

East Liberty Transit Revitalization Investment District
Revitalization Authority

East End Housing Development Program

7.20.2020

East End Housing Development Program Guidelines

Program Objective

The East End Housing Development Program (EEHDP) will be used to help fund the creation of new affordable housing and/or preserve affordable housing in the East Liberty neighborhood and the adjacent neighborhoods of Larimer and Shadyside (specifically, within the East Liberty TRID Boundary). The program provides a flexible source of funding to non-profit and for-profit/non-profit development partnerships for the creation of new affordable units. It is designed to increase the supply of decent affordable housing and to eliminate health, safety and property maintenance deficiencies as well as to ensure compliance with applicable codes and standards.

The new creation of affordable housing will generally be defined as one of the following:

- (1) the new construction of housing units which will be rented to households at or below 50% of area median income;
- (2) the new construction of for-sale units to be sold to owner-occupied households at or below 80% of the area median income;
- (3) the rehabilitation of existing rental units to be rented to households at or below 50% of the area median income;
- (4) the rehabilitation of for-sale units to be sold to owner-occupied households at or below 80% of the area median income.

The preservation of affordable housing will generally be defined as the rehabilitation of existing housing which is rented to households at or below 50% of area median income.

Priority will be given to projects that:

- 1) bring affordable units to market quickly; and
- 2) accommodate replacement housing for families with children and/or households with a member that is disabled, who are currently residents in the community.

Program Funding

The EEHDP will be sourced by the following:

1. The pledge of a percentage of future tax revenues in the East Liberty TRID Plan Phase 2, specifically the Penn Plaza Redevelopment; but also potentially additional future development
2. Other sources as identified from time to time, including commitments from Foundations.

Eligible Borrowers

Eligible borrowers shall be either (1) a non-profit developer or (2) a for-profit developer acting in a joint venture, limited partnership, or other mutually agreed upon relationship with a non-profit developer or community-based group. Eligible borrowers will include but are not limited to the following:

1. Developers of new rental units who agree to lease at least 20% of the units in a development to households at or below 50% of Area Median Income (AMI);
2. Owners of existing rental property who agree to rehabilitate and lease rental units to households at or below 50% AMI;
3. Community development corporations and other for-profit/not-profit partners who develop homes that sell to households at or below 80% AMI.

Eligible Projects / Properties

To be eligible for EEHDP, the following requirements must be met:

1. Projects must be located within the East Liberty TRID Boundary. See map (Exhibit A) for reference.
2. The property must comply with zoning requirements.
3. The borrower must own the property prior to or at the EEHDP closing.
4. Rental development projects must have at least 20% of the units rented to households at or below 50% AMI. There must be at least 10 affordable units.
5. For for-sale development projects, at least 51% of the units must be sold to households at or below 80% AMI.
6. For owners of existing rental property containing less than 20 units, they must agree to rehabilitate and rent at least 50% of the project units to households at or below 50% AMI.
7. The URA staff must deem the project to be a feasible residential project, based upon established project underwriting processes.

Housing Committee. The Housing Committee shall be comprised of one member from the following organizations: East Liberty Development Incorporated, the Bloomfield Garfield Corporation, the Friendship Community Group, and the City. Subject to the written consent of the Consent Decree parties, the City may appoint two additional members representing long standing existing organizations from the East Liberty, Friendship, Garfield and Larimer neighborhoods as those neighborhoods are defined by the City Planning Department maps.

Recommendation to ELTRIDRA. The Housing Committee shall timely process all applications and shall provide ELTRIDRA with either an affirmative or negative written recommendation on the proposed project utilizing the framework set forth in Exhibit “D” of the Consent Order. Housing Committee members shall vote on applications in order to form recommendations to ELTRIDRA. The written recommendation shall include a detailed explanation of any potential conflict of interests. The ELTRIDRA Board has final decision-making power.

Eligible Activities

Gap Financing. The funds of the EEHDP shall be utilized to supply a portion of the Gap Financing required under current or future governmental housing programs including, but not limited to, Low-Income Housing Tax Credit ("LIHTC"), Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund ("PHARE"), Federal Home Loan Bank System ("FHLB"), and Pennsylvania Housing Financing Agency ("PHFA"), as applicable. If a project is privately financed and only needs gap financing consistent with the guidelines for this EEHDP program, then the project will also be eligible.

Affordable Housing Eligible Costs. The development of affordable housing shall be the preferred use of the EEHDP, including engineering studies, architectural design, site development, and housing construction. Related work such as stormwater management and utility infrastructure are eligible costs under the EEHDP but must be related to the specific development of housing.

Project Costs. The Applicant will be required to submit its project costs to the Urban Redevelopment Authority for an intensive cost analysis. The Housing Committee shall only recommend a Project to ELTRIDRA if the URA has approved the project costs.

Conflict of Interest. The Housing Committee shall adopt and maintain a Conflict of Interest Policy. All Applicants shall fill out and submit a Conflict of Interest Form, detailing any potential conflict of interests. The form must be submitted to ELTRIDRA Board at the time it transmits its recommendation for a proposal. Any Applicant with a conflict of interest, that is not deemed waived, shall not be allowed to obtain Gap Financing.

