City of Chicago
Department of Housing

Multi-Family Housing
Financial Assistance
Application Instructions
2021

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Section I: Introduction and Application Instructions

A. Overview

The purpose of this document is to assist developers and members of the public in navigating and completing the City of Chicago's Department of Housing ("DOH," "Department") Multi-family Financial Assistance Application. Listed below are guiding principles, including an outline of the selection process and selection criteria, required documentation, underwriting policies and guidelines, and available funding sources.

City of Chicago Department of Housing Multi-family Project Financial Assistance Application

DOH invites applications from developers for public funds and other subsidies which are necessary to pay a portion of project-specific costs of rehabilitating or constructing rental apartments within the City of Chicago. All developers seeking DOH funds or other assistance to rehab, construct, or refinance multi-family affordable rental housing developments must complete and submit this application.

In a context of limited resources, applications are intended to enable DOH to assess a project's economic feasibility, its impact on the surrounding community, and its ability to meet a specific affordable housing need or policy priority. Funding under each program is constrained by the availability of resources. At any point in time, DOH may not be in a position to accept applications for financing from one or more sources.

This application should be completed by all projects, regardless of whether they are submitted through the funding round. In 2021, the Funding Round will open May 24, 2021. Please note, all submissions become part of DOH's permanent records and are subject to Freedom of Information Act (FOIA) inquiries. Applications will be accepted no later than July 2, 2021 at 4 pm. Directions on how to submit applications are explained below.

B. Funding Sources

DOH assists developers with multi-family financing by allocating public funds and other subsidies necessary to pay a portion of project-specific costs of rehabilitating or constructing rental apartments within the City. Financing programs currently administered by DOH include Low-Income Housing Tax Credits, federal, state and local funds awarded in the form of first and second mortgage loans, City land and private activity and tax-exempt bonds.

Illinois Affordable Housing Tax Credits (IAHTC), also known as Donation Tax Credits (DTCs): A $0.50 State of Illinois income tax credit for every $1 that is donated to an eligible affordable housing development. DOH allocates 24.5% of the amount of credits authorized by the State. Developers apply through DOH's Multifamily Financial Assistance Application or the Stand Alone IAHTC application if only applying for IAHTCs. Successful applicants receive a conditional tax credit reservation letter based on the amount of the donation and determination that the undertaking is compatible with the goals of the Department. At least 25% of units in a DTC-assisted rental project must be affordable to households earning no more than 60% AMI.

Low Income Housing Tax Credit Program (LIHTC): A federal tax credit issued via a competitive funding round in accordance with DOH's LIHTC Qualified Allocation Plan. Applicants fill out DOH's Multifamily Financial Assistance Application for the credits upon announcement by the Department that it is open for a LIHTC funding round. For LIHTC projects, at least 20% of the units must be affordable to households earning no more than 50% AMI; at least 40% of the units must be affordable to households earning no more than 60% AMI; or, if income averaging is approved for the project, at least 40% of the units must be affordable to households averaging no more than 60% AMI, with a range of 20-80% AMI.

Community Development Block Grant (CDBG): Funds assist both non-profit and for-profit developers in rehabilitating and developing affordable rental housing. 51% of all units within the project must be occupied by low-and moderate-income households (60% AMI and below) unless the project meets a specific exception to reduce the cost of construction. The annual City of Chicago Action Plan, administered by the Office of Budget and Management and approved by the U.S. Department of Housing and Urban Development, determines the annual Multi-Family Loan Program allocation.

HOME Investment Partnerships Program (HOME): Funds support loans for construction or rehabilitation of affordable multi-family housing. HOME allows assistance to be targeted toward particular units. Projects assisted with HOME target very low-income households (at least 90% of the assisted units must be affordable at 60% AMI or below, 10% at 50% AMI and below). The annual City of Chicago Action Plan, administered by the Office of Budget and Management and approved by the U.S. Department of Housing and Urban Development, determines the annual Multi-Family Loan Program allocation.

Tax Increment Financing (TIF): Funds collected from Tax Increment Financing districts provide grants to developers. Developers applying for TIF assistance are required to submit a supplemental TIF application that identifies the TIF district, Parcel Index Numbers, demonstrates need, budget of TIF eligible expenses, performance measures and increment projections. TIF funds are typically required to serve households earning no more than 80% AMI, although other project sources may require deeper affordability. Developers interested in applying for TIF assistance must read and complete the supplemental TIF information.

Affordable Housing Opportunity Fund: Funds collected from Density Bonus and ARO in-lieu donations are administered by DOH. Fifty percent of each contribution is utilized for the construction or rehabilitation of affordable units and subject to the appropriation by the City Council. AHOF funds typically are required to serve households earning 60% AMI or below. If a project receives both AHOF and TIF, 10% of the units must be affordable to households at 50% AMI, and 10% at 60% AMI.

Multi-family Mortgage Revenue Bonds: Provides bond financing, through the City's tax-exempt bonding authority, for developers who build or rehabilitate large housing developments for low- and moderate-income renters and generates private equity investment.

C. Other Resources

Chicago Low-Income Housing Trust Fund (CLIHTF): Developers are encouraged to seek additional assistance directly from CLIHTF to further reduce the rent levels for households earning 30% AMI or below. The CLIHTF Multi-year Affordability through Upfront Investment (MAUI) Program provides long-term operating support in new and rehabilitated rental housing to assist Chicago's low-income residents living under 30% of the area median income (defined by the City of Chicago PSMA).

MAUI funds are awarded to qualifying developers annually, on a competitive basis, in the form of rental subsidies or a forgivable, zero interest capital construction grant. MAUI Rental Subsidies and Capital Grants carry a 15–30-year regulatory term. Rental Subsidies are payable quarterly in advance for units leased to a qualified household. Capital grants substitute a debt-service-free MAUI grant for a portion of the conventional first mortgage financing, in exchange for lowered rent amounts on MAUI designated units.

MAUI is open to applications where project financing is in progress but has not yet closed. For more information, please visit https://www.clihtf.org/programs-and-initiatives/maui.

IHDA, HUD and CHA: Applicants whose projects also receive assistance from the Illinois Housing Development Authority (IHDA), the U.S. Department of Housing and Urban Development (HUD), or the Chicago Housing Authority (CHA) should be aware that, where policies and standards conflict, the stricter policy standard will apply.

Applications that include commitments for CHA funds or units (including capital subsidy, operating subsidy, or project-based Section 8 vouchers) must submit a commitment letter from the CHA with their application. Selections for development or acquisition must be approved by the CHA Board of Commissioners.

DOH recognizes that approval timelines for CHA resources can be longer than those for DOH resources, particularly since mixed finance transactions must be approved by HUD. DOH will only award resources to those projects that, in the sole discretion of DOH, are likely to receive approval and be able to close during the time period envisioned for utilization of DOH resources.

D. Funding Priorities For LIHTC

In 2019, DOH established three priority areas in the QAP which form the Department's Primary Selection Criteria, in order to ensure that the unique needs of different neighborhoods were identified and addressed. The 2021 QAP expands on that requirement and includes an additional priority: Recapitalization of Existing Affordable Developments using 4% LIHTC and TEB. DOH asks applicants to apply under one of the following priority areas. Within each priority area, competitive projects will meet the policy priorities specific to that area. Successful applicants will meet the policy priorities specific to the priority tracts they are applying under.

Priority Tracts

Priority Tract 1: Opportunity Areas are generally census tracts for which more than 50% of households earn more than 100% of the Chicago median income in the last three consecutive years for which data is available, and the poverty rate is less than or equal to 20% during the same period.

DOH will preference projects in Opportunity Areas that:

- Provide 100% affordability
- Include more than 10% of very low-income (30% AMI) units, especially those with committed rental subsidy
- Provide housing units for tenant populations with special housing needs, including accessible units, SRO units, permanent supportive housing, re-entry housing and units for individuals and/or families experiencing homelessness
- Utilize City-owned land

Priority Tract 2: Redevelopment Areas are generally areas consisting of census tracts with low to moderate incomes which have an ongoing and active comprehensive community revitalization initiative, plan, or effort. Evidence of the revitalization initiative and/or plan should be provided by the applicant, such as (by example only, and not limited to) the location is within an INVEST South/West planning area.

DOH will preference projects in Redevelopment Areas that:

- Contribute to a concerted community revitalization plan – for instance INVEST South/West
- Leverage existing revitalization efforts
- Include a viable plan and provision for engaging a significant portion of project vendors, suppliers, subcontractors and workers that are generally located within the same redevelopment community area
- Provide first floor retail/commercial space that provides needed neighborhood amenities

- Evidence an agreement with a committed partner to assist with occupying the first-floor space within 6 months of completion
- Provide housing for a wide range of household incomes, especially those that utilize income averaging
- Include more than 10% of very low-income (30% AMI) units, especially those with committed rental subsidy

Priority Tract 3: Transitioning areas are generally those for which data shows that median rents, median household incomes, and median home sale prices have increased by at least 20% in total each over the last three consecutive years for which data is available and have lost affordable housing units as a result.

DOH will preference projects in Transitioning Areas that:

- Are located in areas undergoing rapid economic and demographic change, and the resulting loss of affordable housing units
- Include a viable plan and provision for engaging a significant portion of project vendors, suppliers, subcontractors and workers that are generally located within the same redevelopment community area
- Serve residents most in need and address the overall deficits in affordable housing and the insufficiencies in units for subpopulations
- Provide units that will remain affordable for the longest periods beyond the minimum thirty (30) year requirement
- Include more than 10% of very low-income (30% AMI) units, especially those with committed rental subsidy
- Housing units for tenant populations with special housing needs, including accessible units, SRO units, permanent supportive housing, re-entry housing and units for individuals and/or families experiencing homelessness

Priority Tract 4: Leveraging 4% LIHTC and TEB, projects will provide for the recapitalization of existing affordable housing developments

DOH will preference projects in that:

- Utilize 4% Low Income Housing Tax Credits and Tax-exempt bonds
- Encourage preservation of existing buildings and disincentivize displacement
- Currently hold City of Chicago debt or a previous allocation of tax credits from a funding round that occurred at least 15 years prior
- Will continue to serve existing tenants
- Have a significant risk of conversion to market-rate tenancy
- Alleviate the negative impact that vacant and/or deteriorated buildings can have on neighborhoods
- Reflect the architectural character of the surrounding community

Other Policy Priorities

In addition to the selecting one of the four priority tracts listed above, strong proposals will use the narrative portion of an application to speak to how their proposed developments will address and advance any or all of the additional priorities determined by the Department. They are as follows:

Racial Equity Impact Assessment (REIA)

In 2020, the Department sought to examine the QAP and its processes through a racial equity lens and consider how incorporating racial equity into its design may garner opportunities for wealth building and advancing racial equity in communities developed with LIHTC funding. The Racial Equity Impact Assessment (linked here) arrived at eight recommendations on which DOH has placed priority:

1. Ensure Black, Indigenous, people of color (BIPOC) developer/service providers benefit from LIHTC
2. Create production targets for specific subpopulations based on need
3. Improve access to units for marginalized groups
4. Coordinate housing with other neighborhood amenities
5. Improve engagement, management standards and enforcement in properties
6. Improve resident outcomes and support homeownership and wealth building opportunities
7. Create more accessible, family-friendly homes and make applications more user-friendly
8. Ensure LIHTC developments address mental health needs of residents

INVEST South/West
Under the leadership of the Lightfoot Administration, the INVEST South/West initiative will align more than $750 million in public funding over the next three years, while seeking to maximize those public investments in order to attract significant additional private and philanthropic capital, respond to changing commercial trends, and enrich local culture. With a focus on 12 key commercial corridors in the 10 communities, INVEST South/West collectively supports infrastructure development, improved programming for residents and businesses, and policies that impact each of the community areas surrounding these corridors to create lasting impact.

