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Blight Reduction Program Frequently Asked Questions (FAQ)

Note to reader: This is a partial list of program requirements and is meant to serve as a general guide. This FAQ may be updated from time to time. Please check back.

1. What is the Blight Reduction Program (BRP)?

The Blight Reduction Program ("BRP") was created in 2014 by the Illinois Housing Development Authority ("IHDA") under the Hardest Hit Fund Program ("HHF"), a U.S. Treasury funded resource dedicated to foreclosure prevention and neighborhood stabilization. IHDA will utilize BRP to decrease preventable foreclosures and stabilize neighborhoods by supporting Illinois Units of Local Government ("ULG" or "Applicant") and their Not-For-Profit Partners ("NFP") as they target blighted, vacant, residential properties in specific communities for demolition, greening, and eventual reuse or redevelopment. BRP will complement the state-funded Abandoned Property Program by reducing blight for the end purpose of land reuse, repurposing, and/or redevelopment that benefits the surrounding residential community and helps reduce foreclosure. BRP is the fourth HHF program launched to date joining the Homeowner Emergency Loan Program, Mortgage Resolution Fund Program, and the Home Preservation Program.

2. What defines a blighted property?

For the purposes of BRP, a blighted property is real estate that is either:

a) not occupied by any mortgagor or lawful occupant as a principal residence; or
b) contains an incomplete structure if the real estate is zoned for residential development, when the structure is empty or otherwise uninhabited and is in need demolition.

Two or more of the following conditions must be shown to exist in order for a property to be eligible:

a) construction was initiated and was discontinued prior to completion leaving a building unsuitable for occupancy, and no construction has taken place in 6 months;
b) multiple windows on the property are boarded up, closed off or smashed through, broken off or unhinged, or multiple windowpanes are broken and unrepaired;
c) doors on the property are smashed through, broken off, unhinged, or continuously unlocked;
d) the property has been stripped of copper or other materials, or interior fixtures to the property have been removed;
e) gas, electric or water services to the entire property have been terminated;
f) one or more written statements of the mortgagor or the mortgagor's personal representative or assigns, including documents of conveyance, indicate a clear intent to abandon the property;
g) law enforcement officials have received at least one report of trespassing or vandalism or other illegal acts being committed at the property in the last 6 months;
h) the property has been declared unfit for occupancy and ordered to remain vacant and unoccupied under an order issued by a municipality or county authority or a court of competent jurisdiction;
i) the local police, fire or code enforcement authority has requested the owner or other interested or authorized party to secure or winterize the property due to the local authority declaring the property to be an imminent danger to the health, safety and welfare of the public;
j) the property is open and unprotected and in reasonable danger of significant damage due to exposure to the elements, vandalism or freezing; or
k) other evidence indicates a clear intent to abandon the property, or the real estate is zoned for residential development and is a vacant lot that is in need of maintenance, repair, and securing.

3. **Who can apply for funding?**
   Applicants must be Units of Local Government in Illinois such as cities, municipalities, land banks, or counties. Applicants must partner with not-for-profit developer or agency with demonstrated experience applicable to demolition and greening of residential properties. This partnership between the Applicant and NFP will ensure that BRP dollars are effectively used to reduce foreclosures and stimulate revitalization efforts at the lot level while incorporating municipal and non-profit interests. Applicants may partner with multiple Not-For-Profit Partners if they submit requests for multiple BRP Target Areas. One Not-For-Profit Partner may be selected for each BRP Target Area proposed.

4. **Do you have a sample list of Not-for-Profit Partners?**
   At this time, we are not making direct referrals. However, we can guide you to the Illinois Association of Regional Councils website, which has a list of Regional Planning Commissions statewide http://www.ilarconline.org/news/5-2.php).

5. **Is a 501(c) 6 organization eligible to be a Not-For-Profit Partner?**
   A 501(c) 6 is eligible to be the Not-For-Profit Partner if: a) they can demonstrate they are registered as a 501(c) 6 and have evidence of good standing in the state of Illinois; b) the 501(c) 6 is able to have an enforceable lien on the property; and c) the 501(c) (6) is not an instrumentality of or otherwise owned or controlled by the municipality applying under the Program.

6. **Can an application include multiple municipalities?**
   Yes, as long as there is an eligible Not-for-Profit Partner.

7. **When will funding be available?**
   Funds are available based on the rate at which funds accumulate. Please watch our website for future information, http://www.ihda.org/my-community/revitalization-programs/.

