



2020-2021

**LOW INCOME HOUSING TAX CREDIT
QUALIFIED ALLOCATION PLAN**

**STATE OF ILLINOIS
J.B. Pritzker
Governor**

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I) Definitions

The following capitalized terms used in this QAP shall have the following definitions:

“42(m) Letter” shall mean the letter from the Authority to an Owner evidencing that a Project being financed with the proceeds of tax-exempt bonds satisfies the requirements of the QAP and Section 42(m)(1)D of the Code.

“42(m)(2)(D) Letter” shall mean the letter from the issuer of tax exempt bonds that addressees the tax credit dollar amount and the reasonableness of project costs under section 41(m)(2)(d) of the Code.

“Affirmatively Furthering Fair Housing” 24 CFR 5.150 shall have the meaning set forth on page 16.

“Affordability Risk Index” shall have the meaning set forth on page 74.

“Allocation” shall mean the award of Tax Credits to a Project pursuant to Section 42. An Allocation may be made pursuant to a Carryover Allocation Letter or the issuance of IRS Form(s) 8609.

“Architect of Record” shall mean the architect licensed by the State who has the contract responsibility for the Project, who designs and prepares the construction documents from which the building is constructed, and who signs the required documents.

“Area Median Income” (“AMI”) shall mean the median income of the county in which the Project is located, or the metropolitan statistical area of Chicago, or the metropolitan statistical area of St. Louis, adjusted for family size, as such adjusted income and median income for the area are determined from time to time by HUD for purposes of Section 8 of the United States Housing Act of 1937.

“Applicable Federal Rate” (“AFR”) shall mean the group of interest rates published monthly in the United States by the Internal Revenue Service (“IRS”) for federal income tax purposes. The IRS publishes these rates in accordance with Section 1274(d) of the Internal Revenue Code on a monthly basis. The publication takes the form of a revenue ruling and is available to the public on the IRS website and can be found at <https://apps.irs.gov/app/picklist/list/federalRates.html>.

“Application” shall mean an entire set of required and requested documents as prescribed in this QAP and submitted by a Sponsor to the Authority.

“Authority” shall mean the Illinois Housing Development Authority, a body politic and corporate of the State of Illinois.

“Average Income Test” shall refer to the Average Income minimum set-aside election provided on line 10c of IRS Form 8609. Under the Average Income Test, at least 40% of units are rent restricted, with an average income restriction of 60% AMI, and with maximum income restriction no higher than 80% AMI. The Authority’s criteria for projects seeking approval under the Average Income Test begin on page 18 of this QAP.

“Basis Boost” shall mean up to a thirty percent (30%) boost to the Eligible Basis of the Project.

“Board” shall mean the Members of the Authority.

“Carryover Allocation” shall mean the Allocation for a Project which is not expected to be Placed in Service in the year of the initial Allocation, made pursuant to the provisions of Section 42(h)(1)(E) of the Code.

“Carryover Allocation Letter” shall mean the written documentation from the Authority to an Owner making a Carryover Allocation for that Owner's Project.

“Cash Flow after Debt Service” shall mean the Project's net operating income less total debt service exclusive of cash flow notes.

“Centers for Independent Living” shall mean locations identified on State of Illinois Developmental Disabilities website at <https://www.illinois.gov/dd/Pages/CIL.aspx>.

“Clarification Letter” shall have the meaning set forth on page 27.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the regulations, notices, revenue rulings and other official pronouncements promulgated under it, all as they may be amended from time to time.

“Common Application” shall mean the electronic document of the same name published by the Authority and used in the collection and analysis of information regarding the Project.

“Community Revitalization Strategy” definitions.

The following lettered definitions are associated ONLY with Community Revitalization Strategy in Scoring Section XIV C 2)b) of the QAP.

- a) **“Community Revitalization Strategy” (“CRS”)** shall mean a deliberate, concerted, and locally approved plan or documented interconnected series of local efforts with local stakeholder support intended to improve and enhance specific aspects of a Community (defined below). Please note: A locally approved plan is but one method of documentation, but and because formalized plans are beyond the capabilities of all municipalities in the state, well-documented efforts taking place outside of formalized plans are equally acceptable for this purpose.
- b) **“Community Revitalization Strategy Area” (“CRSA”)** shall mean the Project area for a Community Revitalization Strategy. An area of a pre-designated size that is larger than a parcel, PUD, or subdivision, but small enough that one municipality or county (or a small conglomerate of municipalities or counties) can have jurisdiction over it. A CRSA can also align with an existing area designated for development such as a Community Development Block Grant (CDBG) Target Area, Neighborhood Strategy Area (NSA), or Tax Increment Finance (TIF) District.
- c) **“Affordable Housing” – For the purposes of Community Revitalization Strategy Section XIV C2)b) only, the term “Affordable Housing” is defined by one of the following criteria:**
 - Rent restricted rental units (legally restricted via use of programs such as Low-Income Housing Tax Credits, HOME, Illinois Affordable Housing Trust Funds, etc.) where rent is restricted to levels affordable to households earning under 30%, 50%, 60%, or 80% of the Area Median Income;
 - Rent subsidized rental units (examples of rental subsidies are Project Based Rental Assistance, Project Based Vouchers, Housing Choice Vouchers, Section 811, and Rental Housing Support Program);

- Affordable homeownership programs, including the use of subsidized mortgage credit certificates, mortgage revenue bonds, or down payment assistance that are limited to households earning less than 120% of Area Median Income.

“Compliance Period” (notwithstanding Section 42(i)(1) of the Code) means the period of 15 consecutive taxable years beginning with the first taxable year of the Credit Period.

“Conditional Allocation” shall mean an Allocation of Tax Credits to a Project that remains subject to conditions prior to the issuance of IRS Form(s) 8609.

“Consolidated Plan” shall mean a HUD approved 3- to 5-year plan, or Annual Action Plan, describing the jurisdiction’s community development priorities and multi-year goals based on an assessment of housing and community development needs, an analysis of housing and economic market conditions and available resources.

“Construction Monitoring” shall have the meaning set forth on page 37.

“Control” shall mean majority ownership interest in the Owner or majority decision making authority as defined in development agreement between Owner and guarantor.

- For purposes of the definition of “Sponsor”: control must mean a majority ownership interest.
- For purposes of determining that a Qualified Non-Profit is not controlled by a For Profit: control shall mean either a majority ownership interest or decision making authority as defined in the entity’s legal documents.

“Credit Ceiling” shall mean the amount of Tax Credits available for Allocation by the Authority for any calendar year, as provided in Section 42.

“Credit Period” shall mean with respect to any building in a Project, the period of ten taxable years beginning with the taxable year in which such building is Placed In Service or, at the election of the Owner, the following taxable year.

“Debt Service Coverage Ratio” shall mean the quotient of the Project’s net operating income and total debt service exclusive of cash flow notes.

“Demand Responsive Transit” (“DRT”) shall mean shared use transit service operating in response to calls from passengers or their agents to the transit operator, who schedules a vehicle to pick up the passengers to transport them to their destinations. The vehicles do not operate over a fixed route or on a fixed schedule. Sometimes known as Dial-a-Ride.

“Difficult to Develop Area” (“DDA”): shall have the meaning defined in IRC Section 42, which defines a DDA as an area designated by the Secretary of HUD that has high construction, land, and utility costs relative to the Area Median Gross Income (AMGI). DDAs are designated annually as updated income and FMR data are made public. See HUD map for reference: www.huduser.gov/portal/sadda/sadda_gct.html

“Displacement” shall be defined as occurring when a person moves from a property as a direct result of the acquisition, rehabilitation or demolition of a project, except under certain circumstances, as defined under federal regulations [49 CFR 24.2(a)(9)]. Exceptions include situations in which a person:

- is not required to relocate permanently as a direct result of the project,

- has been permanently relocated to a comparable unit, including a comparable unit at another site
- is an unlawful occupant, or has been evicted for cause, or
- qualifies for other exceptions as identified under 49 CFR 24.2(a)(9)

“Elderly” shall mean housing (i) intended for, and solely occupied by, persons age 62 or older; or (ii) intended and operated for occupancy by at least one person age 55 years or older per unit, and at least 80% of units within the Project are so occupied;; or (iii) provided for under any state or federal program that HUD has determined is specifically designed and operated to assist elderly persons (as defined in the state or federal program).

“Eligible Basis” Building or development costs that are eligible for tax credits. In general, it includes the adjusted basis of a residential building, including amenities and common areas, but not including land or nonresidential space. Eligible basis does include community service facilities to the extent permitted under Section 42(d)(4)(C).

“Equity Gap Method” is a method for calculating the tax credits needed to make a project feasible, in keeping with federal requirement that the Tax Credit allocation to any project must not exceed the amount necessary to assure project feasibility [26 USC 42(m)(2)(D)]. The calculation starts with total project costs, subtracts debt and other financing to arrive at the amount of equity needed from tax credits. The Tax Credit amount is derived from the tax credit equity calculation, based on the expected price, or net cent raise, of the credits.

“Extended Use Agreement” shall mean the agreement executed by and between the Authority and the Owner, which is binding upon the Owner and all successors to the Owner, and which requires that the Project comply with the requirements of Section 42, the QAP, the Application and the Authority.

“Extended Use Period” means the period beginning with the first day of the Compliance Period and ending on the date which is 15 years after the end of the Compliance Period unless otherwise indicated in the Extended Use Agreement or unless terminated in accordance with the Extended Use Agreement.

“Extremely Low Income” shall mean a household income that falls at or below thirty percent (30%) of the AMI for the area in which a Project is located.

“Food Access” shall be defined by geographic proximities described on page 22, and in accord with food access indicators provided by the USDA Food Access Database.

“Forward Reservation” shall have the meaning set forth on page 12.

“HUD” shall mean the United States Department of Housing and Urban Development.

“IAHTC” shall mean Illinois Affordable Housing Tax Credits, also known as state donation tax credits.

“Identity of Interest” shall mean the existence of any of the following conditions:

- When one or more of the officers, directors, stockholders, members, or partners of the Owner is also an officer, director, stockholder, member, or partner of any other Participant;
- When any officer, director, stockholder, member or partner of the Owner has any financial interest whatsoever in any other Participant;

- When any Participant advances any funds or sells or donates property to the Owner;
- When any Participant provides and pays, on behalf of the Owner, the cost of any architectural services or engineering services other than those of a surveyor, general superintendent, or engineer employed by any other Participant in connection with its obligations under its contract with the Owner;
- When any Participant takes stock or any interest in the Owner entity as part of the consideration to be paid him/her.

“IRS” shall mean the Internal Revenue Service.

“Low Income” shall mean a household income at or below the income limit(s) determined by the owner’s minimum set-aside election. For LIHTC projects, owners may elect to make units affordable to households at or below 60% AMI, 50% AMI, or at intervals between 20% and 80% AMI, under the Average Income Test.

“LTOS” shall mean the Long Term Operating Support program, a state rental assistance program administered by the Authority.

“Material Participation” shall mean the regular, continuous and substantial involvement in the operation of the development throughout the Compliance Period, as defined in Section 469(h) of the Code and the regulations promulgated under the Code, as codified at 26 CFR § 1.469-5T. Participants will be required to complete a certification form demonstrating their material participation in the Project.

“Opportunity Area” shall have the meaning set forth in Scoring Section XIV C2)a) of the QAP.

“Owner” or “Project Owner” shall mean the single asset entity, organized under the laws of the State of Illinois, or any other state, that is awarded Tax Credits for a Project pursuant to this QAP and which owns or will own the Project for the term of the Compliance Period, and which shall be signatory to the Extended Use Agreement. The Owner shall be Controlled by the Sponsors.

“Participant” shall mean a member of the Project’s development team, including Sponsor, general contractor, architect, and property manager.

“Permanent Supportive Housing” shall mean a Project with a preference or restriction for people who need supportive services to access and maintain affordable housing, are experiencing or at risk of homelessness, are living with disabilities, and/or are experiencing or at risk of institutionalization. The housing should be permanent (not time-limited, not transitional), affordable (typically rent-subsidized or otherwise targeted to the extremely-low-income who make 30% of the area’s median income or below), and independent (tenant holds the lease with normal rights and responsibilities). Services should be flexible (responsive to tenants’ needs and desires), voluntary (participation is not a condition of tenancy), and sustainable (focus of services is on maintaining housing stability and good health).

“Placed in Service” shall have the following meaning, based on the Project type:

- New construction Projects: A building is determined to be Placed in Service when the first unit is ready for occupancy.
- Rehabilitation Projects: The Placed in Service date for a rehabilitation building is the date

established by the Owner at the end of any 24-month period within which the Tax Credit rehabilitation expenditure threshold (the greater of \$3,000 per Low Income unit or ten percent of acquisition cost) has been satisfied.

- Acquisition Projects: An existing building is normally Placed in Service upon acquisition. However, if the building is not in habitable condition, it will not be Placed in Service until restored. Note, however, that even though an occupied building is Placed in Service when it is acquired, its Credit Period cannot begin until the beginning of the Credit Period for the related rehabilitation expenditures.

“Preliminary Project Assessment” (“PPA”) shall mean an entire set of required and requested documents for a Site, market, financial feasibility and Participant review as more fully described on page 22 and on the Website.

“PHA” shall mean the Public Housing Authority whose jurisdiction includes the Project.

“Project” shall mean an existing or proposed qualified Low Income housing project, as defined in Section 42, that satisfies, or will satisfy, all of the requirements of the QAP and the Authority.

“Proximate Opportunity Area” shall have the meaning set forth in Scoring Section XIV C2)a) of the QAP.

“QAP” shall mean this Low Income Housing Tax Credit Qualified Allocation Plan, as required under Section 42.

“Qualified Census Tract” (“QCT”) shall mean an area designated by the Secretary of HUD where, for the most recent year for which census data are available on household income in such tract, either 50 percent or more of the households in the tract have an income which is less than 60 percent of the area median gross income or the tract’s poverty rate is at least 25 percent. QCTs are designated annually as new income and poverty rate data are released. See HUD map for reference:

www.huduser.gov/portal/sadda/sadda_qct.html

“Qualified Contract” shall mean a bona fide contract to acquire the Project as defined in Section 42(h)(6)(F) of the Code, and subject to the provisions of the Code.

“Qualified Non-Profit Organization” shall mean an organization which

- is tax exempt under section 501 of the federal tax code and has as one of its exempt purposes the fostering of Low Income housing within the meaning of Section 42(h)(5)(C), as evidenced by IRS Form 990.
- has an ownership interest in the project, either directly or through a wholly owned subsidiary
- materially participates in the operations of the project on a regular, continuous and substantial basis, throughout the Compliance Period.
- is determined by the Authority not to be affiliated with, or controlled by, a for profit corporation.

For purposes of scoring points for Qualified Non-Profit Participation: the qualified non-profit must have a majority ownership interest in the general partner or managing member of the Owner throughout the Compliance Period.

Projects that elect to score points for Qualified Non-Profit Corporation participation will be identified as part of the Authority’s not-for-profit set-aside on IRS Form 8610.

“Racially or Ethnically Concentrated Areas of Poverty” (“R/ECAP”): According to U.S. Department of HUD, a neighborhood can be a R/ECAP if it has a poverty rate that exceeds 40% or is three or more times the average tract poverty rate for the metropolitan/micropolitan area, whichever threshold is lower. HUD designates census tracts with this extreme poverty that satisfy the racial/ethnic concentration threshold as R/ECAPs. HUD used component data from the decennial census (2010) and the American Community Survey (2009-2013) to determine which geographies met R/ECAP criteria in 2010. See HUD for R/ECAP dataset:

https://hudgis-hud.opendata.arcgis.com/datasets/56de4edea8264fe5a344da9811ef5d6e_0

“Reservation” shall mean the specific amount of Tax Credits reserved for a Project, as evidenced by a Reservation Letter, which the Authority may allocate to the Project.

“Relocation” The Authority’s Relocation requirements in accordance with 24 CFR 236 are addressed on page 52 of the QAP and in the Authority’s Relocation Checklist.

“Reservation Letter” shall mean the letter from the Authority to an Owner conditionally binding the Authority to make an Allocation of Tax Credits in a specific amount for that Owner’s Project.

“Revitalization Plan” shall mean a concerted plan for comprehensive community redevelopment that includes housing policy goals, and may also include education, public infrastructure, and employment and job training.

“Section 42” shall mean Section 42 of the Code and the regulations and revenue rulings promulgated under it, all as they may be amended from time to time.

“Set-Aside” shall mean the percentage of Tax Credits allocated as set forth on page 20.

“Site” shall mean a parcel of land on which the Project will be developed, described by a unique legal description which will be encumbered by the Extended Use Agreement. A Project may consist of multiple Sites.

“Sponsor” shall mean an entity that is applying for Tax Credits for a Project pursuant to this QAP. The Sponsor shall Control the Owner of the Project for the term of the Compliance Period. The sponsor shall not be a single asset entity. Project consultants and other like professionals shall not be considered as Sponsors.

“State” shall mean the State of Illinois.

“Statewide Referral Network” (“SRN”) shall mean a statewide referral process that links Supportive Housing Populations with available Statewide Referral Network Units. The Statewide Referral Network is a collaboration between the Authority, the Illinois Department of Human Services, the Illinois Department on Aging, the Illinois Department of Healthcare and Family Services, and local social service providers. Households referred through the Statewide Referral Network process may or may not be in need of long-term supportive services. It is expected that referrals in-need of on-going supportive services will have them arranged by the referring service provider.

