

**PUBLIC MEETING NOTICE**  
**Pursuant to Act 84 of 1986 - Sunshine Act**

The monthly meeting of the Members of the Board of the Pennsylvania Housing Finance Agency will be held on **Thursday, October 13, 2016 at 10:30 a.m.** at the offices of the Agency, 211 North Front Street, Harrisburg, Pennsylvania. The purpose of this meeting is to conduct normal Agency business and to approve the issuance of certain Agency securities. Inquiries should be directed to the Secretary.

If you are a person with a disability and wish to attend this meeting and require an auxiliary aid, service or other accommodation to participate, please contact the Secretary by Tuesday, October 11, 2016 to discuss how the Pennsylvania Housing Finance Agency may best accommodate your needs.

Anyone wishing to be recognized by the Chair to address the Members of the Board at this meeting must contact the Secretary no later than Tuesday, October 11, 2016 either in writing or by telephone and detail the nature of their presentation.

Carrie M. Barnes  
Secretary  
Phone: 717.780.3911  
TTY: 717.780.1869

**PENNSYLVANIA HOUSING FINANCE AGENCY**

**THURSDAY, OCTOBER 13, 2016**

**10:30 A.M.**

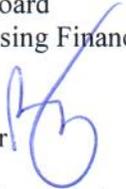
**A G E N D A**

1. CALL TO ORDER AND ROLL CALL
2. APPROVAL OF THE MINUTES FROM THE SEPTEMBER 8, 2016 BOARD MEETING
3. PROGRAM AND DEVELOPMENT REVIEW COMMITTEE REPORT
  - A. PHARE/Marcellus Shale (Act 13) Project Approval Recommendations
  - B. Request for Tax-Exempt Bond Issuing Authority –
    1. Miriam and Robert Rieder Apartments, Philadelphia, Philadelphia County
    2. Laurel Towers, Harrisburg, Dauphin County
  - C. Other Business
4. POLICY COMMITTEE REPORT
  - A. 2016 PHARE/Realty Transfer Tax (RTT) Plan Amendment
  - B. PHFA Administration of Fiscal Year 2016-2017 Mixed Use Development Tax Credit
  - C. Other Business
5. OTHER BUSINESS
6. ADJOURNMENT

Pennsylvania Housing Finance Agency  
Memorandum

October 13, 2016

To: Members of the Board  
Pennsylvania Housing Finance Agency

From: Brian A. Hudson   
Executive Director

Re: 2016 Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund (PHARE)  
Projects

In November 2010, the Pennsylvania Housing Affordability and Rehabilitation Enhancement Program ("PHARE") was established (Act 105 of 2010), establishing a housing trust fund. The fund can be used for a variety of purposes, including: providing dwellings for rent or purchase to low and moderate-income individuals or families; increasing the availability or quality of housing for elderly persons and accessible housing for persons with disabilities; preventing and reducing homelessness; development and rehabilitation of distressed neighborhoods; mortgage or rental assistance including housing counseling, foreclosure prevention and refinancing products; or providing loans or grants to low and moderate income owner occupants for repairs or improvements of their homes.

Funding allocated to projects may be used for predevelopment activities, acquisition of property, site preparation and construction, reconstruction and repair of existing structures, improvements and infrastructure. Funds may be used as a set aside for matching funds for counties that have established optional county affordable housing funds under 53 Pa. C.S. Ch. 60 (known as "local trust funds"). PHARE funds may not supplant existing resources dedicated to affordable housing activities, but they may be used to support, expand and enhance other programs administered by PHFA.

In February 2012, Act 13 of 2012 was signed into law, providing for impact fees relating to activity in the Marcellus Shale region of the Commonwealth. The "Impact Fee" Act includes funding for PHARE. Funding in the amount of \$2,500,000 for 2011 and \$5 million annually thereafter are specified for deposit in the PHARE fund at Treasury. The Impact Fee Act has restrictions on which counties may receive funding. Under the legislation, not less than 50% of the funds must be used in 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> class counties. All interest and other earnings remain in the fund.

For 2016, PHFA received an allocation of \$6.53 million (\$5.0 million "base", \$1.53 million "surplus") from the Public Utilities Commission (PUC) for natural gas wells drilled by companies in 2014.

As required by PHARE the Board adopted a Plan (March, 2016) outlining the goals and process for the allocation and administration of the Program. The Request for Proposals was released on June 13, 2016 and applications for funding were due August 12, 2016. The Agency received 43 applications requesting \$7.39 million in PHARE funding (29 counties).

We are recommending, for your approval, 40 projects (29 counties) allocating \$6.2 million. In addition, PHFA will retain 5% (\$250,000) of its allocation for overall administration of the program.

# ALLOCATION OF TAX- EXEMPT BOND ISSUANCE AUTHORITY

Pennsylvania Housing Finance Agency  
October 4, 2016

**SUBJECT: Miriam and Robert Rieder Apartments**

Request for an Allocation of Tax-Exempt Bond Issuance Authority  
Tax-Exempt Bond/Tax Credit Development: PHFA No. TC2016-111, 78 units  
City of Philadelphia, County of Philadelphia, Region 1  
Development Officer: William G. Bailey, Jr.

**TO:** Members of the Board  
Pennsylvania Housing Finance Agency

**FROM:** Brian A. Hudson  
Executive Director



## Proposal Description

Miriam and Robert Rieder Apartments is an existing 78 unit development located at 10102 Jamison Avenue in Northeast Philadelphia and is part of a larger affordable housing complex. This proposal is for the acquisition and moderate rehabilitation of one six-story building for elderly occupancy, ages 62 and above. There are 41 efficiency units, 36 one-bedroom units, one two-bedroom staff unit and two elevators serving the building. The structural system is concrete block and concrete plank flooring, with brick and split face block exterior finish. The development contains 59,280 square feet and is situated on approximately 1.4 acres of ground.

### 1. Financing Plan

Construction financing will be provided in the approximate amounts of:

Tax-Exempt Bond – PAID – CITIBANK, N.A. – Series A	\$7,000,000
Tax-Exempt Bond – PAID – Seller take-back – Series B	740,000
Federation Housing, Inc. loan	1,733,915
Income during construction	396,570
Seller reserves	693,970
Deferred developer fee and reserves	810,971
Equity from proceeds of sale of tax credits	<u>2,338,401</u>
Total Development Cost	\$13,713,827

Permanent financing will be provided in the approximate amounts of:

Tax-Exempt Bond – PAID – CITIBANK, N.A. – Series A	\$5,800,000
Tax-Exempt Bond – PAID – Seller take-back – Series B	740,000
Federation Housing, Inc. loan	1,733,915
Seller reserves	693,970
Income during construction	396,570
Deferred developer fee	58,045
Equity from proceeds of sale of tax credits	<u>4,291,327</u>
Total Development Cost	\$13,713,827

2. Development Costs

The construction and permanent loan will be provided through tax-exempt bonds issued by the Philadelphia Authority for Industrial Development (“PAID”), with Series A purchased by CITIBANK, N.A. (“CITI”) and Series B purchased by the seller of the project. The CITI permanent loan will be callable 15 years after the construction loan converts to a permanent loan, and repayment will be based upon a 35-year amortization schedule.

	<u>Total</u>	<u>Per Unit</u>	<u>Per Sq. Ft.</u>
Construction Cost	\$6,661,219	\$85,400	\$112
Replacement Cost	\$11,886,273	\$152,388	\$201
Total Replacement Costs & Reserves	\$12,254,541	\$157,110	\$207
Total Development Costs	\$13,713,827	\$175,818	\$231
Tax-Exempt Bond – CITI – Series A	\$7,000,000	\$89,744	\$118
Tax-Exempt Bond – Seller –Series B	\$740,000	\$9,487	\$12
Acquisition Costs	\$4,170,000	\$53,462	\$70

3. Leveraging of Other Resources

The owner anticipates the Richmond Group Affordable Housing Corp. providing an equity contribution of \$4,291,327 from the proceeds of the syndication of federal Low Income Housing Tax Credits, with a net pay-in of \$1.09. The development anticipates qualifying for an allocation of tax credits in the approximate amount of \$386,606. Developments financed with tax-exempt private activity bonds are generally eligible to claim a four percent credit allocation on the development’s eligible basis.

4. Rental Estimates

Unit Type	No. of Units	Avg. Net Rentable Sq. Ft.	Projected Tenant Rent (Avg.)	Estimated Cost of Utilities	Rental Subsidy (Avg.)	Total Housing Expense
EFF	41	393	\$292	included	\$748	\$1,040
1 BR	36	540	\$292	included	\$841	\$1,133
2 BR	1	767	\$0	included	\$0	\$0
Total	78					

Currently, 77 units receive rental assistance through a project-based HAP contract. HUD approval has been requested for the transfer of the HAP Contract to the new owner, with a rent increase as stated above and a 20-Year renewal of the HAP contract, effective upon the closing date of the transaction.

5. Relocation

Renovations will be carried out without displacing tenants. A hospitality suite will be created for tenants to use during the day. Renovations of an individual unit will take approximately three to four days, during daytime hours. Tenants will leave their apartment each morning and return at the end of the day. No tenants will move offsite at any time during the renovations. Based on a review of the rent roll there are no over income tenants.

