NCSHA 2016 Annual Awards Entry Form

(Complete one form for each entry)

Deadline: Wednesday, June 15, 2016

Visit ncsha.org/awards to view the Annual Awards Call for Entries.

Instructions: Type entry information into the form and save it as a PDF. Do not write on or scan the form. If you have any questions contact awards@ncsha.org or 202-624-7710.

Fill out the entry name *exactly* as you want it listed in the program.

Entry Name: Encouraging New Production in Areas of Greatest Need

HFA: Illinois Housing Development Authority

Submission Contact: (Must be HFA Staff Member) Man-Yee LEE **Email:** manyeeL@ihda.org

Please provide a 15-word (maximum) description of your nomination to appear on the NCSHA website.

IHDA encourages the new production of rental units in areas that lack affordable housing.

Use this header on the upper right corner of each page:

HFA: Illinois Housing Development Authority

Entry Name: Encouraging New Production in Areas of Greatest Need

Select the appropriate subcategory of your entry and indicate if you are providing visual aids.

Communications	Homeownership	Legislative Advocacy	Management Innovation
○ Annual Report ○ Creative Media ○ Promotional Materials and Newsletters	○ Empowering New Buyers ○ Encouraging New Production ○ Home Improvement and Rehabilitation	○ Federal Advocacy ○ State Advocacy	○ Financial ○ Human Resources ○ Operations ○ Technology
Rental Housing	**Special Needs Housing**	**Special Achievement**	Are you providing visual aids?
◉ Encouraging New Production ○ Multifamily Management ○ Preservation and Rehabilitation	○ Combating Homelessness ○ Housing for Persons with Special Needs	○ Special Achievement	○ Yes ○ No

Introduction and Need

Like many HFAs, IHDA has, in the past, often been constrained by process and thus unable to enact influence over where affordable multifamily developments were built. Our choices over which projects to support were limited to the applications that we received – applications guided by the Qualified Allocation Plan and other internal policy documents. IHDA had neither the reason nor the true incentive to develop a method of deriving a market preference for the State, resulting in a disproportionate placement of affordable housing in certain communities and a lack of affordable options in others.

As in many states, the Low Income Housing Tax Credit (LIHTC) program is easily the most sought after resource for affordable rental housing development and redevelopment in Illinois. Over the last five years (2010 – May 2016) in Illinois, LIHTCs have generated almost $2 billion in equity to help finance the construction or preservation of over 20,800 affordable units throughout the State. During the same timeframe, only approximately 7,000 units were financed by IHDA without the use of LIHTC.

We set out to change this.

The Qualified Allocation Plan (QAP), which governs the LIHTC program, serves as a roadmap for applications, and awards points when IHDA priorities are met. Over the years, it has become clear that developers merely “chase the points”, using the system as a checklist by which they pre-map project competitiveness rather than make informed choices on where to build and best serve Illinois’ low-income renters. It is this “path of least resistance” approach that has concentrated LIHTC units within areas of poverty throughout the country.

As Disparate Impact and proposed updates to Fair Housing laws have come of age in the affordable housing arena, IHDA seized the opportunity to use the QAP to transcend blanket encouragement of new production and preservation of affordable rental housing, and to target its efforts in markets that truly need affordable housing and present lifestyle and employment opportunities to low-income households. The practical result of this realization has been a systematic roll out of site- and market-selection tools (Opportunity Areas, Community Stabilization efforts and an Affordability Risk Index) that are heavily incented in the QAP and are providing dramatic results.

Laying the Groundwork

IHDA’s department of Strategic Planning and Research (SPAR) spearheaded an initiative to better utilize market data and metrics to identify areas of need and encourage production in those areas. SPAR added different metrics and methodologies for reviewing what was termed “market need” as part of the Preliminary Project Assessment (PPA) process. At first the metrics introduced were subtle, in that IHDA looked at concentration levels only - primarily the concentration of IHDA and other affordable units in the vicinity (presented as a percentage of the total number of rental units in a market area), as well as the number and percentage of rental units (regardless of subsidy) leasing at affordable levels. Markets with concentrations well below state averages were considered high-need areas.

