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UNDERWRITING STANDARDS GUIDE

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# I) Introduction

This Underwriting Standards Guide presents the Authority’s criteria for evaluating a Project’s financial feasibility and underwriting assumptions.

The Guide establishes not only the Authority’s required financial criteria, but also indicates in each section what documentation the Authority requires to be submitted as part of any Project Application for financing for Authority resources. The application process for any request for application for Authority resources is further outlined in the Authority’s Qualified Allocation Plan (QAP), available on the Authority Website. Consistent with the definition in the QAP, the entity applying for Authority resources for a Project is referred to throughout this document as the Sponsor.

These financial feasibility and documentation requirements apply to the 9% and 4% Low Income Housing Tax Credits (LIHTC) governed by the QAP, as well Projects applying for other Authority funding sources, including, but not limited to: Illinois Affordable Housing Trust Fund, HOME Investment Partnership funds, and Illinois Affordable Housing Tax Credits. Likewise, these criteria should be considered to apply for all Project types, except where explicitly indicated. Note that Projects applying solely for Illinois Affordable Housing Tax Credits should reference the applicable regulations for that resource (Illinois Administrative Code, Title 47, Chapter II, Part 355) rather than this Underwriting Guide.

Every Project Application must include submission of a completed version of the Common Application, an Excel document that serves as the pro-forma model for any Project requesting Authority resources (this document is found on the Authority’s Website). The submitted Common Application will provide the Authority with information regarding the proposed development budget and operating budget for the Project in question and should reflect the financial feasibility and underwriting assumptions outlined in this Guide. As part of the review of a project’s Project Application, the submitted Common Application will be evaluated for compliance with these requirements by the Authority’s staff and Loan Committee. If a Project is ultimately selected to receive Authority resources, it will then proceed to the Authority’s Board for final approvals. Once Board approval has been secured, the Common Application will be updated by the Project Sponsor and provided to the Authority as reasonable to reflect any nominal changes to the Project’s financing structure or operating projections.

The Common Application and other required financial feasibility documentation outlined in this Guide should be submitted via the Multifamily Portal, as described in the QAP.

# II) Sources

All Common Applications submitted as part of a Project Application for Authority resources must reflect adequate sources of construction and permanent financing to complete the Project. These sources are to be represented in the “Sources” tab of the Common Application document. Project sources are subject to the following:

## Maximum Tax Credit Request

Projects applying for LIHTC are subject to the maximum Tax Credit request contained in the Tax Credit Information section of the QAP. LIHTC Projects are also subject to the respective requirements for Code Required Basis Boost and Discretionary Basis Boost criteria outlined for 4% Tax Credits and 9% Tax Credits in the Tax Credit Information Section of the QAP.

## Authority Soft Loan Limits

The Authority has an array of funding resources that are available to provide below-market financing for affordable housing developments (these resources include Illinois Affordable Housing Trust Fund, HOME Investment Partnership Funds, and others). Payment terms for Soft Loans will be at the sole discretion of the Authority, subject to Project characteristics; however, the Authority will generally consider a payment equal to the greater of: (a) an annual payment equivalent to twenty-five percent (25%) of Surplus Cash Flow (as defined in the Authority’s loan documents signed prior to financial closing); and (b) an annual payment $1,200 (equivalent to $100 per month).

Authority Soft Loan resources over-subscribed. Consequently, all Projects that are applying to the Authority for a Soft Loan (also known as Soft Funds, Gap Financing, or Subordinate Loans), are subject to the maximum Authority soft loan limits stipulated below, according to the geographic Set-Aside (as defined in the QAP) into which the project falls:

|  |  |  |
| --- | --- | --- |
| **City of Chicago** | **Chicago Metro, Other Metro** | **Non-Metro** |
| Up to 10% of Total Development Costs (TDC) | Up to 15% of TDC | Up to 20% of TDC |

**The Authority reserves the right to cap total Authority Debt Sources with below-market interest rates requested per Project and change the limits at its sole discretion.**

The Authority will entertain any other Soft Loan requests above these limits at its sole discretion.

Note that Authority Soft Loans 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 any activity or project that would have an adverse environmental impact or limit the choice of reasonable alternatives (a “choice-limiting action”) (as defined described in 24 CFR Part 58). This includes, but is not limited to, actions to acquire, rehabilitate, demolish, convert, lease, repair or construct properties. Performing a choice-limiting action may disqualify a Project from receiving any Authority Soft Loans.

## Deferred Developer Fee

All Projects will include a Developer Fee as a development cost (Project use) in the Project development budget (as defined in Section III.F of this Guide). The submitted Common Application must reflect a portion of the Project Developer Fee as deferred – that is, to be paid via Project operating cash flow after the Project has completed construction, placed in service, and converted to permanent financing. This Deferred Developer Fee must be reflect as a financing source in the Common Application’s development budget (in the “Sources” tab of the Common Application).

