

PUBLIC MEETING NOTICE
Pursuant to Act 84 of 1986 - Sunshine Act

The monthly meeting of the Members of the Board of the Pennsylvania Housing Finance Agency will be held on **Thursday, November 10, 2016 at 10:30 a.m.** at the offices of the Agency, 211 North Front Street, Harrisburg, Pennsylvania. The purpose of this meeting is to conduct normal Agency business and to approve the issuance of certain Agency securities. Inquiries should be directed to the Secretary.

If you are a person with a disability and wish to attend this meeting and require an auxiliary aid, service or other accommodation to participate, please contact the Secretary by Tuesday, November 8, 2016 to discuss how the Pennsylvania Housing Finance Agency may best accommodate your needs.

Anyone wishing to be recognized by the Chair to address the Members of the Board at this meeting must contact the Secretary no later than Tuesday, November 8, 2016 either in writing or by telephone and detail the nature of their presentation.

Carrie M. Barnes
Secretary
Phone: 717.780.3911
TTY: 717.780.1869

PENNSYLVANIA HOUSING FINANCE AGENCY

THURSDAY, NOVEMBER 10, 2016

10:30 A.M.

A G E N D A

1. CALL TO ORDER AND ROLL CALL
2. APPROVAL OF THE MINUTES FROM THE OCTOBER 13, 2016 BOARD MEETING
3. PROGRAM AND DEVELOPMENT REVIEW COMMITTEE REPORT
 - A. Request for Tax-Exempt Bond Issuing Authority
 1. Lehigh Park Apartments, Philadelphia, Philadelphia County
 - B. Other Business
4. HEMAP COMMITTEE REPORT
5. AUDIT COMMITTEE REPORT
6. AUTHORIZATION FOR HEADQUARTERS BUILDING EXPANSION PROJECT AND FINANCING
7. OTHER BUSINESS
8. ADJOURNMENT

**Pennsylvania Housing Finance Agency
Meeting of the Board
October 13, 2016**

Members Present:

- *Robin Wiessmann, Chair
- *Craig H. Alexander
- *Maria F. Coutts
- *Ronald F. Croushore
- *Kathy Possinger (serving in the stead of
Dennis Davin, Secretary of Department
of Community and Economic Development)
- *Noel Eisenstat
- *Lisa R. Gaffney
- *John Paone
- *Keith Welks (serving in the stead of
Timothy Reese, State Treasurer)
- *Mark Schwartz

*On Telephone conference call

Members Absent:

- Thomas B. Hagen, Vice Chair
- Ted Dallas
- Ross Nese

Others Present:

- Brian A. Hudson, Executive Director
- Rebecca L. Peace, Deputy Executive Director/Chief Counsel
- William Fogarty, Director of Government Affairs
- Carl Dudeck, Director of Housing Management
- Holly Glauser, Director of Development
- Bryce Marezki, Director of Strategic Policy & Planning
- Kate Newton, Director of Loan Servicing
- Kim Boal, Director of Information Technology
- Scott Elliott, Director of Communications
- John Zapotocky, Director of Accounting
- Thomas Brzana, Director of Business Analytics
- Steve O'Neill, Assistant Counsel
- Chris Anderson, Communications Officer
- Melissa Raffensperger, Government Affairs Associates
- *Barbara Stephens, Senior Public Affairs Officer
- Jada Greenhowe, Assistant Counsel
- Lori Toia, Director of HEMAP
- Gail Shull, Senior Development Officer
- Lisa Case, Manager of Project Operations
- William Bailey, Senior Development Officer
- Carl Dudeck, Director of Housing Management
- David Doray, Manager of Multifamily Underwriting
- Clay Lambert, Business Policy Officer
- *Eric Naftulin, Miriam and Robert Rieder Apartments
- *Shoshana Bannett, Miriam and Robert Rieder Apartments

Charlotte L. Nelson, Assistant Secretary
Carrie M. Barnes, Secretary

A meeting of the Members of the Board of the Pennsylvania Housing Finance Agency was held on Thursday, October 13, 2016 at 10:30 a.m. at the offices of the Pennsylvania Housing Finance Agency, 211 North Front Street, Harrisburg, Pennsylvania.

