

PENNSYLVANIA HOUSING FINANCE AGENCY

REQUEST FOR PROPOSALS

2009 Tax Exempt Qualified Residential Rental Facilities Seeking Private Activity Bond Allocations

INTRODUCTION

Private activity bonds to finance qualified residential rental facilities are subject to the limitations imposed through the statewide unified private activity bond cap ("volume cap"). The Department of Community and Economic Development ("DCED") provides for the allocation of volume cap to issue private activity bonds among the various qualified issuers in the Commonwealth of Pennsylvania. Each year, DCED provides certain allocations to the Pennsylvania Housing Finance Agency for the issuance of private activity bonds for housing purposes.

The Pennsylvania Housing Finance Agency (the "Agency" or "PHFA") encourages the development of quality affordable rental housing in the Commonwealth. This Request for Proposals ("RFP") has been designed to establish a process for inviting, evaluating and selecting qualified tax exempt residential rental facilities seeking allocations of volume cap in 2009.

The Agency encourages applications from multifamily developments and will use its best efforts to provide volume cap to as many qualified properties as are reasonably feasible, subject to continued availability of volume cap for these purposes. All references herein to the "Code" refer to the Internal Revenue Code of 1986, as amended.

PROGRAM DEADLINES

Time deadlines have been established for processing and reviewing applications. Developers are advised to evaluate their financing goals and development preparedness **prior to** applying for volume cap. Developments not meeting the minimum qualifications or otherwise failing to evidence an ability to meet each of the deadlines set forth below may be rejected at any time by PHFA.

Applications will be accepted on a first come, first served basis on or after October 1, 2008 and may be accepted up to August 1, 2009. (The attached Tax-Exempt Bond Term Sheet should be submitted fifteen (15) days prior to the submission of an application.) The Agency may extend any deadline based upon availability and the ability to process and meet appropriate timeframes. All applicants are urged to submit complete applications as early as possible to ensure adequate processing time for consideration and to best ensure that all financing activity will be completed prior the program deadlines.

The Agency will attempt to complete its review of applications in a timely manner and to provide preliminary allocations within three months from the receipt of an application. Once the Agency provides a preliminary allocation of volume cap for a housing facility, the developer and its bond issuer must issue bonds and commence construction within ninety (90) days. The Agency requires that an actual construction loan closing occur within ninety (90) days of the preliminary allocation of volume cap. All development funding must be in place and actual construction or property rehabilitation contracts must be completed, without condition. Escrow or construction bridge loan closings will not satisfy the Agency's closing requirement.

Failure to finalize all aspects of development and bond financings within this time period and to submit all required preclosing and closing documentation to the Agency may result in recapture of the

volume cap. Developers and issuers are advised to review funding sources, commitments and financing structures to ensure they can meet these deadlines for year 2009 submission. Developers using local bond issuers for their transaction will not be able to “carryforward” volume cap at the end of the year and the Agency will strictly monitor deadlines.

Developments using federal Low Income Housing Tax Credits ("Tax Credits") in their financing plan must meet Section 42 of the Code, as amended, and the year 2009 PHFA Tax Credit Allocation Plan, Processing Guide and program submission deadlines. These documents are available on the Agency's website at www.phfa.org.

REQUEST FOR PROPOSALS SUMMARY

This RFP announces the availability of year 2009 housing bond volume cap for the funding of multifamily developments on a first come, first served basis. Depending on the total volume cap available in the Commonwealth for housing bonds, the Agency may determine to fund such multifamily developments as meet the minimum qualifications set forth herein.

The Agency encourages applications from multifamily developers and will use its best efforts to fund as many qualified projects as are reasonably feasible. Sponsors are advised to submit applications early in order to maximize their potential to be funded out of available resources and to allow sufficient processing time. The Agency may provide a preference to developments being financed by PHFA.

Please be reminded that eligibility for tax exempt financing does not ensure qualification or eligibility under the PHFA 2009 Tax Credit Allocation Plan for developments seeking Tax Credits for a portion of their financing. Please allow adequate time for the review of the Tax Credit application and for any necessary processing by other state or federal funding sources.

