

CITY OF EVANSVILLE, INDIANA
AFFORDABLE HOUSING TRUST FUND
GUIDELINES

Effective as of March 1, 2025

I. Introduction

Chapter 3.35 of the Evansville Municipal Code (the “Ordinance”) establishes the Evansville Affordable Housing Trust Fund (the “Fund”), which is advised by an appointed Committee and administered by the City of Evansville’s Department of Metropolitan Development (“DMD”).

Purpose

The purpose of the Fund is to provide production, preservation, and rehabilitation of affordable housing within the community. The uses for the Fund shall be limited to:

1. Providing financial assistance to those individuals and families whose income is at or below eighty percent (80%) of Vanderburgh County’s area median income (AMI) for individuals and families, respectively, to enable those individuals and families to purchase or lease residential units within the City;
2. Paying expenses for administering the Fund;
3. Making grants, loans, and loan guarantees for the development, rehabilitation, modification, or financing of affordable housing for individuals and families whose income is at or below eighty percent (80%) of Vanderburgh County’s AMI for individuals and families, respectively, including the elderly, persons with disabilities, and homeless individuals and families; and
4. Providing technical assistance to nonprofit developers of affordable housing.

A. Forms of Assistance

The Committee may award funds to a community development corporation, nonprofit corporation, public housing authority, individual homeowner, private developer, or a unit of government. Depending on the amount requested and/or project beneficiaries, money allocated may be in the form of a grant, loan, loan guarantee, forgivable loan, or some combination of these. Each is defined further below:

1. “Grant” – funds awarded do not need to be repaid by the recipient;
2. “Loan” (or “Repayable Loan”) – funds are required to be repaid over an agreed upon length of time with an agreed upon interest rate;
3. “Loan Guarantee” – the Fund acts as a third-party cosigning to pay a debt in the event the borrower defaults;
4. “Forgivable Loan” – where a portion of the loan’s original principal amount is forgiven over a period, during which the borrower adheres to specified terms and conditions.

B. Definitions

For the purposes of this document, the terms below shall be defined as follows:

1. “Homeowner” is an individual who resides in a housing unit for which they hold the deed and/or title of ownership. If jointly owned, all members of ownership must reside within the household/unit.
2. “Developer” is a landlord, real estate developer, property developer, or non-profit housing agency that provides housing units for rent or lease.
3. “Committee” shall mean the City of Evansville’s Affordable Housing Fund Advisory Committee.

4. "Affordable Housing" shall mean housing for which the resident is not paying more than 30% (percent) of their gross household income for housing costs, including utilities.
5. "Fund" shall mean the Evansville Affordable Housing Trust Fund.
6. "Household" includes the related family members and all the unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing unit.
7. "Household Income" is the total gross income received by all members of a household within a twelve-month period.
8. "Area Median Income" (or "AMI") is defined as the midpoint of a specific area's income distribution and is calculated annually by the U.S. Department of Housing and Urban Development.
9. "Staff" is defined as DMD Staff that support the Fund, or other Staff to which DMD delegates duties.

Assigned Staff shall provide technical and administrative assistance to both potential and selected applicants to ensure compliance with current guidelines, reporting requirements, and ongoing monitoring activities.

II. Qualifications and Funding Guidelines

A. Individual Homeowners

Individual Homeowners may receive financial assistance for home repairs or modifications if they meet all the following qualifications:

1. The home is within the Evansville City limits.
2. The home is a single-family dwelling.
 - a. Apartments and multiplexes (i.e. duplex, triplex, quadraplex, etc.) are ineligible.
 - b. Units leased to tenants, through a lease agreement or otherwise, are ineligible
 - c. The housing unit must be permanently affixed to the property; therefore, units such as mobile homes are ineligible.
3. The Homeowner meets established income guidelines.
 - a. In determining income level for an individual Homeowner, the Committee shall take into consideration all sources of income within the household.
4. The Homeowner owns the home outright or is paying a mortgage on the home in question.
 - a. If paying a mortgage, the Homeowner is current on the mortgage payments.
 - b. Homes under a contract sales agreement are ineligible.
5. The home is the Homeowners' primary residence.
6. The Homeowner has lived within the home for at least one-year.
 - a. If the applicant has not lived in the home for one year and is in the process of purchasing a home for which an inspection strongly recommends repairs be made, the inspection report and a letter from the bank agreeing to which post-closing repairs are required to secure the loan shall be presented.
7. The Homeowner does not have plans to sell, rent, or vacate the home within the next five (5) years.
8. Property taxes on the home are paid to date.
9. The Homeowner has home insurance on the property that is paid to date.
10. All utilities are connected and paid to date.
11. Repairs and/or modifications shall focus on functionality, accessibility, safety, and habitability of the home.
 - a. The cost of necessary repairs may not exceed fifty percent (50%) of the value of the home upon completion of repairs.