In compliance with the provisions of the Sunshine Act, notification of this meeting appeared in the Legal Notices Section of *The Patriot News* in Harrisburg, Dauphin County on September 29, 2016.

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order by Chair at 10:40 a.m. The roll was called and a quorum was present.

2. APPROVAL OF THE MINUTES FROM THE SEPTEMBER 8, 2016 BOARD MEETING

There were no additions or corrections to the minutes.

A motion was made that the minutes from the September 8, 2016 Board meeting be approved as submitted. This motion was seconded and unanimously approved.

3. PROGRAM AND DEVELOPMENT REVIEW COMMITTEE REPORT

A. PHARE/Marcellus Shale (Act 13) Project Approval Recommendations

Mr. Maretzki outlined how the Pennsylvania Housing Affordability and Rehabilitation Enhancement (PHARE) Fund was created in 2010. He reported that in 2012, a bill was signed into law providing for impact fees related to the activity in the Marcellus Shale regions to provide funding to the PHARE fund.

For 2016, the Agency has received an allocation of \$6,530,000 to be used to assist projects with predevelopment activities, acquisition of property, site preparation and construction, reconstruction and repair of existing structures, improvements and infrastructure.

The Agency issued an RFP in June, 2016 to solicit proposals for the PHARE funds allocated to PHFA. The deadline for applications was August 12, 2016.

In response to the RFP, the Agency received 43 applications located in 29 counties requesting \$7,390,000 in PHARE funds. Staff has evaluated all of the applications and is recommending that 40 applications be approved utilizing \$6,200,000 of the

total allocation. PHFA retains five percent (\$250,000) of the total allocation for overall administration of the program. Mr. Maretzki specifically noted the work done by Mr. Lambert and Ms. Raffensperger on his staff and thanked them for their efforts involving with this program and evaluating all of the applications submitted.

Ms. Gaffney stated that the Program and Development Review Committee concurs with staff's recommendation.

Ms. Gaffney made a motion that the Board approve the resolution authorizing funding of 2016 Marcellus Shale-PHARE programs and projects. This motion was seconded and unanimously approved. (See Appendix 1 of these Minutes.)

B. Request for Tax-Exempt Bond Issuing Authority –

1. Miriam and Robert Rieder Apartments, Philadelphia, Philadelphia County

Mr. Bailey reviewed the project and its financing plan. He reported that the owner is seeking tax exempt bond financing through PHFA in an amount not to exceed \$8,500,000. All of the units receive rental assistance through a project-based Housing Assistance Payments contract and this contract has been transferred to the new owners. Staff recommends approval of this funding request.

Ms. Gaffney stated that the Program and Development Review Committee concurs with staff's recommendation.

Ms. Gaffney made a motion that the Board approve the resolution authorizing a 2016 housing related bond allocation in an amount not to exceed \$8,500,000 to Miriam and Robert Rieder Apartments. This motion was seconded and unanimously approved. (See Appendix 2 of these Minutes.)

2. Laurel Towers, Harrisburg, Dauphin County

Ms. Shull reviewed the project and its financing plan. She reported that the owner is seeking the issuance of multifamily housing development notes by the Agency. The Agency would be the conduit issuer and all of the notes would be purchased by Wells Fargo Multifamily Capital. Staff recommends approval of this request.

Ms. Gaffney stated that the Program and Development Review Committee concurs with staff's recommendation.

Ms. Gaffney made a motion that the Board approve the resolution authorizing the issuance of \$12,000,000 of Special Limited Obligation Multifamily Housing Development Notes for Laurel Towers. This motion was seconded and unanimously approved. (See Appendix 3 of these Minutes.)

C. Other Business

There was no other business to be brought before the Board.

4. POLICY COMMITTEE REPORT

A. 2016 PHARE/Realty Transfer Tax (RTT) Plan Amendment

Mr. Maretzki reported that the Realty Transfer Tax Act (Act 58 of 2015) was signed into law in November of 2015. This Act expanded funding under the PHARE program to all 67 counties in the Commonwealth by utilizing revenue from the Realty Transfer Tax. The Agency will receive an allocation based on a formula set by the Act which will be capped at \$25,000,000 annually. It has been determined that the Agency's 2016 allocation will be \$12,670,000.

