

2010 Draft QAP Public Comments Questions and Answers

General Comments

"Can the QAP be made simpler, more streamlined, with fewer categories and fewer restrictions?"

The following requirements have been removed from the mandatory section:

- The income to expense ratio has been removed from the financial feasibility section
- 10% of the units for 30% AMI Supportive Housing Populations has been moved to the scoring section

The following requirements have been changed within the mandatory financial feasibility section:

- The per unit development cost limits will only apply to hard construction costs, excluding land acquisition
- 75% of construction contingency will be included in a project's calculation of eligible basis
- Vacancy rates will be underwritten at 6% for elderly, 8% for non-elderly, 10% for SLF, and 10% for Supportive Housing Projects

"Will IHDA publish the standards for physical inspections and management reviews?"

The Authority's Asset Management will consider this as they upgrade their systems and policies.

"Can IHDA combine their compliance auditing efforts with the City of Chicago to reduce staff time and duplication of paperwork?"

The Authority and the City of Chicago have separate allocation processes and procedures, and therefore, auditing efforts are separate.

"Will IHDA allow developers some latitude in developing sites in improved socio-economic areas (where sites have become less expensive) which are more difficult to develop as affordable housing?"

The AHPAA set-aside encourages development in areas where affordable housing is difficult to develop.

"Can IHDA alert developers if they did not meet any mandatory requirements or anticipated points and provide developers 5 days to clarify or address any outstanding items?"

Points of clarification are often necessary and helpful in the Authority's review process. However, the opportunity to correct a deficient mandatory requirement is contrary to the competitive process.

Definitions

"The "Identity of Interest" definition is overly broad in view of the fee limitation imposed by the Authority."

"There should be a clear exclusion from the Identity of Interest limitation when a developer buys the property from an unrelated third party and sells the property to the partnership at cost (including carrying costs)."

2010 Draft QAP Public Comments Questions and Answers

When there is an identity of interest between the buyer and the seller, the developer fee calculation is limited to 5% of acquisition costs. When there is an identity of interest between the owner and general contractor, the developer fee is reduced by the contractor's overhead.

Tax Credit Information

"Will IHDA have the freedom to waive the maximum 8% of the Credit Ceiling limit per project?"

"Projects meeting IHDA's housing policy goals and objects should be eligible for the boost."

"Projects located in non-metro areas with depressed rental markets should be eligible for the boost."

"Preservation projects should be eligible for the boost."

"Projects that meet at least one of the Governors Affordable Housing Task Force priorities should be eligible for the boost."

The Authority reserves the right to waive this requirement.

Projects located in a QCT, AHPAA Projects, 2010 Illinois Disaster Tax Credit Projects and Supportive Housing Projects are eligible to apply for the boost. The boost may be awarded to a Project anytime after Application at the Authority's discretion. The boost is an unfunded mandate and therefore applying the boost to more Projects means that fewer Projects will be allocated Tax Credits.

Set-Asides

"Can the QAP contain two set-asides, one for special needs/supportive housing and one for non-special needs/supportive housing?"

The special needs set-aside was undersubscribed in the 2008-2009 QAP.

"There should be some set asides by type of project."

"IHDA is encouraged to restore the preservation set-aside."

Project types, including supportive housing and preservation are incentivized through the scoring categories.

"How does the non-Metro set-aside compare with the historical award of tax credits in the non-Metro areas?"

The non-Metro set-aside exceeds the previous annual average allocation to non-Metro projects and is closer to a per-capita distribution.

"The City of Chicago set-aside should be increased by \$2-\$3 Million."

"The CHA set-aside should be increased back to \$3 Million."

"The Other-Metro set-aside should be increased."

The Chicago Housing Authority set-aside will be increased to \$2.5 Million.

"The Other-Metro set-aside should be prioritized over the Non-Metro set aside in the waterfall re-allocation provision."

2010 Draft QAP Public Comments Questions and Answers

Tax Credits will be re-allocated from undersubscribed geographic regions such that only the next highest scoring Project within each set-aside will be funded before moving the remaining credits to the next set-aside in order to fund the next highest scoring Project in that set-aside and so on. The order of the waterfall will remain the same.