“Statewide Referral Network Units” shall mean units for households earning at or below 30% of Area Median Income (AMI), where the unit has a 30% AMI designation, and which are referred through the

Statewide Referral Network or its successors and which may include Supportive Housing Populations. Projects that are currently occupied or subject to a waitlist must submit a plan on how the Sponsor will ensure delivery of the Statewide Referral Network Units to the eligible referrals in a timely manner, and the plan must be approved by the Authority at its sole discretion.

“Supportive Housing Populations” shall mean people who need and are eligible for permanent supportive housing, as defined above.

“Supportive Living Facility” (“SLF”) shall mean a residential setting that meets the requirements of Subpart B of 89 Illinois Administrative Code 146.

“Tax Credits” shall mean federal low income housing tax credits, as authorized by Section 42.

“Ten Percent Test” shall mean ten percent (10%) of the reasonably expected basis, as defined in Section 42.

“Tenant Selection Plan”, shall mean the plan that specifies the procedures that will be followed to select tenants for the Project, including qualifying criteria, income limits, and preferences. Preferences may include special populations such as elderly, special needs, or family housing.

“Unit” means any accommodation containing separate and complete facilities for living, sleeping, eating, cooking, and sanitation (e.g., a residential dwelling consisting of one apartment, one single family home, one half of a duplex, etc.). Such accommodations may be served by centrally located equipment such as air conditioning or heating.

“USDA-RD” shall mean the U.S. Department of Agriculture – Rural Development.

“Waiver of 4% Feasibility” shall mean the document provided by the Authority for developments which have met the requirements set forth in Section VI. of the QAP. **All** Projects that have or will have federal project-based rental assistance contract on 50% or more of the units are **NOT** eligible to apply for 9% Tax Credits **unless** a Waiver of 4% Feasibility is obtained. All projects will be evaluated for 4% feasibility at the time of Preliminary Project Assessment.

“Website” shall mean <http://www.ihda.org/>.

II) General Provisions

A) Changes to QAP

The Authority reserves the right to amend, modify, withdraw or update provisions of the QAP, including attachments, at any time to administer the Tax Credit program.

If any part of this QAP is determined not to be in compliance with Section 42 or any other applicable codes or statutes, only that non-compliant part shall be considered as being out of compliance with Section 42 and the remainder of the QAP shall remain in effect.

B) Authority Rights

The Authority reserves the right to limit the number of 9% Tax Credit Reservations for Rental Assistance Demonstration Projects to one (1) per Set-Aside per year.

The Authority reserves the right to make Tax Credit Reservations in an amount above 1,500,000 per Project.

The Authority reserves the right to limit the number of Projects recommended for Tax Credits in any Set-Aside, as defined in Section V) Credit Ceilings and Set-Asides.

The Authority reserves the right to limit the number of Projects recommended for Tax Credits for any given Sponsor.

The Authority reserves the right to limit the number of Projects recommended for Tax Credits in any area where the Authority has previously allocated resources.

The Authority reserves the right to make Tax Credit Reservations from the upcoming calendar year Credit Ceiling (a "Forward Reservation") under this QAP.

The Authority reserves the right to verify any information submitted in an Application.

The Authority may review local and/or state analysis of impediments to fair housing prepared in connection with federal funding programs and reserves the right to prioritize Applications which evidence opportunities to affirmatively further fair housing.

In keeping with the State's Comprehensive Housing Planning Act (as amended P.A. 99-0564), the Authority may issue a Reservation to a Project(s) selected by the Authority in response to a Notice of Funding Availability ("NOFA") issued by the Interagency Committee of the Illinois Housing Task Force. The amount reserved will not exceed ten percent (10%) of the total Authority Credit Ceiling. Any Project recommended by the Interagency Committee must meet the requirements of this QAP, excluding the Scoring Categories section.

C) Authority Limitations

The Tax Credit program is a regulated and highly complex program. Final interpretations of certain rules and regulations governing various aspects of the program have not been issued. As such, additional requirements or conditions applying to the Tax Credit program may be forthcoming.

It is the responsibility of the Owner to be knowledgeable of Section 42 of the Code, regulations and

administrative documents (rulings, notices, and procedures), and all relevant materials published by the IRS.

It is strongly suggested that prospective Owners interested in the Tax Credit program contact their tax accountant and/or attorney prior to submitting an Application and prior to the development of Projects under the Tax Credit program. While the Authority will assist those applying for an Allocation of Tax Credits, the Authority will not provide tax or legal advice.

The Authority's review of an Application is solely for its own purposes, and the Owner of a Project may not rely upon the Authority's review as evidence of such Project's compliance with federal or State law. The Authority's Allocation of Tax Credits for a Project shall not constitute a representation or warranty that the Project complies with Section 42 or any other laws and regulations governing Tax Credits. The Owner is responsible to ensure that the Project complies with all such laws and regulations.

D) The Fair Housing Act

The Authority requires that all Projects meet the requirements of the Fair Housing Act, 42 U.S.C. 3601 - 3619. The Fair Housing Act is enforced by HUD and prohibits discrimination in the sale, rental, or financing of dwellings and in other housing-related activities on the basis of race, color, religion, sex, disability, familial status, or national origin. Further information regarding the Fair Housing Act can be found on the HUD website at https://portal.hud.gov/program_offices/fair_housing_equal_opp

E) Application Disclosures

1) Limitation of Acceptance of Submission

Acceptance of a Preliminary Project Assessment or Application shall not be construed to be a representation or warranty by the Authority as to the feasibility, viability, or lack thereof, of any Project.

2) Sharing of Information with Third Parties and Governmental Entities

The Authority shall have the right at any time without any further consent from, or notice to, the Owner, or any other party, to discuss or communicate and disseminate any information concerning the Owner or the Project with any third party, including, without limitation, any general or limited partner, member, or shareholder of the Owner or any entity or individual comprising any part of Owner's ownership structure, any party providing any funds to or on behalf of the Owner or Project, the IRS, or any other governmental entity.

3) Disclosure of Information Pursuant to the Illinois Freedom of Information Act

The Application is subject to the Illinois Freedom of Information Act (5 ILCS 140) and all or part of such submission may be open to public inspection or copying. Any claim that the information submitted is exempt from disclosure must (i) be made as part of the submission; (ii) identify the information alleged to be exempt; (iii) reference the specific statutory basis for the claimed exemption; and (iv) provide an explanation as to why the information meets the requirements of the exemption. The Authority will determine whether such exemption applies.

4) Notification of Elected Officials

Upon receipt of an Application, the Authority will send notification letters to publicly elected officials and agencies. In the event the notification letters generate questions or comments, the Project Owner may be required to respond.

III) Introduction

A) Purpose of the QAP

The Tax Credit program was created by the United States Congress in 1986 to promote the development of affordable housing for low income individuals and families. The IRS regulations for the Tax Credit program are found under Section 42 of the Code of 1986, as amended.

The Authority is an allocating agency for the Tax Credit program in the State. Pursuant to Section 42 of the Code, the QAP describes criteria the Authority considers in evaluating Projects applying for an Allocation of Tax Credits.

The QAP addresses the process for obtaining Tax Credits either through the issuance of a 42(m) Letter for Projects financed through the issuance of tax-exempt bonds (4% Tax Credits) or through the competitive selection process (9% Tax Credits).

All Projects planning to apply to the Authority for an allocation of 4% or 9% Tax Credits must first submit a Preliminary Project Assessment to the Authority prior to submitting a full Application. Please see the Website for further information on applying for Authority resources.

B) Code Required Selection Criteria, and Preferences

Section 42(m) of the Code requires the Authority to include the following Project selection criteria in the QAP:

- Project location
- Housing need characteristics
- Project characteristics, including whether the Project involves the use of existing housing as part of a Concerted Revitalization Plan
- Sponsor characteristics
- Tenant populations with special housing needs
- Public housing waiting lists
- Tenant populations of individuals with children
- Projects intended for eventual tenant ownership
- Energy efficiency of the Project
- Historic nature of the Project

Section 42(m) of the Code requires the Authority to give preference in allocating Tax Credits to:

- Projects serving the lowest income tenants
- Projects obligated to serve qualified tenants for the longest periods
- Projects which are located in qualified census tracts and the development of which contribute to a Revitalization Plan

C) State Comprehensive Housing Planning Act

The State's Comprehensive Housing Planning Act (as amended P.A. 99-0564), established the first statewide comprehensive housing initiative and appointed the Housing Task Force to improve the planning and coordination of the State's housing resources. The following eight (8) underserved populations were identified:

- Low-income households (with particular emphasis on households earning below 30% of Area Median Income)
- Low-income seniors
- Low-income persons with disabilities
- Homeless persons and persons at-risk of homelessness
- Low- and moderate- income persons unable to afford housing near work or transportation (Live Near Work)
- Low-income persons residing in existing affordable housing that is in danger of being lost or becoming unaffordable (Preservation)
- Low-income people residing in communities with on-going community revitalization efforts
- Other special needs populations, including people with criminal records and veterans experiencing or at risk of homelessness.

D) Authority's Mission Statement

The mission of the Authority is to finance the creation and the preservation of affordable housing throughout the State in order to increase the supply of decent and safe places for people of low or moderate means to live.

E) Affirmatively Furthering Fair Housing

It is the policy of the Authority to administer the Tax Credit program affirmatively, as to achieve a condition in which individuals of similar income levels in the same housing market area have a like range of housing choices available to them regardless of their race, color, religion, sex, disability, familial status or national origin. Each Sponsor shall pursue affirmative fair housing marketing policies in soliciting tenants and outreaching to underserved populations and those least likely apply to reside in completed Tax Credit units.

As part of HUD's fair housing efforts, the Authority, strongly encourages all Sponsors to reach out to the Project's nearest designated housing locator for Olmstead class members, their local Continuum of Care in order to guarantee people with disabilities have the opportunity to apply for units in all Tax Credit buildings which they qualify, and Centers for Independent Living.

<https://www2.illinois.gov/sites/dd/pages/cil.aspx>

IV) Tax Credit Information

A) Tax Credit Calculation

Section 42(m) of the Code requires the Authority to ensure the amount of Tax Credits allocated to a Project does not exceed the amount necessary to assure Project feasibility.

The Authority will review the amount of Tax Credits a Project is eligible to receive using both the Qualified Basis method and Equity Gap method.

The Authority review of the amount of Tax Credits will be ongoing from Application through the issuance of IRS Form 8609 and may result in a reduction to the amount of Tax Credits the Project receives.

B) Applicable Percentage – 4% Tax Credits

The applicable percentage for 4% Tax Credit Projects is subject to adjustment based on the Applicable Federal Rate, which is reported monthly by the IRS. Applications must use the applicable percentage for the month in which the Application is submitted. The applicable percentage rate can be locked on the date of Reservation, or the date of Placed in Service for the Project.

C) Basis Boost

Projects that meet one of the following criteria below are eligible for a Boost under the Code. In no cases can an Application request an Allocation of Tax Credits based on a Boost or in excess of the limits contained in Section IV D below.

1. Code Provided Basis Boost - 9% and 4% Tax Credit Projects

Qualified Census Tract or Difficult to Develop Area Projects

- Projects located in a Qualified Census Tract or a Difficult to Develop Area (as defined under Section 42 of the Code) are eligible for a Boost.
- See HUD List or Map of DDAs and QCTs for eligible areas:
 - Dataset/List: www.huduser.gov/portal/datasets/qct.html
 - Map: www.huduser.gov/portal/sadda/sadda_qct.html
- Projects may not apply with a Basis Boost. Requests for basis boost will be counted as an Authority resource request.

2. Discretionary Basis Boost - The Authority reserves the right to provide a discretionary Boost as follows:

a.) 9% Tax Credit Projects

- The Authority may provide a discretionary Boost and Tax Credit Allocation to:
 - Projects located in Opportunity Areas (as defined in Scoring Section C)2); or
 - In order to effectively manage its resources or make a Project financially feasible.

b.) 4% Tax Credit Projects

- The Authority may not provide a discretionary Boost to 4% Tax Credit Projects.

D) Maximum Tax Credit Request

Regardless of a Project's eligible basis and its eligibility for a Boost under the Code, all Projects are limited to the following maximum Tax Credit requests:

1) 9% Tax Credit Projects

The maximum amount of Tax Credits for which a Project may apply is the lesser of the following:

- a total Allocation of 1,500,000; or
- the Tax Credit amount supported by the Project's Eligible Basis net of a Boost; or
- the Tax Credit amount supported through the Equity Gap method

2) 4% Tax Credit Projects

The maximum amount of Tax Credits for which a Project may apply is the lesser of the following:

- the Tax Credit amount supported by the Project's Eligible Basis; or
- the Tax Credit amount supported through the Equity Gap Method.

E) Average Income Test

Effective March 23, 2018, Congress permits a new, Average Income Test for Owners electing their minimum set-aside requirement for projects under Section 42(g)(1) of the federal tax code. [Line 10(c) on IRS Form 8609]

Under the Average Income Test, at least 40% of units are rent restricted, with an average income restriction of 60% AMI, and with maximum income restriction no higher than 80% AMI.

Sponsors intending to elect the Average Income Test for their minimum set-aside must declare this intention, as well as the distribution of income restrictions by unit type, at the Preliminary Project Assessment stage of the application process.

In the 2020 - 2021 LIHTC Rounds, the Authority will consider funding applications proposing to implement income averaging under the following conditions:

- **Eligible Uses:** Use of Average Income Test will be approved at the Authority's sole discretion. Some instances in which the Authority will consider approving the use of Average Income Test for 4% and 9% credit projects includes but are not limited to cases where the use of Average Income will prevent displacement of existing tenants, result in lower subordinate resource request, or benefit the property.
- **Applicable Fraction:** All units must be Low Income restricted. The development may not contain unrestricted or market rate residential units.
- **Average Income:** The average income target of Low Income units must not exceed 57% AMI.
- **Multi-Building Projects:** Owners must declare their intended declaration on line 8b of IRS Form 8609 at application. The Authority prefers that Owners declare each building to be part of a

multi-building Project, but will consider applications where Owners propose to treat buildings as separate Projects at its sole discretion.

- **Unit Income Targets:** Owners will state the number of units by percent income category and by unit bedroom size at the time of application. Applicants must demonstrate that income restrictions are applied evenly across units by unit size and other features. For example, larger units cannot be skewed toward higher income targets to maximize rental income. The Extended Use Agreement will reflect that the Average Income Test is being applied, but will not record specific designations. The number of units by income category and unit type will be specified in the Project's Management Plan. Units may float within those categories to provide flexibility. The Authority will limit the number of income designations to four (4).

Sponsors considering making use of income averaging should consider the following compliance implications:

- **Minimum Set Aside:** Absent IRS guidance to the contrary, the Authority will not report a property as failing the Average Income Test for minimum set-aside purposes as long as 40% of the total project units are occupied by households qualified at an average of 60% AMI.
- **Vacant Units:** will be treated as affordable at the original income target, unless it is occupied by a household at a higher income.
- **Applicable Fraction:** During the compliance period, owners must maintain the 60% average income among compliant units for which tax credits are being claimed. If one or more units is discovered to be out of compliance, the noncompliance may require subtracting additional units from Tax Credit basis in order to restore the 60% average, until compliance can be restored.
- **Owner / Agents** will be required to report on current income restrictions on an annual basis.
- To compensate for additional monitoring required by additional unit designations, projects that elect the Average Income Test may also be charged higher compliance fees.

Sponsors submitting applications that use income averaging must provide the following supplemental material:

- **Market Study:** Must demonstrate sufficient market demand for each income bracket proposed.
- **Investor Acknowledgement:** Written acknowledgement from the LIHTC equity investor, lender and legal counsel that the Average Income Test is compatible with requirements of other public and private funding sources.
- **Property Management Preparedness:** Written acknowledgement from the property manager regarding the compliance implications and commitment to provide annual Average Income Test training to on-site property management.

V) Credit Ceiling and Set-Asides

A) Credit Ceiling

1) 9% Tax Credit Projects

The Authority anticipates approximately 35 million in 9% Tax Credits available for Allocation. In accordance with Section 42 and Treasury Regulation 1.42 - 14, these Tax Credits consist of:

- Approximately 27.7 million in per capita Tax Credits allocated to the Authority
- Approximately 7.4 million in per capita Tax Credits allocated directly to the City of Chicago

The total amount of Tax Credits available for Allocation is subject to change as additional Tax Credits may become available if Projects that received Allocations in prior years return Tax Credits to the Authority or if the Authority receives Tax Credits from the national pool.

2) 4% Tax Credit Projects

The amount of 4% Tax Credits available through the issuance of a 42(m) Letter for Projects financed through the issuance of tax-exempt bonds is determined by a combination of the Project's eligible basis and the amount of tax exempt private activity bonds that are issued for Projects.

B) Set-Asides

Anticipated approximate 9% Tax Credit Allocation goals for each set-aside are as follows:

Set-Aside	Allocation Goal
City of Chicago	12%
Chicago Metro	37%
Other Metro	15%
Non-Metro	20%
Statewide	16%
Authority Allocated Per-Capita 9% Tax Credits	100%

Upon evaluating all Projects and determining the most effective use of available Tax Credits, the Authority may choose to modify any of these allocation goals including, but not limited to, limiting the number of Projects or amount of Tax Credits allocated in any Set-Aside, regardless of the Project's score and how its score relates to all other Projects.

