DEVELOPING AFFORDABLE HOUSING IN THE COMMONWEALTH OF PENNSYLVANIA

ALLOCATION PLAN FOR PROGRAM YEARS 2027/2028

LOW INCOME HOUSING TAX CREDIT PROGRAM

PHFA
PENNSYLVANIA HOUSING FINANCE AGENCY

DRAFT (FOR PUBLIC COMMENT)

As of July 8, 2026

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SECTION 1 - FRAMING

1.1 Introduction

In the first quarter of 2026, Governor Josh Shapiro released the Commonwealth of Pennsylvania's Housing Action Plan for 2026- 2035. The plan has five overarching goals to help achieve a Commonwealth where Pennsylvanians have the security and stability that comes with safe and affordable places to call home. The goals are as follows:

- Build and Preserve Pennsylvania's Housing Stock
- Expand Housing Opportunity for All Pennsylvanians
- Provide Pathways to Housing Stabilization and Sustainability
- Modernize Pennsylvania's Housing Development Regulations
- Achieve Operational Excellence Across State and Local Government

As the Housing Finance Agency for the great Commonwealth of Pennsylvania, the Pennsylvania Housing Finance Agency (PHFA or "the Agency") is charged with the administration of the federal Low Income Housing Tax Credit (LIHTC) program. The LIHTC program serves as the largest affordable housing development and preservation program in the Commonwealth and will directly contribute to the first three goals listed above while indirectly contributing to goals 4 and 5.

The Agency administers the Federal LIHTC Program in the Commonwealth. Pursuant to federal law governing the LIHTC Program, the Agency adopts a plan (the "Allocation Plan") outlining the allocation priorities and procedures to be followed in distributing LIHTC based on the housing needs of the Commonwealth. Adoption of the Allocation Plan requires approval by the Governor after a public hearing.

Additionally, The Agency administers other funding resources that support the development of affordable rental housing, such as the Pennsylvania Housing Tax Credit, PHARE, PennHOMES and Housing Trust Fund. These funding resources are often used in conjunction with the LIHTC Program but may have different processing and selection criteria which are not included in the Qualified Allocation Plan. Each of those programs have their own guidelines which can be found on the Agency's website at www.phfa.org.

1.2 Types of LIHTC

FEDERAL

There are three main types of federal LIHTCs: 9% LIHTC,4% LIHTC, and acquisition credits. 9% LIHTCs are competitive and are awarded through a competitive application process. They are usually used for new construction or substantial rehabilitation may cover up to 70% of the project's qualified basis. 4% LIHTCs are not currently competitive in PA but may become competitive at a later date based on supply of tax-exempt volume cap. 4% LIHTCs are awarded to developments that use tax-exempt private activity bonds for at least 25% of their financing. 4% LIHTCs are frequently used for acquisition and/or preservation of existing affordable buildings. The basic rule of thumb is that 4% LIHTCs may cover up to 30% of the project's qualified basis. Also, there is a separate acquisition credit that could be paired with 4% and/or 9% developments and is included in the total per project tax credit estimates described here. Applicants can apply for acquisition credits at the same time that they apply for 9% or 4% LIHTCs.

STATE

In 2021, the General Assembly of Pennsylvania established the Pennsylvania Housing Tax Credit (PHTC) pursuant to Act 107 of 2020 which amended the Tax Reform Code of 1971 by adding Article XIX-G, Pennsylvania Housing Tax Credit (PHTC). Pursuant to Act 107, the PHTC is to be administered by PHFA. Act 45 of 2025 further expanded the Commonwealth's commitment to affordable housing by establishing the Affordable Housing Tax Credit (AHTC), the Affordable Housing Tax Credit Program (the AHTC Program), and the Affordable Housing Tax Credit Program Fund (the AHTC Fund). PHFA is authorized to sell $10 million of state tax credits to qualified taxpayers for the purpose of establishing the Fund. Distributions from the Fund will be awarded to eligible projects, which include the construction, rehabilitation or preservation of qualified low-income developments. At PHFA's discretion, developers may apply for the AHTC as part of the annual 9% LIHTC application round.

The following is a chart that summarizes the application process for the types of LIHTCs:

Type of Tax Credit	**Application Process**
9% Federal LIHTC	Via a competitive application round – rounds are announced by the Agency and happen either on an annual or biannual basis
4% Federal LIHTC	Noncompetitive process – Intent to submits and applications are accepted over an approximate six-month period each year (or until Tax -Exempt Volume cap is fully committed for the year)
Acquisition Credit	For preservation developments – applied for at the same time as applying for 9% or 4% LIHTCs
PA Affordable Housing Credit	Based on availability of funds – if available applications will be reviewed in conjunction with 9% Federal LIHTC applications

1.3 Additional Agency Resources for Multifamily Development and/or Preservation

In addition to the LIHTC programs referenced above, the Agency also administers the following programs which can be used as a capital source for both LIHTC and non-LIHTC affordable rental development projects.

- First Mortgage Amortizing Loans – Construction and/or Permanent
- Federal Housing Trust Fund (HTF) Soft Loan Financing
- Federal HOME (PennHOMES) Soft Loan Financing
- State PHARE RTT, Marcelus Shale, and/or Health for Housing Investment Soft Loan Financing

The Agency will provide additional guidance in its application materials as to how to apply for these sources (based on availability of funds and at the Agency's discretion).

1.4 Core Components of the Allocation Plan

The Allocation Plan has the following Core Components:

- Pools, Preferences, and Maximum Competitive 9% LIHTC Award
- Threshold Criteria
  - Good Standing Requirement Threshold Criteria
  - General Threshold Criteria
  - Financial Feasibility Threshold Criteria
  - Design Threshold Criteria
- Selection Criteria / Scoring Requirements
- Developer Fee
- Operation and Compliance Requirements
- LIHTC Requirements
- 4% Tax Credits with Tax Exempt Bonds
- Application Process

SECTION 2 - POOLS, PREFERENCES, NON-PROFIT SET-ASIDE, AND MAXIMUM COMPETITIVE 9% LIHTC AWARD

2.1 Introduction

This Allocation Plan shall govern Applications for Tax Credits (each an "Application") for annual (or to-be-determined) awards of LIHTCs in 2027/2028. The Agency awards Competitive 9% Tax Credits to developments through a funding round on a to-be-announced basis; additionally, the Agency awards 4% Tax Credits for developments which are financed with tax-exempt bonds on a rolling-basis until such time that the supply of volume cap is not enough to continue operating the program.

To achieve its affordable housing mission and to affirmatively further fair housing in the Commonwealth, the Agency reserves the right to amend, modify or waive specific nonmaterial submission requirements or requisite documentation.

The Agency may issue supplemental policy and guideline announcements affecting this Allocation Plan. Furthermore, the Agency reserves the right to suspend or otherwise alter the submission requirements and timelines in its discretion. Please refer to the Agency's website at www.phfa.org.

2.2 Pools and Preferences

The Agency will provide Competitive 9% Tax Credits through several Set-Asides, Pools and Preferences. The amounts available in each Set-Aside, Pools and Preferences may be adjusted by the Agency to ensure adequate and appropriate funding of the Applicants meeting the Program criteria.

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2.2.1 Set-Asides and Pools

The Agency has established Set-Asides and Pools for awarding Competitive 9% Tax Credits as detailed in the table below.

Set-Aside Percentages for Urban vs. Suburban / Rural	
Set Asides	**Percentage of Tax Credits to be Allocated and/or another method of equitable division between the pools**
Urban Pool*	Approximately 50%
Suburban/Rural Pool	Approximately 50%
Total	100%

Note: A complete list of the applicable Urban areas can be found in Section 10. At least twenty-five percent (25%) of the Urban Pool will initially be set aside to fund developments located in municipalities other than Philadelphia.

Additionally, in the 2027/2028 round(s), there will also be a LIHTC only pool and a LIHTC + Soft Resources pool. Applications that are only requesting an allocation of LIHTC credits from the Agency and/or amortizing first mortgage funds can compete in the LIHTC only pool. Applications that also request soft funding (including but not limited to HTF, PennHOMES, PA Affordable Housing Tax Credit proceeds, PHARE RTT/Marcelus Shale, and/or Health for Housing funding) must compete in the LIHTC / + soft resources pool.

Set-Aside Percentages for LIHTC Only Pool vs. LIHTC + Agency Soft Resources Pool	
Set Asides	**Percentage of Tax Credits to be Allocated and/or another method of equitable division between the pools**
LIHTC Only Pool (and/or first mortgage)	At least 25%
LIHTC + Soft Resources Pool	At most 75%
Total	100%

2.2.2 Preferences

The Agency has established Preferences in awarding Competitive 9% Tax Credits for certain types of developments in each Pool which include general occupancy, senior occupancy (ages 62 and over), properties furthering the preservation of affordable housing, applications for supportive housing, applications identifying innovative ways to reduce costs, Health for Housing Investment, and Strategic Investment developments (as more fully described herein).

Preferences for certain types of housing have been established as minimum goals by the Agency in meeting certain housing needs of the Commonwealth. Applicants may be considered in more than one category and will have been deemed to have met both for purposes of meeting the stated housing goals. Due to the amount of Tax Credits which may be available, these minimum goals may be adjusted or modified accordingly. Applicants meeting more than one of these categories may be advantaged during the ranking/scoring process. Preferences are as follows:

- **General Occupancy**
  The Agency will reserve Competitive 9% Tax Credits to, at a minimum, three (3) general occupancy properties in each Pool.

- **Senior Occupancy 62+ with Services**
  The Agency will reserve Competitive 9% Tax Credits to, at a minimum, two (2) senior occupancy developments targeting persons 62 years of age and above in each Pool. Eligibility for this preference will require demonstration that services will be provided to residents to enable them to continue to live independently.

- **Preservation Developments**
  The Agency will reserve Competitive 9% Tax Credits to, at a minimum, two (2) preservation properties in the aggregate between the two Pools. To be considered eligible for this preference, existing affordable properties should demonstrate that Tax Credits are necessary to extend the long-term affordability and habitability of the development or that there is a likelihood of conversion to market rate housing (which must be supported by a current market study in a form and substance acceptable to the Agency). The applicant also needs to demonstrate that 4% LIHTC credits and tax-exempt volume cap are not a large enough source to cover the costs needed to rehab the property and/or there is not enough rental income to cover the debt service needed

for a 4% LIHTC development. Additionally, the Agency will conduct a comprehensive site visit on all preservation properties and will review the capital needs assessment, occupancy and financial reports and supplemental information to identify those properties which demonstrate the greatest need of preservation. Applications from existing Tax Credit developments must continue to maintain the initial program restrictions set forth in the Indenture of Restrictive Covenants throughout the original extended use period.

- **Supportive Housing**

  Supportive Housing is defined as follows:

  (1) Housing that is made available to members of a targeted population; and

  (2) Housing that has services targeted specifically to members of that population.

  The Agency will reserve Competitive 9% Tax Credits to, at a minimum, two (2) developments in each Pool which promote supportive housing opportunities to targeted populations including persons who are homeless; non-homeless households requiring supportive services including those with mental, physical, sensory, or developmental disabilities; persons with substance abuse disorders; persons diagnosed with HIV/AIDs and related diseases; persons being released from incarceration, persons aging out of the foster care system, and other special populations approved by the Agency on a case-by-case basis (which may include consideration for the specialized needs associated with affordable housing for veteran households). In the rural/suburban pool, a minimum of fifteen (15%) of the units must be set aside to qualify for this preference. In the urban pool, a minimum of 25% of the units must be set aside to qualify for this preference. In order to compete in this set-aside, principals or a senior manager/officer of the developers and their supportive service partners must attend a pre-application meeting so that they are aware of all the requirements of the Agency's Supportive Housing Program. Designated units must be rented only to the target population (subject to fair housing laws). Developments must provide evidence that residents meeting the supportive housing preference pay no more than thirty percent (30%) of their income to their total housing expenses. Federal operating contracts such as Housing Assistance Contracts and/or internal rental subsidies (funded by equity or another existing source), and/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. At the time of the application, the applicant must agree to meet this requirement. Any initial award / commitment under this set aside will be conditioned upon the developer presenting a mechanism for meeting this requirement that is acceptable to the Agency.

- **Innovation in Cost Effectiveness**

  The Agency will reserve tax credits to one development in each pool (Urban & Suburban/Rural) that identifies an innovative way (s) to create cost effectiveness in ALL three categories below

  - Construction Cost Effectiveness
  - Operating Cost Effectiveness
  - Effective Building Design

- **Health for Housing Investments**

  The Agency will reserve tax credits to, at a minimum, one (1) development in the aggregate between the two Pools (Urban & Suburban/Rural) which includes a permanent Capital investment from a health care entity. The health care entity may include health care payers such as Medicaid managed care organizations and other insurers, health providers such as hospital systems, and health conversion foundations. The projects must include funding contributions from the participating healthcare entity towards the capital financing of the project, in the form of a grant, loan, debt, or the contributions of land and/or existing structure(s).

