Illinois Affordable Housing Trust Fund
Single Family Rehabilitation (SFR)
with Roof Only Option (SFR-R)
Program Manual

June 2020

For questions and comments please contact
TFSFRinfo@ihda.org
# TABLE OF CONTENTS

## INTRODUCTION ................................................................. 3

## APPENDICES .................................................................. 4

## SECTION 1: SETTING UP YOUR PROGRAM ............................. 6
- Program Activity Table .................................................................. 7
- Rehabilitation Project Flow Chart ....................................................... 8
- Basic Program Parameters ............................................................... 9
- Eligibility Parameters .................................................................. 9
- Eligible Costs ................................................................................ 10
- Program Document Requirements ..................................................... 11

## SECTION 2: ESTABLISHING A CONTRACTOR POOL .................. 12
- Insurance Requirements ............................................................... 12
- Procurement ................................................................................. 12
- Prevailing Wage ........................................................................... 13

## SECTION 3: MARKETING AND APPLICANT INTAKE .................. 14
- Determining Applicants to Serve ...................................................... 14
- Complete Sample File Checklist ....................................................... 14
- Determine Eligibility .................................................................. 15
- Verify Income .............................................................................. 15
- Reserve Funds in MITAS ............................................................... 16
- Execute Legal Documents .............................................................. 16
- Execute Program Documents .......................................................... 17

## SECTION 4: ENVIRONMENTAL AND STATE ADMINISTRATIVE REQUIREMENTS ................................................................. 18
- Historic Preservation .................................................................. 18
- Illinois Accessibility Code Guidelines ................................................ 19
- Floodplain Requirements .............................................................. 19
- Additional NFIP Floodplain Requirements for Rehabilitation within a Floodplain .............................................................. 19
- Proximity to an Underground Mine .................................................. 19
- Other Environmental Requirements ................................................. 20
- Lead-Based Paint ....................................................................... 20
- Other Inspections ....................................................................... 21

## SECTION 5: HOME EVALUATION AND PRE-APPROVAL .................. 22
- Scope of Work Narrative .............................................................. 22
- Work Write-up/Cost Estimate ......................................................... 22

June 2020
Pre-approval ..................................................................................................................23

SECTION 6: MANAGING HOMEOWNER EXPECTATIONS ..............................................24
BOOKMARK NOT DEFINED.4

Best Practices ..................................................................................................................24

SECTION 7: CONSTRUCTION AND REHABILITATION MANAGEMENT
........................................................................................................................................26

Bidding the Job ...............................................................................................................26
Selecting a Contractor ......................................................................................................26

SECTION 8: RECEIVING YOUR FUNDING, PROJECT COMPLETION AND REPORTING
........................................................................................................................................29

Partial Payout Package ....................................................................................................29
Final Payout Package ........................................................................................................30
Administrative Funds .........................................................................................................31
Submission of Documents to IHDA ......................................................................................31
Reporting Requirements ....................................................................................................31
Introduction

Congratulations! You have been chosen as a grantee under the Illinois Housing Development Authority’s (IHDA) Affordable Housing Trust Fund Single Family Rehabilitation Program (SFR). Your award of this Trust Fund grant will enable you to help low-income households make necessary repairs to their homes. Priority will be given to rehabilitation items addressing health and safety hazards and local code violations.

This Program Manual includes guidance and sample documentation for the various aspects of your program. The purpose of the Manual is to:

- create a common ground for the program;
- establish rules, procedures, and expectations;
- develop thoughtful and effective operating procedures for local administrators; and
- minimize future program and project problems by identifying best practices and potential solutions.
Appendices

Please visit our website www.ihda.org to access webinars, FAQ, and forms. Click on the tabs “Community”, then “Revitalization and Repair Programs” to access the forms listed below:

Appendix A--Guidance and Samples
- IHDA Property Standards
- EPA Protect Your Family from Lead Pamphlet
- SFR R2 Term Sheet
- Illinois Affordable Housing Trust Fund - Program Rules

Appendix B--Checklists
- Sample File Checklist
- Pre-approval Request Checklist
- Partial Payout Request Checklist
- Final Payout Request Checklist

Appendix C--Applicant Information & Income Forms
- 2020 Income Limits
- Authority to Verify Applicant Information
- Financial Information Request
- Homeowner Application
- Community Affairs Income Calculator
- Community Affairs Income Calculator User Guide
- Part 5 Definition of Annual Income
- “Items to Bring to the Interview” and “Homeowner Expectations”
- Sample Homeowner Expectations
- Assistance Impact Statement
- Owner Agreement
  - Construction Contract
  - Owner Affidavit

Appendix D--Environmental and SHPO
- FIRMette
- HARGIS Contact Link
- Illinois Environmental Regulation
- Illinois Executive Order 2006-5
- NFIP Flood Plain Management Requirements – Unit 8
- Illinois Flood Plain Management – Quick Guide
- Illinois Lead Poisoning Prevention Act
- Sample SHPO Letter
- SHPO Guidance
Appendix E--Accessibility Documents
    ❖ Illinois Accessibility Code

Appendix F--Contractor Forms
    ❖ Statement of Contractor’s Qualifications
    ❖ Notice to Proceed
    ❖ Bid Tabulation Form
    ❖ Change Order
    ❖ Contractor Partial Lien Waiver
    ❖ Contractor Final Lien Waiver
    ❖ Contractor Payment Request Form
    ❖ Contractor Sworn Statement
    ❖ Project Completion Certificate

Appendix G--Summary and Payout Forms
    ❖ Payout Request Summary Form
    ❖ Project Delivery Worksheet
    ❖ Request for Payment & Certification Form – Project
    ❖ Request for Payment & Certification Form – Admin Funds
    ❖ Quarterly Status Report

Appendix H--MITAS Manual and Forms
    ❖ System Administrator Request Form
    ❖ SFR R2 MITAS Reservation Manual and Document Uploading Guide
    ❖ SFR R2 MITAS Loan Reservation FAQ

Appendix I--Fillable Notes, Mortgages, and Special Notice
    ❖ Mortgage
    ❖ Promissory Note
    ❖ Special Notice About Your Forgivable Loan SFR-R
    ❖ Special Notice About Your Forgivable Loan SFR

Note: We have made our forms fillable for your convenience and require that you use the fillable forms we have provided. Please do not hand write on the forms. If your municipality or agency does not own the software that allows you to utilize fillable documents, we ask that consideration be given to purchasing it with the Program’s administrative funds.
Section 1: Setting Up Your Program

This section provides thoughts on evaluating your readiness to begin SFR R2 and a review of program parameters to remember before you begin.

