

**Applications must be received in our office by 5:00 p.m. on May 1, 2009.**

### **General Instructions**

- 1) Provide an original application and three copies. The application must be signed by an authorized signer for all member and sponsor applicants.
- 2) All pages should be single sided, securely stapled or clipped, and preferably 8 1/2 x 11.
- 3) Required exhibits and other attachments must be labeled and placed in numerical order behind the application using index tabs with corresponding exhibit numbers.
- 4) All parts of the application and all required exhibits must be fully completed to be considered in the competition. **Late applications will not be considered for purposes of scoring.**

The application is available on the Community Investment web site (at <http://ci.fhlbc.com>) of the Federal Home Loan Bank of Chicago (the "Bank"). Click on Affordable Housing Program; Application Process; then link to the application.

### **Eligibility Requirements**

Prior to scoring, applications will be evaluated to determine that they meet the eligibility requirements per section 1291.5(c) of the AHP Regulations and the Bank's AHP Implementation Plan (the "Implementation Plan"). Eligibility requirements include, but are not limited to, the following items:

- 1) AHP subsidy must be used for purchase, construction or rehabilitation costs that are integral or essential to the housing unit(s).
- 2) Income Targeting requirements:
  - a) At least 20% of the units in a rental project must be occupied by and affordable to households with incomes less than 50% of the area median income per HUD income guidelines.
  - b) Households in owner-occupied projects must earn less than or equal to 80% of the area median income for the household size per HUD income guidelines.
- 3) AHP assisted owner-occupied units must be retained as affordable for a minimum of 5 years.
- 4) AHP assisted rental units must be retained as affordable for a minimum of 15 years.
- 5) Project readiness must be demonstrated. Critical pieces of financing must be committed, and projects involving new construction or adaptive re-use must include evidence of site control and zoning.
- 6) There must be a need for the AHP subsidy (see Section II.B.2 of the Implementation Plan). Development and operating costs should be within feasibility guidelines (as outlined in Exhibit I to the Implementation Plan, the "Feasibility Guidelines"). If costs or ratios are outside the guidelines, applicant must provide justification.
- 7) Project feasibility: Evaluation of project feasibility, as further outlined in the Feasibility Guidelines, will be based on the following:
  - a) Local market need and demand for the proposed development
  - b) Development experience, management experience and capacity of the development team
  - c) Financial feasibility and project readiness. The Bank's review will include an analysis of the sources and uses of funds, project costs, operational feasibility, and timing of subsidy use.
- 8) Project must comply with federal and state on fair housing and housing accessibility laws.

- 9) Member institution must be a member of the Bank at time of application and at time of AHP disbursement.
- 10) The amount of AHP subsidy any single member financial institution may receive may not exceed 25% of the subsidy awarded or the subsidy announced for each application period, whichever is greater.
- 11) The maximum amount of AHP subsidy per project may not exceed \$300,000.

**An application failing to meet eligibility requirements will be deemed ineligible and will not be considered for funding.**

### **AHP Regulations**

The Affordable Housing Program (AHP) regulations, 12 CFR, Part 1291, can be found at <http://ci.fhlbc.com/ci/docs/cfr1291.pdf>.

### **Application Instructions**

These instructions are meant to clarify sections of the application where questions commonly arise. The identifying numbers and letters on the instructions correspond with the identifying numbers and letters on the application.

Detailed information regarding the Bank's scoring guidelines are included under Section III-Scoring, Criteria starting on page 5.

## **I. Contact Information**

Sponsor Information: Please be sure that the sponsor entity is appropriate for the structure of your project. Organizations using tax credits should consult a tax attorney and tax accountant prior to applying for AHP funding to determine the impact of the AHP subsidy to the project, and to confirm that the appropriate party is named as the project sponsor.

Requests for a subsequent change or modification of the project sponsor will be at the bank's discretion.

## **II. Project Information and Eligibility Requirements**

### **A. Name and Location**

Enter the project site location or the project site address. For scattered site projects, please attach a listing of sites if known; if unknown state that "sites are to be determined." Do not list the sponsor's address, unless the sponsor address is the same as the project address.

Census tract information can be found at [www.ffiec.gov](http://www.ffiec.gov). Click on "Geocoding/Mapping System", type in the property address or intersection, and select "Search". Tract code is located in the lower right corner.

### **B. Type of Project**

1. The application must be for either an owner-occupied or a rental project. If the project includes both owner-occupied and rental segments, two separate AHP applications will be required.
2. Single family properties include buildings of 1-4 units whether owner-occupied or rental; Multifamily properties are buildings with 5 or more units. For group home rental projects with more than one independent household residing in a unit, consider each separate household as a unit.
3. If the project is lease-to-purchase ("LTP"), explain the conditions of the program in Section II. C., Project Description. In most instances, LTP projects will be scored as rental projects; therefore, include

corresponding documents for rental projects. Existing LTP projects that will use the AHP subsidy for down payment assistance to purchase units during the upcoming 12 months are an exception, and will be scored as owner-occupied projects. Please consult with Community Investment staff to ensure you are submitting proper documentation.

4. Though the project may include commercial or non-housing space, costs associated with developing the commercial/non-housing space of the project are not an eligible use of AHP funds. The application must clearly show that no AHP funds are being used for the development of the commercial/non-housing space and that the housing segment of the project will not be used to subsidize the operation of the commercial/non-housing space.

