

# Qualified Allocation Plan 2023

*Chicago Department of Housing*



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Image: Lucy Gonzalez Parsons Apartments  
Logan Square



# Section I General

## A. General Information

The Low-Income Housing Tax Credit Program (“LIHTC Program”) was instituted by the Tax Reform Act of 1986, as set forth under Section 42 of the Internal Revenue Code of 1986 (the “Section 42”). Section 42 authorizes local housing finance agencies to allocate Low-Income Housing Tax Credits (“Tax Credits”) to qualified rental housing developments. The City of Chicago (the “City”) administers the LIHTC Program through its Department of Housing (DOH).

This Low-Income Housing Tax Credit Qualified Allocation Plan (this “QAP”), as required under Section 42(m), establishes the priorities and selection criteria for the allocation of Tax Credits by DOH and administration of the LIHTC Program until a subsequent allocation plan has been adopted by the City or until the LIHTC Program is terminated.

All references to statutes and treasury regulations shall be deemed to include changes and modifications made therein from time to time. Nonetheless, DOH reserves the right to initiate future amendments to this QAP to reflect changes instituted by law and the Internal Revenue Service (the “IRS”) and to reflect changes in the City’s priorities and selection criteria in connection with the allocation of Tax Credits.

DOH will evaluate applications for Tax Credits based on requirements of federal legislation and its priorities and selection criteria. Adherence to these requirements is mandatory. DOH is unable to provide legal or tax advice as it relates to the

LIHTC Program and encourages applicants to seek counsel in matters related to the use of Tax Credits.

The following funding amounts are estimated to be the maximum total amounts available for allocation, subject to City Council approval and Federal and State allocation:

Funding Resources	2023	2024
9% LIHTC	\$6,633,698	\$6,633,698
Volume Cap Tax Exempt Bonds*	\$291,919,609	\$291,919,609
HOME	\$12,000,000	\$12,000,000
AHOF	\$6,000,000	\$6,000,000
CDBG	\$8,000,000	\$8,000,000
HOME-ARP and CRP-PSH**		\$41,991,404

\*Annual volume cap is an estimate based on prior years. Actual allocation is based on the City and State population. Additional volume cap may be available due to prior year carry over.

\*\* New one-time funding source specific to the Permanent Supportive Housing Tract.

The following is a list of the average allocation by funding source for projects funded by DOH since 2017. The average 9% Tax Credits awarded was \$1.65 MM and \$4.98MM in combined subordinate resources that may have included TIF, AHOF or Federal funds. On average, developments that received 4% Tax Credits and additional subsidy from DOH were awarded \$7.54 MM in combined subordinate resources.



Capital Stack	9% LIHTC	4% LIHTC (TEB)
9% LIHTC	\$1,647,113	N/A
MF Loan (HOME, CDBG, AHOF)	\$3,843,256	\$4,789,912
TIF Funds	\$4,845,833	\$6,642,913
All Subordinate Funds (TIF and MF Loan)	\$4,975,206	\$7,542,426

To maximize the number of units created from these limited resources, DOH anticipates awards to follow prior allocation averages.

Based on these averages, DOH is optimistic about funding as many as eight 9% LIHTC projects to close in 2023 and 2024.

Following long-sought changes to the 4% LIHTC Program in late 2020 that fixed the 4% credit at 4%, DOH changed the allocation requirements to allow 4% applications to be rolling under certain conditions, as described in Section 2.B.

Requests for 4% allocations and additional subsidy from DOH must continue to apply through a competitive funding round. DOH expects to fund as many as four 4% LIHTC applications requesting additional financial assistance.

Projects leveraging other resources are highly encouraged.

## B. Purpose and Goals

DOH’s mission and vision are listed as the following:

### Mission

Chicago’s DOH expands access and choice for residents and protects their right to quality homes that are affordable, safe and healthy.

### Vision

Chicago’s DOH envisions the equitable distribution of resources across all 77 communities so that every Chicagoan can choose and

remain in quality housing that’s affordable, safe and healthy.

Successful applicants will receive a conditional Tax Credit reservation based on the determination that the undertaking is compatible with the goals and priorities of the Department.

Regarding DOH’s selection criteria and preferences referenced in this QAP, when the department announces a Tax Credit application round, it may elect to establish one objective or a sub-group of objectives from these selection criteria and preferences as the sole program objective(s) for that round.

### Racial Equity Impact Assessment (REIA)

In 2020, DOH conducted a Racial Equity Impact Assessment (REIA) of the QAP and its community process. In addition to committing to biannual revisions of the QAP and its selection processes, DOH also recognized the need to consider future revisions using a racial equity lens. Through the REIA, DOH sought to understand ways the QAP could be utilized to make the Tax Credit allocation process and its results more racially equitable and ensure more opportunities for community wealth building. The REIA resulted in several changes to the 2021 QAP and the Multi-Family Funding Application and outlined anticipated changes for 2023.

The 2021 QAP set policy priorities and preferences for the following:

1. Ensure that small-scale, newer developers of color benefit from the LIHTC program and contribute to wealth building in Black, Indigenous and People of Color (BIPOC) communities while reducing the racial wealth gap.
2. Ensure LIHTC developments serve residents most in need and address the overall deficits in affordable housing, as well as the insufficiencies in units for specific subpopulations.
3. Ensure marginalized residents are not unfairly screened out due to arrest/conviction records, evictions, or low/no credit scores.
4. Ensure that residents can live in neighborhoods of their choice with access to resources and that developers can work in highly resourced, amenity-rich areas.
5. Increase the inclusion, power, and self-



- determination that LIHTC residents have over their living environments.
6. Improve the outcomes and wealth building opportunities for residents.
  7. Ensure residents with disabilities or who speak diverse languages can live and stay in LIHTC units that accommodate their needs.
  8. Ensure that residents feel safe in their homes and neighborhoods.

The 2023 QAP builds on these goals and adds several additional priorities:

- Implements a tract dedicated to Permanent Supportive Housing
- Commits a 5% set-aside for permanent supportive housing units in all developments
- Encourages public transit and Divvy use for Transit-Served Locations
- Establishes new preferences and requirements related to energy efficiency, decarbonization, and climate resilience in accordance with the City’s Climate Action Plan, Energy Transformation Code, and Building Decarbonization Recommendations Report
- Implements greater broadband infrastructure and accessibility in connection with city-wide initiatives to close Chicago’s digital divide by preferencing developments that provide internet service in all affordable housing units at low or no cost to the tenants
- Bolsters site-specific opportunities in Woodlawn, East Garfield Park, and Pilsen

Also new in 2023 are several policy changes that can be found in the application instructions (to be released when the funding round opens) and Architectural and Technical Standards manual (ATS manual):

- Financial consultant fees no longer must be paid by the developer fee. A capped amount can be included in the Professional Fees budget category. Financial consultants must be unrelated third-party entities with no identity of interest in the owner or developer.
- For PSH developments, applying through the PSH tract, developers are allowed to request a higher developer fee to fund a supportive services escrow to be used for the cost of supportive services to benefit residents. The developer fee increase will be reviewed and



Image: Sarah’s on Lakeside Uptown

- approved by DOH.
- For all permanent supportive housing units, including those required for the 5% set aside, developers are obligated to develop and implement an eviction prevention plan in order to reduce evictions and their impact. The Tenant Selection Plan guidelines can be found in the appendix.
- Developers and General Contractors (GC) will be expected to hold bid forums and to solicit bids at a minimum with City of Chicago Assist Agencies to open opportunities for BIPOC contractors. (ATS manual Sections 3.0 and 4.0).
- Construction contingency will be allowed to cover errors and omissions as delineated in section 4.2 of the ATS Manual.
- Allow costs associated with the requirement to retain an experienced, independent cost-estimating firm to be included in the project budget. This third-party firm is ineligible to bid on the project (ATS manual Section 2.1).





Image: Groundbreaking at Lucy Gonzalez Parsons Apartments, Logan Square

## C. Affirmatively Furthering the Fair Housing Act (Title VIII of the Civil Rights Act of 1968) and Other Applicable Fair Housing Laws

DOH's policy is to administer the LIHTC Program affirmatively to achieve the circumstances needed to enable individuals of comparable income levels within the same housing market area to have a similar range of available housing choices regardless of their race, color, religion, sex, gender identity, sexual orientation, parental status, source of income, military status, disability, familial status, or national origin. DOH's vision aims for the equitable distribution of resources across all 77 communities so that every Chicagoan can choose and remain in quality housing that's affordable, safe and healthy.

Each Owner is required to pursue an Affirmative Fair Housing Marketing Plan for all qualified rental housing development that receive Low-Income Housing Tax Credits ("Tax Credits"). The purpose of the Affirmative Fair Housing Marketing Plan is

to solicit tenants and reach out to underserved populations and those least likely to apply to reside in completed Tax Credit units in order to reduce segregation and encourage integration in housing by promoting fair housing choice. All developers will be expected to follow HUD's Affirmative Fair Housing Marketing Plan and any additional guidelines provided by DOH.

## D. Fees

All fees are non-refundable. The fees set forth below will be assessed on all Tax Credit projects. DOH does however maintain the right to, in its sole discretion, waive or reduce any fees or penalties imposed in connection with the Tax Credit program if such waiver or reduction is in the best economic interest of the City. In addition, there may be other fees required by the City that are not detailed in this Plan because such fees are not Tax Credit-specific fees, e.g., conduit tax-exempt bond fees, permit fees, etc. The City may adjust the amount of fees from time to time by ordinance in accordance with Section 42 and related regulations.



### Application Fee

An application fee is due upon submission of an application in the amount of \$1,500.00 in connection with for-profit projects and \$750.00 in connection with not-for-profit projects. A for-profit project shall mean any project which does not qualify as a not-for-profit project.

### Reservation Fees

For projects expecting to receive Tax Credits allocated from the Credit Ceiling or generated from the issuance of Tax-Exempt Bonds, a reservation fee equal to 5% of the annual Tax Credit amount referenced in the conditional LIHTC reservation agreement or Section 42(M) agreement will be assessed. This fee will be due upon acceptance, receipt, and execution of applicable agreement(s) or at closing, at the discretion of DOH.

### Carryover Allocation Fee

For projects expecting to receive Tax Credits allocated from the Credit Ceiling or generated from the issuance of Tax-Exempt Bonds, \$250.00 is required for a project not placed-in-service in the year Tax Credits were reserved, but which meets the 10% expenditure requirement described in Section III. K2. This fee is due upon submission of a request for a carryover allocation of Tax Credits, or upon the closing of the financing for the project, at the discretion of DOH.

### Compliance Monitoring Fee

Section 42 requires Tax Credit allocating agencies to monitor projects for compliance with the LIHTC Program requirements. These requirements apply to each building in a project for which Tax Credits have been allocated. An annual monitoring fee of \$25.00 per unit (non-Tax Credit units and Tax Credit units) will be charged to cover the cost of this compliance monitoring annually for the full term (typically a minimum of 30 years) of the affordability period, or in an aggregate amount at the time of the closing of the financing for the project.

### Compliance Monitoring Late Fee

A penalty of \$20.00 per unit (non-Tax Credit units and Tax Credit units) will be assessed for each occurrence of a late submission of compliance monitoring information.

# Section II

## Application Process



### A. Application Process and Funding Rounds

An application for Tax Credits shall be submitted pursuant to a competitive Tax Credit application funding round and may be submitted for a project by the entity which shall be the owner of the property for which the Tax Credits are being sought, or by a related sponsor entity acceptable to DOH in

its sole discretion (the “Owner”). Public agencies may also apply for Tax Credits in connection with a project and may designate an Owner to be determined. The conditional Tax Credit reservation agreements are not assignable without the prior consent of DOH.

DOH will review Tax Credit applications through a two-stage application process.

Section 42 allows applicants to submit a request to the allocating agency to find a buyer to enter a qualified contract for acquisition of the project at the end of the compliance period. For Tax Credit applications to be considered by DOH, all applicants waive their right to submit such a request to DOH, thus maintaining affordability for the duration of the extended-use period.

Applicants for 4% credits and bonds that do not meet the criteria for applying outside of a round, as listed below, should apply for funding within DOH’s Multi-Family Tax Credit funding round. Such projects must meet the same requirements as projects applying for Tax Credits from the Credit Ceiling and should submit the same application (DOH Multi-Family Finance application). DOH may permit, in its sole discretion, an Owner to apply for Tax Credits generated from tax-exempt municipal bonds without submitting the application pursuant to a competitive Tax-Exempt Municipal Bond application funding round process as a result of special conditions that necessitate consideration outside of a competitive funding round.



## B. Funding outside of the Competitive Tax Credit Round

In deciding whether an application is eligible to be accepted for consideration outside of a competitive funding round, DOH will consider:

1. Projects that request Tax Credits from tax-exempt bonds, but request no other development subsidy sourced from DOH; and/or
2. Projects that are time sensitive as a result of other government financing (for example, but not limited to FHLB, VASH, CHA RAD, Choice, etc.) that has mandatory expenditure deadlines that would prohibit delaying of financing for a funding round; and/or
3. Preservation projects that are time sensitive because of an immediate loss of affordable housing due to a sale, closure or as a result of dangerous and hazardous conditions, or a potential loss of subsidy, as determined by DOH.

In addition, DOH may permit, in its sole discretion, an Owner who has initially applied for an allocation of Tax Credits from the Credit Ceiling for a project to subsequently revise its financing structure to include Tax Credits generated from tax-exempt bond financing instead of from the Credit Ceiling.

## C. Stage One Multi-Family Application Submissions

The first stage of the application process is a competitive application funding round for all projects applying for an allocation of Tax Credits from the Credit Ceiling. DOH will complete a preliminary assessment during stage one that evaluates the project's ability to meet:

- Mandatory selection criteria and preferences required under Section 42
- Department selection preferences outlined in this Plan and/or sub-groups of DOH objectives and criteria, if any
- Department underwriting standards
- Community impact measures

- Housing need fulfillment
- Economic feasibility
- Developer capacity expectations

An Owner must submit an application to DOH for Tax Credits on the form provided by DOH (the "Stage One Multi-Family Submissions"). Individual applications are to be completed for each project. Separate applications are not required for each building comprising part of a project.

