Revolving Loan Fund Guidelines

Program Description: The IndyEast Economic Mobility District (IEMD) Revolving Loan Fund for contractors is designed to strengthen the connection between housing, workforce, and economic development in the district. By providing accessible, affordable capital to general contractors and subcontractors working with Community Development Corporations (CDCs), the program addresses a critical financing gap that often limits small and mid-sized firms from fully participating in affordable housing construction.

Contractors in the district frequently face high-cost credit card debt, hard money loans, or other financing barriers when bridging the gap between project expenses and reimbursement schedules tied to HOME, CDBG, and other public funding sources. This program provides an alternative: fair, mission-driven loans structured to match project timelines and cash flow realities.

The benefits of the program include:

- **Expanding Affordable Housing Production:** Contractors gain reliable access to capital to complete CDC-led for-sale and rental housing projects, ensuring more units are delivered on time, with more consistent partnerships, and at lower cost.
- **Strengthening Local Businesses:** District-based and XBE-certified contractors are prioritized, helping grow local firms and build long-term capacity within the community.
- **Creating Jobs and Workforce Pathways:** By reducing financing barriers and opening a stronger pipeline of local work, contractors can retain and expand their crews, provide steadier employment, and open opportunities for hiring residents from the district.
- **Promoting Equity and Economic Mobility:** Interest rate incentives and eligibility criteria reward local hiring, supplier utilization, and participation in preferred contractor pools, aligning financial benefits with broader community outcomes.
- **Recycling Resources for Lasting Impact:** As loans are repaid, dollars remain dedicated to the district, supporting future projects and sustaining a cycle of reinvestment.

Together, these benefits ensure that the Revolving Loan Fund is more than a financing tool, but can also serve as a flexible catalyst for affordable housing delivery, small business growth, and economic mobility for residents of the IEMD.

Program Guidelines

Eligible Businesses	General Contractors and Subcontractors referred from Community Development Corporations in the district.
Eligible Projects	CDC for sale/rent, multi-family
Term	The loan term is based on the completion of the home or up to 12 months whichever one is sooner.
Interest Rates	5 – 10% (Range) 5 % - Floor 10 % - Ceiling
Amortization	The amortization schedule is based on the completion of the home or up to 12 months whichever one is sooner.
Eligible Uses	Any eligible construction, labor costs, soft costs, related to home construction. Limit soft costs.
Minimum Debt Coverage Service	1.10
Loan Amount	Up to 50% of construction costs
Eligible Borrowers	Registered Business in the State of Indiana
Origination Fees	1.5% Origination Fee
Payments	50% of submitted Invoices will be used to repay the disbursed amount
Allowable Collateral Types	• Personal Guarantees • Business Assets • 401k • Investments
Lien Position	1st Position
Documents Required for Application & Underwriting	• Completed Application • List of Subcontractors (if known for project) • Portfolio • Business Insurance • Personal Financial Statement (Investments, IRA) (3 Years) • Personal Tax Returns (3 Years) • Profit & Loss Statement (3 Years) • Balance Sheet (2-3 Years) • Proforma (3 Years) • Business Bank Statement - (2-3 Years-Vary) • Business Tax Returns - (2-3 Years-Vary) • Operating Budget (1 Year) • Existing Debt

Technical Assistance	Technical assistance will be available to contractors and subcontractors who need support in preparing the financial documents required for underwriting.

Interest Rate Adjustments Considerations

Upward Adjustments Considerations

- Contractor Location not located in the EEMD.
- Subcontractors are sourced from outside the district.
- Business is less than 3 years old.
- Loan is in second lien position.
- New Contractor who has not previously worked with a CDC in the district.
- Loan request with a term exceeding 12 months.

Downward Adjustments

- Business Location located in the EEMD.
- XBE Business (MBE, WBE, VBE).
- Existing positive relationship with CDC.
- Debt Coverage Ratio > 2.00 (based on actual and historical).
- Located in a historically vacant/contaminated site.
- Subcontractors sourced from the district.

Accountability + Adaptive Management Framework

This section recommends the standards for how the Revolving Loan Fund remains accountable to the Eastside Economic Mobility District and how the program should approach any program pivots post rollout. The goals are to: (1) demonstrate measurable benefit to district residents and businesses, (2) keep the product accessible and easy to use, and (3) ensure that all recycled dollars remain working inside the district.

Core Accountability Outcomes

The RLF will track and publicly report the following as its primary outcomes:

- Local jobs created or sustained on funded projects and with participating businesses.
- Local hiring (number of district residents hired by participating businesses).
- Minority-/Women-/Veteran-/Disabled-owned (XBE) participation (prime and subs).
- Housing units advanced (for-sale or affordable rental tied to district projects).

Secondary outcomes:

- Repeat borrowers and contractor business growth (e.g., revenue trend, employees, credit score increases).

