-plan---attachment-i.pdf?sfvrsn=c8ab371e_2

[104] FHLBI, AHP Implementation Plan (2019). Retrieved from https://www.fhlbi.com/docs/default-source/resources/community-investment/ahp-implementation-plan/2019-i-plan/2019-ahp-implentation-plan---attachment-i.pdf?sfvrsn=c8ab371e_2

EXAMPLES OF NIP PARTICIPATING MEMBERS

1st Source Bank, South Bend, IN, Alliance Bank, Monticello, IN are examples of participating members of the FHLBI. FHLBI provides each of its members with a maximum of $300,000 towards NIP funds. It is important to note that there are no banks/financial institutions in the City of Elkhart that are currently participating in this program.

PROCESS MAP OF OBTAINING NIP



C.18 FHLBI ACCESSIBILITY MODIFICATIONS PROGRAM (AMP)

- This tool is applicable to Local Government/Financial Institutions and Homeowners/Tenants
- It can be used for owner-occupied housing
- It is targeted towards affordable housing
- Can be used for rehabilitation projects

AMP, one of three homeownership initiatives of the FHLBI, provides a financial grant of up to $12,000 per household to assist in "accessibility modifications and minor home rehabilitations for both income-eligible senior homeowners and owner-occupied households with a person(s) with a permanent disability." The subsidy is available to eligible households through member institutions of the FHLBI that not only help these institutions provide better services to its customers, but also impact the customers' ability to stay in their homes and communities. Since there are three different grants available through the Homeownership Initiative, each household can only receive one of those three for the same property.

ELIGIBILITY

- Homeowners must reside in Indiana or Michigan and should be at or below 80% or less of the Area Median Income (AMI)
- "All household members are 62 years of age or older"[105]
- "All household members are 62 years of age or older and age 17 or younger where the older member (62 years or more) is the legal guardian of the younger member"
- "Household with a member of any age with a permanent disability, currently receiving permanent disability benefits"[106]
- Homeowners must be a resident of their homes for at least six months before they are enrolled in the program
- "Mortgage obligations on the property must be current and paid as agreed"[107]

In addition to the program participation requirements, there are limitations on the type of modifications performed on the homes eligible for AMP. These include ramps/zero-step entries, handrails, specific bathroom modifications, wheelchair lifts, widened doorways,[108] etc.

[105] FHLBI, Accessibility Modifications Program (AMP). Retrieved from https://www.fhlbi.com/docs/default-source/resources/community-investment/homeownership-initiatives/fact-sheets/amp.pdf?sfvrsn=81e9371e_2

[106] FHLBI, Accessibility Modifications Program (AMP). Retrieved from https://www.fhlbi.com/docs/default-source/resources/community-investment/homeownership-initiatives/fact-sheets/amp.pdf?sfvrsn=81e9371e_2

[107] FHLBI, Accessibility Modifications Program (AMP). Retrieved from https://www.fhlbi.com/docs/default-source/resources/community-investment/homeownership-initiatives/fact-sheets/amp.pdf?sfvrsn=81e9371e_2

[108] FHLBI, Accessibility Modifications Program (AMP). Retrieved from https://www.fhlbi.com/docs/default-source/resources/community-investment/homeownership-initiatives/fact-sheets/amp.pdf?sfvrsn=81e9371e_2

Maintenance items are also eligible for the grant funding and may include roofing, HVAC, water heaters, etc.

COMBINATION/EXCLUSION WITH OTHER PROGRAMS

There is no mention of the program being exclusionary with any other financial tools or programs.

ALLOCATION PROCESS

Members of FHLBI participate in the program by submitting a Homeownership Initiative Programs Master Agreement and Registration and Certification Form. New members to the programs are then required to participate in training to learn about "programs guidelines, disbursements, and documentation requirements."[109] Once the Master Agreement, Registration, and Certification Form are approved, and the required training is completed, members receive a Starter kit describing the disbursement process. Members can begin to enroll households into the Bank Homeownership Initiatives Program, who then submit all household documents to procure funds from FHLBI. After careful review, FHLBI disburses the funds to the member's CMS account, within ten business days of receiving the request.[110] Homeowners should complete all modifications for which the funds were requested within six months of receiving the grant. Members are required to submit a Rehabilitation Closing Statement (RCS) to FHLBI upon completion of the modifications.

AMP TIMELINE

The disbursement request should be filed by the participating member within 30 days of enrolling households in the Homeownership Initiatives Program. After the FHLBI receives the request for funds, they take a maximum of ten business days to credit the requested amount in the member's FHLBI CMS account, who then transfers the requested amounts to each household.

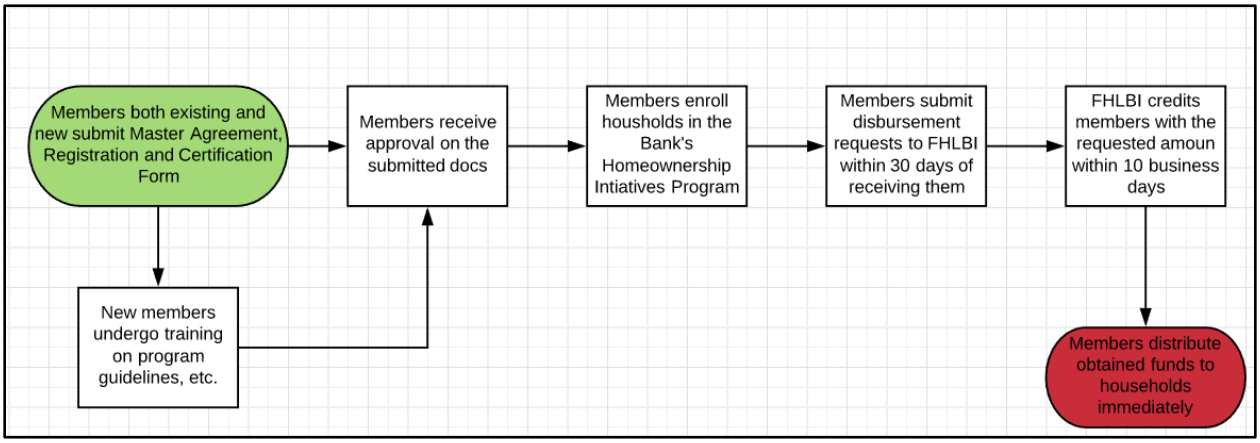
EXAMPLES OF AMP PARTICIPATING MEMBERS

1st Source Bank, South Bend, IN, First Bank Richmond, Richmond, IN are examples of participating members of the FHLBI. The FHLBI provides each of its members with a maximum of $300,000 in AMP funds. It is important to note that there are no banks/financial institutions in the City of Elkhart that are currently participating in this program.

[109] FHLBI, Accessibility Modifications Program (AMP). Retrieved from https://www.fhlbi.com/docs/default-source/resources/community-investment/ahp-implementation-plan/2019-i-plan/2019-ahp-implentation-plan---attachment-i.pdf?sfvrsn=c8ab371e_2

[110] FHLBI, Accessibility Modifications Program (AMP). Retrieved from https://www.fhlbi.com/docs/default-source/resources/community-investment/ahp-implementation-plan/2019-i-plan/2019-ahp-implentation-plan---attachment-i.pdf?sfvrsn=c8ab371e_2

PROCESS MAP OF OBTAINING AMP



C.19 FHLBI AFFORDABLE HOUSING PROGRAM (AHP)

- This tool is applicable to Local Government/Financial Institutions and Developers
- It can be used for both owner-occupied and rental housing
- It is targeted towards affordable housing
- Can be used for rehabilitation projects

One of the many 'community and housing initiatives' of the FHLBI is the Affordable Housing Program (AHP) that aims to provide safe and affordable housing (both rental and owned) for the residents of Indiana and Michigan. FHLBI members partner with not-for-profit organizations, for-profit developers and public agencies to "build affordable housing, improve neighborhoods, and reinvest in communities."[111] Members are awarded a grant of up to $500,000 towards the development or rehabilitation of single and multi-family affordable housing.

ELIGIBILITY*[112]*

- A proposed project should establish a need for subsidy
- Projects should provide documentation for proof of readiness to proceed that includes site control, financing commitments and required approvals
- A market need for affordable housing is identified
- 20% of the total units in a project account for the population with 50% or less of the Area Median Income (AMI) (rental housing)
- Household income should not exceed 80% of AMI for homeownership projects
- Rent should account for no more than 30% of household income, adjusted based on unit size
- Housing costs for the homeownership project should not exceed 35% of the household's income
- Developers should demonstrate the capacity to fund and support the project
- Contract fees for new construction should not exceed 14% of the construction costs
- Requested AHP subsidy per unit should not exceed $50,000

COMBINATION/EXCLUSION WITH OTHER PROGRAMS

The grant can, to some capacity, can be combined with Low-Income Housing Tax Credit (LIHTC) and the HOME programs.

[111] FHLBI, Communities and Housing. Retrieved from https://www.fhlbi.com/products-services/community-investment-and-housing

[112] FHLBI, Getting Started – Affordable Housing Program. Retrieved from https://www.fhlbi.com/docs/default-source/resources/community-investment/ahp/getting-started-with-ahp.pdf?sfvrsn=d01a081e_2

ALLOCATION PROCESS[113]

FHLBI members apply for the AHP grant through a competitive application process that opens early in the year. There are three steps to the comprehensive process including pre-application, application submission, and application review. Pre-application is a mandatory step required by all applicants of the AHP grant. This step requires project sponsors and FHLBI members to review the AHP implementation plan and program requirements and attend AHP training. Furthermore, sponsors identify members that they want to collaborate with at this step whereas bank members review project capacity and discuss partnership opportunity with these sponsors.

A Sponsor completes and submits the AHP grant application to FHLBI once the member partner identifies an authorized signatory at FHLBI, fills in Section 11 of the application, carefully reviews the entire application, and obtains authorization from a FHLBI personnel. In the final review, sponsors submit any additional documents required by the FHLBI to the member institution, who then responds to FHLBI with those. The member finally underwrites the project.

Applications are scored on a scale of 100 and only one in three applications are approved for funding. The FHLBI Board of Directors reviews and approves applications, then allocates funding to project, beginning with projects receiving the highest score. Sponsors submit a disbursement request which is reviewed and approved by the member institution. Funds are disbursed to the sponsor. Sponsors are required to submit semi-annual progress reports of the project to the member institutions for approval.

