

# The Illinois Rental Housing Support Program (RHS)

## LONG TERM OPERATING SUPPORT(LTOS) PROGRAM GUIDE

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**Long Term Operating Support (LTOS)  
Program Guide 2007**

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## **A. LONG TERM OPERATING SUPPORT (LTOS) PROGRAM GUIDE**

### **1. Program Purpose, Description, and General Administration**

- a. Portions of the funding under the Rental Housing Support Program (“RHS Program”) will be available annually by a Request for Applications (“RFA”) under the Long Term Operating Support (“LTOS”) Program to provide long-term Rental Assistance to owners of newly available affordable housing units.
- b. Newly available affordable housing units are defined as units created in a new construction Project, a rehabilitation Project, or currently operational units being made available for the targeted income level that previously were not targeted to this level through a direct and ongoing rental assistance program.
- c. LTOS Program grants will target Units for Households with incomes at or below 30% of the Median Income (“Extremely Low-Income Household”), with at least 50% of the assistance targeted to benefit households at or below 15% of the Median Income (“Severely Low-Income Household.”).
- d. IHDA will prepare a LTOS Application through which Developers will apply for funding for Units to be assisted.
- e. RFAs under the LTOS Program, as more fully described below, will conform to the current State Comprehensive Housing Plan goals and may designate property types, populations served, or type of funding available for the given year. A preference for Special Needs households may be included in any annual RFAs.
  - i. Special Needs households are defined as Households that are homeless or imminently at risk of becoming homeless; that are now or imminently at risk of living in institutional settings because of the unavailability of suitable housing; or that have one or more members with disabilities, including but not limited to physical disabilities, developmental disabilities, mental illness or HIV/AIDS.
- f. A municipality within the state with a population greater than 2,000,000, which based on the U.S. Census data from 2000, defines solely the City of Chicago, is authorized to designate a LAA for operation of the RHS Program, including the LTOS Program, within the City limits. The City of Chicago RHS Program will be subject to the rules adopted for the Statewide RHS Program, and the Municipality Program Guide. Contact the City of Chicago, Department of Housing for program guidelines for operation of and participation in the Rental Housing Support Program within the City of Chicago.
- g. Funding available for Projects under the LTOS Program may be provided for currently operational Projects or Projects that will be operational within 3-6 months of the LTOS Application date, depending on the specific requirements of the RFA.

- h. Funding may also be provided for Projects to be developed and become operational after a construction or rehabilitation period, depending on the specific requirements of the RFA. Funding commitments for Projects to be developed may be forward commitments from future year's LTOS appropriation.
- i. LTOS Grants will provide funding to a Project on an ongoing basis, equal to the difference between the IHDA approved rent for the LTOS Unit and the estimated amount of the Tenant Contribution for Extremely Low and Severely Low-income households for the defined period of the LTOS Grant. The LTOS Grant term will be up to 15 years. IHDA may, at its discretion, approve LTOS Grants for greater than 15 years, with funding no greater than 30 years.

## **2. Project Eligibility**

- a. Eligible Projects include currently operational Projects, Projects that will become operational within 3-6 months of Application, or newly developed Projects to become operational after a construction or rehabilitation period.
- b. All Projects must create "new" affordable units not previously available to Extremely low and Severely low-income households.
- c. The types of Units eligible include: efficiency, 1, 2, 3, and 4 bedroom housing units. Single room occupancy units are also eligible for funding under the LTOS Program. Housing units intended as transitional or temporary housing, with a lease of less than twelve months, do not qualify as Units.
- d. The number of Units proposed to receive Rental Assistance shall not exceed 30% of the units in the Project with half of the proposed Units targeted towards households earning less than 15% of Median Income. For supportive housing projects containing 16 units or less, and for all other Projects containing six units or less, the number of Units proposed to receive Rental Assistance may exceed 30% of the units in the Project.
- e. Units receiving direct and ongoing rental assistance under an existing federal or local rental assistance program are not eligible to be assisted under the LTOS Program.
- f. All housing Units approved for participation in the LTOS Program must meet HUD Section 8 Housing Quality Standards and address lead based paint certification requirements. Attachment 2 – RHS-LTOS HQS Property Standards  
  - Exhibit 1 – RHS-LTOS HQS Physical Inspection Form – Full
  - Exhibit 2 – RHS-LTOS HQS Physical Inspection Form – Walk-Thru
  - Exhibit 3– RHS-LTOS Lead Based Paint Certification Form
- g. Existing Tenants in proposed Units cannot be displaced by the LTOS Program and no relocation assistance is available through the LTOS or RHS Program under any circumstances.

### **3. Developer Eligibility**

- a. Entities eligible to apply as Developer under the LTOS Program may include:
  - i. an individual, joint venture, partnership, limited partnership, limited liability company, trust, corporation, or other legal entity.
  - ii. local housing authorities organized under the Illinois Housing Authorities Act (310 ILCS 10);
  - iii. or not-for-profit organizations organized under the General Not-For-Profit Corporation Act of 1986, as amended (805 ILCS 105/.) and registered and in good standing with the Illinois Secretary of State and the Illinois Attorney General.
- b. IHDA will review the terms and conditions of the Developer legal entity.
- c. To be eligible to receive funding under the LTOS Program, a Developer must be financially viable, as determined by the Authority at the time of its Application. In making this determination, the Authority shall review, among other things, the Developer's audited financial statements for the most recent years or, if it does not have an audited financial statement, its federal income tax return for the most recent years.
- d. Developers must also demonstrate to the satisfaction of the Authority experience in or capacity for the operation and management of affordable housing developments, including housing developments that serve Extremely Low-income Households and Severely Low-income Households.