As metrics were improved and understanding was increased, IHDA quickly progressed towards a more complete set of metrics used to read markets. Uniformity and transparency were adopted to support these expansion efforts and we made sure that common data sets were used for all PPA analysis and published all utilized data sources on the IHDA website. We also allowed developers to include other documentation that supported the need for affordable housing in their submissions such as local community plans – this was a major improvement to the process, allowing for the inclusion of a third dimension of local information not represented in the demographic-based analysis.

Implementation

After getting our feet wet with the introduction of market metrics, IHDA quickly realized that the metrics themselves could be switched from a passive approach of analyzing received submissions to a more proactive model that would encourage developers to target areas of specific need throughout the State if these metrics were tied to the scoring process of the QAP. Not only would these proactive metrics be used to entice development, but they would help IHDA proactively address concerns of Fair Housing and Disparate Impact.

IHDA rolled out new QAP incentives that incite development in underserved areas of Illinois in the following ways:

i) Opportunity Areas

To encourage production in targeted areas with a need for affordable housing, IHDA identified and included 225 "**Opportunity Areas** (OAs)" in the 2015 QAP. IHDA defines Opportunity Areas (OAs) as communities (whole places with populations under 50,000 and Census Tracts in places with populations above 50,000) with low poverty, high access to jobs and low concentrations of existing affordable rental housing. Under the QAP scoring process, a project located in an OA receives 10 points (one tenth of the total scoring available to a LIHTC project). Opportunity Areas immediately changes the landscape of the LIHTC process in Illinois as it marked the first time that specific areas of need in the State were so heavily incented in the QAP. OAs are identified annually and retain the designation for at least four years as long as they continue to meet the identification criteria.

It wasn't until a mapping tool (created by PolicyMap) was made available that the implications of the Opportunity Areas became fully evident. This first-of its-kind mapping tool represents the first proactive map of affordable housing need ever published by IHDA. It has made clear communication of this new endeavor easier and the development community has flocked to it, utilizing the tool to examine, research, and target affordable housing developments and to gather important data points for their own research.

ii) Community Revitalization Efforts

Community Revitalization Efforts are the counter-programming to Opportunity Areas. IHDA realized that all of our investments in multi-family rental cannot be in areas with low concentrations of poverty. These areas too need investment and reinvestment and IHDA refused to be scared off by the specter of Disparate Impact. Community Revitalization Efforts are intentional efforts that are likely to lead to measurable increases in access to employment, living wage jobs, healthcare, supportive services, community amenities (such as schools, parks and retail), transportation, quality and affordable housing stock. In this way, the QAP incents development in communities aiming to revitalize themselves.

Community Revitalization efforts that are likely to lead to measurable increases in the above are eligible for up to 10 points – an incentive just as enticing as Opportunity Areas. In this way, IHDA has made local revitalization planning a critical and crucial part of competitive project siting.

iii) Affordability Risk Index

The **Affordability Risk Index (ARI)** identifies those Census tracts that are becoming less affordable over time. The ARI uses US Census data to measure change over time (between 2000 and 2013) across various factors typically assumed to indicate affordability loss, such as median household income; median home value; families below the federal poverty level; housing unit vacancy; renter tenancy; individuals with a four-year degree or higher. Rapidly changing tracts represent areas where the risk of losing affordability is greatest. The ARI score of a project is a scoring factor in the QAP, receiving one point total equal to its ARI score. The most at-risk tracts receive the highest score (5).

Commissioned by IHDA, PolicyMap created an ARI mapping tool available on IHDA's website to help developers make informed decisions about project locations. This tool adds to the transparency of the metric, but it also helps developers target areas with high ARI scores as areas of potential high need.

Results

Augmenting the QAP by adding incentives for development in areas of need has strengthened the quality of the LIHTC applications received. Better-conceived and better targeted applications have been rolling in and as a whole, IHDA is serving more of Illinois than ever before. These are truly replicable results.

New metrics being used in the LIHTC process have led Illinois developers to areas where there is a great deal of need for affordable housing, yet high potential for barriers and opposition ("Hard-To-Develop Areas"). From 2009 through 2011, 424 units were financed in whole or in part with LIHTC in Hard-to Develop areas of Illinois, but from 2012 through 2014, that number shot up to 1,082, demonstrating the effectiveness of targeting areas of need throughout the State.

