
VOLUME CAP FOR TAX EXEMPT BOND FINANCING

Developments receiving tax exempt financing for at least 50 percent of the aggregate basis of the property including land are not required to submit an application for 9% Tax Credits from the Agency. However, the development must be evaluated by the Agency to assure that the proposal is in accordance with the priorities, Selection Criteria and other program requirements set forth in the Allocation Plan. Applicants are encouraged to use the Agency as Bond Issuer, but Applications using a local issuer will also be considered. The issuing authority must also determine the amount of Tax Credits required to assure the feasibility and long term viability of the development (the 42(m) review).

Developments financed through the issuance of tax exempt bonds are eligible for a 30 percent present value Tax Credit. The applicant has the option of deducting the amount of the tax exempt financing from the adjusted basis to be eligible for a 70 percent present value Tax Credit on the reduced eligible basis. If the applicant chooses this method, it must apply and compete for an allocation of Tax Credits from the Agency.

Developments receiving tax exempt financing on less than 50 percent of the aggregate basis will be eligible for 30% present value Tax Credits on only that portion of the eligible basis financed by the tax exempt bonds. For the remaining portion, the applicant must apply and compete for an allocation of Tax Credits from the Agency for the 70 percent present value Tax Credit. The development will be evaluated in accordance with the Allocation Plan and a determination will be made as to the amount of Tax Credits needed to assure feasibility and long term viability.

Every development (even those receiving only 30% present value Tax Credits) must submit an Application to the Agency. The Agency will review the Application for adherence to program criteria as set forth in the Program Guidelines and the accompanying exhibits. Upon the Agency's determination that the development qualifies for the Tax Credits, the Agency will issue the Indenture of Restrictive Covenants Agreement ("Restrictive Covenants Agreement"). Tax Credits may not be claimed until the Restrictive Covenants Agreement is executed and recorded pursuant to the Code.

The Agency processes applications for volume cap for tax exempt financing on a competitive basis through an announced Request for Proposals ("RFP"). For additional information please see the Agency website at www.phfa.org or contact the Development Division.

Developments receiving Tax Credits exclusively through the issuance of tax exempt bonds will be subject to the fees and costs as determined by the Agency. Upon construction completion, the development will be required to submit a cost certification package. The cost certification package should be received by the Agency no later than 90 days after the last residential building in the development is placed in service.

The Agency will conduct its standard review of the cost certification. After completion of this review, the Agency will issue an IRS Form 8609 for each building in the development.

All Tax Exempt Bond Financed projects will be monitored by Tax Credit compliance staff throughout the compliance period.

**PENNSYLVANIA HOUSING FINANCE AGENCY
REQUEST FOR PROPOSALS
2015 Tax Exempt Qualified Residential Rental Facilities
Seeking Private Activity Bond Allocations**

INTRODUCTION

Private activity bonds to finance qualified residential rental facilities are subject to the limitations imposed through the statewide unified private activity bond cap ("volume cap"). The Department of Community and Economic Development ("DCED") provides for the allocation of volume cap to issue private activity bonds among the various qualified issuers in the Commonwealth of Pennsylvania. Each year, DCED provides certain allocations to the Pennsylvania Housing Finance Agency (the "Agency") for the issuance of private activity bonds for housing purposes.

The Agency encourages the development of quality affordable rental housing in the Commonwealth. This Request for Proposals ("RFP") has been designed to establish a process for inviting, evaluating and selecting qualified tax exempt residential rental facilities seeking allocations of year 2015 volume cap.

The Agency encourages applications for multifamily developments and will provide volume cap to as many qualified properties as are reasonably feasible, subject to the continued availability of volume cap for these purposes. All references herein to the "Code" refer to the Internal Revenue Code.

PROGRAM DEADLINES

Timelines have been established for processing and reviewing applications. Developers are advised to evaluate their financing goals and development preparedness **prior to** applying for volume cap. Applications not meeting the minimum qualifications or otherwise failing to evidence an ability to meet applicable deadlines may be rejected at any time by the Agency.

To ascertain that sufficient volume cap is available to fund an application, the Tax-Exempt Bond Term Sheet ("Term Sheet"), which is an attachment to this RFP, must be submitted at least fifteen (15) days prior to the submission of an application. Applications will be accepted on a first-come, first-served basis on or after November 3, 2014 and may be accepted up to July 1, 2015. The Agency may extend any deadline based upon volume cap availability and the applicant's ability to meet appropriate timeframes. All applicants are urged to submit complete applications early in the acceptance period to ensure adequate processing time for consideration of an allocation of volume cap and to best ensure that all financing activity will be completed within the program timeframe.