DOH is proud to be a funder of, and partner to, this initiative. Projects which align with INVEST South/West goals and incorporate affordable housing components, are a policy priority of the Department.

eTODS
Since 2013, the City of Chicago has been encouraging compact, mixed-use transit-oriented development (TOD) near CTA and Metra rail stations. This development model can create additional community benefits such as increased transit ridership and more walkable communities, both of which reduce traffic congestion and greenhouse gas emissions, while also promoting public health and adding to the City's tax base. Through a series of TOD ordinances, first adopted by City Council in 2013 and then amended in 2015 and 2019, Chicago is evolving its approach to TOD. To date, this approach has been voluntary, allowing willing developers of sites near transit to reduce parking, increase height and density, and design projects to increase walkability and affordability. The January 2019 TOD ordinance amendment included an explicit equity focus and expanded TOD policy provisions to include property near several high-frequency bus corridors as well as extended the incentives to the densest residential zones, which had been previously excluded. Importantly, the 2019 Ordinance also requires the City to evaluate the performance of recent TOD projects and recommend revisions to the TOD provisions where appropriate. The 2020 ETOD Policy Plan (linked here) fulfills that requirement.

Equitable TOD (eTOD) is development that enables all people regardless of income, race, ethnicity, age, gender, immigration status or ability to experience the benefits of dense, mixed-use, pedestrian-oriented development near transit hubs. ETOD elevates and prioritizes investments and policies that close the socioeconomic gaps between neighborhoods that are predominately people of color and those that are majority white. eTOD projects and processes elevate community voice in decision making processes and in realizing community-focused benefits such as affordable housing, public health, strong local businesses, and environmental sustainability, to name a few. When centered on racial inclusion and community wealth building, eTOD can be a driver of positive transformation for more vibrant, prosperous, and resilient neighborhoods connected to opportunities throughout the City and region.

Provision of Social Services
Social Services are an important component of many affordable housing developments, and the Department realizes that many low-income populations dwelling within DOH-assisted developments may benefit significantly from participating in social services.

Housing developed for senior citizens is required to provide a social service plan. The social service plan must outline the services provided and list the service providers. We encourage developers serving these populations to present plans for fulfilling these needs, either directly or through relationships with qualified social service providers. Social services do not necessarily have to be available on-site; however, if they are required by a building's residents, they must be readily available within the community in which the proposed development is to be located.

With the exception of Senior and Supportive Housing developments, DOH does not fund social services from a project development or operating budget. For Senior or Supportive Housing developments, DOH may agree to forego a portion of its debt service in order to allow the owner to pay a portion of the costs of providing social services. Further information is found later on in the document.

Mixed-income Developments
In order to reduce concentrations of poverty, and to stabilize buildings and neighborhoods, the department encourages applications for mixed-income developments where it is feasible to attract mixed-income populations. In many instances, these mixed-income developments will establish tiered rent levels, with the result that all the units within the development will be eligible for DOH financing. The Department encourages Income Averaging for LIHTC applications which encompass a mix of affordable units and market rate units across a range of incomes.

Homeless Housing Expansion Initiative Pre-Application Process
As a part of the Department of Housing's commitment to support housing development for vulnerable populations, DOH is continuing a collaboration with the Chicago Continuum of Care (CoC) to create new units to house Chicagoans experiencing homelessness. DOH acknowledges that some supportive housing sponsors may not be geared specifically to individuals experiencing homelessness but is looking to provide housing for this segment of Chicagoans in each supportive housing development. For information on demographics related to homelessness in Chicago, visit the Dashboard to End Homelessness at https://allchicago.org/dashboard-to-end-homelessness.

Projects proposing to provide supportive housing for people experiencing homelessness or special populations experiencing homelessness through use of the CoC Coordinated Entry list (including veterans, seniors, survivors of domestic violence, youth, and households experiencing chronic homelessness) should apply for a Letter of Consistency from the CoC Housing Expansion Coordination Committee (application found by visiting https://www.surveygizmo.com/s3/4713308/CoCPreApplication). The CoC has a review process to evaluate how proposed projects align with the population, model, and service design standards that address community priorities and best practices. This process seeks to determine a project's commitment to taking referrals through the Coordinated Entry System, have partnerships that address population needs, and align with the COC's Housing First standards.

Submissions to the Homeless Housing Expansion Initiative will be reviewed by a committee of CoC Stakeholders. During the months of May and June, the HHEI Review Committee will meet weekly on Thursdays to consider project applications. Applications should be submitted one week prior to the desired review date. After June, the Review Committee will resume its regular meeting schedule of the first Thursday of each month. A Letter of

Consistency is a requirement for all Stage I applications of developments where no less than 10% of the total units being developed are PSH. In addition to the CoC Letter of Consistency, applicable projects will need to demonstrate a service agreement with a social service provider and a funded source of rental subsidies (HUD CoC, PBVs, LIHTF, Flexible Housing Pool, HUD 811, etc.).

Leverage of Private and Other Public Sector Funds
To conserve and maximize the use of limited public resources, the Department requires that developers make every effort to maximize project financing from non-DOH funds. The Department encourages developers to seek additional sources of subsidy, including direct awards from the federal government and funds provided by the Illinois Housing Development Authority and the Federal Home Loan Bank. Some developers may need to engage in additional fund-raising efforts in order to fulfill their minimum equity requirements (see DOH Underwriting Policies section below) or to supplement their project operating budgets.

DOH will reduce or forego debt service to maximize a private first mortgage that can be maximized by private lenders employing underwriting standards which evidence the lenders' commitments to fulfilling their CRA obligations. DOH also requires developers who utilize LIHTC to seek multiple bids from syndicators in order to secure competitive pay-in rates.

Cost-effective Development
DOH expects developers to make every effort to control costs, so that limited public resources may facilitate the development of as many units of affordable housing as possible. DOH cannot participate in the financing of projects whose extraordinary demands for public subsidies would detract from the Department's ability to finance other meritorious and cost-efficient projects.

Adherence to Architectural and Technical Standards
The Department has established architectural and technical standards for multi-family developments, to ensure that City-funded affordable housing developments exemplify both high-quality construction and design excellence.

Development teams must review the Architectural Technical Standards (ATS) manual and the Department of Planning and Development's Design Excellence: Neighborhood Design Guidelines and incorporate these standards to the building and site design. A color PowerPoint presentation and Project Assessment Form must be included with the Stage One Multi-family finance application, which responds to the items delineated in Section 10.1 of the ATS manual.

The Design review process is an iterative one: All applications must meet the requirements of the design review process and will likely change between application and funding. The Architectural Technical Standards Manual is located online, (linked here).

Other Policies and Procedures
Again, the foregoing material is not a comprehensive statement of all DOH multi-family underwriting policies and procedures (see Section III below). Questions regarding the manner in which these, and other policies, would apply to specific developments may be addressed to DOH staff by calling the Housing Finance Division at 312-744-0893.

Section II: Application and Funding Processes

A. Overview

The following sections describe the steps involved with submitting the DOH Multi-family Financial Assistance Application and provides a summary of the process for selecting and funding projects.

B. Pre-Application

Prior to beginning the application, applicants are strongly encouraged to review all related departmental policies and procedures and schedule an introductory meeting with DOH staff. The introductory meeting allows DOH staff to flag potential issues with an application proposal before it is formally submitted and provides an opportunity for developers to pose pre-application questions. To schedule a meeting, complete the request form (linked here) with information about the proposed project including total number of units, location, targeted population, potential funding sources, and proposed budget. If a funding round is open, these meetings are limited to developments applying outside of the round.

C. Two-Stage Application Submission

In an effort to limit pre-development costs, the application has two stages. The information submitted in Stage One provides DOH with the information necessary to compare projects' responsiveness to policy priorities and neighborhood goals; evaluate the capacity of the development team; and select projects to fund. Applicants selected for funding in the Round, or through other processes, will be asked to submit a Stage Two application for their project. Stage Two requires more in-depth information such as detailed architectural plans and environmental audits. For the complete list of application requirements, see Section II.E.

D. Proposal Feasibility Review

DOH Project Managers review Stage One applications and prepare a preliminary feasibility assessment known as the 'Preliminary Project Review' or PPR. The project manager uses the PPR to evaluate application completeness and alignment with departmental policies. In particular, the PPR will confirm and identify green features, environmental issues of concern, conformance with plans and zoning and/or landmark issues. The PPR will additionally assess:

- Alignment with funding and other policy priorities
- Capacity of development team
- Project development and operating budgets economic feasibility and reasonableness
- TIF projections and funding request feasibility and reasonableness
- Site control status
- DOH financing request feasibility and reasonableness
- Plan for meaningful, inclusive community engagement and support
- Project design in context with the neighborhood, and whether the neighborhood has amenities and services to support housing

If an application is incomplete, a DOH Project Manager will issue a letter to the development team requesting additional information. If requested information is not provided within 7 business days, the application will be eliminated from consideration. The Project Manager also conducts background checks (e.g., verifying the developer is in good standing on past projects). If significant issues arise, a letter is sent to the applicant for developer follow up or the application is denied. If follow up submittal from the developer is acceptable and no significant issues arise, the application proceeds

E. Application Checklist

MULTIFAMILY APPLICATION CHECKLIST				
Tab/Folder Item		Description	Stage I	Stage II
--	Application Fee	Applications require a non-refundable application fee in the amount of $750 for not-for-profit companies and $1,500 for for-profit companies, payable to the City of Chicago and submitted with the application	X	
A.	Cover Letter	Replete with a narrative description that succinctly and cohesively details the history of the site and project; amount of DOH financing requested, scope of construction work, total units, number of low, moderate, and market rate units, rental assistance if any, neighborhood description, and if applicable, relationship to larger redevelopment effort. Additionally, the cover letter should address how the proposed project aligns with recommendations from DOH's Racial Equity Impact Analysis.	X	
B.	DOH Multi-family Financial Assistance Application Form	This is the core application form where information about the project is to be captured including project description, Development team/applicant information, address, site information, unit mix, and development and operating budget. For electronic/USB submissions, convert completed form into PDF	X	Final
C.	Authorization and Certification (Form A)	This form certifies the accuracy of the application and confirms that all submitted applications become the property of the Department of Housing.	X	Final
D.	Tax Credit Applicants Authorization Certification (Form B)	This form certifies that the application meets the tax credit criteria, as detailed in the Internal Revenue Code, Section 42.	X	Final
E.	DOH Pro Forma and Subsidy Layering Review	Must use DOH developed template. Any deviation from underwriting policies that are modeled into the pro-forma as assumptions should be explained in the comments field of the "OpCosts" and "DevCosts" worksheets.	X	Final
F.	Financial Statements	Most recent two years of personal and/or audited corporate financial statements available.	X	Final
H.	Economic Disclosure Statement and Scofflaw Information	Must be updated within three (3) months of Council introduction and three (3) months prior to closing. Scofflaw results are valid for 120 days (4 months) after submission to the City's Department of Finance for indebtedness check. Child support results are valid for three (3) months after submission.	X	Final
I.	Preliminary Design Review	PowerPoint summary of design specifications for project. Refer to Section 10.1 of the DOH Architectural Technical Standards manual for PowerPoint requirements.	X	Final
J.	Project Assessment Matrix	Excel template used to illustrate how the project design meets, exceeds, or misses guidelines from the Architectural Technical Standards manual. See Section II.H for link to template.	X	
K.	DPD Sustainability Compliance Form	Complete the and provide a PDF or hard copy form submission. DPD approval also requires submission of supporting documentation, outlined in the Handbook.	X	Final

