

**INITIAL PUBLIC DRAFT**

**CALENDAR YEAR 2010**

**LOW INCOME HOUSING  
TAX CREDIT  
QUALIFIED ALLOCATION PLAN**

**STATE OF ILLINOIS**

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**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

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## **I) Executive Summary**

The Illinois Housing Development Authority is pleased to announce the release of the draft 2010 Qualified Allocation Plan ("QAP"). Below is a summary of some of the notable sections of the QAP.

### **A) Preliminary Application**

A new requirement for the 2010 QAP is the submission of a Preliminary Application prior to the submission of a complete Application. The goal of the Preliminary Application is to provide feedback regarding the Authority's assessment of the appropriateness of a Project's site and market. The Preliminary Application will include basic information regarding the Project location; the Project concept and design; and the tenant population. The evaluation of the Preliminary Application will involve the assessment of the Project's proposed location and an internal market assessment. The Preliminary Application must be reviewed and approved by the Authority before an applicant will be eligible to submit a full Application.

### **B) Mandatory Requirements**

The Authority's mandatory Application requirements that all Applications must meet have been broadened in the 2010 QAP. The areas with more stringent mandatory requirements include environmental information, financial underwriting standards, required project amenities, and development team experience. In addition, the Authority has added a housing policy objective requiring 10% of the units in all projects receiving a Tax Credit Allocation be designated for 30% AMI Supportive Housing Populations.

### **C) Set- Asides**

Full applications will be evaluated within the following four geographic areas: the City of Chicago (with a separate Allocation for Chicago Housing Authority Projects), the six-county Chicago metro area, other State metropolitan areas, and the remainder of the State. In addition, IHDA will set aside Tax Credits to address certain designated statewide housing policy goals.

### **D) Scoring Criteria**

The competitive scoring categories have been revised and expanded to target Projects best serving the housing needs of Illinois residents.

## II) Definitions

The following capitalized terms used in this QAP shall have the following definitions:

“Allocation”	shall mean the award of Tax Credits to a Project pursuant to Section 42. An Allocation may be made pursuant to (i) a Carryover Allocation Letter or the issuance of IRS Form(s) 8609.
“Application”	shall mean a complete and entire set of required and requested documents, in paper and electronic form, as prescribed in this QAP and submitted by an Owner to the Authority.
“Authority”	shall mean the Illinois Housing Development Authority.
“Board”	shall mean the Members of the Authority.
“Carryover Allocation”	shall mean the Allocation for a Project which is not expected to be Placed in Service in the year of the Allocation, made pursuant to the provisions of Section 42(h)(1)(E) of the Code.
“Carryover Allocation Letter”	shall mean the document from the Authority to an Owner making a Carryover Allocation for that Owner's Project and placing appropriate conditions thereon.
“Code”	shall mean the Internal Revenue Code of 1986 as amended and the regulations, notices, revenue rulings and other official pronouncements promulgated under it, all as they may be amended from time to time.
“Compliance Period”	shall mean the period, as defined in Section 42(i)(1) of the Code, during which a Project must comply with the occupancy restrictions (both income and rent) of Section 42.
“Credit Ceiling”	shall mean the amount of Tax Credits available for Allocation by the Authority for any calendar year, as provided in Section 42.
“Credit Period”	shall mean with respect to any building in a Project, the period of ten taxable years beginning with the taxable year in which such building is placed in service or (at the election of the Owner) the following taxable year.
“Determination Letter”	shall mean the document from the Authority to an Owner evidencing a determination by the Authority that a Project being financed with the proceeds of tax-exempt bonds satisfies the requirements the QAP and Section 42(m)(1)D of the Code.
“Elderly Housing”	shall mean housing (i) intended for, and solely occupied by, persons age 62 or older; or (ii) intended and operated for occupancy by at least one person age 55 years or older per unit, and at least 80% of units within the Project are so occupied, when such housing also provides “Elderly Services,” as defined herein; or (iii) provided for under any State or Federal program that HUD has determined is specifically designed and operated

	to assist elderly persons (as defined in the State or Federal program).
"Elderly Services"	shall mean includes two or more of the following: social and recreational programs, continuing education, information and counseling, recreation, homemaker, outside maintenance and referral services, an accessible physical environment, emergency and preventive health care programs, congregate dining facilities, transportation to facilitate access to social services and facilities available to them.
"Extended Use Agreement"	shall mean an agreement between the Authority and the Owner, binding upon the Owner and all successors to the Owner, requiring that the Project comply with the requirements of Section 42, the QAP, the Application and the Authority.
"Extended Use Period"	shall mean the period during which a Project must comply with the occupancy restrictions (both income and rent) of Section 42, given an Owner's election or indication on the Application, as set forth in the Extended Use Agreement and as defined in and subject to the requirements, terms and conditions set forth in Section 42(h)(6)(D).
"Extremely Low Income"	shall mean a household income that falls between 15% and 30% of the median income for the area in which a Project is located.
"HUD"	shall mean the U.S. Department of Housing and Urban Development
"Identity of Interest"	shall mean the existence of any of the following conditions exist: <ul style="list-style-type: none"><li>• When there is any financial interest of the Owner and any other member of the development team;</li><li>• When one or more of the officers, directors, stockholders, members, or partners of the Owner is also an officer, director, stockholder, member, or partner of any other member of the development team;</li><li>• When any officer, director, stockholder, member or partner of the Owner has any financial interest whatsoever in any other member of the development team;</li><li>• When any other member of the development team advances any funds to the Owner;</li><li>• When any other member of the development team provides and pays, on behalf of the Owner, the cost of any architectural services or engineering services other than those of a surveyor, general superintendent, or engineer employed by any other member of the development team in connection with its obligations under its contract with the Owner;</li></ul>

- When any other member of the development team takes stock or any interest in the Owner entity as part of the consideration to be paid him/her;
- When any relationship exists which would give the Owner or any other member of the development team control or influence over the price of the contract or the price paid to any other member of the development team or to a subcontractor, material supplier or lessor of equipment;
- When there exist (or come into being) any side deals, agreements, contracts, or undertakings entered into or contemplated, thereby altering, amending, or canceling any of the required application or closing (should there be a closing) documents.

"Illinois Disaster Tax Credits"	shall mean federal low income housing tax credits as authorized by the Emergency Tax Extenders and Alternative Minimum Tax Relief Act of 2008 (public law number 110-343).
"IRS"	shall mean the Internal Revenue Service
"Low Income"	shall mean a household income that is less than or equal to 60% of the median income for the area in which a Project is located.
"Material Participation"	shall mean the regular, continuous and substantial involvement in the operation of the development throughout the compliance period, as defined in the regulations promulgated under the Code, codified at 26 CFR § 1.469-5T.
"Owner"	shall mean the duly formed, validly existing entity that (i) has submitted an Application, (ii) is identified on such Application, and (iii) has applied to receive or has received an Allocation for a Project.
"Participants"	shall mean the members of the development team, including Owner, contractor, architect, property management entity, consultants, and syndicators proposed to be involved with the Project for which an Application is submitted.
"Placed in Service"	shall have the same meaning as the term is given under Section 42 of the Code and the federal regulations thereunder.
"Preliminary Application"	shall mean a complete and entire set of required and requested documents for an initial site and market assessment, in paper and electronic form, as prescribed in this QAP and submitted by an Owner to the Authority.
"Project"	shall mean an existing or proposed qualified low income housing project, as defined in Section 42, that satisfies, or will satisfy, all of the requirements of the QAP and the Authority.

"QAP"	shall mean the Authority's Tax Credit Qualified Allocation Plan required under Section 42.
"Reservation"	shall mean the specific amount of Tax Credits for a Project, as evidenced by a Reservation Letter, which the Authority may allocate to the Project.
"Reservation Letter"	shall mean the document from the Authority to an Owner conditionally binding the Authority to make an Allocation in a specific amount for that Owner's Project and placing appropriate conditions thereon.
"Section 42"	shall mean Section 42 of the Code and the regulations and revenue rulings promulgated under it, all as they may be amended from time to time.
"SLF"	shall mean a Supportive Living Facility under the Supportive Living Program for the frail elderly, administered by the Illinois Department of Healthcare and Family Services.
"Sponsor"	An entity applying for or receiving Tax Credits for a Project pursuant to this Part.
"Tax Credits"	shall mean federal low income housing tax credits, as authorized by Section 42 and Illinois Disaster Tax Credits.

### III) Introduction

The mission of the Authority is to finance the creation and the preservation of affordable housing throughout the State of Illinois to increase the supply of decent and safe places for people of low or moderate means to live.

The Tax Credit program was created by Congress in 1986 to promote the development of affordable housing for low income individuals and families. The IRS regulations for the Tax Credit program are found under Section 42 of the Code of 1986, as amended.

The Authority is the allocating agency for the Tax Credit program in the State of Illinois. Pursuant to Section 42 of the Code, the Authority is required to publish a QAP describing how it intends to award Tax Credits. The administration of the Tax Credit program will be in accordance with the policies, procedures, requirements, and criteria described herein.

The 2010 QAP is the result of an extensive public dialogue between the Authority, for- and non-profit affordable housing developers, consultants, Tax Credit syndication firms, affordable housing advocates, and a host of other professionals involved in the affordable housing industry. The Authority's goal is to utilize the allotment of Tax Credits to the maximum extent possible for creating or rehabilitating existing properties into viable affordable housing developments.

Section 42(m) of the Code requires the Authority to include the following items in the annual QAP:

- Selection criteria for projects receiving Tax Credit Allocations
- Preference for projects serving the lowest income tenants
- Preference for projects serving qualified Low Income tenants for the longest period of time
- Preference for projects located in Qualified Census Tracts, the development of which will contribute to a concerted community revitalization plan

Additionally, Section 42(m) states that the selection criteria must take into consideration the following project, community, or development team attributes:

- Project location
- Housing need characteristics
- Project characteristics, including whether the project involves the use of existing housing as part of a community revitalization plan
- Sponsor characteristics
- Tenant populations with special housing needs
- Public housing waiting lists
- Projects intended for eventual tenant ownership
- Tenant populations of individuals with children
- The energy efficiency of the project
- The historic nature of the project

The intent of the QAP is to set forth the criteria that the Authority will consider in evaluating Projects applying for an Allocation of Tax Credits. The fact that a Preliminary Application or an Application is accepted for processing or that a Project receives a Reservation or Allocation of Tax Credits shall not be construed to be a representation or warranty by the Authority as to the feasibility, viability, or lack thereof, of any Project.

## **A) IHDA Priorities**

Executive Order 2003-18, issued on September 16, 2003, established the first statewide comprehensive housing initiative and appointed the Housing Task Force to improve the planning and coordination of the State's housing resources. Six underserved populations were identified in the Executive Order:

- Low-income households (with particular emphasis on households earning below 30% of area median income)
- Low-income seniors
- Low-income persons with disabilities
- Homeless persons and persons at-risk of homelessness
- Low- and moderate- income persons unable to afford housing near work or transportation
- Low-income persons residing in existing affordable housing that is in danger of being lost or becoming unaffordable

## **B) General Provisions**

### **1) Public Comment Period**

The QAP is subject to a 30-day public comment period. Opportunities to review the QAP are announced via posting to the Authority website, mailing to interested parties upon request, stakeholder meetings, public hearings, and an announcement(s) published in the *Chicago Tribune*. The Authority accepts written comments either through letters or e-mail to Shelly Tucciarelli at [stucciar@ihda.org](mailto:stucciar@ihda.org) or through testimony at the scheduled public hearings.

### **2) Governor's Approval**

This QAP shall be effective when approved by the Governor of the State.

### **3) Amendments and/or Waivers to the QAP**

The Authority reserves the right to amend, modify, or withdraw provisions contained in the QAP that are inconsistent or in conflict with state or federal laws or regulations. The Authority's procedures under this QAP are subject to change without notice. In addition, the Board may amend and/or update the QAP, including attachments, at any time and may waive the application of any or all requirements when changes are necessary to administer the Tax Credit program, to conform to amendments to Section 42 of the Code, or in the event of a major natural disaster or disruption in the financial markets.

#### **4) Code Changes Affecting the QAP**

If, as a result of changes in the Code or otherwise, the IRS finds that any part of this QAP is not in compliance with Section 42, only that non-compliant part shall be considered as being out of compliance with Section 42.

#### **5) Compliance with Federal and State Laws**

The Authority's review of an Application is solely for its own purposes and the Owner of a Project may not rely upon the Authority's review as evidence of such Project's compliance with federal or State law. The Authority's Allocation for a Project shall not constitute a representation or warranty that the Project complies with Section 42 or any other laws and regulations governing Tax Credits including, but not limited to, the Fair Housing Act. The Owner is responsible to ensure that the Project complies with such laws and regulations. If the IRS disallows the Tax Credits for a Project, those Tax Credits may revert to the Authority for Reservation for and Allocation to other Projects.

#### **6) Exercise of Discretion**

By submission of an Application, the Owner agrees to abide by the Authority's determination to award or deny Tax Credits for the Project, including the Authority's exercise of discretion in scoring Applications. The Owner understands and agrees that by submitting an Application, they waive any and all rights, claims or actions against the Authority that they may have or otherwise be entitled to in connection with its application and the Authority's subsequent approval or denial of that Application. Specifically, the Owner agrees to refrain from initiating any legal action that seeks to reverse the Authority's decision related to the Application and/or seeks expenses, costs or damages related to that decision.

#### **7) Outside Legal Counsel**

When the Authority deems it necessary to consult with outside legal counsel regarding project-specific issues, such Project's Owner will be notified and will be responsible for payment for such legal services.

#### **8) Notification to Owner**

The Authority will send Reservation Letters and Carryover Allocation Letters by overnight courier. The Authority will send all other notices, demands, requests or communication by United States mail, postage prepaid, and these will be deemed received three business days after proper deposit with the United States Postal Service.

### **C) Application Disclosures**

Owners are advised of the following:

#### **1) Sharing of Information with Third Parties**

The Authority shall have the right at any time without any further consent from or notice to the Owner, or any other party, to discuss or communicate and disseminate any information concerning the Owner or the Project with any third party, including, without limitation, any general or limited partner, member, or shareholder of the Owner or any entity or individual comprising any part of Owner's ownership structure, or any party

providing any funds to or on behalf of the Owner or Project, any matter relating to the Application, Project, Owner or any other matter relating thereto.

## **2) Sharing of Information with the IRS and Other Governmental Entities**

The Authority, the IRS and/or other appropriate governmental entities may exchange information submitted by Owners to the Authority, the IRS and/or other governmental entities, or generated by the Authority and/or the IRS and/or other governmental entities, in connection with their Projects.

## **3) Rural Housing Service Projects**

The Authority and the Rural Housing Service, an agency of the United States Department of Agriculture ("RHS") (formerly, Farmers Home Administration ("FmHA")), may exchange information submitted by the Owners to the Authority and/or RHS, or generated by the Authority and/or RHS, in connection with their Projects.

## **4) Disclosure of Information Pursuant to the FOIA**

The Application is subject to the Illinois Freedom of Information Act (5 ILCS 140) and all or part of such submission may be open to public inspection or copying. Any claim that the information submitted is exempt from disclosure must (i) be made as part of the submission; (ii) identify the information alleged to be exempt; (iii) reference the specific statutory basis for the claimed exemption; and (iv) provide an explanation as to why the information meets the requirements of the exemption. The Authority will determine whether such exemption does apply.

## **5) Notification of Elected Officials**

The Authority will send notification letters of its receipt of an Application, along with copies of the relevant sections of the Application and a copy of this QAP, to the chief elected executive official (or an equivalent official) of the local jurisdiction in which the Project is to be located. That official will have thirty (30) days from the date of notification to submit written comments on the Project. A copy of this notification letter will be sent to the applicant and will serve as the Authority's confirmation of receipt of the Application.

## **D) Owner Knowledge of Section 42**

The Tax Credit program is a regulated and highly complex program. Final interpretations of certain rules and regulations governing various aspects of the program have not been issued by the U.S. Department of Treasury, especially as related to the provisions in the Housing and Economic Recovery Act of 2008 enacted on July 30, 2008, and the American Recovery and Reinvestment Act of 2009. As such, additional requirements or conditions applying to the Tax Credit program may be forthcoming. It is the responsibility of the Owner to be knowledgeable of Section 42 of the code, regulations and administrative documents (rulings, notices, and procedures), and all relevant materials published by the IRS. It is strongly suggested that prospective Owners interested in the Tax Credit program contact their tax accountant and/or attorney prior to the development of Projects under the Tax Credit program. While the Authority will strive to assist those Owners applying for an Allocation of Tax Credits, the Authority will not provide tax or legal advice.

## **IV) Tax Credit Information**

### **A) Amount of Authority Credit Ceiling in 2010**

As of the date on which this QAP becomes final, the Authority anticipates having approximately \$35,040,263 in 2010 Tax Credits available for Allocation. In accordance with Internal Revenue Code Section 42 and Treasury Regulation 1.42 - 14, the allocation consists of:

- \$29,673,595 in per capita Tax Credits, based on the factor \$2.30 multiplied by the Illinois estimated population of 12,901,563 (based upon IRS Notice); and,
- \$12,122,168 in 2010 Illinois Disaster Tax Credits, based on the factor of \$8 multiplied by the estimated affected population of 1,515,271 (based upon IRS notice); less
- \$6,755,500 in per capita Tax Credits allocated directly to the City of Chicago.

The total amount of Tax Credits available for Allocation in 2010 is subject to change. Additional Tax Credits may become available if Projects that received Allocations in prior years return Tax Credits to the Authority. Additional Tax Credits also may become available if Tax Credits from the national pool are allocated to the State of Illinois.

### **B) Maximum Tax Credit Reservation**

The maximum Reservation for any single Project, including scattered-site Projects, will be 8% of the per capita Tax Credits allocated to the Authority, or approximately \$1,800,000, in calendar year 2010. Projects that apply under the Illinois Disaster Tax Credit Set-Aside are exempt from this limit.

The Authority reserves the right to limit the maximum Reservation for any one Owner with multiple Applications in a given year.

### **C) Tax Credit Calculation Method**

The applicable percentage is nine percent (9%) for any non-federally-subsidized building, as defined in Section 42, which is Placed in Service after July 30, 2008, and before December 31, 2013.

The applicable percentage for a federally-subsidized building, including those financed through the issuance of tax-exempt bonds, changes on a monthly basis as determined by the U.S. Treasury.