Applications including commercial/non-housing space must submit separate Development Budgets, 15-Year Operating Budgets and Sources and Uses Statements (Exhibits III and V respectively) for the commercial/non-housing space and the housing space.

6. Though the project may include supportive services, the costs associated with the provision of services are not an eligible use of AHP funds. Applications including supportive services must submit a separate, self-sustaining 15-Year Operating Budget (Exhibit III) for services.

#### **D. Subsidy Description**

AHP subsidies must be used for one of two broad purposes:

- to finance the purchase, construction and/or rehabilitation of owner-occupied housing for households with incomes at or below 80% of area median income (AMI); or
- to finance the purchase, construction and/or rehabilitation of rental housing, of which at least 20% of the units will be occupied by, and affordable to, households with incomes at or below 50% of AMI.

Eligible uses include, but are not limited to:

- downpayment assistance
- hard construction costs
- soft costs
- land acquisition, in connection with new construction
- gap financing
- homeownership counseling costs, provided that such costs are incurred in connection with counseling for homebuyers who actually purchase an AHP assisted unit and the cost of the counseling has not been covered by another funding source, including the member.

The AHP subsidy may not be used to capitalize operating or other reserves, to directly or indirectly fund services, or to fund commercial or unrelated non-housing space.

The application must specify what eligible uses the AHP award will be used for as it relates to the project. For example, if the application indicates that the award will be used for downpayment assistance, the project sponsor must obtain the approval of the Bank if they wish to change the project so that funds are used for land acquisition or any other eligible use.

## **E. Sponsor Capacity**

Provide qualifications and experience of the project sponsor in Exhibit XIV. If the sponsor does not have experience with projects of similar size and scope, indicate who the sponsor will partner with (consultant, developer, etc.) to bring the project to fruition. If an organization other than the sponsor will develop the property, also provide a summary of developer experience with this exhibit.

## **F. Prior AHP Subsidy**

Please provide requested information.

## **G. Application to more than one Federal Home Loan Bank**

Please provide requested information.

## **H. Project Readiness**

Some or all of the AHP subsidy approved under the Bank's competitive application program must be likely to be drawn down or used by the project to procure other financing commitments within one year of the date of approval of the application for AHP funding.

Project readiness is assessed based on evidence of firm commitment of critical financing, site control and proper zoning.

## **I. Interest in Project**

In the case of real estate that is sold to a project by a member that is providing the AHP subsidy to the project, or property sold to the project upon which the member holds a mortgage or lien, an appraisal completed by a state certified or licensed appraiser must be included with the application. The appraisal must be performed within six months prior to the date the Bank disburses the AHP subsidy to the project.

## **J. Fair Housing**

AHP regulations require that projects must comply with applicable Federal and State laws on fair housing and housing accessibility, including, but not limited to, the Fair Housing Act, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, and the Architectural Barriers Act of 1969 and must demonstrate how the project will be affirmatively marketed. We urge you to contact legal counsel or an organization with expertise on these laws. Refer to the HUD website at [www.hud.gov](http://www.hud.gov) for information on fair housing.

## **K. Local Market Conditions**

The application must include a market analysis that describes local market conditions and illustrates market demand for the type of housing being developed. Include data and other relevant facts that sufficiently demonstrate the need for and viability of the proposed project. Rental projects involving new construction should provide a third party market study completed within the last 18 months. Owner-occupied projects should provide information on the availability of homes in the targeted locations and at the targeted price points identified in the application. Attach such market analysis as Exhibit XII.

## **L. Long-Term Retention and Repayment**

### **Retention**

AHP regulations require that owner-occupied projects retain the units as affordable for five (5) years from the closing date of the purchase of the home. For rental projects, the units must be retained as affordable for fifteen (15) years from the date of project completion. Projects that do not meet the minimum retention period will not be considered for funding.

Some examples of acceptable types of retention documentation include deed restrictions, land covenants, and junior mortgages. All retention documents must be recorded.

### **Repayment**

Specific language must be contained within a document such as a soft second mortgage, an Affidavit of Interest, a Deed Restriction, or a third party agreement between the member and the sponsor, ensuring that funds will be returned to the Bank in the event that repayment is required. All repayment documents must be recorded.

## **III. Scoring Criteria**

Projects meeting all eligibility requirements will be reviewed and scored based on nine scoring criteria that equal a maximum of 100 points. Each of the nine scoring criteria has been assigned a maximum point value, and is designated as either a fixed point or variable point scoring item. Fixed point criteria (i.e., pass/fail) are those that cannot be satisfied in varying degrees (“Fixed”). Applications meeting a fixed point criterion will receive the maximum number of points allocated to that category. Variable point criteria are those where there are varying degrees by which an application can satisfy the criteria (“Variable”).

The applications receiving the highest overall scores will be recommended to the Affordable Housing Committee of the Bank’s Board of Directors for award approval. Such Committee will approve applications sufficient to exhaust the AHP funds available for the applicable round. If more than one application has the same score, applications requesting the lowest subsidy per unit will be given preference. In the case of applications with the same score that also request the same subsidy per unit, projects with the lowest total development cost per unit will be given preference.

