

Preservation Program

Illinois Housing Development Authority

Rental Housing: Preservation and Rehabilitation

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A direct result of the COVID-19 pandemic was financial hardship, especially for the most vulnerable, resulting in the loss of revenue in developments in the IHDA portfolio. This resulted in property managers and owners tapping into their reserves to keep the buildings running and put off any much-needed capital repairs. As a result, the Illinois Housing Development Authority (IHDA) created and implemented the Capital Bill Preservation Program: Limited Rehabilitation (Preservation Program) in 2022 to provide subordinate financing to developments with existing income and occupancy restrictions that have outstanding capital improvement needs that cannot be met using existing reserves.

The Preservation Program is providing \$28 million in funding to impacted developments to enhance the long-term stability of affordable rental housing for the benefit of low- and extremely-income households throughout Illinois. In all, thousands of affordable rental housing units will see vital capital repairs that will address code violations, resolve security issues and improve the health and safety of both the buildings and their residents.

Background

In June 2019, the Illinois General Assembly and Governor JB Pritzker enacted the Rebuild Illinois capital bill. In that bill, IHDA was appropriated \$200 million for “affordable housing grants, loans and investments for low-income families, low-income senior citizens, low-income persons with disabilities and at-risk displaced veterans.”

At the time of passage, IHDA could not have foreseen the devastation and toll the COVID-19 pandemic would have on the world a year later, so the Preservation Program was not even a consideration when an ad hoc internal committee was created to consider how to best utilize these funds. IHDA’s initial memos to the Governor’s office made no mention of this program or anything like it. Even a presentation before Governor JB Pritzker in March 2020 had different uses for these funds.

However, a couple of months turned everything upside down. As COVID-19 ravaged the world and its economies, the IHDA Asset Management department kept a watchful eye on our portfolio of 104,196 units spread across 1,918 developments throughout Illinois. Rent collection saw a decline for many of the months following the outbreak causing financial hardship and the impact on tenants’ ability to pay rent. Combined with the eviction moratorium, property owners were using any and all resources to keep their buildings operational.

As the pandemic waned, IHDA opted to reprioritize how those capital bill monies were spent to address an issue that grew during the pandemic. As we have done before, IHDA showed nimbleness to shift funds and resources to a growing area of need across Illinois.

Limited Rehabilitation Preservation Program

In addition to the natural aging of the state’s affordable housing stock, the COVID-19 pandemic negatively affected rent rolls due to increased unemployment causing many property owners to defer maintenance projects. To ensure low-income families, seniors and other vulnerable households continue to have access to housing that is safe, healthy and well-maintained, IHDA created the Preservation

Program to provide the capital that addresses physical needs so these developments can continue to provide quality affordable rental units.

The Preservation Program provides grants of up to \$475,000 to affordable housing developments for property stabilization, rehabilitation and/or improvements. As a condition of receiving Preservation Program funding, all property owners are required to extend their current use and income restrictions for an additional of 10 years beyond their current expiration date to ensure these rehabilitated units remain affordable.

Preservation Program Eligibility

To be eligible for the Preservation Program, developments must have a minimum of 25 percent of the units restricted to households with incomes at or below 60 percent of the Area Median Income. In addition, eligible developments were required to be impacted by at least two of the conditions identified below:

- Direct financial risk to IHDA or another funding entity;
 - Funding recapture (HOME, CDBG, NSP, credit enhanced IHDA first mortgages)
- Existing physical needs that, if not repaired, threaten the sustainability of the development;
 - Code violations
 - Low or failing REAC score
 - Dangerous conditions
 - Failed non-REAC physical inspections
- Loss of marketability;
 - Security issues
 - Physical obsolescence/chronic physical issues
- Loss of affordability due to expiration of use restrictions or loan maturity; or
- Inability to sustain operations with income and rent restrictions going forward.

