

To: Recipients of LIHTCs in 2016

Date: December 16, 2016

**RE: PHFA's Underwriting and Processing of 2016 Developments
Impact of Change in Equity Market**

PHFA is getting many questions about how we will underwrite and process developments which received an award of Low Income Housing Tax Credits in July 2016 because of recent disruption and uncertainty in the current tax credit equity market. At this time, we understand that some developments faced with unexpected funding gaps are looking for additional funding sources to cover them. While we cannot offer specific guidance for each project that received an award of LIHTCs, in order for us to better assess the continued financial viability of the development and to ensure that certain deadlines set forth by the Agency and the tax credit program are met, we are seeking the following information:

For all Developments:

Tax credit developments which have not closed on all financings (including equity) by January 31, 2017, must submit the following documents on or before February 1, 2017:

- Fully executed equity letter of intent (dated after July 14, 2016)
- All executed financing commitment letters
- Updated budget (including sources and uses)
- Proposed timeline to achieve a construction closing
- Documentation that demonstrates the project is moving forward including the status of land development approval, site acquisition, plans and specifications, award of all project based financings (i.e., PBV, RAD, or ACC), all regulatory approvals (federal, state and local), and draft limited partnership agreement.

For Developments Seeking PHARE/Realty Transfer Tax Funds:

Developments seeking Pennsylvania Housing Affordability and Rehabilitation Enhancement/Realty Transfer Tax (PHARE/RTT) funds must submit a proposal for funding on or before January 13, 2017 in accordance the Request for Proposals PHARE/RTT. The Agency expects to receive many competing requests for these funds. In order to be considered for PHARE/RTT funds, developments may not reduce any sources of financing and may not substantially modify or change the development from the initial approved tax credit proposal (except for a reduction in equity based on market conditions). **Additionally, proposals must demonstrate that a minimum developer's fee of 25%, but not to exceed 50%, be reinvested.**

The Agency has posted specific information and submission requirements for PHARE/RTT funds on its website at http://www.phfa.org/forms/phare_plan_rtt/2016_PHARE_RTT_RFP_Final.pdf.

Proposals that are unable to move forward are encouraged to voluntarily return the tax credit award and will not be penalized in the future for doing so. Developments which are unable to provide evidence of a viable financing plan that meets Agency and tax credit program deadlines may be subject to recapture or rescission of their tax credits. Additionally, the Agency may not accept future applications from developers who are unable to move forward with their awarded developments and do not return the tax credits in a timely manner.

Please check the Agency's website, www.phfa.org, for program updates and additional guidance.