- To the extent funding is available, the Agency may match the amount of the capital contribution made by the health care entity up to a maximum of $2,000,000 for 9% LIHTC developments and $1,500,000 for 4% developments.
- A minimum capital contribution from the healthcare entity must be made in the amount of no less than $250,000 (including applications seeking match for donation of land).
- The Agency may match Land Donation of an amount up to 50% of the "as-is" appraised value. (Applications seeking match funds for donated land must also have a minimum capital contribution of $250,000 from the Health Care entity).

In addition to the capital contribution, all healthcare entities are also highly encouraged to provide financial support to supportive and/or health services. The Agency matching funds; however, will only match the permanent capital contribution.

- **Strategic Investment**

  The Agency will reserve Tax Credits to, at a minimum, three (3) developments and a maximum of eight (8) developments, in the aggregate between the two Pools, which the Agency determines support specific housing economic opportunities (such as areas of housing shortage due to Marcellus Shale, urgent community needs or other unusual economic development pressures) or the overall housing goals of the Commonwealth, as determined by the Agency.

  The Agency, in its discretion, may also consider any Application for Strategic Investment. The Agency may consider regional distribution, scale of community impact, extraordinary market and population needs, unique funding and leveraging opportunities, (such as HUD's Choice Neighborhoods Initiative), disaster recovery response and competitive rankings of Applications, in making Strategic Investment awards including how the development maximizes the inclusion of affordable accessible units in its design.

2.3 Non-Profit Set-Aside

The Code requires that a minimum of 10% of Competitive 9% Tax Credits be allocated to qualified nonprofit organizations. The Agency will continue to encourage development by nonprofits which have demonstrated commitment to improving the living environment, public health, or safety of local populations in Tax Credit developments and will target a minimum of twenty-five percent (25%) of the Competitive 9% Tax Credit towards developments involving qualified nonprofit organizations (the "Nonprofit Set Aside") as described below. In meeting the Nonprofit Set Aside, the Agency will provide a preference of up to five percent (5%) of the Competitive 9% Tax Credit for Community Housing Development Organizations ("CHDOs") that are certified in Pennsylvania. To be eligible, all nonprofits and CHDOs must meet the following requirements:

A nonprofit organization or CHDO will qualify for consideration under the Nonprofit Set-Aside if it is described in paragraphs (3) or (4) of Section 501(c) of the Code, is exempt from tax under Section 501(a) and will materially participate in the Tax Credit development throughout the compliance period. In addition, the nonprofit organization must have the fostering of low-income housing as one of its exempt purposes. The nonprofit organization must be the managing general partner or managing member and own (directly or through a partnership) at least a 51% interest in the managing general partner of the partnership entity in accordance with current laws and IRS regulations throughout the development's compliance period.

The nonprofit organization or CHDO may neither be an affiliate of, nor controlled by, a for profit organization. An opinion of counsel addressing the status of the nonprofit organization and qualification for the Nonprofit Set-Aside may be required.

Priority may be given to nonprofits or CHDOs which have a substantial base of operations within the county or municipality of the proposed development. To show a substantial base of operations, the nonprofit must demonstrate that it has provided quality charitable services to persons in the county or municipality without substantial interruption for at least the last two years, or performed other such activities which demonstrate, to the satisfaction of the Agency, that the organization will further the living environment, public health, or safety of persons in the proposed development. The Agency may require certification of IRS Form 990 filings and evidence of good standing with all nonprofit IRS filing requirements.

2.4 Maximum Competitive 9% LIHTC Award

The Agency imposes the following per project maximums on Competitive (9%) Tax Credit awards:

1. $2,000,000 for projects with one of the following:
   - 65 or more affordable units if the development demonstrates a mix of unit sizes with at least 51% of units two bedroom or larger; or
   - Qualified for, competes in, and is awarded in the supportive housing preference
2. $1,850,000 for projects which do not meet the criteria outlined above

The Agency reserves the right to reduce the project maximums listed above based upon market conditions. Based upon the demand for Competitive 9% Tax Credits and development rankings, the amount of Competitive 9% Tax Credits reserved for any one Applicant (or related entity or material participant including consultants) or development in any specific jurisdiction or within a particular Set-Aside, Preference and Pool may be limited at the discretion of the Agency. Similarly, based on the availability of Competitive 9% Tax Credits to the Agency, the amount of Competitive 9% Tax Credits reserved for any one Applicant or development may be adjusted.

SECTION 3 - THRESHOLD CRITERIA

3.1 Introduction

The Agency has determined that, in the Agency's discretion, all applicants/ applications must meet the following four threshold criteria sections to be eligible to compete for a potential reservation of 9% LIHTC credits. If all threshold criteria components are not met, the project will not proceed to the selection criteria / scoring section of the Agency review. The five main sections of threshold criteria are as follows:

- **Good Standing Threshold Criteria**
- **General Threshold Criteria**
- **Financial Feasibility Criteria**
- **Zoning Threshold Criteria**
- **Development Design Threshold Criteria**

3.2 Good Standing Threshold Criteria

It is of the utmost importance that applicants and their team partners have good standing in their participation of Agency programs and also with their business endeavors in general. Therefore, the Agency will review the following and determine, in the Agency's judgment, if the developer and business partners meet the good standing threshold criteria. As part of the Agency's review the Agency reserves the right to contact the applicant to request additional information, receive clarifying material, and/or ask about an affiliation or relationship that was not disclosed.

3.2.1 Disclosures

Applicants must disclose to the Agency all financial relationships, ownership interests, and contracts between Applicant and related parties relating to the development. Disclosure includes amounts paid for fees, contracts, acquisitions of materials or real estate related to the Development whether incurred or paid prior to submission or if paid or incurred subsequent to submission within 30 days of obligation. For purposes of this disclosure obligation, related parties include immediate family members of Applicant's employees, officers, and owners; corporate entities where Applicant's employees, officers, and owners have an ownership interest; or any corporate affiliates of Applicant. Applicants must also disclose any familial or working relationships with PHFA staff or board members.

3.2.2 Description of Development Structure

Applicants must disclose to the Agency all transfers of property interests from a development site to third parties that occurred prior to submission of the Application. Applicants must also disclose all related development at the development site including proposed condominiums for commercial, retail and market rate development as well as all potential additional development at the development site. The Agency reserves the right to request additional supporting documentation to clarify development relationships or stages.

3.2.3 Disclosure of Bankruptcies, Foreclosures, Deed in Lieu of Foreclosure, etc.

Applicants must disclose to the Agency if any real estate holdings owned by the applicant(s) or (and related entity or material participant of the applicant) have been transferred through bankruptcy, foreclosure, a deed in lieu of foreclosure, or any other mechanism related to nonpayment or other default of loan documents. The applicant must list the address of the property and the nature of the default. It is in the Agency's discretion as to whether or not the nature of the default will be considered a reason not for the applicant to meet threshold in this category.

3.2.4 Tax Credit and Agency Compliance History

Agency staff will review the Tax Credit Program compliance history and performance of the Applicant (or any related entity or material participant) and the management agent of the proposed development. The Applicant must certify that it is in compliance with all Tax Credit Program requirements for each Tax Credit development in which it has a material ownership interest. If the Applicant (or any related entity) or management agent of the proposed development is currently involved in a Tax Credit development that is in the initial 15-year compliance period and has been reported to the Internal Revenue Service ("IRS") as being out of compliance with any Agency program requirement (or has an outstanding Restrictive Covenant Agreement violation) and such noncompliance has not been brought back into compliance prior to the submission of the Application, the Application may be rejected at any time prior to reservation of Tax Credits. In the alternative (or in addition, as determined by the Agency), attendance and satisfactory completion of an Agency-approved course in the compliance requirements of the Tax Credit Program may be required. The Agency will determine whether a compliance issue is of a material or non-material nature and whether it is of a recurring nature based on the facts and circumstances. Note that while any material compliance issue may result in rejection of an Application, nonmaterial noncompliance issues may result in the adjustment of points during the ranking process. The Agency may reject any Application from an Applicant who fails to submit and maintain timely unit and project information on the Agency's interactive database ("PA Housing Search"), participate in the Agency's energy benchmarking program or provide supplemental data upon request.

3.2.5 Delinquency History

If the Applicant (or any related entity or material participant) is involved or has been involved in an Agency funded development (including Tax Credit properties) that is: delinquent in payments to the Agency, has materially defaulted on any of its obligations including, meeting required submissions and deadlines, or has misrepresented any material information on a previous application, the Agency may reject the Application. Upon receipt of an Intent to Submit (or at any point during the pendency of an application), the Agency will notify Applicants of any delinquency default or noncompliance. Failure to cure delinquencies, defaults or similar actions within thirty (30) days of such notice will result in the rejection of future Applications.

3.2.6 Failure to Meet Deadlines

Applications may be rejected if the Applicant (or any related entity or material participant) has failed to meet any established program deadline date which resulted in loss or recapture of Tax Credits, potential loss of other financial assistance or funding resources, or has failed to meet a preference, selection criteria or a condition of a previous Tax Credit award

3.2.7 Unpaid Fees

Applicants (or any related entities or material participants) who have unpaid fees due to the Agency or with outstanding state tax liability may be ineligible to participate in the Tax Credit Program.

3.2.8 (Non)Displacement of Tenants

Applicants who have displaced tenants without following preapproved relocation plans will be ineligible to participate in the Tax Credit Program. Additionally, applications that have resulted from or will result in the permanent displacement of low-income residents will be rejected unless the Applicant provides evidence satisfactory to the Agency that an appropriate relocation plan has been developed. Furthermore, to the greatest extent feasible, all existing low-income residents must be offered their choice to either be temporarily relocated until such time, upon completion of the development, as they are able to return to an appropriately sized affordable unit in the development, or receive relocation benefits. Applicants are required to document the efficacy of notice given to residents to the satisfaction of the Agency.

3.2.9 Financial and Organizational Capacity

Applicants must provide evidence satisfactory to the Agency of its financial and organizational capacity to ensure the completion of the development in accordance with the requirements of the Code. The Agency will review supporting documentation, including the required submission of annual audited financial statements, to evaluate the Applicant's financial capacity. If an applicant does not have audited financial statements, the Agency will accept unaudited financial statements produced under acceptable accounting principles; however, if awarded a reservation of LIHTCs, the applicant must submit audited financial statements for review prior to closing. Based on the review of the financial statements, at least one applicant (if there are co-applicants) must demonstrate the viability for meeting the minimum goal of both of the following:

- Liquidity in the amount of at least 5% of the total development cost
- Net worth in the amount of at least 25% of the total development cost

If at least one applicant cannot demonstrate the viability for meeting the liquidity and/or net worth described above, at least one applicant must supply at least one of the following:

- A Letter of Interest from PHFA stating that the applicant may potentially be eligible for a line of credit / loan from the Developer Opportunity Fund
- A letter from a syndicator / equity investor that describes a detailed analysis that the syndicator / equity investor conducted and a statement that the syndicator / equity investor is comfortable with the financial capacity of the applicant (Note: this letter should be based on a more intensive level of underwriting than in the required syndication letters).

3.2.10 Commitment to Uphold Right of First Refusal Agreements

The Agency may reject an Application from any Applicant (or related entity) who participates in a transaction or program to achieve early termination of a Restrictive Covenant Agreement (or other document(s) evidencing long term restrictions applicable to the Tax Credit Program) or has actively sought to interfere with or defeat a right of first refusal set forth in Section 42(i)(7) of the Code, as determined by the Agency in its sole discretion. Such action may include rejection of the Application, termination of processing, recapture of Tax Credits (if an IRS Form 8609 has not been issued) or, if applicable, issuance of an IRS Form 8823 or notification to the appropriate governmental authorities. As evidence of such finding of violation, the Agency may rely upon its own investigations or may rely upon any order of a court with jurisdiction or upon notice of such a finding from any federal or state agency with investigative or regulatory jurisdiction regarding the subject matter, such as the Internal Revenue Service, U.S. Department of Justice, U.S. Department of Treasury, U.S. Department of Housing and Urban Development, Pennsylvania Human Relations Commission or Pennsylvania Office of Attorney General or may make a determination based upon the failure to report or affirmatively disclose information to the Agency.

Provisions of this section apply to any entity who by written agreement may significantly affect, in the opinion of the Agency, the development or operation of the property. Such written agreement may include ground leases, operating subsidies, partnership agreements, management contracts or operating regulatory agreements.

Additionally, the authority has an interest in preserving the right of first refusal by a qualified nonprofit organization at the close of the compliance period. The authority has the right to request the following:

1. A designated form of right of first refusal documents
2. Terms in the extended use agreement requiring notice and approval of the Agency of transfers of partnership or member interests
3. Banning from the LIHTC program (under this QAP) of principals having demonstrated a history of conduct detrimental to long-term compliance with extended use agreements in Pennsylvania or another state.

Any application submitted by an applicant containing a principal that was a principal in an ownership entity that has, in the authority's determination, previously participated in a foreclosure in Pennsylvania (or instrument in lieu of foreclosure) that was part of an arrangement that the purpose of which was to terminate an extended low-income housing community shall be rejected from further consideration for low-income housing tax credits and shall not be eligible for any reservation or allocation of credits under this QAP.