Not included in the above Hard-To-Develop figures are units directly inspired by the identification of Opportunity Areas, which were formally introduced in 2015. Preliminary results of the Opportunity Areas indicate that they will help increase IHDA's reach into areas of high need even further. Roughly a third of the PPA approvals in 2015 have been in Opportunity Areas and roughly a third of the applications received were in Opportunity Areas. Perhaps the best measurement of the impact of these incentives in encouraging production in targeted areas is that in 2015 alone, 14 projects (994 units) were allocated LIHTCs in hard to develop areas.

The development community has embraced the Opportunity Areas mapping tool and the ARI mapping tool as an important research resource. During the first four months of 2016, the tools alone have received approximately 800 views, with the highest number of uses in March (236) when the Preliminary Project Assessment applications for 2016 Round 2 were due. This confirms that developers are using the tools to assist with their submissions, and furthermore using them repeatedly.

VISUAL AIDS

1. Affordable Rental Unit Survey (1-page example)
2. Preliminary Project Assessment Metrics Chart
3. Opportunity Areas Metrics

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

2015 Affordable Rental Unit Survey
(Based on 2008 - 2012 ACS 5-Year Estimates)

County	Census Tract (FIPS)	Census Tract (Short)	County / MSA AMI (Median Household Income)	Total Housing Units	Occupied Units Paying Rent	30% AMI		50% AMI		60% AMI		80% AMI	
						Number of Affordable Rental Units - 30% AMI	Percent of Occupied Rental Units Affordable to HH at 30% AMI	Number of Affordable Rental Units - 50% AMI	Percent of Occupied Rental Units Affordable to HH at 50% AMI	Number of Affordable Rental Units - 60% AMI	Percent of Occupied Rental Units Affordable to HH at 60% AMI	Number of Affordable Rental Units - 80% AMI	Percent of Occupied Rental Units Affordable to HH at 80% AMI
Adams	17001000100	1	$45,691	2262	379	71	19%	119	31%	154	41%	308	81%
	17001000201	2.01	$45,691	869	137	21	15%	42	31%	65	47%	106	78%
	17001000202	2.02	$45,691	1151	174	14	8%	56	32%	97	56%	150	86%
	17001000400	4	$45,691	1864	729	168	23%	420	58%	526	72%	648	89%
	17001000500	5	$45,691	894	309	65	21%	181	59%	224	72%	288	93%
	17001000600	6	$45,691	1801	424	23	5%	140	33%	245	58%	361	85%
	17001000700	7	$45,691	903	581	184	32%	387	67%	461	79%	540	93%
	17001000800	8	$45,691	1249	682	201	29%	381	56%	473	69%	623	91%
	17001000900	9	$45,691	1314	436	37	9%	168	39%	271	62%	381	87%
	17001001001	10.01	$45,691	1543	173	9	5%	58	33%	80	46%	131	76%
	17001001002	10.02	$45,691	1441	287	7	2%	55	19%	92	32%	173	60%
	17001001100	11	$45,691	3276	977	132	13%	358	37%	437	45%	710	73%
	17001010100	101	$45,691	1911	253	35	14%	129	51%	170	67%	230	91%
	17001010200	102	$45,691	1721	244	89	37%	170	70%	192	79%	216	89%
	17001010300	103	$45,691	2453	192	35	18%	97	51%	147	76%	186	97%
	17001010400	104	$45,691	1447	51	7	15%	18	36%	27	53%	44	87%
	17001010500	105	$45,691	1335	111	0	0%	15	14%	39	35%	66	60%
	17001010600	106	$45,691	2470	193	39	20%	132	68%	159	83%	187	97%
Alexander	17003957600	9576	$42,833	1201	181	57	31%	88	49%	118	65%	159	88%
	17003957700	9577	$42,833	1128	125	51	41%	75	60%	94	75%	119	95%
	17003957800	9578	$42,833	880	274	76	28%	153	56%	200	73%	259	94%
	17003957900	9579	$42,833	824	367	191	52%	293	80%	304	83%	326	89%
Bond	17005951200	9512	$54,109	1331	136	28	21%	59	44%	80	59%	116	86%
	17005951300	9513	$54,109	2542	792	178	23%	418	53%	550	69%	734	93%
	17005951400	9514	$54,109	1398	97	16	16%	58	59%	75	78%	84	87%
	17005951500	9515	$54,109	1815	226	28	12%	98	43%	139	62%	194	86%

