2010
Multifamily Housing Program Guidelines, General Requirements, and Application

2010 MULTIFAMILY HOUSING APPLICATION

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PROGRAM GUIDELINES - INTRODUCTION

The Pennsylvania Housing Finance Agency ("Agency") provides funding resources to increase and preserve affordable multifamily housing rental properties throughout the Commonwealth of Pennsylvania. The Agency is the administrator of the Federal Low Income Housing Tax Credit Program ("Tax Credits"). It also provides loans for construction financing, taxable and tax exempt bond financed primary mortgages, equity bridge loan financing, and soft second financing. Soft second financing is through the PennHOMES Program, which includes resources from the Federal HOME Investment Partnerships Program ("HOME") through the Pennsylvania Department of Community and Economic Development ("DCED") and the Agency's unrestricted reserves.

The following Program Guidelines explain the Agency's processing procedures, development requirements, and the various funding programs that may be accessed by completing the Agency's Application and other submission requirements as explained in the Instructions.

APPLICATION PROCESS

For a development to be considered for a reservation of Tax Credits or a PennHOMES loan, the entire Application package, including all Exhibits, must be received by the Agency no later than **3:00 p.m. on February 26, 2010.** If applicants are duplicating the Application for use on their computer systems, information must be duplicated exactly as it appears on the original Application. The Application or Exhibits may not be submitted to the Agency by fax or e-mail.

Additionally, it is suggested that prior to submission of an application for PHFA program funds, applicants should check the Agency website, www.phfa.org for program updates and amendments.

Additional Applications for funding:

APPLICATION TYPE	CYCLE ALLOCATION
Volume Cap for Tax Exempt Bond Financing	Open
Taxable Bonds, 501(c)(3) Tax Exempt Bonds and Construction Loans	Open
Equity Bridge Loans	Based on Availability

All PHFA loan applicants direct completed Applications and/or inquiries to:

Development Division
717.780.3876
TTY 717.780.1869

Tax Credit only applicants direct completed Applications and/or inquiries to:

Tax Credit Program
717.780.3948
TTY 717.780.1869

Pennsylvania Housing Finance Agency

U. S. Postal Deliveries:
PO Box 8029
Harrisburg, PA 17105-8029

Hand Deliveries:
211 North Front Street
Harrisburg, PA 17101

Applicants requesting **PennHOMES, Tax Credits, Bridge Loan Financing or Volume Cap for Tax Exempt Financing** must submit **TWO hard copies and one electronic copy** of the completed Application with the required Exhibits, along with an Application Fee, to the Agency. All hard copies of the Application must be submitted in three-ring binders.

Applications, hard copies and electronic copies must be identical and must be tabbed numerically using the Application Checklist. All electronic copies should be submitted on a CD with each tab as individual files. The format for all electronic files should be any version of Microsoft Word, Microsoft Excel or a .PDF file. Pictures must be in a .jpg or .gif format and optimized to a size of less than 50 kb. Most digital cameras automatically save images at 640 x 480 pixels or greater resulting in a very large file size and image. Please reduce (CROP/OPTIMIZE) the image by at least 50% (320 x 240 pixels or less). We may accept up to 100 kb if the image has a great amount of detail. **Note:** To avoid loss of detail, set the resolution to the highest setting when you crop the picture. Publisher or any digital camera image viewing software will NOT be accepted. **DO NOT PASSWORD PROTECT ANY OF THE FILES CONTAINED IN THE ELECTRONIC COPY OF YOUR APPLICATION. Failure to submit the application in the above format may result in your Application being returned.**

Any material omission from the Application Checklist, particularly the omission of site control, Market Study/Housing Needs Assessment, or verification of funding sources may result in an immediate rejection of the Application. Any omissions, inaccuracies, and inconsistencies in the Application package will not qualify the Application for bonus points for the Completeness of Application set forth in the Selection Criteria. When accepted as a complete Application, Agency staff may conduct a site inspection and if the development appears feasible and meets all Agency criteria, the Application will be evaluated based upon the Selection Criteria.

The Agency encourages applicants to keep to a minimum any changes to the original development proposal that was submitted. All revisions including, but not limited to, changes in location, development design, per unit construction cost, financial projections, as well as any changes in information used in ranking for Feasibility Study approval and/or Tax Credit reservation are subject to the Agency's approval and the Agency may charge additional processing fees or require resubmission to the Board. If the change is material and unacceptable, as determined by the Agency, the Agency may, in its sole discretion, withdraw the development from loan commitment processing and/or the Tax Credit reservation.

Failure to provide information requested by the Agency, failure to meet deadlines or time frames imposed by the Agency, or any misrepresentation or nondisclosure of any information or data submitted to the Agency by the applicant may result in the immediate rejection of the Application for financing and forfeiture of fees.

The Agency will notify the applicant if, for any reason, the Application for financing is rejected by the Agency. If the Application is rejected, the applicant shall pay and/or reimburse the Agency for any and all fees and costs incurred by the Agency in the Application process, including, but not limited to, the Application fee, market study, appraisal costs, etc.

Tax Credit Program
General Overview Requirements

The Low-Income Housing Tax Credit Program ("Tax Credit Program") is a federal program created by the 1986 Tax Reform Act and amended pursuant to several subsequent Budget Reconciliation Acts. The Pennsylvania Housing Finance Agency ("Agency") is the Commonwealth agency responsible for the administration of the Tax Credit Program. The purpose of the Tax Credit Program is to assist in the creation and preservation of affordable housing for low-income households. The Allocation Plan containing the criteria to be used in distributing the Tax Credits based upon the housing needs of the Commonwealth is located in the Multifamily Housing Program Guidelines.

The Tax Credit Program makes available to owners of and investors in low-income rental housing developments a Tax Credit which is a dollar-for-dollar reduction of their federal tax liability. The Tax Credit may be taken for a 10 year period provided that the development remains in compliance with the Tax Credit Program. All information and summaries are provided as a general overview only. Applicants must consult their own tax advisors and may be required to provide opinions from qualified professionals regarding any aspect of their development.

Property Eligibility Requirements

- Be located within the Commonwealth.
- Make all units available to the general public and allow units to be occupied in accordance with all federal, state, and local laws, including fair housing and accessibility laws.
- Be suitable for occupancy and comply with all applicable federal, state, and local building and health codes.
- Meet all requirements of the Internal Revenue Code (the “Code”) and applicable federal laws relating to rental housing.
- Provide a permanent, decent, safe, and sanitary structure for year round residential use on a non-transient basis.
- Be located in a geographic area which does not have competing developments, including developments with rental assistance contracts resulting in an undue concentration of rent-restricted or market rate units in a specific location.
- Provide new units, substantially improve the quality of or preserve existing units, or preserve existing federally assisted/subsidized housing units.
- Address a demonstrated housing need.

Non-Transient Housing

The building may not be used for transient housing. A tenancy is considered to be transient if the initial lease term is less than six months. An exception is provided for qualified single room occupancy (“SRO”) housing which permits housing units to be rented on a monthly basis provided the unit is not used to house the homeless.

Transitional housing for the homeless is eligible under the Tax Credit Program providing the following criteria are met: the facility is used to promote independent

living within a 24 month period as defined by Section 103 of the Stuart B. McKinney Homeless Assistance Act; a government entity or a qualified nonprofit provides supportive services to the tenants to assist them in locating and retaining permanent housing; and the living unit consists of sleeping accommodations, kitchen, and bathroom facilities.

The "qualified basis" (as defined in the Code) of transitional housing for the homeless may be increased by the lesser of:

(1) that portion of the eligible basis of the building that is used to provide supportive services designed to assist the tenants in locating and retaining permanent housing, or

(2) 20% of the qualified basis of the building.

Income Targeting Restrictions

Individuals occupying a Tax Credit qualified unit must meet the income qualifications for their particular household size at the applicable percentage of the median gross income established for the county in which the unit is located.

The minimum set-asides of low-income units necessary to qualify a portion of the development for the Tax Credits are listed below. For the entire development to be eligible for the Tax Credits, all units must be rented to tenants at or below the specified minimum set-aside rate of 50% or 60% of area median gross income.

(1) At least 20% of the rental units must be rented to tenants with qualifying income at or below 50% of area median gross income, or

(2) At least 40% of the rental units must be rented to tenants with qualifying income at or below 60% of area median gross income.

In order to process the Application, program applicants must choose a set-aside election at the Application stage. The minimum set-aside election will be reflected in the Indenture of Restrictive Covenants Agreement ("Restrictive Covenants Agreement") which is executed at the time the Allocation Carryover Agreement is executed. Any modification to the set-aside election must be approved by the Agency prior to the execution of the Restrictive Covenants Agreement. Owners have until the close of the first year of the Tax Credit period to comply with the minimum set-aside of low-income units as set forth in their Restrictive Covenants Agreement. Developments failing to maintain, through the entire compliance period, the applicable percentage of low-income units are subject to, at a minimum, a partial recapture of the Tax Credits.

Qualifying income of tenants includes wages and salaries, alimony and child support payments, social security payments, unemployment compensation, welfare, and income producing assets and investments. The development owner, when determining qualifying income, must comply with U. S. Department of Housing and Urban Development ("HUD") regulations set forth in 24 CFR Section 813.106 (as amended).

A chart showing maximum income levels, by county, for various household sizes at both 50 and 60 percent levels of area median gross income is located in the Multifamily Housing Application Instructions. (This information will be updated from time to time and may change during the processing of an Application.)

PLEASE NOTE: If an owner elects the 20% at 50% set aside, all low-income units included in determining the qualified basis must be rented to tenants whose income does not exceed 50% of area median income.

Qualified Low-Income Building

A low-income building must meet the requirements for a qualified, low-income building no later than the close of the first year of the Tax Credit period. The Tax Credit period begins in the calendar year that the building is placed-in-service, or at the election of the owner, the following year after it is placed-in-service. At cost certification, the owner must indicate on the Owner's Certification of Placed-In-Service Date form for each building the start of the Tax Credit period and whether or not an election was made to defer the start of the Tax Credit period. Owners may not claim Tax Credits until they submit these forms to the Agency and the IRS form 8609 is issued.

Restricted Rents

The gross rent limitation, which includes an allowance for all tenant-paid utilities except telephone and cable television, is based on unit size rather than household size. For developments containing SRO or efficiency units, rents are based on one individual occupying the unit. Rents for units consisting of one or more separate bedrooms are based on 1.5 individuals for each separate bedroom. A chart detailing maximum allowable rents by unit size at 20%, 40%, 50% and 60% of area median income in each county of the Commonwealth is provided in the Multifamily Housing Application Instructions. Although an individual occupying a one bedroom unit may be charged rent equivalent to 1.5 individuals at the applicable income level, the individual's income may still not exceed the applicable income for a one person household.

The gross rent limitation applies only to the tenant-paid portion of rent including tenant-paid utilities. It does not include Section 8 rental assistance or any other comparable rental assistance. The gross rent limitation also excludes payments to Tax Credit development owners for supportive services which are paid for by a qualified nonprofit organization or government agency and whose planned programs are designed to either assist tenants to live independently or to assist tenants in locating and retaining permanent housing.

Tenants residing in a Rural Development Section 515 development may have their rent increased as their income increases in accordance with Section 515 requirements, even though the rent may exceed that allowed under the Code. The rule governing the increase of tenant rent above the gross allowable rent applies only if the tenant receives at least $1.00 of assistance and the property is a post-1990 development.

The cost of any services that are required as a condition of occupancy must be included in the calculation of gross rent even if federal or state law requires that the services be offered to tenants of the building. Services that are optional and are not required as a condition of occupancy are not required to be included in the gross rent calculation. If continual or frequent nursing, medical, or psychiatric services are provided, there is a presumption that the services are not optional and the building is not eligible for the Tax Credits.

Pursuant to Revenue Procedure Ruling 94-57, the IRS will treat the gross rent for the low-income units as taking effect on the date the Agency initially allocates a housing credit dollar. For developments executing a Carryover Allocation Agreement, the initial allocation would be the date the Agency executes the Carryover Allocation Agreement. An owner may elect to treat the gross rent as taking effect on the date the building is placed-in-service, provided an election to do so is made before the placed-in-service date. Tax Credit applicants will be required to elect, in their Tax Credit Application, the appropriate date for establishing gross rent.

Placed-In-Service Date

For developments to be eligible for Tax Credits, the developer must obtain an allocation of Tax Credits no later than the last day of the calendar year in which the development is completed and placed-in-service pursuant to IRS Advance Notice 88-116. The placed-in-service date for new construction is the date on which the building is ready and available for its intended function, i.e. the date on which the first unit in the building is certified as being suitable for occupancy in accordance with state or local law. For an existing building that is suitable for occupancy, the placed-in-service date for the acquisition Credit is the date when ownership of the building transfers to the new owner. If the building was not occupied or suitable for occupancy at the time of purchase, the placed-in-service date for the acquisition Credit is the same as that of the rehabilitation Credit. **Rehabilitation expenditures for existing buildings are considered to be placed-in-service at the close of any twenty-four (24) month period over which such expenses are aggregated.** (Note – Costs must be incurred during the selected 24 month period to be included in eligible basis.) Acquisition Credits that have been allocated to an occupied building may not be claimed by the owner until the rehabilitation Credits are claimed.

Units Available to the General Public

Units must be made available to the general public and may not be restricted to members of a particular social organization, religious group, or provided by an employer for its employees. Generally, a residential rental unit is available for use by the general public if the unit is rented in a manner consistent with housing policy governing nondiscrimination, as evidenced by rules or regulations of HUD and other applicable fair housing laws. However, owners may target a particular type of occupant such as the elderly, individuals with mental or physical disabilities, or the homeless provided that the targeting does not violate HUD's nondiscrimination provisions or fair housing laws. The IRS may determine that these marketing programs are not consistent with “general public”. Hence, marketing to specific tenant populations or particular types of employers (i.e. teachers, firefighters, etc.) may violate IRS rules.

A prospective tenant may not be denied admission into a Tax Credit property because of holding a voucher or certificate of eligibility under Section 8 of the Housing Act of 1937; if they are otherwise eligible.

For additional guidance please refer to the full version of the code which includes the HERA guide and 8823 guide at www.novoco.com .

Ineligible Developments

Pursuant to Treasury Regulation 1.42-9, hospitals, nursing homes, sanitariums, life care facilities, and intermediate care facilities for persons with mental and physical handicaps or disabilities are not eligible for Tax Credits since the units are not available for use by the general public. Trailer parks are also ineligible for the Tax Credits.

Dwelling units occupied by all full time students are generally not eligible to receive Tax Credits unless one of the following conditions is being met:

(1) The student is receiving assistance under Title IV of the Social Security Act.

(2) The student is enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar federal, state, or local laws.

(3) The student is a single parent with minor children and none of the persons living in the unit, including the minor children, are dependents of a third party. (Exception: A child may be dependent of a non-resident parent.)

(4) The unit is occupied by married students who file a joint income tax return.

SRO buildings that receive Section 8 Moderate Rehabilitation Assistance under the Stuart B. McKinney Homeless Assistance Act are eligible to apply for Tax Credits.

Preservation of Agricultural Land

The Agency is committed to preservation of the Commonwealth's primary agricultural lands. Multifamily or single family housing developments proposed for certain priority agricultural lands as defined in Executive Order 2003-2 may not be eligible for Agency funding. Priority agricultural lands include lands that are currently in active non-timber agricultural use and that have been in such use for the preceding three years, lands that are subject to specific land use restrictions, and/or lands that are classified as unique or prime agricultural lands by applicable federal or state agencies.

The Agency will evaluate developments involving conversion of lands in these categories and may deny funding unless specific economic and environmental concerns support the conversion. The Agency will continue to actively encourage both single family and multifamily housing development in rural communities as long as the affected lands meet all applicable program funding criteria.

Equal Opportunity

The equal opportunity policy adopted by the Board of the Agency is as follows:

It is the policy of the Pennsylvania Housing Finance Agency to actively encourage and ensure minority and female participation in the ownership, development, design, financing, construction, and management of multifamily housing developments that receive funding from this Agency.

To further this policy, the Agency will develop a technical assistance and outreach effort to increase minority and women's business enterprise ("M/WBE") participation in Agency financed developments. The Agency will provide technical assistance to development owners and their development teams on how to identify and include minority and female vendors and establish ongoing working relationships with these enterprises. Agency staff will also coordinate efforts with state and local M/WBE technical assistance

providers and certification offices to apprise M/WBE firms of opportunities available from Agency programs.

Agency staff will review this Equal Opportunity Policy with loan program applicants.

Categories of Tax Credits

A development meeting all of the preceding eligibility requirements may qualify for one or more of the five categories of Tax Credits explained below.

