

2020-2021 Preliminary Project Assessment Review Parameters

PROPOSED – DRAFT Only

This document describes the various reviews that will be conducted for projects submitted for LIHTC PPA approval in conjunction with the 2020-2021 QAP. The PPA process has been greatly expanded for the 2020-2021 QAP, but this process does not require any additional information to be submitted with a PPA. In an effort to be transparent and clear with our review process, this document has been created to inform applicants of IHDA's review process.

Intake of Preliminary Project Assessments (PPA)

PPAs are required of ALL Low-Income Housing Tax Credit (4% and 9%) applications. PPAs are also required for any project being considered for HOME funds.

PPAs are due and accepted according to the schedule posted on the "Program Timelines" page of the Website. PPAs submitted for 9% Tax Credits are accepted on a rolling basis throughout the applicable life of the QAP (for 9% LIHTC, this applicable life begins upon publication of the QAP in year one of the two-year QAP and ends when PPAs are closed in advance of the application submittal deadline for the last round of 9% LIHTC applications allowed under the QAP). Please see the Website for specific dates.

PPAs submitted for 4% Tax Credits and HOME funds are accepted on a rolling basis as advised by the Authority.

Required PPA documentation contains basic information regarding Project concept and design, location, proposed tenant population, preliminary Participants and financing assumptions. The PPA form is available for download from the Website.

IHDA Evaluation Methodology

1) Identification of Review Area

Each PPA submitted will be reviewed as a project site and within a market area. For each PPA a Primary Market Area will be determined by IHDA and is for purposes of PPA review only; it does not need to be the same PMA used in the Site and Market Study.

A Primary Market Area is determined using in-house mapping programs to:

1. Identify Census Tract(s) (for data aggregation purposes) by a logical assemblage of adjacent census tracts and/or by further specifying via a visual assessment;
2. Identify "natural" market area boundaries (highways, roads, train tracks, waterways, etc.); and
3. As necessary coordinate according to housing and demographic market characteristics.

For scattered site Projects, or Projects with more than one location, the PMA definition process will be expanded appropriately to either encompass the full range of the scattered site Projects within a singular-but expanded market area or to include more than one market area to account for multiple sites serving multiple markets.

Each review criteria for PPAs (discussed in detail below) is classified as “site”-related, “market” related, or other.

- Site-related reviews are conducted on a parcel level. The parcel(s) that the project will occupy / occupies are always included and as needed, access ways direct to parcel(s), as well as uses on immediate surrounding parcels are reviewed.
- Market-related reviews are conducted on a Primary Market Area basis.
- Other reviews are conducted on additional information related to, but transcending the site and market reviews. Included in this category are financial, construction type, and development team reviews.

2) Data and Indicators Used in All PPA Reviews

IHDA uses only publicly available data in its PPA reviews. In some cases, data has been combined into “indicators” designed to measure trends and changes (see: ARUS; ARI; Opportunity Areas). All indicators are drawn from publicly available data, and any indicator that has been changed in any way is published as a widget on the IHDA website (see: ARUS; ARI; Opportunity Areas).

Data and indicators are drawn and reviewed for every project based on Census Tracts that fit in the PMA. All data and indicators utilized are listed on IHDA website here:

https://www.ihda.org/wpcontent/uploads/2016/03/SPARLink82016PPADDataandMetricsChart_00.pdf

3) IHDA PPA Review Criteria and Outcomes

The chart below shows the different review categories, criteria, classification, responsible parties, and potential outcomes of the PPA review.

* Not all outcomes impact PPA approval. Criteria with outcomes that note “**Conditional Approval***” in the following chart may generate a request for supplemental information that would need to be provided to IHDA at or before the receipt of a full application. Failure to provide this information, where noted on PPA notification letters, may result in a point penalty of -3 on competitive 9% LIHTC applications. *Specific language regarding conditional approvals and penalties will be provided in the PPA notification Letter, as described below.*

Please note: projects located in Qualified Census Tracts (QCTs) or Racially or Ethnically Concentrated Areas of Poverty (R/ECAPs) are required to submit a Community Revitalization Strategy that at least passes the currently published Community Revitalization Thresholds requirements (see IHDA website for clarification) at application. This condition will be noted in the PPA Notification letter. Projects that do not meet this will enter the scoring competition at a deficit of three points and will be required by IHDA to submit a Community Revitalization Strategy and supporting documentation that meets all requirements under the current Community Revitalization Thresholds as a condition of closing (see Mandatory Section XIII)A), Application Certification).