### **1. Donated / Discounted Government or Other Properties (5 points - Variable)**

Projects that can document the financing of housing using a significant proportion, defined as a minimum of 20% of the total land or units, of (1) land or units donated or conveyed to the project by the Federal government or any agency or instrumentality thereof, or (2) land or units donated or conveyed by any other party, for an amount that is at least 20% below the fair market value (“FMV”) of the units or land conveyed. FMV must be supported by a third-party appraisal completed within 18 months of the earlier of the conveyance date or the AHP application date.

Applicants must indicate what is being donated or sold to the project at a discount, and include addresses if multiple land parcels or buildings are involved.

Evidence of donation or property conveyance must be included as an attachment to the application to receive credit for donated properties. For properties conveyed at a discount to FMV, evidence of conveyance cost must be provided, along with an appraisal completed within 18 months of the earlier of the conveyance date or the AHP application date to receive credit. Points will be awarded for properties conveyed up to 3 years prior to the application deadline. The discount is calculated by subtracting the actual cost of all land or units in the project, including any carrying costs reflected on Exhibit V-Sources and Uses Statement, from the FMV of all the land or units in the project, and dividing the result by the FMV.

Rehabilitation-only projects that do not involve the acquisition of land or buildings are not eligible to receive points in this category.

Points will be awarded as follows:

5 points	If property or units are fully donated by a non-affiliated third party.
4 points	If conveyed by a non-affiliated third party and discount is between 80-99.99% of FMV per appraisal.
3 points	If conveyed by a non-affiliated third party and discount is between 60-79.99% of FMV per appraisal.
2 points	If conveyed by a non-affiliated third party and discount is between 40-59.99% of FMV per appraisal.
1 point	If at least 20% of (1) the land or units are donated or conveyed by the federal government; or (2) land or units donated or conveyed by a third party are discounted between 20-39.99% of FMV per appraisal. A maximum of 1 point will be awarded for the conveyance of land or units with a discount of at least 20% by a subsidiary or affiliate of the ownership entity, or other entity with an ownership interest in the project.

## 2. Project Sponsorship (5 points - Variable)

Project-sponsorship by a not for profit organization, a state or political subdivision of a state, a state housing agency, a local housing authority, a Native American Tribe, an Alaskan Native Village, or the government entity for Native Hawaiian Home Lands that:

- has any ownership interest in a rental project; or
- is integrally involved in an owner-occupied project, by exercising control over the development or management of the project, by providing homebuyer/homeowner counseling, or by qualifying borrowers and providing or arranging financing for the owners of the housing.

Demonstrated sponsor capability and past track record will also be taken into consideration. Attach evidence of sponsor capacity as Exhibit XIV for each sponsor and co-sponsor.

<b>Rental Projects</b>	
1 point	Criteria 1: Sponsor must have non-profit status (or be a state or political subdivision of a state, a state housing agency, a local housing authority, Native American Tribe, an Alaskan Native Village, or the government entity for Native American Home Lands ) and ownership interest in the project.
1 point	Criteria 2: If Criteria 1 is met and if ownership interest by non-profit sponsor exceeds 50% of the managing member or general partner.
1 point	Criteria 3: If Criteria 1 and 2 are both met and the non-profit sponsor plays an integral role in the project by directly exercising operational control over the development or property management of the project or by directly providing supportive services to residents of the project.
1-2 points	Criteria 4: If Criteria 1, 2 and 3 are all met and non-profit sponsor has related experience in the completion or operation of at least 2 projects of similar size and scope, applicants will receive 1 point. If Criteria 1, 2 and 3 are all met and non-profit sponsor has related experience within in the completion or operation of at least 3 projects of similar size and scope, applicants will receive 2 points. Sponsor experience will be evaluated based on similar projects completed within the past 10 years.

<b>Owner-Occupied Projects</b>	
1 point	Criteria 1: Sponsor must have non-profit status (or be a state or political subdivision of a state, a state housing agency, a local housing authority, Native American Tribe, an Alaskan Native Village, or the government entity for Native American Home Lands ) and the sponsor plays an integral role in the project, by managing the construction or rehabilitation of the property, by providing homebuyer/homeowner counseling, or by qualifying borrowers and arranging financing for the owners of the housing units.
Up to 2 points	Criteria 2: If Criteria 1 is met and if non-profit sponsor plays more than one integral role, as defined in the preceding cell above, in the project. One point will be awarded for each additional role.
Up to 2 points	Criteria 3: If Criteria 1 is met and non-profit sponsor plays an integral role, as defined above, in the successful completion and administration of at least 2 projects of similar size and scope, applicants will receive 1 point. If Criteria 1 is met and the non-profit sponsor has played an integral role, as defined above, in the successful completion and administration of more than 3 projects of similar size and scope, applicant will receive 2 points. Sponsor experience will be evaluated based on the number of projects completed within the past 10 years where the sponsor served in a similar capacity. Please refer to instructions on Exhibit XIV.

### 3. Targeting (20 points - Variable)

The Bank will consider the extent to which the project creates housing for very low, low or moderate income households. For purposes of this scoring criterion, applications for owner-occupied and rental projects will be scored separately.

#### **Owner-Occupied Projects**

Points will be awarded to projects that finance the purchase, construction and/or rehabilitation of owner-occupied homes for low and moderate income households in that priority order. For owner-occupied projects, incomes cannot exceed 80% of the Area Median Income (“AMI”) and units must be retained as affordable for a minimum of 5 years.

