TO: Honorable Tom Wolf, Governor
    Honorable Eugene DePasquale, Auditor General
    Honorable Thomas McGarrigle, Chairman, Senate Urban Affairs & Housing Committee
    Honorable Wayne Fontana, Minority Chairman, Senate Urban Affairs & Housing Committee
    Honorable Brian Ellis, Chairman, House Commerce Committee
    Honorable W. Curtis Thomas, Democratic Chairman, House Commerce Committee

FROM: Brian Hudson, CEO
    Pennsylvania Housing Finance Agency

DATE: July 1, 2018

SUBJECT: Mixed-Use Development Fund Tax Credit Program - 2017 Annual Report

Enclosed for your review is the inaugural Annual Report for the Mixed-Use Development as required by Act 84 of 2016.

BACKGROUND:

Enacted pursuant to the Tax Reform Code of 1971, by Act 84 of 2016 under Article XIX-E, the Mixed-Use Development Tax Credit program, administered by the Pennsylvania Housing Finance Agency (“PHFA” or “Agency”), authorizes the Agency to sell $2 million of state tax credits to qualified taxpayers for the purpose of establishing the Mixed-Use Development Fund (the “fund”). Distributions from the fund will be awarded to eligible projects in target areas of the Commonwealth with an identifiable need for increased affordable housing opportunities and commercial corridor development. Through the maximization of public and private resources, communities may address shortages in the availability of affordable housing while supporting business growth and sustainable partnerships by providing developers access to funds for construction or rehabilitation projects that support both affordable housing and business within the same structure.

PHFA is authorized to sell Mixed-Use Development tax credits through directed or negotiated sale to any qualified taxpayer. A qualified tax payer is any natural person, business firm, corporation, business trust, limited liability company, partnership, limited liability partnership, association or any other form of legal business entity that is subject to a tax imposed by Article III, IV, VI, VII, VIII, IX, XI, or XV of the Tax Reform Code of 1971, excluding tax withheld by an employer under Article III.

The credit issued to a qualified taxpayer may be applied against any qualified tax liability. A qualified tax liability is:

- Article III: Personal Income Tax (excluding tax withheld by an employer)
- Article IV: Corporate Net Income Tax
- Article VI: Capital Stock and Franchise Tax
- Article VII: Bank and Trust Company Shares Tax
Attached, for your review is:

1. A listing of qualified taxpayer applicants and bids under the 2017 Mixed-Use Development Fund Tax Credit Program.
2. A financial update on the progress of awarded Mixed-Use Development Fund Tax Credit projects.

<table>
<thead>
<tr>
<th>Qualified Taxpayer Applicants</th>
<th>Bid</th>
<th>Allocation</th>
<th>Tax Credit Certificate Issued</th>
</tr>
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<tbody>
<tr>
<td>Armstrong Utilities, Inc.</td>
<td>$415,000</td>
<td>$500,000</td>
<td>Yes</td>
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<tr>
<td>Tax Credit Brokerage, LLC</td>
<td>$430,000</td>
<td>$500,000</td>
<td>Yes</td>
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<tr>
<td>Tax Credit Services, LLC</td>
<td>$830,000</td>
<td>$1,000,000</td>
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</tr>
<tr>
<td></td>
<td>$1,675,000</td>
<td>$2,000,000</td>
<td></td>
</tr>
</tbody>
</table>

NOTE: As of July 1, 2018, no projects have been awarded Mixed-Use Development Tax Credit funds.