Preliminary Project Assessment (PPA) Market Data and Metrics Chart

Illinois Housing Development Authority

2015

The following details the market data and metrics used when assessing the Market Need for all PPA submittals. The chart is divided by the different PPA review categories and the data and indicators used to examine each category is discussed:

Review Category	Criteria Reviewed	Source of Information	Consideration
Existing Unit Approvals and Performance	Authority-Funded projects in PMA - number of units / number of units serving same population as proposed	Authority active portfolio and Authority Board approvals	General picture of Authority's investment in PMA
	Newly approved Authority - funded units (recently constructed and placed in service or Board approved but not-yet constructed)	Authority active portfolio and Authority Board approvals	Approved projects in the PMA that are not-yet constructed or rented may negatively impact the PPA market (particularly if the projects serve the same populations) as the market may need to stabilize before additional units are approved
	Occupancy levels / wait-list levels at active Authority projects in PMA / underperformance due to reported lack of demand	Internal project monitoring by Authority; Phone calls to property managers	Occupancy levels in PMA below 80% (especially when serving same tenant type as proposed) are considered to be problematic.
Affordable Rental Concentrations	Authority market share (units funded by the Authority in the PMA / total rental units in PMA)	Authority active portfolio and Authority Board approvals; and American Community Survey (ACS) 5-year estimates	An Authority market share over 10% is considered to be high and may negatively impact the PPA review. Low rental concentrations may mitigate negative impact.
	<u>Affordable market share</u> (Unduplicated units funded by the Authority, HUD, HUD Public Housing and USDA-RD in the PMA / total rental units in PMA)	Authority active portfolio and Authority Board approvals; published lists of HUD Multifamily, HUD Public Housing and USDA-RD developments; and ACS 5-year estimates	A market share over 20% is considered to be high and may negatively impact the PPA review. Low rental concentrations may mitigate negative impact.
	<u>Affordable rental concentrations</u> (actual rents, regardless of subsidy in project census tract (or census tract + adjacent census tracts)	*Affordable Rental Unit Survey* (published on the Website) a catalog of estimated numbers of affordable (to a variety of income levels) units for every census tract in Illinois regardless of rental subsidy – uses ACS 5-Year Estimates	An affordable rental unit concentration for income levels targeted by the proposed that exceed 60% of the total units is considered high and may negatively impact the PPA market review.

Review Category	Criteria Reviewed	Source of Information	Consideration
Social and Economic Viability (Review of demographic indicators for the PMA)	Growth (household and population)	ACS 5-year estimates	Overall negative trending and sharp year-to-year declines may negatively impact PPA market review
	Poverty rate (people in poverty, families in poverty)	ACS 5-year estimates	Poverty Levels exceeding 20% for PMA may negatively impact PPA market review. Similarly, low poverty rates and high local household Income levels may indicate opportunity within the PMA
	Local household income compared to Area Median Income and / or Illinois median income	Local median income as a share of area median income from ACS 5-year estimates of median household income and median family income	
	Rent-burden and extreme rent-burden	ACS 5-year estimates	Higher than average levels may indicate need for rent-restricted housing within market
	Employment / unemployment Rate	ACS 5-year estimates; and/or Bureau of Labor Statistics Area Unemployment Statistics Annual and Monthly Estimates	Access to jobs is considered an indicator of opportunity and projects located in PMAs with low unemployment, high labor force participation rates, and high number of local jobs may be considered favorably
	Laborforce participation rate		
	Number of jobs Located in PMA	US Census Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics	
	Jobs to population ratio (number of jobs per 100 people) in PMA	ACS 5-year estimates; US Census Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics	
	Households with Housing Choice Vouchers (HCV)	HUD's 'A Picture of Subsidized Households'	Demonstrates local participation in HCV subsidy program. May indicate a concentration of subsidies in the rental market
	Educational attainment and school performance	ACS 5-year estimates; Local school performance indicators as available and as appropriate	Education levels and school performance are considered indicators of opportunity
	Crime statistics (if available and needed)	Various data sources, Authority Asset Management records	High crime rates may impact ability to achieve and maintain full occupancy

Updated: 10/10/2014

2015 IHDA Opportunity Areas
Geographic Considerations and Determination Metrics

IHDA Opportunity Areas are determined for purposes related to the State of Illinois' Low Income Housing Tax Credit Qualified Allocation Plan. Please visit the IHDA website for more information.

