



# HACP

**Housing Authority  
City of Pittsburgh**

**Panel Session 15: Multifamily Gap Resources During the  
Post-COVID Era, What They Are and How to Access Them**

2022 PHFA Housing Forum

May 12, 2022

Presented by JW Kim, Director of Planning and Development

[www.HACP.org](http://www.HACP.org)

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# HACP's Journey to Development Gap Financing

HACP's development toolbox has evolved from conventional development to MTW and innovative financing partnership to meet federal objectives and local needs

Since 1939  
Conventional Development, Acquisition & Turnkey

Since 1996  
HOPE VI  
Mixed Finance Development

Since 2003  
Moving To Work Designation

Since 2011  
Project Based Voucher

Since 2015  
PBV + Gap Financing

Since 2014  
Choice Neighborhoods Initiatives



# Context (Policy)

## HUD Strategic Plan 2022-2026. Goal #2 - Ensure Access to and Increase the Production of Affordable Housing

- Enhance HUD's programs that increase the production and supply of housing.
- Improve rental assistance.

## HACP Moving to Work Plan Goal #3 - Increase housing choices for low-income families through initiatives designed to increase the quality and quantity of housing.

- A core strategy - Creation of new, affordable units supported by project-based vouchers.

# Context (HACP Strategy)

## Increase voucher utilization

- Incentivize/recruit/retain landlords
- Acquire low income housing and become a landlord

- **Project base the underutilized voucher subsidy to preserve and increase affordable housing units in partnership with developers and owners (Today's topic)**

# GAP Tool 1. Project Based Voucher (PBV)

## Program Funding Source

- A component of HACP's Housing Choice Voucher program
- PHA uses some of housing voucher program funds (including reserves) of PHA to project-base voucher rental assistance to specific housing units.
- PBV rent subsidy is typically higher than public housing operating subsidy

- **Origin:** Quality Housing and Work Responsibility Act of 1998.
- **Regulation:** 24 CFR 983
- **Recent Update:** HUD has (and continues to) streamlined under Housing Opportunity Through Modernization Act of 2016 (HOTMA): PIH Notice 2017-21 Implementation Guidance: HOTMA HCV and PBV Provisions.

# PBV **Supports** Developers & Owners

- PBV rent subsidy is eligible for debt service payment unlike public housing operating subsidy.
- PBV rent subsidy is based on rent reasonableness study, HUD fair market rent.
- Long-term, “renewable” contract with a property owner: Initial contract for up to 20 years.
- PHA’s site based waitlist pre-screens applicants.

# PBV **Helps** Tenants

- Income Eligibility, typically up to 50% AMI
- PBV Housing Assistance Payment
- PBV tenant pays 30 percent of adjusted gross income for rent and utilities or a minimum rent
- Increases housing supply for voucher-eligible families (More choices for low income families)
- Requires mixed income with some waivers (e.g., elderly and residents eligible for supportive services)
- HUD Fair Housing's Site Selection

# PBV – Regulatory Consideration

## Regulatory compliance

- Environmental Review
- Davis-Bacon Wage Requirements
- Minority/Women-owned Contractors
- Section 3 Employment and Contracting Requirements
- Federal Accessibility Standards
- Relocation
- Form HUD-5370 - General Conditions of the Contract for Construction

## PBV-Specific Regulation

- Subsidy Layering Review
- PBV Project Eligibility
- Rent Determination & Rent Reasonableness
- Excepted Units
- Housing Quality and Fair Housing Requirements
- Initial Term and Contract Renewal
- Pre-Construction
- Unit Designation
- Commitment to Utilize Awarded PBV Units as Replacement Units for Relevant HACP Developments
- Site Based Wait List