The Authority will determine the amount of Tax Credits that the Project is eligible to receive using both the qualified basis method (using 9% and 3.50% as the applicable percentage) and equity gap methods (using a market rate as the multiplier).

The amount of Tax Credits that will be allocated will not exceed the amount necessary to make the project economically feasible, as determined by the Authority.

See Attachment XX for a sample calculation of both of these calculation methods.

### **D) Tax Credit Boost**

The Housing and Economic Recovery Act of 2008 provides that the Authority may provide up to a 30% boost (a "Boost") to the eligible basis of a Project in order to make the Project

financially feasible. The increase in the amount of Tax Credits awarded due to the Boost will be the minimum amount of Tax Credits required to achieve financial feasibility, as determined by the Authority. Therefore, an increase awarded due to the Boost may result in an amount less than the allowable thirty percent (30%) increase.

Eligibility for the Boost under this section will be determined by the Authority. The Boost may be awarded by the Authority to a Project at any time after Application but prior to the initial financial closing of a Project. Projects must meet all four criteria described below in order to be considered for the Boost.

- Meet at least one Governor's Affordable Housing Task Force priority as set forth in the Governor's Comprehensive Housing Plan;
- Receive a numerical ranking sufficient to be funded from the Authority's Credit Ceiling;
- Experience unforeseen difficulties in obtaining financing commitments such that they become financially infeasible; and
- Be located outside a Qualified Census Tract.

Once the Authority has determined that the Project is eligible for the Boost, the following selection criteria will be utilized by the Authority in awarding the Boost to Projects under this Section.

#### **1) High Cost Areas**

Projects where the eligible basis (without the Boost) would be a low percentage of the total development costs due to either high land costs or the necessity of extensive site preparation and/or off-site costs (the "Eligible Costs") may apply for a Boost of up to 30% of their eligible basis. The Authority will rank projects under this category according to the percentage of Eligible Costs in relation to total project cost (the "Ranking Percentile").

This formula is expressed in the following equation: Eligible Costs ÷ total project cost = Ranking Percentile.

After ranking, the Authority will select those Projects which have the highest Ranking Percentile for the Boost.

#### **2) Affordable Housing Planning and Appeal Act ("APHAA")**

Projects located in municipalities which are subject to or at risk of being subject to AHPAA may apply for a Boost of up to 30% of their eligible basis. A list of municipalities meeting this criterion can be found in Attachment XX.

#### **3) Supportive Housing Projects**

Projects that meet requirements to request points under the Supportive Housing Projects category in Section IX(F) may apply for a Boost of up to 30% of their eligible basis.

#### **4) 2010 Illinois Disaster Tax Credits**

Projects that apply under the Illinois Disaster Tax Credit Set-Aside are eligible for a Boost of up to 30% of their eligible basis.

## **V) Set-Asides**

### **A) Overview**

On an annual basis, goals will be established for allocating Tax Credits based on a Project's geographic region as reflected in the set-aside table. In addition, the Authority will reserve a portion of Tax Credits to allocate to Projects that are not awarded Tax Credits through the geographic regions.

These allocation goals are not absolute minimum or maximum amounts, but rather the anticipated approximate amount of Tax Credits to be awarded. Upon evaluating all projects and determining the most effective use of available Tax Credits, the Authority may choose to modify any of these allocation goals.

### **B) Geographic Tax Credit Set-Asides**

All Projects and Applications will be ranked and evaluated within the appropriate geographic set-aside based on Project location. Projects in each set-aside will be assigned a score through the competitive process. Tax Credits will be awarded to the highest ranking Projects within each set-aside as guided by the annual allocation goals.

Notwithstanding anything to the contrary, the Authority may limit the number of Projects or amount of Tax Credits awarded to Projects in any set-aside, regardless of the Project's score and how its score relates to all other Projects.

In the event there are Tax Credits remaining in any of the geographic set-asides, those remaining Tax Credits will be allocated to other geographic set-asides according to the following order of priority: Non-Metro, Other Metro, Chicago Metro (subject to or at risk of being subject to AHPAA), Chicago Metro (subject to or at risk of being subject to AHPAA), City of Chicago, and Chicago Housing Authority.

### **C) Illinois Disaster Tax Credit Set-Aside**

On June 24, 2008, the President of the United States declared eighteen Illinois counties federal disaster areas due to severe flooding caused by Hurricane Ike. In response, the Emergency Tax Extenders and Alternative Minimum Tax Relief Act of 2008 (public law number 110-343) provides for a per capital allocation of eight dollars in Illinois Disaster Tax Credits for the years 2008, 2009, and 2010.

Projects eligible to apply for Illinois Disaster Tax Credits are those located in the counties of Adams, Calhoun, Clark, Coles, Crawford, Cumberland, Douglas, Edgar, Hancock, Henderson, Jasper, Jersey, Lake, Lawrence, Mercer, Rock Island, Whiteside, and Winnebago. Owners seeking an Allocation of Illinois Disaster Tax Credits are precluded from requesting any Authority debt financing, but may apply for up to a 30% Boost.

An Owner must specify if they are submitting an Application for Illinois Disaster Tax Credits. A Project will not be considered for both an award of geographic Tax Credits and Illinois Disaster Tax Credits at the same time.

## **D) Statewide Tax Credit Set-Asides**

The Authority will reserve a portion of its annual Tax Credit allocation to award to Projects separately from the geographic set-asides. These Projects must meet certain housing policy goals, as detailed below, which may change from year to year.

All Applications will be competitively evaluated within the applicable geographic set-aside. Owners cannot apply for or request an award of statewide Tax Credits. Rather, upon review of the applications received, the Authority may choose to allocate statewide Tax Credits to projects that fulfill certain housing policy goals, as designated by the Authority.

Projects receiving an award of statewide Tax Credits may include Projects whose competitive score in the geographic set-aside is such that the Project would not be otherwise awarded Tax Credits.

In 2010, the Authority will reserve a portion of the Authority's Tax Credit allocation for Projects meeting one or more of the following housing policy goals:

- Regulated affordable housing projects that have been regulated for a minimum of 10 years prior to the current Tax Credit year that have physical deficiencies which cannot be remedied through a normal workout process and which pose a threat to the continued affordability of the Project
- Projects located in a geographic set-aside where the total amount of Tax Credits available is less than the total amount of Tax Credits requested.

In the event there are Tax Credits remaining in the statewide set-aside, those remaining Tax Credits will be allocated to the geographic set-asides according to the following order of priority: Non-Metro, Other Metro, Chicago Metro (subject to or at risk of being subject to AHPAA), Chicago Metro (subject to or at risk of being subject to AHPAA), City of Chicago, and Chicago Housing Authority.

**2010 Tax-Credit Set-Asides**

<u>Set-Aside</u>		<u>Approximate Annual Allocation</u>
City of Chicago (IHDA) <sup>1</sup>	5.7%	\$2,000,000
Chicago Housing Authority	5.7%	\$2,000,000
<b>Subtotal Chicago</b>	<b>11.5%</b>	<b>\$4,000,000</b>
Chicago Metro (subject to or at risk of being subject to AHPPA)	12.1%	\$4,218,500
Chicago Metro (not subject to or at risk of being subject to AHPPA)	7.9%	\$2,743,500
<b>Subtotal Chicago Metro<sup>2</sup></b>	<b>20.0%</b>	<b>\$6,962,000</b>
Other Metro <sup>3</sup>	10.7%	\$3,717,000
Non Metro <sup>4</sup>	18.9%	\$6,578,500
<b>Subtotal Other and Non-Metro</b>	<b>29.5%</b>	<b>\$10,295,500</b>
Illinois Disaster Tax Credits	34.8%	\$12,122,168
<b>Subtotal Illinois Disaster Tax Credits</b>	<b>34.8%</b>	<b>\$12,122,168</b>
Statewide <sup>5</sup>	4.2%	\$1,475,000
<b>Subtotal Statewide</b>	<b>4.2%</b>	<b>\$1,475,000</b>
<b>Total Authority Allocated Tax Credits</b>	<b>100.0%</b>	<b>\$34,854,668</b>

<sup>1</sup> This total does not reflect the approximately \$6,755,500 per-capita allocation that is awarded directly to the City of Chicago out of the State's total per capita Tax Credit allocation of approximately \$29,500,000 (excluding Illinois Disaster Tax Credits).

<sup>2</sup> Chicago Metro consists of: Lake, DuPage, Kane, McHenry, Will, and Cook County excluding the City of Chicago.

<sup>3</sup> See Other Metro municipalities chart

<sup>4</sup> Projects not included in Chicago, Chicago Metro, or the Other Metro set-aside

<sup>5</sup> Tax Credits targeted to Projects around the State meeting certain housing policy goals and objectives.

**OTHER METRO MUNICIPALITIES**

<b>BLOOMINGTON NORMAL</b>		<b>KANKAKEE</b>		<b>SPRINGFIELD</b>	
Bloomington	64,808	Aroma Park	821	Chatham	8,583
Normal	45,386	Bourbonnais	15,256	Clear Lake	267
<b>CHAMPAIGN URBANA</b>		Bradley	12,784	Grandview	1,537
Bondville	455	Kankakee	27,491	Jerome	1,414
Champaign	67,518	<b>PEORIA</b>		Leland Grove	1,592
Savoy	4,476	Bartonville	6,310	Riverton	3,048
Urbana	36,395	Bellevue	1,887	Rochester	2,893
<b>DANVILLE</b>		Creve Coeur	5,448	Sherman	2,871
Danville	33,904	East Peoria	22,638	Southern View	1,695
Tilton	2,976	Marquette Heights	2,794	Spaulding	559
<b>DECATUR</b>		North Pekin	1,574	Springfield	111,454
Decatur	81,860	Pekin	33,837	<b>ST. LOUIS</b>	
Forsyth	2,434	Peoria	112,936	Alorton	2,749
Harristown	1,338	Peoria Heights	6,635	Alton	30,496
Long Creek	1,364	South Pekin	1,152	Belleville	41,410
Mount Zion	4,845	Spring Bay	436	Bethalto	9,454
Oreana	892	West Peoria	4,762	Brooklyn	676
<b>DEKALB</b>		<b>QUAD CITIES</b>		Cahokia	16,391
		Carbon Cliff	1,689	Caseyville	4,310
		Coal Valley	3,606	Centreville	5,951
		Coyne Center	906	Collinsville	24,707
				East Alton	6,830
				East St. Louis	31,542



**Municipalities Subject to or at Risk of being Subject to AHPPA**

*Municipalities with less than 10% housing affordable are subject to the Affordable Housing Planning and Appeals Act (AHPPA).  
Municipalities with less than 20% housing affordable are at risk of being subject to the AHPPA.*

<b>Boone</b>		<b>Franklin</b>		<b>McHenry</b>	
Timberlane	2.7%	Hanaford	0.0%	Algonquin	9.8%
				Bull Valley	0.7%
<b>Cook</b>		<b>Kane</b>		Cary	15.5%
Arlington Heights	15.9%	Balance of Kane	18.8%	Crystal Lake	19.4%
Barrington	11.1%	Batavia	19.6%	Fox River Grove	16.2%
Barrington Hills	2.4%	East Dundee	16.1%	Fox River Valley Gardens	13.8%
Elk Grove	18.9%	Geneva	11.2%	Huntley	15.3%
Flossmoor	11.2%	Gilberts	7.9%	Johnsburg	13.8%
Glencoe	3.4%	Lily Lake	15.1%	Lake in the Hills	18.5%
Glenview	12.4%	Sleepy Hollow	6.1%	Lakewood	2.4%
Golf	3.2%	St. Charles	16.3%	Oakwood Hills	15.7%
Indian Head Park	13.5%	Sugar Grove	9.4%	Prairie Grove	9.3%
Inverness	2.5%			Ringwood	19.3%
Kenilworth	0.4%	<b>Kendall</b>		Spring Grove	7.1%
La Grange Park	18.8%			Trout Valley	0.5%
Lemont	18.6%	Oswego	16.2%	<b>Sangamon</b>	
Lincolnwood	3.6%			Leland Grove	17.2%
Morton Grove	9.5%	<b>Lake</b>			
Norridge	17.2%			<b>Will</b>	
Northbrook	5.3%	Bannockburn	17.3%		
Northfield	4.5%	Buffalo Grove	12.7%	Frankfort	7.1%
Olympia Fields	5.8%	Deer Park	2.0%	Mokena	17.3%
Orland Park	15.9%	Deerfield	3.5%		

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Palos Heights	5.3%	Grayslake	16.9%	New Lenox	20.0%
Palos Park	2.2%	Green Oaks	0.4%	Plainfield	14.3%
Park Ridge	7.9%	Hainesville	6.5%		
River Forest	19.3%	Hawthorn Woods	0.8%		
Riverside	19.7%	Highland Park	7.6%		
Skokie	17.3%	Indian Creek	0.0%		
South Barrington	1.0%	Kildeer	0.6%		
Westchester	11.2%	Lake Barrington	1.2%		
Western Springs	3.2%	Lake Bluff	4.7%		
Wilmette	5.5%	Lake Forest	5.1%		
Winnetka	4.1%	Lake Villa	15.7%		
		Lake Zurich	7.7%		
		Libertyville	12.9%		
		Lincolnshire	1.8%		
		Lindenhurst	9.3%		
		Long Grove	2.8%		
		Mettawa	3.3%		
		North Barrington	2.2%		
		Old Mill Creek	14.7%		
		Riverwoods	1.9%		
		Third Lake	6.3%		
		Tower Lakes	1.1%		
		Wadsworth	8.4%		
<b>DuPage</b>					
Balance of DuPage	17.2%				
Bartlett	14.2%				
Bloomington	16.6%				
Burr Ridge	2.9%				
Clarendon Hills	13.3%				
Darien	14.1%				
Elmhurst	13.8%				
Hinsdale	8.4%				
Itasca	14.9%				
Lisle	19.8%				
Naperville	9.4%				
Oak Brook	1.6%				
Oakbrook Terrace	8.8%				
Roselle	15.0%				
Wayne	2.0%				
Wheaton	16.8%				
Winfield	9.6%				
Wood Dale	18.7%				

## VI) Application Process

### A) Submission

In order for an Application to be accepted for review, it must be submitted by the appropriate deadlines outlined in the table below. All Applications must be delivered to the following address:

Illinois Housing Development Authority  
401 N. Michigan Ave., Suite 700  
Chicago, IL 60611

### B) Timetable

For the 2010 QAP, all Application deadlines are set forth in the table below. The Authority may reject any Application that is submitted after the deadline date. The Application round for 9% Tax Credits will be comprised of a Preliminary Application, followed by an Application.

APPLICATION	DATE
Preliminary Applications Due	Early 2010
Preliminary Application Results Announced	Early Spring 2010
9% Tax Credit Application Due	Late Spring / Early Summer 2010
4% Tax Credit Applications	Any time during calendar year 2010

#### 1) Preliminary Application

The Preliminary Application may be submitted between [DATE] and [DATE]. The final deadline for the Preliminary Application is [DATE], no later than 5:00P.M. Central Standard Time.

Owners are strongly encouraged to submit a Preliminary Application in advance of the submission deadline so that the Authority may provide comments far in advance of the Application deadline.

#### 2) 9% Tax Credit Application

All Applications are due on [DATE], no later than 5:00P.M. Central Standard Time. The Authority may adjust this schedule and reserves the right to hold additional Application rounds.

#### 3) 4% Tax Credit Application

Applications for 4% Tax Credits will be accepted at any time during calendar year 2010. Applications for 4% Tax Credits are not required to submit a Preliminary Application.

### C) Application Materials

All Application materials must be placed in an adequately sized accordion file folder or three-ring binder and tabbed to correspond with the enumeration outlined in the Application checklist as contained in Attachment XX.

Owners must submit the Application on original Authority forms or photocopies of such forms, and may not submit them by facsimile without the prior consent of the Authority. All Application materials are available for download from the Authority's website at [www.IHDA.org](http://www.IHDA.org) or directly from the Authority, upon request. Please contact Shelly Tucciarelli at [stucciar@ihda.org](mailto:stucciar@ihda.org).

**1) Preliminary Application for 9% Tax Credits**

A complete Preliminary Application must include all items required on the Application checklist that pertain to the Preliminary Application, as outlined in Section VII(B).

Owners must submit, as part of their Preliminary Application, a non-refundable fee of \$XX. The fee should be sent directly to the Authority's lockbox (see Attachment XX for the address). A copy of the check should be submitted with the Preliminary Application.

**2) Application for 9% Tax Credits**

The Application must include all items required on the Application checklist that pertain to the 9% Application and all applicable attachments and supporting materials.

The Application must comply with the format and content requirements of this QAP and present to the Authority a clear, unambiguous, and complete Application by the deadline date. The Authority may reject any Application that does not conform to the requirements of this QAP.

Owners must submit, as part of their Application, a non-refundable fee of \$XX. The fee should be sent directly to the Authority's lockbox (see Attachment XX for the address). A copy of the check should be submitted with the Application.

**3) Application for 4% Tax Credits**

A complete Application must include all items required on the Application checklist that pertain to the 4% Tax Credits and all applicable attachments and supporting materials. Please see Section XVII(B) for further information regarding 4% Tax Credit Projects.

Owners must submit, as part of their Application, a non-refundable fee of \$XX. The fee should be sent directly to the Authority's lockbox (see Attachment XX for the address). A copy of the check should be submitted with the Application.

**D) Evaluation of Applications**

Applications for an Allocation of Tax Credits in calendar year 2010 will be evaluated in the following manner:

**1) Preliminary Application**

Owners must submit a Preliminary Application by the submission deadline in order to be eligible for a 2010 Tax Credit Allocation. The Authority will evaluate the Preliminary Application based upon the requirements set forth in Section VII(B).

**2) Application**

If the Preliminary Application is approved by the Authority, the Owner may submit an Application. The Application must be received by the Application deadline and will be reviewed for completeness. This will include, but will not be limited to, the following: submission of all required Application forms and supporting documentation; submission

of all applicable fees; and inclusion of appropriate signatures on all necessary documents. If the Authority finds that the Application is not complete, it reserves the right to reject the Application.

### **3) Mandatory Review**

If the Authority determines that the Application is complete, it will be reviewed to determine if the Project meets the mandatory requirements set forth in Section VIII. If the Authority determines that the Application fails to meet one or more of the mandatory requirements, the Owner will be notified in writing that the Application has failed the mandatory review and the Application will not be evaluated under the competitive scoring criteria.