All applicants are required to include a Physical Needs Assessment completed by an independent third party that addressed all anticipated capital repairs required within the next 12 years with their submissions to provide evidence of the needed repairs.

Developments owned by non-profit, for-profit, and joint-venture single purpose entities are eligible to apply for funds under the Preservation Program. To be eligible, applicants must demonstrate the necessary financial and technical expertise to successfully complete the rehabilitation process.

The amount of funding provided under the Preservation Program is limited to \$475,000 inclusive of a mandatory 10% contingency and reimbursement for the cost of the PNA, if requested. It is limited to construction and related soft costs, as determined by IHDA. All funds used in conjunction with Preservation Program activities will be utilized for property stabilization, rehabilitation or improvements. No funds are eligible for payment of outstanding property management fees, ownership distributions (current or past due), incentive or developer fees.

Approved applicants will be required to execute a Regulatory Agreement with the Authority, whereby, the Owner shall agree to the Extended Compliance Period for a period of 10 years beyond the end of latest current use and income restrictions. Developments previously financed with Federal Low Income

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Housing Tax Credits (LIHTC) issued by the Authority would not be eligible for participation in the Qualified Contract process.

Results

Applications for the Preservation Program are already oversubscribed, highlighting the vast capital repairs needed to affordable housing developments throughout Illinois. To date, IHDA has received funding requests through the Preservation Program totaling more than \$37.45 million meaning we won't be able to fund every request, unfortunately.

The IHDA Asset Management department has approved 63 Preservation Program grants totaling \$27.61 million to provide this vital and necessary repairs that have been put off ensuring the health and safety of those residing in IHDA-financed developments is paramount.

The Preservation Program was created in a time of need as we were beginning to come out of the COVID-19 pandemic. IHDA had committed the \$28 million to different programs, but the health and safety of Illinois tenants in our portfolio was critical, so we moved quickly to create this program to help them.

REQUEST FOR APPLICATIONS



Illinois Housing Development Authority

Capital Bill Preservation Program: Limited Rehabilitation

Exclusively for Affordable Housing Developments with Existing Income and Occupancy Restrictions

Application:
Opens January 18, 2022
Closes March 31, 2022

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EXECUTIVE DIRECTOR

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Request for Applications
Capital Bill Preservation Program: Limited Rehabilitation

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Objective

The Illinois Housing Development Authority (“the Authority”) has created the Capital Bill Preservation Program: Limited Rehabilitation (“Preservation Program”) to provide subordinate financing to developments with existing income and occupancy restrictions that have outstanding capital improvement needs that cannot be met using existing reserves.

The objective of the Preservation Program is to make funds available to impacted developments to enhance the long-term stability of the affordable rental housing for the benefit of very low and low-income households throughout the State.

The implementation of the Preservation Program will rely on the established procedures currently in place at the Illinois Housing Development Authority (the “Authority”) for application intake, review, approval, and project completion.

Funds will be awarded and made available on a first come, first-serve basis until exhausted.

Definitions

Applicant – shall mean the Owner that has applied for funds pursuant to this Request for Applications. The Applicant includes all individuals and entities of which the Owner is comprised.

Application – shall mean an entire set of required and requested documents, in electronic form, as prescribed in this Request for Applications and submitted by an Applicant to the Authority.

Area Median Income – shall mean the median income of the County or the metropolitan statistical area in which the development is located, 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 (IHDA).

Board – shall mean the Members of the Authority’s governing body, appointed by the Governor of Illinois.

Conditional Commitment – shall mean a conditional commitment letter (“Commitment”) which will be issued to the Applicant specifying the terms and conditions upon which the Authority will award and fund the development.

Extended Compliance Period – shall mean a period of ten (10) years beyond the end of the latest, current use and income restrictions in which the Owner agrees to maintain unit affordability and serve the targeted populations.

Funding Agreement – shall mean the document that outlines the terms and conditions of a funding award.

Members – shall mean the duly appointed Board members of the Authority.

