2020 LIHTC Application Round FAQs (updated 3/6/2020)

Below you will find Frequently Asked Questions (FAQs) for the Authority's 2020 9% LIHTC round. Questions are categorized by sections of the 2020 Qualified Allocation Plan (QAP). The FAQs will be updated weekly with new questions denoted in red, green, or blue. Please submit your questions to multifamilyfin@ihda.org.

GENERAL:

Have there been any changes to the 2020 9% round application documents?
- Yes, the 2020 Scoring Certification was amended to address calculation issues for Deeper Income Targeting in tab 20E1. The certification is up to date as of 2/21/2020.
- The 2020 Scoring Certification was updated 03/6/2020 to address inconsistencies between the document and the QAP (Tab 20F1 Statewide Referral Units)
- The 2020 Architectural Standards, Universal Design and Amenities Certification was updated 03/06/2020 to be consistent with the amenity language found in the QAP
- Notices of future document changes will be conveyed via updates to this FAQ.

What steps do I need to take if I received a PPA that is approved with conditions?
- Approved with Conditions means 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 concerns, please email multifamilyfin@ihda.org.

When will the new online Application Portal be available to upload my documents?
- The portal will be ready for uploading documents by Friday, February 14, 2020.
- The portal is available to upload documents. Please email mfportalhelp@ihda.org with any technical questions regarding accessing the portal. For questions about the application materials, please contact multifamilyfin@ihda.org.
- If you have a PPA that is approved or approved with conditions, you will be able to access the Portal with the same username and password used to submit your PPA.
- Paper copies of applications will NOT be accepted.

In which sections should I upload Food Access documentation and Test of Average Income Information?
- Please submit documentation pertaining to food access in "Additional Neighborhood Assets Documentation" in the Scoring Section of the online portal.
- Information pertaining to the Test of Average Income should be submitted under the "Other Income Assumptions" category in O) Financial Feasibility in the Mandatory Section of the online portal.

May I elect to use the Average Income Test in my application?

- Please only elect to use the Average Income Test if you receive full approval prior to application submission. If you are unsure whether your request was approved, please email multifamilyfin@ihda.org. Please refer to the 2020-2021 QAP for further guidance.

What should I do if my hard construction costs exceed IHDA limits?

- Please send a detailed breakdown of costs, overages, and narrative detailing reasons for hard cost construction overages by Friday, February 14, 2020. Please send to multifamilyfin@ihda.org

How should I calculate hard construction costs?

- Hard construction costs should **include** all site payments, trade work, overhead, profit, and general conditions. Hard construction costs should **exclude** other general contractor costs, including but not limited to, Builder's Risk, payment and performance bond, contingency, permits, and FF&E.

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 Sponsor's 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 that are listed on the Website. Reports that do not follow the posted Standards may be rejected by IHDA and result in a mandatory fail of 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*

How old can these 3rd party reports be at the time of application submission?

- Phase I, and II: 12 months. Update letter acceptable for 12 months thereafter.
- Market Studies and Physical Needs Assessments: 9 months. Update letter acceptable for 12 months thereafter.
- Appraisals: 9 months. Update letter acceptable for 12 months thereafter.

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 have Soft Funds repaid before deferred developer fee so that the Soft Funds can be used in other affordable housing projects. All projects requesting Soft Funds will have provisions in their regulatory documents that require Soft Fund repayment if there are cost savings or additional sources after initial closing.

Can I include a request for Illinois Affordable Housing Tax Credits (IAHTC) (State Donation Tax Credits) in the 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 Expanded Donation Form can be found [here](#).
  - On the Multifamily Application Portal, these documents can be submitted under Section O) Financial Feasibility, under *Request for Authority Debt Financing.*

XIII) MANDATORY FAQs:

Supportive Housing
Is my project required to commit 10% of the units to the Statewide Referral Network (SRN)?
- All non-elderly developments **are** required to commit 10% of their units to the Statewide Referral Network (SRN). Elderly developments are not required to commit units to the SRN.

Can SRN units be covered by a rental assistance contract?
- Yes, it is IHDA's preference that SRN units be covered by project-based rental assistance. Please keep in mind that all SRN units must be filled with SRN referrals from the PAIR module. Please verify with your subsidy administrator whether those voucher-assisted units can be filled with SRN referrals. The rental assistance commitment letter should acknowledge any assisted SRN units. For additional guidance on how to coordinate SRN units with a rental assistance contract, please see page 13 of the SRN agreement found in the Developer Resource Center on the Authority's website. **Note that SRN units should be made affordable to households at or below 30% AMI.**

Does IHDA have a preference for unit configuration for SRN units?
- While IHDA prefers one-bedroom units, studios and two-bedroom units are also acceptable. Please limit three- and four-bedroom units due to lack of demand among the target population.

When will the SRN agreement be available?
- The SRN agreement is available at the developer resource center of ihda.org.