AHP TIMELINE[114]

The pre-application of AHP was opened on April 17, 2019, with the deadline set as June 14, 2019. Final applications are due on August 14, 2019. Applications are under review from August 15 to November 13, 2019. The awards will be announced on November 14, 2019, via a conference call. Once funds are awarded, projects must reach completion at the end of year three.

EXAMPLES OF AHP PROJECTS[115]

In 2018, Memorial Lofts in Evansville, Indiana received total funding of $500,000 for construction of a 50-unit rental affordable housing project that will provide housing for families and tenants with disabilities. Monon Crossing in Bloomington, Indiana is another recipient of the AHP grant that will provide housing to homeless families and individuals. A total of 31 projects in Indiana, Michigan, and Kentucky were awarded the AHP grant worth $12.6 million.

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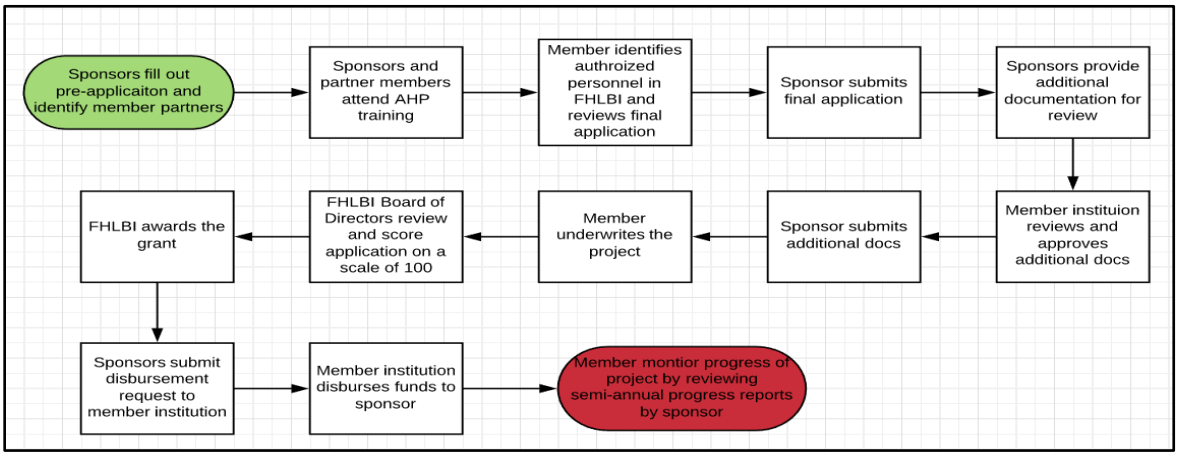
[113] FHLBI, Applying for AHP. Retrieved from https://www.fhlbi.com/products-services/community-investment-and-housing/affordable-housing-program/applying-for-ahp

[114] FHLBI, Latest Updates. Retrieved from https://www.fhlbi.com/products-services/community-investment-and-housing/latest-updates/test-blog/2019/05/16/2019-pre-application-deadline-is-june-14-for-competitive-ahp-program

[115] FHLBI, 2018A AHP Awarded Projects. Retrieved from https://www.fhlbi.com/docs/default-source/resources/community-investment/competitive-grant/2018-ahp-award-project-descriptions.pdf?sfvrsn=6d6a371e_2

PROCESS MAP OF OBTAINING AHP GRANT



C.20 FHLBI HOMEOWNERSHIP OPPORTUNITIES PROGRAM (HOP)

- This tool is applicable to Local Government/Financial Institutions and Homeowners/Tenants
- It can be used for owner-occupied housing
- It is targeted towards affordable housing

HOP, the last of the homeownership initiatives by the FHLBI, provides down-payment and closing cost assistance of up to $8,000 per household to first-time homebuyers. The FHLBI member bank can request said monies if they originate the mortgage to the homebuyer. Financial assistance of up to $4,000 is provided to first-time homebuyers that obtain mortgage financing from a non-FHLBI member institution.[116] These aid in improving the likelihood of households with incomes at or below 80% AMI with obtaining mortgage financing for their homes. The grant is available on a first-come, first-served basis. First-time homebuyers are mandated to complete housing counseling and are provided with up to $150 from the HOP funds to assist with course financing.[117] Homebuyers are also required to have a five-year retention with a recapture of assistance[118] if not adhered to.

ELIGIBILITY[119]

- Only available to first-time homebuyers
- Household income should be at or below 80% of the Area Median Income (AMI)
- Eligible homes include single-family, condominium, duplex or modular unit
- Homebuyer should contribute a minimum of $1,000 towards buying a new home
- Homebuyer is required to complete a State, HUD or FHLBI-approved homebuyer counseling course
- Housing debt should not exceed 35% of the total household gross income of the homebuyer

COMBINATION/EXCLUSION WITH OTHER PROGRAMS

There is no mention of the program being exclusionary with any other financial tools or programs.

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[116] FHLBI, Home Opportunities Program (HOP). Retrieved from https://www.fhlbi.com/products-services/community-investment-and-housing/homeownership-initiatives/homeownership-opportunities-program-(hop)

[117] FHLBI, Home Opportunities Program (HOP). Retrieved from https://www.fhlbi.com/docs/default-source/resources/community-investment/homeownership-initiatives/fact-sheets/hop.pdf?sfvrsn=99e9371e_2

[118] FHLBI, Home Opportunities Program (HOP). Retrieved from https://www.fhlbi.com/docs/default-source/resources/community-investment/homeownership-initiatives/fact-sheets/hop.pdf?sfvrsn=99e9371e_2

[119] https://www.fhlbi.com/products-services/community-investment-and-housing/homeownership-initiatives/homeownership-opportunities-program-(hop)

ALLOCATION PROCESS

Members of FHLBI participate in the program by submitting a Homeownership Initiative Programs Master Agreement and Registration and Certification Form. New members to the programs are then required to participate in training to learn about "programs guidelines, disbursements, and documentation requirements[120]." Once the Master Agreement, Registration, and Certification Form are approved and the required training is completed, members receive a Starter kit describing the disbursement process. Members can begin to enroll households in the Bank Homeownership Initiatives Program, who then submit all household documents to procure funds from the FHLBI. After careful review, FHLBI disburses the funds to the member's CMS account, within ten business days of receiving the request.[121] Homeowners should complete the purchase within 30 days of the disbursements of funds. Grantees should submit two documents (HUD-1/Closing Disclosure and FHLBI Household Qualification Form) to FHLBI through their member institution.

HOP TIMELINE

The disbursement request should be filed by the participating member with the submission of required household documents. After FHLBI receives the request for funds, they take a maximum of ten business days to credit the requested amount in the member's FHLBI CMS account, who then transfers the individually requested amounts to each household.

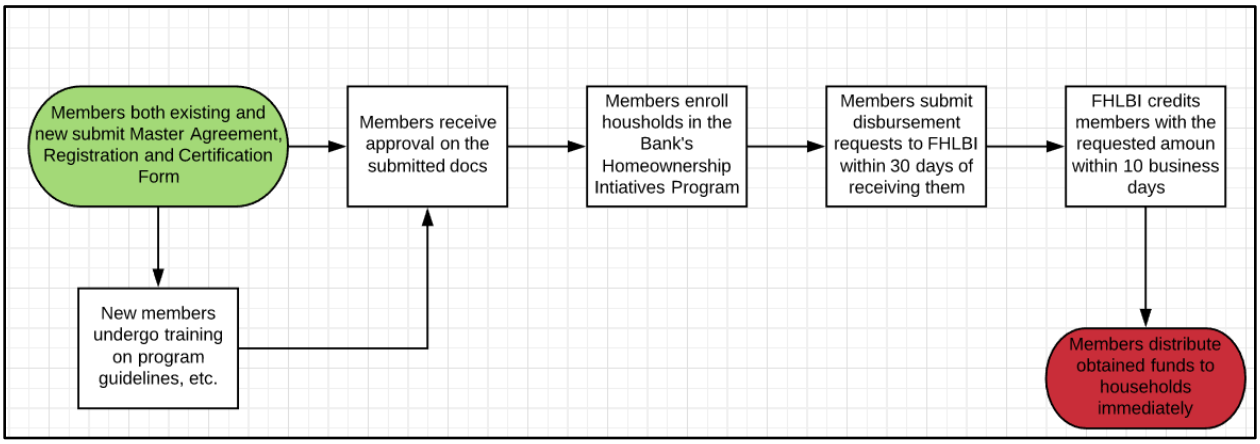
EXAMPLES OF HOP PARTICIPATING MEMBERS

1st Source Bank, South Bend, IN and Teachers Credit Union, South Bend, IN are examples of participating members of the FHLBI. FHLBI provides each of its members with a maximum of $500,000 towards HOP funds. It is important to note that there are no banks/financial institutions in the City of Elkhart that are currently participating in this program.

[120] FHLBI, AHP Implementation Plan (2019). Retrieved from https://www.fhlbi.com/docs/default-source/resources/community-investment/ahp-implementation-plan/2019-i-plan/2019-ahp-implentation-plan---attachment-i.pdf?sfvrsn=c8ab371e_2

[121] FHLBI, AHP Implementation Plan (2019). Retrieved from https://www.fhlbi.com/docs/default-source/resources/community-investment/ahp-implementation-plan/2019-i-plan/2019-ahp-implentation-plan---attachment-i.pdf?sfvrsn=c8ab371e_2

PROCESS MAP OF OBTAINING HOP



C.21 HUD TITLE 1 PROPERTY IMPROVEMENT LOAN

- This tool is applicable to **Homeowners/Tenants**
- It can be used for both owner-occupied and rental housing
- It is targeted towards affordable housing
- Can be used for rehabilitation projects

The Federal Housing Administration (FHA), a division of the Department of Housing and Urban Development (HUD), administers a 'Property Improvement Loan Insurance' program under Title I, Section 2 of the National Housing Act (12 U.S.C. 1703).[122] The program helps homeowners secure loans with affordable interest rates by insuring "private lenders against loss on property improvement loans they make."[123] The objective of the loan is to provide homeowners with financial capability to fund perennial changes to the structure of the property that aim to extend its useful life, livability conditions, and functionality.

Lending institutions can provide loans of up to $25,000 for improvements made to a single-family home. Multi-family home improvements are eligible for a loan of up to $12,000 per family unit, with a ceiling of $60,000. Loans provided to eligible households are "fixed-rate loans, for which lenders charge interests at market rates."[124] However, homeowners may be eligible for a reduced-rate loan through a Title I lender through participation in a local housing rehabilitation program offered within their community. HUD does not provide a subsidy on these loans but rather insurance to lenders against risk of default with maximum coverage of 90% of the value of the loan.