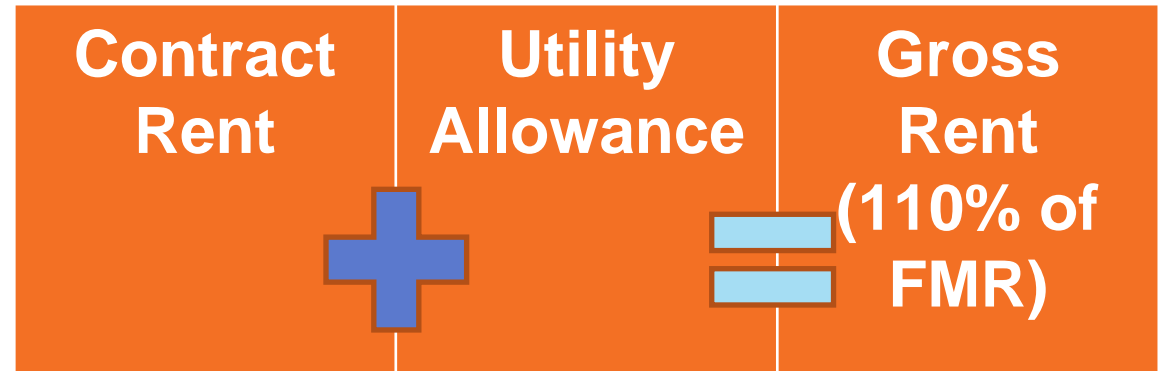
# PBV - Rent

## Initial Rent Determination

The rent including any applicable tenant utility allowances must not exceed the lowest of:

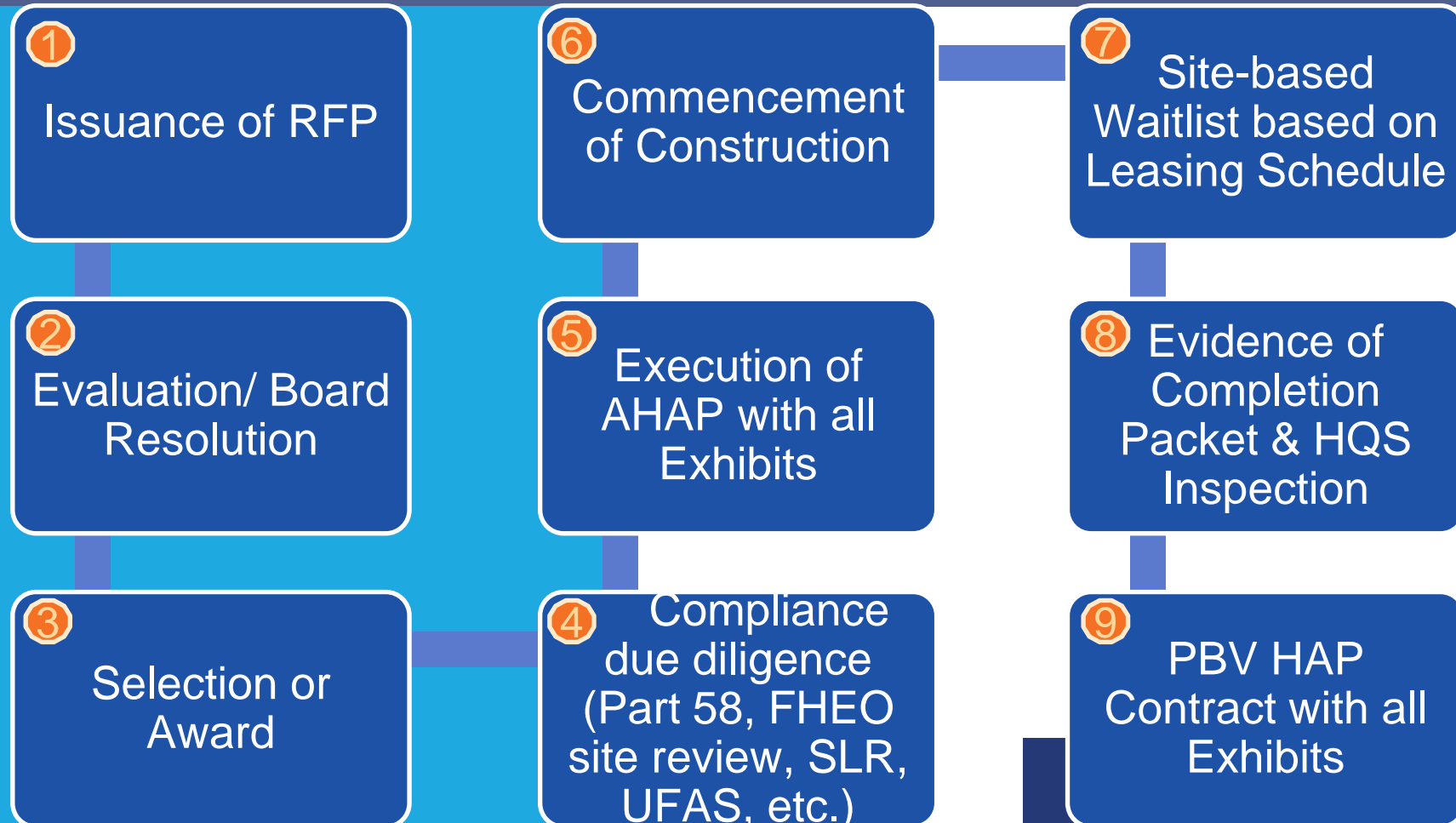
- The rent requested by the Owner/Developer; or
- The rent reasonableness study conducted by HACP; or
- An amount not to exceed 110 percent (110%) of the applicable HUD Fair Market Rent\* for the unit bedroom size including any applicable tenant-paid utility allowance.

