

Pennsylvania Housing Finance Agency

2021 Funding Round Pre-Processing Guide

2021 Pre-Processing Guide

- All 2021 Developments - Close by September 1, 2022.
 - Several departments document reviews
 - Development
 - Technical Services
 - Housing Management (Financial Analysts and Management Reps)
 - Housing Services
 - Legal
 - Pre-commitment Meeting
 - Board Meeting (Agency First Mortgages Only)

2021 Pre-Processing Guide

- **3 Categories of Developments**
 - Agency Funding – Agency 1st mortgage or PennHOMES (this includes assumed PennHOMES) (Yellow Checklist)
 - PHARE or CMF funds (Blue Checklist)
 - Tax Credit Only (No Agency funds) (Orange Checklist)

Current = Dated within 90 days of the anticipated closing date

2021 Pre-Processing Guide

- **Tax Credit Only**

- 60 Days prior to anticipated CLOSING date submit:
 - Architect Submission Guide - Section 2.02 Development Submissions Checklist
 - Section 4 Requirements
- 30 Days prior to anticipated Closing date submit:
 - If applicable, All subsidy layering review documents
- 5 Days prior to anticipated CLOSING date submit:
 - Architect Submission Guide – Section 6.03 Loan Closing Documents required for LIHTC, PHARE, CMT and Tax Exempt Bond Developments checklist and ALL loan closing documents listed.
 - All documents listed on Tax Credit Only (Orange) checklist

2021 Pre-Processing Guide

- **PHARE or CMF funds**

- 90 days prior to the anticipated closing date submit:
 - Architect Submission Guide - Section 2.02 Development Submissions Checklist
 - Architect Submission Guide – Section 4 requirements
- At least 45 days but no more than 60 days prior to anticipated closing date submit:
 - All required documents on the PHARE & CMF Commitment (Blue) Checklist
- 30 days prior to anticipated closing date submit all items on the Legal Closing Index
- 5 days prior to anticipated closing date submit:
 - Architect Submission Guide – Section 6.03 Loan Closing Documents Required for LIHTC, PHARE, CMT and Tax Exempt Bond Developments checklist and ALL Loan closing documents listed

2021 Pre-Processing Guide

- **Agency 1st Mortgage or PennHOMES funding**
 - 90 days prior to the anticipated closing date submit:
 - Architect Submission Guide - Section 2.02 Development Submissions Checklist
 - Architect Submission Guide – Section 2 requirements for New Construction/Rehab **OR**
 - Architect Submission Guide – Section 3 requirements for Preservation
 - CHDO sponsored developments requiring DCED re-certification must submit CHDO documents to PHFA and DCED (Attn. Kimberly Polm at kpalm@pa.gov) for approval.
 - At least 45 days but no more than 60 days prior to anticipated closing date submit:
 - All required documents on the Agency Loan Commitment (Yellow) Checklist
 - Contact Jordan Laird at jlaird@phfa.org for current rates and terms for Agency first mortgages
 - All developments with an Agency first mortgage will be taken to Board Meeting for approval
 - 30 days prior to anticipated closing date submit all items on the Legal Closing Index
 - 5 days prior to anticipated closing date submit:
 - Architect Submission Guide – Section 6.02 Loan Closing Documents Required for Developments receiving or assuming a PennHOMES loan or Agency 1st Mortgage checklist and ALL Loan closing documents listed

2021 Pre-Processing Guide

- Back into your desired closing date (which should be prior to September 1, 2022) with the required submissions.
 - Technical Services submission items must be submitted to Development Officer who will forward to appropriate Technical Services Rep.
 - Development Checklist items must be submitted in one hard copy package in triplicate to the Development Officer
 - Closing Index items must be submitted directly to the Closing Attorney

2021 Pre-Processing Guide

- **Tax Credit Only Closing - Worst Case Scenario**
 - CLOSING DATE – September 1, 2022
 - Submission of orange checklist items and Technical Services closing checklist items – August 25, 2022 (5 days prior to anticipated closing date)
 - Technical Services – Section 2.05 submission – July 1, 2022 (60 days prior to anticipated closing date)

2021 Pre-Processing Guide

- **Agency 1st Mortgage, PennHOMES, PHARE or CMF funds closing – Worst case scenario.**
 - CLOSING DATE – September 1, 2022
 - Submission of Technical Services Loan Closing Documents – August 25, 2022 (5 days prior to anticipated closing date)
 - Legal Closing Index and All Subsidy Layering Review documents – August 1, 2022 (30 days prior to anticipated closing date)
 - All required documents for funding type on the Agency Loan Commitment checklists (yellow or blue) – July 1, 2022 (60 days prior to anticipated closing date)
 - All required Technical Services submission – Architect’s Submission Guide – June 1, 2022 (90 days prior to anticipated closing date)