Mr. Maretzki reported that an amendment is required to the PHARE Plan to incorporate the Realty Transfer Tax into the Plan. This amended Plan was available for 45 days for public comment and all relevant comments have been incorporated into this final version of the Plan.

An RFP will be issued by the Agency on October 17, 2016 with applications due by January 13, 2017. Funding recommendations will be made to the Board in April, 2017. Mr. Maretzki noted that staff anticipates receiving a large number of applications under this program, especially since the pool of eligible applicants is very broad.

Mr. Schwartz expects that this program will be very helpful in creating additional affordable housing. He reported that the Policy Committee concurs with staff's recommendation that this Final Plan be approved by the Board.

Mr. Schwartz made a motion that the Board approve the 2016 PHARE/Realty Transfer Tax Final Plan. This motion was seconded and was unanimously approved. (See Appendix 4 of these Minutes.)

B. PHFA Administration of Fiscal Year 2016-2017 Mixed Use Development Tax Credit

Mr. Marezki informed the Board that the Agency has been authorized through the Fiscal 2016-2017 state budget to administer the Mixed Use Development Tax Credit and Program. The Agency will receive an allocation of \$2,000,000 in Fiscal Year 2017-2018 for this program. The Agency has 180 days to adopt guidelines for the Tax Credit allocation and the Program. He briefly reported on the criteria for the Program and the Tax Credit allocation.

Mr. Marezki noted that this Program encompasses a wide range of eligible “qualified taxpayers”. An RFP will be created for proposals at the appropriate time. The Department of Revenue will be involved to be sure that taxpayers are fully compliant with all tax payments. The Agency will be required to submit an annual report to the Governor and Legislature listing taxpayers applying for credits and receiving credit under this Program.

Mr. Marezki stated that this Program is in its formative stages and staff anticipates bringing the final program documents to the Board for approval in December, 2016. It is expected that recommendations for project funding will be presented to the Board in November, 2017. A draft of the Program summary and the RFP were distributed to the Board.

Mr. Marezki reported that the Program documents will be published in *The Pennsylvania Bulletin* and the public comment period begins on October 22, 2016.

No Board action is required at this time. The Board will be updated and this Program as it moves forward.

Mr. Hudson thanked staff for their efforts thus far on this Program.

5. OTHER BUSINESS

A. November 10, 2016 Board Meeting

Mr. Hudson reported that the November 10 Board meeting will be held via telephone conference call.

B. December Policy and Board Meeting

Mr. Hudson stated that the Board’s annual policy meeting will be held on Wednesday, December 7 beginning at 9:00 a.m. at the Agency. It is expected that this meeting will continue until mid-afternoon.

The Board meeting will convene at 10:30 a.m. on Thursday, December 8 at the Agency.

6. ADJOURNMENT

There being no further business to be discussed, a motion was made and seconded that the meeting be adjourned. The motion was unanimously approved. Chair Wiessmann adjourned the meeting of the Board at 11:10 a.m.

The next regularly scheduled meeting of the Members of the Board of the Pennsylvania Housing Finance Agency will be held on Thursday, November 10, 2016 at 10:30 a.m. at the offices of the Agency, 211 North Front Street, Harrisburg, Pennsylvania.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carrie M. Barnes".

Carrie M. Barnes
Secretary

TAX-EXEMPT NOTE ISSUANCE

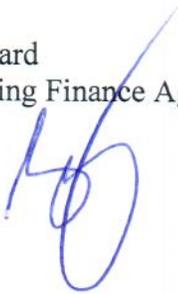
Pennsylvania Housing Finance Agency
November 3, 2016

SUBJECT: Lehigh Park Apartments

Request for Tax-Exempt Note Issuance
Tax-Exempt/Tax Credit Development: TC2016-109, 74 units
City of Philadelphia, County of Philadelphia, Region 1
Development Officer: Ann A. Mermelstein

TO: Members of the Board
Pennsylvania Housing Finance Agency

FROM: Brian A. Hudson
Executive Director



Proposal Description

Lehigh Park Apartments is an existing 74-unit development located at 2600-2620 and 2622-2646 North Lawrence Street, in a residential area in the Fairhill neighborhood of Philadelphia. This proposal is for the acquisition and moderate rehabilitation of one four-story and one five-story building for general occupancy. There are four one-bedroom units, 36 two-bedroom units and 34 three-bedroom units. The structural system is masonry and wood frame with a brick exterior finish. The development contains a total of 140,118 square feet, and is situated on approximately 0.7 acres of ground.

