

“Blight Elimination Program” Initiative  
of  
IHCD’s Hardest Hit Funds:

Site  
selection,  
control,  
reuse

*Repurposing Demolished Sites  
Reinvesting in Neighboring Properties*

Presentations 4/8 – 4/22/2014

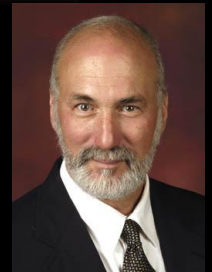
**PART B**  
**1:00-3:00 pm**



**Bruce Frankel**

Professor of  
Urban Planning

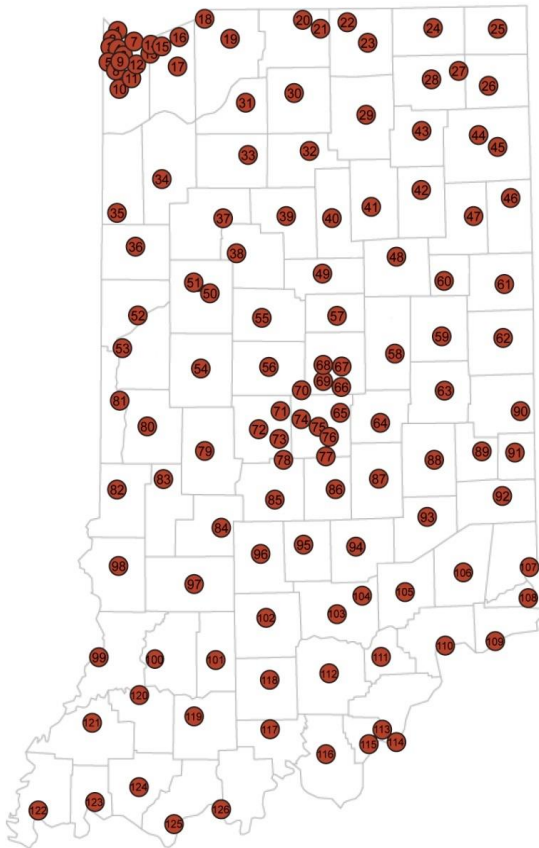
Director, Real Estate  
Development  
Programs



# Order

1. Inventory of Essential Indiana Cities & Towns:  
Sets of Issues & Assets
2. Central Theme of Causes - Vacant & Abandoned
3. Shrinking Cities or Opportunity for Demand?
4. Inventory of Underutilized Resources
5. Inventory of Proven Strategies

# 1. Inventory Essential Cities & Towns



*Essential Cities and Towns of Indiana*

- |    |                |     |                |
|----|----------------|-----|----------------|
| 1  | East Chicago   | 64  | Greenfield     |
| 2  | Hammond        | 65  | Lawrence       |
| 3  | Munster        | 66  | Fishers        |
| 4  | Highland       | 67  | Noblesville    |
| 5  | Dyer           | 68  | Westfield      |
| 6  | Griffith       | 69  | Carmel         |
| 7  | Gary           | 70  | Zionsville     |
| 8  | Saint John     | 71  | Brownsburg     |
| 9  | Schererville   | 72  | Danville       |
| 10 | Cedar Lake     | 73  | Plainfield     |
| 11 | Crown Point    | 74  | Speedway       |
| 12 | Merrillville   | 75  | Indianapolis   |
| 13 | Hobart         | 76  | Beech Grove    |
| 14 | Lake Station   | 77  | Greenwood      |
| 15 | Portage        | 78  | Mooreville     |
| 16 | Chesterton     | 79  | Greencastle    |
| 17 | Valparaiso     | 80  | Rockville      |
| 18 | Michigan City  | 81  | Newport        |
| 19 | LaPorte        | 82  | Terre Haute    |
| 20 | South Bend     | 83  | Brazil         |
| 21 | Mishawaka      | 84  | Spencer        |
| 22 | Elkhart        | 85  | Martinsville   |
| 23 | Goshen         | 86  | Franklin       |
| 24 | LaGrange       | 87  | Shelbyville    |
| 25 | Angola         | 88  | Rushville      |
| 26 | Auburn         | 89  | Connorsville   |
| 27 | Kendallville   | 90  | Richmond       |
| 28 | Albion         | 91  | Liberty        |
| 29 | Warsaw         | 92  | Brookville     |
| 30 | Plymouth       | 93  | Greensburg     |
| 31 | Knox           | 94  | Columbus       |
| 32 | Rochester      | 95  | Nashville      |
| 33 | Winamac        | 96  | Bloomington    |
| 34 | Rensselaer     | 97  | Bloomfield     |
| 35 | Kentland       | 98  | Sullivan       |
| 36 | Fowler         | 99  | Vincennes      |
| 37 | Monticello     | 100 | Washington     |
| 38 | Delphi         | 101 | Shoals         |
| 39 | Logansport     | 102 | Bedford        |
| 40 | Peru           | 103 | Brownstown     |
| 41 | Wabash         | 104 | Seymour        |
| 42 | Huntington     | 105 | Vernon         |
| 43 | Columbia City  | 106 | Versailles     |
| 44 | Fort Wayne     | 107 | Lawrenceburg   |
| 45 | New Haven      | 108 | Rising Sun     |
| 46 | Decatur        | 109 | Vevay          |
| 47 | Bluffton       | 110 | Madison        |
| 48 | Marion         | 111 | Scottsburg     |
| 49 | Kokomo         | 112 | Salem          |
| 50 | Lafayette      | 113 | Clarksville    |
| 51 | West Lafayette | 114 | Jeffersonville |
| 52 | Williamsport   | 115 | New Albany     |
| 53 | Covington      | 116 | Corydon        |
| 54 | Crawfordsville | 117 | English        |
| 55 | Frankfort      | 118 | Paoli          |
| 56 | Lebanon        | 119 | Jasper         |
| 57 | Tipton         | 120 | Petersburg     |
| 58 | Anderson       | 121 | Princeton      |
| 59 | Muncie         | 122 | Mount Vernon   |
| 60 | Hartford City  | 123 | Evansville     |
| 61 | Portland       | 124 | Boonville      |
| 62 | Winchester     | 125 | Rockport       |
| 63 | New Castle     | 126 | Tell City      |

According to the State Board of Accounts, Indiana has 119 cities and 447 towns. Municipalities are classified according to their status and population as follows:

Status and Population	Class	Number
Cities of 250,000 or More	First Class Cities	1
Cities of 35,000 to 249,999	Second Class Cities	19
Cities of Less Than 35,000	Third Class Cities	99
Other Municipalities of Any Population	Towns	447
<b>Total</b>	----->	<b>566</b>

*In defining the 'essential' cities and towns in Indiana, we begin with a list of all cities and towns in Indiana. This is then condensed down into the 77 places that have populations of at least 10,000 people, and 49 county seats that did not qualify as having 10,000 people. Thus, we have included all 92 county seats, and another 34 major cities that have at least 10,000 people.*

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# Distressed/ Stressed/ Special Assets

## **Distressed-**

- ⇒ Declining in population- Cities and Towns showing a population decline of greater than 1% from the time of the 2001 census to the 2006 interim census
- ⇒ Pronounced Economic Distress- Cities and towns with a poverty level above the Indiana state average of 10%
- ⇒ Redevelopment Cities- Places with Tax Increment Finance Districts (TIF), Redevelopment Commissions/Staff skilled in redevelopment initiatives, or both

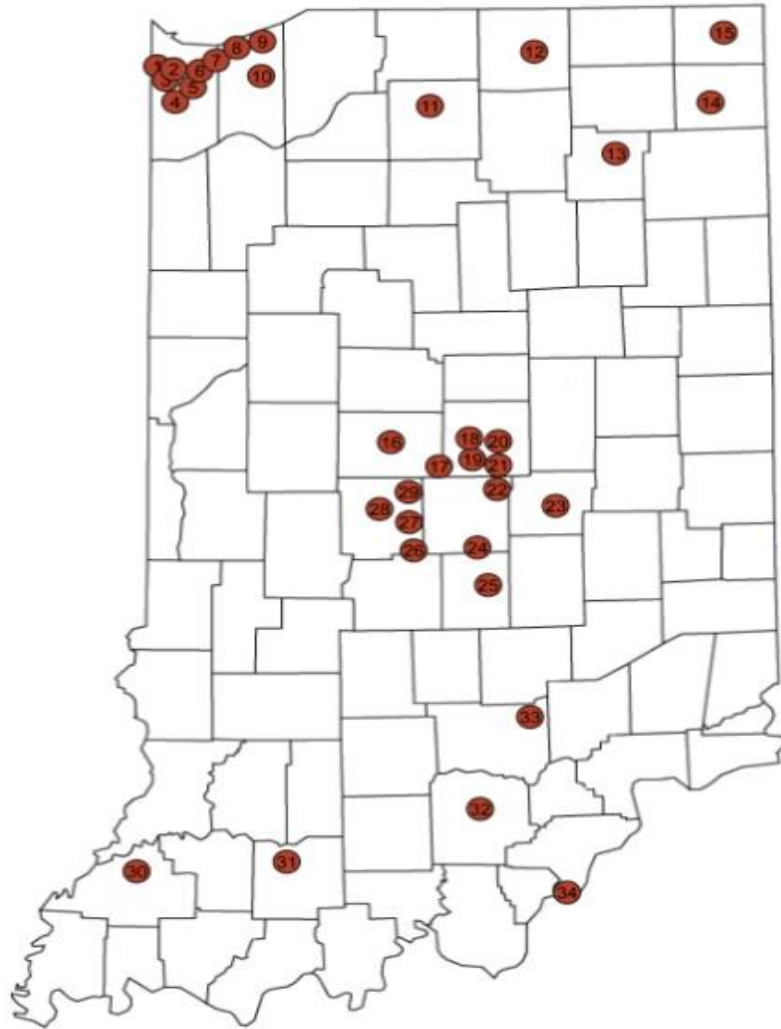
## **Stressed-**

- ⇒ Fast Growth- Cities experiencing population growth faster than the Indiana state average of 3.8%

