

# NCSHA 2015 Annual Awards Entry Form

(Complete one form for each entry)

**Deadline: Wednesday, June 10, 2015**

Visit [ncsha.org/awards](http://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 Matt Cunningham at [mcunningham@ncsha.org](mailto:mcunningham@ncsha.org) or 202-624-5424.

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

**Entry Name:** \_\_\_\_\_

**HFA:** \_\_\_\_\_

**Submission Contact:** (Must be HFA Staff Member) \_\_\_\_\_ **Email:** \_\_\_\_\_

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

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

**HFA:** \_\_\_\_\_

**Entry Name:** \_\_\_\_\_

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

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

**An Important Housing Need:**

The destabilizing impact of foreclosures and long term vacancies can be far reaching. If left unattended, these properties do not decay in isolation. They often contribute to an escalating pattern of blight and disinvestment, becoming eyesores, magnets for crime and a burden on the local government agencies forced to assume the ongoing maintenance of these vacated homes. Moreover, homes that are vacant for extended periods of time are less likely to be maintained, making neighborhoods less attractive for both homebuyers and renters and requiring significant public resources to be made functional again.

While the Illinois Housing Development Authority (IHDA) continues to help control the number of new foreclosed homes through the use of its foreclosure prevention and mitigation programs, something needed to be done to address the existing stock of vacant properties left behind by the housing crisis. Communities across Illinois have endured significant costs as long-term vacancies in many areas have fallen into serious disrepair, becoming less and less likely to be re-occupied by homeowners in the near future.

**Innovation**

IHDA recognized the challenges presented by these properties, but also saw an opportunity to transform the stock of foreclosed single-family homes into affordable rental housing that promotes a wider range of rental opportunities. In an effort to expand the incentives that encourage viable reuse of foreclosed properties, IHDA amended its Qualified Allocation Plan (QAP) to allow developers for the first time to use the Low-Income Housing Tax Credit (LIHTC) program for the acquisition and rehabilitation of scattered-site foreclosed single-family properties.

By prioritizing neighborhood stabilization through the acquisition and rehabilitation of foreclosed homes, IHDA's innovative use of the LIHTC program not only addresses the issues caused by foreclosures in key areas, but improves existing housing stock while creating much needed options for affordable rental housing near jobs, schools and transportation.

Beginning in 2013, IHDA's QAP defined "Abandoned and Foreclosed Single-Family Housing" as a single structure containing from one to six connected units under a common roof, in which the mortgage or tax payments are at least 90 days delinquent, or:

- For which a code enforcement inspection has determined that the property is not habitable and the owner has taken no corrective actions within 90 days of notifications of the deficiencies; or
- That is subject to a court-ordered receivership or nuisance abatement related to abandonment pursuant to state or local law; or
- For which foreclosure proceedings have been initiated; or
- For which foreclosure proceedings have been completed and title transferred to an intermediary aggregator or servicer that is not an end user.

The largest hurdle to renovating these scattered, privately-owned and unwanted properties is that the LIHTC program was not designed with these units in mind. As this was uncharted territory in IHDA's QAP, it was necessary to give these applications latitude in how they satisfy the program's mandatory site control, construction and architectural requirements. IHDA announced the first awards under the initiative in December 2013 and worked closely with developers to create a comprehensive strategy to return these properties back to productive use.

Selecting the Properties: Site control requirements were replaced with more flexible site selection conditions that do not require site control to file a LIHTC application. Developers apply for credits with Multiple Listing Service or Real Estate Owned listings showing an adequate number of available sites for an identified target area, but with no specifics on the properties they will ultimately purchase or the scope of work required to bring them up to code.

Once the application is approved, IHDA works with the developers to develop a criteria for what makes a good candidate for purchase in the targeted area. IHDA and its partners quickly learned to focus on homes built after 1920, as older homes have problematic interior layouts and stone foundations that require extensive and expensive renovation. Moreover, ideal homes were not too large, both because of the cost of the rehabilitations and the cost of maintenance and utilities.