Funding for individual Homeowners may be in the form of a repayable Loan, a Forgivable Loan, or combination of these depending on the amount of funds required to complete a repair or rehabilitation project. If a Loan is approved, the Homeowner will need to repay the amount of the loan over an agreed upon number of years (Term) along with interest accrued over that Term. A Forgivable Loan will have a specified percentage forgiven each year, provided the Homeowner maintains certain conditions. Loan and Forgivable Loan terms are outlined further in Section VII.

The Committee has discretion to provide its recommendation/advisement as to whether the DMD should consider a Forgivable Loan, repayable Loan, or other method of financing, regardless of the amount requested. Notwithstanding any of the foregoing, the maximum amount of funding available to an individual is *the lesser* of \$50,000 or fifty percent (50%) of the value of the home upon completion of repairs.

B. Developer

The Fund shall assist non-profit and for-profit landlords and developers with increasing the number of affordable, habitable multi-family and single-family homes within Evansville. Such projects might include new construction or rehabilitation of housing units which must be reserved for individuals and families that meet the Fund's stated income (AMI) guidelines. Both for-profit and non-profit recipients may receive funding in the form of a repayable Loan or a Loan Guarantee. However, only non-profit recipients may receive funding in the form of a Grant.

Within the application, Developers must demonstrate:

1. Process for verifying income eligibility of tenants or homebuyers;
2. Establishment of rent or mortgage payments that meet the generally accepted definition of affordable housing at approximately thirty percent (30%) of a household's gross income;
3. Fiduciary responsibility of completing the project within the budget presented;
4. Ability and commitment to develop, own, and manage affordable housing;
5. A stated mission supporting housing within its organizational documents or be partnering with an entity with such a mission;
6. Staff capacity to manage and complete the project to satisfactory condition of the project's intended housing purpose;
7. Satisfactory compliance with previous projects funded through the Fund;
8. Be in good standing with the Evansville/Vanderburgh County Building Commission and properly registered with that Commission's Rental Registry; and
9. Financial commitment from non-Fund sources of at least twenty-five percent (25%) of the cost of the project.

C. Programs

Non-profit agencies administering programs that assist individuals and families at eighty percent (80% AMI), or those projects which give priority to individuals and families meeting Housing and Urban Development's definition of low-to-moderate income (80% AMI), may apply for a grant to sustain and expand their programs. Applicants must demonstrate a need for the services provided, as well as capacity for continuing the program. Funds should be provided as direct assistance to the individuals and families and may not be used for operational support.

III. Application Process

A. Applications

Applications must be completed using application forms prescribed by the City of Evansville's DMD and approved by the Committee. The forms list required supporting documentation that must be included at the time of submission. Failure to submit the approved form and supporting documents may result in processing delays or rejection of the application. Applications undergo eligibility screening by Staff. Applications (redacted of sensitive information) are then provided to the Committee for review and advisement. DMD reserves the right and authority to reject applications for reasons including:

1. Project does not meet eligibility requirements as outlined in Section II
2. Financial considerations, such as alignment with the priorities and goals of the Committee or lack of sufficient funding available in Fund
3. Any other reason

B. Meeting with Staff

An applicant, regardless of whether it is an individual, non-profit, or for-profit, will meet with Staff at least two weeks prior to the meeting of the Committee at which the application is to be submitted. This will ensure that the application is complete, that intended residents meet income guidelines and all required documentation is included in the submittal. If the application is incomplete, the applicant will have seventy-two (72) hours to provide the needed information, or the application will be rescheduled for a later meeting date.