### **4. Tenants Eligibility for LTOS Program Assistance**

- a. Tenants eligible for LTOS Units must earn equal to or less than 30% of the Median Income. IHDA will publish Median Income figures based on information released annually, by the U.S. Department of Housing and Urban Development. Attachment 5 – RHS-LTOS Maximum Income Limits.
- b. Household income eligibility for participation in the LTOS Program will be determined prior to initial occupancy and, thereafter, annually prior to lease renewal, by the Developer and reviewed by IHDA. Exhibit 7 – Tenant Income Certification Form
  - i. Household income qualification standards for the LTOS Program will generally be based on federal HUD Section 8 guidelines. Attachment 6 – RHS-LTOS Definition of Income and Assets.
  - ii. Income eligibility is based on the annual gross income of all adult persons in the Household. While certain types of income are excluded from the calculation of the Household's annual gross income for the purpose of determining eligibility

under the LTOS Program, no adjustments will be made to the annual gross income for items such as minors, seniors, medical expenses, schooling expenses, etc.

- iii. Annual gross income includes actual income earned from assets of the Household. The LTOS Program household income calculation does not include the requirement to “impute” a minimum income on assets of the household.
- c. Tenants receiving Rental Assistance under an existing federal or local Rental Assistance program are not eligible to be assisted under the LTOS Program.
- d. Existing Tenants in units that are owned by the Developer, and proposed for the LTOS Program cannot be displaced by the program. No relocation assistance is available under any circumstances. If existing Tenants who are eligible for the program are accepted, they will need to terminate the old lease and sign a new lease that is at least a minimum of one year in length.

## **5. Setting LTOS Rents and Maximum Rents**

- a. The Developer will submit proposed rents for LTOS Program Units organized by building and bedroom size. Developer will also submit at least three rent comparisons for each bedroom size, Exhibit 6 – Market Rent Analysis Form and any other appropriate documentation to support the proposed rents.
- b. The Market Rent Analysis will include, at a minimum, details regarding the comparable project’s location, square footage of units and amenities for both the project and the units. Information regarding which utilities are included and not included in the proposed and comparable rents and an estimate of utility cost must also be included in the analysis.
- c. IHDA will publish maximum rent level guidelines for the RHS Program to assure reasonable and efficient use of resources. Maximum rent guidelines will be based on the greater of the rents set under the federal Low Income Housing Tax Credit Program for households @ 60% Median Income or 120% of Fair Market Rents (as published by HUD for the Section 8 program) for a particular locale and bedroom size. Attachment 4 – RHS-LTOS Maximum Rent Limits.
- d. Assumed rents will be set at the lower of market rents for the area, current RHSLTOS Maximum Rent Limits, and rental limits associated with other financing received by the project.
- e. If the rent of a Unit proposed by the Developer exceeds the Maximum Rent Guidelines as published by IHDA for the RHS Program, the Developer will be required to submit at least two additional rent comparisons, and a detailed market

analysis. These documents must demonstrate the unavailability of rents under the published maximums in the market area and support the need for the proposed rents. Approval of rents exceeding the published maximum guidelines will be made on a case-by-case basis.

- f. Proposed Unit rents must be approved by IHDA and will be subject to a final negotiation at the time of signing the Grant Agreement. Annual rent increases for Units supported by a LTOS Grant will be up to 2% of the approved rent included in the Grant Agreement. This annual rent increase limit may change at the discretion of IHDA and will be included in the calculation of the Grant size.

## **6. LTOS Request for Applications**

- a. LTOS Grants will be awarded in response to an RFA made available statewide, outside the Municipalities, based on eligibility, quality of proposals, and funding availability.
- b. RFAs may include preferences for targeting of Units to Special Needs Populations.
- c. Pending funding availability, IHDA will make request Applications for funding under the LTOS Program in subsequent years of the program. Previously funded Developers, with a satisfactory performance record may apply under a subsequent RFA.
- d. In addition to LTOS Program eligibility criteria, any future RFAs may seek to award LTOS Program resources to Service Areas not previously covered by the LTOS Grant Agreements currently in place.
- e. IHDA will provide training and technical assistance on program criteria to help prepare Developers for completing the Application. Training materials will be available on IHDA's website ([www.ihda.org](http://www.ihda.org)) and training workshops will be available at locations around the State.
- f. The LTOS Program RFAs may be coordinated with other IHDA/State capital, operating, and service resources, under a joint NOFA, to accomplish targeted affordable housing goals. IHDA may make available through the NOFA process additional resources such as HOME Investment Partnership funds, Illinois Affordable Housing Trust Fund funds, Low Income Housing Tax Credits, or Illinois Affordable Housing Tax Credits.

## **7. Application Submission**

- a. The proposal submission will include information listed in the RFA sufficient to analyze the financial feasibility of the Project, determine compliance with the LTOS Program requirements and establish if the proposal meets the current State Comprehensive Housing Plan goals.