- **New Construction**

  Tax Credits for new construction are based on a present value of 70 percent of the qualified basis of a building over the 10 year period provided the development is not federally assisted. The applicable percentage determined monthly by the IRS, for developments placed in service after 7/30/2008 and prior to 12/31/2013 is set at nine percent. The amount of Tax Credits is determined by applying the applicable percentage to the qualified basis of the development. For developments receiving federal assistance, see “Federally Assisted Developments” below.

- **Rehabilitation**

  In order for a development to qualify for a rehabilitation Tax Credit, rehabilitation expenditures must equal at least $3,000 per unit or 10 percent of the adjusted basis of the building, whichever is greater. For properties that are acquired from a governmental unit, at the election of the owner, the 10 percent rule for expenditures will not apply provided the owner is willing to waive the 70 percent present value Tax Credit and accept the present value of 30 percent of the qualified basis of the building over the 10 year period. Rehabilitation expenditures may be aggregated for a 24 month period provided these costs are chargeable to a capital account and can be included in eligible basis pursuant to Section 42(d) of the Code. Expenses that are deducted in the year in which they are incurred or paid are not includible in the eligible basis.

  Tax Credits for rehabilitation expenditures are based on a present value of 70 percent of the qualified basis of a building over the 10 year period provided the expenditures are not receiving federal assistance. The applicable percentage, determined monthly by the IRS, for developments placed in service after 7/30/2008 and prior to 12/31/2013 is set at nine percent. The amount of Tax Credits is determined by applying the applicable percentage to the qualified basis of the rehabilitation costs. For developments receiving federal assistance, see "Federally Assisted Developments" below.

- **Acquisition**

  Tax Credits for the acquisition of an existing building are not permitted unless rehabilitation costs equal to the greater of $3,000 per unit or 10% of adjusted basis will be or have been incurred on the building. In general, an acquired building is eligible for Tax Credits if it meets the following requirements:

  (1) The building is acquired by purchase from an unrelated party in a transaction in which the owner's basis is not determined with reference to the seller's basis in the building, and

(2) A period of 10 years has elapsed between the time of acquisition and the later of:

(a) the date the building was last placed-in-service; or

(b) the date of the most recent unqualified substantial improvement of the building. A substantial improvement is one costing 25% or more of the adjusted basis of the building and incurred within a 24 month period. The cost of the improvement could not have been amortized over five years under Section 167(k) of the Code.

An exception from the 10 year placed-in-service rule is for owner-occupied single family dwelling units that have been used only as the principal residence of each owner in the 10 years prior to when the building is acquired by the developer. Additional exceptions to the above eligibility requirements for an acquisition Credit are listed under Section 42(d)(2)(D) and Section 42(f) of the Code.

The 10 year holding period for acquisition credits has been modified for certain Federal and State assisted building. We recommend the developer seeks professional counsel to ensure the application qualifies for acquisition credits.

The Tax Credit for acquisition expenditures is based on a present value of 30 percent of the qualified basis of the building over the 10 year period. This applicable percentage, determined monthly by the IRS, is approximately four percent. The amount of Tax Credits is determined by applying the applicable percentage to the qualified basis of the building. The qualified basis of the building is determined after a value attributable to the land has been deducted.

- **Federally Assisted Developments**

  A federally assisted development is a property that receives federal assistance, directly or indirectly, in the form of a grant or a below market rate federal loan. A below market rate federal loan is a loan that is funded in whole or in part by federal funds at a rate below the Applicable Federal Rate (the "AFR") as of the date the loan is made. Loans under the Community Development Block Grant ("CDBG") program are excluded from this category.

  Developments receiving an outright grant must deduct the amount of the grant from the adjusted basis of the property to arrive at the eligible basis. An owner whose development is receiving a below market rate federal loan no longer needs to deduct the amount of the loan from the adjusted basis of the property in order to receive a 70% present value Credit.

  Developments receiving funds provided under the federal HOME Investment Partnerships Act ("HOME funds") are now not considered federally subsidized, therefore they are eligible for the 70% present value credit. Developments subject to this provision are now eligible for the increase in eligible basis available to developments located in a qualified census tract or difficult development area. An owner may not designate which of the buildings in the development are receiving HOME funds. All buildings in the development will be considered the recipient of HOME funds.

A development underwritten with HOME funds or any federal funds as a loan at the AFR must provide a pro-forma which supports the development's ability to repay principal and interest. The pro-forma must be approved by both the financial institution (or entity providing the federal funds) and the Tax Credit syndicator (or entity purchasing the Tax Credits).

- **Tax Exempt Bond Financed Developments**

  Refer to the Multifamily Housing Program Guidelines for information concerning the eligibility of these developments for Tax Credits. The pertinent sections are the Qualified Allocation Plan and the section entitled Volume Cap for Tax Exempt Bond Financing.

Nonrecourse Debt and/or Grant

A grant, whether state or local, to the development will cause a reduction to the eligible basis of the development unless the grant is recognized as income to the partnership. Any federal grant automatically reduces eligible basis. Owners that include grants in their Tax Credit Applications must either reduce their basis or provide documentation that allows these funds to remain in basis.

All applicants are expected to be thoroughly familiar with the "At Risk Rules" of Section 42(k) of the Code. If the applicant has indicated a type of financing such as related party financing, seller financing, or a nonprofit loan that might come under the At Risk Rule provision, the applicant must submit a certification as to why this type of financing is not in violation of the At Risk Rules. The certification must be provided by the owner, acknowledged by the investor, and must provide specific reference to the appropriate section of the Code or relevant accounting procedures permitting this type of financing to remain in basis.

Calculation of the Tax Credit

After determining the type of Tax Credit(s) for the proposed development, the amount of Tax Credits can be determined by following a five step process as outlined below:

Step 1 - determine the eligible basis for the type of Tax Credit(s) requested;

Step 2 - determine whether the building is located in a qualified census tract ("QCT") or difficult development area ("DDA");

Step 3 - determine the applicable fraction of low-income units;

Step 4 - determine the qualified basis for the type of Tax Credit(s) requested; and

Step 5 - multiply the qualified basis of each type of Tax Credit by the applicable percentage to determine the Tax Credit amount.

- **<u>Determination of Eligible Basis</u>**

  (1) Adjusted Basis. Amounts includible in adjusted basis are amounts chargeable to a capital account, of a nature subject to an allowance for depreciation, and incurred before the close of the first taxable year of the Tax Credit period for such building. For new construction and/or rehabilitation (considered the "new building"), these costs may include, but are not limited to: construction costs including on-site improvements, builder's general overhead, builder's profit, builder's general requirements, bond premium or letter of credit cost for assurance of completion, and building permits; architect design and supervision

fees; legal fees; accounting fees; engineering fees; construction loan interest; construction financing fees; real estate taxes; insurance during construction; and developer's fee. **Off-site improvements and building demolition costs of an existing building are not includible in basis**. Rehabilitation expenditures are incurred for a consecutive 24 month chosen by the owner. Only costs incurred during that 24 month period may be included in the eligible basis of the building.

Acquisition costs (attributable to the existing building) may include, but are not limited to, structures, title and recording, and reasonable legal fees associated with the cost of acquiring the building.

Note: Any off-site improvements included in the eligible basis of the development must be supported by a Private Letter Ruling from the IRS.

(2) Eligible Basis. To determine eligible basis of the existing or new buildings from the adjusted basis, the following must be taken into consideration:

(a) If supportive services are being provided to the tenants, the costs associated with that portion of the new building that is being used to provide the services is limited to the lesser of:

- such eligible basis of the new building that is actually used to provide supportive services to the tenants, or
- 20 percent of the eligible basis of the new building without regard to the portion providing the supportive services.

(b) If applying for the acquisition credit for an existing building, land must be deducted from the adjusted basis.

(c) All grants whether federal, state, or local must be deducted from the adjusted basis.

(d) Historic rehabilitation tax credits must be deducted from the adjusted basis prior to arriving at the eligible basis of the new building.

(e) Nonqualified non-recourse financing not obtained from a qualified commercial lender as defined by the "At Risk Rules" set forth in the Code must be deducted from basis. Non-recourse financing includes any amount for which the owner is protected from loss. It also includes any amount that was borrowed from a person who has an interest in the property or from a person related to a person having an interest in the property.

A final determination of the property's eligible basis is made at the end of the first year of the Tax Credit period. This allows an owner to include in the eligible basis costs such as landscaping that may not be incurred until after the building is placed-in-service.

- Increased Eligible Basis For High Cost Areas

  A building located in a QCT or DDA may have its eligible basis, for purposes of the new construction credit or rehabilitation expenditures credit, increased to 130% of the eligible basis. Mere location does not automatically entitle a building to receive a higher amount of Tax Credit. The Agency will still determine the amount of Tax Credits needed to assure the development’s feasibility and long term viability.

  A QCT is a census tract designated by HUD either in which at least 50% of the households have an income that is 60% or less of the area median gross income for such year or that has a poverty rate of at least 25 percent.

A DDA is an area designated by HUD as having high construction, land, and utility costs relative to area median gross income and fair market rent levels.

A list of all QCTs and DDAs in Pennsylvania as determined by HUD is provided in the Application Instructions. (The list may be updated during processing.)

- Applicable Fraction of Low-Income Units

  The applicable fraction is the lesser of the percentage of low-income units to the total amount of residential units in the building ("unit fraction") or the percentage of low-income units' floor space to the total floor space of all residential rental units ("floor space fraction").

  The applicable fraction is determined on the date of the allocation of Tax Credits and may not decrease during the compliance period as set forth in the Code. Any decrease in the low-income units will result in a partial recapture of the Tax Credits.

- Determination of Qualified Basis

  The qualified basis of the building is determined by multiplying the eligible basis by the applicable fraction.

- Applicable Percentage

  To calculate the amount of the Tax Credit, the applicable percentage is applied to the qualified basis of the building. The applicable percentage is determined monthly by the IRS. For developments which will be placed in service by 12/31/2013, the 70% present value credit is set at 9%. In processing an Application, the Agency will use the applicable acquisition percentage for the initial month of the processing cycle. As an example, the February 2010 Acquisition Credit Percentage, as published by the IRS, will be applied to developments competing in the 2010 deadline cycle. The applicable acquisition percentage established at the initial Application will be utilized until the owner and Agency have locked into the applicable Tax Credit percentage for the development. The owner may elect to either fix the applicable acquisition percentage when the Carryover Allocation Agreement is executed or to wait until the building is placed-in-service. However, the reservation amount is the maximum amount that the development may receive no matter what the applicable acquisition percentage rate is in the future. Applications for additional Tax Credits will only be accepted from a development with increased costs and not due to changes in the applicable acquisition percentage.

  Pursuant to Section 42(b)(2)(A)(ii)(I) of the Code, the owner may elect to set the applicable acquisition percentage for the month in which a Carryover Allocation of Tax Credits is issued provided the document is executed by both the Owner and this Agency no later than the last business day of the month of the Carryover Allocation. A lock-in to an applicable acquisition percentage may result in a loss of Tax Credits if the locked-in rate is less than the rate at initial Application.

  If the owner elects not to fix the applicable acquisition percentage for the month the Carryover Allocation is issued, then the applicable acquisition percentage will be determined the month the building is placed-in-service. A building is considered to be placed-in-service as follows:

  (1) New Construction - the date the building is ready and available for its intended function.

(2) Rehabilitation - rehabilitation expenditures are considered placed-in-service at or before the close of any consecutive 24-month period over which such expenditures are aggregated.

(3) Building Acquisition - for a building that is already occupied or suitable for occupancy, the placed-in-service date is the date when ownership of the building transfers to the new owner. If the building was not occupied at the time of purchase, the placed-in-service date is the same as that of the rehabilitation expenditures.

Pursuant to Section 1.92-8 of the Treasury Regulations, an owner who has elected to lock into the applicable percentage for a property under Section 42(b)(2)(A)(ii)(I) or Section 42(e)(1) of the Code may not have the election rescinded whether or not the actual binding agreement is rescinded under state law. This applies to the same owner or a new owner who might be applying for Tax Credits in a subsequent tax year for the same property(s).

Determination of Maximum Amount of Tax Credits

When determining the amount of Tax Credits to be reserved for the development, the Agency may only reserve the amount of Tax Credits necessary to ensure the financial feasibility and long-term viability of the development. The Agency will determine the amount of Tax Credits based upon a review of the development costs and permanent funding sources (considered the "need calculation"), the qualified basis of the development and the Maximum Basis allowable to the development. Tax Credits will be issued on the lesser of these calculations. In determining the need for the Tax Credits, all sources of financing are reviewed. Each financing letter must include the terms of the loan including all financing fees. Any conventional permanent loan must have a minimum term of 15 years with a fixed rate, and a debt coverage ratio between 115 and 125 percent, (except for Rural Housing loans which may have a debt service coverage ratio as low as 110%) in the initial operating period and a minimum debt coverage ratio of 110% in year 15.

Upon the issuance of a reservation of Tax Credits, a worksheet is provided to the applicant which shows the approved development costs, the eligible basis and qualified basis of the development, and the calculation of the Maximum Basis. Once a reservation letter is issued, the applicant for the Tax Credits will have fifteen (15) business days from the reservation date to notify the Agency in writing of any discrepancy on the worksheet.

A development's costs, subsidies, financing, and allocable Tax Credits will be evaluated at least three times during the processing period:

(1) upon application for the Tax Credits;

(2) upon review of the 10% test, which is a component of the Carryover Allocation Agreement for the allocation of Tax Credits; and

(3) after the building is completed and placed-in-service but prior to the issuance of IRS Form No. 8609.

Certifications of the applicant and documentation will be required to be submitted at each stage to allow the Agency to properly evaluate any changes to the development's initial Application. Any material change in the development's Application at any time during the process may result in a loss of Tax Credits, a recapture of the Tax Credits or a required submission of a new Tax Credit Application.

The determination of Tax Credits by the Agency is not a representation or warranty as to the development's feasibility, viability, or eligibility to claim Tax Credits.

Multiple Building Developments

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 person for federal income tax purposes, 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. The final applicable fraction of the building is determined at the time the building is deemed to be placed-in-service. The applicable fraction is reflected in the qualified basis on the IRS Form No. 8609 issued for that building at placement in service. Once determined, the applicable fraction will remain in place for the building for the entire compliance period.

Scattered site buildings on noncontiguous tracts of land may also qualify for Tax Credits if the development meets all of the other requirements described in the preceding paragraph and the development is 100 percent rent and income restricted; however, costs associated with the development of a separate community building will not be eligible for Tax Credits unless the building contains a residential rental non-management unit.

Compliance Procedures

The Agency has established a procedure to notify the IRS of developments that are not in compliance with the Code throughout the compliance period. To ensure compliance, the Agency has compiled a Compliance Manual, which is available on the Agency's website and provided to owners who receive a carryover allocation of Tax Credits. For further details on the compliance monitoring procedures, refer to the Allocation Plan located in the Multifamily Housing Program Guidelines. Please also refer to the IRS Guide for completing form 8823, Low Income Housing Credit Agencies Report of Non-compliance or Building Disposition.

Approved by Board 12/10/09

PENNSYLVANIA HOUSING FINANCE AGENCY
ALLOCATION PLAN FOR YEAR 2010
LOW INCOME HOUSING TAX CREDIT PROGRAM

PROCESSING OVERVIEW AND PROCEDURES FOR 2010

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

The Agency is adopting this Allocation Plan for 2010. This Allocation Plan is unusual because its adoption takes place at the end of 2009, an extraordinary year of unprecedented events and disruptions in the debt and equity markets. Among the events of the past year, the federal adoption of the American Recovery and Reinvestment Act of 2009 (the "stimulus programs") and the funding provided through these stimulus programs has fundamentally changed the way the Agency approaches funding of Tax Credit Projects and allocation of resources.

It is the Agency's goal that this 2010 Allocation Plan will become effective for applications received no later than February 26, 2010. However, as the Agency continues to administer funds available through the stimulus programs, including any supplemental stimulus opportunities, Tax Credit Projects able to quickly and effectively utilize these federal resources will be given priority in 2010. This means that the ranking and scoring set forth in the following sections of the Allocation Plan may be superceded and additional deadlines may be imposed for the foreseeable future.

The Agency will monitor the lending and investing opportunities and activities in the Commonwealth throughout 2010 and will determine how the markets are affecting all sectors of the Tax Credit Program. The Agency will attempt to make such adjustments to its policies and priorities as necessary to respond to the varying needs throughout the Commonwealth. While it is the Agency's goal to "get back to normal" as soon as it is feasible to do so, until the markets normalize and provide reliable, consistent opportunities among all sectors of the Tax Credit Program, the Agency will allocate 2010 Tax Credits based on these overriding principles and preferences:

1.) Projects demonstrating an ability to proceed as determined by the Agency to maximize the benefits of the stimulus programs through the Tax Credit Program, while meeting reasonable cost parameters and achieving basic program standards as set forth in the Multifamily Program Guidelines.