Setting up a rehabilitation program that meets both our homeowners’ needs and the requirements for a fiscally sound state-funded program requires forethought and planning. Time spent now in delineating roles and responsibilities and defining procedures for your program will result in the efficient delivery of the intended services.

As you review the Manual and appendices and all the requirements of operating SFR, consider how your current procedures may need to be changed and how your current staffing or knowledge may need to be supplemented.

How will roles and responsibilities be assigned within your administrative team? SFR has the goal of efficiently coordinating resources in assisting low-income households in need of home repairs. It is a challenge to set up a new program within an agency, assigning roles and clarifying procedures. As administrators of the program, you will be required to manage both dollars and documents. It may help to start with questions such as:

- Does my agency have the expertise needed to perform all the assigned tasks?
- Should we contract with an outside agency to supplement in-house knowledge?
- Do we currently have sufficient record keeping and financial management practices to be able to maintain the necessary documents, ensure contractors are paid in a timely fashion, and track the staff costs of the program?
- Does my staff have sufficient knowledge of local building codes, accessibility requirements, and lead-based paint requirements to meet the needs of the program?
- Will we be able to keep up with all the compliance procedures and reporting requirements?

Consult the Program Activity Table and the Rehabilitation Program Flow Chart of an individual rehabilitation project on the next few pages. These forms will assist you in the assignment of roles and responsibilities, to determine changes needed in your record keeping, and to focus on areas where supplemental staff or contracting with another entity may be necessary.

IHDA maintains the right to monitor these files, either on-site or by requesting a copy of all documentation for a desk review at any time.
**Program Activity Table**

Indicate which party will be the **primary (P)** decision maker and who will **assist (A)** for each activity.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Staff Person</th>
<th>Third Party</th>
<th>Other</th>
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<tbody>
<tr>
<td>Interviews applicant</td>
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<td>Determines income eligibility</td>
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<td>Determines program eligibility</td>
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<td>Investigates and documents other homeowner resources</td>
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<td>Reviews compliance with flood and historic requirements</td>
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<td>Prepares work write-ups and cost estimates</td>
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<td>Secures contractors</td>
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<td>Prepares loan documents</td>
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<td>Records documentation</td>
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<td>Inspects work</td>
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<td>Pays contractors</td>
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<td>Submits payouts</td>
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<td></td>
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<tr>
<td>Maintains financial records</td>
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<td></td>
<td></td>
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<tr>
<td>Performs follow-up</td>
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Basic Program Parameters
Let’s review some of the basic program parameters for SFR as defined by IHDA’s Community Affairs Department. A copy of the term sheet has been included in Appendix A.

Project Timing
SFR will operate for two years from the date of your initial closing with IHDA’s Legal Department.

• Extensions beyond the two-year grant term are not allowed in accordance with the Illinois Grant Funds Recovery Act. All construction work must be completed by your program’s expiration date. IHDA will allow payouts up to 60 days after your program’s expiration date expires. It is the grantee’s responsibility to be aware of the expiration date of their program and to track their spending. If you are ever unsure about your expiration date or amount of dollars available, please consult your Funding Agreement.

Eligibility Parameters

Eligible Households
• Households must be at or below 80% area median income (AMI) for household size. Preference must be given to households at or below 50% AMI.
• Consult your Participant Selection Plan and Funding Agreement for the number of households you are targeting for your program.

Eligible Properties
• Owner-occupied properties only
  o Only single unit properties are eligible
  o Must be sole residence of all homeowners
  o Must be held in fee simple title (no contracts for deed or ownership held in trust)
• Condominiums
  o Obtain approval of the condo association, if necessary
• Mobile homes on a permanent foundation
  o Homeowner must own the land underneath the mobile home
  o Must be able to record the IHDA mortgage against the property
  o Must be taxed as real estate, and not personal property
• Title must be clear of the following:
  o Property must be clear of all contractor and tax liens
  o If property taxes have been sold to a tax buyer, the property is ineligible
  o Properties with open foreclosure cases are ineligible
• Property must be taxed as real estate to be considered eligible (in order for the junior mortgage to be recorded on the home)
Ineligible Properties

- No reverse mortgages
- No investment properties
- No properties with a home equity line of credit
- No ownership in trust or under a contract-for-deed
- No properties primarily used for business (more than 50% of the floorspace is used for business)

Eligible Costs SFR

- Per unit limit is $45,000
- Total assistance limit per unit includes the following:
  - Hard costs for replacement and repairs
  - Hard costs for health and safety items
  - Soft costs, including title search, recording fees, termite inspections
  - Project delivery is the administrative costs associated with each project
    - Up to 15% of the hard and soft costs for actual work performed related to work write-ups, cost estimates, inspections, and permits (when excluded from contractor’s overhead costs).
    Note: You should not “back into” your project delivery (i.e. figure out 15% of your hard and soft costs and complete your project delivery worksheet to reflect that amount.) Your project delivery should reflect the actual hourly wage for staff and the actual hours worked on the project.