ELIGIBILITY

- Only HUD approved lenders can provide loans covered by Title I insurance
- Title I loans can be given directly to homeowners or repair contractors
- Eligible borrowers include homeowners of the property, tenant with a property lease that extends six months beyond the loan repayment date or a "person buying the property under a land installment contract"[125]
- Residential properties that can be improved with this loan include "manufactured homes, single and multi-family homes and preservation of historic homes."[126]

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[122] HUD Exchange, Property Improvement Loan Insurance (Title I). Retrieved from https://www.hud.gov/program_offices/housing/sfh/title/title-i

[123] HUD Exchange, About Title I Property Improvement Loans. Retrieved from https://www.hud.gov/program_offices/housing/sfh/title/ti_abou

[124] HUD Exchange, Property Improvement Loan Insurance (Title I). Retrieved from https://www.hud.gov/program_offices/housing/sfh/title/title-i

[125] HUD Exchange, Property Improvement Loan Insurance (Title I). Retrieved from https://www.hud.gov/program_offices/housing/sfh/title/title-i

[126] HUD Exchange, Property Improvement Loan Insurance (Title I). Retrieved from https://www.hud.gov/program_offices/housing/sfh/title/title-i

- Loans can only be used to fund perennial changes to the structure of the property that aims to extend its useful life, livability conditions, and functionality
- A 90-day occupation period is required for first-time homebuyers

COMBINATION/EXCLUSION WITH OTHER PROGRAMS

There is no mention of the program being exclusionary with any other financial tools or programs.

ALLOCATION PROCESS[127]

Title I loans are applied through HUD approved Title I lenders. An application is submitted to the lender, who reviews it and runs a credit check to determine eligibility and rates for the home improvement loan. Additional documents demonstrating proof of income need to be submitted, along with the application for approval. Lenders process the fixed-rate loan to approved applicants and are insured on them from the FHA. These loans are provided for a period of 20 years with the option of prepayment without any penalties.

HUD TITLE I LOAN TIMELINE

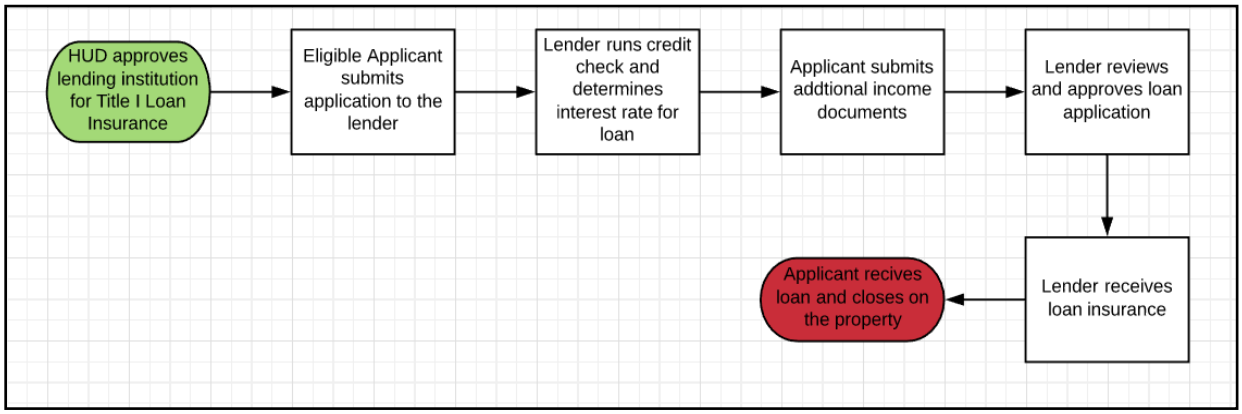
The timeline is conducted on a case-by-case basis, and the time that each application takes varies among different banking institutions.

EXAMPLES OF HUD TITLE I LOANS PROJECTS

There are no specific examples mentioned for this tool.

[127] MortgageLoan, FHA Title 1 home improvement loans. Retrieved from https://www.mortgageloan.com/fha-title-1-home-improvement-loans-no-home-equity-required

PROCESS MAPS OF OBTAINING HUD TITLE I LOAN



C.22 EMPLOYER ASSISTED HOUSING (EAH)

- This tool is applicable to Local Government/Financial Institutions
- It can be used for both owner-occupied and rental housing
- It applies to both market-rate and affordable housing
- Can be used for rehabilitation projects

Employer assisted housing (EAH) is a tool used by employers to attract and retain talent within the organization. The housing benefit provides incentives for employees to continue working for the employer. This helps to reduce turnover rates and provides cost savings for employers. This benefit not only helps improve employee productivity and employers' internal goals of increasing employee retention rates, but it also helps revitalize communities and create strong neighborhoods. The housing benefits can take several forms, ranging from down payment/closing cost assistance to homebuying/homeownership education and counseling, etc. Below is a breakdown of the different EAH programs that can be offered to employees of an organization:[128]

- Homebuyer Education
- Closing Cost Assistance
- Down Payment Assistance
- Construction Financing or guarantee
- Housing Trust Fund

There are many other types of programs that can be explored as part of EAH. (See

https://www.bostonfed.org/-/media/Documents/necdac/EmployerAssistedHousing.pdf)

There are many different employer-assisted housing programs across the nation ranging from down-payment assistance to cash contributions towards new construction to employer developed housing project. Two key examples of such housing program are:

1. Roseau County Workforce Housing Program
2. Philadelphia Home.Buy.Now program

Roseau County Workforce Housing Program came into effect after two major employers in the State of Minnesota, Polaris Inc. and Marvin Windows & Doors, raised concerns of housing for their workforce. Since the inception of the program, two major projects were undertaken, a single-family housing development and a multi-family housing development. Employers provided for the funds to develop the housing project in the form of in-kind cash donation. The goal of the program was to incentivize developers through "low-interest construction financing, fee waivers, and reduced-price lots."[129] The cash contribution by the employers would be used to bridge any

[128] Anna Afshar, Federal Reserve Bank of Boston, New Arguments for Employer-Assisted Housing (2006) Retrieved from *https://www.bostonfed.org/-/media/Documents/necdac/EmployerAssistedHousing.pdf*

[129]Greater Minnesota Housing Fund, Employer-Assisted Housing Resource Guide (2016). Retrieved from https://hospitaltoolkits.org/wp-content/uploads/2016/09/GMHF_EAH.pdf

financial gaps in construction. The project initially began with a goal of building 30 homes, with construction of two-three homes reaching completion in late 2013.

Philadelphia Home.Buy.Now, an employer-assisted program, "provides participating employers with a menu of housing-related benefits to offer to their employees."[130] The program is administered by the Department of Urban Affairs Coalition (UAC), in partnership with the City of Philadelphia's Division of Housing and Community Development and the Pennsylvania Housing Finance Agency (PHFA). The program is open to all businesses/organizations that fall within the city limits. The program provides information on available financial resources to homebuyers and also provides homebuyer education and counseling to assist in the process of homeownership. A minimum contribution of $500 is required for an employer to join the program.

ELIGIBILITY[131]

- Employees should be employed by an employer participating in Home.Buy.Now
- The employee should earn less than 115% of the area median income to be eligible for the matching grant
- Only limited to purchase of a new home
- All employer-set qualifications are met by the employee

Home.Buy.Now Offerings

The program consists of several financing options including a matching grant, a ten-year, interest-free loan (through PHFA) and other features such as discounts and coupons for realtor services and homeownership, as well as homebuyer and credit building workshops to assist with the home buying process.

Matching Grant Program

One of the most essential features of the Home.Buy.Now; a matching grant of up to $4000 is provided employees receiving funds from their employers towards purchasing a home. The financial support is not required to be paid back and is considered an endowment to promote homeownership.

PHFA Housing Mortgage and Loan

Based on employer contribution compatibility, qualified employees can apply for competitive interest mortgage through PHFA. Furthermore, an $8000, interest-free loan towards down payment or closing costs is available to employees who obtain a mortgage through approved lenders of PHFA.[132]

Urban Affairs Coalition, Philadelphia HomeBuyNow. Retrieved from http://www.uac.org/philadelphiahomebuynow

[131]Temple University, Philadelphia HomeBuyNow Employer-Assisted Housing Program Packet. Retrieved from https://www.temple.edu/hr/departments/benefits/homeownership/documents/Home.Buy.Now_Program_Packet.pdf

[132]Temple University, Philadelphia HomeBuyNow Employer-Assisted Housing Program Packet. Retrieved from https://www.temple.edu/hr/departments/benefits/homeownership/documents/Home.Buy.Now_Program_Packet.pdf

ALLOCATION PROCESS[133]

To participate in the program, employees should confirm their eligibility. An application is filled out by the employer after the determination of eligibility. In addition to the application, the employer should submit an Employer Qualification letter stating their eligibility. After the application is successfully submitted, it is carefully reviewed by the UAC who then accepts the employee into the program. After acceptance, UAC discusses various mortgage options lenders. UAC provides the employee with an approval letter which is then submitted to the lender. The lender approves the application for the mortgage and discusses the PHFA interest-free loan if they are an approved PHFA lender. A commitment letter is provided to the participant by the lender after the mortgage is approved. The participant closes on the property and receives a settlement notice. Then, the participant submits the five required documents to the UAC to receive a matching grant.

HOME.BUY.NOW TIMELINE

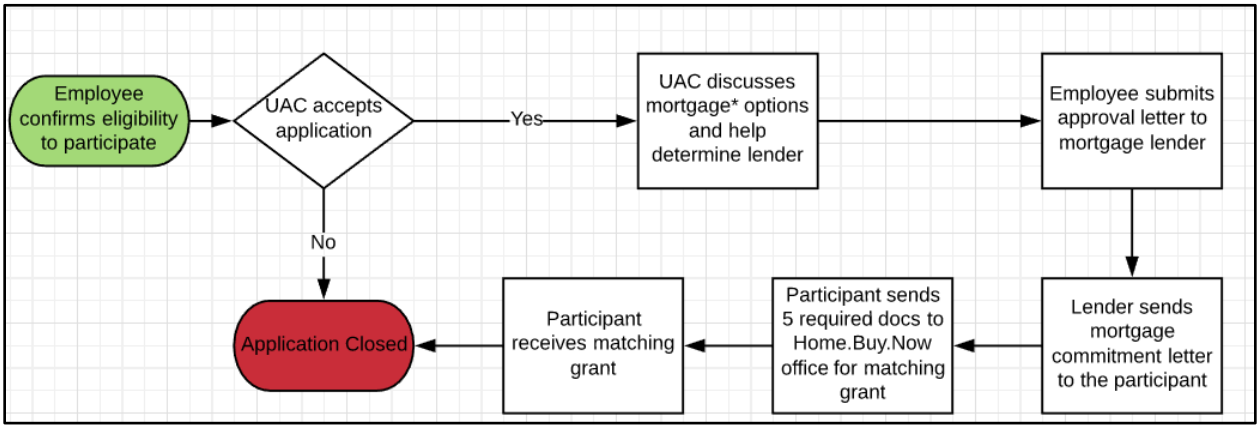
The timeline is conducted on a case-by-case basis and the time that each application takes varies. There is no mention of a specific timeframe for obtaining the forgivable loan and mortgage through PHFA. The timeline varies among different banking institutions.