8. **How much funding will be available?**
   Funding for the Program is derived solely from HHF repaid and unused funds. Actual funds will be determined by the rate at which funds accumulate. Additional funds may be added from HHF recycled, returned, unused program funds, and unused administrative funds through 2017. Round 1 was awarded $5.39 million. Round 2 was awarded $10.54 million.

9. **What are the eligible uses for funding under the Program?**
   BRP funds will reimburse/refinance the costs incurred by ULGs and their NFPs at the property level for:
   - Acquisition (purchase price, lien extinguishment, legal costs, title, recording and transfer fees)
   - Demolition
   - Lot treatment/greening
   - Maintenance ($3,000 per Unit)
   - Administrative expenses ($1,750 per Unit)

   The maximum per Unit financing is $35,000. Costs may exceed $35,000 for all eligible activities listed above, but BRP will only reimburse a maximum of $35,000. (Further details can be found in the Program Guide.)

10. **What is the definition of a unit?**
    To be considered for BRP refinance assistance, a unit ("Unit") must be a legal, residential property that has at least one unique Property Index Number ("PIN"). An exception may be made where the ULG and their NFP can provide evidence that each apartment located in the Unit is a separate, legal, residential property; such evidence could be confirmation from the Local Township/County Assessor verifying multiple separate apartments represented by one PIN. With such evidence, each apartment will be considered a Unit for program purposes (eligible for up to $35,000). In all instances, the ULG and NFP will be allocated a single maintenance fee of $3,000 and a single administration fee of $1,750 per PIN regardless of the number of apartments per PIN. IHDA reserves the right in its sole discretion to approve or deny any exception request.

11. Does the funding increase for multi-unit buildings (2 to 4 units)?
Each Unit is eligible for up to $35,000 in BRP assistance. For example, a duplex (2 Unit property with 2 different PINs) acquired, demolished, and greened in accordance with all BRP program requirements may be eligible for up to $70,000 in BRP refinance dollars. Each Unit must be proposed separately in the application.

12. Is there another way to verify a Unit besides having a unique PIN associated with the property?
Please review question number ten.

13. Does the City or Partner have to own the property before we can place it on our list in the application? There are some properties expected to be "in process" soon, but the process may not be completed before the application deadline.
Prior to the application, these are the steps needed:

- Applicant identifies a Not-For-Profit Partner, establishes roles and responsibilities, and enters into formal agreement.
- Applicant and Not-For-Profit Partner identify specific properties (and may list alternate/substitute properties) for demo in the BRP Target Area, and develop an end-use plan.

14. After an application, may we switch out properties from those included in our application?
Yes, however you will be required to provide a BRP Unit Substitution Form. IHDA reserves the right to accept the substitution request(s) in whole or in part, in its sole discretion.

15. Can an application be a mix of reimbursable and planned activities?
No.

16. Is this a grant or loan?
BRP funds are secured through a note for each Unit, structured as a zero percent (0%), non-amortizing loan, secured by a recorded lien. The loan will be subject to a three (3) year recapture period, during which the Not-For-Profit Partner agrees to repay the loan if a recapture events occurs. The loan will be forgiven (and the outstanding loan amount reduced) at a rate of 33.3% per annum (1/36 per month) as long as certain covenants are met.

17. Will there be funding cycles?
We anticipate future funding rounds based on applications received and funds available. The success of the initially funded projects will determine the amount of funding that will be made available in the future.

18. Is an applicant guaranteed funding?
No. Upon application approval, IHDA will earmark funds. ULG and NFP must demonstrate progress to utilize these earmarked funds. If the NFP does not have a minimum of three successful Unit Closings within six months and at least half of the Units successfully closed within 12 months from the execution of the Tri-Party Agreement, unused funds may be subject to return to IHDA and/or redistributed. BRP funds will only be disbursed at Unit Closing and costs must be supported and documented by the approved program participants. Program participants must agree to all information requests from IHDA or U.S. Treasury.

19. When will awards be announced?
IHDA Board of Directors approval is required for selected ULG and NFPs. Round 1 was approved on March 20, 2015. Round 2 was approved on February 19, 2016. Approved ULGs and their NFP are issued a Conditional Commitment Letter followed by a Tri-Party Agreement and Initial Closing process with IHDA's legal department.