Eligible Costs Roof Only Option (SFR-R)

- Per unit limit for roof only option is $16,500
- Total assistance limit per unit includes the following:
  - Hard costs for replacement and repairs of roof, including rafters, soffits, gutters, fascia, and downspouts
  - Soft costs, including title, recording fees, termite inspections
  - Project delivery is the administrative costs associated with each project
    - Up to 15% of the hard and soft costs for actual work performed related to work write-ups, cost estimates, inspections, and permits (when excluded from contractor’s overhead costs).
    Note: You should not “back into” your project delivery (i.e. figure out 15% of your hard and soft costs and complete your project delivery worksheet to reflect that amount.) Your project delivery should reflect the actual hourly wage for staff and the actual hours worked on the project.
Program Document Requirements

Promissory Note and Mortgage Provisions
• The full maximum limit for SFR ($45,000) or SFR-R ($16,500) will be reflected in the Promissory Note and Mortgage. The actual loan amount will be identified in the Project Completion Certificate, which is completed after all rehabilitation is complete.
• The forgivable loan amortization period begins on the first day of the first calendar month after the final signature date on the Project Completion Certificate. See the Promissory Note for further details.
• Assistance for SFR is forgiven monthly over the five-year term (1/60th a month) until completely forgiven after year five.
• Assistance for SFR-R is forgiven monthly over a three-year term (1/36th a month) until completely forgiven after year three.
• If the home is sold before the affordability term ends, the unforgiven balance will be due out of net proceeds.
• The Promissory Note and Mortgage must be executed by the homeowner prior to any construction being done.
• Homeowners should be informed that there is no cash-out refinancing allowed during the affordability period.
• The homeowner should thoroughly review the Promissory Note and Mortgage for further information.

Special Notice About Your Forgivable Loan
• This Special Notice informs homeowners that they have been awarded up to $16,500 for roof repair through the SFR-R program, or $45,000 through the SFR program for home repairs.
• The actual loan amount will be included on the Project Completion Certificate.
• The Special Notice informs homeowners that their actual loan amount will be included on the Project Completion Certificate.
• Homeowners must complete and sign this form at the pre-construction conference after they have been pre-approved for construction.
• The grantee must ensure that the homeowner obtains a copy of their executed Special Notice and keep a copy of the Notice in the applicant’s file. The digital version should be sent to IHDA in the payout package along with the other disbursement documents listed on the payout request checklist.
Section 2: Establishing a Contractor Pool
This section addresses contractor pre-qualification, insurance and licensing requirements, and other contractor concerns

Do you have qualified contractors to do the work? Do you know your contractors? Are they going to do the work professionally, quickly, and even kindly? Are they financially stable and dependable enough to complete the job? Do they have the required licenses and insurances?

Perhaps some of these questions are rhetorical, but they should all be asked while setting up your program.

Most rehabilitation programs rely on a pool of pre-qualified contractors. The grantee advertises or otherwise seeks out interested contractors. IHDA recommends that the grantee have the contractor complete the Statement of Contractor’s Qualifications, we have included this form in Appendix F. The grantee will also need to review the contractors’ insurance information, as well as any required licenses. All insurance and licenses should be current, and a copy should be maintained in the grantee’s files.

Insurance Requirements
Minimum coverage should include the following:

- **Workmen’s Compensation and Employee’s Liability** - Workmen’s compensation of not less than the statutory amount and employer’s liability of not less than $500,000 per person.

- **Auto Insurance** - A minimum combined single limit of not less than $500,000 for injuries, including accidental death, or damages caused by the contractor’s vehicles on the site.

- **Comprehensive Public Liability** - Not less than $1,000,000 for accidents or injuries for each occurrence, and not less than $2,000,000 in the aggregate for the policy term.

Procurement
Grantees should adhere to the following tenets when establishing procurement policies for the program:

- **Maximize Competition**
  In order to ensure that a job is reasonable, open competition should be maximized. At least two, but preferably three proposals from your pre-qualified list of contractors should be received in order to obtain the best possible price for the work to be done.
• **Ensure Project Costs are Reasonable**  
An independent cost estimate based on local cost data should be done prior to the bids. The bids are then compared to each other and to the cost estimate. The accepted bid must be within a reasonable range (usually 10%, sometimes more on smaller projects) of the cost estimate. IHDA requires that you use a cost estimating software for developing work write-ups and cost estimates. If your municipality or agency does not own this software, you may purchase it and request reimbursement from your administrative funds.

• **Avoid Conflicts of Interest**  
No conflict of interest may exist between contractors and the grantee. There must be a clear distinction of duties performed by the entity performing the rehabilitation and the parties that develop work write-ups/cost estimates, approve progress and final draw requests, resolve disputes, and/or approve funding of individual households.

• **Unauthorized Compensation**  
Grantees may not receive or demand from builder, remodeler, contractor, supplier, or borrower:
  - Kickbacks
  - Commissions
  - Rebates
  - Other compensation

• **Select Contractors that are Responsive and Qualified**  
 Ensure that contractors submitting bids are qualified to complete the work specified in their proposals and are properly licensed and insured.

**Prevailing Wage**  
Currently, State Prevailing Wage regulations do not apply to Trust Fund rehabilitation projects under SFR.
Section 3: Marketing and Applicant Intake

This section addresses the requirements of intake procedures as you begin to accept applications for your program, including income verification and eligibility.

Marketing your program should be done in an open and informative manner. All potentially eligible applicants should have equal access to the available resources.

Flyers or brochures should be developed and provided to potential applicants and referral agencies, as well as placed in appropriate public places. The flyers and brochures should briefly describe the program and the eligibility requirements. Materials should include:

- Brief description of SFR and SFR-R
- Eligibility requirements
- Funding available per home and terms of funding
- Instructions on obtaining an application or further information

Determining Applicants to Serve

You may be using a ranking system, first-come first-served basis, or lottery to see which of your applicants can be served with your allocated funding amount. Here are a few tips to assist you:

- First-Come, First-Served - Always date-stamp applications. Track required documentation requested from applicants.
- Ranking Applicants - Be upfront. Document your rankings and be prepared to justify them.
- Lottery - Make it public. Pull a number of back-ups in case someone drops out of the program or proves to be ineligible.

