

STATE OF ILLINOIS
Action Plan Substantial Amendment No.12
July 25, 2011

Supplemental CDBG Disaster Recovery 1800 ("Ike") Funding
From the Supplemental Appropriations Act
Public Law 110-329, 2008
Federal Register FR-5337-N-01

GOVERNOR PAT QUINN
STATE OF ILLINOIS



ILLINOIS CDBG "IKE" ACTION PLAN SUBSTANTIAL AMENDMENT (NO.12)

Through this Community Development Block Grant (CDBG) Disaster Recovery (DR) 1800 ("Ike") proposed plan amendment, Illinois is providing for greater flexibility in awarding "Ike" funds through the methods outlined below. This request reflects Illinois' commitment to utilize and award "Ike" funding in a manner that best supports the needs of Illinois residents and communities, and that can be assisted with CDBG Disaster "Ike" program funding.

To further support the needs of Illinois communities within the *Federally-Designated Areas Eligible for CDBG "Ike" Assistance (Exhibit A)* the State of Illinois is proposing to make revisions described below to Illinois' CDBG "Ike" Disaster Recovery Action Plan – Affordable Rental Housing Program.

Public Comment Period

In accordance with CDBG requirements, Illinois Department of Commerce and Economic Opportunity (DCEO) and Illinois Housing Development Authority (IHDA) have posted draft changes to the Illinois CDBG Disaster Recovery Action Plan in order to provide opportunity for public comment. The proposed Amended Plan for the Affordable Rental Housing Program is available on DCEO's website, at: http://www.illinoisbiz.biz/dceo/Bureaus/Community_Development/CDBG+Disaster+Recovery+Programs/, as well as on IHDA's website at www.ihda.org under Multifamily Programs → Community Development Block Grant "Ike" Program.

Interested parties should feel free to submit comments to IHDA via email to wpluta@ihda.org or in writing to:

Illinois Housing Development Authority
Office of Housing Coordination Services (OHCS)
Attention: Public Comment to Ike Plan – Substantial Amendment No.1
401 North Michigan Avenue, Suite 700
Chicago, IL 60611

Preface to the Proposed "Ike"- Affordable Rental Housing Program (AHP) Changes

Upon execution of its CDBG grant agreement with HUD, DCEO entered into an Intergovernmental Agreement with the Illinois Housing Development Authority (IHDA) to administer the Affordable Rental Housing Program (AHP) portion of the overall Disaster Recovery Program. Five separate programs were initially proposed and included in that plan. In IHDA's ongoing administration of the application process thus far, it has found a significant demand for public housing repair, rural housing rehabilitation, and permanent supportive housing. As IHDA can already fund the Small Rental Properties Program (SRPP) through its HOME Program and First/Second Mortgage Financing through other available programs, it has proposed moving those resources into the first 3 programs and deleting SRPP and First/Second Mortgage Financing as part of the AHP effort.

Illinois CDBG "Ike" Action Plan Substantial Amendment (No.12)

Housing Activities

I. Affordable Rental Housing Programs (State administered- Individual Assistance)

The Affordable Rental Housing program will support repairs, rehabilitation, and reconstruction of the affordable rental housing stock in eligible communities. To administer the affordable rental housing set-aside most effectively and efficiently, especially when leveraging with other federal and State assistance programs, the State (via the Illinois Housing Development Authority) will opt for direct state administration, working directly with non-profit and for-profit property owners as applicants and subsequent subgrantees or borrowers.

One major criteria and priority under all programs described here is to first assist otherwise qualifying projects that have sustained damages due to the storms and flooding, or that could positively benefit from rehabilitation work involving flood-proofing and related mitigation efforts that would serve to reduce or eliminate the impact of future such incidents.

Finally, all proposals for affordable rental housing construction or rehabilitation will go through a Request for Applications process to openly solicit applications from the impacted areas. These will include the following: the use of IHDA's application, mandatory project threshold requirements (e.g., site control), underwriting criteria, and scoring criteria. All of these documents are available at www.ihda.org.