- b. Developers are required to submit two unbound copies of the Application with required exhibits to IHDA and one electronic copy of the Application Worksheets. When the proposal is received, it will be reviewed for completeness and accuracy. Exhibits must be completed, attached and submitted at the time of Application. IHDA staff may contact the Developer for additional information or clarification as needed.
- c. Support: Applications must include a resolution or letter of support from the local elected officials. Additional support letters may be submitted from area residents and local service providers. A statement from a local government official stating compliance with the local Consolidated Plan or revitalization plan, as applicable, should be included with Application.
- d. Developers will be required to submit a \$250 Application fee for consideration for funding under the LTOS Program. Developers submitting multiple Applications, in a given Application round, to cover more than one project will be required to submit one Application fee for each Application. Each Application should cover no more than one Project.
- e. If it is determined that a proposal does not meet the basic requirements of LTOS and the RFP under which funding is sought, the proposal will be denied and will not be considered further.

## **8. Application Review and Funding Process**

- a. Applications for funding consideration under the LTOS Program must be received no later than the prescribed date and time under the relevant Application.
- b. Timeline of Application review:
  - i. LTOS RFA released – no less than annually, based on funding availability
  - ii. Completed Application submission: deadline set by RFA
  - iii. Initial Review and completeness check
  - iv. Project underwriting and feasibility review
  - v. Loan Committee Review
  - vi. IHDA Board Commitment: based on Loan Committee recommendations
  - vii. Grant Agreement Letter: following Board approval
  - viii. Grant Closing
  - ix. Grant Funding; subject to terms of the LTOS Grant Agreement and Terms

## **9. Application Evaluation Criteria**

Application evaluation criteria will include:

- a. Developer’s demonstrated experience developing, operating, and managing affordable rental housing, including satisfactory maintenance of units, operational performance, and compliance with monitoring requirements.

- b. The Developer's proposed unit mix, i.e. the type, proportion, and number of units as efficiency, one, two, three, and four bedroom housing units. The inclusion of larger bedroom units should be considered based on documented need in the community.
- c. Developers shall specify the number of Units for which they are requesting an Allocation, the proposed rent structure and the amount of LTOS Program funds requested.
- d. Accessibility - Developers that commit to provide accessibility features of Units, in excess of the minimum accessibility requirements required by law, in order to serve a proposed target population, are encouraged. All projects must meet minimum accessibility requirements as outlined in the Illinois Environmental Barriers Act (AEBA@) (410 ILCS 25/1 et seq. (1996) as amended and the Illinois Accessibility Code, 71 Ill. Adm. Code 400. Additionally, if applicable, developments must comply with the Americans with Disabilities Act, 42 U.S.C. 12101, et seq., (AADA@) as amended and supplemented.
- e. Developer's level of commitment and capacity to implement a proposed Outreach Plan to satisfactorily meet the housing needs of Severely and Extremely Low-Income Households and Special Needs populations Exhibit 5 – Outreach Plan (model). The Outreach Plan will:
  - i. Outline procedures for advertising available Units and contacting referral organizations for identifying and referring prospective Tenants to Developers for broad community participation in the LTOS Program.
  - ii. Submit evidence of organizational relationships and capacity to achieve preference targeting of housing Units for Special Needs populations, identified accessible Units for persons with physical disabilities, and procedures to assure compliance with the stated targeting strategy.
  - iii. Developers shall specify in their Applications how vacancies in Units will be advertised and shall include in their Application provisions for outreach to local homeless shelters, organizations that work with Special Needs Households, and others interested in affordable housing.
- f. The Developer, as part of the Application, will develop a Plan for Services, which shall include information for LTOS Program Tenants on how to gain access to education, training and support services.
- g. The level of local government and community support for the proposed Project;
- h. The suitability of the Project site;
- i. Cost per Unit of the Project, including soft costs (non-construction costs), if applicable;

- j. The site and market information provided for the Project.
- k. The Project's financial feasibility and the need for LTOS funding to make Units affordable to Extremely and Severely Low-income households.
- l. The proposed term of the Allocation of LTOS funding, up to 15 years. IHDA may, at its discretion, approve LTOS Grants for greater than 15 years, with funding no greater than 30 years.
- m. The availability of funds under the RHS Program that have been reserved for the LTOS Program;
- n. The goal of the geographic diversity of Projects funded under the LTOS Program.

## **10. LTOS Grant Underwriting Criteria**

The following will assess a Project's operations and financial feasibility over the term of the LTOS Grant:

- a. Site Control: A Developer must have site control (e.g., ownership, option, purchase contract, or deed) at the time of Application. If site control is in the form of an option or purchase contract, control must extend 6 months past the Application date. Ownership must be in place prior to LTOS Grant closing.
- b. A total debt service coverage ratio of at least 1.10:1.00 at the time of Application for all Project debt.
- c. Debt Structure: If applicable, any existing financing must have a term of at least 15 years remaining to match the term of the proposed LTOS Grant and borrowed at a reasonable interest rate, as determined by IHDA. If the debt structure includes an adjustable rate mortgage, the Developer must obtain a cap on the adjustment over the period of the LTOS Grant.
- d. Vacancy: A minimum 7% vacancy rate will be used to underwrite Applications in most cases. For elderly projects a lower vacancy level (3% - 5%) will be considered
- e. Operating Expenses: Estimated annual operating expenses, including real estate taxes and excluding replacement reserve deposits should range from \$3,500 to \$6,000 per Unit. IHDA will review proposed operating costs and assumptions in comparison to IHDA's portfolio of similar size and type developments. If applicable, Applications in Cook County must show proof of a Class 9 Incentive Classification when considering the property tax estimates for the operating expenses.
- f. Management Fee: The management fee will be determined as a percent of effective gross income ("EGI") and based on the total number of Units and income in the