6. Supportive Services

A full array of services will be available to the tenants at this development to enable them to maintain their independence, including meals partly funded through the Jewish Federation of Greater Philadelphia, free weekly van transportation to shopping and appointments, and various socialization and wellness programs in partnership with the Jewish Community Center and the Philadelphia Corporation for Aging.

**Development Team**

1. Identification of Owner

The sponsor and owner of this development is Miriam and Robert Rieder Apartments, LP. Miriam and Robert Rieder GP, Inc., a nonprofit subsidiary of Federation Housing, Inc., will be the general partner of the limited partnership.

2. Development Team Members

- Sponsor/Owner: Miriam and Robert Rieder Apartments, LP  
Eric Naftulin  
Philadelphia, PA
- Attorney: Duane Morris, LLP  
Arthur Momjian  
Philadelphia, PA
- Architect: Kramer + Marks Architects  
Erika Scharr  
Ambler, PA
- Contractor: T.N. Ward Company  
Gary Pergolini  
Ardmore, PA
- Management Agent: Federation Housing, Inc.  
Eric Naftulin  
Philadelphia, PA

**Site Description**

The Miriam and Robert Rieder Apartments are located in a stable residential neighborhood of Northeast Philadelphia. All neighborhood amenities, including retail stores, pharmacies, medical facilities, the public library, senior center and public bus transportation are in close proximity to the building.

## Conditions

Final allocation of volume cap will be conditioned upon receipt of the following:

1. Evidence, satisfactory to the Agency, that all conditions and qualifications relating to Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"), and all applicable requirements of the Agency's Year 2016 Tax Credit Program have been met.
2. Evidence, satisfactory to the Agency, that all conditions and qualifications relating to Sections 103 and 142 (and related sections) of the Code have been met.
3. Compliance with the timeframes and deadlines established by the Agency.
4. Evidence of the commitment of construction and permanent financing as well as of the contribution of equity in an amount sufficient to ensure financial feasibility of the project.
5. Evidence of the commitment to serve low income tenants for a period of not less than 30 years, which will be included in the Restrictive Covenant Agreement.
6. Evidence of the satisfaction of accessibility requirements.
7. Evidence of all requisite HUD approvals, including the transfer and extension of the current Section 8 HAP Contract for a period of not less than 20 years.
8. Submission of two sets of complete full size architectural plans and specifications at least 60 days prior to the construction/bond closing to allow sufficient time for Agency review and approval. Civil engineering, architectural, structural, HVAC, plumbing, and electrical drawings and specifications shall be submitted, as applicable. Agency comments and recommendations made during its review must be addressed and approved prior to the construction/bond closing.

**RESOLUTION OF THE MEMBERS OF THE PENNSYLVANIA HOUSING FINANCE AGENCY  
AUTHORIZING 2016 HOUSING RELATED BOND ALLOCATION  
Miriam and Robert Rieder Apartments**

WHEREAS, the Pennsylvania Housing Finance Agency (the "Agency") exists and operates by virtue of and pursuant to the Housing Finance Agency Law, (1959, Dec. 3, P.L. 1688, as amended, 35 P.S. 1680.101, et seq.) (hereinafter, "the Act"); and

WHEREAS, private activity bond volume cap ("Volume Cap") is available to the Agency for the purpose of issuing housing bonds in accordance with the Internal Revenue Code of 1986, as amended (the "Code"), and with applicable laws and regulations in the Commonwealth; and

WHEREAS, the Agency issued its Year 2016 Multifamily Housing Application that includes a Request for Proposals for Volume Cap for Tax Exempt Bond Financing ("RFP") inviting developers of residential rental facilities to seek an allocation of Volume Cap in 2016; and

WHEREAS, Applicant, Miriam and Robert Rieder Apartments, LP, has requested an allocation of Volume Cap for the acquisition and moderate rehabilitation of seventy-eight units of housing for occupancy by seniors, ages 62 and older, in the City of Philadelphia, Philadelphia County; and

WHEREAS, the Agency has determined to provide a preliminary allocation of Year 2016 Volume Cap in an amount not to exceed \$8,500,000 for the issuance of private activity bonds by the Philadelphia Authority for Industrial Development, subject to satisfaction of certain conditions set forth below.

NOW THEREFORE, be it resolved by the members of the Pennsylvania Housing Finance Agency on this 13th day of October, 2016, as follows:

Section 1. Staff is hereby authorized to take all necessary actions to provide a conditional preliminary allocation of Year 2016 Volume Cap in an amount not to exceed \$8,500,000 (which includes a contingency amount) for the tax exempt bond financing of Miriam and Robert Rieder Apartments subject to the following conditions: a.) evidence, satisfactory to the Agency, that all conditions and qualifications relating to Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"), and all applicable requirements of the Agency's Year 2016 Tax Credit Program have been met; b.) evidence, satisfactory to the Agency, that all conditions and qualifications relating to Sections 103 and 142 (and related sections) of the Code have been met; c.) compliance with the timeframes and deadlines established by the Agency; d.) evidence of the commitment of construction and permanent financing as well as of the contribution of equity in amounts sufficient to ensure financial feasibility of the project; e.) evidence of the commitment to serve low income tenants for a period of not less than 30 years, which will be included in the Restrictive Covenant Agreement; f.) evidence of the satisfaction of accessibility requirements; g.) evidence of all requisite HUD approvals, including the transfer and extension of the HAP contract for at least 20 years; and h.) submission of two sets of complete full size architectural plans and specifications at least 60 days prior to the construction/bond closing to allow sufficient time for Agency review and approval; civil engineering, architectural, structural, HVAC, plumbing, and electrical drawings and specifications shall be submitted, as applicable; and Agency comments and recommendations made during its review must be addressed and approved prior to the construction/bond closing

Section 2. The action taken by the Agency is hereby declared to be an affirmative official act of the Agency toward the issuance of private activity bonds to finance the above named project; provided that in no event shall this official act be construed as an acceptance of any liability on behalf of the Agency nor as an indication of final selection for financing or a commitment of Volume Cap.

Section 3. This resolution shall be effective immediately.

**TAX EXEMPT BOND ISSUING AUTHORITY**

Pennsylvania Housing Finance Agency  
October 13, 2016

**SUBJECT: Laurel Towers**

Request for Tax Exempt Bond Issuance  
Tax-Exempt Bond/Tax Credit Development: PHFA No. TC2016-113, 86 units  
Harrisburg, Dauphin County, Region 3  
Development Officer: J. Gail Shull

**TO:** Members of the Board  
Pennsylvania Housing Finance Agency

**FROM:** Brian A. Hudson   
Executive Director

**Proposal Description**

Laurel Towers is located at 1531 North 3<sup>rd</sup> Street in a mixed residential/commercial area in the Midtown neighborhood of Harrisburg. This proposal is for the acquisition and moderate rehabilitation of one seven-story building for senior occupancy. There are 21 efficiency units, 64 one-bedroom units and one two-bedroom manager's unit. The structural system is masonry and concrete frame with a brick exterior finish. The development contains a total of 61,587 square feet on approximately one acre of ground.

1. Construction Financing Plan

Construction financing will be provided in the approximate amounts of:

Tax-exempt bond – Wells Fargo	\$ 11,151,368
VOANS Seller loan	5,262,579
Acquired Project Reserves	743,703
Interim Income	<u>599,625</u>
Total Development Cost	\$17,757,275

2. Permanent Financing Plan

Permanent financing will be provided in the approximate amounts of:

Tax Exempt Bond – Wells Fargo	\$ 5,872,100
VOANS Seller loan	5,262,579
Acquired Project Reserves	743,703
Interim Income	599,625
Energy Rebate	4,715
Deferred Developer Fee	31,856
Equity from the sale of tax credits	<u>5,242,697</u>
Total Development Cost	\$17,757,275

3. Development Costs

The Agency will be the conduit issuer of the tax exempt bond, which will be purchased by Wells Fargo Multifamily Capital. The Wells Fargo permanent loan will mature 18 years after the construction loan converts to a permanent loan based upon a 35-year amortization schedule.

	<u>Total</u>	<u>Per Unit</u>	<u>Per Sq. Ft.</u>
Construction Cost	\$ 5,478,080	\$ 63,699	\$ 89
Replacement Cost	\$15,307,902	\$177,998	\$249
Total Replacement Costs & Reserves	\$15,864,902	\$184,476	\$258
Total Development Costs	\$17,757,275	\$206,480	\$288
Tax-Exempt Bond	\$ 11,151,368	\$129,667	\$181
Acquisition Costs	\$ 8,000,000	\$ 93,023	\$130

4. Leveraging of Other Resources

The owner anticipates that NHT Equity, LLC will provide an equity contribution of \$5,242,697 from the proceeds of the syndication of federal Low Income Housing Tax Credits, with a net pay-in of \$1.08. The development anticipates qualifying for an allocation of tax credits in the approximate amount of \$485,390. Developments financed with tax-exempt private activity bonds are generally eligible to claim a four percent credit allocation on the development's eligible basis.