## **\*Special Assets-**

- ⇒ Historic- Places with at least one Historic District as well as buildings on the National Historic Register
- ⇒ College Towns- Places that have educational institutions with significantly large (1,000+) student bodies, either state or private universities/colleges
- ⇒ Casino Towns- Places that have casinos, generating an important specialized form of revenue for the community

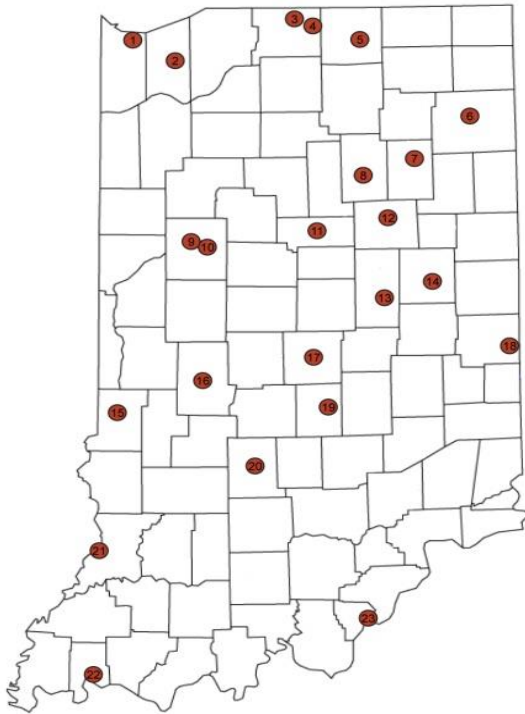
# Stressed



*Stressed Cities and  
Towns of Indiana*

- 1 Dyer
- 2 Schererville
- 3 Saint John
- 4 Cedar Lake
- 5 Crown Point
- 6 Merrillville
- 7 Hobart
- 8 Portage
- 9 Chesterton
- 10 Valparaiso
- 11 Plymouth
- 12 Goshen
- 13 Columbia City
- 14 Auburn
- 15 Angola
- 16 Lebanon
- 17 Zionsville
- 18 Westfield
- 19 Carmel
- 20 Noblesville
- 21 Fishers
- 22 Lawrence
- 23 Greenfield
- 24 Greenwood
- 25 Franklin
- 26 Mooresville
- 27 Plainfield
- 28 Danville
- 29 Brownsburg
- 30 Princeton
- 31 Jasper
- 32 Salem
- 33 Seymour
- 34 Jeffersonville

# Special Assets: Colleges/ Casinos



*Major College Towns of Indiana*

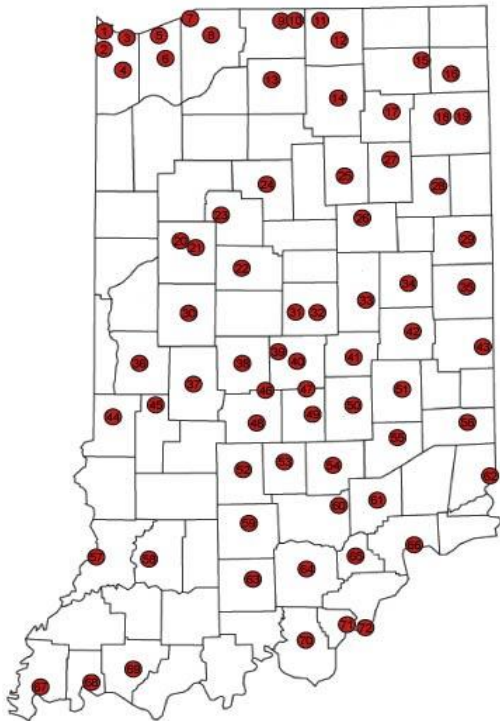
- 1 Gary
- 2 Valparaiso
- 3 South Bend
- 4 Mishawaka
- 5 Goshen
- 6 Fort Wayne
- 7 Huntington
- 8 Wabash
- 9 West Lafayette
- 10 Lafayette
- 11 Kokomo
- 12 Marion
- 13 Anderson
- 14 Muncie
- 15 Terre Haute
- 16 Greencastle
- 17 Indianapolis
- 18 Richmond
- 19 Franklin
- 20 Bloomington
- 21 Vincennes
- 22 Evansville
- 23 New Albany



*Casino Towns of Indiana*

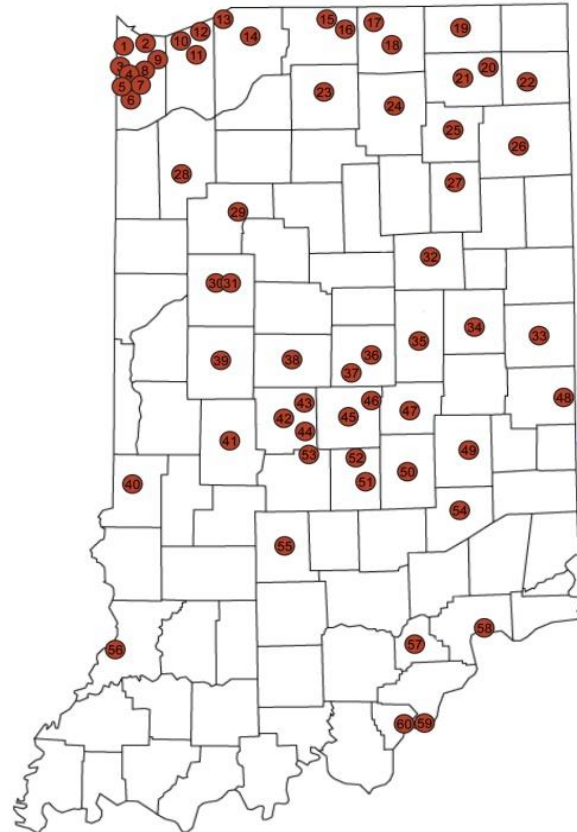
- 1 Hammond; "Horseshoe Casino"
- 2 East Chicago; "Trump Hotel Casino"
- 3 Gary; "Majestic Star"
- 4 Evansville; "Casino Aztar"
- 5 French Lick/W. Baden; "French Lick Resort"
- 6 Elizabeth; "Caesar's Indiana"]
- 7 Vevay; "Belterra Casino"
- 8 Rising Sun; "Grand Victoria"
- 9 Lawrenceburg; "Argosy Casino"

# Special Assets: Historic Districts/ Redevelopment Authorities



- |    |                |    |                |
|----|----------------|----|----------------|
| 1  | East Chicago   | 37 | Greencastle    |
| 2  | Hammond        | 38 | Danville       |
| 3  | Gary           | 39 | Speedway       |
| 4  | Crown Point    | 40 | Indianapolis   |
| 5  | Chesterton     | 41 | Greenfield     |
| 6  | Valparaiso     | 42 | New Castle     |
| 7  | Michigan City  | 43 | Richmond       |
| 8  | LaPorte        | 44 | Terre Haute    |
| 9  | South Bend     | 45 | Brazil         |
| 10 | Mishawaka      | 46 | Mooreville     |
| 11 | Elkhart        | 47 | Greenwood      |
| 12 | Goshen         | 48 | Martinsville   |
| 13 | Plymouth       | 49 | Franklin       |
| 14 | Warsaw         | 50 | Shelbyville    |
| 15 | Kendallville   | 51 | Rushville      |
| 16 | Auburn         | 52 | Bloomington    |
| 17 | Columbia City  | 53 | Nashville      |
| 18 | Fort Wayne     | 54 | Columbus       |
| 19 | New Haven      | 55 | Greensburg     |
| 20 | West Lafayette | 56 | Brookville     |
| 21 | Lafayette      | 57 | Vincennes      |
| 22 | Frankfort      | 58 | Washington     |
| 23 | Delphi         | 59 | Bedford        |
| 24 | Logansport     | 60 | Paoli          |
| 25 | Wabash         | 61 | Vernon         |
| 26 | Marion         | 62 | Lawrenceburg   |
| 27 | Huntington     | 63 | Seymour        |
| 28 | Bluffton       | 64 | Salem          |
| 29 | Portland       | 65 | Scottsburg     |
| 30 | Crawfordsville | 66 | Madison        |
| 31 | Westfield      | 67 | Mount Vernon   |
| 32 | Noblesville    | 68 | Evansville     |
| 33 | Anderson       | 69 | Boonville      |
| 34 | Muncie         | 70 | Corydon        |
| 35 | Winchester     | 71 | New Albany     |
| 36 | Rockville      | 72 | Jeffersonville |

