2018 LIHTC Application Round FAQs

GENERAL:

What steps do I need to take if I received a PPA that is approved with conditions?

- Approved with Conditions mean that you are eligible to submit a full application, subject to an automatic 3 point deduction unless concerns are addressed to the satisfaction of the Authority;
- Potential applicants with conditional approvals are encouraged to meet with Authority representatives to discuss noted concerns prior to submitting a full application. Applications that do not adequately address the noted concerns will enter the scoring competition at a deficit of 3 points.
- If you have a conditional approval due to site or market concerns, and a contact person is not listed in the conditional approval letter, please email either aquick@ihda.org or lsomers@ihda.org with questions.
- If your PPA approval is conditioned based on a financial feasibility or development team concern, please email multifamilyfin@ihda.org.

When will the new online Application Portal be available to upload my documents?
- The Portal will be available beginning February 5, 2018.
- If you have a PPA that is approved or approved with conditions, you will be able to access the Portal with the same user name and password used to transmit your PPA.
- Paper copies of applications will NOT be accepted.

What are the 2018 Application limits for Authority Debt Sources with below Market Interest Rates?
- Non-Metro set asides may apply for up to 25% of total development cost.
  City of Chicago, Chicago Metro and Other Metro set asides may apply for up to 15% of total development cost.
- Priority will be given to the top scoring projects in each of the geographic set-asides and those projects that score the highest number of points in the 2018-2019 Qualified Allocation Plan under the scoring category F.) Housing Policy and Objectives.
- Applications are subject to the maximum Authority subordinate loan limits above. Failure to adhere to these limits will result in a Project that is not financially feasible as defined in the 2018-19 Qualified Allocation Plan. The Authority reserves the right to limit the number of LIHTC awards to one per developer per year.

How to request a Term Sheet for Authority Debt Sources with Market Interest Rates?
- The QAP states that Term Sheets must be requested 45-days prior to application. However, for the 2018 LIHTC Round, we will accept requests through February 16, 2018 5:00 PM CST..
- Sponsors must submit a copy of the Common Application, in a nearly final form, along with a brief project narrative describing the deal structure and financing sources to multifamilyfin@ihda.org.
- IHDA will consider Projects for permanent financing only.
- Construction financing may be an option once a project receives a 9% LIHTC award.

- Program information and rates are located on the Authority's website: https://www.ihda.org/developers/multifamily-financing-programs/first-mortgage-loan-programs/
- In addition to requesting an IHDA Term Sheet, Sponsors must include at least one additional letter for Non-Authority Debt Sources.
- Based on the rates and terms of the letters received, Sponsors may select debt financing sources to be used in the final Common Application submitted to the Authority.

<u>What information should be included in my financing acknowledgement letters (Letters of Interest) for Tax Credit Equity Sources (minimum of two letters)?</u>
- In addition to the requirements listed in the QAP, letters must also include the following:
  - A fixed net cent raise rate. No pricing ranges will be accepted.

<u>Will you accept local utility new construction energy efficiency grants as a Non-Authority Grant Source Common Application?</u>
- Unless the Project has received a grant agreement, the source cannot be included in scoring for Leverage of Authority Resources. If the Sponsor provides a commitment to contribute the same amount of cash that would otherwise be provided by the utility grant (in the event the grant is not received), the Sponsor contribution can be included as points for leveraging and will meet the Authority's mandatory financial feasibility threshold.
  - Any grants received after award or closing will be used to pay-down an Authority Grant and/or an Authority Debt Sources with below Market Interest Rates.
  - Please note the intent to apply in the description section of the "B_Details" tab of the Common Application

<u>Will you accept Federal Home Loan Bank (FHLB) Affordable Housing Program (AHP) funds as a Non-Authority Grant Source in my Common Application?</u>
- Due to the extreme shortage of subordinate funding sources, Sponsors are encouraged to apply for AHP funds; however, unless a Project has received an AHP grant, the source cannot be included in scoring for Leverage of Authority Resources. If the Sponsor provides a commitment to contribute the same amount of cash that would otherwise be provided by the AHP grant (in the event the grant is not received), the Sponsor contribution can be included as points for leveraging and will meet the Authority's mandatory financial feasibility threshold.
  - Any grants received after award or closing will be used to pay-down an Authority Grant and/or an Authority Debt Sources with below Market Interest Rates.
  - Please note the intent to apply in the description section of the "B_Details" tab of the Common Application.

<u>What should I submit if my project is subject to IHDA's Waiver of 4% Feasibility requirement?</u>
- In order for IHDA to conduct the Feasibility review, we'll need the sponsor to complete the IHDA Common Application. The Common Application can be found at https://www.ihda.org/developers/dev-resource-center/ under the *Full Application Mandatory Documents Section*
- Structure and complete the application as though it's a 4% LIHTC deal.
- Email the completed application to multifamilyfin@ihda.org by February 16, 2018 5:00 PM CST.

Does IHDA have an approved list of 3rd Party Vendors for my PNA, Market Study, Phase I, or Appraisal?