C. Committee Review and Approval

Once an application is complete, Staff will submit the application to the entire Committee, or a sub-committee consisting of elected Committee members, for review and advisement. During a public Committee meeting, a Committee member must motion for recommendation of a specified funding amount and type (i.e. grant, forgivable loan, and/or repayable loan) to the proposed project (the "Motion"). To pass, a majority of those present must approve the Motion. A contract and/or loan agreement between the applicant and the City (by and through its DMD, of behalf of the Committee) will be drafted, reviewed by the City's legal counsel, and made available for the applicant to sign. Agreements must also include the signature of the current Committee President or DMD Executive Director, as a representative of the Committee. It may take 6 to 8 weeks after the Committee has approved funding to prepare all required documentation.

D. Changes in Project Scope/Funding

An approved applicant may request an amendment to the scope of a project prior to final contracts being signed. The request must be submitted to Staff in writing. For minor amendments, Staff may approve the change without action by the Committee. Staff may also consult with an approved sub-committee of the AHFAC for further guidance regarding amendments under consideration. The City's Purchasing Guidelines do not permit change orders which increase a project's purchase order by twenty percent (20%) or more; in such instances where project costs are projected or confirmed to exceed this value, Staff will present the amendment for consideration of the full Committee in a public meeting.

E. Reducing or Revoking Funds

The Committee may make a motion to pass a Resolution to reduce or revoke funding to any project based on the following:

1. Failure to meet funding conditions;
2. Decrease in costs from the preliminary cost estimate submitted in the application;
3. Failure of the applicant to obtain other funding;
4. Noncompliance by the applicant with Fund policies;
5. Determination of inaccuracies in the information submitted;
6. Increased costs or other factors of the applicant, grantee, or affiliated entities;
7. Failure of the applicant to agree to funding conditions; or
8. Any other reason the Committee determines to be just cause for the amount to be reduced or revoked.

F. Confidentiality

The Staff and Committee will take reasonable steps to keep all application information confidential and shall not make it available for access by the public except as required by the Freedom of Information Act, and other applicable state and federal disclosure laws. However, Committee meetings are open to the public and final approval of Fund allocations are matters of public record and will be made in a public meeting. Therefore, executive sessions may precede the public meeting to provide Committee members an opportunity to discuss financial matters with the applicant in a closed meeting. Applicants will be notified of the date and time for the executive session if their presence is required.

IV. Funding Criteria

A. Eligible and Ineligible Activities and Costs

Eligible costs include, but are not limited to:

- | | |
|-------------------------------------|---------------------------|
| 1. Appraisals | 11. Inspections & Surveys |
| 2. Architectural/engineering fees | 12. Insurance |
| 3. Capitalized Operating Reserves | 13. Interest |
| 4. Capitalized Replacement Reserves | 14. Option Costs |
| 5. Closing Costs | 15. Permits |
| 6. Down Payment Assistance | 16. Pre-development costs |
| 7. Construction | 17. Professional Fees |
| 8. Contingency | 18. Purchase price |
| 9. Environmental Assessment | 19. Title Insurance |
| 10. Financing fees | 20. Site Development |

B. Tenant Income and Rent Requirements

Rental units assisted through the Fund are restricted to tenants whose household income does not exceed eighty percent (80%) of AMI at the time when households assume occupancy of the units. Tenants must be income-qualified prior to move-in or prior to funds from the Fund being used/drawn for those occupied units. Other funds may be used to cover the pro-rated cost of the units occupied by over-income tenants. The Developer may be reimbursed for the pro-rated cost once the over-income tenant permanently vacates the unit and the unit is occupied by an income-

qualifying tenant. A maximum restricted rent is established for each housing unit, no higher than affordable rent for the income eligibility category and based on the number of bedrooms and their maximum capacity as stated by law.

V. Construction Requirements for Developers

Due to the substantial funding from the City of Evansville, all recipients are required to comply with the applicable City of Evansville Procurement Policies and Procedures, including the Responsible Bidding Ordinance (Evansville Municipal Code § 3.95.040), which subjects all bids submitted in connection with public works projects in the amount of \$150,000.00 or more to certain additional requirements.

A. Competitive Selection of Contractors

Contractors for Development and Homeowner projects shall be obtained through a competitive bidding process to obtain a desired minimum of three (3) quotes. This does not apply to funded programs that do not entail contracted work.

Implementation of Homeowner repair projects will be carried out by DMD. For Homeowners, quotes will be solicited by DMD prior to seeking Committee review and advisement in a public meeting.

Developers may propose a competitive process within the application for the Committee's review and approval. The Committee may require modifications to the process prior to implementation to ensure that responsible and reasonable quotes are obtained.