20. What is the maximum loan amount?
$35,000 per Unit. Maintenance ($3,000 per Unit) and Administrative ($1,750 per Unit) are fixed amounts and front funded at closing. Actual dollars available for Acquisition, Demolition, and Greening will be $30,250 per Unit.

21. What if our expenses exceed $35,000 per Unit?
BRP will only provide a maximum of $35,000 per Unit assisted. Any additional costs are the responsibility of the ULG/NFP. Other funding sources may be used to cover additional costs. Other funding sources cannot impede IHDA's ability to place and enforce the HHF lien on the property.

22. Do funds have to be repaid?
If the property is not sold or transferred during the three (3) year compliance/recapture period the lien is extinguished. During the compliance/recapture period, if the property is sold or transferred, funds are subject to be repaid based on the terms of the recapture provisions within the loan documents. Special considerations may be made by IHDA, in our sole discretion, to release lien prior to (3) three-year term based on merit of request and to promote positive economic impact to the community as set forth in program guidelines.

23. Is there a maximum award? We know the minimum is listed at $250,000 and/or 10 properties, but we would like to know if it would be worth our efforts to put 20 or more properties on our list. Is it likely that communities that seek a large number of demolitions will be granted more than the $250,000?
Applicants are selected on their ability to meet the criteria in the application. However, for Round 2 Applicants were able to list up to 35 Units, (up to $35,000 per Unit). $35,000 x 35 = $1,225,000.

24. When will funds be disbursed?
BRP funds will only be disbursed at quarterly Unit Closings as a refinancing of debt (with the exception of Administrative and Maintenance Costs, which are front funded for the 3-year lien period). Costs must be supported to ensure eligible uses of funds. NFP must agree to all information requests from IHDA or U.S. Treasury.

25. When does the lien take effect?
When work is complete, the NFP submits itemized costs and request for reimbursement to IHDA. IHDA reviews the request, creates the BRP loan documents, and wires funds to title company chosen by NFP, once approved. Costs for acquisition, demolition, and greening of blighted properties are reimbursed through BRP. At Unit Closing, a 3-year forgivable lien and compliance period for the property begins.

26. Are program funds available upfront?
Funds are only available as takeout financing to cover eligible expenses associated with Blight Reduction performed as a means to prevent future foreclosures. Acquisition, Demolition, and Greening work precede funding. Maintenance and Administrative costs are front funded to provide resources during the three (3) year compliance/recapture period.

27. What is the purpose of the agreement between the Applicant/ULG and the NFP? Do you have a sample?
No, there is no sample. It is meant to be the document that clearly explains and documents who is responsible for operating the specific parts of the program and legally creates a relationship between the two entities (or more) to prevent any possible confusion throughout the process.