EXAMPLES OF PARTICIPATING EMPLOYERS IN HOME.BUY.NOW

Since there are no specific examples available for projects/homes funded through the Home.Buy.Now program, examples of the participating employers have been listed below.

Cancer Treatment Centers of America, Diamond and Associates, Drexel University, Energy Coordinating Agency (ECA) are a few examples of employers involved in the program with the objective of retaining employees within their organization.

PROCESS MAP OF OBTAINING MORTGAGE, MATCHING GRANT AND INTEREST-FREE LOAN



[133] Temple University, Philadelphia HomeBuyNow Employer-Assisted Housing Program Packet. Retrieved from https://www.temple.edu/hr/departments/benefits/homeownership/documents/Home.Buy.Now_Program_Packet.pdf

C.23 UTILITY CREDIT - SEWER CREDIT PROGRAM

- This tool is applicable to Local Government/Financial Institutions
- It can be used for both owner-occupied and rental housing
- It applies to both market-rate and affordable housing

One way to attract new housing development in a region or, more specifically, a neighborhood is to provide financial incentives to developers in the form of credits towards connecting to utility services. This type of assistance ties directly to a general plan of the city working on addressing the housing needs of its population. One financial tool to attract developers is to provide a sewer tap fee. For example, the City of Elkhart can provide a commercial sewer tap fee waiver of between $7,500 to $10,000 for new housing developments in neighborhoods that utilize federal funding or are key to economic redevelopment. A prime example of a credit program that has helped a city meet its objective of community development is the City of Citrus Height's Sewer Credit Program.

The City of Citrus Heights, in partnership with the Sacramento Regional County Sanitation District (Regional San), offers significant reductions in sewer impact fees to promote economic development within the community through new development/redevelopment projects. The substantial discount towards the sewer hookup fees is provided to new commercial, residential, and infill projects. The credits are administered by the Economic Development Division of the City. The number of credits distributed to the potential developers depends entirely on the number of new parcels created.

ELIGIBILITY[134]

- "Project must be in the former Commercial Corridor Redevelopment Project Area, Sunrise MartketPlace PBID, or CDGB-eligible area. However, projects outside the mentioned areas will be considered on a case-by-case basis by the City Council."
- The credits should be used in line with the objectives of the General Plan and Economic Development Strategy developed by the City, increasing home-ownership opportunities.
- A project can receive a maximum of 15% of the total credits towards its residential development.
- Single-family homes are not eligible for the credit unless they fall into a larger development project located in the areas mentioned above.
- Affordable housing projects have no ceiling to the amount of credits they can receive

This type of program can be beneficial for the City of Elkhart in its efforts to attract new development in the region, with the State and Division Neighborhood as a starting point.

[134]City of Citrus Heights, CA, Sewer Credit Program. Retrieved from http://www.citrusheights.net/344/Sewer-Credit-Program

COMBINATION/EXCLUSION WITH OTHER PROGRAMS

There is no mention of the program being exclusionary with any other financial tools or programs. It most likely can be combined with other forms of financial assistance a project is eligible for including LIHTC (See Appendix C.24), etc.

ALLOCATION PROCESS

Regional San, through its Economic Development Treatment Capacity Bank Program (Econ Bank) allocates Econ Bank credits i.e. sewer credit to the Economic Development Division (EDD) of the City of Citrus Heights.[135] Developers can then request these credits through a simple application process submitted to EDD. However, the application does require a quotation from Regional San stating the number of equivalent single-family dwellings (ESDs) required for the project, before it can be submitted to the EDD. The credits are awarded to the developer after a thorough review of the application by the Community & Economic Development Director or the City Council, depending on the scale of the project. The incentive program is set to expire on December 31, 2020.[136]

SEWER CREDIT PROGRAM TIMELINE

The credits can be obtained anywhere between the beginning of the project (construction) up to when the building permit is issued to the developer. A grace period of 30 days is provided to recipients of the credit to complete payment for the same.

EXAMPLE CITIES USING THE SEWER CREDIT PROGRAM[137]

California cities, including Sacramento, Folsom, Elk Grove, West Sacramento, and Rancho Cordova, currently utilize the sewer credit program available through the Sacramento Regional County Sanitation District (Regional San). The objective of this sewer credit program is to attract new development and promote community development and revitalization in the Sacramento metropolitan area. A total of 16,606 ESDs were initially distributed among these cities, in different proportions, as a result of the sewer credit program.[138]

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[135] Regional San, Economic Capacity Treatment Capacity Program. Retrieved from https://www.regionalsan.com/post/economic-development-treatment-capacity-bank

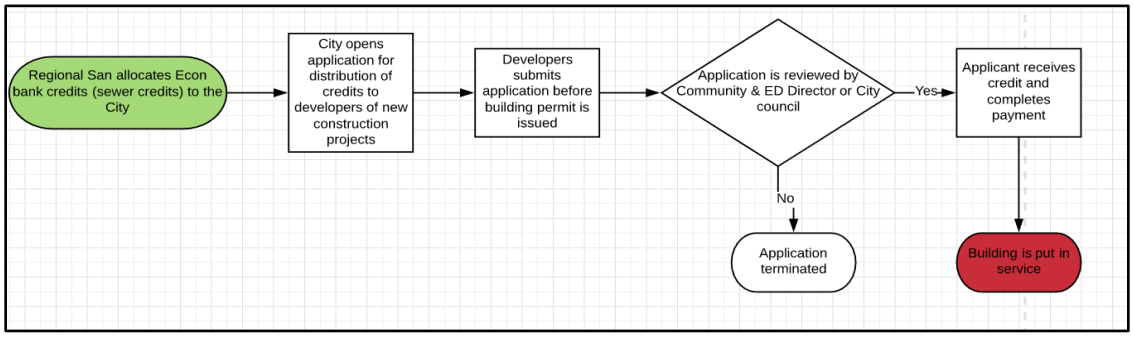
-program

[136] Ibid

[137] Ibid

[138] City of Elk Grove, Retrieved from, http://www.elkgrovecity.org/UserFiles/Servers/Server_109585/File/Departments/Economic%20Development/sewer-credit-fee-program-resolution-5-13.pdf

PROCESS MAP OF OBTAINING SEWER CREDITS



C.24 LOW-INCOME HOUSING TAX CREDIT

- This tool is applicable to **Developers**
- It can be used for owner-occupied housing
- It is targeted towards affordable housing
- Can be used for rehabilitation projects

Low Income Housing Tax Credit (LIHTC), also known as Rental Housing Tax credit (RHTC), created within Section 42 of the Internal Revenue Code (IRC) under the 1986 Tax Reform Act, provides incentives to developers for construction and rehabilitation of affordable rental housing for low-income households. This tax credit falls into two categories i.e. a 9% credit or a 4% credit based on the attributes of the project. A 9% tax credit is provided to developers constructing new property whereas a 4% credit is either allocated to developers rehabilitating an old property or to a property receiving 50% or more of its funding through tax-exempt bonds. The application process for the two types of tax credit differs as well, where the 9% credit is requested to the State Housing Agency the proposed projects falls under through a competitive application process. On the other hand, the 4% credit can be applied directly through the Department of Housing and Urban Development (HUD). Projects that are approved receive credits (9%) annually for the next ten years of operation with a compliance period of 15 years. Moreover, the affordability period of the project is set to 30 years, meaning that the project must comply with the income levels for renting the property.

ELIGIBILITY

The eligibility criteria for the LIHTC allocation are as follows:

- The income test levels set for determining renter eligibility for LIHTC-assisted housing is either 50% or 60% of the Area Median Income
- The 2018 Consolidated Appropriations Act[139] (P.L. 115-141) added another level to the income level, which raised the household income limit to 80% of AMI

[139] Keightley, M. P., Congressional Research Service, An introduction to the low-income housing tax credit (2019). Retrieved from https://fas.org/sgp/crs/misc/RS22389.pdf

- The type of housing projects supported includes single-family homes, duplexes, townhouses, and apartment buildings intended for families, special needs populations including the elderly[140].
- A minimum of 24 units must be built

COMBINATION/EXCLUSION WITH OTHER PROGRAMS[141]

According to the Internal Revenue Code, section 42, qualified developers of the LIHTC are also eligible for Rehabilitation Credit under IRC §47 and the Energy Credit under IRC §48 and can be combined with the LIHTC to fund the project.

ALLOCATION PROCESS

The process of allocating the housing tax credits begins at the federal level with IRS and HUD allocating LIHTC funds to each state annually. State Housing Finance Agency (HFA) administers the tax credit program and allocates them to developers based on Qualified Allocation Plans (QAPs). Each developer is required to file a QAP, i.e. the application for LIHTC. QAP defines the policies, criteria, and procedures for low-income rental housing projects and rewards those projects that serve the lowest-income households. Developers sell the allocated tax credits to investors in exchange for equity in the project through a limited partnership. This helps developers accumulate financing for the rental project. However, the tax credits can only be claimed by the investors until the project is placed in service. Once the project is complete and operable, the tax credits can be claimed every year over a ten-year period.

LIHTC TIMELINE

Each State has a different allocation period for the LIHTC program. The Indiana Housing and Community Development Agency (IHCDA), the State of Indiana's HFA, is currently administering the application rounds for 2020 and 2021. The application deadlines are July 29, 2019, and July 27, 2020, respectively. The applications are generally open for a period of 6 months. Each developer is required to file their QAPs by these deadlines to be considered for the program. LIHTC awards will be announced and credits reserved for the awardees on November 21, 2019, for the year 2020 and November 20, 2020, for 2021 in the monthly board meeting of IHCDA.