1. Construction Financing Plan

Construction financing will be provided in the approximate amounts of:

Tax-Exempt Note - Citibank, N.A. Private Placement	\$ 6,000,000
Assumed Debt	4,422,000
Deferred Developer's Fee	295,537
Existing Reserves	28,000
Equity from the Sale of Tax Credits	<u>1,583,617</u>
Total Development Cost	\$12,329,154

2. Permanent Financing Plan

Permanent financing will be provided in the approximate amounts of:

Citibank, N.A. – loan	\$ 3,200,000
Assumed Debt	4,422,000
Deferred Developer's Fee	295,537
Existing Reserves	28,000
Equity from the Sale of Tax Credits	<u>4,383,617</u>
Total Development Cost	\$12,329,154

3. Development Costs

The Agency will be the conduit issuer of the tax exempt note which will be structured using Citibank Community Capital's Back-to Back Loan Structure. Citibank, N.A. will be the initial funding lender and loan servicer. The note proceeds will be used to establish an escrow from which funds will be disbursed during construction, a portion of which will be repaid shortly after construction completion from the investor's equity and the remaining amount will convert to the permanent loan.

	<u>Total</u>	<u>Per Unit</u>	<u>Per Sq. Ft.</u>
Construction Cost	\$ 4,615,132	\$ 62,367	\$33
Replacement Cost	\$10,248,232	\$138,490	\$73
Total Replacement Costs & Reserves	\$10,810,359	\$146,086	\$77
Total Development Costs	\$12,329,154	\$166,610	\$88
Tax-Exempt Note	\$ 6,000,000	\$ 81,081	\$43
Acquisition Costs	\$ 4,700,000	\$ 63,514	\$34

4. Leveraging of Other Resources

The owner anticipates that the National Equity Fund will provide an equity contribution of \$4,383,617 from the proceeds of the syndication of federal Low Income Housing Tax Credits, with a pay-in of \$1.11. The development anticipates qualifying for an allocation of Low Income Housing Tax Credits in the approximate amount of \$395,134. Developments financed with tax-exempt private activity bonds or notes are generally eligible to claim a four percent credit allocation on the development's eligible basis.

5. Rental Estimates

Unit Type	No. of Units	Avg. Net Rentable Sq. Ft.	Projected Tenant Rent	Estimated Cost of Utilities	Rental Subsidy	Total Housing Expense
1BR	1	600	\$169	\$132	\$ 635	\$ 936
1BR	3	600	\$175	\$132	\$ 629	\$ 936
2BR	2	743	\$195	\$166	\$ 795	\$1,156
2BR	13	743	\$275	\$166	\$ 715	\$1,156
2BR	2	870	\$195	\$166	\$ 795	\$1,156
2BR	19	870	\$275	\$166	\$ 715	\$1,156
3BR	1	846	\$219	\$198	\$1,002	\$1,419
3BR	7	846	\$320	\$198	\$ 901	\$1,419
3BR	2	1,375	\$219	\$198	\$1,002	\$1,419
<u>3BR</u>	<u>24</u>	<u>1,375</u>	<u>\$320</u>	<u>\$198</u>	<u>\$ 901</u>	<u>\$1,419</u>
Total	74					

25 of the units will receive rental assistance under a 15-year HUD Section 8 Project Rental Assistance Contract to be signed and effective at closing. The remaining 49 units will receive rental assistance under the HUD Rental Assistance Demonstration Program (RAD) with a Project Based Section 8 Rental Assistance Contract, with a minimum term of 15 years, to be signed at closing.

Eight units will be available to tenants earning up to 20% of the area median income. 37 units will be available to tenants earning up to 50% of area median income. The remaining 29 units will be available to tenants earning up to 60% of area median income.

6. Relocation

Tenants will be temporarily displaced to complete the proposed renovations. Affected residents will be temporarily relocated to vacant units in the development during renovations. The budget provides for the cost of temporary relocation as needed to complete unit renovations.