- development. The management fee should typically not exceed 6% of EGI for any development.
- g. Replacement Reserve: For family developments a minimum reserve of \$350 per Unit, for senior housing a minimum reserve of \$250 per Unit per year.
  - h. Property Condition: All housing Units approved for participation in the LTOS Program must meet HUD Section 8 Housing Quality Standards and address lead based paint certification requirements.
  - i. Site & Market Study: IHDA will accept Developer prepared materials showing evidence for the market demand for the proposed LTOS Program Units. IHDA may require that a full site and market study be performed for developments to be funded through the LTOS.
  - j. Accessibility: Developers that commit to provide accessibility features of Units, in excess of the minimum accessibility requirements required by law, in order to serve a proposed target population, are encouraged. When applicable, all projects must meet minimum accessibility requirements as outlined in the Illinois Environmental Barriers Act (AEBA@) (410 ILCS 25/1 et seq. (1996) as amended and the Illinois Accessibility Code, 71 Ill. Adm. Code 400. Additionally, if applicable, developments must comply with the Americans with Disabilities Act, 42 U.S.C. 12101, et seq., (AADA@) as amended and supplemented.

## **11. Additional LTOS Grant Underwriting Criteria for Projects To Be Developed**

The following additional criteria will be used for Projects to be developed and become operational after a construction or rehabilitation period:

- a. Developer fee: The Developer fee must include all fees paid to processing agents and development consultants. The Developer fee will be calculated using the IHDA standard definition as published in its Low Income Housing Tax Credit QAP or available on its website, [www.ihda.org](http://www.ihda.org).
- b. Developer Equity: Every proposal is expected to contain an equity contribution. The specific amount is determined on a case- by-case basis. For-profit Developers that do not include an equity contribution will not be considered. Equity can be provided in the form of cash or proceeds from the syndication of tax credits. Because the LTOS is operating support, up to 25% of the Developer fees may be required to be contributed as additional equity before calculating any LTOS participation in the financing.
- c. Project Costs: The reasonableness of the Unit construction costs will be reviewed. Costs in excess of \$175 per square foot or \$175,000 per Unit may be subject to a cost review by an IHDA approved independent cost estimator. If a cost review is required, the Developer must pay for the study.

- d. **Site & Market Study:** IHDA may require that a full site and market study be performed for developments to be funded through the LTOS. Since the site and market study may provide key information on the potential viability of the proposed development, this study would be undertaken prior to IHDA Loan Committee approval and may, in some situations, determine whether the project will receive funding under the LTOS Program.
- e. **Appraisal:** IHDA will require an appraisal of the property. An appraisal will assist in the evaluation of the acquisition value, rent and expense comparisons and market value of the property based on a completed construction assessment..
- f. **Developments must meet all program energy efficiency standards, state and federal accessibility requirements, and state earthquake standards as applicable.**
- g. **Projects requiring rehabilitation must submit a physical needs assessment (PNA) at the time of Application. The PNA must be consistent with the Fannie Mae format for such studies.**
- h. **IHDA will require a Phase I assessment be performed to define and assess environmental issues relating to the site and/or building as applicable. Any environmental issue discovered must be addressed prior to closing. If clear documentation exists that a property is environmentally sound in regard to a particular hazard, no Phase II assessment is required for that hazard. If there are obvious problems or the status is uncertain, either the property will be deemed unacceptable for funding under the Program, or a Phase II assessment will be required for that hazard. If a Phase II assessment is required, IHDA will suspend processing of the Application until it is determined how and if the existing hazard(s) can be safely removed or encapsulated, as the case may be. Conditions that present violations of common law or applicable local, state or federal environmental or public health statutes and laws and which will not or cannot be remedied to the satisfaction of IHDA; or properties that are the subject of environmental or public health litigation or administrative proceedings by public entities or private parties.**

## **12. LTOS Grant Terms and Size**

- a. **Size:** The maximum financing available to a Project is \$1,500,000. Based on the number of Applications, the population being housed, and the leveraging of other resources, the final award may be less than the requested amount
- b. **The amount of LTOS Grant funding available to a given Project will be calculated as the difference between the IHDA approved rent for the LTOS Unit and the lowest estimated Tenant Contribution for Extremely Low and Severely Low-income households for the defined period of the LTOS Grant. Grants will be paid quarterly in advance. Grants paid in advance in excess of the actual Assistance needed will be adjusted quarterly.**