### **4) Scoring Review**

If an Application has met all mandatory requirements described in Section VIII, the Application will be scored based on the categories set forth in Section IX. Applications that are scored will be ranked in descending order by total point score within each Set-Aside. Generally, Applications with the highest score in each Set-Aside will be allocated Tax Credits except as noted in Section V(D).

Applications for 4% Tax Credits will not be scored based on the categories set forth in Section IX.

### **5) Clarifications**

For purposes of the mandatory and scoring reviews, the Authority will not accept the submission of additional documentation after the Application deadline. Projects will be reviewed solely on the basis of the materials contained in the Application submitted by the Application deadline.

The Authority may make an exception to this policy for clarification purposes. If the Authority, at its sole discretion, determines a need for clarification of information, the Authority may contact Owners after the application deadline to request clarification of certain materials contained in the Application. The clarification request will only be utilized for minor inconsistencies.

Owners receiving a clarification request may clarify any inconsistencies related to the specific items identified by the Authority in the clarification request. Owners may not submit additional items for the purpose of addressing threshold criteria or increasing their score. Any Owner receiving a clarification request will have three (3) business days after the request, unless otherwise noted to respond. The Owner is responsible for ensuring that submitted materials are addressed properly to the specified Authority address (electronic or physical).

## **VII) Preliminary Application**

All Owners must submit a Preliminary Application in order to be eligible to apply for a 2010 9% Tax Credit Allocation. The Preliminary Application documentation contains basic information regarding the Project concept and design, Project location, and the proposed tenant population. The goal of the Preliminary Application is to provide feedback regarding the Authority's assessment of the appropriateness of a Project's site and market.

The Preliminary Application must be reviewed and approved prior to the submission of an Application. If the Preliminary Application is approved by the Authority, the Owner may submit an Application for 2010 9% Tax Credits. If the Preliminary Application is not approved by the Authority, the Owner will not be eligible to submit an Application for 2010 9% Tax Credits.

Please note that the Authority's determination that current site or market characteristics are not appropriate should not be construed as a finding that the site is not buildable under any circumstances or that the market will never be appropriate for the proposed project. At the same time, a determination that a Project meets the Authority's Preliminary Application review standards does not constitute or guarantee it will receive a Tax Credit Reservation.

### **A) Timing**

Submission of the Preliminary Application documentation listed below will be accepted between [DATE] and [DATE]. In no cases, will Preliminary Application submissions be accepted after 5:00P.M. Central Standard Time on [DATE]. Owners are strongly encouraged to submit a Preliminary Application in advance of the submission deadline so that the Authority may provide comments far in advance of the Application deadline.

The Authority will announce Preliminary Application results by [DATE]. Projects submitting Applications earlier in the acceptance period, will likely receive the results earlier. Owners will have one week to provide a written response to the results, if desired. The Authority will then review the Owner's response, make any adjustments deemed necessary and appropriate, and provide a final evaluation by [DATE].

### **B) Submission Documentation**

The Owner must submit all of the following documentation:

- 1) A map clearly identifying the exact location of the Project site and the location of community amenities and services, including transportation, near the proposed site and appropriate to its tenant population, so that Authority staff may easily conduct a site visit;
- 2) Labeled color photographs (or color copies) of the Project site and all adjacent properties;
- 3) Site plans showing the Project site boundaries, building(s) foot prints, and location (or proposed location) of roadways;
- 4) Preliminary development plans including the front, rear and side elevations of the buildings as well as floor plans and unit plans for each bedroom size. Acquisition with rehabilitation development must provide preliminary plans showing all proposed changes to existing buildings, parking areas, etc.;
- 5) The Authority's environmental checklist located in Attachment XX; and
- 6) A project narrative describing the Project, as outlined in Section VIII(B).

## **C) Preliminary Application Evaluation**

### **1) Site Assessment**

In initially assessing the site, the Authority will analyze the following items:

- Design and layout;
- Aesthetic compatibility to existing neighborhood;
- Availability of and access to appropriate public services and community amenities and services;
- Potential development concerns located on, adjacent to, or near the site.

### **2) Market Assessment**

In assessing the Project's market, the Authority will analyze various sources of information it has or may obtain, including information regarding similar existing affordable housing located in or in close proximity to the primary market area as determined by the Authority. Based on this analysis, the Authority will evaluate the following items:

- Length of the Project's initial rent-up period; and
- The Project's impact on existing affordable housing.

## **VIII) Mandatory Requirements**

If the Preliminary Application is approved by the Authority, the Project will be required to meet the following mandatory requirements in the Application. A Project that fails to meet these requirements will be notified in writing that the Application has failed the mandatory review and will not be evaluated under the competitive scoring criteria.

An Application may fail the mandatory review if the correct forms or required information are not submitted, are not submitted at the correct tab, or if information available to the Authority negates information submitted in the Application. All documentation submitted to fulfill mandatory Application requirements can be **no older than six (6) months prior to the Application deadline.**

### **A) Evidence of Preliminary Application Approval**

Applications must submit a letter of approval from the Authority stating that the Preliminary Application was approved for calendar year 2010.

### **B) Project Narrative**

Applications must include a detailed Project narrative. Owners are encouraged to provide as much additional detail and background information about the Project as possible in order to assist the Authority in assessing the Project. The Project narrative should be approximately two pages long, and must include, but is not limited to, the following information:

- 1) Project location with a street address, or intersection if no address has been determined. If the Project has scattered sites, the street boundaries of the area are acceptable;
- 2) A description of all construction work to be undertaken as part of the Project including any demolition or site work. For Projects that include both rehabilitation and new construction, the description must clearly differentiate the rehabilitation work from the new construction work;
- 3) The total number of units, unit size, and unit mix;
- 4) Unit rents and income restrictions, including number of units to receive project based rental assistance and the type of assistance;
- 5) The targeted occupancy of the Project (family, Elderly, Supportive Housing Project, etc.);
- 6) A description of Project building and site amenities, emphasizing innovative or unique features;
- 7) A description of any common space, community program, or commercial space which describes the use of the space, how it will be leased and managed, and the sources of financing for its construction and operations;
- 8) A disclosure of any previous, current, or proposed uses located on, adjacent to, or near the site, that could be considered incompatible with a residential development such as, but not limited to: wetlands, health and safety concerns, railroad tracks, industrial plants, landfills, and water treatment facilities. A detailed explanation should address whether such items will have an adverse effect on the Project site or tenants;
- 9) A description of the conversion plan for Projects that will convert to homeownership in Year 15;
- 10) If the Project is requesting any substitutions of the required Project amenities outlined in Section VIII(J), an explanation describing why the required Project amenity cannot be included in the Project design and a description of the substituted amenity; and

- 11) If the Project is requesting any waivers for any mandatory requirements, an explanation describing why the mandatory requirement cannot be met.

### **C) Public Housing Waiting List Preference**

All Owners must give preferential treatment to Low Income Tenants on a public housing or Housing Choice Voucher (formerly known as Section 8) waiting list maintained by the public housing authority ("PHA") in the area in which the project is located.

All Owners must submit Attachment XX, which provides a written certification that the Project will:

- Give preferential treatment to persons on PHA waiting list(s), and
- Make on-going efforts to request that the PHA make referrals to the project, or request that the PHA include relevant information about the project on any listing the PHA makes available to persons on its waiting list(s).

### **D) Certification of Consistency with Relevant Consolidated Plan**

The Project must address local housing needs and priorities as documented in the local or State Consolidated Plan. The Consolidated Plan shall mean a plan required by the U.S. Department of Housing and Urban Development ("HUD") and established by Illinois or a local municipality which sets forth the housing goals for Illinois or the local community, as applicable.

If the Project is located in an area covered by a local Consolidated Plan, the Application must include a certification of consistency with the Consolidated Plan provided by the governmental entity administering the Consolidated Plan. A list of jurisdictions with a local Consolidated Plan is available on the Authority's website at [www.ihda.org](http://www.ihda.org).

Owners of Projects not covered by a local Consolidated Plan must submit a written request for the Authority to review the Project for consistency with the State Consolidated Plan. The Authority will review these Projects at the time of Application. A certification of consistency with the State Consolidated Plan will be required by the Authority prior to consideration by the Board.

### **E) Local Support**

Applications must include a letter of support specifically endorsing the Project from the chief elected official(s) of the municipality(ies) in which the Project is located. For Projects located in the City of Chicago, a letter of support from the alderman of the ward in which the Project is located will be acceptable. If the Project is located in more than one ward, letters of support from all alderman must be submitted.

Any Application that does not include a letter of support specifically endorsing the Project from the chief elected municipal official or local Chicago alderman must include a demonstration of the efforts to obtain the letter of support, and if applicable, respond to any concerns. The Authority will review the documentation, as well as additional letters of support, and may waive the requirement for the letter of support from the chief elected official or Chicago alderman.

Any additional letters of support beyond the locally elected official must be included in the Application. Letters of support received after the Application deadline, except as solicited by the Authority, will not be accepted.

## F) Site Control

The Owner must have site control for the Project that extends for a minimum of six (6) months beyond the Application deadline. Site control can only be demonstrated through one of the following:

- A fee simple interest in the subject property in the name of the Owner; or
- A fully executed, binding agreement, signed by both the Owner and seller for the purchase or long term lease of the subject property; or
- When the subject property is owned by a governmental entity, a letter of intent from the governmental entity to sell, donate, or enter into a long term lease of the subject property to the Owner may qualify as site control, as determined by the Authority.

The site control documentation must include the sale or lease price, legal description, and an expiration date. In the case of a lease agreement, the lease must have a minimum term of 50 years.

## G) Zoning

The Application must contain evidence that the Project site is currently zoned for its proposed use. For a scattered-site Project, the Application must include evidence that each non-contiguous parcel is currently zoned for its proposed use.

Evidence of appropriate zoning can only be demonstrated through one of the following:

- A building permit; or
- A letter of zoning certification from the local zoning administrator; if the locality has no zoning administrator, a letter from the chief elected official will be acceptable. The Project certified by the zoning administrator must be identical to the Project submitted to the Authority. The letter must contain **all** of the following:
  - 1) The location of the Project site (e.g. address or street crossings);
  - 2) The current zoning designation;
  - 3) A description of Project (including number of units, proposed use, new construction, rehabilitation); and
  - 4) A statement that the current zoning is appropriate for the proposed Project and no zoning variation requests are pending that would alter this zoning.

In cases where a Planned Unit Development (“PUD”) permit is required, the Authority may consider an exception to the requirement that the current zoning be appropriate for the proposed Project on a case-by-case basis. In order to be considered for such an exception, the Application must include: (i) a written explanation of the PUD approval process; (ii) evidence of which stage in the PUD approval process the Project has reached; and (iii) evidence satisfactory to the Authority that the PUD will be reviewed in a timely manner.

Sufficient evidence of progress for PUD approval to satisfy the zoning requirement may include, but is not limited to, the local planning body’s recommendation of approval to the entity with authority to approve the PUD, such as the town council or board of trustees. The PUD must be approved before the Authority will present the Project for Board consideration.

## H) Site Physical Information

### 1) Floodplains/Floodways

Applications must submit a Federal Emergency Management Agency (“FEMA”) flood plain map for the Project area. The boundaries of the Project site must be delineated on the FEMA map. FEMA flood plain maps can be found at <http://msc.fema.gov>. Generally, the Authority prefers development outside the 100 year floodplain/floodway.

### 2) Projects Located in 100 Year Floodplain/Floodway

#### (a) Rehabilitation Projects

Applications that propose the rehabilitation of existing buildings located in the 100-year floodplain/floodway, will meet mandatory criteria, ONLY if the lowest existing floor elevation of each building in the floodplain is at least six inches (6”) above the FEMA designated floodplain/floodway elevation. Documentation must be submitted to clearly demonstrate existing conditions and should include a land survey indicating the location of the existing buildings, existing floodplain/floodway, elevation of existing floodplain/floodway, elevation of lowest floor level in existing buildings and FEMA elevation of the existing floodplain/floodway.

#### (b) Other Projects

For all other Projects, building in the 100-year floodplain will be permitted only if the following conditions are met:

- A qualified environmental professional or engineer must include an opinion as to whether or not the Project will impact any floodplain or floodway.
- A qualified environmental professional or engineer must document mitigation efforts regarding impacts to existing floodplains/floodways planned for development, and include consideration of alternative locations for the Project.
- A FEMA Conditional Letter of Map Amendment (“LOMA”) or Letter of Map Revision-Based on Fill (“LOMR-F”) must be obtained for the Project site that shows that the site is eligible for reclassification out of the floodplain/floodway area and submitted at the time of Application. A final LOMA or LOMR-F from FEMA along with an elevation certificate and all other information which documents the reclassification must be provided to the Authority at the completion of the Project, or evidence that the property is eligible for flood insurance and that such insurance will be in place if awarded funding from the Authority.

### 3) Wetlands

Generally, the Authority does not allow the disturbance of wetlands. Applications must include the following documentation of the existence or non-existence of wetlands:

- A U.S. Fish and Wildlife Service (“USFWS”) National Wetlands Inventory map for the area in which the site is located, regardless of whether wetlands appear to be located on the Project site. The boundaries of the Project site for development must be delineated on the USFWS map. The Authority encourages applicants to see <http://www.fws.gov/wetlands/Data/mapper.html> for additional information.
- If wetlands are suspected on the site through the examination of the USFWS map, the Application must include a wetlands delineation performed in accordance with all federal and state guidelines, including an official jurisdictional determination issued by the U.S. Army

Corps of Engineers (“USACE”). The Authority will accept the USACE approval of the project in the form of a USACE wetlands permit. The permit must be provided at the time of Application submission.

#### **4) Mining**

Applications must provide evidence from the Illinois State Geological Survey (ISGS) on mining activity in the Project area. Owners must visit <http://www.isgs.illinois.edu/maps-data-pub/coal-maps/county-index.shtml> to determine if the Project is located in a county that has been affected by mining. If the ISGS does not identify the county in which the Project is located as affected by mining, this mandatory requirement does not apply to the Project. If the ISGS does identify the Project’s county as affected by mining, the following information must be submitted:

- If a quadrangle study has been completed for the area in which the Project is located, the quadrangle map must be submitted. The boundaries of the Project site must be delineated on the quadrangle map.
- If a quadrangle study has not been completed for the area in which the project is located, the county mine map must be submitted. The boundaries of the Project site must be delineated on the county mine map.
- If mines are located near the Project site, a qualified geotechnical engineer must submit information indicating the depth of the mine, the type of mining that was performed, the year that mining ceased, and any other data that may impact the Project. In addition, the qualified geotechnical engineer must submit a letter of opinion as to whether or not the Project will be impacted by the mining.

Based on documentation submitted, the Authority may require subsidence insurance for the Project.

#### **5) Historic Preservation**

Applications must meet the requirements of the National Historic Preservation Act and the Illinois State Agency Historic Resources Protection Act. To ensure that these requirements are met, the Authority will request the comments of the State Historic Preservation Officer of the Illinois Historic Preservation Agency (“IHPA”) concerning possible effects on cultural resources (both structural and archaeological) by the Project. Applications must receive clearance from the IHPA prior to Board consideration. Owners should refer to [www.illinoishistory.gov](http://www.illinoishistory.gov) for further guidance.

Two copies of the following documentation must be submitted in the Application in order for the Authority to request IHPA comments on the Project. Please see Attachment XX:

- 1) Names of all funding, licensing or permitting agencies involved in the Project, i.e., Illinois Environmental Protection Agency, the Army Corps of Engineers, the US. Department of Housing and Urban Development, etc.
- 2) Complete narrative description of all elements of proposed undertaking including demolition, construction, and site work.
- 3) Any relevant permit, project or previous IHPA log numbers.
- 4) HAARGIS map clearly indicating project location available from: [www.illinoishistory.gov/ps/haargis.htm](http://www.illinoishistory.gov/ps/haargis.htm)
- 5) Project address (if available) or legal description.

- 6) Project site plans and specifications may be required but do not need to be submitted initially.
- 7) If no existing structures will be impacted by the Project, documentation must indicate so and the following additional information must be provided:
- 8) Existing site conditions, i.e., vacant lot, agricultural field (plowed, planted), pasture, etc.
- 9) Current photos of the Project area. Photos should be color 35mm (not photocopies), or may be digital, printed on 8-1/2" x 11" paper no smaller than 4" x 4" each.
- 10) Total acreage involved in Project.
- 11) Documentation of any prior non-agricultural disturbance at Project site (photos, soils report, etc).

If any existing structures will be impacted by the Project, documentation must indicate so and the following additional information must be provided:

- 12) Current photos of any standing structures within the project area. Photos should be color 35mm (not photocopies), or may be digital, printed on 8-1/2" x 11" paper no smaller than 4" x 4" each.
- 13) Interior photos, if Project alters interior space and if structures are over 50 years old.
- 14) Possible date of original construction of structure.
- 15) Any known historical information, i.e., is structure significant in the community or is it associated with an individual of significance. This Information may come from HAARGIS and any local preservation commission, society, or board and should include: listing on the National Register, a local historic district, a local landmark, and a survey ranking if not listed.

The checklist below must be completed, based on input from the local preservation commission/society/board:

1. Listed on the National Register:      Yes \_\_\_\_\_      No \_\_\_\_\_
2. Within a Local Historic District:      Yes \_\_\_\_\_      No \_\_\_\_\_
3. A Local Landmark:      Yes \_\_\_\_\_      No \_\_\_\_\_
4. Survey ranking, if not designated:      \_\_\_\_\_

## **I) Site Environmental Information**

Environmental concerns should be considered in the context of the housing to be provided. The Authority shall weigh the benefits of the housing to the public against the costs to mitigate the hazard, the potential health risks, and other financial and public policy implications. The Project will not pass the mandatory review until all environmental matters are resolved in a manner satisfactory to the Authority. For scattered site projects, the environmental requirements must be met for each noncontiguous parcel.

### **1) Environmental Checklist**

All Owners must complete the Authority's environmental checklist located in Attachment XX.

## **2) Phase I Environmental Site Assessment**

All Applications must include a Phase I environmental site assessment ("Phase I") for all properties in the Project and any other applicable environmental reviews, including, but not limited to radon, mold, lead based paint, and asbestos. The Phase I must be conducted by an Authority approved vendor within six (6) months of the Application submission. The Authority-approved vendor list can be found on the Authority website at [www.ihda.org](http://www.ihda.org). The Phase I should fully address all recommendations of the consulting environmental engineer.