Owner-occupied projects will be awarded points on a declining scale. Those with the greatest percentage of households with low incomes (60% of AMI or less) and moderate incomes (61%-80% of AMI), in that order, will receive the most points. A weighted average is calculated with the greater weight given to low income households. The following formula is used to determine the score:

$$20 \left[ \frac{B}{A} \right] + 12 \left[ \frac{C}{A} \right] = \text{SCORE}$$

Where: A = Total Number of Units

B = Number of Units <= 60% of AMI

C = Number of Units 61% - 80% of AMI

#### **Rental Projects**

Points will be awarded to projects that finance the purchase, construction, and/or rehabilitation of rental housing, of which at least 20% of the units in the project will be occupied by, and affordable to, very low income households with incomes at or below 50% of AMI. For rental projects, units must be retained as affordable for a minimum of 15 years.

- a. Rental projects where 60% or more of the total units will be occupied by, and affordable to, very-low income households (at or below 50% of AMI) will receive 20 points.
- b. Rental projects that do not meet the 60% very low income criteria will be awarded points on a declining scale based on the percentage of units in a project that are reserved for very-low income households and on the percentage of remaining units reserved for moderate income households. Rental projects will be scored using the following formula:

$$25 \left[ \frac{B - (.20(A))}{.80(A)} \right] + 16 \left[ \frac{C}{.80(A)} \right] + 8 \left[ \frac{D}{.80(A)} \right] + 0 [E] = \text{VALUE}$$

Where: A = Total Number of Units  
 B = Number of Units <= 50% of AMI  
 C = Number of Units 51% - 60% of AMI  
 D = Number of Units 61% - 80% of AMI  
 E = Number of Units >80% of AMI

In addition to indicating the number of units in the project committed to each income group, please indicate the number of Family, SRO (single room occupancy units) and Group Bed Units. Group Bed Units are defined as two or more independent households residing in a unit where each separate household is considered a unit for AHP purposes. This is generally seen in group homes or similar projects.

**4. Promotion of Empowerment (5 points - Variable)**

Up to 5 points are available for projects that empower residents by providing housing in combination with empowerment program(s) as identified in the application.

Sponsors must provide a service plan (Exhibit XV-A) to receive points. The sponsor must explain how each service will economically empower and benefit the residents and indicate the plan to deliver services, if services will not be available on site. Such service plan(s) should indicate how sponsor will track, monitor, and demonstrate that the empowerment services listed are provided.

In addition to Exhibit XV-A, to receive points for sponsor-provided activities or services, the application must include a brochure or annual report detailing the services to be provided to the tenants or homebuyers. If these materials are not available, an expanded service plan including detailed descriptions of services the sponsor will directly provide to the residents will be acceptable. Applicants must also indicate the source of funding for each of the activities the sponsor will provide. These attachments should be included under tab XV-A of the application.

To receive points for services provided by organizations other than the sponsor, a Commitment to Provide Services (pre-printed form included with the application) should be completed by each service provider, and included as Exhibit XV-B. Exhibit XV-A must also be completed. If there is insufficient room on the exhibit to provide a complete description of services, the service provider should provide documentation on all services to be offered to the project on their letterhead in addition to completing and signing Exhibit XV-A.

Points will not be awarded for commitments dated more than one year prior to the AHP application date.

Applications will be scored in the following manner, based on information contained in the Commitments to Provide Services and sponsor-provided documentation.

<b>Rental Projects</b>	
<i>Rental projects will be eligible to receive empowerment points for employment services, job training programs, training/education and case management if (a) identified services are provided on-site or (b) there is a budgeted position for a case manager or service coordinator that makes referrals for identified services.</i>	
1 point	Employment services and/or job training programs to assist residents with procuring employment. These services must include at least one of the following: welfare to work programs, on- or off-site job opportunities, or job search assistance including career counseling.
1 point	Training/Education services to residents that include one of the following: adult accredited education programs, vocational training, youth education programs*, saving and budgeting education, or computer classes. *Youth programs qualify, only if they serve as a substitute for childcare.
1 point	Comprehensive case management services, mental and behavioral health services, substance abuse prevention and treatment programs, or residential support services. Services provided must promote economic betterment by supporting residents' ability to find or sustain employment or be self-sufficient.
1 point	Resident involvement in decision-making affecting the creation or operation of the project via resident council or resident participation on the board.
1 point	Donated/discouted child care services.

<b>Owner-Occupied Projects</b>	
1 point	A maximum of one point will be awarded for either of the following: <ul style="list-style-type: none"> <li>• For projects involving purchase: Pre-purchase homebuyer counseling if counseling is mandatory for all AHP-assisted homebuyers.</li> <li>• For projects involving rehabilitation with no purchase: Post-purchase homeowner counseling, with included home maintenance topics, if counseling is mandatory for all AHP-assisted homeowners.</li> </ul>
Up to 2 points	A maximum of two points will be awarded for financial literacy training which includes the following topics, if mandatory for all AHP-assisted homebuyers/homeowners. <ul style="list-style-type: none"> <li>• One point will be awarded for course content which includes budgeting and credit topics.</li> <li>• One point will be awarded if the curriculum includes both a predatory lending component and foreclosure prevention.</li> </ul>
1 point	A maximum of one point will be awarded for either of the following: <ul style="list-style-type: none"> <li>• Sponsor-provided opportunities that increase economic empowerment, such as employment and vocational training, if properly documented.</li> <li>• Sweat equity if mandatory for all homebuyers/homeowners. Applicants must submit a program description that clearly notes sweat equity to receive points.</li> </ul>
1 point	One-on-one homebuyer or homeowner counseling, if mandatory for all homebuyers/homeowners.