- c. Term: up to 15 years. IHDA may, at its discretion, approve LTOS Grants for greater than 15 years, with funding no greater than 30 years.
- d. The amount of LTOS Grant funding available for the term of the assistance will be determined at the time of grant closing. IHDA will make payments to the Developer as required under the Grant Agreement.
- e. Annual rent increases will be up to 2% per year. This annual rent increase limit may change at the discretion of IHDA and will be included in the calculation of the LTOS Grant size.
- f. Unit Mix: Based on the developer's proposed Unit mix, funding availability, and other factors IHDA may consider, the unit mix to be fixed in terms of the number of 0 bedroom, 1 bedroom, 2 bedroom, 3 bedroom units, and 4 bedroom units receiving LTOS funding.
- g. Use & Affordability Requirements: LTOS Grants can only be expended on Units within the Project reserved for Extremely Low-income Households and Severely Low-income Households. Applications proposing mixed-income developments are eligible.
- h. Regulatory Agreements: The Developer must consent to be regulated by the terms provided in the Regulatory Agreement. The Regulatory Agreement is executed and recorded at the time of grant closing. This Agreement places restrictions on the use of the property. The Regulatory Agreement describes the owner's responsibilities and obligations to the subject property including occupancy, rents, project reserves, income and special needs targeting, and reporting. Any default in this Agreement may result in the grant being called. The Regulatory Agreement will remain in effect for the term of the grant.
- i. The Regulatory Agreement will allow for the grant to be recoverable if the owner fails to remain in compliance with the terms of the Regulatory Agreement for the term of the assistance.
  - ii. Developer will be allowed a sixty day cure period for any non-compliance. Noncompliance with the Regulatory Agreement would allow for the termination of such Regulatory Agreement, and recovery of any portion of the grant that is nonforgiven.
  - iii. If a Unit occupied by an eligible LTOS Program tenant is determined to no longer meet HQS standards, the Developer has a maximum thirty day period to bring the Unit into compliance. For serious health and safety issues, the Developer must bring the Unit into compliance within 72 hours. Failure to meet this standard will cause the LTOS Program Rental Assistance to be removed from the Unit and, if applicable, the project.

- i. Additional charges or fees such as security deposits, pet fees, and damages, will not be covered by the LTOS Program.

### **13. Participating Developer Responsibilities**

- a. Developers will be required to maintain housing quality for all housing Units and properties under the LTOS Program. When applicable, Developers will be required to submit plans, specifications, PNA reports, and environmental studies for review by IHDA as outlined in Section 10 and 11 of this document.
- b. All Units receiving assistance under the LTOS program must be free from lead based paint hazards. Each new Unit entering the program will need to be certified. Exhibit 3 – Lead Based Paint Certification Form
  - i. Developers will certify to IHDA that they have visually inspected the Unit for lead paint hazards, and if such hazards have been found, have performed assessment and completed necessary remediation or abatement activities in conformance with federal and state law as applicable.
  - ii. For buildings constructed on or after January 1, 1978, Developers shall certify, that the housing Unit contains no lead based paint hazards.
- c. All Developers will be required to adhere to federal and state fair housing and affirmative marketing practices, and other applicable federal, state, and local regulations.
- d. Developers will prepare and submit to IHDA a Tenant Selection Plan for participants under the LTOS program. The Tenant Selection Plan shall outline the procedures and guidelines used in selection of Tenants by the Developer for occupancy in a project included in the LTOS Program. Exhibit 10 – Tenant Selection Plan (model). This submitted plan may be made available to the public upon request. Once Tenants have been selected approval must be made by IHDA.
- e. Developers will provide Tenants in the LTOS Program with a standard minimum 12 month lease, with an attached RHS-LTOS Program Lease Rider that explains the RHS Program requirements and rights and responsibilities of the participants in the Program. Exhibit 8 – RHS-LTOS Program Lease Rider (model).
- f. The Lease Rider to be attached to each Tenant’s lease requires the Tenant to certify the Household’s Annual Income, and report changes in the Annual Income to the Developer, as applicable, on each occasion that the Tenant’s lease is to be renewed, informs the Tenant that increases in the Household Annual Income may result in an increase in the Tenant Contribution and states the amount of Tenant Contribution.
- g. Tenant Contributions are based on Tenant income, will be paid by the Tenant, and cannot be paid for by the Program.

- h. Developers are required to verify Annual Income of Tenants, prior to occupancy in the LTOS Program Unit and every year thereafter, at or prior to lease renewal. Developers will submit income certification information to IHDA for review.
- i. Developers will maintain confidentiality of Tenant income and eligibility information.
- i. Developers are required to notify IHDA if a Unit becomes vacant, and report on any subsequent efforts to fill the Unit with a new Tenant eligible under the LTOS Program guidelines. Assistance cannot be used for vacancies.
- j. The Developer will be responsible for producing a Tenant Bill of Rights, and assuring delivery of the Tenant Bill of Rights to all Tenants in the LTOS Program prior to occupancy. Attachment 8 – RHS-LTOS Information for Preparation of Tenant Bill of Rights. The information contained in the Tenant Bill of Rights shall include, at a minimum:
  - i. Contact information for the Developer and IHDA
  - ii. Eligibility requirements for participating in the LTOS program
  - iii. Rights and responsibilities of the Tenant
    - iv. State and local landlord/tenant laws and ordinances, procedures, and organizations with knowledge of such procedures,
    - v. General information on federal and state regulations on fair housing and housing accessibility for persons with disabilities, and contact information for organizations with such knowledge.
    - vi. For all pre-1978 constructed Units, the Tenant should receive a copy of the Lead Paint Hazards pamphlet.
- k. The Developer is responsible to assure that availability of assistance under the LTOS Program is marketed in the Service Area and outreach is extended to organizations serving the targeted Severely and Extremely Low-income and Special Needs households, as outlined in the Outreach Plan prepared by the Developer.
- l. Developers are responsible for reporting to the IHDA regarding the LTOS Program. This will include data concerning financial funding and usage, income certifications of Tenants, move-outs, move-ins, activities that change the monthly assistance needed, physical condition of Program Units, Tenant income, eligibility and characteristics, outreach efforts and related subjects as may be requested by IHDA. The timing and format of these reports may vary, be determined by IHDA, and outlined in agreements between IHDA and the Developer. This reporting will be submitted on form(s) provided by IHDA. Exhibit 11 – RHS-LTOS Applicant Monthly Activity Report Form.
- m. All disputes between Developer and Tenant or prospective Tenant concerning Annual Income or other eligibility requirements shall be initially resolved among the parties.