5. Rental Estimates

Unit Type	No. of Units	Avg. Net Rentable Sq. Ft.	Projected Tenant Rent	Estimated Cost of Utilities	Rental Subsidy	Total Housing Expense
Eff	21	449	\$192	\$47	\$702	\$ 941
1BR	64	601	\$284	\$53	\$748	\$1,085
<u>2BR</u>	<u>1</u>	798	\$0	\$0	\$0	\$0
Total	86					

All income producing units currently receive rental assistance under an existing HUD Section 8 Project Based Rental Assistance Contract which expires on February 4, 2032. A new 20 year HAP Contract will be requested upon funding approval.

Forty-two units will be available to tenants earning up to 50% of area median income and forty three units will be available to tenants earning up to 60% of area median income. The two bedroom manager's unit is not income producing.

7. Relocation

Tenants will be temporarily or permanently relocated on site during the rehabilitation of the units. The owner will cover all costs of the relocation. A preliminary review of the rent roll indicates none of the tenants have income exceeding the tax credit program limits. The development budget provides for the cost of relocation.

8. Supportive Services

Volunteers of America National Services will provide coordination of supportive services and will establish linkages to a number of community service providers. Services will include case management, financial counseling, transportation, socialization opportunities, health screenings, advocacy and referrals.

**Development Team**

1. Identification of Owner

The owner of this development is Laurel Towers VOA Affordable Housing, L.P., a Pennsylvania limited partnership, and Laurel Towers VOA Affordable Housing, Inc. is the managing general partner.

2. Development Team Members

- |                   |  |
|-------------------|--|
| Sponsor:          | Volunteers of America National Services<br>John Kirkland<br>Alexandria, VA   |
| Owner:            | Laurel Towers VOA Affordable Housing L.P.<br>John Kirkland<br>Alexandria, VA |
| Attorney:         | Ahmad Zaffarese LLC<br>Monique Delapenha<br>Philadelphia, PA                 |
| Architect:        | Miner Feinstein Architects LLC<br>Nathan Hayes<br>Frederick, MD              |
| Contractor:       | Harkins Builders, Inc.<br>Richard Kottke<br>Media, PA                        |
| Management Agent: | NDC Real Estate Management, Inc.<br>Richard A. Kropa<br>Scranton, PA         |

## Site Description

The site is located across the street from Harrisburg Area Community College in a mixed residential/commercial area of the Midtown neighborhood of Harrisburg. A number of neighborhood amenities are located within a few blocks of the site including the public transit bus, which provides access to additional services throughout the City.

## Conditions

Final allocation of volume cap will be conditioned upon receipt of the following:

1. Submission, review, and approval of all documentation necessary to secure construction and permanent loan financing of the project.
2. Evidence, satisfactory to the Agency, that all conditions and qualifications relating to Section 42 of the Internal Revenue Code of 1986, as amended, and all applicable requirements of the Agency's Tax Credit Program have been met.
3. Evidence, satisfactory to the Agency, that all conditions and qualifications relating to Sections 103 and 142 (and related sections) of the Internal Revenue Code of 1986, as amended, have been met.
4. Compliance with the timeframes and deadlines established by the Agency in the Tax-Exempt Qualified Residential Rental Facilities Seeking Private Activity Bond Allocations Volume Cap Request for Proposals.
5. Evidence of the commitment of construction and permanent financing in amounts sufficient to ensure financial feasibility of the project.
6. Evidence of the commitment to serve low income tenants for a period of not less than 30 years, which will be included in the Restrictive Covenant Agreement.
7. Evidence of the satisfaction of accessibility requirements.
8. Contribution of equity in an amount sufficient to ensure the financial feasibility of the development.
9. Final underwriting of the application for tax-exempt bond financing and low income housing tax credits.
10. Evidence of the final approval from HUD of the Rents stated in the application and the extension of the current HUD Section 8 HAP Contract for a period of not less than 20 years and the transfer to the new owner.
11. Submission of two sets of complete full-size architectural plans and specifications at least 60 days prior to the construction/bond closing to allow sufficient time for Agency review and approval. Civil engineering, architectural, structural, HVAC, plumbing, and electrical drawings and specifications shall be submitted, as applicable. Agency comments and recommendations made during its review must be addressed and approved prior to the construction/bond closing.

**PENNSYLVANIA HOUSING FINANCE AGENCY**

**RESOLUTION**

**Authorizing the Issuance of \$12,000,000  
Maximum Aggregate Principal Amount of  
Special Limited Obligation Multifamily Housing Development Note  
(Laurel Towers)**

**Adopted: October 13, 2016**

**A RESOLUTION AUTHORIZING THE ISSUANCE OF  
\$12,000,000 MAXIMUM AGGREGATE PRINCIPAL AMOUNT  
SPECIAL LIMITED OBLIGATION  
MULTIFAMILY HOUSING DEVELOPMENT NOTE  
(Laurel Towers)**

**WHEREAS**, the Housing Finance Agency Law, Act of December 3, 1959, P.L. 1688, as amended (35 P.S. Section 1680.101 *et seq.*) (the "**Act**"), determines and declares that the welfare of the Commonwealth of Pennsylvania (the "**Commonwealth**") is threatened by an inadequate supply of housing for persons and families of low and moderate income and the elderly; that the housing need for persons and families of low and moderate income and the elderly has not had economic expression in a market demand sufficient to encourage greater production of such housing by private industry due to high construction costs, a scarcity of financing and increased interest rates; that necessary governmental activities in urban renewal programs and under regulatory laws protecting health and safety face serious curtailment or interruption unless it becomes economically feasible for persons and families to acquire housing in place of the dwellings being eliminated by such activities; that the Commonwealth has a strong moral responsibility to assist in providing opportunity for the rental of relocation housing by persons and families displaced by necessary governmental activities and a general responsibility to eliminate conditions which prevent private industry from supplying housing to relieve the general shortage of housing; that private industry alone is unable to provide financing necessary for housing for persons and families of low and moderate income at a cost which such persons and families can afford; that the financing provided for in the Act will encourage greater expenditure of private capital for housing; and that there is a clear relationship between the provision of adequate, safe and sanitary housing and the advancement of public health and morals and the prevention of fire, accident and crime; and

**WHEREAS**, the Act empowers the Pennsylvania Housing Finance Agency (the "**Agency**") to make loans to eligible borrowers to provide for the construction, rehabilitation or permanent financing of such residential housing developments as in the judgment of the Agency have promise of supplying well planned, well designed apartment units which will provide housing for low and moderate income persons or families or the elderly and others in locations where there is a need for such housing and to purchase, service and sell such loans and to accept grants and subsidies from and to enter into agreements or other transactions with any federal agency or agency of the Commonwealth or other entity and to do all things necessary or convenient to carry out the powers granted by the Act; and

**WHEREAS**, the Agency is further authorized to issue and sell, subject to written approval by the Governor, bonds or notes in such principal amounts as, in the opinion of the Agency, are necessary to provide sufficient funds for achieving its corporate purposes; and

**WHEREAS**, the Agency has the power to invest any funds held in reserve or sinking funds and any funds not required for immediate disbursement in such investments as may be lawful for fiduciaries under any law of the Commonwealth, and the Agency may pledge reserve funds to the holders of bonds or notes which are issued pursuant to the Act and proceeds of loans created therefor by the Agency, all or any part of the assets acquired by the Agency pursuant to the Act, and any other lawfully available money to secure the payment of such bonds or notes; and

**WHEREAS**, the Act provides that bonds or notes issued by the Agency may be secured by a trust agreement by and between it and a trustee and that the resolution providing for the issuance of such bonds or notes or such trust agreement may contain such provisions for protecting and enforcing the rights and remedies of the bondholders or noteholders as may be reasonable and proper and not in violation of law, including covenants setting forth the duties of the Agency in relation to the custody, safeguarding and application of all moneys, may set forth the rights and remedies of the bondholders or noteholders and of the trustee, and may contain such other provisions as the Agency may deem reasonable and proper for the security of the bondholders or noteholders; and

**WHEREAS**, Wells Fargo Multifamily Capital (the "**Funding Lender**"), or such successor entity as may be approved by the Agency, will make a loan to the Agency to provide funding for the Project (the "**Funding Loan**"), and certain documents to evidence the transaction, including the note to be issued by the Agency evidencing the Funding Loan (the "**Funding Loan Note**") and other financing documentation relating to the Project, will be prepared; and

**WHEREAS**, the Agency has determined to issue and secure the Funding Loan Note in accordance with, pursuant to and under this Resolution, a loan agreement and/or similar loan or financing agreements (such operative documents shall be referred to hereinafter collectively as the "**Funding Loan Agreement**"); and

**WHEREAS**, Laurel Towers Apartments LP, a Pennsylvania limited partnership (the "**Borrower**") sponsored by Volunteers of America National Services, a Minnesota nonprofit corporation, has requested financing from the Agency in an amount not to exceed \$12,000,000 (the "**Project Loan**") to fund a portion of the costs of acquiring and renovating one seven story building for senior occupancy, known as "Laurel Towers", comprised of 85 units (plus one manager's unit) in Harrisburg, Dauphin County, Pennsylvania (the "**Project**"); and

**WHEREAS**, the Agency will issue the Funding Loan Note and use the proceeds thereof to fund the Project Loan to the Borrower pursuant to a loan agreement between the Agency and the Borrower (the "Project Loan Agreement"); and

**WHEREAS**, the Agency may use a portion of the proceeds of the Funding Loan Note to reimburse itself or the Borrower for original expenditures paid prior to the date of issuance of the Funding Loan Note; and

**WHEREAS**, this Resolution is intended, inter alia, to constitute a statement of "Official Intent" pursuant to Treasury Regulations §1.150-2, T.D. 8476 (the "**Treasury Regulations**").