"The QAP favors development in metropolitan areas thru such initiatives as "live near work" and "transit oriented developments" and "AHPAA" communities."

Through the geographic set-aside, Non-Metro Projects will not compete with Chicago Metro and Other Metro Projects.

"Feasible projects in rural and suburban areas may be limited due to obstacles such as restrictive zoning, lack of available land and lack of support."

The QAP cannot address local issues like site control, appropriate zoning and local support which vary from community to community. However, Projects that do not include a letter of local support may apply with the conditions listed in the requirements section.

"Disaster tax credit projects should be allowed to request other IHDA financing because this will allow IHDA to allocate fewer credits to each project and fund more projects in total."

2010 Disaster Tax Credits cannot be exchanged for 2011 Tax Credits, therefore Authority debt is at risk if Disaster Tax Credit Projects do not meet the Placed In Service requirement.

Preliminary Application

"Consider allowing CHA applicants a one step application process as opposed to meeting the preliminary application requirements."

The Preliminary Application requirements are minimal and will apply to all applicants.

"The preliminary application should be held earlier. When will IHDA notify applicants? How much time will pass between preliminary approval and full application submission?"

In future rounds, the timeframes will be adjusted to accommodate development schedules.

"IHDA should require site control in the preliminary application."

The Preliminary Application will require site control.

**"A preliminary budget should be included in the preliminary application."
"IHDA should give feedback on mandatory and scoring requirements during the preliminary application process."
"Projects should be evaluated in the preliminary application process to determine if other IHDA resources will be made available to the project."**

The Preliminary Application review is a review of the site and market *only*.

"There should be a face to face meeting on applications being denied to discuss any issues, instead of an outright denial."

2010 Draft QAP Public Comments Questions and Answers

Applicants will have one week to provide a response to the results, if desired. The Authority will then review the response and make any adjustments deemed necessary and appropriate.

"The development team should be able to meet with IHDA staff for the site visit."

The Development team may be present and Authority staff may choose to meet with the development team at the site visit, if necessary.

"IHDA should clarify how it intends to measure market demand."

Technical services staff will evaluate the market based on their knowledge and experience with affordable developments in the area.

"IHDA should clarify what constitutes grounds for denial at this stage."

Projects with inappropriate site and market conditions and determined by Authority staff will be grounds for denial.

"The QAP should outline how much IHDA financing is available for projects to request."

The QAP has been updated to include the HOME and Trust Fund limits in financial feasibility standards.

"IHDA should publish all the approved and rejected preliminary applications on their website."

The Authority will *not* publish a list of preliminary applicants. The Authority will publish a listing of full applications received.

"The preliminary application threshold should be raised to encourage serious applications only."

Site control has been included as an additional requirement in the Preliminary Application.

Mandatory Requirements-Zoning

"The PUD process has been expanded in nearly every municipality. Developers should be rewarded for acquiring land in hard to develop suburbs."

Projects in AHPAA communities are incentivized in the set-asides.

"If attorney zoning letters are not permitted for Chicago, could IHDA pave the way through communication with City Zoning to let them know they will get lots of requests for letters and that the letters should say x and y? City Zoning needs to hear this directly from IHDA or another City agency, not from the developers."

The Authority will discuss with City Zoning staff.

Mandatory Requirements-Sit Environmental Information

2010 Draft QAP Public Comments Questions and Answers

"The requirement to include a Phase I that will need updating prior to closing is excessive in light of the fact that the environmental checklist already identifies issues raised in the report."

The Authority has seen environmental issues identified late in the approval process resulting in financially infeasible Projects. The environmental checklist will be completed by the Owner for the Preliminary Application while a phase I environmental assessment will be completed by a third party professional firm.

Mandatory Requirements-Required Project Amenities

"IHDA is commended for requiring community/multi-purpose rooms, this will encourage community engagement."

"Tot lots should not be required for all family projects because the insurance coverage may be prohibitive."

