

Tax Credit and PennHOMES Selection Criteria

A. Community and Economic Impact

30 points

It is the goal of the Agency to encourage affordable housing in areas with job opportunities; in areas near strong and stable communities and in areas which demonstrate the capacity for community revitalization opportunities. The Market Study /Needs Assessment must identify the criteria set forth in the Community and Economic Impact Selection Criteria for ranking consideration in this category. To that end, up to 30 points will be awarded to developments located in areas that demonstrate the following relative to the immediate market area:

1. Underserved Areas – up to 20 points

a. General Occupancy - Areas of Opportunity – **up to 18 points**

- Low poverty rates
- Limited affordable housing options, both subsidized and non-subsidized
- Limited affordable housing production in past 20 years
- Close proximity to employment
- Strong housing markets
- High owner-occupied markets

b. **General Occupancy – School Performance Standards – up to two (2) points**

The Agency may award up to two (2) points to those developments located in school districts which score the following Building Level Academic Score set forth in the PA State Performance Profile at www.paschoolperformance.org for the public high school*:

Percentage	Points
>70-80%	1
>80%	2

* At this time, the Pennsylvania Department of Education (“PDE) is currently reviewing and undertaking a comprehensive revision to the information and measures used on the SPP. While PDE is supportive of the current SPP data, it may not be fully representative of the performance and progress being undertaken by local school districts. PDE expects to have the most recent data on public high school scores in late 2015 while also addressing the need to migrate to the use of measures more linked to the Common Core Standards. These revisions will likely results in changes to individual school scores but the current information available at the PDE website is still relevant/useful for purposes of this evaluation and scoring.

c. Senior Occupancy Developments –

- Large number of seniors eligible for affordable housing
- Limited affordable housing options, both subsidized and non-subsidized
- Limited affordable housing production in past 20 years
- Close proximity to amenities for the senior population, including health and retail establishments, home health agencies, and hospitals.

AND/OR

2. For New Construction and Substantial Rehabilitation Properties:

Community Revitalization Plans, Evidence of Municipal and Local Support, Access to Transportation and Existing Infrastructure and Community Resources and Suitability of Site –

A critical circumstance is the development's forming an important part of a broader or comprehensive program of neighborhood improvement which has the capability of changing fundamentally the character of that neighborhood or enhancing the lives and amenities available to residents of the community. Such improvement should include the provision of mixed income housing. A program of neighborhood improvement includes municipal support articulated in a publicly approved community plan or in the form of significant funding commitments, or evidence of substantial major investment in the area that is consistent with an existing comprehensive plan for neighborhood improvement which may include contributing to a transit oriented design initiative. Such funding commitments or major investments cannot be derived solely from the development of Tax Credit properties and may include proposals participating in: Main Street, Elm Street, Neighborhood Partnership or other programs of the Commonwealth, the Agency's Homeownership Choice Programs; New Markets Tax Credits, the Healthy Village Initiative of the Local Initiatives Support Corporation; the Blueprint Communities Initiative of the Federal Home Loan Bank or similar community support programs. Additionally, the plan should generally include municipal support, private investment and/or private sector commitments to the area or evidence infrastructure in place to support the development. The Agency will consider in its evaluation of community impact the use of existing housing or buildings if the development is not located in a qualified census tract. Up to 20 points will be awarded this category.

- Community Revitalization Plan – The Agency may award five (5) points for developments contributing to an existing community revitalization plan. To qualify for points in this category, the applicant must submit a letter from an official of the local government explaining how the development will contribute to the community revitalization plan. The letter should be specific to the proposal and must identify the official title of the community revitalization plan along with the year in which it was adopted. The Agency may accept a copy of the community revitalization plan in lieu of a letter from the local government in the event the developer is unable to obtain such a letter. A county or municipal zoning or land use plan does not qualify as a community revitalization plan.
- Significant Funding Commitments and Coordination with Other Housing and Community and Economic Development Programs – The Agency may award up to five (5) points to proposals that demonstrate further coordination between other housing and community and economic development programs stated above and evidence of significant funding commitments as part of the major investment in the area.
- Mixed-Income Housing – The Agency may award up to two (2) points for developments which incorporate market rate units as part of the unit mix. In order to qualify for points, at a minimum fifteen percent (15%) of the units shall be targeted as market rate units.
- Transit-Oriented Design – The Agency may award up to two (2) points to developments located within one-half mile of a completed or planned public transportation fixed route stop.
- Walkability – The Agency may award up to two (2) points for developments which have the following walk scores according to www.walkscore.com (for scattered site projects, a walk score will be obtained for each site and a weighted average based upon number of units at each site will be calculated):