L.	Phase I Environmental Audit	Description of current and historical uses of site to assess likelihood of contamination. The audit most be performed by a qualified, licensed professional.		Final
M.	Letters of Interest	Letters of interest from all proposed financing and equity sources that details amount, rate, term, and amortization. Three equity bids will be required for Stage II.	X	Final
N.	Management Plan	Description of the management and operating standards and procedures governing the proposed development. Background on the property management entity including staff resumes should also be included.	X	
O.	Plan for Community Input	Description of the community engagement process and outcomes associated with the project, including any support and opposition to the project. See Section IV.B for more guidance.	X	
P.	AOC or General Contractor's Statement	The statement should include a narrative description of work and cost estimates itemized by residential units, non-residential space, and off-site parking spaces. Successful applicants advancing to Stage II will be required to provide three competitive bids	X	Final
Q.	Evidence of Site Control	Provide supporting documentation demonstrating site control for both residential and parking. Examples may include deed, signed sales contract, option agreement, or trust agreement. If site control has not been secured, provide an explanation of current status and planned steps for attaining site control for both residential and parking.	X	Final
R.	Applicant Experience	Provide a summary of experience developing, owning, and managing multi-family buildings, describe current portfolio size, and include a copy of the developer's license. This section can additionally be used to expand on Question 8 in the DOH Multi-family Financial Assistance Application.	X	
S.	Tenant Selection Plan	Formal description of tenant eligibility requirements and income limits for admission. All pre-occupancy activities must be undertaken in a manner that does not discriminate on the basis of race, color, national origin, sex, religion, disability, or familial status. Robust plans will outline owner policies surrounding criminal and drug screening standards, screening suitability, unit inspections and security deposits, and use of waiting lists for selective tenants.	X	Final
T.	Market Study	Comprehensive third-party market study that satisfies the Department's guidelines for such studies which demonstrate the housing needs of low-income individuals in the area to be served by the project and supports proposed rents and absorption assumptions. The market study must be dated within (1) year prior to City Council introduction.		X
U.	Status of MOPD Approval	Developers are required to meet with MOPD and receive approval on the project's accessibility.	X	Update
V.	Organizational Chart	Show diagram of proposed ownership structure with entity details (FEIN and role, e.g., general partner, limited partner, manager, etc.) and ownership percentage distribution details for all entities. Complete disclosure of the entity that will	X	Final

		own the project including delineation of all controlling ownership interests must be provided.		
W.	Appraisal (if available at stage I; required at Stage II)	See Section III DOH Underwriting Policy for complete requirements for acceptable appraisal reporting. Appraisal must be dated within (1) year prior to City Council introduction. For DTC-related transactions, appraisals must be dated six (6) months to the date of the donation to the sponsor.	X	X
X.	Applicant and Owner Documentation	Documents may include: Articles of Incorporation, Bylaws, Partnership Agreements, etc.		Final
Y.	Insurance Certificates	For a description of the kinds and amounts of insurance required, see Section IV.F		Final
Z.	Lease with VAWA rider and HOME or Non-HOME rider	Tenant protections to victims of domestic violence, dating violence, sexual assault, and stalking		Final
AA.	Affirmative Fair Housing Marketing Plan	A Federal Housing Agency (FHA) requirement to ensure equal housing is afforded to all through effective marketing of housing availability	X	Final
BB.	Real Estate Tax Bill	Provide copy of most recent real estate tax bill		X
CC.	Heating Cost Disclosure	Provide information generated by Department of Business Affairs and Consumer Protection disclosing annual projected utility costs. See Section II.H for ordinance and request form.		X
DD.	Supportive Services Plan*	Describe supportive services to be provided on-site or by referral with details on staffing or facility requirements. A Letter of Consistency from Chicago Continuum of Care Expansion Coordination Committee should be provided for any Supportive Housing developments that have a Permanent Supportive Housing set-a-side of no less than 10% of the total units being developed (See Section I.C Provisions for Support Services and Housing for Homeless Individuals and Families)	X	Final
EE.	Donation Tax Credit Application*	A stand-alone application is available but only for projects that do not use other DOH funds.	X	Final
FF.	Supplemental TIF Information*	This is required for proposals located in an eligible TIF district seeking TIF financing.	X	Final
GG.	Class 9 Application*	Provide copy of Class 9 Application.		X
HH.	Physical Condition Assessment (PCA)*	This is required for all rehabilitation construction projects, but is optional at Stage I. The PCA should be performed by a license, non-interested, third-party individual or firm using industry standards and conducted within 180 days of Stage II submission. A preliminary PCA, if available, is acceptable at Stage I.		X
II.	QAP Strategy to Minimize Displacement Form	This is required for applications with occupied units where it is anticipated that construction will require temporary or permanent relocation. See Section V for a link to the required DOH QAP Relocation Overview Form	X	
JJ.	Tenant Profiles*	This is required for applications with occupied units.		X
KK.	Three Credit References and authorization	This is required to review credit history	X	

**Indicates an optional application item depending on proposal type*

A. Application Submission

There are two ways to submit the DOH Multi-family Financial Assistance Application:

- **Option 1:** Applicants can submit their applications electronically by providing a OneDrive link- containing subfolders labeled consistent with the headings noted in the Application Checklist found in Section II.E of this document. Access should be public, or granted to HousingDevelopment@cityofchicago.org using the following file naming convention: “2021 QAP [Project Name] [Developer Name].” Applications submitted via cloud-based third-party vendors (i.e., Dropbox, Google Docs, etc.) will **not** be accepted. The application fee, payable to the City of Chicago, must be mailed (via FEDEX, UPS, or Certified Mail) to ATTN: Bureau of Housing Development,121 N. LaSalle Suite 1000, Chicago, IL 60602 and postmarked no later than the deadline specified in the QAP Announcement.

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- **Option 2:** Alternatively, applicants can mail (via FEDEX, UPS, or Certified Mail), the application fee, and one (1) electronic application stored on a USB drive. The folder labels should be consistent with the headings noted in Section II.E of this document. The application materials and fee, payable to the City of Chicago, must be mailed to ATTN: Bureau of Housing Development,121 N. LaSalle Suite 1000, Chicago, IL 60602 and postmarked no **later** than the deadline specified in the QAP Announcement.

Applications submitted outside of the QAP Funding Round are accepted on a rolling basis. **Applications submitted electronically or via mail without the timely payment of the application fee will not be considered until application fee is received.**

B. Fees

The fee schedule for projects financed with multifamily loans, tax-exempt bonds and low-income housing tax credits is described below. All applicable fees should be included in a project’s budget. There will be no waiver of fees.

Multifamily Financing Application Fee	$1,500 per project application (not per building) is due upon submission of the application by a for-profit developer. This fee is reduced to $750 for a not-for-profit developer.
Bond Administrative Fee	15 basis points (.0015) of the outstanding bond amount, accruing monthly, but paid semi-annually.
Bond Legal Reserve	10 (.0010) basis points of total bond amount, to be collected at closing and paid to the Department of Finance.
Bond Issuer Fee	1.5% of the amount of bonds issued, paid at closing.
IAHTC Fees	$500 Stand Alone application fee, reservation fee of 3% of IAHTC allocation amount.
LIHTC Reservation Fee	5% of the first full year’s tax credit allocation is due upon acceptance of the credit reservation letter or tax-exempt bond agreement issued by DOH. This applies to both projects with 9% tax credits and 4% bond-generated credits.
LIHTC Carryover Fee	$250 per project, submitted with the Carryover Allocation form.
Monitoring Fees	$25 per unit, per year, paid annually, submitted with the annual owner’s certification to DOH. Note this fee is required for all units in the building, not just affordable units.

C. Additional References

- Rent Limits and Utility Allowances
- City of Chicago Low-Income Housing Tax Credit Qualified Allocation Plan
- Cook County Assessor Incentives:
    - Class 9, Multi-family Rental (Rehab & New Construction)
    - Class 2, SRO Buildings
- IAHTC Regulations
- Qualified Census Tracts
- The City's Heating Cost Disclosure Ordinance is found in Chapter 5-16 of the Municipal Code of Chicago with the Chicago Heating Cost Disclosure Form here
- Architectural Technical Standards Manual
- Zoning Amendment Application and Information Packet
- Project Assessment Matrix
- DPD's Sustainable Development Policy
- DPD's Invest South and West Initiative
- DPD's Design Excellence Guiding Principles and Neighborhood Design guidelines

D. Departmental Reviews and Timelines

While not all steps/approvals are required for every project, below is the **general process** by which Multifamily affordable housing developments make their way through the City's approval and underwriting process once they have been selected to apply under Stage Two. Additional processes as deemed necessary by DOH may also be required.

Fund allocations and budgets are adjusted throughout the multi-family financing process to accommodate the fluidity of available funds. DOH Project Managers present the proposed financing project concurrently to multiple committees for review and approval.

*Reviews are **generally** shown in order from the time of Application through Construction completion. DOH may include additional reviews, as necessary.*

Preliminary Project Review: DOH Project Managers review the financing proposal and identify potential issues.

Projects that come through the Tax Credit Funding Round undergo a preliminary project review as part of DOH's application review process. For all other projects, the assigned DOH Project Manager will present a Preliminary Project Review to their peers at Internal Loan Committee and subsequently to Executive Staff at Internal Project Review to determine the project's path forward.

If a project is approved to move forward following the PPR, Stage Two documents will be required.

Project Intake Meeting:_Development team meets with the DOH Project Manager and Construction and Compliance team to review the project and timeline. The outcome of the meeting will be a mutually-agreed-upon timeline to closing.

DOH Design Review: Led by DOH Construction Services Division, at this meeting the developer and architect of record will provide an overview of the project. Construction Services will provide initial construction and design-related comments, and flag areas where the project does not meet the Department's Architectural and Technical Standards manual.
DPD Design Review: Following DOH Design review, projects that include zoning changes, City land or TIF funds

are reviewed by DOH and DPD for conformance with City Design Excellence guidelines, zoning and landscape ordinances, public way issues and other urban design concerns.

DOH or DPD Project Managers will share any concerns raised at this meeting with the development team. Depending on the issues raised, the project may need to return to DPD Design Review prior to proceeding to Project Roundtable.

Project Roundtable: Following DPD Design Review approval, and for projects that include zoning changes, City land or TIF funds, DOH or DPD Project Managers will provide an overview of the project to the Department of Planning and Development staff and leadership and receive feedback on Planning-related concerns and questions.

Executive Project Review (EPR): For projects that include zoning changes, City land or TIF funds, DOH or DPD Project Manager provides a final look at the project to DOH and DPD Commissioners and senior management, to resolve all questions and design and policy issues prior to City Council or Committee action.

Zoning Review: For projects that require a zoning change or Planned Development, developments should schedule a Zoning Intake with DPD's zoning division to review plans to determine if the project meets current zoning, requires redesign, or a change in zoning appropriate for the proposed use.