At a minimum, the Deferred Developer Fee must be equal to the lesser of twenty-five percent (25%) of the Total Developer Fee and seventy-five percent (75%) of cumulative cash flow after debt service for years one (1) through twelve (12) of Project operations, as calculated in the “Sources” tab of the Authority’s Common Application. See Section III.F for further information regarding the calculation of Total Developer Fee.

The total Deferred Developer Fee cannot exceed an amount equal to one hundred percent (100%) of cumulative cash flow after debt service for years one (1) through fifteen (15) of Project operations, unless the Sponsor provides an explanation of how the Deferred Developer Fee will be repaid.

Applications should reflect the maximum supportable Deferred Developer Fee if Authority Soft Loan resources are being requested (as described in Section II.B)

## Evidence of Project Financing

The Project Application submitted via the Multifamily Portal (as described in the Project Application Overview section of the QAP) must include financing acknowledgment letters for all Project financing sources, including both construction and permanent financing from all lenders, grantors, and equity providers. Provided letters must state that as of the Application submission date, the financing source is either under consideration or has been approved as stated within the letter. The letters must demonstrate the level of commitment for each Project source, including what, if any, approval processes are still pending for each particular source.

A written request for Authority resources shall not imply an award or future award by the Authority of any funding resources.

The following requirements apply to various potential Project sources:

Authority Debt Sources with Market Interest Rates

Requests for Authority debt sources with market interest rates (Soft Loans described in Section II.B) should be made thirty (30) days prior to Application due date as posted on the “Program Timelines” page of the Website. The Authority Business Development Team should be contacted prior to, or in tandem with, submission of a Preliminary Project Assessment (see the Project Application Overview of the QAP for additional information) to the Authority. For information on how to obtain a financing acknowledgement letter for Authority debt sources with market rates of interest see the Authority Website.

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 a federal resource must not undertake any activity or project that would have an adverse environmental impact or limit the choice of reasonable alternatives (a “choice-limiting action”) as described in 24 CFR Part 58. This includes, but is not limited to, 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.

Authority Debt Sources with Below Market Interest Rates

Financing acknowledgement letters for Authority debt sources with below market rates of interest (Soft Loans; see Section II.B of this Guide), 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 tranche or component to the loan, and these components have different terms, the terms of the longest tranche or 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 (note that the Authority does permit requests for payments subject to availability of Project cash flow in the case of Soft Loans)
* The expected Wage Standard (i.e. Illinois Prevailing Wage, Davis Bacon Wages, etc.) that the Sponsor expects to use for the Project, and relevant information regarding how different Soft Loan funding sources might affect project costs.

The Authority reserves the right to utilize any available funding resource to provide a Soft Loan at below market interest rates. Priority access to Authority Soft Loan resources available at the time of application will be given to Projects that receive the highest scores in competitive funding rounds or meet Authority housing policy objectives.

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 a federal resource must not undertake any activity or project that would have an adverse environmental impact or limit the choice of reasonable alternatives (a “choice-limiting action”) as described in 24 CFR Part 58. This includes, but is not limited to, actions to acquire, rehabilitate, demolish, convert, lease, repair or construct properties. Performing a choice-limiting action may disqualify a Project from receiving Authority Soft Loans.

Non-Authority Debt Sources

Financing acknowledgement letters from each lender of a non-Authority debt source--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 entity providing the loan
* 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 tranche or component to the loan, and these components have different terms, the terms of the longest tranche or component must be at least fifteen (15) years).
* The amortization period of the loan.
* The interest rate (and any terms and conditions regarding adjustments)
* The expected monthly or annual debt service payment
* Any financing fees associated with the debt source

Tax Credit Equity Sources

If a Project is applying for 9% or 4% Low Income Housing Tax Credits or Illinois Affordable Housing Tax Credits (Donation Tax Credits) from the Authority, the Sponsor must include a financing acknowledgement letter from a Low Income Housing Tax Credit equity source for Tax Credit type being requested. If Low Income Housing Tax Credits or Donation Tax Credits are anticipated to be provided by the City of Chicago, or Historic Tax Credit or other tax credits are expected to be provided by a third-party applicable acknowledgement letters must be provided from both the City as issuer of the tax credits and from the equity providers that will be purchasing the tax credits. All tax credit equity letters 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

The Authority’s preferred equity pay-in schedule for Projects that do not include an equity bridge loan as a funding source is as follows:

* 15% at initial financial closing
* 55% at construction completion
* Balance at stabilization

For Projects that include an equity bridge loan as a funding source, the Authority will allow a minimum of 10% of the total Tax Credit equity to be paid in at initial financial closing. The Authority will consider deviations from these pay-in schedules on a case-by-case basis.