**5. Housing for Homeless Households (5 points - Fixed)**

Projects that (i) create rental housing, excluding overnight shelters, reserving at least 20% of the units for homeless households, (ii) create transitional housing for homeless households permitting a minimum of six months occupancy, or (iii) create permanent owner-occupied housing reserving at least 20 percent of the units for homeless households, are eligible to receive 5 points, if referral source(s) and source of funding for specialized services (if provided) are identified, and an acceptable supportive service plan for homeless residents has been provided. Units designated as “reserved” must be used only for homeless households throughout the retention period. If qualified homeless

households are not available, the unit(s) must remain vacant until a homeless household is found to occupy the unit.

A homeless household is defined as:

A household made up of one or more individuals, other than individuals imprisoned or otherwise detained pursuant to state or federal law, who:

1. lack a fixed, regular, and adequate nighttime residence; or
2. have a primary nighttime residence that is:
  - a. a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill);or
  - b. an institution that provides a temporary residence for individuals intended to be institutionalized; or
  - c. a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

**6. District Priority 1 (22 points - Variable)**

**a. Member Financial Participation (5 points-Variable)**

This scoring criterion measures the extent to which a member participates **financially** in a project, excluding pass-through of the AHP subsidy. Attach a Commitment of Member Financial Involvement as *Exhibit XVII* to receive points in this category.

<b>Rental Projects</b>	
4 points	If member applicant provides long-term financing to the project (i.e., permanent financing, letter of credit for credit enhancement or tax credit or other equity), which constitutes at least 10% of total project costs. Points will also be awarded to consortium projects providing long-term financing to the project if member participation constitutes at least 10% of total project costs. To receive points, the minimum loan term must be 15 years.
1 point	If member is providing <i>only</i> intermediate or short-term financing to the project (i.e., construction loan, bridge loan, letters of credit for credit enhancement) or permanent financing which constitutes less than 10% of total project costs.
1 point	If member provides both short-term <i>and</i> long-term financing.

<b>Owner-Occupied Projects</b>	
5 points	If member applicant(s) will definitively provide financing (with a minimum loan term of 5 years) to at least 50% of all qualified homebuyers/homeowners.
2 points	If member applicant(s) will provide only short-term financing to the project (i.e., construction loan or bridge loan), or will definitively provide financing with a minimum 5 year loan term to at least 20% of homebuyers/homeowners.
1 point	If member applicant(s) will provide financing with a minimum 5 year loan term to 10% - 19.99% of homebuyers/homeowners.

**b. Special Needs Housing (5 points - Fixed)**

The financing of housing where at least 20% of the units are reserved for occupancy by households with special needs will receive 5 points.

Units designated as “special needs housing” may only be used for the identified population(s), and no other. If qualified tenants in the target population are not available, the units must remain vacant until an eligible household is found to occupy the housing unit. Special needs housing includes housing for:

- the elderly
- mentally or physically disabled persons
- persons recovering from physical, alcohol, or drug abuse
- persons with HIV/AIDS

Referral source(s) and source of funding for specialized services (if provided) must be identified.

**c. First-Time Homebuyer (5 points - Fixed)**

Projects that provide financing of housing for first-time homebuyers will receive 5 points. 80% of the units must be reserved for, and sold to, first-time homebuyers to qualify for credit. A first-time homebuyer is defined as a household meeting any one of the following criteria:

- An unmarried individual or an individual and his or her spouse, who has/have not owned a home during the three-year period immediately prior to the date of purchase of a home with the AHP subsidy.
- A divorced or legally separated individual who has only owned a home with a (former) spouse.
- An unmarried individual or an individual and his or her spouse who has/have only owned a home that was not in compliance with State, local, or model building codes and which cannot be brought into compliance for less than the cost of constructing a permanent structure.

**d. Rural Housing (5 points-Variable)**

Points will be awarded on a pro rata basis, based on the percentage of units that satisfies the criterion.

The Bank’s definition of a rural area will be consistent with the Rural Housing Service, U.S. Department of Agriculture definition per 7 C.F.R. 3550.10. To determine if a particular location is designated as rural per 7 CFR 3550.10, please refer to <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>. Depending on the project type, click on “single family” or “multifamily” and enter the property address.

If the property location is considered rural, but located in a county with ineligible areas, please submit a USDA map of that county as Exhibit XVIII, locating the property on the map. Contact information for Rural Development offices is as follows:

Wisconsin: (715) 345-7620                      Illinois: (217) 403-6200

**e. Economic Diversity ( 2 points – Variable)**

<p>Housing that is part of a strategy to end isolation of very low- income households by providing economic diversity.</p> <ul style="list-style-type: none"> <li>• Mixed income housing, defined as a minimum of 20 % unrestricted units, if located in low-or moderate-income neighborhoods, or</li> <li>• Housing for very low-, low- or moderate income households, if located in census tracts where the median income equals or exceeds median income for the county or metropolitan area that the project is located in.</li> </ul>	<p>Fixed</p> <p>Variable</p>
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Applicants must provide information or statistics as evidence that the project meets the criterion. Census tract income information can be found on <http://www.ffiec.gov>. Enter property address in the *Geocoding Mapping System*. Click on “Search”, then “Get Census Demographic.” The income for the census tract where the property is located is divided by the HUD median income for the county or metropolitan area. A Census Tract Median Family Income of greater than or equal to the median income for the county or metropolitan area is necessary to qualify for points under this criterion.

