Entry Form
2017 Annual Awards for Program Excellence

Entry Deadline: Thursday, June 15, 2017, Midnight ET

Each entry must include a completed entry form. Please complete a form for each entry your HFA is submitting. The completed entry form will become the first page of your entry.

This form is a fillable PDF. Type your information into the entry form and save it as a PDF. Please do not write on or scan the entry form. **Questions: Call 202-624-7710 or email awards@ncsha.org.**

Entry Title: Enter your entry's title exactly as you wish it to be published on the NCSHA website and in the awards program.

Category:

Subcategory:

Entry Summary: A 15-word (max) summary of the program, project, or practice you are entering.

HFA:

HFA Staff Contact:

Phone:

Email:

Visual Aids:
Are you mailing to NCSHA 10 copies of any visual aids that cannot be included in your entry PDF? Yes No

Payment:

My HFA is mailing a check to NCSHA.

My HFA is emailing the credit card authorization form to awards@ncsha.org.

Background

As rental demand surges to record levels across the nation putting upward pressure on rents, the preservation of our existing inventory of affordable housing is critical. The number of households in the rental market increased by 9 million across the U.S. between 2005 and 2015 – the largest gain in any 10 year period on record, and the number of Illinois households in the rental market today is 18 percent higher than a decade ago. [1,2] As households of all ages, incomes and sizes increasingly opt to rent, more and more stress is placed on the already limited supply of housing affordable to lower- and moderate-income renters.

The age and condition of our rental housing stock is a concern that threatens to make matters worse. Affordable properties across the state are increasingly at risk of being lost, either due to deferred maintenance or simply aging out of affordability. Over the next five years, 137 IHDA tax credit developments with over 9,700 units will reach the end of their initial compliance period, and more than 15,000 units will reach the end of their 30-year affordability requirements in the ten. As federal resources continue to be cut and surging construction costs make new construction even more costly, the preservation of our existing affordable housing is all the more urgent.

Innovation

To bring more options to an increasingly underserved market, IHDA introduced a new financing structure designed to make preservation deals more streamlined and cost-effective in this difficult financing environment. Called One-Stop PLUS, this innovative structure provides one-stop-shopping for the borrower. IHDA handles the majority of the financing needs, while the borrower only needs to identify a syndication partner. This greatly reduces the “brain damage” factor and internal costs by streamlining the due diligence requirements typically required on multi-source and multi-partner tax credit deals, while also providing rates and terms that better enable the development community to extend the life of affordable rental housing.

Under the One-Stop PLUS structure, IHDA provides a short-term, interest-only tax-exempt loan – which qualifies for 4% Low-Income Housing Tax Credits – to finance the construction period. A permanent taxable Federal Financing Bank Mortgage (FFB) (IHDA/HUD Risk-Share) with a fully-amortizing term of up to a 35-years is also fully-funded at closing and used to collateralize the tax-exempt loan. After the property has been placed in service, the tax-exempt loan is repaid using funds held in escrow from the taxable FFB loan. Full principal and interest payments begin at the initial closing and continue throughout the construction and permanent periods for the FFB first mortgage.

Benefits

As we all know, financing affordable housing is complicated even in the most favorable conditions, with an array of stakeholders, layers of specialized resources, and aggressive timelines for everything and everyone involved. A successful development requires careful coordination and thorough due diligence from all partners in the arrangement. The more partners there are in a deal, the more complicated – and expensive – the process becomes.

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[1] Joint Center for Housing Studies of Harvard University. America’s Rental Housing: Expanding Options for Diverse and Growing Demand.

[2] U.S. Census 2015 American Community Survey.

A traditional financing structure typically includes the HFA as the issuer of the bonds or allocator of tax credits, along with potentially several separate lenders to provide construction and permanent financing. The HFA, along with every lender involved has separate and often overlapping due diligence requirements and closing processes that increase overall time to closing and overall closing costs, which can add up to make preserving affordable housing financially unfeasible.

With IHDA handling all financing except tax credit syndication under the One-Stop PLUS structure, the deal requires fewer intermediaries. IHDA's one-stop-shop approach streamlines the process, reducing the overall time to closing as well as the internal costs incurred managing multiple closing processes. This means fewer hurdles, less overlapping attorney review, and ultimately less time and money spent getting the deal to the closing table. When execution is faster, projects are finished more efficiently, and more units are preserved.

