

State of Illinois/ Illinois Housing Development Authority (IHDA) Draft 2018 Allocation Plan for the National Housing Trust Fund

Per HUD's Interim Rule for the Housing Trust Fund (HTF) at 24 CFR Part 91, IHDA establishes the following:

I. Designation

The Illinois Housing Development Authority (IHDA) has been designated by Governor Pat Quinn as the administering State agency for the national Housing Trust Fund (HTF). Authorizing statute and HUD's interim rule place specific parameters on the eligible uses of these funds. Those requirements, along with IHDA's uses, are as follows:

II. Method of Distribution

- A. State HTF grantees are also allowed to provide direct funding to subgrantee local governments to operate their own local programs/projects, but are not required to do so. Given the relatively small size of the State's initial and subsequent allocations, the State does not intend to use subgrantees under this program.
- B. In years when the national funding level falls below \$1 Billion, 100% of program funds must be used to benefit Extremely Low-Income (ELI) households, defined as 30% of area median income or less.

States must use at least 80% of all funds (or 90% of program funds) for rental housing/renters. IHDA is allowed to use up to 10% of remaining program funds for homeownership assistance. IHDA will use 90% of all funds (100% of all program funds) for rental housing.

There is also an allowance to use up to 10% of all funds for general administration and planning costs. IHDA will use said funds for this purpose, which also include affirmatively furthering fair housing activities.

III. Selection Criteria

A. Eligible Recipients and Eligibility Requirements

In accordance with 24 CFR 93.2, eligible recipients include organization, agency, or other entity (including a public housing agency, or a for-profit entity or a nonprofit entity) that receives HTF assistance from a grantee as an owner or developer to carry out an HTF-assisted project. The requirements below are verified during the review process and a certification is issued by the IHDA Development Team. A recipient must:

- (1) Make acceptable assurances to the grantee that it will comply with the requirements of the HTF program during the entire period that begins upon selection of the recipient to receive HTF funds, and ending upon the conclusion of all HTF-funded activities;
- (2) Demonstrate the ability and financial capacity to undertake, comply, and manage the eligible activity;
- (3) Demonstrate its familiarity with the requirements of other Federal, State, or local housing programs that may be used in conjunction with HTF funds to ensure compliance with all applicable requirements and regulations of such programs; and
- (4) Have demonstrated experience and capacity to conduct an eligible HTF activity as evidenced by its ability to:
 - (i) Own, construct, or rehabilitate, and manage and operate an affordable multifamily rental housing development; or
 - (ii) Design, construct, or rehabilitate, and market affordable housing for homeownership.
 - (iii) Provide forms of assistance, such as down payments, closing costs, or interest rate buy downs for purchasers.

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B. Mandatory Application Requirements

1. Mandatory Application Criteria

IHDA will use its Multifamily Financing “Common Application” as the major application format for national HTF rental housing projects, the same one used for the LIHTC and HOME programs, along with supplemental information required by program rules (see attached Permanent Supportive Housing Development Program Request for Application). IHDA’s process will include an initial completeness/eligibility scoring, review of mandatory requirements, underwriting, site and market review, peer review, internal Loan Committee and IHDA Board approval. National HTF funds will only be applied to units restricted to tenants at 30% AMI or below. The balance of the units that are not 30% AMI or below will be paid for with other IHDA or leveraged sources.

2. Eligible Activities

Eligible Activities under the Illinois National HTF Program will include the following:

- Rental housing development (new construction or acquisition/rehabilitation) Eligible project costs included the following:

Real property acquisition; development hard costs; relocation; demolition; utility connections; site improvements; soft costs, including architectural, engineering costs, developer fees, and AFHMP marketing; paying construction loans; and staff project delivery costs.