If the parties are unable to resolve the dispute, any of the parties involved may submit a written statement of their position and all relevant documentation to IHDA.

#### **14. IHDA Responsibilities**

- a. IHDA is responsible for project selection under the LTOS Program.
- b. If applicable, IHDA will undertake a construction review to ensure that the final plans and specifications are acceptable, conform to IHDA standards, meet required local, State and federal codes, and can be built as proposed. This review will take place prior to the LTOS grant closing. Additionally, IHDA may request documentation of other lenders' approval of the development plans.
- c. IHDA shall be required to view the condition of the Units in the LTOS Program at least annually. All Units, with associated common areas and grounds, will be inspected for compliance with HQS prior to initial LTOS Program Tenant occupancy, for any reason, such as a new Tenant or a Unit transfer, and bi-annually thereafter. Exhibit 1 – RHS-LTOS HQS Property Inspection Form – Full.
- d. In the alternate years, IHDA shall inspect a sampling of Units, to visually observe the satisfactory physical condition of the Units. If a building has three Units or less enrolled in the LTOS Program, all Units will be visually inspected in the alternate year. Exhibit 2 – RHS-LTOS HQS Property Inspection Form – Walk-Thru.
- e. If a Unit occupied by an eligible LTOS Program Tenant is determined to no longer meet HQS standards, IHDA will inform the Developer of a maximum thirty day period to bring the Unit into compliance. For serious health and safety issues, the Developer must bring the Unit into compliance within 72 hours. Failure to meet this standard will violate the Regulatory Agreement, will cause the Unit to be removed from the Unit and, if applicable, termination of the Grant Agreement.
- f. The Developer will make best efforts to find a replacement Unit for the eligible Household living in a Unit that no longer meets the HQS standards.
- g. IHDA will review the Tenant Selection Plan prepared by the Developer.
- h. IHDA will review income certification and leasing documentation submitted by Developer from each participating Tenant household at least annually.
- i. All disputes between Developer and Tenant or prospective Tenant concerning Annual Income or other eligibility requirements shall be initially resolved among the parties. If the parties are unable to resolve the dispute, any of the parties involved may submit a written statement of their position and all relevant documentation to IHDA. IHDA will review the documentation submitted to assist in resolving such disputes. Disputes between a Developer and Tenant, unrelated to LTOS Program eligibility will be resolved under the jurisdiction of local laws for tenant/landlord relations.

- j. Grant Agreements with Developers will contain the approved Unit Mix that will receive LTOS Program Rental Assistance. There may be circumstances during the LTOS Grant term that will require a deviation from the approved Unit Mix. IHDA will authorize transfers of Units in the event that it is necessary. If a Unit transfer is needed the Developer must submit Exhibit 9 – RHS-LTOS Unit Transfer Form.

## **15. Tenant Responsibilities, Tenant Contribution**

- a. The Tenant is responsible to pay the Tenant Contribution to the Developer monthly and on time. Tenant's Contributions are the sole responsibility of the Tenant. The monthly Tenant Contribution, calculated and published by IHDA, is based on the size of the Unit and approximately 1/12th of 30% of the household's annual income within a designated range. Attachment 7 – RHS-LTOS Tenant Contribution Schedule.
- b. Utility costs may be the responsibility of the Developer or the Tenant. Utility costs paid by the Tenant will not be covered under the LTOS Program.
- c. The Tenant is responsible to comply with conditions established in the Lease and the Lease Rider. Exhibit 8 – RHS-LTOS Program Lease Rider (model).
- d. Households determined to be eligible under the program, will be required to submit updated income information annually, prior to lease renewal to determine continued eligibility under the LTOS program. Increases in income may result in an increase in the amount of the Tenant Contribution due from the Tenant, and decreases in income can decrease the contribution
- e. The Tenant is responsible to notify the Developer of changes in income during the year. The Developer will report to IHDA any changes in Tenant income. If applicable, changes in the Tenant Contribution as a result of increases (or decreases) in income will occur at the next subsequent recertification, based on applicable Tenant Contribution schedule. Interim changes to the Tenant Contribution will be reviewed by the Developer and IHDA.
- f. If a Tenant's income at the time of recertification and lease renewal increases above the current limit for 30% of Median Income for the household size in the area can choose from the following:
  - i. The Tenant, at the Tenant's choice, and subject to local tenant/landlord rules, will be permitted to remain in the unit at full rent payment, and the Developer can identify another Unit for participation in the LTOS Program, or
  - ii. Alternatively, the Tenant may remain in the Unit and pay a "Transition Contribution" for a period of one year following the current lease expiration. The Transition Contribution shall equal the Tenant's Contribution prior to the income increase above 30% of Median Income, plus one half the difference between the full rent on the Unit and Tenant Contribution portion. The Tenant's new lease shall reflect the new payment.

- iii. A Developer cannot designate an additional Unit for participation in the LTOS Program during the period a Tenant continues participation in the LTOS Program under the Transition Contribution.
- iv. Following the twelve month period under the Transition Contribution, the Tenant, at the Tenant's choice and subject to local tenant/landlord rules, will be permitted to remain in the Unit at full rent payment, and the Developer can identify another Unit for participation in the LTOS program.
- g. Tenants who experience significant decrease in income between the annual recertifications may request an interim income recertification. Only one interim income recertification can be processed per household between each annual income certification.

