

Community Revitalization Fund Tax Credit Program Program Overview and Request for Proposals (RFP) - DRAFT

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. All projects submitted for review must include a mix of uses in some combination of non-residential (retail/commercial//cultural/institutional/office/light industrial) space **and** residential units. The size of non-residential space allocated should, in the opinion of the Agency, be appropriate to the overall commercial corridor and in similar scope and scale to existing structures/businesses. 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 non-residential uses.

4. 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.
5. 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 projects maintain a mixture of residential and non-residential uses for a period of at least ten (10) years.

Residential units must remain affordable to households at or below 80% of area median income for a period of at least ten (10) years. Preference will be given to projects committed to longer periods of mixed use in scope **and** residential affordability.

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. Projects should be prepared to complete construction within eighteen (18) months of the award of funds.
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. The Agency reserves the right to determine reasonableness of the overall cost per residential unit and cost per square foot of retail/commercial, etc. in determining the thresholds appropriate for program funding. Projects with costs deemed unreasonable may be rejected by the Agency.

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.