3.3 General Threshold Criteria

3.3.1 Development Team Experience

The development team must have sufficient experience, as determined in the sole discretion of the Agency, to effectively own, design, construct, manage and operate a Tax Credit development. The development team members include the Applicant, architect, general contractor, attorney, and the management agent. Additionally, as outlined in this QAP, ranking consideration will only be given for the experience of a housing consultant (including their ability to secure equity investment and provide services through initial occupancy) only if a contract is included which in the Agency's discretion clearly describes the tasks to be performed by the housing consultant AND the housing consultant will work on the project from application through placed-in-service and cost certification. In a similar manner, based on review of the contract, a housing management consultant may be considered in lieu of the Applicant or management agent, respectively.

3.3.2 Commitment to Extended Affordability Period or Homeownership Conversion

Applications for Tax Credits must demonstrate a commitment to serve low-income residents for a period of not less than 40 years or, in the alternative, offer homeownership opportunities for 100% of the units to qualified residents after the initial 15-year compliance period. Homeownership conversion proposals must present a financially viable homeownership program for residents who inhabit the units during the compliance period. The program must incorporate an exit strategy, homeownership counseling and a minimum amount of funds (not less than $3,000 per unit) set aside by the developer to assist the residents with the purchase. The only types of units eligible for consideration are townhouse and single family attached and detached structures. The Agency may approve other unit types conducive for these purposes if structured as cooperative or condominium ownership. The Applicant will certify this commitment in the Application and the Restrictive Covenant Agreement will contain provisions ensuring enforcement of the related covenants by affected qualified residents. Should the units not be converted to homeownership, the Restrictive Covenant

Agreement will contain a provision waiving any right to petition the Agency to terminate the extended use term for all units remaining as rental units. A certification from the design architect verifying the units are townhouse or single family attached or detached structures will be required as part of the Application.

3.3.3 Affordability of Units

Developments must provide a financing plan which evidences that at least ten percent (10%) of the low-income units in Urban Areas and five percent (5%) of the low-income units in Suburban/Rural Areas are affordable to persons at or below twenty percent (20%) of the AMI, adjusted for family size. For developments consisting of all low-income units, at least half of the minimum required 20% AMI units must be accessible. For mixed-income developments containing market rate units, 5% of the units must be accessible. (Existing affordable developments with a demonstrated average occupancy rate of 90 percent or above over the last 5 years may be exempt from having to meet the twenty percent (20%) AMI requirement for these units.) The development must evidence a viable plan to charge rents at levels affordable to persons at or below twenty percent (20%) of AMI for these units throughout the compliance period. In the event the plan includes utilization of Project Based Section 8 and appropriation for such assistance is not renewed (provided that non-renewal is not due to the development's default on program obligations), the thirty percent (30%) AMI requirement may be waived with the consent of the Agency for reasons beyond the development's control. An agreement shall be in place with appropriate referring entities (including those supported through programs of the Department of Human Services) to assure that sufficient referrals for tenancy are received from households who are income-eligible and/or in need of the accessibility features. Additionally, the Agency may require additional applicable program restrictions to comply with its award of project-based subsidy from HUD's Section 811 Demonstration Program (administered by the Agency) funds or similar program opportunities. The Restrictive Covenant Agreement will require that the extremely low rents are maintained and that a corresponding number of units are marketed to and set aside for such extremely low-income households throughout the compliance period.

3.3.4 Public Housing Waiting List

Applications must demonstrate that the housing needs of local public housing waiting lists have been met. Applicants may meet this requirement by providing either: (1) a current letter from the local public housing authority stating how the development is specifically meeting the housing needs of residents on the public housing waiting list; (2) a copy of the comprehensive plan outlining the current local public housing authority waiting list and evidence that the development will meet such resident needs; or (3) evidence of receipt of mailing to the local public housing authority prior to the date of the Tax Credit Application a letter which evidences the commitment of the developer to work cooperatively to meet the needs of persons on the local public housing waiting list.

3.3.5 Tax Credit Equity Investor

Applications must include evidence, satisfactory to the Agency, that an equity investor has been secured for the development at a market pay-in value and the terms and conditions related to the investment are reasonable. The investor letter submitted in the application must include a statement that the syndicator and/or investor has reviewed the applicant's liquidity and net worth and believes that the financial capacity and experience of the applicant are at levels needed for the investor to "in good faith" continue underwriting the development with the goal of moving forward as the investor – if a reservation of credits is made to the development.

Additionally, if the Agency determines the proposed equity investor and/or syndicator has participated in a transaction or program to achieve early termination of a Restrictive Covenant Agreement under a Qualified Contract or has actively sought to interfere with or defeat a right of first refusal the Agency reserves the right to require a substitute equity investor and/or syndicator.

3.3.6 Supportive Services

All developments must confirm that a minimum level of supportive services appropriate to the proposed resident population is available at the property. Applications must provide evidence, satisfactory to the Agency, that funds are dedicated to cover service delivery. Developments that provide delivery of specific services may qualify for ranking consideration under the Selection Criteria.

3.3.7 Cybersecurity

The Agency has determined that the following minimum development characteristics will be considered Development Design Threshold Criteria for all developments seeking Tax Credits. The Agency may waive the requirement of a specific amenity if compelling circumstances exist, or if the inclusion of such amenity adversely affects the financial feasibility of the development or if, due to the nature of the rehabilitation of the development, the inclusion of such amenity is cost prohibitive. The Agency will review the architectural documents submitted with the proposal to confirm the existence of the proposed amenities. A certification from the design architect verifying the inclusion of the amenities in the development must be submitted with the Application. Confirmation from the construction contract administration architect is required with the submission of the cost certification documents. For Applications not requiring the services of an architect, the certifications may be provided by the general contractor. Amenities should be appropriate for the proposed resident population. Verification of the availability of all amenities may be required by the Agency at any time and throughout the development's compliance period.

3.4 Financial Feasibility Threshold Criteria

3.4.1 Excessive Costs

Applications with costs that the Agency deems to be excessive based on the facts and circumstances may be rejected or suspended from processing. It is within the Agency's discretion to request and review additional information related to hard and soft capital costs and also all operating costs. For example, the Agency may require additional bidding from contractors, vendors, insurance providers, etc.

3.4.2 Gap Analysis

Per the Agency's underwriting criteria, the development must be financially feasible from both an operational and capital review. Any development gap (including unsecured sources) must be less than 50% of the developer fee to be financially feasible. The operating budget cannot show negative cashflow prior to year 11. Additionally, if the development includes a separate commercial and/or residential condo as part of the same development, that portion must also be financially feasible at the time of application.

3.5 Zoning Threshold Criteria

The applicant must demonstrate by submitting a letter from the municipality that the project (as proposed) either (1) meets the existing zoning requirements for the municipality (including that multifamily housing is a *permitted use by right* and that no significant waivers are needed) or (2) has already been through the public process needed (pre-approved) to receive a variance or zoning change for the development. Additionally, the applicant must provide a letter from the municipality that there is suitable means of egress to the property and that the project (if built) will be able to access all needed utilities including water. Additionally, there can be no restrictions on future taps.

The only exception to the zoning requirement is if the project will need a minor administrative adjustment such as a front or side yard set-back. In this situation, the municipality must submit a letter describing the process for receiving an approval.(For preservation deals where the footprint of the building is not changing, a letter from the municipality is not required).

3.6 Development Design Threshold Criteria

The Agency has determined that the following minimum development characteristics will be considered Development Design Threshold Criteria for all developments seeking Tax Credits. The Agency may waive the requirement of a specific amenity if compelling circumstances exist, or if the inclusion of such amenity adversely affects the financial feasibility of the development or if, due to the nature of the rehabilitation of the development, the inclusion of such amenity is cost prohibitive. The Agency will review the architectural documents submitted with the proposal to confirm the existence of the proposed amenities. A certification from the design architect verifying the inclusion of the amenities in the development must be submitted with the Application. Confirmation from the construction contract administration architect is required with the submission of the cost certification documents. For Applications not requiring the services of an architect, the certifications may be provided by the general contractor. Amenities should be appropriate for the proposed resident population. Verification of the availability of all amenities may be required by the Agency at any time and throughout the development's compliance period.

3.6.1 Development Amenities

The following Development Amenities must be included in the proposed development budget. (Please note that the Applicant should seek independent tax advice as all of the costs of the following amenities may not be included in eligible basis.)

- On-site Community Room. For developments competing in the Senior 62+Services category, a community room is required. The community room must be one room and should be of sufficient size to accommodate the residents and services to be provided. The community room should include a kitchen or kitchenette (complete with a full-sized range and full-sized refrigerator) that will be available to all residents.
    - Applications which are a continuation of a phased development (or are adjacent to an existing affordable housing property serving the same targeted population group) will be required to provide space sufficient to meet the size requirements below based on the aggregate of the number of units in all phases. (For the cost of a community room or building that is shared with the tenants of multiple phases to be included in Tax Credit eligible basis, it must qualify as a community service facility. Please consult with an accountant or attorney experienced in Section 42 issues for additional information regarding this issue and be prepared to provide supporting documentation to the Agency.) The Agency may consider a long-term agreement with an existing community facility within walking distance from the development as evidence of meeting this requirement.
    - The community room should contain at least 15 net square feet per unit for properties 50 units or less. Community rooms in developments with more than 50 units should be at least 750 square feet in size. The square footage required shall be in addition to the kitchen or kitchenette, where provided.
- Laundry Facilities. Common laundry facilities or the provision of individual washers and dryers in each unit are required. If a common laundry is provided in a development that will be converted to homeownership, hook-ups for a washer and dryer must be provided in each unit. If the development contains a common laundry facility, the following requirements must be met:
    - For general occupancy developments: one washer and dryer per 12 units, with a minimum of two washers and two dryers required at each laundry facility.
    - For elderly developments: one washer and dryer per 20 units, with a minimum of two

washers and two dryers required at each laundry facility.

  - A minimum of one front load washer and dryer is required for each laundry facility and will be required in accessible units containing a washer and dryer in the unit.

- All washing machines, whether development owned or vendor owned, must be energy efficient. On-site Management Office. An accessible on-site management office will be required for all developments except those containing scattered site properties. Applications which are a continuation of a phased development that do not include a management office in the current Application will be required to provide evidence of a management office in one of the prior phases.
- Air Conditioning. For new construction, substantial rehabilitation and preservation developments, all common spaces (except stair towers, mechanical rooms and storage rooms) must be air conditioned.

3.6.2 Unit Amenities

The following Unit Amenities must be included in the proposed development.

- The net area of all dwelling units must fall within the limits listed below. (Net area is measured from the interior finish surface of the unit perimeter walls, and shall include all rooms, corridors, interior walls, storage areas, and mechanical spaces.) Rehabilitation developments may vary from the maximums and minimums by 10 percent. Preservation developments shall strive, but are not required, to meet this requirement. Accessible units may vary from the maximums as required to provide an accessible route and accessible clearances. A waiver to the unit sizes can be requested and reviewed by the Agency. The decision to approve or deny the waiver will be at the Agency's discretion.

	Flats	**Multi-Floor Units**
SRO	90 to 200 sq.ft.	
EFF	400 to 600 sq.ft.	
1 BR	550 to 850 sq.ft.	650 to 950 sq.ft.
2 BR	700 to 1,100 sq.ft.	850 to 1,300 sq.ft.
3 BR	950 to 1,350 sq.ft.	1,000 to 1,550 sq.ft.
4 BR	1,100 to 1,550 sq.ft.	1,200 to 1,750 sq.ft.
5 BR	1,300 to 1,750 sq.ft.	1,400 to 2,000 sq.ft.

- Air conditioning shall be supplied to living areas and all bedrooms of each unit. Individual window units will not be considered as meeting this criterion, except in preservation developments.
- Refrigerators, ranges and ovens will be required in all units except for developments containing SRO units (provided that such properties have common cooking facilities containing these appliances).
- Window treatments in all residential units are required. Window treatments include horizontal blinds, vertical blinds, or other opaque blinds. Commercial grade roller shades will be permitted on large window expanses.

3.6.3 VisitAbility

The following dwelling unit types shall meet the Visitability requirements: 100% of newly constructed single-family homes, townhouses, and units in elevator buildings; all ground floor units in walk-up apartment buildings. Rehabilitation developments should strive for 100% compliance, but at least 25% shall meet the VisitAbility requirements. Properties unable to comply with this requirement due to physical constraints or building type may apply for a waiver from this threshold requirement. To meet VisitAbility design features, the building and units must have at least one zero-step entrance with a 36-inch wide door; all doorways and passages on the entry level floor should have a width of 36 inches; there should be a clear pathway to a bathroom or powder room; such bathroom or powder room should include a minimum 24-inch grab bar beside the toilet on a reinforced wall, which can also serve as a towel bar; and there should be a clear pathway to the living room and dining area of the unit. The VisitAble powder room or bathroom must provide maneuverability clearances in accordance with the Fair Housing Act Design Manual. (Preservation developments are exempt from this requirement but are encouraged to provide VisitAble units where feasible.)

3.6.4 Fair Housing Act Design Manual

All new construction developments shall be designed in conformance with HUD's Fair Housing Act Design Manual standards, as applicable. Substantial rehabilitation developments shall also be designed in accordance with HUD's Fair Housing Act Design Manual, as applicable, but may seek a waiver from the Agency where existing conditions prohibit 100% compliance. Blocking for future grab bars shall be continuous behind the bar location and sized to accommodate the grab bars required by ANSI A117.1, current adopted edition.

