

Blight Elimination Program

Using HHF Funds to Restructure IHCDA Demolition Loans

- Blighted and abandoned homes have a negative impact on Indiana communities.
- Blighted and abandoned homes:
 - Lower property values;
 - Drain community resources;
 - Drain law enforcement and emergency resources; and
 - Jeopardize public safety.

Why should blighted and abandoned homes be demolished?



Indianapolis has over 10,000 blighted properties.

Gary has in excess of 7,000 blighted properties.

Muncie has in excess of 2,500 blighted properties.

The exact number of blighted and abandoned properties in Indiana is unknown. Estimates have suggested there may be as many as 50,000 blighted and abandoned properties in Indiana.

- IHADA will make loans to qualifying applicants from its General Fund for the demolition of qualifying properties.
- The U.S. Department of the Treasury has approved the use of 75 million dollars of Indiana's HHF allocation to restructure the demolition loans from the General Fund.

Where would Indiana obtain the funds to demolish blighted homes?

- Indiana received 221.7 million dollars in Hardest Hit Funds (HHF).
- 191.4 million dollars has been allocated for homeowner assistance.
- Over 29 million dollars in direct mortgage payments have already been paid on behalf of qualifying Hoosier home owners.
- An additional 63 million dollars has been allocated for direct home owner assistance.
- Existing HHF programs will remain in place.

Will existing HHF Programs be impacted?

- The U.S Department of the Treasury has APPROVED the use of 75 million dollars in HHF Funds to restructure loans for blight elimination.
- The official application became available February 7, 2014.
- Documents are available at www.877GetHope.org/blight or www.in.gov/ihcda/2340.htm.
- The application deadline for Division One is March 17, 2014.
- Applications are due on or before 5:00 PM Eastern Time.

Timeframe to Enact the BEP

- The Blight Elimination Program (BEP) is designed to provide subsidies in the form of loans to allow applicants to acquire and demolish blighted residential structures.
- Approved applicants will be able to demolish blighted properties and offer a variety of end uses for newly cleared lots.
- The goal of the BEP is to stabilize residential property values and prevent foreclosures in Indiana neighborhoods and communities.
- All applicants should keep the BEP goals in mind throughout the application process.

Goals of the Blight Elimination Program

- Cities, towns, counties or other units of local government may apply to the Blight Elimination Program.
- County officials may apply on behalf of unincorporated areas.
- Local units of government may work together to complete an application.
- Entities such as non profits, CDCs, land banks and EDCs may partner with applicants to assist in the application process.
- An applicant may have the assistance of a for profit entity to complete the application. Administrative funds are potentially available to the successful applicant. No administrative funds are available from the BEP for an unsuccessful applicant.

What entities may apply to the Blight Elimination Program?

- An applicant must:
- Demonstrate the need to demolish blighted residential structures to stabilize neighborhood property values and prevent foreclosures.
- Be prepared to proceed with the activities outlined in the application upon receipt of the award.
- Propose to stabilize existing neighborhood property values and prevent foreclosures through the demolition of qualifying structures using a comprehensive demolition approach.
- A successful applicant should focus on demolishing structures in a concentrated area.
 - The concentrated area may be defined geographically or as part of or in association with a community revitalization or economic development plan.

What Must An Applicant Do- A Brief Overview

- Propose projects that promote a recognized and approved end use of the lots post demolition.
 - There is no exhaustive list of end uses. At a minimum the lots must be greened. Applicants have the freedom to determine and apply for the most appropriate end use.
- Propose demolition strategies involving a licensed contractor (where applicable), removal of all waste, disposal of waste in a state licensed landfill and backfill of all basements and cellars using clean fill dirt.
- Propose demolition strategies involving salvage and deconstruction of the residential properties prior to demolition when appropriate.
- Propose the use of state certified Minority Business Enterprises (MBE), Women Business Enterprises (WBE), Federal Disadvantaged Business Enterprises (DBE), Veteran-Owned Small Businesses (VOSB), and/or Service Disabled Veteran Owned Small Businesses (SDVOSB) contractors, employees and products when applicants are planning and undertaking their demolition activities.

What Must An Applicant Do- A Brief Overview

- Program Partner selection is left to the applicant.
- The applicant and Program Partner will work hand in hand for the duration of the program.
- The applicant should be satisfied that the Program Partner will assist in reporting and abide by the terms of the BEP.
- The selection of a quasi government agency such as a redevelopment corporation may trigger additional statutory requirements.
 - IC 36-7-14-19(b)(1)

An Applicant Must Select Program Partners

- Private organizations including faith-based organizations, for profit entities, not for profit entities (“NFPs”), community development corporations (“CDCs”), home owner associations (“HOAs”), economic development entities and land banks may serve as Program Partners.
- A Program Partner is required to hold title to all lots prior to demolition.
- Each applicant must have at least one Program Partner to hold title to the lots.
- Applicants may elect to work with one Program Partner or multiple Program Partners.
- An applicant with questions concerning a proposed Program Partner should contact the Program Director or an HHF staff member.
- Applicants may be held accountable for the actions of their Program Partners including a breach of the participation agreement. For this reason applicants should select their Program Partners with extreme care.

Program Partners



How will the 75 million dollars be allocated?

