

**PHFA 2022 Pre-Application Meeting
Held via WebEx 4/13/2022**

**Listing Below Reflects
Comments and Questions provided in the Q&A Feature from the Meeting and also comments
provided to Agency staff in writing**

Draft Updated on April 27, 2022

PENNSYLVANIA HOUSING TAX CREDITS (PHTCs)

1. Is the maximum annual PHTC Limit set at \$300,000?

Answer: Yes, the most an investor can take in credits each year is \$300,000. This translates directly to the total cap in credits of \$1.5M. The State Housing Tax Credit is taken over five years. Therefore, if a project receives an award of \$1.5M in State Credits, the per year credit amount is \$300,000.

2. Is there a fee for PHTCs?

Answer: There is not a specific application fee for PHTCs because the request is part of the Multifamily Housing Application which has a \$5,000 application fee. Additionally, there is a 5% administrative/reservation fee (due after the award) for state housing credits and a 7% reservation fee (due after the award) for federal credits.

3. Will an award of PHTCs be reduced from the federal LIHTC basis? How should it be reflected in the budget?

Answer: It is the Agency's understanding that the PHTCs will not reduce federal LIHTC basis; however, we encourage all applicants to consult their tax counsel and/or accountant. Additionally, the PHTC equity should be shown as a source in the budget (i.e., if the developer is requesting \$1M in credits and has a letter from an investor to purchase the credits for \$.70 per credit, the developer would show \$700,000 as a source in the budget).

4. For 4% Tax Exempt Bond Applications, when will PHFA make the PHTC determination?

Answer: TBD.

5. Will requests for PHTCs be treated as an "uncommitted" source in the budget and does the developer; therefore, need to defer up to 50% of its fee to cover it?

Answer: PHTCs will be treated in a similar manner to Agency loan funds. If the project is not awarded an allocation of State Credits, the project could be financially infeasible unless the developer commits up to 50% of the developer fee.

6. Is the PHTC able to be bifurcated?

Answer: Please refer to your tax accountant and/or tax attorney.

7. Will state tax credit equity affect scoring in Section D.4 - Commitment of Funds in the QAP?

Answer: State Tax Credits will not be included in the analysis completed for scoring as detailed in Sections D.4.a and D.4.d – Commitment of Funds in the 2022 QAP.

SELECTION CRITERIA – Note: Section references are to the 2022 Qualified Allocation Plan

- 1. Community and Economic Impact: Section A.1.a.: General Occupancy Developments Areas of Opportunity and Section A.1.c.: Senior Occupancy Developments:** Will the community impact data remain the same as the 2021 data?

Answer: Yes, the Community Impact Data will remain the same as 2021. Only the scoring forms have changed for 2022. The revised scoring forms can be found on the Agency’s website at:

https://www.phfa.org/forms/multifamily_application_guidelines/presentation/2022-community-impact-scoring-forms.pdf.

The Community Impact Data tables can be found on the Agency’s website at:

https://www.phfa.org/forms/multifamily_application_guidelines/presentation/2021-community-impact-scoring-forms.pdf

- 2. Community and Economic Impact: Section A.2.a. and A.2.b.: Transit-Oriented Design:** Are Transit-Oriented Design points limited to public transportation systems with one fixed stop within one-half mile of the site?

Answer: Yes, Developments must be located within one-half mile of a completed or planned **PUBLIC** transportation fixed route stop. If requesting points for a planned stop, evidence from the public transportation company agreeing to add the stop on the route must be provided.

Would a rural, publicly funded transportation system that picks up residents at their home be considered for Transit-Oriented Design points?

Answer: No.

- 3. Community and Economic Impact: Section A.1.b.: School Performance Standards:** Can 2019/2020 school performance schools be used instead of 2020/2021? What if a school score says, “insufficient sample size”?

Answer: It has come to our attention that many school districts did not perform the State required testing in 2020/2021 due to COVID. Therefore, we will accept only 2019/2020 data to ensure that consistently collected data is being used for evaluating all applications.

- 4. Community and Economic Impact: Section A.2.a. and A.2.b.: Walkability:** Is the walkscore.com site the only back up / data that the Agency will accept in the walkability category?

Answer: Yes, the Agency will only accept the data from www.walkscore.com. For scattered site projects, a walk score will be obtained for each site and a weighted average based upon number of units at each site will be calculated.

- 5. Development Team and Process: Section D.1.f.:** Does a nonprofit organization need to have LIHTC development experience to get the 15 points in this category?

Answer: No.

Development Team and Process: Section D.1.f and D.2: Qualified Small Businesses:

Does a Qualified Small Business have to demonstrate that the required real estate development experience involves Low Income Housing Tax Credits?

Answer: No.

Do only Owner/Developers qualify as a Qualified Small Business or can other team members such as the architect and property manager, also qualify?

Answer: In Section D.1.f, a company that meets the definition of a Qualified Small Business may receive points for their role as either an Owner/Developer or a Management Agent. In Section D.2, a Qualified Small Business may receive points for their role in providing Professional Services, as a General Contractor, or as a Sub-Contractor/Vendor.

Does a business that meets the qualifications in Section D.1.f have to joint venture with another entity to receive points as an Owner/Developer?

Answer: No. The first row in the table included in Section D.1.f indicates points available when the business is the sole Owner/Developer.

6. **D. Development Team and Process, Section D.2.: Development Team – Material Participation:** If a developer self-scores that they will include an MBE/WBE subcontractor whose contract will fall between 1-4.99% of Total Development Costs, will the Agency consider allowing developers to combine multiple MBE/WBE subs to achieve the 1-4.99% participation? For example, can a developer combine 4 MBE/WBE subs whose contracts are 0.25% of TDC to get to that 1% participation?