Geographic Considerations
IHDA determines Opportunity Areas at one of two levels of geography:

1) **Places within Illinois with populations equal to or greater than 1,000 and less than 50,000 are examined in whole**. As defined by the US Census Bureau, "Place" means incorporated places (cities, towns, villages) or unincorporated areas that meet population density thresholds (Census-Designated Places). Census Designated Places are excluded from Opportunity Area consideration. IHDA intends to incent communities that are generally large enough to support rental housing developments, therefore places with populations under 1,000 are excluded from Opportunity Area consideration.

2) **Places with populations above 50,000 are examined by individual Census Tracts**. Places with larger populations may be too large to accurately reflect measurements of opportunity.

Determination Metrics
The five following data-based metrics are the criteria used for the determination of 2015 Opportunity Areas (all five criteria must be met to qualify):

1) **Percent of People in Poverty**
   Data Source: *US Census Bureau, American Community Survey 2008 – 2012 5-Year Estimates*

   The average Percent of People in Poverty for all places in Illinois (Cities, Towns, Villages, and Census Designated Places) in Illinois is 13.3%. The 2015 IHDA Opportunity Areas target places and census tracts with below average poverty levels. Only places and census tracts with a Percentage of People in Poverty that is less than the average for all places in Illinois qualify as an Opportunity Area.

2) **Jobs to Population Ratio**
   Data Sources: *2011 US Census Bureau, Longitudinal Employer-Household Dynamics Survey and US Census Bureau, American Community Survey 2008 – 2012 5-Year Estimates*

   The "Jobs to Population Ratio" demonstrates the number of jobs per 100 people that are located in a place or a census tract. The Jobs to Population Ratio is calculated by dividing the total number of jobs located within a community (2011 US Census Longitudinal Employer-Household Dynamics) by the estimated population of that community (ACS 2012 5-Yr Est.).

   The average Jobs to Population Ratio for all places in Illinois (Cities, Towns, Villages, and Census Designated Places) in Illinois is 32%. The 2015 IHDA Opportunity Areas target places and census tracts with above average job access. Only places and census tracts with a Jobs to Population Ratio that is above the average for all places in Illinois qualify as an Opportunity Area.

3) **Percent of People Unemployed**
Data Source: *US Census Bureau, American Community Survey 2008 – 2012 5-Year Estimates*

The average Percent of People Unemployed for all places (Cities, Towns, Villages, and Census Designated Places) in Illinois is 9.5%. The 2015 IHDA Opportunity Areas target places and census tracts with below average unemployment rates. Only places and census tracts with a Percent of People Unemployed that is less than the average for all places in Illinois qualify as an Opportunity Area.

4) **IHDA Market Share**
Data Sources: *IHDA Database and US Census Bureau, American Community Survey 2008 – 2012 5-Year Estimates*

The IHDA Market Share is calculated by dividing the total number of rental units financed by IHDA in a community (IHDA Database) by the estimated number of rental units in that community (ACS 2012 5-Yr Est.). If the IHDA Market Share for a place or census tract is above 10%, the place or tract does not qualify as an Opportunity Area. *PLEASE NOTE: IHDA Market Share calculations do not include approved but unconstructed IHDA units. A proposed project located in an Opportunity Area may be denied because of unconstructed IHDA units*.

5) **Affordable Market Share**
Data Sources: *HUD Picture of Subsidized Households and American Community Survey 2008 – 2012 5-Year Estimates*

The Affordable Market Share is calculated by dividing the total number of rental units financed by IHDA, HUD, and USDA (HUD Picture of Subsidized Households) by the estimated number of rental units for that community (ACS 2012 5-Yr Est.). If the Affordable Market Share for a place or census tract is above 20%, the Place or Tract does not qualify as an Opportunity Area. *PLEASE NOTE: IHDA uses a similar Affordable Market Share metric in its Preliminary Project Assessment review of applications. For the PPA, the Affordable Market Share is determined on a case-by-case basis and therefore units funded by multiple resources can be backed out to avoid double counting. For this determination, such individualization is impossible and the Affordable Market Share utilized in the Opportunity Area determination may include duplication.*

<u>Note</u>
Projects proposed as scattered-site developments that include at least one site located in a qualified IHDA Opportunity Area will be scored pro rata, based on the proportion of total units that will be located in an IHDA Opportunity Area.