

# Pennsylvania Housing Finance Agency

Pre-Application Meeting for Multifamily Programs

August 7, 2018

Questions and Answers

## **\*REMINDER\***

**FULL APPLICATIONS ARE DUE BY 3:00 PM ON FRIDAY, NOVEMBER 16, 2018.**

### *Threshold and General Questions:*

1. Q: Can you share the competitive scoring from last year's application round? What was the range of scoring for projects chosen to move forward?  
A: Since the Agency made a number of changes in the Selection Criteria in the 2017-2018 Allocation Plan, we do not think that previous scoring will be indicative of what will be successful in the upcoming round. Based on previous history, an applicant should aim to have a verifiable and correct self-score of at least 85%-90% of the total points available (which may be slightly lower for senior developments) to be competitive.

### *Agency First Mortgage Financing*

2. Q: When will the Agency be issuing the rate and term sheets for its first mortgage product? Will the Agency also offer a rate lock?  
A: The Agency's terms will be posted on the Agency's website. We will offer a rate lock option at loan commitment.
3. Q: Is PHFA Board approval necessary for commitment letters?  
A: Board approval will be required for a full loan commitment but not for the Agency's issuance of a preliminary offer of financing.
4. Q: What is the process and timing for issuing a letter of intent (LOI)?  
A: After a review of the project's financial statements and other necessary documents, the Agency will issue a preliminary offer of financing.

### *Resident Population and Supportive Services*

5. Q: If project-based vouchers are issued through the Housing Authority, can you designate them as a lead agency?  
A: The Department of Human Services (DHS) Local Lead Agency must be one of the agencies that provides referrals for the 20% units identified in Tab 12 (which includes the accessible units). Other agencies such as Centers for Independent Living (CIL's) and Housing Authorities can be used.
6. Q: Where in the Application does it identify the minimum level of supportive services that will be required for a proposed resident population?  
A: This information can be found in the instructions for Tabs 11 and 31.

## *Preferences and Set-Asides*

7. Q: Innovation in Design – Can you provide examples of some characteristics that helped projects receive this award?  
A: Projects competing for this award should focus on the following: project location, new technologies and sustainable development, community impact and smart growth strategies, partnership with local organizations, resident populations and services, and financing structures and cost savings measures.
8. Q: Community Revitalization/Mixed Income (Urban Pool only) Preference – Does the project need to be mixed income in order to qualify for this preference?  
A: No. Projects can evidence community revitalization activities and opportunities and qualify for this preference or be a mixed income development.
9. Q: If a preservation project will be adding additional units, how does that affect the preferences, threshold and selection criteria?  
A: The Agency will review the proposal and make a determination, on a case-by-case basis, looking at the number of new units and scope of work.

## *Section 811*

10. Q: Do Section 811 units have to be part of a new project or an older established development?  
A: For existing developments, ranking consideration will be given if an Applicant enters into an Agreement to Enter into a RAC, executes a new RAC or amends an existing RAC for eligible Section 811 properties on or before November 16, 2018. Additionally, points may be awarded for new applications which set-aside units for 811 participation. Selection Criteria C.5 sets forth the specific participation levels to be considered for points. Please contact Kristen Nagel for additional information on Section 811 qualifications.
11. Q: How are Section 811 units obtained through a clearinghouse? How does this work?  
A: Section 811 PRA units are electronically paired with referrals on the Section 811 wait list by the applicant priority status, date and time they are entered on the wait list. Referral networks are established and utilized to fill units in every county with Section 811 participation.
12. Q: Do the projects have to be tax credit developments?  
A: No, to qualify for ranking consideration for participation in existing developments, the applicant or management agent must agree to include Section 811 units for persons with disabilities age 18-61 in existing properties or under development, which received a previous award of tax credits, or Rural Development or Section 8 projects with units not under a project based rental assistance contract.

## *Development Team and Process*

13. Q: Will you recognize existing zoning variances and special exceptions already in place?  
A: Yes. The Agency will accept evidence in the form of a zoning permit or documentation from the local zoning official which demonstrates that zoning approvals have been secured. In the

event the zoning documentation shows an expiration date or commencement of construction date prior to the anticipated tax credit award date, documentation supporting an extension should be provided.

14. Q: Does the 25% developer's fee restriction still apply to the "to be applied for" funding?  
A: Yes. See page 175, section D.5.c of the Selection Criteria.
15. Q: Does the 25% developer's fee restriction still apply to the "to be applied for" funding for PennHOMES and/or PHARE funds?  
A: No, it does not apply to PennHOMES and/or PHARE funds. See page 174, Section D.5.a of the Selection Criteria.
16. Q: Does an Agency first mortgage count towards commitment of funds in ranking?  
A: Yes, per Section D.5.e, page 176, of the Selection Criteria.
17. Q: If an application contains an internal rental subsidy and Agency financing is the Agency going to hold that reserve? And, if so, is the Agency going to start trending that amount.  
A: Starting in 2018, the Agency will hold internal rental subsidy funds supporting lower income units for properties financed by the Agency's PennHOMES and PHARE programs (not applicable to Agency first mortgage financing). This fund will not be trended.
18. Q: Does the calculation of the Development Contingency Fund (DCF) include PHARE and Agency first mortgage financing?  
A: The calculation of the DCF includes PennHOMES and an Agency first mortgage financing. The calculation of the DCF does **not** include PHARE funding in this calculation. Please see Agency guidelines for specific DCF requirements.
19. Q: How do you calculate Applicant Development Team points based on percentage of ownership when there is a joint venture between two or more general partners?  
A: Please see the below example of how points will be calculated:  
Developer A – 49% ownership – 11 developments ( $.49 \times 11 = 5.39$ )  
Developer B – 51% ownership – 2 developments ( $.51 \times 2 = 1.02$ )  
Number of Developments – 6 ( $5.39 + 1.02 = 6.41$ ) (The Agency does not round up.)  
Total Points - 6 points
20. Q: Selection Criteria D.2.a. of the approved Allocation Plan states that to qualify for points, "the experience of the applicant in the production of Tax Credit developments" is considered. In the Tab 3 instructions, the language changes to "experience of the development team in creating the type and size of the property." Is applicant experience limited to its experience with tax credit developments or will HUD-funded developments count for experience?  
A: Yes and No. The ranking found in the Allocation Plan and Tab 3 are consistent (the language being used is the same). Tab 16 states "for the applicant to be deemed to have sufficient minimum experience to be eligible for a Tax Credit award, at least one development must be a Tax Credit development that has been issued an IRS Form 8609." Applicant experience as it relates to 'ranking' will be based on the number of Tax Credit developments. Please note the difference between how we evaluate minimum experience and how we score an applicant for their experience.