Owner – shall mean the duly formed, validly existing, single purpose entity, organized under the laws of the State of Illinois, or any other state, that is awarded funds for a development pursuant to this Request for Applications and which owns the development.

Program – shall mean the Capital Bill Preservation Program: Limited Rehabilitation.

Section 1: Program Overview

A. Eligible Developments

As part of IHDA's efforts to preserve or maintain affordable housing, up to \$15,000,000 of funds appropriated to IHDA pursuant to Public Act 101-0638 ("Capital Funds") will be used to recapitalize or assist qualified developments to preserve the long-term stability of affordable rental housing for the benefit of very low income or low-income households throughout the State ("Preservation Program"). The maximum award is capped at \$475,000 per development.

IHDA, in its sole discretion, will make the limited funds available to developments that IHDA determines need a capital infusion to continue to provide quality affordable rental units. Successful Applicants must have an active regulatory and use restriction written and jointly executed agreement in place with IHDA or other funder that restricts a minimum of 25% of the units to households with incomes at or below 60% of the Area Median Income ("AMI"). In addition, at a minimum, eligible developments for Preservation Program resources would include properties that have at least two of the conditions identified below:

- Direct financial risk to IHDA or another funder
 - Funding recapture (HOME, CDBG, NSP, credit enhanced IHDA first mortgages)
- Existing physical needs that, if not repaired threaten the sustainability of the development
 - Code violations
 - Low or failing REAC score
 - Dangerous conditions
 - Failed non REAC physical inspections
- Challenged marketability based on
 - Security issues
 - Physical obsolescence/chronic physical issues
- Loss of affordability due to expiration of use restrictions or loan maturity
- Inability to sustain operations with existing financing and income/rent restrictions

B. Eligible Applicants

Developments owned by non-profit, for-profit, and joint-venture single purpose entities are eligible to apply for funds under the Program. To be eligible, the Applicant must demonstrate the necessary financial and technical expertise to successfully complete the rehabilitation process.

C. Funding Source

Subject to the approval of IHDA's Board, funds are available on a first come, first-serve basis based on an application process. Eligible Developments shall be financed through subordinate financing to be sourced by the Authority. Funds will be awarded in the form of a grant. It is anticipated that the funding will come from Public Act 101-0638.

D. Funding Source Restrictions

The Program will extend existing income and rent restrictions and will include compliance and reporting requirements that support the objectives of the Program and as defined by the funding source.

E. Total Award

The amount of funding provided under the Program is limited to \$475,000 inclusive of a mandatory 10% contingency and reimbursement for the cost of the PNA, if requested. It is limited to construction and related soft costs, as determined by the Authority. All funds used in conjunction with Program activities will be utilized for property stabilization, rehabilitation, or improvements. No funds are eligible for payment of outstanding property management fees, ownership distributions (current or past due), incentive or developer fees.

The Authority may add or remove costs as deemed necessary to support the development and operation of the development and reserves the right to set a limit on the number of awards per Applicant.

F. Repayment of Capital Bill Preservation Funds

No repayment will be required except in the case of material violation of Program requirements including but not limited to fraud.

Section 2: Application Submission and Evaluation Process

A. Submission and Fee

Applications will only be accepted electronically. The completed Application, along with the supporting documents, must be received in the specified format by **March 31, 2022, at the close of business (5:00 PM CDT)**.

All applications must include a Physical Needs Assessment (PNA) completed by an independent third party that addresses all anticipated capital repairs required within the next 12 years. The PNA must have been issued no earlier than January 1, 2020.

All Applications must include a copy of the check for the non-refundable Fee (\$250.00 non-profit applicants, \$500.00 other applicants) for the appropriate amount.