## **16. Flow of Assistance Payments and Reconciliation Reporting**

- a. LTOS Grant payments will be made quarterly, in advance, to Developers, based on availability of funding and satisfactory submission of all required reporting. The difference between the approved Unit rent and the Tenant Contribution will be the LTOS Grant Rental Assistance payment. Developers shall not be paid LTOS Grants for the portion of the rent due from the Tenant.
- b. For the first two quarters of a Grant Agreement, LTOS Grant payments will be made to a Developer, in an amount equal to 100% of the Developer's negotiated rent on the program Units. Subsequent quarters' funding will be adjusted based on actual need as reported by Developers thru the Monthly Activity Report. Exhibit 11 – RHS-LTOS Applicant Monthly Activity Report Form.
- c. LTOS Grants will be paid to the Developer by IHDA for Units occupied by eligible Tenants. Grants paid in advance on unoccupied Units or Grants paid in excess of the actual assistance needed will be adjusted and reflected in the next quarter's Grant payment.
- d. Reporting from Developers will include, at a minimum, a list of Program Units for each of their properties participating in the Program; a list of Tenants currently in occupancy; a copy of Tenant Income Certification forms completed during the previous month and an accounting of the Program funds needed and unused for the previous month.
- e. After each funding year, a more accurate adjustment will be made to address any surplus amount resting with the Developer. This adjustment will take place in the first quarter of the following funding year. It is the intent to provide Developers with adequate advance LTOS funding, while minimizing the amount of surplus funding to a Project.

## **B. GLOSSARY OF RELEVANT TERM**

The following are defined terms used in the RHS Program Guide and the Long Term Operating Support (LTOS) Program Guide.

- “Agency”:  
The Illinois Housing Development Authority or a Municipality.
- “Allocation”:  
An award of funds from the RHS Program to an LAA or a Developer.
- “Annual Adjustment Factor”:  
The figure published annually by HUD to determine rent increases for purposes of Section 8 of the United States Housing Act of 1937 (42 USC 1437).
- “Annual Income”:  
All amounts, monetary or not, received or anticipated to be received, from a source outside the Household, by or on behalf of, the head, spouse or co-head of the Household, or any other Household member over the age of 18, during the 12-month period following admission or the date of the most recent recertification of the Household income. Annual Income includes income from the family’s assets. The determination of Annual Income shall be made as provided in the HUD regulations governing Section 8 of the United States Housing Act of 1937 (42 USC 1437), 24 CFR 5.609(b) and (c) (2006), provided that imputed income from the Household’s assets shall not be included. Examples and instructions for the Application of these requirements shall be included in the applicable Agency’s Program Guide.
- “Developer”:  
An entity or an individual (as a Developer) making an Application for the RHS Program or the LTOS Program.
- “Application”:  
The Application form and attachments that a Developer must submit when applying for the RHS Program.
- “Appropriation”:  
The annual appropriation of funds to the Illinois Department of Revenue for IHDA by the Illinois General Assembly for the RHS Program.

- “Median Income”:  
The median income of the area in which the Unit is located, adjusted for family size, as such adjusted income and median income for the area are determined from time to time by HUD for purposes of Section 8 of the United States Housing Act of 1937 (42 USC 1437).
- “Authority”:  
The Illinois Housing Development Authority.
- “Commitment”:  
A contract executed by IHDA and an LAA or a Developer under which the IHDA agrees to provide an Allocation. Each Commitment shall contain a provision to the effect that the Agency shall not be obligated to provide funds under the Commitment if the Agency has not received adequate funds from an Appropriation or a Fund Distribution, as applicable.
- “Developer”:  
The owner of a Project that has applied for or has been approved for funding under the LTOS Program. (see Developer)
- “Extremely Low-Income Household”:  
A Household whose Annual Income is less than or equal to 30% of the Median Income.
- “Fiscal Year”:  
The fiscal year of the State.
- “Fund Distribution”:  
A distribution of funds from the Appropriation for a Fiscal Year to a Geographic Area.
- “Geographic Areas”:  
The City of Chicago, Suburban Areas, Small Metropolitan Areas, and Rural Areas.
- “Grant Agreement”:  
A contract executed by IHDA and a Developer under which the IHDA agrees to provide an Allocation. Each Grant Agreement shall contain a provision to the effect that the Agency shall not be obligated to provide funds under the Grant Agreement if the Agency has not received adequate funds from an Appropriation or a Fund Distribution, as applicable.
- “Household”:  
A single person, family or unrelated persons living together.
- “Housing Quality Standards”:  
Inspection standards for Units, based on federal Section 8 standards.