The provided equity letter must include any attachments provided by the investor with calculations and assumptions. For Projects applying for Low Income Housing Tax Credits and other Tax Credits that rely on the calculation of eligible basis (i.e. Historic Tax Credits, the Common Application provides the ability for the Sponsor to itemize the eligible basis for each item in the development budget in the “Uses” tab. Sponsors are required to provide basis information via this budget in order to justify the expected allocation of LIHTC requested from the Authority or expected to be provided by the City of Chicago. See the Authority’s QAP for further information regarding Tax Credit eligible basis.

Tax Credit applications may include a request for Illinois Affordable Housing Tax Credits (IAHTC). 4% Projects applying for an allocation of Illinois Affordable Housing Tax Credits must include all items listed on the IAHTC Application Checklist.

In the case of Projects applying within the competitive 9% LIHTC application round that are also requesting an allocation of Illinois Affordable Housing Tax Credits (IAHTC) at time of 9% LIHTC application, Sponsors must submit at a minimum the following documentation from the IAHTC Application Checklist:

* Application fees as listed in the Multifamily Fee Payment Form
* IAHTC Expanded Donation Form
* Evidence of commitment of Donation from Donor
* Flow Chart Process showing how Donation will be placed into the Project
* If available, an appraisal that supports the donation amount.

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

## Construction Period Income

If construction period income is included as a source of project financing for Projects that involve the rehabilitation of an existing property, the amount of this income must be supported by submission of the past three (3) years of financial property audits as part of the Project Application. Submission must include a narrative highlighting the assumptions used to size the amount of this source. The Authority will allow construction period income to be included as a financing source at its sole discretion upon review of property audits and the provided narrative.

# III) Uses

All Common Applications submitted as part of a Project Application for Authority resources should reflect Project development uses in the “Uses” tab of the Common Application document. Project uses are subject to the following requirements:

## Acquisition

The Project budget in the Common Application may only include the acquisition costs attributable to the Project Site. As part of the Project Application for any Authority resource, the Sponsor must provide evidence of site control that matches the criteria discussed in the Site Control section of the QAP. This site control documentation must provide evidence of the cost of acquisition. 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 indicated in the uses budget in the Common Application must match the site control documentation and/or provided supplemental narrative.

In the case of a related-party acquisition, in which one entity will be purchasing or has purchased the property from a related entity, the Sponsor must submit an appraisal to substantiate the acquisition price. In such cases, the Authority will review the appraisal and permit the use of the requested acquisition price in the Project budget at its sole discretion.

## Grand Total Hard Cost Limits

*Hard Cost Maximum Thresholds*

When a Sponsor enters the Project’s expected construction costs in the “Construction” tab of the Common Application, the Project’s Grand Total Construction Costs will populate in the “Uses” tab. During review of a Project’s Project Application by Authority staff, this Grand Total Construction Costs figure will be compared to a Construction Cost Limit calculated based on the sum of the products of the Authority’s hard cost limit by bedroom type and the number of units, by bedroom type, in the Project. The most recent hard cost limit by bedroom type can be found in the “Grand Total Hard Cost Limits” document found on the Authority Website. These limits have been established utilizing recent historical data of Authority projects within each Set-Aside and verified against a third-party cost database, and include analysis of all related hard costs associated with the project. The Common Application includes a comparison of the Project’s Grand Total Construction Costs and its Construction Cost Limit in the “Project Narrative” tab.

Projects that exceed the calculated Construction Cost Limit must provide a detailed explanation of the specific expenses that result in costs in excess of the limits. The 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

Regardless of whether the Project’s Grand Total Construction Cost exceeds IHDA limits, the Authority may at its discretion verify construction costs through a third-party cost database to evaluate cost reasonableness.

Total Development Costs may not increase more than ten percent (10%) from Board approval to initial closing. The Authority will generally not consider using its resources to account for cost increases above this threshold but may do so at its sole discretion on a case-by-case basis. An award of funding is provided by the Authority’s Board based on the information provided in the Project Application. Project modifications require re-evaluation of the Project Application and may trigger a change in the Project’s score or ranking (depending on the funding source and Project type), Loan Committee and Board approval, or the revocation of the funding award.

Furthermore, Projects contemplating Historic Tax Credits as a source must demonstrate that costs required to complete the historic work do not exceed equity generated by the credits.

*Hard Cost Minimum Thresholds*

In the case of a Project proposing the rehabilitation of an existing building, the Authority requires a minimum budget of $40,000 in hard costs per unit, and requires 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% LIHTC 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**

Projects involving rehabilitation will be required to submit a third-party Physical Needs Assessment (PNA) completed according to the Authority’s Standards for PNAs and based on the existing conditions of the property. The Project Application must include a detailed explanation of any and all construction cost variances existing between the development budget and the 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.