- Operating/rental assistance is also an eligible activity, but is limited to a maximum of 33% of any year’s State allocation, and must be fully utilized within 5 years of award. Such assistance can also be subsequently renewed, as long as it’s within the 30-year affordability period. It is anticipated such assistance would be very limited and in the form of grants. Applicants must also present a long-term plan of utilizing permanent sources of State and federal rental assistance to be given consideration in this area.
- Public housing is only eligible under the national HTF if the proposed project is part of HUD’s Rental Assistance Demonstration (RAD) program, Choice Neighborhood Initiative Program, or involves the LIHTC Program. Priority will be given to projects creating new units.
- IHDA is not funding homeownership assistance under the program
- Eligible use of funds include: loans (low-interest, no-interest, balloon, forgivable, deferred payment), grants, interest rate subsidies, equity investments, and other State-approved forms of assistance.

3. Description of Eligible Activities

In order to pass mandatory review, all Applications must include a project narrative that includes a description of eligible activities (see attached RFA Section 3, Paragraph E). Applicants are encouraged to provide as much detail and background information about the Project as possible.

4. Certification of HTF Compliance

In addition to the project narrative, all applicants seeking funding must state that housing assisted with HTF funds will comply with HTF requirements.

C. HTF Criteria and Priority Housing Needs of the State

If an applicant meets the mandatory threshold, IHDA will review eligible recipients in accordance with

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CFR 91.320 (k)(5)(i) and stated below:

1. Priority based upon geographic diversity

The State will distribute HTF funds statewide, including the City of Chicago, Chicago Metro, Other Metro, Non-Metro and municipalities subject the Affordable Housing Planning and Appeal Act to the prioritizing applications that are consistent with the 2015-2019 Consolidated Plan, Section AP-50 Geographic Distribution. The Authority puts a high value on quality location of projects and availability of resources and access to amenities. IHDA will strive to achieve maximum geographic diversity based on statewide applications and, where applicable, aligning set-asides associated with other programs providing non-federal, leveraged funding to the national HTF, rather than establish geographic set asides under the national HTF. In an effort to increase geographic diversity, IHDA provides application workshops in different locations throughout the state.

2. Applicant's ability to obligate HTF funds and undertake eligible activities in a timely manner

As stated in the attached RFA Section 3, Paragraph N, the Authority will evaluate the Development Team's capacity to successfully complete and manage the Project. Applicants who fail to meet this mandatory criteria will be disqualified and will not be scored during the final evaluation phase. Applications must include the following for the Authority to evaluate the experience and capacity of the development team:

Organizational Flow Chart

- The Application must include a full organizational chart reflecting all entities within the proposed Owner down to individuals including percentages of ownership.

Identity of Interest Certification

- The Application must include an Identity of Interest form for the Sponsor.

Development Team Certification

- The Application must include certifications for the proposed owner, general contractor, property manager, and architect, inclusive of all pending, under construction, or completed Projects in any state, including their present status and expected completion date. The Development Experience Certification forms are available on the Authority's Website.

Unacceptable Practices

The Authority may deny any Project in which any Participant in the Development Team has failed to demonstrate ongoing proficiency with affordable and supportive housing programs. The Applicant may include in the Application an explanation of the circumstances surrounding the unacceptable practice and the roles of each of the Participants. Examples of unacceptable practices include but are not limited to:

- A Participant is affiliated with existing developments which have been cited for material and/or continuing, but curable, noncompliance. Material noncompliance exists when a party exhibits a continual pattern of noncompliance, or when a party demonstrates an inability or an unwillingness to resolve noncompliance 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 (including any affiliates) has a mortgage default or arrearage of three months or more within the last three (3) years.

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- A Participant that has failed to pay any fee or expense due to the Authority, including outstanding compliance monitoring fees in the past three (3) years.
- Any liens or other claims exist against property owned by Owner (including any affiliates) for which the Owner 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.
- A Participant that has materially misrepresented facts on any request for Authority resources.