The application will request information including, but not limited to, the parameters of the project, the context and impact of the project on its surrounding community (including its relationship to plans for community redevelopment and investments planned or under way by others), quality of design, leveraging of city resources, the capacity of the development team, and the economic feasibility of the project. Since 2021, the application requests information that enables DOH to assess the racial equity impact and identify funding priorities.

DOH staff will review all applications for project readiness, completeness, project eligibility, and compliance with the LIHTC Program and DOH's selection criteria and preferences. The projects that best meet the selection criteria and preferences defined in Section III and will be invited to proceed to stage two of the Tax Credit application process (the "Stage Two Multi-Family Submissions").

DOH may issue the invitation to complete Stage Two Multi-Family Submissions to applicants requesting Tax Credits up to or greater than 100% of the City's portion of the current calendar year's Credit Ceiling. The reservation of Tax Credits is based on the successful completion of Stage Two Multi-Family Submissions, on a mutually agreed-upon schedule.

## D. Stage Two Multi-Family Application Submissions

For all projects selected to proceed beyond Stage One, the second stage of the application process will include in-depth underwriting of a project's financing, construction documentation, and infor-



Image: 1237 N California  
Humboldt Park

mation necessary to complete the legislative and closing processes.

## E. Tax Credit Reservation Agreements

Upon review and approval of this documentation, DOH will prepare a conditional Tax Credit reservation agreement. An Owner who is unable to complete the Stage Two Multi-Family Submissions and documentation based on a mutually agreed-upon schedule may not receive a conditional Tax Credit reservation agreement.

Reservations of Tax Credits for Credit Ceiling projects are contingent on several factors including, but not limited to, the acceptability of the application and its supporting documentation. If a project is approved to receive a reservation of DOH's allocated credits, the department may reserve

those Tax Credits from its current calendar year's Credit Ceiling or a future year's Credit Ceiling at its discretion. If Tax Credits are returned to DOH, the department may allocate Tax Credits to the same project without the project going through another competitive application funding round. DOH may open competitive application funding rounds that may be limited to one or more of its housing preference categories at its discretion.

## F. Stage I and Stage II Submission Requirements

The chart on the next page provides a general summary of application documentation and requirements, but applicants should consult the Application and Application Instructions for required submissions at each stage, as well as further information on documentation surrounding each submission.



Description	Stage 1	Stage 2
Completed Multi-Family Housing Financial Assistance Application, which includes project description, development team/applicant information, address, evidence of site control in the name of the Owner or a realistic plan to obtain site control that includes a description of steps to be taken and a time frame, unit mix, projected building rents, preliminary operating expense budget and explanation of how the project meets the Section 42 mandatory selection criteria and the City's housing needs and policy priorities	X	Final
Application fee	X	
Cover letter	X	
Required authorizations and forms, as well as supplementary applications (DTC and TIF), as applicable	X	Final
Supportive Services Plan as required, e.g., PSH, Senior	Preliminary	Final
Complete disclosure of the entity that will own the project, including delineation of all controlling ownership interests. Any Tax Credit reservation will be null and void if there is a subsequent change in the principals of the intended ownership entity described in the application, if such change is not approved by DOH	X	Final
Completed DOH Proforma and Subsidy Layering review	X	Final
Last two years of audited financial statements and interim current year financial statements or other financial statements acceptable to the City of the Owner, or such other entity related to the owner, as requested by DOH	X	Update
Economic Disclosure Statement(s) and Affidavit(s) Scofflaw Information	Preliminary	Final
PowerPoint of Architectural drawings and design review requirements as delineated in section 12.0 in the Architectural Technical Standards manual	Schematic	Preliminary Stage Two Submission
Completed Project Assessment Matrix (Excel spreadsheet)	X	
Demonstrated plan for compliance with DPD's Sustainable Development Policy (SDP)	X	Final
Documentation of site-specific risk of flooding and extreme heat, and identification of specific design strategies to mitigate risks on building and tenants, as needed	Preliminary	Final
List of lenders, equity partners and other funders' financial terms. Copies of at least three equity bids	Letters of Interest	Final commitments
Property management plan and resume(s)	X	
Plan for community input	X	
Cost Estimate		Third Party Cost Estimator Budget

Evidence of site control	X	Final
Description of applicant's experience and developer's license (if applicable)	X	Final-License
Three credit references and authorization to review credit	X	
Tenant Select Plan that includes PSH Tenant Selection Plan Guidelines, and any further guidance released by DOH, along with an Eviction Prevention Plan for all Supportive Housing projects, including those that have a Supportive Housing set-aside	Preliminary	Final
A strategy to minimize displacement of residents, if applicable	Preliminary	Final
VAWA Adherence Plan	If available	X
A comprehensive third-party market study that satisfies DOH'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	If available	X
Phase I Environmental Audit	If available	X
MOPD Review		X
Most recent real estate tax bill		X
Copy of Class 9 application, if applicable		X
Appraisal	If available	X
Tenant profiles (if units are occupied)		X
Relocation Plan and URA Screening Form (if applicable)	Preliminary	X
Organizational chart	X	Final
Applicant and Owner docs (articles of incorporation, bylaws, partnership agreements, etc.)		X
Lease with VAWA rider and HOME or Non-HOME rider		X
Physical Needs Assessment (PNA) with Energy Audit (Rehab Only)	If available	X
Required insurance certificates		X
Any other documentation required by DOH	Preliminary	Final



## G. Application Forms and Documentation

The Application and Application Instructions list the documents required for each stage, and both can be found on DOH's website [www.chicago.org/housing](http://www.chicago.org/housing). Any application, and related supporting documentation, deemed incomplete at the time of the funding round submission deadline will be returned to the applicant at DOH's sole discretion.

## H. Owner Responsibility

1. It is imperative that the Owner submits identical budgetary information on applications to all funding sources including lenders, syndicators, and DOH.
2. The Owner must advise all funding partners, including DOH, in a timely fashion as to cost or budget changes. Delay in the department's receipt of information may cause delay or denial of a Tax Credit reservation.
3. An application for Tax Credits is not a guarantee of receiving Tax Credits. Owners should not attempt to syndicate Tax Credits without Tax Credit reservation and subsequent allocation.

# Section III

## SELECTION CRITERIA AND PREFERENCES

DOH’s Selection Criteria and Preferences are organized into two overarching categories: Section 42 Mandatory Selection Criteria and DOH Primary Selection Criteria. Section 42 mandates refer to the collection of criteria set forth in the Internal Revenue Code. The DOH Primary Selection Criteria details the department’s development goals as conveyed in its Priority Tracts, Policy Objectives, and Tax Credit Reservation Requirements.

Each application will be reviewed based upon the selection criteria and preferences listed below. Preference will be given to those that best meet the priorities, goals and selection criteria.

### A. Section 42 Mandatory Selection Criteria

In selecting projects to receive allocations of Tax Credits, and in accordance with Section 42(m), DOH shall consider the following mandatory selection criteria, as it relates to each application and related project proposal:

- Project location
- Housing needs characteristics
- Project characteristics, including the use of existing housing as part of a community revitalization plan
- Sponsor characteristics
- Tenant populations with special housing needs
- Public housing waiting lists

- Households with children
- Projects intended for eventual tenant ownership
- The energy efficiency of the project
- The historic nature of the project

#### Not-For-Profit Set-Aside

In accordance with Section 42(h)(5)(A) of the Code, each calendar year, DOH will allocate a minimum of 10% of the City’s portion of the annual state housing credit ceiling (the “Credit Ceiling”), as defined in Section 42(h)(3), for projects owned, directly or indirectly, by qualified not-for-profit organizations, as defined under Section 42(h)(5)(C) of the Code.

To qualify for this set-aside, the qualified not-for-profit organization must have an ownership interest in the project, directly or indirectly, and materially participate in the development and operation of the project throughout the compliance period.

#### Minimum Low-Income Set Aside Requirement

In order to be a qualified low-income housing project under Section 42(g), an Owner must elect one of three minimum set-aside formulas:

1. At least 20% of the project units must be both rent-restricted and occupied by tenants with a total annual household income of not more than 50% of the area median gross income adjusted for family size, or,
2. At least 40% of the project units must be both



rent-restricted and occupied by tenants with a total annual household income of not more than 60% of the area median gross income adjusted for family size, or,

3. Income Averaging, which allows a property to serve households up to 80% AMI if at least 40% of the project units are rent and income restricted and the average income limit for all tax credit units in the project is at or below 60% AMI. To ensure that the development does not exceed its maximum income limits, DOH may require a lower average AMI as a buffer.

Designated income/rent levels may only be set at 10% increments beginning at 20% of AMI. Allowable income/rent designation levels are 20%, 30%, 40%, 50%, 60%, 70%, or 80% of AMI. DOH reserves the right to limit the number of AMI designations per property.

A minimum low-income election, once made, shall be irrevocable. An Owner may elect to address even lower income populations, or to set aside a greater percentage of units, or both. Developments serving the lowest income tenants will be given preference for Tax Credits.

### Section 42(m) Mandatory Housing Preferences

In accordance with Section 42(m), projects containing one or more of the following criteria shall be given preference for selection for Tax Credits:

- a. Those that serve very low-income tenants (households with incomes that are at or below 30% of the area median gross income adjusted for family size);
- b. Those that are obligated to serve qualified tenants for the longest periods beyond the minimum thirty (30) year requirement; and
- c. Those that are located in a qualified census tract, the development of which contributes to a concerted community revitalization plan

## B. DOH Primary Selection Criteria

In addition to the projects that otherwise meet Section 42 requirements, successful applicants will receive a conditional Tax Credit reservation based on the determination that the undertaking

is compatible with DOH's goals/priorities.

### Priority Tracts

DOH values the equitable distribution of affordable housing across geography and market type. To achieve this goal, in recent years, the department has established a Priority Tract framework to ensure that the City's affordable housing investments respond to Chicago's varied housing needs. The framework informs DOH's primary selection criteria and is divided into five funding tracts with distinct requirements outlined in Section 3.B. Successful applicants seeking LIHTC support should select a single Priority Tract and ensure their proposal aligns with the specific goals and requirements articulated therein.

- **NEW IN 2023:** all Priority Tracts require a 5% set-aside for permanent supportive housing units.
- Applicants should submit applications based on the alignment of their proposed project with one of the five Priority Tracts described below.
- A project cannot apply under multiple Priority Tracts.
- For applicants seeking recapitalization or for projects with a permanent supportive housing focus, the application should prioritize meeting the criteria for Priority Tract IV or Priority Tract V, respectively, regardless of alignment to the other Priority Tracts.
- Projects should address all preferences described in the Priority Tract to the greatest extent possible. For example, projects applying in Opportunity Area tracts should focus on City-owned land in highly resourced areas and creating very low-income units. Projects addressing all the preferences within the selected Priority Tract take precedence over applications that do not address all the preferences.
- Final decisions on any tiebreaker will be determined by the number of units with lowest incomes being served and the longest terms for affordability, up to and including permanent affordability.

**PRIORITY TRACT I: OPPORTUNITY AREAS**

Project Type	Description	Preference
<p><b>Opportunity Areas</b> Applications that provide housing units in high-income/high-cost opportunity areas.</p>	<p>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 evaluate the applicant's evidence and third-party verifiable data to determine if the project qualifies as a project in an Opportunity Area.</p>	<p>Preference is given for 100% affordable developments, up to and including ground floor residential.</p> <p>Any ground floor commercial space should be programmed with affordable tenant-centered uses (e.g. affordable childcare or supportive services).</p>
<p><b>Opportunity Area Policy Priorities</b></p>		
<p><b>Housing Choice</b> Ensuring residents can live in neighborhoods of their choice; and that BIPOC developers are able to develop in amenity-rich areas.</p>	<p>Opportunity Area housing should prioritize the use of City-owned land in highly resourced to help moderate the cost of land.</p>	
<p><b>Population Focus</b> Very low-income units, housing units for tenant populations with special housing needs, including accessible units, single room occupancy (SRO) units, permanent supportive housing, re-entry housing and units for individuals and/or families experiencing homelessness or those at risk of homelessness due to trauma.</p>	<p>Such projects provide units for the lowest income tenants whose household incomes, adjusted for family size, are at or below 30% of the area median income.</p>	<p>Preference for projects proposing 10% or more of units in the project to be designated for very low-income households along with a committed source of rental subsidy or underwritten so it can operate at rents affordable to the tenants.</p>
<p><b>Additional Requirement</b> A 5% set-aside for permanent supportive housing units. This 5% set-aside can be applied to meet the preference for the 10% designated for very low-income households.</p>	<p>Rental subsidy and supportive services for set aside units may be supported be an appropriate source that will be determined in partnership with DOH during stage 2 of the application process. (Further details can be found in the Application Instructions).</p>	<p>Preference for projects informed by Permanent Supportive Housing guidance, including priority populations, supportive service guidelines, tenant selection plan guidelines, and definitions, which can be found in the appendix.</p>



