2024 LOW INCOME HOUSING TAX CREDIT PREAPPLICATION MEETING

OCTOBER 4, 2023
AGENDA

• 2024 Schedule
  • 9%
  • 4%
• Notable Edits to the 2024 QAP
• 2024 RFP for Tax Exempt Volume Cap
• 9% Application Process
• Agency Fee Schedule
• Agency Loan Programs and State Housing Tax Credits
• Scoring
• Supportive Housing Preference
• Health for Housing Investments Preference
• Innovation in Construction Technology Preference
• Technical Service Review
• Financial Operations
TIMETABLE, QAP, RFP FOR VOLUME CAP, 9% PROCESS, FEE TABLE, LOAN PROGRAMS, THE DEVELOPER OPPORTUNITY FUND

2024 LIHTC Pre-Application Meeting
Presenter: Jessica Perry
Director of Development
PHFA
2024 SCHEDULE – 9% LIHTCs

July 2023
- Preliminary Board Approval of QAP
- Conducted Public Hearing

August 2023
- Public Comments were due and Revisions to the QAP were made

September 2023
- Final QAP approved by the PHFA Board of Directors and sent to the Governor for signature
- Updated Application Materials and Program Guidelines issued on September 28, 2023

October 2023
- 9% Intent to Submits due on October 13, 2023

December 2023
- Applications for 9% LIHTC Due on December 15, 2023
2024 SCHEDULE – 4% LIHTCs

September 2023
• Final QAP approved by the PHFA Board of Directors and sent to the Governor for signature
• Updated Application Materials and Program Guidelines issued on September 28, 2023

October 2023
• 4% Intent to Submit due on October 31, 2023

January 2024
• A Technical Assistance Meeting between the developer and assigned Agency staff must occur by January 15, 2024 (may occur before)

February 2024
• If the applicant successfully completes the first two steps and the Agency opens the application portal, the submission of a full Underwriting Application is due by February 29, 2024 (may be submitted before the deadline)
Notable Edits to the QAP (not all inclusive)

Section 1.2
Added language related to the Good Standing Requirement

Section 1.3
Added a chart describing both the 9% and the 4% Programs

Operating the 4% Round as Non-competitive with One Deadline; Will use an Intent to Submit Process for the 4% applications similarly to the process for the 9% applications; Added the Technical Assistance Meeting

Added the requirement that for preservation developments, the repairs must be at least 40% of the replacement costs

Clarified that the application caps are as follows:
• Four applications per developer for the 9% program
• Two applications per developer for the 4% program
• 10 applications per consultant across both programs together
• NOTE: For developers that have formed a true joint venture with a M/WBE/VBE/DBE and/or qualified small diverse business; the developer can exceed the application cap
• NOTE: For Choice Neighborhood developments, the applicant MAY apply for a waiver to exceed the two 4% application cap

Section 1.4
Added a section encouraging Community & Economic Development; though, there is not set-aside/preference
Notable Edits to the QAP

Section 2.4
Increased Maximum Competitive 9% Per Project Tax Credit Awards by 6% to the following:
- Up to $1,537,000 for projects with 60 or more affordable units
- Up to $1,590,000 for projects in the supportive housing set-aside
- Up to $1,431,000 for all other projects

Section 2.12
Expanded the compliance section to add language from PHFA’s Compliance Manual

Section 3.2.7
Added the requirement for developers to submit two years of audited financial statements; Note: will accept unaudited but will require audited before closing

Section 3.2.9
Added the requirement that for developers to receive experience points for their housing consultant, the housing consultant must be involved from application through placed-in-service and cost certification; the housing consultant must also help to train and provide capacity to the developer

Section 3.5
Deleted the additional developer fee for a rental subsidy escrow

Section 4.2.2.4
For the Supportive Housing Set-Aside, added the requirement that developers must attend a pre-application meeting

Section 4.2.2.5
Changed the “Innovation in Design” Preference to “Innovation in Construction Technology”
Notable Edits to the QAP

Section 4.2.2.10  
Added a Healthcare and Housing Initiative Preference

Section B.2  
Increased scoring from 10 points to 12 points for supportive service activities

Section B.3  
Proposed accessible unit scoring for this year will be 5 points if the developer creates twice as many accessible units as the municipality/federal government requires and 10 points if the developer creates three times as many accessible units.