B. Construction Management

If a Fund recipient does not have sufficient in-house construction management capacity, they will be required to contract for this service. Developers proposing to manage their own construction projects must demonstrate capacity to the Committee. Capacity should include prior experience managing construction projects and Staff available to coordinate necessary work within the scope of the project.

Projects that include funding from other sources must demonstrate that Project Management is aware of and has implemented steps to follow all funding requirements. For example, requirements such as Davis Bacon and Related Acts or Section 3 may apply to a project that also receives federal funding. Developers should address their knowledge of and compliance with these requirements within their summary of process to solicit competitive bids.

VI. Project Monitoring for Developers

Funding recipients must report quarterly to Staff on the status of their projects, during the construction phase. Once a project is completed, Staff will visit the site to ensure that it was completed within the terms of the contract. Staff will coordinate project monitoring, site visits, and inspections with other funders to help reduce administration time and disturbance to residents. Developers will submit annual written reports for five years following the completion of the project to ensure that income eligibility requirements are followed.

A. Compliance and performance evaluation

The Committee's compliance and performance assessments include, but are not limited to, the following compliance and performance areas. The Developer will receive a copy of the Compliance and Performance Evaluation prior to the annual review. Additional, project-specific requirements may be included in loan documents.

1. **Developer Fiscal Health:** The project grantee and its general partner, managing member or other sponsor when applicable are in sound fiscal health as documented by the organization most recent audit, 990's, profit/loss statements, balance sheets, or other fiscal policies.
2. **Management Plan:** The project is operated according to the owner's original or Trust Fund approved amended management plan/documents for the property.
3. **Affordability:** Developer must be in compliance with affordability requirements, including tenant income determinations and rent levels. To ensure the project serves low-to-moderate income populations and maintains proper unit-mix, tenant incomes and rents will be reviewed annually.
4. **Affirmative Marketing and Nondiscrimination:** The housing must be affirmatively marketed, and the grantee can demonstrate nondiscriminatory treatment for all applicants and occupants. Grantee must demonstrate efforts to inform tenants of their Fair Housing rights.
5. **Occupancy:** The tenant family sizes must be appropriate for the unit sizes, and projects designed for specific populations must be appropriately serving that population with housing and, if applicable, other services.
6. **Unit turnover and Vacancy:** Vacant units are turned over quickly, and vacancies are minimized.
7. **Physical Conditions:** The property must be maintained in good and tenantable condition and repair that ensures safe, secure, and sanitary conditions. The property must comply with State Building Maintenance Codes and Housing Quality Standards. Spaces must be used for their intended purposes (housing units, common areas, storage, accessibility etc.). Projects with sustainable "green" features shall be maintained and operating as designed.
8. **Long-term Repair and Maintenance Plan:** Long-term replacement needs, and capital improvements are adequately planned for and completed on schedule. Preventative maintenance and repairs are completed according to maintenance plan and schedule.
9. **Project Fiscal Management:** The project is operated according to sound fiscal management practices, and all reserves, taxes, utilities, and debt service including any amounts due to the Fund are paid on schedule and reported as required.
 - a. **Revenue Management:** The Developer collects rents in a timely manner and in a way that ensures adequate income to the property; ensures compliance with contracts for operating subsidy and rental assistance.
 - b. **Expense Management:** The Developer manages expenses by re-evaluating and procuring goods and services from time to time.
10. **Community Relations:** The housing project is a good neighbor, which is measured by good maintenance, street appearance, and responsiveness to neighborhood concerns and complaints.
11. **Good Standing:** The Developer remains in good standing with the City of Evansville/Vanderburgh County Building Commission and is properly registered with the Rental Registry.

B. Annual performance letters; actions to resolve Findings

The Committee will provide performance letters each year to all Developers which have completed at least one full year of project operation. The performance letter will:

1. Summarize the Committee's review of compliance and performance in the project monitoring areas described above;
2. Identify any instances of major or chronic non-compliance with terms of the Fund agreement, subsidy contract or other grant documents ("Findings");
3. Specify actions required to resolve Findings that must be performed and documented by the Developer by a certain deadline, and/or specify a date by which the Developer must submit a plan to resolve Findings for Committee's review and approval.