It may be helpful to put together a list of documents an applicant should bring with them to your initial meeting. This list should include proof of income. This is also a good time to establish expectations with the applicants. Appendix C includes both a sample “Items to Bring to the Interview” and “Homeowner Expectations” but both should be tailored to the type of work to be done under your program.

Complete Sample File Checklist

This document outlines what files you should be collecting during the course of a homeowner rehabilitation project, from start to finish. The list is broken up into the following sections: Homeowner Eligibility, Loan Settlement, Construction, Close-out. Please refer to the Sample File Checklist in Appendix B when collecting documents for the homeowner’s project.
**Determine Eligibility**
Utilize your IHDA Participant Selection Plan (PSP). Grantees must follow the approved PSP in determining eligibility.

Here are some questions that should be answered in your initial discussion with the applicant. Please keep in mind that you will need to document the responses to these questions:

- Does the applicant own the home outright?
- Is ownership of the home under a trust or contract-for-deed? Ownership in trust or under a contract-for-deed is not eligible under the program. Ownership must be held in fee simple title.
- Are there any documents other than a deed recorded against the property?
- Is the property the sole residence of all owners?
- How many persons live in the household and what are their ages?
- What is the annual household income?
- Will the homeowner accept the placement of a lien on the property and agree to the terms of the Owner Agreement, Promissory Note, and Mortgage?
- Does the homeowner have adequate property insurance? Is the property insurance in the homeowner’s name?

**Confirm Ownership of Property**
IHDA requires a Title Search for all properties to ensure the property rightfully belongs to the homeowner(s) and there are no outstanding liens that would put the home at risk. A Limited Title Search is acceptable for substantiating ownership of property. If one or more homeowners are appearing in the title search that are not present due to death, IHDA will require additional documentation for review. You will need to produce documentation that proves ownership for the homeowner applying for funding (e.g., a will, divorce documents, or other relevant material).

- **Note:** Limited Title Searches are acceptable to verify if a property meets the SFR ownership requirements outlined below

**Verify Income**
Use the IHDA Income Calculator ([Appendix C](#)) to determine if the applicant is eligible for the Program. The household income must be at or below 80% area median income.

Grantees will use the Community Affairs Income Calculator to certify the gross amount of income of all adult household members that is anticipated to be received during the upcoming 12 month period. Refer to the [HUD Occupancy Handbook](#) for a detailed listing of acceptable forms for verifying income.

All income verifications will require one of the following supporting documents to be kept in the applicant’s file including:
• 3rd party verification from employers/SSA
• Copies of pay stubs and/or bank statements of at least three pay periods
• Certified copy of tax returns

**Note:** Income documentation must be current within 180 days of project start to be valid.

**Reserve Funds in MITAS**

**MITAS Loan Reservation System**
Grantees must reserve funds in MITAS as soon as they feel they have a qualified applicant. You may designate up to three (3) staff members from your agency to be a MITAS Administrator by completing the MITAS System Administrator form (**Appendix H**). The designated administrator(s) will be given a MITAS username and password so they may input the applicant’s information and upload any necessary documentation. See the SFR R2 Reservation Manual and Uploading Guide (**Appendix H**) for detailed instructions on reserving funds and uploading documents.

Once you have an eligible household, you can go into MITAS and reserve funds for this property, up to the $45,000 maximum allocation.

**Base Income for the Household**
You are to use the Adjusted Household Income from the Community Affairs Income Calculator when determining the household’s base income on the Primary Mortgagor Information screen. We have taken the guesswork out of calculating this figure. You will simply go to the Eligibility + Signature tab of the Income Calculator section entitled “Income to Enter in MITAS Loan Reservation” and enter the EXACT amount that is shown. (Adjusted Household Income divided by 12). Enter income in the Primary Mortgagor screen only, **Do not enter income into the co-mortgagor screens.** (Note: You will enter income for all adult household members listed on the Community Affairs Income Calculator and submit all pages of the Income Calculator to IHDA.)

**Execute Legal Documents**
The following documents are exhibits to your Funding Agreement and can be found in **Appendix C**.

**Owner Agreement**
IHDA provides an Owner Agreement as part of the legal documents for the program. This Agreement is a contract between the grantee and the homeowner and should be executed during the pre-construction conference. Review this document carefully with the program participant to ensure a mutual understanding of the activities undertaken and the overall program
requirements. Be sure to keep a copy of the executed Owner Agreement in the applicant’s file for future reference.

**Owner Affidavit**
As part of the Owner Agreement, the homeowner is required to execute the Owner Affidavit. This document certifies that the home is the owner’s sole residence and the property will remain owner-occupied throughout the loan term. Be sure to keep a copy of the executed Owner Affidavit in the applicant’s file for future reference.

**Construction Contract**
The Construction Contract is an agreement between the owner and the contractor. This document is an exhibit to the Owner Agreement provided by IHDA’s Legal department. Review this document carefully with the homeowner as it must be executed prior to the start of any construction. Be sure to keep a copy of the executed Construction Contract in the applicant’s file for future reference.

**Execute Program Documents**
The following documents are found in Appendix I.

**Special Notice About Your Forgivable Loan**
IHDA has implemented the use of the Special Notice About Your Forgivable Loan. This document informs the borrower that they will sign a Promissory Note and Mortgage that will not state their actual loan amount, it will instead indicate an “up to” or maximum loan amount. The final loan amount will be available once rehabilitation is complete and will be specified in the Project Completion Certificate. Be sure to keep a copy of the executed Special Notice in the applicant’s file for future reference.