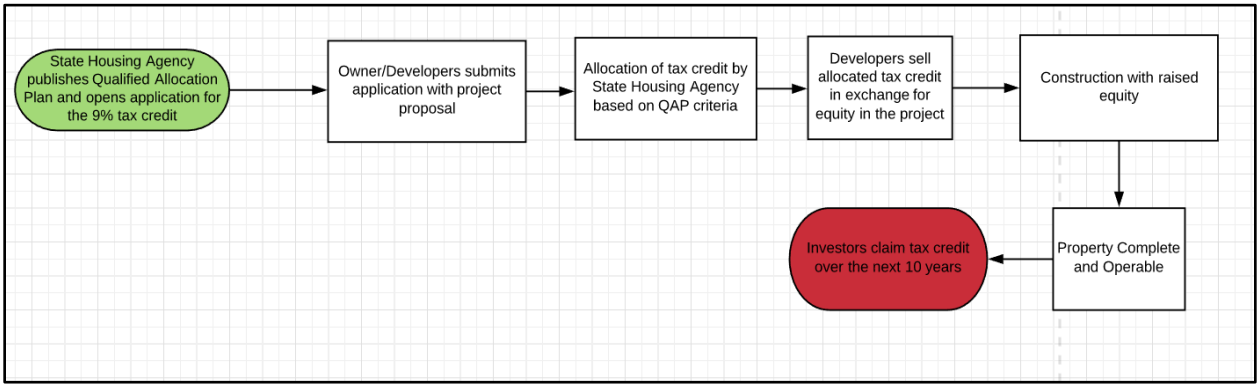
[140] Ibid.

[141] Internal Revenue Services, IRC §42, Low-Income Housing Credit(2015). Retrieved from https://www.irs.gov/pub/irs-utl/IRC_42.pdf

EXAMPLES OF LIHTC PROJECTS

One of the prime examples of a successful LIHTC project is the Renaissance Pointe Homes[142] in Fort Wayne, Indiana. The $11 million project began construction in Fall 2011 and contains a total of 66 units. The annual tax credit allocated to the project was approximately one million dollars. After its completion, all units in the project were swiftly leased with residents' from over 12 different zip codes choosing to live in the property. Not only did the project provide an affordable housing option to the residents of Fort Wayne, but it also helped provide a facelift to the whole neighborhood that project was built in. Another example of a project using the LIHTC, is the Alder Place[143] in East Chicago, Indiana. The $11.3 million project had a total annual allocation of $930,000 and consists of 28 one- and two-bedroom units.

PROCESS MAP OF OBTAINING LIHTC



[142]City of Fort Wayne, all 66 new homes in renaissance pointe leased. Retrieved from https://www.cityoffortwayne.org/latest-news/2368-all-66-new-homes-in-renaissance-pointe-leased.html

[143]Cross, Lauren, Developers secure Indiana tax credits for affordable housing projects in East Chicago, Gary (2019) Retrieved from https://www.nwitimes.com/news/local/lake/developers-secure-indiana-tax-credits-for-affordable-housing-projects-in/article_bbc0c88c-ffa7-575b-bc6e-be95c59e37d5.html

C.25 HISTORIC (REHABILITATION) TAX CREDIT

- This tool is applicable to **Developers**
- It can be used for rental housing
- It is targeted towards affordable housing
- Can be used for rehabilitation projects

Historic Tax Credit (HTC), also known as Federal Rehabilitation Tax Credit (FRTC), a "Federal Historic Preservation Tax Incentive program,"[144] promotes rehabilitation and restoration of historic buildings through private-sector investments. The program permits a 20% income tax credit on rehabilitation redevelopment expenditures incurred on income-producing historic buildings such as rental housing. The expenditures generally consist of "enhancements made to the structure of the building as well as the interiors with a 27.5-year depreciation period." HTC aids in catalyzing community revitalization efforts and serves as a powerful tool in meeting affordable housing needs. The tax credits can be claimed once the building is placed in service; however, they are subject to recapture in the event of non-compliance with the HTC rules during the five years after project completion.

ELIGIBILITY

- The project applying for HTC must be a certified historic structure listed on the National Register of Historic Places (typically at least 50 years old)[145]
- The project should retain historic character and historic material
- The proposed project should be an income-producing property i.e. office space, rental housing, retail stores, et cetera
- "The scope of work must meet the requirements of a certified historic rehabilitation" (Secretary's Standards) and investments must be made on items "considered Qualified Rehabilitation Expenditures (QREs)"[146]
- The QREs must exceed the greater of $5000 or the adjusted basis of the building (known as Substantial Investment)
- Owner-occupied residential properties are not eligible for the tax credit

COMBINATION/EXCLUSION WITH OTHER PROGRAMS

The HTC can be combined with other federal, state, and local tax incentives, with the most popular incentive being Low Income Housing Tax Credit (LIHTC). Both LIHTC and HTC are often

[144] National Park Service, Tax Incentives-Technical Preservation Services. Retrieved from https://www.nps.gov/tps/tax-incentives.htm

[145] HUD Exchange, Using the Historic Tax Credit for Affordable Housing. Retrieved from https://www.hudexchange.info/programs/environmental-review/historic-preservation/tax-credit/

[146] Ibid.

used in tandem to offset tax liabilities of developers and investors, and the amount of HTC received is not affected by the LIHTC requested. Other federal grants such as HOME and CDBG can be used to finance rehabilitation along with the HTC. "Investment in an HTC project can also count toward Community Reinvestment Act (CRA) requirements for banks."[147]

ALLOCATION PROCESS

The allocation of the tax credits depends on the three phases of the application. The first phase determines the eligibility of the building as a certified historic structure, contributing to a National Register (NR) historic district. If the property is not enlisted on the NR, a draft nomination must be filed with the National Park Service (NPS) to move forward in the process. If a building is on the NR, then the applicant can move to phase two of the process, which describes the "scope of work for the rehabilitation including a detailed description of proposed treatments, materials and techniques used, etc. The scope is then reviewed by the NPS and the State Historic Preservation Offices (SHPO) and validated against the Secretary's Standard for Rehabilitation.[148] This stage of the application fuels the financing for the project. The last phase of the application "certifies that the rehabilitation meets the Secretary's Standards,"[149] usually after the completion of the project. Once this has been approved by the governing bodies, NPS or SHPO, the applicant can file for the tax credit with the IRS by submitting Form 3648 along with the NPS project number.

The tax credit can be recaptured after being awarded if the ownership of the project changes or if there is occurrence of any "non-compliant changes within 60 months after phase three of the application is approved."

HTC TIMELINE

The first part of the application requires that the building is a certified historic structure. If the building is not a certified historic structure, it should first be listed on the National Register (NR), which takes about 6-9 months. SHPO and NPS take a maximum of 90 days to review and approve each part of the rest of the application. Developers/Investors can claim the credit with the IRS during the year the building is placed in service.

EXAMPLES OF HTC PROJECTS

The Rushton Apartment Building in South Bend, Indiana is successful[150], the $2.5 million project began construction in October 2011 and was placed in service in Spring 2014. The rehabilitated building consists of 23 units, including studios, one-bedroom, and two-bedroom apartments. The project received over $400,000 in tax credits. This project successfully restored the historic

[147] Ibid.

[148] Ibid.

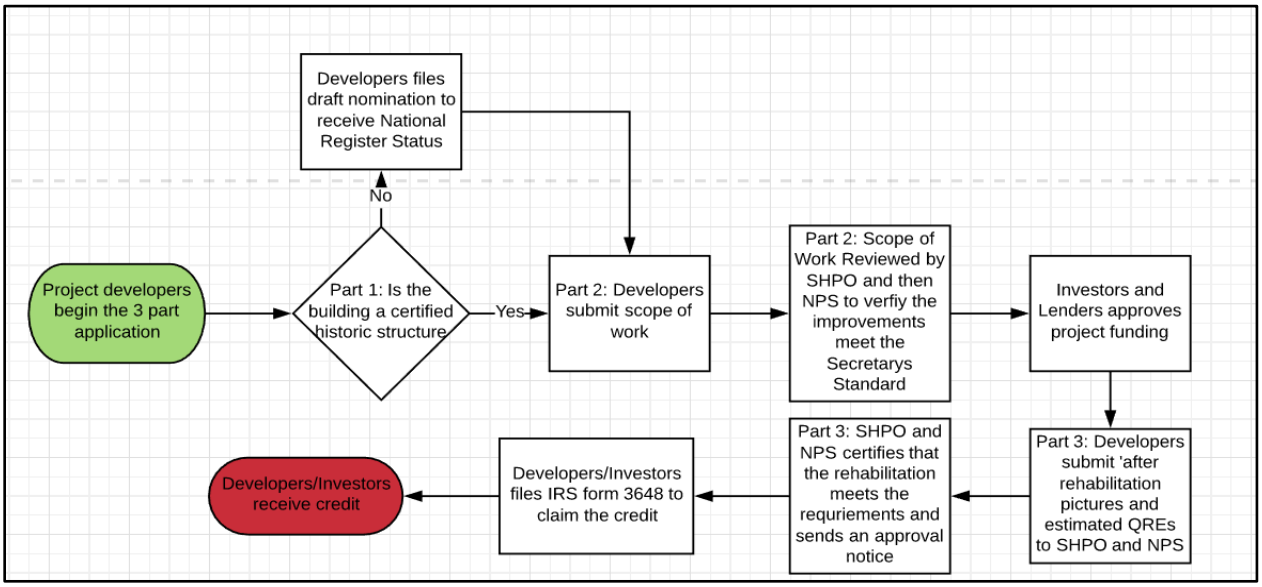
[149] Ibid.

[150] SavingPlaces.org. Retrieved from https://forum.savingplaces.org/HigherLogic/System/DownloadDocumentFile.ashx?DocumentFileKey=eb2d9af9- 7ff5-5608-0371-1fecd1f1ecf8&forceDialog=0

landmark in the City of South Bend, and also provided affordable rental housing for seniors and low-income households.

Another strong example of a project supported by the HTC is the Conn Selmer Senior Housing, known as the Gardenview Senior Apartments in Elkhart, Indiana[151]. This $10 million project contains 55 one- and two-bedroom apartments. Once a musical instrument manufacturing facility, this historic landmark got a facelift with the allocation of $840,000 in HTC.