IHDA's new structure provides direct financial benefits as well. With the short term tax-exempt loan collateralized at closing, sponsors enjoy lower construction borrowing costs compared to loans that are not cash collateralized. The interest rate on the FFB permanent mortgage is locked approximately 60 day prior to closing, with no cost incurred to forward rate lock or hedge the permanent taxable loan interest rate. And the permanent loan is fully amortizing for up to 35-years, as opposed to many traditional structures that may only have a 15-year term with a 30-year amortization.

Together, these benefits create a unique and competitive product that provides critical advantages in a tightening marketplace.

Effective Use of Resources
Re-investing in our existing affordable housing stock is a cost-effective use of limited resources. Building costs are 10 percent higher than they were last year, making it increasingly difficult to replace existing affordable apartments with new units. But preservation typically costs about half as much as new construction, so providing a structure that is efficient and cost-effective creates a unique opportunity for property owners to rehabilitate and extend the useful life of a far greater number of units.[3] More importantly, the aggressive terms, interest rates and savings produced by IHDA's One-Stop PLUS structure helps reduce or eliminate financial gaps to make projects financially feasible, while at the same time relieving pressure on the competitive 9% program by using 4% tax credits.

Replicable
IHDA created this innovative structure knowing that it can be replicated by HFAs across the nation on a variety of deals. Most states have available bond volume capacity that can be used to provide short-term tax-exempt loans to finance construction while generating allocations of 4% tax credits. In addition, there are currently 14 state HFAs with executed FFB Risk-Sharing agreements, enabling them to provide the permanent taxable first mortgage at rates and terms that result in lower borrowing costs and savings passed on to residents.[4] HFAs that are not currently approved to originate and underwrite a FFB mortgage may become eligible to participate in the program if they satisfy the program requirements set by HUD.

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[3] MacArthur Foundation. Window of Opportunity: Preserving Affordable Rental Housing.
[4] Department of Housing and Urban Development. Housing Finance Agency Risk-Sharing

And with the simpler process that reduces fees, expedites processing, and minimizes the brain damage and due diligence required in transactions with multiple financial partners, HFAs should have no difficulty encouraging sponsors to consider moving their deal forward under the new structure.

Track Record of Success

The new One-Stop PLUS structure has proven to be an effective strategy to help keep pace with the growing demand for affordable housing while providing benefits and savings that allow more deals to reach the closing table. IHDA specifically targeted acquisitions, year-15 re-syndications financed at high interest rates, and existing developments in IHDA's portfolio that need capital improvements. Since One-Stop PLUS was introduced, three developments have closed using the structure to substantially renovate 455 affordable apartments, returning the units to like-new conditions and extending the affordability of the properties for decades to come. Built in the late '70s and early '80s, all three properties had deferred maintenance and were at risk of losing their Housing Assistance Payments Contracts. As a result of the financing and rehab work, each property received new 20-year HAP Contracts, as well as new extended use periods thanks to the tax credits. There are also affordability restrictions over the life of the FFB loans which ensure the units will be affordable for the next 35 years.

In addition to the units preserved, the financial benefits for both IHDA and the borrowers have been significant. With nearly all financing underwritten by IHDA, borrowers saved considerably on underwriting fees, issuance costs and legal expenses. By fully collateralizing the tax-exempt loan at closing, IHDA was able to offer rates up to 2 percent lower than a typical construction loan. And by issuing the FFB first mortgage as permanent financing, borrowers enjoyed rates comparable to those of FHA loans, while at the same time closing three to six months faster thanks to IHDA's more flexible underwriting guidelines.

Given the initial success of the structure and a rapidly growing need for preservation throughout the state, we expect this to be a continuing trend. Assuming the extension of the FFB program, IHDA anticipates closing approximately six One-Stop PLUS deals each year which will preserve approximately 1,000 affordable units, making a meaningful contribution to our efforts to meet the need for affordable housing across Illinois.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Garden House of Park Forest

69 Park Street, Park Forest, Illinois 60466

Development Description

Garden House of Park Forest is a senior development with a total of 145 apartments, all of which are Section 8 assisted units. Originally built in 1982, the building had become outdated and was at risk of losing its HAP Contract. Using IHDA's One-Stop PLUS structure, the developer will carry out substantial rehabilitation of the 10-story building to extend the property's affordability, installing new kitchens and bathrooms, replacing outdated and inefficient appliances, and upgrading the building's major systems. Common areas and building amenities will also be improved, including renovations to the management office, laundry facility and fitness room. As a result of the financing and renovations, the development received a new 20-year HAP Contract, a new extended use period, and an overall affordability period that extends for the next 35 years.