**Promissory Note**
The IHDA Promissory Note will indicate the maximum loan amount for the program. The Note will not specify the actual loan amount, it will instead indicate $45,000 for the full SFR component and $16,500 for the roof only component. The date of the Note should reflect the date of the pre-construction conference. The final loan amount will be reflected on the Project Completion Certificate. The forgivable loan amortization period begins on the first day of the first calendar month after the final signature date on the Project Completion Certificate.

**Mortgage**
Similar to the Note, the IHDA Mortgage will not specify the actual loan amount; instead it will indicate the $45,000 maximum loan amount for SFR and $16,500 for SFR-R. The Mortgage date should reflect the date of the pre-construction conference. The final loan amount will be reflected on the Project Completion Certificate.
Section 4: Environmental and State Administrative Requirements

This section addresses environmental and state administrative requirements, including floodplain concerns, state historic preservation review, lead-based paint regulations, and other administrative requirements.

SFR R2 is supported by funds from the Affordable Housing Trust Fund. As such, the State of Illinois requirements for rehabilitation projects apply.

**Historic Preservation**

IHDA requires an approval/no comment letter back from the State Historic Preservation Office for all Trust Fund projects.

The State Historic Preservation Office (SHPO) must review all homes to be rehabilitated, including those that will receive only a moderate amount of rehabilitation. A sample letter is provided for you in Appendix D.

Send your letter and attachments to:

State Historic Preservation Office
Illinois Department of Natural Resources
Attn: Review & Compliance
1 Old State Capitol Plaza
Springfield, IL 62701
217-782-4836

Include the following documentation for each property to be reviewed:

- Street map showing location of property
- Two current, unobstructed color photographs of the property
- A brief description of the rehabilitation to take place. (Note: Simply stating “rehabilitation” will likely raise questions and cause a delay.)
- Include a summary of the work write-up

If your project is located in an historic area, additional documentation will most likely be required.

**Note:** IHDA will not issue a pre-approval to begin construction unless you have received an approval/no comment letter back from the State Historic Preservation Office.
Illinois Accessibility Code Guidelines
The Illinois Accessibility Code is a set of regulations that implement the Illinois Environmental Barriers Act (410ILCS 25). The Code establishes minimum scoping and technical design requirements to ensure that newly-constructed or renovated buildings in Illinois comply with accessibility standards that guarantee they are safe and readily accessible to persons with physical limitations. This Code also addresses areas of difference between federal accessible design standards such as the 2010 Americans with Disabilities Act (ADA), standards for accessible design (28 CFR 36 [2010]), and the Code. Together with the Environmental Barriers Act (EBA), the Code has the force and effect of law in the State of Illinois. See Appendix E for the Code.

Floodplain Requirements
Executive Order 2006-05 governs the development and rehabilitation of properties in the floodplain with State dollars. You must document whether each property is located in a 100-year floodplain. If the property is located in the 100-year floodplain, then flood insurance is required before a property can benefit from State-funded assistance. To check if a property is in the 100-year floodplain, you will need to consult the Flood Insurance Rate Map (FIRM) for that address published by FEMA. You can create and print a copy of a “FIRMette” on the FEMA website: https://msc.fema.gov/portal. There is also a tutorial on the website to assist you. Retain a copy of the FIRM map for your files and submit a color copy to IHDA with your pre-approval package. An example of a FIRM and a copy of Executive Order 2006-05 are included as Appendix D. For properties located within a 100-year floodplain, the homeowner must have flood insurance and must include IHDA as an additional insured.

Additional NFIP Floodplain Requirements for Rehabilitation within a Floodplain
The National Flood Insurance Program requires that “if the cost of improvements or the cost to repair the damage exceeds 50 percent of the market value of the building, it must be brought up to current floodplain management standards. That means an existing building must meet the requirements for new construction.” (Excerpt from unit 8 (page 3) of “NFIP Floodplain Management Requirements: A Study Guide and Desk Reference for Local Officials”). Unit 8 is located in Appendix D for your reference.

\[\text{Cost of improvement project} > \text{50 percent of the market value of the building}\]

The entire NFIP Floodplain Management Requirement guide can be found in full at the following FEMA site: https://www.fema.gov/floodplain-management-requirements

The Department of National Resources (DNR) “Illinois Quick Guide to Floodplain Management” serves as a resource for rehabilitation projects in Illinois that must be brought up to current floodplain management standards. This guide is located in
Appendix A. This guide and further Illinois specific NFIP information can also be found on the DNR website:  https://www.dnr.illinois.gov/waterresources/pages/nfip.aspx

**Proximity to an Underground Mine**
IHDA requires that a map showing the proximity to underground mines be provided for each project to be funded. A search should be done through the following website: http://isgs.illinois.edu/ilmines. A color copy of the map should be submitted to IHDA as part of the Pre-approval package. All properties within the proximity zone will be required to have mine insurance, with IHDA as an additional insured.

**Other Environmental Requirements**
The Trust Fund Regulations, Subpart K, state that “[t]he Authority may, at its election, commission [additional] environmental assessment[s] . . . The environmental assessment shall, at a minimum, consist of a review of historic activities on the Real Estate and current conditions of the Real Estate which identify potential violations of applicable environmental laws.”

Any further environmental review requirements are within the discretion of IHDA, as local or site-specific conditions warrant, but generally only the historic preservation, floodplain and mine review requirements will be required for this program. See Appendix D for a copy of this regulation.

**Lead-Based Paint**
The Illinois Department of Public Health (IDPH) (http://www.idph.state.il.us/) provides licenses for lead paint contractors, and enforces state regulations regarding lead-based paint.

For standard SFR projects, if the home was built prior to 1978, IHDA will require that a risk assessment be done of the entire home. For SFR with Roof Only Option projects, if the home was built prior to 1978, only the areas affected by rehab work (roof, soffit, fascia, etc.) need to be tested for lead via a risk assessment. According to IDPH, homes built after 1978 do not need to be assessed for lead unless the grantee determines otherwise. Contractors completing lead work will need to submit their lead abatement contractor license and the lead supervisor license to the grantee for review.