<u>Urban</u>		<u>Suburban/Rural</u>	
<u>Percentage</u>	<u>Points</u>	<u>Percentage</u>	<u>Points</u>
≥80	2	≥70	2
≥70-79	1	≥50-69	1

- Site – The Agency may award up to four (4) points to developments based upon site suitability for the proposed use. Site suitability will be based on the following features: unit size mix, including number of efficiency units; neighborhood amenities; access to site; appropriateness of site for targeted tenant population; availability of sufficient parking; location relative to flood plain; neighborhood nuisances; condition of neighborhood; building on agricultural land; if scattered site, overall impact on the neighborhood; completed project’s improvement to or impact on the neighborhood, including, but not limited to, crime reduction.

For Preservation Properties:

Developments seeking consideration for the Preservation Preference must demonstrate the need for Tax Credits to extend the affordability period of the existing property to ensure the continued availability of long-term subsidy or to address immediate health and safety concerns of the development. Points will be awarded based upon the following factors: ability to convert to market, loss of long-term subsidy, need for immediate health and safety improvements, good faith compliance with original extended use commitments, financial impact of proposed improvements (including energy efficiency upgrades) and economic impact on the existing community. Additional consideration will be given for those developments which include municipal support articulated in a publicly approved community plan or in the form of significant funding commitments, or evidence of substantial major investment in the area that is consistent with a comprehensive plan for neighborhood improvement which may include contributing to a transit oriented design initiative. Up to 20 points may be awarded in this category **as follows**.

- Significant Funding Commitments and Coordination with Other Housing and Community and Economic Development Programs – The Agency may award up to three (3) points to proposals that demonstrate further coordination between other housing and community and economic development programs stated above and evidence of significant funding commitments as part of the major investment in the area.
- Risk of Loss Due to Market Conversion or Sale – The Agency may award up to four (4) points to developments which are at risk of conversion to market rate housing. To be eligible for consideration, applications must include evidence that Section 8 project based or similar affordability restrictions expire within twelve (12) months from the date of application. Additionally, evidence of substantial occupancy of not less than ninety percent (90%) over the last five (5) years must be provided.
- Risk of Loss Due to Critical Physical Needs – The Agency may award up to four (4) points to developments which are beyond fifteen (15) years of initial loan closing and tax credit placed in service date and at least one major physical plant component must be replaced or repaired or there is evidence of the need for an immediate health or safety improvement. Applicants must demonstrate that there has been a good faith effort to keep the property up to Uniform Physical Condition Standards.

- Mixed-Income Housing – The Agency may award up to two (2) points for developments which incorporate market rate units as part of the unit mix. In order to qualify for points, at a minimum fifteen percentage (15%) of the units shall be targeted as market rate units.
- Transit-Oriented Design – The Agency may award up to two (2) points to developments located within one-half mile of a completed or planned public transportation fixed route stop.
- Walkability – The Agency may award up to two (2) points for developments which have the following walk scores according to www.walkscore.com (for scattered site projects, a walk score will be obtained for each site and a weighted average based upon number of units at each site will be calculated):

<u>Urban</u>		<u>Suburban/Rural</u>	
<u>Percentage</u>	<u>Points</u>	<u>Percentage</u>	<u>Points</u>
≥80	2	≥70	2
≥70-79	1	≥50-69	1

- Site – The Agency may award up to three (3) points to developments based upon site suitability for the proposed use. Site suitability will be based on the following features,: unit size mix, including number of efficiency units; neighborhood amenities; access to site; appropriateness of site for targeted tenant population; availability of sufficient parking; location relative to flood plain; neighborhood nuisances; condition of neighborhood; building on agricultural land; if scattered site, overall impact on the neighborhood; completed project’s improvement to or impact on the neighborhood.

B. Development Characteristics

25 points

Energy Conservation/Green Building – The Agency may award up to 25 points maximum for the provision of each of the following development amenities.