The Authority reserves the right to limit the number of 9% Tax Credit Reservations for Rental Assistance Demonstration Projects to one (1) per Set-Aside per year.

1) Geographic Tax Credit Set-Asides

- a) The City of Chicago Set-aside consists of the City of Chicago.
- b) The Chicago Metro Set-Aside consists of the areas within the counties of Lake, DuPage, Kane, McHenry, Will, and Cook excluding the City of Chicago.
- c) The Other Metro Set-Aside consists of areas identified as Other Metro. For a list of the areas identified as Other Metro, see “Other Metro Municipalities” on the Website.
- d) The Non-Metro Set-Aside consists of all other areas of the state not included in the City of Chicago, Chicago Metro, or Other Metro set-asides.

2) Statewide Set-Aside

Applications will be competitively evaluated within the applicable geographic Set-Aside. Sponsors **cannot** apply for or request an award of Tax Credits under the Statewide Set-Aside.

The Authority may choose to allocate Tax Credits under the Statewide set-aside to (1) Projects that fulfill certain housing policy goals, as designated by the Authority, (2) Projects whose competitive score in a geographic set-aside is such that the Project would not otherwise be awarded Tax Credits, or (3) Projects located in a geographic set-aside where the total amount of Tax Credits available is less than the total amount of Tax Credits requested.

VI) Preliminary Project Assessment

A) General PPA Information:

All potential LIHTC applications (4% and 9%) **must** complete a Preliminary Project Assessment (“PPA”) process prior to the submission of an Application. Applications submitted for projects without a PPA approval will not be accepted.

PPAs are due and accepted according to the schedule posted on the “Program Timelines” page of the Website. PPAs submitted for 9% Tax Credits are accepted on a rolling basis throughout the applicable life of the QAP (for 9% LIHTC, this applicable life begins upon publication of the QAP in year one of the two-year QAP, and ends when PPAs are closed in advance of the application submittal deadline for the last round of 9% LIHTC applications allowed under the QAP). Please see the Website for details and applicable dates.

PPAs submitted for 4% Tax Credits are accepted on a rolling basis and as advised by the Authority.

Required PPA documentation contains basic information regarding Project concept and design, location, proposed tenant population, preliminary Participants and financing assumptions. The PPA form is available for download from the Website.

1) Waiver of 4% Feasibility

All Projects that have or will have a federal project-based rental assistance contract on 50% or more of the units are NOT eligible to apply for 9% Tax Credits unless a Waiver of 4% Feasibility is obtained. **All PPAs submitted will be evaluated for 4% feasibility.** Sponsors no longer need to submit a formal request for waiver.

2) Average Income Test

Proposals for Projects that will elect to use the Average Income Test must identify that fact at the PPA stage. The Authority will determine if the Project meets the Authority’s criteria at its sole discretion.

3) Construction Overage Analysis

Proposals for Projects that exceed hard cost construction limits must provide a detailed explanation of specific expenses that result in costs in excess of the limits, as described in Section XIII.O.2b.

4) Historic Preservation Narrative

Projects that are considering the use of state and/or federal historic tax credits should include a narrative that outlines the status of the historic designation, including the process and timeline for securing designation if it is not yet in place.

5) 1% Floodplain or Floodway

Proposals for projects that are located in a Floodplain or Floodway must identify that fact at the PPA stage, and must provide information sufficient to enable the Authority to determine what additional costs, if any, are associated with these site characteristics, and the projected timeline for obtaining a Conditional Letter of Map Amendment or Revision from FEMA.

6) Food Access

Access to Food is of the utmost importance to The Authority. To help ensure that Food Access is evaluated in a fair way, each project will receive a food access evaluation as part of its PPA review. As part of this review, the Authority will determine if the project is in an area of low access to food via the USDA Food Access database published here:

<https://www.ers.usda.gov/data-products/food-access-research-atlas/>

Access to food will be determined within the following set-aside proximity radii:

- City of Chicago - .5 miles
- Chicago Metro – 1 mile
- Other Metro – 10 mile
- Non-Metro – 10 mile

PPA Approvals on projects in areas of low food access will be conditional as these projects will subsequently be required to provide additional documentation that the project is within close and easily traversed proximity to a supermarket, supercenter, or large grocery store OR that a Community Revitalization plan exists that accounts for food access.

B) PPA Review / Outcome Strategy:

Responsible reviewing parties within the Authority, Review Categories, Criteria, and Outcomes are made clear within the 2020-2021 Preliminary Project Assessment Review Parameters document which is available on the Website.

There are four possible review outcomes for submitted PPAs:

- 1) Approved – The PPA is approved and a full application will be accepted by the Authority;
- 2) Conditional Approval – The PPA is approved subject to concerns with any of the above-listed review criteria;
- 3) Denied – The PPA is denied and an Application will not be accepted by the Authority;
- 4) Unreviewed – Insufficient information was provided and the PPA was not reviewed.

Approved, Conditionally Approved, and Denied PPAs will receive electronic letters issued by the Authority describing their outcomes in all the review categories as well as specific notes regarding the conditional approval and any resulting penalty associated with non-compliance. Unreviewed applications will have been previously notified that their application could not be reviewed due to insufficient information.

Optional Supporting Planning Documentation:

Project sponsors have the option of submitting documentation that provides context outside of demographic based market review to help demonstrate compatibility with the Authority goals and/or project viability. This documentation is NOT REQUIRED, but could be necessary to obtain a PPA approval. Additional information is provided in the 2020-2021 Preliminary Project Assessment Review Parameters document which is available on the Website.

C) PPA Notification Letters:

The Authority will issue a letter directly to the Sponsor with the review outcome for each PPA submitted. PPA outcomes for Projects seeking 4% Tax Credit Determinations are valid for twelve (12) months after they are issued. PPA outcomes for Projects seeking a reservation of 9% Tax Credits are valid for the 2020-2021 QAP.

The Authority may rescind a PPA approval before the Project's Application is submitted based on Authority allocation of resources in the market area which impact the Project's market conditions. Sponsors will be notified in writing if a PPA approval has been rescinded.

All PPA outcome letters will include the following:

- 1) A statement of outcome of review (containing one of the 4 outcomes listed above);
- 2) Notification about Opportunity Area or Proximate Opportunity Area status (if checked on PPA application form)
- 3) Affordable Market Share for the Primary Market Area as well as the Census Tracts used in the market analysis
- 4) Notification and/or suggested next steps regarding Food Access for the planned site(s)
- 5) Results of the 4% Waiver review (see below)

D) Conditional Approvals / Unmet Conditions:

Potential applicants with Conditional Approvals are encouraged to meet with Authority representatives to discuss the noted concerns before submitting an Application. Applications that do not adequately address the noted concerns will enter the scoring competition at a deficit of three (3) points. Specific information regarding the nature of the condition and the methodology for resolving it will be provided in the notification letters. Failure to address the noted concerns by the time of application submittal may also result in an additional condition to the closing process should the application in question receive an award of credits.

Projects located in Qualified Census Tracts (QCTs) or Racially or Ethnically Concentrated Areas of Poverty (R/ECAPs) that receive a Conditional Approval based on market characteristics but do not meet the stated conditions in their full application will enter the scoring competition at a deficit of three (3) points and, if awarded a Conditional Allocation of Tax Credits, will be required by the Authority to submit a Community Revitalization Strategy and supporting documentation that meets

all requirements under the current Community Revitalization Thresholds as a condition of closing (see Mandatory Section XIII)A), Application Certification).

E) Changes between PPA and Application:

The Authority expects the Application for a Project with an approved PPA to be substantially similar to the Project as approved under the PPA. In no case will the Authority approve an Application for a Project which has changes to Site(s), population served, or construction type.

The Authority recognizes some Project changes may occur after PPA approval and prior to Application, and may consider the following changes permissible:

- A decrease to the total number of units;
- A maximum 10% increase to the total number of units;
- A maximum 10% increase or decrease to the number of affordable units;
- A maximum 10% increase or decrease to number of units of any bedroom size;
- Modification of income restrictions to increase the number of units for extremely low-income households;
- Increase the amount of rental assistance;
- Increase to the number of Statewide Referral Network Units;
- Site plan modifications due to local requirements;
- Changes required to address concerns noted by the Authority;
- Changes specifically requested by the Authority

If changes are above the maximums or outside the parameters listed above, a formal request for approval should be made in writing to the Authority.

VII) Application Process

All Projects with an approved PPA are subject to the following Application process:

A) Application Submission

9% Applications will be accepted **one** time per year according to the schedule posted on the “Program Timelines” page of the Website.

4% Applications will be accepted on a quarterly basis, in accordance with dates listed on the Authority Website. The Authority will only accept complete applications. At the Authority’s discretion, the Authority may request that sponsors who have submitted incomplete, financially infeasible, or otherwise deficient applications resubmit their applications the following quarter.

In order to effectively manage the Tax Credit program, the Authority reserves the right to adjust the deadlines and hold additional Application rounds.

Applications are accepted on-line through the Multifamily portal at <https://mfportal.ihda.org>. The Authority will issue a user name and password for access to the on-line portal upon receipt of an approved PPA.

Until further notice, 4% Applications should be submitted electronically on a flash drive to the Authority at:

111 East Wacker Drive, Suite 1000
Chicago, IL 60601

Applications will not be accepted in paper form. Please direct any questions to multifamilyfin@ihda.org.

B) Application Fees

The Multifamily Fee Payment Form, available on the Website, contains all current fee information. Fees for Authority resources with below market interest rates (such as HOME or Trust Funds) or IAHTC are not due at the time of a Tax Credit Application. Application fees, if required, for these resources will be collected after approval of an Allocation of Tax Credits and prior to consideration for those resources. If for any reason a Project does not move forward for any reason, the Authority will retain all fees paid to the Authority in conjunction with the Project.

C) Application Materials

The Application must include all documentation as required in the QAP as follows:

<u>Tax Credit Type</u>	<u>Project Type</u>	<u>QAP Section</u>
9%	All 9% Tax Credit requests	Mandatory and Scoring
4%	The Authority is the bond issuer, lender and/or is only issuing a 42(m) Letter	Mandatory

Applications must be clear, unambiguous, complete, and include all supporting documentation.

Applications must be submitted using current Application forms and documents. Current Application forms and documents are available in the “Developer Resources” section on the Website.

Unless otherwise indicated, all documentation submitted must be signed and dated within nine (9) months of the application deadline.

D) Application Evaluation

Applications will be evaluated as follows:

1) Completeness Review

Projects will be reviewed solely on the basis of the materials contained in the Application. Application materials submitted after the due date will not be accepted, except as provided under the clarification process as outlined below.

If the Application does not include all applicable fees and the required signatures on all documents, it may be rejected.

Applications must meet all criteria in Section XIII Mandatory in order to proceed to competitive scoring as set forth in Section XIV Scoring.

Applications for 4% credits that are incomplete at the time of submission will be rejected. Complete applications may be re-submitted for consideration in a later quarterly application round.

For 9% Applications, The Authority may issue a written request (sent via email) for clarification of any Application submissions (“Clarification Letter”) after review of all Applications under this QAP.

The Authority will allow a three (3) business day clarification period. Any response to a Clarification Letter must be in writing and will be allowed only during a three (3) business day period commencing after the date of the Clarification Letter. Any Sponsor response may not include any new information or any additional submissions outside of the items noted in the

Clarification Letter. Should a Sponsor fail to respond to the Clarification Letter in writing to the satisfaction of the Authority during the 3 business day clarification period, the Authority will review the Application using only the information previously submitted.

2) Mandatory Review

Applications will be reviewed to determine if they meet the mandatory requirements set forth in the Mandatory section of this QAP.

Applications that fail to meet one or more of the mandatory requirements after any clarification period will not be formally scored.

3) Scoring Review

Applications for 9% Tax Credits will be ranked and reviewed according to the scoring criteria set forth in the Scoring section of this QAP within each geographic set-aside based on Project location.

F) Conditional Allocation of Tax Credits

Prior to the issuance of IRS Form 8609, Projects selected for Tax Credits, either through the issuance of a 42(m) Letter for Projects financed through the issuance of tax-exempt bonds (4% Tax Credits), or through the competitive selection process (9% Tax Credits), will be considered to have a Conditional Allocation of Tax Credits.

All Projects receiving a Conditional Allocation of Tax Credits remain subject to the requirements in the QAP.

VIII) 9% Tax Credit Reservations, Carryover, and 10% Test

All Projects receiving a Conditional Allocation of Tax Credits through the competitive selection process (9% Tax Credits), are subject to the following:

A) 9% Tax Credit Allocation

1) Reservation Letter

Following Board approval, the Authority will issue a Reservation Letter which will set forth the amount of the Reservation and specify other terms, conditions, documentation and timelines that must be satisfied prior to the issuance of a Carryover Allocation Letter (if applicable) and IRS Form 8609, including payment of a non-refundable Reservation fee. The Reservation Letter will require that the initial financial closing for the Project must occur within ten (10) months of execution of Reservation Letter and payment of the Reservation fee.

2) Request for Extension

The Authority may extend the time for meeting the conditions set forth in the Reservation Letter. The Owner must submit a written request and explanation for an extension.

Failure to meet the conditions set forth in the Reservation Letter or to obtain Authority approval for an extension to meet the conditions set forth in the Reservation Letter may result in a revocation of the Conditional Allocation.

Projects approved for an extension to meet the conditions set forth in the Reservation Letter may be subject to late fees.

B) 9% Tax Credit Carryover Allocations

A Carryover Allocation is required for all Projects that will not be Placed in Service during the year in which a Reservation Letter is issued.

1) Carryover Allocation Letter

The Authority will issue a Carryover Allocation Letter near the end of the year in which the Project received a Reservation that will specify the conditions, documentation, and timeline to make the Carryover Allocation.

Required documentation includes, but is not limited to the following: current site control for the Project, Carryover Allocation Checklist, Election of Low Income Housing Tax Credit, BIN Assignment Form, Gross Rent Floor Election Form, and Reasonably Expected Basis Form.

2) Request for Extension

The Authority may extend the time for meeting the conditions set forth in the Carryover

Allocation Letter. The Owner must submit a written request and explanation for an extension.

Failure to meet the conditions set forth in the Carryover Allocation Letter or to obtain Authority approval for an extension to meet the conditions set forth in the Carryover Allocation Letter may result in a revocation of the Conditional Allocation.

Projects approved for an extension to meet the conditions set forth in the Carryover Allocation Letter may be subject to late fees.

C) 9% Tax Credit Ten Percent (10%) Test

Projects issued a Carryover Allocation must expend more than ten percent (10%) of the Project's reasonably expected basis no later than December 1 of the year following the Carryover Allocation.

1) Ten Percent Test Documentation

The Authority will issue a Ten Percent Test letter during the year following the Carryover Allocation that will specify the conditions, documentation, and timeline to meet the Ten Percent Test.

Required documentation includes, but is not limited to the following: Ten Percent Test Checklist, Ten Percent Test, BIN Form, Ten Percent Test Reasonably Expected Basis Form, Certification of Costs Incurred for Ten Percent Test.

2) Request for Extension

The Authority may extend the time for meeting the conditions set forth in the Ten Percent Test letter. The Owner must submit a written request and explanation for an extension.

Failure to meet the conditions set forth in the Ten Percent Test Letter or to obtain Authority approval for an extension to meet the conditions set forth in the Ten Percent Test letter may result in a revocation of the Conditional Allocation.

Projects approved for an extension to meet the conditions set forth in the Ten Percent Test letter may be subject to late fees.

IX) 4% Tax Credits

All Mandatory requirements in this QAP apply to 4% Tax Credit Projects unless a waiver is requested or a requirement is otherwise amended or waived by the Authority. Waivers will not be considered for application deadlines. All Projects receiving a Conditional Allocation of Tax Credits associated with the issuance of tax-exempt bonds (4% Tax Credits), are subject to the following, regardless of the entity issuing the bonds.

A) 4% Tax Credit Allocation

1) 42(m) Letter

Projects that fulfill the requirements of the QAP and Section 42(m)(1)(D) of the Code will be issued a 42(m) Letter which will set forth the amount of the estimated annual Tax Credit amount and specify other terms, conditions, documentation and timelines that must be satisfied prior to the issuance of IRS Form 8609, including payment of a non-refundable fee.

Required documentation includes, but is not limited to the following: Compliance Monitoring Fee Agreement, Election of Low Income Housing Tax Credit, BIN Assignment Form, Gross Rent Floor Election Form, Tenant Selection Plan and Affirmative Fair Housing Marketing Plan outlining how the Project will market units to underserved tenants, including tenants with special needs.

When an issuer in the state, other than the Authority, receives an allocation of the state's volume cap for a Project, pursuant to Section 42 of the Internal Revenue Code, the sponsor of that project must separately request an award of 4% Tax Credits from the Authority to obtain a preliminary determination of eligibility for those credits, known as a 42(m) letter.

- All requirements of the QAP and application process must be met when requesting a 42(m) letter along with the current fee required to issue the determination.
- The initial application submission must also include a preliminary determination letter, or 42(m)(2)(d) Letter, from the issuer of the tax-exempt bonds that addresses the tax credit dollar amount and the reasonableness of project costs.