2021 Pre-Processing Guide

- **Keep in mind:**

- Construction period vs. Placed in Service Date
- If all Developments wait until June 1st to submit drawings, there will be a delay.
- If everything on the checklist is not submitted with the one packet, it will go to the end of the line for processing.
- Failure to abide by Agency deadlines or requirements for previously awarded developments (i.e. Submission Deadlines, Closing Deadlines etc.) may result in future applications for Tax Credits or Agency funding to not be accepted and/or the processing of applications to be discontinued. As the Applicant/Owner you are responsible for thoroughly understanding and complying with all applicable Program Year requirements and deadlines, as well as any and all Development specific Agency issued correspondence.

2021 Pre-Processing Guide

- **Subsidy Layering Reviews**

- All documents included on the Subsidy Layering review checklist required to complete a subsidy layering review must be submitted within three to five days after the pre-commitment meeting approval. The Actual Subsidy Layering Review will occur between the Pre-Commitment meeting and Closing. The final budget used for Pre-commitment will be used for the SLR and no changes will be accepted.

- **Income Averaging**

- For Developments utilizing Income Averaging, the targeted rent must match the targeted income level.

- **Selection Criteria**

- All 2021 Developments must maintain the points requested in Self-scoring. If points are not maintained, you may receive negative ranking points in future funding rounds.

2021 Pre-Processing Guide

- **Technical Services**

- A **single** 100% Contract Document package (ALL Developments, including HOME/Agency 1st Mortgage) is required.
- Submission of Contract Document package within the timeframe does NOT guarantee a review will be completed in 60 days
- If an incomplete submission is received, TS may move the Project to the bottom of the list
- For purposes of the TS Submission Guide for Architects, Agency Loan is defined as any development with PennHOMES (Assumed or New) and/or Agency 1st Mortgage financing. ALL Sections labeled PennHOMES/HOME are also applicable to Developments receiving an Agency 1st Mortgage

2021 Pre-Processing Guide

- **Technical Services**

- ALL Developments (regardless of financing) **MUST** submit Section 2.02 Development Submission Checklist
- In addition to Section 2.02 Development Submission Checklist, other miscellaneous documents are required for each Development, dependent upon financing. Section 1 and Section 6 are applicable to **ALL** Developments, as noted **AND**:
 - Tax Credit ONLY: Section 4 (New Construction/Rehab & **Preservation**)
 - PHARE/CMF: Section 4 and Section 5 (PHFA Addendum to AIA A101 and PHFA Supplemental General Conditions)
 - HOME/Agency 1st Mortgage: Section 2-New Construction/Rehab, Section 3-Preservation and Section 5 (New Construction, Rehab & Preservation)

2021 Pre-Processing Guide

- **Technical Services**

Environmental (**PennHOMES** Developments only)

- Demolition of an existing building, clearing of trees, etc. and/or purchasing of the Site between time of Application and Closing requires a completed NEPA Environmental Review
- Submit the Environmental CD (full Phase I ESA and any Supplemental Reports) **ASAP** to allow ample time for the Environmental Review to be completed
- If CD is submitted prior to the 100% Contract Document Submission, indicate on Checklist 2.02 that the CD was previously provided to Adam Kitchen
-

2021 Pre-Processing Guide

- **Management Documents**

- If there will be a change in Management Agent, provide new information including Certification of Management Agent Experience and Broker License or Attorney Opinion Letter. (this would be considered a modification)
- If there is a change in Management Agent, Controllable Costs will be re-evaluated based on the new Agent and Selection Criteria must be maintained.
- Management Plan
- Tenant Selection Plan
- Affirmative Fair Housing Marketing Plan
- Lease with Accessible Unit Addendum
- Grievance Procedure
- VAWA Emergency Transfer Plan (for HOME & HTF)
- Language Access Plan (If applicable)
- Income Certification of existing tenants (If applicable)

2021 Pre-Processing Guide

- **Housing Management Documents**
 - Current Tax Information
 - Current Insurance Quotes
 - Current Investor Letter
 - Current First Mortgage Term Sheet (if applicable)
 - If there is a change in Management Agent, Controllable Costs will be re-evaluated based on the new Agent and Selection Criteria must be maintained.
 - If there are Agency funds (1st Mortgage, PennHOMES, CMF or PHARE funds) Any Rental Subsidy Funds and All Reserves with the exception of the Supportive Service Escrow will be held by the Agency.