"For single family projects, rear yard fencing should be accepted instead of full perimeter fencing."

"The amenities in the draft QAP may not be what is needed for the location, type of property, or target population. The requirement of including these amenities will also impact costs and feasibility."

The Project amenities list comes from a collection of best-practices from HFA's around the country. Applicants can request an exemption or substitution of Project amenities in the Preliminary Application if they are unable to meet the listed requirements.

"IHDA should allow a waiver of the laundry requirements under the state plumbing code or allow hook-ups to be considered as meeting the laundry requirement."

"Many developers contract out providing washers and driers. The cost of providing too many washers and driers means that laundry income will be offset as a result."

Laundry requirements in the QAP have been changed to *one* washer for every *six* apartments, with *one* dryer for every *two* washers or washer and dryers installed and maintained in every unit. The provision of washer/dryer hook-ups will not fulfill this requirement.

Mandatory Requirements-Green Design Requirements

"It is too early to have a landscape plan drawn up, at application. Who on IHDA staff is expert enough to comment on the type of landscape matching the native vegetation? Also, a lack of turf (green grass) will make developments have less curb appeal."

The QAP does not ask for a landscape plan at Application, only certification that one will be provided later that will meet the requirements of the QAP.

Mandatory Requirements-Cost Certification

"Developers need to submit a third party cost certification if there is "an affiliation" between the owner and general contractor. What is an affiliation?"

Affiliation has been replaced with "Identity of Interest" (a defined term) in the QAP.

Mandatory Requirements-Market Analysis

2010 Draft QAP Public Comments Questions and Answers

"It seems early to submit an "Affirmative Fair Housing Marketing Plan" at application."

It may be early, but the plan is not burdensome and can be revised as needed.

Mandatory Requirements - Appropriate Development Team

"IHDA should offer an incentive program to property managers to reach above average ratings on management inspections by discounting the rates on compliance fees."

The Authority has determined that it is not necessary to incentivize ratings on management inspections at this time.

"IHDA should not require experience developing affordable housing (specifically) if a developer has experience developing market-rate housing and has the proper support from a consultant and property manager."

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

"IHDA should not require audited financial statements. Typically, the ownership entity has just been formed and many small developers do not have audited financial statements."

The audited financial statements are not required for the Owner, but its principals, members and/or sponsors.

"The "Unacceptable Practices" category is written too broadly-- what about projects where the team member has no control over the unacceptable practice described?"

"Unacceptable Practices should pertain to the GP/Owner or limit the negative to something over which the team member had control i.e. "for an issue directly controlled by the Participant.""

"The "Unacceptable Practices" are punitive. What if a lien or claim has been filed unjustly?"

"Allow for flexibility and reasonableness related to unacceptable practices."

A Participant *may* not meet the Authority's mandatory requirements if an unacceptable practice has occurred. Each Participant has the opportunity to submit a detailed explanation of any unacceptable practice in the "Development Experience Certification" form.

"IHDA should not require the ownership entities to be formed at the application stage. It can easily be done prior to Board and will avoid unnecessary costs and the formation of organizations that are never used."

The Authority will consider this for the 2011 QAP.

"IHDA should give development team members formal feedback if they engage in unacceptable practices similar to the HUD 2530 system. This will allow developers to know up front if they will meet mandatory or lost points in the scoring process."

2010 Draft QAP Public Comments Questions and Answers

The Authority is currently working on a debarment policy for next year that will allow developers to know if they will not meet the mandatory requirements.

Mandatory Requirements - Policy Objective: Supportive Housing

"Requiring 10% of units at 30% AMI will make it very difficult for smaller, rural projects to be financially feasible. This requirement will have financial consequences by lowering operating income, and lowers the debt a project can support. This will also impair an investor's participation in the project."

"Requiring 10% of units at 30% AMI could be the tipping point for communities that are reluctant to support any affordable housing project at all."

"Developers may not have established relationships with referral agencies and don't know how these relationships will affect the management or operating expenses. Everyone should be more seasoned with integrating this population before it is required."