Clarification for G) Historic Preservation:
Is my development subject to a historic preservation review? If so, how do I initiate the process?
- 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 Statute and applies to all projects.
- In 2018, 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, IHDA will be completing the requests to IDNR on all awarded projects. It is the sponsor's responsibility to complete and submit IHDA's historic checklist with their application. This checklist can be found on the website.

Clarification for O) Financial Feasibility:

What are the 2020 Application limits for Authority Debt Sources with below Market Interest Rates?

- Projects in the Non-Metro set-aside may apply for up to 20% of total development cost. Projects in the Chicago Metro, and Other Metro set asides may apply for up to 15% of the total development cost. Projects in the City of Chicago set aside may apply for up to 10% of total development costs.
- 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 2020-2021 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 2020-21 Qualified Allocation Plan.

Can I apply for the Authority's LTOS and/or Section 811 Rental Assistance as part of the 9% LIHTC application?

- No.

How much developer fee must I defer?

- 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 IHDA, your deferred developer fee should be the maximum fee that the project cash flow can support. If your project can support it, you should plan on deferring more than 25% of the Developer fee.

How do I 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 2020 LIHTC Round, we will accept requests no later than February 28, 2020, at 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 here.
- In addition to requesting an IHDA Term Sheet, Sponsors must include at least one additional letter for Non-Authority Debt Sources.

What repayment terms should I reflect in the Common Application for Authority Debt Sources with Below Market Interest Rates (soft debt)?

- All IHDA soft debt should be listed in the "Financial Gap" field of the Sources tab in the Common Application. IHDA will determine the financing terms at a later date.

What does IHDA expect as "matching" terms from private lenders for non-Authority Debt Sources?

- Terms of other private lenders should be in line with first mortgage debt offered by the Authority.

What information should be included in my financing acknowledgement letters (Letters of Interest) for Tax Credit Equity Sources?

- Letters must include the following:
  - A fixed net cent raise rate.
  - Any assumptions that could negatively or positively impact the proposed net cent raise (for example, if a high interest loan is not available and is replaced by a low interest loan, how will that affect pricing?).
  - If equity and debt are tied, the impact on pricing (if any).
  - Upward and downward adjuster terms and requirements, including dates when adjusters are applicable.

Will you accept local utility new construction energy efficiency grants as a Non-Authority Grant Source Common Application?

- 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.
- Any grants received after award or closing will be used to pay-down an Authority Grant and/or an Authority Debt Source with below Market Interest Rates.
- Please note the intent to apply in the description section of the "B_Details" tab of the Common Application

Will you accept Federal Home Loan Bank (FHLB) Affordable Housing Program (AHP) funds as a Non-Authority Grant Source in my Common Application?

- 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. Please note the intent to apply for AHP grant funds in the description section of the "B_Details" tab of the Common Application.
- Any grants received after award or closing will be used to pay-down an Authority Grant and/or an Authority Debt Source with below Market Interest Rates.

XIV) SCORING FAQs:

Clarification for C) Community Characteristics
How do I measure the distance of community assets from the site(s)?
"As the crow flies," or, in a straight line.

Clarification for D) Development Team Characteristics
How can my project score under D3) Non-Profit Organization Participation? When is the Material Participation Certification form required?

- To score under this category, your project must have a Qualified Non-Profit Organization that:

- o Holds a majority ownership interest in the general partner or managing member of the ownership entity.
- o Materially participates throughout the Compliance Period. A project awarded a LIHTC allocation must complete a Material Participation Form at initial closing and be certified annually thereafter.
- o The Qualified Non-Profit Organization must have the right of first refusal at the end of the Compliance Period.

Clarification for E) Financial Characteristics
Will new project based rental assistance qualify a project for points under the 2020-2021 QAP, or must the rental assistance be existing at the time of application?
- New as well as existing rental assistance will qualify a project for points in this category. IHDA will accept either an existing contract or a letter from the Public Housing Authority evidencing the commitment of new rental assistance in accordance with its administrative plan.

How can my project score under the Deeper Income Targeting category?
- Non-Elderly Developments must designate 20.01-25% of the total units as 30% AMI units to receive 5 points and designate 25.01% to 30% of the total units as 30% AMI units to receive 10 points. This calculation factors in the mandatory SRN unit requirement for all non-elderly developments.
- Elderly Developments must designate 10.01-15% of the total units as 30% AMI units to receive 5 points and designate 15.01% to 20% of the units as 30% AMI units to receive 10 points.

Clarification for F) Housing Policy and Objectives
Will elderly developments be eligible for points under the SRN category?
- No, elderly developments cannot score points under SRN or for being located in a Community of Preference.

How can my project score under the F1) SRN Certification Category?
The scoring threshold is based on the number of Statewide Referral Network (SRN) Units as a % of the total Project units:

Clarification for G) Tie Breaker Criteria

How do you define Projects that serve the lowest income households (1st tiebreaker)?
- Projects with the lowest average AMI will be favored in the event of a tie.

What if I have additional questions?
- Please submit any additional questions to multifamilyfin@ihda.org

What if I have questions about the portal and how to access and submit documents?
- Please submit any technical questions about the portal to mfportalhelp@ihda.org.