## **J) Required Project Amenities**

All Projects must meet the design and amenity standards as described in the Authority's "Guidelines for Architectural Planning and Construction 2009," as amended. In addition to the design features required under the above referenced standards, any new construction or rehabilitation Project applying for an Allocation of Tax Credits will also be required to provide the amenities described below as standard on all Projects.

For rehabilitation and scattered-site Projects, the Authority may allow the exemption or substitution of required Project amenities. A request for exemption or substitution of any amenity must be submitted with the Preliminary Application and approved by the Authority prior to submission of the Application. The request must include an explanation describing why the required Project amenity cannot be included in the Project design and a description of the substitution amenity, if applicable. Additionally, Projects with a previously funded phase may be able to share some required project amenities. Owners must contact the Authority at Preliminary Application stage to determine the number of amenities that must be included in the new phase.

The items listed below are the required Project amenities. Please see Attachment XX:

- 1) Secured building features, such as security staff, cameras, alarm systems, secure common hallways and entrances, etc.
- 2) The capability for each unit to access high-speed internet through a hard-wired connection, such as coaxial or Cat-5 cable.
- 3) Window treatments for each unit, such as mini blinds or curtains.
- 4) On-site laundry facilities that will include at a minimum one of the following: (a) one washer for every four apartments with one dryer for every two washers; or (b) washers and dryers installed and maintained in every unit. The provision of washer/dryer hook-ups will not fulfill this requirement.
- 5) At a minimum, all three-bedroom units must contain one full bathroom and a three-quarters bathroom consisting of a toilet, sink, and shower. At a minimum, all four or more bedroom units must contain at least two full bathrooms.
- 6) All non-Elderly Projects must include a fully equipped playground or tot lot appropriately sized for the Project.
- 7) All Elderly, Supportive Housing, and SLF Projects must include a furnished multipurpose or activity room appropriately sized for the Project.

**K) Green Design Requirements**

The Authority wants to promote the use of sustainable building practices in affordable housing design. Green building increases resource efficiency and reduces environmental impacts, while also yielding cost savings through long-term reduction in operating expenses.

The Authority is using the Enterprise Green Communities Criteria 2008 as its green design standards for the 2010 QAP. The Green Communities criteria can be found at:

<http://www.greencommunitiesonline.org/tools/criteria/GreenCriteria.pdf>

All Projects must comply with the following criteria from the Enterprise Green Communities Criteria 2008:

REQUIREMENT	SECTION
Section 3: Site Improvements:	3.3 Landscaping
Section 4: Water Conservation:	4.1a (New Construction ONLY) 4.1b (Rehab ONLY)
Section 5: Energy Efficiency:	5.1 (New Construction ONLY) 5.2, 5.3a, 5.db
Section 8: Operations and Maintenance Manual:	8.1 Operations & Maintenance

Owners must submit a certification signed by a licensed architect that these features will be incorporated into the Project. Please see Attachment XX.

**L) Preliminary Architectural Plans and Specifications**

All Projects must meet the design and amenity standards as described in the Authority’s “Guidelines for Architectural Planning and Construction 2009,” as amended. Owners must submit preliminary plans that provide a description of the Project, including the following:

- 1) Typical unit plan(s) that includes the square footage of each unit using a minimum scale of ¼ inch per 1 foot.
- 2) Dimensioned floor plans for all unit types showing the location of units and common areas using a minimum scale of 1/8 inch per 1 foot.
- 3) Elevations for all building types (photographs are acceptable for rehabilitation Projects). For single-family homes, an elevation for each of the typical construction styles in the Project will be acceptable.
- 4) A site plan that shows how the development is to be built, including rehabilitation Projects. This plan must indicate the placement and orientation of buildings, parking areas, planned and existing public sidewalks, landscaping, easements, trash dumpsters, buffers, etc. The plan must also indicate the location of planned site amenities including playground(s), gazebos, walking trails, sports courts, etc.

- 5) A schematic site plan that shows the site boundaries and includes the location of any streams, ravines, gullies, drainage problems or other construction deterrents. All utility locations such as water, sewer, gas, electric, and phone lines must be indicated. If utility services are not presently located at the site, then the plan must reflect the distances from the services. Rehabilitation Projects and new construction, scattered-site, single-family homes are exempt from this criterion.
- 6) A current aerial photograph with the location of the site clearly marked and the surrounding uses and access points to the site clearly visible. For scattered site projects, submit a map indicating the location of each site with reasonable specificity.
- 7) Architectural plans must be on paper no smaller than 8 ½" x 11" and no larger than 36" x 24".

## **M) Accessibility Requirements**

All Projects must comply with all applicable Federal and State accessibility laws. Owners must submit a certification by the architect of record that the Project will be constructed in compliance with the design and construction requirements promulgated under the Accessibility Codes described below. Please see form attached as Attachment XX.

For new construction Projects the following Accessibility Codes apply:

- The Fair Housing Amendments Act of 1988
- The Illinois Accessibility Code
- The Americans with Disabilities Act of 1990, as amended (common areas only)
- Section 504 of the 1973 Rehabilitation Act (only Projects with federal financial assistance)

For rehabilitation Projects the following Accessibility Codes apply:

- The Illinois Accessibility Code
- The Americans with Disabilities Act of 1990, as amended (common areas only)
- Section 504 of the 1973 Rehabilitation Act (only Projects with federal financial assistance)
- If the Project's original building permits were issued after June 15, 1990, and first occupancy of the buildings was after March 13, 1991, the entire Project must comply with the requirements set forth in Section 100.205 of the regulations promulgated under the Fair Housing Act, codified at 24 CFR 100.205.

## **N) Cost Certification**

All Owners must include a construction cost certification prepared by a qualified contractor, architect, or construction cost consultant setting forth the scope of work and confirming the costs reflected in the Project budget in the Application. The cost certification must be submitted on Attachment XX. In cases where the Owner and the general contractor are affiliated, a qualified, unrelated third party contractor, architect, or construction cost consultant must prepare the construction cost certification.

The Authority will review the type of construction and associated construction costs to ensure that each Project will result in high quality housing.

For rehabilitation Projects, this scope of work will be evaluated along with the Physical Needs Assessment to ensure that all necessary items are being addressed. If the scope of work is insufficient, the Application will fail the mandatory review.

Projects receiving Tax Credits from the Authority are subject to prevailing wage requirements as specified in Illinois Senate Bill 223 (Public Act 96-0058) and Illinois House Bill 952 (Public Act 96-0186). The Application must demonstrate the cost certification has been prepared taking the appropriate wage standard into consideration.

## **O) Market Analysis**

### **1) Market Study**

Applications must contain two (2) copies of a market study conducted by an independent third party market analyst showing that there is adequate market demand for the Project. The market analyst must be chosen from a list of Authority-approved firms available on the Authority's web site at [www.ihda.org](http://www.ihda.org). The market study must be prepared in accordance with the Authority's guidelines and must include, at a minimum, the criteria set forth in Attachment X, X, or X. Market studies must accurately reflect the rental structure and unit mix of the proposed Project. It is the Owner's responsibility to ensure that the market study accurately reflects the submitted Application and meets all of the Authority's requirements.

#### **(a) Evaluation of Market Study**

The Authority will take the results of the site and market study into consideration in evaluating the strength of the market for a Project. While the Authority will use the conclusions of the analyst in evaluating a Project's marketability, the Authority will not be bound by the opinion or conclusions reached by the market analyst. Additionally, the Authority reserves the right to require additional information and/or an Authority-commissioned site and market study, which shall be conducted at the Owner's expense.

The Authority will review the market study and project data of similar housing located in the primary market area ("PMA") of the Project in determining whether the Project will be able to achieve the desired lease up. The Authority will also carefully analyze existing Authority-financed developments located in the PMA of the Project to determine if selection of the Project will have significant adverse financial impact on existing affordable housing inventory. If the Authority determines that the given market area cannot support the Project or if the Project will have a negative impact on existing Authority-financed developments, the Project will fail the mandatory review.

In evaluating the market, the Authority's analysis will include, but not be limited to, the following factors:

- **Development Attributes:** Items such as the level and appropriateness of the proposed unit and development amenities, the amount of proposed parking, the general acceptability and marketability of the site including surrounding land uses, and the site's overall public accessibility and proximity to area services and amenities.
- **Primary Market Area:** Items such as the appropriateness of the PMA and the demographic and economic trends for that area.
- **Existing Rental Market:** The competitiveness of the Project to existing comparable properties in various ways such as rents, unit size and amenities; also the occupancy of comparable properties in the PMA.

- Demand: Based upon such information as waiting lists at existing properties, penetration and capture rates, forecasted absorption potential for the Project and documented need for this type of housing in the PMA.
- Impact: The likelihood the Project will negatively impact similar existing Authority properties in the PMA, based on various issues including observations from Authority staff and the Authority's overall presence in the PMA.

The Authority will generally not fund two Projects during a twelve (12) month period which serve the same population and whose PMAs are significantly the same. In some cases, the Authority may select two Projects in the same PMA, provided there is a significant showing of demand.

In the event that multiple Applications serving the same population are submitted for a given PMA and meet all mandatory requirements, the Authority will decide whether either will be selected for funding based upon the Project's overall score. If multiple Applications are filed for a given PMA proposing to serve different populations, the Authority will analyze the Applications to ensure that no Project will be redundant or have adverse impact on the other Applications or existing developments.

(b) Market Study Format Requirements:

The following format for site and market studies will be required based on the Project type:

Project Type	Site & Market Format
Rehabilitation Projects with significant (80% or more) low-income occupancy at the time of Application	Attachment X
Projects of 12 units or less	Attachment X
Supportive Living Facilities (regardless of the number of units)	Attachment X
All other Projects	Attachment X

**2) Affirmative Fair Housing Marketing Plan**

Owners must also include Attachment XX Affirmative Fair Housing Marketing Plan that demonstrates to the satisfaction of the Authority how the Project will comply with fair housing requirements in Section 42 of the Code. The Owner's commitment to the Affirmative Fair Housing Marketing Plan shall be binding for the duration of the Extended Use Period and shall be incorporated into the Extended Use Agreement.

**P) Appropriate Development Team**

**1) Items for Submission**

The following items must be submitted for the Authority to conduct the experience and capacity review:

- 1) Completed organizational documents demonstrating that the ownership entity is a duly formed, validly existing entity. Please see Attachment XX "Ownership Structure and Organizational Documents Checklist" for list of necessary documents.
- 2) A narrative describing the experience of the Owner with regard to the development of subsidized affordable housing, including the number of projects and units that have been completed and placed into service.
- 3) A completed Attachment XX "Development Experience Certification" for each Participant including all pending, under construction, or completed projects in any state, including their present status and expected completion date.
- 4) Full organizational chart and resumes of key development staff within the Owner, focusing on their affordable housing development experience.
- 5) Audited financial statements for the most recent two (2) fiscal years for the Owner and its principals, members, and/or sponsor.
- 6) A completed and executed copy of IRS Form 8821, "Tax Information Authorization," for the Owner and each Participant who has a financial interest in the Project, authorizing the Authority as "Appointee" to receive from the IRS available information regarding any "Financial Beneficiary's" conduct of its business with the IRS relating to the Tax Credit program. Please see Attachment XX.
- 7) At least three (3) references from entities with whom the Owner has conducted business in the last five (5) years and release forms allowing the Authority to contact these entities without limitation, other State housing finance agencies, private lenders, public agencies, and City and State governments. Please see Attachment XX.

## **2) Ownership Experience**

In order to meet the Authority's mandatory development team standard for ownership experience, the following minimum requirement must be fulfilled:

The Owner(s) of the Project, general partner(s), and/or the managing member(s) of the Owner must demonstrate prior successful experience in at least one (1) Authority Tax Credit development or one (1) other subsidized, low-income multifamily rental development that contains at least the number of housing units in the proposed Project. To be considered, the experience must extend for at least two (2) years and must include developing and operating the project(s). In addition, the experienced team member described above must:

- Be identified in the Application, and
- Remain responsible for overseeing the operation of the project for the entire compliance period.

Partnerships between inexperienced housing developers and those with the experience necessary to fulfill this requirement are encouraged.

If the Owner has not previously submitted an Application to the Authority, the Owner is required to attend one of the Tax Credit workshops held by the Authority prior to the first Application submission. The Owner is encouraged to meet with Authority staff to review the QAP and the Application process prior to submitting their Application.

### **3) Management Experience**

In order to meet the Authority's mandatory development team standard for management experience, the following minimum requirement must be fulfilled:

- The proposed management agent must demonstrate prior experience in the management of at least one (1) Authority Tax Credit development or one (1) other subsidized, low-income multifamily rental development with tenant income certifications and ongoing reporting requirements that contains at least the number of housing units in the proposed development. If the management agent has no experience in the management of Tax Credit properties, it must demonstrate that at least one (1) staff member assigned to the proposed project has received industry-standard training and is certified to manage Tax Credit properties.
- To be considered, the management agent's experience with a project must extend for at least two (2) years and include project lease up experience and stabilization (90% occupancy within one (1) year of placed in service date).

### **4) Development Team Capacity**

The Authority will evaluate the proposed Participants' capacity to successfully complete the Project based upon the following criteria:

- Past experience developing affordable housing using Authority programs. Properties presently in service and those under construction will be considered, and the quality and success of previous developments will be taken into account, the Authority will also consider location and experience in the geographic areas to be served, experience with the type of housing product proposed and the past working relationships of the proposed development and ownership partners.
- Other affordable housing development experience using government funded programs, including existing properties and those under construction.
- Development capacity to complete construction of all current projects on time and within program requirements and application commitments, as well as the number of outstanding incomplete developments when determining capacity.
- Financial capacity to ensure that construction will be completed on time and that work will be guaranteed for quality.
- Past experience operating affordable housing using income and rent-restricted programs and maintaining them in compliance with all program restrictions and standards. The Authority will consider location and experience in the geographic areas to be served, experience with the type of housing product proposed, and the past working relationships with ownership entities and compliance staff.

### **5) Unacceptable Practices**

The Authority will conduct a comprehensive review of all Participants' experience based upon the information submitted in Attachment XX. The review will not be limited to Participants' experience with Authority programs or resources. A Participant may not meet the Authority's mandatory requirement if any of the following apply to a Participant:

- A Participant who is affiliated with existing Projects which have been cited for material and/or continuing, but curable, noncompliance. Material noncompliance status exists when a party

exhibits a continual pattern of noncompliance, or when a party demonstrates an inability or an unwillingness to resolve a noncompliance matter in a timely manner.

- A Participant (including any affiliates) has experienced any events of foreclosure or failed to perform under the terms of a workout agreement over the past three (3) years.
- A Participant (including any affiliates) has declared bankruptcy over the past three (3) years.
- Any Participant has a mortgage default or arrearage of three months or more within the last three (3) years.
- A Participant (including any affiliates) has been involved in any Project awarded Tax Credits where there has been a change in general partners or managing members during the last three (3) years.
- Any Participant that has participated in a development that has been monitored and determined to have uncorrected noncompliance more than three months from the date of notification in the past three (3) years.
- Any Participant that has failed to pay any fee or expense due to the Authority or any other state allocating agency, including outstanding compliance monitoring fees in the past three (3) years.
- A Participant (including any affiliates) has been involved in any development awarded Tax Credits by the Authority or any other state allocating agency in 2007 or earlier for which either the permanent financing or equity investment has not closed.
- A Participant (including any affiliates) has been involved in any development awarded Tax Credits in 2006 or earlier for which all requirements for Authority issuance of 8609s, or any other state allocating agency issuance of 8609s, have not been met.
- Any liens or other claims exist against property owned by Owner (including any affiliates) has failed to resolve a public filing such as a lien or a judgment.
- The Owner (including any affiliates) has been debarred or received a limited denial of participation in the past three (3) years by any federal or state agency from participating in any development program.
- Any Participant that has materially misrepresented facts on any Application to participate in a Program

#### **Q) Policy Objective: Supportive Housing**

In order to address the housing needs around the State, the Authority will from time to time require Owners seeking an Allocation of Tax Credits to meet one or more policy objectives. For the 2010 QAP, the policy objective is for housing that serves Supportive Housing Populations.

All Projects must target a minimum of 10% of the units to Extremely Low Income (at or below 30% of Area Median Income) Supportive Housing Populations, defined herein as households headed by persons with disabilities and households that are homeless or at-risk of homelessness, who require access to supportive services in order to maintain housing. Preference for these "Targeted Units" will be given to referrals made via an assigned Lead Referral Agency (as defined below).

The Lead Referral Agency shall be an agency that coordinates a range of local disability and homeless services agencies to develop a collective process for referring and making their services

available to qualified tenants. A Lead Referral Agency acts as the point of contact with property management over the life of a Project, and represents the local services system in dealings with management of the property. A Lead Referral Agency coordinates with a household's original referral source to 1) assist the household(s) during the application for tenancy process, including requesting and negotiating reasonable accommodations, if necessary, and 2) make supportive services available to the household(s) and/or act as referral agent for other community services needed.

The Lead Referral Agency will submit a standard letter of referral to property management, which will then process the referred household's application for tenancy using the same screening criteria that is applied to all other tenants in the Project. The Project property management will use the Lead Referral Agency as their main point of contact to ensure that community supports are made available to tenants in the Targeted Units; however, tenancy will not be contingent upon participation in services.

In calculating the number of Targeted Units that must be made available, Owners must ALWAYS round up to the next unit (i.e.  $51 \times 10\% = 5.1$ , round up to 6 Targeted Units). Projects that receive a conditional approval of the award of Tax Credits must submit and receive Authority approval of a Referral and Support Agreement within six (6) months of the date conditional approval. The Referral and Support Agreement (Attachment XX) template outlines the required responsibilities of the Owner, property manager and Lead Referral Agency in regard to the Targeted Units.

Owners are encouraged to contact the Authority's Office of Housing Coordination Services prior to the development of the required Referral and Support Agreement, in order to be connected with the Project's assigned Lead Referral Agency.

SLF Projects are exempt from targeting Supportive Housing Populations, and do not need to demonstrate a partnership with a Lead Referral Agency or submit a Referral and Support Agreement, but are required to target a minimum of 10% of the units to Extremely Low Income households.