## PRIORITY TRACT II: REDEVELOPMENT AREAS

Project Type	Description	Preference
<p><b>Redevelopment Areas.</b> Projects in existing Redevelopment Areas which “contribute to a concerted community revitalization plan” (Sec. 42(m)) for the improvement of a low-mod area and leverage existing revitalization efforts.</p>	<p>Redevelopment Areas are generally low-mod areas consisting of census tracts that 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 (but not limited to) the location is within an INVEST South/West priority area.</p>	<p>Preference for projects that 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.</p>
<b>Redevelopment Area Policy Priorities</b>		
<p><b>Mixed-Use Projects.</b> Mixed-use projects provide housing, as well as first floor retail/commercial spaces to provide needed neighborhood amenities.</p>	<p>Mixed-use projects offer a combination of residential and commercial spaces in one. They should also deploy ETOD principles whenever possible, enhancing the vibrancy of the neighborhood’s existing assets and promoting the concept of a “complete” neighborhood, where residents can access most of their basic needs within a 15-minute walk from their homes.</p>	<p>Preference will be given to projects proposing a well-integrated, mixed-use development that deploys ETOD principles wherever possible.</p> <p>Additional priority will be given to projects that have a viable plan and/or a committed partner to assist with occupying the commercial space within six months of the project’s completion.</p> <p>Proposals that consider affordable commercial space and leasing opportunities for local and BIPOC-owned businesses will also be given additional consideration.</p>
<p><b>Income Diversity</b> Mixed-income projects provide housing units for a wide range of household incomes, including from 0% to 30% AMI.</p>	<p>These projects include units for both very low-income households (a mandatory selection criteria under Sec. 42(m)) as well as market-rate households, with a range of household incomes between. Meeting this selection priority could be achieved through income averaging.</p>	<p>Preference is for projects proposing 10% or more of their units designated for very low-income households along with a committed source of rental subsidy or underwritten so it can operate at rents affordable to the tenants.</p>
<p><b>Additional Requirement</b> A 5% set-aside for permanent supportive housing units. This 5% set-aside can be applied to meet the preference for the 10% designated for very low-income households.</p>	<p>Rental subsidy and supportive services for set aside units may be supported by an appropriate source that will be determined in partnership with DOH during stage 2 of the application process. (Further details can be found in the Application Instructions).</p>	<p>Preference for projects informed by Permanent Supportive Housing guidance, including priority populations, supportive service guidelines, tenant selection plan guidelines, and definitions, which can be found in the appendix.</p>

## PRIORITY TRACT III: TRANSITIONING

Project Type	Description	Preference
<p><b>Transitioning Areas</b> Projects located in areas undergoing rapid economic and demographic change, and the resulting loss of affordable housing units.</p>	<p>Transitioning areas are generally those for which data shows that displacement is existing, as determined by the Commissioner, based upon published census data demonstrating the following demographic and housing market changes over a maximum period of 10 years: (a) an increase of at least 10% in median rent or home values, (b) an increase of at least 10% in the proportion of adult residents with a bachelor's degree or higher, and (c) a loss of at least 100 low-income residents.</p> <p style="text-align: center;">-or-</p> <p>Data shows that an area is vulnerable to displacement, as determined by the Commissioner based upon: (a) its location in a community area that is adjacent to a community area containing an existing displacement census tract or to an affluent zone, and (b) published data demonstrating that at least 33% of the population in the census tract is below 200% of the poverty level.</p>	<p>Additional preference will be given to projects that follow an ongoing and active comprehensive community housing initiative, plan, or effort. Evidence of the housing initiative and/or plan should be provided by the applicant, such as (but not limited to) the Pilsen planning area at <a href="#">18th and Peoria</a>.</p>
<b>Transitioning Area Policy Priorities</b>		
<p><b>Most in Need</b> Projects must serve residents most in need and address the overall deficits in affordable housing and the insufficiencies in units for subpopulations.</p>	<p>Priority will be given to projects which provide units that are obligated to serve qualified tenants for the longest periods beyond the minimum thirty-year requirement.</p>	
<p><b>Very Low-Income Units</b> Housing units for tenant populations with special housing needs, including accessible units, single room occupancy (SRO) units, permanent supportive housing, re-entry housing and units for individuals and/or families experiencing homelessness or those at risk of homelessness due to trauma.</p>	<p>See description as outlined in <i>Section E. Section 42(m) Mandatory Housing Preferences</i>.</p>	<p>Preference is for projects that propose 10% or more of their units to be designated for very low-income households along with a committed source of rental subsidy or underwritten so it can operate at rents affordable to the tenants.</p>
<p><b>Additional Requirement</b> A 5% set-aside for permanent supportive housing units. This 5% set-aside can be applied to meet the preference for the 10% designated for very low-income households.</p>	<p>Rental subsidy and supportive services for set aside units may be supported by an appropriate source that will be determined in partnership with DOH during stage 2 of the application process. (Further details can be found in the Application Instructions).</p>	<p>Preference for projects informed by Permanent Supportive Housing guidance, including priority populations, supportive service guidelines, tenant selection plan guidelines, and definitions, which can be found in the appendix.</p>



**PRIORITY TRACT IV: RECAPITALIZATION OF EXISTING AFFORDABLE HOUSING**

<b>Project Type</b>	<b>Description</b>	<b>Preference</b>
<p><b>Preservation</b> Projects that encourage the preservation of existing buildings and disincentivize displacement. These projects should promote and incentivize the use of 4% LIHTC and Tax-Exempt Bonds.</p>	<p>These criteria will encompass the recapitalization of existing affordable housing projects.</p>	<p>Priority will be given to the recapitalization and preservation of existing affordable housing with an allocation of tax credits for housing developments that currently have City of Chicago debt or a previous allocation of tax credits from a funding round that occurred at least 15 years ago.</p>
<p><b>Recapitalization of Existing Affordable Housing Policy Priorities</b></p>		
<p><b>Preserving Affordability</b> Ensure existing affordable housing will continue to serve current tenants.</p>		<p>Additional priority may be given to developments which have a significant risk of conversion to market rate tenancy.</p>
<p><b>Preserving Buildings</b> Alleviate the negative impact that vacant and/or deteriorated buildings can have on neighborhoods and encourage projects that reflect the architectural character of the surrounding community.</p>		<p>Priority will be given to developments which provide for the preservation of existing housing stock, including through rehabilitation and adaptive reuse.</p>
<p><b>Additional Requirement</b> A 5% set-aside for permanent supportive housing units.</p>	<p>Rental subsidy and supportive services for set aside units may be supported be an appropriate source that will be determined in partnership with DOH during stage 2 of the application process. (Further details can be found in the Application Instructions).</p>	<p>Preference for projects informed by Permanent Supportive Housing guidance, including priority populations, supportive service guidelines, tenant selection plan guidelines, and definitions, which can be found in the appendix.</p>

**PRIORITY TRACT V: PERMANENT SUPPORTIVE HOUSING**

Project Type	Description	Preference
<p><b>Permanent Supportive Housing</b>            Projects that commit at least 50% of units to residents at less than 30% AMI who are experiencing or are at risk of homelessness, are living with chronic disabilities, are returning from prison or jail, at risk of institutionalization, or are otherwise unstably housed.</p> <p>Proposal should follow important details outlined in the appendix regarding requirements, preferences, definitions, and priority populations.</p> <p>DOH will be releasing a document that provides guidance on proposed sources of operating/ capital/supportive services. DOH will work with selected finalists on identifying appropriate sources of funding for operating and services and determining referral paths for residents depending on priority population served.</p>	<p>Permanent Supportive Housing (PSH) is housing for people who need supportive services to access and maintain affordable housing. Supportive services must be appropriate to the needs and preferences of residents and be available either on-site or closely integrated with the housing. The housing should be permanent (not time-limited, not transitional), affordable (rent-subsidized), and independent (tenant may hold the lease with normal rights and responsibilities or service organization may sublease to tenant). Services should be flexible (responsive to tenants' needs and desires), voluntary (participation is not a condition of tenancy), and sustainable (focus of services is client-driven).</p>	<p>Preference will be given to projects that meet the following guidelines:</p> <ul style="list-style-type: none"> <li>Proposals that are site-based.</li> <li>Proposals that provide appropriate level of supports as outlined in the appendix.</li> <li>Proposals that utilize a tenant selection plan and follow the guidelines outlined in the appendix, including lower barrier screening and eviction prevention.</li> <li>Proposals that plan to utilize subsidies which have low barriers to entry and leverage additional resources to develop and maintain permanent supportive housing and supportive services.</li> <li>Proposals that include a thoughtful plan to incorporate subsidies that allow for mobility between differing service levels.</li> <li>Proposals that outline a thoughtful approach to address implicit bias and discrimination among staff and residents.</li> </ul>
<b>Permanent Supportive Housing Policy Priorities</b>		
<p>Site-based permanent supportive housing proposals that serve one of the priority populations.</p>	<p>Projects that create a supportive environment that meets the need of the priority population served.</p>	<p>Priority will be given to establish permanent supportive housing across the various populations detailed in the appendix.</p>





Image: Auburn Gresham Apartments  
Auburn Gresham

### DOH Policy Objectives

In addition to assessing development proposals by Priority Tract, DOH evaluates proposals based on their alignment with the policy objectives detailed below. The department sets forth these objectives in accordance with its broader goals and aims to assess the need for and impact of policy objectives with each QAP update approved by the Mayor and the Department of Housing Commissioner.

With findings from the [2021 Racial Equity Impact Assessment \(REIA\)](#) of the QAP and its community process, DOH approaches revisions to the QAP through a racial equity lens. In doing so, the department seeks to understand ways the QAP can be used to make the LIHTC allocation process and its results more racially equitable and ensure more opportunities for community wealth building. DOH applies a similar deliberative approach to address other timely policy issues such as climate change.

### C. Development Team Experience and Demonstrated Commitments to Advancing Racial Equity to Overcome Historic and Systemic Barriers for Developers who are Black, Indigenous, or People of Color (BIPOC)

Building on the policy objectives set forth in the 2021 QAP, and reflecting on findings from the REIA, DOH will evaluate the experience and track record of the project's development team and its capacity to successfully complete the proposed project and future compliance requirements.

Note that in 2021, the Department first established a preference for:

1. Development teams with BIPOC-led develop-

ers, professional service teams and/or social service providers.

2. Joint ventures or partnerships that ensure small, BIPOC-led firms and nonprofits have material participation in a manner that promotes their growth.
3. Partnership or development teams composed of nonprofits, Community Housing Development Organizations [CHDO], and BIPOC-led companies that cannot be certified as Minority-Owned Business Enterprises/Women-Owned Business Enterprises (MBE/WBE).

These preferences remain in 2023.

**NEW IN 2023:** Listening sessions since the 2021 round have led to the 2023 change that developers may include a portion of their financial consultant fees as part of their capital stack (see Multi-Family Application Instructions).

In addition, DOH has added language to further define equitable development. The final 2023 Multi-Family Application Instructions will include a material participation matrix that will guide how partnerships and the developer fee split are vetted in order to ensure meaningful participation across a range of partnership models to support the continued growth and capacity of smaller BIPOC-led developers and service firms.

The following development team members will be evaluated: Developer(s), General Partner(s), Owner(s), Property Manager, Architect, Consultant(s), Lead Referral Agency (for permanent supportive housing) and the Service Provider (for service-enriched housing).

Items considered include, but are not limited to:

1. The material participation of Minority-owned Business Enterprises/Women-owned Business Enterprises (MBE/WBE), BIPOC-led firms, and supportive service providers on the development team (see QAP Application Instructions for material participation matrix).

For-profit BIPOC-led firms are defined as those companies that, at the time of application, can provide documentation of current MBE certification acceptable to DOH. This includes project teams with participants that



include architects, property managers, and general contractors holding current MBE/WBE certificates with the acceptable certifying agencies.

BIPOC-led non-profit organizations are defined, at time of application, as having a minimum of 35% of director-level employee leadership as BIPOC, including the Executive Director and a share of those employees reporting directly to the Executive Director. This will be evidenced via self-certification and a completed Organizational Chart Template at the time of application. \*NOTE: Board composition is not considered.

A partnership is defined as a project sponsor, general contractor, architect, or management agent that partners with a BIPOC or MBE/WBE entity with the goal of building the entity's capacity to develop, manage, construct, design, or own affordable housing in the future.

A joint venture is defined as partnerships with deal structures that build the capacity of small, emerging BIPOC-led developers and clearly indicate how the responsibilities of the development will be split among partners.

2. If the Sponsor or co-developer has assumed more direct development responsibility since the last completed project.
3. If the Applicant is using a development consultant to show capacity, the Applicant must submit a copy of the executed contract detailing terms, conditions, and responsibilities between the Applicant and the development consultant.

## D. Past Compliance with MBE/WBE, Wage and Hiring Requirements

Owners who are affiliated with previous projects developed with DOH's assistance that have been or are out of compliance in a material respect, as determined in the sole discretion of the department, with the City's MBE/WBE and local hiring preference ordinances, Davis-Bacon Act, Section 3 of the Housing and Urban Development Act of

1968 or with the Program or with a department loan agreement, may be deemed ineligible for further consideration.

## E. Coordination with Strategic Initiatives like the City's Equitable Transit-Oriented Development (ETOD) Policy Plan and Connected Communities Ordinance

Every Chicagoan should be able to live in a healthy, walkable, vibrant community connected to transit and all its benefits. DOH seeks to realize this vision through efforts to promote Equitable Transit-Oriented Development (ETOD). ETOD emphasizes the need for community voice in development decision-making and community-focused benefits, such as public health, strong local businesses, environmental sustainability, and affordable housing. DOH prioritizes ETOD projects that are near neighborhood amenities and located along or near established public transit lines, stations and hubs, which means they are located in Transit-Served Locations (TSL), as defined in Section 17-10-0102-B as amended from time to time, of the Chicago Zoning Ordinance.

With the passage of the Connected Communities Ordinance in July 2022, the City made significant



updates to the zoning code to promote denser and more affordable development around Chicago’s transit assets, while also reducing development costs. One provision of note for applicants is the elimination of mandatory parking minimums for qualifying affordable projects sited near transit.

The Department prioritizes using scarce affordable housing funds for new homes over parking. Accordingly, DOH does not fund public parking or commercial parking for off-site businesses. While some developments will continue to have parking for residents and on-site commercial, DOH encourages applicants to carefully analyze the amount of parking needed at a given site and expects projects to take parking reductions to allow for the cost savings of building near public transportation to be realized.

	<b>Previous TSL Definition: Miles from</b>	<b>Connected Communities TSL Definition: Miles from</b>
CTA and Metra Rail Station	1,320 feet (¼ mi)*	2,640 ft. (½ mi)
High Freq. Bus Route Station	1,320 ft. (¼ mi) on select bus routes	1,320 ft. (¼ mi) on 15 min frequency

\* Permitted up to ½ mile from CTA and Metra rail station if on pedestrian designated streets

### **NEW IN 2023:** Transit Subsidy Preference

In furtherance of the City’s vision of ETOD, DOH encourages developers to provide tenants with a choice of low- or no-cost: 1.) transit (CTA) or 2.) bikeshare (Divvy) passes to new tenants of ETOD developments in the 2023 QAP funding round. Research has documented the significant combined burden of housing and transportation costs for low-income residents, and this effort seeks to ensure residents are able to fully utilize the sustainable transportation assets available near ETOD developments. Applicants that commit to providing a transit subsidy to tenants and identify third-party sources of funds will receive preference.

