

Grantee Unique Appendices

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

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

I. Designation

Illinois Housing Development Authority (IHDA) has been designated by the Governor as the administering State agency for the newly-funded NHTF. Authorizing statute and HUD's interim rule place specific parameters on the eligible uses of these funds. Those requirements, along with IHDA's proposed uses, are as follows:

II. Method of Distribution

- A. First of all, State NHTF grantees are also allowed to provide direct funding to subgrantee local governments to operate their own local programs/projects, but are not required to do so. Given the relatively small size of the State's initial allocation the first year, the State does not intend to use subgrantees in the 2016 funding cycle.
- B. As the national funding level fell below \$1 Billion in 2016, 100% of program funds must be used to benefit Extremely Low-Income (ELI) households, defined as 30% of area median income or less.

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

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

IHDA will use its Multi-Family "Common Application" as the major application format for NHTF rental housing projects, the same one used for the LIHTC and HOME programs, along with supplemental information required by program rules (see below). IHDA's process will include an initial completeness/eligibility scoring, review of mandatory requirements, underwriting, site and market review, peer review, internal Loan Committee and IHDA Board approval. A separate Request for Proposals (RFP) process will be used if needed to expedite obligation of program funds.

See IHDA's website (www.ihda.org) for additional information. There will be an open application process until all funds are committed.

III. Selection Criteria

Per CPD Notice 16-07, IHDA establishes the following:

A. Geographic Diversity

Given the relatively small size of the first-year HTF allocation, IHDA will not establish geographic set-asides, but will strive to achieve maximum geographic diversity in its final funding decisions.

B. Applicant Capacity

As part of IHDA's application process, each proposed project's development and management team will be reviewed to ensure that if the developer/owner has appropriate experience, capacity, and staffing to own, develop, and manage the project if approved for funding. This will include IHDA's past experience with team members, and review of HUD previous participation certificates where applicable. IHDA will also strongly encourage first-time developers to partner with an experienced non-profit or for-profit entity.

C. Project-Based Rental Assistance

IHDA will prioritize all rental projects which have committed or available federal, State, and local project-based rental assistance so that rents are affordable to ELI families. These may include: Section 8 Project-Based (preservation only); Project-Based Vouchers; Rental Housing Support Program; and Section 811 Project-Based Rental Assistance. It will utilize 30% of household income for rents and utilities as its standard.

D. Duration of Affordability Period

Applicants must document the extent to which proposed rents are affordable, especially to ELI households. All projects will be required to establish a minimum 30-year affordability period. This will work well particularly for LIHTC projects (extended use periods). Applicants are encouraged to establish longer affordability periods but must meet this minimum.

E. Priority Housing Needs of the State

These are defined on the State's Comprehensive Planning Act, and include ELI households, low-income seniors, low-income persons with disabilities, and homeless and at-risk homeless persons and families, as well as preservation and live-near-work projects. These are also the same priorities in the State's Five-year Consolidated Plan. Proposed projects must also fall under one of the state's Focus Areas in its annual plan, which are supportive housing, community revitalization, and economic development.

Projects will also be reviewed to evaluate their "readiness to proceed" in starting projects after funding approval, and then evaluating the applicant's ability to obligate funds in a timely manner.

In addition, IHDA proposes to prioritize the following types of projects:

- Permanent supportive housing, especially those creating new units.
- To maximize affordability, projects will be prioritized by which have little or no debt service.
- Assistance to cover the Statewide Referral Network units on LIHTC projects, which are targeted to persons with disabilities or homeless/at-risk AND with household income at 30% AMI or below.
- Public housing/Section 8 project-based conversions under the RAD Program, prioritizing those which are developing/redeveloping new housing units in opportunity areas or community revitalization areas, as defined by IHDA under its LIHTC Program.
- Finally, IHDA will also review how the applicant's project affirmatively furthers fair housing.

F. Leveraging

Projects which are able to commit other non-federal funds as part of their project financing will be given additional consideration- this would include other State-funded and locally funded programs, but not LIHTC, or State or local CDBG or HOME funding. The latter funds can be part of the project's financing, but will not be considered as non-federal funding. Please note that there is no State or local match requirements for NHTF, but IHDA anticipates most NHTF-funded projects will be highly leveraged.

G. Eligible Activities

Eligible Activities under the Illinois NHTF Program will include the following:

- Rental housing development (new construction or acquisition/rehabilitation)
Eligible project costs included the following:
Real property acquisition; development hard costs; relocation; demolition; utility connections; site improvements; soft costs, including architectural, engineering costs, developer fees, and AFHMP marketing; refinancing in limited circumstances; paying construction loans; and staff project delivery costs.
- Operating/rental assistance is also an eligible activity, but is limited to a maximum of 33% of any year's State allocation, and must be fully utilized within 5 years of award. Such assistance can also be subsequently renewed, as long as it's within the 30-year affordability period. It is anticipated such assistance would be very limited and in the form of grants. Applicants must also present a long-term plan of utilizing permanent sources of State and federal rental assistance to be given consideration in this area.
- Public housing is only eligible under NHTF if the proposed project is part of HUD's Rental Assistance Demonstration (RAD) program, Choice Neighborhood Initiative Program, or involves the LIHTC Program. Priority will be given to projects creating new units.
- IHDA is not funding homeownership assistance under the program, at least in its first funding year.
- Eligible use of funds include: loans (low-interest, no-interest, balloon, forgivable, deferred payment), grants, interest rate subsidies, equity investments, and other State-approved forms of assistance.

H. Eligible Recipients

Eligible recipients include for-profit and non-profit corporations, and governmental entities, including public housing authorities.

I. Performance Goals and Benchmarks

IHDA will utilize the same performance measurements and outcomes criteria that it has used for the HOME Program (Multi-Family). These are included in the State's Five-Year Consolidated Plan – Strategic Plan and annual goals.

J. Maximum Per-Unit Development Subsidy Units

The NHTF Allocation Plan also must include the State's policy on maximum per-unit subsidy, which is to be based on modest housing units with similar amenities and taking into account local market conditions. IHDA will use the same criteria that it uses under its HOME Program, which are HUD's 221(d)(3) limits. These limits will be based on total development cost, and are to be adjusted by geographic area and bedroom size.

K. Rehabilitation Standards

IHDA will use its Architectural Planning and Construction Standards to evaluate all rehabilitation work, which is updated annually. These are also used to evaluate Physical Needs Assessments (PNA's) for rehabilitation projects.