Review Category	Dept.	Type of Review	Review Details	Possible Review Outcomes
Placement / Fit In Market	SPAR	Site / Market	Placement in Market - Does the proposed seem to fit with surrounding uses? Does the reviewer anticipate that the project will complement the neighborhood construction types or does this seem to clash with the land uses around it?	PPA Approval; PPA Denial; or PPA Conditional Approval*
	SPAR / AMS	Market	Occupancy - are there any Affordable Housing developments in the PMA that serve the same populations that are experiencing occupancy issues?	
	SPAR		IHDA Market Share – total number of rental units financed by IHDA in a market area divided by the total number of rental units for the market area. IHDA views an IHDA Market Share of 10% or higher for a particular market area as a possible indicator of over-concentration.	
			Affordable Market Share –total number of rental units financed or subsidized by IHDA, HUD, and/or USDA in a market area divided by the total number of rental units for the market area. IHDA views an Affordable Market Share of 20% or higher for a particular market area as a possible indicator of over-concentration.	
	Affordable Rental Unit Concentrations – estimate of rental units affordable to a variety of income levels produced from ACS 5-year data regarding actual rents being charged, regardless of subsidy, in project census tract (or census tract + adjacent census tracts) for the market area. <i>Affordable Rental Unit Survey</i> is published annually on the IHDA website here: https://www.ihda.org/developers/market-research/affordable-rental-unit-survey/			

Review Category	Dept.	Type of Review	Review Details	Possible Review Outcomes
Site Viability	SPAR	Site	Use of Space - Does the project as laid out take advantage / maximize of the parcel(s)?	PPA Denial; or PPA Conditional Approval*
			Site Access - Is there easy / intuitive vehicular access to site? Does the project provide walkability features that are geographically appropriate and relevant?	
			Physical Issues / Barriers - Are there physical issues on the site that may pose a safety risk for the proposed development? Physical issues can include, but are not limited to power-lines, train tracks, bisecting roads, and ditches.	
			Environmental Issues / Hazards - Do any obvious environmental hazards present themselves on the site? Is the site in a flood plain? Do there appear to be any wetlands or standing water on the site? Is there any evidence of hazardous waste or former uses that may be incompatible?	
Market Viability	SPAR	Market	Market / Demographic Trend Overview - Review of established data and indicators (https://www.ihda.org/wpcontent/uploads/2016/03/SPARLink82016PPADDataandMetricsChart_000.pdf). How do the market trends compare to the trends on the county or state level? Are there major changes to be aware of? Are there any data points that indicate potential market flaws?	PPA Approval; PPA Denial; or PPA Conditional Approval*

Review Category	Dept.	Type of Review	Review Details	Possible Review Outcomes
Review of State Goals / IHDA Policy Compatibility	SPAR	Other	Populations - Is the targeted population one targeted via the Qualified Allocation Plan, Housing Task Force, Annual Comprehensive Housing Plan , or other housing agendas? (https://www.ihda.org/about-ihda/state-housing-planning-reports/)	Additional conversation / clarification with IHDA; Possible PPA denial or PPA Conditional Approval*
			Focus Areas - Does the project address any of IHDA's stated Planning Goals or Focus areas from the Annual Comprehensive Housing Plan (Revitalizing Communities; Supportive Housing; Innovative Use of Resources; and Leadership and Capacity)?	
Preliminary Review of Construction Innovation / Compatibility	MF - Construction	Other	Construction Type - Is the proposed building or rehabilitation type consistent with IHDA standards? Does the reviewer anticipate higher development costs? Are there any indicators that the project may not work as proposed?	Additional conversation / clarification with IHDA; Possible PPA denial or PPA Conditional Approval*
			Innovation - Does the project - as submitted - seem to represent an innovation either architecturally or in terms of context to the site?	
			Potential Compatibility Issues - Does the review team anticipate that the project design or site may present problems for IHDA's mission or moving forward through the approval or closing process?	

Review Category	Dept.	Type of Review	Review Details	Possible Review Outcomes
Development Team	MF	Other	Key Development Team Review - Review of Project Sponsor, Not-For-Profit participant, Property Manager and their ability to complete the project at hand. Additional development team members may be reviewed at the request of the applicant. The purpose of this review is to identify concerns with the development team based on recent experiences with IHDA only that could stop a project from proceeding smoothly towards closing.	Conditional Approval*
Preliminary Financial Feasibility	MF	Other	LIHTC Request - Do the requested LIHTC amounts appear to exceed Authority limits?	Conditional Approval*
			Sufficient Sources - Does the budget appear reasonable given the scope of work, construction type, and location? Is there a large gap left in the development?	
			Soft Funding / Subordinate Resources - Are there soft funds needed to complete this project? Are the soft funds going to be requested from IHDA? Is the soft fund request outside of IHDA's published limits? Has the timing of / applications for other subordinate resources been considered?	
Market Notifications	SPAR	Market	Affordable Risk Index - An indicator of market change and the potential for losing needed affordability within changing markets. Projects will not be penalized for low ARI scores; high ARI scores may override other market concerns.	Notification of scores provided with PPA Approval