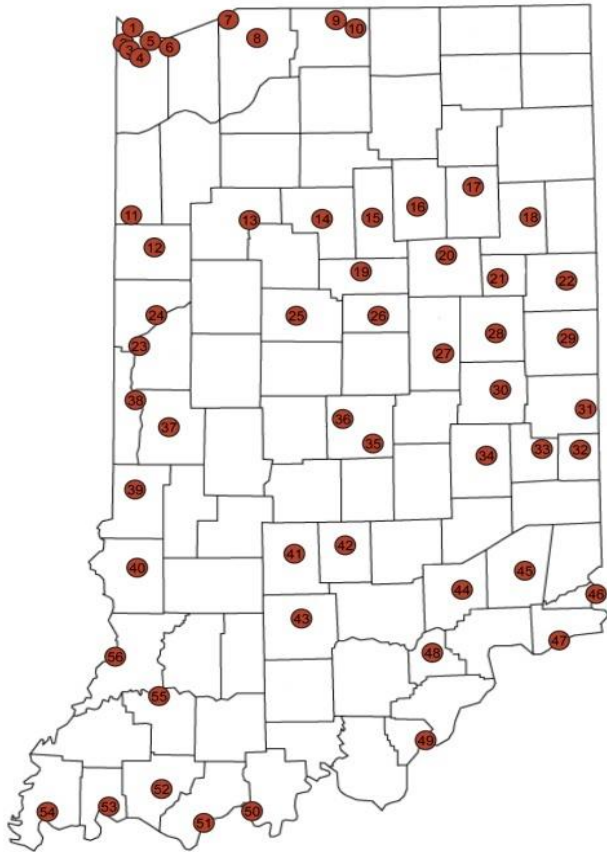
*Historic Cities  
and Towns of  
Indiana*



- |     |                |
|-----|----------------|
| 1.  | Hammond        |
| 2.  | Gary           |
| 3.  | Dyer           |
| 4.  | Schererville   |
| 5.  | Saint John     |
| 6.  | Cedar Lake     |
| 7.  | Crown Point    |
| 8.  | Merrillville   |
| 9.  | Hobart         |
| 10. | Portage        |
| 11. | Valparaiso     |
| 12. | Chesterton     |
| 13. | Michigan City  |
| 14. | LaPorte        |
| 15. | South Bend     |
| 16. | Mishawaka      |
| 17. | Elkhart        |
| 18. | Goshen         |
| 19. | Lagrange       |
| 20. | Kendallville   |
| 21. | Albion         |
| 22. | Auburn         |
| 23. | Plymouth       |
| 24. | Warsaw         |
| 25. | Columbia City  |
| 26. | Fort Wayne     |
| 27. | Huntington     |
| 28. | Rensselaer     |
| 29. | Monticello     |
| 30. | West Lafayette |
| 31. | Lafayette      |
| 32. | Marion         |
| 33. | Winchester     |
| 34. | Muncie         |
| 35. | Anderson       |
| 36. | Noblesville    |
| 37. | Carmel         |
| 38. | Lebanon        |
| 39. | Crawfordsville |
| 40. | Terre Haute    |
| 41. | Greencastle    |
| 42. | Danville       |
| 43. | Brownsburg     |
| 44. | Plainfield     |
| 45. | Indianapolis   |
| 46. | Lawrence       |
| 47. | Greenfield     |
| 48. | Richmond       |
| 49. | Rushville      |
| 50. | Shelbyville    |
| 51. | Franklin       |
| 52. | Greenwood      |
| 53. | Mooreville     |
| 54. | Greensburg     |
| 55. | Bloomington    |
| 56. | Vincennes      |
| 57. | Scottsburg     |
| 58. | Madison        |
| 59. | Jeffersonville |
| 60. | New Albany     |

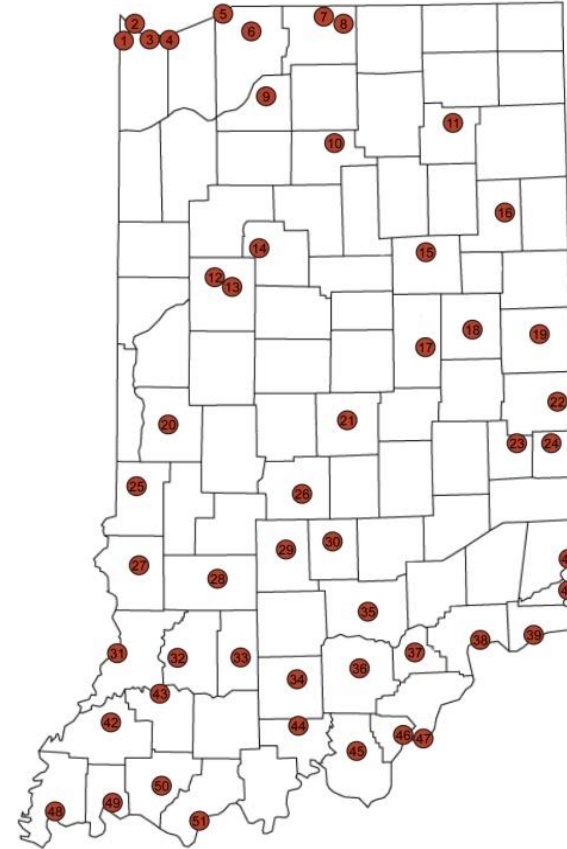
*Indiana Cities and Towns  
With Active Redevelopment  
Commissions*

# Inexorably Shrinking Cities?



*Indiana Cities and Towns  
With Declining Populations*

- 1 East Chicago
- 2 Hammond
- 3 Highland
- 4 Griffith
- 5 Gary
- 6 Lake Station
- 7 Michigan City
- 8 LaPorte
- 9 South Bend
- 10 Mishawaka
- 11 Kentland
- 12 Fowler
- 13 Monticello
- 14 Logansport
- 15 Peru
- 16 Wabash
- 17 Huntington
- 18 Bluffton
- 19 Kokomo
- 20 Marion
- 21 Hartford City
- 22 Portland
- 23 Covington
- 24 Williamsport
- 25 Frankfort
- 26 Tipton
- 27 Anderson
- 28 Muncie
- 29 Winchester
- 30 New Castle
- 31 Richmond
- 32 Liberty
- 33 Connersville
- 34 Rushville
- 35 Beech Grove
- 36 Speedway
- 37 Rockville
- 38 Newport
- 39 Terre Haute
- 40 Sullivan
- 41 Bloomington
- 42 Nashville
- 43 Bedford
- 44 Vernon
- 45 Versailles
- 46 Rising Sun
- 47 Vevay
- 48 Scottsburg
- 49 New Albany
- 50 Tell City
- 51 Rockport
- 52 Boonville
- 53 Evansville
- 54 Mount Vernon
- 55 Petersburg
- 56 Vincennes