2) Request for Extension

The Authority may extend the time for meeting the conditions set forth in the 42(m) Letter. The Owner must submit a written request and explanation for an extension.

Failure to meet the conditions set forth in the 42(m) Letter or to obtain Authority approval for an extension to meet the conditions set forth in the 42(m) Letter may result in a revocation of the Conditional Allocation.

Projects approved for an extension to meet the conditions set forth in the 42(m) Letter may be subject to late fees.

Please note if the Authority is not issuing the tax exempt bonds, the Project must still comply with the Mandatory sections of the QAP. Further, the governmental unit that is issuing the bonds is responsible for determining that the credit allocated to the building does not exceed the amount necessary to assure project feasibility, as required under Section 42(m)(2)(D).

B) Volume Cap Limits:

The Authority reserves the right to:

- Limit volume cap used to the amount needed to meet the 50% test, or as required for the Authority's underwriting (currently 54%).
- Restrict or eliminate the use of bond volume cap for conduit bond transactions.
- Score applications for tax-exempt bonds and 4% Tax Credits.

C) Basis Calculation:

The Authority reserves the right to limit basis calculations on 4% tax-exempt bond Projects with Tax Credits.

Specifically, acquisition costs used in the calculation of eligible basis may be limited to recent sales related to the acquisition of the property, current rents, HUD published fair market rents, Low Income Housing Tax Credit (LIHTC) rent limits, or other reasonable requirements as determined by the Authority, when determining a property's value.

The Authority will not underwrite the Project based on anticipated increased rents (e.g., HUD rental assistance contract renewals and future rents). The Authority may make exceptions to this guideline at its sole discretion.

A waiver to this requirement may be requested on a case-by-case basis when additional equity generated is used for actual hard construction costs for the Project.

X) Project Modifications and Revocations

All Projects receiving a Conditional Allocation are subject to the following:

A) Project Modifications

A Conditional Allocation is based on the information provided in the Application.

Project modifications require re-evaluation of the Application and may trigger a change in the Project's score or ranking, Loan Committee and Board approval, or the revocation of the Conditional Allocation.

Project modifications include, but are not limited to:

- A change of 10% or more in the total Project cost or budget line item
- Any changes in the Project Owner, Sponsor(s), or Participants
- Any changes in Project characteristics that were considered in order to meet the requirements of the Mandatory or Scoring sections of this QAP including, but not limited to, the following:
 - 1) Any change in the Project's unit mix or unit sizes
 - 2) Any change in the Project's rent structure
 - 3) Any change to the Project Site(s)
 - 4) Any change to the Project's construction scope
 - 5) Any changes in the Project's financing, including, but not limited to, the following:
 - Adding, removing, or substituting sources of Project financing
 - A change to the entity providing financing
 - A change in financing terms
 - A change in Tax-Credit equity pricing

No changes in the Owner and Sponsor(s) in the Project will be permitted between Board approval and the issuance of IRS Form(s) 8609.

B) Request for Modifications

The Authority will evaluate and may approve Project modifications. The Owner must submit a written request and explanation for all Project modifications.

The Authority may require a processing fee in connection with Project modifications.

C) Revocation of a Conditional Allocation

The Authority may revoke a Conditional Allocation or reduce the resources allocated for reasons including, but not limited to the following:

- Unapproved Project modifications
- Failure to meet the conditions set forth in the Reservation Letter, Carryover Allocation Letter, Ten Percent Test Letter or 42(m) Letter
- Failure to meet the conditions set forth in Section XI Extended Use Agreement, Placement in Service, and 8609
- Material misrepresentation or providing false information
- Non-compliance in any Project
- Delinquency under any Authority Program
- Outstanding fees due and owed to the Authority
- Bankruptcy or any other financial situation that jeopardizes a Project's completion or continued operation
- A Project's inability to proceed
- Sponsor or Participant capacity, financial or otherwise, in the Authorities sole discretion.

XI) Extended Use Agreement, Placement in Service, and IRS Form 8609

All Projects receiving a Conditional Allocation are subject to the following:

A) Extended Use Agreement

Projects receiving a Conditional Allocation, either through a Reservation Letter or 42(m) Letter, will be subject to an Extended Use Agreement (“EUA”) setting forth income and occupancy restrictions for a total of thirty (30) years, including the initial Compliance Period and the Extended Use Period. The EUA must be recorded at the initial financial closing for the Project on the Site in the office of the Recorder of Deeds in the county where the Project is located prior to all other Project documents evidencing or securing Project financing. The initial financial closing and recordation of the EUA must occur within ten (10) months of the execution of the Reservation Letter including payment of the Reservation fee.

B) Placement in Service

1) Deadline

Projects with a Conditional Allocation must be Placed in Service no later than the date indicated in the Carryover Allocation Letter or the 42(m) Letter.

2) Request for Extension

The Authority may extend the time for the Project to be Placed in Service by revoking the existing Conditional Allocation and issuing a new Conditional Allocation of Tax Credits.

The Owner must submit a written request and explanation for a revocation of the existing Conditional Allocation and a new Conditional Allocation of Tax Credits.

3) Extension Review

Projects determined to meet the affordable housing policy goals of the State will be considered for a new Conditional Allocation.

4) New Conditional Allocation Fees

If the Authority revokes the existing Conditional Allocation and issues a new Conditional Allocation, the Project may be required to pay another non-refundable fee.

5) New Conditional Allocation Requirements

Projects receiving a new Conditional Allocation remain subject to the requirements in the QAP as well as the requirement of the prior Allocation as determined by the Authority in our sole discretion.

C) Issuance of IRS Form 8609

The Authority will issue an IRS Form 8609 to Projects with a Conditional Allocation that fulfill all Authority requirements.

1) IRS Form 8609 Documentation

The IRS Form 8609 Issuance Checklist available on the Website.

2) IRS Form 8609 Timing

Projects must submit all IRS Form 8609 documentation to the Authority no later than six (6) months after the end of the year following the Placed in Service deadline.

3) IRS Form 8609 Review

The Authority will review all submitted documentation and conduct a final financial analysis. As required per section 42(m)(2) of the Code, in no cases will the Tax Credit Allocation exceed the amount the Authority determines is necessary for the financial feasibility of the Project and may be less than the Conditional Allocation.

4) Request for Extension

The Authority may extend the time for submitting the IRS Form 8609 documentation upon receipt of written request and explanation from Owner. Failure to submit all IRS Form 8609 documentation by the due date or to obtain Authority approval for an extension to submit all IRS Form 8609 documentation may result in a revocation of the Conditional Allocation.

5) IRS Form 8609 Late Fee

Projects approved for an extension to submit all IRS Form 8609 documentation may be subject to late fees.

XII) Project Monitoring

All Projects receiving an Allocation are subject to the following:

A) Construction Monitoring

In addition to visiting proposed Project sites during the Application review period, Projects receiving an Allocation of 9% Tax Credits will be subject to field inspections by Authority staff during the construction period to monitor construction progress, verify Application commitments, evaluate compliance with fair housing and accessibility rules, and identify construction delays.

Pursuant to Section XIII)N)3) Unacceptable Practices, future Applications may be impacted if a Participant is found to be in non-compliance during Construction Monitoring.

B) Compliance Monitoring

Projects receiving an Allocation will be subject to ongoing compliance monitoring and reporting requirements. As a state housing credit agency, the Authority is responsible for monitoring Tax Credit project compliance – including initial year, and annual compliance for the length of the Extended Use Period. What follows is a high level summary of the Authority’s procedures for monitoring and reporting noncompliance to the Internal Revenue Service (IRS). More detailed information is available in the Authority’s *Manual for Owners and Agents of Properties with Federal Low Income Housing Tax Credits* (the Authority’s LIHTC Manual) available on the Authority’s Website. Additional guidance specific to Average Income Test is found in Section IV) Tax Credit Information of this QAP.

1) Initial Inspection & Tenant File Review

Initial year compliance has special weight because it determines baseline qualification for the Tax Credit program. Projects failing to qualify enough units to meet the minimum set aside by the end of the first year of the credit period do not qualify for the Tax Credit program, and are not eligible to take tax credits in any amount. New projects have until end of the year the project was placed in service, or to the end of the next taxable year, to achieve the minimum set aside, thus becoming eligible to claim tax credits.

For new Tax Credit projects, the Authority will conduct an on-site physical inspection and tenant file review no later than the end of the second calendar year following the year when the last building is Placed in Service.

Units will be selected randomly, to include units in each building included in the Tax Credit Project. For the initial inspection, the Authority will review the tenant files for the units that are selected for inspection. In future years, tenant file reviews and physical inspections may be conducted at different times and may cover different units.

Property Managers should reference the Authority's LIHTC Manual, available on the Property Manager's page of the Authority Website, for a summary of documents that should appear in each tenant file.

2) On-Going Monitoring

The Authority continues to monitor project performance throughout the Extended Use Period, through a combination of owner reports and Authority inspections and reviews. Additional instructions for annual reporting are available in the Authority's *LIHTC Manual for Owners and Agents*, and the *DMS Authority Online User Manual* available on the Authority's Website.

Owner's Annual Certification of Compliance: Federal regulations require that Owners certify their compliance with the Tax Credit program on an annual basis throughout the compliance period.

Annual Tenant Event Reporting: Each year, Owners must report income, rent and student status for all households of the Tax Credit project, using DMS Authority Online, the Authority's online data portal.

Tenant File Reviews: The Authority will conduct on-site management reviews for all Tax Credit projects at least once every third year during the compliance and extended use period. During the management review, the Authority will review a sample of tenant files. The Authority may expand the sample, and/or conduct more frequent reviews if it determines that conditions warrant additional review.

Physical Inspections: The Authority is required to conduct physical inspections of Tax Credit properties at least once every three years after the Initial Inspection to ensure habitability of the project. In general, Tax Credit annual inspections will conform to local health, safety & building codes and HUD Uniform Physical Condition Standard (UPCS). The inspection will review a random sample based on project size, including no fewer than the minimum number of units set forth in 26 CFR 1.42-5(c)(2)(iii). The Authority may extend the sample or conduct more frequent inspections if it determines conditions warrant additional review.

3) Noncompliance

Where the Authority finds noncompliance, the Authority will notify the Owner of the finding and extend a correction period in which to cure the deficiencies. Deficiencies may be related to requirements of the federal Tax Credit program, commitments the Owner has made to the Authority in its Extended Use Agreement, or other management criteria that reflect best practices upheld by the Authority. Uncorrected deficiencies of any category may result in penalties imposed by the Authority.

If the issues raised in a compliance review impact eligibility under the federal Tax Credit program, and the project is within the 15 year Compliance Period, the Authority must file *IRS Form 8823 Report of Noncompliance* with the IRS. The Authority will make the filing after the correction period, and the report will indicate if the deficiency has been corrected or not. If it remains uncorrected, the IRS will notify the Owner that it must consult with the Authority, as state monitor, to correct the noncompliance.

If the noncompliance is such that a unit or units are not qualified for tax credits, noncompliance may result in an IRS audit, a reduction in tax credits, or recapture of tax credits already taken.

Notice to Owner: In cases where reportable noncompliance is identified, the Authority must provide the Owner with written notice that identifies the specific deficiency and give the Owner a correction period to address the noncompliance.

Correction Period: In general, the Authority provides a 30 day correction period from the date of the Authority's written notice. Owners may request an extension if they are unable to make corrections within that timeframe, subject to the Authority's approval, and within limits posed by the IRS.

Authority Review: At the end of the correction period, including any the Authority approved extension, the Authority will make a determination whether the unit or property was, in fact, out of compliance, and if that noncompliance has been corrected.

Authority's Report to the IRS: the Authority will file *IRS Form 8823 Report of Noncompliance* after the correction period, including any approved extension, and will indicate on *Form 8823* if the noncompliance has been corrected. If noncompliance is corrected after *Form 8823* has been filed, but within 3 years, the Authority will file a new *Form 8823* to indicate that the property is back in compliance.

IRS Notice to Owner: On receipt of *Form 8823*, the IRS will send a notice to the Owner, indicating the type of noncompliance reported, and instructing the Owner to contact the Authority to resolve the issue. The IRS notice instructs the Owner not to include any non-qualified low income housing units in its tax credit filing, and notifies the Owner that noncompliance may result in recapture of previously claimed credits.

Owners Tax Filing: Owners are responsible to report any reduction in Qualified Basis, and any recapture of tax credits, with their annual tax filing.

XIII) Mandatory

All Applications for Projects seeking Tax Credits, either through the issuance of a 42(m) Letter for projects financed through the issuance of tax-exempt bonds (4% Tax Credits) or through the competitive selection process (9% Tax Credits), must submit the documentation required per the Application Checklist found on the Website and detailed below.

The Authority reserves the right to amend, modify or waive specific nonmaterial submission requirements or requisite documentation in order to affirmatively further fair housing.

Unless otherwise indicated, all documentation submitted must be dated within nine (9) months of the Application deadline.

Waiver of 4% Feasibility: All Projects that have an existing federal project-based rental assistance contract on 50% or more of the units are NOT eligible to apply for 9% Tax Credits unless a Waiver of 4% Feasibility is obtained through the process outlined in Section VI) Preliminary Project Assessment.

Qualified Contract Waiver: To ensure project affordability throughout the Extended Use Period, all applicants will be required to waive their right to seek a Qualified Contract. This requirement applies to applicants for both 9% credits and 4% credits financed with tax-exempt multifamily bonds. This waiver will be included in the project Extended Use Agreement.

Supportive Housing: Ten percent of total units must be dedicated to the Statewide Referral Network (SRN) at 30 percent area median income level. These units will have an SRN agreement and comply with the tenant selection requirements of the agreement. Elderly Projects, which are expressly disallowed from participating in the scoring category for additional SRN units in Section XIV)F)1 below, are exempt from the 10% mandatory SRN requirement.

Veterans Housing: Projects must exercise a waitlist preference for veterans for a minimum of 10% of total development units. A waitlist preference shall mean that if there is a veteran on the Project waitlist, the veteran's application shall be considered before non-veteran applicants. If there is not a veteran on the Project waitlist, the unit may be filled with qualified applicant who is not a veteran. If 10% of Project units are occupied by veterans, the project will not be required to exercise the preference until veteran occupants drop below the 10% minimum, though Projects may elect to apply the preference for more than 10% of units. The waitlist preference shall be documented in the Project's Tenant Selection Plan.

Smoke Free: All new construction and vacant rehab projects must be smoke free housing.

A) Application Certification, Organizational Chart, and Identity of Interest Certification

The Application must include the Application Certification, Organizational Chart, and Identity of Interest Certification on the Website.

The Application Certification provides a written certification that the Project will:

- Take actions to pursue affirmative fair housing marketing policies in soliciting tenants and enhancing outreach to underserved populations and those least likely to apply to reside in completed tax credit units.
- Acknowledge that each Project receiving an Allocation of Tax Credits will be required to submit an Affirmative Fair Housing Marketing Plan outlining how the Project will market units to underserved tenants, including tenants with special needs.
- Give preferential treatment to persons on the PHA waiting list(s), including but not limited to public housing, housing choice vouchers, VASH vouchers, or family unification, and make on-going efforts to request that the PHA make referrals to the Project, or request that the PHA include relevant information about the Project on any listing the PHA makes available to persons on its waiting list(s);
- Minimize involuntary Displacement of low-income households;
- Be willing to accept any Authority administered, or federally assisted project based or tenant based rental assistance; and
- Be willing to accept future State-administered operating subsidy or project-based rental assistance, should it be made available, on units that are not already subject to a rental assistance contract.
- All Projects proposing to locate in a Qualified Census Tract (QCT) or Racially or Ethnically Concentrated Area of Poverty (R/ECAP), determined at the time of PPA, must submit Community Revitalization Strategy and supporting documentation that at a minimum meets the mandatory requirements under the Community Revitalization Thresholds section as defined on the Website.

The completed organization chart must include ALL entities within the proposed single purpose entity Owner. All entities appearing on the organizational chart must also submit Sponsor Development Experience Certification forms under Section N) below.

The Identity of Interest Certification provides written certification as to whether or not an Identity of Interest exists in the Project.

B) Project Narrative

The Application must include a completed Project Narrative form, located in the Common Application, found on the Website.

The purpose of the Project Narrative is to provide a concise overview of Project scope, features and population served. Sponsors are encouraged to provide an overview of project financing, including terms for non-Authority sources, in the Project Description, and to limit their narrative for remaining sections (Project / Unit Amenities, Project Population, etc.) to details related to each topic.

C) Public Outreach

Local support is not a requirement for project funding. However applicants should be aware that the federal code requires the Authority to notify local government executives of projects funded within their district, and to give them a reasonable opportunity to comment on the project.

[42(m)(1)(A)(ii)]. Applicants may benefit by communicating project plans to local officials early in the process, and addressing their feedback. Where possible, applicants should make an effort to be consistent with local plans.

1. Public Outreach may be demonstrated by a letter of support from the chief elected official of the primary municipality in which the Project is located; or a description of efforts to notify local officials. If local officials decline to support the project, the application should address any specific concerns that have been raised about the Project.

If the applicant is able to obtain a local letter of support, the letter should be addressed to the Authority and specifically endorse the Project. If applicable, local support letters should also include information regarding any availability of local resources (for example, TIF, CDBG, or HOME Funds) from the jurisdiction in which the Project is located and the willingness of the jurisdiction to provide such resources to the Project, if available.