- Contractor readiness improvements (via TA).
- Project delivery timeliness and cost variance vs. bid.
- Geographic distribution of projects within the district.

Data Collection & Reporting

- **Cadence:** Semi-annual reporting to the subcommittee; a brief annual roll-up for public sharing.
- **Data sources:** Borrower certifications, CDC confirmations, payroll or certified payroll summaries when applicable, closeout packages, and brief borrower surveys. Use existing documentation wherever possible to avoid admin burden on borrower.
- **Quality checks:** Spot audits on a small sample of projects each period
- **Privacy:** Publish aggregate results; redact personally identifying information.

Oversight & Roles

- **Program Administrator:** Intake, underwriting, compliance checks, semi-annual performance report.
- **IEMD Subcommittee:** Reviews semi-annual results, approves pivots within these guidelines, recommends policy changes.
- **CDCs/Project Sponsors:** Verify project milestones, confirm unit counts and contractor participation.
- **TA and Pipeline Partners:** Provide loan readiness support and pipeline building.

Accessibility & Ease-of-Use Principles

- Keep documentation aligned with what borrowers already produce for CDC/home/CDBG processes; no redundant forms.
- Maintain a clear pre-approval pathway so contractors know eligibility before bidding.
- Avoid excessive draw fees and retain below market interest rates

Reinvestment & Use of Recycled Funds

- All principal and interest repayments remain earmarked for the IEMD.
- Recycled dollars must be redeployed to eligible projects within the district; significant uncommitted balances should trigger a pivot discussion (see below).

Semi-Annual Review Agenda

Each review will include:

1. **Utilization:** dollars deployed vs. target; average time from application to closing; average time from draw request to disbursement.
2. **Portfolio Mix:** distribution by ownership type (for-sale/rental), product type (multifamily vs single family), XBE participation, local firm participation, GC/employer size, units per borrower, projects per neighborhood
3. **Outcomes:** units advanced, jobs and local hires, XBE and local firm participation, funds leveraged, other local partnerships (such as workforce training/pipeline development).
4. **Access & Equity:** approvals by firm size and readiness level; reasons for declinations.
5. **Cost & Operations:** delinquency/defaults, administrative costs vs. plan, borrower rate distribution.
6. **Marketing & TA Pipeline:** number of firms contacted, number of firms engaged with TA, number of firms converted to borrowers
7. **Recommendations:** any pivots proposed under the rules below.

Pivot Triggers & Options

To stay responsive without frequent rule rewrites, the program may pivot along predefined levers when data cross the thresholds below. All pivots should preserve accountability and accessibility.

A. Low Utilization

- Options (any combination):
- Reduce contractor equity requirement (e.g., from 50% toward 25–35%) or accept staged equity.
- Include subcontractors as eligible borrowers when tied to CDC/nonprofit projects.
- Broaden eligible project types within charitable constraints (see E for full list of options)
- Expand pre-approval outreach; add rolling intakes and office hours.
- Increase TA slots targeted to the underwriting gaps observed.

B. Excess Demand/Concentration

- Options:
- Lower per-loan caps to spread access.
- Prioritize first-time, XBE, or local borrowers for the next cycle.

C. Outcome Shortfalls

- Options:
- Strengthen rate incentives for local hiring or local firm participation.
- Make at least one workforce or local-subcontractor commitment an eligibility requirement on new approvals.
- Increase TA specifically for compliance with outcomes documentation.

D. Administrative Burden Rising

- Options:
- Simplify documentation (accept alternative proofs; consolidate forms).
- Add pre-approval validity windows (e.g., 120 days) aligned with CDC bid cycles.
- Fund administrative/TA costs with philanthropic dollars to keep rates competitive.

E. Idle Recycled Funds

- Options:
- Time-limited expansion to additional uses aligned with district mobility goals. Specific examples that were discussed previously include:
- Tenant Improvement loans for CDC-owned properties
- Contractor loans for vacant and abandoned property development (CDC-owned or city-owned)
- Contractor loans for CDC-owned commercial projects (non-housing)
- Local or XBE subcontractor loans for projects with a City contract. Would be modeled similar to Indy Chamber GAAP program.
- Note: All pivots should maintain local benefit requirement.

Technical Assistance Integration

- Create a standing referral loop with Jumpstart, ULI READI, LISC EDGI and similar contractor/developer training programs
- Use semi-annual data to target TA where deals most often stall (e.g., financial statements, insurance, bid estimating).
- Offer “TA-to-Preapproval” sprints before CDC bid rounds to expand the qualified pool
- Partner with LISC loan readiness workshops

Transparency & Communication

- Publish a semi-annual one-page dashboard (utilization, outcomes, access/equity metrics, pivots taken).
- Notify CDCs and contractors of any pivots at least 30 days before they take effect; provide updated checklists and rate matrices.