The State of Indiana has been divided in to Funding Divisions for the purposes of the Blight Elimination Program.

- The 92 counties in Indiana have been divided in to six Funding Divisions based on population.
- Local units of government will apply to the Funding Division that corresponds with the county where the unit of government is located.
- Divisions will apply one at a time.
- Division One will apply first.

The State of Indiana has been divided in to six Funding Divisions.

- Division One contains counties with a population in excess of 450,000. Lake and Marion counties are in Division One.
- Funds were allocated to each Division based on the percentage of the Indiana's population located within that Division.
- Division One contains 21.59 percent of the state population.
- Division One was allocated 21.59 percent of the program funding.
- Division One was allocated \$16,192,500.00.

Funding Divisions

- Division Two contains counties with a population in excess of 250,000. Division Two contains Allen, Hamilton and St. Joseph counties.
- Division Three contains counties with a population in excess of 100,000. Division Three contains twelve counties including Clark, Elkhart, Hendricks and Vanderburgh counties.
- Division Four contains counties with a population in excess of 50,000. Division Four contains eleven counties including Bartholomew, Floyd, Grant, Hancock, Howard, Kosciusko and Morgan counties.
- Division Five contains counties with a population in excess of 25,000. Division Five contains thirty-four counties including Clinton, Henry, Jackson, Jefferson, Miami, Noble and Shelby counties.
- Division Six contains counties with a population of less than 25,000. Division Six contains thirty counties including Brown, Carroll, Fayette, Jay, Ohio, Orange and Perry.

Funding Divisions

- Funds were allocated to each Division based on the percentage of the Indiana's population located within that Division.
- Division Two was allocated \$10,447,500.
- Division Three was allocated \$19,897,500.
- Division Four was allocated \$8,737,500.
- Division Five was allocated \$13,987,500.
- Division Six was allocated \$5,737,500.

- An applicant wishing to receive BEP funding must apply.
- The BEP is a competitive program.
- Submission of an application does not guarantee that an applicant will receive an award.
- The highest scoring applications from each Division will receive awards.
- IHCD reserves the right to partially fund an application.

The BEP Is A Competitive Program



What types of structures are eligible for demolition?

- Must be residential in nature.
- Must have four units or less.
- Must be vacant.
- Must score a sufficient score on the Site Evaluation Matrix
- May not be listed on a local, state or national historic register
- May not be a mixed use structure

Eligible Structures

- Designed to create a standard for the residential structures that may be demolished
- Focuses on determining the habitability and structural integrity of a property.
- Examines the impact of a property on public safety
- Influenced by public feedback from eight public forums

Site Evaluation Matrix

- A Site Evaluation Matrix must be completed for every property.
- A property must score an 82 or higher on the Site Evaluation Matrix to qualify for demolition.
- A property that does not have a sufficient score will not qualify for demolition.
- An applicant may seek an exemption for a property with an insufficient score if it allows the community to complete an action or development plan.

Site Evaluation Matrix

It's not pretty.



It's not habitable.



The worst of the worst

- The combined total of acquisition costs, demolition costs and approved expenses for a structure without a basement should not exceed \$15,000.00.
- The combined total of acquisition costs, demolition costs, approved expenses, and property maintenance fees for a structure with a basement may not exceed \$25,000.00.
- \$25,000 is the maximum award available for any one structure under the terms of the BEP.

Activity Costs

- A demand note will be executed for every property for which BEP funds are received.
- Each demand note will create a loan from IHCD's General Fund to cover the costs of acquisition, demolition and allowable expenses.
- The demolition loan from IHCD will then be modified and replaced with a secured note and mortgage in favor of IHCD for an amount not to exceed \$25,000.00.
- The modified loan will be structured as a zero percent, non-amortizing loan, secured by a mortgage against the residential real estate.

Demand Note Requirements

- The loan modifications will have a limited term and will expire on December 31, 2017 (“Expiration Date”).
- Prior to the Expiration Date, loans will be forgiven at a rate of 33.3% per annum as long as terms of the BEP are met. The unforgiven balance of the loan will be due on sale or transfer of the mortgaged property, provided there are net proceeds from the sale or transfer. The payoff amount, if any, will be provided at the time of sale or transfer.
- Demand Notes, loan modification agreements, and any and all mortgages required by the terms of the BEP must be executed by a Program Partner.

Demand Note Requirements

- Each applicant will submit a self-evaluation or self-score on the designated Application Evaluation Matrix.
- IHCDA will then score the application using the Application Evaluation Matrix.
- An applicant may earn bonus points for submitting a fully completed application on or before the deadline.
- Design and implementation of innovative demolition concepts may also earn an applicant bonus points.

Scoring

- If there is a distinction between the applicant's self score and IHCDAs score the application will be referred to the Advisory Committee.
- The following individuals will comprise the Advisory Committee:
- Trish Lewis, Federal Home Loan Bank of Indianapolis
- John Marron, Indiana University Public Policy Institute
- Marsh Davis, Indiana Landmarks
- Rachel McIntosh, Local Initiatives Support Corporation
- Sarah Dillinger, Real Estate Attorney
- Pat Gamble-Moore, IHCDAs Board Member

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The Advisory Committee