Projects requiring a zoning change will need to submit a Zoning application and present their request to the Committee on Zoning, which meets monthly. The Zoning application is online (linked here).

This process may take several months and can be longer if the project requires planned development or lakefront protection review by the Plan Commission.

Chicago Plan Commission: The Commission reviews and approves multi-family housing financing proposals when a development amends or triggers a planned development, or when City-owned land is being sold. The Plan Commission meets monthly.

Planned Developments (PDs) are typically triggered by project-size thresholds, and are flagged by the applicants Zoning application, linked above. More information on Planned Development thresholds and procedures is online (linked here).

TIF Investment Committee (TIC): Projects that apply to receive TIF funding are presented to the TIF Investment Committee at two separate hearings. The DOH PM leads this discussion at both the Pre-TIC hearing and the TIC hearing. This process takes 2-3 months.

Community Development Commission (CDC): The Commission meets monthly to review and recommend action to the City Council on multi-family housing financing proposals when appropriate (e.g., when utilizing TIF or conveying City-owned land in a TIF). Please note, projects applying to receive TIF funds must receive TIC approval prior to proceeding to CDC.

For projects involving City-owned land, DOH must have received an independent Appraisal and Title for the redevelopment of the disposition parcels for consideration by the City, prior to CDC.

For projects involving City-owned land, CDC approval triggers a requirement for DOH to publicly notice the City land for 30 days. This is typically required prior to City Council introduction.

Internal Loan Committee: DOH Project Managers present the final underwriting and financing for the project for review to representatives from DOH Housing, Monitoring, Finance, Construction and Governmental Affairs divisions.

Internal Loan Committee review is required prior to City Council introduction.

Bond deals typically require two ordinances – Including a bond inducement and final financing approval.

TEFRA Hearing: A TEFRA hearing is required for Tax Exempt Bond deals. A 14-day notice must be published in advance of the TEFRA hearing to be held at Finance Committee

Concurrent Intra-Departmental Reviews include but are not limited to the following, pre-Closing

Mayor's Office for Persons with Disabilities (MOPD) Review and Inspections: Pursuant to forthcoming MOPD procedures, applicants who receive City funding for their projects will be required to engage City-approved consulting inspectors to certify that any required accessible units have been constructed in accordance with their MOPD approved plans and specifications.

Environmental Reviews: The DOH Project Manager coordinates all City-required environmental reviews/approvals with the City's Department of Assets, Information and Services (AIS) Department. Environmental review can take up to six months and AIS approval is a condition of closing.

Sustainability Review: DPD requires that all City-funded new construction and rehab projects meet City sustainability requirements outlined in its Sustainable Development Policy. All projects must complete and submit the Compliance Form to DPD for sign-off, as well as the documentation required in the Handbook. Information is online here.

Building Permit review: Building permit approval is a condition of closing. Building permits must be reviewed by CAC to determine that CAC comments have been incorporated into the final permit, so should be provided to CAC at least one week prior to closing.

City Council Introduction and Approval: The DOH Project Manager prepares a pre-ordinance memorandum to, and arranges a meeting with, the Department of Law to prepare the required ordinance and report for introduction to City Council. The memorandum includes property address, a detailed description of the project (number of units, affordable levels, funding sources), site photos, redevelopment agreement, DOH Commissioner recommendation, reasons for proposal, supporter and opponent information, cost detail and applicant information.

The Chief Financial Officer (CFO) receives copies on deals that require CFO approval (e.g., financing with bond funding).

Prior to City Council introduction, Applicants must have scofflaw and child support approvals, and EDS's must be reviewed and approved by the City's Department of Law.

City Council Introduction typically occurs one month, with the Approval occurring the following month. After Introduction, the project is assigned to a City Council Committee and a Committee hearing is held prior to City Council approval.

Chicago City Council does not meet during the month of August.

Closing: Following City Council approval, the Department of Law begins to draft the City's loan and regulatory agreements. Law will provide the developer with draft financing and land sale documents and a due diligence checklist. Documents may include:

- Redevelopment Agreement
- Economic Disclosure Statements
- Loan Financing documents
- Organizational documents (e.g., partnership structure)
- Lender's Title Insurance Policy
- Owner's Insurance Policy
- DOH Scofflaw Check Results Memorandum
- DOH Compliance Monitoring Approval

Construction Compliance Meeting: Developers and their contractors are required to have two meetings with DOH's Construction Compliance staff. One meeting will occur prior to closing, and the other meeting will occur post-closing. The pre-closing "information meeting" is required to inform developers and contractors of the compliance requirements that will be applicable to their development and the paperwork required to be given to compliance prior to closing. Final Construction and Compliance approval is a condition of closing.

As a condition precedent to closing, all sources of funds other than the proceeds of City of Chicago-sourced financing shall be committed or otherwise secured on terms satisfactory to the Department of Housing, excluding only (i) funding hold-backs required by subordinate financing under state or other public programs as DOH may allow in its sole discretion; (ii) capital contributions from any equity investor subsequent to the capital contributions required at closing; and (iii) any deferred developer fee.

The developer submits required documents and comments on draft loan documents. The DOH Project Manager and Department of Law review submittals for completeness and compliance with all City requirements and request additional information from the developer, if needed, and negotiate issues before closing documents are finalized. The developer submits requested information and negotiates any remaining issues. Loan closing occurs.

Upon closing and prior to the start of construction, Construction Services holds a pre-construction meeting with the developer to review monitoring and other requirements and to issue notice to proceed.

Construction: Construction shall not begin prior to the issuance of the notice to proceed. Upon construction completion, DOH Construction Compliance staff issues closeout compliance certificates, as applicable. Once construction is complete and construction financing converts to permanent financing, long-term monitoring begins.

Construction Draw Process: Monthly construction draws are overseen by DOH's Construction Services Division. Developer meets monthly on site with construction staff and agree on items to be requested on draw. Owner's draw request along with an Owner's Sworn Statement is submitted to DOH's Construction Services for approval. Construction Services, Compliance, and DOH Finance Sections review and sign off on draw request. Once approved, funds are released by Finance section to the title company for disbursement.

Section III: DOH Underwriting Policies

A. Overview

In accordance with DOH policy and state and federal requirements, DOH will perform underwriting analysis on all applications that request DOH resources. Each underwriting analysis will include review and evaluation of the financing sources, development costs, income and operating expenses, and cash flow. The underwriting analysis process is designed to ensure cost-effective use of DOH subsidies as may be necessary for successful affordable multifamily housing development.

DOH may request or require further explanation, justification, or documentation for any questions or issues that are identified during the underwriting analysis process. DOH reserves the right to reduce, adjust, or remove items that do not need the standards and requirements described herein.

B. General Underwriting Topics

Appraisal Requirements

An appraisal is required for the as-is value and the after-rehabilitation or new construction value at completion. These requirements apply to all DOH-assisted multifamily projects. Valuations expressed by the appraisals are the basis for evaluating and measuring the value of vacant, unimproved land and existing properties to determine the amount and terms of financing for a project and the efficient allocation of DOH resources.

An acceptable appraisal is a report that meets the most current standards provided by the most current edition of the Appraisal Foundation's Uniform Standards of Professional Appraisal Practice (USPAP) and must be completed by certified real estate appraiser licensed in the State of Illinois. The City of Chicago must be named as an intended user. The licensed appraiser must conduct a site visit of the subject property.

As-Is Value

All appraisals submitted to DOH shall reflect a total value that can be reduced to a value of the improvements and a value for the land and at a minimum shall include the following values, as applicable:

a) As-is market value with restricted rents for existing properties
b) As-is market value with market rents for existing properties
c) As-is land value (unimproved, vacant land value)

DOH requires the income approach to valuation for existing properties, and the sales comparison approach for vacant, unimproved land. When using the income approach, appraisers shall use actual operating expenses to determine value, though appraisers may compose two separate appraisals, with each respectively utilizing actual operating expenses and adjusted operating expenses. Neither favorable financing terms nor consideration of tax credits may be considered in determining the capitalization rate or the as-is value in connection with the appraisal. DOH reserves the right to limit the amount of DOH resources allocated to a project predicated on the appraised as-is value.

Appraisal Requisition & Updates

Appraisals are to be obtained from a senior lender who has ordered them independently of the prospective borrower. The borrower may pay for the appraisal indirectly, by means of an application or appraisal fee paid to the lender, but in no instance shall an appraisal be accepted that has been ordered and paid for by the borrower directly.

When DOH is the senior lender for a proposed project, the applicant shall order the appraisal and capitalize its cost within the project development budget.

When Illinois Affordable Housing Tax Credits are contemplated as sources in the project budget, the applicant or the donor should provide appraisals to document the value of their donation(s) dated within six months of the date of the donation(s) to the sponsor. In such cases, any costs for environmental remediation must be deducted from the value of the property.

When a private acquisition is contemplated for real property in connection with the proposed project, the applicant must secure an appraisal from an independent third party to determine the value of land or building prior to entering any agreement, option, or contract for project property site control. In no such cases shall DOH allow an acquisition cost that exceeds the as-is value established by an independent appraisal.

DOH may require the appraiser to update the existing appraisal(s) to conform to the requirements described herein. DOH will accept appraisals that are dated no more than 12 months prior to the funding application deadline; for appraisals dated more than 12 months prior to the funding application deadline, the appraiser may provide a letter if there are no material changes to the development and market and if the update meets USPAP and other appraisal industry regulations or guidelines.

C. Physical Condition Assessment Requirements

Purpose

A Physical Conditions Assessment ("PCA") is a third-party professional's report of their opinions of an existing property's overall physical condition and is specifically concerned with the identification of existing deficiencies, deferred maintenance, and building code violations that can affect the property's use and physical integrity. PCAs are an addendum to, not a substitute for, the proposed project's scope of work. The City of Chicago shall be named as an intended user for each PCA report. DOH may conduct or require additional due diligence its review of physical conditions.

Qualifications

PCAs must be prepared and completed by a qualified professional who possesses a valid and current professional qualification/certification/license in architecture or engineering ("qualified PCA professional"). A resume or CV or summary thereof of the qualified PCA professional's experience and qualifications shall be included with the PCA report.

The qualified PCA professional must not have a financial interest in the project apart from preparation of the PCA report, including serving as an architect in any capacity for the project, general contractor, sponsor or general partner, or property manager, though DOH reserves the right to grant exceptions for small projects or certain types of financial restructurings or adaptive reuse projects in its sole discretion.

Definitions

Per ASTM E2018-15, DOH will use the following definitions in its evaluations PCA report information:

Physical deficiency: a conspicuous defect or deferred maintenance of a subject property's material systems, components, or equipment as observed during completion of the PCA. This definition specifically excludes deficiencies that may be remedied with routine maintenance, miscellaneous minor repairs, normal operating maintenance, etc., and excludes de minimis conditions that generally do not present material physical deficiencies of the subject property.

Deferred maintenance: physical deficiencies that could have been remedied with routine maintenance, normal operating maintenance, etc., excluding de minimis conditions that generally do not present a material physical deficiency to the subject property.

Good condition: in working condition and does not require immediate or short-term repairs above an agreed threshold.

Fair condition: in working condition but may require immediate or short-term repairs above an agreed threshold.

Poor condition: not in working condition or requires immediate or short-term repairs substantially above an agreed threshold.