2.) Projects achieving geographic distribution and affording diversity of project type (general occupancy, elderly and special needs) to the extent the Agency determines appropriate.

3.) Projects allowing the Agency to achieve the federally mandated nonprofit set aside.

4.) Projects serving the lowest income residents.

In order to maximize the distribution of funding through the stimulus programs, and any supplemental stimulus opportunities, and to best achieve statewide goals for affordable housing, the Agency may change any of the deadlines, processing requirements and priorities set forth in the Allocation Plan. Given the current condition of the market, the Agency does not expect that all of the

2010 Tax Credits will be allocated in the February cycle and we may determine to reserve some of the Tax Credits. To that end, the Agency specifically reserves the right to announce a supplemental application cycle in 2010 to accommodate changes that may occur between now and then and to adjust to market conditions and opportunities in 2010. The Agency reserves the right to modify this Allocation Plan and all related documents without formal amendment or additional public hearings.

Applications for 2010 Tax Credit Projects may be submitted to the Agency on or before February 26, 2010. It is the Agency's intent to review the Applications it receives and to select among the Applicants based on the selection ranking criteria, with priority given to projects demonstrating an ability to move forward. Targeted amounts available in geographic set asides and for community impact, preservation and supportive housing will be determined based on reviews of the Applications and based on market conditions in effect when the Agency reviews the applications.

The Agency will provide supplemental policy and guideline announcements throughout the 2010 year affecting this Allocation Plan. Please refer to the Agency's website at www.phfa.org.

SUBMISSION REQUIREMENTS

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's processing procedures, fee schedules and limitations, and current rent and income limits are set forth in the Agency's 2010 Multifamily Housing Application Package and 2010 Multifamily Housing Program Guidelines, which will be available on the Agency's website at *www.phfa.org*, and may be amended from time to time.. 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"), both in effect now and in the future, as applicable to any Application in this program.

The following details the general processing information applicable to the Year 2010 Tax Credit Program.

In 2010, Tax Credits Applications will be accepted for the following types of applications: general occupancy, senior occupancy, properties furthering the preservation of affordable housing, applications for supportive housing, developments seeking an allocation of additional Tax Credits and Community Impact developments.

For a development to be considered for a conditional reservation of Tax Credits, the entire Application package, including all exhibits, must be received by the Agency no later than **3:00 p.m. on February 26, 2010 (or such other deadline as may be established by the Agency on its website.)** The Agency will strive to announce the reservations of Tax Credits at its July 2010 Board meeting or earlier.

The entity(ies) identified as an applicant(s) in the Application must have a general partner 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. 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, may require submission of a new Application and/or may result in recapture of Tax Credits by the Agency.

An Application package submitted for review must include all of the information in the order set forth in the Application Checklist. Any material deficiency in the Application or omission from the mandatory submissions set forth in the Application Checklist, particularly the omission of documentation relating to the site, a market study/needs assessment and verification of funding sources, may result in immediate rejection. In addition, the Application must meet program eligibility requirements set forth in Section 42 of the Code. Applications and required exhibits may not be submitted via fax or email to the Agency. Any Application which does not contain sufficient information to be reviewed will be returned. The Agency reserves the right to reject or return any Application.

An 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 ranked based only upon the information contained in the initial Application package. Agency staff will first review the development's construction costs, fees, sources of funds, operating income and expenses to determine the development's financial feasibility and long term viability. Developments that meet all threshold requirements, need and marketability and are financially feasible and viable will then be ranked according to the Selection Criteria. Applications that do not meet threshold requirements, are financially infeasible or that do not demonstrate long term viability may be returned at any time. The Agency 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. Additionally, the Agency may discontinue processing of any Application if the Agency determines in its sole discretion that the development will not be able to receive a reservation of Tax Credits due to the oversubscription of Tax Credits in any Set-Aside.

Upon review of the Application, Agency staff may, but is under no obligation to, 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 staff. Applicants are urged to review their original Applications carefully prior to submission to the Agency. Corrections allowed during the staff review process will neither include replacement, substitution or amendment of material items used by staff in the ranking of an Application nor remedy the scoring of an Application as an incomplete submission. See the 2010 Multifamily Housing Program Guidelines for additional guidance and information about processing Applications.

APPLICATION ELIGIBILITY CRITERIA

The Agency will only process Applications meeting all of the following eligibility criteria. Failure to meet any of these eligibility criteria may result in rejection of the Application. The Agency has established additional threshold eligibility criteria for each specific Set-Asides as further set forth herein.

1. 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 has been reported to the Internal Revenue Service ("IRS") as being out of compliance with any Agency program requirement (including Restrictive Covenant Agreement violations) and said 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, in the sole discretion of 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 in its sole discretion will determine whether a compliance issue is of a material or nonmaterial nature and whether it is of a recurring nature. 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 Apartment Locator. A form authorizing the release of compliance information is on the Agency's website, www.phfa.org. However, we may release related information even if no release form is submitted.

2. If the applicant (or any related entity or material participant) is involved or has been involved in an Agency funded development that is delinquent in payments to the Agency or has materially defaulted on any of its obligations to the Agency or has misrepresented any material information on a previous application, the Agency may reject the Application.

3. Applications may be returned 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 or potential loss of stimulus funds.

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

5. Developments that have resulted from or will result in the permanent displacement of low income residents will be ineligible for Tax Credit Program participation unless the developer provides evidence satisfactory to the Agency that an appropriate relocation plan has been developed. Furthermore, to the greatest extent feasible all 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.

6. Applications for acquisition Tax Credits will not be accepted for any existing occupied Tax Credit development during its initial compliance period unless the initial compliance period will have expired prior to the end of 2010 and the property meets all other acquisition Tax Credit rules.

7. Applications for 2010 Tax Credits must demonstrate a commitment to serve low income residents for a period of not less than 30 years or, in the alternative, offer homeownership opportunities to qualified residents after the initial 15 year compliance period. For the commitment to serve low income residents for a period of not less than 30 years, the owner will certify this commitment in the Application and the Restrictive Covenant Agreement will contain a provision waiving any right to petition the Agency to terminate the extended use term (as described in Section 42 of the Code.)

   If the alternative of homeownership opportunities is selected, 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 $1,000) 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, in its discretion, may approve other unit types if structured as cooperative or condominium ownership. The developer 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 (or otherwise appropriate for homeownership by tenants as determined by the Agency) will be required as part of the Application.

8. 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 applicants, architects, general contractor, attorney, and the management agent. As appropriate, the experience of a housing consultant (including their ability to secure equity investment) or a housing management consultant may be considered in lieu of the applicant or management agent, respectively.

9. 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.

In addition to the above threshold eligibility criteria, the Agency reserves the right to take any action it deems appropriate if the applicant (or any related entity), proposed management agent, or other material participant has been found to be in violation of fair housing, housing accessibility or nondiscrimination laws or has been found to discriminate against Section 8 voucher and certificate holders or recipients of any state or local tenant or project based rental assistance, and such violation or discriminatory actions have not been remedied to the satisfaction of the governmental agency or entity with jurisdiction. The Agency specifically reserves the right to take any appropriate action and to deny any future Tax Credit Application from any applicant (or related entity) who evicts or terminates the tenancy of low income residents, except for good cause, throughout the entire project compliance period (including the extended use period) applicable to any existing Tax Credit development. 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, Department of Treasury, U.S. Department of Housing and Urban Development, Pennsylvania Human Relations Commission or Pennsylvania Office of Attorney General.)

"Material participant" for purpose of this section includes 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.

Set-Asides

The Agency will target its allocation of Tax Credits to achieve several Set-Asides. An outline of these Set-Asides is provided below. The amounts available in each Set-Aside will be adjusted by the Agency at any time to ensure adequate and appropriate funding of the developments meeting the Program criteria and goals. The Agency may provide a preference to developments using Agency-sponsored pilot programs.

Set-Aside Percentages

Set-Asides	Percentage of Tax Credits to be Allocated	
Regional Set-Aside		55.00%
Region 1	18.73%	
Region 2	9.00%	
Region 3	5.99%	
Region 4	4.88%	
Region 5	12.29%	
Region 6	4.11%	
Preservation		15.00%
Supportive Housing		5.00%
Additional Tax Credits		5.00%
Community Impact		20.00%
Total		100.00%

1. Regional Set-Aside

A percentage of the Year 2010 Tax Credits will be set aside for each region of the Commonwealth. The counties in each region are shown on the map in Exhibit DCED in the 2010 Multifamily Housing Program Guidelines. The Regional Set-Asides are based on the percentage of households at or below 50 percent of median income for the given region. Allocations from the Regional Set-Aside will be further targeted in the following manner: fifty-five percent (55%) of the Regional Set-Aside of Tax Credits will be allocated to general occupancy developments and forty-five percent (45%) of the Regional Set-Aside of Tax Credits will be allocated to senior developments (defined as housing for older persons age 55 and older or 62 and older). These amounts may be adjusted to ensure adequate funding for developments or regional distribution within this Set-Aside.

2. Nonprofit Organization Set-Aside

The Agency seeks 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 state per capita allocation amount toward developments involving qualified nonprofit organizations. To be eligible, all nonprofits must meet the following requirements:

A nonprofit organization 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 own (directly or through a partnership) at least a 51% interest in the general partner of the partnership entity in accordance with current laws and IRS regulations throughout the development's compliance period. The nonprofit organization 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 which have a substantial base of operations within the county or municipality in which it proposes a 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 PHFA, that the organization will further the living environment, public health, or safety of persons in the proposed development. Charitable services are services recognized as charitable by the IRS.

3. Preservation Set-Aside

Some of the state per capita allocation available in the Year 2010 will target developments that meet the Agency's requirements for preservation of affordable housing. Applications for the preservation of general occupancy and senior developments may qualify for the Preservation Set-Aside if targeting:

(a) Existing low income units receiving project-based rental subsidies that are within two years of any permitted prepayment or subsidy contract expiration with a likely conversion to market rate housing or equivalent loss of low income use restrictions. (The likelihood of conversion to market rate housing must be supported by a current market study in a form and substance acceptable to the Agency); or

(b) Rehabilitation of already existing low income units provided that the rehabilitation will repair or replace major systems and components that are 1) in immediate need of repair or replacement; or 2) functionally obsolete or require modification or enhancement to meet new applicable federal, state or local housing or building code requirements. In addition, there must be a legitimate lack of sufficient and available, unrestricted property reserve funds or capital to provide for the necessary capital improvements. Developments must expend for rehabilitation a minimum of $10,000 per unit in construction costs on major systems and components based upon a professionally commissioned Capital Needs Assessment (not more than twelve months old from the date of Application) or such additional amounts, the Agency in its discretion deems necessary for the long term viability of the development; or

(c) Rehabilitation of already existing low income units provided that the rehabilitation is being funded through the Agency and the development will be monitored through an Agency preservation program.

Preference may be given to developments participating in the Agency's Preservation through Smart Rehab Program or to those that face conversion to market or which have rehabilitation scope of work that addresses significant life safety issues. Applicants for the Preservation Set-Aside should refer to the 2010 Multifamily Housing Program Guidelines for further guidance on submission requirements. The Agency, in its discretion, may consider any Applications under the appropriate Regional Set-Aside once the Preservation Set-Aside is exhausted.

4. Supportive Housing Set-Aside

If feasible, a special Set-Aside of Tax Credits will target developments that meet the Agency's requirement for Supportive Housing. To qualify for the Supportive Housing Set-Aside, the development must:

a. Provide at least 25% of the total units for developments of 20 or fewer units and at least 15% and no more than 25% of the total units for development with more than 20 units to eligible populations including persons that are homeless; or to non-homeless households that require supportive services including those with mental, physical, sensory, or developmental disabilities; persons with substance abuse disorders; persons diagnosed with AIDs and related diseases, and other special populations approved by the Agency on a case-by-case basis. Designated units must be rented only to the target population (subject to fair housing laws).

b. Document the need for housing for the target population (including size of units).

c. Be located within 2 blocks of a public transit stop or include transportation in the site plan of services.
d. Have funding in place or identify a viable plan for the funding of appropriate services for the duration of the compliance period.
e. Provide a rental subsidy so that rents in Supportive Housing Units do not exceed 30% of household income.
f. Identify a lead agency that will act as a referral agent for the targeted units and have an agreement in place for that referral process. Services for the target population cannot be a condition of residency for these or other units.

Applicants for this Supportive Housing Set-Aside should refer to the 2010 Multifamily Housing Program Application Instructions for further guidance on submission requirements. Applications for the Supportive Housing Set-Aside may be either for general occupancy or senior developments.

5. Requests for Additional Tax Credits Set-Aside

A special Set-Aside of Tax Credits will target developments that have received an initial reservation of Tax Credits in a prior year and are seeking additional Tax Credits in 2010. Developments that must be placed in service in 2010 will receive preference for the Tax Credits. This Set-Aside is only available for developments which have closed on their equity investment or can demonstrate the capacity to secure an equity investment, satisfactory to the Agency, and qualified applicants must neither have changed any selection criteria nor made any unapproved modifications to the development from the initial Application. Applications will not be accepted for additional Tax Credits due solely to an increase in Maximum Basis Limits.

In the event the applicant is amending the selection criteria considered by the Agency in making the initial reservation the applicant must submit a new Application. Regardless of which source the applicant chooses (i.e. Regional Set-Aside or Additional Set-Aside), applicants may only request additional Tax Credits two times subsequent to the initial reservation.

A development seeking Additional Tax Credits from the Set-Aside will not be considered at the same time under the Regional Set-Aside. Once the Additional Tax Credits Set-Aside is exhausted the Agency, in its discretion, may reallocate Tax Credits in an amount as determined by the Agency to developments which must be placed in service in 2010.

All applicants for Additional Tax Credits should refer to the Checklist of Exhibits in the 2010 Multifamily Housing Program Guidelines for resubmission requirements and processing instructions.

6. Community Impact

Based on the Agency's experience, there are circumstances under which an evaluation of a development supported by Tax Credits needs to take account of the contribution it can make to a neighborhood's revitalization. The Agency has set-aside Tax Credits to target such developments.

In weighing the impact of community revitalization, the Agency will look at how, in measurable terms, the development meets the Community and Economic Impact Selection Criteria (set forth herein).

Applicants should articulate and demonstrate how the development will fulfill or achieve a "community changing" effect on the neighborhood, citing and evidencing as many of the above attributes as possible to be favorably considered under this program. If part of a comprehensive strategy, there should be a commitment of sufficient resources to substantiate that the strategy has a reasonable chance of being implemented. Efforts that show coordination with other state and local

funding sources for economic and community development are encouraged in this initiative. However, the combination of such funding sources must tie together neighborhood enhancement and be part of a broader overall community plan.

Applications for Community Impact should refer to the 2010 Multifamily Housing Program Guidelines for further guidance on submission requirements. The Agency, in its discretion, may consider any Application for Community Impact after the other Set-Asides have been exhausted. The Agency may consider developer participation, regional distribution, scale of community impact and competitive rankings of Applications in making allocations under the Community Impact Set-Aside including how the development maximizes the inclusion of affordable accessible units in its design.

Additional Resources and Supplemental Set-Aside Information

Should additional Tax Credits or stimulus funds become available for whatever reason at any time in 2010, the Agency will not issue an amendment to this Allocation Plan but will instead make allocations of such additional Tax Credits based upon priorities and preferences set forth in this Allocation Plan as it deems appropriate. The amounts available in each Set-Aside may be adjusted by the Agency at any time to ensure adequate and appropriate funding of the developments meeting the Program criteria. Additionally, the Agency may consider any development in any Set-Aside it deems appropriate to maximize distribution and meet state housing goals.

The amounts available in each Set-Aside may be adjusted by the Agency at any time to ensure adequate and appropriate funding of the developments meeting the program criteria. Further, the Agency reserves the right to allocate more than the available Tax Credits in each Set-Aside in order to fully fund a project reservation which has scored sufficient points to warrant funding but for which funds remaining in the set-aside can not fund the full credit amount needed for feasibility. For developments returning Tax Credits from a previous or current year's allocation, the Tax Credits may be redistributed at the Agency's discretion.

After the Agency reserves Tax Credits for 2010 Applications, the Agency may allocate such 2010 Tax Credits as may be available to any development which either did not receive a reservation or which needs additional credits to fully support their financial feasibility. In addition, the Agency may make binding commitments to allocate Tax Credits through a forward allocation process to ensure that it will be able to completely allocate year 2010 Tax Credits prior to the end of the year. Developers may not apply for or request a forward allocation. The Agency may determine to forward allocate based on geographic distribution, specific project needs or program considerations in the sole discretion of the Agency.