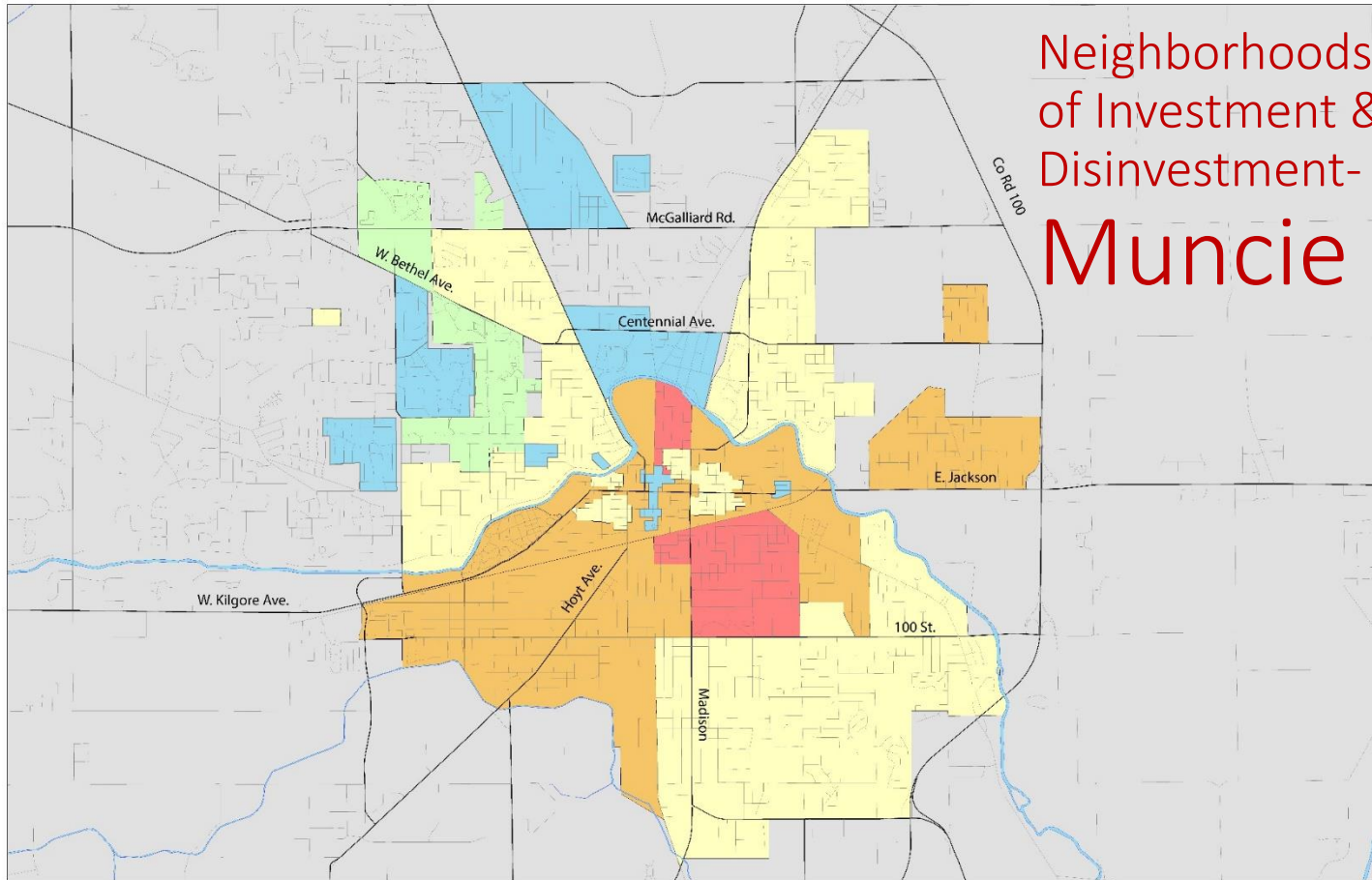


*Distressed Towns and  
Cities of Indiana*

- 1 Hammond
- 2 East Chicago
- 3 Gary
- 4 Lake Station
- 5 Michigan City
- 6 LaPorte
- 7 South Bend
- 8 Mishawaka
- 9 Knox
- 10 Rochester
- 11 Columbia City
- 12 West Lafayette
- 13 Lafayette
- 14 Delphi
- 15 Marion
- 16 Bluffton
- 17 Anderson
- 18 Muncie
- 19 Winchester
- 20 Rockville
- 21 Indianapolis
- 22 Richmond
- 23 Connersville
- 24 Liberty
- 25 Terre Haute
- 26 Martinsville
- 27 Sullivan
- 28 Bloomfield
- 29 Bloomington
- 30 Nashville
- 31 Vincennes
- 32 Washington
- 33 Shoals
- 34 Paoli
- 35 Brownstown
- 36 Salem
- 37 Scottsburg
- 38 Madison
- 39 Vevay
- 40 Rising Sun
- 41 Lawrenceburg
- 42 Princeton
- 43 Petersburg
- 44 English
- 45 Corydon
- 46 New Albany
- 47 Jeffersonville
- 48 Mount Vernon
- 49 Evansville
- 50 Boonville
- 51 Rockport



Muncie, IN: Disinvestment Patterns



Neighborhoods of Investment & Disinvestment-  
**Muncie**

Statewide study distills to Your Community

- A. Severe Disinvestment
- B. Significant Disinvestment
- C. Stagnation
- D. Stable/Modest Investment
- E. Investment

Severe disinvestment (v/a at high level, code violations, property devaluation)
  Stable (modestly rising values, little to no v/a and code violations)

Significant disinvestment
  Investment (steadily rising values)

Stagnation (some investment, but not at critical mass to become an area of rising values)



Muncie's  
Olde West End  
November  
2011  
Demolition  
Order

## 4. Residential

- Incremental
- Catalytic



# ROI



inspect trim -  
paint & repair as  
necessary

remove loose paint -  
touch-up as necessary

replace rotten sills &  
re-flash as necessary

tuck-point & fill mortar  
gaps as necessary

**719 East Main Street**  
*Muncie Indiana*



If I want to realize a return on my investment, then  
invest in my neighbors' properties



# Incremental Examples Emily Kimbrough Historic District, Muncie




# 4. Underutilized Resources/ Proven Strategies

## Under-utilized tools

1. Mortgage Guarantees [40 FHA 203K lenders]
2. Tax-increment Financing [HoTIF]
3. Tax-credit Financing
  - a. LIHTC [yes]
  - b. NMTC
  - c. HTC – IRC Sec. 50a – 5 yrs
4. AHP – engage the lenders [411] through FHLBI

## Under-utilized strategies

1. Urban Homestead rehabilitation program
2. CDBG/ Home Sustainable Financing
3. Developer-financed subsidies for affordable housing, urban amenities
4. Neighborhood Strategy
  - a. Block by block
  - b. Mixed Use
5. Laws of
  - a. Large Numbers
  - b. Small Numbers



4,5 reserved  
for Workshop  
B  
Neighborhood  
Reinvestment

**Pedestrian Short List**

# 4a. Mortgage Guarantees

Program	Purpose	Comment
<b>FHA 203K National Housing Act (12 U.S.C. 1709(4k)); program regulations are at <u>24 CFR 203.50</u></b>	<ul style="list-style-type: none"> <li>• Insures lenders on mortgages for acquisition and rehabilitation up to 96.5% with lending @ or about \$275K single family, \$525K four-family</li> <li>• Rehabilitation requires existing foundation</li> <li>• 1-4 units per building</li> <li>• Borrower or tenant is not income qualified</li> <li>• 40 lenders in Indiana</li> </ul>	<p>Well-suited to redevelopment in neighborhoods of disinvestment where mortgage collateral securitization is an issue; mitigates greatly any downside risk and frees up lending. Useful to neighboring properties or to subject demolition, preserving the foundation</p>
<b>FHA 203K Streamlined</b>	<ul style="list-style-type: none"> <li>• \$30,000 for single family; \$60,000 for four-family; excludes acquisition</li> </ul>	<p>Useful to homesteads, which may be occupied or vacant and to nonprofit landlord of 1-4 unit residences</p>

# 4b. HoTIF

HoTIF as  
Section 48 of  
the Indiana  
Redevelopmen  
t Code,  
IC 36-7-14

1. Syndicate through capital markets [local or national “tranches”] – I will show you; private or public offerings [CMBS]
  - a. Local Initiatives Support Corporation [LISC] in Indianapolis and headquartered in Chicago
  - b. Enterprise Foundation – headquartered in Columbia, MD
  - c. Duke REIT, National Equity Fund, National Multi Housing Council, Equity Residential, etc.
2. Can raise 43% of qualified basis on non-residential properties; 33% on apartments; 25% on homesteads
3. E.g. on \$100,000 private financing, added public financing on capitalized tax increment
  - a. \$75,000 for non-residential
  - b. \$50,000 for apartments or rental single family homes
  - c. \$25,000 for homesteads [can demonstrate affordability at average low/ moderate income]

• Essential to a neighborhood revitalization strategy, allowing investment in residential or mixed-use buildings containing a residential use. Tax increment is on all land uses in a HoTIF Tax Allocation District. Much more powerful than a TIF, promoting a substantial subsidy on private property without household income qualification, yet severely under-utilized in Indiana

# Qualifications & Uses of HoTIF [amendments 2006]

## IC Title 36, Chapter 7, Section 14-et. seq.

- Section 45 determination
  - < 150 acres [10% of MCD land under SB 17]
  - > 33% of parcels are vacant
  - > 33% of residential parcels constructed before 1941
  - > 33% of parcels [1 of the following]
    - Unoccupied dwelling unit [“not permanently occupied”]
    - Governmental order to correct housing code or unsafe building violation
    - 2 quarters of delinquent property tax payments
    - Government owned
  - > 75% of parcels for residential
- Section 48 authority
  - Construction/rehabilitation
  - Acquire
  - Demolish
  - Financial assistance to households for purchase or lease
  - Financial assistance to “neighborhood development corporations” to perform the above



BEP workshop A: afternoon

Renaissance Point,  
Hanna-Creighton  
Neighborhood, Fort Wayne

NOTE: By the 2006 Code Amendments: Can use HoTIF to improve private property; thus, this creates the advantage for a multiplier effect of higher increment in assessed value, higher TIF, and reinvestment back into private property



# Uses of HoTIF

- ❑ Essential to a neighborhood revitalization strategy, allowing investment in **residential or mixed-use** buildings containing a residential use.
- ❑ Tax increment is on **all land uses** in a HoTIF Tax Allocation District
- ❑ Much more powerful than a TIF, promoting a substantial subsidy on **private property without household income qualification**, yet severely under-utilized in Indiana
- ❑ E.g., can be deployed as an **affordable housing subsidy**, yet no income restriction