Neighborhood Plan. All developments approved under this subsection shall be consistent with existing neighborhood plans for the neighborhood where the development is located.

Restrictive Covenants. If for-sale units are included in the Project, the deeds shall include restrictive covenants, requiring property owners to only sell units to purchasers who are at 80% or less of AMI. If rental units are included in the Project, the deeds shall include restrictive covenants, requiring that a certain number of units be rented to households 50% or less of AMI.

Funding Terms, Limits and Requirements

All loans for property development shall be made in conformance with the requirements set forth below:

A. Maximum Loan and Grant Amounts

1. For rental development projects that will have at least 20% of the units rented to households at or below 50% AMI, the maximum loan amount for the program will be limited to either (1) up to \$30,000 per affordable dwelling unit, (2) up to 50% of the total development cost of the project, or (3) up to \$500,000 per project, whichever is less.

2. For existing rental projects that will be renovated and rented to households at or below 50% AMI, the maximum loan amount for the program will be limited to either (1) up to \$30,000 per affordable dwelling unit, (2) up to 50% of total development cost of the project, or (3) up to \$500,000, whichever is less.
3. For for-sale development projects to be sold to households at or below 80% AMI, the maximum loan and/or grant amount for the program will be limited to either (1) up to \$70,000 per affordable unit or (2) up to \$250,000 per project, whichever is less. Loan and grant amount breakdowns will be determined based upon the URA staff reviewing the development proforma.
 - a. For for-sale development projects that include 51% of units to be sold to households at or below 80% AMI, loan and/or grant funding may be made available for additional units to be sold to households between 80% and 100% AMI – limited to either (1) up to \$60,000 per unit to be sold to a household between 80% and 100% AMI or (2) up to \$200,000 per project, whichever is less.
4. Only for-sale development projects are eligible for grants.

B. Equity

For-profit borrowers are required to provide equity equal to or exceeding 10 percent of the total development cost. Non-profit borrowers are exempt from this requirement.

C. Income Limits, Rent Limits, Sales Price Limits

1. For requirements concerning the number of affordable units in developments to be rented affordably, see the Eligible Projects / Properties section.
2. The borrower must agree to comply with the specified income and rent limits for at least thirty (30) years for rehabilitated property and at least forty (40) years for new construction.
3. The annual gross rent for units to be occupied by households who earn at or below 50% AMI may not exceed 30% of 50% AMI (minus utility costs).
4. For for-sale new construction or rehabilitation to be sold to households at or below 80% AMI, the sales price and/or amount to be financed by the home buyer must not exceed 2.5 times 80% AMI for the year in which the project is receiving EEHDP funds.
5. For for-sale new construction or rehabilitation to be sold to households at or below 100% AMI, the sales price and/or amount to be financed by the home buyer must not exceed 2.5 times 100% AMI for the year in which the project is receiving EEHDP funds.

D. Interest Rate

1. The interest rate to be paid on EEHDP loans will be a preferred rate set by the URA for each loan.
2. The interest rate will be established based upon the borrower's capacity to repay the EEHDP loan through the project's operating income as determined by the URA.

E. Loan Terms and Amortization Period

1. The maximum term of each loan shall not exceed the remaining term of the first mortgage or 30 years from the date of completion of the rehabilitation or new construction funded by the EEHDP loan, whichever is longer.
2. The term may provide for deferred payments of principal or interest or both principal and interest.
3. At the end of a deferral period, if any, the loan will be amortized over the remaining term of the loan.
4. Deferrals shall be granted based upon the borrower's capacity to repay the loan through the project's operating income as determined by the URA.
5. At the end of the deferral period, if any, no less than one half of the loan shall be amortized over the remaining term of the loan. Up to one half of the loan may continue to be deferred until the maturity date of the loan, at which time, a balloon payment of principal and interest, if any, shall be due.
6. All EEHDP loan agreements will include a provision to enable the Authority to seek a pre-payment of the loan in the event that the Borrower's Net Operating Income (NOI) for the preceding year exceeds 130% of scheduled debt service payments. The NOI would be calculated based on a review of the Borrower's financing statement for the preceding year. NOI is defined as project income less operating expenses less a reasonable provision for Replacement Reserve. The amount of the pre-payment would be equal to the amount by which NOI exceeds 130% of debt service.
7. For projects financed with Low Income Housing Tax Credits or U.S. Department of Housing and Urban Development ("HUD") Section 811 or Section 202 funds, the full amount of the loan may continue to be deferred until the maturity date of the loan, at which time a balloon payment of principal and interest, if any, shall be due. Annual cashflow payments will be required in accordance with an agreed upon definition of cashflow.

Administrative Fee. The URA acting on behalf of ELTRIDRA shall be reimbursed an administrative fee not to exceed 2% of total EEHDP proceeds in a project, to be paid by the Borrower at closing. A legal and inspection fee may also be due at closing.

Exhibit A