Note that results for the above calculation may differ from the FFIEC calculation, particularly in rural locations.

Scattered site projects, in which some of the properties qualify for mixed income credit, will be scored on a pro rata basis, based on the percentage of units in mixed income projects or mixed income locations.

**7. District Priority 2 (5 points - Fixed)**

The creation of housing that satisfies one of the following second district priorities:

At least of 20% of total housing units are located in Indian areas as defined by Native American Housing Assistance and Self-Determination Act; or
Family-Friendly projects, defined as: <ul style="list-style-type: none"> <li>• Rental projects with at least 20% of the units having 3 or more bedrooms (excluding group homes), or</li> <li>• Owner-occupied projects with at least 20% of the units having 4 or more bedrooms.</li> </ul>

If project is located in an Indian area, supporting documentation must be submitted with the application (Exhibit XX) to receive points.

**8. AHP Subsidy per Unit (19 points - Variable)**

The Bank will consider how effectively the project uses AHP subsidy dollars. Scoring is based on the extent to which the project proposes to use the least amount of AHP subsidy per AHP targeted unit (units <= 80% of AMI), i.e.:

$$\frac{\text{AHP Subsidy}}{\# \text{ of units } \leq 80\% \text{ AMI}} = \$ \text{ Subsidy per Unit}$$

AHP Subsidy/Unit	Score
\$4,000 or less	19
\$4,001 - \$4,500	18
\$4,501 - \$5,000	17
\$5,001 - \$5,500	16
\$5,501 - \$6,000	15
\$6,001 - \$6,500	14
\$6,501 - \$7,000	13
\$7,001 - \$7,500	12
\$7,501 - \$8,000	11
\$8,001 - \$8,500	10

AHP Subsidy/Unit	Score
\$8,501 - \$9,000	9
\$9,001 - \$9,500	8
\$9,501 - \$10,000	7
\$10,001 - \$10,500	6
\$10,501 - \$11,000	5
\$11,001 - \$11,500	4
\$11,501 - \$12,000	3
\$12,001 - \$12,500	2
\$12,501 - \$13,000	1
More than \$13,000	0

## 9. Community Stability (14 points - Variable)

A maximum of 14 points will be awarded as follows:

Base points - Select one of the following:

6 points	Adaptive re-use or major rehabilitation of vacant or abandoned buildings. Hard rehab costs must average $\geq$ \$40,000/unit.
5 points	Projects with a rehab component, where hard rehab costs average $\geq$ \$25,000 per unit.
4 points	Projects involving new construction.
3 points	Projects with a rehab component, where hard rehab costs average between \$10,000 and \$25,000 per unit.
2 points	Projects with a rehab component, where hard rehab costs average $\leq$ \$10,000 per unit; or projects involving acquisition-only.

Bonus points – Select all that apply:

2 points	Projects involving the acquisition or rehabilitation of foreclosed or REO properties. A minimum of 50% of total units in the project must meet the criteria to receive credit. Note that in the case of member applicant REO properties, regulations state that an appraisal will be required dated within 6 months prior to the date the FHLBC disburses AHP subsidy to the project.
2 points	<p>Targeted Areas:</p> <ul style="list-style-type: none"> <li>• HUD Qualified Census Tracts; or</li> <li>• Super/fund/Brownfield; or</li> <li>• Federal Disaster Areas, if properties are eligible for FEMA Assistance</li> </ul> <p>A listing of HUD Qualified Census Tracts follows:            Illinois: <a href="http://qct.huduser.org/tables/1statetable.odt?statefp=17.0&amp;DDAYEAR=2009">http://qct.huduser.org/tables/1statetable.odt?statefp=17.0&amp;DDAYEAR=2009</a>            Wisconsin: <a href="http://qct.huduser.org/tables/1statetable.odt?statefp=55.0&amp;DDAYEAR=2009">http://qct.huduser.org/tables/1statetable.odt?statefp=55.0&amp;DDAYEAR=2009</a>            Other: <a href="http://qct.huduser.org/tables/screen2.odt">http://qct.huduser.org/tables/screen2.odt</a></p> <p>Projects located on a superfund or brownfield site should furnish third-party documentation as <b>Exhibit XXV</b>. This may include statistical information from the Environmental Protection Agency’s official website, a letter from a federal, state or local official, grant, etc.) that verifies that the Project site meets the EPA’s definition of a superfund or brownfield site.</p> <p>Projects eligible for individual assistance as part of a federal disaster declaration should provide evidence that criteria has been met as <b>Exhibit XXV</b>.</p>
2 points	<p>Owner-occupied projects consisting of rehab-only, if located in a concentrated area, defined as follows:</p> <ul style="list-style-type: none"> <li>• At least 50% of the total units are located in a single, identified census tract, or</li> <li>• For projects located in multiple jurisdictions, such as statewide or multi-county projects, points will be awarded if at least 25% of the total units are located in a single identified census tract.</li> </ul>
Up to 2 points	Projects involving the preservation of existing affordable housing units with land use covenants that will expire within the next 3 years are eligible to receive 1 point, if documented. Projects with land use covenants <u>and</u> rent/operating subsidies expiring within the next 3 years are eligible to receive 2 points, if documented.
1 point	Demonstrated support for the project by a local government (other than as a project sponsor) in the form of property tax deferment or abatement or infrastructure improvements. Provide current evidence of support as <b>Exhibit XXIV</b> .
1 point	Households participating in Employer-Assisted Housing programs, if properly documented. A minimum of 50% of AHP-assisted households must receive employer assistance to receive credit. Executed agreement or Memorandum of Understanding from the employer(s) indicating the amount of financial assistance to the employees must be provided as Exhibit XXIII.