## General Contractor Fees

The general conditions, overhead, and profit in a general contractor’s budget are limited to fourteen percent (14%) of trade payments and site work costs as calculated in the “Construction” tab of the Common Application. As further described in the Authority’s Standards for Architectural Planning and Construction (as amended and found on the Authority’s Website), the Project general contractor is allowed profit in the maximum amount of six percent (6%) of trade payments and site work; overhead in the maximum amount of two percent (2%) of trade payments and site work; and general conditions (also known as “general requirements”) in the amount of six percent (6%) of trade payments and site work.

## Construction Contingency

The submitted Common Application must include a construction contingency in the development budget in the “Uses” tab, equal to the following as applicable:

New-Construction Projects:

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

Rehabilitation Projects:

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

Contingency will be prorated for Projects that are a combination new construction and rehabilitation.

For Projects applying for Low Income Housing Tax Credits, no more than fifty percent (50%) of the construction contingency may be included in a Project’s calculation of Tax Credit eligible basis. For 4% Low Income Housing Tax Credits, the Authority may allow up to 100% of construction contingency to be included in basis, at its sole discretion.

## Architect and Civil Engineering Fees

Fees for architectural services and civil engineering are subject to the limits listed below. These limits are also found in the Authority’s Standards for Architectural Planning and Construction, as amended and found on the Website.

Authority Architectural Fee Limits:

|  |  |  |
| --- | --- | --- |
| **Total Construction Costs**  **$** | **% Architect Fee**  **(New Construction)** | **% Architect Fee (Rehabilitation)** |
| 0 - 1,000,000 | 7.2 | 8.4 |
| 1,000,001 - 5,000,000 | 6.2 | 7.3 |
| 5,000,001 - 10,000,000 | 4.8 | 6.7 |
| 10,000,001 - 15,000,00 | 4.1 | 5.9 |
| 15,000,001 - 25,000,000 | 3.4 | 5.1 |
| Over 25,000,000 | 2.8 | 4.4 |

Authority Civil Engineering Fee Limits:

|  |  |
| --- | --- |
| **Set-Aside** | **$/Gross Site Area** |
| Non-Metro | $0.35 |
| Rural | $0.35 |
| Chicago Metro | $1.00 |
| City of Chicago | $2.00 |

The costs listed for this item in the “Uses” tab of the Common Application should not exceed the stipulated limits; any overruns will be required to be included in Developer Fee, as described in Section III.F of this Guide.

## Developer Fee

Sponsors will indicate a Developer Fee in the Project‘s development budget in the “Uses” tab of the Common Application, as payment to the Project Sponsor and associated entities. The 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 per the percentages of the Fee Based Costs listed below. Further increases or reductions to the Base Developer Fee, as outlined in the sections below, produces the Project’s final Total Developer Fee. Fee Based Costs are equal to Total Development Cost, net of Total Developer Fee, Reserves, Interim Costs, and Syndication Costs, as calculated in the “Uses” tab of the Common Application. The Base Developer Fee may be reduced when an Identity of Interest exists, as further defined below. The final Total Developer Fee reflects the Base Developer Fee, less any reductions due to an Identity of Interest. These calculations are captured in the “Uses” tab of the Common Application.

As described in Section II.C of this Guide, the Authority requires that a portion of the Developer Fee be deferred (paid via Project operating cash flow after the Project has completed construction, placed in service, and converted to permanent financing at final financial closing). This Deferred Developer Fee is included as a Project Source. The non-deferred Developer Fee (the Realized Developer Fee) will be paid out prior to, or concurrent with, final financial closing.

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 (i.e. an Authority Soft Loan).

As Fee Based Costs are finalized prior to financial closing, the calculated Total Developer Fee (as determined according to the Base Developer Fee calculation and Increases or Reductions in Base Developer Fee as described below) will increase or decrease accordingly. A Project’s Total Developer Fee cannot increase by more than ten percent (10%) above the Total Developer Fee calculated at the time that Authority resources were awarded to the Project by the Authority’s Board.

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 in writing, and explain how the increase will benefit the Project.

The Authority will review request to increase Developer Fee on a case-by-case basis, at its sole discretion The Authority will in particular consider these requests when or the additional equity enables the reduction or elimination of a request to the Authority for a Soft Loan or other gap financing resource. If a higher Developer Fee is allowed, the Realized (non-deferred) Developer Fee earned prior to final financial closing cannot exceed the Base Developer Fee amount calculated according to the above Base Developer Fee calculation (and as calculated in the Common Application).