**NOW THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE BOARD OF THE PENNSYLVANIA HOUSING FINANCE AGENCY AS FOLLOWS:**

**ARTICLE I  
AUTHORITY AND DEFINITIONS**

**Section 101. Authority for Resolution.** This Resolution (hereinafter referred to as the "**Resolution**") is adopted pursuant to the authority granted to the Agency in the Act.

**Section 102. Definitions.** All terms which are used but not defined herein shall have the meanings ascribed to them in the Funding Loan Agreement.

## ARTICLE II AUTHORIZATION OF NOTE

**Section 201. Principal Amount and Designation.** The Funding Loan Note is hereby authorized to be issued, in an aggregate principal amount not to exceed \$12,000,000. The Funding Loan Note shall carry the designation set forth in the Funding Loan Agreement. The Funding Loan Note shall be issued pursuant in all respects to the terms of this Resolution.

**Section 202. Purposes.** The Funding Loan Note is being issued as a special and limited obligation of the Agency, payable solely out of the moneys derived pursuant to the Funding Loan Agreement, the Project Loan Agreement and the Project Note evidencing the Project Loan. Proceeds of the Funding Loan Note shall be used for the payment of qualified costs associated with the acquisition, construction, renovation, equipping and/or improvement of the Project, and may be applied to certain costs of issuance; and which Project is in every respect intended to qualify as a "residential rental facility" under the exempt facility provisions of Section 142(d) of the Internal Revenue Code of 1986, as amended (the "**Code**").

**Section 203. Conditions.** This financing is subject to the fulfillment of all of the following conditions to the satisfaction of the Agency: (a) submission, review, and approval of all documentation necessary to secure construction and permanent loan financing; (b) satisfactory evidence that all conditions and qualifications relating to Section 42 of the Code and all applicable requirements of the Tax Credit Program have been met; (c) satisfactory evidence and Agency Counsel approval that all qualifications relating to Sections 103 and 142 (and related sections) of the Code have been met; (d) compliance with all timeframes and deadlines established by the Agency; (e) evidence of the commitment of construction and permanent financing in amounts sufficient to ensure financial feasibility of the Project; (f) evidence of the commitment to serve low income tenants for a period of not less than thirty (30) years, which will be included in the Restrictive Covenant Agreement; (g) evidence of the satisfaction of accessibility requirements; (h) contribution of equity in an amount sufficient to ensure the financial feasibility of the development; (i) final underwriting of the application for tax-exempt financing and low income housing tax credits; (j) evidence of final HUD approval of the pre- and post-rehab rents as stated in the application and the extension and assignment of the current HUD Section 8 HAP Contract for a period of not less than 20 years; and (k) submission of two sets of complete full size architectural plans and specifications at least 60 days prior to the commencement of construction to allow sufficient time for Agency review and approval. Civil engineering, architectural, structural, HVAC, plumbing, and electrical drawings and specifications shall be submitted, as applicable. Agency comments and recommendations made during its review must be addressed and approved prior to the commencement of the loan closing.

**Section 204. Date, Principal Amount, Maturity and Interest Rate.** The Funding Loan Note shall be dated the date of issuance, except as may be otherwise provided in the Funding Loan Agreement or the Funding Loan Note. The maturity date, interest rate or rates (which may be fixed or variable), interest payment dates, place of payment and other terms of the Funding Loan Note shall be as provided in the Funding Loan Agreement as finally executed; provided, however, that the maximum aggregate principal amount of the Funding Loan Note shall not exceed \$12,000,000; the interest rate on the Funding Loan Note shall not exceed the lesser of eight percent (8%) per annum or such rate supported by the final underwriting; and the final maturity of the Funding Loan Note shall be no later than 20 years, or such date supported by the final underwriting (whichever is shorter).

**Section 205. Payments.** The Funding Loan Note shall bear interest from its dated date and shall be payable as set forth in the Funding Loan Note and the Funding Loan Agreement, until the date of maturity of the Funding Loan Note or prepayment prior to maturity, as provided in the Funding Loan

Agreement. All principal shall be due at maturity or prepayment prior to maturity, as provided in the Funding Loan Agreement.

**Section 206. Form.** The Funding Loan Note shall be in substantially the form and tenor prescribed in the Funding Loan Agreement.

**Section 207. Execution of Funding Loan Note.** The Funding Loan Note shall be executed by the manual or facsimile signature of the Executive Director, Deputy Executive Director and Chief Counsel or Director of Finance and the seal of the Agency or a facsimile thereof shall be imprinted, impressed or otherwise reproduced on the Funding Loan Note and attested by the manual or facsimile signature of the Executive Director, Deputy Executive Director and Chief Counsel, Director of Finance or Secretary of the Agency. The Funding Loan Note shall be delivered to or on behalf of the Funding Lender.

**Section 208. Place of Payment.** The principal payments, including payments upon prepayment, of the Funding Loan Note shall be payable as provided in the Funding Loan Agreement.

**Section 209. Prepayment.** The Funding Loan Note shall be subject to prepayment as provided in the Funding Loan Agreement.

**Section 210. Execution of Agreement.** Any of the Executive Director, Deputy Executive Director and Chief Counsel or Director of Finance of the Agency is hereby authorized to execute, for and on behalf of and in the name of the Agency, the Funding Loan Note, the Funding Loan Agreement and the Project Loan Agreement, with such final terms and provisions as their counsel may deem advisable, provided that the Funding Loan Note shall contain such substantive terms and provisions materially consistent with this Resolution.

### **ARTICLE III NOTE PROCEEDS AND PAYMENTS OF COSTS**

**Section 301. Note Proceeds.** Pursuant to the Funding Loan Agreement, upon receipt of the proceeds of the Funding Loan and the issuance of the Funding Loan Note in connection therewith, such proceeds shall be advanced to the Borrower pursuant to the Project Loan Agreement.

**Section 302. Payments of Costs.** At closing, the Borrower shall pay the costs, expenses and professional fees associated with the issuance of the Funding Loan Note.

### **ARTICLE IV SECURITY FOR THE NOTE**

**Section 401. Limited Obligation.** The Funding Loan Note shall be a special and limited obligation of the Agency, and shall be payable only from funds paid by or on behalf of Borrower for such purposes. The Funding Loan Note shall be secured by the collateral described in the Funding Loan Agreement as security for the Funding Lender. The Funding Loan Note shall contain a statement therein to the effect that the obligations of the Agency on the Funding Loan Note are expressly limited to and are payable solely from the sources described in the Funding Loan Agreement.

**Section 402. Credit of Commonwealth Not Pledged.** The Funding Loan Note shall contain therein a statement to the effect that the Funding Loan Note shall be a special and limited obligation of the Agency payable only from the sources provided in the Funding Loan Agreement, that neither the Commonwealth nor any political subdivision thereof shall be liable on the Funding Loan Note and that

neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Funding Loan Note. Neither the members of the Board nor the officers of the Agency nor any person executing the Funding Loan Note shall be liable personally on the Funding Loan Note or be subject to any personal liability or accountability by reason of the issuance thereof.

## **ARTICLE V MISCELLANEOUS**

**Section 501. Authorization of Officers.** The Chairperson, Vice Chairperson, Executive Director, Director of Finance, Deputy Executive Director and Chief Counsel, Secretary and any Assistant Secretary of the Agency, and any other authorized officer of the Agency, are, and each of them hereby is, authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution, the Funding Loan Note and the Funding Loan Agreement as shall, with the advice of the Agency Counsel and Bond Counsel, be advisable.

**Section 502. Covenant to Comply with Federal Tax Requirements.** The Agency hereby covenants to comply, and to take appropriate steps to ensure that the Borrower complies, with all applicable requirements of the Code so that interest on the Funding Loan Note will be excluded from gross income of the holders thereof for federal income tax purposes, including all applicable requirements of the Code regarding the provision of funds for qualified residential rental properties, investment of proceeds, treatment of fund investment earnings, repayments or unused proceeds, restriction of earnings on reserve funds, and rebate and yield restrictions set forth in Section 148 of the Code. The Agency also covenants to make any required payment imposed by the United States to maintain compliance with said requirements from time to time as required by Section 148 of the Code (or by applicable subsequent Treasury Regulation.) The Agency shall require that Borrower contract for and fund the retention of qualified computation advisers to perform all applicable disclosure and federal tax compliance requirements.