7. Supportive Services

A broad array of services, such as financial literacy, energy assistance and conservation, and credit and consumer education services will be provided to tenants on site by Hispanic Association of Contractors and Enterprises (HACE). HACE also intends to establish partnerships with a number of community service providers to provide additional services such as job readiness skills workshops, GED preparation and vocational/skills training and education workshops.

Development Team

1. Identification of Owner

The owner of this development will be Lehigh Park Apartments LLC, a Pennsylvania limited liability company, with Lehigh Park Managing Member LLC as its sole member.

2. Development Team Members

Sponsor:	Hispanic Association of Contractors and Enterprises (HACE) Maria N. Gonzalez Philadelphia, PA
Owner:	Lehigh Park Apartments LLC Maria N. Gonzalez Philadelphia, PA
Attorney:	Blank Rome LLP Steven A. Shoumer, Esq. Philadelphia, PA
Architect:	KSK Architects, Planners and Historians, Inc. John R. Gibbons Philadelphia, PA
Contractor:	Domus, Inc. Mark Halstead Philadelphia, PA
Management Agent:	HACE Management Company David Gonzalez Philadelphia, PA

Site Description

The site is located in a residential area in the Fairhill neighborhood of Philadelphia. The site is level and is zoned RM, Residential, with multi-family housing a permitted use.

A number of neighborhood amenities are located within one half mile of the subject property, including grocery stores, schools, a public park and a number of social services agencies. Public transportation is also located within one quarter mile of the subject property, providing access to additional services throughout the City.

Conditions

Final allocation of volume cap will be conditioned upon receipt of the following:

1. Submission, review, and approval of all documentation necessary to secure construction and permanent loan financing of the project.
2. Evidence, satisfactory to the Agency, that all conditions and qualifications relating to Section 42 of the Internal Revenue Code of 1986, as amended, and all applicable requirements of the Agency's Tax Credit Program have been met.
3. Evidence, satisfactory to the Agency, that all conditions and qualifications relating to Sections 103 and 142 (and related sections) of the Internal Revenue Code of 1986, as amended, have been met.
4. Compliance with the timeframes and deadlines established by the Agency.
5. Evidence of the commitment of construction and permanent financing in amounts sufficient to ensure financial feasibility of the project.
6. Evidence of the commitment to serve low income tenants for a period of not less than 30 years, which will be included in the Restrictive Covenant Agreement.
7. Evidence of the satisfaction of accessibility requirements.
8. Contribution of equity in an amount sufficient to ensure the financial feasibility of the development.
9. Final underwriting of the application for tax-exempt bond financing and low income housing tax credits.
10. Evidence of the final approval from HUD of the rents stated in the application and the extension of the current HUD Section 8 HAP Contract for a period of not less than 15 years.

PENNSYLVANIA HOUSING FINANCE AGENCY

RESOLUTION

**Authorizing the Issuance of \$6,600,000
Maximum Aggregate Principal Amount of
Special Limited Obligation Multifamily Housing Development Note
(Lehigh Park Apartments)**

Adopted: November 10, 2016

**A RESOLUTION AUTHORIZING THE ISSUANCE OF
\$6,600,000 MAXIMUM AGGREGATE PRINCIPAL AMOUNT
SPECIAL LIMITED OBLIGATION
MULTIFAMILY HOUSING DEVELOPMENT NOTE
(Lehigh Park Apartments)**

WHEREAS, the Housing Finance Agency Law, Act of December 3, 1959, P.L. 1688, as amended (35 P.S. Section 1680.101 *et seq.*) (the "**Act**"), determines and declares that the welfare of the Commonwealth of Pennsylvania (the "**Commonwealth**") is threatened by an inadequate supply of housing for persons and families of low and moderate income and the elderly; that the housing need for persons and families of low and moderate income and the elderly has not had economic expression in a market demand sufficient to encourage greater production of such housing by private industry due to high construction costs, a scarcity of financing and increased interest rates; that necessary governmental activities in urban renewal programs and under regulatory laws protecting health and safety face serious curtailment or interruption unless it becomes economically feasible for persons and families to acquire housing in place of the dwellings being eliminated by such activities; that the Commonwealth has a strong moral responsibility to assist in providing opportunity for the rental of relocation housing by persons and families displaced by necessary governmental activities and a general responsibility to eliminate conditions which prevent private industry from supplying housing to relieve the general shortage of housing; that private industry alone is unable to provide financing necessary for housing for persons and families of low and moderate income at a cost which such persons and families can afford; that the financing provided for in the Act will encourage greater expenditure of private capital for housing; and that there is a clear relationship between the provision of adequate, safe and sanitary housing and the advancement of public health and morals and the prevention of fire, accident and crime; and