Allocation for **all** Affordable Rental Housing Program activities: **\$18,950,911**

The original parameters for the Affordable Rental Housing Program included a First/Second Mortgage Financing-Rental Housing New Construction and Rehabilitation component, and a Small Rental Properties Program component, as follows:

First/Second Mortgage Financing-Rental Housing New Construction and Rehabilitation

This funding category would serve to capture multiple State priorities via an open RFP process.

1. Allocation for Activity: \$4,000,000 (est.)
2. Eligible Applicants: Nonprofit and for-profit property owners
- 3a. Threshold Criteria: Specific priority types of projects are:
 - LIHTC projects, with or without disaster credit designation but serving the designated area, which have a first/second mortgage financing need or gap and/or an equity shortfall after the Equity Replacement Program is exhausted.
 - Preservation of existing affordable assisted housing, especially those properties providing continuing rental subsidies to tenants.
 - Projects addressing long-term economic recovery issues, such as linking housing with transportation and/or employment/jobs.
 - Adaptive re-use of non-residential buildings.
 - Consideration of top-ranked applications not funded under other relevant State program funding competitions which may (significantly) address the recovery needs of their target areas.
- 3b. Criteria for Selection: IHDA will utilize its multi-family loan process to determine qualifying projects, and further use Readiness to Proceed to select funded applicants here.
4. Grant Size Limits: \$500,000 Minimum; \$1,500,000 Maximum.
5. Eligibility: 105(a)(4)
6. National Objective: LMI (51%).

Small Rental Properties Program

Proposed to be modeled after IHDA's successful ongoing effort in its HOME Program, this would primarily be a rental rehabilitation program, but for buildings with 7 or less units. Specific program criteria on the affordability period, income eligibility requirements, minimum-maximum levels of per-unit assistance, and property owner contributions will be established, but generally can be made more flexible than the HOME Program under extenuating circumstances.

1. Allocation for Activity: \$1,000,000
2. Eligible Applicants; Units of general local government; non-profit organizations; CHDOs
- 3a. Threshold Criteria: Prior organizational experience in operating a housing rehabilitation program
- 3b. Criteria for Selection: See HOME/SF
4. Grant Size Units: \$75,000 minimum; \$250,000 maximum.
5. Eligibility: 105(a)(4)
6. National Objective: Must meet either: LMI (51%), urgent need, or slum/blight national objective.

The plan amendment would eliminate the First/Second Mortgage Financing-Rental Housing New Construction and Rehabilitation and Small Rental Properties Program components, and reallocate the components' combined \$5,000,000 across the remaining three components, in the following manner (allocation changes and minor edits for clarification purposes are underlined):

A. USDA-Rural Development Section 515-Acquisition/Rehabilitation Projects

Target CDBG-DR funding to preserve and rehabilitate this aging rural rental housing stock in designated counties, originally financed in prior decades using USDA-RD or FmHA Section 515 loans. In many cases, investment in these developments will provide the needed physical improvements to preserve the units for continued occupancy, as well as assure the continuation of the accompanying federal Section 8 or Rural Rental Assistance tied to the properties, thereby guaranteeing housing for very low-income households.

1. Allocation for Activity: \$7,250,000 (est.)
2. Eligible Applicants: Non-profit and For-profit Entities experienced in owning and operating RD or HUD-assisted properties
- 3a. Threshold Criteria: Must be an existing Section 515 project in USDA-RD's loan portfolio located in the one of the designated disaster counties; must involve USDA commitment to renegotiate its existing loan balance; and must include significant rehabilitation (\$5,000/unit minimum).
- 3b. Criteria for Selection:
 - Rehabilitation work to be justified by a Physical and/or Capital Needs Assessment
 - Priority will be given to properties which are able to continue providing Section 8 or Rental Assistance to tenants
 - Handicapped accessibility improvements also strongly encouraged where feasible.
4. Grant Size Limits: Minimum \$500,000; Maximum \$1,500,000

B. Permanent Supportive Housing

Target CDBG-DR funding to build new units (new construction or redevelopment of currently vacant units or buildings) of permanent supportive housing in designated counties. As one example, IHDA has funded the Corporation for Supportive Housing (CSH) – Supportive Housing Institute to build local capacity and a pipeline of feasible developments around the state of non-profit homeless service and special needs housing agencies to develop permanent supportive housing. As special needs populations are often more significantly impacted by such natural disasters, IHDA may choose to fast-track those feasible projects in the Supportive Housing Institute pipeline. The CDBG-DR Permanent Supportive Housing program will also include projects working with local Continuum of Care organizations to encourage coordination with other HUD homeless assistance resources.