Section B.5  
Added clarification related to broadband

Section D.1.f  
Increased the scoring for the Small Diverse Business category by 2 points
2024 RFP for Tax-Exempt Volume Cap

- The Final RFP for Volume Cap is dated September 14, 2023 and is on the Agency’s Website

- The Agency encourages development of quality affordable rental housing in PA.

- The RFP has been designed to establish a process for inviting, evaluating and selecting qualified tax exempt residential rental facilities seeking allocations of year 2024 volume cap.

- PLEASE NOTE: AT ANY TIME DURING THE APPLICATION AND REVIEW PERIOD IF THE AGENCY COMMITS OR IS NEAR COMMITTING ALL AVAILABLE TAX-EXEMPT VOLUME CAP, THE AGENCY IS UNDER NO OBLIGATION TO CONTINUE TO PROCESS THE APPLICATIONS.

- Three Step Application Process:
  - Intent to Submit – due October 31, 2023
  - Technical Assistance Meeting – must be held by January 15, 2024
  - Final Application (if portal is opened) – due February 29, 2024
<table>
<thead>
<tr>
<th>Intent to Submit</th>
<th>Technical Assistance Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Application Information</td>
<td>Preliminary Drawings and Property Needs Assessment</td>
</tr>
<tr>
<td>Proposed Volume Cap Request</td>
<td>An Organizational Chart Showing Ownership Structure</td>
</tr>
<tr>
<td>Previously Secured Agency Finance</td>
<td>An As-Is Appraisal</td>
</tr>
<tr>
<td>Anticipated Equity Pay-In</td>
<td>Evidence of Site Control</td>
</tr>
<tr>
<td>Copies of Existing Indenture of Restrictive Covenants</td>
<td>Evidence of Secured Operating Subsidy</td>
</tr>
<tr>
<td>Letter Outlining Bond Financing Strategies</td>
<td>Development Budget, Operating Budget &amp; Rent Chart</td>
</tr>
<tr>
<td></td>
<td>Timeline for Closing</td>
</tr>
</tbody>
</table>
After the Technical Assistance Meeting, the Agency will determine if the development can move forward in the underwriting process and will determine if the full application portal should be opened.

Once the application portal is opened, the developer must submit a full application in accordance with the RFP for Volume Cap and the 2024 QAP. The developer must submit required fees.

4% LIHTC developments will be scored only once and must meet the threshold score of 120 to be considered for volume-cap. (Note: The Preservation threshold score is 110)

The application must be complete and be in a position to close within seven months.
9% Application Process

- The Intent to Submit are due by October 13, 2023.
- The Agency will review all applicants for Good Standing.
- Final Applications are due by December 15, 2023.
- Applications will be scored. All applications must meet the threshold points of 120 (110 for preservation).
- All other threshold requirements must be met.
- There are two pools: Urban and Suburban/Rural.
- There are ten preferences.
9% Application Process - Preferences

