

# Pittsburgh Downtown Pilot Commercial Real Estate Conversion Program Guidelines

## Program Objective

The **Pittsburgh Downtown Pilot Commercial Real Estate Conversion Program (PDCP)** is intended to stimulate the economic recovery of Downtown Pittsburgh by creating new affordable housing development by converting fallow and underutilized office buildings into housing.

Steep declines in office occupancy and utilization rates threaten the vitality of Downtown Pittsburgh and are eroding an important component of the region’s property tax base. The COVID-19 pandemic has created a new paradigm for Downtown as commercial office demand has been significantly altered, particularly in older buildings with limited amenities.

At year-end 2021, there were over 11.3 million square feet of underutilized office space in Downtown Pittsburgh, spread across 154 buildings that have an average vacancy rate of 26.2%.

PDCP is intended address this paradigm by helping to create a much needed, diverse, and affordable new supply of housing opportunities that will diversify Downtown Pittsburgh’s housing stock, support the commercial office market through the reduction of underutilized commercial office inventory, attract new residents, and improve the overall health and vitality of Downtown Pittsburgh.

To accomplish this goal, PDCP will provide direct financing for building owners and developers who intend to convert vacant and/or underutilized Downtown buildings to affordable workforce housing.

PDCP will prioritize projects that maximize other relevant public and private financing sources (such a tax credits, private debt, and other tools) intended to support the same mission and projects that seek deep affordability.

## Program Guidelines

PDCP designed to provide more resources to projects with more affordable units at lower AMI. The program will also prioritize projects that maximize other relevant public and private financing sources (such a tax credits, private debt, and other tools) as well as projects that commit to deeper affordability by utilizing the Housing Authority Choice Voucher Program. The program seeks projects that commit to long-term affordability of units at or below 80% AMI, with an emphasis on projects that prioritize leasing and hiring of downtown workers that earn 60% of the Area Median Income (AMI) or below.

Total funding amount is subject to specific project details and URA and Advisory Committee review, but below is a draft framework for modeling purposes:

<b>Affordability Targets</b>	<b>Max PDCP Investment / % of total project costs (TPC)</b>	<b>Notes</b>
<b>20% of units @ 80% AMI</b>	\$1 million / 40% of TPC	Not to exceed \$50,000 PDCP Investment per 80% AMI unit
<b>20% of units @ 60% AMI</b>	\$2 million / 40% of TPC	Not to exceed \$70,000 PDCP Investment per 60% AMI unit
<b>20% of units @ 50% AMI</b>	\$3 million / 40% of TPC	Not to exceed \$90,000 PDCP Investment per 50% AMI unit

Affordability Targets	Max PDCP Investment / % of total project costs (TPC)	Notes
<b>Mix of Affordability</b>	Case by case consideration	Projects seeking an alternative mix of affordability, including but not limited to committing more than 20% of units to be rented affordably or committing to deeper levels of affordability, may receive a PDCP Investment sized by determination of the URA and the recommendation of the Advisory Committee. Any projects seeking a different mix must be approved by the URA Board, provided that the City of Pittsburgh Office of Management and Budget and Department of Law provide the URA Board with a concurrence memo agreeing to the project.

Other Criteria	Requirements	Notes
<b>Maximum PDCP Investment Amount</b>	\$3 million / 40% of TPC	Projects are expected to raise maximum applicable private and public financing to complete project—including private debt & equity, URA & PHFA financing, Federal tax credits (HTC, NMTC, LHTC), etc.
<b>Eligible Applicants</b>	For Profit and / or Not-for-profit Developers and Joint Ventures.  Projects must be located in <a href="#">Pittsburgh's Central Business District</a> .	To qualify for PDCP, projects must be located in the area identified on page 1 of the document linked <a href="#">here</a> .
<b>Funding Disbursement</b>	Funds are disbursed based on approval after an inspection of work completed.	A third-party inspector may be utilized to complete inspections and approve disbursements.  PDCP Investment funds will generally be last funds in unless otherwise required by other financing sources.
<b>Closing</b>	PDCP Investments will close at or after all project development financing necessary to complete project is closed.	
<b>Eligible &amp; Ineligible Costs</b>	Construction and soft costs (architectural & engineering) related to the residential conversion portion of participating projects. Acquisition costs will be considered on a case-by-case basis.  Developer fees, financing fees, pre-development costs, are ineligible.	Eligible acquisition costs will be calculated on a case-by-case basis. URA staff reserve the right to determine eligible acquisition costs based upon square footage to be utilized for residential, recent appraisals and/or market studies. Acquisition costs must represent fair market prices.
<b>Wage Rates</b>	Federal Davis Bacon rates	