The Committee may (i) accept, (ii) accept with conditions, or (iii) reject a proposed plan to resolve Findings. If a developer's plan includes a proposal for funding from the Evansville Affordable Housing Trust Fund, the developer must make a significant financial contribution and satisfy all other requirements, as determined by the good standing requirements below.

A Developer that disputes a Finding may submit a written protest to Staff within thirty (30) days of receipt of the performance letter. A protest letter must state the reasons why the Committee's determination of Findings was unjustified, provide copies of any supporting documents, and include affidavits or declarations as to any facts rebutting the basis for Committee's determination that are not established by other supporting documents. The Committee will direct Staff to make a written decision thirty (30) days of receiving a protest letter; that decision shall be the final administrative decision of the Committee.

C. Good Standing

A Developer is in good standing if any of the following apply:

1. The Developer has no Findings identified in its most recent performance letter;
2. The Committee determines that the Developer has remedied all Findings in its most recent performance letter;
3. The Developer is diligently pursuing a plan accepted by the Committee to remedy Findings as promptly as feasible; or
4. The Committee's timely protest of the Findings is upheld by Committee.

The Developer has the responsibility to provide timely documentation to Staff to demonstrate that it has remedied the Findings or complied with the terms and conditions of a Committee-accepted plan. In January of each year, Staff will notify the Developers that the Committee has determined are not in good standing. A notice that Developer is not in good standing shall identify the Findings that the Developer has not demonstrated are remedied, and/or action or conditions to the Committee's accepted plan that the Developer has not diligently pursued or satisfied. Such notice shall also state that the Developer and its affiliated entities are ineligible to apply for funding until after a determination of good standing in the following year.

No determination of good standing, or failure to make a Finding, or acceptance of any plan to remedy Findings or actions thereunder, shall constitute a waiver or modification of any terms or requirements of loan documents or any other legal obligations of any Developer or other person, unless expressly so agreed in writing by the Committee. For example, the Fund may pursue remedies for any default under loan documents even though the default is not considered a Finding, including, but not limited to:

1. Increase interest rate or decrease loan terms
2. Bar Developer from receipt of future funding

3. Foreclosure upon mortgage
4. Pursue any legal cause of action available to the City of Evansville

Staff will maintain a list of non-compliant Grantees that will be identified as ineligible to participate or request funds from the Committee.

VII. Project Monitoring for Homeowners

Homeowners who have received a Forgivable Loan and/or repayable Loan will be required to annually demonstrate that they continue to maintain the home as their primary residence, the property taxes are paid, and insurance is maintained on the residence.

Homeowners may receive Forgivable Loan amount of up to \$25,000. For those receiving a Forgivable Loan, the Homeowner will be required to provide maintain the home as their primary residence for five (5) years after completion of the project. A lien, executed through means of a forgivable mortgage and promissory note in the amount of the project cost, will be placed on the home for five (5) years and forgiven at 20% per year. If default occurs at any time during the 5-year affordability period, the balance of the lien must be repaid to the Fund.

Should the amount of assistance exceed the \$25,000 grant limit, an additional lien shall be placed on the property for the overage and with terms specified by the Committee. This repayable Loan term would be paid in monthly installments, as established in the promissory note. For those receiving a repayable Loan with a maturity date greater than five (5) years from project completion, specific terms shall be presented within the terms of a Loan agreement. Loans will typically be of low interest and may be as low as 0%. In any case, the interest rate shall not exceed the current "Prime Market Rate" (Wall Street Journal Prime Rate) as of the date of approval by the Committee.

If the Homeowner dies prior to the end of the affordability period and/or loan term, the balance of the lien may be transferred to the new legal owner of the home, or the lien balance must be repaid.

VIII. Reporting Guidelines

The DMD will, on a quarterly basis, provide a report to City Council and the Committee itemizing the expenditures, grants, loans, and loan guarantees of account.

DMD will provide an annual program progress report to the Mayor's Office and City Council, no later than April 1 of each year. The report will cover the funded activities from the prior year. A draft of the report will be provided to the Committee by February 15 of each year in time for discussion at the March meeting. The annual report will include:

1. Accomplishments/production for each program, including actual units produced and households assisted compared to goals stated in the original funding application
2. Affordability levels served, actual compared to goals stated in the original funding application
3. Leverage achieved for each program
4. Any additional information that the Committee believes should be included.

In addition, DMD will provide a current mid-year report to the Committee prior to the July meeting each year, covering the items listed above.