3.6.5 Environmental Site Assessment

A Phase I Environmental Site Assessment prepared in accordance with ASTME 1527-21 and the Agency requirements found in the Submission Guide for Architects is required for all developments. The report cannot be more than 12 months old at the time the Application is submitted. An updated report provided by the original report's environmental consultant may be provided when the original report is between 12 and 24 months old at the time the Application is submitted. Only the executive summary of the Phase I report shall be submitted in the Application. The summary shall be accompanied by a certification from the Applicant stating that any issues raised in the environmental review have been reviewed and budgeted for accordingly in the development budget. For existing buildings scheduled for rehabilitation or preservation developments, the Phase I report must also include the results from the following tests: lead in water, lead-based paint, asbestos and radon. Cost estimates for any remediation work shall be provided and included with the Phase I executive summary.

3.6.6 Development Sustainability and Energy Conservation Measures

- All newly constructed multifamily buildings shall comply with the requirements of the 2020 Enterprise Green Communities program Criteria 5.1a. All substantially rehabilitated multifamily buildings shall comply with the requirements of the 2020 Enterprise Green Communities program Criteria 5.1b. Preservation developments shall meet the mandatory measures found in the "Design Architect's/Applicant's Certification of Threshold Criteria" in the Guidelines. (Not required if Applicant commits to achieving certification under one of the Green Building Standards listed in the Selection Criteria.)

- Additionally, for new construction and rehabilitation developments, the overall U-value of the exterior building envelope must exceed the requirements of the International Energy Conservation Code, current adopted edition, Chapter 4 by 10% for buildings three stories or less in height as verified by a REScheck certificate. Buildings four or more stories in height must exceed the requirements of the current adopted edition of the International Energy Conservation Code Chapter 5 by 7%, as verified by a COMcheck certificate. Air sealing of the exterior building envelope and attic plane shall be included. Trade-offs available in the REScheck or COMcheck software for mechanical equipment will not be allowed. (Not applicable to preservation developments.)

- In new construction and rehabilitation developments, all appliances, HVAC equipment with a capacity less than 60,000 btuh, gas fired water heaters, windows, ceiling fans, exhaust fans, range hoods and exit signs shall be energy efficient when such equipment and appliances exist. (Exceptions: programmable thermostats do not need to be provided, and windows in buildings over three stories in height may comply instead with ASHRAE Standard 189.1-2009.) (Packaged terminal air conditioners (PTACs) and packaged terminal heat pumps (PTHPs) (including vertical type configurations) may only be used if it can be proven that they comply with the prescriptive requirements of Energy Star (current version) for air-source equipment, as tested and certified by Air Conditioning, Heating & Refrigeration Institute (AHRI) only). In addition, 100% of the permanent room light fixtures in the dwelling units shall be equipped with LED bulbs, or high efficiency fluorescent with electronic ballast; and 100% of the community room and common area corridor and stair lighting shall be fluorescent with electronic ballast or shall utilize LED bulbs.

- All developments utilizing central system refrigerant flow type equipment shall Be energy efficient.

- In preservation developments, existing refrigerators more than 15 years old shall be replaced with energy efficient refrigerators. Existing heat pumps, air conditioning condensing units, and through-wall air conditioners more than 20 years old shall be replaced with Energy Star® labeled type, when such equipment exists. Existing furnaces and boilers more than 25 years old shall be replaced with Energy Star® labeled type, when such equipment exists. (Programmable thermostats do not need to be provided.) In addition, existing community room, common area corridor and stair lighting more than 15 years old shall be replaced with fluorescent fixtures with electronic ballasts or fixtures that utilize LED bulbs. Where windows are scheduled for replacement, replacement should be made with energy efficient qualified products, except in buildings over three stories in height, where window replacement may comply instead with ASHRAE Standard 189.1-2009. All developers must certify that when existing equipment, appliances and products are replaced, they will be replaced with energy efficient equipment, when such equipment exists.

- All developments must meet the Additional Threshold Green Building Criteria set forth in the 2027/2028 Guidelines and the "Design Architect's / Applicant's Certification of Threshold Criteria" that must be submitted as part of the Application.

- Please review the Multifamily Housing Application and Guidelines for specific sustainability and energy conservation requirements.

3.6.7 Broadband Infrastructure

The installation of broadband infrastructure is required in all projects, in compliance with Federal Register 81 FR 31181 "Narrowing the Digital Divide through Installation of Broadband Infrastructure." Infrastructure must be provided in each dwelling unit meeting the Federal Communications Commissions (FCC's) definitions in effect at the time the pre-construction estimates are generated. Currently the FCC defines broadband speeds as 25 Mbps download and 3 Mbps upload.

3.6.8 Smoke-Free Policy

The Applicant shall certify that, at construction completion, the Applicant will design and implement a policy prohibiting the use of prohibited tobacco products in all living units and interior areas including but not limited to hallways, rental and administrative offices, laundry and common areas as well as outdoor areas within 25 feet of all the buildings in the development, outdoor gathering spaces and tot lots.

SECTION 4 - SELECTION CRITERIA / SCORING REQUIREMENTS

4.1 Introduction

To qualify for consideration of 9% Low Income Housing Tax Credits, the Agency requires that the Application meet the Threshold Criteria for both the 9% and the 4% Tax Credit Programs (see Section 3) and score at least 120 points under the Selection Criteria (see Section 4). Applications will only be scored once. If two or more developments requesting Competitive 9% Tax Credits have the same ranking within a Set-Aside, Pool or Preference and only one Application can be awarded Competitive 9% Tax Credits, the Agency will select the application that in the Agency's discretion is the most ready to proceed.

All Selection Criteria Scoring Categories will be scored on a Pass / Fail Basis. "Pass - Excel" Scores equate to 10 points, "Pass – Basic" Scores equate to 5 points, and "Fail" Scores equate to 0 points. Some Selection Criteria Scoring Categories will have Pass-Excel, Pass-Basic, and Fail options whereas other Selection Criteria Scoring Categories will only have Pass-Excel and Fail options (without a Pass-Basic option).

Exhibit SC2025/2026 – Selection Criteria Scoring Summary Table	Maximum Possible Points
4.2 Community and Economic Impact	**30 Points**
4.2.1 Underserved Areas	Pass-Exceed, Pass-Basic, Fail
4.2.2 Community Revitalization Plan / Funding Commitments	Pass-Exceed, Pass-Basic, Fail
4.2.3 Transit-Oriented Design and/or Walkability	Pass-Basic, Fail
4.2.4 Social Inequities and Community Disparities	Pass-Basic, Fail
4.3 Resident Population & Services	**45 Points**
4.3.1 Income & Rent Targeting	Pass-Exceed, Pass-Basic, Fail
4.3.2 Designated Population & Supportive Services	Pass-Exceed, Pass-Basic, Fail
4.3.3 Accessible Units	Pass-Basic, Fail
4.3.4 Affordable Units for Large Families or Housing Authority Subsidy	Pass-Exceed (not for Housing Authority), Pass-Basic, Fail
4.3.5 PHFA's Section 811 Program Participation	Pass-Exceed, Pass-Basic, Fail
4.4 Development Characteristics	**20 Points**
4.4.1 Smart Site Selection	Pass-Basic, Fail
4.4.2 Adaptive Reuse	Pass-Basic, Fail
4.4.3 Certification under a National Green Building Program	Pass-Basic, Fail
4.4.4 Reduced HERS Index	Pass-Basic, Fail

4.5 Development Team and Commitment of Funds	**70 points**
4.5.1 Development Team Experience – Developer/Applicant	Pass-Exceed, Pass-Basic, Fail
4.5.2 Development Team Experience – Management Agent	Pass-Exceed, Pass-Basic, Fail
4.5.3. Development Team Experience – Agent Compliance Training	Pass-Basic, Fail
4.5.4 Development Team Experience – Contractor	Pass-Basic, Fail
4.5.5 Development Team Experience - Architect	Pass-Basic, Fail
4.5.6 Development Team Experience - Attorney	Pass-Basic, Fail
4.5.7 Development Team Experience – Joint Venture	Pass-Exceed, Pass-Basic, Fail
4.5.8 Development Team Experience – Qualified Small Business / Veteran Business Enterprise	Pass-Exceed, Pass-Basic, Fail
4.5.9 Commitment of Funds	Pass-Exceed, Pass-Basic, Fail
4.6 Non-Compliance	**20 points**
4.6.1 Non-Compliance - Development	Pass-Exceed, Fail
4.6.2 Non-Compliance – Tax-Credit Compliance / Management	Pass-Exceed, Pass-Basic, Fail
4.7 Cost-Efficiency	**20 points**
4.7.1 Median Total Development Cost Analysis	Pass-Exceed, Pass-Basic, Fail
4.7.2 Submission of at Least Two Bids – using the lowest responsible bidder	Pass-Exceed, Fail
TOTAL POSSIBLE SCORE	**205 Points**
DESCRIBE MINIMUM SCORE	**120 Points**

4.2 Community and Economic Impact

It is the goal of the Agency to encourage affordable housing in areas with job opportunities; in areas near strong and stable communities, in areas which demonstrate the capacity for community revitalization opportunities, and in developments which promote community and economic development and address social inequities. The Market Study /Needs Assessment must identify the criteria set forth in the Community and Economic Impact Selection Criteria for ranking consideration in this category.

4.2.1 Underserved Areas

General Occupancy Developments - Areas of Opportunity

- Low poverty rates
- Limited affordable housing options, both subsidized and non-subsidized
- Limited affordable housing production in past twenty (20) years
- Close proximity to employment
- Strong housing markets
- High owner-occupied markets

How will it be scored: Use the Policy Map located at https://www.policymap.com/embed/widget/12104/B5F53XRI1UJAAYRQFG7V9IGRVDMXHFHM (Select General Occupancy Map and type full address including the zip code of the site)

Policy Map Score	Result
10 or greater	Pass–Exceed
6-9	Pass-Basic
0-5	Fail

Senior Occupancy Developments

- Large number of seniors eligible for affordable housing
- Limited affordable housing options, both subsidized and non-subsidized
- Limited affordable housing production in past twenty (20) years
- Close proximity to amenities for the senior population, including health and retail establishments, home health agencies, and hospitals.

How will it be scored? Use the Policy Map located at https://www.policymap.com/embed/widget/12104/B5F53XRI1UJAAYRQFG7V9IGRVDMXHFHM (Select Senior Occupancy map and type full address including the zip code of the site)

Policy Map Score	Result
11 or greater	Pass-Exceed
8-10	Pass-Basic
0-7	Fail

4.2.2 Community Revitalization / Funding Commitments

For New Construction and Substantial Rehabilitation Properties

Community Revitalization Plans, Evidence of Municipal and Local Support, Access to Transportation and Existing Infrastructure and Community Resources and Suitability of Site – A critical circumstance is the development's forming an important part of a broader or comprehensive program of neighborhood improvement which has the capability of changing fundamentally the character of that neighborhood or enhancing the lives and amenities available to residents of the community. Such improvement should include the provision of mixed income housing. A program of neighborhood improvement includes municipal support articulated in a publicly approved community plan or in the form of significant funding commitments, or evidence of substantial major investment in the area that is consistent with a comprehensive plan for neighborhood improvement which may include contributing to a transit-oriented design initiative. Such funding commitments or major investments cannot be derived solely from the development of Tax Credit properties and may include other proposals or projects with public investment. Additionally, the plan should generally include municipal support, private investment and/or private sector commitments to the area or evidence infrastructure in place to support the development. The applicant must submit the following:

- A Community Revitalization Plan dated within the past five years (must have been adopted in 2021 or after) which specifically includes this location. A county or municipal zoning or land use plan does not qualify as a community revitalization plan.
- A letter from an official from the local government explaining how the development will contribute to the community revitalization plan. The letter should be specific to the proposal and must identify the official title of the community revitalization plan along with the year in which it was adopted.
- Evidence that at least one additional publicly funded improvement (I.e., public infrastructure, commercial improvements, residential projects, etc.) was funded within a two-mile radius of the site within the last five years

How will it be scored?

Receive all three of the following: a Community Revitalization Plan, a Letter from a government official, and evidence of another funded project within two miles of the site (include a map showing mileage)	Pass - Exceed
Receive just the Community Revitalization Plan	Pass- Basic
Did not receive a Community Revitalization Plan (since 2021)	Fail

For Preservation Properties

Developments seeking consideration for the Preservation Preference must demonstrate the need for Tax Credits to extend the affordability period of the existing property to ensure the continued availability of long-term subsidy or to address immediate health and safety concerns of the development. Additional consideration will be given for those developments which include municipal support articulated in a publicly approved community plan or in the form of significant funding commitments, or evidence of substantial major investment in the area that is consistent with a comprehensive plan for neighborhood improvement.

The applicant must submit the items listed above in the New Construction section of 4.2.2 plus Evidence of Risk of Loss due to Conversion and/or Risk of Loss due to Critical Physical Needs as shown below:

- Risk of Loss Due to Market Conversion or Sale –To be eligible for consideration, applications must include evidence that Section 8 project based or similar affordability restrictions expire within twelve (12) months from the date of application. Additionally, evidence of sustained occupancy greater than ninety percent (90%) over the last five (5) years must be provided.