PROCESS MAP OF OBTAINING HTC



151 https://www.wndu.com/content/news/Tax-credit-developer-give-new-life-to-old-Elkhart-factory-370332061.html

C.26 PRE-APPROVED HISTORIC BLUEPRINTS

- This tool is applicable to **Developers**
- It can be used for both owner-occupied and rental housing
- It is targeted towards market-rate housing

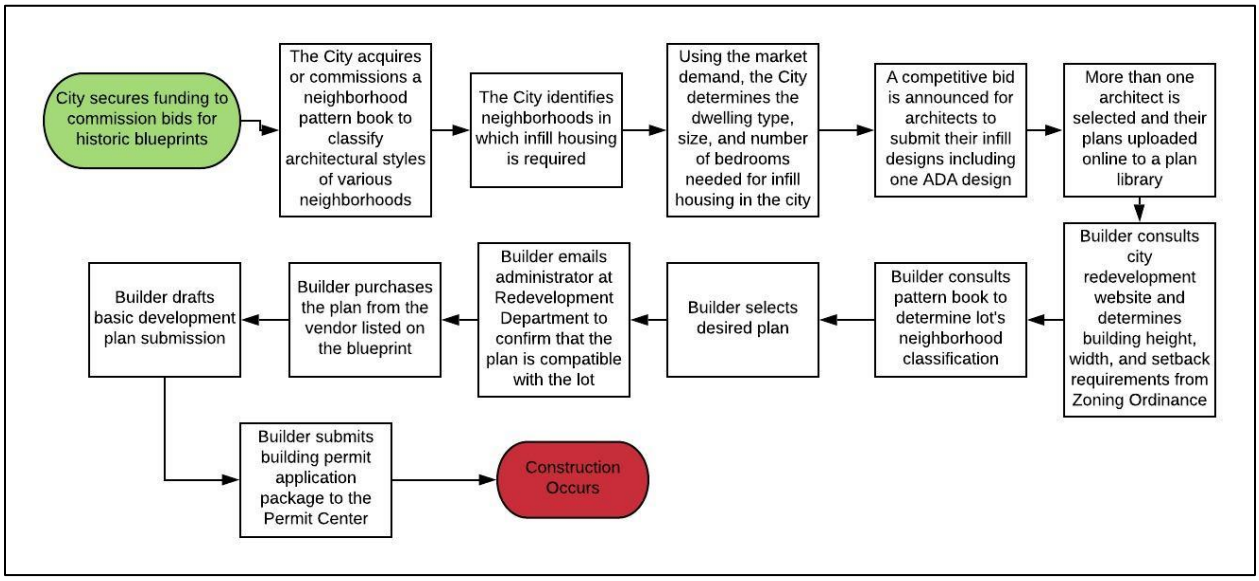
Pre-approved historic blueprints are an innovative approach to encouraging infill construction in a specific neighborhood. A city will generally have a database of professionally designed, pre-approved residential building plans available for purchase that complement the character of various historic neighborhoods in that city. Having pre-approved blueprints helps the contractor save time and money, which can provide savings for the homebuyer as well.

The City of Roanoke, Virginia has an extensive library of residential plans, with ten sets of pre-approved blueprints. The ten plans were developed by three local architects and they range from $800 per set or $900 for five sets and $250 to reverse the plans. Custom design modifications can be made at $125 per hour.[152]

To compare the cost savings over hiring an architect, the rate at which an architect charges to design a house is $60 to $125 per hour. Thus, an estimate for a set of construction documents of a custom home could be $2,000 to $10,000. By offering pre-approved blueprints, the cost savings for a builder range from 85% to 170% for construction documents.

[152]Residential Plans Library. City of Roanoke. https://www.roanokeva.gov/1297/Residential-Plans-Library

PROCESS MAP OF ACQUIRING AND UTILIZING PRE-APPROVED BLUEPRINTS



C.27 HOUSING RECEIVERSHIP

- This tool is applicable to **Developers**
- It can be used for both owner-occupied and rental housing
- It is targeted towards affordable housing
- Can be used for rehabilitation projects

Receivership is a tool that can be used to address properties that have become a long-term historical problem for a neighborhood. The property that would typically be considered for this type of program would have multiple code or building violations and would have suffered from a lack of investment. It would be considered a hazard to the neighborhood. The City's solution to this property would be to appoint a Receiver to gain access to the property and renovate it to make it habitable.

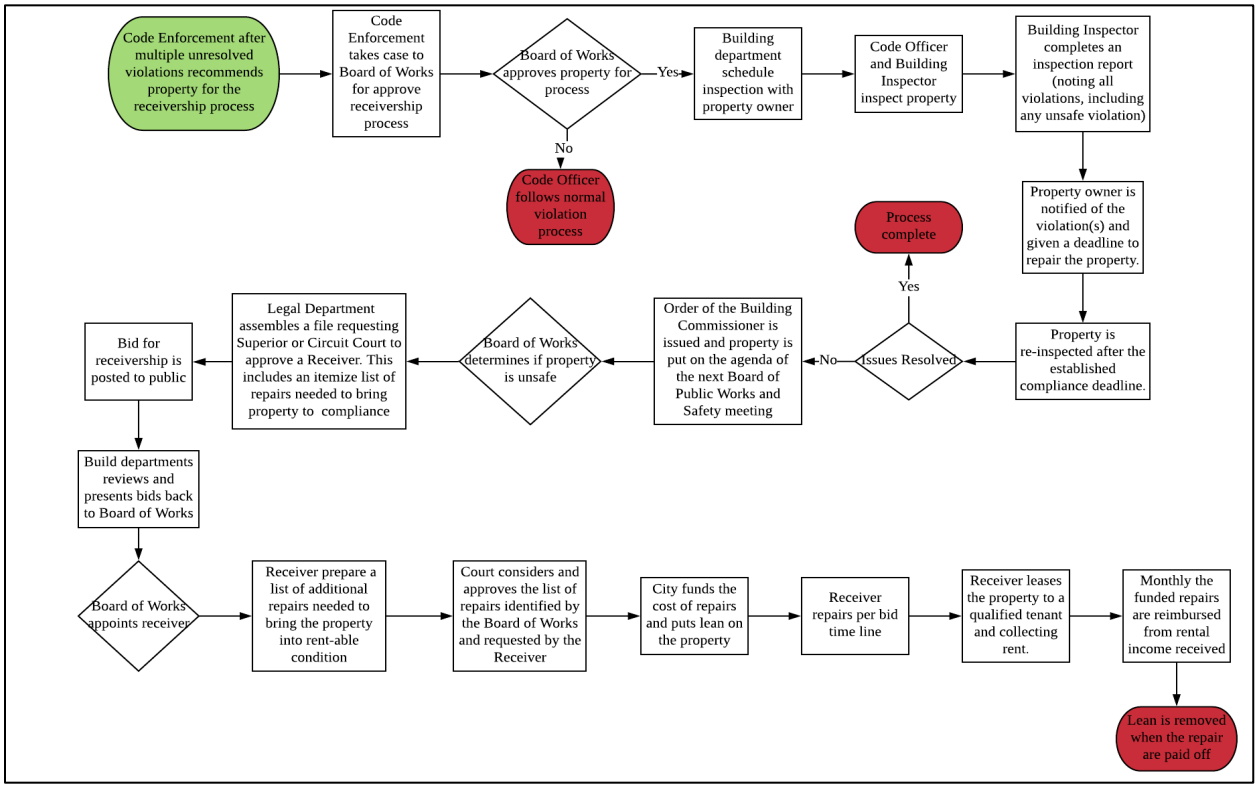
There are different forms that a receivership process can take. Certain cities require the receiver to be a non-profit. This helps ensure that the renovation is completed most economically. Communities also use this program to help address the affordable housing need by only allowing receiverships that would be used for serving the low-income population.

EXAMPLES OF CITIES THAT UTILIZE RECEIVERSHIP

There were multiple cities used as benchmark cities, including Goshen, Indiana, Portland, Oregon, Chicago, Illinois, Iowa City, Iowa, Boston, Massachusetts, and multiple other cities within Massachusetts. The City of Goshen was picked as the main benchmark city because of their geographical location and the common network of resources. Receivership is a new program for the City, as they had a pilot program that started last year. The City of Goshen provides the capital for the rehab upfront in the form of a lien against the property. They have also started using Housing Developer Pro, a software to assist in estimates and managing the rehab process. La Casa uses the same software and will provide the training to Goshen.

Evaluation of potential properties is critical to the sustainability of the receivership program. It is important to be mindful in selecting properties that can return the investment and that will not have unforeseen expenses down the road. One of the difficulties of their process is finding qualified receivers that will respond in the bid process.

PROCESS MAP OF RECEIVERSHIP



C.28 MULTI-BANK CONSORTIUM

- This tool is applicable to **Homeowners/Tenants**
- It can be used for owner-occupied housing
- It is targeted towards affordable housing

Banks are required, by the Community Reinvestment Act of 1977 (CRA), to help meet the credit needs of their communities, including low- and moderate-income (LMI) neighborhoods. Eligible community development activities by banks can include providing affordable housing, promoting economic development, or revitalizing LMI areas.[153] Banks can individually promote community development, or they can form a consortium. Banks form consortia so that their community development investments can share the risk, share the cost, and expand their resources.

Services provided by consortia can take two forms: capital-based services and knowledge-based services. Capital-based services focus on loans, and knowledge-based services focus on technical assistance, guidance, loan servicing, and asset management. Low- and moderate-income first-time homebuyers submit an application to an organization, such as a city or a nonprofit, and a Board of Directors – which could be comprised of volunteer bankers and credit union officers – approves it. Generally, there is one bank that services the loans and takes a higher risk. The participant banks then buy a percent participation in each loan to mitigate the risk to each lender, thus supporting the consortium.