**Section 503. Official Intent.** In accordance with Treasury Reg. §1.150-2, the Agency hereby confirms its intentions that a portion of the proceeds of the Funding Loan Note may be used to reimburse itself or the Borrower for qualifying expenditures paid prior to the date of issuance of the Funding Loan Note. All original expenditures to be reimbursed will be capital expenditures (as defined in Treas. Reg. Sec. 1.150-1(b)) and other amounts permitted to be reimbursed pursuant to Treas. Reg. Sec. 1.150-2(d)(3) and (f).

**Section 504. Effective Date and Validity.** This Resolution shall take effect immediately and shall remain in effect until specifically repealed.

Pennsylvania Housing Finance Agency  
Memorandum

October 13, 2016

To: Members of the Board  
Pennsylvania Housing Finance Agency

From: Brian A. Hudson   
Executive Director

Re: 2016 PHARE/Realty Transfer Tax (RTT) Plan Amendment

In November 2010, the Pennsylvania Housing Affordability and Rehabilitation Enhancement Program ("PHARE", Act 105 of 2010) established a state housing trust fund. The fund can be used for a variety of purposes, including: providing dwellings for rent or purchase to low and moderate-income individuals or families; increasing the availability or quality of housing for elderly persons and accessible housing for persons with disabilities; preventing and reducing homelessness; development and rehabilitation of distressed neighborhoods; mortgage or rental assistance including housing counseling, foreclosure prevention and refinancing products; or providing loans or grants to low and moderate income owner occupants for repairs or improvements of their homes.

Funding allocated to projects may be used for predevelopment activities, acquisition of property, site preparation and construction, reconstruction and repair of existing structures, improvements and infrastructure. Funds may be used as a set aside for matching funds for counties that have established optional county affordable housing funds under 53 Pa. C.S. Ch. 60 (known as Act 137 "local trust funds").

In November 2015, Governor Wolf signed Act 58 of 2015 into law providing revenue from the Realty Transfer Tax (RTT) to the Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund. These additional funds will expand the PHARE program to all 67 counties of the Commonwealth.

PHARE will receive an allocation of funds based on a formula using 2014 year as a base. The formula makes revenue available to the fund equal to the lesser of forty percent (40%) of the difference between the total dollar amount of the Realty Transfer Tax, imposed under section 1102-C of the Tax Reform Code of 1971, collected for the prior fiscal year and the total amount of RTT estimated for the fiscal year beginning July 1, 2014. The allocation to the fund will be capped at \$25 million annually.

The Department of Revenue certified the final figures on July 31<sup>st</sup> and 2016 allocation is \$12.67 million. The Agency published an Amendment to the 2016 PHARE Plan on August 27, 2016 for the required 45 days comment period

PHARE/RTT funds will be provided to projects across the Commonwealth that adhere to local planning/zoning ordinances and include significant leveraging of local, state and national public/private, nonprofit and for-profit funds while addressing the underserved and unmet housing needs of individuals and families. Projects/programs will be expected to show the ability to be implemented rapidly as part of a larger local/county/regional housing, community development strategy.

Funding will be granted to programs/projects with priority given to those that affirmatively further fair housing and have all funds committed necessary to address housing needs of targeted communities/neighborhoods including veterans, persons with disabilities, families and youth. The Agency will seek to prioritize projects/programs which embrace innovative approaches to community development issues and address blighted/abandoned properties impacting communities including strategies for housing/redevelopment such as acquisition, demolition and rehabilitation. Preference may also be given to programs which create new opportunities for affordable homeownership including those that provide closing cost/down payment assistance, financial education/counseling or other forms of assistance to potential first-time homebuyers.

Applicants eligible to receive PHARE/RTT funds include units of local government (counties, cities, boroughs, townships, town and home rule municipalities), nonprofit organizations, for-profit corporations, and economic, community, and housing developments corporations.

Upon adoption, the Agency will issue the Request for Proposals (RFP) on October 17, 2016 with applications due by January 13, 2017. Funding recommendations will be presented to the Board in April, 2017. Future RFPs may follow a different timeline depending on PHARE Plan revisions and anticipated coordination with other funding programs (Act 13, LIHTC, National Housing Trust Fund, etc.)

**Final Plan**  
**Pennsylvania Housing Affordability and Rehabilitation  
Enhancement Fund/Realty Transfer Tax (PHARE/RTT)  
(Act 58 of 2015)**

In November 2015, Governor Wolf signed Act 58 of 2015, which, in part, directs certain Realty Transfer Tax (RTT) receipts to the Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund (PHARE, Act 105 of 2010). This new revenue source will expand the PHARE program to all 67 counties of the Commonwealth.

Under Act 58 of 2015 (RTT), PHFA's PHARE program will receive an allocation of funds based on a formula using 2014 year as a base. (The annual amount available for the PHARE program will be equal to the lesser of forty percent (40%) of the difference between the total dollar amount of the Realty Transfer Tax imposed under section 1102-C of the Tax Reform Code of 1971 collected for the prior fiscal year and the total amount of RTT estimated for the fiscal year beginning July 1, 2014.) The PHARE/RTT fund will be capped at \$25 million annually. Funding allocations and reporting will be completed in accordance with PHARE (Act 105) legislative requirements.

**Purpose**

The PHARE/RTT Program will provide funds to projects/programs providing sustainable and comprehensive solutions to address housing and community development needs across the Commonwealth.

**PHARE/RTT Priorities for Funding**

These funds will be directed to address clearly articulated needs in communities based on the following priorities;

- 1) Preservation of the current stock of rental housing or the development/creation of new affordable rental housing to address unmet local need. This includes projects/programs for the elderly in danger of losing their homes and rental assistance to help families remain in their residence.
- 2) Funding for projects/programs to address ongoing housing needs for reducing homelessness, including specific and targeted vulnerable populations (veterans, persons with disabilities, supportive housing for the elderly, re-entry population, families and youth).
- 3) Funding for comprehensive housing and redevelopment efforts that address blighted and abandoned properties impacting concerted community revitalization efforts, supported by clearly articulated community plans. This could include a variety of housing/redevelopment strategies such as acquisition, demolition, construction, rehabilitation, site remediation, and other efforts.

- 4) Creating new opportunities for affordable homeownership. This may include closing cost/ down payment assistance, financial education/counseling or other forms of assistance to potential first-time homebuyers as well as the development/construction of new homes and rehabilitation of existing housing
- 5) Other efforts that address unmet housing and community development needs. This could include projects and programs to assist persons living in manufactured communities, homeowners to remain in their homes through renovation/mortgage/utilities or other forms of housing services and assistance, addressing environmental conditions such as lead paint abatement, and emergency temporary housing needs resulting from disasters.

### **Priorities for Selection**

PHARE/RTT (Act 58) awards will be directed to projects and programs based on the following criteria for selection:

- Projects/programs which are able to show significant leveraging of other funds (local, state and federal, public and private) to ensure maximum impact.
- Projects/programs that have all funding committed and can move rapidly to implementation and utilization.
- Projects/programs that embrace, partner with, and/or are incorporated into a larger local, county, or regional housing development plan.
- Projects/programs that satisfy local planning/zoning ordinances.
- Projects/programs that affirmatively further fair housing.
- Funding for rental housing projects (5 or more units) will adhere to PHFA's Development processes.
- Projects/programs that are specifically designed to address a clearly articulated need in a community or specific population.
- Projects/programs that embrace innovative approaches to statewide housing and community development issues address underserved and unmet housing needs across the Commonwealth and otherwise meet overall agency goals for tackling community redevelopment.

### **Application Process**

In accordance with the PHARE program, the Agency will develop and publish a Request for Proposals (RFP) in the Fall, 2016 with applications due in late-Fall. It is expected that PHFA's Board will be presented with recommendations for funding in March, 2017.

Applicants eligible to receive PHARE/RTT funds include units of local government (counties, cities, boroughs, townships, town and home rule municipalities), nonprofit and for-profit entities, and economic, community, and housing developments organizations in all 67 counties of the Commonwealth. All applicants are expected to satisfy the affordability requirements of the PHARE program and commit to a long term sustainable program to maintain affordability (which may be documented with restrictive covenants or other program documents); applicants must abide by prevailing wage where applicable. All funds will have expenditure deadlines and approved programs/projects must be commenced within one year of funding reward.

Additional requirements for application submission will be outlined in the annual RFP.

**Public Comment**

Comments on the implementation of the Act 58 of 2015 Proposed Plan Amendment should be submitted in writing by Tuesday, October 11, 2016 and submitted to:

**Bryce Maretzki**  
**Director of Policy and Planning**  
**Pennsylvania Housing Finance Agency**  
**211 North Front Street, P.O. Box 8029**  
**Harrisburg, PA 17105-8029**  
[bmaretzki@phfa.org](mailto:bmaretzki@phfa.org)

Written comments will be made available for public inspection at [www.phfa.org](http://www.phfa.org).

## **Public Comment Response Document**

### **October 13, 2016**

**I understand that local units of government, as well as non-profit, for-profit entities will be eligible to receive PHARE/RTT funds, but do you anticipate that APPLICANTS for these funds will need to be the County, or a nonprofit or for profit entity designated by the County (which would be evidenced by a resolution or letter to be included in the application)? I know in past years for PHARE funds, this was the case.**

No, for the RTT funds we are allowing any organization (nonprofit, for profit, corporate) to apply and there is no need for the County to be the applicant or adopt a resolution designating an applicant.