To qualify for private activity volume cap, residential rental facilities must meet all qualifications of the Code. Such facilities may involve the rehabilitation of existing rental facilities, new construction of facilities, modernization of public housing facilities, and construction of qualified 'assisted living' housing. Evidence of qualification must be provided through a narrative description of the financing structure at the time of application and prior to closing, through the submission of a qualifying opinion from a bond counsel specializing in matters relating to private activity bond financings. The Agency may reject any application not providing adequate assurance of any of these qualifications.

APPLICATION REQUIREMENTS

The owner, general partner, or sponsor and the proposed bond issuer must jointly submit a completed application (one hard copy and one electronic copy, as detailed in the Guidelines) to the Agency for consideration. Applications seeking volume cap in the amount of \$5,000,000 or more may be required to utilize Agency bond financing for the development. (If Agency financing is requested, please provide notice to the Agency prior to application submission.)

Each application for tax exempt issuing authority must be prepared in accordance with the 2009 Multifamily Housing Application Package and Guidelines (“Guidelines”), and must include the following:

A. Brief Narrative Description of the Development

A brief narrative must outline how the development meets each of the following criteria:

- Qualification under the relevant bond financing sections of the Code

- Qualification for Tax Credits under Section 42 of the Code, if applicable, and a supporting letter from counsel or an accountant experienced in the Tax Credit Program
- Qualification of the development team and the bond financing team
- Evidence of financial feasibility of the facility and description of bond financing structure
- Evidence of commitment of all necessary financing sources
- Ability to support a 30 year minimum affordability period for low income tenants or a demonstrable feasible plan to convert the development to affordable homeownership at the end of the qualified development period
- A market study, in form acceptable to the Agency, demonstrating an adequate market for the units, without adversely affecting or impairing existing or proposed rental properties in the proposed development locale.

B. Letter Outlining Bond Financing Structure and Identifying Financing Team

A letter must be included with the application, addressed to the Agency, signed by both the owner, general partner, or sponsor and the proposed bond issuer outlining the bond financing structure and identifying each of the following (with names, addresses and phone numbers):

1) The proposed bond issuer (if other than PHFA); 2) development ownership entity and principal partners or guarantors; 3) Bond counsel to the issuer; 4) Underwriters or placement agents, if any; 5) Underwriter's counsel, if any; and 6) all other entities involved in the financing (i.e.; rating agencies; bond insurer; letter of credit bank; and credit enhancement entity).

In the event PHFA is not the bond issuer, the bonds must receive an investment quality rating from one of the nationally recognized rating agencies (or otherwise meet PHFA criteria to ensure that the bonds are maximizing and reasonably achieving market opportunities).

In the event PHFA is the bond issuer, all PHFA financing and processing requirements must be met and a complete PHFA financing application must be submitted with the tax exempt financing application. (Please contact the Agency for the applicable instructions.)

C. Submission of Application Fees Identified in the Multifamily Housing Program Guidelines

Upon submission of an application, the applicant is required to pay one application fee equal to the lesser of \$25 per unit or \$1,000. This is a nonrefundable fee. For facilities intending to use and qualify for Tax Credits, the Agency will assess additional Tax Credit fees for allocation and compliance monitoring as identified in the Guidelines. Any and all costs incurred in this application process are the sole responsibility of the applicant.

MINIMUM CRITERIA FOR AGENCY REVIEW

For Agency consideration, developments must meet the minimum qualifications set forth below:

- May not apply for more volume cap than will reasonably support the financing structure. (The Agency may disallow applications for volume cap for construction financing if the applicant has another source of permanent financing, such as PennHOMES, which reduces the financing on a dollar for dollar basis. Such disallowance is not intended to discourage leveraging HOPE VI and other public housing funds.)
- Evidence of qualification under the relevant bond financing sections of the Code
- Evidence of qualification for Tax Credits, if applicable
- Evidence of qualification of development team and bond financing team
- Evidence of financial feasibility of facility and cost efficiency of bond financing structure. The Agency reserves the right to impose a cap on any volume cap requests.
- Evidence of commitment of all long term development financing sources
- Evidence of ability to support a 30 year minimum low income set aside period or a feasible financial conversion to affordable homeownership at the end of the qualified project period
- Evidence and support of adequate market for the units
- Demonstration that the development will not adversely impact other affordable housing properties in the identified market area
- Evidence of accessibility and/or VisitAbility design features in the development to the greatest extent economically feasible.