- Smart Site Selection – points may be awarded to the following types of properties:
 - up to five (5) points may be awarded to those developments located on a brownfield;
 - up to seven (7) points may be awarded to those developments considered residential infill; and
 - up to ten (10) points may be awarded to those developments consisting of an adaptive reuse of an existing building.
- Achievement of Enterprise Green Communities optional points criteria. Ten (10) points may be given to those developments achieving the following optional Enterprise Green Communities Criteria points: 25 points for new construction and 20 points for substantial or moderate rehabilitation properties (which would include Preservation projects).
- Energy Efficiency Goals –
 - Ten (10) points may be awarded to those developments which meet Passive House Requirements (nationally or internationally) for energy efficiency. (See Multifamily Housing Application and Guidelines and www.passivehouse.us or <http://www.passivehouseacademy.com> for additional guidance.)
 - Five (5) points may be awarded to those developments that exceed the requirements of Energy Star Version 3.0 by achieving a lower HERS Index as specified in Tab 8 – Design Architect’s/Consultant’s/Applicant’s Certification of Selection Criteria. (Points in this category are not available if seeking points for Passive House.)

Please review the 2016 Guidelines for specific requirements for the above criteria.

The Agency will review the architectural documents submitted with the proposal to confirm the existence of the proposed amenities. A certification from the design architect verifying the inclusion of the amenities in the development must be submitted with the Application. Confirmation from the construction contract administration architect is required with the submission of the cost certification documents. Amenities should be appropriate for the proposed resident population. The appropriateness and adequacy of the proposed amenities for ranking purposes will be determined at the sole discretion of the Agency. Verification of the availability of all amenities may be required by the Agency at any time and throughout the development’s compliance period.

C. Resident Population and Services

50 points

1. Income and Rent Targeting – The Applicants may be awarded up to 20 points for developments that are designed to be substantially occupied by and affordable to residents with incomes that are at or below 50 percent (50%) of the area median income. Points will be considered for the following percentages of units affordable to and occupied by residents whose incomes are at or below 50 percent of area median income:

<u>Percentage</u>	<u>Points</u>
>10-20%	4
>20-30%	8
>30-40%	12
>40-50%	16
>50%	20

2. Designated Populations & Supportive Services – To receive points in this category, the development will provide evidence that appropriate services will be provided for the entire resident population for the duration of the compliance period. Evidence consists of a supportive services plan that:

- Is specific to the development and effectively addresses the anticipated service needs of the target resident population.

General occupancy developments should deliver or coordinate services that: improve building and unit maintenance; stabilize occupancy by improving residents’ ability to uphold their lease obligations; and enhance quality of life through increased self-sufficiency and programs that improve life skills, employment, education, income/asset building, child and youth development, community building, and access to services.

Senior occupancy developments should deliver or coordinate services that: stabilize occupancy by improving residents’ ability to uphold their lease obligations throughout the aging process and enhance quality of life through improved access to services and benefits, health promotion, community building, and socialization.

Developments for populations with special needs should deliver or coordinate services that stabilize occupancy by improving residents’ ability to uphold their lease obligations and enhance quality of life through improved access to services that support the needs of the targeted population.

- Includes sufficient funds to implement the described plan of services. It is recommended that this funding be set aside in a supportive services escrow account. However, funding through the development’s annual operating budget, collaboration with a community-based service provider (include letter of intent or Memorandum of Understanding) or funds from other identified sources may be used. If currently committed funds fall short of the cost of services for at least the first fifteen year period, identify how services will be funded for the

remainder of the compliance period.

- Utilizes a service provider/coordinator with the capacity to implement described plan of services. The recommended minimum is one hour of on-site dedicated staffing per week for every five units. Services staff should have access to a computer with Internet and email capabilities. There should be sufficient space to carry out the described services, including adequate office and community space.

Satisfactory completion of the above three factors are the minimum requirements for five (5) points. Demonstrated commitment of sufficient funds for at least 15 years and meeting or exceeding the recommended minimum on-site staffing may result in an additional five (5) points.

Confirmation from the service provider regarding the availability of applicable services at initial occupancy of the development will be required prior to issuing the IRS Form 8609. To ensure the continued provision of supportive services, the Restrictive Covenant Agreement will reflect such commitment.