"Revise the definitions of supporting housing. Expand it or develop a special needs definition that is more inclusionary."

"Please confirmation that public housing residents will satisfy this requirement under the QAP."

"IHDA is encouraged and applauded for mandating 10% of the units in each project for supportive housing. If IHDA decides to change this, then please add additional points for projects that include these units."

"Strongly support this goal and believe it will also create more of the more of the most affordable units in opportunity areas."

"The 10% requirement will make it more difficult to find tax credit investors. Not every development worth funding is well-suited for supportive housing. Not every developer is skilled at supportive housing. We are concerned that tenants who need supportive services will receive poor assistance because their services are off-site."

"We advocate for a set-aside for supportive housing instead of requiring it in each development. We advocate for the use of the Rental Housing Support Program (and Long Term Operating Support) for these units. In other states that require supportive housing there is a dedicated funding stream to underwrite the lower rents."

This requirement will be removed from the mandatory section of the QAP and moved to a scoring category.

Mandatory Requirements - Financial Feasibility Overall Limits

"Deferring 25% of the developer fee AND reducing the developer fee if there is an identity of interest will discourage experienced development teams. Currently the investor industry is forcing developers to add partners in order to provide the economic guarantees that investor's demand. How does losing developer fee make for a better development?"

"Please eliminate the mandatory deferral of 25% of developer fee. Any deferred developer fee reduces net operating income available for conventional debt."

"The requirement to defer 25% of developer fee is objectionable. Why not increase the developer fee to 15% and require a 20% deferral. With this approach the developer would obtain more tax credits and have the wherewithal to provide the deferral. Developers have had a difficult two years, they need encouragement not discouragement."

2010 Draft QAP Public Comments Questions and Answers

"Including the consultant's fee in the developer fee deferral will serve as a disincentive to developers seeking competent help. The deferral should only apply to the realized portion of the developer fee."

All applicants must reflect a deferred developer fee as a financing source. At a minimum the deferred fee must be the lesser of 25% of the developer fee or 75% of cash flow *after* debt service. The scoring category for a reduced developer fee has been eliminated.

"The development cost grid is too low. These costs should only reflect hard costs and architectural fees."

"IHDA should allow a side by side construction cost comparison that will break out all of the special features (amenities included for points, green design) and give the cost of the bare bones development. This will allow projects to demonstrate that they meet the development cost limits even if they have additional costly amenities."

The per unit development cost limits in the QAP have been updated to be based on a Project's hard construction costs, excluding land acquisition. In the event a Project's hard construction costs exceed these limits, the Authority will evaluate the costs for reasonableness taking into consideration the project type, location, and scope of work.

"DSCR, Expense to Income Ratio and Cash Flow after Debt Service requirements are overkill and are all related to one another."

"This expense to income ratio seems infeasible and superfluous to projects that are already restricted by the vacancy rates, trending, and DCRs. The only projects that can meet this are SLFs or projects targeting higher income households/rents."

"We reviewed 7 IHDA-approved projects we have worked on in the past year and the EIR was 72-88%. Almost all rural projects (which have very low rents) have a ratio greater than 80%."

This category has been removed from the QAP.

Mandatory Requirements - Financial Feasibility Project Income

"Will the 95% limit on rents apply to subsidized rents?"

No, a rental assistance contract may pay a rent in excess of the unit rent limit.

Mandatory Requirements - Financial Feasibility Reserves

"Replacement reserves are being raised higher than the amount required by syndicators. Can the Authority provide data detailing the shortage of these funds in recent tax credit developments?"

In the Authority's experience with recent tax credit developments, replacement reserves are needed at the higher level.

Mandatory Requirements - Financial Feasibility Operating Expenses

"SLFS in Chicago have annual operating expenses of \$22,000."

"The elderly per unit operating expenses maximum is too restrictive for projects that pay for tenants' utilities."

"Operating expenses for elderly deals in Chicago suburbs have been \$4500/unit, excluding replacement reserves which is higher than \$4400 in QAP. Underwriting

2010 Draft QAP Public Comments Questions and Answers

projects without sufficient operating expenses has been a major contributor to project failures."