1. Allocation for Activity: \$7,250,000 (est.)
2. Eligible Applicants: Non-Profit and joint-venture developers of permanent supportive housing (Open RFP)
- 3a. Threshold Criteria: Readiness to Proceed – those projects most prepared to move forward with project financing and development.
- 3b. Criteria for Selection:
 - Coordination with local Continuum of Care organization, especially related to HUD funding of services and rental assistance
 - Firm commitment letters from other financing sources, for capital development and services, as well as operating assistance
4. Grant Size Limits: \$500,000 – Minimum; \$1,500,000 - Maximum

C. Public Housing Rehabilitation

The State will also target funding to specific PHAs for public housing repair/rehabilitation projects in these impacted counties to smaller county or local PHAs with capital improvement needs. A targeted development pipeline can be prepared through outreach and an RFP to smaller housing authorities in disaster counties.

1. Allocation for Activity: \$4,500,000 (est.)
2. Eligible Applicants: Qualifying/city or county housing authorities
- 3a. Threshold Criteria: PHAs which received less than \$1 million in ARRA Capital Fund Grant formula allocations (2009).
- 3b. Criteria for Selection:
 - Prioritized to smaller PHAs with capital improvement needs
 - Prioritizing correction of health/safety problems, or making living units accessible to assist those PHAs with Section 504 Voluntary Compliance Agreements with HUD
4. Grant Size Limits: \$500,000 minimum; \$1,500,000 maximum

**** Redistribution of Affordable Rental Housing Funds/Grant.** Within the three specific sub-categories of funding for the Affordable Rental Housing program described above, the amounts allocated under each serve as estimates only, and will be adjusted as competitions conclude and funding decisions are finalized to more realistically reflect the actual dollar amounts utilized per category. There may be a larger demand or larger field of ready-to-proceed projects in one area over another, so it would be practical to account for this without having to process an Action Plan amendment at each juncture.

Exhibit A

Federally-Designated Areas Eligible for CDBG "Ike" Assistance

The following Illinois counties were declared eligible for federal assistance in the three 2008 Disaster Declarations:

Illinois Counties Declared Under FEMA-1800-DR

- | | |
|-------------------|-----------------------|
| 1. Bureau County | 9. Kendall County |
| 2. Cass County | 10. LaSalle County |
| 3. Cook County | 11. Macoupin County |
| 4. DeKalb County | 12. Montgomery County |
| 5. DuPage County | 13. Peoria County |
| 6. Greene County* | 14. Scott County* |
| 7. Grundy County | 15. Will County |
| 8. Kane County | 16. Woodford County |

Illinois Counties Declared Under FEMA-1771-DR

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|----------------------|------------------------|
| 1. Adams County | 14. Lake County |
| 2. Calhoun County | 15. Lawrence County |
| 3. Clark County | 16. Madison County |
| 4. Coles County | 17. Mercer County |
| 5. Crawford County | 18. Monroe County |
| 6. Cumberland County | 19. Pike County |
| 7. Douglas County | 20. Randolph County |
| 8. Edgar County | 21. Rock Island County |
| 9. Greene County* | 22. St. Clair County |
| 10. Hancock County | 23. Scott County* |
| 11. Henderson County | 24. Whiteside County |
| 12. Jasper County | 25. Winnebago County |
| 13. Jersey County | |

Illinois Counties Declared Under FEMA-1747-DR

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|--------------------|----------------------|
| 1. Iroquois County | 2. Livingston County |
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* Greene and Scott counties were declared under both the FEMA 1771 and 1800 declarations