Answer: Yes. The Agency will allow for a combination of multiple qualified sub-contractors in this category.

7. **D. Development Team and Process: Section D.5.: Noncompliance:** The QAP allows the Agency to assess negative ranking points for missed deadlines and financing reductions. Will the Agency be accessing these negative ranking points during 2022?

Answer: Yes, the Agency still reserves the right to access negative ranking points.

8. **A. Community and Economic Impact: Section A.3.: Developments that Address Social Inequities and Local Disparities:** How many items on the checklist need to be selected to score the five points?

Answer: At least five.

4% TAX EXEMPT BOND APPLICATIONS

- 1. Additional Developer Fee for Supportive Services:** Do 4% Tax Exempt Bond Applications qualify for an additional developer fee for supportive services under Section 3.5 of the QAP?

Answer: No, only 9% developments qualify for the additional developer fee for supportive services. The limitation of additional developer fee to 9% developments in the 2022 QAP is the same as in the 2021 QAP.

- 2. Funding Commitments:** If a funding commitment is included in the 4% Preliminary Application and then it is later substituted in whole or in part by another subordinate source in the Full Application, is that permissible?

Answer: If an award is pending at the preliminary application and then is later committed prior to the final application, that is allowable. However, according to the QAP substantial changes or modifications from the approved application may result in the Agency rejection of the underwriting application.

- 3. National Housing Trust Fund:** Can an applicant seeking 4% LIHTCs and Tax-Exempt Volume Cap authorization apply for the national Housing Trust Fund (HTF) and is the application simultaneous with the application for 4% LIHTCs.

Answer: No, 4% Tax Exempt Bond Applications are not eligible for HTF funds, but they are eligible for PHARE Reality Transfer Tax (RTT) funds. For the current round of 2022 Tax Exempt applications, PHARE RTT applications were due in November 2021.

- 4. 4% Tax Exempt Bond Application:** Is there an application fee due for the Preliminary Application or is it only due when the final application is submitted?

Answer: There is only one application fee. An invoice will be sent to the developer after the receipt of the preliminary application. The fee is due before the full application.

POLICY CLARIFICATIONS

- 1. Additional Tax Credits (Section 2.15 of the QAP):** What is the maximum amount of additional credits that a developer can request?

Answer: 5% of original credit reservation. When added to the original credit reservation, the additional credits may exceed the 2021 Tax Credit limit, however, it cannot exceed the 2022 Tax Credit limit as outlined in Section 2.4 of the QAP.

- 2. Income Averaging (Section 2.14 of the QAP):** In regard to Income Averaging, the 2022 QAP removed the prior PHFA cap of 10% of units above 60% AMI. However, the Income Averaging Policy provided online under the 2022 Guidelines/Requirements still has that cap. Is the Income Averaging Policy online outdated? Also, what rent advantage will PHFA require/allow against market rents on 80% AMI units? Historically, at least a 10% rent advantage is required for 60% AMI and below units.

Answer: In accordance with the Consolidated Appropriations Act of 2018, only 10% of the units may exceed 60% AMI. Please refer to page 77 of the application material for the full Income Averaging Policy. Rents will be sized on a 10% pricing advantage.

3. **Broadband Infrastructure (Section 3.3.7 of the QAP):** Does there need to be individual internet access points in each apartment?

Answer: Yes.

4. **Blight Remediation (Selection Criteria C.1 of the QAP):** What is the definition of blight remediation?

Answer: A Blighted Structure is a structure which exhibits objectively determined signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.

ADMINISTRATION / OTHER

1. **Cyber Security Certification (Section 3.2.17 of the QAP):** Where is the Cyber Security Certification to include in the application?

Answer: The Cyber Security Certification can be found on page 203 of the Multifamily Application and Guidelines.

Will PHFA provide a list of Cyber Security training classes?

Answer: Yes, a list of Cyber Security classes will be posted to the PHFA website with the application materials at a later date.

2. **Additional Developer's Fee for Social Services (Section 3.5 of the QAP):** How much additional developer fee can be obtained for social services?

Answer: In accordance with Section 3.5 of the QAP, applicants may request an additional five percent (5%) developer fee to fund a supportive services escrow for the provision of social supportive services for the benefit of the residents (provided the plan for services is satisfactory to the Agency).

3. **Utility Allowances:** Does PHFA allow third-party utility allowance schedules?

Answer: Yes, please refer to Tab 19, page 323, of the Multifamily Application and Guidelines for further instruction.

4. **Sustainability and Energy:** Does the developer have to do the REScheck with the application?

Answer: No, it is not required at application.

5. **Changes to the Intent to Submit:** Can changes be made to an Intent to Submit after submission?

Answer: Yes. Please contact Yashira Aybar to make any changes to the Intent to Submit once it's been submitted. yaybar@phfa.org.

6. Rent Limits: When are the 2022 LIHTC Rent Limits expected to be published?

Answer: HUD published updated income limits on April 20, 2022, for LIHTC units. Income limits are expected to be published by HUD for the HOME and NHTF programs in the near future. See the following website:

<https://www.huduser.gov/portal/datasets/mtsp.html#2022>

Updated rent charts will be made available in May 2022.

7. Development Cost Limits: Are holding costs prior to the LIHTC application date allowable?

Answer: No. On page 150 of the Multifamily Application and Guidelines it states: “Holding costs and carrying charges incurred prior to the Application date will not be recognized as part of the total development costs of the development.”

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