Applications may be returned if the amount of Tax Credits requested for a development exceeds the amount of Tax Credits available for the applicable Set-Aside by more than 10 percent of the Set-Aside amount. Tax Credits are not guaranteed to any party, regardless of the ranking or points achieved through the evaluation process. The Agency will review the geographic location, developers and types of projects to ensure distribution throughout the Commonwealth. In addition, the Agency may impose a $1,200,000 per developer per region maximum on the Tax Credits or otherwise restrict the amount of Tax Credits to any particular developer or project. The Agency may impose a $1,600,000 per developer per region maximum on Tax Credits for developments located in a distressed municipality as defined by the Financially Distressed Municipalities Act to any particular developer or project. Based upon the demand for Tax Credits and development rankings, the Tax Credits reserved for any one applicant (or related entity or material participant) or development in any specific jurisdiction or within a particular Set-Aside may be limited at the discretion of the Agency. Moreover, the Agency reserves the right to amend, modify or waive specific nonmaterial submission requirements or requisite documentation to best achieve affordable housing programs or affirmatively further fair housing in the Commonwealth.

MAXIMUM PER UNIT BASIS LIMITATIONS

The Agency has established a maximum basis per unit of one hundred twenty percent (120%) of the U. S. Department of Housing and Urban Development's (HUD) Section 221(d)(3) maximum mortgage limits ("Maximum Basis"). Maximum Basis includes all depreciable costs normally included in the eligible basis determination for rehabilitation or new construction (not including the developer's fee or cost of acquisition). Maximum Basis for the purposes of this calculation may be determined after the deduction for commercial space costs but prior to the pro rata reduction for historic tax credits and other nonqualified financing and costs normally not included in eligible basis.

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

Tax Credits in an amount up to 130 percent (130%) of the eligible rehabilitation/new construction basis may also be considered where appropriate by the Agency for developments which demonstrate that they have excess development expenses and costs related to:

- Their location in areas of the Commonwealth with limited federal, state, local or financial resources; or
- Their provision of general occupancy units in "underserved" areas, as defined by the Agency, with acquisition costs (from an unrelated party) exceeding 10% of the maximum basis limits; or
- Community impact developments with mixed income (of at least 15% market rate units) or mixed use components (commercial space of at least 15% of the square footage of the development).

If the Maximum Basis per unit, as previously described, exceeds the established limits, Agency staff may waive the Maximum Basis per unit for some developments. An Agency waiver of the established limits will be based upon the demonstration of compelling circumstances and justification for the additional costs which are eligible basis incurred in the development. Compelling circumstances are limited to the following: costs predominately related to the preservation of a designated historic building or necessitated by building in or adjacent to a designated historical district; construction costs attendant to providing supportive services to the resident population that are over and above that typically associated with such housing, including reasonable costs related to the construction of community service facilities; costs due to structurally unsuitable subsoil conditions; costs associated with environmental remediation of an existing building that will remain in the development; up-front capital expenditures related to energy efficiency systems that will result in demonstrable savings in utility costs to the development, including solar, geothermal, or other innovative energy savings techniques; and costs resulting from local conditions or attempts to exclude affordable housing (this may include excessive impact fees, building code requirements, restrictive zoning, extraordinary litigation costs incurred because of neighborhood opposition and planning requirements). For those properties seeking to exceed limits based on costs due to unsuitable subsoil conditions, costs associated with environmental remediation, or up-front capital expenditures related to energy efficiency systems that will result in demonstrable savings in utility costs must provide evidence that such costs are in excess of expenditures required for eligibility for tax credits. In addition, a detailed cost breakdown must be provided indicating the difference between the costs for these items and those of typically constructed developments. Developers must provide full explanation of all alternative site considerations and provide adequate justification of the need for the development at the identified location or a full explanation and adequate evidence of cost savings. For developments affected by local attempts to exclude affordable housing, Agency staff will not approve Tax Credits above 30 percent of the Maximum Basis limitation. For all other circumstances, Agency staff will not approve Tax Credits above 15 percent of the Maximum Basis limitation. A waiver of the Maximum Basis limitation is at the sole discretion of the Agency.

See Exhibit MAX BASIS for a breakdown of the Agency's Maximum Basis limitation by market area and unit size.

THRESHOLD CRITERIA

The Agency has determined that the following minimum development characteristics will be considered threshold criteria for all developments seeking Tax Credits in 2010. 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 developments 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.

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

    - On-site Community Room. 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 in senior housing developments should include a kitchen or kitchenette that will be available to all residents.
        - An on-site community room will not be required for developments with 11 units or less or scattered site properties. Applications which are continuation of a phased development 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.
        - The community room should contain at least 15 net square feet per unit for properties between 12 and 50 units. 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 the development contains a common laundry facility, the following requirement 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 development: 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 washer and dryer in the unit.

- Air Conditioning. For new construction or substantial rehabilitation developments, all common spaces must be air conditioned (except stair towers, mechanical rooms and storage rooms).
    - Preservation or moderate rehabilitation properties may be required to include air conditioning as part of the proposal if financially feasible and deemed reasonable by the Agency.

- On-site Management Office. An on-site management office will be required for all developments except: those containing 11 units or less or scattered site properties. Applications which are a continuation of a phased development with a total of more than 11 units will be required to provide evidence of a management office in one of the prior phases.

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, walls, storage areas, and mechanical spaces). Rehabilitation developments may vary from the maximums and minimums by 10%. Accessible units may vary from the maximums as required to provide an accessible route and accessible clearances.

	FLATS	MULTI-FLOOR UNITS
SRO	90 to 200 s.f.	
EFF	400 to 600 s.f.	
1 BR	550 to 850 s.f.	650 to 950 s.f.
2 BR	700 to 1,100 s.f.	850 to 1,300 s.f.
3 BR	950 to 1,350 s.f.	1,000 to 1,550 s.f.
4 BR	1,100 to 1,550 s.f.	1,200 to 1,750 s.f.
5 BR	1,300 to 1,750 s.f.	1,400 to 2,000 s.f.

- Air conditioning shall be supplied to living areas and all bedrooms of each unit. Individual window units will not be considered as meeting this criteria.

- Refrigerators, ranges and ovens will be required in all units except for developments containing SRO units provided such properties have common cooking facilities containing these appliances.

- Window treatments in all residential units are required. Window treatments include venetian blinds, vertical blinds, or other opaque blinds. Roller shades will not be considered in this category.

3. VisitAbility - All newly constructed units in townhouse developments and elevator buildings, and all ground floor units in walk-up apartment buildings shall be VisitAble. In rehabilitation developments, a minimum of twenty-five (25) percent of the units in townhouse developments, elevator buildings and walk-up apartments shall be VisitAble. 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” 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 powder room and bathroom must follow the Fair Housing Act maneuverability clearances. (Preservation developments are exempt from this requirement but are encouraged to provide VisitAble units where feasible.)

4. Digital Accessibility - Three distinct wiring networks must be provided for each unit. The three networks are the following; a separate dedicated CAT5e (or better) internet access line to each unit routed from a central distribution point or a development-wide wireless network; a CAT5e (or better) telephone line to each unit; and digital capable cable television wiring routed from a central location must also be provided to each unit. Residents must be able to connect to the internet independently of the development network.

5. Phase 1 Reports - A Phase 1 Environmental Site Assessment prepared in accordance with ASTM E-1527-05 and the PHFA 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. The report shall be accompanied by a certification from the sponsor stating that any issues raised in the environmental review have been reviewed and budgeted accordingly in the development budget. For existing buildings, the Phase I report must also include the results from the following tests: lead in water, lead-based paint, asbestos and radon. Only the executive summary of the report shall be submitted in the application. Cost estimates for any remediation work shall be provided and included in the executive summary.

6. Energy Conservation –

- In new construction and rehabilitation developments, all appliances, mechanical equipment, windows, ceiling fans, exhaust fans and exit signs, shall be Energy Star® labeled when such equipment and appliances exist. (Exception: programmable thermostats do not need to be provided). In addition, 50% of the permanent room light fixtures in the dwelling units shall be equipped with compact fluorescent bulbs and 100% of the community room and common area corridor and stair lighting shall be fluorescent with electronic ballasts or shall utilize compact fluorescent bulbs.

  or

  In preservation developments, existing refrigerators more than 6 years old shall be replaced with Energy Star® labeled type. Existing heat pumps, air conditioning condensing units, and through-wall air conditioners more than 6 years old shall be replaced with Energy Star® labeled type, when such equipment exists. Existing furnaces and boilers more than 10 years old shall be replaced with Energy Star® labeled type, when such equipment exists. (Programmable thermostats do not need to be provided) In addition, an 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 compact fluorescent bulbs. Where windows are schedule for replacement, replacement should be made with Energy Star® qualified products.

  The developer certifies that when existing equipment, appliances and products are replaced, they will be replaced with Energy Star® labeled equipment, when such equipment exists.

- The development shall meet Energy Star® Standards by achieving a Home Energy Rating System (HERS) index necessary to achieve an Energy Star® rating (issuance of the actual Energy Star® label is not required). Rehabilitation developments must achieve a HERS index that is no greater than 2 points above that needed for an Energy Star® rating. This shall include computing a HERS index based on a review of the drawings and specifications, blower door testing, duct blaster testing (if ductwork exists) a thermal bypass inspection, and HVAC design in conformance with ACCA Manuals D, J, and S. (A HERS index is not required for preservation developments.)

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

7. Affordability of Units - Developments must provide a financing plan which evidences that at least ten percent (10%) of the units are affordable to persons at or below twenty percent (20%) of the area median income, adjusted for family size. At least half of these units must be accessible. The development must evidence a viable plan to charge rents at levels affordable to persons at or below twenty percent (20%) of area median income for these units throughout the compliance period which shall include supportive service commitments from qualified provider entities (including those supported through programs of the Commonwealth's Department of Public Welfare) needed to support the residents of the units. 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.

8. Market Analysis - The Agency will measure the marketability and need of a development based on information provided by the Market Study/Needs Assessment. A Market Study/Needs Assessment form must be completed by the market analyst in the format developed by the Agency. The Market Study/Needs Assessment must address the following criteria:

    - Size and trends of waiting lists in existing complexes;
    - Vacancies in existing complexes;
    - Affordable housing options in the primary market area;
    - Rent pricing advantage of the proposed development rents compared to market rents;
    - Population statistics;
    - Impact on existing subsidized, affordable and Tax Credit developments; (Adverse impact, as determined by the Agency in its discretion, may lead to rejection of an Application or trigger additional scrutiny by the Agency.);
    - Results of the Housing Provider Needs Assessment Form completed by the local housing authority (note: refusal by the housing authority to complete the form will not impact ranking of the development);
    - Capture rate relating the number of rental units being proposed to the number of age and income qualified households in the primary market area;
    - Local community support;
    - Projected absorption period;
    - Estimated vacancy rate; and
    - Recommendations of the market analyst.

If the applicant is seeking consideration for Tax Credits from Community Impact, the Market Study/Needs Assessment must include a separate breakout of items identified for Community Impact. Additionally, 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. If the Market Study/Needs Assessment is not completed by the appropriate party or is not in the Agency's format, the Application may be rejected and returned to the applicant.

The Agency will closely review the Market Study/Needs Assessment and the information gathered during its site visit. If questions or concerns are raised regarding the market and/or need of the development or the impact on affordable housing units in the area, clarification will be requested of the developer and/or market analyst. The Agency is not bound by the conclusion of the market analyst(s) and will use its discretion to determine eligibility for Tax Credits. If the concerns are not addressed by the applicant and/or market analyst to the satisfaction of the Agency, the Application may be returned.

SELECTION CRITERIA

General Processing Information

The Agency will review the Application and assign points based on the Selection Criteria. Applications will be underwritten by the Agency at the adjusted gross pay-in provided by the developer in the application but the Agency may adjust the pay-in during underwriting based upon market conditions or investor information. The Agency will be soliciting more information from and communicating directly with investors during the underwriting of applications. A development must address a substantial number in each of the six categories of Selection Criteria in order to qualify for a reservation of Tax Credits. The Agency has established a minimum point threshold of one hundred fifteen (115) points for Applications during the Year 2010 Tax Credit Program. 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, independent capital needs assessments and opinions of qualified tax counsel or certified public accountants and will impose additional documentation or clarifying information as further set forth herein and in the 2010 Multifamily Housing Program Guidelines.

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 to a development 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. As a reminder, 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.

The scoring and ranking of a development does not guarantee funding by the Agency. In the event the Agency departs from the ranking and scoring criteria, it shall document such departure in accordance with the Code.

The Selection Criteria are set forth in Exhibit SC2010.

RANKING OF DEVELOPMENTS

Developments will be evaluated to determine the amount of Tax Credits required to make the development economically feasible and to ensure the development's long term viability. If two or more developments have the same ranking within a region, Set-Aside or the statewide pool and only one development can be awarded credits, the Agency will select the development that has a higher percentage of units available to residents whose incomes are at or below 50 percent of area median gross income as compared to total number of Tax Credit eligible units. If the developments have the same percentage of units serving residents at or below 50 percent of area median income, the Agency, in its sole discretion, may select the Application that it determines best fits the Agency's affordable housing priorities and achieves geographic distribution.

The Agency's determination as to the amount of Tax Credits reserved for or allocated to a development shall not be construed by the developer, lender, or any other interested party to be a warranty of the development's feasibility and viability, nor shall such determination constitute a representation of compliance with any requirements of the Code.

DEVELOPER'S 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. For developments that have 25 or more units, 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. For developments of 24 units or less, the developer's fee is limited to 20 percent of the replacement cost of the development less all costs of acquisition. Additional developer's fee will not be available for applications requesting Additional Tax Credits.

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 is limited to 10 percent of the purchase price of the property less the cost of the land. 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 or the MAI appraised value. The Agency will limit developer's fee to 5% if the seller and buyer are related parties.

In addition, the Agency may impose a developer's fee cap of $1,500,000 per development on the total developer's fee allowable for costs associated with both the rehabilitation and acquisition of the development.

The developer’s fee may not be calculated on a basis that exceeds the Agency’s maximum per unit basis limitation. However, Agency staff may consider a higher developer’s fee (up to the maximum percentage limits) if an amount of funds equal to the increased developer’s fee calculated in excess of the Agency’s maximum per unit basis limitation is committed by the owner to the provision of social supportive services, as support for lower income families in transition or in concert with a families moving to work initiative of the Commonwealth, or as an internal rental subsidy to subsidize rents at or below 20 percent of area median gross rent. Evidence of these commitments must be provided with the Tax Credit Application.

Applicants may request a developer’s fee in excess of the maximum allowable amount up to but not exceeding an additional 5 percent (exclusive of developer's fees based on acquisition costs) if the applicant commits to provide to the development an amount equal to the equity raised from the additional development fee of 5 percent for the provision of an internal rent subsidy for all units set aside to provide affordable accessible housing to persons with disabilities. A unit would be considered affordable in this instance if the housing expense to the resident is maintained at a level affordable to a person with income at or below 20 percent of the area median income. Applicants may also request an increase in developer's fee in an amount not to exceed an additional 5 percent (exclusive of developer's fees based on acquisition costs) if the applicant commits to provide to the development an amount equal to the equity raised from the additional development fee of 5 percent for the provision of an internal rent subsidy for units set aside to subsidize rents to person with income at or below 40 percent of the area median income. 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 increased equity raised from the additional developer's fee will be committed to the development to establish an internal rent subsidy for at least the initial 15 year occupancy period. In order to qualify for the additional developer fee, the applicant must provide evidence satisfactory to the Agency that an equity investor has been secured. If an investor has not been secured, the applicant will need to fund the reserves with other resources. (The Agency may, in its discretion, determine to allow additional stimulus resources to be used for this purpose.) In the event the Agency allows a developer's fee which exceeds the maximum per unit limitation up to the replacement cost, the Agency will not consider the additional 5 percent increases. 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. Additionally, provision of funds for supportive services or to fund various internal rent subsidies will be incorporated in the Restrictive Covenant Agreement.

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.

TAX EXEMPT FINANCED DEVELOPMENTS

All tax exempt financed developments utilizing Tax Credits in their financing plan must submit a Tax Credit Application and must be evaluated in accordance with the 2010 Tax Credit Allocation Plan and the 2010 Multifamily Housing Program Guidelines. Developments receiving tax exempt financing for at least 50 percent of the aggregate basis of the property including land are not required to receive an allocation of Tax Credits through competitive allocation from the Agency. The eligible basis of the development would qualify for the Tax Credits without competing through the regular allocation process however, the Agency may require the application meet the threshold criteria and minimum threshold points under the Selection Criteria. Developments receiving tax exempt financing on less than 50 percent of the aggregate basis will be eligible for Tax Credits on only that portion of the eligible basis financed by the tax exempt bonds. For the remaining portion, the owner must apply and compete for an allocation of Tax Credits from the Agency in the established allocation process, but the Agency may establish a lower threshold for qualified applicants.

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 2010 Multifamily Housing Program Guidelines for the appropriate documentation to be submitted and the applicable timeframes.