Reductions to Base Developer Fee

Reduction(s) to the Base Developer Fee will be made if:

* An Identity of Interest (see the Authority’s QAP for the definition of 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% of the first $20 million of total acquisition costs instead of 5%.
* An Identity of Interest exists between the Project 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.
* An Identity of interest exists between the Project property manager and the Owner. In this case, the Authority reserves the right to reduce the Base Developer Fee at its sole discretion.

A waiver to these Developer Fee reductions may be requested on a case-by-case basis when additional equity generated is used for actual hard construction costs for the Project or the additional equity enables the reduction or elimination of a request to the Authority for a Soft Loan or other gap financing resource, as described above under “Increases to Base Developer Fee.”

## 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.

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.

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.

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.

The “Uses” tab of the Common Application includes a Furniture, Fixtures, and Equipment line for any costs associated with these items.

# IV) Income

All Common Applications submitted as part of a Project Application for Authority resources should reflect Project income expectations in the “Income” tab of the Common Application. Project income assumptions are subject to the following requirements:

## Residential Income

The Project unit mix and expected unit rents should be entered in the “Income” tab of the Common Application. 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. In the case of Authority resources that stipulate rent limits, such as Low Income Housing Tax Credits or HOME Investment Partnership funds, rent and income limits are available on the Authority Website.

## 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, including all of the following:

* The maximum percent of AMI; and
* The total number of units assisted by unit type; and
* The length of the rental assistance contract; and
* The contract rent by unit type paid through the rental assistance; note that the contract rent is the maximum amount of rent paid to the Project by the rental assistance.

If the Project Application 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:

* The PHA Administrative Plan allows for the PHA to administer a PBV Program and;
* The PHA has selected the property to receive PBVs is in accordance with the PHA Administrative Plan and 24 C.F.R. § 983.51.
* If applicable, acknowledgement by the PHA that assisted units may receive referrals from the Statewide Referral Network (see the Authority Website for more information regarding the SRN program).

All underwriting assumptions regarding the funding and renewal of rental assistance contracts must be clearly identified. **In the case of a Project Application for competitive (9%) LIHTC, rental assistance commitments cannot be conditioned on an Allocation of Tax Credits.**

## Other Residential Income

The Authority limits Other Residential Income sources to income from laundry, vending, and the provision of resident services.

In general, Other Residential Income should only include items that are recurring, defensible, and voluntary to the tenant. Late fees, pet fees, security deposits, and the collection of damages are not permissible Other Income sources. Other Income should be entered in the appropriate line in the “Income” tab of the Common Application.

Project 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.

## Commercial Income

Commercial Income should not be included in financial feasibility calculations for the majority of Projects. The Authority may permit commercial income to be considered for financial feasibility calculations at its sole discretion. Requests to include Commercial Income must be made explicitly in writing to the Authority at the time of Project Application, via a narrative providing any salient details regarding potential or existing leases, or other extenuating information that the Authority might consider. Potential sources of Commercial Income should be identified as well at time of Preliminary Project Application in the case of Low Income Housing Tax Credit applications (see the Authority QAP for additional information).

# V) Expenses

All Common Applications submitted as part of a Project Application for Authority resources should reflect Project operating expense expectations in the “Expenses” tab of the Common Application.

Authority staff will consider Project expenses budget for reasonableness during the Project Application review, and will consider the proposed expenses budget against the Authority’s portfolio and comparable properties, Note that if a Project is requesting a Authority first mortgage (market-rate) loan product, the Authority will require the Sponsor to submit an appraisal that complies with the Authority’s Standards for Appraisals, available of the Authority‘s Website, early in the application review and underwriting process. If a Project is receiving an Authority non-market rate loan (Soft Loan), the Authority will require submission of an appraisal prior to financial closing.

Project expense budgets are subject to the following requirements:

## 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 in the “Expenses” tab of the Common Application, are expected to fall within the following ranges, as applicable by Project type and geographic Set-Aside (as defined in the Authority’s QAP):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Project Type** | **City of Chicago** | **Chicago Metro** | **Other Metro** | **Non-Metro** |
| Elderly | $5,000 - $6,400 | $3,800 - $5,200 | $3,700 - $5,200 | $3,200 - $4,400 |
| Non-Elderly | $6,400 - $8,700 | $4,300 - $7,000 | $3,900 - $5,400 | $3,300 - $4,400 |

Existing Projects for which the Sponsor is proposing a rehabilitation must include historical expense information in the form of the two (2) most recent audited financial statements, 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.

## Monitoring and Compliance Fees

For Projects applying for Low Income Housing Tax Credits, the “Expenses” tab of the Common Application should include an annual Tax Credit monitoring and compliance fee based on the LIHTC payment instructions found on the Property Managers page of the Authority Website. This cost should be included in the appropriate Monitoring line in the “Expenses” tab.