- General Occupancy
- Senior Occupancy 62+ Services
- Preservation Developments
- Supportive Housing
- Innovation in Construction Technology
- Strategic Investment
- Community Revitalization / Mixed Income (Urban Pool only)
- Areas of Opportunity (Suburban/Rural Pool only)
- Engaging and Serving Re-Entry Populations
- Health for Housing Investments
<table>
<thead>
<tr>
<th>Application Fees</th>
<th>9% Tax Credits, PennHOMES, Taxable Bond Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>9% Application Electronic Portal Opening Fee</td>
<td>$5,000 Due at Intent to Submit stage to open portal for electronic application upload. This fee covers the application fee for 1st application submitted by developer</td>
</tr>
<tr>
<td>Multifamily Application Fee 2nd application</td>
<td>$2,500 Submitted with hard copy application (This $2,500 is in addition to the $5,000 Portal Opening fee - Total fee for 2nd application is $7,500.)</td>
</tr>
<tr>
<td>Multifamily Application Fee 3rd application</td>
<td>$5,000 Submitted with hard copy application (This $5,000 is in addition to the $5,000 Portal Opening fee - Total fee for 3rd application is $10,000.)</td>
</tr>
<tr>
<td>Multifamily Application Fee 4th application</td>
<td>$10,000 Submitted with hard copy application (This $10,000 is in addition to the $5,000 Portal Opening fee - Total fee for 4th application is $15,000.)</td>
</tr>
<tr>
<td>4% Tax Credits - Tax-Exempt Bonds Portal Opening fee</td>
<td>$5,000 Due at Intent to Submit stage to open portal for electronic application upload. This fee covers the application fee for 1st application submitted by developer. (an additional $2,500 application fee is due for each project included in a combination preservation, submitted with hard copy of application.)</td>
</tr>
<tr>
<td>4% Tax Credits – Tax Exempt Bonds 2nd application fee</td>
<td>$2,500 Submitted with hard copy of application (an additional $2,500 application fee is due for each project included in a combination preservation, submitted with hard copy of application.)</td>
</tr>
<tr>
<td>PHARE Housing Trust Fund fee</td>
<td>$5,000 Due with hard copy application</td>
</tr>
</tbody>
</table>
AGENCY LOAN PROGRAMS and PA HOUSING TAX CREDIT

- PennHOMES Funds for Non-Participating Jurisdictions – subject to per unit caps (Note: CHDOS in Participating Jurisdictions may apply subject to other requirements) – 9% applications only

- Housing Trust Fund (HTF) – cap of up to $750,000 per project – 9% applications only

- PHARE RTT – subject to a separate application round – 4% applications only

- PA Housing Tax Credit – up to $1M in credits per project – only $10M available in total – 9% applications only

- Agency First Mortgage Funding – contact Jordan Laird for a term sheet (jlaird@phfa.org)

- PHARE Funding to Be Used as Match for Health for Housing Investments
PHFA Hard Debt

• **Indicative terms**— please see indicative terms on Agency’s website under the “Taxable and Tax Exempt Bond Programs”
  https://www.phfa.org/mhp/developers/loans.aspx

• **4% Tax Credit Financing**— If seeking tax exempt permanent debt then please contact Jordan Laird for indicative terms as loan sizing and structure affects overall financing plan.

• **Timing of Letters**— request letter for application submission (try to keep to one request). Post award: updated letters can be requested if needed for other outside funds applications, otherwise, letter won’t need to be updated until project is ready for a pre-commitment submission.

• **Questions?** — contact Jordan Laird (jlaird@phfa.org)
To address the unique financing needs of emerging developers, the Agency has created the Developer Opportunity Fund. Small Diverse Businesses and Veteran Business Enterprises may apply to the Agency for financial assistance from the Developer Opportunity Fund. Examples of assistance may include:

- Predevelopment loans to developers who have a reservation of low-income housing tax credits and need funds to cover predevelopment expenses prior to the construction closing;

- Lines of credit for a project with a LIHTC reservation to cover cost overruns and help attract an equity investor; and

- Technical assistance support through partner agencies. (TBD)

For inquiries about the Developer Opportunity Fund, please contact Jordan Laird, Director of Finance, at j Laird@phfa.org.
SELECTION CRITERIA AND SCORING

2024 LIHTC Pre-Application Meeting
Presenter: Beth Silvick
Manager of Multifamily Coordination
PHFA
Selection Criteria

A. Community and Economic Impact – Maximum 37 points

1a. General Occupancy Underserved Areas – Up to 13 points
   (Includes Senior 55+ Applications)

1b. General Occupancy School Performance Standards – Up to 2 points
   www.paschoolperformance.org - 2021/2022 School Year