Because of the competitive nature of Tax Credits, the Agency may require certain applicants to pursue Tax Exempt financing as an alternative to seeking Tax Credits from the Set-Asides. Additionally, for developments seeking Tax Exempt financing, the Agency may waive such timelines, processing and program requirements, in its discretion, to encourage and facilitate such financings. The Agency may also allow costs per unit above Maximum Basis limits and may allow higher developer's fees for developments using this funding source.

SUBSIDY LAYERING REVIEWS

Pursuant to Section 911 of the Housing Community Development Act of 1992, HUD published administrative guidelines concerning subsidy layering review of Tax Credit developments receiving assistance from the HUD's Office of Housing. The guidelines provide for the delegation of subsidy layering reviews for certain programs to Tax Credit allocating agencies. Pennsylvania requested and has been delegated this subsidy layering review responsibility. Assistance received from the Office of Public and Indian Housing (which includes Section 8 Project Based Assistance) requires a subsidy layering review by HUD. 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 layering review since the ceiling standards are within the fee and cost limitations already established for the Tax Credit Program.

PLACED-IN-SERVICE/CARRYOVER ALLOCATION

All developments receiving a conditional reservation of Year 2010 Tax Credits must either be placed in service by December 1, 2010 or, by October 1, 2010, be eligible for a carryover allocation of Tax Credits pursuant to Section 42 (h)(1)(E) of the Code. Any owner who will not be able to place the building in service by December 1, 2010 must notify the Agency by October 1, 2010 of the need to execute a Carryover Allocation Agreement. All processing deadlines for Carryover Allocations must be met.

To qualify for a Carryover Allocation, an owner must, by the required date, 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 1.) 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 2.) 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 of all discrepancies, errors or omissions of properties and acknowledges that subsequent adjustments may require Internal Revenue Service approval. The Code requires that an owner must incur more than 10% of the "reasonably expected basis" in the property, including land, no later than one year from the date of Carryover Allocation. 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. See the 2010 Multifamily Housing Program Guidelines for further details and additional processing deadlines.

PROCESSING PROCEDURES

Selected developments will receive a contingent set aside of Tax Credits. In order to receive a conditional reservation of credits, documentation evidencing an equity investment within the established deadline will need to be provided. Developments receiving a conditional reservation of Tax Credits in Year 2010 are subject to the Agency's Year 2010 Multifamily Housing Program Guidelines and in the event the initial reservation is modified or amended, the Year 2010 Multifamily Housing Program Guidelines shall remain in force and effect for the property. However, the Agency may amend the 2010 Multifamily Housing Program Guidelines from time to time to further comply with Tax Credit Program requirements or to enable Agency staff to better fulfill its administrative duties and such changes would be applicable to the development.

The Agency reserves the right, in its sole discretion upon review and approval of a committee of the Board, to provide an allocation of Year 2010 Tax Credits to a development, without requiring re-ranking under the Year 2010 Allocation Plan. The development must be currently holding a valid allocation of Tax Credits and, due to circumstances beyond its control, unable to meet Tax Credit program placed in service deadlines. The Year 2010 Tax Credits will be allocated upon release and return of the prior allocation. Such circumstances may include delays caused by local government's opposition to affordable housing; delays due to the failure of the federal government to release 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 basis (and but for such circumstance, Agency program deadlines and requirements would have been met.) Notwithstanding the above, Developments which need additional Tax Credits to be viable for their equity closing must submit a new Application for funding with the Agency. Said developments will not be considered for substitution of Tax Credits because their Application has substantially changed. Further, the Agency may not consider any other Applications for Tax Credits, in its sole discretion for a new development submitted by the same applicant (or related entity or material participant) during the same or following funding round for Tax Credits if it provides this extraordinary relief due to the Developer's inability to meet placed in service deadlines.

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.

COMPLIANCE

Owners are responsible for ongoing compliance with all requirements of the Section 42 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 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. 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.

The Agency has established an interactive database (the "Agency Apartment Locator") 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 2010 Tax Credits must participate in this data collection effort 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 Multifamily Housing Program Guidelines).

All owners must keep the following records for each qualified low income building in the development for each year of the compliance period: 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. (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.) 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 Section 42(g) of the Code. Any

nonresidential 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 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); and 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. 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. Owner must also certify that if a low income unit becomes vacant, reasonable attempts are 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. 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 and 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 with twenty (20) or more units. 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

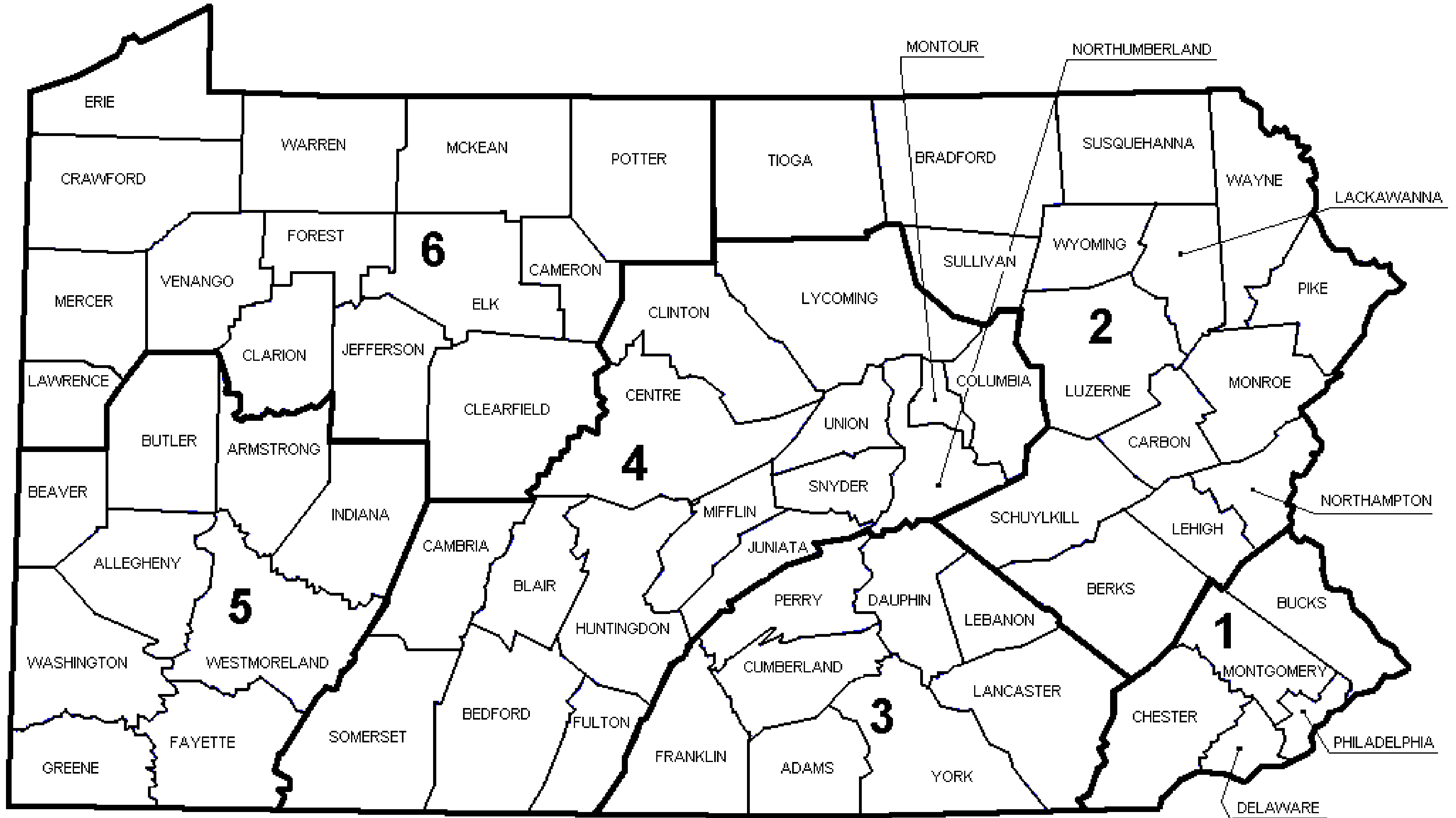
who have not submitted to the Agency the audited financial statements for a Tax Credit development for the preceding tax year.)

As required by the IRS, in the event 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.

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, for any property.

Exhibit DCED

DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
REGIONS & COUNTY MAP



DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
REGIONAL OFFICES

Region 1 – South East
908 State Office Building
Broad & Spring Garden Sts.
Philadelphia, PA 19130
(215) 560-2083

Region 2 – North East
201 Samters Building
101 Penn Avenue
Scranton, PA 18503-2025
(570) 963-4573

Region 3 & 4 – North & South Central
400 North Street 4th Fl.
Keystone Building
Harrisburg, PA 17120
(717) 720-7300

Region 5 - South West
1405 State Office Bldg.
300 Liberty Avenue
Pittsburgh, PA 15222
(412) 565-5002

Region 6 – North West
1200 Lovell Place
Erie, PA 16503
(814) 871-4241

MAXIMUM PER UNIT TAX CREDIT BASIS LIMITATIONS

MARKET AREA	0BR	1BR	2BR	3BR	4BR
PHILADELPHIA AREA					
(Bucks, Chester, Delaware, Montgomery, and Philadelphia)					
Non-elevator Construction	$162,751	$187,650	$226,310	$289,684	$322,719
Elevator Construction	$171,272	$196,333	$238,742	$308,852	$339,026
READING/POTTSTOWN AREA					
(Berks, Northumberland, and Schuylkill)					
Non-elevator Construction	$162,751	$187,650	$226,310	$289,684	$322,719
Elevator Construction	$171,272	$196,333	$238,742	$308,852	$339,026
ALLENTOWN/BETHLEHEM AREA					
(Lehigh and Northampton)					
Non-elevator Construction	$162,751	$187,650	$226,310	$289,684	$322,719
Elevator Construction	$171,272	$196,333	$238,742	$308,852	$339,026
SCRANTON AREA					
(Columbia, Carbon, Lackawanna, Luzerne, Monroe, Pike, Susquehanna, Wayne and Wyoming)					
Non-elevator Construction	$162,751	$187,650	$226,310	$289,684	$322,719
Elevator Construction	$171,272	$196,333	$238,742	$308,852	$339,026
WELLSBORO AREA					
(Bradford and Tioga)					
Non-elevator Construction	$162,751	$187,650	$226,310	$289,684	$322,719
Elevator Construction	$171,272	$196,333	$238,742	$308,852	$339,026
HARRISBURG AREA					
(Adams, Cumberland, Dauphin, Franklin, Lebanon, and Perry)					
Non-elevator Construction	$162,751	$187,650	$226,310	$289,684	$322,719
Elevator Construction	$171,272	$196,333	$238,742	$308,852	$339,026
LANCASTER/YORK AREA					
(Lancaster and York)					
Non-elevator Construction	$162,751	$187,650	$226,310	$289,684	$322,719
Elevator Construction	$171,272	$196,333	$238,742	$308,852	$339,026
BELLEFONTE/STATE COLLEGE AREA					
(Centre, Clinton, Lycoming, Juniata, Mifflin, Montour, Union, Snyder, and Sullivan)					
Non-elevator Construction	$162,751	$187,650	$226,310	$289,684	$322,719
Elevator Construction	$171,272	$196,333	$238,742	$308,852	$339,026
PITTSBURGH AREA					
(Remaining 29 Counties)					
Non-elevator Construction	$148,887	$171,664	$207,032	$265,008	$295,228
Elevator Construction	$156,682	$179,608	$218,404	$282,542	$310,146

Selection Criteria

A. Community and Economic Impact *30 points*

It is the goal of the Agency to encourage affordable housing in areas with job opportunities; in areas near strong and stabile communities and in areas which demonstrate the capacity for community revitalization opportunities. 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. To that end, up to 30 points will be awarded to developments located in areas that demonstrate the following relative to the immediate market area:

1. Underserved Areas

   a. General Occupancy Developments -

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

   b. 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 20 years
   - Close proximity to amenities for the senior population, including health and retail establishments, home health agencies, and hospitals.

AND/OR

2. Community Revitalization Plans – 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 an existing comprehensive plan for neighborhood improvement. Such funding commitments or major investments cannot be derived solely from the development of Tax Credit properties and may include proposals participating in: Main Street, Elm Street, Neighborhood Partnership or other programs of the Pennsylvania Department of Community and Economic Development; the Agency's Homeownership Choice Programs; the Healthy Village Initiative of the Local Initiatives Support Corporation; the Blueprint Communities Initiative of the Federal Home Loan Bank or similar community support programs. Additionally, the plan should generally include municipal support, private investment and/or private sector commitments to the area. The Agency will consider in its evaluation of community impact the use of existing housing or buildings if the development is not located in a qualified census tract.

B. Development Characteristics *10 points*

1. Development Amenities – The Agency may award up to 5 points for the provision of each of the following development amenities.

   Energy Conservation –

   (i) 5 points may be awarded to developments where the overall U-value of the exterior building envelope exceeds the requirements of the 2009 International Energy Conservation Code for residential buildings (regardless of the number of stories) by at least 10%, as verified by a REScheck certificate. Trade-offs available in the REScheck software for mechanical equipment will not be allowed.

   (ii) 5 points may be awarded to developments that conform to all of the Green Building Criteria found in the Multifamily Housing Program Guidelines.

   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 developments not requiring the services of an architect, the certifications may be provided by the general contractor or appropriate professional. Amenities should be appropriate for the proposed resident population. The appropriateness and adequacy of the proposed amenities for ranking purposes will be determined at the sole discretion of the Agency. Verification of the availability of all amenities may be required by the Agency at any time and throughout the development's compliance period.

C. Resident Population and Services *55 points*

1. Income and Rent Targeting – The applicant may be awarded up to 20 points for developments that are designed to be substantially occupied by and affordable to residents with incomes that are at or below 50 percent of the area median income. Points will be considered for the following percentages of units affordable to and occupied by residents whose incomes are at or below 50 percent of area median income:

Percentage	Points
>10-20%	4
>20-30%	8
>30-40%	12
>40-50%	16
>50%	20

2. Designated Populations & Supportive Services – Developments requesting consideration for providing service-enriched housing must provide a level and scope of services consistent with the anticipated needs of the designated resident population (general occupancy, over 55, over 62, or populations with special needs.) To receive points in this category, the development will 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 provides a scope of services that is greater than is available to a similar population in a broader community.

     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, but 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 with the capacity to deliver described services with sufficiently equipped staff. The recommended minimum is 1 hour of on-site per week for every 5 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.

Confirmation from the service provider regarding the availability of applicable services at initial occupancy of the development will be required prior to issuing the IRS Form 8609. To ensure the continued provision of supportive services, the Restrictive Covenant Agreement will reflect such commitment.

A total of 15 points may be awarded for meeting the above criteria.

3. Accessible Units –

Consideration may be given to developments where the developer agrees to provide twice 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. For developments not requiring the services of an architect, the certifications may be provided by the general contractor. For

preservation developments, consideration will be given for points under this category if the development increases the number of accessible units available in the development by at least 5 percent of the total units available. (All other requirements applicable to rental and long term occupancy of these units are the same.) (10 points)

4. Large Families – Up to 10 points may be awarded for those developments providing units with three or more bedrooms for large families. High rise developments and senior housing cannot qualify for this category. Points will be considered for developments that include the following percentages of units with three or more bedrooms:

Percentage	Points
>15-20%	6
>20-25%	8
>25%	10

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.

D. Development Process *40 points*

Noncompliance – The Agency may deduct up to 10 points from the score for proposals involving either an applicant (or any related entity) that owns a managing or controlling interest in a Pennsylvania Tax Credit development or a management agent of such development who has unresolved IRS Form 8823 noncompliance issues, has not met the requirements of the Restrictive Covenant Agreement or failed to meet the selection criteria for which an allocation of Tax Credits was made.

Ability to Proceed – Points will be awarded for site ownership, zoning, site plan approval, construction and architectural submissions and committed funding sources and equity investment. As the Agency strives to make resources available to those projects which can quickly and effectively utilize its resources, consideration will be given to those properties which can demonstrate the ability to proceed. A total amount of 40 points may be awarded in this category.

- Site ownership (5 points) – The developer must submit evidence of site ownership, satisfactory to the Agency (which may include, but is not limited to, copies of the deeds and recording receipts or, in the case where the property is being conveyed through a municipal authority, evidence of ownership in the municipal authority and official action which demonstrates that property will be conveyed to the developer) of all real estate parcels with the Application. Property ownership (as listed on the deeds) must be the same as the ownership entity listed on the Application. (A subsidiary or related entity to be formed with the same principals may satisfy this standard.)

  Developments utilizing long-term lease arrangements (minimum of 35 years) are eligible, provided the lease is executed at the time of application. A copy of the recorded deed evidencing ownership of the property by the lessor must be provided.