## Resident Services

Resident Services must not be included in the Project operating budget projections laid out in the “Expenses” tab of the Common Application, unless a Project receives or will receive Federal Project Based Rental Assistance that contractually requires the provision of resident services. Any service requirements will be evaluated on a case-by-case basis and approved at the Authority’s sole discretion.

If the project is not required to provide resident services under a Federal Project Based Rental Assistance contract, 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 U.S. Department of Veteran’s Affairs. Budgeted cost to provide services should be sufficient to provide services over 15-year Tax Credit Compliance Period in the case of a Project receiving an allocation of Low Income Housing Tax Credits.

## Syndicator/Investor Asset Management Fees

If a Project receives an award of an Authority Soft Loan with a Surplus Cash Flow payment structure (per Section II.B of this Guide), the Authority will allow Syndicator or Investor “Asset Management Fee” or equivalent cost in an amount up to $100 per unit (with no annual trending) to be included in the Project‘s cash flow waterfall prior to the payment on the Authority’s Soft Loan. The Authority will permit deviations from this per-unit amount in its sole discretion.

If there is any ambiguity as to whether a fee in the Project expenses budget constitutes as a Syndicator/Investor Asset Management Fee as discussed in this section, the Authority will determine in its sole discretion whether the fee in question qualifies.

# VI) Reserves

The Authority requires minimum levels of project reserves for projects receiving all Authority resources. All Common Applications submitted as part of a Project Application for Authority resources should reflect capitalized Project reserves in the development budget in the “Uses” tab of the Common Application, and ongoing Project reserves in the “Expenses” tab of the Common Application.

In the case of Projects receiving Low Income Housing Tax Credits, any balances in Project reserve accounts must stay with the Project at the time of investor exit. The Authority will review Tax Credit partnership agreements to ensure this policy is enforced.

All Projects must meet the following minimum reserve requirements:

## 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 Project operations, starting at the rates below in year one (1) of Project operations, and increased annually thereafter at 3% per year. The below table specifies the required Per Unit Capitalized Reserve based on the number of Project units, to be included in the “Uses” tab of the Common Application. The table also includes Per Unit Ongoing Reserve dollar amount, based on Project type and number of units. This Ongoing Reserve is to be included in the “Expenses” tab of the Common Application and trended at 3% annually thereafter in the “Cash Flow” tab of the Common Application.

Higher annual payments may be required for rehabilitation Projects, depending on the submitted Property Needs Assessment.

|  |  |  |  |
| --- | --- | --- | --- |
| **Per Unit Capitalized Reserve** | | | **Per Unit Ongoing Annual Reserve** |
| **30 or less units** | **31 to 49 units** | **50 or more Units** | **All Projects** |
| $800 | $550 | $450 | $350 |

## Operating Reserve

In general, all Projects with Authority debt sources (whether with market rate or below-market rate) must capitalize an Operating Reserve equal to six (6) months of Project operating expenses, calculated as one-half the value of the Total Annual Operating Expenses (as represented in the ”Expenses” tab of the Common Application) less the total value of the annual Reserves expense (also as represented in the ”Expenses” tab of the Common Application).

The Operating Reserve will be used to fund operating deficits including but not limited to, lease-up period costs, and to allow for a transition of units if subsidies are eliminated. If the Project is utilizing Low Income Housing Tax Credits, the Authority will allow the syndicator or investor in the Tax Credits (the Tax Credit Limited Partner) to hold the Operating Reserve during the Tax Credit Compliance Period (as defined in the QAP). Upon the exit of the Tax Credit Limited Partner, the Authority will require that the Operating Reserve be transferred to the Authority.

## 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 in the “Uses” tab of the Common Application must include a real estate tax reserve capitalized at equal to fifty-five percent (55%) of the estimated annual real estate taxes in the first year of Project operations, as stipulated in the “Expenses” tab of the Common Application.

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 Project Application submitted by the Sponsor must include a narrative explaining how construction period and operational period real estate taxes were estimated, with any relevant evidence provided.

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.

## Insurance Reserves

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

The development budget in the “Uses” tab of the Common Application 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, as stipulated by the Sponsor in the “Expenses” tab of the Common Application.

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.

## Other Reserves

The Authority will review all other Project reserves included in the development budget (in the “Uses” tab of the Common Application) and the operating budget (in the “Expenses” tab of the Common Application) to evaluate their sufficiency and reasonableness. Explanations of Other Reserves must be included with the Project Application.

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).

# VII) Underwriting Standards

All Common Applications submitted as part of a Project Application for Authority resources should reflect Project’s underwriting assumptions in the “Cash Flow” tab of the Common Application. The Project’s operating projections are subject to the Authority underwriting standards outlined in this section.

