As part of the Common Application for Multifamily Financing, the Illinois Housing Development Authority (IHDA) requires applicants to secure an appraisal from professional firms experienced in providing appraisals, and capable of producing the desired services in a professional, timely and cost-conscious manner. The IHDA Appraisal Scope & Guidelines are applicable to all IHDA multifamily programs including Low Income Housing Tax Credits (LIHTC), Illinois Affordable Housing Tax Credits (IAHTC) and Multifamily Financing Loan Programs collectively (“Housing Development Programs”). The intent is for IHDA to develop standards for its appraisal process and a consistent approach to measuring and evaluating the value of unimproved, vacant land and existing properties in order to efficiently allocate IHDA resources.

I. Scope of Services

An acceptable “As-Is” appraisal is either a Summary Appraisal Report or a Self-Contained Appraisal Report (the “Appraisal”) that meets the most current editions of The Appraisal Foundation’s USPAP (Uniform Standards of Professional Appraisal Practice) http://uspap.org/ and must be completed by a Certified General Real Estate Appraiser (licensed in the State of Illinois) (“Appraiser”). IHDA must be listed as an intended user. The Appraiser is required to conduct a site inspection for the subject property. The final appraisal can be submitted to IHDA electronically, with the ability to be read in Adobe Reader. IHDA is requesting the Appraiser to provide the As-Is value as defined below in (1), (2), and (3). When a value is determined by the Appraiser for existing properties, the Appraiser is requested to reflect a total value that can be broken down into a value of the improvements and a value of the land. All appraisals submitted to IHDA shall at a minimum include the following values, as applicable:

(1) As-Is Market Value with restricted rents (existing properties);
(2) As-Is Market Value with market rents (existing properties); and
(3) As-Is land value (unimproved, vacant land value); and
(4) As If Completed with restricted rents; and
(5) As if Completed and Stabilized with restricted rents; and
(6) As If Completed with market rents; and
(7) As if Completed and Stabilized with market rents; and
(8) Insurable Value; and
(9) Value of Low Income Housing Tax Credits (LIHTC) (if applicable); and
(10) Value of any below market financing (if applicable)

IHDA will rely on the Income Approach for existing properties, and the Sales Comparison Approach for unimproved, vacant land. Favorable financing terms and Housing Tax Credits must not be considered in determining either a cap rate or an As-Is value.
Valuations:
Consider and describe the meaningful and applicable approaches to value that should be used (cost, sales comparison, and income).

A. Cost Approach
- Land sales must be cited and analyzed.
  - The rationale for land value conclusion must be articulated.
- Source for construction cost estimates must be cited.
- If the Cost Approach is omitted, the appraisal must include an estimate of the Replacement Cost.

B. Sales Comparison Approach
- A physical unit of comparison (i.e. per square foot, per unit, etc.) should be used.
- Sales should be adequately discussed and analyzed and rationale for unit of comparison conclusion must be articulated.
- Sources of sales information should be cited.

C. Income Approach
- A minimum of three rent comps per unit type should be included.
- Any rent controls or restrictions should be addressed.
- An analysis of how the applicable capitalization rate was identified.

The identification of comparable properties in some markets may be difficult. IHDA encourages the Appraiser to identify property that has physical and locational (nearest location) characteristics similar to those of the subject property. Using sales of comparable vacant land or existing projects from other regions of Illinois is discouraged without a detailed explanation and rationale from the Appraiser to support this methodology and approach. More information about acceptable data for comparable properties is further described in Section III.

IHDA may require the Appraiser to update its existing appraisal to match these guidelines or IHDA may order an additional appraisal at its sole discretion. The cost of the additional appraisal will be paid for by the applicant.

IHDA will accept appraisals, including those from Rural Development (RD) and U.S. Department of Housing and Urban Development (HUD), dated no later than six (6) months prior to the funding application deadline. For appraisals dated more than six (6) months prior to the funding application deadline, the Appraiser may provide an updated letter if there is no material changes to the development, market, and the update meets USPAP and other appraisal industry rules or guidelines.