3. **Accessible Units** – Consideration may be given to developments where the developer agrees to provide twice as many fully accessible units as are otherwise required (under local, state, or federal mandate, whichever is greater) in the development. All employee units and market rate units must be included in the total unit count when calculating the required number of accessible units. The developer must certify that these units are accessible and that, during initial lease up, the developer will exclusively reserve the units for occupancy by persons needing the accessible units for the first thirty days. Thereafter, the developer will include certain provisions in the lease to allow the units to be occupied by persons who need the accessible features of the units, to the greatest extent feasible. Evidence of enforcement of the lease provisions will be required and implementation and adherence to additional outreach programs to identify and match qualified residents who need the accessible features within the development may be required throughout the compliance period which may include contacting the Agency prior to renting the unit to persons who do not require the accessible features in accordance with the Agency's Accessible Unit Policy.

Terms addressing the accessible units and the subsequent rental of these units will be incorporated in the Restrictive Covenant Agreement. In addition, a certification from the design architect verifying the inclusion of the accessible units in the development will be required at the time of application. Confirmation from the construction contract administration architect will be required with the submission of the cost certification documents. For preservation developments, consideration will be given for points under this category if the development increases the number of fully accessible units which meet current standards in the development by at least 5 percent of the total units available. If an existing development already has twice the federal minimum number of accessible units that meet current accessibility standards, they will be eligible to receive points in this category. (All other requirements applicable to rental and long term occupancy of these units are the same.) (ten (10) points)

4. **Large Families** – Up to ten (10) points may be awarded for those developments providing units with three or more bedrooms for large families. High rise developments and senior housing cannot qualify for this category. Points will be considered for developments that include the following percentages of units with three or more bedrooms:

<u>Urban</u>		<u>Suburban/Rural</u>	
<u>Percentage</u>	<u>Points</u>	<u>Percentage</u>	<u>Points</u>
>15-20%	6	>10-15%	6
>20-25%	8	>15-20%	8
>25%	10	>20%	10

A certification from the design architect verifying the number of large family units in the development will be required at the time of application. Confirmation from the construction contract administration architect will be required with the submission of the cost certification documents. For developments not requiring the services of an architect, the certifications may be provided by the general contractor.

D. Development Process

15 points

1. **Noncompliance** – The Agency may deduct up to ten (10) points from the score for proposals involving either an applicant (or any related entity) that owns a managing or controlling interest in a Pennsylvania Tax Credit development or a management agent of such development who has unresolved IRS Form 8823 noncompliance issues, has not met the requirements of the Restrictive Covenant Agreement, has failed to submit a timely Placed-in-Service/Cost Certification package which resulted in a loss of Tax Credits to the Agency, or failed to meet the selection criteria for which an allocation of Tax Credits was made. Examples of things that may result in negative points include zoning not being in place, not providing the number of accessible units promised, changing the amount of the funding sources, or not providing the level of MBE/WBE/SDB participation promised. Negative points will be assessed for a period of two program years from the time that the noncompliance was discovered.
2. **Development Team – Material Participation of Minority, Women’s and Veteran’s Businesses** – The Agency may award up to ten (10) points for material participation in the development team by a minority-owned business, woman-owned business, veteran-owned business or service-disabled veteran-owned business which meets eligibility criteria of the Small Diverse Business Program (“SBD”) operated by the Department of General Services. A non-profit entity is eligible to receive points as an Owner/Developer or Management Agent if a minimum of fifty-one percent (51%) of the members of their board are minorities, women or veterans as evidenced by the non-profit’s organizational documents. To qualify, the SBD/non-profit entity must materially participate in the development. Each professional services provider will be evaluated separately for points. No points will be awarded for the general contractor if a bid process will be required.

<u>Firm/Entity</u>	<u>1%-4.99% of Total Development Cost</u>	<u>≥5% of Total Development Cost</u>
Professional Services	1 point	2 points
General Contractor	1 point	2 points
Sub-Contractors/Vendors	1 point	2 points

<u>Firm/Entity</u>	<u>Points for Participation</u>
Owner/Developer	3 points
Management Agent - (Minimum 2 year contract)	2 points

3. **Ability to Proceed** – Points will be awarded for zoning and committed funding sources. As the Agency strives to make resources available to those projects which can quickly and effectively utilize its resources, consideration will be given to those properties which can demonstrate the ability to proceed. A total amount of 20 points may be awarded in this category.