For Projects located in the City of Chicago, a letter of support from the alderman of all wards in which the Project is located is acceptable.

2. Projects located in jurisdictions that have a Consolidated Plan should submit a certification of consistency with the Consolidated Plan. For a list of counties and municipalities covered by a Consolidated Plan see the Website.

D) Site Control

All Project Sites must be identified in the Application. Projects consisting of multiple Sites must satisfy site control requirements for all Sites.

The Application must include all of the following:

- A map showing the location(s) of the Site(s). If site control is for property larger than the Site(s), the Site(s) must be delineated on the map.
- Aerial photograph(s) of the Site(s) with the boundaries of the Site(s) clearly delineated, and surrounding uses clearly visible; and
- Evidence of site control, which can only be demonstrated with site control documentation for each Site consisting of one of the following:
 - A fee simple interest in the Site in the name of the Sponsor or Owner; or
 - A fully executed, binding agreement with a term ending no sooner than six (6) months after the Application deadline, signed by both the Sponsor or Owner and the seller for the purchase of the Site; or
 - A fully executed, binding agreement with a term ending no sooner than six (6) months after the Application deadline, signed by both the Sponsor or Owner and the seller for the long term lease of the Site with a lease term of at least ninety-nine (99) years; or

- A fully executed, binding agreement with a term ending no sooner than six (6) months after the Application deadline, signed by both the Sponsor or Owner and the seller of the Site evidencing land and/or building donation; or
- When the Site is owned by a governmental entity, a letter of intent to the Sponsor or Owner from the governmental entity to sell, donate, or enter into a long term lease of the Site with a term ending no sooner than six (6) months after the Application deadline.

Site control documentation must include all of the following clearly marked/highlighted:

- 1) Expiration date for purchase option(s), purchase agreement(s), or letter(s) of intent;
- 2) Legal description pursuant to the site control document. If the site control documentation is for property larger than the Site, a legal description of the Site will be required prior to Tax Credit Allocation;
- 3) The sale or lease price of the Site(s); The Project budget in the Common Application for the Project may only include the acquisition costs attributable to the Site. If site control documentation is for property larger than the Site, a detailed narrative and calculation of the Site sale or lease price on a per square footage basis must be submitted.
- 4) Language that complies with the environmental review and voluntary acquisition guideline language outlined in the Site Control Compliance Language example on the Website.

If language is not included in the site control documentation, evidence of compliance with this section can only be demonstrated by submitting a copy of language notification receipt by seller (e.g., certified mail, return receipt requested) and the date of delivery with countersignature by seller. Without language regarding compliance with environmental review and voluntary acquisition, Sponsors may be precluded from applying to the Authority for federal resources.

E) Zoning

The Application must include evidence that all Sites are either currently zoned for the proposed use, or will be addressed through a Planned Development or Planned Unit Development (“PUD”) process in a timeframe compatible with the project’s two-year Placed In Service date.

1) Zoned Project Sites

Evidence that Sites are currently zoned for the proposed use can only be demonstrated through:

- A valid building permit; or
- A letter from the local zoning administrator (or chief elected official in localities without a zoning administrator) identifying the Project and containing all of the following:
 - 1) The location of the Site (s) (e.g. address or street crossings); and
 - 2) The current zoning and any special use designations; and

- 3) A description of the Project (including number of units, proposed use, and whether it is new construction, rehabilitation, or both); and
- 4) A statement that the current zoning will permit the proposed Project.

2) PUD Project Sites

In cases where zoning will be addressed through a PUD process, sponsors must indicate whether the PUD already exists, or whether it is yet to be established.

If the PUD already exists, the application should indicate what, if any, amendments are required.

If the PUD is yet to be established, the application should indicate where the PUD stands in the approval process, the additional steps required to complete the approval process, and an estimated timeline for completion.

As evidence of the PUD status, the application must include a letter from the local zoning administrator (or chief elected official in localities without a zoning administrator) identifying the Project and containing all of the following:

- 1) The location of the Site(s) (e.g. address or street crossings); and
- 2) A description of the Project (including number of units, proposed use, and whether it is new construction, rehabilitation, or both); and
- 3) A written explanation of the PUD approval process; and
- 4) Evidence the PUD process has been initiated; and
- 5) Evidence of which stage in the PUD approval process the Project has reached; and
- 6) Evidence that the PUD will be reviewed in a timely manner, including any available dates.

F) Site Physical Information

1) 1% Floodplain or Floodway

The Application must include a Federal Emergency Management Agency (“FEMA”) floodplain map covering the Project area with the boundary of all Sites clearly delineated.

FEMA floodplain maps can be obtained from the FEMA website.

If any portion of a Site is located within the 1% floodplain or floodway, the Application must include one or both of the following as applicable:

a) Rehabilitation

Projects proposing the rehabilitation of existing buildings on Sites within the 1% floodplain or floodway must submit a site plan that clearly indicates all of the following:

- The historic frequency of flooding and flood related repairs.
- The FEMA determined elevation of the floodplain or floodway; and
- The elevation of the lowest floor level in the existing buildings; and
- The location of the existing buildings; and
- Evidence that the Site is enrolled or is eligible to enroll in the National Flood Insurance Program.

Note: Projects involving the rehabilitation of existing buildings on Sites located in the 1% floodplain or floodway will ONLY be permitted if the lowest existing floor elevation of each building in the floodplain is at least six (6) inches above the FEMA designated floodplain elevation.

b) New Construction

Projects proposing new construction on Sites within the 1% floodplain or floodway must submit a site plan that clearly indicates all of the following:

- The FEMA determined elevation of the floodplain or floodway; and
- The elevation of the lowest floor level in the proposed buildings; and
- The location of the proposed buildings.

Buildings must be situated outside the floodplain and any Project contemplating additional federal resources will be required to subdivide the Project Site from the affected land or obtain a Conditional Letter of Map Amendment or Revision from FEMA demonstrating the Site is eligible for reclassification out of the floodplain.

2) Wetlands

The Application must include a U.S. Fish and Wildlife Service (“USFWS”) National Wetlands Inventory map for the Project area with the boundary of all Sites clearly delineated. USFWS wetland inventory maps can be obtained from the USFWS website.

If any portion of a Site contains wetlands, or if the Project may impact wetlands, the Application must include one of the following:

- A Letter of No Objection from the U.S. Army Corps of Engineers; or
- A wetlands permit from the U.S. Army Corps of Engineers

3) Mining

The Application must include an Illinois State Geological Survey (“ISGS”) mining map for the Project area with the boundaries of all Sites clearly delineated. ISGS mining maps can be obtained from the ISGS website.

If any Site is in or near an area the ISGS identifies as affected by mining, the Application must include the following:

- The quadrangle study (if available) or the county mine map completed by the ISGS for the area in which the Site is located with the boundary of the Site clearly delineated; and
- Information indicating the depth of the mine, the type of mining that was performed, and the year that mining ceased; and
- An opinion from a qualified geotechnical engineer as to whether or not the Site will be impacted by the mining; and
- If the Site will be impacted by mining, evidence of the Project's ability to obtain mine subsidence insurance and a budget detailing the estimated cost of mitigating the mine.

G) Historic Preservation

All Projects must meet the requirements of the National Historic Preservation Act and the Illinois State Historic Resources Protection Act as determined by the State Preservation Officer at the Illinois Department of Natural Resources ("IDNR"). Note that this requirement is required by State Statute and applies to ALL Projects regardless of their Project type, location, or historic nature.

The Application must include all documentation listed in the Historic Preservation Standards for Compliance found on the Website. Upon receipt of the checklist, IHDA must submit a review request to IDNR if the project involves federal funds. Please note, there is a mandatory 30-day review period required for obtaining an approval letter from IDNR.

Projects that are seeking state or federal historic tax credits must also submit:

- A projected timeline for securing all necessary approvals
- Part I and/or Part II of Historic Preservation Certification application if available.

H) Phase I Environmental

The Application must include a Phase I environmental site assessment covering all Sites completed within one (1) year prior to the Application deadline according to the Authority's Standards for Environmental Reviews and Professionals available on the Website, including all appendices. If a Phase II is available, it should be submitted along with the Phase I. In addition, a narrative explanation of any identified Recognized Environmental Condition (REC) should be submitted. The explanation must include how these conditions will be addressed and a breakdown of any associated costs. Any associated costs must be included in development budget. The Authority reserves the right to require an environmental contingency as well as modify the construction scope based on a review of the explanation.

I) Architectural Requirements

All Projects must meet the requirements contained in the Authority's Standards for Architectural Planning and Construction.

The Standards for Architectural Planning and Construction are available on the Website.

1) Architectural Standards, Universal Design and Amenities Certification

The Application must include the Architectural Standards, Universal Design and Amenities Certification signed by a licensed architect acting as the Project's Architect of Record. The Certification provides written confirmation of accessibility codes and Fair Housing Act requirements (if any) applicable to the Project. The Certification also provides written confirmation and identification of specific Project features which meet minimum code requirements.

a) Architectural Standards

All Projects must will comply with the Authority's Standards for Architectural Planning and Construction including:

- All minimum green design requirements as specified in the Standards for Architectural Planning and Construction Section 14.00 – Green Criteria, including submission of the Utility Release Form prior to closing; and
- All applicable Federal and State accessibility laws and / or as specified in the Standards for Architectural Planning and Construction Section 8.00 – Accessibility Standards, including:
 - At least ten percent (10.0%) of the total units in the Project are designed for persons with mobility impairments, as defined in ICC/ANSI 117.1 most current version, Section 1003 Type 'A' Units; and
 - At least two percent (2.0%) of the total units in the Project are designed for persons with sensory impairments (not less than one unit), as defined in ICC/ANSI 117.1-2003 most current version, Section 1005 Sensory Impaired Units

It is expected all new construction Projects shall meet the requirements listed above. The Authority understands the challenges represented by rehabilitation when providing for accessibility, and expects each Project to meet the minimum requirements for accessibility.

If, for any reason, a rehabilitation Project anticipates challenges meeting the applicable accessibility code requirements due to acceptable definitions within the code, such as elements being Technically Infeasible, Structurally Impracticable, etc., a written request defining the Project related challenges must be provided in the Application for evaluation. This request must specify the following items:

- Identification of the applicable accessibility code(s) of the Project;
- The specific exemption being sought, and the applicable code section allowing exemption;
- A description as to why the exemption applies; and
- Narrative and cost analysis of any alternatives explored to provide code required elements.

Upon PPA approval, the Authority will require a meeting to discuss the exceptions noted above. The Authority reserves the right to reject any request not including any of the items listed.

The Authority will review the request and either approve it as written, provide a conditional approval, or reject the request and require full code compliance with all expenses incurred by the Owner.

Any request submitted for a rehabilitation Project under this provision are also subject the following conditions:

- A minimum of 10% of the units must be provided with accessible elements, “to the greatest extent possible” with the measures taken to meet this standard defined in the request;
- The minimum level of adaptable units as defined by the Illinois Accessibility Code must be provided;
- Units approved under any exemption may not be identified as “Accessible Units” under the details tab of the Common Application; and

b) Universal Design

Universal Design, as defined by the Center of Universal Design, is “the design of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialization.” The Authority recognizes the need to create housing including Universal Design features while maintaining aesthetics and affordability.

Universal Design is not a safe harbor for other required accessibility codes, but it should be utilized as a supplement to any code requirements. To truly award Projects willing to provide Universal Design elements above the code, the Authority requires each Application to first identify all code required elements, and provide ten (10) additional items not required by code in 100% of the units. As such, the Application must identify any and all Universal Design principles to be integrated into the unit design. Any Applications seeking an exception to this requirement must provide a detailed narrative discussing why Universal Design features cannot be provided. The Authority will review the submitted narrative and approve or deny it at its sole discretion.

c) Amenities

The Application must include Project amenities as specified in the Standards for Architectural Planning and Construction Section 7.00 – Design and Planning. In addition, a minimum of five (5) additional amenities selected from the list below must be incorporated in the Project and identified on Architectural Standards, Universal Design and Amenities Certification.

The Authority encourages creativity and dual function design and, therefore, it is possible for a single amenity to qualify as more than one option in the following list.

i. Exterior Project Related Amenities

- Secured bicycle parking (minimum of eight (8) slots per twenty-five (25) units)
- Two (2) picnic tables and one (1) grill for every twenty-five (25) units

- Outdoor entertainment space with available seating (smoking areas do not qualify for this selection)
- Looped walking paths or connected sidewalks through the entire Project
- Dedicated visitor parking in addition to code or Authority required parking total of at least 3 spaces or 5% of unit count, whichever is greater.
- An equipped sports court (volleyball, tennis, basketball, etc.) for every 100 units
- On-site car sharing
- Garden plots / designated community garden area with a minimum of 4 square feet per unit
- Upgraded landscaping, including one tree planted on-site for every ten units. The landscaping must adhere to Section 14.2 of the Standards for Architectural Planning and Construction, and be 100% native and adaptive plantings/landscaping.

ii. Interior Project Related Amenities

- Resident storage space outside individual units is 25% greater than the minimum requirement
- Computer room equipped with one (1) computer for every fifteen (15) units
- Exercise / fitness center with at least one (1) machine per fifteen (15) units
- Trash and/or recycling disposal chutes
- Dedicated recycling area within the Project
- Community room meeting Authority standards
- Community kitchen with counter seating
- Activity room (i.e. billiards room, arts & crafts room, game room, dining room, etc.)
- Library/reading room
- Hair salon/beauty parlor

iii. Project Unit Related Amenities

- Storage space within the unit is 25% greater than the minimum requirement
- Residential units are 15% larger than the minimum requirement
- Kitchen pantry in every kitchen
- Free cable or satellite television service in each unit
- Walk-in closets available in at least one bedroom of every unit (including studio/efficiency units)
- Security camera at all entrances
- Facility wide security camera system
- 9'-0" ceilings in all units
- Washer and dryer in every unit
- Energy Star-rated dishwasher in every unit
- Microwave oven in every unit
- Energy Star-rated ceiling fan with switched light fixture in living room and every bedroom
- Screen doors on all exterior doors
- Porch / patio / balcony for each unit

d) Preliminary Architectural Plans and Specifications

The Application must include preliminary architectural plans and specifications that include all of the following:

- Cover sheet with development title, development team, drawing index, building areas and code information
- Dimensioned floor plans, including square footage, for all unit and building types, with room designations and proposed finishes
- Typical wall sections
- Exterior elevations for all building types with material notations matching those defined within the scoping document discussed below.
- A Site plan showing the placement and orientation of buildings, parking areas, sidewalks, easements, setbacks, trash dumpsters, buffers, storm water detention, required site amenities, and significant natural features.
- Preliminary landscape plan
- Certification of Project Scope, signed by the Architect and Sponsor. The Certification of Project Scope must include a written description of the full Project scope. Items to be included, but not limited to, in this document are:
 - Outline specifications indicating all materials selected and/or defined performance criteria (i.e. windows, doors, hardware, drywall, exterior materials, floor and wall finishes, etc.);
 - Definition of structural systems to be modified/installed as part of the Project;
 - Programmatic description of the proposed furniture, fixtures, and equipment items;
 - Definition of the Project’s sustainability strategy in the form of a certification checklist, energy model or detailed description of elements provided and their expected impact consistent with the level of points requested in the Application;
 - Written description of HVAC system to be installed; and
 - Definition of any/all other unique items included in the Project.

J) Construction Cost Breakdown

The Application must include:

- The Construction Cost Breakdown forms completed by a qualified contractor, Architect of Record, or construction cost consultant. Construction Cost Breakdown form is located in the Common Application, available on the Website.
- A detailed explanation of all construction cost variances existing between the Construction Cost Breakdown and Physical Needs Assessment (“PNA”), if applicable.

- Where the Authority is providing construction financing, the applicant must also provide the upfront construction analysis at the time of initial closing. The Authority will accept the report engaged by the syndicator or construction lender, provided that the Authority must be named on the report.

In cases where there is an Identity of Interest between a Sponsor and Project general contractor; between a Sponsor and the Project architect; or between the Project architect and Project general contractor; the Construction Cost Breakdown must be completed by an independent third-party construction cost estimation firm according to the Authority's Standards for Construction Cost Estimating available on the Website.

For rehabilitation Projects, Construction Cost Breakdown will be evaluated along with the PNA to ensure that all necessary items are addressed. If the scope of work is deemed insufficient by the Authority, the Application may fail the mandatory review.

K) Projects Involving Rehabilitation and Adaptive Reuse

All Projects involving any rehabilitation of existing structures must comply with the following requirements.

1) Physical Needs Assessment

The Application must include a third party Physical Needs Assessment ("PNA") completed according to the Authority's Standards for PNA and based on the existing conditions of the property.

2) Minimum Rehabilitation Standards

The proposed rehabilitation work must address all items identified as "Critical" or "Immediate" in the PNA (under 5 years).

Items identified in the PNA capital needs replacement schedule as five (5) to seven (7) year needs must be addressed either:

- as part of the current construction scope of work, or
- adequate reserves may be budgeted to ensure these items will be completed within timeframes identified in the PNA.