**I had heard this morning that the PHARE round may be moved back, with results announced in March 2017. I wanted to double check on this given the chatter of moving back the tax credit round next year.**

The PHARE/Marcellus Shale (Act 13) applications were due 8/12 and recommendations for funding will be presented to the Board at the October meeting (13th).

The PHARE/RTT (Act 58) RFP will open in mid-October and applications will be due in mid-January and funding recommendations will be taken to the April, 2017 board of directors meeting.

**Do you anticipate that APPLICANTS for these funds will need to be the County, or a nonprofit or for profit entity designated by the County (which was evidenced by a resolution or letter to be included in the application)? I know in past years for PHARE funds, this was the case.**

No, for the RTT funds we are allowing any organization (nonprofit, for profit, corporate) to apply and there is no need for the County to be the applicant or adopt a resolution designating an applicant.

**Will there be separate sections of the PHARE fund, one where only municipalities impacted by Marcellus shale drilling took place can apply for funding, and another open to the whole State of PA? Or will the whole PHARE fund be open to all areas of the State for funding projects? If the whole PHARE fund is now open to all of PA, I feel that the original intention of the fund has been compromised. Many areas of the State that has not been impacted at all by Marcellus drilling can now take advantage of this program. It would appear to me to be a money grab by un-impacted areas such as Philadelphia.**

Since 2012 PHARE has received an allocation of funds to address housing needs under the Marcellus Shale Impact Fee (Act 13 of 2012). This continues to be the case and is only available for counties that have active, drilled Marcellus Shale wells - currently 36 counties. We are currently reviewing the 2016 applications and will make recommendations to our Board on October 13, 2016.

In November, 2015 Governor Wolf signed Act 58 of 2015 that dedicates a portion of the increase (from

the FY2014 base year) of the Realty Transfer Tax (RTT) into the PHARE program. For FY16/17 PHARE will receive about \$12.5 million. These funds are available to all 67 counties and eligible applicants can be local governments, for-profit, non-profit corporations/organizations working on affordable housing issues. The RFP for these funds, called PHARE/RTT, will be opening in mid-October, 2016 and applications will be due in January, 2017.

PHARE will now have two components - one, for the Marcellus Shale communities (PHARE/Marcellus Shale) and the other for all counties in the Commonwealth (PHARE/RTT).

**Act 58 of 2015 Proposed Plan Amendment has reserved only 40% of the available funds for PHARE/RTT = \$25,000,000, which is a drop in the bucket for providing enough affordable homes in Pennsylvania. Not only should 100% of these funds be utilized for new homes and renovation of existing affordable homes projects, other state generated monies need to be added to the kitty to increase the supply of affordable homes and to reduce the demand which presently continues to drive the cost of rentals and home purchases up.**

Act 58 of 2015 legislation determined the formula for the revenue that would be directed to the PHARE Program. For FY16/17 the amount available is \$12.67 million but the Agency expects that the figure to increase in future years, assuming real estate sales continue to increase, until the \$25.0 million cap is reached. Changing the percentage for PHARE would require the Commonwealth legislature to amend Act 58.

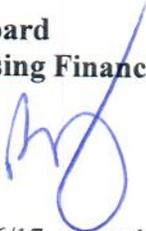
**Remove the prevailing wage stipulation for project owners, developers, builders and the trades. Prevailing wage increases the cost of construction so greatly that far less homes are built or renovated for the monies received in grants and from other sources. Indeed, with prevailing wage, most of the grants from PHARE/RTT will do little more than pay for some of the prevailing wages to persons who are already making a living from non-government projects without prevailing wage, with prevailing wage merely being icing on the cake for them....while Pennsylvania continues to have a shortage of over 800,000 houses, largely because of this; and, daily over 16,000 homeless, largely because of this:**

PHFA does not have policy or legislative authority to remove the prevailing wage rate requirements imposed on state grant funded construction projects. The Pennsylvania Department of Labor and Industry reviews and makes final determinations on prevailing wage rate criteria.

**Date:** October 13, 2016

**Subject:** PHFA Administration of FY16/17  
Mixed Use Development Tax Credit

**To:** Members of the Board  
Pennsylvania Housing Finance Agency

**From:** Brian Hudson  
Executive Director 

As part of the final FY16/17 enacted budget, PHFA has been authorized to create and administer the Mixed Use Development (MUD) Tax Credit (“Tax Credit”) and Program (“Program”). The program has been provided a \$2.0 million allocation beginning with FY17/18.

The purpose of the Program includes the following components;

- Increasing affordable housing and commercial corridor development opportunities in areas of the Commonwealth where significant need and impact can be identified
- Maximizing the leveraging of public and private resources
- Fostering sustainable partnerships committed to addressing community needs
- Ensuring efficient and effective use of resources to meet community needs
- Establishing transparent application allocation and reporting processes
- Providing financing to critical projects as part of an overall strategy for revitalizing communities

The Agency has 180 days (from July 1, 2016) to adopt guidelines for both the Tax Credit and the Program. These guidelines must include criteria for Program priorities, methodology for sale of the Tax Credits, and process for projects to apply for funds and distributing Program funds. Within this timeframe the Agency must publish proposed Program guidelines in the Pennsylvania Bulletin (the “Bulletin”) for a 45-day comment period.

Eligibility for the Tax Credit encompasses a wide range of “qualified taxpayers” including an individual, business firm, corporation, LLP, LLC, partnership or association. Any of these may use the MUD Tax Credit against a “qualified tax liability” that includes; personal income tax, corporate net income tax, capitol stock and franchise tax, gross receipts tax as well as other state tax liabilities.

The tax credit can be carried over by a qualified taxpayer for a maximum of seven years and the taxpayer can sell or assign all or a portion of the credit to another qualified taxpayer with approval from the Agency (and the Department of Revenue).

The Agency will accept bids for the Tax Credit from eligible taxpayers, as outlined in the guidelines, and will deposit funds from the sale into the MUD Fund. The MUD Program will use an RFP to accept responses from eligible applicants interested in creating a mixed-used development project located in a commercial corridor with a comprehensive neighborhood

revitalization strategy in place or in the process of development. Preference will be given to proposals from entities that have the experience and capacity to produce projects that are complex and which often involve multiple sources of financing and investment. Specific program requirements are outlined in the attached draft guidelines that will be published for public comment and review.

An annual report to the Governor and legislature will be required that lists the taxpayers applying for credits, taxpayers that the Agency selects for a tax credit certificate and a list of projects funded from the sale of the Tax Credit. The Department of Revenue will be partnering with PHFA in the review of interested taxpayers to ensure that they are fully compliant with all tax payments and they will be assisting in ongoing tax credit investor matters.

The Agency has published the attached draft Tax Credit and Program guidelines in the Bulletin following this meeting for a 45-day public comment period and the final documents will be presented for Board approval at the December meeting. Following adoption, and upon passage of the final FY17/18 Budget, the Agency will open the bidding for the Tax Credits from eligible taxpayers followed by an RFP to select projects for funding. We anticipate bringing MUD Program project recommendations to the Board in November, 2017.

**Mixed-Use Development Tax Credit Program**  
**Program Summary – DRAFT**

**Introduction:**

Enacted pursuant to the Tax Reform Code of 1971, by Act 84 of 2016 under Article XIX-E, the Mixed-Use Development Tax Credit program, administered by the Pennsylvania Housing Finance Agency (“PHFA” or “Agency”), authorizes the Agency to sell \$2 million of state tax credits to qualified taxpayers for the purpose of establishing the Mixed-Use Development Fund (the “fund”). Distributions from the fund will be awarded to eligible projects in target areas of the Commonwealth with an identifiable need for increased affordable housing opportunities and commercial corridor development. Through the maximization of public and private resources, communities may address shortages in the availability of affordable housing while supporting business growth and sustainable partnerships by providing developers access to funds for construction or rehabilitation projects that support both affordable housing and business within the same structure.

**Eligibility:**

PHFA is authorized to sell Mixed-Use Development tax credits through directed or negotiated sale to any qualified taxpayer. A qualified tax payer is any natural person, business firm, corporation, business trust, limited liability company, partnership, limited liability partnership, association or any other form of legal business entity that is subject to a tax imposed by Article III, IV, VI, VII, VIII, IX, XI, or XV of the Tax Reform Code of 1971, excluding tax withheld by an employer under Article III.