In addition to transit subsidy, DOH will consider proposals with well-thought-out bike programs and long-term bicycle maintenance plans in order to provide tenants and owners with more options.



## F. Coordination

**DOH encourages** development proposals that are located within the boundaries of concerted community revitalization plans, such as [INVEST South/West](#) and Quality of Life plans.

**NEW IN 2023:** DOH also encourages responses to site-specific RFQs/RFPs, such as 63rd Street in Woodlawn and Lake and Kedzie in E. Garfield Park; and that consider guidelines from the community process at [18th and Peoria](#) in Pilsen.

## G. Provision of Additional Resources for Tenants and Residents

Development proposals that include a plan for the provision of additional resources and services at no or reduced cost to tenants will be given preference. These additional provisions must be accounted for in the operating budget and detailed with a narrative explanation to allow the City to assess what additional support may be necessary. Preference will be given to developments that:

1. Partner with agencies to provide financial counseling, savings programs, and other resources to encourage tenant wealth building, or that have dedicated funding or partnerships to provide workforce development/career training programs to help tenants build skills and career pathways.
2. Provide open access to Internet for every affordable unit with developer absorbing all costs of in-unit service provision for tenants.
3. Participate in the Transit Subsidy Pilot initiative as described in Section III.B
4. Offer family support services (e.g., on-site childcare, after school opportunities, access to computers, resource connectors, food program, etc.).
5. Develop supportive housing units and wrap-around services with access to supportive service staff.
6. Incorporate arts/local culture/services reflective of the community and residents.
7. Where appropriate, include community spaces, on-site services, and health and wellness spaces.

## H. NEW IN 2023: Alignment with Local, State, and Federal Climate Resiliency, Energy Efficiency, and Decarbonization Policies Community Revitalization Plans

As greenhouse gas emissions rise, climate change will pose increasingly greater risks to our health, economy, and general livelihoods. Facing this reality, the City of Chicago's 2022 Climate Action Plan (CAP) proposes a suite of building decarbonization and retrofit goals and commits the City to achieving a 62% reduction of all emissions by 2040. The evolution of Chicago's building stock—which accounts for 68% of local carbon emissions—will play a significant role in adapting to and mitigating climate change. Notably, the CAP calls for the electrification of 30% of the City's residential buildings by 2035.





In accordance with this City-wide effort, and in recognition that the climate crisis places a disproportionate burden on low-income residents, communities of color, and other marginalized populations, this QAP and DOH’s 2023 Architectural Technical Standards include new language, preferences, and requirements related to energy efficiency, decarbonization, and climate resilience. These changes are aligned with City policies including the Climate Action Plan, Energy Transformation Code, and Building Decarbonization Recommendations Report.

While the initial capital costs of highly efficient and all-electric construction can be marginally higher than those of traditional designs, a growing body of research demonstrates that the long-term financial benefits outweigh these up-front costs. Additionally, a wide range of available tax credits, rebates, and other subsidies can significantly enhance the cost-effectiveness of green building. The Inflation Reduction Act, passed by Congress in 2022, creates and expands many LIHTC and direct spending programs that can provide value to affordable housing developers implementing green building practices. DOH encourages applicants to consider how these opportunities can enhance the financial feasibility of incorporating decarbonization and climate

resiliency into their development proposals and may require participation in certain programs.

These updates to DOH policies—as well as additional future changes—take action on climate change mitigation and resiliency and put the City on the path to a more sustainable future. At the same time, these changes will provide a range of benefits for the residents in DOH-supported developments, including reduced air pollution, lower energy costs, and greater comfort and livability.

### Preference for Advanced Decarbonization and Above-Code Energy Efficiency

All developments must comply with relevant local requirements, including the [Chicago Energy Transformation Code](#), [Energy Benchmarking Ordinance](#), [Sustainable Development Policy](#), and the sustainable building requirements in [DOH’s 2023 Architectural Technical Standards Manual](#), which now mandates all-electric new construction in most circumstances, unless otherwise approved by the department. In alignment with Chicago’s [Climate Action Plan](#) and [Building Decarbonization Recommendations Report](#), DOH will also give preference to applications that exceed these standards, such as by achieving one or more of the following within reasonable cost:



- a. Implementation of innovative building practices that substantially reduce greenhouse gas emissions over building lifecycle.
- b. Above-code insulation and energy efficiency measures that take meaningful steps towards net-zero energy use (with or without certification, e.g. PHIUS).
- c. On-site renewable energy generation and storage.
- d. On-site resiliency design elements, such as flood and extreme heat mitigation and backup power sources (with a preference for battery backup).

## I. Design Expectations

- a. An exterior that is compatible with surrounding structures and is an architectural enhancement to the community and green space on-site, and that is appropriate for the proposed tenancy.
- b. An exterior that meets City of Chicago design standards, including DOH’s Construction Services Division ATS Manual and DPD’s Neighborhood Design Guidelines.
- c. Developments that exceed Federal and local requirements for accessibility.

Image: Design for accessibility



## J. Preference for Marginalized Residents

- a. Developments that open units to undocumented immigrants, mixed immigrant households, and survivors of gender-based violence and human trafficking.
- b. Developments that include supportive housing units with access to supportive service staff.
- c. Developments that include commitments to provide supportive housing units for residents experiencing or at risk of homelessness as outlined in the appendix through partnership with entities including the Chicago Continuum of Care (CoC) and the Flexible Housing Pool (FHP).

## K. Tax Credit Reservation Criteria

The following criteria will be evaluated upon the completion by the Owner of the Stage Two Multi-Family Submissions:

1. Economic Feasibility
  - a. Demonstrated financial feasibility of the project.
  - b. The anticipated investment rate for Tax Credits to raise equity. Projects with higher net syndication proceeds available for project costs per Tax Credit dollar requested will be evaluated more favorably.
  - c. DOH reserves the right to both require and review multiple syndication and other financial proposals
  - d. Reasonable final construction and projected operating costs compared to similar projects.
  - e. Reasonable acquisition and intermediary costs.
  - f. Market study that demonstrates the need for the proposed project and supports the rents as proposed.
2. An Efficient Use of Public Funds and Resources
  - a. Demonstrated financial interest from other financing sources
  - b. Effective use of other applicable public sector funding and incentive programs, including Section 45L and Section 48 tax credits; HUD, DOE, and EPA grant and loans; and/or state and local programs.



- c. Evaluation of developers' 15-year exit strategy at application
  - d. Except for Permanent Supportive Housing (PSH), consideration for opportunities to convert Tax Credit developments to home-ownership after the compliance period ends.
3. Readiness to Proceed
- a. The terms and conditions of the commitment(s) should be clearly identified and required application/commitment fees should have been paid. The financing commitment(s) should be subject only to those conditions which are under control of the Owner to meet. Owners must reasonably demonstrate the ability to commence development including a reasonable likelihood to obtain funding necessary, site control and governmental approvals in a timely manner.
  - b. Owners should be aware the project is expected to close prior to opening of the next competitive funding round. Projects that do not complete the Stage Two Multi-Family Submissions prior to the next competitive funding round may not be awarded credits.
  - c. At the time of the Stage Two Multi-Family Submissions, if a project is not anticipated to be placed-in-service in the year of the Tax Credit reservation, an Owner will be required to submit specific information on how and when the 10% expenditure requirement will be met within the applicable time period permitted for the project. This includes line items that will be expended and sources of funds to pay the expenditures. Refer to Section IV "Carryover Allocations" below for more information.



# Section IV

## TAX CREDIT RESERVATION AND ALLOCATION PROCESS

### A. Determination of Credit Amount

#### 1. Timing of Determination

The amount of Tax Credits reserved for a particular project will be limited to the amount DOH determines necessary to make the project financially feasible as a qualified low-income housing project. The financial determination and certifications are required to be made under the Program in connection with a Tax Credit project (i) when an application is submitted, (ii) at the time an allocation is made, and (iii) as of the date that the department determines that the building(s) in a project is(are) placed in service and at the issuance of the IRS Form 8609(s) by the department. DOH may determine not to award the full amount of Tax Credits for which a project is eligible. Also, DOH reserves the right to set per-project Tax Credit award limits.

#### 2. Tax Credit Increase Requests

DOH may consider an increase of a project's award of Tax Credits any time after a Reservation of Tax Credits has been given to a project. Requests for Tax Credit increases may be made only to ensure that a project is financially feasible as determined solely by the department. DOH may, in its sole discretion, grant a request for an increase in Tax Credits, subject to the submission of the following documents:

- Narrative description of reasons for the request for additional Tax Credits
- The revised project budget

- A cost certification from a certified public accountant ("CPA") that states the CPA has reviewed the revised project budget that provides the amounts of the revised total eligible basis and total project costs
- Both the initial and most current contractor and owner sworn statements.

DOH may request additional items if it is deemed necessary to make the determination of whether to grant the increase in Tax Credits. If a project is approved for more credits, the department may issue an additional Reservation Agreement and charge the standard 5% fee on the additional credits.

#### 3. 30% DDA Boost Selection Standards

As a result of the amendments made to the Program by cause of the passage of the 2008 Act, and at its sole discretion, DOH may award a Credit Ceiling project a 30% basis boost if the department determines that a project, in order to be financially feasible, needs the increase in Tax Credits. Any project which is designated by the department as requiring such an increase shall be treated as in a difficult development area ("DDA"), pursuant to Section 42(d)(5)(B)(v). The increase in the amount of Tax Credits will be the minimum amount of Tax Credits required to achieve financial feasibility, so it may result in an amount less than the 30% increased allowed by the 2008 Act. Projects generating Tax Credits from tax-exempt bond financing and projects located in qualified census tracts are ineligible for the DDA boost. Eligibility for the 30% DDA Boost

will be based on the following standards.

- a. Projects located in high-cost **“Opportunity Areas”** and **“Transitioning Areas”** (see chart in Sec. IIIE2 for definition), that would be financially infeasible because of unusually high development costs, including predevelopment costs, such as land acquisition costs and a necessity to quickly obtain site control, and/or infrastructure improvements. The high cost of land – and the importance of providing affordable housing in amenity-rich, highly resourced areas – was called out as a priority barrier to address in the REIA.
- b. **High Costs of Specific Project Components** - Projects that otherwise meet Section 42(m) mandatory selection criteria and DOH selection criteria but would be financially infeasible because of unusually high development costs, such as acquisition, environmental clean-up, and/or required infrastructure improvements.
- c. **Mixed-Income Housing** – Projects, especially those in **“Redevelopment Areas”** (see chart in Sec. IIIE2 for definition) and that otherwise meet Section 42(m) mandatory selection criteria and DOH preference criteria, but would be financially infeasible because of greater income mix, and the resulting lower eligible basis for Tax Credit allocation purposes, if those costs are not offset by rents and cash-flow generated from higher-income units and/or other project revenues.
- d. **Very-Low-Income Populations** – Projects, especially those in **“Opportunity Areas”** and **“Transitioning Areas”** (see chart in Sec. IIIE2 for definition), that otherwise meet Section 42(m) mandatory selection criteria and DOH preference criteria, that need the boost to be financially feasible in order to target rents to very-low-income populations.
- e. **In Lieu of Other Financing** – Projects that otherwise meet Section 42(m) mandatory selection criteria and DOH preference criteria, and the department determines, in its sole discretion, that it is in the City’s best interest to apply the boost in order to allocate additional Tax Credits in lieu of other City financing sources, thereby maximizing the efficient use of public resources.
- f. **Continuum of Care (COC) and Flexible Housing Pool (FHP) Units** - Projects that otherwise meet Section 42(m) mandatory selection criteria and DOH preference criteria, that need

the boost to be financially feasible in order to provide supportive housing for specialized populations experiencing homelessness, such as veterans, seniors, survivors of gender-based violence and human trafficking, transition-aged youth, households experiencing chronic homelessness, households at risk of homelessness, people living doubled up, and returning residents.

Image: Rauner Family Veteran Studios  
North Lawndale





## B. Issuance of Tax Credit Reservations and Carryover Allocations

### 1. Approval of Tax Credit Reservation

- a. Following the final underwriting of each project, DOH staff will make a recommendation to the department's Internal Loan Committee. Upon favorable action by the Internal Loan Committee, and prior to closing, a conditional Tax Credit reservation agreement, conditioned on continued compliance with applicable requirements, will be sent to the Owner. DOH may reserve Tax Credits for a project from either its current calendar year's Credit Ceiling or from a future year's Credit Ceiling at its discretion. The conditional Tax Credit reservation agreement shall be deemed to be a legally binding commitment to allocate Tax Credits. The conditional Tax Credit reservation agreement must be signed and returned with the required fee by the deadline specified in the agreement or upon closing of the transaction, at DOH's discretion.
- b. As provided for in the 2008 Act, in the case of new construction and substantially rehabilitated buildings that are not federally subsidized (those which are not financed with tax-exempt bonds), which are placed-in-service after July 30, 2008 and before December 31, 2013, the applicable percentage (the "Tax Credit Rate") shall not be less than 9%. The American Taxpayer Relief Act of 2012, Public Law 112-240, extended the fixed 9% rate to low-income housing tax credit allocations made prior to January 1, 2014. The Tax Increase Prevention Act of 2014, Public Law 113-295 extended the 9% fixed rate to allocations made prior to January 1, 2015. The Protecting Americans from Tax Hikes (PATH) Act of 2015, within the Consolidated Appropriations Act of 2016, Public Law 114-113, permanently extended the fixed 9% rate to low-income housing tax credit allocations. With respect to projects that qualify for acquisition credits, the Owner may elect the Tax Credit Rate in effect during either (i) the month in which the Reservation Agreement is issued by DOH or (ii) the month during which the building is placed-in-service.
- c. Tax Credits will not be reserved, or if reserved, will not be allocated to Owners who have

unsatisfactory prior performance record developing multi-family affordable housing with DOH, other City agencies or departments, the Cook County Collector's Office, the State of Illinois (the "State") or federal agencies. However, if Owners have documentation satisfactory to DOH showing that they made the effort necessary to rectify their performance record and providing that they are simply waiting for a determination of compliance, such Owners may be eligible to receive a reservation and/or allocation of Tax Credits. In such circumstances, if a final determination of non-compliance is issued to an Owner prior to Tax Credits being reserved or allocated to such Owner, such Owner will not be eligible to receive a reservation or allocation of Tax Credits until such Owner shall have rectified such non-compliance to the satisfaction of DOH.