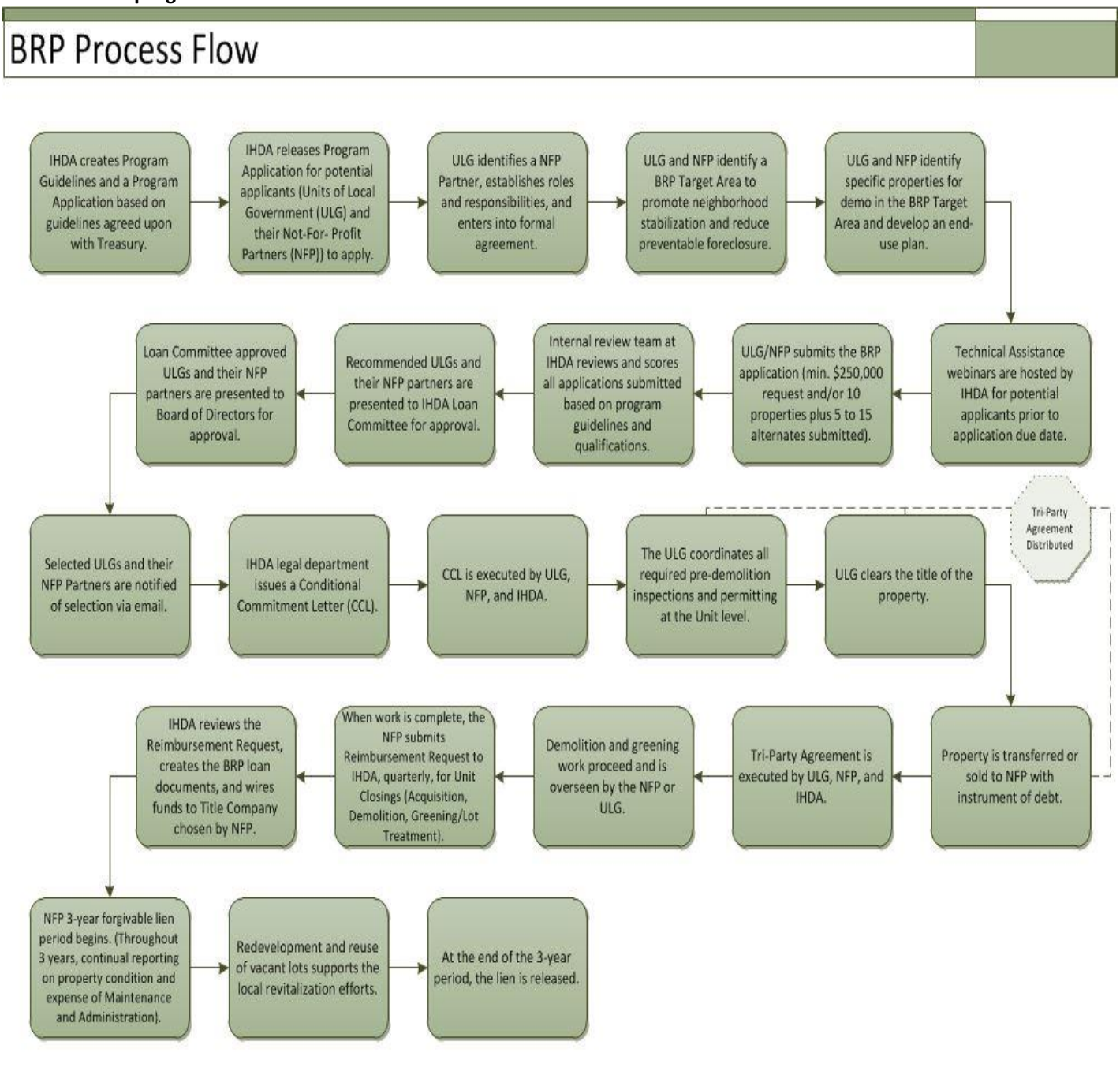
28. Can we use ULG and NFP staff to perform activities or do we have to hire third parties?
Both are allowed.

29. If we are working with another contractor, do we need a purchase agreement with the other party?
You are required to follow the Standards and Certifications included in your submitted application. If you are legally required to have a purchase agreement then you should. However, IHDA does not need to see a copy. Nevertheless, this agreement and any other program documents may be subject to audit by IHDA, the U.S. Treasury, or any of their approved contractors.

30. What is an instrument of debt? Is there a sample instrument of debt (between the ULG and the NFP) available?
No, there is no sample. Per The Department of the U.S. Treasury Guidelines, the BRP funds are being used to refinance an existing debt between the ULG and the NFP. The debt finances the costs of Eligible Uses under the Program between the ULG and the NFP, in at least the amount the NFP intends to request from BRP (but not to exceed $30,250 – with the admin & maintenance fees deducted from the overall $35,000 loan). The BRP guidelines leave it open and flexible to the ULG and

the NFP to determine how to structure the debt and what debt instrument (and other loan documents) will be used to evidence this debt. The NFP must take title to the Unit prior to demolition. The instrument of debt must be the sole lien encumbering the Unit prior to demolition.

31. How does the program work?



32. **Could applicants receive less funding than their application included?**
Yes. IHDA will determine who is approved and how much is approved per applicant. IHDA may prioritize based on elements such as geography, Applicant and Not-For-Profit Partner experience, market need, and/or available funding.

33. **What source will IHDA be using for the data they will be using in section 3 of the application?**
Foreclosure data is not universally available from any reliable, publicly available source but several vendors monitor foreclosure filings by zip code and offer them to users for a reasonable cost. IHDA subscribes to CoreLogic for access to foreclosure data for the entire state.

34. **Is there a specific website or interface that we can access the HMDA data related to home purchase loans?**
HMDA data is published by the Federal Financial Institutions Examination Council and made available for free with an interactive mapping tool by the Consumer Finance Protection Bureau (http://www.consumerfinance.gov/hmda/explore). Home purchase loans are considered mortgages for first-lien, owner-occupied, 1-4 unit properties. Home purchase loans do not include mortgages for home improvement and refinancing.