## PBV Rent Calculation



\* PHA can utilize either Metropolitan Statistical Area FMR or. Zip-code-based Small Area FMR for rent determination.

# PBV – Main Work Flow



# GAP Tool 2. PBV + Gap Financing Loan

- Moving to Work (MTW) Local Non-Traditional Development program
- Purpose: To increase supply of PBV-subsidized housing units by offering Gap Financing loan competitively to new construction or rehabilitation PBV development projects.
- Gap Financing loan is tied to PBV unit only: currently, up to \$90,000 per PBV unit.



Up: **Crawford Square** (60 PBV, 134 Other Affordable, 153 Market-rate units)



Left: **Elmer Williams Square** (37 PBV units)

# PBV + Gap Financing Program

## RFP Evaluation Criteria

Site and Neighborhood Standards

Capacity and Experience of Development Team

Project Financing & Compliance with Underwriting Criteria

Site & Unit Design

Project Readiness

MBE/WBE and Section 3 Plans

## Major Milestones for Gap Financing Loan

RFP Award - Conditional Commitment of PBV/Gap Financing

SHPO & Part 58 Approval Process

HUD LNTD Development Proposal Package

Initial Evidentiary Submission to HUD

HUD approval for financial closing

Financial closing (including Gap Financing loan closing and AHAP)

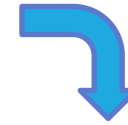
# PBV + Gap Financing Program

## Regulation and Underwriting

- Affordability Restrictions (Use Agreement)
- Eligible Activities
- Maximum Loan Amounts
- Loan Term
- Loan Structure
- Debt Service Coverage Ratio
- Loan Repayment
- Total Development Costs Limits
- Cost Reasonableness
- HUD Cost Control and Safe Harbors
- Cash Flow
- Completion Guarantee
- Loan Disbursement
- Loan Closing Fees
- Identity of Interest



Up: Former Lemington Home for the Aged



Right: Newly Renovated Lemington Senior Living Center (54 PBV units)  
Completed 2021



# PBV + Gap Financing

Development Name	Neighborhood	# of PBV Units	# of non-PBV Units	HACP Gap Financing	Status
Miller Street Apartments	Hill District	9	27	\$ 419,998	Completed in 2019
Crawford Square	Crawford Roberts	60	284	\$ 8,481,528	Completed in 2020
Elmer Williams Square	Larimer	37	0	\$ 829,884	Completed in 2020
New Granada Square	Middle Hill	10	30	\$ 1,000,000	Under construction
North Negley Residences	Garfield	13	35	\$ 1,095,000	Under construction
Harvard Beatty Housing	East Liberty	8	34	\$ -	Under construction
Gladstone Residences	Hazelwood	20	31	\$ 1,000,000	In pipeline
Stanton-Highland	Highland Park	23	0	\$ 2,070,000	In pipeline
Fifth and Dinwiddie	Uptown	23	21	\$ 2,000,000	In pipeline
Cedarwood Homes	Fairywood	24	22	\$ 1,620,000	In pipeline



**North Negley Residence (13 PBV, 35 Other Affordable units) Under Construction**

# A tool we're learning about ....

## Faircloth-to-RAD

- "PHAs have a new pathway to leverage their existing public housing "Faircloth Authority" to create new deeply rent-assisted housing through the Rental Assistance Demonstration (RAD)."  
([https://www.hud.gov/sites/dfiles/Housing/documents/Faircloth-to-RAD\\_Fact\\_Sheet.pdf](https://www.hud.gov/sites/dfiles/Housing/documents/Faircloth-to-RAD_Fact_Sheet.pdf))

- HUD issued a program guidance in January 2022.
- There are only a few early adopters such as Chicago Housing Authority

# A tool we're thinking about ....

## PBV for Educational Institution?

- Can higher education institutes use PBV to develop and own housing to support income-eligible, independent, full-time low students based on local needs?
- There are regulatory restrictions for student housing for PBV and LIHTC (also conflicting restrictions)
- There are regulatory and practical issues, but we are interested in this model.





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**Thank you!**

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