Review Category	Dept.	Type of Review	Review Details	Possible Review Outcomes
Market Notifications (Continued)	SPAR	Market	<p><u>Opportunity Area / Proximate Opportunity Area</u> - Does the project qualify for Opportunity Area points? (see below for Proximate Opportunity Area determination criteria). https://www.ihda.org/developers/market-research/opportunity-areas/</p>	Notification of scores provided with PPA Approval
			<p><u>QCT / R/ECAP Determination</u> - Is the project in a Qualified Census Tract (as published by HUD) or a Racially or Ethnically Concentrated Area of Poverty (as published by HUD)?</p>	Conditional approval* QCTs / R/ECAPs trigger Community Revitalization Planning requirement (at application)
Access to Food	SPAR	Market	<p><u>Food Access</u> - As part of the PPA review, IHDA will determine if the project is in an area of low access to food via the USDA Food Access database published here: www.ers.usda.gov/data-products/food-access-research-atlas/download-the-data/</p> <p>Access to food will be determined within the following set-aside proximity radii: City of Chicago - .5 miles Chicago Metro – 1 mile Other Metro – 10 mile Non-Metro – 10 mile</p>	Approvals on projects in areas of low food access will be conditional as these projects are required to provide additional documentation that the project is within close and easily traversed proximity to a supermarket, supercenter, or large grocery store OR that a Community Revitalization plan exists that accounts for food access.

Review Category	Dept.	Type of Review	Review Details	Possible Review Outcomes
Amenities / Market Advantages	SPAR	Market	<u>Relationship to PMA</u> - How close are amenities and services within the PMA? Does the project location within the market make sense for the population? Is the project located in an appropriate area for Affordable Housing Development? Are there better locations within the market for Affordable Housing?	IHDA may utilize these categories in an effort to provide feedback regarding apparent lack of community/market amenities - this feedback will not impact PPA review, but may equate potential shortcomings in the scoring process
			<u>Community Revitalization Need</u> - Comparison to published Community Revitalization Need Map. Need for Community Revitalization may indicate a need to establish linkages for project success.	
			<u>Opportunity Zone</u> - Is the project in an established State of Illinois Opportunity Zone. Location in an Opportunity Zone may indicate pre-established linkage to community revitalization planning.	
4% Feasibility	MF	Other	<u>Waiver of 4% Feasibility</u> - All Projects that have existing federal project-based rental assistance contract on 50% or more of the units are NOT eligible to apply for 9% Tax Credits unless a Waiver of 4% Feasibility is obtained. All PPAs submitted will be evaluated for 4% feasibility. Developers no longer need to submit a formal request for waiver.	Notification provided with PPA Approval

Review Category	Dept.	Type of Review	Review Details	Possible Review Outcomes
Supporting Planning Documentation (Optional)	SPAR	Other	<p><u>Supplemental Site Information (optional)</u> - Documentation may be submitted to provide further information that speaks to the appropriateness of the site for development (including, but not limited to land-use or zoning documents). Do these documents note the site as appropriate for the intended use?</p>	<p>Not required. Applications that do not submit this information at PPA will NOT be penalized unless PPA notification was conditional pending submission of community revitalization documentation. This information can help to result in a PPA approval</p>
			<p><u>Linkages to Ongoing Development or Planning (optional)</u> - Recommended for projects that may be located in areas of heavy Affordable Housing Concentrations, QCTs or R/ECAPs, or areas where market metrics may not reflect a healthy environment for development.</p>	
			<p><u>Amenities / Healthcare / Education / Food Access / Transportation (optional)</u> - Recommended for projects that may be located in areas where connections to existing Amenities and services are existent, but not obvious.</p>	

4) Outcome of the Review / PPA Notification Letters

There are four possible review outcomes for submitted PPAs:

- 1) **Approved** – The PPA is approved and a full application will be accepted by the Authority;
- 2) **Conditional Approval** – The PPA is approved subject to concerns with any of the above-listed review criteria;
- 3) **Denied** – The PPA is denied and an Application will not be accepted by the Authority;
- 4) **Not Reviewed** – Insufficient information was provided and the PPA was not reviewed, and an Application will not be accepted by the Authority.

Approved, Conditionally Approved, and Denied PPAs will receive letters describing their outcomes in all the review categories as well as specific notes regarding the conditional approval and any resulting penalty associated with non-compliance.

Not Reviewed applications will have been previously notified that their application could not be reviewed due to insufficient information.

Potential applicants with Conditional Approvals will be encouraged to meet with Authority representatives to discuss the noted concerns before submitting an Application. **Applications that do not adequately address the noted concerns will enter the scoring competition at a deficit of 3 points.** Specific information regarding the nature of the condition and the methodology for resolving it will be provided in the notification letters. Failure to address the noted concerns by the time of application submittal may also result in an additional condition to the closing process should the application in question receive an award of credits.