Displacement: Applicants must indicate whether displacement will occur, and whether or not there is a resettlement plan. Any project that displaces residents must provide a plan for relocation of those to be displaced as Exhibit XVI.

## **IV. Certifications**

The Bank will require applicants to certify that the named parties for the sponsor and member, for contact information and reporting, funding, and monitoring purposes are duly authorized to represent those organizations, and to make commitments on behalf of those organizations. Additionally, those parties signing the application are duly authorized to sign the application on behalf of the organization.

## **V. Exhibits**

Capitalized terms used in the exhibit instructions below are defined within the exhibit(s) to which they refer.

### **1. Exhibit I-A Owner-Occupied Project Worksheet**

If the project area includes more than one county or metropolitan area with differing income guidelines, the sponsor should select a representative area and indicate the area used. Use the HUD Income Guidelines\* for the area indicated when completing the Maximum Annual Income at targeted income level. Monthly Income at targeted income level is calculated by dividing the Maximum Annual Income by 12.

For each of the income groups targeted, include a financing scenario for a typical owner-occupied transaction, showing cost of home including closing costs and any rehab costs; and total funding sources, including buyer's downpayment, amount of AHP subsidy, other grants, and other financing in addition to the first mortgage. Under Mortgage Information, indicate the rate and term, the monthly principal and interest, monthly taxes and insurance, and any monthly condo association fees.

The total cost of the home, including closing costs, should equal the total funding sources. Total Cost for the average home multiplied by number of units in the project should coincide with Total Uses of Funds reflected on Exhibit V, the Sources and Uses Statement. Financing and mortgage information, should coincide with the Sources table on Exhibit V, the Sources and Uses Statement.

Housing Expense to Income Ratio is calculated by dividing the Total Monthly Housing Expense by Total Monthly Income.

### **2. Exhibit I-B Owner-Occupied Checklist**

The Owner-Occupied Checklist requires an explanation of any cost or ratio outside of the Bank's Feasibility Guidelines. Projects will not automatically be excluded from scoring if they fall outside of the ranges listed; however applicants must justify why the cost or ratio is appropriate. The Bank reserves the right to reduce requested subsidy amounts if the project fails to satisfy published financial feasibility guidelines and/or fails to adequately document a need for the subsidy requested. Additionally, projects failing to adequately explain items falling outside of the Bank's feasibility ranges may be deemed ineligible.

### **3. Exhibit II-A Rental Project Worksheet**

The purpose of the Rental Project Worksheet is to insure that rents are affordable to households of the appropriate family size.

Project Area	If the project area includes more than one county or metropolitan area with differing income guidelines, list all counties or metropolitan areas. Use the HUD Income Guidelines* for the area indicated when calculating Column E of the table.
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\* Income guidelines published annually by the Department of Housing & Urban Development (HUD) are located at <http://ci.fhlbc.com> under Administrative Information. Click on HUD Income Guidelines.

- Column B & C      Fill in the number of units and number of bedrooms. Group homes and 1 person units without a separate bedroom (e.g. studio apartment, etc.) should indicate 0 bedrooms.
- Column D          Field will populate with presumed household size for that type unit based on the AHP Regulations (1.5 persons per bedroom).
- Column E          Identify the targeted income group for those units.
- Column F          Using the HUD Income Guidelines, fill in the “adjusted income limits” for each of the project areas that correspond to the household size in (D) and the targeted income group in (E).

To determine the half person family sizes calculate the average household income limit using the limit above and below the half size household (i.e., the qualifying income for 4.5 persons is the average of the four and five persons household income limits, as shown in the example on the first line of the table).

Corresponding income definitions are:

<u>Exhibit IIA Column E</u>	<u>HUD Income Guidelines</u>
<=50% of AMI	VERY LOW - INCOME
51-60% of AMI	60% INCOME LIMITS
61-80% of AMI	LOW INCOME LIMITS

Actual tenant income may be less than the maximum amount, but cannot exceed it. If your targeted population has income below 50% of AMI, use the 50% limit.

- Column G          Fill in the proposed monthly rent for that type of unit. (Tenant’s Annual Rent should correlate with the Gross Residential Rents listed on the Operating Budget, Exhibit III.)
- Column I          Fill in the tenant’s share of the rent (rent less assistance payment). This will be the same as Column H unless a portion of the rent is subsidized.
- Column J          Field will calculate, dividing the Tenant Rent Share by the target monthly income (Column I divided by 12 months). For all units, the ratio must be 30% or less.

