

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.
- Division One awards will be announced April 28, 2014.

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)

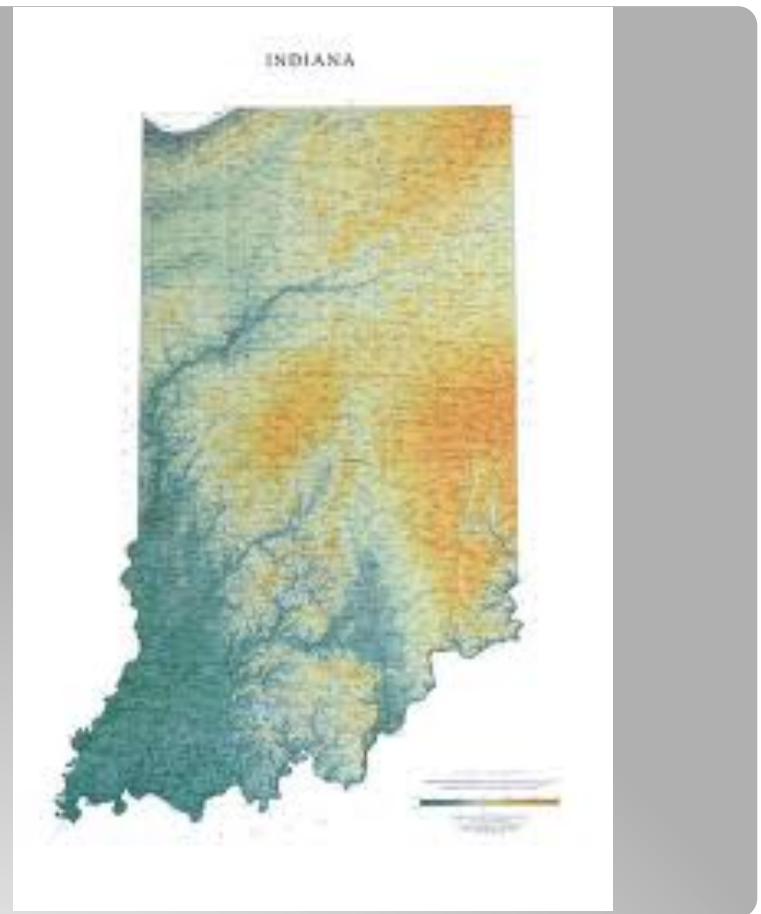
An Applicant Must Select Program Partners

- 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

- A Program Partner must hold title to the lots prior to demolition.
- A Program Partner should be responsible for the end use of a lot.
- A Program Partner may hold title to a lot while another Program Partner facilitates the end use of the lot.

The Role of 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 into 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

- There will be one round of funding for each Division. If the funds for the Division are not exhausted during round one, a second application round may be held.
- Funds remaining after two funding rounds will be de-obligated. De-obligated funds may be dispersed pro rata through the remaining Divisions.

Funding Divisions

- 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

- A potential applicant may schedule a technical assistance meeting with the Program Director or HHF staff to discuss the application, associated forms and/or supporting documentation.
- A list of Application FAQs will be maintained and posted online.
- This PowerPoint presentation and other resources will be posted online as the program moves forward.

Resources for Applicants



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

- BLOCK ONE
- Habitability, Structural Damage, Location and End Use
- Each property will score 0, 5, 10, 15, or 20 points in the first four categories.
- A property may not score more than 20 points in any single category.
- No intermittent scores are allowed. A property may not score a 17. The score should either be a 15 or a 20.

Examining the Site Evaluation Matrix

- In determining whether the property is habitable consider the following:
- Does the property comply with applicable health and housing codes?
- Is the property free of documented or visible structural damage?
- Are electrical, plumbing and sanitary systems in working order?
- Are heating and ventilation systems present and in working order?
- Are the windows and doors in place and in working order?

Habitability

- A structure that is habitable should receive 0 points.
- A structure that may be made habitable with the restoration of utilities should receive 5 points. There is an assumption that all necessary utility equipment including lines, wiring, pipes and meters is in place.
- A structure that needs \$15,000.00 or less in supplies, labor and maintenance to restore it to a habitable condition should receive 10 points.
- A structure that needs in excess of \$15,000.00 but less than \$30,000.00 in supplies, labor and maintenance to restore it to a habitable condition should receive 15 points.

Habitability

- A structure that needs in excess of \$30,000.00 in supplies, labor and maintenance to restore it to a habitable condition should receive 20 points.
- This property most likely has severe structural damage such as a missing or damaged roof, damaged exterior walls, or a damaged foundation.
- This property most likely lacks utilities and the equipment necessary to maintain utility service.



Habitability

- In determining the Structural Damage score of a property consider the following:
- Has the property been condemned through the use of the state of Indiana's unsafe building laws?
- Is the roof intact?
- What is the condition of the foundation?
- Are the doors and windows in place?
- Is it possible to securely board the property?