WHEREAS, the Act empowers the Pennsylvania Housing Finance Agency (the "**Agency**") to make loans to eligible borrowers to provide for the construction, rehabilitation or permanent financing of such residential housing developments as in the judgment of the Agency have promise of supplying well planned, well designed apartment units which will provide housing for low and moderate income persons or families or the elderly and others in locations where there is a need for such housing and to purchase, service and sell such loans and to accept grants and subsidies from and to enter into agreements or other transactions with any federal agency or agency of the Commonwealth or other entity and to do all things necessary or convenient to carry out the powers granted by the Act; and

WHEREAS, the Agency is further authorized to issue and sell, subject to written approval by the Governor, bonds or notes in such principal amounts as, in the opinion of the Agency, are necessary to provide sufficient funds for achieving its corporate purposes; and

WHEREAS, the Agency has the power to invest any funds held in reserve or sinking funds and any funds not required for immediate disbursement in such investments as may be lawful for fiduciaries under any law of the Commonwealth, and the Agency may pledge reserve funds to the holders of bonds or notes which are issued pursuant to the Act and proceeds of loans created therefor by the Agency, all or any part of the assets acquired by the Agency pursuant to the Act, and any other lawfully available money to secure the payment of such bonds or notes; and

WHEREAS, the Act provides that bonds or notes issued by the Agency may be secured by a trust agreement by and between it and a trustee and that the resolution providing for the issuance of such bonds or notes or such trust agreement may contain such provisions for protecting and enforcing the rights and remedies of the bondholders or noteholders as may be reasonable and proper and not in violation of law, including covenants setting forth the duties of the Agency in relation to the custody, safeguarding and application of all moneys, may set forth the rights and remedies of the bondholders or noteholders and of the trustee, and may contain such other provisions as the Agency may deem reasonable and proper for the security of the bondholders or noteholders; and

WHEREAS, Citibank, N.A. (the "**Funding Lender**"), or such successor entity as may be approved by the Agency, will make a loan to the Agency to provide funding for the Project (the "**Funding Loan**"), and certain documents to evidence the transaction, including the note to be issued by the Agency evidencing the Funding Loan (the "**Funding Loan Note**") and other financing documentation relating to the Project, will be prepared; and

WHEREAS, the Agency has determined to issue and secure the Funding Loan Note in accordance with, pursuant to and under this Resolution, a loan agreement and/or similar loan or financing agreements (such operative documents shall be referred to hereinafter collectively as the "**Funding Loan Agreement**"); and

WHEREAS, Lehigh Park Apartments LLC, a Pennsylvania limited liability company (the "**Borrower**") sponsored by HACE, also known as the Hispanic Association of Contractors and Enterprises, a Pennsylvania nonprofit corporation, has requested financing from the Agency in an amount not to exceed \$6,600,000 (the "**Project Loan**") to fund a portion of the costs of acquiring and renovating two multi-story buildings for general occupancy, known as "Lehigh Park Apartments", comprised of 74 units in Philadelphia County, Pennsylvania (the "**Project**"); and

WHEREAS, the Agency will issue the Funding Loan Note and use the proceeds thereof to fund the Project Loan to the Borrower pursuant to a loan agreement between the Agency and the Borrower (the "**Project Loan Agreement**"); and

WHEREAS, the Agency may use a portion of the proceeds of the Funding Loan Note to reimburse itself or the Borrower for original expenditures paid prior to the date of issuance of the Funding Loan Note; and

WHEREAS, this Resolution is intended, inter alia, to constitute a statement of "Official Intent" pursuant to Treasury Regulations §1.150-2, T.D. 8476 (the "**Treasury Regulations**").