- d. Tax Credits will not be reserved, or if reserved, may not be allocated to Owners who are associated with the ownership and/or management of properties that exhibit unresolved financial and/or management problems or are out of compliance, in a material respect, with Section 42 of the Code.

### 2. Carryover Allocations

- a. If a project which received a Tax Credit reservation during a given calendar year will not be placed-in-service in that year, DOH will consider an Owner's request to make a carryover allocation of the reserved Tax Credits provided that the Owner submits a request for such carryover allocation in the time period prescribed by the department. If DOH grants a request for a carryover allocation, the department will allocate Tax Credits to the project by executing a carryover allocation agreement (the "Carryover Allocation Agreement"), provided that the project meets specific requirements. However, the Department is under no obligation to grant a request for a carryover allocation and reserves the right to deny such a request. The carryover allocation requirements include, but are not limited to, the following:

- The expenditure by the Owner of more than 10% of the reasonably expected project basis by no later than 12 months after the carryover allocation is made.
- Placement of the project in service by



the end of the carryover period (December 31st of the second year after the execution of the Carryover Allocation Agreement).

- b. The Owner must provide verification that the Owner has incurred eligible expenses totaling more than 10% of the reasonably expected basis. This verification must be made by obtaining a certification as to the expenditures from the Owner’s attorney or accountant.

**4. Status Reporting**

All Owners receiving Tax Credits must forward, in a timely fashion, documents and other information requested by DOH. The receipt of all information is a condition to the final allocation of the Tax Credits and the issuance of IRS Form(s) 8609.

**5. Revocation of Tax Credit Reservations or Cancellation of Carryover Allocation Agreements**

Any project which does not show significant progress towards completion of the project to DOH’s satisfaction, or any project which is out of compliance with federal, state, or local laws or department reporting requirements or ceases to qualify for the not-for-profit set-aside, if applicable, or fails to continue to meet Tax Credit criteria, may forfeit its Tax Credit reservation. Failure to comply with carryover allocation requirements may result in the allocation being deemed void and a non-compliance notice via the IRS Form 8823, “Low-Income Housing Credit Agencies, Report of Non-Compliance,” (“IRS Form 8823”) will be sent by DOH to the IRS.



Image: 43 Green Phase II  
Grand Boulevard



Image: Groundbreaking at Park Station Woodlawn

## C. Allocation of Tax Credits

DOH will make a Tax Credit allocation to a project as of the date that the Carryover Allocation Agreement is executed by the Owner and the department or at the time a project is placed-in-service via IRS Form(s) 8609. Regardless of when the Tax Credits are allocated, the Owner must provide written notification to DOH upon the project being placed-in-service.

After the project has been placed-in-service and the Owner provides DOH with requested documentation, the department may issue IRS Form(s) 8609. Prior to issuance of this form, the Owner shall be required to provide certain documentation (as may be supplemented or changed by the department), including, but not limited to:

1. CPA Cost Certification (including all attachments)
2. Owner Certification
3. Managing General Partner and Equity Partner Contact Information

4. Architect's Certificate of Substantial Completion
5. Certificate of Occupancy
6. Recorded Regulatory Agreement
7. Evidence of Occupancy (Rent Roll)
8. Executed Carryover Allocation Agreement or Tax-Exempt Bond Agreement
9. Executed Reservation Agreement (if applicable)
10. Executed Election Form (if applicable)

As required under Section 42(h)(6), each Owner must enter into an extended use agreement (the "Regulatory Agreement") with the City necessitating that the project will comply with the requirements of Section 42, including but not limited to, the income and occupancy restrictions. The Regulatory Agreement must be recorded in the Office of the Cook County Clerk as a restrictive covenant on the real estate on which the project is located.

Within 30 days after the Owner files a completed IRS Form 8609 with the IRS, the Owner is required to submit the form to DOH's Compliance Monitoring division.



## Section V

# Tax Credits With Tax-Exempt Bond Financing

Pursuant to Section 42(h)(4), projects to be financed with tax-exempt bond financing are not required to receive a Tax Credit reservation from the City's Credit Ceiling nor do they enter into Carryover Allocation Agreements. An Owner must apply for and request a determination from DOH that such project satisfies the requirements for an allocation of Tax Credits pursuant to Section 42(m)(1)(D). The following requirements will apply:

A. Prior to the issuance of the bonds, DOH must review the application to determine that:

- The project satisfies the requirements of this Plan.
- The project satisfies DOH's underwriting standards including project cost and fee standards; and the amount of credits does not exceed that which is necessary for the financial feasibility of the project and its viability as a qualified low-income housing project.

B. An Owner of a tax-exempt bond project will be required to execute an agreement with the City in connection with the allocation of the Tax Credits generated by the tax-exempt financing and a Regulatory Agreement.

C. Legislation signed into law on December 27, 2020 fixed the rate for the 4% credit at 4%. Any 4% tax credits issued after December 31, 2020 will qualify for the 4% floor.

Image: Lathrop Homes  
North Center





# Section VI

## COMPLIANCE MONITORING REQUIREMENTS

All projects receiving Tax Credits must be monitored for compliance with Section 42 of the Code. Income and occupancy restrictions will be monitored for a total of 30 years including the initial Compliance Period and the Extended Use Period. Under Section 42 regulations, DOH may retain an agent or private contractor to perform compliance monitoring. In addition, DOH may delegate all or some of its compliance monitoring responsibilities to another Tax Credit allocating agency within the State. Upon written notification by the Owner that a project has been placed-in-service, active monitoring for compliance with Section 42 will commence. The Owner is advised that compliance with the general public use requirement for Tax Credit projects requires compliance with the Fair Housing Act. An Owner's failure to comply

with the Fair Housing Act will constitute non-compliance with the general public use requirement, and DOH will report such non-compliance via an IRS Form 8823. Section 42 regulations promulgated by the IRS require DOH to undertake four levels of monitoring:

1. Record-Keeping/Record Retention
2. Certification
3. Inspection
4. Notification

Failure by the Owner to provide the necessary information, documents and/or access to the project for inspection can and will be construed as non-compliance. Any acts of non-compliance must be reported to the IRS via an IRS Form 8823.

Image: Archer Avenue Senior Residences  
Bridgeport



## A. Record-Keeping/Record Retention

The monitoring provisions require that the following information be collected and maintained on an annual basis, for each year in each building during a project's Compliance Period and Extended Use Period by the Owner of a Tax Credit project. This information must be maintained for at least six years after the due date, with extensions, for filing the federal income tax return for that year. The first year's records must be retained for at least six (6) years after the due date, with extensions, for filing the federal income tax return for the last year of the full compliance period. The total period is 36 years for Tax Credits issued after 1990, with a Regulatory Agreement. Each project's Regulatory Agreement will state the total number of years required to keep the documentation for the Tax Credit project.

1. The Owner is required to keep records for each building in the project documenting the following:
2. Tenant files that contain basic documents, such as rental applications, annual tenant income certifications, income verifications, utility allowances, and signed leases and addenda for qualified low-income units.
3. Documentation supporting each income certification submitted by a tenant in a qualified low-income unit. For example, a copy of the tenant's federal income tax return, form W-2 or verification of income from third parties such as employers or State agencies paying unemployment compensation or assistance, if a tenant is receiving housing assistance payments under Section 8, the public housing authority can provide a statement to the Owner, declaring that the tenant's income does not exceed the application income limit under Section 42(g).
4. Monthly unit listings (rent rolls) which contain the following information: Unit number, number of bedrooms, tenant name, floor space of unit (square feet), move in date, move-out date, number of household members, gross rent including any utility allowances, such as heat, electric and cooking gas, tenant rent portion, subsidized portion, and unit status (LIHTC or unrestricted unit).

5. The percentage of residential rental units in the building that is qualified as low-income units under the provisions of Section 42.
6. For projects placed-in-service prior to 1990, the number of occupants in each qualified low-income unit if the rent is determined by the number of occupants in each unit under Section 42(g)(2).
7. For mixed-income projects, the qualified low-income unit vacancies in the building and information that shows when, whom, the next available market or qualified low-income units were rented.
8. All tenant selection documents, which are all to be made available to the City or its representatives for periodic inspection. These include, but are not limited to, income verification, employment verification, credit reports, and low-income computation forms.
9. The eligible basis and qualified basis of each tax credit building for the first year of the credit period.
10. Compliance documents related to VAWA, see page 40.





11. The character and use of any non-residential space, such as tenant facilities, that is included in the eligible basis.
12. Tenant facilities included in the eligible basis which are available to all tenants. Documents on any legal or administrative action initiated by either lower-income families, City department or private corporations, such as building code violations, violations against the fair Housing Code, foreclosures, etc.
13. DOH completes IRS Form 8609(s). The project owner should keep a copy of the IRS Form 8609(s) in case of an IRS audit.

## B. Certification Process

All Owners of qualified low-income projects receiving an allocation of Tax Credits will receive the following documents from DOH to assist them in the monitoring process: record-keeping requirements, Annual Owner's Certification, and Tenant Profile Form and Tenant Certification Form.

### 1. Record-Keeping Requirements

DOH's record-keeping requirement package provides, in a concise form, the specific record-keeping information to be maintained by the Owner. It also suggests a format for the Owner to follow in order to comply with the monitoring regulations.

### 2. Annual Owner's Certification

All Owners receiving an allocation of Tax Credits must submit the "Annual Owner's Certification" document by October 1 of each year, for the term of the Compliance Period and Extended Use Period, verifying that the project conforms with the low-income provisions, as defined in Section 42, in addition to certifying to (i) through (xii) below. A copy of the most recent audited financial statements and copies of any City building inspection report are required with each annual certification. The last certification is due for submission in the year immediately following the end of the Extended Use Period. Failure to provide this document will constitute an act of non-compliance. The certification must specify that:

- i. The project meets the requirements of:

(A) The 20–50 test under Section 42(g)(1)(A), the 40–60 test under Section 42(g)(1)(B), or the "Average Income" test under Section 42(g)(1)(C), whichever minimum set-aside test was applicable to the project; and

(B) If applicable to the project, the 15–40 test under Sections 42(g)(4) and 142(d)(4)(B) for "deep rent skewed" projects;

ii. There was no change in the applicable fraction (as defined in Section 42(c)(1)(B)) of any building in the project, or that there was a change, and a description of the change;

iii. The owner has received an annual income certification from each low-income tenant, and documentation to support that certification; or, in the case of a tenant receiving Section 8 housing assistance payments, the statement from a public housing authority described in paragraph (b)(1)(vii) of this section. For an exception to this requirement, see Section 42(g)(8)(B) (which provides a special rule for a 100% low-income building);

iv. Each low-income unit in the project was rent restricted under Section 42(g)(2);

v. All units in the project were for use by the general public (as defined in § 1.42–9);

vi. The buildings and low-income units in the project were suitable for occupancy, considering local health, safety, and building codes (or other habitability standards), and the State or local government unit responsible for making local health, safety, or building code inspections did not issue a violation report for any building or low-income unit in the project;

vii. There was no change in the eligible basis (as defined in Section 42(d)) of any building in the project, or if there was a change, the nature of the change (e.g., a common area that has become commercial space, or a fee that is now charged for a tenant facility formerly provided without charge);

viii. All tenant facilities included in the eligible basis under Section 42(d) of any building in the project, such as swimming pools, other



recreational facilities, and parking areas, were provided on a comparable basis without charge to all tenants in the building;

ix. If a low-income unit in the project became vacant during the year, that reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units in the project were or will be rented to tenants not having a qualifying income;

x. If the income of tenants of a low-income unit in the building increased above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the building was or will be rented to tenants having a qualifying income;

xi. An extended low-income housing commitment, the City's "Tax Credit Regulatory Agreement", as described in Section 42(h)(6) was in effect for buildings subject to Section 7108(c) (1) of the Omnibus Budget Reconciliation Act of 1989, 103 Stat. 2106, 2308–2311), including the requirement under Section 42(h)(6) (B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f (for buildings subject to Section 13142(b)(4) of the Omnibus Budget Reconciliation Act of 1993, 107 Stat. 312, 438–439); and

xii. All low-income units in the project were used on a non-transient basis (except for transitional housing for the homeless provided under Section 42(i)(3)(B)(iii) or single-room-occupancy units rented on a month-by-month basis under Section 42(i)(3)(B)(iv)).

xiii. Annual Compliance Training Requirement During the 30-year affordability period, the Owner must attest in writing with the Annual Owners Certification (AOC) submission that on-site management staff has attended training specific to the LIHTC program and received the corresponding certification. In addition to in-house training, the Owner must submit proof of certification from a 3rd party

vendor each year with the AOC submission for at least one member of on-site management staff.

As part of the application submission, Developers must provide the most current AOC/Records and physical inspection letters for all city funded properties being monitored by Construction and Compliance (CAC). All properties must either be in compliance with AOC/Records and physical inspection or provide a workout plan towards compliance. Workout plans must be acceptable to and approved by CAC.

### 3. Gender-Based Violence and Human Trafficking Protection and Prevention

In conformity with the Violence Against Women’s Act (VAWA) of 2013 and the Reauthorization Act of 2022, an applicant of housing under the LIHTC program may not be denied admission, denied assistance, terminated or evicted from the housing on the basis that they are a victim of domestic violence, dating violence, sexual assault, or stalking if the applicant, tenant, or affiliated individual otherwise qualifies for admission, assistance, participation or occupancy. Residents and applicants must be provided a Notice of Occupancy (HUD-5380 form) rights when admitted as a tenant, denied admission, denied assistance, or terminated/evicted.