Projects applying for any Authority resource must demonstrate compliance with the most restrictive underwriting standards and requirements for all Project financing sources for a minimum of the initial fifteen (15) years of the Project’s operating period (that is, after construction has been completed, the Project has been placed in service, and the Project has closed on any permanent-period financing at the final financial closing).

The Authority’s minimum underwriting standards and requirements are as follows:

## 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 in which greater than ninety percent (90%) of units receive rental assistance, with a term of greater than fifteen (15) years remaining, and the Project involves new construction or substantial rehabilitation, the Authority requires that the Project maintain a minimum Debt Service Coverage Ratio of 1.11 through the first fifteen (15) years of operation.

Authority first mortgage market-rate loan products will be sized to maintain the minimum Debt Service Coverage Ratio for the initial twenty (20) years of Project operations, with minimum Debt Service Coverage Ratio requirements varying depending on Project and loan type. In the case of a balloon loan structure, the Authority standards require a higher minimum Debt Service Coverage Ratio threshold (generally 1.20), along with a series of required Exit Test requirements. Note that Authority first-position loans are also subject to maximum Loan-to-Value requirements. Contact the Authority’s Multifamily originations team for additional details.

If a Project has no “must-pay” hard debt, the Project must instead meet an Expense-to-Income Ratio of less than 0.85 in year one (1) of operations. The Expense-to-Income Ratio will be calculated as Effective Gross Income divided by Total Annual Expenses in year one (1) of operations, as found in the “Cash Flow” tab of the Common Application.

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

The Common Application calculates Debt Service Coverage ratios for each Project debt source in the “Cash Flow” tab.

## Cash Flow after Debt Service

Projects must maintain Cash Flow after Debt Service, as calculated in the “Cash Flow” tab of the Common Application, of $100 per unit per year at a minimum.

Project reserves cannot be used to maintain minimum Cash Flow after Debt Service requirements during the initial fifteen (15) years of Project operations.

## Trending Factors

Authority cash flow trending factors are as follows, subject to updates by the Authority to be posted to its Website at its sole discretion:

* Annual Increase in Real Estate Taxes: four percent (4%)
* Annual Increase in Other Operating Expenses: three percent (3%)
* Annual Increase in Residential Income: two percent (2%)
* Annual Increase in Reserves: three percent (3%)

These trending factors will be reflected in the “Cash Flow” tab of the Common Application.

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.

## Vacancy Rates

The Project vacancy rates will be reflected in the “Cash Flow” tab of the Common Application. Authority residential vacancy rate standards are as follows:

* Elderly Projects residential income: six percent (6%)
* Non-Elderly Projects residential income: eight percent (8%)
* Supported Living Facility residential and service income: ten percent (10%)

For Projects requesting that the Authority underwrite with commercial income, Sponsors should provide a detailed narrative explaining what would be an appropriate vacancy rate. Upon considering submitted narrative, the Authority will determine commercial vacancy rates in its sole discretion.

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

## 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. The Sponsor should enter the Utility Allowance for each unit type in the unit schedule contained in the “Income” tab of the Common Application.

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.

# Appendix A: Definitions

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

**“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.

**“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.

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

**“Base Developer Fee”** shall mean the portion of Developer Fee that shall be calculated based on Fee Based Costs listed below. Base Developer Fee will be increased or decreased as described in this Guide, resulting in the Project’s final Total Developer Fee.

**“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.

**“Cash Flow After Debt Service”** shall mean the difference between a Project’s income and expenses including Debt Service on all must-pay debt, during Project operations following construction completion and final financial closing.

**“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 a spreadsheet document created to enter the anticipated Project development budget, operating pro-forma, and other financial and relevant Project information which will be submitted as part of a Project Application and used by the Authority in the evaluation of a proposed Project.

**“Compliance Period”** (notwithstanding Section 42(i)(1) of the Code) shall mean the period of fifteen (15) consecutive taxable years beginning with the first taxable year of the Credit Period for a LIHTC Project.

**“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.

**“Construction Costs”** shall mean those costs related to the construction of a Project, namely labor and materials costs.

**“Debt Service”** shall mean the payment of interest and principal on a debt for a particular 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.

**“Developer Fee”** shall mean the payment to the Project Sponsor and associated entities for developer services provided. The 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.

**“Deferred Developer Fee”** shall mean the portion of the Developer Fee that shall be paid from Project operating cash flow after the Project has completed construction, placed in service, and converted to permanent financing at final financial closing. The Deferred Developer Fee must be equal to the lesser of twenty-five percent (25%) of the total Developer Fee and seventy-five percent (75%) of cumulative cash flow after debt service for years one (1) through twelve (12) of Project operations, as described in this Guide. The Authority requires that Deferred Developer Fee is included as a Project Source.

**“Donation”** shall mean an applicable donation made in compliance with the Illinois Affordable Housing Tax Credit regulations, per the Illinois Administrative Code, Title 47, Chapter II, Part 355.