#### **4. Exhibit III Development Budget & Operating Pro forma for Rental Projects**

Applications for rental projects must include a detailed Development Budget and a 15 year Operating Pro-forma.

The Development Budget should represent the actual outlay of cash needed to pay for materials, labor, and acquisition or other costs of completing such project. Do not include in-kind donations, voluntary professional labor or services, or sweat equity.

The developer fee should reflect developer overhead and profit only. All other project expenses should be appropriately detailed as either a hard or soft-cost line item.

Since AHP funds can be used to pay only for costs associated with the purchase, construction and/or rehabilitation of housing, projects involving non-housing related space (such as an exercise room, non-housing related office space, etc.) and/or services must demonstrate that the AHP subsidy will only be used for eligible purposes.

- Projects including commercial space must separate out development costs and operating costs associated with the commercial space. This can be done as separate columns on the development/operating budget

or by submitting two separate budgets. The operating pro forma for commercial space must self-sustaining.

- Projects including on-site residential services provided by the sponsor/project owner (such as supportive services, case management, etc.) must submit separate operating budgets, including income and expenses, for housing and services. The service budget must be self-sustaining.

## **5. Exhibit IV-A Rental Project Checklist**

The Rental Project Checklist requires an explanation of any cost or ratio outside of the Bank's Feasibility Guidelines, as reflected on the Rental Project Checklist and in the Bank's AHP Implementation Plan. Projects will not automatically be excluded from scoring if they fall outside of the ranges listed; however applicants must justify why the cost or ratio is appropriate.

Projects failing to adequately explain items falling outside of the Bank's feasibility ranges may be deemed ineligible. Additionally, the Bank reserves the right to reduce requested subsidy amounts if a project fails to satisfy the Feasibility Guidelines and/or fails to adequately document a need for the subsidy requested.

Depending on the location and type of project, explanations may also be requested for items falling within the ranges listed.

## **6. Exhibit V Sources and Uses Statement**

Total Sources must equal Total Uses of Funds.

If the project includes commercial space, a separate Sources and Uses Statement is required for the commercial space.

Projects involving new construction of owner-occupied projects should submit a Sources and Uses Statement that reflects the sale to the homebuyers.

### **Sources**

List all Permanent Sources of Project Funding in the Source of Funds table. Name the specific financing source and the amount. Refer to the Description Code list to describe the type of financing; indicate one type code only per line item.

Verification of financing commitments must be attached as Exhibit XVII. Projects without documented commitments of critical financing sources may be deemed ineligible.

Owner-occupied projects should include the borrower's down payment as an equity source so that the sources and uses balance.

### **Permanent Financing**

Indicate the rate to be charged on any permanent financing. Projects seeking a spread exceeding 300 basis points over the Bank's CIP rate for a comparable term may be deemed ineligible and will not be considered for funding. If your project includes financing with a spread exceeding 300 basis points, you will be required to provide an explanation in a Clarification Request.

## **Interim Financing**

Detail any interim financing, showing the amount, type of financing, rate, term, and spread to be charged. Projects seeking a spread exceeding 300 basis points over the Bank's CIP rate for a comparable term may be deemed ineligible and will not be considered for funding. If your project includes financing with a spread exceeding 300 basis points, you will be required to provide an explanation in a Clarification Request.

## **Tax Credits**

If tax credits are used, indicate the amount of tax credits requested per year. Include the equity from the tax credits in the sources table and attach verification of your allocation and commitment from equity provider as Exhibit XVII.

## **Uses**

Provide the amounts for each use of funds in the Uses Table. Uses should represent the actual outlay of cash needed to pay for materials, labor, and acquisition or other costs of completing such project. For multifamily projects, this table should summarize the more detailed Development Budget submitted as Exhibit III.

Non-cash costs should not be included as a use of funds. Do not include in-kind donations, voluntary professional labor or services or sweat equity.

## **7. Exhibit VI AHP Needs Analysis Summary**

Completion of Exhibit VI is required for owner-occupied projects with sponsor-provided mortgage financing. If you need assistance with the calculations, contact the Community Investment Group at (312) 565-5745 for assistance with the calculations.

### **A) Cash Required to Complete Project:**

Enter Total Uses from Exhibit V (Sources & Uses of Funds). Note that Uses per Exhibit V should not include the value of any donated or discounted land, materials, labor, sweat-equity or any non-cash contributions.

### **B) Cash Sources Other than Sponsor:**

Cash Sources other than Sponsor includes project-specific support, such as grants from foundations or corporations, CBDG or HOME funds. Please label sources and attach verification of committed funding as Exhibit XVII.

Total Cash Sources Other than Sponsor will calculate automatically.

### **C) Cash Contributions from Sponsor:**

- Enter total down payments from homebuyers for all homes included in the project.
- Enter Monthly principal and interest ("P& I") payments for all homes included in the project. (Multiply P&I for typical owner-occupied transaction reflected on Exhibit I-A (Owner-Occupied Project Worksheet) by number of homes included in the project.)
- Enter the term of loan(s) in number of months.
- The present value of monthly mortgage payments and Total Cash Contributions from Sponsor will automatically calculate.

### **AHP Needs Analysis Summary:**

- Funding Gap will automatically calculate.
- Amount of AHP subsidy cannot exceed the Funding Gap.