- Zoning (5 points) – The developer must provide evidence that zoning is in place for all sites included in the Application and that all variances/special exceptions have been approved.
- Site Plan Approval (5 points) – A letter from the appropriate local government (or opinion of city solicitor or experienced real estate counsel) that certifies the developer has satisfied the site planning process or that no further municipal approvals are required.

- Equity Investment (25 points) – The developer must submit evidence, satisfactory to the Agency that an equity investor has been secured for the development. Consideration in this category will be given if such evidence demonstrates, satisfactory to the Agency that a direct investor has been secured for the investment or if the syndicator's letter shows that the funds have been committed to the project.

E. Financial Aspects of Development *30 points*

1. Leveraging of Resources – The Agency may award up to 20 points for the amount of leveraging brought to support the development. Such leveraging may include permanent funding from state or local programs, for-profit and nonprofit organizations' loans supported by current audited financial statements, private foundations and/or federal sources. This category also includes permanent amortizing debt from banks and financial institutions, equity from historic tax credits, land and/or building donation or provision of a long term lease for a nominal amount (subject to verification by a current appraisal). Applications with a donation or a reduction in development related fees (i.e., tap-in, impact, recreational and/or other development rights by the local government unit/municipality) may also be included. The reduction must be measurable and based upon an existing fee schedule that applies to all developments. This category includes a PennHOMES Program in a Nonparticipation Jurisdiction request that has not yet reached feasibility approval and requests for permanent amortized debt, either through taxable or tax exempt bond financing from the Agency. This category does not include deferred (or reinvested) developer's fee. Resources included as a source of financing in the application may not be substituted or adjusted in the future by another funding source in the financing plan unless approved by the Agency.

   Comparison will be made between total leveraging and total development costs (for preservation developments, assumed debt will not be included as a funding source nor added as a development cost for purposes of this calculation), with possible points granted as follows:

Participating Jurisdiction Percentage	**Nonparticipating Jurisdiction Percentage**	**Points**
>10 -20%	>5-10%	5
>20-30%	>10-20%	10
>30-40%	>20-30%	15
> 40%	>30%	20

2. Development Cost Savings - The Agency may award up to 10 points to Applications which have Maximum Basis (as defined in the Allocation Plan) below the Maximum Per Unit Basis Limitations ("Max Basis") as shown below. Points in this category will generally only be considered for substantial rehabilitation or new construction developments which evidence quality construction at efficient cost levels. (Most preservation deals would not qualify for this category). 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.

Percentage Below Max Basis:	**Points**
10-20%	5
>20%	10

F. Other *5 points*

Complete and Accurate Application Package – 5 points will be added to the total score of an application for completeness and for including all essential components necessary for the Agency to determine financial feasibility and project eligibility.

Total Points Available *170 points*

TAX CREDIT PROGRAM GUIDELINES

These guidelines are provided to assist applicants for Tax Credits in preparing the Application. The guidelines are a supplement to the Allocation Plan. Should there be an inconsistency between these guidelines and the Allocation Plan, the terms and descriptions set forth in the Allocation Plan will prevail. The terms set forth in these guidelines may change from time-to-time. The Agency will attempt to notify interested parties of any changes in the Tax Credit Program or the process of implementing the Tax Credit Program through the Agency's website at www.phfa.org.

Applicants are advised to be familiar with the requirements of Section 42 of the Internal Revenue Code, as amended (the "Code"). Information concerning the basic requirements of the Tax Credit Program is provided on the Agency's website. It is recommended that, before completing the Application, applicants should check the Agency's website to ensure that the development meets current program eligibility.

Review Process

An Application, once received by the Agency, may not be altered, amended or modified except as approved by staff during underwriting and program review. If a discrepancy is found in an Application during the review process, the applicant may be given five business days to respond to the request for clarification. Corrections allowed by staff may not include replacement, substitution, or amendment of material items used in the ranking of the Application. An omission from the Application Checklist may result in the immediate rejection of the Application.

Site Visits

In reviewing the Application, the Agency will first determine the financial feasibility and long term viability of the development based upon the development costs, sources of financing, and the operating income and expenses presented in the Application. If an Application appears to be financially feasible and the Allocation Plan threshold requirements are met, a site visit may be scheduled. Agency Representatives will visit the site to substantiate the information contained in the Application.

Fees and Cost Limitations

The Agency has developed a Development Cost Limits Schedule and a Fee Schedule. These schedules, included in the Application Instructions, are an applicant's guide for the fees and expenses that are normally incurred in developing a property. The fees and expenses outlined in these two schedules are the maximum amounts that may be included in the total development cost and, if applicable, the eligible basis of the development. Any cost, whether developmental or operational, that is deemed unreasonable may be adjusted by the Agency.

Maximum Per Unit Basis Limitations

The Agency has established Maximum Basis limits. The Application Instructions contain the Maximum Basis limits applicable to developments for each market area of the Commonwealth. A detailed explanation of the conditions under which an applicant may request a waiver of these limits is found in the Allocation Plan. Maximum Basis is calculated by applying the limits by the number of each applicable bedroom-size unit, as shown in the Application. To this amount is added the approved developer fee. This total may be adjusted for any federal subsidies, non-recourse debt, non-qualifying units of higher quality, and historic rehabilitation tax credits. In certain developments, these adjustments may be pro-rated. To request a waiver of the Maximum Basis limits, a development's high costs must be due to the existence of one or more of the factors outlined in the Allocation Plan. An applicant must formally request a high cost waiver at

the time of application, supplying detailed information on the high cost conditions, cost estimates, and cost comparisons. This information will be reviewed by Agency staff and a specific waiver amount may be approved. This approved high cost amount will be added to the Maximum Basis amount. If a development also qualifies for Acquisition Tax Credits, the Acquisition Tax Credits will be in addition to the New Construction/Rehabilitation Tax Credit. There is no high cost waiver provision applicable to Acquisition Tax Credits.

Rural Development Section 515

For developments financed through the Rural Development Section 515 program, the Agency will recognize only those costs that have been approved by Rural Development. The Agency has entered into a Memorandum of Understanding with Rural Development regarding agreed upon procedures for processing developments involving both Rural Development funds and Tax Credits. These procedures will be applied when processing a Tax Credit request for a development with Rural Development funding and are available upon request.

Modifications to a Tax Credit Application

A development receives a reservation of Tax Credits based upon the information contained in the initial Application package. The applicant may not modify the Application in any manner without prior written approval of the Agency. This includes, but is not limited to the following: an increase or decrease in the number of units in any building; an increase or decrease in the number of buildings in the development; a change in any site; replacement of any development team member including the syndicator; alteration of the proposed rent and income structures; change in the participation level of a social services provider; or a change to the financial structure which includes the gross pay-in value of the Tax Credit dollar. Applicants who alter the Application in any manner without prior written approval of the Agency may be subject to an immediate recapture of the Tax Credits reserved. Please note that the Agency may only approve minimal changes to the Application which do not negatively affect the ranking of the development. Certain modifications to an Application will require the remittance of a Modification Fee. Should a development's ranking score decrease as a result of a change, the change may be disallowed or the Tax Credits recaptured or reduced, and negative ranking points may be assessed to all applications submitted by the general partners (or affiliates, subsidiaries, or related entities with the same principals) during the subsequent two years from the date the unapproved change was discovered.

Extended Use Agreement/Restrictive Covenant Agreement

The Indenture of Restrictive Covenants Agreement (the "Agreement") sets forth the income and occupancy restrictions for the development for the entire compliance period or extended use period, whichever is greater. Furthermore, the Agreement requires that the applicable fraction of low-income units will remain the same for each taxable year in the extended use period. In addition to identifying the minimum set-aside election of the buildings, the Agreement will also include the Selection Criteria on which the development was ranked and obtained a reservation of Tax Credits. Tax Credits may not be claimed until the Agreement is executed and recorded. The Agreement must be recorded in the Office of Recorder of Deeds for the county in which the property is located prior to any recording or filing of financing documents for the development. The Agreement will be forwarded to the owner after the reservation of Tax Credits, and must be returned with the Carryover Allocation 10% test documentation evidencing that it has been recorded prior to any other document. The original Agreement must be returned to the Agency.

The Agreement is binding on all successors to the owner.

Carryover Allocation Requirements

The Allocation Plan outlines the important deadlines and requirements associated with the execution of a Carryover Allocation Agreement.

If the building is to be placed-in-service by December 1, 2010, all documents shown under Placed-In-Service Requirements must be received by November 5, 2010, to enable the Agency to issue IRS Forms 8609 in 2010. In the event the development will not be placed-in-service by December 1, 2010, the following requirements must be met no later than August 16, 2010 and received by the Agency by Monday, August 23, 2010 unless the Agency makes a reservation of Tax Credits after July 31, 2010. If reservations are made after July 31, 2010, the Agency will provide a date for which the following requirements must be submitted:

1) The original Allocation Carryover Agreement will be forwarded to the developer for execution. The taxpayer identification number for the taxpayer executing the Agreement is required for a valid Carryover Agreement. **Please note that the taxpayer executing the Agreement must be the party that will meet the 10% expenditure test by August 15, 2011 in order for there to be a valid Carryover Allocation Agreement.**

2) The executed "Owner Certification of Property Ownership" Form with either a) the current deed(s) which indicate that the taxpayer is the owner of all buildings and land in the project, or b) an extended lease agreement. All documents must be fully executed.

   In the event that property is not conveyed through a deed or lease, the Agency may, in its sole discretion, accept 1) 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 2) 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 acknowledgement that subsequent adjustments may require IRS approval.

3) The settlement sheet(s) must be provided for each building or parcel of land in the development, and must be fully executed. In addition, evidence must be provided that each deed was recorded. In the event the property is not owned by the taxpayer, evidence of site control through August 15, 2011, must be provided including evidence of payment of all extension fees. **Ownership by the taxpayer of all properties is required by August 15, 2011, and must be submitted with the 10% package due August 25, 2011.**

4) If the property(s) was purchased through a Purchase Money Mortgage, a copy of the mortgage and mortgage note must be provided.

5) Asset Management/ Compliance Monitoring Fee equal to $800 per unit.

The following requirements must be fulfilled no later than August 15, 2011, and received by the Agency by noon on August 25, 2011:

1) Financial Characteristics Form (Agency document).

2) For developments with commercial space that is a separate condominium, provide a Sources and Uses statement for each area.

3) Updated financing letters. If closing on the loan has already occurred, provide a copy of the executed mortgage note(s) in lieu of the updated letter. The updated financing

letters or notes must be provided for all sources of financing shown on the application, including bridge loan if applicable. Do not send copies of the actual mortgages.

4) Firm commitment letter from investor and if it exists, a fully executed partnership agreement signed by all the partners (including the investors).

5) Certification of Subsidies.

6) The executed "Owner's Certification of Costs Incurred" Form including either "a" or "b" shown below.

   a. For developments with 6 units or more, the owner's certification must be audited by an independent, third party, certified public accountant.

   b. For developments with 5 units or less, in lieu of the certified public accountant's audit, the taxpayer may provide evidence of costs incurred in the form of copies of checks, receipts, or other records of payment. These items must total the amount indicated as expended on the "Owner's Certification of Costs Incurred."

7) Independent Auditor's Report

8) Copy of the executed Developer's Fee Agreement (Development Services Agreement). The agreement should specifically state the fee earned through August 15, 2011, in order to allow these costs for inclusion in the 10% of basis expenditures test.

9) Syndicator/Investor Certification – If the Developer's Fee included in the 10% of basis expenditure test exceeds 20% of the total Developer's Fee, the syndicator and/or investor must certify that the percentage claimed by the accountant is a percentage acceptable to them. The letter must refer to the percentage and the amount of the Developer's Fee that is acceptable as part of the 10% of basis expenditure test. If a development has already closed on all of the construction loans and construction is underway, a certification from the investor is not required.

10) Copy of the recorded deed demonstrating transfer of ownership to owner for each building and/or parcel of land that is part of the development (if not previously submitted).

11) Copy of the fully executed Settlement Statement for each building and/or parcel of land included in the development (if not previously submitted).

12) The Design Architect's Certificate of Compliance and Design Requirements for Accessible Housing must be executed by the Architect and Applicant.

13) Original executed and recorded Restrictive Covenant Agreement.

14) If the general contractor was not identified in the initial Application, the owner must identify and provide qualifications of the general contractor for review and approval by the Agency.

15) Development Information Form (Agency document).

16) In accordance with the Agency's Accessible Unit Policy, if the application was awarded points for providing accessible units, a list of community agencies who will partner with the developer to identify persons with disabilities who are searching for accessible units.

Failure to meet all of the above requirements will result in an immediate recapture of the Year 2010 Tax Credit reservation.

Placed-in-Service Requirements

Upon completion of the development, a cost certification must be performed. The Placed-in-Service Package must be received by the Agency no later than 90 days after the last residential building receiving Tax Credits in the development is considered **placed-in-service** pursuant to IRS Advance Notice 88-116. Please note for rehabilitation buildings, the placed in service date for the rehab work is the close of the 24 month period when the rehab is substantially complete and not earlier. The Placed-in-Service package is due to the Agency within 90 days of the placed-in-service date shown by the owner on the certification form. Owners who are not able to submit the cost certification, including all documentation required by the Placed-in-Service Package within the 90-day period, may request an extension, but will be required to pay extension fees. The maximum extension that will be granted to any development will be **30 days**, unless the owner is deferring the start of the Tax Credit period, as defined in Section 42 (f)(1) of the Code. Refer to the Fee Schedule located in the Application Instructions for specific information regarding the maximum allowable extensions and the required fees.

The Agency has developed a cost certification guide to assist applicants in completing the cost certification. This guide is not an authoritative pronouncement on those costs that may be Tax Credit basis eligible or ineligible, but rather serves as a tool for completing the cost certification.

The Placed-in-Service Package requirements can be found on the Agency's website at www.phfa.org. All of the required documents must be forwarded to the Agency for review and approval prior to the issuance of IRS Form 8609 (Low-Income Housing Credit Allocation Certification).

Upon submission, review, and satisfaction of all requirements, IRS Form 8609 will be issued. For developments that have received financing through the Agency, the cost certification required by the Loan Program must be received by the Agency's Finance Division prior to the release of the IRS Form 8609. It is the owner's and syndicator's (investor's) responsibility 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.

Annual Recertification Waiver

The Housing and Economic Recovery Act of 2008 (HERA) eliminates the annual income recertification requirement for 100% qualified low income tax credit developments. The Agency adopted this provision effective January 1, 2009. Owners of 100% properties are required to certify each year on the Owners Certification of Continuing Program Compliance that no unit was occupied by an ineligible household. In addition, owners must provide annual updates for all units regarding household composition, student status and rent. Properties that are less than 100% qualified low income tax credit developments must continue to recertify on an annual basis. Also, additional funding sources, such as Section 8 and HOME, have annual recertification requirements that must be adhered to.

PHFA Loan Program Requirements

Property Eligibility Requirements

- Be located within the Commonwealth.
- Make all units available to the general public and allow units to be occupied in accordance with all federal, state and local laws, including fair housing and accessibility laws.
- Be suitable for occupancy and comply with all applicable federal, state, and local building and health codes.
- Meet all requirements of the Internal Revenue Code and applicable federal laws relating to rental housing if utilizing federal Low-Income Housing Tax Credits, federal HOME Investment Partnerships Program, and/or tax exempt financing.
- Provide a permanent, decent, safe, and sanitary structure for year round residential use on a non-transient basis.
- Be located in a geographic area which does not have competing developments, including developments with rental assistance contracts resulting in an undue concentration of rent restricted or competing market units in a specific location.
- Provide new units, substantially improve the quality of or preserve existing units, or preserve existing federally assisted/subsidized housing units.
- Address a demonstrated housing need.
- Provide credit enhancement for any debt financing provided by the Agency. Credit enhancement is to provide financial security to ensure repayment on Agency financed developments. Examples include: Letters of Credit, Department of Housing and Urban Development, or Agency's self-insurance program.
- Not displace existing tenants or result in an increase in rents greater than 7% of current rental payment for existing residents. Applicants proposing developments with existing tenants must comply with applicable relocation and displacement procedures.
- Comply with Agency design standards, local code and accessibility standards, environmental due diligence, Multifamily Loan Program Guidelines, the Housing Finance Agency Act, and marketing and underwriting standards.
- Expend a minimum of 25% of the replacement cost shown in the Multifamily Housing Application, in necessary development improvements as determined through the Agency's underwriting process. Applicants for Preservation funding are exempt from this requirement.
- Limit commercial space in a development to 25% of gross income and/or gross area of the development. All commercial tenants are subject to the Agency's approval. Additionally, program funds cannot be used in the development of commercial space.
- Owner/Borrower must be a single asset, single purpose Pennsylvania entity organized exclusively for the purpose of owning and operating the proposed development.