Any appraisal submitted to IHDA in connection with an application will become property of IHDA and may be relied upon for the purposes of determining As-Is value and feasibility of the proposed development, regardless of any unresolved concerns between the Applicant and appraisal’s provider. IHDA reserves the right to limit the amount of IHDA resources allocated to a project.

II. Services
For the purposes of determining the As-Is value of applicant properties and the efficient allocation of IHDA resources, the Appraiser must agree to provide the following services:

1. Make a thorough personal inspection of the subject property in order to appraise the As-Is value;
2. Prepare and deliver one (1) copy of an appraisal, as further described in Section III, to IHDA; and
3. Verify, insofar as practical and applicable, all sales within the preceding five (5) years (i) of the subject property and (ii) of properties which are sufficiently comparable to the subject property.
III. Content of the Appraisal

The appraisal shall conform, in form and substance, to the standards put forth by USPAP and shall contain, among other things, the following:

(1) A letter of transmittal addressed to the IHDA and containing: (i) IHDA’s identification number for the subject property, if known; (ii) a statement that the Appraiser has conducted thorough investigations and studies, as appropriate; (iii) the Appraiser’s opinion as to the As-is market value of the subject property; (iv) the date of valuation; and (v) the signature of the Appraiser;

(2) A title page showing: (i) the IHDA’s identification number for the subject property, if known; (ii) street address or name of the property; (iii) date of valuation; and (iv) name of the Appraiser;

(3) The data, estimates, and analyses by which the Appraiser reached its opinions and conclusions, including, but not limited to: (i) the economic, environmental, and competitive factors affecting the utility, marketability and value of the subject property; (ii) a description of the subject property which clearly identifies the property as the property covered by the appraisal; (iii) the highest and best use of the subject property in its existing condition and at the date of its appraisal, which use is generally recognized in the real estate market; (iv) information with respect to any property which is considered by the Appraiser to be comparable or competitive with the property and which was considered by the Appraiser in estimating the market value of the property; such information shall include, among other pertinent facts, the names of the most recent buyer and seller, the date of the sale, a general description of such comparable property and its condition at the time of sale, the sale price and any special conditions that affected the transaction; (v) a plat delineating the property being appraised; (vi) photographs, not smaller than 2-1/4” x 3-1/4”, depicting the property and its environment; (vii) a data map showing the location of the property and the comparable properties analyzed in the appraisal; and (viii) such other maps, plats, photographs, exhibits, and information as are necessary to explain or illustrate the analysis of the Appraiser;

(4) The limiting conditions of the appraisal, may include the following assumptions: (i) that the title to the subject property is good and marketable; (ii) that the Appraiser assumes no responsibility for legal matters, especially those affecting the title to the property; (iii) that the Appraiser assumes no responsibility or liability for discovering environmentally hazardous material on the property; (iv) that the legal description of the property furnished is correct; (v) that no survey of the property has been made; and (vi) any other assumptions or limiting conditions that have been approved in writing by the IHDA;

(5) A certification signed by the Appraiser stating: (i) that the Appraiser made a thorough physical inspection of the subject property; (ii) that, to the best of the Appraiser’s knowledge after due and diligent inquiry, all information contained in the appraisal is true and that no material or relevant facts have been withheld or overlooked; (iii) that neither the employment nor the compensation of the Appraiser are contingent on the valuation reported; (iv) that the Appraiser does not have and will not acquire any interest (including that of real estate agent or broker), direct or indirect, present or prospective, in the subject property or in the sale or disposition thereof; and that the Appraiser does not have any other interest, whether or not in connection with the property, or any relationship with any party known by the Appraiser to be involved in the property, which would conflict in any manner or degree with the Appraisal performed or the submission of an impartial appraisal; (v) that the Appraiser is fully aware that IHDA will rely on the appraisal in determining whether it should enter into a contract for the financing of the property; (vi) that the appraisal was performed independently of any appraisal of the property made by any other Appraiser retained by IHDA; (vii) that the Appraiser has come to an independent conclusion as to the value of the property, and (if applicable) has no knowledge, personal or otherwise, of the price at which the seller is proposing to sell the development; and (viii) the Appraiser’s opinion of the market value of the development as of the date of the appraisal.