Please review the charts below for reference:

<table>
<thead>
<tr>
<th></th>
<th>SFR Project</th>
<th>SFR-R Project</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pre 1978</strong></td>
<td>Risk assessment of the entire home is needed for every project.</td>
<td>Risk Assessment is needed for every project. Only the roof and affected areas need to be tested.</td>
</tr>
<tr>
<td><strong>After 1978</strong></td>
<td>No lead assessment is required, unless grantee determines otherwise.</td>
<td>No lead assessment is required, unless grantee determines otherwise.</td>
</tr>
</tbody>
</table>

Lead-based paint assessment and remediation work are both eligible costs under SFR. However, if the clearance test fails, the contractor must pay for a second clearance test.
after further remediation work is done. IHDA will not reimburse for additional clearance testing.

When any rehabilitation/renovation work is being done and lead-based paint is known or strongly suspected in the work site area, then lead-safe work practices must be followed. This includes inspection and remediation work performed by state-licensed risk assessors and contractors. All work in the affected areas must be done by a licensed lead contractor using lead-safe work practices and pass IDPH lead clearance levels.

Additionally, any housing where a child or pregnant woman resides who has been screened and tested positively for lead poisoning by local or state health departments must be risk-assessed via a Lead Risk Assessment Report, to determine all sources of immediate lead-based paint hazards, and related remediation work must be performed. In all instances involving pre-1978 construction, provide owners/participants with the EPA pamphlet Protect Your Family from Lead in Your Home. Contractors should provide the homeowners with the required EPA Notices under the Lead Renovation, Repair and Painting (RRP) Rule (See Appendix A).

**Other Inspections**

For full SFR projects, the entire home will need a termite inspection. For SFR Roof-Only projects, only the areas affected by rehab work (roof, soffit, fascia, etc.) need to be inspected. In addition, if radon is a concern in your area, we would expect you to address that issue as well. Due diligence with regard to health and safety issues, and environmental concerns is a responsibility of publicly funded programs, whether or not the items are specifically stated.
Section 5: Home Evaluation and Pre-approval
This section provides information on how to evaluate the feasibility of rehabilitating the property, as well as how to obtain pre-approval from IHDA.

At this point in the project, you have found a household that is eligible for SFR. You now need to assess the specific needs of the property keeping the following factors in mind:

- What are the existing health and safety issues present in the home?
- Are there concerns of lead-based paint?
- What code violations need to be addressed?
- What energy efficient improvements can be included in this project?

Scope of Work
After reviewing the above-mentioned factors, you will derive your scope of work narrative for the project. This is your general list/summary of items that need to be completed as part of the project. At this point in your process, you will probably also have a good idea if the project can move forward with the amount of funds that you have available. The person performing the initial assessment of the property prepares the scope of work and later the cost estimate, must be qualified and knowledgeable with state and local building codes, including accessibility requirements and energy efficiency standards. Additionally, pre–1978 structures should be evaluated by a state-certified lead risk assessor in accordance with state-required protocols. Specific requirements for typical home repairs are included in Appendix D. The grantee determines if lead hazards are likely in the home, including a visual determination for any roof repair.

Work Write-up/Cost Estimate
A detailed work write-up and cost estimate should now be developed. The cost estimate should include detailed specifications and be based on current market costs. You should derive your own in-house cost estimate prior to bidding the project, and establish limits on what you will accept. Your work write-up should include your standards and specifications that are specific and measurable and will result in a good quality project. IHDA requires the use of cost estimating software, such as Housing Developer Pro and RESPEC. Best practices generally require that bids be within 10% of the cost estimate.

The next step is to consider project feasibility. Do you have sufficient funds for the rehabilitation and soft costs needed to complete the project? Make a detailed budget, and do not forget to include soft costs incurred: title, recording, and outside inspection fees. Also, include your own project delivery (up to 15% of hard and soft costs). If there are insufficient funds to complete the project, and additional funds from other sources are unavailable, you will have to decide whether to move forward with the project. As you consider this, keep in mind that the purpose of this program is to leave the recipients in safe and functional homes. If there are insufficient funds available to correct existing health and safety issues in the home, you should not continue with the project.
Pre-approval
Pre-approval from IHDA is required before you sign agreements and begin the rehabilitation. Once you have collected all the documentation listed on the Pre-approval Checklist (see Appendix B), you will upload the checklist along with all documentation into MITAS as one document. You will then inform the Community Affairs Department via email at TFSFRinfo@ihda.org that you have a project ready for pre-approval. We will email you a pre-approval or let you know if any additional documentation is needed.

Note: If you are not contacted within two (2) business days, please email or call to find out the status of your submission.

The following documentation must be submitted to TFSFRinfo@ihda.org as part of your Pre-approval package:

1. Pre-approval Request Checklist
2. MITAS Commitment Confirmation (generated when funds are reserved)
3. Scope of Work Narrative (summary of work to be performed on agency letterhead)
4. Community Affairs Income Calculator (signed by grantee and applicant)
5. Bid Tabulation (summarizing bids received for project)
6. Cost Estimate (on which the request for funds is based)
7. State Historic Preservation Office Approval Letter
8. FIRMette, floodplain map (in color)
9. Mine map (in color)
10. Copy of Homeowners’ Insurance Policies (listing “Illinois Housing Development Authority” as additional insured)
11. Pictures of work to be completed (before rehabilitation. Must be in color and labeled.)
12. Title Search (Title insurance is not required)
Section 6: Managing Homeowner Expectations

This section addresses best practices in managing homeowner expectations of the rehabilitation of their home.

In homeowner rehabilitation programs, a critical aspect is knowing how to best manage the expectations of the homeowner. The homeowner must be aware that SFR is not a complete remodel of their home and that the program cannot necessarily address all of their concerns. Priority will be given to rehabilitation items addressing health and safety hazards and local code violations.