## **R) Financial Feasibility**

All Projects seeking an Allocation of Tax Credits must demonstrate financial feasibility. If the Project relies on unsound underwriting assumptions, including without limitation a failure to demonstrate compliance with the requirements of all Project sources, the Project will fail the mandatory review.

The following is a description of the areas, along with expected ranges and limits, which will be evaluated in order to determine financial feasibility.

### **1) Overall Limits**

#### **(a) General Contractor Fees:**

The general conditions, overhead, and profit in a general contractor's budget are limited to 14% of the total hard construction costs.

#### **(b) Architect Fees:**

Fees for architectural services are subject to the limits contained in the Authority's architectural guidelines. In the event a Project's architectural fees exceed these limits, they must be paid for through the developer fee.

(c) Developer Fees:

The developer fee is limited to 12% of the project's total development cost net of the following: construction contingency, consultant fees, project management fees, reserves, developer fee, syndication expenses, bridge loan expenses, and developer overhead.

The following development expenses must be paid through the developer fee: Consultant fees, construction management fees, architectural fees in excess of the Authority's architectural fee limits. Inclusion of these fees in the development budget will result in a dollar-for-dollar reduction in the developer fee.

All Applications must reflect a deferred developer fee as a financing source. At a minimum, the deferred fee must be the lesser of 25% of the sum of the developer and any consultant fees or 75% of cash flow after debt service in years 1 to 10.

(d) Identity of Interest between Buyer and Seller:

In cases where there is an identity of interest between the buyer and the seller of any property reflected in the acquisition costs, the developer fee will be limited to five percent (5.0%) of the property acquisition costs for which there is an identity of interest between the buyer and the seller.

(e) Identity of Interest between General Contractor and Owner:

In cases where there is an identity of interest between the general contractor and the Owner, the developer fee will be reduced by the greater of two percent (2%) of the total hard construction costs or the amount of the general contractor's overhead.

(f) Development Costs

The following are the per-unit total development cost limits, excluding land acquisition costs, for all Projects in all locations.

<b>Unit Bedrooms</b>	<b>Average Per Unit Development Cost Limit Excluding Land Acquisition</b>
0	\$139,177
1	\$159,994
2	\$193,772
3	\$249,391
4+	\$275,728

The Application must demonstrate that the Project's total development cost, excluding land acquisition, is less than the sum of these average per-unit costs for each unit bedroom type. For example, a project consisting of 25 two-bedroom units and 15 three-bedroom units will have a maximum total development cost of \$8,585,165 calculated as follows: 25 X \$193,772 + 15 X \$249,391 = \$8,585,165.

In the event a Project's total development cost, excluding land acquisition, exceeds these limits, the Authority will evaluate the development costs for reasonableness taking into

consideration the project type, location, and scope of work based on the Authority's past experience with similar projects and similar locations.

Project's whose total development costs are excessive will fail the mandatory review.

(g) Total Credit Allocation

A Project may not apply for a credit allocation exceeding 8.0% of the Credit Ceiling allocated to the Authority in the given calendar year. Projects requesting an Allocation exceeding this limit will be determined to be financially infeasible and will fail the mandatory review.

**2) Project Income**

(a) Unit Rents

The proposed gross residential unit rents for the Project, including any utility allowances, must be reasonable for the market area and must not be in excess of 95% of any rent limits imposed by any financing source, program, or other requirement that will affect the Project.

(b) Rental Assistance

Any Project that includes residential income generated as a result of a rental assistance contract must clearly identify the portion of the rent paid by the tenant.

All assumptions regarding the funding and renewal of rental assistance contracts must be clearly identified. The Authority will review and determine the suitability of all assumptions regarding the funding and renewal of rental assistance contracts on a case-by-case basis.

In the event a rental assistance contract pays a rent in excess of the gross unit rent limit, the Application must demonstrate how the project will remain financially feasible throughout the compliance period in the event the rental assistance contract is terminated.

(c) Additional Residential Income

Additional sources of residential rental income are limited to parking, laundry, and vending income. Applications reflecting income from these sources must describe all assumptions regarding the calculation of this income. Additional residential income will not be considered without a detailed description of how the income is calculated or if it comes from any source other than parking, laundry, and vending.

(d) Commercial Income

Applications that include any sources of commercial income must include a detailed description of any assumptions related to the commercial income and copies of any existing leases or letters of intent to occupy commercial space. The Authority will review and determine the suitability of all assumptions regarding commercial income on a case-by-case basis.

Commercial income will be underwritten at a 50% vacancy rate.

**3) Debt Service Coverage Ratio**

The Project must demonstrate it can maintain a minimum debt service coverage ratio (the ratio of a Project's net operating income to its debt service) of 1.15 to 1.00 on all debt, excluding cash flow notes, for a minimum of 15 years.

Projects whose cash flow reflects debt service coverage ratios of less than 1.15 to 1.00 must capitalize operating or debt service reserves and detail how payouts from these reserves will maintain the minimum debt service coverage ratios through a cash flow statement reflecting annual payouts from the reserve.

#### **4) Expense to Income Ratio**

The Project must demonstrate it can maintain a minimum expense to income ratio (the ratio of a project's total annual operating expenses excluding debt service to effective gross residential income) of 55% for a minimum of 15 years. Note: commercial income will not be considered when calculating the ratio.

Projects whose cash flow reflects expense to income ratios higher than 55% must capitalize operating reserves and detail how payouts from these reserves will maintain the minimum expense to income ratio through a cash flow statement reflecting annual payouts from the reserve.

#### **5) Cash Flow after Debt Service**

In addition to maintaining minimum appropriate debt service coverage ratios, all Projects must demonstrate annual cash flow after debt service in an amount not less than \$100 per unit for a minimum of 15 years.

#### **6) Reserves**

##### (a) Replacement Reserve

The Project development budget must include adequate replacement reserves and the operating budget must have adequate cash flow to capitalize annual replacement reserves. In evaluating whether the Project has adequate replacement reserves, the Authority will consider the following as minimum, per unit, replacement reserves to be reflected in the development budget and, on an annual basis, in the operating budget:

- New Construction Elderly (including SLF's): \$300
- New Construction non-Elderly (all units  $\leq$  2 BR) : \$350
- New Construction non-Elderly (any units  $\geq$  3 BR) : \$400
- All rehabilitation and other Project types: \$400

Any Project with fewer than 30 units, regardless of the construction type or the population served, must reflect a replacement reserve in the amount of \$1,500 per unit in the development budget with annual, per unit replacement reserves as detailed above.

##### (b) Real Estate Tax Reserves

The Project development budget must include adequate real estate tax reserves to pay real estate taxes during the construction period plus an amount equal to 55% of the estimated annual real estate taxes in the first year of project operations. In addition, the operating budget must have adequate annual cash flow to capitalize an annual real estate tax reserve sufficient to pay the Project's real estate taxes in the following year.

The Application must include evidence of how construction period real estate taxes and operations period real estate taxes were determined.

Projects that receive real estate tax abatements for any period of time must detail any assumptions associated with the abatement including the calculation of real estate taxes before, during, and after the abatement, the anticipated date the abatement becomes effective, and the length of the abatement. The Project must demonstrate it has adequate cash flow upon the expiration of any real estate tax abatements to meet the mandatory financial feasibility requirements.

(c) Insurance Reserves

The Project development budget must include adequate insurance reserves to pay insurance during the construction period plus an amount equal to 105% of the estimated annual real estate taxes in the first year of project operations. In addition, the operating budget must have adequate annual cash flow to capitalize an insurance reserve sufficient to pay the Project's insurance in the following year.

(d) Initial Rent-Up Reserves

The Project development budget must include an initial rent-up reserve sufficient to cover all operational costs including administrative, management, payroll, maintenance, utilities, taxes, insurance, and debt service payment for the period between the initial certificate of occupancy and stabilized occupancy.

The sizing of the initial rent-up reserve must be based on the absorption information contained in the market study. In addition, the application must detail anticipated Project income and expense assumptions for the period between the initial certificate of occupancy and stabilized occupancy.

The Authority will evaluate the sufficiency of the initial rent-up reserve taking into consideration the rental market, target population, expected occupancy rates, and all income and expense assumptions.

(e) Other Reserves

The Authority will review all other Project reserves including but not limited to debt service, operating, and furniture, fixtures and equipment, in order to evaluate their sufficiency and reasonableness. Projects including these reserves must also include a description with all of the following: (i) how the Project will benefit from the reserves, (ii) why the reserves are necessary, (iii) who (if anyone) is requiring them, (iv) who will hold them, and (v) what is the process for releasing the reserves.

**7) Operating Expenses**

Annual per unit operating expenses must be adequate and reasonable for the Project type, location, and population served. Per unit annual operating expenses, excluding taxes, reserves, resident services, and debt service are expected to fall within the following ranges for each of the geographic set-asides:

(a) Projects in the City of Chicago

- Elderly:           \$3,600 - \$6,000
- Non-Elderly:   \$3,800 - \$6,500
- SLF:             \$18,000 - \$20,000

- Supportive Housing Projects (50% or more units): \$3,700 - \$6,200

(b) Projects in the Chicago Metro Region (excluding the City of Chicago)

- Elderly: \$2,600 - \$4,400
- Non-Elderly: \$3,300 - \$5,500
- SLF: \$18,000 - \$20,000
- Supportive Housing Projects (50% or more units): \$3,500 - \$6,000

(c) Projects in Other Metro Areas

- Elderly: \$2,300 - \$3,800
- Non-Elderly: \$2,600 - \$4,500
- SLF: \$16,000 - \$18,000
- Supportive Housing Projects (50% or more units): \$2,800 - \$4,800

(d) Projects in Non Metro Areas

- Elderly: \$2,000 - \$3,500
- Non-Elderly: \$2,200 - \$3,800
- SLF: \$15,000 - \$17,000
- Supportive Housing Projects (50% or more units): \$2,500 - \$4,500

In order to substantiate a deviation from the expected ranges supplemental documentation must be included. Information such as historic operating expenses and additional detail about specific expenses will be considered. The Authority will review and determine the suitability of operating expenses outside the expected ranges on a case-by-case basis.

**8) Trending Factors**

The Project must demonstrate it remains financially feasible for a minimum of 15 years utilizing the following cash flow trending factors:

- Annual Increase in real estate taxes: 5%,
- Annual Increase in operating expenses: 3%,
- Annual Increase in income: 2%,

In order to substantiate a deviation from the listed trending factors, supplemental documentation such as evidence of real estate tax levies for the ten (10) years prior to application and audited operating expense and income information for the five (5) years prior to Application will be considered. The Authority will review and determine the suitability of trending factors outside the expected ranges on a case-by-case basis.

**9) Vacancy Rates**

The Project must demonstrate it remains financially feasible for a minimum of 15 years utilizing the following annual economic vacancy rates:

- Elderly: 7%
- Non-Elderly: 10%
- SLF: 10%
- Supportive Housing Projects (50% or more units) including SRO's: 12%

In order to substantiate a deviation from the listed vacancy rates, supplemental documentation such as audited operating expense and income information for the five (5) years prior to Application will be considered. The Authority will review and determine the suitability of any other vacancy rates on a case-by-case basis.

#### **10) Utility Allowances**

All Projects that include tenant paid utilities must submit current documentation fully detailing the expected per unit utility expenses incurred by utility type on a monthly basis. The utility allowance must be appropriate for the unit size, utilities covered, and Project location.

Projects that include gas or electric heat must differentiate heating expenses from other gas and electric expenses.

Current utility allowance information must be provided by the governing public housing authority for the county where the Project is located or through the submission of a utility survey covering one (1) full year that is representative of each unit type within the Project.

In any case where the Project's expected utility allowances are less than reflected in the public housing authority utility allowance schedule or utility survey, a detailed description for the difference must be included and will be evaluated on a case by case basis.

Non-essential utilities including telephone, cable television, internet access, etc., are excluded from the utility allowance.

#### **11) Evidence of Project Financing**

The development budget must reflect adequate sources of construction and permanent financing in order to complete the Project. Any Application that does not reflect adequate sources will fail the mandatory review.

Applications must evidence all Project financing sources including debt, grants, and Tax Credit equity through executed acknowledgment letter(s) from all lender(s) and/or grantor(s) and/or syndicator(s). Each acknowledgment letter must contain evidence that, as of the Application deadline date, the Application is either still under consideration or has been approved.

If, during the Authority's review of the Application, the Applicant is notified that a Project financing source has been denied, the Applicant will be allowed seven (7) business days from the date of the denial notice to provide a revised financing plan. If not provided, the Application will be determined to be financially infeasible and will fail the mandatory review.

##### **(a) Debt Sources**

For any debt source (excluding Authority debt), including any assumptions of debt, the executed acknowledgment letter(s) must contain the following terms:

- The amount of the loan,

- The length of the loan term, which must be at least 15 years (if there is more than one component to the loan, and these components have different terms, the terms of the longest component must be 15 years),
- The amortization period of the loan,
- The fixed interest rate (which may be adjusted under specified terms and conditions),
- The expected monthly or annual debt service payment, and
- Any financing fees associated with the debt source.

If debt financing is to be obtained through a mortgage broker or banker, the executed acknowledgment letter must be from the actual lender.

In the case of HUD-insured Projects, such as HUD's Section 221(d)(3), Section 221(d)(4), and Multifamily Accelerated Processing programs, the Owner must submit an acknowledgment letter from HUD, in addition to the letter from the lender, setting forth the terms of the proposed financing.

Financing fees for any debt source may not exceed 300 basis points, plus the customary costs associated with Federal Housing Administration (FHA) financing, if applicable.

(b) Authority Debt Sources

Applications for Authority debt financing must be evidenced on the Application form. In addition, the Application must include a written request for the Authority debt financing with all of the following:

- The amount of the loan,
- The length of the loan term, which must be at least 15 years (if there is more than one component to the loan, and these components have different terms, the terms of the longest component must be 15 years),
- The amortization period of the loan,
- The fixed interest rate (which may be adjusted under specified terms and conditions), and
- The expected monthly or annual debt service payment.

Applications requesting Illinois Disaster Tax Credits are precluded from requesting any Authority debt financing.

(c) Grant Sources

For any grant source, the executed acknowledgment letter(s) must contain the following terms:

- The amount of the grant,
- When the grant will be available as a source to the Project, and
- Any outstanding requirements to be met prior to grant availability.

(d) Tax Credit Equity Sources

For any Tax Credit equity source, the executed acknowledgment letter(s) must contain the following terms:

- The amount of Tax Credit equity available to the Project,
- The proposed net cent rate per Tax Credit dollar, and
- The proposed equity pay-in schedule

**12) Construction Contingency**

Development budgets must include hard cost construction contingencies to cover unforeseen construction cost increases. The contingency must be sized as a percentage of total hard construction costs according to the following:

- New-Construction: 5%
- Rehabilitation: 10%

Construction contingency will not be included in a Project's calculation of Tax Credit eligible basis.

**S) Readiness to Proceed**

Projects seeking an Allocation of Tax Credits must demonstrate that the Project is ready to proceed.

The Owner must demonstrate their ability to meet all conditions for a Tax Credit Reservation in a timely fashion. Consideration by the Board must take place six (6) months after conditional approval of the Application. Conditional approval shall mean that the Project is approved by Authority staff, but not by the Board. The conditions for a Reservation of Tax Credits are outlined in Section XII(A). If conditions for a Reservation of Tax Credits are not met within this timeframe, the Authority may rescind conditional approval of the Tax Credits.

The Application must also demonstrate to the Authority's satisfaction the ability to meet the Code ten percent (10%) Test and to receive a Carryover Allocation in a timely fashion. The Authority requires the 10% Test to be met no later than six (6) months after the Carryover Allocation date. The specific requirements are outlined in Section XIII.

In order to demonstrate the Project's readiness to proceed, the Owner must address in narrative form the anticipated timeframe and specific steps for achieving each of the following:

- 1) Finalizing environmental reviews and remediation, if necessary;
- 2) Finalizing historic approval, if necessary;
- 3) Final plan and design approval;
- 4) Approval of all funding sources (if not committed at time of Application), including Tax Credit equity, debt, and grants;
- 5) Approval of building permit;
- 6) The meeting the 10% Test, including a detailed account of the proposed costs to be incurred to meet the 10% Test; and

7) Project closing

## **T) Projects Involving Rehabilitation**

Projects involving any rehabilitation of existing structures must comply with the following requirements.

### **1) Physical Needs Assessment**

The Application must contain two (2) copies of a Physical Needs Assessment (“PNA”). This PNA must be performed by a vendor approved by the Authority, and must be in the format prescribed in Attachment XX.

For a listing of PNA vendors approved by the Authority, please see the Authority’s website ([www.ihda.org](http://www.ihda.org)).

The vendor that completes the PNA cannot be the Project’s architect of record.

### **2) Minimum Rehabilitation Standards**

At a minimum, proposed rehabilitation work must address all items identified as “Critical” or “Immediate” in the PNA.

The Owner may also choose to complete items identified in the PNA as five (5) to seven (7) year needs in current rehabilitation work, or may budget adequate reserves to ensure these items will be completed in time frames identified in the PNA.

Applications proposing the rehabilitation of a substandard property will fail the mandatory review if the rehabilitation will not result in safe, sanitary and decent long-term housing; the proposed rehabilitation does not meet Authority standards; or if new construction would be more appropriate.

## **U) Relocation**

If any building acquired as part of a Project, whether for rehabilitation or for demolition, is occupied as of the date of Application, the Owner must minimize temporary and permanent involuntary displacement of Low Income tenants currently living in the building. When deciding whether tenant relocation is necessary, the Owner must take into consideration the safety of tenants with respect to the scope and nature of the proposed Project.

All Projects involving the acquisition of an occupied building must submit the following:

- The current tenant profile including household size and income;
- The current rent and unit schedule; and
- In any cases where the Project’s proposed rents exceed the current rents, a written detailed explanation of how existing tenants will be able to afford the new rents.
- In addition, any Project requiring tenant relocation, whether temporarily or permanently must also include a detailed description of the relocation process through documentation of the following:
  - 1) Where tenants will be relocated,
  - 2) How long tenants will be relocated,
  - 3) What benefits and services will be available to relocated tenants,

- 4) How relocated tenants will be returned to the Project,
- 5) In cases where any tenant will be permanently displaced, the Owner must include an explanation of why tenants are being permanently displaced, as well as any relocation benefits entitled to these tenants, and
- 6) A relocation budget detailing all expected relocation costs

## IX) Scoring Categories

The Authority will evaluate Projects based upon the criteria described in this section. Points will be awarded based solely on the information submitted in the Application. The Authority may verify information submitted in the Application.