The credit issued to a qualified taxpayer may be applied against any qualified tax liability. A qualified tax liability is:

- Article III: Personal Income Tax (excluding tax withheld by an employer)
- Article IV: Corporate Net Income Tax
- Article VI: Capital Stock and Franchise Tax
- Article VII: Bank and Trust Company Shares Tax
- VIII: Title Insurance Company Shares Tax
- Article IX: Insurance Premiums Tax
- Article XI: Gross Receipts Tax
- Article XV: Mutual Thrift Institutions Tax

**Application and Sale Process:**

PHFA, in conjunction with the Department of Revenue (“DOR”) will develop specific bid criteria, an application and an application timeframe. The application will be made available to the general public and targeted markets, at least seven (7) days in advance of the bid submission deadline. Under the provisions of the sale and in accordance with PHFA and DOR published instructions, all qualified taxpayers seeking credit shall submit an irrevocable offer to PHFA. The Agency reserves the right to terminate, suspend, amend or withdraw the bid solicitation and may reject all bids in the event it does not receive sufficient bids or in the event the bids result in a minimum raise of less than the established reserve. In addition to criteria established in the bid solicitation, applicants for Mixed-Use Development tax credits must also:

1. Be in compliance with all PHFA criteria, as outlined in the bid solicitation, which includes good standing with PHFA programs as well as financially viable (i.e., not bankrupt or under the protection of receivership.) Upon receipt of the bid offer, PHFA will perform its compliance check.
2. The taxpayer must be in compliance with the laws and regulations of the Commonwealth of Pennsylvania. Upon receiving the bid packet from PHFA, DOR will perform the compliance check.

In accordance with the law, bids providing maximum benefit and return to the Commonwealth will be favored. Additional criteria to be used in making awards may include the following: nature of proposed pay in

structure; limited third party fees and costs; geographic distribution; distribution among different types of taxpayer entities.

**Credit Sale Approval:**

Provided that sufficient bids have been received, and contingent upon DOR review and approval of all compliance matters, tax credit awards are expected to be made within ninety (90) days of the close of the bidding period. Upon acceptance of an offer for the purchase of tax credits, PHFA shall provide written notification of approval, including the amount of tax credits to be allocated. Award recipients shall deposit a capital commitment equal to 100 percent of the total amount to be paid for the purchase of the credit with PHFA in accordance with the instructions from PHFA (in no event shall the funding be deposited more than ninety (90) days from the date of approval.) Upon receipt of payment, the taxpayer will receive the corresponding tax credit certificate from PHFA.

Failure to deposit the required capital commitment within the prescribed timeframe may result in the following:

- Withholding of the tax credit certificate;
- Commonwealth debarment, forfeiture or liquidation of any pledged collateral
- The recapture and reallocation of the credits;
- A penalty assessment equal to 10% of the unpaid capital contribution in addition to any costs and fees incurred by PHFA. If a penalty is assessed, such penalty shall be paid to PHFA within thirty (30) days after a written demand for payment is made by first class mail

An award recipient that defaults on payment of capital contribution may, after receipt of notice of penalty, avoid such penalty by transferring any tax credit allocation to another qualified taxpayer within thirty (30) days of the date that the capital contribution was due to PHFA or the date specified in the default letter. Any transferee must comply with all guidance issued by PHFA regarding the credit and must tender the required capital payment within thirty (30) days of the date of transfer.

Upon issuance of the tax credit, PHFA will provide a copy of the credit certificate and a credit reconciliation workbook to DOR in the format prescribed by DOR to upload the credit to the appropriate account and track credit utilization.

**Claiming the Tax Credit:**

An award recipient may claim a tax credit against any qualified tax liability upon presenting a tax credit certificate verified by PHFA to DOR. The tax credit certificate must be presented to both PHFA and DOR no later than the last day of the second calendar month of the calendar year in which the credit is available in order to claim the tax credit.

**Guidelines for Tax Credit Use:**

A tax credit received by DOR in a taxable year shall first be applied against the taxpayer’s qualified tax liability for the current taxable year as of the date on which the tax credit was issued before any carried over tax credits can be applied against any qualified tax liability.

- The taxpayer entity may carry forward any unused tax credits for no more than the seven succeeding taxable years. Each year in which the credit is carried forward, the amount of tax credit will be reduced by the cumulative amount that was used in the immediately preceding tax year.

- The tax credit may not be carried back and is not refundable.

### **Sale or Assignment:**

The tax credit may be sold or assigned in whole or in part to another qualified taxpayer after receiving approval from PHFA. Notification of proposed sale or assignment of tax credits must be submitted at least sixty (60) days in advance of any sale or transfer, with all requisite information required by PHFA (including all information contained on the **APPLICATION FOR PURCHASE OF TAX CREDITS** and upon submission of a outlining all costs and fees charged in the transaction.) PHFA and DOR will review for compliance with all established criteria and will advise the proposed purchaser or assignee if the sale or transfer has been approved. Third party costs and fees may be limited in these transactions.

- A purchased or assigned tax credit may be applied to 100 percent of the tax liability of the purchaser or assignee.
- The purchaser or assignee shall claim the tax credit in the year in which the purchase or assignment is made and may not carryover, carryback, receive a refund, re-sell or re-assign the tax credit.
- Pass-through Entities:
  - Upon receipt of an award of tax credits, a pass-through entity may elect, in writing and upon PHFA and DOR approval, to transfer all or a portion of unused tax credits to shareholders, members or partners in proportion to the share of the entity's distributive income to which the particular shareholder, member or partner is entitled.
  - The transferred tax credit must be claimed in the taxable year in which the transfer is made and is not eligible for carryover, carry back, refund, sale or assignment.
  - Such tax credit may not be used for the same qualified expenditures by the shareholder, member or partner and the pass-through entity

### **Annual Reporting Requirement:**

Mixed-Use development tax credit recipients, purchasers or assignees shall notify PHFA of the utilization of the tax credit by May 1 annually, until the credit has been used in its entirety. The notice of utilization must include the date that the credit was claimed, towards what qualified tax liability the credit was applied, the balance of credits available. If no portion of the credit was used for a taxable year in which the credit was available, a notice of utilization must be provided indicating that no portion of the credit was used.

Should you have any questions regarding the use of the credits, please contact PHFA at \_\_\_\_\_ or Department of Revenue at 717-772-3896 or email: [mforti@pa.gov](mailto:mforti@pa.gov).

**APPLICATION FOR PURCHASE OF  
TAX CREDITS**

1. Name of Purchaser (Qualified Taxpayer)	
2. Address – Street	
City	State ZIP code
3. Federal employer identification number (EIN)	4. NAIC number
5. Name of Contact Person of Qualified Taxpayer	6. Phone and Email of Contact Person
7. PA Department of Revenue ID Number	8. PA Sales and Use Tax License Number:
9. PA Employer Withholding Account Number	10. PA Unemployment Compensation Number
11. Face amount of Tax Credits Purchaser irrevocably commits to purchase:	12. Purchase price of Tax Credits Purchaser irrevocably commits to purchase

1. Name of Purchaser (Qualified Taxpayer)	
2. Address – Street	
City	State ZIP code
3. Federal employer identification number (EIN)	4. NAIC number
5. Name of Contact Person of Qualified Taxpayer	6. Phone and Email of Contact Person
7. PA Department of Revenue ID Number	8. PA Sales and Use Tax License Number:
9. PA Employer Withholding Account Number	10. PA Unemployment Compensation Number
11. Face amount of Tax Credits Purchaser irrevocably commits to purchase:	12. Purchase price of Tax Credits Purchaser irrevocably commits to purchase

THE UNDERSIGNED OFFICER OF \_\_\_\_\_  
("Purchaser"), being duly sworn,

*Participating Purchaser (a Qualified Taxpayer)*  
hereby irrevocably commits Purchaser to purchase the face amount of Tax Credits for the purchase price set forth in Subsection XXX subject to the transaction closing by July 1, 2017.

The Qualified Taxpayer acknowledges that in order to become a Purchaser participating in the Mixed Use Development Tax Credit Program, the Qualified Taxpayer must be in compliance with PHFA requirements, and the laws and regulations of the Commonwealth of Pennsylvania, to the satisfaction of the Department of Revenue, the Department of Labor and Industry, and the Department of Insurance.

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Printed name and title*

\_\_\_\_\_  
*Daytime phone (Area code and number)*

State of \_\_\_\_\_

County of \_\_\_\_\_

*Subscribed and sworn to before me this \_\_\_\_ day of \_\_\_\_\_, 2017.*

*(Notary Seal)*

\_\_\_\_\_  
*Signature of Notary Public*

*My commission expires \_\_\_\_\_*

**Tax Certificate – Example****Mixed-Use Development Tax Credit Program Tax Credit Award Notification**

Name of Taxpayer \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_

Zip: \_\_\_\_\_

FEIN: XX-XXXXXX

Revenue ID: 1000XXXXXXXXXX

Notice Date: July 1, 2017

Effective Date of Credit: January 1, 2018

Expiration Date of Credit: December 31, 2024

Attention: \_\_\_\_\_

Dear XXXX,

In compliance with Article XIX-E of the Tax Reform Code of 1971, the Pennsylvania Housing Finance Agency has reviewed this application for the Mixed-Use Development Tax Credit Program.

\$XXX,XXX Total Mixed-Use Development Tax Credits approved for utilization beginning in calendar year 2018 against tax liabilities incurred after January 1, 2017.