NOW THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE BOARD OF THE PENNSYLVANIA HOUSING FINANCE AGENCY AS FOLLOWS:

**ARTICLE I
AUTHORITY AND DEFINITIONS**

Section 101. Authority for Resolution. This Resolution (hereinafter referred to as the "**Resolution**") is adopted pursuant to the authority granted to the Agency in the Act.

Section 102. Definitions. All terms which are used but not defined herein shall have the meanings ascribed to them in the Funding Loan Agreement.

ARTICLE II AUTHORIZATION OF NOTE

Section 201. Principal Amount and Designation. The Funding Loan Note is hereby authorized to be issued, in an aggregate principal amount not to exceed \$6,600,000. The Funding Loan Note shall carry the designation set forth in the Funding Loan Agreement. The Funding Loan Note shall be issued pursuant in all respects to the terms of this Resolution.

Section 202. Purposes. The Funding Loan Note is being issued as a special and limited obligation of the Agency, payable solely out of the moneys derived pursuant to the Funding Loan Agreement, the Project Loan Agreement and the Project Note evidencing the Project Loan. Proceeds of the Funding Loan Note shall be used for the payment of qualified costs associated with the acquisition, construction, renovation, equipping and/or improvement of the Project, and may be applied to certain costs of issuance; and which Project is in every respect intended to qualify as a "residential rental facility" under the exempt facility provisions of Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code").

Section 203. Conditions. This financing is subject to the fulfillment of all of the following conditions to the satisfaction of the Agency: (a) submission, review, and approval of all documentation necessary to secure construction and permanent loan financing; (b) satisfactory evidence that all conditions and qualifications relating to Section 42 of the Code and all applicable requirements of the Tax Credit Program have been met; (c) satisfactory evidence and Agency Counsel approval that all qualifications relating to Sections 103 and 142 (and related sections) of the Code have been met; (d) compliance with all timeframes and deadlines established by the Agency; (e) evidence of the commitment of construction and permanent financing in amounts sufficient to ensure financial feasibility of the Project; (f) evidence of the commitment to serve low income tenants for a period of not less than thirty (30) years, which will be included in the Restrictive Covenant Agreement; (g) evidence of the satisfaction of accessibility requirements; (h) contribution of equity in an amount sufficient to ensure the financial feasibility of the development; (i) final underwriting of the application for tax-exempt financing and low income housing tax credits; and (j) evidence of final HUD approval of the rents stated in the application and the extension and assignment of the current HUD Section 8 HAP Contract for a period of not less than fifteen (15) years.

Section 204. Date, Principal Amount, Maturity and Interest Rate. The Funding Loan Note shall be dated the date of issuance, except as may be otherwise provided in the Funding Loan Agreement or the Funding Loan Note. The maturity date, interest rate or rates (which may be fixed or variable), interest payment dates, place of payment and other terms of the Funding Loan Note shall be as provided in the Funding Loan Agreement as finally executed; provided, however, that the maximum aggregate principal amount of the Funding Loan Note shall not exceed \$6,600,000; the interest rate on the Funding Loan Note shall not exceed the lesser of eight percent (8%) per annum or such rate supported by the final underwriting; and the final maturity of the Funding Loan Note shall be no later than 37 years or such date supported by the final underwriting (whichever is shorter).

Section 205. Payments. The Funding Loan Note shall bear interest from its dated date and shall be payable as set forth in the Funding Loan Note and the Funding Loan Agreement, until the date of maturity of the Funding Loan Note or prepayment prior to maturity, as provided in the Funding Loan Agreement. All principal shall be due at maturity or prepayment prior to maturity, as provided in the Funding Loan Agreement.

Section 206. Form. The Funding Loan Note shall be in substantially the form and tenor prescribed in the Funding Loan Agreement.

Section 207. Execution of Funding Loan Note. The Funding Loan Note shall be executed by the manual or facsimile signature of the Executive Director, Deputy Executive Director and Chief Counsel or Director of Finance and the seal of the Agency or a facsimile thereof shall be imprinted, impressed or otherwise reproduced on the Funding Loan Note and attested by the manual or facsimile signature of the Executive Director, Deputy Executive Director and Chief Counsel, Director of Finance or Secretary of the Agency. The Funding Loan Note shall be delivered to or on behalf of the Funding Lender.