"Thanks for allowing a higher level of operating expenses for supportive housing."

Ranges are from actual Authority asset management reported values, excluding taxes and reserves. Applicants can substantiate a deviation if necessary.

Mandatory Requirements - Financial Feasibility Trending Factors

"Unless PILOT is in place, the 5% taxes trending will wreck the financial underwriting for most projects. What is the basis for this? Most syndicators use 2% or 3%."

Trending real estate taxes at 5% is based on actual property tax trends in Illinois. In the Authority's experience, most syndicators trend real estate taxes at a level greater than 3%.

"The 10% vacancy underwriting assumption will make it very difficult for rural developments to be financially feasible. Can the Authority provide data to support this need?"

"The 10% and 12% vacancy rates for non-elderly and SLF developments are too high. IHDA should return to the 7% vacancy rate which is more in line with syndicators requirements."

"Will units benefitting from project-based assistance be allowed to have lower vacancy rates?"

The vacancy rates will be changed to 6% for Elderly projects, 8% for Non-Elderly projects, 10% for SLF and 10% for Supportive Housing Projects. The Authority will review and determine the suitability of any other vacancy rates on a case-by-case basis. 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.

Mandatory Requirements - Financial Feasibility Evidence of Project Financing

"It would be helpful to have clarity about what type of adjustments to fixed interest rates are allowed."

Financing commitment letters must outline proposed rates as well as any terms and conditions regarding adjustments. The financial feasibility review will examine the implications of interest rate and rate adjustments to the Project.

Mandatory Requirements - Financial Feasibility Construction Contingency

"Eliminating construction contingency from the tax credit calculation will mean shortfalls. The alternative would be to include a percentage of the contingency in the tax credit calculation instead of eliminating it."

"Please include a minimum 5% of construction contingency in a project's calculation of tax credit eligible basis. This would match the City of Chicago's underwriting."

Seventy-Five percent (75%) of construction contingency may be included in a Project's calculation of Tax Credit eligible basis.

Mandatory Requirements - Readiness to Proceed

2010 Draft QAP Public Comments Questions and Answers

"This section states that 10% test must be met within 6 months of carryover allocation (instead of 12 months as allowed by fed law or instead of 11/1/2011 as stated on page 75 (XIII B). In the current equity and financing market, it is at risk to be able to close a transaction within six months of carryover. We request that IHDA continue to use the 11/1/2011 date as stated on page 75."

The 10% test must be met by November 1, 2011. The "Readiness to Proceed" requirement solicits information on the timeframe for meeting the 10% test.

Scoring Categories - Development Amenities

"IHDA should give more weight to items with bigger impact or that cost more."

"Some amenities are not appropriate for a given site or project, and they could be just useless amenity, i.e. mid-rise won't have screen doors for each unit, urban projects won't have walking trails, minimum size of garden plots is unrealistic for an urban project,

does every senior building need shuffleboard? equipped sports court not appropriate for senior building, hair salons and convenience stores not needed if project is close to these amenities."

"Does covered drop-off necessitate a drive? Or is a walk-up covering sufficient?"

The amenity list is purposely flexible to allow Owners to incorporate appropriate amenities for the location and population.

Scoring Categories - Green Initiatives

"It is recommended that the Authority utilize the DCEO energy efficient affordable housing construction program guidelines."

"It is recommended that the Authority utilize the "National Association of Home Builder" (NAHB) standards for Green Home Ratings."

The QAP will be amended to include the Enterprise Green Communities Certification, LEED for Homes Certification, ICC 700-2008 National Green Building Standard Certification and NAHB Model Green Home Building Guidelines Certifications.

Scoring Categories - Enhanced Accessibility

"Enhanced accessibility is best met by special needs housing."

Enhanced accessibility is an optional scoring category.

Scoring Categories - Large Units

"Elderly projects are unfairly disadvantaged by the Large Units scoring category. IHDA should offset it with a senior-specific scoring category or allow senior projects to be eligible for increased points under the Development Amenities category."