## **Mixed-Use Development Tax Credit Program Program Overview and Request for Proposals (RFP)**

The Pennsylvania Housing Finance Agency (PHFA or Agency) announces a Request for Proposals (RFP) to participate in the Mixed-Use Development Tax Credit Program (MUDP) to provide financing for the construction or rehabilitation of critical projects providing affordable housing in commercial corridors in the Commonwealth. This program creates the funding mechanism to help bridge the gap that exists between traditional housing programs and commercial lending sources for these mixed use projects, fostering sustainable partnerships to leverage public and private resources.

These funds will be provided to a financially viable, mixed-use property consistent with a well-defined community development or revitalization plan (Main Street Corridor Plan, etc.). Financing may be provided for the overall project and not merely for the housing or commercial development component.

### **Program Goals**

To most effectively administer this program, PHFA has outlined the following program goals. These goals will be used as the framework and basis for review and selection of projects. Applications will be evaluated based on their ability to address each goal as well as the financial capacity of the applicant to successfully implement and manage the project as a core component of a broader community revitalization strategy.

1. Increase funding for affordable housing and commercial corridor development opportunities in areas of the Commonwealth where significant need and impact can be identified and documented.
2. Maximize the leveraging of resources to the greatest extent possible.
3. Foster sustainable partnerships that will be committed to addressing needs over a significant period of time.
4. Ensure that resources are used in an effective and efficient manner to meet the needs of communities impacted.
5. Provide strategic financing for "capstone" projects that will advance an overall strategy for revitalization of a community.

### **Eligible Applicants**

Eligible applicants for Mixed-Use Development grant funding include Pennsylvania units of local government such as counties, cities, boroughs, townships and municipalities, redevelopment authorities, for-profit entities, non-profit entities (with operational capacity), economic development organizations, and neighborhood/downtown/business improvement districts. Partnerships between public and private entities are encouraged.

A single purpose, legal entity must be created by the applicant(s) specifically for the project and will be the entity with fiscal and fiduciary responsibility for implementation, management, monitoring and

project reporting. All documents pertaining to program requirements will be the responsibility of the entity.

### **Eligible Uses**

MUDP funds may be available for financing any component of the proposed mixed-use project. The proposal should target those areas within municipalities, urban centers and commercial corridors of core communities which have experienced or are at imminent risk of significant depopulation, disinvestment or distress. The proposed improvement(s) must have a documented beneficial impact on the community. The Agency will make a determination of qualification for financing based upon the overall strength of the market study, demographic data, strategic studies and other empirical information provided in the application.

Eligible uses for Mixed-Use Development Funds may include:

- Development, rehabilitation, and/or site improvements to owner-occupied or rental properties;
- Acquisition, provided there is evidence to support market values, such as an appraisal or recent comparable sales and provided there is comprehensive funding in place to implement reuse and effective operation of the parcel/building;
- The rehabilitation or restoration of older or under-utilized buildings for immediate reuse that will support other community development goals;
- Cost of preparing commercial build-out and business lease space;
- Costs associated with design, structural and legal conversion of existing buildings into retail and affordable housing spaces;

**NOTE:** For projects participating in PHFA multifamily housing programs seeking additional funding through the MUD program, funding will be provided and administered through the PennHOMES program. For additional information about the PennHOMES program, please refer to the information on the PHFA website.

### **Proposal Requirements**

This section outlines the specific requirements for proposals under the Mixed-Use Development Program.

1. The structure(s)/property must be on a commercial corridor supported by a comprehensive neighborhood revitalization strategy;
2. The neighborhood revitalization strategy or municipal strategic plan must specify plans for economic development and include other physical or public safety improvements, proposed or in place, such as sidewalks, street lights and identify proximity to or availability of other community services and amenities such as transportation, schools, stores, parks, etc.
3. Evidence of financial viability with supporting financing information for the residential portion, the commercial portion and the entire mixed-use facility including, but not limited to:
  - information about ownership status, zoning and plan approval process;
  - development budgets, specifying the acquisition and rehabilitation costs;
  - identify sources and uses of funds (including commitment letters) to ensure financial feasibility;
  - proposed rent (or sales price) per retail space/unit/home upon completion (with supporting market study or documentation);

- operating budgets.
4. The proposed use for commercial portions, identifying proposed or existing tenants, build-out requirements, existing rents and lease agreements, if available.

**NOTE:** PHFA will require that residential units remain affordable to households at or below 80% of area median income for a period of at least ten (10) years.

PHFA reserves the right to reject any application which includes costs or fees which it deems to be unreasonably high or excessive.

### **Required Proposal Submission Details**

The sections of the proposals identified below must be numbered with the information submitted in the same order as indicated.

1. Narrative: A short summary description of the proposal, its scope, the need for and the expected impact of the funding. All key features of the proposal, including targeting, impact, and how the funds will make quality housing affordable and commercial development more readily available should be addressed in this section. Include a description of the existing real estate market.
2. Financing: Projects will be evaluated based on their ability to leverage resources to the greatest extent possible and based on their demonstrable ability to proceed in a timely fashion to closing. A detailed plan including all of the following should be included, if applicable;
  - A list of sources of matching and/or leveraging funds including percentage of funding support from all other sources.
  - The status of the funding availability (requested/committed) including a timeline for access to matching or leveraging funds. (Agency funding will impose a deadline for satisfaction of all closing requirements.)
  - Letters evidencing commitment of financing from relevant funding sources must be included.
  - If available, contracts related to any funding source setting forth funding conditions must be provided.
3. Ownership: A single purpose, Pennsylvania –domiciled, legal entity must be created as the ownership entity with fiscal and fiduciary responsibility for implementation, management, monitoring and project reporting. All program requirements will be the responsibility of the ownership entity.
4. Comprehensive Plan: Evidence that the site is part of an existing or proposed comprehensive neighborhood revitalization strategy (Main Street Corridor Plan), with a detailed description of the strategy. The articulated strategy must specify plans for economic development and include other physical or public safety improvements proposed or in place, such as sidewalks, street lights, proximity to, or availability of, other community services/amenities such as transportation, schools, parks, grocery stores, employment, health care services, etc.
5. Site Control: Evidence of site control or, in the alternative, evidence of the ability to acquire the proposed site in a timely manner.
6. Zoning: Evidence satisfactory to the Agency that the proposed development complies with zoning ordinances and local land development plans.

7. Budget: A complete development budget (encompassing both residential and commercial) including sources and uses.
8. Location Map: A site map of the neighborhood identifying any proposed municipal improvements or private development not part of the funding proposal.
9. Existing Condition Photos: Photographs of the proposed site, contiguous sites, surrounding area and neighborhood, as well as photographs of the interior of the property, if available.
10. Architectural Drawings: Schematic drawings of the proposed project. (The Agency requires that commercial space and housing units be accessible and constructed and operated in accordance with applicable fair housing and Americans with Disability Act requirements.)
11. Timeline: Proposals must show an overall timeline for the utilization of the funds. Programs/projects should be completed and prepared to commence within one year of application.
12. Appraisal: An appraisal of each property to be included in the proposed development, if available.
13. Previous Experience: A description of previous development experience for all partners with specific details regarding any experience within the proposed community.

**NOTE:** PHFA may charge appropriate fees to cover administration, review and monitoring in an amount not to exceed \$3,000.

**NOTE:** PHFA expects that projects will be subject to all applicable Pennsylvania laws relating to funding from public sources of funds (i.e., fair housing, accessibility, wage rates and labor standards).

### **Selection Criteria**

The following criteria will be established to guide the Agency in its review of projects and determination for distribution of the program funds;

1. To allow for an efficient program operation the Agency has determined that the **minimum** Mixed Use Development Program funding request will be \$500,000 and the maximum request will not exceed \$1,000,000.
2. The Agency will limit the overall annual program funding award to \$1,000,000 to any one (1) applicant.
3. PHFA will be looking to fund projects in various geographic areas of the Commonwealth. To reach this objective PHFA may consider a minimum of two (2) projects in “urban” communities (populations greater than 250,000) and a minimum of one (1) project in “suburban/rural” communities (population less than 100,000).
4. All projects submitted for review must include a mix of uses in some combination of retail/commercial/office/light industrial **and** residential with a minimum of two (2) residential units and 6,000 square feet of “other” use. The focus of this criterion will be the role of the project in the overall plan for development/revitalization and the market research for the appropriate combination of housing and “other” uses.

5. The Agency will assess the overall cost per residential unit and cost per square foot of retail/commercial, etc. in determining the thresholds appropriate for program funding. Projects that are able to achieve overall development costs of less than \$185/sq. foot (residential and commercial/retail) will be given priority.

### **Reporting Requirements**

Successful applicants must immediately report, in writing, to PHFA any material changes in ownership, staffing or financial condition of the developer or ownership entity. Any transfer of ownership of the subject property is subject to and must receive prior approval of PHFA in accordance with the requirements set forth in its funding agreement.

The Agency is required to provide an annual report to the Governor and legislature listing the taxpayers applying for credits, those awarded a tax credit certificate and a list of projects funded with the MUD tax credit. PHFA will be partnering with the Pennsylvania Department of Revenue to review interested taxpayers to ensure that they are fully compliant with all program requirements. Project owners will be required to submit ongoing documentation relating to the operation of their project as outlined by the Agency in its funding agreement.