Immediate costs: opinions of costs that require immediate action because of any of the following: (1) material existing or potentially unsafe conditions, (2) material building or fire code violations, or (3) physical deficiencies that if left uncorrected would be expected to result in or contribute to critical element or system failure within one year or will result most probably in a significant escalation of its remedial cost.

Short-term costs: opinions of costs to remedy physical deficiencies, such as deferred maintenance, which may not warrant immediate attention, but require repairs or replacements that should be undertaken on a priority basis in addition to routine preventive maintenance.

Scope

In connection with the multifamily loan and tax credit programs administered by the City of Chicago, DOH requires a PCA for projects involving the use or adaptive reuse or rehabilitation of an existing building. The PCA must conform to ASTM 2018-15 standards and must reflect the current physical conditions. DOH may require the qualified PCA professional to update any report that is more than twelve (12) months old from the date submitted to DOH. Any and all physical condition items that constitute an immediate threat to health and safety must be identified in the PCA, as well as any items of deferred maintenance, material building code violations that could limit the expected useful life of major project building systems or components, and all other significant defects.

Process

The qualified PCA professional shall conduct a site visit and inspection of the interior and exterior of the project site, structures, and improvements, including at a minimum:

- All accessible units
- All common facilities
- All site improvements
- All building exteriors/envelope elements
- Twenty-five (25) percent of all dwelling units for projects with fewer than 50 total dwelling units
- Twenty (20) percent of all dwelling units for projects with 50 to 99 total dwelling units
- Fifteen (15) percent of all dwelling units for projects with greater than 100 total units)

The qualified PCA professional shall interview on-site property management and maintenance personnel with respect to past repairs, scheduled repairs, and existing or chronic physical deficiencies and incorporate such information into the PCA.

D. Market Study Requirements

Introduction

For each project receiving tax credits, the developer is required to obtain an independent, comprehensive, timely, and professional market study. The purpose of the market study is to analyze the current market area to determine if sufficient need for the proposed affordable development exists.

The study should be prepared by a market analyst, unaffiliated with the developer, who has experience with multifamily rental housing, and must include a statement of the competence of the market analyst.

DOH reserves the right to conduct its own independent due diligence to determine if a market exists for the proposed project and to require additional information and/or an additional market study.

Content

Market studies must be composed in accordance with the NCHMA Model Content Standards for Market Studies for Rental Housing, including use of NCHMA's Market Study Terminology and the sections indicated below.

Executive Summary

An executive summary is a statement that concisely reviews the essential market study requirements and recommendations and suggested modifications and key findings in connection with the proposed development, not to exceed one page in length if possible.

Conclusion

The conclusion is a concise statement by the market study author that indicates a market exists or does not exist for the proposed project. This conclusion must include the estimated time needed to fully lease up the proposed project's rental units as well as the estimated stable year vacancy rate, with a detailed explanation and justification provided for any stable year vacancy rate in excess of seven (7) percent and/or any projected lease-up timeframe in excess of twelve (12) months.

Site Description

A description of the project and its site.

PMA Description

The PMA description shall include a map of the primary market area ("PMA") for the proposed project including methodology used by the author in determining boundaries for the PMA.

Rent Comparison

A description of rent levels and vacancy rates of comparable properties, including a chart showing pro forma and achievable rents ratio to maximum program rents, derived market rents, current FMR rents, and 90 percent FMR rents.

Income Qualification & Demand Analysis

A description of the capture rate, i.e., the number of income qualified renter households in the PMA divided by the number of units in the PMA. Include a demand analysis, if applicable, including the expected market absorption of the proposed rental housing, and a description of the effect on the market area. For fully occupied projects where the extent of rehabilitation will not result in permanent relocation of current tenants, the market study need only address vacancy rates at the subject project and comparable developments. For projects involving new construction, rehabilitation with permanent displacement, the market study needs to include a demand analysis.

Public Services Description
A description and analysis of public services, amenities, infrastructure, community services, and employers in the PMA.

Subsidized Development Description
A description of all multifamily projects in the PMA that received City of Chicago, IHDA, National Housing Trust Funds, or HOME funds, both operating and not yet placed in service, with comparison of rents, amenities, unit sizes, bedroom sizes, and populations served.

Vacancy Rate
Identify the recent trends and the current overall rental vacancy rate for the project and comparable developments in the market. Include a discussion of any vacancy or absorption problems in the market or sub-market, if relevant.

Comparable Development
Description of market comparable developments located in the PMA.

E. Determination of Tax Credit Amount

Section 42(m)(2) of the Internal Revenue Code of 1986, as amended, requires that DOH not allocate to a project a LIHTC dollar amount more than the amount that DOH determines necessary for its financial feasibility and its viability as a qualified low-income housing development throughout the tax credit period. In making its determination of tax credit amount allocated to a project, DOH will evaluate each proposed project, considering such factors as it determines relevant, including, but not limited to:

- Project cost, including the reasonableness of cost per unit, cost per square foot, developer fees, consultant fees, contractor fees (general conditions, overhead and profit), and syndication costs
- Sources and uses of funds and the total financing planned for the project, including the ability of the project to service debt
- Project income and expenses, including a determination of the reasonableness of the proposed operating costs
- The proceeds or receipts expected to be generated because of tax benefits
- The percentage of the tax credit dollar amount used for project costs other than the cost of intermediaries
- The use of federal funds and other assistance (applicable HUD subsidies will be subject to a Subsidy Layering Review based on HUD's most current SLR guidelines)
- Other factors that may be relevant to the economic feasibility of the project, such as the area economy or the housing market

DOH, solely in its discretion and in no way as a representation as to the actual feasibility of the project, will estimate the amount of LIHTC to be reserved for the project based on this evaluation as a basis for making awards of competitive 9% LIHTC or as an initial determination of tax credit amount with respect to a project financed by tax-exempt bonds. The amount of tax credits may change in the allocation process due to variations in cost, mortgage amount, tax credit percentage, syndication proceeds, etc.

The analysis to determine the tax credit amount shall be done (i) when an application is submitted (ii) at the time an allocation is made, and (iii) as of the date that DOH determines that the building(s) in a project is(are) placed in service and issuance of the IRS Form(s) 8609 by the Department. The Department may determine not to award the full amount of tax credits for which the project is eligible. The Department reserves the right to set per-project tax credit award limits.

F. Cash Flow Definition

As determined by the Commissioner of the Department of Housing in consultation with the DOH Internal Loan Committee, the Department may originate new loans with, or may require modification to existing City debt terms to include cash flow-based or fixed payment provisions for repayment when project circumstances warrant such a debt service structure.

Cash flow shall be verified by DOH from a review of independently audited financial statements for the project as required under DOH loan documentation. With respect to any loan payments to the City of Chicago calculated as a percentage of the project's cash flow, "cash flow" will be defined, if not defined in other terms in the loan documents, as gross cash receipts to the project in connection with the operations of the project in the ordinary course of business including rental subsidies and construction contingency but excluding capital contributions, loan proceeds, grants, and the proceeds of capital transactions, and minus any:

1. Supported payments made for the following project operating expenses:
    a. Owner-paid utilities
    b. When not funded through project reserves: Reasonable maintenance, repairs, and necessary replacements
    c. Maintenance salaries and payroll taxes
    d. Real estate taxes
    e. Insurance premiums
    f. Reasonable professional and management fees
    g. Reasonable miscellaneous fees
    h. Service coordinator/supportive services – requires DOH approval to be included

2. Replenishment of the operating reserve account up to the maximum of its original established amount through Year 10
3. Any required payments deposited to the reserve for replacements
4. Payment of a deferred developer fee
5. Reasonable asset management fees required by the syndicator if not capitalized
6. Debt service on loans with a superior mortgage lien position with respect to the City of Chicago-sourced debt, excluding all general partner and/or partner/partnership notes/mortgages

Depreciation expense, any other noncash expenses, fees payable to the owner, the general partner of the owner, or any affiliate thereof (except reasonable professional and management fees as approved by DOH in its sole discretion), any other noncash expenses, and capital expenses paid for by project reserves shall not be considered operating expenses.

The partnership definition of "net cash from sales and refinancing" (or other applicable term or related activity) must be provided to DOH for review and approval.

G. DOH Mortgage Terms

The loan term for DOH-sourced mortgage financing will be co-terminus with the first mortgage (if any) and will generally be for a minimum of 30 years. City-sourced debt may be required to bear interest at contract rates ranging from zero (0) percent to three (3) percent per annum, subject to applicable federal, state, and local rules and regulations; amortization will be on a 30- to 40-year schedule. If there is sufficient cash flow projected by the project pro forma, DOH may require payment of interest and/or amortization in connection with City-sourced debt financing. To assure ease of documentation and administration, loan repayments may be fixed and not subject to an annually-payable percentage of cash flow. DOH will forego debt service in order to increase private financing and/or affordability, if necessary.

H. Cooperatives as Developers and Owners

DOH will make loans to affordable housing developments which will be owned or affiliated with housing cooperative ("cooperative projects") subject to the following ownership and management conditions.

Ownership: The property owner and obligor on DOH's loans is one of the following:

a) An established cooperative with a proven track record in housing development and property management.
b) A limited partnership in which the limited partner consists of investors in tax credit syndication and the general partner is an experienced developer who demonstrates the ability and willingness to provide housing and technical assistance to the cooperative.
c) A joint venture comprised of a cooperative and an experienced developer. The developer must demonstrate the ability and willingness to provide technical assistance to the cooperative. DOH will entertain formal requests to replace the joint venture as borrower with the cooperative when the development has been completed and occupied and the cooperative has demonstrated its ability to own and manage the property without assistance. DOH makes no assurance that such a request will be approved.

Property and Asset Management: The cooperative must retain the services of an experienced property management firm (which may be its partner) until DOH agrees that the cooperative is ready to assume this responsibility. It will be a condition of the DOH loan that newly formed cooperatives undergo a training program to ensure gradual, meaningful participation in the operation and management of the property. A management plan containing provisions for measurable cooperative progress through various phases of increasing involvement in the management of the property to the point where the cooperative is ready to assume overall responsibility for management shall be required in connection with cooperative projects. In such cases, the management plan shall also contain planning provisions with respect to the cooperative ownership or management of the property in connection with the termination of the initial 15-year tax credit compliance period and/or restructuring of ownership to accommodate the disposition of the original limited partner interests on or after the termination of the initial 15-year tax credit compliance period. If the cooperative is already experienced in property management, DOH may, in its sole discretion, determine that the services of an outside management firm are not necessary.

I. Development Budget & Financing

Overview

Cost Reasonableness

Total development costs shall be evaluated on a per unit and per square foot basis with comparison to costs in connection with similar developments, as determined by type of construction and population served. Additional information may be required for developments that exceed expected budget projections as informed by similar affordable multifamily developments from current and/or previous years; in such cases where developments do not provide sufficient justification or response (in DOH's sole discretion), budgets may be subject to adjustment to match these conventions.

Sources & Uses

All development costs must be identified, including acquisition, construction, infrastructure, environmental, commercial, professional fees, lender fees, construction period costs, tenant relocation costs, developer fees, reserves, and other soft costs. All "other" line items utilized in the development budget must include explanation.

Equity Contributions & Pay-in

An owner (borrower) must contribute a minimum of 10% of total project costs as equity to the project. Eligible equity sources may include grants or gifts, developer's cash, proceeds from tax credit syndication, and the value of land and building contributed to the project. A minimum of $100 from a general partner is required in Low Income Housing Tax Credit projects.