EXAMPLES OF PROJECTS FUNDED WITH MULTI-BANK CONSORTIUM FINANCING

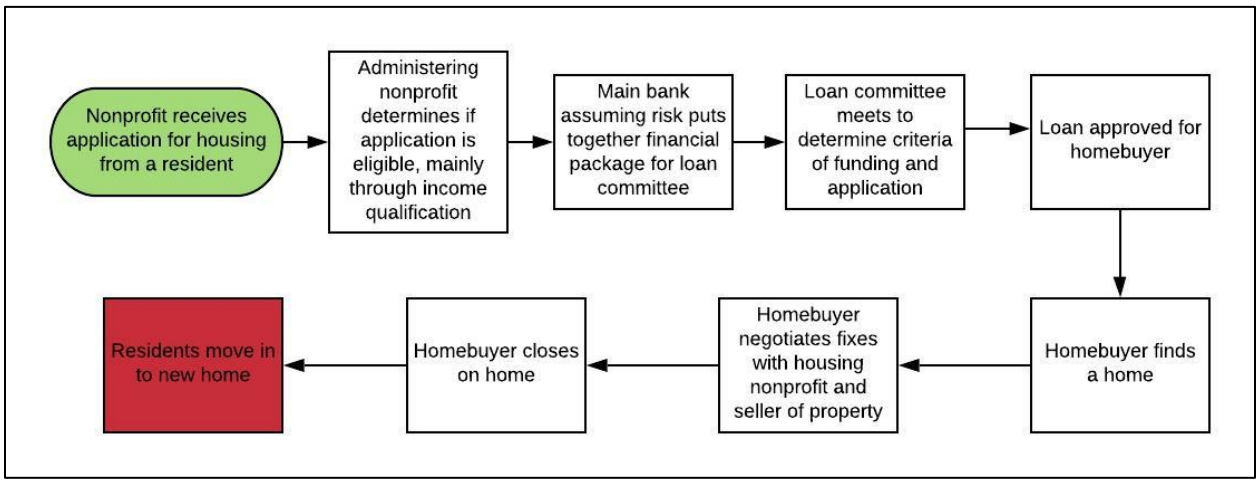
There are multiple cities used as benchmark examples that have a consortium including South Bend, IN, Portland, Oregon, Philadelphia, PA, and Montgomery, AL. The City of South Bend was picked as the main benchmark city because of its geographical location and the common network of resources. The City of South Bend administers the Community Homebuyers Corporation (CHC), a nonprofit homeownership program. 1st Source Bank is the servicing bank and the other participant banks include: Lake City Bank, Teachers Credit Union (TCU), Mutual Bank, Notre Dame Federal Credit Union (ND FCU), and Community Wide Federal Credit Union (CW FCU). The banks provide grant money, in the form of a forgivable loan, equal to 20% of the purchase price, up to a property sale price of $110,000. The CHC has helped more than 500 families purchase homes since 1992, equating to about 20 homes per year. The City of South Bend annually budgets $15,000 towards the CHC.[154]

[153] https://www.federalreserve.gov/consumerscommunities/cra_about.htm

[154] http://docs.southbendin.gov/WebLink/0/edoc/239474/Session%20VII%20-%202019%20Budget%20-%20DCI.pdf

The Alabama Multifamily Loan Consortium (AMLC) is a "nonprofit based in Montgomery, Ala. that provides permanent mortgages for multifamily housing statewide. Since its inception in 1996, AMLC has created 4,750 low-income housing units. Most of its work is new construction that leverages low-income housing tax credits. Approximately 60% of its lending is in rural areas."[155] Community Lenders is a Pennsylvania-based "nonprofit, multi-bank community development corporation committed to partnering with public and private organizations…[Their] member banks, by pooling loan money, share the lending risk and contribute to stronger communities."[156] Network for Oregon Affordable Housing (NOAH) is a "22-member nonprofit bank consortium that directs its energies and resources to the affordable housing challenges… [and] is governed by a 12-member board of directors consisting of bankers, professionals, and community group members. The loan pool formed by the member banks is a blind pool, meaning that the banks participate in any loan that the board's loan committee approves."[157]

PROCESS MAP OF OBTAINING MORTGAGE THROUGH MULTIBANK CONSORTIUM [158]



[155] https://centercommunitylending.org/lenders/alabama-multifamily-loan-consortium/

[156] https://communitylenderspa.org/about-us-2/

[157] https://www.huduser.gov/portal/periodicals/em/spring11/highlight3.html

[158] Pam Meyer. Community Homebuyers Corporation (CHC) City of South Bend. (April 30, 2019)

C.29 FEDERAL HOME LOAN BANK OF INDIANAPOLIS COMMUNITY INVESTMENT PROGRAM (CIP)

- This tool is applicable to Local Government/Financial Institutions and Developers
- It can be used for both owner-occupied and rental housing
- It is targeted towards market-rate housing
- Can be used for rehabilitation projects

The Federal Home Loan Bank of Indianapolis (FHLBI) has a program known as the Community Investment Program (CIP). This program is used to support affordable housing developments, commercial economic development, and mixed-use developments.[159] The program offers advance and letters of credit, and these methods provide a "cost-efficient way for FHLBI members to borrow long-term funds to support local economic development."[160]

The loan can be structured as either fixed-rate or variable-rate, and they can have terms of up to 20 years, with a variety of amortizations. Funds are only dispersed on a secured basis, with collateral requirements that are consistent with those of all FHLBI credit programs.[161] Projects involved in this program "must include the purchase, construction, and rehabilitation of, or pre-development financing of housing" that meets the eligibility requirements found below. It can be used for both owner-occupied and rental housing.[162]

According to FHLBI, CIP can be a powerful tool for economic growth because the advances are priced at the cost of funds for comparable maturities plus an administrative fee. In 2017 alone, CIP originations (including both advances and letters of credit) totaled $326.5 million.[163]

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[159] FHLBI, Community Investment Program (2019). Retrieved from https://www.fhlbi.com/products-services/community-investment-and-housing/community-and-economic-development/community-investment-program

[160] FHLBI, Community Investment Program (2019). Retrieved from https://www.fhlbi.com/products-services/community-investment-and-housing/community-and-economic-development/community-investment-program

[161] FHLBI, Community Investment Program (2019). Retrieved from https://www.fhlbi.com/products-services/community-investment-and-housing/community-and-economic-development/community-investment-program

[162] FHLBI, Community Investment Program (2019). Retrieved from https://www.fhlbi.com/products-services/community-investment-and-housing/community-and-economic-development/community-investment-program

[163] FHLBI, 2018 Community Lending Plan (2018). Retrieved from https://www.fhlbi.com/docs/default-source/resources/community-investment/commlendingplan1a845ea131106874b95eff00008dd2cb.pdf?sfvrsn=4

ELIGIBILITY

- The project supported through CIP should target a neighborhood with either 100% or 115% AMI for urban and rural areas respectively
- The project should be in one of the following areas – "federal empowerment zone, enterprise community or champion community; Michigan Renaissance Zone, Indiana Enterprise Zone, areas impacted by federal military base closings; areas eligible for federal Brownfield Tax Credits; federal/state disaster areas."[164]
- Funds can be used to support the following housing activities - Purchase, construction, rehabilitation, pre-development financing and should meet certain guidelines including:[160]
    - Owner-occupied housing income should not exceed 115% of AMI
    - 51% of the rental housing units should be occupied by families with income at or below 115% of AMI [160]

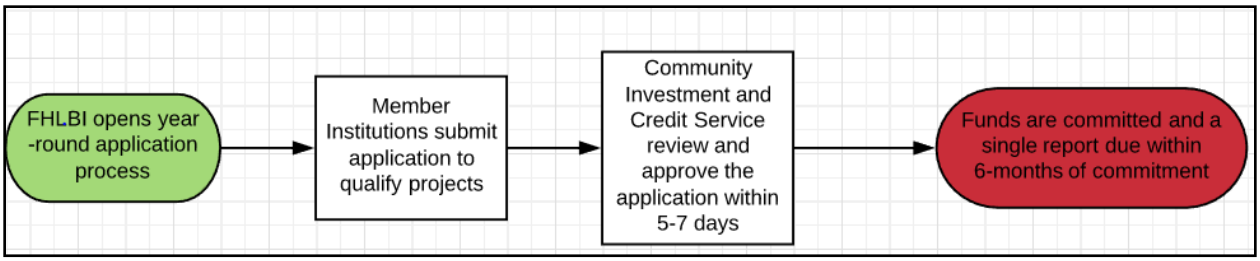
EXAMPLE OF CIP FUNDED PROJECTS THAT ASSISTED HOUSING

There are no specific examples of projects supported by CIP funding available through the FHLBI. However, there are examples of projects that utilized CIP provided by FHLB New York. Spruce Senior Housing in Dover, New Jersey, is a 90-unit apartment building providing housing to senior citizens. The project received a total CIP funding of $900,000 towards construction of the apartment building. [165]

[164] FHLBI, Community Investment Program (2019). Retrieved from https://www.fhlbi.com/products-services/community-investment-and-housing/community-and-economic-development/community-investment-program

[165] FHLBNY, CIP Success Stories, Retrieved from http://www.fhlbny.com/community/gallery-success-stories/other-success-stories/cip/cip100106_b.aspx

PROCESS MAP OF OBTAINING CIP



C.30 MODULAR CONSTRUCTION

- This tool is applicable to **Developers** and **Homeowners/Tenants**
- It can be used for both owner-occupied and rental housing
- It is targeted towards market-rate housing

Modular home building is a construction method in which sections of a home are constructed in a climate-controlled facility and then transported to a final location where they are assembled on a permanent foundation. Modular homes differ from manufactured mobile homes in that they aren't built on steel piers and wheels. Further, a modular home is inspected and appraised the same as a stick-built home. An attractive feature of modular homes is that they tend to be more cost-efficient to build than stick-built homes. The process from time of order to time of delivery typically takes four to six weeks.[166]

Modular home builders in Elkhart County include Next Modular, Silver Creek Homes, Sherlock Homes of Indiana, Fairmont Homes, Skyline Corporation, CornerStone Homes & Construction, Clayton Homes, Miller Brothers Builders, Heckaman Homes, and Callaghan Homes.

PRICING A MODULAR HOME

To compare the cost between a stick-built and a modular home in the City of Elkhart, a bid package was sent out to various anonymous contractors. These contractors then gave a cost estimate of the cost to build. The craftsmen-style house to the right was priced out including the addition of the porch but not including the pavement. The size of the duplex is 1,736 square feet with four bedrooms, two full baths, and two half baths and is 28' 3.5" wide and 38' deep.