The Agency will attempt to complete its application review and provide a preliminary allocation within three months from the receipt of an application. (Portfolio applications, those consisting of the acquisition/rehabilitation of several existing, occupied, developments to be financed under a common ownership as one project, will generally take longer to process.) Once a preliminary allocation of volume cap for a housing facility is awarded, the developer and its bond issuer must hold the actual construction loan closing, issue bonds and commence construction within ninety (90)

days of the allocation date, but no later than December 11, 2015. All development funding must be in place and actual construction or property rehabilitation contracts must be completed, without condition; escrow or construction bridge loan closings will not satisfy the Agency's closing requirement. Failure to finalize all aspects of development and bond financing within this time period and to submit all required pre-closing and closing documentation to the Agency may result in recapture of the volume cap. Developers and bond issuers are advised to review funding sources, commitments and financing structures to ensure they can meet these deadlines for year 2015 submissions. Developers using local bond issuers for their transactions will not be able to "carry forward" volume cap at the end of the year and the Agency will strictly monitor deadlines.

REQUEST FOR PROPOSALS SUMMARY

This RFP announces the availability of housing bond volume cap for the funding of multifamily developments on a first-come, first-served basis in 2015. Depending on the total volume cap available in the Commonwealth for housing bonds, the Agency may determine to fund such multifamily developments as meet the minimum qualifications set forth herein. The Agency may provide a preference to developments being financed by the Agency.

Please be reminded that eligibility for tax exempt bond financing does not ensure qualification or eligibility under the Allocation Plan ("Plan") for applicants seeking federal Low-Income Housing Tax Credits ("Tax Credits") for a portion of the development financing. Applications must meet the requirements of the Plan in order to qualify for the Tax Credits associated with the tax-exempt bond financing.

To qualify for private activity volume cap, residential rental facilities must meet all qualifications of the Code. Such facilities may involve the rehabilitation of existing rental facilities, new construction of facilities, modernization of public housing facilities, and construction of qualified 'assisted living' housing. Evidence of qualification must be provided through a narrative description of the financing structure at the time of application, through the submission of a qualifying opinion from bond counsel specializing in matters relating to private activity bond financings. The Agency may reject any application not providing adequate assurance of any of these qualifications.

APPLICATION REQUIREMENTS

The owner, general partner, or sponsor and the proposed bond issuer must jointly submit a completed application (two hard copies and one electronic copy, as detailed in the 2015 Multifamily Housing Application Package and Guidelines ("Guidelines")) to the Agency for consideration. Applications seeking volume cap may be required to utilize Agency bond financing. (If Agency financing is requested, please provide notice to the Agency prior to application submission.)

Each application for tax exempt issuing authority must be prepared in accordance with the Guidelines and must include as an attachment to the Application package:

A. Narrative Description of the Development

A narrative must outline how the development meets each of the following criteria:

- Qualification under the relevant bond financing sections of the Code;
- Qualification for Tax Credits under Section 42 of the Code, if applicable, and a supporting letter from counsel or an certified public accountant experienced in the Tax Credit Program;
- Qualification of the development team and the bond financing team;
- Evidence of financial feasibility of the facility and detailed description of bond financing structure;
- Evidence of commitment of all necessary financing sources;
- Ability to support a 30-year minimum affordability period for low income tenants or a demonstrable feasible plan to convert the development to affordable homeownership at the end of the qualified development period; and
- Demonstration of an adequate market for the units, without adversely affecting or impairing existing or proposed rental properties in the proposed development locale.

B. Letter Outlining Bond Financing Structure and Identifying Financing Team

A letter must be included with the application, addressed to the Agency, signed by both the owner, general partner, or sponsor and the proposed bond issuer (if other than the Agency) outlining the bond financing structure and identifying each of the following (with names, addresses and phone numbers):

- The proposed bond issuer;
- Development ownership entity and principal partners or guarantors;
- Bond counsel to the issuer (if other than the Agency);
- Underwriters or placement agents, if any;
- Underwriter's counsel, if any; and
- All other entities involved in the financing (i.e.; rating agencies; bond insurer; letter of credit bank; and credit enhancement entity).

In outlining the bond structure, the letter should include, at a minimum, the following:

- Amount of the volume cap request.
- Identify if there will be more than one series of bonds, and if the bonds will be used for construction financing, permanent financing, or both.
- Clarify the term of bonds. If any portion of the bonds will be taken out by another construction financing source, the source should be identified.
- If there will be a private placement of the bonds, identify the purchaser of the bonds.