1c. Senior Occupancy – Up to 15 points

2024 Scoring Forms are posted on our website
Selection Criteria

2. Community Revitalization – New Construction/Rehabilitation
   2a. Community Revitalization Plan – 5 points
   2b. Significant Funding Commitments – 5 points
   2c. Mixed Income Housing – 2 points
   2d. Transit Oriented Design – 2 points
   2e. Walkability – 2 Points (www.walkscore.com)

Community Revitalization - Preservation Properties
   2f. Significant Funding Commitments – 3 points
   2g. Risk of Loss Due to Market Conversion or Sale – 4 points
   2h. Risk of Loss Due to Physical Needs – 4 points
   2i. Mixed-Income Housing – 2 points
   2j. Transit Oriented Design – 2 points
   2k. Walkability – Up to 2 points (www.walkscore.com)

3. Social Inequities and Local Disparities – 5 points
Selection Criteria

B. Resident Population and Services – Maximum 57 points

1. Income and Rent Targeting – Up to 20 points

2. Designated Population and Supportive Services – Up to 12 points

3. Accessible Units – Up to 10 points

4. Large Families – Up to 10 points

5. Broadband and Internet – 5 points
Selection Criteria

C. Development Characteristics – Maximum 30 points

1. Smart Site Selection
   Brownfield – 5 points
   Blight Remediation or Residential Infill – 7 points
   Adaptive Reuse – 10 points

2. National Green Building – 10 points

3. Energy Efficiency Goals (Only one of the following can be chosen)
   Reduced HERS – 5 points
   Zero Energy Ready Home (USDE Certification) – 8 points
   Zero Energy Ready Home (Self Certify) – 3 points
   Passive House – 10 points
Selection Criteria

D. Development Team and Process – Maximum 93 points

1. Development Team
   Applicant(s) – Up to 9 points
      Tax Credit Developments with PIS package submitted
   Consultant in lieu of Applicant Experience – 3 points
   Management Agent – Up to 9 points
      Tax Credit units managed
   Management Consultant – 3 points
   Attorney – 2 points
   General Contractor – 2 points
   Architect – 2 points (Design-1 point & Const. Contract – 1 point)

   Joint Venture with a Small Diverse or Veteran Business
   Enterprise – Up to 17 points
Selection Criteria

2. Material Participation of MBE/WBE/VBE – Up to 15 points

3. Zoning – Up to 10 points

4. Commitment of Funds – Up to 27 points
   a. Evidence of fully funded Development – 5 points
   b. Inclusion of Private Capital & Soft Debt – Up to 8 points
   c. Assumed Debt or Related Party Financing – Up to 2 points
   d. Inclusion of To Be Applied for Funding – Up to 2 points
   e. PennHOMES Funding – 2 points
   f. Agency First Mortgage Financing – 5 points
   g. Project Based Subsidy – 2 points
   h. Tax Abatement – 1 point

5. Non-Compliance – Up to Negative 10 points
Selection Criteria

E. Development Cost Savings – Not Applicable for 2024 Funding Round

F. Complete Application Package – 5 points

Maximum of 222 points Available

9% New Const. / Rehab. Application Threshold Score – 120 points
9% Preservation Application Threshold Score – 110 points

4% New Const. / Rehab. Application Threshold Score – 120 points
4% Preservation Application Threshold Score – 110 points
QUALIFYING FOR THE TAB 31 SUPPORTIVE SERVICES SET ASIDE OR THE 62+ PREFERENCE

2024 LIHTC Pre-Application Meeting
Presenter: Dawn Bartha
Manager of Housing Services
PHFA
Points for Today

- Changes to the Tab 11

- Highlights of the 62+ preference

- Highlights and changes for the Tab 31 Supportive Housing Set Aside
Tab 11 – Supportive Services Plan

Changes for 2024:
- 1:5 staffing ratio is now required for all properties
- Market Rate units are included in the ratio
- Max per unit limit is $600 for general occupancy and $800 for 62+ or supportive housing (tab 31)
- Must include a state of commitment to continuing professional development with the application
- Tab 11 is now worth a max of 12 points not 10
62+ Preference Highlights