- IHDA does not have an approved list of vendors for 3rd party reports. It is the Sponsors responsibility to select a vendor and have the report done prior to Application in accordance with the QAP guidelines.
- All vendors should follow IHDA's Standards which are listed on the Website. Reports that do not follow the posted Standards could be rejected by IHDA and result in a mandatory fail on the Application.
  - *IHDA Historic Preservation Requirements*
  - *Standards for Environmental Reviews and Professionals*
  - *IHDA Standards for Architectural Planning and Construction*
  - *Standards for Construction Cost Estimating*
  - *Standards for Property Needs Assessments*
  - *Standards for Site and Market Study Reviews and Professionals*
  - *IHDA Standards for Appraisals*

If my project has subordinate resources from IHDA, how will IHDA treat cost savings or sources that come into the project after initial closing?

- IHDA's first preference is to always have Soft Funds repaid before paying deferred developer fee so the Soft Funds can be used in other affordable housing projects. All project requesting Soft Funds will have provisions in their regulatory documents that require Soft Fund repayment in the event of cost savings on a project or the additional of another source/grant to the deal after initial close.

Can I include a request for Illinois Affordable Housing Tax Credits (IAHTC) (State Donation Tax Credits) Common Application?

- Please limit the request to 1.5 million credits.
- If the Project is eligible for more credits, please note the maximum amount and how it was determined in the description section of the "B_Details" tab of the Common Application.
- If requesting IAHTC's with your LIHTC application please submit the following:
  - IAHTC Expanded Donation Form
  - Appraisal that supports the donation amount (If available at the time of application)
  - The Expended Donation Form is found here: https://www.ihda.org/developers/dev-resource-center/ under the Illinois Affordable Housing Tax Credit Documents section

XIII) MANDATORY FAQ's

Clarification for G) Historic Preservation:

- All projects must meet the requirements of the National Historic Preservation Act and the Illinois State Historic Resources Protection Act as determined by the State Preservation Officers at the Illinois Department of Natural Resources ("IDNR"). This is required by State Statue and applies to all projects.
- Subsequent to publishing the 2018-2019 QAP, IDNR issued a notice requiring that all approval letters need to be addressed to the Authority and not the development sponsor. Because of this new requirement from IDNR, the Authority will be completing the

requests to the IDNR on all awarded projects. It is the sponsor's responsibility to submit a completed historic checklist with their application.

Clarification for O) Financial Feasibility
- All Applications must reflect a **minimum** deferred fee of 25% of the developer fee or 75% of cash flow after debt service in years 1-12. If you are requesting subordinate resources from the Authority, your deferred developer fee should be the maximum fee that the project cash flows can support.

XIV) SCORING FAQ's:

Affordability Risk Index

- The Authority is developing a new methodology for determining the Affordability Risk Index ("ARI") as defined in Section XIV) C) 3) of the QAP.
- The ARI scoring criteria will not be considered in the scoring under the current QAP; therefore, the scoring will be evaluated on a scale of ninety-five (95) total points, not one hundred (100) points for 2018 and 2019.

Clarification for C) 5) Neighborhood Assets:
- Food Access: For Food Access Points, IHDA has created a Food Access Map using the food access research conducted by the USDA. To see whether you project is eligible for points in this category, please see the 2018-2019 Food Access Map found here: http://ihda.maps.arcgis.com/apps/View/index.html?appid=180bbdd863e94a36ae5346c9b5873dd7
- Job Training: To receive points under Job Training, your project must be located within the proximity radius of a workforce investment center or job-training center identified on the State Economic Development Resource Directory. The directory can be found here: https://www.ihda.org/developers/dev-resource-center/.

How can my project score points in section D) 3) Non-profit Corporation Participation?
- All projects seeking to score 1, 2 or 3 points for Non-profit Corporation Participation will be required to check the Non-profit set aside box on IRS Form 8609 and will be required to submit a Material Participation certification form.
- In order to receive 3 points, the Non-profit Corporation must own 100% of the general partner or non-investor membership of the Owner through the entire Extended Use Period. All financial benefits flow to the Non-profit Corporation and all financial guarantees must be provided by the Non-profit Corporation.
- The material participation certification will not be required as part of the March 2nd application submission. Only LIHTC award recipients will be required to complete the certification.

MBE/WBE Participation
- In order to qualify for the MBE/WBE points, does the MBE/WBE architect/ GC have to be the project's architect of record / sole GC?
  - Yes

Under Section E) 1) a) is RAD considered existing rental assistance or new rental assistance?

- RAD Project Based Vouchers or RAD Project Based Rental Assistance is considered existing rental assistance in this category.

Am I eligible to score two (2) points under E) 2) Leveraging Authority Resources if my project requests Illinois Affordable Housing Tax Credits (IAHTC) (State Donation Credits)?

- If your request is less than 150,000 in IAHTC, you are eligible to receive the 2 points.

How many units must be targeted to the Veteran population in order to receive the 5 points under F) 3) Coordination with Veteran's Services?

- A minimum of 10% of the project-based vouchers must be set aside for Veterans. The letter from the housing authority providing the rental assistance must specifically identify the number of units targeted to Veterans.

Tie Breaker Criteria

- The second tiebreaker is for projects with the longest affordability period. What could we provide to help support a project's commitment to affordability beyond the 30-year extended use period?
  - This requirement is a carryover from prior QAPs and will be removed from consideration for the 2018 LIHTC round. For the 2018 LIHTC round, the tie breakers will be as follows:
    - First Tie Breaker
    - Third Tie Breaker
    - Fourth Tie Breaker

What if I have additional questions?

- Please submit any additional questions to multifamilyfin@ihda.org