The check for the non-refundable Application fee should be sent to the following address:

Illinois Housing Development Authority
26411 Network Place
Chicago, Illinois 60673-1264
Attn: Capital Bill Preservation Program – Limited Rehabilitation

B. Evaluation

Applications will be evaluated and awarded in the order received until such time as available resources are exhausted. If the Authority finds that the Application is not complete, the Authority reserves the right to reject the Application and notify the Applicant with stated reason(s) for denial.

Application/Processing Timeline		
Month	Event	Date
January	Request for Applications Released	January 18, 2022
January - April	Applications Review	Ongoing
March	Applications Close	March 31, 2022
April – July	IHDA Board Meeting – Award Announcements	April 15, 2022 May 20, 2022 June 17, 2022 July 15, 2022
April - August	Commitment Letters and Closing	Ongoing
May – July	Construction and Payouts Initiated	Ongoing

C. Public Notice

When the Authority accepts an application for financing for a proposed development, the Authority shall give written notice of the proposed development to the following persons and agencies:

- The chairman of the county board of the county in which the development is located,
- the mayor or other chief executive of the municipality (means cities, villages, and incorporated towns), if any, in which the development is located,
- in municipalities with a population of more than 1,500,000 persons, the alderman of the ward in which the development is located,
- appropriate Clearinghouses; and
- each member of the General Assembly from the legislative district in which the development is located.

The notice shall set forth the name and address of the development; the name, address, and telephone number of the developer; the estimated amount of the proposed financing; the total number of units; the total number of units for Low-Income and Very Low-Income Tenants; the type of Development (for example, elderly, non-elderly, or mixed income); and any other information the Authority deems relevant.

D. Unacceptable Practices

The Authority may, in its sole discretion, deny any Application in which the Applicant has failed to demonstrate ongoing proficiency with affordable and supportive housing programs. The Applicant may include an explanation of the circumstances surrounding the unacceptable practice and the roles of each of the individuals and/or entities of which the Owner is comprised. Unacceptable practices may include but not be limited to:

- An Applicant is affiliated with existing developments which have been cited for material and/or continuing, but curable, noncompliance. Material noncompliance exists when a party exhibits a continual pattern of noncompliance, or when a party demonstrates an inability or an unwillingness to resolve noncompliance in a timely manner.
- An Applicant (including any affiliates) has experienced any events of foreclosure or failed to perform under the terms of a workout agreement over the past three (3) years.
- An Applicant (including any affiliates) has declared bankruptcy over the past three (3) years.
- An Applicant (including any affiliates) has a mortgage default or arrearage of three months or more within the last three (3) years.
- An Applicant that has failed to pay any fee or expense due to the Authority, including outstanding compliance monitoring fees in the past three (3) years.
- Any liens, judgements, or other claims exist against property owned by Applicants (including any affiliates) for which the Applicant has failed to resolve a public filing.
- The Applicant (including any affiliates) has been debarred or received a limited denial of participation in the past three (3) years by any federal or state agency from participating in any development program.
- An Applicant that has materially misrepresented facts on any request for Authority resources.

Section 3: Post-Award Requirements

If the Members of the Authority's Board approve the Application, then a Commitment will be issued to the Applicant specifying the terms and conditions upon which the Authority will award and fund the development. If the Applicant does not satisfy the terms and conditions of the Commitment in the Authority's sole and absolute discretion, within the time frame specified therein, the funds will not be awarded and will be withdrawn. If the Applicant satisfies the terms and conditions of the Commitment in the Authority's sole and absolute discretion within the time frame specified therein, the funds will be awarded as provided in the Commitment.

Among the requirements in the Commitment will be signature and delivery by the Applicant of the following documents to be provided by the Authority, including without limitation:

- Applicant Certifications
- Grant Agreement
- Regulatory Agreement

Closing shall be at such time as the Applicant satisfies the terms and conditions of the Commitment as determined by the Authority in its sole and absolute discretion.

Applicants must agree to comply with all applicable Federal and State of Illinois requirements, which may have significant impact on the costs and complexity of related work.