Scattered Sites

The Agency encourages the development of properties that are comprised of self-contained contiguous units. However, exceptions may be made if conditions warrant. The Agency will consider the approval of a scattered site development if it satisfies all of the following requirements:

- The proposed development will be managed by a financially capable management agent with experience in managing scattered site developments.
- The developer has experience in the development area and is recognized locally as having an important role in the revitalization effort.
- The municipality or the developer has devised a long range plan for the proposed area which includes a strategy for obtaining site control of selected properties.
- If in an unstable area, as characterized by many vacant and vandalized properties, the following criteria must be met:
  1. All units of the development must be within one-half mile of each other.
  2. The development must be implemented in accordance with a current, measurable neighborhood strategic plan.
  3. There must be evidence of, acceptance of, and commitment to the neighborhood strategic plan from local providers of funds.
  4. The developer must be able to demonstrate the ability to raise funds for continued revitalization of the area.

The Agency recognizes that the concerns and issues of scattered site developments in rural areas may not be addressed by application of the above. The Agency will consider the processing of these developments on a case-by-case basis. Furthermore, it is sometimes the goal of developers of housing for special needs populations that such housing be disbursed throughout the community rather than concentrated in one facility or one area. These scattered site requirements should not be interpreted to discourage those goals.

Property Management

The Agency will monitor the management, maintenance, and financial operations of the development on an ongoing basis, as the Agency deems necessary to comply with program requirements. The Agency may require annual audited financial statements, annual operating budgets, and quarterly operating reports for each development. Property site visits, review of tenant files, and annual financial reviews will be performed by Agency staff or by its agents as the Agency deems necessary to meet program requirements.

Additionally, the Agency's monitoring includes review of the occupancy of the development's accessible units. As part of its efforts to ensure that units with accessibility features are available for and occupied by persons needing such features, the Agency requires that owners and management agents notify local agencies working with persons with disabilities to market any available units and may require that owners agree to relocate existing residents in accessible units if someone needing the accessible features applies for occupancy.

In connection with the ongoing operation of the development, the Agency will require compliance with its policies and procedures, and with terms/conditions set forth in its loan documents and/or other regulatory documents.

Universal Accessibility Standards

All Agency developments shall comply with Title III of the Fair Housing Amendments Act of 1988 Accessibility Guidelines; American National Standards Institute, ANSI A117.1; the Pennsylvania Uniform Construction Code; Uniform Federal Accessibility Standards ("UFAS") as applies; Section 504 of the Rehabilitation Act of 1973, as amended; Americans with Disabilities Act Accessibility Guidelines ("ADAAG"); the Pennsylvania Universal Accessibility Standard; and Local Codes.

As a reminder, the most restrictive requirements of any of these regulations regarding accessibility will apply.

Preservation of Agricultural Land

The Agency is committed to preservation of the Commonwealth's primary agricultural lands. Multifamily or single family housing developments proposed for certain priority agricultural lands as defined in Executive Order 2003-2 may not be eligible for Agency funding. Priority agricultural lands include lands that are currently in active non-timber agricultural use and that have been in such use for the preceding three years, lands that are subject to specific land use restrictions, and/or lands that are classified as unique or prime agricultural lands by applicable federal or state agencies.

The Agency will evaluate developments involving conversion of lands in these categories and may deny funding unless specific economic and environmental concerns support the conversion. The Agency will continue to actively encourage both single family and multifamily housing development in rural communities as long as the affected lands meet all applicable program funding criteria.

Equal Opportunity

The equal opportunity policy adopted by the Board of the Agency is as follows:

It is the policy of the Pennsylvania Housing Finance Agency to actively encourage and ensure minority and female participation in the ownership, development, design, financing, construction, and management of multifamily housing developments that receive funding from this Agency.

To further this policy, the Agency will develop a technical assistance and outreach effort to increase minority and women's business enterprise ("M/WBE") participation in Agency financed developments. The Agency will provide technical assistance to development owners and their development teams on how to identify and include minority and female vendors and establish ongoing working relationships with these enterprises. Agency staff will also coordinate efforts with state and local M/WBE technical assistance providers and certification offices to apprise M/WBE firms of opportunities available from Agency programs.

Agency staff will review this Equal Opportunity Policy with development owners and their development teams prior to and during the processing of the application. Prior to loan commitment and throughout the construction period, Agency staff will work closely with owners and their development teams to identify and outreach to qualified minority and female contractors and subcontractors to maximize participation in all aspects of the development and may require the general contractor to submit additional reports evidencing participation.

Agency staff will remind development owners and their development teams that the Agency's Board will review participation levels prior to both feasibility and commitment approvals.

If, at commitment, the Board finds that a development owner or its development team has failed to achieve an acceptable level of minority and/or female participation, the Board may reject the development or the Board will advise the development owner that subsequent developments will not be accepted for processing unless they include acceptable levels of minority and/or female participation.

This policy will apply to all developments coming before the Board of the Pennsylvania Housing Finance Agency. The Board may, at its sole discretion, approve developments that, due to geographic location or other extenuating circumstances, lack minority and/or female participation if the development owner and its development team can document that they have put forth a good faith effort to create an acceptable level of participation.

Sound Land Use and Planning

The Agency is committed to the development of multifamily and single family developments which promote sound land use. PHFA will consider and may rely upon local comprehensive plans and zoning ordinances when reviewing applications for funding. (Section 619.2(a) MPC) A development will also be evaluated for its impact on sound land use practices, as outlined in Executive Order 1999-1.

A development that does not incorporate sound land use practices may not be eligible for Agency funding. Sound land use may include but not be limited to efforts to minimize urban sprawl, alleviate traffic congestion, promote efficiencies, reduce environmental degradation, or contribute to more efficient long-term economic growth while preserving Pennsylvania's historical, cultural, and educational resources.

PENNHOMES PROGRAM GUIDELINES

The Agency's PennHOMES Program offers zero percent ("0%") interest, deferred payment loans that can be used to support the development of lower income rental housing. PennHOMES funds may be structured as primary or secondary mortgage loans.

The funding for the PennHOMES Program is a combination of resources from the Agency's unrestricted reserves and federal HOME funds. The Agency's unrestricted reserves are available for developments located within Participating Jurisdictions and the HOME funds are used for developments located within Nonparticipating Jurisdictions.

PennHOMES funds are limited. Therefore, applicants are strongly encouraged to make maximum use of other financial resources and to create public/private partnerships. The presence of non-Agency support funds is essential to the successful development and operation of properties. Evidence of support funds will be a significant factor used in the selection process among competing Applications. Examples of other financial resources and support funds include owner equity, equity from the sale of Tax Credits, private or public grant monies or low interest loans, and donated real estate.

The Agency has set aside a portion of HOME funds for developments located in Nonparticipating Jurisdictions that will be developed, owned, or sponsored by Community Housing Development Organizations ("CHDOs") that are certified by the Department of Community and Economic Development ("DCED"). HUD guidance governing eligibility for set aside funds can be found in the HUD Community Planning and Development ("CPD") Directive Number 97-11, titled, "Guidance on Community Housing Development Organizations under the HOME Program."

Financially infeasible Applications that do not demonstrate long term viability may be returned to the applicant at any time and will not be reconsidered.

All applicants must comply with the following Agency requirements, as well as other requirements the Agency may develop from time to time.

Review Process

An Application, once received by the Agency, may not be altered, amended or modified except as approved by staff during underwriting and program review. If a discrepancy is found in an Application during the review process, the applicant may be given five business days to respond to the request for clarification. Corrections allowed by staff may not include replacement, substitution, or amendment of material items used in the ranking of the Application. An omission from the Application Checklist may result in the immediate rejection of the Application.

Site Visits

In reviewing the Application, the Agency will first determine the financial feasibility and long term viability of the development based upon the development costs, sources of financing, and the operating income and expenses presented in the Application. If an Application appears to be financially feasible and the Allocation Plan threshold requirements are met (if tax credits are requested), a site visit may be scheduled. Agency Representatives may visit the site to substantiate the information contained in the Application.

Fees and Cost Limitations

The Agency has developed a Development Cost Limits Schedule and a Fee Schedule. These schedules, included in the Application Instructions, are an applicant's guide for the fees and expenses that are normally incurred in developing a property. The fees and expenses outlined in these two schedules are the maximum amounts that may be included in the total development cost and, if applicable, the eligible basis of the development. Any cost, whether developmental or operational, that is deemed unreasonable may be adjusted by the Agency.

Rural Development Section 515

For developments financed through the Rural Development Section 515 program, the Agency will recognize only those costs that have been approved by Rural Development (with the exception of the developer's fee). The Agency has entered into a Memorandum of Understanding with Rural Development regarding agreed upon procedures for processing developments involving both Rural Development funds and Tax Credits. These procedures will be applied when processing a Tax Credit request for a development with Rural Development funding and are available upon request.

USDA Rural Development 538 Guaranteed Rural Rental Housing Program

The Guaranteed Rural Rental Housing Program ("RD 538") allows developers of affordable housing to get a loan guarantee for the debt used to finance a project. USDA Rural Development ("RD") can guarantee:

- Up to 90% of the loan amount for for-profit entities; and
- Up to 97% of the loan amount for non-profit entities.

In addition, in many circumstances RD can provide an "interest credit" that will buy down the interest rate on the loan, down to the Applicable Federal Rate. This can have the effect of lowering the development's annual operating costs by lowering the debt service payments.

Rents cannot exceed 30% of 115% of the Area Median Income at initial occupancy, and units must be occupied by households that do not exceed this limit. Any rural area with a population of up to 20,000 is eligible for the program.

The Pennsylvania Housing Finance Agency ("PHFA") does not administer nor allocate RD 538. PHFA is a lender that has been approved by RD and has utilized this program in the past. If a developer is interested in this program they should first contact RD at (717) 237-2186. The developer can then meet with PHFA or another lender and work jointly on an application for RD 538 funds, which is completed by the lender and submitted to RD.

PennHOMES Program Highlights

Minimum Number of Units

A development seeking PennHOMES funding must consist of 10 or more units that are under common ownership, management, and financing as a single undertaking. Developments located in the City of Philadelphia or Allegheny County must consist of at least 15 units, except for special needs housing. In Nonparticipating Jurisdictions, the Agency may accept applications for less than 10 units.

Commercial space is limited in a development to 25% of gross income and/or gross area of the development. Throughout the compliance period, all commercial tenants are subject to the Agency's approval. Additionally, PennHOMES funds cannot be used in the development or for operational support of commercial space.

Maximum Income of Tenants

Applicants must comply with the Agency's Maximum Income/Rent Chart (as may be adjusted from time to time by the Agency). A minimum of 50% of the units assisted by the PennHOMES Program must be rented to households whose incomes do not exceed 50% of the area median income, adjusted for family size. The remaining number of the units assisted by the PennHOMES Program must be rented to families whose incomes do not exceed 60% of the area median income, adjusted for family size. Developments may still house residents with incomes over 60% of median income, but only those units serving households at or below 50% and 60% of median income for the term of the PennHOMES loan are eligible for PennHOMES funding.

Maximum Rents

All rents must comply with the Agency's Maximum Income/Rent Chart (as may be adjusted from time to time by the Agency). A minimum of 50% of the units must be affordable to households at 50% of the median income and may not exceed the applicable Fair Market Rents established by HUD. Any additional units anticipating PennHOMES funds must be affordable to households at or below 60% of the median income and may not exceed the applicable Fair Market Rents established by HUD. PHFA encourages a 5-10% pricing advantage on proposed rental units to existing rental comparables in the primary market.

Per Unit Funding Limitations

As stated, the PennHOMES funds are limited and there are certain restrictions as to where and how some of the funding sources may be used. Therefore, the Agency has established funding limitations on a per unit basis to allow for an equitable method of distributing funds to more developments. The per unit limitations for various areas of the Commonwealth are set forth below:

Participating Jurisdictions

Developments located in Participating Jurisdictions are limited to $30,000 per unit. Philadelphia developments requiring a supportive service escrow may increase the funding request to $32,500 per unit. At no time may the total PennHOMES funds to one development exceed $1,500,000.

Nonparticipating Jurisdictions

Developments located in communities that do not receive entitlement allocations under the HOME Program (Nonparticipating Jurisdictions) are limited on a per unit basis to 100 percent of HUD's Section 221(d)(3) Mortgage Limits with Elevators.

New proposals of HOPE VI, Comprehensive Grant Funds, Section 202, and Section 811 developments, and developments going through the mark-to-market process are not eligible for PennHOMES funding. Existing Section 202 and Section 811 developments are eligible to apply for PennHOMES funding only if the applications request Agency refinancing of the Section 202 and Section 811 program debts.

Interest Rate

The annual interest rate on a PennHOMES loan is zero percent (0%).

Term of Loan

The term of the PennHOMES loan is 30 years.

In the event the loan is prepaid, however, restrictive covenants and other federal requirements relating to the affordability period may continue for the minimum affordability period required by the HOME Program, Tax Credit Program, or other funding, as applicable.

Equity Funding Requirements

Proceeds from a PennHOMES loan may only be used to pay Agency approved Replacement Cost items. The PennHOMES loan is generally disbursed proportionally with owner's equity only after all other subordinate financing has been disbursed. Owners must demonstrate the availability of a cash equity contribution to be disbursed during construction as required by the Agency at initial loan closing.

Return on Equity

Distribution to for-profit owners from excess revenue of a development will be limited to an annual return of fifteen percent (15%) of the owner's equity in the development. The right to receive the return on equity is cumulative after payment of debt service on the PennHOMES loan. The equity in the development shall be determined at final closing based on the cost certification. The stated owner's equity in the development may be adjusted annually to reflect increases in the Consumer Price Index.

PennHOMES Repayment Terms

Developments of 12 or more units that generate a surplus of revenues over expenses in any calendar year shall distribute 50% of the excess revenue to repay the PennHOMES loan principal and 50% to pay the owner's return on equity after allowing for one months' debt service to be retained in the Project Operating Account. If the Agency has provided a primary loan with fixed debt service in addition to the PennHOMES loan, the amount retained in the Operating Account would be based upon the debt service of the loan that is greater.

For developments of 11 units or less, and provided that there is no Agency taxable debt, there are no scheduled loan repayment requirements from available cash flow. However, the Agency may in its discretion, require that available cash flow be applied to repay outstanding PennHOMES principal.

Primary Mortgage Requirements

If the development can support debt, applicants shall incorporate permanent Agency taxable or tax exempt financing as part of the financing plan unless another primary lender can offer significantly better financing terms than available through the Agency (as determined by the Agency).

Debt Service Coverage Ratio

If PennHOMES is secured as the first mortgage, the development must be projected to achieve and maintain breakeven cash flow for the first five years of project operations.

In the event the PennHOMES loan is used in conjunction with an amortizing primary loan, the debt service coverage ratio must equal or exceed 115% in the first operating period and not drop below 100% in the 15th year. Certain Rural Development projects or developments utilizing a HUD MAP insured loan may have a debt service coverage ratio as low as 110% in the first operating period but must maintain a ratio of 100% through year 15.

Loan to Value Ratio/Equity Requirement

Loan underwriting and first mortgage credit enhancement requirements determine maximum loan to value ratio for Agency developments that include an amortizing permanent loan in its financing plan. Usually, the ratio does not exceed 80 percent of replacement value and/or appraised value. In no event may the ratio exceed 90 percent of development cost for for-profit developers or 100 percent of development cost for nonprofit developers. The Agency may require an "as built" appraisal to determine market/development replacement value. The Agency's underwriting does not use a loan to value ratio to size the PennHOMES loan.

Affordability Period

The affordability period is the time period during which the development must comply with maximum rent and tenant income restrictions, and will not be less than the term of the PennHOMES loan. The Agency will determine the appropriate affordability period based on funding sources.

Supportive Services

All PennHOMES applicants may request consideration for providing service-enriched housing consistent with the anticipated needs of the target resident population (general occupancy, housing for older persons age 55 and over or 62 and over, or populations with special needs). Applicants must submit a completed Service Provider Questionnaire and Supportive Service Plan Outline under the appropriate selection criteria set forth in the Instructions.

All Philadelphia General Occupancy Applications: As a part of a comprehensive strategy toward achieving family self-sufficiency in the City of Philadelphia, the Agency has established the Family Supportive Services ("Escrow") Program. This program helps to fund on-site supportive services for residents in need and assists management in addressing social welfare issues that impact property operations.

The Agency requires that all Applications for family developments located in Philadelphia escrow $5,000 per unit to pay for supportive services for the residents. The Agency will provide 100 percent match for the applicant's contribution of $2,500 per unit. However, the total PennHOMES loan may not exceed $1,500,000.

Escrow funds will be used to hire staff or to contract with a service provider to provide residents with information and referrals to increase family self-sufficiency. Applicants must identify a qualified social service provider to facilitate the provision of supportive services to families.