While the program was designed to accommodate the needs of the homeowner, this does not mean that you or your contractors need to tolerate abusive, combative or argumentative behavior, or that you give into demands that go beyond the agreed upon scope of work and the overall program. See below for best practices on how to curb this type of behavior.

**Best Practices**

1. Thoroughly explain the entire application and rehabilitation process.
2. Utilize a Homeowner’s Expectation Form, and customize it, if necessary. Have the homeowner sign it. See Appendix C for a sample.
3. Make sure all color/material choices are documented at the pre-construction meeting.
4. Document the pre-construction meeting and have all parties sign.
5. Review the scope of work in detail.
6. Establish a protocol for resolving disputes between the homeowner and contractor.
7. If necessary, establish timeframes and benchmarks to keep your projects moving ahead.
8. Encourage the homeowner to ask you questions and not interrupt the contractor’s work.
9. Make sure that the homeowner understands that all contractor disputes, if any, are resolved at the discretion of the grantee.
10. Review in detail the Special Notice, so the homeowner is clear on their actual loan amount versus the “up to” language in the mortgage/promissory note. Remind the homeowner that the final loan amount is included in the Project Completion Certificate.
11. A Power of Attorney (POA) may be used if a co-borrower is unfit to sign off on program forms due to extenuating circumstances (incapacitation, military service, etc.). The attorney-in-fact must have specific authority to encumber the property.

We have funded you as our “on the ground” partners. We rely on your expertise in facilitating your rehabilitation program and believe that you are best suited to handle your homeowner’s questions and concerns. As such, we ask that all complaints be
handled on the local level by the grantee. For any escalations, please contact TFSFRinfo@ihda.org and we will work with you to address the homeowner’s concerns.
Section 7: Construction and Rehabilitation Management
This section covers selecting a contractor and the bid process.

Now that your in-house cost estimate determines that the project should continue, you should solicit bids from your pool of contractors. Sample forms are located in Appendix F. You must take pictures before, during, and after the construction period. Pictures must be submitted before the work starts to demonstrate the work that needs to be done. Pictures included in partial payout submissions must show progress and any completed components. Final payout pictures must show completion of the items specified on the work write-up. Please take pictures of the work before replacing furniture or any other items. Make sure pictures reference the major items in your cost estimate and scope of work narrative. Please include color pictures and be sure to label them. If there were numerous change orders, a new or revised scope of work narrative should be submitted with your payout documents.

Bidding the Job
A minimum of two bids (preferably three) must be obtained on behalf of the homeowners for all projects. The submission of more than one bid helps your program in the following ways:

- Assists you in assessing the validity of your cost estimate
- Establishes that costs are reasonable for your market
- Allows choice for the administrator and owner

Most complaints received by IHDA regarding rehabilitation projects are contractor related. Complaints of unreasonable charges for supplies or labor are among the most prevalent. The existence of multiple bids supports your program by demonstrating that the costs were reasonable and that the homeowner was not forced to use a contractor by the grantee.

Do not accept bids that are too low or that are unreliable. Do make sure that bids are comparable and that you are comparing the same line items. Perform a bid tabulation analysis to compare and document that the bid review process was fair and accurate.

Select Contractor
Once the bids have been reviewed and the homeowner and grantee have agreed upon the contractor to do the work, it is time to schedule a loan closing and a pre-construction conference. These meetings may be scheduled independently or concurrently. Contractors must adhere to the minimum quality standards outlined in the IHDA Standards for Architectural Planning and Construction.

Step 1 - Moderate the pre-construction conference. All applicable parties should attend, including the homeowner, the homeowner’s advocate, the grantee agency...
representative, and the contractor. The homeowner and contractor should both sign off on the accepted work-write up. All questions should be addressed at the pre-construction meeting. Keep meeting minutes and have the homeowner and contractor sign them. The construction contract is between the homeowner and contractor, therefore, both parties should sign accordingly. Review the provisions of the construction contract and the work write-up with the homeowner. Be sure to review the communication procedures for handling complaints and problems that may arise during construction.

**Step 2 - Customize and obtain signatures for the IHDA Promissory Note, Mortgage, and the Special Notice About Your Forgivable Loan.** Review all documents in their entirety with the homeowner, placing particular emphasis on the new “up to maximum $45,000” clause or “up to maximum $16,500” language. Do also discuss the recapture events. These include refinances as defined by the Mortgage. Complete the Special Notice with the borrower(s). This document will inform the homeowner that their full loan amount will not be specified on the Mortgage and Note. However, once construction is complete, the full loan amount will be indicated on the Project Completion Certificate. Make sure the homeowner fully understands their obligations under the agreements and that they keep the original executed Special Notice. Grantees should keep a copy of the Special Notice and Promissory Note for their records. The grantee should then send the Mortgage to the Recorder’s Office for recording. The Note and Special Notice are not recorded; they should be sent directly to IHDA after being executed.

**Step 3 - Mail the original IHDA Promissory Note to IHDA.** Send documents to the following address:

Illinois Housing Development Authority  
Community Affairs Department  
111 E. Wacker Dr., Suite 1000  
Chicago, IL 60601

**Step 4 - Issue a Notice to Proceed.** This notice informs all parties that a contractor may begin construction on a project.

**Step 5 - Are permits required?** Make sure all necessary permits have been obtained.

**Step 6 - Perform interim inspections as needed.** Document the interim inspections.

**Step 7 - Perform final inspection and any final lead clearance required.** Make sure all permit inspections have been completed. The Project Completion Certificate, indicating the full loan amount, should be signed by all parties. See Appendix F. The forgivable loan amortization period begins on the first day of the first calendar month after the final signature date on the Project Completion Certificate. See the Promissory Note for further details.
**Step 8 - Obtain sworn statement and lien waivers.** Be sure Sworn Statement is fully executed and lists all work performed. Include an invoice, if necessary. Lien waivers must be submitted for general contractor and all contractors that completed work on the project. Attain any applicable warranties.