In the event the Agency is not the bond issuer, the bonds must receive an investment quality rating from one of the nationally recognized rating agencies (or otherwise meet the Agency criteria to ensure that the bonds are maximizing and reasonably achieving market opportunities).

C. Submission of Application Fees Identified in the Guidelines

Upon submission of an application, the applicant is required to pay an application fee equal to \$3,000. If the Agency is requested to complete the Section 42(m) review for another issuing agency, a \$5,000 fee is due with the request. These are nonrefundable fees. For facilities intending to use and qualify for Tax Credits, the Agency will assess additional Tax Credit fees as identified in the Guidelines. Any and all costs incurred in this application process are the sole responsibility of the applicant. **Upon approval of the tax exempt bonds from the Agency's Board, deposits toward the bond fees and the tax credit allocation fee will be required.**

MINIMUM CRITERIA FOR AGENCY REVIEW

For Agency consideration, developments must meet the minimum qualifications set forth below:

- May not apply for more volume cap than will reasonably support the financing structure. (The Agency may disallow applications for volume cap for construction financing if the applicant has another source of permanent financing, such as PennHOMES, which reduces the financing on a dollar for dollar basis. Such disallowance is not intended to discourage leveraging HOPE VI and other public housing funds.);
- Evidence of qualification under the relevant bond financing sections of the Code;
- Evidence of qualification for Tax Credits, if applicable;
- Evidence of qualification of development team and bond financing team;
- Evidence of financial feasibility of facility and cost efficiency of bond financing structure. The Agency reserves the right to impose a cap on any volume cap requests.
- Evidence of commitment of all long term development financing sources;
- Evidence of ability to support a 30-year minimum low income set aside period or a feasible financial conversion to affordable homeownership at the end of the qualified project period;
- Evidence and support of adequate market for the units;
- Demonstration that the development will not adversely impact other affordable housing properties in the identified market area; and
- Evidence of accessibility and/or VisitAbility design features in the development to the greatest extent economically feasible.

FUNDING PRIORITIES OF THE PROGRAM

The Agency will give priority to developments that best demonstrate the following characteristics:

- Ability to quickly and efficiently close their financing, commence and complete construction;
- Maximum efficiency of all financing resources and structure;
- Provision of quality housing within the community for persons with greatest need;

- Affordability of development's rents;
- Reasonableness of costs for financing structure;
- Reasonableness of construction costs; and
- Reasonableness of all third party fees.

The Agency may consider such additional criteria it deems necessary in its discretion to achieve maximum benefit of the resources available to it for financing low and moderate income residential rental facilities. Such additional factors include, *inter alia*, consideration of geographic and regional representation and resource allocation, community and economic impact and achieving the most qualified developments with the scarce resources through the imposition of a maximum per-development allocation of volume cap. The Agency may disallow developments with identity of interest between any of the principal parties.

The Agency reserves the right to discontinue, modify, suspend or amend this program at any time, with or without further notice to any interested party. All decisions of the Agency are subject to such additional conditions, restrictions and requirements as determined by the Agency in its sole discretion. In addition, the Agency's selection of developments for possible allocation of volume cap is subject to final allocation approval by DCED. The Agency also reserves the right to impose any conditions on the financing that it deems reasonable in its discretion.

In order to provide a resource for households seeking affordable housing throughout the Commonwealth, the Agency will require all developments financed with volume cap to participate in its interactive database for affordable housing units. Developments will be required to provide information including, but not limited to, unit amenities, household size, household income and move-in information and any ongoing unit vacancies in a secure and timely manner to the Agency throughout the project affordability and compliance period.

APPLICATION SUBMISSION/CONTACT INFORMATION

Copies of this RFP and the required Guidelines are available on the Agency's website, www.phfa.org. Questions may be addressed to the Development Division at (717)780-3876. Additional information or guidance may also be published from time to time on the Agency's website.

In an effort to determine the amount of volume cap to be utilized for multifamily tax exempt housing bonds in 2015, the Agency requests the applicant submit the attached Term Sheet at least fifteen (15) days prior to the submission of an application. Upon receipt of the Term Sheet, the Agency will advise the applicant on the availability of volume cap for the proposed development.

Applications for year 2015 volume cap will be accepted on or after November 3, 2014. All fees, signed narratives, and all required exhibits and attachments must be included with the application. Applications must be signed and may not be submitted via facsimile or e-mail. All information submitted by the applicant or gathered by the Agency in the review of the application is the sole property of the Agency and may be made public.

The Agency is committed to a policy which prohibits discrimination against persons based upon race, religion, gender, national origin, handicap, familial status or age in its programs and employment.