

Application Questions

1. **Question** – How do I know if my project qualifies for the Preservation through Smart Rehab Program (Smart Rehab)?

Answer – Smart Rehab is available to existing multifamily housing developments that are renting at least one-half of the units to households whose income is equal to or less than 60% of the Area Median Income (AMI). The development must also be financial stable and in otherwise good physical condition following completion of the improvements.

2. **Question** – How do I apply for Smart Rehab?

Answer – The application and instruction are available on our web site <http://www.phfa.org/developers/preservation/>.

3. **Question** – Is there a deadline for submitting a Smart Rehab application?

Answer – No. Applications maybe submitted at any time.

4. **Question** – Can the application be submitted electronically?

Answer – Yes. Please refer to the application instructions for additional information.

5. **Question** – When is an energy audit completed?

Answer – PHFA will provide the owner with a written response following review of the initial application. This letter will include instructions on how to proceed with an energy audit and if PHFA will offer grant assistance to offset a portion of the audit cost.

6. **Question** – Does the energy audit need to be bid by a number of approved energy auditors?

Answer – Yes, a minimum of three bids must be considered before contracting with an auditor to complete the report.

7. **Question** – Who pays for the energy audit?

Answer – The owner must pay for the audit using project operating or Reserve for Replacement funds. As noted above, PHFA may agree to provide a grant for up to one-half of the audit cost depending upon the current financial condition of the project.

8. **Question** – What is the next step once the audit is completed?

Answer – The owner or auditor will provide a complete copy of the energy audit to PHFA. Upon review of the report and its list of recommended improvements, PHFA may offer the owner a letter of intent to provide financing from Smart Rehab. Included with the letter will be a pro forma with the PHFA approved improvements and a summary of the sources of funds to be provided, due diligence guidelines and instructions, and the Davis/Bacon wage rate determination for the project. A closing is held and construction will begin upon the successful completion of all due diligence requirements.

Financial Questions

9. **Question** – Is Smart Rehab funding a grant or a loan?

Answer – Smart Rehab consist of various sources, each having its own terms and conditions and a development may be offered a combination of these sources depending upon its financial needs. A summary of the terms and conditions for each source is attached.

10. **Question** – Is there a limit on the amount of Smart Rehab funding that a development may receive?

Answer – Yes. Funding may not exceed \$500,000 to \$750,000 per project and Weatherization Assistance Program funds may not exceed \$6,500 per unit.

11. **Question** – What restrictions are placed on the development in exchange for Smart Rehab funding?

Answer – The development must continue as affordable housing and provide energy usage data for five years following completion of the improvements. The affordability restriction may run conterminously with existing income and/or rent restrictions.

12. **Question** – Should the cost of rehab be based on Davis/Bacon wage rates?

Answer – Yes. The wage rate determination will be provided along with the Letter of Intent.

13. **Question** – Who pays the contractors as work is completed?

Answer – PHFA will be the disbursing agent for most of the Smart Rehab funds.

14. **Question** – Is the owner required to contribute project funds as part of the total financing?

Answer – Yes, Weatherization Assistance Program (WAP) funds requires a contribution of 25 or 35 percent of the WAP eligible costs if the development has 49 or less, or 50 or more total units, respectively. A non-profit owner may seek a waiver to the contribution requirement.

Technical Questions

15. **Question** – What is the basis for determining what improvements can be considered under the Smart Rehab Program?

Answer – The scope of work is based on the list of recommended improvements provided in the energy audit?

16. **Question** – Who prepares the energy audit?

Answer – Only a firm found on PHFA’s approved list of auditors can complete the audit. The list of auditors is located at, <http://www.phfa.org/developers/preservation/>.

17. **Question** – What is the average cost of an energy audit?

Answer – On average, the cost is \$0.17 to \$0.25 per gross building square foot.

18. **Question** – Are certain improvements not eligible for Smart Rehab funding?

Answer – Yes, improvements that have an estimated payback period greater than 10 years or an improvement that cost more than the present value of the savings to be realized over its useful life, may not be considered.

19. **Question** – Is the replacement of windows allowed under the program?

Answer – It is possible but highly unlikely given the answer to Question 15 above.

20. **Question** – Is the rehab work inspected by PHFA?

Answer – Yes. A PHFA Technical Services Representative will inspect the work prior to payment and upon completion.



Preservation through Smart Rehab Program

Sources of Funds - Terms and Conditions

| Source | Interest Rate & Term | Conditions |
|---|--|--|
| MacArthur Foundation | Grant – no repayment will be required | May be used to offset a portion of the energy costs only. |
| U.S. Department of Energy/PA. Department of Community and Economic Development – ARRA Weatherization Assistance Program | Grant – no repayment will be required | WAP may not be the basis for a rent increase to the tenants for 18 months after completion of improvements. ARRA program requirements must be met. |
| PHFA - PennHOMES Funding | 0% - 10 year term | Repayment is made from 50% of excess cash flow annually, as determined by PHFA. Repayment can be deferred if insufficient cash flow is available to pay debt service. Loan term may be extended if affordability is continued or made coterminous with existing rent and income restrictions. |
| Rural Development – Preservation Revolving Loan Fund | 1% - maximum 25 year loan term | Development must currently be a RD Section 515 regulated development. |
| Pennsylvania’s Electric Companies – Act 129 Plans | Grant from electric company paid directly to account holder. | Owner must contact electric company directly to apply for rebates or other incentives. Assistance is provided in the sole discretion of each electric company. Rebate or incentive is contingent on type of improvement or equipment installed. Funds available only after improvement has been made or the equipment has been installed. |

THIS IS INTENDED AS A SUMMARY ONLY- SPECIFIC TERMS AND CONDITIONS WILL BE APPLICABLE TO ALL SMART REHAB PROGRAM PROJECTS.