“HUD”:	The U.S. Department of Housing and Urban Development.
“IHDA”:	Illinois Housing Development Authority
“Income Range”:	A range of incomes published annually by IHDA that is used to determine the Tenant Contribution for Tenants.
“Landlord”:	An owner of one or more Units receiving or approved to receive Rental Assistance through an LAA. An LAA or subsidiary of an LAA may be a Landlord; provided, however, that the LAA must disclose its intention to be a Landlord, or appoint a subsidiary to be a Landlord, in its Application.
“LAA”:	A local administering agency that receives an Allocation to provide Rental Assistance.
“LTOS Program”:	The long term operating support program established under the RHS Program, to be used exclusively to provide long-term operating support to Developers of Projects that provide Units newly affordable to Extremely Low-income Households and Severely Low-income Households.
“LTOS Grant”:	The long term operating support given to a Project on an ongoing basis equal to the difference between the amount of the rent for the Unit and the estimated amount of the Tenant Contribution for Extremely Low and Severely Low-income for the defined period of the assistance.
“Maximum Rent”:	The maximum rent for a Unit, which shall be the greater of the maximum rent established under the federal Low Income Housing Tax Credit Program for a Unit rented by a Tenant with an annual income less than or equal to 60% of the Median Income and 120% of HUD’s fair market rent for the area in which the Unit is located.
“Municipality”:	A municipality with a population greater than 2,000,000.
“Municipality Program Guide”:	The guidelines published by a Municipality for funding made by such municipality under the RHS Program.

- “Plan for Services”: The plan through which each prospective developer will provide information to Tenants on how to gain access to education, training, and other supportive services, and which sets forth the procedures for identifying and referring prospective Tenants to Landlords.
- “Program Guide”: The guidelines published by IHDA explaining the RHS Program and providing additional information about various RHS Program requirements.
- “Project”: A building or group of buildings that are financed under a common plan of financing.
- “Reconciliation”: The determination of the difference between the amount of Rental Assistance payments made to Landlords or Developers and the amount of Rental Assistance payments the Landlords or the Developers were entitled to receive.
- “Rental Assistance”: The amount paid to a Landlord or a Developer as a subsidy for a Unit approved for assistance under the RHS Program.
- “Rental Assistance Rider”: The rider to be attached to each Tenant’s lease that describes the RHS Program, requires the Tenant to provide a certification of its Annual Income, notifies the Tenant that the Tenant must report changes in its Annual Income to the Landlord or Developer, as applicable, on each occasion that the Tenant’s lease is to be renewed, informs the Tenant that increases in Annual Income may result in an increase in the Tenant Contribution and sets forth the amount of the Tenant Contribution. The Rental Assistance Rider shall be included in the Program Guide or the Municipality’s Program Guide, as applicable.
- “Regulatory Agreement”: A contract executed by IHDA and a Developer under which the Developer agrees to income and rent restrictions on LTOS Program Units. This document is recorded at LTOS Grant closing on the title of the subject Project. The Regulatory Agreement describes the Developer’s responsibilities and obligations to the Project including occupancy, rents, project reserves, income and special needs targeting, and reporting.
- “Reserve Fund”: The fund established either by IHDA to provide a source of funds in the event that an annual Appropriation is not sufficient to provide adequate funding for existing Grant Agreements.

“RFA”:	A request for proposals by IHDA soliciting Applications from LAAs or Developers.
“RHS Program Act”:	The Rental Housing Support Program Act (310 ILCS 105).
“RHS Program”:	The Rental Housing Support Program authorized by the RHS Program Act.
“Rural Area”:	All areas of the State not specifically included in any other Geographic Area.
“Service Area”:	The geographic boundaries of the area to be served by an LAA.
“Severely Low-Income Household”:	A Household whose Annual Income is less than or equal to 15% of the Median Income.
“Small Metropolitan Areas”:	The Geographic Area that includes the municipalities of Bloomington-Normal, Champaign-Urbana, Decatur, DeKalb, Moline, Peoria, Rantoul, Rockford, Rock Island, Springfield, and the counties of Madison and St. Clair.
“Special Needs Households”:	Households that are homeless or imminently at risk of becoming homeless; that are now or imminently at risk of living in institutional settings because of the unavailability of suitable housing; or that have one or more members with disabilities, including but not limited to physical disabilities, developmental disabilities, mental illness or HIV/AIDS.
“Suburban Areas”:	The Geographic Area that includes the counties of Cook (excluding Chicago), DuPage, Kane, Lake, McHenry, and Will.
“State”:	The State of Illinois.
“State Median Income”:	The State median income published by the U.S. Census Bureau in the most current decennial census.
“Tenant”:	A Household occupying a Unit.



- “Tenant Bill of Rights”: Information LAAs and Developers are required to provide to Tenants concerning how to contact the LAA; local landlord-Tenant laws and procedures; the housing rights of persons with disabilities; how to contact the local agency or agencies administering local landlord-Tenant laws and procedures or protecting or promoting such housing rights of persons with disabilities; eligibility requirements for participating in the RHS Program; and the rights and responsibilities of prospective Tenants prior to occupancy of a Unit.
- “Tenant Contribution”: The portion of the monthly rent for a Unit to be paid by the Tenant, which shall be approximately one twelfth of 30% of the median income for the Income Range in which the Tenant’s Annual Income falls, adjusted for unit size.
- “Tenant Income Certification”:  
The form prescribed by IHDA and to be used by Landlords and Developers in determining and reporting a Tenant’s Annual Income to an LAA or IHDA, as applicable.
- “Tenant Selection Plan”: The written plan prepared by a Landlord or a Developer and approved by the LAA or IHDA, as applicable, which governs the selection of Tenants for a Unit or a Project.
- “Transitional Contribution”: The Tenant Contribution for Tenants whose income has exceeded the income limit for Extremely Low-income Households.
- “Unit”: A rental housing unit receiving Rental Assistance through an Allocation. A Unit may be a single family dwelling or an efficiency apartment, a single room occupancy unit, or a one bedroom or larger unit in a multifamily dwelling. Housing units intended as transitional or temporary housing, with a lease of less than twelve months do not qualify as Units.