Not all scoring categories apply to each Project type. The disadvantage is 6 points out of 257.

2010 Draft QAP Public Comments Questions and Answers

"How is a development with three unit types better than a development with two unit types? Why would the Authority force developments to have three bedroom units for seniors?"

A greater unit mix provides greater leasing flexibility over the long term life of the Project. The scoring category is optional and does not require a unit mix that is not reasonable based upon the population that will be served.

Scoring Categories - Site Suitability and Marketability

"It is considered undesirable for a project to be located next to a manufacturing plant yet points are awarded for "Live Near Work".

The Authority has an expectation that manufacturing plants and housing will be situated more than 1/4 of a mile from one another. The proximity for an undesirable activity is 1/4 mile while the proximity for "Live Near Work" is the entire county.

Scoring Categories - Community Impact

"This category has little or no impact on producing quality affordable housing. Not many municipalities are engaging in the development of revitalization or redevelopment plans right now. Let each municipality decide if the site provides community impact as opposed to some old plan that was approved by the city council years ago."

The Authority wishes to incentivize projects in municipalities that have adopted growth and development plans.

Scoring Categories - Income Targeting

"The only developments that will score are receiving rental assistance. This gives an advantage to projects that are already receiving federal or state funding."

"Why would a development with fewer income-restricted units be encouraged? This is not supported by tax credit investors."

"IHDA is applauded for awarding points for deeper targeting of extremely low income units (30% AMI)."

"Units should be allowed to exceed 30% AMI rents when subsidized as long as the tenant portion does not exceed the 30% AMI maximum."

This scoring category has been removed.

Scoring Categories - Minority, or Female or Persons with Disabilities Owned Businesses

"How does promoting minority owned business or female owned business or disabilities owned business participation improve the delivery of affordable housing? IHDA already has a mandate to use prevailing wage contractors."

"IHDA should allow a sliding scale of points for subcontractors and other minor development team participants. The current system penalizes vertically-integrated companies that aren't MBE/WBE or Disabilities-Owned Businesses."

2010 Draft QAP Public Comments Questions and Answers

Promoting minority, female, and persons with disabilities owned business participation is a legitimate public goal that the Authority is pleased to promote.

"Is there a minimum level of participation based on cost for architect, consultants, attorney and accountants?"

The Participant(s) must provide the full scope of services to the project.

Scoring Category - Non-Profit Participation

"A non-profit owner can generate 15 points, but will not be able to provide the necessary economic guarantees required by the tax credit investor."

"Requiring non-profit partners to receive a commensurate distribution of financial benefits in a 51%/49% partnership will discourage partnerships between non-profits and for-profits. The for-profit partner should not be penalized for seeking a larger share of the developer fee since the for-profit partner generally shoulders the majority of the financial risk."

"Split in financial benefits should match the financial risk with, perhaps, a floor of 20% benefits. 51% benefits is too high for for-profits to want to do a joint venture."

"Only large well funded non profits can participate as they must meet the financial guarantees of syndicators."

"We support non profits having a "commensurate distribution of financial benefits as evidenced in the operating agreement."

"IHDA is thanked for awarding points to Non-Profits, this will help providers that serve special needs populations compete with more traditional developers."

"In the case of permanent supportive housing, we find it imperative to seek a service provider who can also be a 15-25% owner. This binds them service provider to the project and greatly improves delivery of services. NFPs are not willing to take a larger percentage of ownership because they are not able to carry the risk."

The QAP has been amended to read: in order to qualify for 15 points in this category, the non-profit must have an ownership interest of 26% or greater in the general partner or member of the Owner that includes a commensurate distribution of financial benefits as evidenced in the operating agreement. To qualify for 5 points in this category, the non-profit must have an ownership interest between 15% and 25% in the general partner or member of the Owner that includes a commensurate distribution of financial benefits as evidenced in the operating agreement.

Scoring Category - Unacceptable Practices

"How does an owner become aware of unacceptable practices? What is considered "unsatisfactory"? IHDA should notify development team members if they engage in an unacceptable practice."