- Risk of Loss Due to Critical Physical Needs – The proposed development must be beyond fifteen (15) years of tax credit placed-in-service date and at least one major physical plant component must be replaced or repaired or there is evidence of the need for an immediate health or safety improvement. Applicants must demonstrate that there has been a good faith effort to keep the property up to Uniform Physical Condition Standards.

How will it be scored?

Receive all three of the following: a Community Revitalization Plan, a Letter from a government official, and demonstrate either the Risk of Loss Due to Market Conversion or Sale OR the Risk of Loss Due to Critical Physical Needs	Pass - Exceed
Demonstrate just the Risk of Loss Due to Market Conversion and/or Physical Needs	Pass- Basic
Did not receive a Community Revitalization Plan (since 2021) nor demonstrated risk of loss	Fail

4.2.3 Transit-Oriented Design and Walkability

Transit-Oriented Design – The applicant must demonstrate that the proposed development is within one-half mile of a completed or planned public transportation fixed route stop or located in an area with an alternate accessible no-cost transportation option.

Walkability – The applicant must demonstrate that the proposed development will have a walk score greater than 75% according to 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):

How will it be scored?

Demonstrates Transit-Oriented Design AND Walkability (above 75%)	Pass - Basic
Does not demonstrate BOTH Transit-Oriented Design AND Walkability	Fail

4.2.4 Developments that Address Social Inequities and Local Disparities

The Agency encourages developments that specifically promote community and economic development and address social inequities. All applicants must complete the “Social Inequities and Local Disparities Certification” included in the Application.

How will it be scored?

Four or more check boxes	Pass- Basic
Less than four check boxes	Fail

4.3 Resident Population and Services

<u>4.3.1 Income and Rent Targeting</u>

Applicants are encouraged to provide as many units as possible that are designed to be substantially occupied by and affordable to residents with incomes that are at or below fifty percent (50%) of the area median income. The applicant's rent chart must show how many units are to be at income tiers at or below 50% AMI.

How will it be scored?

Percentage of Units at or below 50% AMI	
>50%	Pass - Exceed
>30% - 50%	Pass-Basic
<=30%	Fail

<u>4.3.2 Designated Populations and Supportive Services</u>

The Agency encourages all developments to provide evidence that appropriate services will be provided for the entire resident population for the duration of the compliance period. Evidence consists of a supportive services plan that:

- Is specific to the development and effectively addresses the anticipated service needs of the target resident population.

  General occupancy developments should deliver or coordinate services that: improve building and unit maintenance; stabilize occupancy by improving residents' ability to uphold their lease obligations; and enhance quality of life through increased self-sufficiency and programs that improve life skills, employment, education, income/asset building, child and youth development, community building, and access to services.

  Senior occupancy developments should deliver or coordinate services that: stabilize occupancy by improving residents' ability to uphold their lease obligations throughout the aging process and enhance quality of life through improved access to services and benefits, health promotion, community building, and socialization.

  Developments for populations with special needs should deliver or coordinate services that stabilize occupancy by improving residents' ability to uphold their lease obligations and enhance quality of life through improved access to services that support the needs of the targeted population.

- Includes sufficient funds to implement the described plan of services. It is recommended that this funding be set aside in a supportive services escrow account. If a supportive services escrow account is being used for funding, it is required that the Agency hold the escrow. However, funding through the development's annual operating budget, collaboration with a community-based service provider (include letter of intent or Memorandum of Understanding) or funds from other identified sources may be used. If currently committed funds fall short of the cost of services for at least the first fifteen-year period, identify how services will be funded for the remainder of the compliance period.

- Utilizes a service provider/coordinator with the capacity to implement described plan of services. The recommended minimum is one hour of on-site dedicated staffing per week for every five units. Services staff should have access to a computer with Internet and email capabilities. There should be sufficient space to carry out the described services, including adequate office and community space.

- Must include a statement of commitment to continued professional development in core areas related to supportive services for all supportive services staff.

How will it be scored?

All four above bullet points plus demonstrated commitment of sufficient funds for at least 15 years, and meeting required minimum staffing requirements	Pass - Exceed
Satisfy all four of the above bullet points	Pass-Basic
Does not satisfy above bullet points	Fail

4.3.3 Accessible Units

New Construction

The Agency encourages developers to provide two times (always round up) as many fully accessible units as are otherwise required (under local, state, or federal mandate, whichever is greater) in the development. All employee units and market rate units must be included in the total unit count when calculating the required number of accessible units. The developer must certify that these units are accessible and that, during initial lease up, the developer will exclusively reserve the units for occupancy by persons needing the accessible units for the first thirty days. Thereafter, the developer will include certain provisions in the lease to allow the units to be occupied by persons who need the accessible features of the units, to the greatest extent feasible. Evidence of enforcement of the lease provisions will be required and implementation and adherence to additional outreach programs to identify and match qualified residents who need the accessible features within the development may be required throughout the compliance period which may include contacting the Agency prior to renting the unit to persons who do not require the accessible features in accordance with the Agency's Accessible Unit Policy.

Terms addressing the accessible units and the subsequent rental of these units will be incorporated in the Restrictive Covenant Agreement. In addition, a certification from the design architect verifying the inclusion of the accessible units in the development will be required at the time of application. Confirmation from the construction contract administration architect will be required with the submission of the cost certification documents.

How will it be scored?

At least two times the amount of required accessible units	Pass- Basic
Less than two times the amount of required accessible units	Fail

Preservation
For preservation developments, the Agency encourages developers to increase the number of fully accessible units which meet current standards in the development by at least five (5) percent of the total units available. If an existing development already has twice the federal minimum number of accessible units that meet current accessibility standards, they will be eligible to receive points in this category. (All other requirements applicable to rental and long-term occupancy of these units are the same.)

How will it be scored?

At least two times the amount of required accessible units or increase by 5% of the total units	Pass- Basic
Less than two times the amount of required accessible units or does not increase by at least 10%	Fail

4.3.4 Affordable Units for Large Families or Units with Housing Authority Subsidy

Applicants are encouraged to provide affordable units with three or more bedrooms for large families. High rise developments (7 stories or greater) and senior housing cannot qualify for this category. A certification from the design architect verifying the number of large family units in the development will be required at the time of application. Confirmation from the construction contract administration architect will be required with the submission of the cost certification documents. For developments not requiring the services of an architect, the certifications may be provided by the general contractor.

How will it be scored?

Percentage of 3+ Bedroom Units	
>25%	Pass - Exceed
>15-25%	Pass-Basic
<=15%	Fail

For applicants that do not meet the Pass-Basic or Pass-Exceed requirements in the Affordable Units for Large Families category, applicants may receive Pass-Basic points if they have committed Housing Authority operating subsidy from the municipal or county housing authority in the form of a HAP contract, RAD subsidy, or other significant Housing Authority operating subsidy.

How will it be scored?

Percentage of Units with Housing Authority Operating Subsidy	
>75%	Pass-Basic
<=75%	Fail

4.3.5 PHFA's Section 811 Program Participation

The Agency has established specific criteria for participation in the Agency's Section 811 Program. Developments seeking consideration in this category must identify in the Intent to Submit a request for consideration for Section 811 program eligibility. The Agency will determine qualification for participation under the Section 811 program and will notify Applicants prior to submission of the entire Application package. Additionally, the property manager must have satisfactory experience with the Section 11 program or HUD's Section 8 Program. Please see Agency Section 811 guidance for more information.

PASS-BASIC Category: To receive consideration in this category, at least ten percent (10%) of the units or five (5) units in Urban areas or four (4) units in Suburban/Rural areas, whichever is greater, must be Section 811 units. Additionally, (1) all Section 811 units must be one-bedroom units; AND (2) at least two of the Section 811 units must be accessible units at the 50% Tax Credit rent.

PASS-EXCEED Category: To maximize consideration in this category, at least twenty percent (20%) of the units, not to exceed 25%, or eight (8) units in Urban areas or six (6) units in Suburban/Rural areas, whichever is greater, must be Section 811 units. Additionally, (1) all Section 811 units must be one-bedroom units; AND (2) at least two (total) of the Section 811 units much be accessible units at the 50% Tax Credit Rent.

No more than 25% of the total units at each property may receive 811 rental assistance payments; may be used for supportive housing for persons with disabilities; or have any occupancy preference for persons with disabilities.

How will it be scored?

Identify interest in this category in the Intent to Submit AND be qualified by the Agency AND meet the requirements in the PASS-EXCEED Paragraph of this Section.	Pass-Exceed
Identify interest in this category in the Intent to Submit AND be qualified by the Agency AND meet the requirements in the PASS-BASIC Paragraph of this Section.	Pass- Basic
Did not identify interest and/or meet the requirements	Fail

4.4. Development Characteristics

The Agency may award up to thirty-five (35) points for the provision of the following development amenities.

4.4.1 Smart Site Selection - Brownfield

The Agency encourages the development of brownfields

How will it be scored?

Brownfield	Pass-Basic
<=25%	Fail

4.4.2 Adaptive Reuse

The Agency encourages adaptive reuse of an existing building

How will it be scored?

Adaptive Reuse	Pass-Basic
<=25%	Fail

4.4.3 Certification under a National Green Building Program

The Agency would like to incentivize **new construction and substantial rehabilitation** developments to achieve certification under <u>one</u> of the following green building standards:

- Enterprise Green Communities – 2020
- LEED v4 BD+C Homes & Multifamily Low rise (1-3 stories) – Silver
- LEED v4 BD+C Multifamily Midrise – Silver or LEED v4 BD+C New Construction and Major Renovation– Silver (4 stories or more)
- ICC 700-2020 National Green Building Standard - Silver

<u>OR</u>

If a preservation development, the project should achieve certification under one of the following green building standards:

- Enterprise Green Communities – 2020 – Moderate Rehab
- LEED v4 O+M – Multifamily - Certified
- ICC 700-2020 National Green Building Standard
  - Under Section 305.2 – Whole Building Rating – Bronze
- ICC 700-2015 National Green Building Standard
  - Under Section 305.4 – Functional Areas Rating – Compliant with Chapter 12 (must include kitchens and bathrooms)

How will it be scored?

Meets one of the above	Pass-Basic
Doesn’t Meet Above	Fail

4.4.4 Reduced HERS Index

- Reduced HERS Index – The Agency encourages developers to exceed the requirements of Energy Star® (the version currently published and enforced by the Pennsylvania Environmental Protection Agency) by achieving a lower HERS Index as specified in the Guidelines (after construction and certified at cost cert)

How will it be scored?

If agreed to try to exceed the requirements of Energy Star by achieving a lower HERS Index as specified in the guidelines	Pass-Basic
Doesn’t Meet Above	Fail

4.5 Development Team and Process

Development Team Experience

The Agency will review the experience of the development team members. The development team members include the applicant/developer, architect, general contractor, attorney, and management agent. Please note that the Agency will be reviewing the Cohesiveness of the Development Team. A cohesive team is defined as a "team or working group that demonstrates consistent integrated communications and operations related to a particular development."

4.5.1 Experience of Applicant/Developer (or any related entity)

This category measures the experience of the applicant in the production of Tax Credit developments. The Agency will review the number of Tax Credit developments (of at least 10 units) which have been placed in service and submitted a complete placed in-service package.

Note: If there are two or more applicants, the experience of applicants will be considered and prorated based upon the percentage of ownership. Additionally, the Agency will also review the experience of an experienced housing consultant in lieu of an experienced general partner. An experienced housing consultant must have consulted in 3 or more developments that received a reservation of Tax Credits and have submitted a complete placed-in service package._In order to receive consideration for the housing consultant, a scope of work and a copy of the contract between the applicant and the consultant must be submitted to the Agency. The consultant must be providing services from the start (application stage) through construction closing, construction management, and the 8609 cost certification stage. If the consultant is not fully involved in all stages of the project, points will not be given in this category. Additionally, the scope of work / contract must describe how the consultant plans to train the developer so that the developer learns the LIHTC process and skills needed to be independently successful in future applications.

How will it be scored?

Percentage of 3+ Bedroom Units	
>=10 LIHTC developments	Pass - Exceed
3-9 LIHTC developments OR using a housing consultant that meets the description above	Pass-Basic
Less than 3 LIHTC developments	Fail

4.5.2 Experience of Management Agent with Tax Credit Developments

In order to score in this category:

How will it be scored?

Number of Units Managed	
> 300 units	Pass - Exceed
100-300 units	Pass-Basic
Less than 100 units	Fail

4.5.3 Agent Compliance Training Program

In 2026, PHFA created and implemented a new Agent Compliance Training Program. All property managers are encouraged to take this class on an annual basis. For those Property Management agencies that have had at least two current employees take the training, they will be given consideration in this category.

How will it be scored?

At least one staff member took the course within the last year of the date of application (and of closing – if awarded)	
Yes	Pass-Basic
No	Fail

4.5.4 Experience of Contractor

How will it be scored?

Approved by Agency	
Yes	Pass-Basic
No	Fail

4.5.5 Experience of Architect

How will it be scored?