All Owners must submit an executed self-scoring form. No Application will be scored higher than the Owner's self-score. An Application must provide a factual basis and documentation for points claimed. The Authority may deny a claim for points if the correct forms or required information are not submitted, are not submitted at the correct tab, or if information available to the Authority negates a claim for points. Claims for points that fail to meet the scoring criteria or that are not supported by the Application shall be denied.

The Owner's commitment to various scoring criteria shall be binding for the duration of the Extended Use Period and shall be incorporated into the Extended Use Agreement.

### A) Architectural Design and Project Amenities

#### 1) Development Amenities

All Projects must incorporate a variety of architectural features and development amenities into the overall Project design. In order to qualify for points in this category, Owners **MUST** choose at least two (2) items from each Authority-approved amenity list below as their minimum threshold amenities. Projects will be awarded three (3) points for each item they choose from the lists in addition to the minimum threshold amenities. Up to twelve (12) points will be awarded in this category.

A phased Tax Credit Project with a previously funded phase may be able to share some Project amenities. Owners must contact the Authority prior to submitting their application to determine the number of Project amenities that must be included in the new phase.

IHDA Approved Amenity List:

EXTERIOR	INTERIOR
Secured bicycle parking (minimum of 8 slots per 25 units)	Exercise / Fitness Center with at least 3 pieces of equipment per 50 units
Full size brick, masonry, pre-cast insulated decorative wall panels, cement board, or a combination thereof, on a minimum of 50% of the exterior	Energy Star-rated ceiling fan with switched light fixture in every living room and bedroom
Upgraded, architectural style roof shingles with a minimum warranty of 30 years	Microwave oven in every unit
Full perimeter fencing	Computer room equipped with one computer for every 10 units
Screen doors for every unit	Day care center
Two picnic tables and one grill for every 25 units	Hair salon

Covered pavilion / gazebo	Wellness Center
Shuffleboard court for every 50 units	Library / Reading room
Swimming pool	On-site management office
Walking trails with sitting areas	Trash disposal chutes
An equipped sports court (volleyball, tennis, basketball, etc.) for every 100 units	Residential units are 15% larger than the minimum requirement
Garden plots / designated community garden area with a minimum of 15 square feet per unit	Porch / patio / balcony for each unit
Upgraded landscaping, including one tree planted on site for every ten units	Storage space is 25% greater than the minimum requirement
100% native landscaping	Energy Star-rated dishwasher in every unit
Covered drop-off at main building entrance	On-site convenience store

**Amenity Substitutions:**

Owners may substitute up to two (2) Project amenities that are not on the Authority-approved amenity lists. Substitution amenities must be identified in the Preliminary Application. Request for approval of substitution amenities must include a detailed description of the amenity and a justification of the appropriateness of the option for the targeted population.

Applications must include Attachment XX Development Amenities.

**2) Green Initiatives**

Points will be awarded to Projects that fulfill either of the following green initiatives. Points are not cumulative in this category.

- a. 4 Points:** Comply with all MANDATORY criteria described in Section 7: Healthy Living Environment of the Enterprise Green Communities Criteria 2008

**OR**

- b. 8 Points:** Commit to obtaining a sustainable building certification from one of the following entities:
- Enterprise Green Communities certification
  - U.S. Green Building Council's LEED for Homes certification

Sponsors must submit scoring worksheets for the applicable program completed by a licensed architect demonstrating how they will comply with the above criteria.

Certification of the Project's compliance with a sustainable program that is utilized to claim points must be submitted at the final closing draw. Failure to receive the certification may result in Owners being penalized in future Applications in the "Unacceptable Practices" scoring category.

**3) Enhanced Accessibility**

Projects will be awarded eight (8) points for complying with BOTH of the following requirements:

- a. At least 10% of the total units in the Project are designed for persons with mobility impairments, as defined in ICC/ANSI 117.1-2003

**AND**

- b. At least 2% of the total units in the Project are designed for persons with sensory impairments (not less than one unit), as defined in ICC/ANSI 117.1-2003

The units designed for persons with sensory impairments must be exclusive of the units designed for persons with mobility impairments. In calculating the number of accessible units that must be made available, Owners must ALWAYS round up to the next unit (i.e.  $51 \times 10\% = 5.1$ , round up to 6 accessible units).

Applications must include Attachment XX Enhanced Accessibility.

**4) Unit Mix**

The Authority values projects that incorporate a unit mix that will accommodate the changing needs of diverse household and family types throughout the life of the Project. Points will be awarded to Projects in the following manner:

- a. **4 Points:** Project contains two unit types, with each unit type making up at least 20% of total units
- OR**
- b. **6 Points:** Project contains three or more unit types, with each unit type making up at least 10% of total units

**5) Large Units**

Up to six (6) points will be awarded if the Project contains units with three or more bedrooms:

<b>POINTS</b>	<b>% of Units with 3 or More BR</b>
4	31% - 50%
6	20% - 30%
4	10% - 19%

\*Single Family Projects may exceed the 50% limit of units with three or more bedrooms and still receive the maximum number of points. Existing Projects in which more than 30% of the units contain three-bedrooms may qualify for the full 6 points if the site and market study confirms the need for this type of unit.

In a mixed income Project, market rate three or more bedroom units shall not count toward the minimum percentages set forth above.

## **B) Site Suitability and Marketability**

### **1) Market Study Evaluation**

The Authority will award up to twelve (12) points under this section. In determining how many points to award a Project, the Authority will review the submitted site and market study, as required under the mandatory requirements. While the Authority will use the conclusions of the market analyst in determining the marketability of the Project, the Authority will not be bound by the opinion, recommendations, or conclusions reached by the market analyst. The Authority reserves the right to independently evaluate the demand for additional affordable rental housing in the geographic/market area. An Application that includes a market study that does not confirm the viability of the Project or the need for additional affordable rental units in the designated market area will in all likelihood not score favorably in this section.

Owners of SLFs, Supportive Housing Projects, or Projects with existing tenants should ensure that the market study clearly addresses the unique aspects of their Project. The market study for SLFs or Supportive Housing Projects must address the anticipated demand for the Project and the reasons why the Project will be attractive to the particular consumer group(s). Market studies for Projects which are occupied at the time of Application, must explain 1) the reasons for any vacancies, i.e., 1) if the vacancies are market driven, and 2) provide an evaluation of the current tenants indicating the extent to which any or all may be displaced due to the planned Project.

In determining how many points to award a Project under this section, the Authority may take into account such factors, including but not limited to, the following:

#### (a) Development Attributes

Items such as the level and appropriateness of the proposed unit and development amenities, the amount of proposed parking, the general acceptability and marketability of the Project site including surrounding land uses, and the site's overall public accessibility and proximity to area services and amenities.

#### (b) Primary Market Area

Items such as the appropriateness of the Primary Market Area ("PMA"), and the demographic and economic trends for that area.

#### (c) Existing Rental Market

The competitiveness of the proposed Project to existing comparable properties in various ways such as rents, unit size and amenities: also the occupancy of comparable properties in the PMA.

(d) Demand

Based upon such information as waiting lists at existing properties, penetration and capture rates, forecasted absorption potential for the proposed Project and documented need for this type of housing in the PMA.

**2) Neighborhood Characteristics and Amenities**

A maximum of ten (10) points will be awarded in this section. One (1) point(s) will be awarded for each desirable activity/characteristic category that is near a proposed Project up to a maximum of ten (10) points. One (1) point(s) will be deducted from the total desirable activities score for each undesirable activity/characteristic category that is near a proposed Project. The total points awarded will be determined by calculating the sum of the total desirable activity points less the total undesirable activity points. A negative total in this category will be awarded zero (0) points.

For scattered site Projects, the perimeter of the noncontiguous parcels shall serve as the boundary of the proposed Project site from which the distances for determining the location of the desirable and undesirable activities shall be measured. For urban projects, only activities which are located within a 1.0 mile walking/driving distance from the proposed site will be considered. For rural projects, only activities which are located within 2.0 miles walking/driving distance from the proposed site will be considered.

Please include a site map indicating the specific locations of each desirable and undesirable activity or characteristic. The map must contain a key stating the type of activities or characteristics identified and their addresses and must include the following:

- location of site including an indication of major access roads
- indication of distances in 1/4 mile increments
- indication of any major industrial or commercial development, and
- all desirable and undesirable activities/characteristics

Please include photographs of the desirable and undesirable activities/characteristics. All photographs are to be either color originals or color copies. Applications must also include the Desirable/Undesirable Form in Attachment XX.

(a) Desirable Activities

In order to be eligible for points, the following criteria must be met:

1. Only activities and/or characteristics, which are located within a 1.0 mile walking/driving distance from the proposed site in urban areas or within 2.0 miles walking/driving distance from the proposed site in rural areas will be considered.
2. Applicants must score one (1) point in five (5) different categories before they can receive points in a duplicate category.
3. Each building/entity will be assigned to only one desirable category.
4. For desirable characteristics that are under construction, consideration will be given and points may be awarded to active construction sites where the new structures are above ground at the time of Application Submission.
4. Desirable activities/characteristics may include, but are not limited to the following categories:

- Retail stores (includes pharmacies, clothing stores, department stores, etc.)
- Federally insured banking institutions (ATMs are not eligible for points)
- Recreational facilities / public parks / civic centers
- Grocery stores (only full service grocery stores are eligible for points)
- Day care services (must be licensed)
- School(s) (family developments only)
- Libraries (no school libraries accepted)
- Restaurants
- Hospital / Health clinic
- Doctor's Office (general practitioners only)
- Employment centers
- Religious Institutions
- Governmental Service Office, including fire, police, city hall or post office

(b) Undesirable Activities

In determining whether an undesirable activity/characteristic is near a proposed Project, the Application must consider any undesirable activity/characteristic that is located within the radius of one quarter (1/4) mile of the proposed Project.

Undesirable activities/characteristics may include but are not limited to the following:

- Sites where existing wetlands, natural, or man-made attributes could have a substantially negative effect on the development (e.g. 100 year flood plain, streams, ravines, drainage, waterways, etc.). New wetlands constructed as part of storm water mitigation or other site restoration efforts are exempt;
- Sites where the Authority determines the slope/terrain is not acceptable for development;
- Junkyard, salvage yard, active recycling facility, trash heap, or dump pile;
- Hazardous, chemical or heavy manufacturing activities, industrial development;
- Operating industrial plant;
- Runway or runway clear zone, or accident clear zone of a military airfield;
- Treatment, storage, or disposal facility for hazardous wastes, a sewage treatment plant, an active or inactive solid waste disposal facility and/or solid waste transfer facility;
- Areas where noise (regardless of mitigation) is 70 decibels or more at the time of Application;
- An operating food processing plant;
- New construction sites where any portion contains or permits any easements for overhead electric power lines, regardless of voltage, and/or such electric power lines encumber the proposed site with the exception of the outside perimeter of the site for the distribution of electric service for other unrelated properties. A development proposing to bury all power

lines will be exempt from this detrimental determination if documentation is provided from the utility provider stating that all power lines will be underground;

- Any prison or correctional facility;
- Sources of noxious odor; and
- Sources of excessive glare from lighting on adjacent properties.

### **3) Community Impact**

The following categories will be awarded points under this section. If a Project receives points under (b), it cannot also score points under (a).

#### **(a) Local Revitalization or Redevelopment Plan**

Four (4) points will be awarded to Projects whose Application demonstrates that the Project is part of a local revitalization or redevelopment plan, including empowerment zones and Tax Incremental Financing districts, Enterprise communities, or other locally designated and approved plans which contain housing policy goals. Projects covered exclusively by Consolidated Plans and Planned Unit Developments will not receive any points in this scoring category. The following evidence must be submitted to receive points under this section:

- A copy of the Project area's revitalization plan. The Project site must be included in the plan's target area. A map clearly delineating the Project site within the target area must be included.
- A currently effective binding resolution evidencing formal adoption by a local government of the revitalization or redevelopment plan prior to September 1, 2009. If available, any development agreement related to this Project should be included.
- A detailed description of how the Project supports at least one goal of the revitalization or redevelopment plan.
- A letter from the local elected official affirming that the Project will contribute to the goals outlined in the revitalization or redevelopment plan.

#### **(b) Local Revitalization or Redevelopment Plan and QCT**

Six (6) points will be awarded to Projects that demonstrate all the requirements as part of a Revitalization Plan listed above **AND** are located in a Qualified Census Tract as listed in Attachment X.

#### **(c) Areas targeted by the Governor's Team Illinois Program**

Projects proposed in the following Governor's Team Illinois Program targeted areas will receive six (6) points:

- Alexander County
- Eastern portion of City of Aurora (as served by TEAM Illinois)
- Englewood (as defined by the City of Chicago Englewood community area map)
- Pembroke Township (in Kankakee County)
- Savanna (in Carroll County)

- Venice (in Madison County)

**C) Income Targeting**

**1) Deeper Targeting**

The Authority will award up to ten (10) points to Projects whose Owners commit to set aside 15% or more of the Tax Credit eligible units for households with incomes and Project unit rents at or below 30% of Area Median Income.

In order to qualify for these points, tenants must meet the required income restrictions for the Project and the tenant portion of the rent must not exceed the 30% AMI rent limit. Additionally, the Project units intended to count towards this scoring category must be:

- Clearly identified in the Application;
- Of comparable quality to other units in the Project;
- Distributed across unit sizes, unit types, and buildings; and
- Restricted to rents at or below the 30% AMI rent limit for the area.

Points will be awarded in the following manner:

<b>POINTS</b>	<b>% of Units at 30% AMI</b>
10	Greater than 15%

**2) Unrestricted Units**

The Authority will award points to Applications which include units which are neither income nor rent restricted by any funding source. Points will be awarded in this category only if the site and market study presented by the Owner supports the proposed mix of unrestricted and Tax Credit eligible units. A Project is eligible for points as follows, based on the percentage of the unrestricted units:

<b>POINTS</b>	<b>% of Unrestricted Units</b>
6	5 – 15%
4	Greater than 15%

**D) Development Team Characteristics**

**1) Minority-, Female-, or Persons with Disabilities-Owned Business Participation in Project**

Projects will be awarded points if a participating development team member is a qualified minority-, female-, or persons with disabilities-owned business. In order to qualify, the team member must comply with the following requirements:

For-profit Business: The team member must be currently certified under Illinois Business Enterprise Program for Minorities, Females, and Persons with Disabilities (“MAFBE”) or equivalent state program if based outside of Illinois.

Non-profit Organization: The team member qualifies as minority-, female-, or persons with disabilities-owned if a minimum of 51% of the members of the Board of Directors of the non-profit are minorities, females, or persons with disabilities.

Points will be awarded to projects in the following manner:

- a. **6 Points:** If a qualified minority-, female-, or persons with disabilities-owned business acts as the GENERAL CONTRACTOR, OWNER, OR PROPERTY MANAGER
- OR**
- b. **4 Points:** If a qualified minority-, female-, or persons with disabilities-owned business acts as the ARCHITECT, CONSULTANT, ATTORNEY, ACCOUNTANT, OR SYNDICATOR

Applications must include Attachment XX “Minority Participation” form.

## 2) Non-profit Organization Participation

Points will be awarded in the following manner:

- a. **15 Points:** To qualify for points under this category, a qualified non-profit organization must have a managing interest in the ownership entity that includes a commensurate distribution of financial benefits as evidenced in the operating agreement. The non-profit organization must remain in the Project throughout the Extended Use Period. A qualified nonprofit organization, as defined in Section 42, is an organization which is not affiliated with or controlled by a for-profit organization, has an ownership interest in the Project either directly or through a wholly-owned subsidiary, and has as one of its exempt purposes the fostering of low income housing within the meaning of Section 42(h)(5)(C).
- OR**
- b. **2 Points** Points will be awarded to projects where a qualified non-profit organization, as defined in Section 42, has a Material Participation in the development and operating of the Project throughout the Extended Use Period. Applicants must submit a written narrative detailing Material Participation including the number of hours and corresponding activities the qualified non-profit organization will undertake on a quarterly basis.

Applications must include documentation demonstrating their non-profit status.

### 3) Illinois-Based Organizations

Projects will be awarded points if a participating Development Team member is a qualified Illinois-based organization. In order to qualify, the team member must be an Illinois-based organization whose place of business has been located in the State of Illinois for a minimum of 2 years.

Points will be awarded to projects in the following manner:

- a. **6 Points:** If a qualified state-based enterprise acts as the GENERAL CONTRACTOR, OWNER, OR PROPERTY MANAGER
- OR**
- b. **4 Points:** If a qualified state-based enterprise acts as the ARCHITECT, CONSULTANT, ATTORNEY, ACCOUNTANT, OR SYNDICATOR

Applications must include documentation for each team member demonstrating its status as a qualified Illinois-based organization.

### 4) Unacceptable Practices

The Authority may deduct points based on any Participants who have failed to demonstrate proficiency with the Tax Credit program or other government-sponsored housing programs ("Program"). Applications will be awarded up to twelve (12) points and points may be deducted based on the following criteria:

- Record of unsatisfactory prior performance in any Program
- Negative results on any physical inspection performed by a Program administrator
- Failure to provide and maintain amenities as represented in a Program application
- Failure to provide and maintain services as represented in a Program application
- Failure to build a development according to the governing architectural and construction guidelines
- Failure to comply with any representations made in any application to participate in a Program
- Failure to make satisfactory progress on an earlier development in a Program
- Involuntarily termination of a Tax Credit reservation
- Participation in a development that has been monitored and determined to have uncorrected noncompliance
- Participation in a development where an 8823 has been filed
- Failure to pay any fee or expense

## E) Financial Characteristics

### 1) Rental Assistance

Projects that provide project-based rental assistance will be awarded points based on the incomes of assisted tenants, number of units assisted, and the length of committed assistance.

Rental assistance will be considered project-based if it is tied to the units rather than to the tenants.

Points will only be awarded if the rental assistance ensures tenants pay no more than 30% of their income towards rent and utility expenses combined.

Owners seeking points in this category must submit documentation evidencing a current rental assistance contract or a commitment to provide rental assistance.