### 4. Violence Against Women Act Ongoing Compliance

Properties that receive any DOH funding are required to follow the [HUD 2022 Final Rule](#) and must comply with any future reauthorizations, rules, regulations, and sub regulatory guidance. Although the IRS has not provided guidance on how to comply with VAWA, DOH requires properties with Tax-Credits to follow the HUD 2022 [VAWA Final Rule](#) when implementing VAWA Rule protections for their tenants. Properties must ensure they utilize the most up to date VAWA forms available, including the lease addenda. The VAWA Lease Addendum (HUD-91067 form) is completed at initial certification and recertification for all residents. Copies of current and previously signed Lease Addendums must be kept in the tenant’s file and be available to DOH

upon request.

Each Permanent Supportive Housing Project must provide a VAWA adherence plan. This plan is to include the following:

- a. A procedure by which VAWA incidences will be handled, including a housing transfer plan that addresses transfers out of the property as well as victims attempting to transfer into the building. Transfers must be to a unit with the same subsidy type, same AMI, or if a higher AMI unit the rent must be kept the same.
- b. A procedure by which staff will keep documents when residents report incidences that require accommodations related to VAWA, including reporting on what is done to accommodate resident in accordance with the housing transfer plan. Additionally, a procedure by which residents who are applying to transfer into the building due to gender-based violence are prioritized.
- c. The VAWA adherence plan, along with any collected documentation and housing transfer reports, will be collected during Annual Owner Certification.

All compliance documents must be collected consistently with VAWA’s confidentiality requirements including that the information may not be entered into any shared database or disclosed to any other entity or individual.

DOH also recognizes the following:

- a. An owner’s obligation to provide tenants with the VAWA Notice of Occupancy Rights.
- b. A tenant’s right to request an emergency transfer and the process that an owner will take once an emergency transfer is requested.
- c. An owner’s ability to bifurcate a lease to protect a survivor and remove the person who is harming them.

Projects selected in this QAP cannot discriminate against a survivor of domestic violence, based on their status as a survivor of domestic violence or the acts of the person causing them harm. Please see [HUD’s Domestic Violence Guidance](#).

## C. Inspection

Pursuant to the applicable provisions of Section 42, DOH shall conduct on-site inspections of all buildings and shall review tenant income certifications for the low-income housing project.

1. By the end of the second calendar year following the year the last building in the low-income project is placed in service; and
2. At least once every three years thereafter. However, following the Compliance Period and during the Extended Use Period inspections will occur at least once every five years.
3. The minimum number of LIHTC-assisted units for which DOH shall conduct on-site inspections and tenant income certification reviews is 20% of the LIHTC housing development, rounded up to the nearest whole number of units; and at least one unit per building.
4. Units subject to inspection will be identified through a random selection process, based on all project units currently subject to monitoring. Ownership and property management

will not be notified of the specific units at the time of the inspection; therefore, all LIHTC-assisted unit owners must be given appropriate notification that their unit is subject to inspection.

## D. Failure to Comply

Owners may be deemed ineligible for further consideration if any of the following apply:

- Failure to address the “IRS Form 8823 Report of Noncompliance or Building Disposition” deficiencies within the initial 15-year affordability period.
- History of non-compliance during the extended use period beyond the initial 15-year affordability period.
- Failure to satisfactorily remedy to DOH standards any violation of fair housing, housing accessibility and/or any law that prohibits discrimination to applicants and/or residents of any property within the Owners’ project portfolio.

Unpaid or partially paid compliance monitoring fees as described in Section II of this Plan and/or a history of unpaid fees for any property within the Owners’ project portfolio.

Owners who are affiliated with previous projects developed with DOH’s assistance must ensure their project portfolio is both current and compliant with the Construction Services and the Long-Term Monitoring divisions within the Bureau of Construction and Compliance. If applicable, an owner may be given the opportunity to create a portfolio workout plan with either division. Workout plans are unique to the project portfolio and will be tailored accordingly. However, approval of such workout plans is at the sole discretion of DOH. Under no circumstances can workout plans include the following:

- Failure to Submit AOCs
- Open findings for Health and Safety Violations

The above non-compliant findings should be rectified immediately upon notification and addressed before submission of a QAP application.





## E. Notification

DOH will provide written notification by regular mail to the Owner and/or Property Manager at least 14 days prior to:

- The date of impending physical inspection of the project
- The date of pending inspection of tenant files and the Annual Owner's Certification supporting documentation retained by the Owner/ Manager for qualified low-income units under the Program.
- DOH will provide prompt notification to the Owner and/or Property Manager by regular mail:
- Upon failure of the Owner and/or Property Manager to submit the Annual Owner's Certification, supporting documentation, rent records, or other information retained by the Owner / Property Manager for qualified low-income units under the Program;
- Upon failure by the owner to permit the City to inspect the project; or
- Upon discovery by inspection or review that

the project is not in compliance with the provisions of Section 42.

An Owner will be given an opportunity to cure an occurrence of non-compliance ("Corrective Action Period"). The Corrective Action Period will not exceed 90 days from the date that the written notification was sent by DOH. DOH is required to file IRS Form 8823 with the IRS no later than 45 days after the end of the correction period. This filing is required regardless of whether the non-compliance was satisfactorily cured. The form must explain the nature of the non-compliance and indicate whether the Owner has corrected the non-compliance. However, following the Compliance Period and during the Extended Use Period DOH is no longer required to file IRS Form 8823 with the IRS.

## F. Liability

Compliance with the requirements of the Program is the responsibility of the Owner of the project allocated Tax Credits. DOH's obligation to monitor for compliance with the requirements of Section 42 does not make the department liable for an Owner's non-compliance.

Image: Groundbreaking at Casa Durango Pilsen





# Section VII OTHER CONDITIONS

The review of documents submitted to DOH is only for the purpose of determining eligibility for Tax Credits. The allocation of any Tax Credits does not constitute a determination or representation by DOH the project complies with applicable requirements of the Code and the treasury regulations there under, or with any other laws or regulations governing Tax Credits.

DOH reserves the right to reject applications and disqualify projects based on non-compliance with any federal law, state law, local law, or the submission of false or misleading information

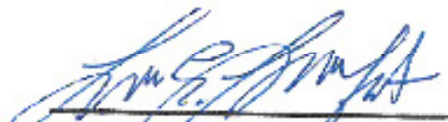
No agent or employee of the City will be personally liable concerning any matters in relation to the Tax Credits reservation, Tax Credits allocation or for monitoring for compliance with the Program.



This Low-Income Housing Tax Credit Qualified Allocation Plan will be in full force and effect upon signature of the Chief Executive Officer of the City of Chicago

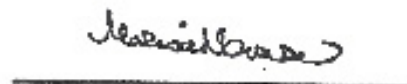
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The above-referenced Low-Income Housing Tax Credit Qualified Allocation Plan has been approved and executed as of this 5<sup>th</sup> day of April, 2023.



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Lori E. Lightfoot  
Mayor  
City of Chicago



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Marisa Novara  
Commissioner  
Department of Housing



# Appendix

## A. Summary of DOH Selection Criteria

	2023	Anticipated 2025
<b>Decarbonization</b>	Preference	Required
<b>PSH Set Aside</b>	Required 5% set-aside for PSH in all units	Required 10% set-aside for PSH in all units
<b>Broadband Service Access</b>	Preference	Required
<b>Transit Subsidy</b>	Preference	Required

## B. Permanent Supportive Housing Guidelines

### Contents

1. PSH Tract Overview
2. Priority Populations
3. Definitions
4. Supportive Service Guidelines
5. Trauma-Informed Design
6. Tenant Selection Plan Guidelines

### 1. PSH Tract Overview

The PSH tract serves to fund proposals committed to developing permanent supportive housing that is people-centered, trauma-informed, and low-barrier. This tract aims to serve individuals at less than 30% AMI who are experiencing or are at risk of homelessness. Additionally, this tract serves individuals who are returning from institutions or are otherwise unstably housed.

Information on priority populations, service level guidelines, trauma-informed design, and tenant selection plan guidelines are detailed in the following sections.

Funding through DOH will provide development capital. Operations and supportive service funding will need to begin being sourced during the Phase 1 review, and both funding sources are required to be identified by the Phase 2 review and finalization.

DOH will be releasing a document that provides guidance on proposed sources of operating and supportive service funding for service-enriched housing and permanent supportive housing. DOH will work with selected finalists on identifying appropriate sources of funding for operating and supportive services.

### 2. Priority Populations

For each priority population served, DOH will assess the housing proposal to ensure that site and service plans will adequately meet the

needs of the population the development plans to serve.

All Permanent Supportive Housing tract proposals must serve one of the priority populations, which consist of individuals that fall into one of the following categories:

**A. Literal homelessness** (residing in a place not meant for human habitation, in emergency shelter, or in transitional housing) or **imminent risk of homelessness** (losing their primary nighttime residence within 14 days and lack resources or support networks to remain in housing).

**B. Released from a correctional facility** (released from Cook County Jail or the Illinois Department of Corrections without a housing placement or at risk of or currently experiencing housing instability).

**C. Homeless under other federal statutes<sup>1</sup>** (living doubled up or living in motels/hotels, including single room occupancy (SRO) buildings).

**D. Fleeing or attempting to flee gender-based violence (GBV) and/or human trafficking (HT)** (fleeing or attempting to flee gender-based violence and or/human trafficking, have no other residence, and lack the resources or support networks to obtain other permanent housing.)

### 3. Definitions

**Permanent Supportive Housing:** Permanent Supportive Housing is housing for people who need supportive services to access and maintain affordable housing. Supportive services must be appropriate to the needs and preferences of residents and be available either on-site or closely integrated with the housing. The housing should be permanent (not time-limited or transitional), affordable (rent-subsidized), and independent (tenant may hold the lease with normal rights and responsibilities or service organization may sublease to tenant). Services should be flexible (responsive to tenants' needs and desires), voluntary (participation is not a condition of tenancy), and sustainable (focus of services is client driven).

**Homelessness:** DOH recognizes a broader set of populations included under homelessness than the traditional HUD definition in order to both serve HUD-qualified populations experiencing homelessness along with new populations previously not eligible for permanent supportive housing:

- A. Literal homelessness (those residing in a place not meant for human habitation, in emergency shelter, and in transitional housing)
- B. Imminent risk of homelessness (those who are losing their primary nighttime residence within 14 days and lack resources or support networks to remain in housing)
- C. Homeless under other federal statutes (those who are living doubled up or living in motels/hotels including SROs)
- D. Fleeing or attempting to flee GBV and/or HT (those who are fleeing or attempting to flee GBV/HT, have no other residence, and lack the resources or support networks to obtain other permanent housing)
- E. Released from an institution (those who are released from the criminal legal system without a housing placement or at risk of or currently experiencing housing instability)

Image: Brainerd Park Apartments  
Brainerd



**Chronic homelessness:** In order to qualify for Chronic Homelessness Status<sup>2</sup>, a person must have (A) been continuously homeless for the last 12 months or (B) experienced a minimum of four occasions of homelessness over the past three years, totaling a minimum of 12 months. The applicant must have accrued at least 12 months of homelessness, with occasions broken up by “breaks.” A break is determined by the person having been in a place meant for human habitation (a friend’s couch, a hotel room, etc.) for a period of at least seven nights or in an institutional setting for a period of more than 90 days. Stays in places meant for human habitation for less than seven nights and/or institutional stays of less than 90 days do not count as breaks and can be counted toward the applicant’s homeless time accumulation.

In order to qualify for Chronic Homelessness Status, a person must have a disability that is expected to be of long, continuing, or of indefinite duration, and substantially impedes the individual’s ability to live independently, and could be improved by the provision of more suitable housing conditions. Qualifying disabilities for HUD projects include the following chronic conditions:

- Mental Health Disorder
- Substance Use Disorder
- Co-occurring Mental Health and Substance Use Disorder
- HIV/AIDS
- Physical Disability
- Developmental Disability

**Doubled-up:** A person who is living doubled-up<sup>3</sup> for the purposes of a homeless designation is someone who may not be on a lease but lives as an additional family member or non-relative in a household where they are not minor children, stepchildren, spouses, or unmarried partners of the head of household, usually due to economic burden that prevents them from affording to live in separate housing. Doubled-up situations are often temporary and frequently break down due to overcrowding, tensions that develop between household members, and the fear of the primary tenant losing their housing.

**Supportive Services:** Supportive services<sup>4</sup> are those that address the needs of a specific pop-

ulation of people. These services might include the operation of childcare services, employment assistance, job training, outpatient health services, case management, life skills training, mental health services, trauma counseling, applying for state/federal benefits, legal services, advocacy, transportation, and other services that assist individuals in obtaining or maintaining housing. These services are provided to assist individuals with successfully living in the community.

**Housing First:** Housing First<sup>5</sup> is an approach that prioritizes providing permanent housing to people experiencing homelessness. It does not require people experiencing homelessness to address all their challenges before they can access housing. It is not a one-size-fits-all approach, meaning that it emphasizes the values of flexibility, individualized supports, client choice, and autonomy. This approach understands that the solution to homelessness is housing, and that housing should come in a form with which the individual is most comfortable.

Supportive services are offered to maximize housing stability and prevent returns to homelessness as opposed to addressing predetermined treatment goals prior to permanent housing entry. Housing First emerged as an alternative to a linear approach in which people were required to participate in and complete certain requirements before entering housing. In this approach, everyone is “housing ready.”

**Case Management:** Case management<sup>6</sup> includes a process to plan, seek, advocate for, and monitor services from different social services or health care organizations and staff on behalf of a client. The process enables social workers in an organization, or in different organizations, to coordinate their efforts to serve a given client through professional teamwork, thus expanding the range of needed services offered. Case management limits problems arising from fragmentation of services, staff turnover, and inadequate coordination among providers. Case management can occur within a single, large organization or within a community program that coordinates services among settings.