**Step 9 - Provide copies of the above-mentioned documentation to the homeowner.** Be sure the homeowner receives copies of warranties and appropriate lead notices. Remind the homeowner that the final loan amount is included in the Project Completion Certificate. **Recommended** – obtain and document feedback from owner.

**Step 10 - Include all change order amounts on Project Completion Certificate.** If there were change orders (see Appendix F) during the construction period, this amount will need to be reflected in the Project Completion Certificate.

**Step 11 - If applicable to your municipality, obtain a Certificate of Occupancy for the rehabilitation project from your local government agency or the building department.** Include this file in the final payout package. A Certificate of Occupancy is a document issued by a local government agency or building department certifying a building's compliance with applicable building codes and other laws indicating it to be in a condition suitable for occupancy. You must obtain this document if it is a requirement in your municipality.

**Step 12 - Upload all disbursement documents as one (1) file in MITAS, as outlined on the Payout Checklist.** Be sure to include an electronic copy of the Promissory Note, Mortgage, Special Notice, Project Completion Certificate, and Certificate of Occupancy (if applicable). Email the IHDA Community Affairs team at TFSFRinfo@ihda.org, notifying them of your request to disburse funds for the project.
Section 8: Receiving Your Funding and Project Completion and Reporting

This section outlines the payout process, including required documentation and timelines for payment.

Once your project has been completed or is partially complete, you will upload your payout package into MITAS then email TFSRinfo@ihda.org to inform us that your payout package is ready for review.

Your payout package should be submitted as quickly as possible to ensure timely disbursement of funds. You may submit a Partial Payout package and/or a Final Payout package as IHDA will allow only two payouts per project.

**Partial Payout Request**

You will submit a Partial Payout package if your project is partially complete and you would like to make a payment to your contractor for work completed. (Remember, you may only submit one partial payout request per project.)

The following documentation must be uploaded to MITAS as one (1) file as part of your Partial Payout package:

1. Partial Payout Request Checklist
2. Scope of Work Narrative (on grantee’s letterhead, if amended from pre-approval)
3. Request for Payment and Certification
4. Payout Request Summary
5. Project Delivery Worksheet (must reflect actual hours worked by staff)
6. Soft Cost Invoices
7. Contractor Payment Request
8. Contractor Sworn Statement (all contractors and completed work must be listed. Include invoice, if necessary.)
9. Change Order(s)
10. Contractor Partial Lien Waiver (including material lien waivers. All contractors must submit partial lien waivers for completed work.)
11. Pictures of Completed Work
12. Special Notice About Your Forgivable Loan
13. Promissory Note
Final Payout Request
You will submit a Final Payout package if your project is complete and you would like to make a final payment to your contractor.

Please note that MITAS will not allow you to upload documents after IHDA has remitted payment. Therefore, if you have submitted a Partial Payout package you will email your Final Payout package to TFSFRinfo@ihda.org.

The below documentation must be uploaded into MITAS as one (1) file as part of your Final Payout package.

1. Final Payout Request Checklist
2. Scope of Work Narrative (if different from partial or pre-approval or to reflect multiple change orders)
3. Request for Payment and Certification
4. Payout Request Summary
5. Project Delivery Worksheet (must reflect actual hours worked by staff)
6. Soft Cost Invoices
7. Contractor Payment Request
8. Contractor Sworn Statement (all contractors and completed work must be listed. Include invoice, if necessary.)
9. Change Order(s)
10. Contractor Final Lien Waiver (including material lien waivers. All contractors must submit final lien waivers for completed work.)
11. Project Completion Certificate (reflects final hard costs amount)
12. Assistance Impact Statement (include picture of homeowner in the rehabilitated area, if possible)
13. Special Notice About Your Forgivable Loan (if not submitted w/ partial payout)
14. IHDA Promissory Note (if not submitted w/ partial payout)
15. IHDA Mortgage (if not submitted w/ partial payout)
16. Pictures of Completed Work
17. Certificate of Occupancy (if applicable to your municipality)
**Administrative Funds**
The grantee is eligible to receive up to 5% of the total grant amount as administrative funds under SFR.

- Collection of administrative funds is based on successful completion of the program (prorated by the percentage of project funds expended). For example, if the grantee has spent only 50% of their project funds, then up to 50% of the administrative funds will be approved for payout.

- Administrative funds must be drawn separately from project funds – see the Administrative Request for Payment & Certification (Appendix G).

- The grantee is responsible for monitoring and tracking its total project expenditures, as well as its administrative funds requests.

- Back-up documentation may be required for administrative draws, at IHDA’s discretion.

- Only two (2) administrative funds draws per grantee will be granted for the Program.

**Submission of Documents to IHDA**
The original IHDA Promissory Note should be mailed to the Community Affairs Department as soon as possible. The recorded Mortgage should be forwarded directly by the Recorder’s Office to IHDA. Should there be long-term questions and concerns about these documents, homeowners should contact IHDA’s Homeownership Department (877-456-2620), LPMRelease@ihda.org.

**Reporting Requirements**
- **Quarterly Status Reports**
  The grantee will submit a Quarterly Status Report (Appendix G) to IHDA at TFSFRinfo@ihda.org by the 15th of the month after each quarter end. If the Report is not submitted, IHDA has the right to withhold payment of pending projects.

- **Financial Audit Reports**
  The grantee will submit their most recent annual audited financial statements within nine months of their fiscal year end. The financial audit should be submitted to IHDA electronically. The grantee will maintain separate records for this grant and will identify these funds by source grant number in their audited financial statements. Failure to submit the audited financial statements may delay payment of pending projects.

Congratulations! You are now familiar with the steps needed to successfully implement SFR. Please contact us at any time with any questions at TFSFRinfo@ihda.org.