
CONSTRUCTION LOAN PROGRAM

The Agency will provide below market rate construction loans for multifamily rental housing developments in conjunction with a permanent take-out loan from a lender other than the Agency. If the Agency is also the permanent take-out lender, the Program Guidelines must also be met. Both new construction and rehabilitation developments are acceptable.

Eligible applicants for Agency financing include individuals, joint ventures, partnerships, limited partnerships, trusts, corporations, cooperatives, and condominiums, whether for-profit or nonprofit.

Program Highlights

MINIMUM NUMBER OF UNITS

The minimum number of units for the construction loan program is fifteen (15).

MAXIMUM INCOME OF TENANTS

A minimum of 20% of the units must be rented to tenants whose incomes do not exceed 80% of the area median income, adjusted for family size. This is for a construction only loan.

INTEREST RATE

The Agency construction interest rate is based upon the Agency's borrowing costs in the market. Agency staff may provide an approximate rate for purposes of financial estimates upon receipt of the application. Exact rates will not be available until the loan closing.

FINANCING FEE

The Agency requires a 2% fee calculated on the total construction mortgage.

LOAN TO VALUE RATIO

The Agency is authorized to make loans to for-profit developers of up to 90% of replacement cost of the development. The Agency may provide loans of up to 100% of replacement cost of the development to nonprofit developers. The loan to value ratio may be determined by an independent appraisal determining an "as built" market value.

CONSTRUCTION RETENTION

Ten percent (10%) of each payment request for a construction item shall be retained by PHFA. The percentage retained may be reduced to five percent (5%) after construction has been fifty percent (50%) completed. **Upon Substantial Completion, the percentage retained may be reduced to two and one-half percent (2.5%). In the event of multiple Certificates of Substantial Completion being issued for phased projects, reduction to two and one-half percent (2.5%) will be considered only after the final phase of the whole is accepted.** The balance due to the contractor shall be payable at final loan closing provided the work is fully completed and contractor has complied with all provisions of the Agreement and Addendum to the Owner's and the Agency's satisfaction, including, but not limited to, submission and approval of the contractor's certificate of actual cost to the Agency and receipt of all certificates of occupancy for all units by Owner and PHFA.

CONSTRUCTION MONITORING

The Agency will monitor construction and will attend monthly construction conferences at the site. In addition, Agency Technical Services Representatives may visit the development site to review site activity at any time during construction. The Agency Technical Services Representative and the Agency Staff Accountant shall review and monitor all requisitions, payouts, and change orders to ensure compliance with the Agency's requirements.