Projects with a current rental assistance contract must submit a copy of the fully executed contract in the Application.

Projects with a rental assistance commitment must provide a commitment letter in the Application that includes all of the following: a) the maximum household income, b) the total number of units assisted, and c) the length of the rental assistance contract.

When HUD is providing the rental assistance, the commitment letter must be from HUD. USDA rental assistance commitment letters must be from the USDA housing director, and Project Based Housing Choice Voucher Conversion and Public Housing Authority Annual Contribution Contracts must be from the executive director of the relevant public housing authority.

The Authority will evaluate any rental assistance contracts or commitments from sources other than HUD, USDA, or a public housing authority, taking into consideration the viability and stability of the source and will determine whether the project will receive points for rental assistance based on the likelihood the rental assistance will be available over the committed term.

For Projects where the term of the Rental Assistance contract is LESS than 5 years:

<b>POINTS</b>	<b>% of Units Assisted</b>
4	10% - 25%
6	25.1% - 50%
8	Greater than 50%

For Projects where the term of the Rental Assistance contract is GREATER than 5 years:

<b>POINTS</b>	<b>% of Units Assisted</b>
6	10% - 25%
8	25.1% - 50%
10	Greater than 50%

**2) Real Estate Tax Abatements**

Projects that demonstrate a reduction in a Project's real estate taxes will be awarded points based on the percentage reduction and the term of the reduction. Owners seeking points in this category must detail all assumptions associated with the abatement including the calculation of real estate taxes before, during, and after the abatement, the anticipated date the abatement becomes effective, and the length of the abatement. It is the Owner's responsibility to substantiate the percentage reduction in real estate taxes as a result of the abatement.

For Projects where the term of the Tax Abatement is LESS than 5 years:

<b>POINTS</b>	<b>% Reduction of Real Estate Taxes</b>
4	10% - 15%
6	15.1% - 20%
8	Greater than 20%

For Projects where the term of the Tax Abatement is GREATER than 5 years:

<b>POINTS</b>	<b>% Reduction of Real Estate Taxes</b>
6	10% - 15%
8	15.1% - 20%
10	Greater than 20%

### 3) Financial Leveraging

Projects that leverage scarce Authority resources will be awarded points based on the percentage of resources in the development budget that come from sources other than the Authority's HOME funds, Affordable Housing Trust Fund, and the equity generated from the sale of Authority allocated low-income housing, and state donation Tax Credits. In Projects where the acquisition is financed in whole or in part through a seller's note, the amount of the seller's financing will not be considered for financial leveraging.

Financial leveraging sources must be reflected in the Project budget. Only sources allocated to uses that fall within the Projects' boundaries will be considered for financial leveraging.

Projects will be awarded points based on the following criteria:

<b>POINTS</b>	<b>Leveraged Sources as % of Total Project Sources</b>
4	5% - 10%
6	10.1% - 20%
8	Greater than 20%

### 4) Low Soft Costs

Projects will be awarded points based on minimizing soft costs as a percentage of the total development budget.

For purposes of this calculation soft costs will be determined as follows: The total development budget less acquisition costs, construction costs, construction contingency, reserves, construction period interest, and developer fee.

<b>POINTS</b>	<b>Soft Costs as % of Total Development Budget</b>
4	10.1% - 15%
6	5.1% - 10%
8	5% or Less

**5) Developer Fees Less than Maximum Allowed**

Projects that reflect a developer fee less than the maximum allowed will be awarded points. Owners that voluntarily limit the amount of the total developer fee will be allocated points based on the following:

<b>POINTS</b>	<b>Developer Fee as % of Developer Fee Basis</b>
4	8.1% - 10%
6	6.1% - 8%
8	6% or Less

**F) Housing Policy Goals and Objectives**

**1) Supportive Housing Projects**

Projects that target 50% or more of the total units for Supportive Housing Projects, excluding SLFs, will receive twenty (20) points.

The Application must include a Supportive Housing Plan (see Attachment XX), which includes provision by a local human services agency of at least one (1) on-site support coordinator (hours must be proportional to the number of units in the Project that will serve Supportive Housing Populations) to assist residents in the application process, in implementing the tenants' plan for success in permanent housing, and in continuing linkage to supportive services as needed.

**2) Rehabilitation or Adaptive Re-Use**

Projects that involve the rehabilitation or adaptive re-use of a building not currently occupied by residential tenants will receive four (4) points.

In order to receive points in this category, at least 50% of the total project construction costs must be attributable to the rehabilitation or adaptive re-use of an existing building or buildings.

**3) Preservation**

Projects that involve the rehabilitation of currently occupied low income housing developments whose conversion to market rate housing is likely to occur within three years will be awarded up to twenty (20) points in this category.

The Application must include a detailed description of the likely conversion to market rate housing in the event the Project does not receive an Allocation of Tax Credits.

In determining whether a Project qualifies as preservation, the Authority will evaluate the source and terms of the existing financing, rental assistance program, current unit rents, and the extent to which the rent levels will remain affordable.

Points will be awarded in the following manner:

- a. 20 Points:** Points will be awarded if the proposed Project was financed under or assisted by the following:
- Section 8 of the United States Housing Act of 1937, as amended, that will be renewed as part of the redevelopment process;
  - Section 202 or 811 of the National Housing Act;
  - Public housing projects that provide for a one to one (1:1) replacement of public housing units and receive assistance through an annual contribution contract.

**OR**

- b. 15 Points:** Points will be awarded if the proposed Project was financed under or assisted by the following:
- Programs under Section 514 or 515 of the Housing Act of 1949

**OR**

- c. 10 Points:** Points will be awarded if the proposed Project was financed under or assisted by the following:
- Section 236 of the National Housing Act;
  - Section 42 of the Internal Revenue Code;
  - The Authority will also consider as preservation a Project that is currently occupied, has no rent or income restrictions, and whose unit rents do not exceed 60% of the Area Median Income as determined by HUD for the Project's location.

#### **4) Historic Preservation**

The Authority encourages Owners to contact the Preservation Services Division of the Illinois Historic Preservation Agency at <http://www.illinoishistory.gov/ps/index.htm> for further guidance on the requirements and associated timeframes for the development of Projects with Historic Tax Credits. The Authority also encourages Owners to seek the advice of a qualified attorney and/or tax professional before proceeding with any project of this nature.

Points are not cumulative in this category:

- a. **6 Points:** Points will be awarded if building(s) on the Project site are listed individually in the National Register of Historic Places and will be preserved in accordance with SHPO requirements.

OR

- b. **4 Points:** Points will be awarded if building(s) on the Project site are potentially eligible to be listed because they are located in a "registered historic district" or buildings are located in a potentially eligible district that contributes to the significance of the district and will be preserved. Project must have a State SHPO nomination/approval letter.

Documentation must be included in the Application.

### 5) AHPAA Projects

Points are not cumulative in this category:

- a. **4 Points:** Points will be awarded if the proposed Project is **not** eligible for the Chicago Metro AHPAA Set-Aside, but is located in an AHPAA community or a community at-risk of being subject to AHPAA, and will be serving Elderly populations.

OR

- b. **6 Points:** Points will be awarded if the proposed Project is located in an AHPAA community or a community at-risk of being subject to AHPAA (including projects in the Chicago Metro AHPAA Set-Aside), and will be serving non-Elderly populations.

### 6) Employer Direct Assistance

Projects that receive financial assistance from area employers that are otherwise not participating in the development of the Project will be awarded points. The assistance must be in the form of a financial contribution that will be available during the Project's construction period to pay for expenses reflected in the development budget.

The assistance may be in the form of a non-foreclosable loan or a grant, and the Application must include a commitment letter, consistent with the requirements for evidencing other Project financing sources, for each employer providing assistance to the Project.

Points will be awarded based on the aggregate total of all employer assistance as a percentage of the total development budget as follows:

<b>POINTS</b>	<b>Assistance as % of Total Development Budget</b>
4	.25% - .49%
6	.50% - .99%
8	1% or Greater

### 7) Live Near Work and Transit-Oriented Development

Points may be cumulative in this category.

- a. 6 Points:** Points will be awarded if employment data for the defined primary market area for the Project shows a sufficient percentage of private sector employment to be within various low wage industries. These low wage industries must account for 20% or more of the total private sector employment to receive points. For Elderly Projects, points will be awarded if activities and services for seniors are located in the Project's primary market area. Points will not be awarded for services provided on-site by the Owner. Information regarding employment and services must be included in the market study submitted with the Application.
- b. 6 Points:** Points will be awarded if the proposed Project is located in close proximity to fixed-route public transportation, excluding inter-city transportation. "Close proximity" for this category will vary by Set-Aside and will be defined in the following manner: Chicago (6 blocks); Chicago Metro (1 mile); Other Metro (1.5 miles); Non-Metro (2 miles). Transportation routes and distance to Project site must be identified in the market study submitted with the Application.

### **8) Extended Term of Affordability**

The Authority will award points to projects that commit to an affordability term that extends beyond the Extended Use period.

Two (2) points will be awarded for every five (5) years that an applicant adds on to the 30-year Extended Use period. Up to eight (8) points will be awarded in this category.

\_\_\_\_\_ year extension of Extended Use period

\_\_\_\_\_ year total affordability period (30 years + extension)

The extended terms of affordability will be included in the Project's Extended Use Agreement. If a Project receives points in this category, the Authority will not permit the term of affordability to be reduced at a later date.

Applications must include Attachment XX.

### **G) Tiebreaker Criteria**

In the event that two or more Projects have an equal number of points, the following will be used to determine selection:

**1. First Tiebreaker: Fewest Credits per Unit**

The Project requesting the least amount of Tax Credits per Tax Credit eligible unit. If a tie still remains;

**2. Second Tiebreaker: Tenants with Children**

Projects that can serve tenant populations with children. Projects will qualify for this designation if at least twenty-five (25%) of the units are three or four bedrooms. This tiebreaker will only apply where the market study shows a clear demand for this population (as determined by the Authority). If a tie still remains;

**3. Third Tiebreaker: Tenant Ownership**

Projects must be intended for eventual tenant ownership, must utilize an appropriate site plan and building design, and have an eventual tenant homeownership plan describing how the Project will convert to tenant ownership at the end of the 15-year Compliance Period.

## **X) Reservations of Authority Credit Ceiling**

### **A) Limit on Reservations**

It is anticipated that all of the Authority Credit Ceiling will be used for Reservations during the Application round.

If the Authority receives additional Authority Credit Ceiling through Reservations returned to the Authority or Tax Credits awarded from the national pool of unused Tax Credit Allocation authority, it will be used for increases prior to Reservations; for Projects with a Forward Reservation; or the Authority may carry the additional Authority Credit Ceiling forward to the next calendar year.

### **B) Priority Reservation**

In keeping with the State's Comprehensive Housing Planning Act (P.A. 94-965), the Authority may issue a Reservation to a Project(s) selected by the Authority in response to a Notice of Funding Availability (NOFA) issued by the Interagency Subcommittee of the Illinois Housing Task Force. The amount reserved will not exceed 10% of the total Authority Credit Ceiling. Any Project recommended by the Interagency Subcommittee must meet the requirements of this QAP, excluding Section IX.

### **C) Forward Reservations**

The Authority may make Reservations from the 2011/2012 Authority Credit Ceiling ("Forward Reservations") in an amount not to exceed 15% of the per capita portion of the 2010/2011 Authority Credit Ceiling.

This limit may be exceeded if the lowest scoring project to be approved for a Reservation is eligible for a Reservation amount that would make the aggregate amount of Forward Reservations exceed the 15% limit.

Projects approved for a Forward Reservation of 2011/2012 Tax Credits must meet all Carryover Allocation requirements for calendar year 2010/2011.

If an Application requests Tax Credits in an amount which exceeds 8% of the 2010 Authority Credit Ceiling, the Authority may (i) reduce the amount of Tax Credits awarded to the Project, (ii) require the Owner to reduce the number of units, (iii) provide a multi-year Reservation of Tax Credits, and/or (iv) deny Tax Credits.

### **D) Partial Reservations**

If a Project is recommended for a Reservation by the Board and there is an insufficient amount of Authority Credit Ceiling for the full amount of the recommended Reservation, the Authority may make a Reservation for that Project partially from the 2011 Authority Credit Ceiling.

### **E) Projects Not Receiving Credits**

Projects that do not receive Reservations of Tax Credits may be considered for a Reservation at a later date if either (i) a Reservation is for any reason returned to the Authority, or (ii) the Authority Credit Ceiling is increased from the national pool of unused Tax Credit Allocation authority.

## **XI) Project Modification Policies**

### **A) Project Modifications**

The Allocation of Tax Credits is based upon information provided in the Application. Any and all Project changes, from conditional approval of the Application through the term of the Extended Use Agreement, will require written notification to the Authority. This notification must include a detailed explanation of the reason for the modification as well as a processing fee of \$XX. All changes will be reviewed by the Authority on a case-by-case basis and must conform to the requirements of Section 42 and the QAP. All changes will be subject to the approval of the Authority.

Any change in a Project will result in a reevaluation of the original Application. The results of the reevaluation may include the following: a change in the Project's score or ranking; a new Application fee and public notification letters; and/or a reduction or revocation of the Tax Credit Reservation or Allocation. In addition, a Board approval of the revised Project may be required.

Failure to inform the Authority of any changes in the Application at any time may cause the Application to be rejected or a revocation of a proportional amount of Tax Credits up to the full amount of the Reservation.

Project changes include, but are not limited to, the following:

- Any individuals or entities in the ownership structure of the Project;
- Unit mix or unit size;
- Project design;
- Project site;
- Construction scope;
- Financing terms, including but not limited to loss of financing; or
- Any criteria on which scoring decisions were made.

### **B) Transfer of Ownership**

The Authority strongly discourages the transfer of ownership in Projects. Evaluation of the development and management teams is an integral part of the Application review. The long term viability of the Project is dependent on the development and management teams who make the decisions in developing and operating the Project for the long term.

No change of ownership, including but not limited to, any new entities or individuals that may be proposed in the ownership, regardless of their percent of ownership, will be permitted at any time after conditional approval and before issuance of IRS Form(s) 8609 to the Project.

Owners wishing to change or transfer ownership after the issuance of IRS Form(s) 8609 must submit the following:

- A completed and executed Notice of Intent to Transfer Ownership (Attachment XX);
- A letter from the Owner's legal counsel that explains the need for change;

- A non-refundable transfer of ownership fee of \$XX; and
- All applicable organizational documents.

Any requested change of ownership will reviewed on a case-by-case basis and must be presented to and approved by the Board.

### **C) Unapproved Changes**

Any unapproved Project change, from submission of the full Application through the term of the Extended Use Agreement, will affect all individuals and entities involved in the Project that submit Applications in the future. These individuals and entities may be penalized in the "Unacceptable Practices" scoring category in future Applications.

In addition, if the Authority becomes aware of a transfer of ownership by an individual or entity without proper notification and approval by the Authority, the Authority reserves the right to determine that all parties involved in the transfer will not be eligible for participation in the Authority's Tax Credit program.

## **XII) Reservation Procedures**

### **A) Board Approval**

If an Application is selected by Authority staff to receive an award of Tax Credits, it will be considered a conditional approval. Applications that receive conditional approval must meet the requirements set forth below prior to Board consideration. The Authority may rescind conditional approval of Tax Credits if these requirements are not met within six (6) months after conditional approval is received. If an Application fulfills all of the requirements within the prescribed 6-month timeframe, Authority staff may recommend the Project to the Board for approval of a Tax Credit Reservation. Please note that any and all changes to the Project during this time will be subject to the terms and conditions set forth in Section XI.

Authority recommendations for Reservations will be presented to the Board on the third Friday of each month, unless extenuating circumstances exist.

#### **1) Approval of Final Plans and Specifications**

The Authority's Architectural Services department must approve the complete architectural plans and specifications for the Project. The complete plans and specifications must incorporate all mandatory requirements, as well as any scoring sections for which the Project received points.

#### **2) Tenant Selection Plan**

All Owners must submit and receive approval of Attachment XX Tenant Selection Plan.

#### **3) Certification of Consistency with the Consolidated Plan**

All Projects located in sites covered by the Authority's Consolidated Plan must receive a certification of consistency with the Consolidated Plan from the Authority's Office of Housing Coordination Services.

#### **4) Referral and Support Agreement**

All Projects, except SLFs and Supportive Housing Projects, must submit and receive approval of Attachment XX Referral and Support Agreement.

#### **5) Illinois Historic Preservation Agency**

All Projects must receive an approval for the Project from the Preservation Services Division of the Illinois Historic Preservation Agency (IHPA). The Authority will submit all information necessary for IHPA comments for each Project.

#### **6) Acquisition Tax Credits**

An Owner that is applying for acquisition Tax Credits must submit a written opinion from legal counsel that the Project qualifies for acquisition Tax Credits in the amount requested.

#### **7) Phase II Environmental Review**

If applicable to the Project, an Owner must submit a Phase II Environmental Site Assessment and any additional environmental studies required by the findings of the Phase I Environmental Site Assessment.

## **B) Conditional Reservation Letter**

Upon Board approval of a Reservation for a Project, the Authority will issue a Reservation Letter to the Owner stating the following:

- The amount of the Reservation;
- The amount of the Reservation fee;
- The date by which the executed Reservation Letter and Reservation fee must be submitted to the Authority;
- Any conditions that must be satisfied in connection with the Reservation; and
- The date, within six (6) months after Board approval, by which the conditions must be met.

Failure to return the Reservation fee and the executed Reservation Letter by the stated date may result in revocation of the Reservation for the Project.

## **C) Reservation Fee**

The Authority will charge a non-refundable Reservation fee in an amount equal to XX% of the amount of the Reservation for the Project.

## **D) Extensions**

The Authority may extend the time for meeting the conditions set forth in the Reservation Letter. The Owner must submit a written request for an extension of time explaining the necessity of such extension to the Authority. The Authority will require a processing fee in connection with the extension review, as described in Attachment XX.

## **E) Subsidy Layering Review**

If applicable to the Project, the Authority will conduct a subsidy layering review under HUD guidelines for those Projects for which it approves a Reservation, or provides a Determination Letter under Section 42(m). This review must be performed prior to issuance of the Extended Use Agreement and a fee of \$XX will be charged to conduct this review.