FUNDING PRIORITIES OF THE PROGRAM

The Agency will give priority to developments that best demonstrate the following characteristics:

- Ability to quickly and efficiently close their financing, commence and complete construction
- Maximum efficiency of all financing resources and structure
- Provision of quality housing within the community for persons with greatest need
- Affordability of development's rents
- Reasonableness of costs for financing structure
- Reasonableness of construction costs
- Reasonableness of all third party fees

The Agency may consider such additional criteria it deems necessary in its discretion to achieve maximum benefit of the resources available to it for financing low and moderate income residential rental facilities. Such additional factors include, *inter alia*, consideration of geographic and regional representation and resource allocation, community and economic impact and achieving the most qualified developments with the scarce resources through the imposition of a maximum per development allocation of volume cap. The Agency may disallow developments with identity of interest between any of the principal parties.

The Agency reserves the right to discontinue, modify, suspend or amend this program at any time, with or without further notice to any interested party. All decisions of the Agency are subject to such additional conditions, restrictions and requirements as determined by the Agency in its sole discretion. In addition, the Agency's selection of developments for possible allocation of volume cap is subject to final allocation approval by DCED. The Agency also reserves the right to impose any conditions on the financing that it deems reasonable in its discretion.

In order to provide a resource for households seeking affordable housing throughout the Commonwealth, the Agency will require all developments financed with volume cap to participate in its interactive database for affordable housing units. Developments will be required to provide information including, but not limited to, unit amenities, household size, household income and move-in information and any ongoing unit vacancies in a secure and timely manner to the Agency throughout the project affordability and compliance period.

APPLICATION SUBMISSION/CONTACT INFORMATION

Copies of this RFP and the required Guidelines are available from the Development Division, at the Pennsylvania Housing Finance Agency, 211 North Front Street, Harrisburg, PA 17101. Requests for mailed packets of information may be made by phone at (717) 780-3876 or by fax at (717) 780-1811. Additional information or guidance may be published from time to time on the Agency's website – **www.phfa.org**.

In an effort to determine the amount of volume cap to be utilized for multifamily tax exempt housing bonds in 2009, the Agency requests the applicant submit the attached Tax-Exempt Bond Term Sheet ("Term Sheet") fifteen (15) days prior to the submission of an application. Upon receipt of the Term Sheet, the Agency will advise the applicant on the availability of volume cap for the proposed development.

Applications for year 2009 volume cap will be accepted on or after October 1, 2008. All fees, signed narratives, and all required exhibits and attachments must be included with the application. Applications must be signed and may not be submitted via facsimile or email. All information submitted by the applicant or gathered by the Agency in the review of the application is the sole property of the Agency and may be made public.

The Agency is committed to a policy which prohibits discrimination against persons based upon race, religion, gender, national origin, handicap, familial status or age in its programs and employment.

Tax-Exempt Bond Term Sheet

Project Information:

Project Name: _____
Project Address: _____
County: _____
No. of Units: _____ No. of Buildings: _____
Target Population: _____
Type of Site Control:
 Deed _____
 Agreement of Sale _____ Expiration Date: _____
 Option _____ Expiration Date: _____
 Other _____ Expiration Date: _____

Project Type:

 New Construction _____
 Acquisition _____
 Rehabilitation _____
Other Project Type: _____

Proposed Amount of Bonds:

 Permanent Financing _____
 Construction Loan _____

Proposed Mortgage and Bond Structure (describe terms):

Proposed Proforma:

Attach a copy of the proposed Operating Budget and Sources and Uses Statement.

Owner/Borrower:

Name: _____
Entity Type: _____
Mailing Address: _____
Primary Contact: _____
Phone: _____
Fax: _____
E-mail: _____

Bond Issuer:

Name: _____
Mailing Address: _____
Primary Contact: _____
Phone: _____
Fax: _____
E-mail: _____