In addition, all Projects requesting Tax Credits must include the following minimum budget of \$40,000 per unit, and include the following minimum project scope:

- Replacement of all unit and common area kitchen and bathroom cabinets and counter tops.
- Replacement of all plumbing fixtures within the entire project with fixtures meeting with the fixture criteria identified in the Standards for Architectural Planning and Construction document available on the Website. Replacement of all electrical fixtures with Energy Star fixtures.
- Replacement of all flooring throughout the project.
- Repair/Replacement of one additional major system (furnaces, water heaters, central boilers, air conditioning equipment, elevator, windows, roofing, tuckpointing of exterior masonry, etc.) throughout the entire building.

- The Authority may waive any of the above items based on the Property Needs Assessment.

In addition, a Project requesting 4% Tax Credits must include the following minimum budget:

- Rehabilitation expenditures must be equal to or exceed 15 percent of the portion of the costs of acquiring the building financed by tax-exempt bonds:

Rehab Costs
(Building Acquisition – Land Cost) financed by Bonds

Applications for 9% or 4% Tax Credits must include a detailed explanation of any and all construction cost variances existing between the development budget and PNA. In addition, any deviation from rehabilitation scope noted above will require a detailed explanation.

The Authority reserves the right to modify the construction scope based on a review of the explanation.

L) Relocation

If the Project involves the acquisition or rehabilitation of any property that is occupied by residential or commercial tenants as of Application date, the Application must demonstrate that the project will not cause permanent Displacement and must include a relocation plan. The relocation plan must include all items listed on the Relocation Checklist available on the Authority’s Website, together with any other documentation required by law, such as Tenant Notice Letters as required under the Uniform Relocation Act. The budget line on the Common Application must reflect all required relocation costs. The Authority highly recommends that Projects that contemplate relocation costs consult with their tax accountant and/or attorney before including relocation expenses in basis.

M) Site and Market Study

The Application must include a Site and Market Study completed according to the Authority’s Standards for Market Study Reviews and Professionals, available on the Website.

The original Site and Market Study should be no more than nine (9) months old at the time it is submitted to the Authority, and must reflect the most current parameters for the Project being proposed.

After the nine (9) month timeframe has expired, a Site and Market Study update can be performed and may be submitted up to twelve (12) months beyond the date of expiration for the original Site and Market Study. The update must be attached to, and submitted with, the original Site and Market Study.

All Site and Market Study submissions must include or be accompanied by the following:

1) Site and Market Study Summary Form

Applications must include a completed Site and Market Study Summary Form available on the Website. The form must be completed in full and must be substantiated by the Site and Market Study;

2) Insurance Requirements

Each Site and Market Study should include general liability, auto, and workers' compensation insurance certificates attached. Photo copies of the insurance certificates are acceptable;

3) NCHMA Membership

Documentation must be provided that demonstrates that the Site and Market Study firm is a member of the National Council of Housing Market Analysts (NCHMA) as discussed in the Authority's Standards for Market Study Reviews and Professionals, available on the Website;

4) Authority Standard Calculations

Calculations of penetration rate and capture rate used in the Site and Market Study must conform to the Authority standard of these calculations (alternative methodology is allowed, but the Authority standard methodology must also be included) as discussed in the Authority's Standards for Market Study Reviews and Professionals, available on the Website.

The Authority will review the Project's market. The outcome of the market review at the Application stage may, in some cases, contradict the previous Preliminary Project Assessment approval. A reversal of the market approval may be rooted in a number of factors, including but not limited to:

- Increased Authority investment in the primary market area since PPA approval
- Project or market details not disclosed in the PPA
- A change in the Project unit mix or rent schedule that has a negative market implication
- Changing market conditions and demographic outlook
- Changing or declining occupancy levels at existing affordable properties that indicate the market is unable to support additional units

N) Appropriate Development Team

The Authority will evaluate the Participants in the development team and their capacity to successfully complete the Project and future compliance requirements.

1) Required Documentation

The Application must include the following documentation:

- An Application Certification which includes a completed organizational chart, reflecting the ownership structure of the Project, and identity of interest certification; and
- A completed Development Experience Certification for each Project Sponsor (as identified on the organizational chart), the general contractor*, property manager, and Architect of Record; and Documentation of general contractor experience, verifying that the general contractor meets the general contractor experience requirements.

Projects that receive Tax Credit Allocations will be required to submit certificates and licenses of property managers prior to initial closing.

*Projects subject to a public competitive bidding process to select a general contractor do not have to submit the General Contractor Certification with the Application. The General Contractor Certification must be submitted prior to execution of Extended Use Agreement and is subject to Authority approval.

2) Required Experience

The Authority's minimum mandatory Participant experience standards are listed below. Any Participant with an existing Authority project must demonstrate capacity on the experience certification.

a) Ownership Experience

A Project Sponsor must have at least two (2) years of experience including the development and operation of a project meeting one of the following:

- A Tax Credit development that contains at least seventy-five percent (75%) of the number of housing units in the proposed Project; or
- A subsidized, low-income multifamily rental development that contains at least at least seventy-five percent (75%) of the number of housing units in the proposed Project; or
- A comparable affordable housing development as determined by the Authority.

b) General Contractor Experience

The Participant identified as the general contractor must have:

- A history of similar work and type as required for the Project; and
- A proposed project manager, that is an employee of the General Contractor, that has at least 5 years of experience with multifamily residential construction and/or rehabilitation.

c) Architect of Record Experience

The Participant identified as the architect must have:

- Registration to perform architectural services in the State of Illinois as either a professional organization or a Sole Proprietor; and
- A history of similar work and type as required for the Project; and
- At least 5 years of experience with multifamily residential construction and/or rehabilitation.

d) Property Management Experience

Documentation of Property Management Experience is **not required at Application**. Owners will be required to document the Property Management Experience prior to initial closing.

The Participant identified as the property manager must be an organization whose principal business purpose is to provide residential property management services, including at a minimum the following:

- Preparation of annual operating and capital budgets
- Employment and supervision of all site staff
- Maintenance of financial and accounting records
- Ensuring compliance with all federal, state and governmental agencies
- Ensuring compliance with fair housing laws, including protected classes, affirmative fair housing marketing, accessibility, and reasonable accommodations
- Supervise and perform maintenance and building services, including securing bids and contracting for vendor services
- Market and lease apartments
- Market and lease commercial space (Only applicable to Projects proposing commercial space)
- Collect rent

Property managers must employ staff who, at a minimum, possesses the following certifications, licenses and training.

For all Projects:

- Licensed Real Estate Broker or Leasing Agent (This is not required for Public Housing Authorities, unless they are acting as third party management agent).
- Low Income Housing Tax Credit Compliance Specialist
- Fair Housing and Affirmative Marketing certifications (such as NAHRO, IREM)

For Projects contemplating federal funds:

- Certified Occupancy Specialist

For Projects contemplating rental subsidy:

- Blended Occupancy Specialist

A property manager must have at least two (2) years of experience including the lease up and stabilization (ninety percent (90%) occupancy within one (1) year of Placed in Service date) of a project with tenant income certifications and ongoing reporting requirements meeting one of the following:

- A Tax Credit development that contains at least at least seventy-five percent (75.0%) of the number of housing units in the proposed Project; or
- A subsidized, low-income multifamily rental development that contains at least seventy-five percent (75.0%) of the number of housing units in the proposed Project; or
- A comparable housing development as determined by the Authority.

3) Unacceptable Practices

A Participant may not be an appropriate development team member if any of the following unacceptable practices apply to the Participant:

- A Participant maintaining an ownership interest in a Project, awarded Tax Credits by the Authority, that experienced an event of foreclosure (including a deed-in-lieu of foreclosure) or in which the Owner failed to perform under a workout agreement with the Authority.
- A Participant maintaining an ownership interest in a Project has declared bankruptcy.
- A Participant has been involved in any Project awarded Tax Credits by the Authority that failed to close or be Placed in Service.
- A Participant has misrepresented or omitted to disclose material facts in connection with any application for Tax Credits or any other Authority resource.
- A Participant is found to be in non-compliance during Construction Monitoring.
- A Participant maintaining an ownership interest in a Project has an uncured default on any loan or grant made by the Authority under any program or for any Project.
- A Participant maintaining an ownership interest in a Project has a history of delinquent payments on any loan made by the Authority under any program or for any Project.
- Participant has been found to be in violation of fair housing, housing accessibility or nondiscrimination laws or has been found to discriminate against Section 8 voucher and certificate holders or recipients of any state or local tenant or project based rental assistance, and such violation or discriminatory actions have not been remedied to the satisfaction of the governmental agency or entity with jurisdiction.

In the event any unacceptable practices apply to any Participant, the Application must include an explanation of the circumstances surrounding the unacceptable practice for consideration by the Authority.

O) Financial Feasibility

The Authority will evaluate the Project's financial feasibility and underwriting assumptions.

In order to demonstrate financial feasibility, Projects must be consistent with the following:

1) Sources

All Applications must reflect adequate sources of construction and permanent financing to complete the Project and are subject to the following:

a) Maximum Tax Credit Request

Projects are subject to the maximum Tax Credit request contained in the Tax Credit Information section of the QAP.

b) Authority Loan Limits

Projects are subject to the maximum Authority loan limits contained in the Authority Loan Parameters found on the Authority's Website.

The Authority will consider resource requests that exceed the Authority loan limits for Projects that provide additional SRN units greater than the mandatory 10%. The additional funding will **only** cover the units greater than the mandatory 10% and up to 20% of total SRN units in the Project. Funding will be determined based on the differential of 60% AMI rents and 30% AMI rents. The Authority will determine the funding source, which may include additional tax credits, a subordinate loan, LTOS (or other rental assistance provided by the Authority).

c) Deferred Developer Fee

All Applications must reflect a deferred developer fee as a financing source.

At a minimum, the deferred fee must be the lesser of twenty-five percent (25%) of the developer fee or seventy-five percent (75%) of cash flow after debt service in years one (1) through twelve (12).

The total deferred developer fee cannot exceed an amount equal to one hundred percent (100%) of cash flow after debt service in years one (1) through fifteen (15) unless Sponsor provides explanation of how fee will be repaid.

Applications should reflect the maximum supportable deferred developer fee if Authority resources, such as subordinate, or non-market interest rate loans are being requested.

d) Evidence of Project Financing

The Application must include financing acknowledgment letters for all Project financing sources, including both construction and permanent financing from all lenders, grantors, and equity providers. Letters must state that as of the Application deadline date, the financing source is either under consideration or has been approved as stated below. Sponsor must demonstrate the level of commitment for all sources, including what, if any, approval processes are still pending.

Note that Authority debt sources may require additional information, documentation and restrictions including but not limited to further environmental review, contractor wage rates and standards, and income and occupancy restrictions.

In addition, any Projects applying to the Authority for federal funds must not undertake a choice limiting action (as defined under 24 CFR Part 58). This includes actions to acquire, rehabilitate, demolish, convert, lease, repair or construct properties. Performing a choice limiting action may disqualify a Project from receiving any federal funds.

Neither a written request for Authority debt financing nor an Allocation of Tax Credits shall imply an award or future award by the Authority of any debt financing.

i. Authority Debt Sources with Market Interest Rates

Requests for Authority debt sources with market interest rates must be made sixty (60) days prior to Application due date as posted on the “Program Timelines” page of the Website. For information on how to obtain a financing acknowledgement letter for Authority debt sources with market rates of interest see the Authority Website.

ii. Authority Debt Sources with Below Market Interest Rates

Financing acknowledgement letters for Authority debt sources with below market rates of interest can be evidenced in the Application through a written request to the Authority for debt financing that includes all of the following:

- The amount of the loan(s)
- The length of the loan term(s), which must be at least fifteen (15) years (if there is more than one component to the loan, and these components have different terms, the terms of the longest component must be at least fifteen (15) years)
- The amortization period of the loan(s), if applicable
- The interest rate(s), and any terms and conditions regarding adjustments
- The expected monthly or annual debt service payment for each loan

The Authority reserves the right to utilize any available funding source at below market interest rates. Please be aware that restrictions vary by funding source and the Project will need to be compliant with the most restrictive source. The top scoring deals in each of the geographic Set-Asides will have priority access to Authority resources available at that time **OR** priority will be given to those Projects that score the highest number of points under the scoring category F.) Housing Policy and Objectives.

The Authority reserves the right to cap total Authority Debt Sources with below Market Interest Rates requested per Project and change the limits in our sole discretion. Current limits are available on the Authority Website.

iii. Non-Authority Debt Sources

Financing acknowledgement letters from each lender of all non-Authority debt sources, including but not limited to, construction loans, permanent loans, equity bridge loans, and the assumption of existing debt, must include all of the following:

- The name of the loan source
- The amount of the loan
- The length of the permanent loan term, which must be at least fifteen (15) years (if there is more than one component to the loan, and these components have different terms, the terms of the longest component must be at least fifteen (15) years).

- The amortization period of the loan. If requesting Authority resources with below market interest rate, the Authority prefers that permanent loans be fully amortizing.
- The interest rate (and any terms and conditions regarding adjustments). Rate should be on terms similar to what is being offered by the Authority
- The expected monthly or annual debt service payment
- Any financing fees associated with the debt source

iv. Tax Credit Equity Sources

A financing acknowledgement letter from the Low Income Housing Tax Credit equity source, and the acknowledgement letter from state donation tax credit and historic tax credit equity source if applicable, must include the following:

- The anticipated Tax Credit Allocation
- The per credit net cent raise rate (including disclosure if equity pricing is tied to providing debt for the Project)
- The amount of Tax Credit equity available to the Project

Equity pricing must be based on the following pay-in schedule:

- 15% at initial closing
- 55% at construction completion
- Balance at stabilization

Please provide both of the following:

- Pricing for credits only;
- Pricing that takes into account depreciation, losses and other considerations. Must specify what those considerations are.

Equity letter must include any attachments provided by the investor with calculations and assumptions.

The Authority reserves the right to reject equity proposals that tie equity with debt.

After receiving an Allocation of Tax Credits, Projects requesting an allocation of Illinois Affordable Housing Tax Credits (IAHTC) must submit all required documentation on the Application Checklist for Projects Requesting IAHTC, including fees listed in the Multifamily Fee Payment Form. The Project budget in the Common Application must reflect all anticipated IAHTC fees.

v. Non-Authority Grant Sources

Financing acknowledgement letters from each grantor of all non-Authority grant sources must include all of the following:

- The name of the grant source
- The amount of the grant

- A pay-in schedule detailing when the grant will be available to the Project
- Any outstanding requirements to be met prior to grant availability

e) Construction Period Income

If construction period income is included as a source of project financing, the amount of this income must be supported by submission of the past three (3) years' financial property audits. Submission must include a narrative highlighting the assumptions used to size the amount of this source. The full amount of construction period income used for project financing must be available at the initial financial closing.

2) Uses

a) Acquisition

The Project budget in the Common Application may only include the acquisition costs attributable to the Site. If site control documentation is for property larger than the Site, a detailed narrative and calculation of the Site sale or lease price on a per square footage basis must be submitted. Site acquisition costs must match the site control documentation.

b) Grand Total Hard Cost Limits

A Project's grand total hard costs, as calculated in the Common Application, are limited to the sum of the products of the hard cost limit by bedroom type and the number of units, by bedroom type, in the Project. The hard cost limit by bedroom type can be found on the Authority Website. These limits have been established utilizing recent historical data of Authority projects within each Set-Aside, and include analysis of all related hard costs associated with the project.

Projects that exceed the grand total hard cost limit must provide a detailed explanation of the specific expenses that result in costs in excess of the limits. Explanation should include a breakdown of specific items with attributable dollar amounts.

The Authority will review and determine the suitability of grand total hard costs in excess of the limits on a case by case basis. The following lists are examples of acceptable and non- acceptable waiver items. These lists are not meant to be exhaustive and shall not limit the Authority's discretion on hard cost waiver determinations in any way.

Acceptable waiver items:

- Unusually high municipal impact fees as compared to other municipalities within the same set aside.
- Municipal building codes which are significantly more stringent than those of other municipalities in the same set aside.
- Historical rehabilitation (when a non-Authority source such as Historic Tax Credits is evidenced in the financing)

Unacceptable waiver items:

- Wage standards

- Accessibility standards which are mandatory or for which the project has scored points.
- Green building standards which are mandatory or for which the project has scored points.
- Municipal architectural, aesthetic or material standards
- Costs associated with design decisions impacting the physical configuration of the building (height, area, material choice, etc.)
- Stormwater management requirements

Total Development Costs must not increase more than 10% from Board approval to initial closing. Authority resources may not be used to fill increases above 10%.

Furthermore, projects with historic tax credits must demonstrate that costs required to complete the historic work do not exceed equity generated by the credits.

c) General Contractor Fees

The general conditions, overhead, and profit in a general contractor's budget are limited to fourteen percent (14%) of trade payments & site work as calculated in the Common Application.

d) Construction Contingency

The Application must include a construction contingency as follows:

i. New-Construction:

Five percent (5%) of trade payments and site work as calculated in the Common Application

ii. Rehabilitation:

Ten percent (10%) of trade payments and site work as calculated in the Common Application

Contingency will be prorated for projects that are a combination new construction and rehab.

No more than fifty percent (50%) of construction contingency may be included in a Project's calculation of Tax Credit eligible basis.

e) Architect and Civil Engineering Fees

Fees for architectural services and civil engineering are subject to the limits contained in the Authority's Standards for Architectural Planning and Construction, as amended and found on the Website.

f) Developer Fee

Developer fee includes all of the following which shall not appear elsewhere in the Project budget:

- Consultant fees
- Construction management fees
- Architectural and civil engineering fees in excess of the Authority's fee limits

- Developer overhead fees
- Any additional fees related to direct assistance provided to the Sponsor or Owner in conjunction with the completion of the Application or construction or management of the development.