Philadelphia developments may request a waiver of the escrow requirement. To be eligible for a waiver of this requirement, the applicant must submit the following:

1. A written request for a waiver and certification that approved services will be provided for a minimum of 15 years.
2. Memorandum of Understanding or contract that outlines the work plan, staffing (with job descriptions), and proposed budget.
3. Completed PHFA Service Provider Questionnaire.
4. Supportive Services Plan Outline.
5. Viable plan to secure funding to ensure uninterrupted delivery of services for ten years.

Please contact the Agency's Housing Services Representative at 610.270.1989 if you have questions concerning the escrow requirement or waiver process.

HOME Program

Match Requirements

The Agency must meet certain funding match requirements of the HOME Program. Non-federal public and private funds included in a development's financing plan will assist the Agency in meeting its HOME Program match requirements. HOME-assisted, HOME-eligible, and partially-assisted HOME Program developments will be reviewed to determine the amount of match contribution earned.

The Agency will use PennHOMES loans as match under the HOME Program. For developments receiving an award of HOME Program funds from a local jurisdiction, unless claimed by that local Participating Jurisdiction, the Agency will also use all other eligible sources of match contributed to the PennHOMES development as HOME Program match.

MBE/WBE/SERB and Section 3

In addition to the Agency's equal opportunity policy, developments located in Nonparticipating Jurisdictions must also meet certain MBE/WBE/SERB and Section 3 requirements.

The definition of an MBE is a "certified minority business enterprise," and a WBE is a "certified women's business enterprise." A SERB is a "socially and economically restricted business" which is a certified MBE/WBE, or a business located in a Commonwealth designated enterprise zone. Businesses will not be considered socially/economically restricted if one of the following conditions exists:

The business has gross revenues over four million dollars annually; or

The concentration of an industry is such that fifty percent (50%) of the market is controlled by the same type of SERB ("MBE/WBE") or business within designated enterprise zones.

Where applicable, owners and their development teams must conduct outreach to seek participation by SERB professional services providers and MBE/WBE professional services providers, Section 3 material and equipment suppliers, manufacturers, and subcontractors. The HOME Program requires that the owner must establish minimum participation goals of 5% for MBEs and 3% for WBEs when contracting for professional services, construction and materials.

Section 3 of the Housing and Urban Development Act of 1968, as amended, establishes certain goals to enhance the economic opportunity to be afforded to local residents in the neighborhood of federally assisted developments. Section 3 seeks to ensure that employment and other economic opportunities generated by the HOME Program shall, to the greatest extent feasible, be directed to low and very low-income persons.

A Section 3 business is a business that is fifty-one percent (51%) or more owned by Section 3 residents; or commits to subcontract more than twenty-five percent (25%) of its contract to Section 3 businesses; or whose permanent, full-time workforce consists of at least thirty percent (30%) Section 3 residents. Section 3 residents are public housing residents or low-income individuals who reside in the metropolitan area or non-metropolitan County where the development is located.

The HOME Program requires that the owner must establish the following minimum participation levels for Section 3 participation:

10 percent	of the total dollar amount of all building trades work contracts, and
3 percent	of all non-building trade contracts, and
30 percent	of all new hires generated (at all job levels)

As an example, the MBE/WBE goals would be calculated as follows:

	TOTAL DEVELOPMENT BUDGET	3% WBE GOAL	5% MBE GOAL
Architectural Fees	$50,000		
Engineering Fees	10,000		
Environmental Audit	5,000		
Furnishings & Equipment	5,000		
Legal Fees	20,000		
Accounting Fees	5,000		
Survey	500		
Title Insurance	5,000		
Property Insurance	5,000		
Marketing/Rent-Up	5,000		
Consultant	15,000		
	$125,500	$3,765	$6,275
Construction (Less General Contractor's overhead and profit)	$1,000,000	$30,000	$50,000

If the owner has contracted with businesses for services and/or material prior to the date of the Application submission, outreach will not be required for those contracts.

The Agency currently keeps a database of qualified MBE/WBE/SERB's. For more information on this database contact PHFA's Compliance Officer at 717-780-1847.

Residential/Non-residential Anti-displacement and Relocation Requirements

All developments located in Nonparticipating Jurisdictions that receive the Agency's approval to proceed with a Feasibility Study must comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 ("URA"). A summary of these requirements is set forth in the Summary of the Federal Displacement, Relocation and Acquisition Requirements. Various sample reports, plans, and notices, as presented in the HOME Program regulations at 24 CFR 92.353 found in Tab 27.

All owners of developments in Nonparticipating Jurisdictions (except vacant land developments where no demolition has occurred within the last 12 months) must prepare and adopt a Residential/Non-residential Anti-displacement and Relocation Assistance Plan. Owners of occupied developments must provide the Plan along with the Application submission. Owners of unoccupied developments that receive Agency approval to proceed with a Feasibility Study must prepare and adopt the Plan prior to receiving the Agency's loan commitment.

VOLUME CAP FOR TAX EXEMPT BOND FINANCING

Developments receiving tax exempt financing for at least 50 percent of the aggregate basis of the property including land are not required to submit an application for 9% Tax Credits from the Agency. However, the development must be evaluated by the Agency to assure that the proposal is in accordance with the priorities, Selection Criteria and other program requirements set forth in the Allocation Plan. The issuing authority must also determine the amount of Tax Credits required to assure the feasibility and long term viability of the development.

Developments financed through the issuance of tax exempt bonds are eligible for a 30 percent present value Tax Credit. The applicant has the option of deducting the amount of the tax exempt financing from the adjusted basis to be eligible for a 70 percent present value Tax Credit on the reduced eligible basis. If the applicant chooses this method, it must apply and compete for an allocation of Tax Credits from the Agency.

Developments receiving tax exempt financing on less than 50 percent of the aggregate basis will be eligible for 30% Tax Credits on only that portion of the eligible basis financed by the tax exempt bonds. For the remaining portion, the applicant must apply and compete for an allocation of Tax Credits from the Agency for the 70 percent present value Tax Credit. The development will be evaluated in accordance with the Allocation Plan and a determination will be made as to the amount of Tax Credits needed to assure feasibility and long term viability.

Every development (even those receiving only 30% Tax Credits) must submit an Application to the Agency. The Agency will review the Application for adherence to program criteria as set forth in the Program Guidelines and the accompanying exhibits. Upon the Agency's determination that the development qualifies for the Tax Credits, the Agency will issue the Indenture of Restrictive Covenants Agreement ("Restrictive Covenants Agreement"). Tax Credits may not be claimed until the Restrictive Covenants Agreement is executed and recorded pursuant to the Code.

The Agency processes applications for volume cap for tax exempt financing on a competitive basis through an announced Request for Proposals ("RFP"). For additional information please see the Agency website at www.phfa.org or contact the Development Division.

Developments receiving Tax Credits exclusively through the issuance of tax exempt bonds will be subject to the fees and costs as determined by the Agency. Upon construction completion, the development will be required to submit a cost certification package. The cost certification package should be received by the Agency no later than 90 days after the last residential building in the development is placed-in-service.

The Agency will conduct its standard review of the cost certification. After completion of this review, the Agency will issue an IRS Form 8609 for each building in the development.

All Tax Exempt Bond Financed projects will be monitored by Tax Credit compliance staff throughout the compliance period.

TAXABLE AND 501(C)(3) TAX EXEMPT BOND FINANCING

The Agency provides financing to developers building or rehabilitating rental units designed for lower income occupancy. Competitive financing rates are made possible through the sale of Agency tax exempt and taxable bonds. Mortgages provided through Agency bond proceeds must be secured by a priority lien position. Bond financing may be coupled with PennHOMES funds to help make the development financially feasible.

Program Highlights

MINIMUM NUMBER OF UNITS

All Applications must consist of 15 or more units. The Agency may consider developments with less than 15 units if all Agency guidelines and financing requirements are met.

MAXIMUM INCOME OF TENANTS

When using either tax exempt financing or Tax Credits, one of the following minimum set-aside requirements must be implemented:

- 20% of the units must be rented to persons with incomes at or below 50% of the area median income, adjusted by family size; or
- 40% of the units must be rented to persons with incomes at or below 60% of the area median income, adjusted by family size.

When using taxable financing not involving Tax Credits, at least 20% of the units must be rented to households with incomes at or below 80% of the area median income.

MINIMUM LOAN AMOUNT

The suggested minimum loan amount for taxable financing is $100,000; the minimum loan amount for tax exempt financing is $2,000,000, unless there are a sufficient number of developments requesting tax exempt financing that may be pooled together.

INTEREST RATES

Interest rates will vary depending on market conditions. Please contact the Agency's Development Division for projected mortgage interest rates.

AFFORDABILITY PERIOD

All developments must remain rental housing meeting the low and moderate income tenancy requirement for the longer of the term of the mortgage or 30 years.

TERM OF LOAN AND AMORTIZATION

The maximum loan term will be 30 years for taxable and tax exempt bond financing.

RETURN ON EQUITY

Distribution to owners from excess revenue of a development will be limited to an annual return of 15% of the owner's equity in the development. The right to receive the return on equity is cumulative. The equity in the development shall be determined at final closing based on the cost certification. The stated owner's equity in the development may be adjusted annually to reflect increases in the Consumer Price Index.

DEBT SERVICE COVERAGE RATIO

The debt service coverage ratio must equal or exceed 115% in the first operating period and not drop below 100% in year 15. If these are 30 year bonds, there may be additional requirements. Certain Rural Development projects or developments utilizing a HUD MAP insured loan may have a debt service coverage ratio as low as 110% in the first operating period but must maintain a ratio of 100% through year 15.

LOAN TO VALUE RATIO/EQUITY REQUIREMENT

Loan underwriting and first mortgage credit enhancement requirements normally determine maximum loan to value ratio for Agency developments. Usually, the ratio does not exceed 80% of replacement value and/or appraised value. In no event may the ratio exceed 90% of total replacement cost for for-profit developers or 100% of total replacement cost for nonprofit developers. The Agency may require an "as built" appraisal to determine market value.

The combined total of taxable or tax exempt financing and PennHOMES funding cannot exceed the 90% and 100% amounts referenced above.

OUTSIDE FUNDING SOURCES

Applicants should seek other sources of public and private support, including donation of publicly held land, to enhance financial viability of the development.

CREDIT ENHANCEMENT/MORTGAGE INSURANCE

Credit enhancement/mortgage insurance is required for all developments requesting Agency taxable or tax exempt bond financing.

The Agency has established a Mortgage Insurance Program designed to protect the Agency and its investors in the event of a fiscal or covenant default on an Agency financed development through direct insurance support on a property specific basis.

Bond rating organizations have developed criteria for rating debt obligations secured by multifamily mortgages on a property specific basis. Only those properties classified as "prime quality properties" will be qualified for a rating without other sources of credit enhancement.

If the Agency’s Mortgage Insurance Program is to be requested, please indicate by checking the appropriate box on page one of the Application. The Agency's Mortgage Insurance Program is either self-insured or provided through other financial intermediaries which may include the HUD Risk Sharing Program.

CONSTRUCTION LOAN PROGRAM

The Agency will provide below market rate construction loans for multifamily rental housing developments in conjunction with a permanent take-out loan from a lender other than the Agency. If the Agency is also the permanent take-out lender, the Program Guidelines must also be met. Both new construction and rehabilitation developments are acceptable.

Eligible applicants for Agency financing include individuals, joint ventures, partnerships, limited partnerships, trusts, corporations, cooperatives, and condominiums, whether for-profit or nonprofit.

Program Highlights

MINIMUM NUMBER OF UNITS

The minimum number of units for the construction loan program is fifteen (15).

MAXIMUM INCOME OF TENANTS

A minimum of 20% of the units must be rented to tenants whose incomes do not exceed 80% of the area median income, adjusted for family size. This is for a construction only loan.

INTEREST RATE

The Agency construction interest rate is based upon the Agency's borrowing costs in the market. Agency staff may provide an approximate rate for purposes of financial estimates upon receipt of the application. Exact rates will not be available until the loan closing.

FINANCING FEE

The Agency requires a 2% fee calculated on the total construction mortgage.

LOAN TO VALUE RATIO

The Agency is authorized to make loans to for-profit developers of up to 90% of replacement cost of the development. The Agency may provide loans of up to 100% of replacement cost of the development to nonprofit developers. The loan to value ratio may be determined by an independent appraisal determining an "as built" market value.

CONSTRUCTION RETENTION

Ten percent (10%) of each payment request for a construction item shall be retained by PHFA. The percentage retained may be reduced to five percent (5%) after construction has been fifty percent (50%) completed. Upon Substantial Completion, the percentage retained may be reduced to two and one-half percent (2.5%). In the event of multiple Certificates of Substantial Completion being issued for phased projects, reduction to two and one-half percent (2.5%) will be considered only after the final phase of the whole is accepted. The balance due to the contractor shall be payable at final loan closing provided the work is fully completed and contractor has complied with all provisions of the Agreement and Addendum to the Owner's and the Agency’s satisfaction, including, but not limited to, submission and approval of the contractor's certificate of actual cost to the Agency and receipt of all certificates of occupancy for all units by Owner and PHFA.

CONSTRUCTION MONITORING

The Agency will monitor construction and will attend monthly construction conferences at the site. In addition, Agency Technical Services Representatives may visit the development site to review site activity at any time during construction. The Agency Technical Services Representative and the Agency Staff Accountant shall review and monitor all requisitions, payouts, and change orders to ensure compliance with the Agency's requirements.

EQUITY BRIDGE LOAN PROGRAM

Currently the Agency is not offering an Equity Bridge Loan Program for the 2010 Application Funding round. Please check our website for updates.

The Agency has a limited amount of funds that are available to provide Equity Bridge Loan funds for certain multifamily properties which have short-term funding needs due to deferred equity pay-ins from investors in the Tax Credit Program may be available through the Agency. This program is available to new applications for Agency financing, developments which have received Agency feasibility approval or developments which have received a reservation of Tax Credits. Applications will be considered on a first-come, first-serve basis.

Applications for an Equity Bridge Loan may be made at application or at any time up to 60 days prior to the initial loan/equity closing.

Refer to the Bridge Loan Closing Indices for the Agency funded developments and Tax Credit only funded developments.

PROGRAM HIGHLIGHTS

MAXIMUM LOAN AMOUNTS

The Equity Bridge Loan is limited to the amount necessary to fund the equity contribution to cover replacement costs (the “PHFA Cash Equity Requirement”). The Agency reserves the right to adjust the amount of the Equity Bridge Loan at initial loan closing.

The maximum Bridge Loan amount shall not exceed the greater of $8,000,000 or 75% of the anticipated equity used to cover replacement costs.

INTEREST RATE

Three month LIBOR plus 150 basis points (to be fixed by the Agency) at loan/equity closing.

REPAYMENT TERM

Repayment of the equity bridge loan shall be concurrent with the equity investor pay-in schedule, or a period as agreed upon by all parties. In no event shall repayment exceed two years from initial loan/equity closing. The Equity Bridge Loan may not be rolled over into other Agency financing.

COLLATERAL

Requirements will include a Demand Note (in a form and manner acceptable to the Agency which must provide fixed, unconditional payments and assignable to PHFA), Pledge and Assignment of each Investor/Limited Partner’s interest in the project partnership, and mortgage against the property. In addition, the Agency reserves the right to require additional collateral on a case-by-case basis.

FEES

Application fee is $1,000.

The origination fee is .25% of the Equity Bridge Loan amount.

LOAN DISBURSEMENT

The Agency will disburse the Equity Bridge Loan proceeds during construction pursuant to the terms and conditions of a Disbursement Agreement. Equity Bridge Loan funds may be disbursed subsequent to contingent project financing including PennHOMES but prior to permanent mortgage financing. Disbursement will be limited only to the project's replacement cost items.

MISCELLANEOUS

The Borrower may not assign its interest in the Project, nor convey, sell, transfer, or encumber any interest in the Project or any related Equity Bridge Loan Commitments, without the Agency's prior written approval. In addition, the Borrower may not sell or assign any general limited partnership interests without the Agency's prior written approval.

SUBMISSION OF EQUITY BRIDGE LOAN APPLICATION

Applications for the Agency Equity Bridge Loan Program may be made at any time prior to the Agency's loan commitment of financing or the initial equity closing. If the Equity Bridge Loan Application is made subsequent to the initial application for other Agency financing, a letter of request stating the amount of the equity bridge loan needed, updated syndication letter, and stated term of repayment to effectively correspond with the equity pay-in schedule, etc. as provided in Tab 24, Syndication Information, must be provided. Requests for funding with the initial application may be made by submitting the aforementioned documents under Tab 23, Bridge Loan Financing, in the Application. Refer to the Agency's web site www.phfa.org prior to making an Equity Bridge Loan application for funding availability and current rates.