

**PENNSYLVANIA HOUSING FINANCE AGENCY
REQUEST FOR PROPOSALS**

**2021 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”) under federal tax law.

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 2021 volume cap.

The Agency encourages use of this resource for multifamily developments and will provide volume cap to as many qualified properties as are reasonably feasible, subject to certain processing and underwriting criteria and the continued availability of volume cap for these purposes. All references herein to the “Code” refer to the Internal Revenue Code of 1986, as amended.

REQUEST FOR PROPOSALS SUMMARY

This RFP announces the availability of volume cap for the funding of multifamily developments on a first-come, first-served basis in 2021. 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. For 2021, the Agency has established a minimum property unit requirement of 50 units to be considered for an award of volume cap and will limit the number of Applications for volume cap to two (2) per developer. Furthermore, developers which received an allocation of volume cap prior to September 1, 2020 and have not closed on their financing and commenced construction will be ineligible to receive an allocation of 2021 volume cap.

Please be reminded that eligibility for tax exempt bond financing does not ensure qualification or eligibility under the 2021 Allocation Plan for Low Income Housing Tax Credits (“Allocation 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 Allocation Plan in order to qualify for the Tax Credits associated with the tax-exempt bond financing.

To qualify for 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. The Agency may reject any application providing inadequate assurance of any of these qualifications or if there are unaddressed technical concerns relating to the financing.

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.

For 2021, the Agency will use a two-step application process which includes the submission of a Preliminary Application followed by a full Underwriting Application. Preliminary Applications will be accepted by the Agency, on a first come, first served basis, on or after **January 15, 2021** until **April 1, 2021**. The Agency will evaluate complete Preliminary Applications based on the requirements set forth herein within 60 days from the receipt of the Preliminary Application. If the Preliminary Application is approved by Agency staff, applicants may submit a full Underwriting Application. Underwriting Applications will not be accepted after **June 11, 2021**. In the event a Preliminary Application is rejected by the Agency, applicants may resubmit a Preliminary Application for consideration until **April 1, 2021** upon payment of the applicable Preliminary Application Fee. The Agency may extend any deadline based upon volume cap availability and evidence of the applicant's ability to meet appropriate timeframes. All applicants are urged to submit complete Preliminary Applications early 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 program timeframes.

The Agency will attempt to complete its review of the full Underwriting Application and provide a **preliminary allocation within three months from the receipt of** this submission. (Portfolio applications, 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.) Also, projects involving federal approvals including, but not limited to, Rental Assistance Demonstration ("RAD") or other HUD rent increases are urged to have these processes completed prior to application. Once a preliminary allocation of volume cap for a housing facility is approved by the Board, the developer and its bond finance team **must** close on the real estate and financing, issue bonds and commence construction **within ninety (90) days of the approval date**. To ensure time for Agency staff processing, in no event will closings be allowed after December 10, 2021. 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 reserved volume cap and forfeiture of the non-refundable application processing fee. Developers and bond issuers are advised to review funding sources, commitments and financing structures to ensure they can meet all deadlines for year 2021 submissions. Developers using local bond issuers for their transactions will not be able to "carry forward" unused volume cap at the end of the year and the Agency will strictly monitor deadlines.

If Agency tax exempt bond financing is requested, please provide notice to the Agency at least 30 days prior to Preliminary Application submission in the form of the Tax-Exempt Term Sheet with a proposed operating budget. (The applicable forms may be found on PHFA's website and submitted directly to PHFA's Manager of Multifamily Underwriting.) Applications seeking volume cap in excess of \$25 million may be required to utilize Agency financing.

PRELIMINARY APPLICATION REQUIREMENTS

For 2021, applicants must submit a Preliminary Application for consideration, which will consist of the submission of a Preliminary Application Fee of \$3,000 (or \$1,500 per project for portfolio applications) and each of the following items outlined in the 2021 Multifamily Housing Application Package ("Application Package") and Guidelines ("Guidelines"). Developments seeking PHARE Realty Transfer Tax (RTT) funds from the Agency must submit the Preliminary Application by February 1, 2021.

- Tab 1 – Development Synopsis;
- Tab 2 – Multifamily Housing Core Underwriting Application (including all Appendices)
- Tab 7 – Appraisal (if required);
- Tab 21 – Construction and/or Permanent Financing Letters of Intent (including commercial space if mixed-use building);

- The Agency strongly encourages utilization of its first mortgage products in all affordable multifamily developments including tax credit financings. Applicable rates, terms and conditions are available on our website. For more information, please contact the Agency.
- Applicants seeking more than \$25M in volume cap may be required to use PHFA as bond issuer;
- Tab 40 - Bond Strategy Summary;
- Identify all required HUD and/or Public Housing Authority approvals and provide a detailed timeline for approval; and
- Identify all required municipal approvals (zoning, subdivision, lot consolidation, land plan) and provide a detailed timeline for approval.

Applications seeking Tax Credits must submit the following:

- Tab 3 – Preliminary Self Ranking;
- Tab 23 – Syndication/Equity Investment Information; and
- Tab 29 – Waiver Requests. Identify all Tax Credit Program waiver requests that will be sought in connection with the award of Tax Credits, including, but not limited to, development and unit amenities, maximum basis and development cost limits, and accessible and affordable unit policy.

Upon receipt of the Preliminary Application, Agency staff will review the above submission documents for financial viability. Tax Credit applications must also demonstrate the ability to meet the threshold criteria and minimum scoring criteria set forth in the Allocation Plan. Within 60 days of receipt of the Preliminary Application, Agency staff will provide written approval (or rejection) of the Preliminary Application. Applications from developers which received an allocation or set aside of volume cap in 2020 and have not closed on the development financing and commenced construction at the time Preliminary Application submission must provide evidence that the development will close on all financings and commence construction by June 11, 2021 in order to be considered.