A. Rehabilitation Standards

All Applications involving any rehabilitation of existing structures must comply with the following rehabilitation standards at a minimum:

- The proposed rehabilitation work must address all items identified as "Critical" or "Immediate", life/safety, and municipal code violations.
- Work needed, at a minimum, in the next eight (8) years and up to twelve (12) years identified by the Physical Needs Assessment (PNA) must be completed to the extent possible based on the maximum total award of \$475,000.
- The Physical Inspectors may schedule an inspection of the items listed in the scope of work prior to the contract being signed, during the work process and/or after the work is completed.
- A single bid for the scope of the work is acceptable at the time of the award.

B. Labor Standards

The Authority will implement labor standards on demolition, construction, and rehabilitation projects in accordance with the Illinois Prevailing Wage Act (820 ILCS 130/0/.01). <https://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=2405&ChapterID=68>.

C. Regulatory Period

The Applicant will be required to execute a Regulatory Agreement with the Authority, whereby, the Owner shall agree to the Extended Compliance Period for a period of 10 years beyond the end of latest current use and income restrictions. Developments previously financed with Federal Low Income Housing Tax Credits (LIHTC) issued by the Authority would not be eligible for participation in the Qualified Contract process.

D. Compliance Requirements

Applicants are expected to be familiar with the full range of all legal and statutory compliance and reporting requirements applicable to the funds awarded and obtain all necessary information and advice so that they can comply with the requirements. The required monitoring and reporting will begin at final closing and will consist, at a minimum, of:

- An initial physical inspection at the completion of the work,
- Annual certification of compliance with all income and use restrictions,
- Copies of current Tenant Selection Plan (TSP) and Management Plan,
- Copies of current Affirmative Fair Housing Marketing Plan (AFHMP) and updates as applicable, and
- Physical inspections in the first, fifth and final years of the Extended Compliance Period.

Section 4: Questions

Any questions about this Request for Applications or its requirements should be directed to the following email address: PreservationProgramLimitedRehab@ihda.org.

Capital Bill Limited Rehabilitation Preservation Program (the “Program”) Frequently Asked Questions

Version: 2/22/2022

1. **What is the deadline to apply?** **5:00 pm CST on March 31, 2022.**
2. **Will IHDA provide a list of preferred/acceptable vendors to prepare the Physical Needs Assessment (PNA)?** No - IHDA does not maintain a list of vendors. IHDA encourages engagement strategies that promote supplier diversity, equity, and inclusion.
3. **What firms can perform a PNA?** The PNA will need to be prepared by a licensed professional. In addition to standard PNA providers, any licensed architect or engineer is typically qualified to provide a PNA.
4. **Does the PNA need to be in a certain form?** Yes - in the required format as outlined in the Request for Applications (RFA), specifically Section 2, paragraph A. The license ID# of the PNA preparer should be provided on all reports submitted. The link to the RFA is at the end of this document.

In addition, you can also review the PNA parameters outlined in the 2022 QAP: Architectural, Environmental and Construction Review at

<https://www.ihda.org/developers/architectural-environmental-and-construction-review/>

Note: Any deviation in the number of years will follow the RFA (Request for Application) guidelines. The link to the RFA is at the end of this document.

5. **If I obtained a PNA from a licensed provider before applying to this Program, do I have to get a new one?** The PNA must have been issued no earlier than January 1, 2020.
6. **Does the PNA need to cover every unit at my development?** Yes.
7. **Will IHDA reimburse me for the cost of obtaining a PNA?** If your application is approved for funding, reasonable costs for the PNA within the maximum award amount may be eligible for reimbursement via the transaction closing. IHDA encourages engagement strategies that promote supplier diversity, equity, and inclusion.
8. **Do Cook County “Class 9 Properties” qualify for funding under this Program?** Any affordable housing development that has an equivalent, or comparable regulatory and/or extended use agreement with affordable housing restrictions in place is eligible to apply. Please make sure to provide copies of all regulatory and extended use agreements along with your application.