35. **For a non-metropolitan community, is it appropriate to define the BRP Target Area as community wide?**
Yes, that is acceptable.

36. **How does a ULG certify their status?**
A letter from an officer of the municipality or county stating the municipality or county is a valid municipality or county pursuant to local law. (If approved for funding, IHDA will need adopted resolution or ordinance from ULG allowing ULG to participate in the Blight Reduction Program and undertake obligations of the ULG, and copy of certificate of incumbency of authorized officers prior to execution of the Tri-Party Agreement).

37. **How do Partners certify their Not-For-Profit status?**
Not-For-Profit Partners must be Not-For-Profit corporations registered as 501c (3) and have evidence of good standing in the state of Illinois.

38. **Is IHDA available for pre-review of the application?**
No. IHDA will host webinar trainings regarding the application process for potential Applicant and Not-For-Profit Partners. The webinar training times will be posted on the IHDA webpage, http://www.ihda.org/my-community/revitalization-programs/.

39. **What is the amount of time to spend funds and complete projects?**
Upon application approval, IHDA will earmark funds no less than $250,000 per application and no greater than $35,000 per Unit. ULG and NFP must demonstrate progress to utilize these earmarked funds. Unused funds may be subject to return to IHDA and/or redistributed without a minimum of three successful Unit Closings within six months and at least half of the Units successfully closed within 12 months from the execution of the Tri-Party Agreement, based on guidelines in the Conditional Commitment Letter.

40. **When can we start work on the project?**
After IHDA selects the program participants, each one will be required to enter into a Conditional Commitment Letter and a Tri-Party Agreement, consisting of the ULG, the NFP, and IHDA. After the executed Conditional Commitment Letter, you may obtain authority for demolition, start pre-demolition inspections, permitting, and transfer of ownership. Once you have received an executed Tri-Party Agreement, you are then allowed to begin working on demolition and greening.

41. **After demolition activities occur, can we begin to work toward reuse of the site, or do we need to wait until the 3-year period has ended?**
After the Unit Closing, you can begin any redevelopment and reuse as eligible under the Program. Please refer to the Program Guide for more information.

42. Can funds be used to demolish mixed use or commercial property?
No, the property must be a blighted residential property of 1 to 4 unit maximum, as defined in question two.

43. Are multi-family buildings eligible?
All BRP assistance must be used toward blighted residential properties of 1 to 4 units maximum, as defined in question two.

44. Are administrative fees reimbursable?
There is a one-time payment in the amount of $1,750 per Unit. This is given up front at the time of unit closing and is meant to provide resources during the three (3) year compliance period. You will not be required to submit invoices to IHDA but must keep them on file for review from the HHF Compliance Team or U.S. Treasury.

45. If we apply for dollars to reimburse demolitions that have previously been done in our community, are these expenses eligible for BRP funding?
No. Only demolition and greening work started after execution of the Tri-Party Agreement is eligible for reimbursement under the Program. Please refer to the attached Program Closing Process timeline.

46. Are ULG and NFP equipment/materials eligible for reimbursement?
Yes, if they meet the eligibility requirements as detailed in the Program Guide and are documented at Unit Closing.

47. Are fees such as liens, fines, citations and attorney fees allowed expenses?
Yes, if the expenses fall within an eligible expense category and are documented at Unit Closing.

48. Are unpaid taxes allowable under acquisition?
We do not anticipate there will be back taxes. When a property goes through the municipality back taxes should be extinguished during the condemnation process.

49. Is liability insurance an eligible cost?
Liability insurance covering the demo and greening of the project should be reported under those categories, but if the liability insurance is for the coverage of accidents and claims after the project has been greened it should be reported under maintenance fees.

50. Can funds be used for rehabilitation?
No.

51. Does demolition include tree removal?
Yes, per the U.S. Environmental Protection Agency, trees, stumps, earth, and rock removal from clearing sites is a part of demolition debris. Although we encourage greening, as it is a major component of the program, it is up to the discretion of the municipality whether removal of the tree is in the best interest of the community's revitalization efforts.

52. Do we have to comply with all environmental laws for all activities?
ULG and NFP must certify compliance with all applicable demolition permitting, regulation, and laws including but not limited to environmental and historic preservation.

53. Does an Applicant and Not-For-Profit Partner need to get an environmental clearance review in advance of submitting an application?
Local building code and permits in place including any applicable environmental regulations must be followed. Certification of such permits must be included in the Unit Closing package but NOT for the application submission.