UNDERWRITING APPLICATION REQUIREMENTS

Applicants that successfully complete the Preliminary Application will be invited to submit a full Underwriting Application, which will consist of ALL applicable submission requirements in the Application Package. The applicant and the proposed bond issuer must jointly submit online a completed Underwriting Application plus one hard copy. (The Application Package is available on the Agency's website, www.phfa.org.) The Underwriting Application must be consistent with the approved Preliminary Application including, but not limited to, the proposed rent and income structures, approved operating budget, development team members, financial sources and structures, development site. **Any substantial change or modification from the approved Preliminary Application will result in the Agency's rejection of the Underwriting Application.** The Agency will not accept an Underwriting Applications from developers which received an allocation or set aside of volume cap in 2020 and have not closed on the development financing and commenced construction by June 11, 2021.

Each application for tax exempt issuing authority must be prepared in accordance with the Guidelines and must include all required submission requirements in the Application Package, including fees. The Application Package must include a narrative outlining the following:

- 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 a 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 40 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 15 year initial compliance 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 and without resulting in overconcentration of affordable units.

A letter must be included with the application, addressed to the Agency, signed by the owner, general partner or sponsor as well as 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 (for local bond issuers only);
- 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; bond trustee; and credit enhancement entity).

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

- The amount of the volume cap request;
- Whether there will be more than one series or subseries of bonds (whether tax exempt or taxable), and if the bonds will be used for construction financing, permanent financing, or both;
- The term of bonds. If any portion of the bonds will be taken out by another financing source, identify the source and provide a letter outlining take out terms;
- The purchaser of the bonds if there will be a private placement.
- Developments utilizing local issuers other than PHFA must provide evidence, satisfactory to the Agency, that the governmental unit which issued the bonds has made a determination of the financial feasibility of the project and qualification as a low income housing project as required by Section 42(m)(2)(D).

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).

SUBMISSION OF APPLICATION FEES IDENTIFIED IN THE GUIDELINES

Upon submission of a Preliminary Application for a single project being financed with Tax Exempt bonds, the applicant is required to pay a Preliminary Application Fee equal to \$3,000. A \$1,500 Preliminary Application Fee is due for each existing housing development included in a portfolio application (which is generally one consisting of more than one existing housing development.) Applicants that are authorized to move forward and interested in submitting a full Underwriting Application are required to pay one-half of the estimated Tax Credit Allocation Fee with the Underwriting Application. The final Tax Credit Allocation Fee will be based on the amount of Tax Credits determined to be available to the project at the conclusion of the Cost Certification review. If the Agency is requested to complete the Section 42(m) review for another issuing agency, an additional \$5,000 fee is due with the request (and all materials must be submitted at least three (3) weeks before closing). These fees are nonrefundable and will be retained by the Agency if the Project fails to meet timelines or proceed to closing for any reason.

Additionally, any and all costs incurred in this application process are the sole responsibility of the applicant. Upon Board approval of the tax exempt bond financing (or appointment of bond counsel, if

earlier), deposits toward the bond issuance fees will be required. For projects using the Agency as bond issuer, reimbursement agreements covering all costs and expenses to be incurred by the Agency will be required. The Agency will select and assign all professionals to the financing team if it serves as bond issuer (including bond counsel and trustee).

MINIMUM CRITERIA FOR AGENCY REVIEW

To be considered, developments must meet the minimum qualifications set forth below:

- The volume cap requested may not exceed the amount needed to 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 35 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, cause displacement or result in overconcentration of affordable units;
- Evidence of accessibility and/or VisitAbility design features in the development to the greatest extent economically feasible;
- Evidence of outreach to minority, women's, disadvantaged and/or veteran's businesses to be part of the development team.
- Demonstration that the development will be able to close on all financings and commence construction or rehabilitation within six (6) months from the application submission date or **December 10, 2021**, whichever is earlier, which may include evidence of zoning, regulatory, lender and all third party approvals.
- All funded applications will be required to comply with Agency reporting and recordkeeping, and unit accessibility requirements set forth in the Agency's program.

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;
- Maximal efficiency of all financing resources and structure;
- Provision of quality housing within the community for persons with greatest need;
- Affordability of development's rents;
- Evidence the development affirmatively furthers fair housing in conformance with specific goals identified in the Assessment of Fair Housing of the Commonwealth or of a regional or local government or political subdivision;
- 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 may include, among other things, 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 or may impose cost adjustments upon 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 availability of resources. The Agency also reserves the right to impose any conditions on the financing that it deems reasonable in its discretion.

To ensure developments are managed by organizations with adequate tax credit experience, the Agency requires all applicants to participate in the ownership of the development during the entire 40 year minimum affordability period. All transfers of ownership interests other than in the investor limited partner or member require prior Agency approval. Investor partners and members are not permitted to succeed the initial general partner or managing member without the express prior approval of the Agency.

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. All projects must also use the Agency's mandated form of Lease Addendum.

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)780-3860. Additional information or guidance may also be published from time to time on the Agency's website.

All fees, signed narratives, and all required exhibits and attachments must be included with the Preliminary Application and Underwriting Application. All 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 prohibiting discrimination in its programs, which includes prohibiting discrimination against persons based upon race, gender, religious creed, color, sexual orientation, gender identity or expression, pregnancy, national origin, ancestry, disability, familial status, age or in violation of the *Pennsylvania Human Relations Act* (PHRA) and applicable federal laws.