IV. Professional Qualifications
Appraisers must be a licensed Certified General Real Estate Appraiser in the State of Illinois. IHDA reserves the right to request additional information from individual Appraisers and their respective firms in order to verify the necessary qualifications for appraising residential properties in the State of Illinois in a timely and cost-conscious manner.

The applicant is required to make a proactive effort in selecting and retaining Appraisers certified as Minority Business Enterprise (MBE).

The Appraiser must supply the applicant at least three (3) professional references pertaining to the Appraiser's experience in performing appraisals for projects of a similar type, scale, and complexity.

V. Ethics

The Ethics Rules set forth by The Appraisal Foundation shall apply to all individuals and firms providing appraisals for IHDA projects. The Ethics Rules can be found in The Appraisal Foundation's Uniform Standards of Professional Appraisal Practice at [http://uspap.org/](http://uspap.org/).

VI. Fee Basis

Fees for all cost and expenses related to the appraisal shall be determined between the Appraiser and the applicant. The applicant is responsible for payment of fees and entering into any written agreement with the selected firm.

IHDA will review the appraisal fees associated with the project to insure they are proper, fair and reasonable. Determinations of fair and reasonable pricing are based on the offer, Appraisers' qualifications, Appraisers' reputation, prices submitted, other known prices, the project budget and other relevant factors.

VII. Insurance

The Appraiser must supply the applicant with proof of professional liability insurance with a policy limit of $1,000,000 per occurrence and $2,000,000 excess umbrella and must submit a copy of the certificate to IHDA. Selected firms must not allow their liability insurance to expire or cancel for any reason during the contract period or after.

VIII. Conflict of Interests

The Appraiser selected to perform services shall not have any direct or indirect interest in any property to be evaluated. IHDA reserves the right to determine necessary actions to eliminate or neutralize any conflict discovered after an applicant secured an Appraiser to provide this service.

The Appraiser shall certify that no undue pressure or collusion with the applicant or their representatives exists in the determination of the appraisal. The appraisal certification shall also state that all information and procedures used to establish the appraisal were from factual data and prepared in a professional manor.

The appraisal must include a statement from the entity or individual signing the appraisal that there is no identity of interest between the signatory and any member of the development team. If any member of the development team or ownership has an identity of interest with the entity providing the appraisal, the identity of interest relationship must be disclosed.

Failure to disclose any identity of interest may result in rejection of the application and/or the appraisal. IHDA may request an appraisal from a different firm at the applicant's expense.

IX. Special Conditions
The following special conditions are recognized to be outside of appraisal standards:

1. **Excess Land Acquisition**: Where more land is being acquired than proposed, and the remaining acreage is not being utilized as permanent green space per deed restrictions or covenants, the As-Is value will be prorated. Excess land should not attribute value to the proposed property. A project that has excess land must show a separate value for the excess land and it cannot be purchased as part of the primary project cost.

2. **Incorporation of HUD and/or RD Standards**: IHDA will accept appraisals from HUD and RD that include multiple valuation methodologies, so long as the primary valuation required by IHDA is clearly noted within the appraisal.

**X. Questions**

Any questions or request for clarification regarding this service must be submitted to one of the following:

- Andy DeCoux, Assistant Director/Multifamily Financing at (312) 836-5355 or adecoux@ihda.org
- Christine Moran, Managing Director/Multifamily Financing at 312-836-5273 or cmoran@ihda.org