Structural Damage

- A structure with no outstanding work orders related to the structural integrity of the property should receive 0 points.
- A structure that has work orders and/or code violations requiring repair of windows or doors should receive 5 points.
- A structure with an outstanding work order and/or code violation for repair of a damaged roof or foundation should receive 10 points. The structure has a roof that may be covered although damaged. It is still possible to board this property.
- A property that has been condemned at least in part due to structural issues but it is still possible to board should receive 15 points. Other factors leading to condemnation may be present but unrelated to the structural integrity. These issues may include animal infestation or trash.
- A structure that has been condemned due to fire, water and/ or structural damage should receive 20 points. It would not be possible to board or secure this structure.

Structural Damage

A 5 Point Property



A 20 Point Property



Structural Damage

It's not pretty.



It's not habitable.



The worst of the worst

- BLOCK TWO
- Lead-Based Paint, Mold, Asbestos
- Each property will score a 0, 2, 4, 6, or 8 in the first three categories.
- A property may not score more than 8 points in any given category.
- No intermittent scores are allowed. A property may not score a 7. The score should either be a 6 or 8 points.

Examining the Site Evaluation Matrix

- Lead-based paints were banned for use in housing in 1978. All structures built before 1978 are likely to contain some lead based paint.
- Structures built after 1978 should score a 0 in this column unless test results demonstrating the existence of lead-based paint are provided with the SEM.
- Assessor's records will be sufficient to demonstrate a residential structure's date of construction.

Lead Based Paint

- Houses built between 1930 and 1950 may have asbestos insulation.
- Houses built prior to 1975 may have thermal asbestos insulation around boilers and pipes.
- Asbestos may be present in textured paint or patching compounds on wall or ceiling joints. These products were banned in 1977.
- Asbestos is found in some vinyl floor tiles and in the backing and adhesive in vinyl sheet flooring.
- Asbestos may also be found in roofing, shingles and siding

Asbestos

- A property may score 8 points due to the existence of asbestos insulation throughout or the existence of multiple forms of asbestos in the home.
- An inspection report may serve to document asbestos insulation and the portion of a property containing asbestos.
- Claims of asbestos in properties built after 1970 should be verified with testing; unless, the applicant is claiming that asbestos insulation is visible around a boiler or pipes and has been documented by an inspector.

Asbestos

- The combined total of acquisition costs, demolition costs and approved expenses for a structure without a basement should not exceed \$15,000.00.
- Up to \$6,000.00 may be spent to acquire a property with no basement.
- Acquisition costs may not exceed 40% for any property lacking a basement.
- Applicants may seek a waiver to exceed the \$15,000.00 limit. A waiver request must be submitted in writing.
- Any amounts exceeding \$15,000.00 will be paid at the discretion of IHCDA. No such sums will be paid without the submission of a written waiver request and the prior approval of IHCDA.

Activity Costs

- 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.
- Applicants may not seek a waiver to exceed this limit.
- The total of the demolition costs, acquisition costs, approved expenses and property maintenance fees for any one eligible property may NOT exceed \$25,000.00.
- No exceptions will be made.
- \$25,000 is the maximum award available for any one structure under the terms of the BEP.

Activity Costs

- **PROPERTY MAINTENANCE FEES** – Property Maintenance fees of \$1,000.00 per year per lot may be available for three years after the demolition activity occurs.
- Property Maintenance fees are only available within the \$25,000 per property cap. Therefore if the cost of acquisition and/or acquisition and demolition for a specific parcel exceeds \$25,000.00, no Property Maintenance fees will be available for that parcel.

ADMINISTRATION - The administration costs paid by the BEP are not to exceed \$750.00 per property for the life of the program.

The administrative fees are derived from the Property Maintenance fees. If Property Maintenance fees are not awarded for a parcel, administrative fees will not be available.

The maximum award is \$250.00 per year for a total of three years. These costs will be paid upon invoice from the applicant or Program Partner.

No administrative fees will be paid for an unsuccessful application.

Activity Costs

- Specified allowable expenses are set out on the Allowable Expense Chart.
- Some expenses are capped. These expenses include pre-demolition title work, pre-acquisition appraisals, acquisition costs and litigation fees.
- The BEP also prohibits payment of realtor's fees in excess of 6%, post-demolition closing costs, post-demolition realtor's fees, administrative costs for unsuccessful applicants and other fees and expenses.

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 0%, non-amortizing loan, secured by a mortgage against the residential real estate.
- 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 Note Requirements

- The Expiration Date and forgiveness provisions of the demand notes and mortgage will be deemed null and void for any successful applicant that fails to abide by the BEP participation agreement or BEP program terms.
- 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 IHCDA's score, the application will be referred to the Advisory Committee.
- The Advisory Committee may make a scoring determination after the referral of an application.

Scoring

- 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, IHADA Board Member

The Advisory Committee