## **F) Revocation of Reservation**

Prior to issuing IRS Form(s) 8609, the Authority may revoke a Reservation for a Project under the conditions set forth below, or under such other conditions as may be set forth in the Reservation, the Carryover Allocation Letter, or other appropriate documents. If a Reservation is revoked, the Authority will retain all fees paid to the Authority in conjunction with the Application, the Reservation, the Carryover Allocation, or modification of the Project. The following activities may cause a revocation:

- The Owner modifies the project in any way without prior written approval from the Authority. Such changes include, but are not limited to, changes in the ownership structure of the Project, changes in project characteristics, changes in or loss of financing, or changes in the criteria on which scoring decisions were made.

- The Authority determines that the Owner will fail to meet the Authority's requirements for a Carryover Allocation, including any conditions set forth in the Reservation or the Carryover Allocation Letter.
- The Authority determines that the project will fail to be Placed in Service by the time required by the Carryover Allocation Letter.
- The Owner fails to provide to the Authority all items required for issuance of 8609s in Section XX within six (6) months of Placed in Service.
- The Owner or a Related Party of such Owner is not in compliance with Section 42 in connection with any Project, unless the Authority determines to permit the applicable party to terminate any association with the Project.
- The Owner or a Related Party of such Owner has outstanding compliance violations in connection with any Project that have not been resolved to the Authority's satisfaction.
- The Owner or a Related Party of such Owner is delinquent under any loan or grant made by the Authority in connection with any Authority program and is not in good standing under a workout agreement with the Authority or has not satisfied any other requirements of the Authority in connection with that delinquency.
- The Owner or a Related Party of such Owner has an outstanding expense owed to the Authority in connection with any Authority program.
- The Authority has reason to believe that the Owner has materially misrepresented facts or has provided false information to the Authority in connection with the Project or in connection with any other Authority Program.
- The Owner is bankrupt or in a financial situation that jeopardizes the Project's completion and/or continued operation.
- If the Project received points under the "Non-Profit Organization Participation" scoring category and the non-profit participant withdraws or is removed and is not replaced by another qualified non-profit entity.
- The Authority determines that the Project is unable to proceed.
- Any other action determined by the Authority, at the Authority's sole discretion, that violates any other conditions as may be set forth in the Reservation, the Carryover Allocation Letter or other appropriate documents

### **G) Penalty**

As stated above, if a Reservation is revoked, the Authority will retain all fees paid to the Authority.

### **XIII) Carryover**

A Carryover Allocation is required for Projects that will not be Placed in Service during the year in which a Reservation letter is issued. The Authority shall grant a Carryover Allocation if the Project satisfies the following criteria, and is consistent with other requirements of Section 42 of the Internal Revenue Code. Projects are expected to be Placed in Service no later than the end of the second year following the year in which a Reservation is made.

#### **A) Carryover Letter**

The Authority will prepare a Carryover Allocation Letter evidencing the carry over of the Reservation amount which will contain all conditions necessary to make the Carryover Allocation. The Carryover Allocation Letter will be forwarded to each Owner after receiving Board approval of a Tax Credit Reservation, but not later than November 15, 2010. The Carryover Allocation Letter must be executed and returned to the Authority no later than December 1, 2010, in order for the Carryover Allocation to be valid. A Project approved at the December Board meeting will receive the Carryover Allocation Letter on the day of the Board meeting and will be required to execute the Reservation Letter that day.

#### **B) 10% Test**

Each Owner approved for a Reservation must evidence to the satisfaction of the Authority by November 1, 2011, that more than 10% of the reasonably expected basis in the project (the "10% Test") has been incurred by December 31, 2011. The costs incurred in meeting the 10% Test must be certified by an independent third-party certified public accountant or attorney, in a format specified by the Authority, and meet all applicable Section 42 conditions and requirements.

In addition, Owners approved for a Reservation must provide a status report by [DATE], of their expected Tax Credit basis and percentage to be expended by [DATE]. The status report shall be in a format prescribed by the Authority, include updated site control, and meet all applicable Section 42 conditions and requirements.

#### **C) Request for Extension**

If an Owner is unable to meet the deadlines detailed above, a request for an extension of the deadline for the Carryover Allocation must be submitted to the Authority in writing and must indicate the reason for the extension. The Authority will review extension requests on a case-by-case basis and reserves the right to approve or deny a request for extension.

#### **D) Outstanding Fees**

The Authority will not issue a Carryover Allocation Letter until all outstanding fees owed to the Authority in connection with the Application have been paid. These fees include, but are not limited to, the Reservation fee for the Project and any other fees owed to the Authority in connection with any Authority program including any outstanding debt service payments on other Authority-financed projects.

#### **E) Carryover Allocation Late Fee**

Owners that do not submit Carryover documentation by December 1, 2010, must pay a \$XX late fee. In addition, Owners must pay a supplementary \$XX for each business day from

December 1, 2010, through the date on which the Authority receives all required Carryover Allocation documentation.

## **XIV) Extended Use Agreement**

### **A) Overview**

An Owner must enter into an Extended Use Agreement (“EUA”) with the Authority at initial financial closing for the Project. The EUA shall be binding upon the Owner and all successors to the Owner. The EUA shall set forth, among other things, a Project’s income and occupancy restrictions and any special restrictions under scoring categories and set-asides, as set forth in the Application.

The EUA must be recorded by the Owner **prior to all other documents** evidencing or securing the financing provided in connection with the Project. Recording of the EUA must occur in the office of the Recorder of Deeds in the County where the Project is located as a restrictive covenant on the real estate on which the Project is located.

### **B) EUA Checklist**

The following is the list of all documents which must be submitted and approved by the Authority prior to the issuance of the EUA by the Authority.

- 1) Ownership Structure Certificate
- 2) Building Permit
- 3) Certification of No Changes to Plans and Specifications (Authority form)
- 4) Relocation Plan (if applicable)
- 5) Appraisal (if applicable)
- 6) Form Tenant Lease
- 7) Property Management Agreement
- 8) Certification of Consistency with Consolidated Plan (if Authority issued)
- 9) Owner’s Sworn Statement
- 10) Contractor’s Sworn Statement
- 11) Owner/Contractor, and Subcontractor Agreements, including wage standard used
- 12) Architect’s Certificate (Authority form)
- 13) Fair Housing Certificate (Authority form)
- 14) Compliance Monitoring Agreement
- 15) Final Financing Form (Authority form)
- 16) Executed Copies of Other Lender Financing Documents
- 17) Copy of Owner’s Title Insurance Commitment and Final Policy
- 18) Copy of Recorded Title Exceptions
- 19) Copy of Recorded Deed

- 20) Carryover Allocation Letter (if applicable)
- 21) Owner's Attorney Opinion of Eligibility for Acquisition Tax Credits (if applicable)
- 22) Subsidy Layering Review – (if not done by the Authority)
- 23) IRS Form 990 (if applicable)
- 24) Tenant Ownership Plan (if applicable)

The following documents must be submitted for all appropriate organizations.

1. Organizational Documents for Limited Partnership
  - Certified Copy of Certificate of Limited Partnership (Secretary of State)
  - Certified Copy of Limited Partnership Agreement
  - Original Certificate of Valid Existence / Good Standing (Secretary of State)
2. Organizational Documents for Limited Liability Companies ("LLC")
  - Articles of Organization for LLC
  - Certified Copy of Operating Agreement
  - Original Certificate of Valid Existence / Good Standing
  - Certified Copy of Resolution (Certified by Member of the LLC)
  - Certified Copy of Certificate of Incumbency with Speciman Signatures (Certified by Member of the LLC)
  - Member's Certificate
3. Organizational Documents for Corporations
  - Certified Copy of Articles of Incorporation
  - Certified Copy of By-Laws
  - Original Certificate of Good Standing
  - Certified Copy of Resolution (Certified by Officer of Corporation)
  - Certified Copy of Certificate of Incumbency with Speciman Signatures
  - Officer's Certificate (Certified by Officer of Corporation)
  - IRS Documentation Evidencing Tax Exempt Status (if applicable)
  - Evidence of Not-For-Profit's Status as a CHDO (if applicable)
4. Organizational Documents for Trusts
  - Certified copy of Letter of Direction to Trustee
  - Pay Proceeds Letter
  - Certified Copy of Trust Agreement

## **XV) Issuance of 8609s**

### **A) Requirements**

The Authority will issue IRS Form(s) 8609 to all Projects which are Placed in Service within the time period required under the Code, contingent upon receipt and approval of the following documents:

- 1) Owner notification to the Authority when a Project has been Placed in Service;
- 2) Owner's Certification, in a format specified by the Authority;
- 3) An independent third-party certified public accountant's opinion in a format specified by the Authority, based on such accountant's audit of the Project that certifies to the total Project costs, total eligible basis, and all sources of financing used for the Project;
- 4) A certificate(s) of occupancy from the municipality in which the Project is located. If the Project was previously occupied, other information in form and substance acceptable to the Authority that demonstrates that the Project has been placed in service;
- 5) Certification of 50% Test (for tax exempt bond transactions);
- 6) Color photographs of each building(s) in the completed Project; and
- 7) Any other documents that the Authority may require to determine the amount of Tax Credits to be allocated to the Project and the Project's conformance with the requirements of Section 42 and the QAP, including any scoring sections where points were received.

The Authority will review all submitted documentation and conduct a final financial analysis based on such documentation. When the review and analysis are complete, the Authority will send form(s) 8609 to the Owner, per IRS guidelines.

The Authority will notify the IRS once a year of 8609s issued by both the Authority and the City of Chicago by filing a form 8610. This notification must be postmarked by February 28. It is the Authority's policy to not issue form(s) 8609 for Projects with multiple buildings until all of the buildings in the Project have been placed in service. The Authority may suspend this policy under extenuating circumstances.

### **B) Deadlines**

Owners receiving a Reservation during 2010 that will be placed in service during the 2010 calendar year must provide all required documentation to the Authority no later than November 1, 2010.

Owners receiving a Reservation during 2010 that will be placed in service after the end of the 2010 calendar year and have been issued a Carryover Allocation Letter by the Authority must submit all required documentation to the Authority no later than June 30 of the year following the deadline to Place in Service.

## **C) Penalties**

### **1) Late Fee**

Owners that do not meet the deadlines set forth above must pay a \$XX late fee. In addition, Owners must pay a supplementary \$XX for each month from the deadline date through the date on which the Authority receives all required documentation.

All fees assessed by the Authority must be paid prior to Authority issuance of 8609s.

### **2) Filing of Non-Agency Approved 8609 with the IRS**

If the Authority becomes aware that an Owner has filed an 8609 with the IRS in advance of the Owner's receipt of the Authority signed version of the approved 8609, or if the Owner electronically files an 8609 with the IRS which does not accurately reflect the information contained on the Authority-signed version of the approved 8609, the Authority will file an 8823 Notice of Non-Compliance with the IRS. This applies to Tax Credits issued by the Authority, suballocators, and in conjunction with tax-exempt bonds. In addition, Owners may also be penalized in future funding rounds in the "Unacceptable Practices" scoring category.

## **D) Cannot Meet Placed in Service Deadline**

Prior to issuance of any form 8609(s), all Projects must be Placed in Service within the time period required under the Code.

If an Owner believes that a Project may not meet this requirement, the Owner must submit written documentation to the Authority demonstrating all of the following:

- Clear and convincing evidence of all efforts to meet the Placed in Service deadline;
- The specific circumstances causing the delay; and
- All attempted remedial measures taken by the Owner in order to mitigate the delay.

The Authority may, based upon documentation submitted by the Owner, make a determination that the failure to place such Project in service is due to circumstances beyond the Owner's control.

If the Authority makes such a determination, the Authority may revoke the Reservation without penalty to the Owner. In turn, the Project may also be given first priority for either a Reservation in the current year or a Forward Reservation for an Allocation in the following calendar year. Any such priority will be conditioned on a determination by the Authority that the Project continues to be desirable in terms of meeting the affordable housing needs of the State, and such other terms and conditions as the Authority determines appropriate under the circumstances. Any Reservation or Forward Reservation will be subject to all conditions of Reservations under Section XX, including reservation fee.

The Authority expects that Reservations and Forward Reservations under this subsection will be rare.

**E) Election of Tax Credit Rate**

The applicable percentage shall be nine percent (9%) for any non-federally-subsidized building, as defined in Section 42, which is Placed in Service after July 30, 2008, and before December 31, 2013.

## **XVI) Increase Requests**

### **A) Overview**

The Authority will review requests for an increase of a Project's Tax Credit Allocation on a case-by-case basis. The Authority will grant an increase only when such an increase is necessary to make a Project financially feasible, and then only in extenuating circumstances, which must be documented to the satisfaction of the Authority.

Generally, the Authority will provide an increase only for unforeseeable increases in the costs of the Project. If a request for an increase calls into question the accuracy of the Owner's original Application and documentation, or any related documentation subsequently submitted, the Authority reserves the right to modify or revoke the Project's Reservation or Allocation.

In determining a Project's qualification for an increase, the Authority will closely examine the revised Project budget to ensure that additional Tax Credits are not used to cover increases in the developer fee. An Owner must defer a substantial portion of the Project's developer fee prior to requesting an increase. Except for unusual circumstances, the portion of the developer fee deferred at the time of the Board's initial approval of a Reservation will not be reduced, but may be increased.

If the Reservation Letter for the Project contains conditions, the Authority will not grant an increase until those conditions have been met to the Authority's satisfaction.

The Authority will approve only one (1) increase per Project.

### **B) Timing**

The Authority will accept a request for an increase in Tax Credits at any time after it has issued a Reservation Letter for the Project, but no later than the end of the calendar year during which the Project is or will be Placed in Service. Tax Credits cannot be allocated for any building in a Project that has been Placed in Service during a calendar year preceding the year in which the increase request is made.

### **C) Required Submissions**

For increase requests, the Owner must submit all of the following:

- 1) An updated Application;
- 2) A narrative detailing the reasons for the request and identifying the additional cost items specifically;
- 3) A letter from an independent, third-party certified public accountant stating that he/she has reviewed the revised Project budget, giving the amounts of the revised total eligible basis and total Project cost; and
- 4) The initial and most recent owner's and general contractor's sworn statements.

## **XVII) 4% Determination Letter Requests**

Pursuant to Section 42 (h)(4), Projects to be financed with the proceeds of tax-exempt bonds are not required to receive a Reservation from the Authority Credit Ceiling. Rather, Owners of such Projects may apply to the Authority for a Determination Letter. The Application for a Determination Letter is exclusive of a request for an allocation of the Authority's volume cap.

### **A) Application Process and Fee**

The Authority will accept Applications for a Determination Letter for Projects to be financed with the proceeds of tax-exempt bonds, whether or not the Authority is the issuer of such bonds, at any time during calendar year 2010.

Owners requesting a Determination Letter from the Authority must submit to the Authority an applicable Application fee as outlined in Attachment XX.

### **B) Application Documentation**

Any Determination Letter request must be in compliance with Section 42 and all sections of this QAP with the exception of Section VII Preliminary Application, Section IX Scoring, Section XII Reservation Procedures, and Section XIII Carryover Allocation.

Owners requesting a Determination Letter from the Authority must submit to the Authority a complete Application with all required documentation (which includes, but is not limited to: Site and Market Study, Physical Needs Assessment, Phase I, and Relocation Plan).

The Authority will not begin processing any requests for a Determination Letter prior to the submission of a complete Application.

### **C) Determination Letter and Fee**

If the Authority determines that Project conforms to all the applicable sections of the QAP, the Authority will notify the Owner in a draft Determination Letter. The Determination Letter will outline the conditions that must be satisfied prior to execution of the Determination Letter including payment of the non-refundable determination fee of 6.5% of the estimated annual Tax Credit amount. The non-refundable determination fee will be due within six (6) months of the draft Determination Letter and must be paid in full prior to the Authority's execution of a Determination Letter.

Executed Determination Letters will expire one (1) year from their date of issuance.

If a Project qualifies for additional Tax Credits above the amount in the Determination Letter, based on the final cost certification, the Owner must pay to the Authority an additional fee equal to XX% of the additional annual Tax Credit amount allocated.

### **D) Issuance of 8609**

The Authority will issue form(s) 8609 for projects that qualify under Section 42(h)(4) of the Code once all of the conditions set forth in the Determination Letter have been met to the satisfaction of the Authority.

## **XVIII) Compliance Monitoring Procedures**

### **A) Overview**

The monitoring and reporting requirements referenced in this section apply to all Projects allocated Tax Credits, regardless of the date of Allocation. In addition, the Authority's specific monitoring and reporting requirements are subject to change for a variety of reasons. Therefore, Owners are encouraged to contact the Authority regarding these issues when an Allocation is made.

Section 42(m)(1)(B) requires that the Authority establish procedures for monitoring Projects for noncompliance with the provisions of Section 42 and reporting to the IRS any noncompliance found by the Authority. The Authority's obligation to monitor Projects for compliance with the requirements of Section 42 does not make the Authority liable for an Owner's noncompliance nor does the Authority's failure to discover any noncompliance excuse such noncompliance. Furthermore, the Authority makes no representations or warranties in connection with any written or oral advice given by its staff to an Owner regarding compliance with Section 42 and the applicable Treasury regulations, rulings and issuances. The IRS is responsible for the proper interpretation and application of such rules. The Authority's monitoring activities include, but are not limited to, the following:

- Review of the Owner's annual certification regarding compliance with Section 42 requirements;
- Review of the Owner's tenant certification/recertification forms, accompanied by supporting documentation; and
- Periodic review of the physical condition of the Project

### **B) Compliance Reference Guide**

The Authority's monitoring procedures and reporting requirements are set forth in greater detail in the "Low Income Housing Tax Credit Compliance Reference Guide," a copy of which is available on the Authority web site [www.ihda.org](http://www.ihda.org), and upon request. Please direct requests to: Technical Services Department, Illinois Housing Development Authority, 401 North Michigan Ave., Suite 700, Chicago, Illinois 60611, Phone 312/836-5239.

### **C) Compliance with the Fair Housing Act**

Owners are advised that compliance with the Section 42 general public use requirement for Projects requires compliance with the Fair Housing Act. An Owner's failure to comply the Fair Housing Act will constitute noncompliance with the Section 42 general public use requirement, and IHDA will report such noncompliance to the IRS.

### **D) Compliance Monitoring Fee**

The Authority charges an ongoing annual compliance monitoring fee associated with compliance monitoring. The current monitoring fees are listed in Attachment XX and are subject to change.