Approved by Agency	
Yes	Pass-Basic
No	Fail

4.5.6 Experience of Attorney

How will it be scored?

Approved by Agency	
Yes	Pass-Basic
No	Fail

4.5.7 Joint Venture/Qualified Small Business

The Agency encourages experienced developers to joint venture with a Qualified Small Business or a Veteran Business Enterprise in the development team, as self-certified in the Self-Certification (Tab 16) as qualified small business. A qualified small business is a real estate development company which meets the following criteria: 1) actively engaged in development activity for at least 3 years; 2) has participated in at least three (3) development projects in some capacity; and 3) has been involved in the development of no more than 500 units of housing (both for-profit and non-profit companies are eligible to fit the definition).

To receive consideration in this section, the applicant must either be a self-certified qualified small business OR the joint-venture must fit the following definition; "A joint venture is a combination of two or more parties that collectively together will develop the project, sharing the workload, the risks, the ownership, and the profits / developer fee associates with the development. Only one entity will be considered and scored as an Owner/Developer."

How will it be scored?

Single Owner or ≥51% ownership by the qualified small business in the Joint Venture as self-certified	Pass - Exceed
≥30% ownership or ≥ 51% ownership (self-certified)	Pass-Basic
None of the above	Fail

4.5.8 Development Team – Qualified Small Business or a Veteran Business Enterprise

The Agency may give consideration for material participation in the development team by one or more Qualified Small Business or a Veteran Business Enterprise (including sub-contractors and vendors)

How will it be scored?

≥5% of Total Development Cost (including all costs – construction and soft)	Pass - Exceed
1% - 4.99% of Total Development Cost	Pass-Basic
None of the above	Fail

4.5.9 Commitment of Funds

The Agency will review applications to determine if all funding sources are in place (excluding requests for Agency sources such as first mortgages, PennHOMES, and PHARE).

How will it be scored?

< 10% of developer fee reinvested to fill the gap in resources	Pass - Exceed
10% - 30% reinvested developer fee needed to fill the gap in resources	Pass-Basic
Above 30% reinvested fee (Note: Reinvested Fee above 50% does not meet threshold)	Fail to Score

4.6 Non-Compliance

4.6.1 Non-compliance - Development

The Agency will review the following for the application: delinquent in payments or has materially defaulted on obligations to the Agency, has not met required submissions and program deadlines, has unresolved IRS Form 8823 noncompliance issues, has not met the requirements of the Restrictive Covenant Agreement, has failed to submit a timely Placed-in-Service/Cost Certification package which resulted in a loss of Tax Credits to the Agency, has engaged in an early termination of a Tax Credit project, or has made changes in a selection criteria or failed to meet the selection criteria for which an allocation of Tax Credits was previously made.

How will it be scored?

Nothing on the negative ranking log	Pass - Exceed
Any negative ranking points on the negative ranking log	Fail

4.6.2 Noncompliance – Tax Credit Compliance and Management

How will it be scored?

# of Times of Noncompliance since the last application round	
0-1	Pass - Exceed
2-4	Pass - Basic
5 or more (Note: Early Termination of a Tax Credit Project, not meeting IRC requirements, or other major issues at the Agency's discretion are automatic failures in this category)	Fail

4.7 Cost Efficiency

4.7.1 Median Total Development Cost Analysis

The Agency encourages applicants to demonstrate costs less than the median total development costs of the total Applications submitted. The Agency will determine the median total development cost per square foot (less the cost of acquisition, reserves and commercial space) and will award points based on certain ranges as stated below. Preservation Applications and those located in Philadelphia will not be included when determining the median costs in a cycle. The Agency will award points to Preservation and Philadelphia applications as they compare against each other. For all other developments, the Agency will award points based upon the construction type: single family/townhouse, multi-story multifamily buildings, and adaptive re-use buildings as they compare against each other. In addition to submission of certifications that the building as designed and as constructed will meet/meets all labor and material standards set forth in applicable local or statewide codes (without sacrificing unit size and other building amenities), the Agency reserves the right to require additional certifications from local officials or building design professionals prior to the issuance of an IRS Form 8609 for the building or to conduct its own site visits during construction to ensure that the quality of construction is not compromised by cost savings.

How will it be scored?

Percentage Below Median Total Development Cost	
>15%	Pass - Exceed
Between 10% and 15%	Pass -Basic
None of the Above	Fail

4.7.2 Construction Bidding

The Agency does not require construction bidding at application. However, for those developers that do bid the project at application, they should submit at least two bids to the Agency for consideration in this category.

How will it be scored?

Submitted at least two bids and using the lowest bidder	Pass – Exceed
Not submitting at least two bids and/or not using the lowest bidder	Fail

SECTION 5 - DEVELOPER'S FEE

5.1 Calculating the Developer Fee

The developer's fee, which is meant to compensate the developer for staff time, effort and work involved in the development of the property, includes developer's expenses, overhead, profit and consulting fees or other fees and costs that are above the maximums allowed by the Agency. Development consultant's fees and organizational costs are required to be paid from the developer's fee. These fees may not be listed and shall not be recognized as separate line items on the Application.

The maximum "base" developer fee allowable (except as limited below) is calculated on the lesser of the development's replacement cost (less all costs of acquisition) or the Agency's Maximum Basis. The developer's fee is limited to 15 percent of the first $10 million of replacement cost of the development less all costs of acquisition and 10 percent on every $1 of replacement cost thereafter.

In determining the maximum base developer fee, the following criteria must also be considered:

- For rehabilitation and preservation developments that qualify for Acquisition Tax Credits, a developer's fee will be allowed on a portion of the acquisition cost that is basis eligible. The fee may not exceed 10 percent of the acquisition basis of the buildings. The maximum acquisition cost that will be recognized in determining the developer's fee will be the lesser of the actual amount paid for the building in an arms-length transaction or the MAI appraised value. The Agency may limit the acquisition developer's fee to 5 percent if the seller and buyer are related parties.
- Additional developer's fee will not be available for Applications requesting additional Tax Credits.
- No increases in the amount of developer fee after additional award will be accepted.
- For Applications of subsequent phases of a project previously awarded tax credits, the development fee may be reduced if the Agency determines that the project phasing strategy warrants a lower fee.

5.2 Developer's Fee Cap for 9% LIHTC Developments

Using the calculation methodology detailed above, the Agency has established the following per project maximums on developer's fee for projects that request Competitive 9% Tax Credits.

1) $2,300,000 for projects with 65 or more affordable units if the development demonstrates a mix of unit sizes with at least 51% of units two bedroom or larger; or
2) $2,200,000 for projects that receive a "Pass-Exceed" score in the Joint-Venture Selection Criteria
3) $2,100,000 for projects which promote supportive housing opportunities and are awarded in the supportive housing preference; or
4) $1,900,000 for projects which do not meet the criteria outlined in (1) and (2), above.

Waivers of the developer's fee cap for projects that request Competitive 9% Tax Credits (or the calculation methodology detailed above) will not be granted by the Agency.

5.3 Developer's Fee Cap for 4% LIHTC Developments

Using the calculation methodology detailed above, the Agency has established a developer's paid fee cap of $2,550,000 for projects that request 4% Tax Credits and Tax-Exempt bonds or $10,000 per unit, whichever is higher. **Waivers of the developer's fee cap for projects that request 4% Tax Credits will not be granted by the Agency because if the Volume Cap test is less than 35%, the Agency is no longer requiring a Max Basis Test. Without a Max Basis Test, the Agency will not review waivers to Developer Fee so that costs remain reasonable for the calculation of LIHTC credits.**

5.4 Additional Developer Fee to Fund Supportive Service Escrow

In addition to the maximum base developer fee, Applicants may request up to 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). The amount of the additional developer fee will be limited to the lower of 5% or the amount of the supportive service reserve. Consideration for the additional developer fee is available to 9% Tax Credit Applications only. The Applicant must commit to provide to the development the entire amount of the additional developer's fee to fund the escrow and the additional developer fee cannot be structured as a loan. The five percent (5%) is determined exclusive of acquisition costs. The Agency reserves the right to determine the exact mechanism necessary and appropriate to ensure funding of the supportive service escrow based on specific tax issues and ownership structure. Additionally, during the initial fifteen (15) year compliance period, the Agency may review, approve and monitor utilization of the supportive service escrow funds. For developments not receiving Agency financing, Agency staff will only approve an increased developer's fee if the Applicant provides adequate assurances and documentation (including evidence of a third-party escrow arrangement) that an amount of funds equal to the additional developer's fee is necessary to support financial operations and will be committed to the Project for at least the initial fifteen (15) year occupancy period. The use will be monitored during the compliance period and at the end of the compliance period, any funds remaining must be used to pay outstanding debt or project capital improvements. Whenever an increased developer's fee is allowed, the partnership or operating agreement must provide that the approved developer's fee will, in fact, be paid to the developer from available funds (which may include development sources, operating revenue and additional capital contributions) to fund the supportive services escrow. Additionally, provision of funds for supportive services will be incorporated in the Restrictive Covenant Agreement.

SECTION 6 - OPERATING AND COMPLIANCE REQUIREMENTS

6.1 Compliance Requirements

Owners are responsible for ongoing compliance with all requirements of the Code and the Agency's Compliance Program Manual, including such rules, regulations, administrative revenue proclamations and revenue rulings as may be issued from time to time.

Each owner of a Tax Credit development must execute an agreement setting forth allowable occupancy and use restrictions, owner responsibilities and continuing Section 42 qualified development characteristics. This agreement, the "Restrictive Covenant Agreement," must be recorded for the maximum period required by the Code and no Tax Credits may be claimed by a property owner in any taxable year unless the Restrictive Covenant Agreement is in effect and is appropriately recorded on the property in the county land records. The Restrictive Covenant will run for forty (40) years. Any applicant must confirm, in a form acceptable to PHFA, that any restrictive covenant agreement they will be required to record, applies to, and restricts the use of, any land and any buildings/real property described in the Restrictive Covenant Agreement.

The Agency will monitor each Tax Credit development for compliance with the Code. Such requirements may change from time to time and the protocol for compliance monitoring may be adjusted as deemed necessary or appropriate by the Agency which includes compliance with Treasury Regulation Section 1.42-5. In addition to monitoring for all federal requirements, developments will be monitored for compliance with the occupancy standards, Selection Criteria and other covenants set forth in the Restrictive Covenant Agreement. A form authorizing the release of compliance information is on the Agency's website, *www.phfa.org.* However, the Agency may release related information even if no release form is submitted.

The Agency has established an interactive database ("PA Housing Search") for all affordable housing units in developments participating in any of the Agency's multifamily housing programs, to provide a resource for households seeking affordable housing throughout the Commonwealth and to provide a marketing tool to owners. All developments receiving Tax Credits must participate in this data collection effort, which may also include submission of a resident survey, and will be expected 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. Owners are reminded that they must comply with the Agency's Accessible Unit Policy (see 2021 Guidelines). Additionally, owners must participate in the Agency's energy benchmarking program.

All owners must keep the following records for each qualified low income building in the development for each year of the compliance period: the number of residential units in the building, the number of low income units in building, the number of occupants in each low income unit, the number of bedrooms in each unit, the square footage of each unit, the rent charged on each unit including the utility allowance, the low income unit vacancies in the building and the rentals of the next available unit for each building in the development including when and to whom it was rented. The owner must also keep documentation of the eligible basis and the qualified basis of the building as of the end of the first year of the Tax Credit period. Owners must also keep a record of the annual income certification of low-income residents along with documentation to support the certification. For any owner approved to use Average Income, additional documentation and verification will be required. (Effective January 1, 2009, Owners with 100% of the units qualified as Tax Credit units do not have to provide annual income certifications but must provide updates on household composition, student status and rent on the Agency's on-line compliance reporting system. In addition, subsequent data collection efforts may be applicable to the Development, and each owner must agree in advance to participate in these data collection initiatives which may include availability and occupancy of accessible units and submission of tenant and project paid utility documentation for the entire development.) Owners renting to holders of Section 8 certificates or vouchers may ask the public housing authority issuing the certificates or vouchers to provide a statement declaring that the resident's income does not exceed the applicable income limit under the Code. Any non-residential portion of a building included in the eligible basis of the building must demonstrate its availability to all residents in the building at no additional cost to the residents.

Records for the first year of the Tax Credit period must be retained for at least 6 years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period of the building. In all subsequent years of the Tax Credit period, records must be kept by property owners for a minimum of 6 years after the due date (with extensions) for filing the federal income tax return for the year.