All owner and investor or syndicator equity, or bridge financing in the form of a secured loan or letter of credit, must be deposited in escrow at closing and is the first funding disbursed, with the exception of final installments of the developer's fee and reserves. DOH in its sole discretion, may approve an alternative schedule for equity pay-in.

An acceptable alternative approach allows for a minimum of 25% of total equity to be deposited as cash in escrow at closing. With the exception of final installments of the developer's fee and reserves, the remainder of equity should be a secured loan or letter of credit, which can be drawn pro rata with senior, DOH and other loans. Under no circumstances will any remainder of equity needed to fund construction, which has not been deposited at closing, be unsecured.

Developers should show DOH the terms of their equity syndicators and should demonstrate that they have maximized the tax credit equity raised. Developers are required to submit a comparative analysis of three investors' bids, including a comparison table of each bidder's terms, pay-in schedule, pay-in rate, fees, guarantees, etc. The analysis and chart are due with the Stage Two Submissions of the multifamily financing application to allow the DOH Financial Analyst to review the rationale supporting a developer's selection when underwriting the financing request, prior to presentation to DOH's loan committee.

For projects financed with tax-exempt bonds but without a DOH loan, DOH, in its sole discretion, may approve an alternative schedule for equity pay-in.

Acquisition, Predevelopment Holding Costs & Bridge Loan Financing

Because of the length of time required to assemble properties and obtain financing for an affordable housing development, DOH will allow reimbursement of reasonable out-of-pocket costs, or repayment of acquisition loans and reimbursement of predevelopment costs that are essential to holding properties acquired for development, to be included in the development budget. Eligible costs are limited to those incurred from the date of acquisition for the intended affordable housing development through the date of closing on development financing but should not exceed a two-year period prior to the submission of the DOH application. DOH funds will only be used for expenses that are eligible under the specific sources of funding for a project.

Eligible holding costs may include: Real estate taxes, property insurance, board-up, security, utilities, emergency repairs, interest expense on loans from an outside institution, and legal fees directly related to owning and maintaining the property. Building repairs that preserve a building's physical condition and protect the health and safety of a building's residents and the surrounding community. For example, emergency repairs of rear porches are eligible.

Ineligible holding costs include: Inessential repairs or those that need to be redone as part of the newly financed project; costs of holding property which was not initially acquired for the specific rehabilitation project under consideration; and any costs incurred more than two years prior to the submission of the application.

Eligible holding costs in occupied and partially occupied buildings include: Reimbursement only to the extent that costs exceed net operating income less debt service during the period between acquisition and loan closing.

The Department will require evidence of expenditures in the form of invoices, cancelled checks, and/or audited financial statements to document all costs.

The Department of Housing strongly prefers to minimize acquisition costs for property to be redeveloped as affordable housing. Developers planning to privately acquire property should consult with DOH before entering into site control agreements with sellers. If private acquisition is permitted by DOH, acquisition costs (purchase price plus payments for taxes or other liens) allowed in the development budget shall not exceed the as-is value of a property (as determined by an independent appraisal), subject to review and adjustment by DOH staff. Any acquisition cost determined to be more than the appraised value shall be borne by the developer outside of the development budget.

The Department is unable to provide bridge loan financing (interim loans to cover temporary gaps resulting from equity investor pay-in structures) to projects due to the need to conserve resources for construction and permanent financing.

J. Construction Contingency

A 10% hard cost construction contingency is required for rehabilitation, and a 5% construction contingency is required for new construction. The percentages are a factor of the total hard costs (excluding general contractor's overhead, profit, and general conditions), including the following line items: site improvements and demolition, rehabilitation or new construction, environmental remediation, and other hard costs. Any change in these percentages is subject to the written approval of the Deputy Commissioner for Construction & Compliance.

When calculating tax credit basis for City-sourced Section 42 housing tax credits, construction contingency will not be counted, provided however, when projects are utilizing Section 42 housing tax credits allocated pursuant to the satisfaction of certain requirements in connection with the utilization of tax-exempt bond financing, 100% of construction contingency may be counted in basis only if there is no other DOH gap funding.

Acceptable uses of contingency include unforeseen but required (in DOH's sole discretion) changes to the scope of work; "betterments" that, in DOH's sole discretion, are not required changes to the scope of work are not an eligible use of contingency funds. Disbursements are to be made only after DOH written approval of change orders to the construction contract, regardless of the source of funds for the requested change. Any unused contingency will be retained by the City of Chicago. Increases in construction costs that exceed the contingency will be borne by the developer or general contractor. The contingency shall not be used to pay for increases in wages and materials.

Contingency shall be funded by DOH gap financing as applies (HOME, CDBG, TIF, etc.), so that DOH is disbursing only the amount deemed necessary to complete the project. Excess project proceeds are savings to the City and shall be applied to pay down the city gap financing in the final draw. As stated in the City Escrow Agreement, all other private funding sources, whether loans, grants or equity, are expected to be fully disbursed; only public sources (city, CHA, IHDA, as apply) are considered gap financing and may be paid down pro rata.

K. Developer Fee

DOH requires that the total developer fee for a project (i.e., the total realized developer fee plus the total of any deferred developer fee for the project, which includes consultant fees and developer overhead) shall not exceed the amount contributed to the project by the City of Chicago. The developer fee may not exceed the lesser of:

- Ten percent (10%) of the first $5,000,000 of a project's total development costs excluding the developer fee ("Adjusted TDC"), plus five percent (5%) of Adjusted TDC thereafter, not to exceed $2,500,000 in total or six percent (6%) of Adjusted TDC, not to exceed $2,500,000 in total

For projects that use HUD subsidies and are subject to a HUD Subsidy Layering Review, HUD permits a "safe harbor" total developer fee ceiling standard of 15% of a project's total development costs excluding the developer fee.

DOH permits disbursement of the developer's fee in three installments: (1) no more than 50% at closing; (2) an additional 25% at construction completion; and (3) the remaining 25% at final completion of the project. If IHDA, an equity syndicator, or other funders have a more conservative policy and require holdback of the final 25% installment at a later date, such as after lease-up or stabilization, then the more conservative policy applies.

It is required for HOME funded projects that at least 10% of the final installment of the developer's fee must be funded with HOME and not funded until lease-up, or other period to be determined, subject to the written approval of the Deputy Commissioner for Construction & Compliance.

L. Commitments

All sources of financing must be identified, including tax credit equity, hard debt, soft or non-recourse debt, gap financing, seller or "takeback" financing, development team contributions, interest during construction, and use of reserves for development costs.

Equity

DOH will evaluate the conditional equity commitments provided by the syndicator/investor. Conditional equity commitments must include the following items:

- Proposed terms and conditions
- Gross and net low-income housing tax credit equity amounts and net equity pricing (must be distinguished from other tax credit types and amounts projected from syndication for those types when applicable)
- Detailed equity pay-in scheduled with equity pay-in during construction delineated from equity paid in at other times.

Debt

DOH will evaluate all debt funding source terms and may underwrite the project at different terms for any funding source for which DOH determines will cause excessive or unnecessary subsidy. Conditional financing commitments should be submitted at initial application and updates provided when necessary, prior to closing.

Other
All sources identified in the application must include a conditional commitment letter at initial application and updates provided when necessary, prior to closing. If other sources involve a competitive funding process for which funding recipients have not yet been announced or federal or state historic tax credits, DOH may allow additional time to provide a conditional commitment letter. DOH will require an alternate plan to provide capital that would otherwise be provided pursuant to such competitive funding round(s) if unsuccessful in any non-DOH competitive funding round.

M. Operating Budget

Operating Cost Reasonableness
DOH shall evaluate operating cost reasonableness by comparison to costs in connection with similar developments, as determined by type of building, population served, and type of financing. DOH reserves the right to use other data sources to inform any determination it makes with respect to operating cost reasonableness.

Additional information may be required for developments that exceed expected operating budget projections as informed by similar affordable multifamily developments from current and/or previous years; in such cases where developments do not provide sufficient justification or response (in DOH's sole discretion), budgets may be subject to adjustment to match these conventions. Developments will be subject to any expense requirements imposed by specific subsidy program requirements or provisions, if applicable.

Vacancy Rates
Residential: To calculate total effective gross income, the required residential vacancy assumption is seven percent (7%) per year over the subsidy period. Justification is required for a vacancy rate assumption that deviates from 7% per year. DOH shall review the market study and appraisal to determine conditions which shall influence this rate.

Commercial: Fifty percent (50%) is the standard rate and is established based on amount of commercial space, nature of use, location, market and other conditions

Income & Expense Escalation
Escalation Factor for Project Rental Income: Trended at a two percent (2%) annual escalation rate over the subsidy period. Justification is required for increases outside this range.

Escalation Factor for Project Operating Expenses: Trended at a three percent (3%) annual escalation rate over the subsidy period. Justification is required for increases above 3%.

Management Fees
Fees for property management shall not exceed seven percent (7%) of gross operating revenue. These fees include administrative expenses, office supplies and utilities, marketing, accounting, and rent collections. The following categories are not included in the management expense and shall be identified as separate line items: annual audit, legal cost for evictions, janitorial expenses, and on-site management. The Department will determine whether on-site management is necessary and should be funded on an as-needed basis.

For developments which include units designated for CHA tenants and which receive contracted CHA operating support, an imputed management fee for property management would consider the rents for the CHA units to be at the same level as similar non-CHA units within the project when calculating the fee as a percentage of gross operating revenues.

N. Debt Service Coverage Ratio

The minimum acceptable debt service coverage ratio (or in cases where the proposed project has no or de minimis hard debt, the ratio of operating income to operating expenses) is 1.20 for the first year of stabilized operations. Exceptions may be considered only if the project indicates improved and upward trends in DCR sustained over 15 years, or if other credit enhancement conditions (e.g., HUD mortgage insurance) or rental subsidy may be present.

Projects must maintain positive debt service coverage (i.e., at least 1.0 for all regularly-payable secured debt) during the projected subsidy period. A debt service coverage ratio in excess of 1.20 for the LIHTC compliance period is subject to the City's sole discretion. DOH may require terms and conditions in connection with its assistance to provide for compliance with the debt service coverage ratio provisions described in this section.

Section IV: Information and Regulations

The following section provides additional details and references for required application elements.

A. Neighborhood Map Specifications

Area of Coverage:

- One (1) 1/2-square mile centered on project site(s), and
- One (1) 1-mile centered on project site(s)

Required Information and **Items to be Designated:**

- Proposed Site(s)
- Public Transportation (El lines and bus routes)
- Main thoroughfares and Business/commercial areas
- Parks, Schools and Hospitals
- Abandoned buildings
- Vacant lots
- Non-DOH Projects Developed by Applicant/Sponsor
- Other DOH-Funded Projects developed by Applicant/Sponsor
- DOH-funded Projects by Others (if known)
- Other Residential Investment in Area

Note: If public, institutional, commercial and recreational facilities that will serve the site are located "off the map," indicate this fact on the map with a label, e.g., "Major Commercial 1/4 mile North."

B. Requirements for Community Input Plan

The DOH Multi-family Financial Assistance Application requires developers to provide a description of the community engagement process and outcomes associated with the project, including any support and opposition to the project. Outcomes from meaningful and inclusive community engagement can help DOH staff assess the value that proposed projects bring to individuals, communities, and the city of Chicago. The Plan for Community Input included in the applicant's proposal should demonstrate an engagement process that is transparent and community driven.