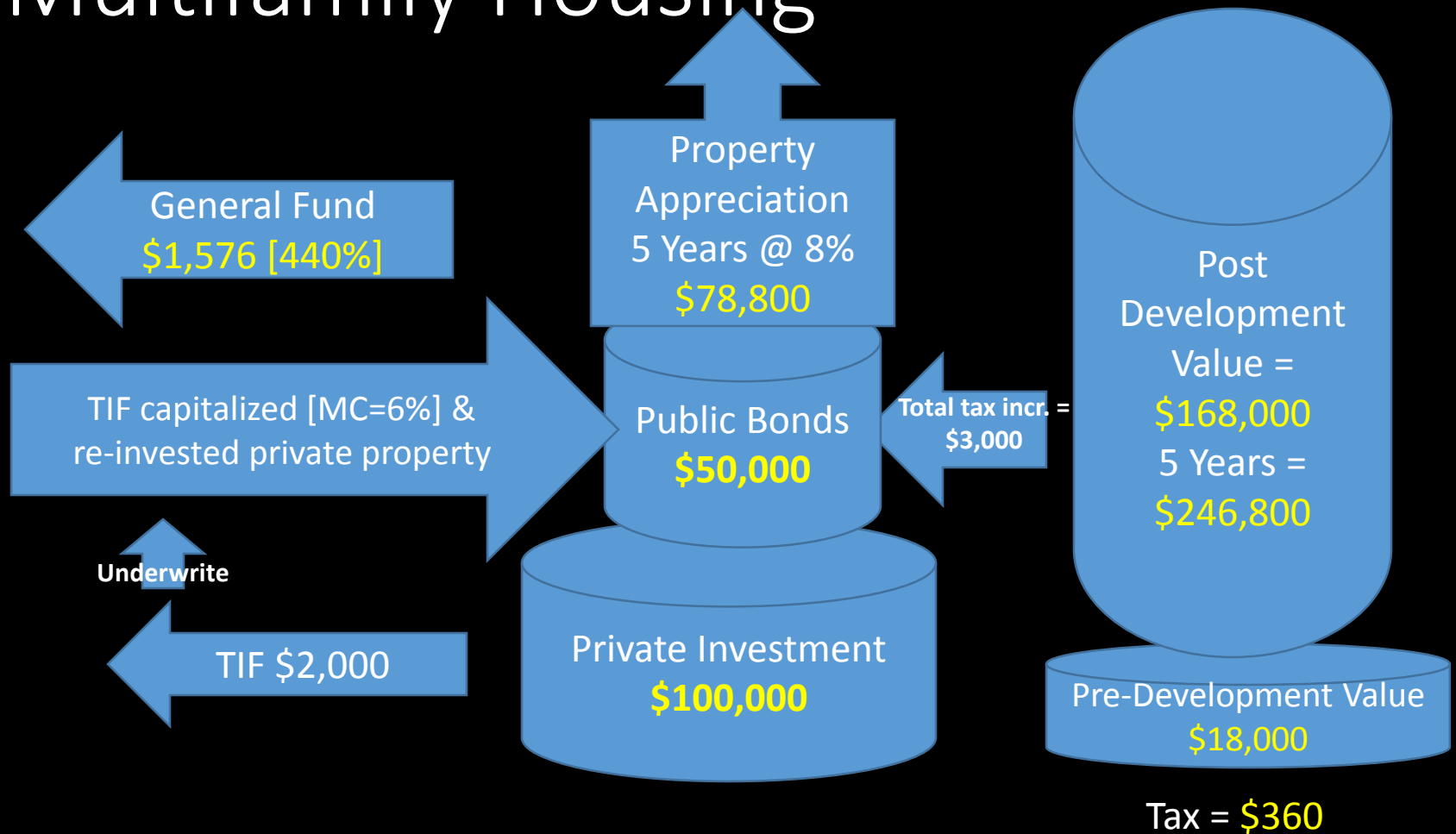


TIF excludes homesteads

TIF on public improvements & services

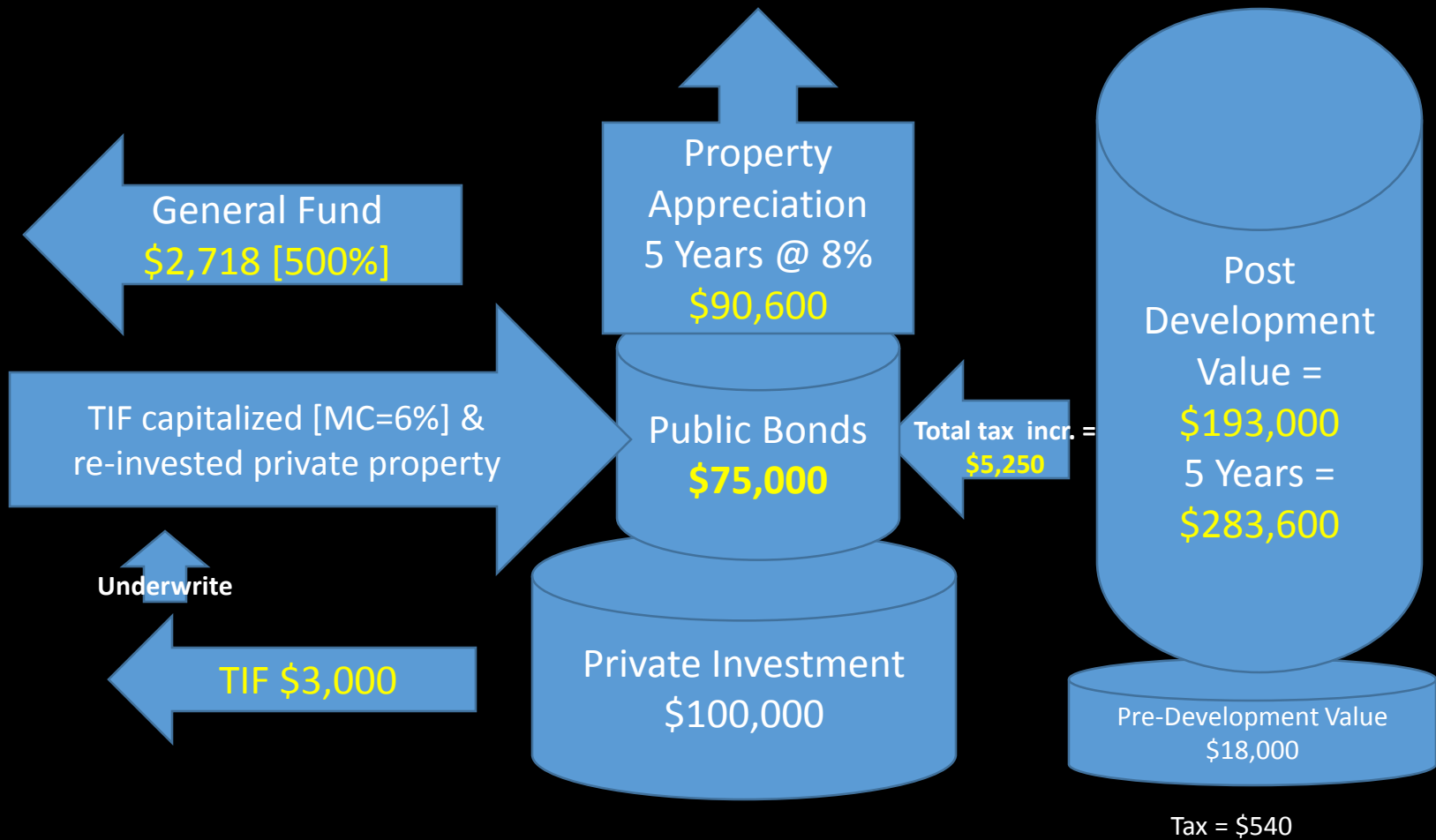
Demonstration below

# Concept 1: HoTIF as Investment Multifamily Housing

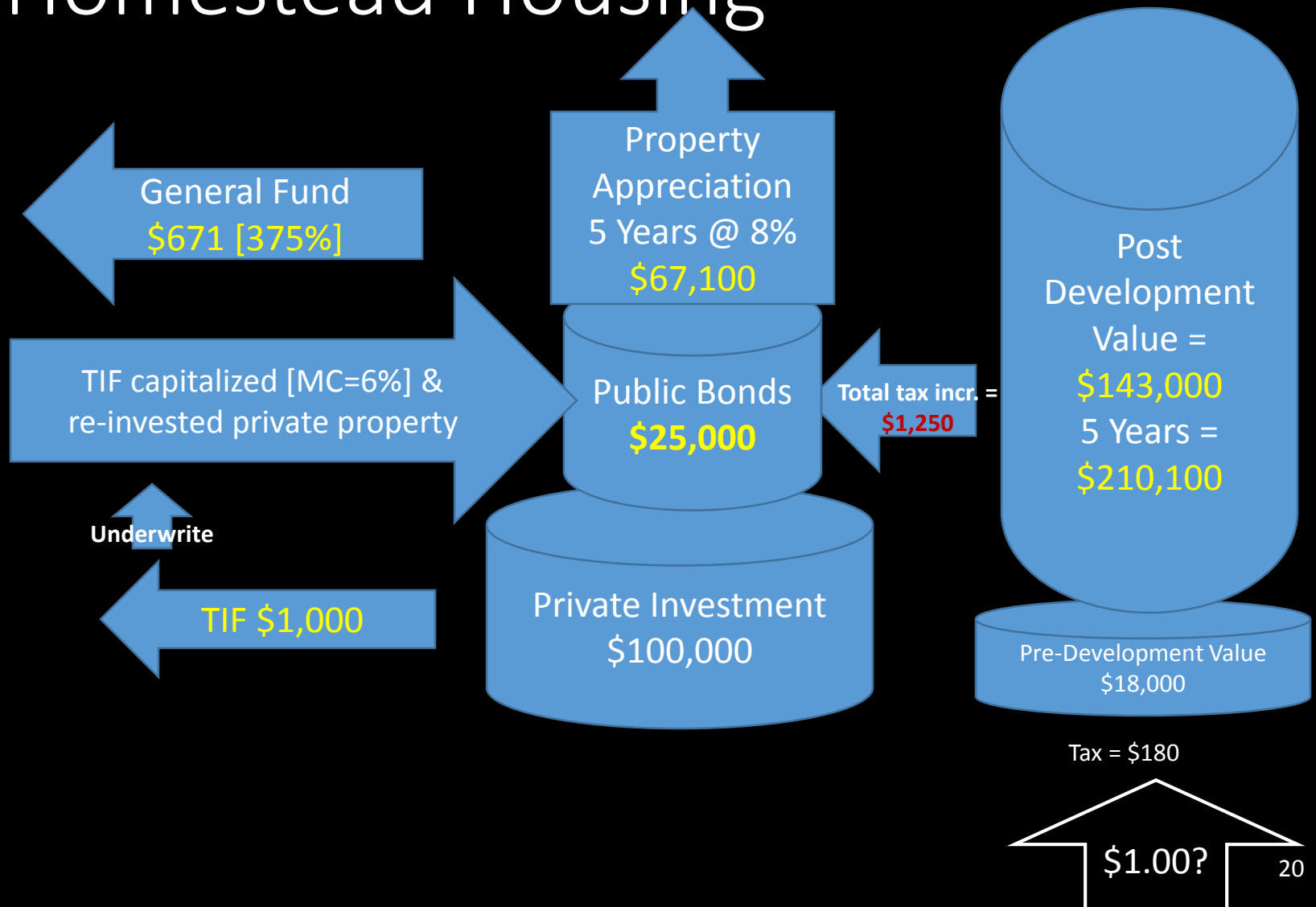


# HoTIF as Investment Nonresidential Property

Apply to residential in mixed-use



# HoTIF as Investment Homestead Housing



# Affordable Housing Resources

Next 2 slides consider only these programs

## First or Repeat Homebuyers

- HoTIF
  - 25-100% capital cost
- IHEDA Mortgage Credit Certificates
  - 20-35% of mortgage interest...max \$2,000/yr.
  - 20% @ >\$90,000 mortgage
  - 35% @ <\$50,000 mortgage
- IHEDA Next Home
  - 3-4% Down Payment Assistance – no purchase price or income limits
- Combination IHEDA programs
  - requires “1<sup>st</sup>-time” home buying
  - = not owning residence last 3 years

## First or Repeat Homebuyers

- Mortgage Insurance
  - FHA 203K
    - \$273,000 home value limit
    - Acquisition & Rehabilitation
    - \$30,000 easy rehabilitation
    - Homestead or nonprofit 1-4 plex
    - 40 lenders in Indiana
  - FHA/ VA Insurance
    - Acquisition only
- Tax Credit Financing
  - HTC
  - NMTC
  - LIHTC
- Grant
  - FHLBI – AHP
  - \$500,000

Only 2 programs restricted by maximum household income. Which ones?

# Affordable Housing

## 4-BR dwelling

### Household Need

- Low Income for household of 6 = \$31,100
- Moderate Income for household of 6 = \$49,800
- Average Low/ Moderate = \$40,450 = \$3,371/mo. 2013 Data

## 4-BR dwelling

### Affordable Pricing

\$110,800

\$174,350

**\$142,575**

Will it work at \$168,000?

# HoTIF + IHCDAs as Affordable Housing Subsidy - **Homestead**

Calculated at lowest HoTIF and IHCDAs subsidies

Acquisition & Redevelopment	\$ 168,000
LESS HoTIF [Homeowner pays taxes, City Trust pays 2nd mortgage]	\$ (25,000)
LESS IHCDAs Down Payment Assistance @ 4%	\$ (6,720)
EQUALS Conventionally Financed Price	\$ 136,280
LESS any Buyer Down Payment or Developer Subsidy	\$ -
EQUALS Amortizing Mortgage [LTV=LTC]	\$ 136,280
<b>Affordability Calculation</b>	
Monthly Mortgage Payment [annual mortgage constant @ 0.073]	\$ 829
PLUS Monthly Property Tax Payment [annual @ 1.0%]	\$ 140
PLUS Monthly Hazard Insurance [annual @ 0.325%]	\$ 46
LESS IHCDAs Mortgage Credit Certificate @20% [max @35%] & 6.0% interest	\$ (136)
EQUALS Total Effective Housing Payment [TEHP]	\$ <b>878</b>
TEHP/ Household Income @ \$3,371/ month	<b>26%</b>
Compare to Section 8 Fair Market Rent [2014, Muncie metro]	\$ 1,182
TEHP - Sec 8 rent same dwelling unit	\$ <b>(304)</b>

Within FNMA underwriting

# Same, but for a Mixed-Use Project – “Luxury” Condo

Calculated at higher HoTIF and lowest IHCDAs subsidies

Condo @ \$168K more likely \$86K in reality  
source: multifamily developer

Assumes non-residential of equal value as residential; capitalized HoTIF \$75K + \$25K

Acquisition & Redevelopment	\$ 168,000
LESS HoTIF [Homeowner pays taxes, City Trust pays 2nd mortgage]	\$ (100,000)
LESS IHCDAs Down Payment Assistance @ 4%	\$ (6,720)
EQUALS Conventionally Financed Price	\$ 61,280
LESS any Buyer Down Payment or Developer Subsidy	\$ -
EQUALS Amortizing Mortgage [LTV=LTC]	\$ 61,280
<b>Affordability Calculation</b>	
Monthly Mortgage Payment [annual mortgage constant @ 0.073]	\$ 373
PLUS Monthly Property Tax Payment [annual @ 1.0%]	\$ 140