3. For rental housing, the extent to which the project has Federal, State or local project-based rental assistance so rents are affordable to extremely low-income families

As stated in the attached RFA Section 4, Paragraph B, projects that provided project-based rental or operating assistance will be awarded up to twenty-five (25) points based on the number of units assisted and the length of committed assistance. Units can be assisted with available federal, State, and local project-based rental assistance so that rents are affordable to ELI families. These may include: Section 8 Project-Based (preservation only); Project-Based Vouchers; Rental Housing Support Program; and Section 811 Project-Based Rental Assistance. It will utilize 30% of household income for rents and utilities as its standard.

4. For rental housing, the duration of the units' affordability period

As stated in the attached RFA Section 3, Paragraph 9, all applicants must document the extent to which proposed rents are affordable, especially to ELI households. All projects will be required to establish a minimum 30-year affordability period. Applicants who fail to meet this mandatory criteria will be disqualified and will not be scored during the final evaluation phase.

As stated in the attached RFA Section 5, Paragraph H, Projects will be required to execute a Regulatory Agreement with the Authority, whereby the Owner shall agree to maintain unit affordability, and serve the targeted populations, for a minimum 30-year period.

5. The merits of the application in meeting the State's priority housing needs (please describe)

As stated in the attached RFA Section 3, Paragraph B, all applications must include a certification of consistency with the Consolidated Plan for the Project. The projects must target populations and prioritize activities that are consistent with the States 2015-2019 Consolidated Plan and the State's Comprehensive Planning Act. Proposed projects must also fall under one of the state's Focus Areas in its annual plan, which are supportive housing, community revitalization, and economic development. Applicants who fail to meet this mandatory criteria will be disqualified and will not be scored during the final evaluation phase.

Projects will also be scored on the following items that meet the housing needs of the State. See attached RFA Section 4 for information on Application Scoring Criteria.

- SRN Units - Up to ten (10) points
- Universal Design - Up to ten (10) points
- Green Design and Energy Efficiency – Up to five (5) points.
- Access to Transportation - up to ten (10) points
- Neighborhood Characteristics and Amenities - A maximum of five (5) points

6. The extent to which application makes use of non-federal funding sources

As stated in the attached RFA Section 4, projects which are able to commit other non-federal funds as part of their project financing will be awarded up to twenty-five (25) points. This would include other State-funded and locally funded programs, but not LIHTC, or State or local CDBG or HOME funding. The latter funds can be part of the project's financing, but will not be considered as non-federal funding. Please note that there is no State or local match

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requirements for the national HTF, but IHDA anticipates most HTF-funded projects will be highly leveraged.

7. Other

As stated in the attached RFA Section 4, all Applications must include a signed PSHD Program Application Certification Organizational Chart Identity of Interest form, found on the Website which provides a written certification that the Project will take actions to affirmatively further fair housing. Applicants who fail to meet this mandatory criteria will be disqualified and will not scored during the final evaluation phase.

IV. Performance Goals and Benchmarks

In accordance with 24 CFR 91.320 (k)(5)(iii) and 24 CFR 91.315(b)(2), IHDA will include the HTF housing goals in the eCon Planning Suite pending the functionality in IDIS to do so. This includes the appropriate staff security clearance and the approval by HUD of the Substantial Amendment to the 2015-2019 5-year plan which will allow for the screens to appear in the system.

The goals and objectives are currently provided in the narrative of AP-25 of the Draft 2018 Annual Action Plan and includes the following unit goals:

With the third year of the national Housing Trust Fund (HTF) allocation available in 2018, the State expects to provide an additional 20 units of new affordable rental housing to ELI households at 30% AMI or below under HTF. The State expects to provide an additional 14 rehabilitated rental units of affordable housing to ELI households at 30% AMI or below under HTF.

V. Maximum Per-Unit Development Subsidy Units

The national HTF Allocation Plan also must include the State's policy on maximum per-unit subsidy, which is to be based on modest housing units with similar amenities and taking into account local market conditions. IHDA will use the same criteria that it uses under its Qualified Allocation Plan (QAP). These limits will be based on hard construction costs, and are adjusted by bedroom size and location. Location factors in to the variance between the Chicago and metro set asides and separating other metro and non-metro set asides.