A base developer fee shall be calculated at the percentages listed below on the Fee Based Costs. Fee Based Costs are the total developer costs net of total developer fee, reserves, interim costs, and syndication costs as calculated by the Common Application. The base developer fee may be reduced due to identity of interest criteria as noted below.

The Authority reserves the right to cap the total developer fee at two million dollars (\$2,000,000) for any Project receiving an Authority grant, or an Authority loan at a below market rate of interest.

Total developer fee is limited to the amount contemplated at the time of a Conditional Allocation.

Base Developer Fee

The Authority will calculate a project's developer fee as follows:

- 5% of project acquisition (limited to the first \$20 million of total acquisition costs); Plus
- 15% of first \$5 million of Fee Based Costs; Plus
- 10% of Fee Based Costs between \$5 million and \$15 million; Plus
- 5% of Fee Based Costs in excess of \$15 million.

Increases to Base Developer Fee

The Authority may allow at its sole discretion, an increase over the base developer fee if the Project is able to pay the increase by deferring the additional developer fee over and above the minimum required amounts in the QAP. Projects must formally request a developer fee increase and explain how the increase will benefit the Project. The Authority will review request to increase developer fee on a case by case basis.

Reductions to Base Developer Fee

Reduction(s) to the base developer fee will be made if:

- An Identity of Interest exists between the buyer and seller, or the property has been previously acquired by the Sponsor or an affiliate of the Sponsor. In this case, the base developer fee on the acquisition portion of the Project shall be calculated at 2.5% instead of 5%.
- Identity of Interest exists between the general contractor and the Owner. In this case, the base developer fee shall be reduced by the amount of the general contractor's overhead, as calculated in the Common Application.
- Identity of interest exists between the property manager and the Owner. In this case, the Authority reserves the right to reduce the base developer fee.

A waiver may be requested on a case-by-case basis when additional equity generated is used for actual hard construction costs for the Project. If a higher fee is allowed, the realized fee earned prior to final closing cannot exceed the amount calculated in the QAP.

If a higher fee is allowed, the realized fee earned prior to Final Closing cannot exceed the amount calculated in the QAP.

g) Initial non-Marketing Rent-Up Costs

The Application must estimate Project income generated between the initial certificate of occupancy and stabilized occupancy based on the absorption information contained in the site and market study and Project operating expenses including administrative, management, payroll, maintenance, utilities, and debt service payments for the same period and size an initial rent-up reserve sufficient to offset any shortfall of income to cover expenses.

h) Furniture, Fixtures, and Equipment

Any items included in the development budget as furniture, fixtures and equipment (“FF&E”) must meet the following qualifications. The examples below are a representative list rather than a complete list, and payment of these items will be at the Authority's discretion. All items considered FF&E shall be new, or will require Authority approval if refurbished.

i. Furniture

Furniture includes items which are generally used by the residents, guests and staff for living and operating the project; such as beds, desks, chairs, couches, and office file cabinets.

ii. Fixtures

Fixtures include items which could be considered personal property but due to permanent attachment are now considered as being part of the real estate; such as window blinds and built-in cabinetry.

iii. Equipment

Equipment is considered as having a contributory association with the operation of the Project and is usually considered personal property as it is not readily attached to the real estate; such as computers, laundry equipment, appliances, and snow blowers.

Supplies are considered general purpose items and as such are not FF&E items. Examples of supplies are hand and power tools including power tools or other related items that could be removed from the designated shop or location, mops, cleaning solutions, trash cans, garden utensils, portable sports equipment, and computer ink and paper.

3) Income

a) Residential Income

Gross residential unit rents (inclusive of utility allowances), as calculated in the Common Application, may not exceed ninety-five percent (95%) of the current rent limit imposed by any

financing source, program, or other requirement unless the unit is assisted through project based rental assistance. Rent and income limits are available on the Website.

b) Federal Project Based Rental Assistance

Projects with unit based (rather than tenant based) federal rental assistance must submit a copy of the fully executed rental assistance contract or a rental assistance commitment letter from the entity providing the rental assistance that includes all of the following:

- 1) The maximum percent of AMI; and
- 2) The total number of units assisted by unit type; and
- 3) The length of the rental assistance contract; and
- 4) The contract rent by unit type paid through the rental assistance. The contract rent is the maximum amount of rent paid to the Project by the rental assistance.

If the applications includes an executed rental assistance commitment letter from a Public Housing Authority (“PHA”) using Project Based Vouchers (“PBV”), that letter must also provide documentation that:

- 5) The PHA Administrative Plan allows for the PHA to administer a PBV Program and;
- 6) The PHA has selected the property to receive PBVs is in accordance with the PHA Administrative Plan and 24 C.F.R. § 983.51.

All underwriting assumptions regarding the funding and renewal of rental assistance contracts must be clearly identified. **Rental assistance commitments cannot be conditioned on an Allocation of Tax Credits.**

c) Other Residential Income

Other residential income is limited to income from laundry, vending, and income associated with the provision of resident services.

In general Other Income should only include items that are recurring, defensible, and voluntary to the tenant. Late fees, pet or security deposits are not allowed.

Applications reflecting other residential income must describe all assumptions regarding the calculation of this income, including the source, or the nature of the service in case of resident service income.

d) Commercial Income

Commercial income should not be included in financial feasibility calculations.

4) Expenses

a) Per Unit Operating Expenses

Annual per unit operating expenses must be adequate and reasonable for the Project type, location, and population served.

Per unit annual operating expenses, excluding taxes, reserves, resident services, and debt service, as calculated by the Common Application, are expected to fall within the ranges found on the Website by Project type and Set-Aside.

Existing Projects must include historical expense information in the form of financial audits, and a written explanation of any variance between historical expenses and the proposed operating expenses.

The Authority will review and determine the suitability of operating expenses outside of the expected ranges on a case-by-case basis.

The Authority reserves the right to request additional documentation to support an application's proposed operating expenses.

b) Compliance Fees

The Application should include an annual Tax Credit compliance fee based on the fee schedule found on the Property Managers page of the Authority Website.

c) Resident Services

Resident Services must not be included in the project operating budget projections.

All resident services expenses must be funded from a third-party income stream, including but not limited to Medicaid, McKinney Vento, Illinois Department of Public Health, Illinois Department on Aging, Illinois Department of Healthcare and Family Services, Illinois Department of Human Services, Illinois Department of Veteran's Affairs, or the US Department of Veteran's Affairs. Budgeted cost to provide services should be sufficient to provide services over 15 year Compliance Period.

5) Reserves

Any balances in Project reserves must stay with the Project at the time of investor exit. The Authority will review partnership agreements to ensure this policy is enforced.

All Projects must meet the following minimum reserve requirements:

a) Replacement Reserve

All Projects must capitalize a replacement reserve in the development budget based on the number of units **AND** fund ongoing per unit annual replacement reserves from operations starting at the rates below, and adjusted for inflation at 3% per year.

Higher annual payments may be required for Rehabilitation Projects, depending on a Capital Needs Assessment.

2020 – 2021 Qualified Allocation Plan

<u>Project Type</u>	<u>Per Unit Capitalized Reserve</u>			<u>Annual Per Unit</u>
	30 or less units	31 to 49 units	50 or more Units	All Projects
New Construction Elderly (including SLF's)	\$800	\$550	\$350	\$250
New Construction non-Elderly (all units ≤ 2 BR)	\$800	\$550	\$400	\$300
All other Project types	\$800	\$550	\$450	\$350

b) Real Estate Tax Reserves

All Projects must capitalize real estate tax reserves in the development budget and fund ongoing annual real estate tax reserves from operations.

The development budget must include fifty-five percent (55%) of the estimated annual real estate taxes in the first year of Project operations.

The operating budget must have adequate annual cash flow to capitalize an annual real estate tax reserve sufficient to pay the Project's real estate taxes in the following year.

The Application must include evidence of how construction period and operational period real estate taxes were estimated.

Applications for Projects assuming real estate tax abatements or exemptions for any period of time must include all of the following:

- The calculation of real estate taxes before, during, and after the abatement or exemption; and
- The anticipated date the abatement or exemption becomes effective; and
- The length of the abatement or exemption; and
- A real estate tax attorney's opinion the Project is eligible for the abatement or exemption.

c) Insurance Reserves

All Projects must capitalize insurance reserves in the development budget and fund ongoing annual insurance reserves from operations.

The development budget must include a reserve in the amount of one-hundred and five percent (105%) of the estimated annual insurance expense in the first year of Project operations.

The operating budget must have adequate annual cash flow to capitalize an annual insurance reserve sufficient to pay the Project's insurance expense in the following year.

d) Other Reserves

The Authority will review all other Project reserves to evaluate their sufficiency and reasonableness.

Projects reflecting additional reserve must describe all of the following for each reserve:

- How the reserve will be used
- Who is requiring the reserve
- How the reserve will be replenished (if required)

6) Underwriting Standards

Projects must demonstrate compliance with the most restrictive underwriting standards and requirements for all Project financing sources for a minimum of the initial fifteen (15) year operating period.

Minimum Authority Tax Credit underwriting standards and requirements are as follows:

a) Debt Service Coverage Ratio

Projects with “must pay” hard debt must maintain a Debt Service Coverage Ratio, as calculated by the Common Application, of 1.15.

For Projects with no “must pay” hard debt, an Expense Coverage Ratio of 1.10 will be acceptable.

Project reserves cannot be used to maintain minimum debt service coverage ratios during the initial fifteen (15) year operating period.

b) Cash Flow after Debt Service

Projects must maintain Cash Flow after Debt Service, as calculated by the Common Application, of \$100 per unit per year.

Project reserves cannot be used to maintain minimum Cash Flow after Debt Service requirements during the initial fifteen (15) year operating period.

c) Trending Factors

Authority cash flow trending factors are as follows, unless updated by the Authority and posted to the Website as part of the per unit operating expenses:

- Annual Increase in real estate taxes: four percent (4%)
- Annual Increase in operating expenses: three percent (3%)
- Annual Increase in income: two percent (2%)

In order to substantiate a deviation from Authority cash flow trending factors, the Application must include documentation such as historic Project operating income and expense audits.

The Authority will review and consider documentation substantiating a deviation from Authority cash flow trending factors on a case-by-case basis.

d) Vacancy Rates

Authority cash flow vacancy rates are as follows:

- Elderly Projects residential income: six percent (6%)
- Non-Elderly Projects residential income: eight percent (8%)

- SLF residential and service income: ten percent (10%)

In order to substantiate a deviation from Authority cash flow vacancy rates, the Application must include documentation such as historic Project operating income and expense audits.

The Authority will review and consider documentation substantiating a deviation from Authority cash flow vacancy rates on a case-by-case basis.

e) Utility Allowances

Projects with any tenant paid utilities must include current documentation detailing the expected monthly per unit tenant utility expenses (the “Utility Allowance”) incurred by utility and appliance type.

Tenant paid utility expenses must be appropriate for the unit size, type of utilities and appliances, and Project location.

In the event a single utility covers multiple appliances, such as gas heat and cooking gas, or electric heat and electric lighting, the utility allowance must differentiate utility expenses by appliance.

Utility Allowance documentation can only be demonstrated through one of the following:

- A current Utility Allowance schedule provided by the governing public housing authority where the Project is located. If the governing public housing authority does not have a current Utility Allowance schedule for the number of bedrooms in the Project’s unit types, a Utility Allowance schedule from a neighboring public housing authority and a letter of explanation may be submitted; or
- A utility survey of local utility company information covering one (1) full year that is representative of each unit type within the Project. A utility survey will only be accepted if the Project is currently operating as a residential building(s). Utility surveys of other nearby projects will not be accepted.

In any case where the Project’s expected Utility Allowances are less than reflected in the Utility Allowance documentation, the Application must include a detailed description of all differences that will be evaluated on a case by case basis.

Non-essential utilities including telephone, cable television, internet access, etc., are excluded from the Utility Allowance.

XIV) Scoring

The maximum project score possible under the competitive scoring criteria is a total of 100 points.

All Applications for Projects seeking Tax Credits through the competitive selection process (9% Tax Credits) must submit the documentation required per the Scoring Checklist and detailed below.

The scoring certifications are located in the QAP Scoring Certifications workbook found on the Website.

Unless otherwise indicated in this QAP, all documentation submitted must be dated within nine (9) months of the Application deadline.

Projects receiving an Allocation of 9% Tax Credits will be subject to selected scoring criteria for the duration of the Extended Use Period through incorporation within the Extended Use Agreement.

A) Project Design and Construction

1) Universal Design

Projects must identify a minimum of ten (10) Universal Design elements above the code required elements.

A project can earn up to seven (7) points for providing an additional ten (10) elements above mandatory requirements, and not required by code, in 100% of units.

2) Unit Mix

Projects can earn up to two (2) points based on the following unit mix:

	<u>Elderly Restricted Units</u>	<u>Non-Elderly Units</u>
Points	Two-bedroom units as a % of Elderly restricted units	Three-bedroom and larger units as a % of total units
1	1 – 9.9%	25.0% - 49.9%
2	10.0 – 25.0%	50.0% or more

For Projects serving both Elderly and non-Elderly populations, points are not cumulative and are limited to the lowest score by population.

3) Cost Containment

A Project can earn up to ten (10) points for containment of costs. Points will be awarded according to the scale below: Only Projects with costs below the grand total hard cost limits as set forth in the Mandatory Section O) are eligible for consideration under the Cost Containment category.

New Construction and Adaptive Reuse

Points	Criteria
3	Hard cost is within construction cost limits, and equals 65% or more of TDC
6	Hard cost is no more than 90% of limits, and equals 65% or more of TDC
10	Hard cost is no more than 90% of limits, and equals 70% or more of TDC

Rehab or Rehab / New

Points	Criteria
3	Hard cost is no more than construction cost limits, and equals 60% or more of TDC
6	Hard cost is no more than 90% of limits, and equals 60% or more of TDC
10	Hard cost is no more than 90% of limits, and equals 65% or more of TDC

In the event that the costs increase any time between Reservation and IRS Form 8609, such that the Project would not have been eligible for Cost Containment points in the same amount as proposed in the project application, such change will be considered in the review of future applications and could negatively impact future Applications to the Authority.

B) Energy Efficiency and Sustainability

1) Green Initiative Standards

Projects whose architectural design and construction meet or exceed energy efficiency and green criteria can achieve a total of three (3) points in the application by certifying to one of the following certification standards:

- Minimum LEED for Homes Silver or other LEED NC certification level
- Enterprise Green Communities Certification
- ICC/ASHRAE 700 National Green Building Standard™ (NGBS)
- Certify the project as a Net-Zero Capable (Must identify what certification is targeted for the Authority review)

OR

Achieve up to three (3) points in the application by selecting ten (10) items from the Sustainable Design Checklist (on the Authority’s Website).

2) Rehabilitation

Projects that involve the rehabilitation of existing buildings, as evidenced through the Scoring – Rehabilitation Certification available on the Website, can earn up to seven (7) points.

This category shall not include adaptive reuse. Adaptive reuse of non-residential properties for residential use will be treated as new construction for scoring purposes.

The rehabilitation must contain at least a minimum budget of \$40,000 per unit, and include the following minimum Project scope:

- Replacement of all unit and common area kitchen and bathroom cabinets and counter tops.
- Replacement of all plumbing fixtures within the entire project with fixtures meeting with the fixture criteria identified in the Standards for Architectural Planning and Construction document available on the Website.
- Replacement of all electrical fixtures with Energy Star fixtures.
- Replacement of all flooring throughout the project.
- Repair/Replacement of one additional major system (furnaces, water heaters, central boilers, air conditioning equipment, elevator, windows, roofing, tuckpointing of exterior masonry, etc.) throughout the entire building.
- The Authority may waive any of the above items based on the Property Needs Assessment.

Points	Per Unit Rehabilitation Construction Costs:
3	\$47,500 - \$55,000
5	\$55,001 - \$70,000
7	\$70,001 or more

C) Community Characteristics

1) Market Characteristics

Projects can earn up to three (3) points for market characteristics as follows:

Points	Market Characteristics
-3	Inferior
-2	Scoring of market factors (discussed below and in detail in the Standards for Market Study Reviews and Professionals, available on the Website) reflect market conditions that are not conducive to the proposed Project.
-1	
0	Appropriate – Market is considered to be appropriate for the proposed Project and should not pose any obstacle towards renting up and sustaining occupancy
1	Scoring of market factors (discussed below and in detail in the Standards for Market Study Reviews and Professionals, available on the Website) reflect market conditions that benefit the proposed Project.
2	
3	Superior

Evidenced through submission of the following:

- 1) Site and Market Study, and complete Site and Market Study Summary Form available on the Website submitted in the Mandatory Section.

The original Site and Market Study should be no more than 9 months old at the time it is submitted to the Authority, and must reflect the most current parameters for the Project being proposed. After the 9-month timeframe, a study update can be performed and may

be submitted up to 12 months beyond the date of the original study. The update must be attached to, and submitted with, the original study.