**Required for 62+ properties**

- MOUs with healthcare entities for robust services
- Letters of commitment and support from potential partners current within a year of application
- Budget must meet our requirements ($250-$800 per unit)
- Hours must meet our minimum NOT including any additional healthcare hours such as nurse hours
Addressing the 62+ Preference

Budget allowances for above and beyond the commitment to Supportive Services to serve populations with higher support needs. **Cost per unit can be up to $800.**

**Services must be robust which includes:**
- strong and healthy
- thoroughly formulated or conceptualized
- not likely to fail or weaken
Tab 31 Supportive Housing Set-Aside

- Eligibility - applicants must meet the definition of supportive housing, target an eligible population, have an agreement with an appropriate Tab 31 lead agency, ensure residents will not be rent burden and have easy access to transportation services within two blocks of the site.
- At least 25% of the units must be set-aside in order to qualify for the Supportive Housing Preference.
- Must attend a Supportive Housing Set Aside Webinar after Intent to Submit and upload the certificate of attendance with application.
  - Webinars will be held (in conjunction with the Health for Housing Investment Webinar) at:
    - Wednesday, October 25, 2023 at 10:00 AM
    - Tuesday, October 31, 2023 at 1:00 PM
    - Wednesday, November 8, 2023 at 10:00 AM and 2:00 PM
What Is Supportive Housing?

- Housing that is **safe and secure**
- Is **affordable** to the eligible target population (monthly rent and utilities do not exceed 30% of monthly household income)
  - Please note that your application must indicate the method for ensuring that tenants included in this set-aside are not rent burdened. We are looking for a letter committing funds such as: Mainstream/Section 8 vouchers, VASH vouchers, OMHSAS reinvestment dollars, ACC, an established rental subsidy fund or an acknowledged commitment that will be documented in the Indenture of Restrictive Covenants (if awarded credits), that the developer will be responsible for maintaining the supportive housing and that the tenants will be pay no more than 30% of their income.
- Is **permanent**, not transitional. Occupancy is available as long as the tenant pays the rent and complies with the terms of the lease or applicable landlord/tenant laws in Pennsylvania.
- **Offers supportive services** that are flexible and responsive to the needs of the individual; available when needed by supportive housing tenants; and delivered where the tenant lives
Eligible Populations

- Homeless individuals and/or households or those at risk of becoming homeless.
- Non-homeless households with a household member with disabilities including those with mental, physical, sensory or developmental disabilities; persons with substance abuse disorders; persons diagnosed with AIDS and related diseases.
- Persons formerly incarcerated.
- Other populations approved by the Agency on a case-by-case basis.
What do Developers need to do to qualify for this Preference?

Developers must:
- Identify the population that will be targeted for the supportive housing units.
- Work with the Tab 31 lead agency to determine the market for and justify the housing and services need for these units or demonstrate capacity to serve the targeted population.
- Complete Tab 11 (Service Provider Questionnaire and Supportive Services Plan which addresses all residents) in PHFA’s Multifamily Housing Application as well as Tab 31 which addresses those residents served by the set-aside specifically.
- At least 25% of the units must be set-aside in order to qualify for the Supportive Housing Preference.
- Have a signed letter of agreement with the Tab 31 Lead Agency specifying the above parameters and how they will be delivered.
- Identify the source of rental subsidy to ensure residents are not rent burden.
- Assure that the proposed development will be within two blocks of a public transit stop or include transportation in the site plan of services.
HEALTH FOR HOUSING INVESTMENT

2024 LIHTC Pre-Application Meeting
Presenter: Bryce Maretzki
Director of Strategic Planning & Policy
PHFA
Tab 44: Health for Housing Investments Preference

- Minimum one tax credit reserved - project must include a capital investment from a health care entity

<table>
<thead>
<tr>
<th>Capital Contribution</th>
<th>Health Care Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Grant</td>
<td>• Health care payers such as Medicaid managed care organizations and other insurers</td>
</tr>
<tr>
<td>• Loan</td>
<td>• Health providers such as hospital systems, and health conversion foundations</td>
</tr>
<tr>
<td>• Debt</td>
<td></td>
</tr>
<tr>
<td>• Contributions of land and/or existing structure</td>
<td></td>
</tr>
</tbody>
</table>

- The Agency may match the amount of the health care capital contribution up to a maximum of $2M for 9% LIHTC developments and $1.5M for 4% LIHTC developments.