**Community Support Team:** Community Support Team is recovery- and resiliency-oriented,



intensive, community-based rehabilitation and outreach service for adults and youth. It is team-based and consists of mental health rehabilitation interventions and supports necessary to assist the recipient in achieving and maintaining rehabilitative, resiliency and recovery goals. Community Support Team is designed to meet the educational, vocational, residential, mental health, co-occurring disorders (MH/SA, MH/DD, MH/Medical), financial, social and other treatment support needs of the recipient. Interventions are provided primarily in natural settings, and are delivered face to face, by telephone, or by video conference with individual recipients and their family/significant others as appropriate, to the primary well-being and benefit of the recipient. Community Support Team assists in the development of optimal developmentally appropriate community living skills, and in setting and attaining recipient (and family in the case of children) defined recovery/resiliency goals. It is available 24 hours per day, seven days per week. A team-based approach to services must be documented in the clinical record, including the ITP.

Community Support Team may serve as a step down for individuals transitioning from more intensive or restrictive levels of care, or for those with psychiatric hospitalizations/repeated detoxification incidence in the past 18 months who are at risk of out of home placement. It is provided to recipients to decrease hospitalizations and crisis episodes and increase community tenure/independent functioning; increase time working, in school or with social contacts; and personal satisfaction and autonomy. Community support team may also serve as a step up from less intensive levels of care when those interventions have not succeeded in meeting the individual's clinical and rehabilitative needs. Through clinical interventions and supports based on identified, individualized needs, the recipient will reside in independent, semi-independent, or family living arrangements and be engaged in the recovery/treatment process. The purpose/intent of Community Support Team is to provide specific, measurable, and individualized mental health rehabilitation interventions to each person served through the reduction and management of symptoms and the development of stability and independence

**Assertive Community Treatment:** Assertive Community Treatment (ACT) is a very specialized model of treatment/service delivery in which a multi-disciplinary team assumes ultimate accountability for a small, defined caseload of individuals with serious mental illness and becomes the single point of responsibility for that caseload. While encompassing a full range of case management (CM) activities, ACT is not just an intensive form of assertive case management; rather it is a unique treatment model in which most mental health services are directly provided internally by the ACT program in the client's regular environment (as defined by DHS).

**Substance Use Disorder:** Substance use disorders occur when the recurrent use of alcohol and/or drugs causes clinically significant impairment, including health problems, disability, and failure to meet major responsibilities at work, school, or home. Substance use disorders are diagnosed using the DSM V.

**Trauma-Informed Care:** Trauma-Informed Care (TIC) is an intervention and organizational approach that focuses on how trauma may affect an individual's life and his or her response to behavioral health services from prevention through treatment. There are many definitions of TIC and various models for incorporating it across organizations, but a "trauma-informed approach incorporates three key elements: (1) realizing the prevalence of trauma; (2) recognizing how trauma affects all individuals involved with the program, organization, or system, including its own workforce; and (3) responding by putting this knowledge into practice."

**Trauma-Informed Design:** Trauma-informed Design is a framework combining trauma-informed care with the design process. Our first relationship is with our physical environment. Before social encounters or cognitive meaning-making, our bodies have immediate responses to the space we are in. For people who have experienced trauma, their body will signal 'danger' before their mind even thinks "I am in danger." The body immediately dispatches a physiological stress response: fight, flight, freeze, or fawn. Trauma-informed design takes this understanding and shapes the built environment considering this. Examples include:

- Black-out curtains, thermostats, or equivalent smart home devices in sleeping quarters for choice, control, and body regulation
- Wayfinding devices, sightline features, and successful management of visual clutter and signs can free up an environment to attend to deeper meaning and make connections to visitors.
- Built-in places for personalization: mural walls, ledges outside of each residential unit door, gardens, and bookshelves.

**4. Supportive Service Guidelines**

For PSH developments, the following detail three distinct tiers of supportive service levels. All developments will be expected to follow housing first principles meaning, all services will be optional to the tenant. Please refer to the priority populations information to reference which supportive service environment is preferred for each priority population.

- 1. Baseline Support Environments:** For the purposes of the QAP, baseline support environments for PSH will consist of the following five key services for tenants who opt in:
  1. Known service plan shared between service and housing provider
  2. Coordination meetings between med-

ical, housing, and service provider teams if necessary

3. Crisis de-escalation training for all staff (including property management, security, maintenance, etc.)

4. Check ins with case manager at least once a week if necessary  
Case load per case manager no larger than 1:50

5. Provide on-site case management and care coordination services, including but not limited to:

- Insurance enrollment
- Access to WIC services
- Enrollment in transportation services

- 2. Medium Level Supports:** For the purposes of this Plan, medium support environments for PSH will consist of all base-line support services along with all the following four additional key services:

1. 24-hour staff supervision of the property
2. Community building activities at least once a week
3. Enrollment in applicable federal and state programs
4. Behavioral health care on site, including but not limited to:
  - Screening for mental health and sub-

Image: Imani Village Pullman





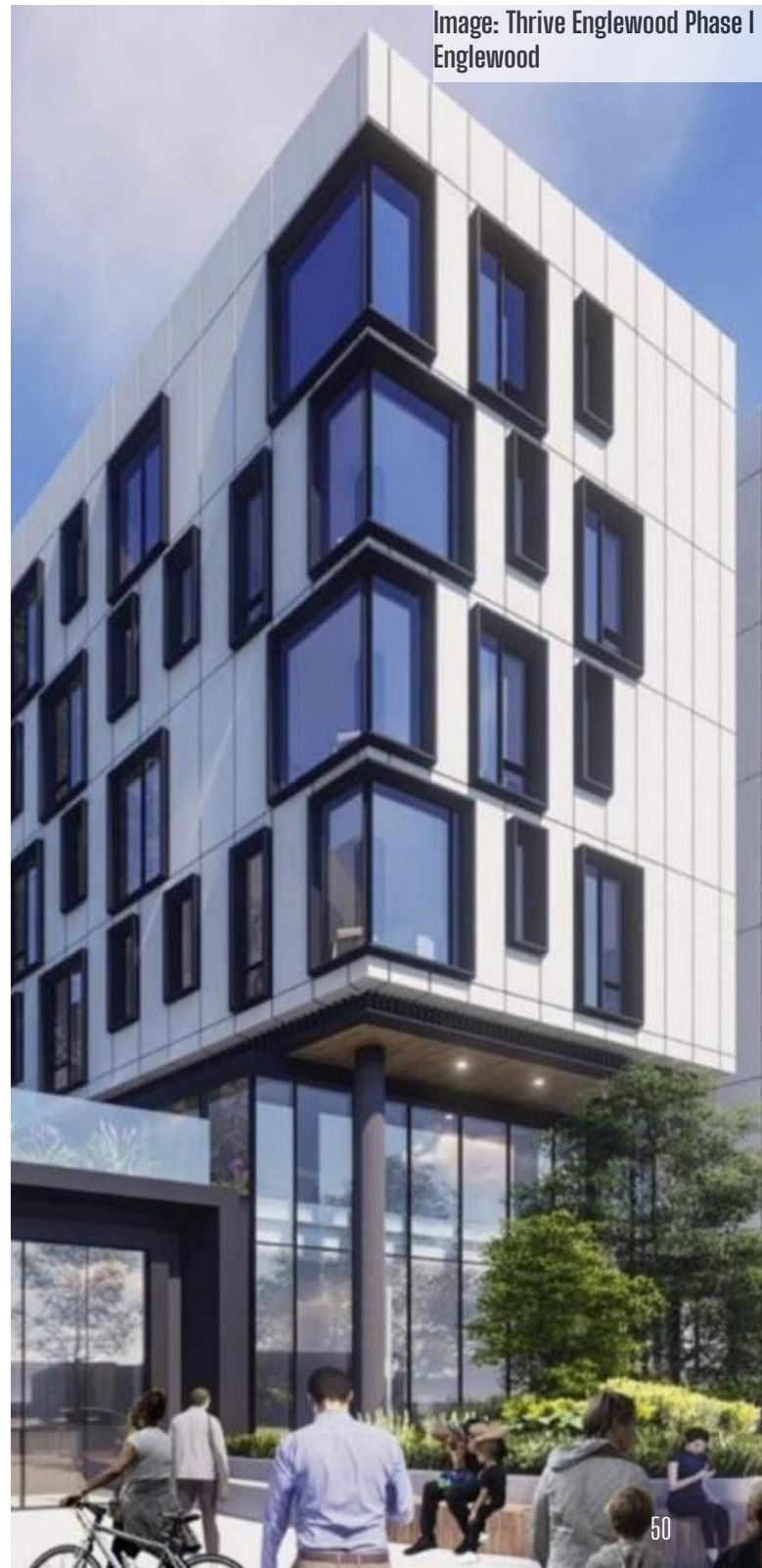
- stance use disorders
- Medication assisted recovery for opioid use disorder
- Behavioral health counseling
- Mental health crisis de-escalation
- Individual psychotherapy
- Group therapy and/or support groups
- Medication management
- Harm reduction resources and training
- Specialized treatment for co-occurring mental health and substance-use disorders

**3. High Level Supports:** For the purposes of this Plan, high support environments for PSH will consist of all baseline and medium support services along with as many of the following additional key services as possible:

1. 24-hour crisis support
2. Therapist on site at least once a week
3. Activities of daily living (ADL) assistance
  - Optional (to client) assistance with cleaning unit
  - Optional (to client) meal service
4. Community building activities at least once a week
5. Check-ins with case manager at least once a week
  - Caseload per case manager no larger than 1:20
6. Provide 24/7 behavioral health care on site, additionally including but not limited to:
  - On site medication assisted treatment for tenants with substance use disorder (SUD)
  - Psychiatric evaluation and medication monitoring
  - Peer support services
  - Access to Intensive Outpatient Program (IOP) (either through referral pathway or in-house)
  - Expressive therapies, including but not limited to modalities that include art, music, or movement
  - Provide on-site medication access through pharmacy delivery or other means

7. Provide on-site case management and care coordination services, additionally including but not limited to:
  - Enrollment in applicable federal and state programs
8. Provide primary care on site at least twice per week, including but not limited to:
  - Routine primary care
  - Wound and foot care

Image: Thrive Englewood Phase I Englewood





- Access to specialist care (ex: podiatry, dentistry, etc.)
- Infectious disease control
- COVID-19 testing and infection prevention
- Milieu management

9. Provide other social supports, including but not limited to:

- Physical health and wellbeing opportunities
- Transportation to community events, appointments, outings
- Life skills training
- Community events and classes

### 5. Trauma-Informed Design

Residents of PSH benefit from the implementation of trauma-informed design, which has the following goals:

- Reduce or remove known adverse stimuli
- Reduce or remove environmental stressors
- Engage the individual actively in a dynamic, multi-sensory environment
- Provide ways for the individual to exhibit their self-reliance
- Provide and promote connectedness to the natural world
- Separate the individual from others who may be in distress
- Reinforce the individual's sense of personal identity
- Promote the opportunity for choice while balancing program needs and the safety/comfort of the majority

Trauma-Informed Design aims at four key principles: safety, personal control, community, and beauty and meaning. Details on types of design elements required can be found in the ATSM.

### 6. Tenant Selection Plan Guidelines

The City of Chicago ("City") requires that all developments that provide permanent supportive housing, either through the PSH tract or as part of a mandated set-aside, submit a tenant selection plan for review and implement upon lease-up. Because DOH seeks to reduce barriers to accessing housing, all properties financed with applicable DOH program and funding sources must have a Tenant Selection Plan (TSP). The

below TSP Guidelines provide best practices and performance requirements. These TSP Guidelines are a requirement for all projects that are selected for an applicable program and funding source as a result of a funding application submitted to DOH after June 1, 2023. Tenant selections plans are required to be low-barrier, meaning tenant screening involves the adoption of practices that "screen in" rather than "screen out" prospective tenants.

This includes:

- Creating a straightforward and easily accessible application process
- Reviewing screening criteria to ensure that they match the characteristics of the target population
- Avoiding employing third-party screening tools and methods which conduct "blanket internet sweeps" and don't align with low-barrier screening criteria
- If applicants are rejected, providing them with an explanation for the denial

**For all projects with applicable program and funding sources, the General Considerations section is a requirement, and the Tenant Screening Criteria section is recommended best practice.** For developments that are subject to specific tenant screening requirements because of federal obligations or local laws/ordinances, housing providers should follow those requirements. These guidelines are not intended to be a complete list or to supersede those requirements. Consult with an attorney to determine if your TSP complies with all applicable laws and regulations, program requirements, the Fair Housing Act, and the Violence Against Women Act (VAWA), the Cook County Just Housing Amendment (JHA), and the IL Safe Homes Act.

### General Considerations

**1. Written Tenant Selection Plan.** Housing providers must have a written tenant selection plan. The plan must be readable and accessible to applicants and must be made available to applicants before they apply and/or pay an application fee. The owner must provide meaningful access to the information for people with limited English proficiency and people with disabilities. The tenant selection

plan must be readily available in the most spoken language in the project's neighborhood as well as English.

2. **Waiting List.** The tenant selection plan must describe any waiting list process.
3. **Eligibility.** The tenant selection plan must provide clear information on eligibility criteria such as income restrictions and any program-specific requirements. It must also clearly state the processes and criteria that will be used to evaluate applications. If the development receives funding to serve a specific population, such as individuals eligible for supportive housing or senior housing, the tenant selection plan's evaluation criteria must be structured in a way that will consider the specific barriers faced by these households. To establish eligibility criteria, development staff must partner with a local community organization that serves that population.
4. **Tenant Screening/Credit Reports.** Many housing providers use consumer reports, such as tenant screening or credit reports, as part of the application process. The Federal Trade Commission (FTC) provides guidance for housing providers who use such reports. For permanent supportive housing, tenants cannot be denied based on income or credit given the guarantee of rental payments through the operating subsidies provided.
  - a. Housing providers must comply with the following process for tenant screening
    - i. **Step One: Prequalification**  
During this step, a landlord may screen a tenant to determine whether the tenant satisfies all the application criteria. Criminal background checks cannot be performed during Step One. When this first step is completed, the landlord must either:
      1. Pre-qualify the applicant based on all criteria except those related to criminal history; or
      2. Deny the application based on failure to satisfy the prequalification criteria.
    - ii. **Step Two: Criminal Background Check**  
Only after the landlord prequalifies an applicant may a landlord conduct a criminal background check

b. Additionally, The FTC requires that when a housing provider takes an adverse action based on information in a consumer report, the housing provider must provide a notice to the applicant that includes:

- i. The name, address and telephone number of the credit reporting agency (CRA) that supplied the consumer report, including a toll-free telephone number for CRAs that maintain files nationwide;
- ii. A statement that the CRA that supplied the report did not make the decision to take the adverse action and cannot give the specific reasons for it; and,
- iii. A notice of the applicant's right to dispute the accuracy or completeness of any information the CRA furnished, and the applicant's right to a free report from the CRA upon request within 60 days.