**“Energy Star”** shall mean program run by the U.S. Environmental Protection Agency and U.S. Department of Energy that promotes energy efficiency.

**“Exit Test”** shall mean a series of operating standards that the Authority will require that a particular loan satisfy, as specified in the documents provided by the Authority in conjunction with that particular loan product.

**“Expanded Donation Form”** shall mean a document created to provide details regarding the Donation process as part of an application for Illinois Affordable Housing Tax Credits.

**“Expense-to-Income Ratio”** shall mean the quotient of Project expenses and income.

**“Fee Based Costs”** shall mean those costs that are used in the calculation of Base Developer Fee, calculated as Total Development Cost, net of Total Developer Fee, Reserves, Interim Costs, and Syndication Costs.

**“Flow Chart Process”** shall mean a document to be created by a Sponsor applying for Illinois Affordable Housing Tax Credits, to visually represent the Donation process.

**“Loan Committee”** shall mean the Authority’s body of upper-level officers, which analyzes and subsequently approves or rejects any initial allocation of Authority resources to a Project. In general, once a resource allocation has been scrutinized and approved by the Loan Committee, the resource allocation will be presented to the Authority’s Board for final approvals.

**“Gap Financing”** shall have the same meaning as Soft Loan.

**“Grand Total Construction Costs”** shall mean the total amount of Project Construction Costs.

**“Hard Costs”** shall have the same meaning as “Construction Costs.”

**“IAHTC Application Checklist”** shall mean a document created to provide a list of all necessary items to be submitted as part of a request for Illinois Affordable Housing Tax Credits (IAHTC).

**“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.

**“Interim Costs”** shall mean costs accrued during Project construction including, but not limited to, construction and bridge loan interest costs, servicing fees during construction, real estate tax and insurance during construction, and credit enhancement during construction. Interim Costs is calculated in the “Uses” tab of the Common Application.

**“Investor”** shall mean an entity that receives Low Income Housing Tax Credits in return for an equity investment in the relevant LIHTC Project.

**“Loan-to-Value"** shall mean the quotient of a mortgage amount and property value.

**“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.

**“Low Income Housing Tax Credits” (“LIHTC”)** shall mean federal low-income housing tax credits, as authorized by Section 42.

**“Multifamily Fee Payment Form”** shall mean a document created to facilitate the payment of relevant fees to the Authority.

**“Multifamily Portal”** shall mean a portal created to allow the electronic submission of all required documentation for applications for any IHDA multifamily funding resource.

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

**“PHA Administrative Plan”** shall have the meaning provided in 24 CFR § 982.54.

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

**“Project Based Vouchers” (“PBV”**) shall have the meaning provided in 24 CFR § 983.

**“Preliminary Project Assessment”** shall mean an entire set of required and requested documents for a Site, market, financial feasibility, and Participant review as more fully described in Section VI and on the Website.

**“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.

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

**“Property Needs Assessment” (“PNA”)** shall mean a property inspection report that estimates the future costs of property maintenance, as well as determining the cost to repair any parts of a property that must be fixed urgently.

**“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.

**“Qualified Allocation Plan” (“QAP”)** shall mean the Authority’s Low Income Housing Tax Credit Qualified Allocation Plan, as required under Section 42.

**“Realized Developer Fee”** shall mean Total Developer Fee net of Deferred Developer Fee.

**“Reserves”** shall mean certain funds or accounts established in conjunction with the development of a Project, to be used to pay specific designated costs in connection with the Project.

**“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 in Section IV of the QAP.

**“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.

**“Soft Loan”** shall mean Authority-provided debt that serves as a Project Source and requires interest and principal payments at below-market rates.

**“Source”** shall mean any funding resource that will pay project Uses, including loans, equity, and grants.

**“Subordinate Loan”** shall have the same meaning as Soft Loan.

**“Surplus Cash Flow”** shall have the same meaning as Cash Flow After Debt Service.

**“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.

**“Syndicator”** shall mean an entity that serves as an intermediary in the purchase of Low Income Housing Tax Credits, assisting Investors in the sourcing, underwriting, and asset management of LIHTC Projects.

**“Total Developer Fee”** shall mean the Base Developer Fee net of any increases or decreases, as described in this Guide.

**“Total Development Cost”** shall mean all costs and expenses paid or incurred that are in any way related to the development of a Project, including, but not limited to, acquisition, construction, financing, and other costs. A Project’s Total Development Cost is calculated in the “Uses” tab of the Common Application.

**“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.

**"Use”** shall mean any cost associated with the development of a Project. These include, but are not limited to, acquisition costs, construction costs, relevant third-party fees, financing costs, reserve costs, and Developer Fee.

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