Construction Period Sources

IHDA Short Term TE Loan	$	9,720,000
Cook County HOME	$	2,500,000
Wells Fargo (LIHTC Equity)	$	7,624,000
TOTAL	**$**	**19,884,000**

Development Features

- Like-new units and common areas with new kitchens, bathrooms, flooring, painting and lighting.
- New building systems including HVAC and mechanical equipment upgrades, refurbished elevators and roof replacement.
- Renovations to improve accessibility for persons with disabilities.

Permanent Sources

IHDA FFB Loan	$	9,720,000
Cook County HOME	$	2,500,000
Wells Fargo (LIHTC Equity)	$	7,347,939
Deferred Developer Fee	$	909,235
TOTAL	**$**	**20,477,174**

Garden House of River Oaks

1340 Ring Road, Calumet City, Illinois 60409

Development Description

Garden House of River Oaks is a 10-story, 145-unit development set aside for senior residents that was at risk of losing its Project-Based Section 8 contract. Using a short term Tax Exempt Loan, a permanent IHDA FFB Risk Share Loan and equity generated from an allocation of 4% LIHTC under IHDA's One Stop PLUS structure, the developer acquired the property and will carry out an extensive renovation to return the aging units to like-new conditions. In addition to new kitchens, bathrooms, flooring, painting and lighting in all of the units, the property will be brought up to date with accessibility requirements and a new fitness room will be created. As a result of the financing and renovations, the development received a new 20-year HAP Contract, a new extended use period, and an overall affordability period that extends for the next 35 years.

Construction Period Sources

IHDA Short Term TE Loan	$	11,300,000
IHDA HOME	$	3,500,000
Wells Fargo (LIHTC Equity)	$	8,158,382
TOTAL	**$**	**22,958,382**

Development Features

- Like-new units and common areas with new kitchens, bathrooms, flooring, painting and lighting.
- New building systems including HVAC and mechanical equipment upgrades, refurbished elevators and roof replacement.
- Renovations to improve accessibility for persons with disabilities.

Permanent Sources

IHDA FFB Loan	$	11,300,000
IHDA HOME	$	3,500,000
Wells Fargo (LIHTC Equity)	$	8,158,384
Deferred Developer Fee	$	532,181
TOTAL	**$**	**23,490,565**

Oak Tree Towers

1120 Warren Avenue, Downers Grove, Illinois 60515

Development Description

Oak Tree Towers is a 165-unit, 100 percent Section 8 development for senior residents originally built in 1977. With the property's current HAP contract expiring in 2017, IHDA provided a short term Tax Exempt Loan and a short term Taxable Construction Bridge Loan to finance the construction period, and a permanent IHDA FFB Risk Share Loan to acquire and rehabilitate the aging property under the One Stop PLUS structure. 18 units will reconfigured to meet accessibility standards, and every unit will receive new kitchens, bathrooms and appliances. Elevators will be modernized and the buildings will get new roofing, including increased insulation. Building hallways and common areas will also be updated with new paint, carpet and lighting fixtures. As a result of the financing and renovations, the development received a new 20-year HAP Contract, a new extended use period, and an overall affordability period that extends for the next 35 years.

Development Features

- Like-new units and common areas with new kitchens, bathrooms, flooring, painting and lighting.
- New building systems including HVAC and mechanical equipment upgrades, refurbished elevators and roof replacement.
- Renovations to improve accessibility for persons with disabilities.

Construction Period Sources

IHDA Short Term TE Loan	$	21,450,000
IHDA Construction Bridge	$	4,800,000
Stratford Capital (LIHTC Equity)	$	1,782,314
TOTAL	**$**	**28,032,314**

Permanent Sources

IHDA FFB Loan	$	21,450,000
Stratford Capital (LIHTC Equity)	$	8,911,570
Deferred Developer Fee	$	1,798,111
TOTAL	**$**	**32,159,681**