PLUS Monthly Hazard Insurance [annual @ 0.325%]	\$ 46
LESS IHCDAs Mortgage Credit Certificate @20% [max @35%] & 6.0% interest	\$ (61)
EQUALS Total Effective Housing Payment [TEHP]	\$ <b>497</b>
TEHP/ Household Income @ \$3,371/ month	<b>15%</b>
Compare to Section 8 Fair Market Rent [2014, Muncie metro]	\$ 1,182
TEHP - Sec 8 rent same dwelling unit	\$ <b>(685)</b>

Creative class argument



# Urban Homesteading

Doesn't this work well with FHA 203K mortgage insurance?

- IC 36-7-17
- 1981
- \$1 + administrative costs
- Reversion
  - under a material breach of performance ["conditional sales"] contract
  - may extend 2 years
- Qualified Ownership
  - Receives rehabilitation loan
  - Rehabilitation complies with 24 CFR 203, et. seq.
  - Additional, at discretion of locality
- Local Government designates administrator
  - Agency [existing or new] – e.g.,
    - Redevelopment Commission/ Authority
    - Community Development Office
    - County Treasurer
  - Quasi-public corporation
    - Board of Public Works
    - IRC 509a or 506 [public-private]

<b>e.g., standards:</b> <ul style="list-style-type: none"><li>• &lt; 120% AMI</li><li>• &gt; 30% currently on housing</li><li>• No nepotism/ cronyism</li><li>• Qualifies for a sufficient loan</li></ul>	<ul style="list-style-type: none"><li>• <b>Up to code in 6 months</b></li><li>• <b>Energy efficient standards</b></li><li>• <b>5 years principal residence</b></li><li>• <b>Maintain adequate insurance</b></li></ul>
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# 4c. Tax Credit Financing – on investment properties

Program	Purpose	Comment
<p data-bbox="21 282 295 444">NHPA 1966, amended 1976</p> <p data-bbox="21 519 295 701"><b>Historic Tax Credits &amp; Syndication</b></p> <p data-bbox="21 729 295 891">Apartments + nonresidential</p>	<p data-bbox="330 301 1081 396">a. Either commercial property owner keeps as incentive OR</p> <p data-bbox="330 444 620 486">b. Syndicated</p> <p data-bbox="330 529 1081 625">c. Federal HTC at 20% calculates to 18% of qualified basis</p> <p data-bbox="330 672 1081 768">d. Indiana HTC at 20% calculates for 12% of qualified basis</p> <p data-bbox="330 815 1081 911">e. Federal also at 10% non-historic properties built before 1936</p>	<ul data-bbox="1099 301 1901 915" style="list-style-type: none"> <li>• Despite under-appropriated Indiana HTC's [11-year queue], the Federal HTC is practically unlimited in subsidization on investment properties on the Register.</li> <li>• Proposals in Congress 2014 to eliminate &amp; to enlarge to 30-32% credit [energy] &amp; on buildings 50 years + [S. 1141]</li> <li>• \$106B leveraged nationwide since 1976 for ~40K structures. \$20.5B in tax credits generating \$26B in Federal revenue, 58K in annual jobs.</li> </ul>
<p data-bbox="21 1115 295 1296"><b>Low Income Housing Tax Credit</b></p>	<p data-bbox="330 982 1025 1025">a. Rental housing only at 60% AMI</p> <p data-bbox="330 1072 1081 1225">b. For new construction: 9% credit for 10 years calculates to 63% if qualified basis</p> <p data-bbox="330 1272 1081 1425">c. For substantial rehabilitation, 4% credit for 10 years calculates to 28% of qualified basis</p>	<p data-bbox="1099 1068 1901 1339">Active syndication value, though allocations limited by Feds as administered by IHCD; promoting reconstruction on lots where demolition has been deployed under the BEP program</p>