"Negative scoring should only be applied to documented non-compliance or material failure."

The Authority will only evaluate unacceptable practices that have been documented and are contained in the unacceptable practices list.

"Does this pertain to all that are defined as Participants in definition? If so, then presumably an architect, marketing firm, lawyer, accountant, and PNA firm may be

2010 Draft QAP Public Comments Questions and Answers

denied for things that they had no input in the failure of, or even be aware of. The definition or the entity that fails needs to be re-worded."

The QAP has been amended to read: When evaluating unacceptable practices, the Authority will consider the role of Participants relative to the unacceptable practice and the proposed role of the Participant in the Project, and may conclude that Participant's role has no relevance to the unacceptable practice.

Scoring Category - Financial Characteristics

"IHDA should add a scoring category that will incentivize developers to lower their construction costs."

The mandatory requirements in the QAP limit construction costs.

Scoring Category - Rental Assistance

"Projects are rewarded for project-based rental assistance, but then they will need less tax credit support. Most rental assistance is associated with existing developments. This gives acquisition/rehab projects a scoring advantage. Furthermore, HUD has long favored tenant based vouchers so tenants can choose their housings. IHDA's points for project based housing go against the national goal."

Project-based rental assistance improves Project operations and the Authority seeks to help preserve this scarce resource for the State.

Scoring Category - Real Estate Tax Abatement

"The Real Estate Tax Abatement category favors developments in counties that provide tax abatements for affordable housing like Cook County. This category is also a timing issue. Move to financial leveraging to readjust points."

Real estate tax abatements improve Project operations.

"Would a municipality refunding project-generated TIF funds to a project count as partial abatement under the real estate tax abatement scoring category?"

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 submit documentation evidencing a current real estate tax abatement or a commitment to a real estate tax abatement. The Application must demonstrate that the TIF funds result in a reduction of the real estate taxes for the Project.

Scoring Category - Financial Leveraging

"The financial leveraging percentage is too high."

For a \$5 Million Project, points will be awarded for \$250,000 of non-IHDA resources.

Scoring Category - Reduced Soft Costs

2010 Draft QAP Public Comments Questions and Answers

"The QAP supports increased architecture and design features yet encourages a lowering of soft costs. Also, IHDA dictates many of the soft costs by requiring the use of IHDA approved vendors, approving marketing budgets, limited architects fees. What soft costs is IHDA attempting to lower? Legal fees? Title charges? Does IHDA think developers are attempting to have these fees higher than necessary?"

"Combination of low costs and requiring 25% deferral makes Illinois a less attractive place to do TC deals. If all these categories are truly important to IHDA, why not on soft costs, say 4 points for 15-17.5%, 6 points for 12.5-15% and 8 points for 10-12.5%?"

The Authority has experienced a sharp upward trend in soft costs. In order to attempt to limit the need for Authority resources, the Authority will incentivize reduced soft costs thru this scoring section.

"Since consultant's fees are deducted from developer's fee, they should be excluded from soft costs like the developer fee is."

Soft costs will be determined as follows: The total development budget less acquisition costs, construction costs, construction contingency, reserves, construction period interest, consultant fee, and developer fee.

Scoring Category - Reduced Developer Fee

"Allocating points for voluntarily reducing the developer fee while also requiring a 25 deferral is punitive for for-profit developers."

"We object to this scoring item (reducing the developer fee) as many of our clients are non-profits who largely depend on developer fees to pay for their operations; this category encourages non-profits to cannibalize themselves in order to get a project approved. This works against the financial stability of the project and the project sponsors."

"Suggestion that if a developer elects to score points by reducing the developer fee to 10% or 8% of development costs, IHDA waive its requirement that 25% of the fee be deferred."

This scoring category has been removed.

Scoring Category - Housing Policy Goals and Objectives

"An additional scoring category for SLFs should be added equal to the Supportive Housing, as SLFs will not be competitive due to the services required for this population."