- Minimum capital contribution: $100k

- The Agency will match Land Donation of an amount up to 50% of the “as is” appraised value.
## Tab 44: Health for Housing Investments Preference

### Example 1: 9% Application

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Amount</th>
<th>Agency Match</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Contribution by Health Care Entity</td>
<td>$1,500,000</td>
<td></td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Donation of Land – “as is” Appraised Value</td>
<td>$2,000,000</td>
<td></td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

Total Agency match for which eligible to apply: $2,000,000

### Example 2: 4% Application

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Amount</th>
<th>Agency Match</th>
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</tr>
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<td></td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

Total Agency match for which eligible to apply: $1,500,000

Please reach out to bmaretzki@phfa.org or asechrist@phfa.org if you have additional questions!
Tab 44: Health for Housing Investments

- Must attend a Health for Housing Investment Set Aside Webinar after Intent to Submit and upload the certificate of attendance with application.
  - Webinars will be held (in conjunction with the Supportive Housing Webinar) at:
    - Wednesday, October 25, 2023 at 10:00 AM
    - Tuesday, October 31, 2023 at 1:00 PM
    - Wednesday, November 8, 2023 at 10:00 AM and 2:00 PM
TECHNICAL SERVICES

2024 LIHTC Pre-Application Meeting
Presenter: Ken Bobb
Manager of Architecture and Engineering
PHFA
Technical Services

• **Innovation In Construction Technology**

• **Environmental**
  - If applying for PennHOMES, complete and provide all supporting documentation required by Tab 17 PennHOMES Environmental Checklist
  - If applying for HTF, complete and provide all supporting documentation required by TAB 42 HTF Environmental Checklist
  - If applying for both PennHOMES and HTF, provide each within their respective Tab

• **Energy Benchmarking**
  - Once constructed, all buildings will be required to assess and report their energy performance no less than annually
  - Collection and ongoing monitoring of Utility Costs will be performed by Agency Staff

• **Project Capital Needs Assessment (PCNA)**
  - Project Scope of Work must include all items shown under Critical Repairs, 12-Month Physical Needs Assessment, within initial 5 Years of the Long Term Physical Needs Assessment & the abatement of Environmental Hazards
FINANCIAL OPERATIONS

2024 LIHTC Pre-Application Meeting
Presenter: Kurt Livering
Manager of Financial Operations
PHFA
Financial Operations

• **Controllable Cost Review**
  - Historical costs for existing Management Agents.
  - No History with PHFA?
    - Please submit two years of audits for two comparable properties.
  - Resubmitted projects – PHFA will increase costs, at a minimum, by 5% from last year's approved number.

• **Escrows and Reserves:**
  - PHFA will hold all escrows and reserves when PHFA funding is being requested.
    - Tax, Insurance, and Operating Reserves will be funded at closing.
    - Rental Subsidy and Supportive Service Escrows are funded at Initial Occupancy.
      - Initial Occupancy is considered when the 1st tenant moves into the project.
Financial Operations

**Insurance**
- Provide a current quote from an insurance company.
- PHFA will add a 10% buffer on all quotes to account for the significant increases we are seeing across our portfolio.

**Taxes**
- Provide documentation to support any LERTA or PILOT.

**Management Agent**
- Please select an agent you plan to work with moving forward.
- We have been seeing an increase in management agent changes between application and initial occupancy.
  - A change in management agent could impact controllable costs.
THANK YOU!

Any Questions?