The Agency will also review and monitor developments for compliance with required certification submissions. Owners must provide certification at least annually to the Agency, under penalty of perjury, through the Agency's on-line compliance reporting system, as to the following: the development meets the requirements of the elected minimum set-aside test; the applicable fraction, as defined in Section 42(c)(1)(B) of the Code, of each building in the development has not changed, or, if there was a change, a description of the change; owner has received the annual income certification from each low income resident along with supporting documentation; the low income unit is rent restricted under Section 42(g)(2) of the Code; all units are available to the general public and used on a non-transient basis and no finding of discrimination under the Fair Housing Act has occurred for the development; each building is suitable for occupancy pursuant to local health, safety and building codes and meets all habitability standards for the Tax Credit Program; the building's eligible basis pursuant to Section 42(d) of the Code has remained the same (or if there was a change, the nature of the change); any resident facility in the building is available to all residents in the building on a comparable basis without a separate fee charged to the resident and the resident screening policy does not violate the Fair Housing Act, including reasonable and non-discriminatory policies around criminal background checks. Furthermore, owners must certify that no low-income resident of a Tax Credit property will be or has been evicted or otherwise had their lease terminated other than for good cause and owner must confirm that all leases state this affirmatively. **The Agency requires a copy of the form of lease that will be utilized by the property with Agency's Lease Addendum to be submitted**. Experience as a victim of domestic violence alone may not constitute good cause for eviction under the terms of the lease (if other occupancy rules are met) and all applicable Violence Against Women Act provisions must be met. Owner must also certify that if a low-income unit becomes vacant, reasonable attempts will be made to rent that unit to a qualified low-income resident, and while that unit is vacant no units of comparable or smaller size may be rented to a non-qualified low-income resident. Additional requirements for developments using Average Income may be imposed. If a low-income resident's income rises above the limit established in Section 42(g)(2)(D)(ii) of the Code, all available units of comparable or smaller size in that building must be rented to an income qualified resident. Owner must also certify that an extended low-income housing commitment, as described in Section 42(h)(6) of the Code, was in effect for all qualified low-income buildings in the development. Owner must also certify that a unit lease has not been refused to a Section 8 applicant because the applicant holds a Section 8 voucher or certificate. Owner's certifications of these items must be submitted at least annually or with such greater frequency as may be required by the Agency. The Agency may adjust any and all of its compliance protocols as it deems appropriate throughout the compliance period (including the extended use term covered by the Restrictive Covenant Agreement).

The Agency may review the information set forth on the certifications at any time for compliance with the Code. On-site inspections of all Tax Credit developments will be held from time to time, at the sole discretion of the Agency, for compliance with the certification requirements, habitability standards, rent records, lease provisions, supporting documentation and all record keeping requirements in the low-income units. Physical inspections of all buildings and at least 20% of all low-income units are performed at least once every three years. The Agency will determine which developments and which records it will inspect and how often such inspections will be conducted in its discretion. The Agency retains the right to perform on-site inspections at any time during the compliance period for any Tax Credit development or to conduct more frequent or more detailed site visits if the Agency deems it appropriate. As referenced above, the Agency may also require submission of ongoing data from each property regarding move-ins and vacant units.

Audited financial statements must be submitted annually to the Agency's Compliance Monitoring Department for all properties. If audited financial statements are not available, a compilation must be prepared and submitted to the Agency's Compliance Monitoring Department. (Applications for Tax Credits in any year may be rejected from organizations or individuals who have not submitted to the Agency the audited financial statements for a Tax Credit development for the preceding tax year.)

As required by the IRS, in the event that the owner or the development does not comply with any of the provisions of the Code, the Agency will provide written notice to the owner that specifies a correction period that may not exceed 90 days, unless extended by the Agency in writing. Upon the expiration of the correction period set forth in the written notice to the owner, the Agency must file IRS Form 8823 "Low Income Housing Credit Agency Report of Noncompliance" ("IRS Form 8823") with the IRS to advise the IRS of the existence of an event of noncompliance with an explanation of the nature of the event and whether the owner has corrected the noncompliance. Any change in either the applicable fraction or eligible basis resulting in a decrease in the qualified basis will be treated as an event of noncompliance. In addition, any failure to provide required information to the Agency on a timely basis in accordance with its written request or the procedures established in Agency directives or set forth in its Compliance Program Manual may be treated as an event of noncompliance and may result in the filing of IRS Form 8823. Failure to continually meet the requirements of the use, occupancy and other conditions relevant to the operation of the development, as set forth in the Restrictive Covenant Agreement, may be treated as an event of noncompliance and may result in the filing of IRS Form 8823. After the initial fifteen (15) year compliance period, Owners must continue to comply with all terms and conditions of the Restrictive Covenant Agreement and provide supplemental data and information upon request. Failure will result in disqualification from future program participation.

The Agency will assess owners an upfront compliance fee designed to cover administrative expenses associated with the performance of compliance monitoring. Additional fees may be charged, as necessary and appropriate, and will be charged for properties employing Income Averaging.

The Housing and Economic Recovery Act (HERA) of 2008 requires each state Credit allocating agency to provide HUD with information on the race, ethnicity, family composition, age, income, use of federal rental assistance, disability status, and monthly rental payments of households residing in each property receiving Housing Credits. All developments receiving Tax Credits must participate in this data collection effort and will be expected to provide the required information in the form, manner and timeframe required by the Agency.

Additionally, all owners must give a copy of the signed LIHTC lease addendum to the tenants and certify to the Agency that all tenants receive a signed copy. Also, owners must follow all Agency Compliance regulations as outlined in our guidelines and documents. It is at the staff's discretion to determine if the regulations have been followed satisfactorily.

SECTION 7 - FEDERAL LIHTC REQUIREMENTS

7.1 Introduction to Federal Requirements

The LIHTC Program is administered by Section 42 of the IRS Tax Code.

7.2 Three LIHTC Tests

The IRS has charged state housing finance agencies with the responsibility of administering the LIHTC program. All housing finance agencies must use the lower of the following two tests to determine the amount of LIHTC credits needed to make each potential application financially feasible:

- The Need Test
- The Qualified Basis Test

In addition to these two tests, the Agency will administer the following third test as well:

- For 9% LIHTC developments: the Per Project Cap identified in Section 2.4 (lowest of this or either one of the tests shown above)
- For 4% LIHTC developments: The Bond Test must be within 25% and 35% to use either the lowest of the need test or the qualified basis test. However, **if the Bond Test exceeds 35% but is still in accordance with the published bond test policy**, the Agency will require that a third test be used called Max Basis. The per unit max basis cap for 4% LIHTC developments is $400,000 per unit and no max basis waiver will be accepted. In situations where the volume cap test exceeds 35%, the Agency will use the lower of the Need Test, the Qualified Basis Test, or the Max Basis Test.

7.3 Federal Subsidy Layering Reviews

Pursuant to Section 911 of the Housing Community Development Act of 1992, the U.S. Department of Housing and Urban Development (HUD) has published administrative guidelines concerning Federal subsidy layering review of Tax Credit developments receiving assistance from the HUD's Office of Housing. The guidelines provide for the delegation of Federal subsidy layering reviews for certain programs to Tax Credit allocating agencies. The Agency has requested and has been delegated this Federal subsidy layering review responsibility. Section 911 guidelines provide the Tax Credit allocating agencies with standards for evaluating builder's profit, developer's fee, syndicator expenses, and net syndicator proceeds. The guidelines include both a safe harbor standard and ceiling standard for each category. The Tax Credit allocating agency may simply use the safe harbor standards or through the Allocation Plan may raise the safe harbor standards to the published maximum ceiling standards. The Agency has elected to raise the safe harbor guidelines to the maximum ceiling standards established for the Section 911 Federal subsidy layering review since the ceiling standards are within the fee and cost limitations already established for the Tax Credit Program.

The Agency has also been approved to conduct Federal subsidy layering reviews for Applications with proposed Section 8 Project-Based Voucher Housing Assistance Payments Contracts and will conduct these reviews in accordance with the Administrative Guidelines published in the July 9, 2010 Federal Register (or as subsequently amended or supplemented).

Beginning in 2012, the Agency entered into a tri-party Memorandum of Understanding with HUD and the U.S. Department of Agriculture (USDA) – Rural Development wherein the Agency conducts Federal subsidy layering reviews for Applications with USDA Section 515 program assistance or other federal assistance subject to federal subsidy layering review requirements. The Agency may charge fees to process these reviews as set forth in the Guidelines.

7.4 Average Income

Applicants seeking utilization of average income pursuant to Section 42(g)(1)(c) (“average income”) may not contain unrestricted or market rate units. One hundred percent (100%) of the units in a development must be affordable to persons at or below eighty percent (80%) of the area median income (“AMI”) or less as long as the average development income and rent limit is 60% AMI. In order to be considered eligible for average income, Applications must provide a market study evidencing demand for proposed targeted incomes and equity and debt commitment letters confirming utilization and approval of Income Averaging. In accordance with the IRS, at least 40% of the units have to be both rent restricted and occupied by tenants whose incomes do not exceed the imputed income limitation designated by the taxpayer. Applications must not contain more than four (4) income targets and shall reasonably distribute units of similar size and income targeting through the property regardless of assigned income restrictions. Preservation developments still in their extended low-income commitment period as set forth in the Restrictive Covenant Period are not eligible to use average income.

7.5 Developments with Multiple Buildings

A development may include multiple buildings if it has similarly constructed units, is located on the same or contiguous tracts of land, is owned by the same federal taxpayer and is financed pursuant to a common plan of financing. **A development with multiple buildings that is proposing a mixed income structure must have low-income units in each building of the development.** Scattered site buildings on noncontiguous tracts of land may also qualify if the development meets all of the other requirements described above and the development is 100 percent rent and income restricted, however, costs associated with the development of a separate community building may not be eligible for Tax Credits unless the building contains a residential rental unit.

7.6 Qualified Census Tracts, Difficult Development Areas and State Designated Basis Boost

All Tax Credit developments located in a "qualified census tract" or "difficult development area", as established by HUD, may qualify for Tax Credits based on 130 percent (130%) of the eligible rehabilitation/new construction basis.

Developments requesting Competitive 9% Tax Credits **must request a Waiver** (see Tab 29) to receive a 130% State Designated Basis Boost. The application must demonstrate that without the basis boost, a significant funding gap will remain for the proposed development. Developments requesting 4% Tax Credits with Tax-Exempt Bonds are not eligible for the 130% State Designated Basis Boost.

7.7 Placed-In-Service/Carryover Allocation – Competitive 9% Tax Credits

All developments receiving a conditional reservation of Competitive 9% Tax Credits in program year 2027 and/or 2028 must either be placed in service by the date set forth in the Reservation Letter or be eligible for a carryover allocation of Tax Credits pursuant to the Code. All processing deadlines for Carryover Allocations must be met. The Agency reserves the right to update or amend the Carryover Allocation deadlines and processing timeframes and will publish any and all modifications on its website.

To qualify for a Carryover Allocation, an owner must, by the required date set forth in the Reservation Letter, have evidence of ownership of the land or the depreciable real property that is part of the proposed development. The Agency may, in its sole discretion, accept either an Attorney's Opinion Letter or a Certified Public Accountant Letter that certifies that the owner has carryover allocation basis for the development pursuant to the Code; or an owner's certification which includes sufficient identification of the property (i.e. legal descriptions, surveys, title insurance) to assign building identification numbers. In making this certification, the owner accepts full responsibility for all discrepancies, errors or omissions of properties and acknowledges that subsequent adjustments may require Internal Revenue Service approval. Additionally, no later than the date set forth in the Reservation Letter, owner must incur more than 10 percent (10%) of the "reasonably expected basis" in the property, including land. The "reasonably expected basis" is that basis which is expected to be incurred as of the close of the second calendar year following the calendar year of the Carryover Allocation.

7.8 Reallocations – Competitive 9% Tax Credit

The Agency reserves the right, in its sole discretion, to provide an allocation of Competitive 9% Tax Credits from a future year to a development, without requiring re-ranking/scoring under the Year 2026/2027 Allocation Plan. The development must be currently holding a valid allocation of Competitive 9% Tax Credits and due to extraordinary or compelling circumstances beyond its control, be unable to meet Tax Credit program placed in service deadlines. Reallocation requests will only be considered on the entire development award (which may include multiple year Competitive 9% Tax Credit allocations). The Agency will not consider requests for partial reallocation of Tax Credits.

The Competitive 9% Tax Credits will be allocated upon release and return of the prior allocation. The Agency will issue a Reallocation only if circumstances warrant such action. Such circumstances may include delays caused by local government's opposition and/or community opposition to affordable housing; delays due to the failure of the federal government to release funding program guidelines or regulations in a timely manner or due to temporary freezes in federal government budget authority for program activity; or similar extraordinary and compelling circumstances (and but for such circumstance, Agency program deadlines and requirements would have been met). The Agency, in its sole discretion, may assess negative ranking points on subsequent Applications from the Applicant (or related entity). If a project is delayed due to local government and/or community opposition, the Agency may in its sole discretion help to facilitate potential solutions and/or paths forward to assist with the development of affordable housing in the community.

7.9 Cost Certification Review and Issuance of IRS Form(s) 8609

The Agency's procedures for Cost Certification review and issuance of IRS Form(s) 8609 include the submission of documentation necessary for the Multifamily Development group to complete a final review of project costs and issue IRS Form(s) 8609 to allocate Tax Credits. This documentation is referred to as the Placed-in-Service package. The Agency requires the submission of the Placed-in-Service Package no later than 90 days after the last residential building receiving Tax Credits in the development is considered placed-in-service. Please note for rehabilitation buildings, the placed-in-service date for the rehab work is the close of the 24-month period when the rehabilitation is substantially complete.