These standards were established by an analysis of our current Construction Cost Database for issuance with the 2016-18 QAP. This analysis showed the largest variance between Chicago and metro versus other metro and non-metro. There was a smaller variance between Chicago and metro and a larger variance between Chicago the remaining regions of the state. IHDA will provide non-federal funds in areas where needed, to bridge gaps between maximum per-units cost under NHTF and actual construction costs within IHDA's Cost Limits. See attached "2018_Hard Cost Limits" for IHDA's Cost Limits.

The total cost per unit takes into consideration soft costs, which based on the statewide cap, will not exceed 20% of allowable hard costs for this program. The total costs will be based on geographic location as explained above.

VI. Rehabilitation Standards

IHDA will use the attached Architectural Planning and Construction Standards (APCS), to evaluate all rehabilitation projects. The APCS is a comprehensive reference for owners, developers, architects and contractors in the design and construction of quality affordable housing. IHDA uses the standards to evaluate plans, specifications and other relevant data of the proposed new construction, rehabilitation and adaptive reuse of existing buildings.

- Applicable State and local code, ordinances and zoning requirements
- Health and Safety
- Requirements of useful life of major systems
- Lead Based Paint Requirements

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- Accessibility Standard which must be met
- Disaster mitigation requirements
- State and Local Codes, Ordinance, and Zoning Requirements
- Uniform Physical Condition Standards

Disaster Mitigation – The state of Illinois does not contain a state wide adopted building code. Each local governmental unit (municipality or county) adopts its own individual building or other administrative code. IHDA relies on these local Authorities Having Jurisdiction (AHJ) to provide plan review and issue building permits per their adoptive standards. If there is an area which does not have an adopted standard, our APCS document indicates the building shall be constructed to meet the 2015 version of the International Building Code. The use of standard building codes, by either the AHJ or IHDA referenced standard, ensures facilities are built to handle regional requirements for seismic (earthquake), wind (tornado or straight line winds) or water (rain, snow, flood) based disasters. By the AHJ issuing the building permit it is expected the plans have been reviewed against the local standard outlined in their adopted building codes, and meet these requirements.

UPCS Protocols – An IHDA Construction Representative will make a visit to each unit and evaluate the site against the attached UPCS checklist (see attached Uniform Physical Condition Standards for Multifamily Housing Rehabilitation) to ensure they meet with minimum requirements. The checklist will be used in conjunction with the previously completed Property Needs Assessment (see attached PNA) to establish the minimum scope to be included with any rehabilitation project approved for funding. This checklist has been created to have separate lists for multi-family dwellings and single family homes.

The UPCS checklist shall identify any repair items that represent an immediate threat to health and safety, and all other significant defects, deficiencies, items of deferred maintenance, and material building code violations that would limit the expected useful life of major components or systems. Deficiencies regarding significant life safety issues must be identified and identified as work to be immediately corrected as part of the scope of work.

Post-occupancy, IHDA's Asset Management Services Department will review the ongoing project needs utilizing HUD's Uniform Physical Condition Standards (UPCS) to ensure HTF-assisted projects and units will be decent, safe, sanitary, and in good repair as described in 24 CFR 5.703.

VII. Resale and Recapture Provisions

Not Applicable; IHDA is not funding any first-time homebuyer assistance activities.

VIII. Affordable Homeownership Limits

Also Not Applicable; no funds will be used for homebuyer assistance.

IX. Limitation on Beneficiaries or Preferences

Under IHDA's LIHTC Program, developers/owners are incentivized to set aside 10-15% of their housing units for supportive housing populations under the Statewide Referral Network (SRN). These are defined as persons with disabilities or homeless/at risk of homelessness AND @ 30% of AMI or below. This set-aside may be triggered if an HTF project is also allocated LIHTCs as part of its project financing.

X. Refinancing Existing Debt

IHDA will not allow refinancing of existing debt as an eligible activity in the 2017 NHTF Allocation Plan.