Components of a Community Input Plan

The plan for community input should quantify and detail outreach activities planned for collecting feedback on the proposal and may include but are not limited to the following:

- Strategies for facilitating and collecting feedback (i.e., open discussion, surveys, voting etc.)
    - *Example:* describe how community conversations will be facilitated and what the tools will be used to capture community members' feedback. Document how feedback will be incorporated into the project and communicated back to community members.
- Description of possible barriers posed for some community members based on engagement strategy and activities deployed and the identification of accommodations to overcome stated barriers
    - *Example:* Describe in planning document who might be burdened by the different types of engagement and identify accommodations made, such as location, accessibility, time, and language, to address burdens.
- Description of trust-building activities and authentic outreach approach
    - *Example:* Relationship building questions at the start of the meeting that help establish what interest participants have in the project. Consider partnering with trusted community organizations in the area to facilitate activities.
- # of virtual or in-person meetings held or planned with dates, times, number of attendees, and attendees' relationship to the community/proposed development
    - *Example:* Have a sign-in sheet for virtual or in-person events where participants list their name, connection to the community project, and have the event name, date, and time on the top of the sheet.
- Results from virtual and/or in-person events in the form of comments, survey results, votes, etc. (if available)
    - *Example:* Provide summary of results and themes from engagement processes in a report out to community members.
- # and type of communication shared with community online or in other formats with details on engagement (i.e., likes, shares, responses)
- Links to website, social media, news articles etc. promoting proposal
- Document how ongoing engagement will be conducted throughout the project and not just during the planning phase
    - *Example:* Provide a timeline of engagement in the planning document and consider developing tenant advisory councils once the building is in service.

Demonstrating commitment to racial equity and marginalized populations

Equity is one of DOH's core values. DOH prioritizes housing equity for Chicagoans who are marginalized by race, ethnicity, citizenship, ability, sexual orientation, arrest or conviction record, or income. Undoing historical harms as described in our Racial Equity Impact Assessment are vital to the department's mission and vision. Applicants must demonstrate that they have taken authentic actions to understand systemic inequities, racial disparities, climate resiliency, and equity in their engagement plans. Strong community input plans will demonstrate a commitment to equity by including the following:

- Demographic data of neighborhood including race, ethnicity, age, health outcomes, life expectancy, climate issues, and gender
- Description of any accommodations made or planned to ensure inclusive participation (i.e., multiple meetings held at different times/locations/platforms, language translation, physical/digital accessibility considerations)

- Impact of systemic racism in the community
- Cultural understandings of existing population and partnerships with community organizations

Recommended Resources

Chicago Department of Housing, *Racial Equity Impact Assessment - Qualified Allocation Plan,* *https://www.chicago.gov/content/dam/city/depts/doh/qap/qap_2021/draft_reia_qap.pdf*
Chicago Department of Housing, *Mission, Vision and Values,* https://www.chicago.gov/city/en/depts/doh/auto_generated/doh_mission.html
Elevated Chicago, *Community Engagement Principles & Recommendations*, https://www.elevatedchicago.org/engage/
What Works Cities, *A Guide to Remote Community Engagement, https://medium.com/the-guide-to-remote-community-engagement*

C. Relocation under Department of Housing

DOH policy requires that tenants who are either temporarily relocated or permanently displaced as a direct result of acquisition, rehabilitation, or demolition of housing units for a project assisted by the City, receive relocation assistance consistent with the Uniform Relocation Assistance and Real Property Acquisition Act, as amended (the "URA"), 49 CFR Part 24. The Act applies to all projects assisted with federal funds. In addition to requirements under the URA, the City has two ordinances governing relocation for specific populations: the SRO Preservation Ordinance (SROPO), governing relocations in single-room occupancy buildings, and the Chicago Relocation Plan Ordinance (CRPO), governing relocations in senior buildings. Developers have a responsibility to be familiar with their relocation obligations and should reach out to DOH with any questions about applicability to their project.

Any application for assistance submitted during the City of Chicago's 2021 QAP which involves an occupied property will require that developers submit, as part of Stage One of the multi-family application, a Relocation Overview form, found on DOH's website here. Projects awarded funding involving relocation or displacement will be required to submit a full Relocation Plan and other documents as necessary prior to loan closing. It is important that developers of any project potentially involving relocation meet with the DOH URA Coordinator early in the development process.

Permanent Displacement Policies

Lawful permanently displaced entities as defined under the URA must:

1. Be offered relocation assistance and benefits as required under the URA; except where their tenancies are terminated under appropriate grounds, or where occupancy is taken after the loan closing with advance written notice from the owner of the pending potential displacement.
2. Be given a reasonable choice of opportunities to move to a comparable replacement dwelling.
3. Be provided with appropriate advisory services including information, counseling, referrals, assistance filling out URA claim forms and other services.
4. Be required to move from his/her dwelling or to move his/her business with no less than 90 days advance written notice of the earliest date by which he/she may be required to move; nor shall any resident be evicted (except for just cause) after the loan closing.
5. Be paid reasonable and necessary moving expenses and replacement housing payments.

Temporary Relocation Policies

A tenant may be required to temporarily relocate if this is necessary to carry out the project. Temporary relocation may not exceed 12 months; a decent, safe, and sanitary dwelling in an area which will not result in unreasonably adverse environmental conditions must be available to the tenant while relocated; and the tenant must be reimbursed for actual, reasonable out-of-pocket expenses, including moving costs to and from the temporary occupied dwelling and any increase in monthly housing costs (rent and reasonable utility costs) incurred during the relocation. If the new dwelling unit is not ready for occupancy within 12 months of the initial relocation, the tenant must be notified of the earliest date by which it will be ready, and the tenant will have the right to agree to wait until the extended date or to become permanently displaced and receive permanent displacement assistance.

D. Summary of Section 3 of the Housing and Urban Development Act of 1968, as amended

Section 3 is a provision of the Housing and Urban Development Act of 1968, as amended by the Housing and Community Development Act of 1992 (24 CFR §135). The legislation requires that economic opportunities (employment, training, and contracting) generated by certain U.S. Department of Housing and Urban Development (HUD) financial assistance for housing and Housing shall, to *the greatest extent feasible*, be given to low- and very low-income persons (Section 3 residents).

A project is determined to be covered by Section 3 requirements based on the amount of public financial assistance. If the amount of financial assistance to the project exceeds $200,000, the project is subject to section 3 regulations. In addition, if an individual construction contract or subcontract exceeds $100,000, these requirements are passed on for implementation to the contractor or subcontractor. If a developer is acting as a general contractor, the dollar threshold which triggers section 3 requirements is $100,000. Section 3 requirements apply to the entire project or activity that is funded with federal assistance regardless of whether the activity is fully or partially funded from federal resources.

Recipients and covered contractors may demonstrate compliance with the *greatest extent feasible* requirement of section 3 by meeting the numerical goals for providing employment and contracting opportunities to section 3 residents and business concerns. Developers, as recipients of section 3 covered housing assistance, have the responsibility of ensuring compliance in the operations of its contractors and subcontractors. Contractors and subcontractors are required to commit to hire section 3 residents for 10% of the new hires needed to complete a particular project. Section 3 residents are defined as low- and very low-income individuals (under 80% of median income). New hires are defined as all employees not on an ongoing payroll, hired to complete a project. Also, section 3 business concerns must receive a set percentage (10% for building trades, 3% for non-building trades (e.g., architecture, engineering) of the total amount of all section 3 covered contracts. Section 3 business concerns are defined as a business concern: (1) that is 51% or more owned by section 3 residents; (2) whose permanent, full-time employees includes persons, at least 30% of whom are currently section 3 residents, or within three years of the date of first employment with the business concern were section 3 residents; or (3) that provides evidence of a commitment to subcontract in excess of 25% of the dollar award of all subcontracts to be awarded to business concerns that meet the qualifications of (1) and (2) above.

Section 3 does not require recipients or contractors to create training programs for low- and very low-income persons solely in an effort to comply with the regulations. However, where training opportunities exist in connection with section 3 covered projects, they must in part, be directed to section 3 residents.

The City encourages all developers, contractors and subcontractors on DOH-funded projects to surpass the minimum requirements described above and undertake additional efforts to provide low- and very low-income persons with economic opportunities.

E. City Resident Hiring Preference Ordinance

The City Resident Hiring Preference Ordinance was passed by the City Council on May 18, 1994. This ordinance amends Section 2-92-330 of the Municipal Code to state that for construction projects greater than $100,000, "the total hours worked by persons on the site of the construction project by employees of the contractor and subcontractors shall be performed at least 50% by actual residents of the City of Chicago." Contractors are required to maintain residency records for their employees and submit weekly certified payroll reports to the City. The ordinance provides for monetary and other penalties for failure to comply.

Any project with a total cost greater than $100,000 that is funded with a DOH loan or tax-exempt bonds will be subject to the residency requirements. Implementation and monitoring of the requirements will be performed by DOH's compliance monitoring section. This section already monitors compliance with Section 3 of the Housing and Urban Development Act of 1968, Davis-Bacon wage requirements, and MBE/WBE legislation.

F. Insurance Requirements

Mortgagor shall procure and maintain, or cause to be maintained, at all times, at Mortgagor's own expense, until final repayment of the indebtedness secured hereby, the types of insurance specified below, with insurance companies authorized to do business in the State of Illinois covering all operations contemplated in connection with the Project, whether performed by Mortgagor, the General Contractor, any Subcontractor or others.

The kinds and amounts of insurance required are listed below. Additional insured endorsements for certain policies may be required by the City's Risk Management office.

a) *Workers Compensation and Occupational Disease Insurance*
Workers compensation and occupational disease insurance, in accordance with the laws of the State of Illinois, or any other applicable jurisdiction, covering all employees who are to provide a service in connection with the Project and employer's liability coverage with limits of not less than $100,000 per each accident or illness.

b) *Commercial Liability Insurance (Primary and Umbrella)*
Commercial liability insurance or equivalent with limits of not less than $1,000,000 per occurrence, combined single limit, for bodily injury, personal injury and/or property damage liability. Coverage extensions shall include the following: all premises and operations, products/completed operation, independent contractors, cross liability and contractual liability coverages (with no limitation endorsement). Mortgagee, its employees, elected officials, agents and representatives shall be named as an additional insured on a primary, non-contributory basis for any liability arising directly or indirectly from the Project.

c) *Automobile Liability Insurance (Primary and Umbrella)*
When any motor vehicles (owned, non-owned and hired) are used in connection with the Project, Mortgagor shall provide comprehensive automobile liability insurance with limits of not less than $1,000,000 per occurrence, combined single limit, for bodily injury and property damage. Mortgagee shall be named as an additional insured on a primary, non-contributory basis.

d) *All Risk Property Damage*
Mortgagor shall obtain an all-risk property policy in the amount of full replacement value, including improvements and betterments, covering damage to or loss of the Premises. The insurance shall include

the following extensions: business interruption/loss of rents, and boiler and machinery, if applicable. The policy shall list Mortgagee as loss payee as their interest may appear.

e) *All Risk Builders Risk Insurance*
When Mortgagor, the General Contractor or any Subcontractor undertakes any construction, including improvements, betterments and/or repairs, to the Premises, all risk builder's risk insurance shall be procured and maintained to cover materials, supplies, equipment, machinery and fixtures that are or will be part of the Premises. Mortgagee shall be named as loss payee as their interest may appear.

f) *Railroad Protective Liability Insurance*
When, in connection with the Project, any work is to be done adjacent to or on property owned by a railroad or public transit entity, Mortgagor shall procure and maintain, or cause to be procured and maintained, with respect to the operations that Mortgagor, the General Contractor or any Subcontractor shall perform, railroad protective liability insurance in the name of such railroad or public transit entity. The policy shall have limits of not less than $2,000,000 per occurrence, combined single limit, and $6,000,000 in the aggregate for losses arising out of injuries to or death of all persons, and for damage to or destruction of property, including the loss of use thereof.

g) *Contractors' Pollution Liability Insurance*
When any environmental remediation work is undertaken by Mortgagor, the General Contractor or any Subcontractor in connection with the Project, contractors' pollution liability insurance shall be procured with limits of not less than $1,000,000 covering all construction and related work undertaken in connection with the Project. Mortgagee is to be named as an additional insured on a primary, non-contributory basis. Mortgagor, the General Contractor and any Subcontractor shall comply with any additional insurance requirements that are stipulated by the Interstate Commerce Commission's regulations, Title 49 of the Code of Federal Regulations, Department of Transportation; Title 40 of the Code of Federal Regulations, Protection of the Environment and any other federal, state or local regulations concerning the removal and transportation of Hazardous Materials.