54. Is a Phase I Environmental included?
Typically, this is not required on a residential site unless there is a specific concern on the site (i.e. it is determined that something has been buried on the site and needs removal).

55. What is an Environmental Indemnity Agreement?
This agreement will be between the, ULG, NFP, and IHDA and will indemnify IHDA against any claims, losses etc. arising from the mortgaged property, including the demo and through the term of the forgivable loan. IHDA will provide the template for the master form and the amendments (each amendment covers a Unit closed).

56. What level of environmental reviews are required for this program?
Neither the HHF program nor IHDA have established any requirements for environmental review, other than the ULG and NFP will certify that there are no environmental issues with the Unit and the demo and greening is completed in accordance with all applicable environmental laws. Additionally, the ULG and NFP will indemnify IHDA (and the HHF program) against any claims arising from the property in connection with any environmental claims. Therefore, the ULG and NFP are responsible for determining and reviewing what (and when) any environmental reviews will be required.

57. Do we have to comply with all historic preservation laws?
Properties registered on national, state, or local historic preservation lists are a prohibited from BRP assistance. A letter of confirmation from the Illinois Historic Preservation Agency (IHPA) is required to be sent to IHDA prior to demolition (the date of the IHPA letter must precede the date of demolition) and will be needed for the Unit Closing packages but NOT for the application submission. IHDA will confirm receipt of IHPA letter to NFP prior to demolition.

58. What does IHDA expect (or want to see) from the site survey? Who completes this?
A site survey is to show the site boundary and the structure(s) on it. The ULG or the NFP will be responsible for hiring a site surveyor to provide this.

59. If an Applicant and Not-For-Profit Partner owns blighted property eligible for assistance and the lot includes additional buildings such as a detached garage can financing be made for the demolition?
Yes. In this example, demolition of the garage that is on the same parcel falls within an eligible use of funds. However, if a residential unit is located on a lot with a commercial, industrial, or agricultural structure, BRP funds cannot reimburse costs for these structures.

60. When submitting for financing during the Unit Closing process, what type of documentation is required?
Approved ULG and NFP are to review the Program Guide available at http://www.ihda.org/my-community/revitalization-programs/ and participate in training that outlines how all expenses are to be reported and how the Unit Closing process works.

61. Do the ULG and NFP have to be the owner of the abandoned property?
No, the NFP must hold title ownership to the property prior to Unit Closing. The property can be purchased by or transferred by the ULG to the NFP from any source. BRP must be able to place an enforceable lien against the property.

62. What if an abandoned property has other liens on it?
Other liens on the property should be extinguished in the process of transferring property to the Not-For-Profit Partner. BRP must be able to place an enforceable lien against the property and in most cases, this will be the only lien against the property following Unit Closing.

63. If a ULG and NFP plan to retain the vacant property after demolition and lot treatment for redevelopment, is this allowable and will IHDA subordinate to new debt?
IHDA will evaluate any subordination request against program goals, the terms of the recapture agreement, and the repurpose/reuse plan proposed. IHDA reserves the right in its sole discretion to approve or deny any request.

64. Is there a definition of "greening"?
No, but refers to lot treatment of the property.

65. **Can you confirm that the Applicant/ULG must control these three items: permitting, zoning, and code enforcement in the target area?**
As the application states, "Applicants for BRP are Illinois Units of Local Government (e.g. cities, municipalities, counties, or land banks) ("Applicant"). BRP requires that the Applicant control the permitting, inspection, and lien extinguishment process for all properties proposed. The Applicant will lead the identification of BRP Target Areas, sourcing the properties proposed for demolition and the title clearance process for blighted properties."

66. **How do you define "control" the permitting, application, and lien extinguishment process?**
When we speak of "control," we mean that the Applicant/ULG must have ownership or be able to take ownership and be able to transfer the property to the NFP without liens.

67. **Does prevailing wage apply?**
Yes.

68. **What will IHDA's expectations be on using funds from both the Abandoned Property Program (APP) and the Blight Reduction Program to perform activities on the same properties?**
Participants from each program will be required to certify that they will not request reimbursement under either program for activities previously reimbursed under the alternate program.

69. **Does this program have a CFDA number?**
This program does not have a CFDA number.

70. **Whom should I contact for further questions?**
Contact HHFBRPinfo@ihda.org.