- Zoning (up to ten (10) points)

- Up to five (5) points will be available for developments which demonstrate that current zoning is in place to allow for the proposed construction or rehabilitation on all sites included in the Application, to the satisfaction of the Agency. Consideration of points in this category will be given to those developments which provide evidence that all variances and special exceptions will be in place on or before November 11, 2016. Failure to submit evidence of full zoning approval by said date may result in negative ranking points assessed to future Applications.
- Up to ten (10) points will be available for developments that provide evidence that zoning is in place for all sites included in the Application and that all variances/special exceptions have been approved. To qualify for these points, provide a letter from the local Zoning Office that states the project 'meets all current zoning requirements'. There should be nothing in the zoning letter indicating that a further review of the project's plans or specifications will be required before full compliance with the local zoning laws can be determined. If land development plan approval is required to obtain a zoning approval letter then land development plan approval must be in place when the application is submitted to order to qualify for these points.
- Commitment of Funds (Up to 10 points) – The developer must provide evidence, satisfactory to the Agency, that all funding commitments from public and private lenders have been secured. A minimum level of funding as determined by the Agency based upon availability in both Participating Jurisdictions and Non-Participating Jurisdictions will be required for consideration in this category. Evidence of said commitments shall include a firm commitment of funding and shall set forth the terms and conditions of said funding. (Funding amounts cannot be reduced or modified without prior written approval by the Agency.) Points will be awarded as follows:
 - Inclusion of Private Capital and Soft Debt Funds – The Agency may award up to eight (8) points for the inclusion of permanent amortizing debt and soft financing which may include financing state or local programs, nonprofit organizations, private, may include permanent funding from foundations and/or federal programs. This category includes equity from historic tax credits and land and/or building donation (subject to verification by a current appraisal). This category does not include a PennHOMES or PHARE Program request that have not been approved. Applications with a donation or a reduction in development related fees (i.e., tap-in, impact, recreational and/or other development rights by the local government unit/municipality) may also be included. The reduction must be measurable and based upon an existing fee schedule that applies to all developments.

Comparison will be made between total qualifying soft financing and total development costs, with possible points granted as follows:

Participating Jurisdiction	Nonparticipating Jurisdiction	Points
<u>Percentage</u>	<u>Percentage</u>	
5-10%	2-5%	2
>10-20%	>5-10%	4
>20-30%	>10-20%	6
>30%	>20%	8

- Inclusion of Assumed Debt on Preservation or Related Party Financing – The Agency may award up two (2) points for the existing debt on preservation projects or related party financing on new or substantial rehabilitation projects as follows:

<u>Percentage</u>	<u>Points</u>
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≥10-30%	1
>30%	2

- Inclusion of Project Based Unit Subsidy – The Agency may award up to two (2) points for the inclusion of Project Based Section 8 Rental Assistance or ACC subsidy for at least fifty percent (50%) of the units in the development.
- Evidence of Tax Abatement – The Agency may award up to one (1) point for developments that provide evidence of receipt of a real estate tax abatement from the municipal taxing authority. The abatement period should be a minimum of five years to qualify for points. (Provide documentation evidencing abatement behind Tab 20, Certification of Subsidies.)

E. Development Cost Savings

10 points

The Agency may award up to 10 points to Applications which demonstrate costs less than the median total development costs of the total applications submitted. The Agency will determine the median total development cost per square foot (less the cost of acquisition, reserves, and commercial space) and will award points based on certain ranges as stated below. Preservation Applications and those located in Philadelphia will not be included when determining the median costs in a cycle. The Agency will award points to Preservation and Philadelphia Applications as they compare against each other. For all other developments, the Agency will award points based upon the construction type: single family/townhouse, multi-story multifamily buildings, and adaptive re-use buildings as they compare against each other. In addition to submission of certifications that the building as designed and as constructed will meet/meets all labor and material standards set forth in applicable local or statewide codes (without sacrificing unit size and other building amenities), the Agency reserves the right to require additional certifications from local officials or building design professionals prior to the issuance of an IRS Form 8609 for the building or to conduct its own site visits during construction to ensure that the quality of construction is not compromised by cost savings.

<u>Percentage Below Median Total Development Cost:</u>	<u>Points</u>
At least 10%	5
>15%	10

Total Points Available

145 points