Mortgagor shall furnish the City of Chicago, Department of Housing, 121 N. LaSalle Street, Room 1000, Chicago, Illinois 60602, original certificates of insurance evidencing the required coverages to be in force on the date hereof, and renewal certificates of insurance, or such similar evidence, if the coverages have an expiration or renewal date occurring during the term hereof.

The receipt of any certificate does not constitute agreement by Mortgagee that the insurance requirements of this Section have been fully met or that the insurance policies indicated on the certificate are in compliance with all requirements. The failure of Mortgagee to obtain certificates or other insurance evidence from Mortgagor shall not be deemed to be a waiver by Mortgagee. Mortgagor shall advise all insurers of the provisions of this Section regarding insurance. Non-conforming insurance shall not relieve Mortgagor of its obligation to provide insurance as specified herein. Nonfulfillment of the insurance conditions of this Section may constitute an Event of Default, and Mortgagee retains the right to suspend disbursement of Loan proceeds until proper evidence of insurance is provided.

All insurance policies shall provide that Mortgagee shall be given 30 days' prior written notice of any modification, nonrenewal or cancellation.

If Mortgagor fails to obtain or maintain any of the insurance policies required under this Mortgage or to pay any premium in whole or in part when due, Mortgagee may (without waiving or releasing any obligation or Event of Default by Mortgagor hereunder) obtain and maintain such insurance policies and take any other action which Mortgagee deems advisable to protect its interest in the Premises, including acceleration of the Note. All sums so disbursed by Mortgagee, including attorneys' fees, court costs and expenses, shall be reimbursed by Mortgagor upon demand by Mortgagee.

Mortgagor shall require the General Contractor and all Subcontractors to carry the insurance required herein, or Mortgagor may provide the coverage for any or all of the General Contractor and Subcontractors, and, if so, the evidence of insurance submitted shall so stipulate.

Any and all deductibles or self-insured retention on the insurance coverages required herein shall be borne by Mortgagor, the General Contractor or the appropriate Subcontractor, as applicable.

Mortgagor expressly understands and agrees that any insurance coverages and limits furnished by Mortgagor shall in no way limit Mortgagor's liabilities and responsibilities specified under any of the Loan Documents or by law.

Mortgagor agrees and shall cause the General Contractor to agree that all insurers shall waive their rights of subrogation against Mortgagee, its employees, elected officials, agents or representatives.

Mortgagor expressly understands and agrees that any insurance or self-insurance programs maintained with respect to the Premises by Mortgagee shall apply in excess of and not contribute with insurance provided by Mortgagor, the General Contractor or any Subcontractor under this Section.

The insurance required hereunder to be carried shall not be limited by any limitations expressed in the indemnification language herein or any limitation placed on the indemnity therein given as a matter of law.

If Mortgagor, the General Contractor or any Subcontractor desires additional coverage, higher limits of liability, or other modifications for its own protection, Mortgagor, the General Contractor or such Subcontractor, as appropriate, shall be responsible for the acquisition and cost of such additional protection. Mortgagee maintains the right to modify, delete, alter or change these requirements.

G. Davis Bacon/Prevailing Wage Rates

Project owners that receive federal funds for a minimum number of units, which varies by funding source, are required to pay prevailing rates to construction workers pursuant to 40 U.S.C. Section 276a-5 (the "Davis Bacon Act"). CDBG funded projects with eight or more units fall under this provision; HOME and Rental- Rehab funded projects with 12 or more units fall under this provision.

Prevailing rates are minimum hourly wages and minimum fringe benefits as determined by the U.S. Department of Labor for Cook County. All construction workers, whether employed by a general contractor or subcontractor, are covered by this provision.

The developer and general contractor are required to attend a pre-construction conference with the Department of Housing compliance monitoring section to review the requirements for compliance with the Davis Bacon Act.

H. MBE/WBE Participation Requirements

The Municipal Code of the City of Chicago, Chapter 26, Section 101-113 requires specific levels of participation by minority and women owned businesses on contracts and contractual activity generated by the City. In general, 26% of construction contracts are required to be awarded to minority business enterprises (MBEs) and 6% to women business enterprises (WBEs).

MBEs and WBEs must be certified by the City of Chicago Department of Procurement Services or Cook County.

It is the policy of the Department to meet these goals for all projects receiving DOH loan funds or tax-exempt bond funds regardless of whether or not compliance is mandated by the ordinance.

Section V: Forms

Form A. AUTHORIZATON AND CERTIFICATION - All Applicants must complete

All information contained in this application is true and complete to the best of the applicant's knowledge and belief. Applicant agrees to comply with all Department of Housing policies and guidelines, City of Chicago ordinances and codes and any applicable federal laws, regulations and guidelines. Application materials remain the sole property of the Department of Housing, including real estate appraisals and architectural drawings, if applicable.

While processing this application the Department of Housing may conduct credit checks, property inspections, verification of information, discussions with lenders and development team members identified herein and have the City of Chicago Department of Buildings release existing code inspection reports cited against the subject property and other property identified as being owned by the applicant. The undersigned hereby acknowledges and authorizes these actions.

The applicant assumes responsibility for selecting and using contractors which conform to the Department of Housing's standard. The Department does not warrant the performance of any contractor.

Penalty for False or Fraudulent Statement, U.S.C. Title 18, Sec. 1001. Provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined not more than $10,000 or imprisoned not more than five years or both."

In Witness whereof, the applicant has caused this document to be duly executed by an authorized officer in its name on this ________day of______________________, 20 ______.

Name: _____________________________
Signature: __________________________
Title: _______________________________
Relationship to Applicant: _____________

Name: ___________________________________
Signature: _________________________________
Title: ____________________________________
Relationship to Applicant: __________________

Subscribed and Sworn to Before me on
this day ______________, 20 ____.

Notary Public
My commission Expires:

Form B. TAX CRDIT AUTHORIZATION AND CERTIFICAION

All Tax Credit Applicants must complete

The applicant is responsible for ensuring that the project consists or will consist of a qualified low income building or buildings as defined in the Internal Revenue Code, Section 42, and will satisfy all applicable requirements of federal tax law in the acquisition or construction and operation of the project to receive the low-income housing tax credit.

The applicant is responsible for all calculations and figures relating to the determination of eligible and qualified basis for the building(s) and understands and agrees that the amount of the credit is calculated by reference to the figure submitted with this application.

The applicant is responsible for supplying current costs of development to the Department of Housing. These costs must correspond to costs identified on all applications submitted to other funding and investor sources by the applicant.

The undersigned hereby makes application to the City of Chicago for reservations, carryover allocations, or allocation of housing credit dollar amounts as listed in the application. The undersigned agrees that the City of Chicago Department of Housing will at all times be indemnified and held harmless against all losses, costs, damages, expenses and liabilities (including, but not limited to attorney's fees, litigation and court cost, amounts paid in settlement, amount paid to discharge judgment from the Internal Revenue Service) directly or indirectly resulting from, arising out of, or related to acceptance, consideration and approval or disapproval of such allocation request.

The undersigned hereby acknowledges that, if a tax credit reservation is made, the Department of Housing reserves the tax credits for the project and the applicant. Reservations are not transferable. Any changes require written notice and approval by the Department.

The undersigned, being a duly authorized officer of the applicant, hereby represents and certifies that the foregoing information, to the best of his/her knowledge, is true and complete and accurately depicts the proposed project.

IN WITNESS WHEREOF, the applicant has caused this document to be duly executed by an authorized officer in its name on this __________________ day of ______________, 20 ____.

Name: ______________________________
Signature: ___________________________
Title: _______________________________
Relationship to Applicant: _______________

Name: __________________________________
Signature: _______________________________
Title: ___________________________________
Relationship to Applicant: ________________

Subscribed and Sworn to Before me on
this day ______________, 20 ____.

Notary Public
My commission Expires:

FORM C: CREDIT CHECK AUTHORIZATION

Please use this template to prepare the letter that allows us to review your credit with the bank references you provide. The signed letter of consent is necessary because of the laws concerning the rights to privacy of information act.

This letter will only be used to authorize DOH to ask the following three questions of your bank references:

- Is this developer a customer of your establishment?
- Are they a customer in good standing?
- What type of account do they have with your bank?

Date:

Marisa Novara
Commissioner
Department of Housing
121 N. LaSalle
Chicago, IL 60602

Dear Ms. Novara,

I ______________________ representing (Name of Company) , for the project called (Name of Project) , hereby grant the City of Chicago Department of Housing permission to contact the credit references submitted as part of the New Homes for Chicago Program, City Lots for City Living Program or Multi-Family Project Financial Assistance Application. These references may be contacted with the understanding that information requested is limited to verifying the status of the business relationship with each reference for the purpose of the proposed project submitted in the application

Sincerely,

(Your Name)

FORM D: CONTRACTOR'S APPLCATION PACKAGE

Following award of funding by DOH, submission of three general contractor bids to Construction & Compliance, and selection of a general contractor, general contractors will be required to fill out and submit an application package to the assigned City architect. This Form can be obtained from the Bureau of Construction and Compliance.

FORM E: Economic Disclosure Statement

The City's EDS forms are required for Stage Two applications. Instructions and forms are online at https://www.chicago.gov/city/en/depts/dps/provdrs/comp/svcs/economic_disclosurestatementseds.html.

FORM F: Pro-forma

The City's proforma is online at chicago.gov/multifamily. All Stage One applications are required to submit a proforma using the City's form.

FORM G: Housing Development Meeting Request Form

is online at https://webapps1.chicago.gov/eforms/housingdevelopment and should be completed and submitted in order to meet with DOH Project Managers in order to discuss new and proposed projects, or to request DOH letters of support.

FORM H: Underground Facility Review

Required for all projects requiring City land or work in the public way.
https://www.chicago.gov/content/dam/city/depts/cdot/OUC/OUC-Applicant_Manual.pdf

FORM I: Project Assessment Matrix

This matrix illustrates where the project design exceeds, meets and misses the ATS manual requirements and is online at www.chicago.gov/multifamily.

Form J: DOH 2021 QAP Relocation Overview Form

This form is required for all projects with existing tenants and is online at www.chicago.gov/multifamily.