The most critical item to be submitted at this stage is the Cost Certification. It is the responsibility of the owner and the LIHTC investor to review the Cost Certification prior to its submission to the Agency to ensure that all costs and sources of funds are properly included and categorized. The Cost Certification and Independent Auditor's Report must be completed by an independent, third party Certified Public Accountant who is familiar with the Code.

Only that amount of Tax Credits that is necessary to ensure feasibility and long-term viability will be issued on the IRS Form 8609. See the applicable Agency Guidelines for the appropriate documentation to be submitted and the applicable timeframes.

More information regarding the Close Out procedures for Tax Credits is available on the Agency's website at www.phfa.org.

7.10 Restrictive Covenant Agreement

Each owner of a Tax Credit development must execute an agreement setting forth allowable occupancy and use restrictions, owner responsibilities and continuing qualified development characteristics (the "Restrictive Covenant Agreement"). No Tax Credits may be claimed unless the Restrictive Covenant Agreement is in effect and is appropriately recorded against the property (land and buildings) in the county land records. The Agency requires the Restrictive Covenant Agreement to run for a period of at least forty (40) years. The Restrictive Covenant Agreement must include a provision to waive any rights to pursue a Qualified Contract under the terms of the Code.

Certain Selection Criteria will be incorporated into the Restrictive Covenant Agreement and monitored during the compliance period. Changes in any of the Selection Criteria subsequent to issuance of an IRS Form 8609 may result in noncompliance, may lead to specific enforcement action against the development and may result in the loss of Tax Credits to the development and its investors, and disqualification for program participation in the future.

The Restrictive Covenant Agreement includes provisions that provide the Agency with the right to approve or disapprove of the transfer of any interest in a general partner or member or limited partner or investor member in the ownership entity at any time during its term. These provisions also include the Agency's rights to enforce Right of First Refusal purchase options granted to nonprofit organizations under the terms of the Code.

Additionally, beginning with developments awarded in the 2027 LIHTC Round, the following will be added to the Restrictive Covenant Agreement:

- Stronger option to purchase language
- Liquidated damages language – the liquidated damage calculation will be the difference between the lowest LIHTC monthly rent and monthly market rent for all units in the building times the number of months remaining on the extended affordability period and the three-year transition period
- Language to grant standing to tenants to sue for any enforcement action as a third-party beneficiary

SECTION 8 - 4% TAX CREDITS WITH TAX EXEMPT BONDS

All developments utilizing 4% Tax Credits with Tax-Exempt Bonds in their financing plan must submit a Tax Credit Application pursuant to the 2027/2028 Request for Proposals for Tax Exempt Volume Cap and must be evaluated in accordance with the Allocation Plan and the Agency Guidelines. Developments which qualify for 4% Tax Credits with Tax-Exempt Bonds are not required to receive an allocation of Competitive (9%) Tax Credits through competitive allocation from the Agency.

To qualify for 4% Tax Credits with Tax-Exempt Bonds, the Agency requires that the Application meet the Threshold Criteria for both the 9% and the 4% Tax Credit Programs (see Section 3) and score at least the minimum threshold points under the Selection Criteria (see Section 4). Applications will only be scored once. Additionally, to qualify for 4% Tax Credits with Tax Exempt Bonds, the applicant

The Agency may require certain applicants to pursue 4% Tax Credits with Tax-Exempt Bonds as an alternative to seeking Competitive 9% Tax Credits. Specifically, developments which have access to federal resources may be required to provide information regarding the financial feasibility with 4% Tax Credits with Tax-Exempt Bonds.

For developments seeking 4% Tax Credits with Tax-Exempt Bonds, the Agency may waive such timelines, processing and program requirements, in its discretion, to encourage and facilitate such financings. However, it is expected that 4% Tax Credits with Tax-Exempt Bonds be in a position to close within 180 days of application. If in the review of the application or at any point in the process, the Agency determines that this timeline is not possible, the application may be rejected or asked to resubmit in a later round. Additionally, if at any point during the review and underwriting the request for Volume Cap increases by more than 10% from the initial application, the developer will be expected to withdraw the application and resubmit at a later date.

SECTION 9 – APPLICATION PROCESS

9.1 9% LIHTC Deadline for the 2027 Round

For a development to be considered for a reservation of Competitive 9% Tax Credits in 2027, the entire Application package, including all exhibits, must be received by the Agency **no later than 3:00 p.m. on February 17, 2027** (or such other deadline as may be established by the Agency on its website). Additionally, if a second application round is administered in 2028, the application deadline for that round will be announced at a later date and published on the Agency website.

For 9% applications, it is the Applicant's responsibility to be familiar and compliant with all Tax Credit Program requirements, the regulations, and the Internal Revenue Code (the "Code"), in effect both now and in the future, as applicable to any Application in the Tax Credit Program. **Applicants must disclose all relevant information in the Application to provide the Agency with a full understanding of the proposed Project.**

9.2 4% LIHTC / Tax-Exempt Bond Deadline for the 2027 Round

For a development to be considered for a reservation of 4% Tax Credits with Tax-Exempt Bonds in 2027, the entire Application package, including all exhibits, will be accepted on a rolling basis until July 1, 2027 or until which time the Agency has depleted all of its volume cap, whichever is first. The Agency reserves the right to reject any or all applications based on financial feasibility, scoring, inability to close within 180 days, other program parameters, and/or available volume cap. The information related to 4% Tax Credits with Tax-Exempt Bonds will be updated on the Agency's website at www.phfa.org. A second 4% LIHTC / Tax-Exempt Bond Round may be operated under the 2027/2028 QAP in 2028 if announced on the Agency's website.

For 4% applications, it is the Applicant's responsibility to be familiar and compliant with all Tax Credit Program requirements, the regulations, and the Code, in effect both now and in the future, as applicable to any Application in the Tax Credit Program. **Applicants must disclose all relevant information in the Application to provide the Agency with a full understanding of the proposed Project.**

9.3 General Processing Information and Fees

Upon receipt of an Application, the Agency will review all information submitted for compliance with the Threshold Criteria. The Agency may elect to conduct a development site visit. The Agency anticipates that the number of Applications will significantly exceed the amount of Competitive 9% Tax Credits availability for allocation and potentially exceed the amount of volume cap available for the 4% LIHTC program; therefore, the Agency may use the amount of resources available and readiness to proceed and commence construction as factors in making awards.

The Agency will review the Application and assign points based on the Selection Criteria (see Section 4).

The Agency reserves the right, at any time, to require submission of such documentation or additional support as it deems necessary to evidence any of the items set forth herein including, without limitation, additional independent market studies, independent appraisals, evidence of property location and accurate deed and title information, investor data and equity letters, partnership agreements, independent capital needs assessments and opinions of qualified tax counsel or certified public accountants.

All Tax Credit reservations are made based upon the information contained in the Application. Unless specifically directed or approved by the Agency, changes or supplements to an Application during the processing period for ranking are not permitted. Changes in an Application made by the Applicant after a reservation is received affecting any of the Selection Criteria features will result in reconsideration of the ranking and may lead to a rescission of the conditional reservation.

The Agency charges fees for certain activities associated with applications for financing. See the Agency Fee Schedule on the Agency's website at www.phfa.org for additional information.

9.4 Application Submission Requirements

All information submitted by the Applicant or requested by the Agency in the review of the Application is the sole property of the Agency and may be made public. The Agency's processing procedures, fee schedules and limitations, and current rent and income limits are set forth in the Agency's 2027/2028 Multifamily Housing Application Package and 2027/2028 Multifamily Housing Program Guidelines which are available on the Agency's website at www.phfa.org/mhp/developers/housingapplication.aspx.

The entity(ies) identified as an Applicant(s) in the Application must have a general partner or managing member interest in the final ownership entity of the development. The Applicant(s) must be actively involved in both the development and ongoing control and management of the development as evidenced in the partnership agreement governing the ownership entity for the development Applications. Sale, transfer or assignment of an Applicant's interest in the proposed Tax Credit development is prohibited while the Application is pending. After reservation of Tax Credits, any such transfers, sales and assignments prior to placement in service and issuance of an IRS Form 8609 require prior written approval by Agency staff and may require submission of a new Application, additional processing fees and/or may result in recapture of Tax Credits by the Agency.

The Agency will impose a limit of no more than four (4) 9% applications per year per entity serving as a general partner or managing member, either solely or as a co-general partner or co-managing member. The Agency will impose a limit of no more than two (2) 4% LIHTC applications per year per entity serving as a general partner or managing member, either solely or as a co-general partner or co-managing member. Additionally, the Agency will impose a limit of no more than twelve 9% and 4% LIHTC applications collectively in sum per year per consultant. Depending on application volume and availability of resources, the Agency may limit the number or size of awards per developer or consultant. For 9% applications, unclosed projects prior to the 2025 round count toward the four-application cap. Additionally, unclosed 4% applications, including 2025 and 2026 applications, count towards the developer's and/or consultant's cap unless a waiver request describing circumstances beyond the developer's control is reviewed and approved.

The Application package submitted for review must include all the information in the order set forth in the 2027/2028 Application. **Any material deficiency in the Application or omission from the mandatory submissions set forth in the 2027/2028 Application may result in immediate rejection or alternatively, negative ranking points**. All Applications must meet program eligibility requirements set forth in the Code. **Any Application, once received by the Agency, may not be altered, amended or modified except as approved by staff during underwriting and program review or except for developments participating in an Agency financing program, which may undergo subsequent substitute processing and ranking by the Agency.** Applications will be scored based only upon the information contained in the Application package.

Applications that meet all Threshold Criteria (see Section 3) and that are financially feasible and viable will then be ranked according to the Selection Criteria (see Section 4). Applications that do not meet Threshold Criteria, are financially infeasible, do not demonstrate long term viability, or which exceed the maximum number of Applications per Applicant may be rejected by the Agency at any time.

The Agency also reserves the right, in its sole discretion, to reject any Application in the event that the costs or fees associated with the proposed development are deemed to be excessive or unreasonable (i.e., exceeds PHFA's cost guidelines). Additionally, the Agency may discontinue processing any Application for Competitive 9% Tax Credits if the Agency determines in its sole discretion that the development is infeasible as proposed, will not be able to receive a reservation of Tax Credits due to the oversubscription of Tax Credits in any Set-Aside, Pool or Preference, or if the Agency determines that there are insufficient Tax Credits available for allocation to meet overall demand.

Upon review of the Application, Agency staff may advise the Applicant of incongruities, discrepancies or incomplete items and may allow the Applicant to clarify or supplement the original submission. Such requests will be made in writing to the Applicant and response will be required within the timeframe set forth therein, **which will generally be no later than five business days from notification by staf**f. See the Guidelines for additional guidance and information about processing Applications.

Agency staff may take any actions deemed necessary by the Agency to process Applications and administer this program, which may include modifying and adjusting any allocation as it deems necessary to promote housing goals including its goal of creating and enhancing housing choices in areas of opportunity (maximizing leveraging of available program resources, and encouraging geographic distribution), and to respond to specific market needs and/or program objectives.

Agency staff is specifically instructed and authorized to make *de minimis* adjustment to any Application in processing, at any time as deemed appropriate and necessary, to carry out the housing goals of the Agency. (For these purposes, *de minimis* means an adjustment of approximately 5% of the conditional reservation or allocation.)

9.5 Other Agency Financing and Requests for Additional Competitive 9% Tax Credits

The Agency has an interest in ensuring that all Developments make the most effective use of resources to achieve financial feasibility and other requirements and priorities of the Allocation Plan. Other Agency resources include Tax-Exempt bonds, Agency first mortgage financing (and associated programs such as HUD Risk Share lending and FFB), PennHOMES, PHARE, HTF, the Pennsylvania Housing Tax Credit and other programs and resources that may become available. The Agency reserves the right to award the optimal mix of funding to each Development that receives an award of Tax Credits under the Allocation Plan. This includes the Agency's right to require the use of PHFA's first mortgage financing and Tax-Exempt Bonds.

In its discretion, the Agency may allocate additional Competitive 9% Tax Credits in an amount not to exceed 10% of the initial Tax Credit reservation amount. Additional Competitive 9% Tax Credits are only available for developments to support financial feasibility. Applicants must demonstrate the capacity to close on all financing, including securing additional equity investments. Applicants must demonstrate they have not changed any Selection Criteria nor made any significant modifications, as determined by the Agency. Applicants requesting additional Competitive 9% Tax Credits may be required to demonstrate a reinvestment of developer's fee and meet other requirements as established by the Agency.

Developments seeking additional Competitive 9% Tax Credits must submit their request in accordance with the requirements on the Agency's website at www.phfa.org.

SECTION 10 – URBAN LISTING

The Following urban areas with populations of more than 25,000 in the 2020 U.S. Census qualify for the Application submission in the Urban Pool.

Allegheny County
City of Pittsburgh

Berks County
City of Reading

Blair County
City of Altoona

Dauphin County
City of Harrisburg

Delaware County
City of Chester

Erie County
City of Erie

Lackawanna County
City of Scranton

Lancaster County
City of Lancaster

Lebanon County
City of Lebanon

Lehigh County
City of Allentown
City of Bethlehem

Luzerne County
City of Wilkes-Barre
City of Hazelton

Lycoming County
City of Williamsport

Northampton County
City of Bethlehem
City of Easton

Philadelphia County
City of Philadelphia

York County
City of York