Responsible Reviewer Contact Information / Contacting IHDA About PPA Reviews

Please contact IHDA with any questions regarding the review process. Do not hesitate to contact IHDA in advance of PPA submittal with any questions, but please direct your inquiries to the entity responsible for your area of inquiry. The contact information the various portions of and IHDA participants in the PPA process are as follows:

- **Intake / Application Submission Process** – IHDA’s Strategic Planning And Reporting (SPAR) Department - 312-836-5383 or SPARCompliance@ihda.org.
- **Review of State Goals / IHDA Policy Compatibility** - IHDA’s Strategic Planning And Reporting (SPAR) Department - 312-836-5383 or aquick@ihda.org or lsomers@ihda.org .
- **Preliminary Review of Construction Innovation / Compatibility** – Multifamily Finance Department at 312-836-7403 or multifamilyfin@ihda.org (please note that this is a construction concern in your outreach)
- **Market Related Reviews** (including: Placement / Fit In Market; Market Viability; Amenities / Market Advantages) - SPAR - 312-836-5383 or aquick@ihda.org, hmerry@ihda.org or lsomers@ihda.org.
- **Site Viability** - SPAR - 312-836-5383 or aquick@ihda.org, hmerry@ihda.org or lsomers@ihda.org.
- **Preliminary Financial Feasibility** - Multifamily Finance Department at 312-836-7403 or multifamilyfin@ihda.org
- **4% Feasibility** - Multifamily Finance Department at 312-836-7403 or multifamilyfin@ihda.org

- **Development Team** - Multifamily Finance Department at 312-836-7403 or multifamilyfin@ihda.org
- **Supporting Planning Documentation (Optional)** - SPAR - 312-836-5383 or aquick@ihda.org, hmerry@ihda.org, lsomers@ihda.org, or revitalization@ihda.org.

Additional Clarification of Optional Supporting Planning Documentation

Sponsors have the option of providing evidence of the need for a project by submitting documentation that provides context outside the numbers based review used to determine the IHDA Compatibility and Project Viability (see above). This documentation is NOT REQUIRED, but could be necessary to obtain a PPA approval. *The supporting planning documentation submitted for a PPA is not required to meet the same standards as plans submitted for Community Revitalization Strategies scoring (though plans submitted for that scoring review could also be submitted for PPA review).*

Submission of supporting planning documentation does NOT guarantee PPA approval. A plan should only be submitted if the Sponsor believes that the Project plays a key role in the plan, and if the plan helps bring to light local activity that is not realized by the other market evaluation metrics listed above.

All submittals of Supporting Planning Documentation should include a summary letter explaining the community needs demonstrated by the submitted documentation and including (where applicable) the relevant page references.

Where relevant and possible, Supporting Planning Documentation should also include:

- A defined coverage area that includes the development or redevelopment of a combination of sites, a neighborhood, community, municipality or region and is not a site plan;
- Clearly articulated demonstration of the context and importance of the proposed project(s);
- All relevant planning documentation (the entire plan(s) is most welcome);
- A map clearly showing the following:
 - Project Site(s) within the boundaries of the plan / project area; and
 - The location and basic status of other major plan / project area components;
- A letter from the administering public entity that administers the submitted plan affirming the following:
 - The Project will contribute to the housing policy goals within the plan / project area; and
 - Demonstrable progress has been made towards fulfillment of other plan / community revitalization goals.

For further questions on Optional Planning Documentation (including a pre-PPA conversation regarding whether or not supporting documentation may be needed), please contact IHDA's SPAR Department at 312-836-5383.

Opportunity Area and Proximate Opportunity Area Determinations

As noted above, IHDA will review Opportunity Area and Proximate Opportunity Area status at the PPA level, though the outcome of this review has no bearing on PPA approval status. The Authority will utilize the PPA review period to confirm a Project's location in an Opportunity Area or to determine a Project's location in a Proximate Opportunity Area as defined in the Scoring Section.

To be considered under the Proximate Opportunity Area criteria, a formal letter (as well as supporting evidence) requesting consideration must be submitted together with the completed PPA submittal and reflected on the PPA Form. **Reviews requested outside of the PPA process will not be provided.** The Authority will review this letter and supporting documentation as part of the PPA review. Projects demonstrating coherence with the geographic parameters as well as providing a reasonable explanation for inclusion in the Opportunity Area or Proximate Opportunity Area will be awarded the full 10 points under the Scoring Section when the Project is scored as part of a full 9% LIHTC application.

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

The Authority will notify applicants of Opportunity Area or Proximate Opportunity Area status, including amount of points to be awarded under the Scoring Section, along with the approval, conditional approval, or denial of the PPA.