**5. Notice of Denial.** Housing providers must give applicants a prompt written notice of denial that states the criteria the applicant failed to meet and the process to appeal.

- a. The landlord has three business days from receipt of the dispute information to accept or deny the application. Any denial of a housing application or continued lease based on a conviction must be in writing and provide the applicant with an explanation of why the application denial was necessary to protect against a demonstrable risk of harm to personal safety and/or property

**6. Appeals Process.** Housing providers must offer an appeals process. The appeals process must allow an opportunity for applicants to provide information of mitigating circumstances or information that would demonstrate their ability to be a successful tenant or correct inaccurate background check results. Housing providers must review all information provided to determine if the grounds for denial are a reliable indication of future tenancy performance. The appeals process and timeline must be clearly stated in the TSP. The housing provider must notify the applicant, in writing, of the outcome of the appeal.

Image: Brainerd Park Apartments  
Brainerd





a. Within five business days of receiving a criminal background check, the landlord must deliver a copy to the applicant. A copy of the background check can be delivered in person, by certified mail, by text or email. Once the applicant receives the results of the background check, the applicant has five business days to provide evidence that disputes the accuracy or relevance of information related to the criminal background check. The landlord then has three business days from receipt of the dispute information to accept or deny the application.

**7. Gender Based Violence.** Several federal programs, including HOME, Section 811 and the Low-Income Housing Tax Credit (LIHTC) program, CoC Programs, etc are subject to the restrictions outlined in the Violence Against Women Act (VAWA). VAWA provides that an applicant “may not be denied admission on the basis that the applicant is or has been a victim of domestic violence, dating violence, sexual assault, or stalking, if the applicant or tenant otherwise qualifies for admission.” Similarly, adverse eligibility factors such as criminal activity or other adverse credit or rental history related to the abuse should not be considered. Housing providers not subject to VAWA are still prohibited from discriminating against victims of domestic violence under the federal Fair Housing Act; therefore, policies and practices that target or otherwise discriminate against people because of their status as domestic violence survivors are likely unlawful under federal law. Examples of circumstances that are related to abuse include:

- a. Poor credit history resulting from the perpetrator using the victim’s name to open credit card accounts, loans, utilities, and failing to pay unpaid medical bills resulting from the abuse or forcing the victim to work without pay.
- b. Poor rental history attributable to the perpetrator’s actions such as property damage, noise complaints, missed or late rent or utilities, or drug activity.
- c. Criminal grounds due to the perpetrator forcing the victim to engage in criminal behavior such as sex work, drug use or sale, or crimes committed by the victim to

defend themselves or a third party from the abuse.

**8. Housing providers** are encouraged to include language that clearly explains the protections for victims of domestic violence in their tenant selection plans and provides tenants with the VAWA Notice of Occupancy Rights.

**9. Violence Against Women Act Requirements** Each Permanent Supportive Housing Project must provide a VAWA adherence plan. This plan is to include the following:

- a. A procedure by which VAWA incidences will be handled, including a housing transfer plan that addresses transfers out of the property as well as victims attempting to transfer into the building. Transfers must be to a unit with the same subsidy type, same AMI, or if a higher AMI unit the rent must be kept the same.
- b. A procedure by which staff will keep documents when residents report incidences that require accommodations related to VAWA, including reporting on what is done to accommodate resident in accordance with the housing transfer plan. Additionally, a procedure by which residents who are applying to transfer into the building due to gender-based violence are prioritized.
- c. The VAWA adherence plan, along with any collected documentation and housing transfer reports, will be collected during Annual Owner Certification. All compliance documents must be collected consistently with VAWA’s confidentiality requirements including that the information may not be entered into any shared database or disclosed to any other entity or individual.

**10. Applicants with Disabilities and Reasonable Accommodations.** Housing providers must not raise barriers for individuals with disabilities, such as imposing requirements that applicants be able to live independently. Additionally, housing providers must have a written reasonable accommodation policy and process for handling accommodation requests at application. The housing provider’s TSP must state that the reasonable accommodation policy will be made available to applicants upon request.

**11. Tenant-based Rental Assistance.** As a condition of receipt of funding through DOH, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective tenant because the prospective tenant has a housing choice voucher (HCV) or any other form of tenant-based rental assistance. Research has shown that tenant-based rental assistance improves housing outcomes. This requirement must be reflected in the tenant selection plan.

**12. Criminal Background Screening.** In 2016, the U.S. Department of Housing and Urban Development (HUD) [issued guidance](#) that provides considerations for housing providers related to the use of criminal history in tenant screening and the Fair Housing Act. The HUD-issued guidance includes the following considerations, which are relevant to all properties funded by Chicago's DOH. Additionally, the Cook County Just Housing Amendment (JHA) has compliance requirements, which apply to DOH developments. The JHA is a new law that took effect January 2020. The law protects housing seekers from discrimination because of prior justice involvement and creates a process that landlords must follow if they wish to deny housing based on a recent conviction from the last three years. Violators of the JHA are subject to penalties by the Cook County Human Rights Commission, which may include orders to cease illegal activity, orders to provide housing to the complainant, orders to produce reports of compliance and public notices of compliance, payment of fines, payment of complaint costs, and payment of damages to the complainant. The following checklist helps to ensure compliance:

- a. The landlord does not change the price, terms, conditions, or privileges of a new lease or a lease renewal because of prior justice involvement.
- b. The landlord does not share information about an available lease that discriminates because of prior justice involvement.
- c. The landlord does not deliberately refuse to show a unit listing within Cook County to any individual because of prior justice involvement.
- d. The landlord does not deliberately misrepresent a unit as not available or fail to bring the listing to an individual's attention or refuse to permit an individual to inspect

the unit because of prior justice involvement.

e. Before accepting an application fee, the landlord shares "Tenant Selection Criteria" with the applicant. The Tenant Selection Criteria are the criteria, standards, and/or policies used to evaluate whether an applicant qualifies for admission to occupancy or continued residency. If any of the Tenant Selection Criteria relate to the applicant's conviction history from the previous three years:

- i. The criteria only applies after the housing applicant has been pre-qualified for the lease.
- ii. The criteria explain how the applicant's conviction history from the previous three years will be evaluated to determine whether it poses a demonstrable risk to personal safety or property.

f. Before accepting an application fee, the landlord communicates to the applicant that the applicant has the right to provide evidence demonstrating inaccuracies within the applicant's conviction history, or evidence of rehabilitation and other mitigating factors.

g. Before accepting an application fee, the landlord provides to the applicant a copy of Part 700 of the Commission's procedural rules, which covers the applicant's protections under the Just Housing Amendment, or the landlord provides to the applicant a link to the website, address, and phone number for the Cook County Human Rights Commission.

h. The landlord does not ask about or consider conviction history, which includes conducting a criminal background check, before determining and letting the applicant know that the applicant otherwise qualifies for the lease. This means that before any inquiry or consideration of past convictions history, the prequalification process is complete, the landlord has fully determined that the applicant has satisfied all other application criteria for housing or continued occupancy in the respective unit, and the landlord has notified the applicant that (i) the applicant is pre-qualified and (ii) a back-

ground check will next be completed.

i. If the landlord conducts a criminal background check after proper notice of pre-qualification that alerts the pre-qualified applicant that a background check comes next, the landlord does not consider:

- i. Any information related to convictions that are more than three years old.
- ii. Any information related to an arrest, charge, or citation for an offense; participation in a diversion or deferral of judgement program; record of an offense that has been sealed, expunged, or pardoned; or juvenile record.

j. If the landlord obtains a background check on an applicant, the landlord must deliver a copy of the background check to the applicant within five business days. Delivery may occur in person, by certified mail, or by electronic communication (e.g., text, email). This communication should not be a denial of housing but rather provide the applicant with the opportunity to dispute the results or submit other information.

(RECOMMENDATION: The communication should inform the applicant of the right to submit evidence disputing the accuracy or relevance of a recent conviction from within the last three years, evidence of rehabilitation, and other mitigating information.)

k. If the landlord obtains a background check, then once the landlord delivers a copy to the applicant, the landlord must allow the applicant at least five business days to produce evidence that disputes the accuracy or relevance of a recent conviction before conducting an individualized assessment of the recent conviction history from the last three years. (NOTE: The landlord is free to approve another pre-qualified applicant's housing application during the dispute process period.)

l. After giving the applicant the necessary time to dispute the background check, the landlord must perform an individualized assessment based on the recent conviction history from the last three years before deciding to deny the applicant housing. The individualized assessment must consider all factors relevant to the applicant's recent

conviction history. The landlord must reach a determination through the assessment that the applicant poses a demonstrable risk, e.g., a likelihood of harm to other residents' personal safety and/or likelihood of serious damage to property, before denying the applicant housing. The two exceptions where the landlord need not perform an individualized assessment are (i) a current sex offense registration requirement and/or (ii) a current child sex offense residency restriction.

m. If the applicant is a person with a disability, the landlord may not reach a determination of "demonstrable risk" unless it is based on objective evidence and a conclusion that a reasonable accommodation would not reduce or eliminate the purported risk.

n. While performing the individualized assessment, the landlord may not deny an applicant because of a conviction that occurred more than three years from the date of the housing application.

o. The landlord must approve or deny the applicant's housing application no later than three business days after the landlord receives information from the applicant disputing or rebutting the background check results. (If the applicant does not dispute the results, the landlord should approve or deny the application within three business days after the five-day period elapses for the applicant to dispute the results.)

p. If, after conducting an individualized assessment, the landlord determines that the recent conviction history poses a demonstrable risk, the landlord must send a notice of denial. The denial must satisfy the following requirements:

- i. The denial is in writing.
- ii. The denial includes an explanation of why denial based on conviction history is necessary to protect against a demonstrable risk.
- iii. The denial includes a statement informing the applicant of the right to file a complaint with the Cook County Human Rights Commission.

q. The landlord limits the use and distribution of information obtained in performing



Image: 43 Green Phase I  
Grand Boulevard



the applicant’s criminal background check and keeps the information gathered confidential.

r. Arrests. HUD makes it clear that a policy that rejects applicants because of arrests (without conviction) is not valid under fair housing laws.

i. Convictions. While a conviction is usually evidence of criminal conduct, HUD states that a housing provider’s screening policy cannot simply exclude all applicants with convictions. Instead, in order to avoid liability under fair housing laws, the policy must accurately distinguish between convictions for criminal conduct that indicate a demonstrable risk to tenant safety and/or property and those that do not. Prior to denying any application for housing, DOH requires that an individualized assessment is completed. An individualized assessment is a questionnaire that considers all relevant factors from an individual’s conviction in the previous three years. The following list provides a list of factors that can be considered. This list does not include all factors a landlord can consider.

1. The nature and severity of the criminal offense and how recently it occurred.
2. The nature of the sentencing.
3. The number of criminal convictions.
4. The length of time that has passed since the applicant’s most recent convictions.
5. The age of the individual at the time the criminal offense occurred.
6. Evidence of rehabilitation.
7. The individual history as a tenant before and/or after the conviction.
8. Whether the criminal conviction(s) was related to the applicant’s disability.
9. If the applicant is a person with a disability, whether any reasonable accommodation could be provided.

s. Consistent Application of Tenant Screen-

ing Policy. HUD stresses the importance of applying the standards consistently to all applicants. In addition to HUD guidance, recent research by the Wilder Foundation that examined over 10,000 households in affordable housing properties found:

- i. 11 of 15 criminal offense categories examined have no significant effect on housing outcomes;
- ii. The effect of a prior criminal offense on a tenant’s housing outcome declines over time. Felonies that occurred more than five years prior to move-in have no significant effect on housing outcomes; for misdemeanors, there are no significant effects after only two years; and,
- iii. The level of impact that criminal backgrounds may have on housing success is small in comparison to other factors such as household size, income and rental assistance.

### 13. Supportive Housing.

The TSP must clearly state the intended population for supportive housing units, and if applicable, the referral source for these units. Supportive housing programs are intended to house people who often have poor credit histories, poor rental histories, criminal histories, or other barriers that may prevent them from accessing housing. Such programs are successful in serving the people for whom they are designed only when these issues do not raise insurmountable barriers to accessing housing. To the extent permitted by the rules and regulations related to the type of housing, housing providers are encouraged to adopt lenient and flexible criteria regarding these common barriers when creating a TSP. In addition, and during tenant screening, consideration of mitigating factors either before or during an appeals process must also consider the extent to which supportive services will help alleviate the real or perceived risk of the negative screening factors.

**14. Records Retention.** DOH encourages records retention as a best practice. Providers have found it beneficial to track outcomes to help ensure the process is effective for tenant success. To help ensure that tenancy determinations and appeals processes are being conducted in a non-discriminatory manner, housing providers should

retain records regarding applicant denials and appeals in addition to tenant records. Housing providers are encouraged to periodically review such records for consistency and to identify areas where their records retention process could be improved.

Image: Austin United Alliance  
Austin





## Endnotes

- 1 From [CoC Program Interim Rule - HUD Exchange](#)
- 2 From [CoC and ESG Homeless Eligibility - Definition of Chronic Homelessness - HUD Exchange](#)
- 3 From [American Community Survey 28245.pdf \(issuelab.org\)](#)
- 4 From [Definition: supportive services from 42 USC § 11360\(27\) | LII / Legal Information Institute \(cornell.edu\)](#)
- 5 From [Housing First - National Alliance to End Homelessness](#)
- 6 From [NASW Standards for Social Work Case Management \(socialworkers.org\)](#)