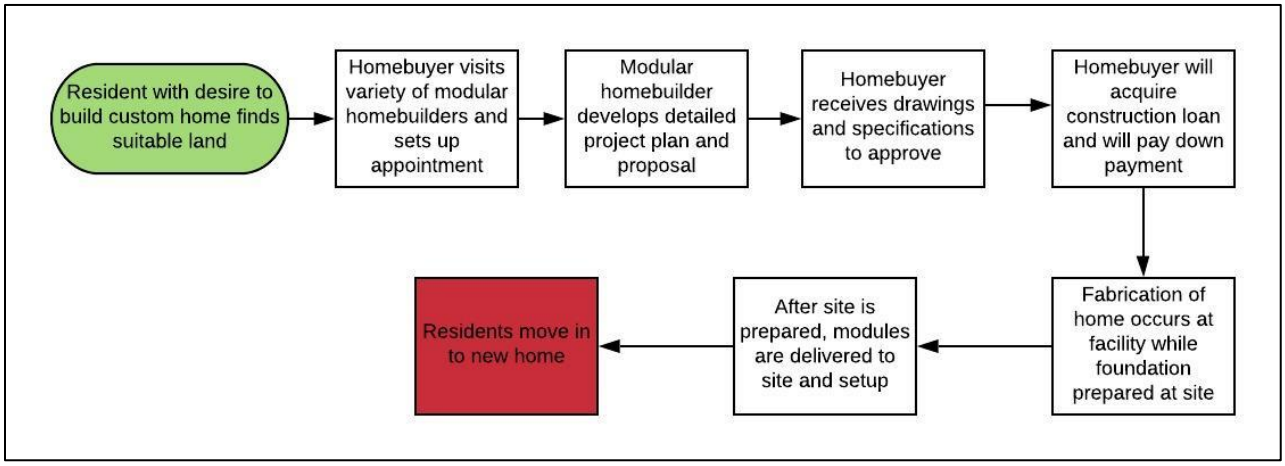
The average modular quote for the above house was $243,000 and the average stick-built quote was $285,000. Based on the quotes, the modular cost to build is approximately $140 per square foot and the stick-built cost is approximately $164 per square foot. It is estimated that modular construction could save approximately 15% of construction costs or approximately $24 per square foot of construction costs.

[166] Clayton Homes, Inc. What is a Modular Home? https://www.claytonhomes.com/studio/modular-home-materials-and-building-process/

ELIGIBLE PROPERTIES

A modular home is built using the same materials as a site-built home but in a factory setting.[167] Modular construction can be used for both single-family and multifamily construction. [168]

PROCESS MAP



[167] Valley Home Development. How We Build. http://www.valleyhomedevelopment.com/how-we-build/modular-homes

[168] Westchester Modular Homes, Inc. Modular Apartment Buildings. http://www.westchestermodular.com/apartments.html

C.31 INDIANA LANDMARKS GRANTS

- This tool is applicable to **Developers**
- It can be used for both owner-occupied and rental housing
- It applies to both market-rate and affordable housing
- Can be used for rehabilitation projects

As a 501(c)(3) organization, Indiana Landmarks offers grants and loans that help save and restore historic places.[169] These grants, however, only apply to nonprofit organizations in the State of Indiana. Indiana Landmarks is further split into regional field and administrative offices. Elkhart is a part of the Northern Indiana Regional Office.

ELIGIBILITY REQUIREMENTS FOR INDIANA LANDMARKS FUNDING

- Be registered as a nonprofit corporation in the state of Indiana
- Be classified as a 501(c)(3) public charity
- Be enrolled as a nonprofit or affiliate organization member of Indiana Landmarks
- Possess a charter that identifies preservation as a primary organizational purpose
- Have a clearly defined organizational structure with regular meetings
- In existence for 3 years and/or have demonstrated fiscal responsibility

USAGE OF INDIANA LANDMARKS GRANTS

Indiana Landmarks grants can be used to fund architectural and engineering analyses, adaptive use feasibility studies, appraisals, and other preservation-related services, promotion of programs that promote interpretation or visitation of a historic site, walking tours, brochures, and curriculum guides for historic sites. Indiana Landmarks loans can be used to buy and/or restore endangered historic properties.

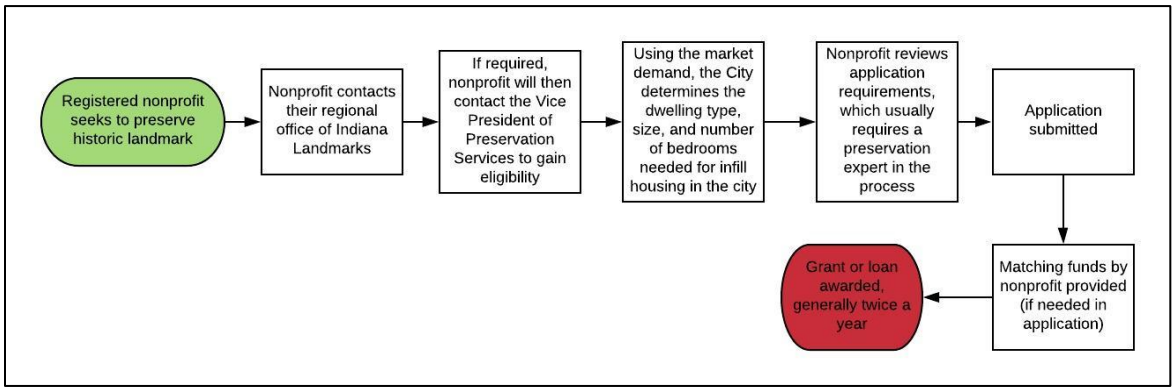
EXAMPLE OF MODULAR HOUSING DEVELOPMENTS

Indiana Landmarks in collaboration with the Core Development and the City of Indianapolis converted the Bush Stadium into the Stadium Lofts apartments. The stadium's historic features were preserved during rehabilitation and the apartments were filled soon after its opening in 2013.[170]

[169]Endangered Places Grants & Loans. Indiana Landmarks. Retrieved from https://www.indianalandmarks.org/wp-content/uploads/2018/02/Endangered-Places-Grants-Loans-18.pdf

[170] Success Stories, Indiana Landmarks. Retrieved from https://www.indianalandmarks.org/10-most-endangered/success-stories/

PROCESS MAP OF APPLYING TO INDIANA LANDMARKS FUNDING



C.32 ADDITIONAL FINANCIAL TOOLS AVAILABLE TO PROMOTE HOUSING DEVELOPMENT

In addition to all of the tools listed thus far in Appendix C, there are various other tools that could potentially be used to help promote housing development. These tools are as follows:

- Local Bank Neighborhood Loan Program
  - Community banks can offer affordable mortgage programs for their constituents in order to support community development. Centier Bank has one such program, for example, where there is no downpayment and private mortgage insurance. Information on the Centier Bank program can be found at: http://s3.amazonaws.com/ownlocal.adforge.production/ads/5883524/original_pdfs.pdf?1498973609
- Home Investment Partnerships Program (HOME) Rehabilitation Program
  - One of the many program areas of HOME is Homeowner Rehabilitation. This program area aims to aid "existing homeowners with the repair, rehabilitation or reconstruction of owner-occupied units[171]." More information on the program can be found on: https://www.hudexchange.info/programs/home/topics/homeowner-rehabilitation/#policy-guidance-and-faqs
- Indiana Senate Bill 566 – Residential Tax Increment Financing (TIF)
  - Senate Bill 566 permits a redevelopment commission to establish TIF financing for residential housing. More Information can be found at: http://iga.in.gov/legislative/2019/bills/senate/566
- VA Energy Efficient Mortgage
  - This is a loan given to eligible veterans and military personnel to finance or support energy-efficient improvements to their homes. More information on the program can be found on: https://va.org/energy-efficient-va-home-loans/
- Local Bank Construction-Permanent Loan Program
  - A Construction-Permanent loan program by a local bank such as Old National provides a line of credit to finance construction of a new home, charging interest only on the amount drawn. Once construction is complete, the remaining funds convert to a permanent mortgage for periods between 15-30 years. More information on this program can be found on: https://www.oldnational.com/ONB/financial-insights-detail/insights/2018/03/29/what-you-should-know-about-construction-loans
- Market-Rate Housing Cooperative or Shared Equity Housing Cooperative
  - This program is generally offered by local governments or nonprofit organizations that provide financial assistance to eligible homebuyers to bridge the gap between the actual mortgage and what these homebuyers can pay. More information on

[171] HUD Exchange, HOME Homeowner Rehabilitation. Retrieved from https://www.hudexchange.info/programs/home/topics/homeowner-rehabilitation/#policy-guidance-and-faqs

this this program can be found on: https://www.huduser.gov/portal/periodicals/em/fall12/highlight3.html

- 203(K) Rehabilitation Mortgage Insurance Program
  - The program offered by HUD provides mortgage to homebuyers and homeowners to purchase or rehabilitate homes. More information on this program can be found on: https://www.hud.gov/program_offices/housing/sfh/203k/203k--df
- HomeStyle Rehab Loan
  - A program by Fannie Mae, HomeStyle Rehab loan program provides homeowners financial assistance in the form of the first mortgage to fund renovation and repair costs. More information on this program can be found on: https://www.fanniemae.com/content/fact_sheet/homestyle-renovation-product-matrix.pdf
- Habitat for Humanity Homeownership Program
  - The program provides homeownership opportunities to prospective homeowners that demonstrate a need for affordable housing and can contribute to the construction process through sweat equity. More information on this program can be found on: https://www.habitat.org/housing-help/apply
- Community Tool-Lending Library
  - A Tool-Lending library is a one-stop resource center for home and garden tools provided to residents of a community at very low costs with the objective of promoting cost-effective home improvements. More information on this program can be found on: https://sustainableconsumption.usdn.org/initiatives-list/tool-lending-libraries
- New Markets Tax Credit (NMTC)
  - The program provides tax incentives (credit) to investors towards their federal tax liability to promote development in low-income communities. More information on this program can be found on: https://www.cdfifund.gov/Documents/2017%20Introduction%20to%20NMTC%20Program%20Presentation%20For%20Release.pdf
- Community Development Corporation (CDC) Nonprofit
  - A community development corporation (CDC) is a not-for-profit created to provide programs, offer services and engage in other activities that promote and support community development, usually in specific neighborhoods around a city. More information on how to create a CDC and to learn the specific roles of them in communities can be found at: https://www.naceda.org/index.php?option=com_dailyplanetblog&view=entry&category=bright-ideas&id=25%3Awhat-is-a-community-development-corporation-&Itemid=171
- Elkhart Housing Authority Housing Choice Voucher Program
  - A program funded by HUD to support low-income families housing needs by providing them subsidies to live in quality housing. More information on this program can be found on: https://www.ehai.org/housing-choice-voucher-program.html
- Rental Assistance Demonstration (RAD)

    - The program supports Public Housing Authority (PHA) efforts to preserve and protect public housing. More information on this program is available on: https://www.hud.gov/RAD
- Indiana Housing & Community Development Authority (IHCDA) Mortgage Credit Certificate
    - This program is targeted towards addressing the housing needs of low-to-moderate income households. More information on this program can be found on: https://www.in.gov/ihcda/homeownership/files/2019%20MCC%20PROGRAM%20GUIDE.pdf
- Renter Equity
    - The program promotes community development and upkeep through providing tenants financial incentives towards their timely rent payments and maintenance of their rented property. More information on various Renter Equity programs can be found on: https://www.stlouisfed.org/publications/bridges/fall-2008/a-brighter-future-equity-program-helps-renters-build-wealth