Overview

To increase affordable housing development in rural Illinois communities, the Illinois Housing Development Authority (IHDA) in 2010 created mandatory non-metro objectives for its federal tax credit program. IHDA previously had used tenant population as a competing factor in the State of Illinois' Qualified Allocation Plan (QAP). The new program guidelines introduced set-asides by geographic region, marking a strategic change for IHDA.

By creating the new geographic set-asides, IHDA ensured that projects located in areas of the state would compete against those with access to similar resources.

Adopting the new guidelines created a level playing field for proposed developments, and removed unintended barriers to non-metro development in Illinois. Until the new set-asides, rural developments had been unfairly disadvantaged by a lack of resources, high development costs and fewer community amenities.

The new non-metro guidelines – representing nearly a third of developments placed all projects within a region in a single set-aside, and promoted equitable and transparent distribution. This change had the effect of equalizing certain project characteristics that typically vary by location (e.g., construction costs, surrounding site amenities, availability of public subsidies).

Set-Aside Formula

2011 Tax-Credit Set-Asides

Set-Aside	Approximate % of Annual Allocation of IHDA Administered Tax Credits
City of Chicago (IHDA)[1]	18.4%
Chicago Housing Authority	4.6%
Chicago Metro[2] (at risk or subject to AHPAA)	18.0%
Chicago Metro[2] (not at risk or subject to AHPAA)	10.0%
Other Metro[3]	16.0%
Non Metro[4]	28.0%
Statewide[5]	5.0%
Authority Allocated Per-Capita 9% Tax Credits	**100.0%**

[1] This total does not reflect the per-capita allocation that is awarded directly to the City of Chicago out of the State's total per capita Tax Credit allocation.
[2] Chicago Metro consists of: Lake, DuPage, Kane, McHenry, Will, and Cook County excluding the City of Chicago. For a list of municipalities subject to AHPAA see "AHPAA Municipalities" on the Authority's website (www.ihda.org).
[3] See "Other Metro Municipalities" chart on the Authority's website (www.ihda.org).
[4] Projects not included in Chicago, Chicago Metro, or the Other Metro set-aside.
[5] Tax Credits targeted to Projects around the State meeting certain housing policy goals and objectives.

Results

IHDA's strategy to increase non-metro development gained momentum in fiscal year 2011. Developers are clearly answering the call for more robust rural development in Illinois.

Last year, IHDA received 10 non-metro applications for tax credit financing. This year, 15 developers planning non-metro affordable housing applied for tax credits. Of those, IHDA in July 2011 recommended 11 non-metro developments for financing – nearly doubling the number of non-metro developments approved last year (6). The 11 developments represent half of the 22 developments IHDA recommended for tax credits, and nearly a third of the total financing.

Proposals include developments planned for the following rural areas in Illinois:

Lawrenceville
Primary Market Area (PMA) 2010 Population = 16,314
Primary Market Area (PMA) 2010 Households = 6,429
Income Eligible Households in the PMA= 2,661
Capture Rate* = 1.65 percent

Herrin
Primary Market Area (PMA) 2010 Population = 68,954
Primary Market Area (PMA) 2010 Households = 28,546
Income Eligible Households in the PMA= 11,383
Capture Rate* = 0.42 percent

** An indication of what percentage of the income eligible households the proposed project will need to capture.*

IHDA's new set-asides are accomplishing the goal of increasing rural development by reserving the financial tools for developers willing to tackle what can be the most challenging projects to get off the ground due to limited local resources.

As a result of IHDA mandating rural development, nearly 500 affordable rental units will be built or rehabilitated in non-metro Illinois communities under this year's tax credit round. Of the nearly 500 units, more than 400 will target working families and these new opportunities will enable them to live closer to the workplace so they can save money for other important expenses.