"SLFs are disadvantaged in the scoring categories. SLFs developed without tax credits are low quality buildings in poor locations."

The QAP has been amended to include an additional scoring category for SLFs that commit to set aside 10% or more of their units for Extremely Low Income households (at or below 30% of Area Median Income).

Scoring Category - Supportive Housing

"Inexperienced developers may try to include 50% supportive housing units in their project in order to be competitive even though they are not equipped to deliver and

2010 Draft QAP Public Comments Questions and Answers

maintain these units. IHDA should consider a sliding scale of greater than 10% but less than 50% supportive housing units for points in this category."

The development team will be evaluated in the mandatory section to ensure experienced development teams take on Projects that will be successful.

"IHDA is applauded for awarding points to projects that target 50% of more units for permanent supportive housing."

Scoring Category - Preservation

"Under preservation, IHDA seems to support developments that are already receiving HUD and USDA programs. If these developments did not perform adequately why are they being rewarded under the new QAP? Numerous existing affordable housing developments are not in optimal locations and are comprised of smaller units with few amenities. Rehabilitation of these transactions does not necessarily benefit the tenant. Provide new competing units. This will assist current owners to improve their properties. In addition, these developments have had several opportunities to advance their projects under various federal programs and have opted not to do so."

Preservation of existing affordable housing subsidy is an important goal for the Authority. All Projects will be subject to the same site and market review.

Scoring Category - Historic Preservation

"Projects which are not included in an historic district but have a SHPO nomination/approval letter and are preserved in accordance with SHPO requirements should also score in this category to encourage owners to submit projects for historic registry that would not be approved in time for their tax credit submittal."

This category has been expanded to include points for Projects that have a nomination letter or approval letter from the IHPA.

Scoring Category - Employer Direct Assistance

"Why would an employer fund the construction of a project in which he has no interest?"

The employer may have an interest in employees that live nearby.

Scoring Category - Live Near Work

**"It will be difficult for IHDA to determine if the employment standards are met."
"The method for computing the Live Near Work points needs to be re-worked as this methodology does not get at what IHDA is trying to encourage."**

IHDA acknowledges the challenge in the accurately measuring "Live Near Work" housing. This is an important goal for the Authority and the State. Therefore, the Authority will continue to look for more accurate methodology for the next QAP.

Scoring Category - Transit Oriented Development

2010 Draft QAP Public Comments Questions and Answers

"Being in close proximity to fixed route public transportation is considered good here, but points are deducted under the Undesirable Activities if a project is within 1/4 mile of activities over 70 decibels that would include trains."

"How are senior buses such as dial-a-ride viewed? Do they get 6 points? If not, this puts senior projects at a disadvantage."

Projects that receive points in the Transit-Oriented Development category will be exempt from the 70 decibel noise Undesirable Activity *if* the source of the noise is public transportation.

Scoring Category - Extended Term of Affordability

"This scoring item is unnecessary."

"We object to incentives for an extension of affordability beyond the 31 year period currently mandated by IHDA. A longer extended use prevents owners from securing refinancing for projects to address their out year capital needs because private market financing will not be sufficient due to the longer term restrictions."

The Authority regularly receives applications to refinance restricted affordable housing Projects.

Tiebreaker Criteria

"IHDA should add back in a 15-year option to convert to homeownership as oftentimes this is the only new affordable homeownership product that certain areas are likely to see."

This remains an option.

4% Determination Letters

"4% projects should not have to meet all mandatory requirements and underwriting requirements unless other IHDA financing is requested."

Meeting mandatory requirements is necessary to ensure appropriate and viable projects regardless of the nature of the Tax Credits.

Board Approval - Revocation of Credits

"If a project doesn't move forward and IHDA takes the credits back, how will those credits be allocated?"

The Authority's credit ceiling may be increased if Projects that receive Allocations in prior years return Tax Credits to the Authority. The additional Tax Credits will be used for i) Tax Credit increases prior to Reservations; ii) a Forward Reservation; or iii) the Authority may carry the additional Credit Ceiling forward to the next calendar year.