# 4d. AHP of FHLBI

- a. Provides a direct subsidy (grant) for acquisition, rehabilitation or construction of affordable housing of various types – up to **\$500,000**
- b. Only FHLBI members may apply for AHP funding; **412** institutions as participating members in FHLBI
- c. Housing sponsors are non-profit or for-profit housing developers, including land banks, who partner with FHLBI member
- d. Eligible Activities
  - i. Land or building acquisition
  - ii. Down payment and closing costs for homebuyers
  - iii. Construction or rehabilitation costs
  - iv. Owner-occupied rehabilitation
  - v. Some soft costs (developer fee, architectural, legal, survey, engineering)

Affordable  
Housing  
Program of  
FHLBI

Under-utilized  
funds for  
redevelopment;  
no limit to  
fundable  
applications of  
FHLBI members

Learn the “How”  
in fall workshops

# AHP in Practice - Muncie



Funding Source	
AHP, FHLBI	\$500,000
City CD Office	\$86,700
Nonprofit Landlord - PathStone	\$30,000
Mutual SB	\$46,100
	\$662,800

Critique?

@ 7% on \$76,100  
invested privately, the per  
unit cost is \$158 / mo.  
[\$111+35+12]

Per d.u.  
capital cost  
= \$165,700

@65% AMI, 2-BR d.u.  
affordability = \$688 / mo.



723 W. Main St., Old West End Place Apartments  
“Where my mail is commonly sent,” said Frankel.

4-plex

Capacity for 17  
apartments or SF  
homesteads

# CDBG/HOME Strategy [Frankel 1978-2013]

35  
years

## Structured Loan

- \$2.7M HUD funding
  - CDBG 1974
  - HOME 1990
- Invested in Code-Deficient Homesteads @ 20% [Leverage 5/1]
- Average \$30K
- Deferred Payment Loan as “soft-second mortgage” [non-amortized, balloon due at resale]
- Returned average 5% annually and reinvested
- Can accrue below-market interest or structure as shared appreciation
- Results here at no interest or shared appreciation

## Results

- At **\$30K rehabilitation cost**, then
- 270 annual/ 9,720 over 35 years
  - @\$30K performed rehabilitations annually from CDBG/HOME allocation
- + progressive 14 to 486 d.u.’s annually/ 8,991 over 35 years
  - @\$30K performed rehabilitations from program income
- IF at **\$100K rehabilitation cost**, then
- 5,613 d.u.’s served over 35 years
  - 2,916 from CDBG/HOME [81 annually]
  - 2,697 from program income [4 to 146]

9,720

8,991

2,916

2,697

# 5. Nonresidential

Instead of FHA, go to SBA

# Ease of Entry Ease of Entrepreneurship



Muncie

Another  
form of  
urban  
farming



Milwaukee

Detroit



# PDR

PRODUCTION/ DISTRIBUTION/ REPAIR  
[PDR]



February,  
2014





# New Urban Manufacturing PDR

## References/ Facts

- Brookings study 2007
  - >50,000 manufacturers
  - <20 employees/each
- Creative Class artisans
- PDR= [Light] production, distribution, repair
- \$60,000/yr.

## Principles

1. Conditions for the Creative Class
2. Industrial-friendly zoning
  - I/C and I/R
  - [make/sell; live/work]
3. Spaces
4. Access
5. Retention

Philadelphia, San Francisco/ Oakland,  
Atlanta, Wilmington, NC...Rising Sun, IN

# PDR's



work/sell in Bay Area



Live/work/sell [Internet]/  
distribute [UPS] in Rising Sun



Live/work/sell in Bay Area



# Aquaponics/ Agriponics Ready for Prime Time?

- ECSIA [Environmentally Controlled Sustainable Integrated Agriculture] [www.ecsia.us](http://www.ecsia.us)
- Sales ~ \$15M, employed 69 in 2012 in Indiana
- Professor Scott Truex, Sustainable Communities Institute
- Glen Barber + Norman McCowan – Bell Aquaculture, Redkey + Albany facilities [yellow perch]; seeks commercial facility in Muncie, role of Justin Long, BSU
- Laura Tiu, OSU aquaculture extension specialist; PU's Aquaculture Research Lab
- RACER Trust – 2011 Bankruptcy Court order clean-up of 44 M s.f. of GM plants
- Incubator?

Glen  
Barber



Norman  
McCowan



Justin  
Long



# Public Center for Economic Development 3<sup>rd</sup> Ward Milwaukee



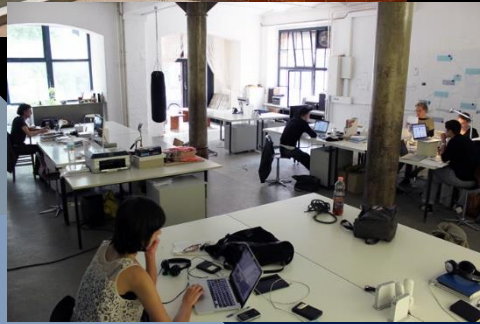
# Incubator/ Promoter



# Data Center for Greenfield, Hancock County

## Market Conditions

- Pricing
  - Educational center/business incubator space – 15\$/s.f.,
  - 1 year lease with renewal options and early-out for successful businesses
  - Data center – 90-150\$/sq ft –10 year lease with options for renewal
- Market preferences



# Data Center Finances

- \$143 M capital Cost + \$19 equipment
- \$28M Net Operating Income
- 35% ROI
- Justifying \$54M in equity
- LTV 60% for debt with rapid payout [15 years]
  
- Servicing all other business in your local economy, with significant multiplier effect

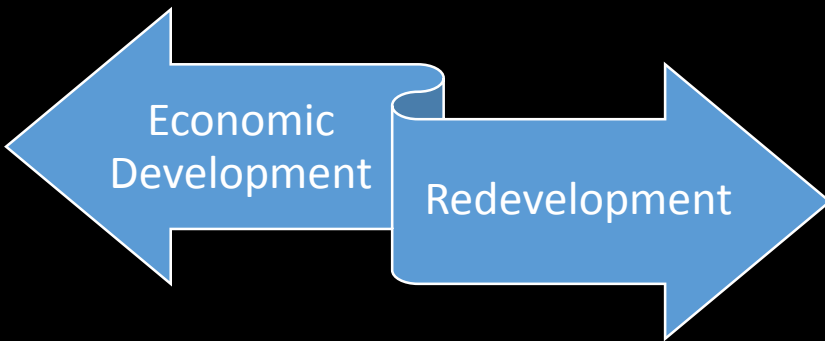
# 4e,f

Program	Purpose	Comment
<b>New Market Tax Credits</b>	<ul style="list-style-type: none"> <li>a. Residential or Nonresidential properties in eligible neighborhoods of poverty [72 neighborhoods in Indiana qualify]</li> <li>b. Requires certified Community Development Entity [CDE]</li> <li>c. 39% tax credits over 7 years calculates to 30% of qualified basis</li> <li>d. E.g. on \$100,000 qualified total cost, \$30,000 in NMTC financing</li> </ul>	<p>Highly competitive, only 10% of applications are funded per annum.</p>
<div style="background-color: #92d050; padding: 5px; text-align: center;">Resource Guide</div> <b>SBA Programs as loan guarantees = "debentures"</b>	<ul style="list-style-type: none"> <li>a. <b>7a</b> - \$5.0M max; average 2012 \$337,730; insures 75-85%; realty, personalty, working capital</li> <li>b. <b>Microloan</b> - \$50K max/ 6 years; average 2012 \$13K; all but realty</li> <li>c. <b>CDC 504</b> - \$5.0M [any business] - \$4.0M [small manufacturers] <u>debenture</u> max [so, 100%]; \$65K per worker retained or added [up to \$100K in small manufacturing]; only realty + equipment.</li> <li>d. All programs SBA fee 2-3%; terms realty 25 years, personalty 10 years</li> </ul>	<p>Strategic decision: Is it real estate? OR Is it a business involving real estate +?</p>



# TIF/ IDB Industrial Development Bonds

- Local Unit/ Economic Development Commission
  - sells taxable economic development revenue bonds
  - to subsidiary or affiliate of developer
  - tax increment underwrites bonds, pursuant to a trust indenture with a trustee
- Bond proceeds loaned to developer
  - Promissory note obligates developer, as a credited/offset
  - Can add credit enhancement [LOC]



TIF under  
Redevelopment  
Code since  
1975, but  
significant  
amendments

# TIF/ HoTIF Bonds

## Tax Credit Syndications...General Rules

### 1. Consolidation/ Consortium of Sellers

- a. Aggregate of properties
- b. Cooperation with area local governments with common underwriting standards
- c. Cost-efficient large issues and equity syndications

### 2. Consortium of Buyers

- a. Local or national lenders, brokers
- b. “Place-based” tranche, your own socially-responsible bank

# 6. Mixed Use

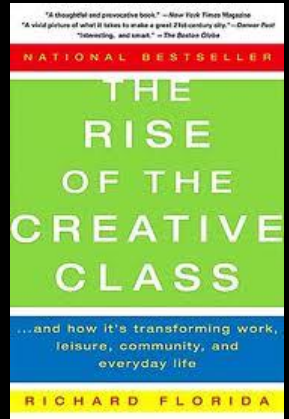
“Urban” in full as urban infill

# Maker District



Muncie, April 3-4, 2014  
<https://munciearts.org/>

Symposium  
movie



<http://www.artplaceamerica.org/>



<http://kresge.org/programs/arts-culture/harvesting-leading-practices>

- collaboration among:
- 14 foundations,
  - 8 federal agencies, and
  - 6 financial institutions
  - dedicated to strengthening the field of creative placemaking.