Achieving handicap accessibility can be a challenge as it is expensive to reconfigure existing homes to accommodate wheelchairs and to make rooms (especially bathrooms) large enough. Modifying ranches with extra family rooms and a large number of bedrooms became an important part of the strategy.

Acquiring the Properties: Once the tax credits were allocated, there is a short window of time to individually acquire the scattered-site properties. It was critical to establish a process for due diligence, including the individual property inspection reports, appraisals, surveys and environmental reports to ensure the process continued to move forward for each property.

Property Scope of Work: Due to the constrained timeframe and high number of properties, developers did not have the time or money to conduct a thorough property needs assessment for every home. With some level of uncertainty regarding the conditions of the homes and what lay within the walls, the budget needed to account for substantial gut rehabs when necessary. Developers were given flexibility in budget line items and money saved on one property could be moved to another that required more extensive renovations.

Some targeted properties were in such disrepair that renovations would not have been financially feasible. IHDA was flexible in allowing developers to tear down and build entirely new homes with designs consistent with the surrounding neighborhood where it was justified. Conversely, if local governments wanted to preserve historically valued properties that would have ordinarily been torn down and rebuilt, IHDA permitted the extra costs.

### **Effective Use of Resources**

The impact of foreclosures extends beyond the costs imposed upon borrowers and lenders. Foreclosures, particularly those that lead to long-term vacancies, have considerable negative effects on neighbors and the community, resulting in reduced property values, reduced tax bases, increased crime, demoralized neighborhoods and substantial costs on the local governments assigned with maintaining the properties. A study in Chicago estimated direct costs on local government agencies of as much as \$34,200 to secure, maintain and eventually demolish a single vacant or abandoned property.<sup>1</sup>

In addition, families have increasingly turned to the rental market as barriers to homeownership discourage many potential buyers, creating a surge in demand in rental markets across Illinois. Single-family rental housing is one of the fastest growing components of the rental market according to the

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<sup>1</sup> William C. Apgar, Mark Duda, and Rochelle Nawrocki Gorey. 2005. "The Municipal Cost of Foreclosures: A Chicago Case Study."

Joint Center for Housing Studies, and renter households with children choose single-family rentals more than any other housing type.<sup>2</sup>

By utilizing the LIHTC program as an incentive for developers to purchase and renovate foreclosed and vacant properties, IHDA is leveraging the nation's most successful housing tool to support a strategic, geographically targeted neighborhood stabilization effort while improving the quality of single-family rental housing in key areas. As problem properties are transformed into neighborhood assets, IHDA is assisting existing homeowners, strengthening neighborhoods and boosting affordable housing options for working families.

### **Replicable**

The landscape for affordable rental housing is changing in Illinois and across the nation. Even as the economy continues to improve, it has been a challenging time for affordable housing as scarce resources are stretched more than ever to serve as many households, activities and focus areas as possible, without compromising quality. In this era of shrinking resources, the LIHTC is the most available and impactful resource for HFAs that can not only cross traditional program lines to support neighborhood stabilization, but can be tailored to address the specific needs of each state.

### **Track record of success**

Since IHDA began utilizing the tax credit program to address foreclosed and vacant properties, the Authority has received four applications to purchase and rehabilitate 150 single-family homes in three communities across northern and central Illinois.

The investment has already started to pay off. In 2015, the Aurora Impact Initiative and Bloomington-Normal Scattered-Site developments became IHDA's first tax credit developments involving the acquisition and rehabilitation of foreclosed single-family homes to begin construction. With careful cooperation between IHDA and the development community, these two developments chart new ground in Illinois' tax credit program as they both address the issues caused by distressed properties and improve the stock of existing housing. When construction is complete, 66 families will have new homes, neighborhoods that have endured the effects of foreclosures and abandonment will see improvement, and existing homeowners' ability to refinance, upgrade or sell their homes will be returned.

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<sup>2</sup> Joint Center for Housing Studies. 2013. "America's Rental Housing."

**VISUAL AIDS**

- Interior and exterior photographs of the first scattered-site foreclosed properties acquired under IHDA's LIHTC program.

