Other Criteria (continued)	Requirements (continued)	Notes (continued)
<b>Fees</b>	Application fee: \$500 Due Diligence fee: 2% of PDCP Investment paid at closing	Example, a \$1 million PDCP Investment would result in a \$20,000 due diligence fee paid at closing
<b>3<sup>rd</sup> Party Inspections</b>	In most cases a third-party inspector will be engaged by lender and URA will reserve right to do its own inspections if necessary but will generally utilize bank inspector as not to add additional inspection time and costs.	In case where URA retains its own third-party inspector, cost of inspector will be taken out of PDCP Investment Proceeds.
<b>Acceptance of HACP Housing Choice Vouchers (HCV)</b>	It is expected that PDCP Investment recipients/property owners will accept HACP vouchers.	For more information on HACP HCV program, including Mobility Voucher payment standards, visit <a href="#">HACP's Website</a>
<b>Duration of Affordability</b>	Minimum 40 years	Program will favor applications that maximize the duration of affordability. Will be codified by Declaration of Restrictive Covenants filed at financing closing.
<b>Preference for Residential/Employment Retention</b>	Preference will be given to eligible projects undergoing significant conversions that create new employment opportunities and/or residential opportunities for people who previously were employed in the same building prior to the conversion.	
<b>Reporting</b>	PDCP Investment recipients/property owners will provide annual reporting – including rent rolls, financials, and other reporting to verify affordability requirements	Annual and/or spot audits may be required.
<b>Advisory Committee</b>	Program will utilize third-party Advisory Committee made up of stakeholders, funders, and affordable housing finance experts to provide deal structure and approval recommendations to URA Board of Directors to consider final approval.	The URA will utilize its Real Estate Loan Review committee to provide underwriting recommendation and guidance.
<b>Application Underwriting, Due Diligence, and approval Process</b>	Applications will be vetted utilizing standard affordable housing finance underwriting methods.	<p>Application requirements will include project pro forma, sources &amp; uses, affordability unit mix, project narrative, developer financials, verification of project costs, and any other items as required.</p> <p>Program staff will conduct due diligence and package PDCP Investment requests for Advisory Committee consideration.</p> <p>Applications for PDCP Investment affirmatively recommended by the Advisory Committee will be considered by the URA Board of Directors for final approval toward closing.</p>

Other Criteria (continued)	Requirements (continued)	Notes (continued)
<b>Application Underwriting, Due Diligence, and approval Process (cont.)</b>		Applications will be accepted on a rolling basis and are subject to availability of funding.
<b>M/WBE Participation</b>	Investments are subject to the URA's MWBE Policy requirements.	<a href="#">URA MWBE Policy</a>
<b>Other Eligibility Requirements</b>	All investments must be in good standing on local, state, and federal taxes, zoning requirements, other public financing, SHPO, Historic Review Commission, and any other reasonable requirements as set forth by the URA.	
<b>Waiver of Guidelines</b>	<p>The URA reserves the right to amend these guidelines by recommendation of the URA Executive Director and/or the URA Board of Directors.</p> <p>The URA reserves the right to approve or reject any application for financing at its sole discretion.</p>	
<b>PDCP Funding</b>	Funding for the program is from the Commonwealth of Pennsylvania, the City of Pittsburgh, and the URA of Pittsburgh. Future funding may occur.	
<b>Non-PDCP Sources</b>	Preference will be given to projects that extensively fundraise sources outside of PDCP to build out project budgets.	Anticipated sources beyond PDCP may include, but are not limited to: private debt & equity, PHFA financing, Federal tax credits (HTC, NMTC, LHTC), Federal Home Loan Bank Affordable Housing Program funding, etc.
<b>American Rescue Plan Act (ARPA)</b>	Projects will comply with all necessary requirements of the ARPA and requirements set by the Commonwealth of Pennsylvania and the City of Pittsburgh.	
<b>Affirmative Fair Housing Marketing Plans</b>	All participants must submit an Affirmative Fair Housing Marketing Plan as part of their application.	
<b>Other Requirements</b>	Projects will comply with all necessary requirements as determined by the URA and its funders.	