We seek to gather knowledge about how and under what conditions creative placemaking contributes to strengthening neighborhoods and to revitalization. We are interested in the economic, social and cultural changes associated with creative placemaking and in gathering data about its impact.



2002...  
38M

# Quality of Place



Helen  
Davis  
Johnson



Wheeler Arts  
Community,  
Fountain  
Square,  
Indianapolis

36 live/  
work

Launch  
Fishers  
basement  
library

325  
members,  
16,000 s.f.  
\$500/yr.

People for  
Urban  
Progress,  
Indianapolis

Scavengers  
"Goods for  
Good"

- Long-term viability
- Economy
- Access
- Safety
- Public utilities/  
public goods
- Urban amenities
- Equity/  
Affordability
- ...

13 AC Teflon-  
coated fiberglass  
RCA Dome; \$15K  
landfill;  
0.1 AC \$70K

## • Spaces where art happens

- Food is art
- Open & Inviting
- Experimentation
- Creativity as an economic engine
- Uniquely local

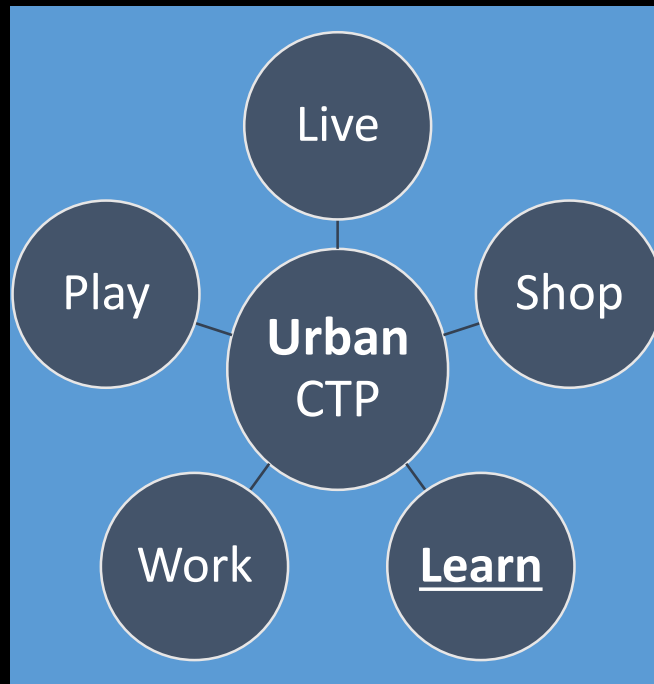
An artist who makes  
things...makes things  
happen



Cultural  
Trail,  
Indianapolis



# Local economy [Economic Development] has become a “place”



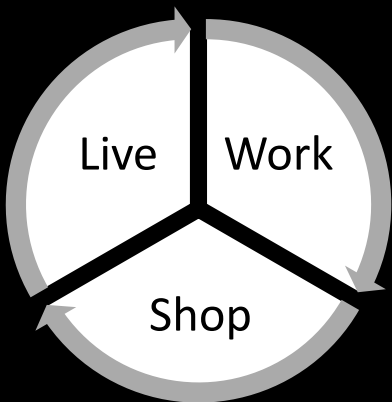
Edward McMahon,  
ULI Fellow

“new paradigm for  
commercial  
development”  
Urban Land  
3 / 2012

# Michael Pyatok

Pyatok Architects Inc.  
architecture planning research

Oakland, CA



Transforming a defunct big box in a high crime neighborhood to a gated, mixed-use, urban community

Mentioned above the well-suited use of HoTIF with mixed-use residential

# Catalytic Strategies –

all case studies

For advanced workshops in October

- Neighborhood Redevelopment Strategy Area [NRSA]
  - 16 neighborhood conditions
  - 7 redevelopment strategies
- Community Development Plan
- Business Plan
- Resources [“foreign aid”]
- Sustainable CDBG/ HOME
- Placed-based financing
  - Health care [VT, Frankel]
  - Higher education [Kalamazoo]
- Strategies
  - The local economy as a place
  - Manufacturing...“Its alive!”
  - Adaptive reuse empty downtown office/ floors above ground floor retail



# Capital Raised by Tax Increment & Tax Credit Financing

## Tax Increment

- Average = 2%  
[MC=6%; less  
200 basis points]
- **\$50,000**  
[33%]

Homestead  
@ 25%  
Non-  
residential  
@ 50%

## Federal/ State HTC

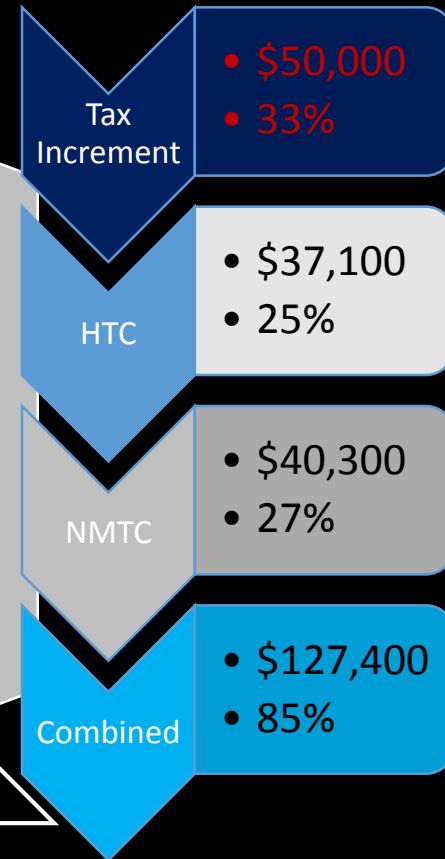
- ROI blends  
20% + 20%
- **\$37,100**  
[25%]

Qualified Basis = \$100,000  
Total Development Cost = \$150,000

## NMTC

- ROI 39%
- **\$40,300**  
[27%]

72  
areas;  
10%  
chance;  
consor-  
tium



Ignores LIHTC @  
\$12,000 - \$49,500  
[8 - 33% TDC]

# 4f. Mixed-Income Solution

	50% AMI	80% AMI	120% AMI	Cost Mixture	Sold Price Mixture	Net Proceeds Mixture
				\$ 370,000	\$ 370,000	\$ 0
Market Price	\$ 110,000	\$ 130,000	<b>\$ 170,000</b>	<b>Bold</b> represents sold price [lesser of affordable and market prices]		
Cost	\$ 100,000	\$ 120,000	\$ 150,000			
Affordable Price	<b>\$ 80,000</b>	<b>\$ 120,000</b>	\$ 180,000			
Surplus [Subsidy]	\$ (20,000)	\$ 0	\$ 20,000	<- Sold Price - Cost		

Conceptual  
Numbers

# 4f. Actual Numbers

<b>Direct Costs and Revenues</b>	<b>Average per Property</b>	<b>Total</b>
<b>Dwellings</b>	1.20	<b>60</b>
<b>Bedrooms</b>	3.02	151
<b>Assessed Value</b>	\$25,482	\$1,274,100
<b>Proposed Acquisition Value @ 85% Assessed</b>	<b>\$21,660</b>	\$1,082,985
<b>Demolition Cost</b>	<b>\$7,732</b>	\$61,856
<b>New Construction Cost</b>	<b>\$160,521</b>	\$2,889,375
<b>Rehabilitation Cost</b>	<b>\$90,119</b>	\$2,883,800
<b>Total Direct Cost of Acquisition &amp; Development</b>	<b>\$138,360</b>	\$6,918,016
<b>Revenue from Sales</b>	\$170,200	\$8,510,000
<b>Surplus [Deficit] before indirect costs and administration</b>	<b>\$31,840</b>	<b>\$1,591,984</b>

# Thank you!...Stay in touch!

## Means of contact:

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*Blog:*

<http://www.877gethope.org/blight>

<http://www.in.gov/ihcda/2340.htm>