Memorandum

9. **If my application is approved will IHDA provide a grant, loan, or forgivable grant?** Funds will be made available in the form of a grant subject to the approval of IHDA's Board.
10. **Do "Section 8 Properties" qualify?** Same answer as for question #8 above.
11. **Can I apply for funding under this this Program for rehabilitation of one owner-occupied single-family home?** No.
12. **Can I apply for funding under this Program if I own one or more single-family homes that are part of a scattered site development rental property portfolio?** Yes, if it meets all other program criteria.
13. **Can an organization apply for funding under this Program for more than one project or development?** Yes, but each such request should be submitted as a separate application for funding. Please note that IHDA reserves the right to limit the number of applications approved for funding from any one applicant/affiliate of any one applicant.
14. **Is there a cumulative dollar limit for how many applications can be approved?** Each grant award is subject to the \$475,000 cap and any other guidelines and requirements as outlined in the RFA. Please note that IHDA reserves the right to limit the number of applications approved for funding from any one applicant/affiliate of any one applicant.
15. **Is my application eligible for funding under this Program if the recorded affordability restrictions expire in 2022?** If the project has an active use restriction, then the project will be eligible to apply for this program as long as it still has an active existing use restriction by the time of closing which can be several months post-application.
16. **What if the development needs more than \$475,000 to address the matters in the PNA? Can we use Program grant funds in combination with other funds to finance the rehabilitation of the development?** Using additional funding sources is not prohibited. However, it is recommended that developments in need of funding over \$475,000 to address the needs in the PNA, or otherwise in need of recapitalization, contact our Multifamily Financing team at Multifamilyfin@ihda.org for other sources that may have less restrictions on dollar amount or timing for use.
17. **If my application is approved for Program funding, can I use the funds to offset expenses incurred before the date of my grant award?** No.
18. **Are developments previously financed with Federal Low Income Housing Tax Credits (LIHTC) eligible to apply for funding under this Program?** Yes. However, if the LIHTC was issued by IHDA, you will be required to waive the right to a Qualified Contract (QC) if you receive these Program funds. See this link for the QC process details.

Memorandum

19. **Are there any improvements that are not eligible to be covered by Program funds?** Yes. For example, costs incurred in connection with solar panels or other energy efficiency enhancements are ineligible expenses. Please review the RFA, particularly Section 1, Paragraph A for more details.
20. **Am I required to use a certain percentage of MBE or WBE qualified professionals to be eligible to apply for Program funds?** IHDA has not established any such mandate for this Program. IHDA encourages engagement strategies that promote supplier diversity, equity, and inclusion.
21. **On the request for release of information should I send this to all my lenders or funders including IHDA?** You need to send them to all primary lenders or primary funders. However, if IHDA is a funder you do not need to send the release to IHDA.
22. **IHDA does not hold my LIHTC, should I provide my regulatory and extended use agreements?** Yes, please provide them with your application.
23. **Can I submit my PNA past the application deadline?** No, you must submit the PNA with the application or no later than the application deadline. Please note that your application is not complete until submission of all required documentation.
24. **If we are not a corporation, what documents do you need?** Please submit the organizational documents for your type of organization, i.e., operating agreement for an LLC, partnership agreement for general partnership, etc.
25. **When should I submit copies of my bids for the work?** Bids should be submitted with the application or shortly thereafter. The application is not complete without this documentation.

Request for Application (RFA) link: <https://df7qosnywqs6g.cloudfront.net/wp-content/uploads/2022/01/Capital-Bill-Preservation-Program-Limited-Rehabilitation-Request-For-Applications.pdf>

Note: This FAQ is being provided for convenience purposes only. In the event of any discrepancies between this FAQ and the Request for Application, the Request for Application document will govern, unless otherwise determined by IHDA in its sole discretion.