Section 208. Place of Payment. The principal payments, including payments upon prepayment, of the Funding Loan Note shall be payable as provided in the Funding Loan Agreement.

Section 209. Prepayment. The Funding Loan Note shall be subject to prepayment as provided in the Funding Loan Agreement.

Section 210. Execution of Agreement. Any of the Executive Director, Deputy Executive Director and Chief Counsel or Director of Finance of the Agency is hereby authorized to execute, for and on behalf of and in the name of the Agency, the Funding Loan Note, the Funding Loan Agreement and the Project Loan Agreement, with such final terms and provisions as their counsel may deem advisable, provided that the Funding Loan Note shall contain such substantive terms and provisions materially consistent with this Resolution.

ARTICLE III NOTE PROCEEDS AND PAYMENTS OF COSTS

Section 301. Note Proceeds. Pursuant to the Funding Loan Agreement, upon receipt of the proceeds of the Funding Loan and the issuance of the Funding Loan Note in connection therewith, such proceeds shall be advanced to the Borrower pursuant to the Project Loan Agreement.

Section 302. Payments of Costs. At closing, the Borrower shall pay the costs, expenses and professional fees associated with the issuance of the Funding Loan Note.

ARTICLE IV SECURITY FOR THE NOTE

Section 401. Limited Obligation. The Funding Loan Note shall be a special and limited obligation of the Agency, and shall be payable only from funds paid by or on behalf of Borrower for such purposes. The Funding Loan Note shall be secured by the collateral described in the Funding Loan Agreement as security for the Funding Lender. The Funding Loan Note shall contain a statement therein to the effect that the obligations of the Agency on the Funding Loan Note are expressly limited to and are payable solely from the sources described in the Funding Loan Agreement.

Section 402. Credit of Commonwealth Not Pledged. The Funding Loan Note shall contain therein a statement to the effect that the Funding Loan Note shall be a special and limited obligation of the Agency payable only from the sources provided in the Funding Loan Agreement, that neither the Commonwealth nor any political subdivision thereof shall be liable on the Funding Loan Note and that neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Funding Loan Note. Neither the members of the Board nor the officers of the Agency nor any person executing the Funding Loan Note shall be liable personally on the Funding Loan Note or be subject to any personal liability or accountability by reason of the issuance thereof.

**ARTICLE V
MISCELLANEOUS**

Section 501. Authorization of Officers. The Chairperson, Vice Chairperson, Executive Director, Director of Finance, Deputy Executive Director and Chief Counsel, Secretary and any Assistant Secretary of the Agency, and any other authorized officer of the Agency, are, and each of them hereby is, authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution, the Funding Loan Note and the Funding Loan Agreement as shall, with the advice of the Agency Counsel and Bond Counsel, be advisable.

Section 502. Covenant to Comply with Federal Tax Requirements. The Agency hereby covenants to comply, and to take appropriate steps to ensure that the Borrower complies, with all applicable requirements of the Code so that interest on the Funding Loan Note will be excluded from gross income of the holders thereof for federal income tax purposes, including all applicable requirements of the Code regarding the provision of funds for qualified residential rental properties, investment of proceeds, treatment of fund investment earnings, repayments or unused proceeds, restriction of earnings on reserve funds, and rebate and yield restrictions set forth in Section 148 of the Code. The Agency also covenants to make any required payment imposed by the United States to maintain compliance with said requirements from time to time as required by Section 148 of the Code (or by applicable subsequent Treasury Regulation.) The Agency shall require that Borrower contract for and fund the retention of qualified computation advisers to perform all applicable disclosure and federal tax compliance requirements.

Section 503. Official Intent. In accordance with Treasury Reg. §1.150-2, the Agency hereby confirms its intentions that a portion of the proceeds of the Funding Loan Note may be used to reimburse itself or the Borrower for qualifying expenditures paid prior to the date of issuance of the Funding Loan Note. All original expenditures to be reimbursed will be capital expenditures (as defined in Treas. Reg. Sec. 1.150-1(b)) and other amounts permitted to be reimbursed pursuant to Treas. Reg. Sec. 1.150-2(d)(3) and (f).

Section 504. Effective Date and Validity. This Resolution shall take effect immediately and shall remain in effect until specifically repealed.