Updates should include any relevant changes in demographic data and updated comparable property information including rents, occupancy levels and waiting list. Any changes to planned activities in the area should also be included in an update to the Site and Market Study.

Any substantive Project changes (to unit count, mix, income restrictions, targeting, etc.) may nullify the permission to update a pre-existing Site and Market Study.

The Market Characteristics review will yield a score range of -3 to +3 points. The Authority expects the typical score to be zero (0), indicating an appropriate market. **Applications will only be permitted to self-score a zero (0).** The score may increase or decrease based on the following:

- Tenant type and income targeting of the proposed as a percentage of affordable housing in the PMA;
- Unit mix, unit size and proposed rent as compared to the existing market and to comparable properties are appropriate for targeted populations (s) and competitive within the market;
- Level of amenities (development and in-unit) as compared to the existing comparable properties;
- Marketability / visibility of the project and/or planned marketing techniques;
- Increase, decrease or stability of households, population, and employment (when appropriate) in the primary market area; and
- Penetration rate, capture rate and demand

A full description of the evaluation characteristics and criteria is included in the Site and Market Review and Scoring Explanation, contained in the Authority's Standards for Market Study Review and Professionals, available on the Website.

2) Priority Community Targeting

Projects can earn up to ten (10) points for Priority Community Targeting in **EITHER**: a) Opportunity Area; **OR** b) Community Revitalization Strategies categories below.

a) Opportunity Area

Projects that are located in an Opportunity Area can earn up to ten (10) points. Projects proposed as scattered site developments that include at least one Site located in a qualified Authority Opportunity Area will be scored pro-rata, based on the proportion of total units that will be located in an Opportunity Area. Opportunity Areas and the methodology used in their determination are revisited on an annual basis. Determination methodology and the current Opportunity Area listings are discussed in full on the Website.

Proximate Opportunity Areas - The Authority will consider on a case-by-case basis the eligibility for Opportunity Area points for Projects located within close proximity to the designated Opportunity Areas.

To be considered as a proximate Opportunity Area, a formal letter (as well as supporting evidence) requesting consideration must be submitted with the Preliminary Project Assessment (PPA) submittal and reflected on the PPA Form. Submitted documentation will be reviewed and approved PPAs will be notified of their Proximate Opportunity Area status with the approval of the PPA.

Strict geographic parameters determine eligibility for the Proximate Opportunity Area review. These parameters as well as suggested methodologies for demonstrating eligibility are discussed on the Website.

b) Community Revitalization Strategies

Preserving the balance of affordable housing in Opportunity Areas as well as in distressed community areas, allowing the greatest amount of choice for low-income households to access quality housing is an important goal of the QAP. Community Revitalization Strategies that are likely to lead to measureable increases in the following are eligible for up to ten (10) points:

- Access to employment and living wage jobs;
- Access to healthcare and supportive services;
- Access to a range of community amenities, including (but not limited to) parks, schools, groceries, businesses, and retail locations;
- Access to transportation;
- Improvement in the quality of housing stock;
- Affordable housing opportunities

To be eligible for up to ten (10) points in this category, Projects cannot receive points in the Opportunity Area Section above, and must first meet all the Community Revitalization Strategy Thresholds found on the Website.

- If one of more unit(s) within a scattered site project falls within a census tract or geographic area that requires a Community Revitalization Strategy meeting Thresholds (see Mandatory Section XIII)A), Application Certification), the following conditions apply:
 1. A Community Revitalization Strategy and supporting documentation that at a minimum meets the required Thresholds must be provided at the time of application. Sponsors will be notified of this condition at the time of PPA response. This Strategy must target a Community Revitalization Strategy Area(s) that pertains to the subject unit(s) for which this requirement applies. Projects that fail to provide a Community Revitalization Strategy that meets the minimum Thresholds will enter the scoring competition at a deficit of three (3) points;
 2. If the project is attempting to score up to the available ten (10) points under Community Revitalization, points will be prorated based on the number of units for which a Community Revitalization Strategy was submitted. For example, a Community Revitalization Strategy that pertains to a Strategy Area that

encompasses only half of a project’s units can be awarded up to five (5) points. Multiple Strategies may be submitted for various Strategy Areas.

- If a project site is located within both an Opportunity Area and a census tract or geographic area that requires a Community Revitalization Strategy meeting Thresholds (see Mandatory Section XIII)A), Application Certification), the following conditions apply:
 1. A Community Revitalization Strategy and supporting documentation that at a minimum meets the required Thresholds must be provided at the time of application. Sponsors will be notified of this condition at the time of PPA response. Projects that fail to provide a Community Revitalization Strategy that meets the minimum Thresholds will enter the scoring competition at a deficit of three (3) points, and, if awarded tax credits, will be required by the Authority to submit a Community Revitalization Strategy and supporting documentation that meets all requirements under the current Community Revitalization Thresholds as a condition of closing (see Mandatory Section XIII)A), Application Certification).

3) Affordability Risk Index

Projects that are located in a census tract(s) meeting the criteria listed below for Affordability Risk Index Certification can earn up to five (5) points.

A list of the census tracts, their relative rates of change and their Affordability Risk Index score and supporting data can be found in the Affordability Risk Index Data on the Website.

Projects that are scattered site with at least one site in a scoring census tract will receive a pro- rata score based on the proportion of total units located in a scoring census tract. Fractional scores will be rounded up to the next whole number.

The Affordability Risk Index provides for scores for each census tract based on specific factors, all included in U.S. Census documents, and their relative rates of change between the data provided in the 5-year American Community Survey. A full discussion of current Affordability Risk Index methodology and the list of the current scores by Census Tract are included on the Website.

4) Transportation

Projects with access to alternative forms of transportation can receive up to three (3) cumulative points as follows:

Points	Transportation Type
1	<p>Transit Oriented Development All Sites are located within a completed, in-process, or programmed RTA-Transit Oriented Development site (“TOD”). -or- For Sites that are located outside of the RTA – Transit Oriented Development Program of Northeastern Illinois, a local Transit Oriented Development plan which clearly includes additional housing as an initiative of the plan and is located within ½ mile of a major transportation hub may be submitted.</p>

1	<p>Mass Transit or Demand Responsive Transit (“DRT”) All Sites are located within 0.25 miles of a fixed route transit stop defined as buses and trains serving local destinations beginning no later than 8am and ending no earlier than 6pm, Monday through Friday; -or- All Sites are served by a DRT service Monday through Friday. DRT must be available to the public at large; that is, it may not be restricted to service for the elderly or disabled.</p>
1	<p>Travel Time to Work Site(s) is located within a census tract that exhibits less than or equal to average commute time to work. Commute time thresholds are determined by the set-aside in which the Site(s) is located and are set at the average travel time of all tracts existing within the set-aside.</p>

Evidenced through submission of the following:

- 1) Map(s) clearly delineating all Sites and distance to the nearest fixed route transit stop and/or car share vehicle location.
- 2) Documentation from the RTA TOD website which shows the location of the Site within the TOD study area, the specific name of the TOD, and an electronic copy of the TOD Plan. If Site is located outside the RTA area, a TOD Plan with site location clearly delineated within the boundaries of the plan and reference to additional housing as an initiative of the plan clearly highlighted or marked. [RTA Transit Oriented Development Viewer.](#)
- 3) Documentation of transit fixed route stop, such as route map.
- 4) Documentation verifying DRT service meets all of the above requirements. Acceptable forms of documentation include a screen capture/printed copy of the DRT service website or letter from the DRT service affirming the hours of operation, service area and population served.

Scattered Site Projects must submit documentation for all Sites.

A complete list of census tracts including their corresponding average travel time to work and travel time thresholds for each set-aside are published on the Authority’s Website. Data are obtained from the US Census Bureau, 2013-2017 American Community Survey 5-year estimates, table S0801.

5) Neighborhood Assets

Projects with Sites that have desirable neighborhood characteristics and amenities can score up to nine (9) points, depending on the proximity of neighborhood assets to the project, as defined by the following zones:

Distance in Miles by Zone			
	A	B	C
Chicago	0.25	0.5	0.75
Chicago Metro	0.5	1	1.5
Other Metro	1	2	3
Non-Metro	2	4	6

Points by Type of Asset and by Zone			
	A	B	C
Education / Job Training	3	2	1
Health Services	3	2	1
Recreation	3	2	1

Only one establishment will count for each row. For example, a community college and a job training center are each Education / Job Training establishments. The applicant may only take points for the one that is closest.

An application may accumulate points for more than one category, based on the distance of each asset from the project. For example, a Project that is located in a Non-Metro area, and is within 2 miles of a Job Training Center (3 points) and within 6 miles of a Health Services establishment (1 point), will score a total of 4 points.

Assets must meet the following threshold criteria:

Education

- Non Elderly Applications Only: All sites are located within the proximity radius of a public K-12 school. Tuition based schools and selective enrollment schools do not qualify.
- Elderly Applications Only: All sites are located within the proximity radius of a community college or continuing education facility offering a full set of classes.

Job Training

- All sites are located within the proximity radius of a workforce investment center or job training center.
- Please review the Economic Development Resource Directory guide on the Authority’s Website for a list of approved centers.

Health Services

- All sites are located within the proximity zone of a county health clinic, urgent care clinic, federally qualified health center, or hospital system.

Civic / Recreation

- All sites are located within the proximity zone of a public library, public park / park district territory that is open to the public

Assets must be evidenced through submission of all of the following:

- 1) Map(s) clearly delineating all Sites and distance to the Neighborhood Asset
- 2) The applicable proximity radius around the Site

D) Development Team Characteristics

1) Illinois Based Participants

Projects whose Participants’ place of business has been located in the State for a minimum of two (2) years, can earn up to 2 points as follows:

Points	Participant
1	Illinois Based general contractor OR Illinois based property manager OR Illinois based architect OR Illinois Based Sponsor
2	Illinois Based general contractor AND Illinois based property manager AND Illinois Based Architect AND Illinois Based Sponsor

Evidenced through submission of The Secretary of State’s Certificate of Good Standing for each Participant.

2) Minorities, Females and Persons with Disabilities

Projects whose Participants are certified under the Illinois Business Enterprise Program for Minorities, Females and Persons with Disabilities, can earn up to 2 points as follows:

Points	Participant
1	MBE/WBE general contractor OR MBE/WBE property manager OR MBE/WBE architect OR MBE/WBE Sponsor
2	Any combination of two: MBE/WBE general contractor OR MBE/WBE property manager OR MBE/WBE architect OR MBE/WBE Sponsor

Evidenced through submission of current certification from the Illinois Department of Central Management Services – Business Enterprise Program for Minorities, Females, and Persons with Disabilities.

3) Non-profit Organization Participation:

Projects that involve the participation of a Qualified Non-Profit Organization can earn three (3) points if the Qualified Non-Profit holds a majority ownership interest in the general partner or managing member of the project Owner and materially participates throughout the Compliance Period. The Qualified Non-Profit Organization must have the right of first refusal at the end of the Compliance Period.

All Projects seeking to score points in this category will be required to check the Non-profit set aside box on IRS Form 8609 and will be required to submit a Material Participation certification form.

Qualification must be evidenced through submission of all of the following:

- The Qualified Non-Profit Corporation’s IRS determination letter; and
- The section of Articles or By-Laws which evidence the fostering of low-income housing as an exempt purpose, with that purpose clearly marked and highlighted.

E) Financial Characteristics

1) Rental Assistance or Deeper Income Targeting

Projects with unit based (rather than tenant based) federal rental assistance ensuring tenants pay no more than thirty (30%) of their income towards rent and utility expenses combined may be eligible for points in this category.

Projects that are unable to obtain federal rental assistance contracts may score points for deeper income and rent targeting achieved by income averaging or other sources, so long as the Authority is satisfied that the applicant has demonstrated the project’s ability to sustain these commitments over 10 years.

a) Rental Assistance

Projects with existing unit based (rather than tenant based) federal rental assistance, as evidenced through submission of an executed rental assistance contract for the existing property, can cumulatively earn up to eight (8) points.

To be eligible for points, the term of the rental assistance contract must have at least ten (10) years remaining. Points will be earned as follows:

Points	Federal Rental Assistance units as a % of total Project Units
4	10.00% - 24.99%
8	25.00% or more

Projects must submit a copy of the fully executed rental assistance contract from the entity providing the rental assistance that includes:

- maximum income limits as a percent of AMI; and
- total number of units assisted by unit type; and
- length of the rental assistance contract; and
- contract rent by unit type paid through the rental assistance. The contract rent is the maximum amount of rent paid to the Project by the rental assistance.

If the applications includes an executed rental assistance commitment letter from a Public Housing Authority (“PHA”) using Project Based Vouchers (“PBV”), that letter must also provide documentation that:

- 1) The PHA Administrative Plan allows for the PHA to administer a PBV Program and;
- 2) The PHA has selected the property to receive PBVs is in accordance with the PHA Administrative Plan and 24 C.F.R. § 983.51.

All underwriting assumptions regarding the funding and renewal of rental assistance contracts must be clearly identified. **State and federal rental assistance commitments cannot be conditioned on an Allocation of Tax Credits.**

To prevent the dedication of all or most of the Authority’s tax credit allocation to large public housing redevelopment projects at the expense of other priorities, the Authority reserves the right to limit the scoring of points for Rental Assistance to 1 RAD project per allocation cycle.

b) Deeper Income Targeting

Projects that are unable to obtain federal project based rental assistance contracts may score up to eight (8) points for providing units with rents restricted to the 30% AMI limit and occupancy restricted to households with incomes at or below 30% of AMI, evidenced through submission of the Scoring 30 Percent AMI Housing Certification available on the Authority’s Website.

Units used to score points for deeper income targeting must be in addition to the mandatory 10% of Project units dedicated to the Statewide Referral Network.

Points will be earned as follows:

Points	30% AMI units as a % of total Project Units
4	5.00% - 9.99%
6	10.00% - 19.99%
8	20.00% or more

3) Leveraging Authority Resources

- a) Projects with no Authority resource request, other than Federal Tax Credits, can earn two (2) points. Projects with no Authority resource request except for Illinois Affordable Housing Tax Credits (IAHTC) can score one (1) point provided that the IAHTC award does not exceed \$1.5 million.
- b) Additionally, Projects whose budgets leverage non-Authority sources that are available during the construction period to pay for expenses reflected in the development budget and either remain in the Project after construction, or are swapped out with another non-Authority Source as permanent financing, can earn up to eight (8) points. Points will be scored as follows:

2020 – 2021 Qualified Allocation Plan

Points	Leveraging Resources as a % of the total Project budget
1	5.00% - 9.99%
2	10.0% - 19.99%
4	20.0% - 29.99%
6	30.0% - 39.99%
8	40.0% - 100%

Leveraging Resources	Non-Leveraging Resources
Funds provided by a non-Authority source (e.g. private permanent first mortgage loans),	Funds generated by Authority allocated resources (i.e. tax-credit equity from Federal Tax Credits)
Capital contributions from a project Participant [including equity generated by non-Authority resources, such as Historic Tax Credits]	Deferred fees
Authority funds with a market rate of interest	Authority funds with a non-market rate of interest
Grants from utilities, Federal Home Loan Bank grants or other foundations.	Loans that are repaid from Authority allocated resources (i.e. bridge loans)
Municipal financing (e.g. county HOME or CBDG funds) or USDA financing	A seller’s financing note

Evidenced through submission of Project financing documentation meeting Evidence of Project Financing Mandatory Section requirements for all leveraging resources.

F) Housing Policy and Objectives

1) Statewide Referral Network Units

Projects that include additional Statewide Referral Network Units can earn up to ten [10] points as follows:

Points	Statewide Referral Network Units as a % of the total Project units
5	10.01% - 15.00%
10	15.01% - 20.00%

Elderly Projects are not eligible for points in this category.

Projects must complete a draft Statewide Referral Network Agreement, available on the Website, with the Application. Projects seeking points in this category should carefully review

the definition of State Referral Network Units and understand the requirements and implications. Projects are strongly encouraged to develop relationships with social service providers to understand the housing barriers that Supportive Housing Populations face and ways a Project can mitigate those housing barriers.

Projects which set-aside between 10 - 20% of their units for the Statewide Referral Network may also be eligible for higher soft funding requests, as described under “Authority Loan Limits” in Section XIII.O of this QAP.

2) Communities with Demand for SRN

A development located in a community with demand for SRN may receive an additional four (4) points. See the SRN Communities of Demand list available on the Authority’s Website.

3) Affordable Housing Planning and Appeal Act (“AHPAA”) Projects

A municipality or county which individually has less than 10% of its total housing stock deemed as affordable, as is determined by a statutory formula administered by the Authority, is subject to AHPAA. Such localities are considered “non-exempt local governments” (“NELGs”) and are posted on the Website. In order to encourage development of affordable housing in these communities, a Project located within a NELG’s jurisdiction will be awarded two (2) points.

G) Tiebreaker Criteria

In the event that two (2) or more Projects have an equal number of points, the following will be used to determine selection:

- 1) **First Tiebreaker:** Projects that serve the lowest income households. If a tie still remains
- 2) **Second Tiebreaker:** Projects with the lowest per unit construction costs. If a tie still remains
- 3) **Third Tiebreaker:** Projects that are intended for eventual tenant ownership. If a tie still remains
- 4) **Fourth Tiebreaker:** Projects with the longest affordability period. If a tie still remains
- 5) **Fifth Tiebreaker:** Projects with historic significance.