21. Q: There does not appear to be a separate Certification of Management Agent Experience. Where do we show the number of units managed?  
A: You should list the projects and units on the Certification of Management Agent Experience.
22. Q: How do you qualify for PennHOMES in a Participating Jurisdiction (PJ)? And must it be a CHDO?  
A: Applicants can qualify for PennHOMES in a PJ if either: (1) the applicant is a Community Housing Development Organization (CHDO) located in a PJ, or (2) the PJ receives <\$500,000 in direct entitlement from HUD.
23. Q: If a preservation project is not currently a tax credit project and the applicant is purchasing the development from a related party, is the developer's fee subject to the 12% cap? If acquisition tax credits are a part of that transaction, will they be limited to the 5% acquisition tax credit cap for related party?  
A: Since the original project was **not** a tax credit property, they would not be limited to the 12% cap. However, if acquisition tax credits are part of the financing structure and since the transaction involves a related party transfer of ownership, the developer's fee attributable to the acquisition portion of the transaction would be limited to the 5% cap.

#### *MBE/WBE/Veteran's Business Participation Questions*

24. Q: Are points still available for "to-be-determined" subcontractors?  
A: Yes. The Agency understands that not all entities may be under contract at the time of the application. As such, the Agency will permit TBD subcontractors/vendors for ranking point consideration. See Tab 16, page 258.
25. Q: There is a national registry for MBE/WBE. Will the Agency recognize this as well?  
A: Yes.

#### *Development Cost Savings*

26. Q: Are developers with a related construction company entities scored differently in the development costs savings category? Also, is the developer's fee adjusted due to related developer/contractor entities?  
A: The Agency does not score the development cost savings category differently for related developers and general contractors. Additionally, there is no developer's fee adjustment made due for related entities.
27. Q: When does the Agency calculate or look at the median square foot cost of construction to determine cost savings?  
A: All costs are reviewed based upon the costs identified in the application. They are compared with like projects, in the following categories:  
Preservation; Single Family Townhouse design (Urban), Single Family Townhouse design (Suburban/Rural); Multi-Story Elevator Buildings (Urban); Multi-story Elevator Buildings (Suburban/Rural); Adaptive Reuse (Urban and Suburban) and Philadelphia.

### *Income Averaging*

28. Q: In order to use Income Averaging, we can only use four (4) income and rent targets. Is this correct?  
A: Yes. The Agency will not permit more than four (4) income and rent targets. In the event there is Agency financing (PennHOMES or PHARE) the applicable rental mix must be met. Additionally, as set forth in the Allocation Plan, projects must meet the 20% income and rent targeting, as applicable. Please refer to the Agency's website for additional guidance.

### *PHARE (Marcellus Shale/Housing Trust Fund [HTF]/Realty Transfer Tax [RTT])*

29. Q: Are uncommitted PHARE/HTF/RTT funds included as part of the maximum allowable 50% developer's fee reinvestment?  
A: Uncommitted PHARE funds are not considered as part of the 50% reinvested developer's fee limitation.
30. Q: Is there a minimum and/or maximum amount of request for PHARE funding?  
A: Yes. The minimum request is \$500,000 and the maximum is \$1,000,000 for National Housing Trust funds and Marcellus Shale funds. The maximum request for Realty Transfer Tax funds is \$500,000.
31. Q: What is the term of the PHARE loans?  
A: The term of these loans is 30 years.
32. Q: If an application is targeting 30% units with HTF, is there a minimum number of units required?  
A: No. There is no unit minimum. Please refer to the per unit subsidy amount listed in the program materials.
33. Q: Are HTF and RTT cash flow repayment requirements the same as those for PennHOMES?  
A: Yes, repayment is made from available cash flow with 50% paid to the Agency and 50% distributed to the owner.

### *Additional Submission Questions*

34. Q: Since Philadelphia has a 10-year tax abatement, will the Agency consider it as "in place" for underwriting purposes?  
A: Yes. The Agency will underwrite the application assuming a 10-year tax abatement.
35. Q: What are the application deadlines for tax exempt project submissions?  
A: The Preliminary Application is due on or before April 1, 2019 with the full application deadline on or before June 3, 2019. The Agency encourages submission in advance of these deadlines to ensure that project financing can occur within the requisite time period.