2021 Pre-Processing Guide

- **Legal**

- **Timeline**

- Once project has been approved at a pre-commitment meeting, an Attorney is assigned. *There should be absolutely NO changes to the development between pre-commitment meeting and closing.*
- Contact Attorney for closing date. PHFA's Attorney will establish a closing date that is a **minimum of 30 days** from the pre-commitment meeting.
- Project/Developer must submit contents of Closing Index, which may vary based on the type of financing, to legal.
 - Closing documents must be submitted to Technical Services **FIVE** days prior to the scheduled closing date.
 - P-1 must be submitted to Kyle Matter **FIVE** days prior to the scheduled closing date.

2021 Pre-Processing Guide

- **Legal, cont'd**

- **PHFA Loan Documents**

- No substantial modification to PHFA Loan Documents: Terms of the PHFA Loan Documents are consistent with the type of financing offered. Absent clear error, the terms of the PHFA Loan Documents should not be modified.
- For Agency funded deals, the PHFA form Management Agreement must be used – no addendums or changes are allowed to this document.

- **Lien Position**

- PHFA Permanent Only Financing: First lien position after construction completion.
- PHFA Construction to Permanent Loan: First lien Position.
- PHFA Soft Funds: First lien behind any hard debt.

2021 Pre-Processing Guide

- **Legal, cont'd**

- **Disbursement**

- PHFA must be the disbursement agent (may permit Title Company to disburse funds at initial loan closing, after which all disbursements must flow through PHFA).
- Unless otherwise agreed, disbursement requests must be submitted on approved PHFA forms.

- **Release of Funds and Notice to Proceed**

- To the extent that Agency loan proceeds will be a part of the first draw, the Agency may not authorize the release of its funds or issue its Notice to Proceed with Construction until delivery of recording receipts demonstrating that the Agency's loan documents have been recorded in the correct order.

2021 Pre-Processing Guide

- **Legal cont'd**

- **Miscellaneous**

- **Retention** - 5% retention held until project closeout, must be funded at closing from a non-PHFA funding source.
- **Reserves** - At the end of the compliance period or release by the Agency, the **Operating Reserve**, **Rental Subsidy Fund** (if applicable) and **Supportive Services Escrow** may go to pay down existing debt or must stay with the project.
 - PHFA will hold the Operating Reserve, Tax and Insurance Escrows, Rental Subsidy Reserve, RFR and when applicable the Development Contingency Fund.
- **Cash Flow (PennHOMES, CMF, PHARE)** – After repayment of project costs (not including partnership fees, operating expense loans, deferred developer's fees, asset management or investor fees, payments to general partners or any other fees or payments not originally underwritten as a property operating expense) 50% of excess revenue shall be applied to repay the PHFA mortgage.

2021 Pre-Processing Guide

- **Payouts**

- **P1 (submitted at least 5 days prior to closing)**
 - PHFA holds 5% of the agency loan from agency funded projects. HOME funds require 5% of the loan to be paid in equity at closing. 5% of the PHARE funds can be held from the loan. The 5% hold will be funded back once the closeout process is completed.
 - Provide what funding sources are being used at closing.
- **P2 (Hard copy only)**
 - Mail a physical copy of all P2's and supporting invoices to PHFA.
 - Provide what funding sources are being used for all P2's.
- **Final Construction Cost Breakdown**
 - This must match the PHFA capital budget and must include the builder's overhead and builder's profit.
- **Funding**
 - PHFA collects 5% of all HOME funded loans at closing. Must be paid in by equity.
 - PHFA will only fund up to 95% of PHARE loans, retaining 5%.
 - In the event PHFA permits an exception to the requirement that it be the disbursing agent and is not acting as the disbursing agent of all project funds, Agency funds will be released pari passu with all other project funds.
- **Closeout Process**
 - Attach checklist
 - The first three items on the checklist must be submitted to Kyle Matter to begin closeout process.

2021 Pre-Processing Guide

- **Acceptance and Acknowledgment of PHFA's 2021 Pre-processing certification must be returned to the Agency Attn. Debbie Clark, Development Division via e-mail at Dclark@phfa.org or regular mail within two weeks after your pre-processing call with the Agency.**
- **Monthly Status reports must be returned to the Agency, to the Attn. of the DO who was assigned to your project, by the 1st of every month until the project closes.**