

Funding Application for
Housing Preservation Program



Application Issue Date: April 14, 2023

Application Due Date: Accepting Applications on a Rolling Basis

Submit All Applications through URA's Ion Wave Technologies Platform
<https://ura.ionwave.net/Login.aspx>

I. Introduction

The URA is requesting funding applications from developers for eligible projects to participate in the Housing Preservation Program (HPP). HPP will help fund the acquisition, renovation, or operations of existing subsidized or naturally occurring affordable rental units located within the City of Pittsburgh. HPP's mission is to invest in affordable rental housing that is at risk of turning market rate.

Funding available to projects seeking HPP financing originates from the American Rescue Plan.

II. Program Objectives

Full HPP Guidelines are attached to this funding application ([Exhibit A](#)).

The Housing Preservation Program (HPP) will help fund the acquisition of existing subsidized or naturally occurring affordable rental units located within the City of Pittsburgh. HPP aims to quickly deploy funding to development partners looking to acquire affordable rental property portfolios that come on the market, preventing the loss of existing affordable housing stock that is at risk of turning market rate. HPP is also intended to assist non-profit and for-profit developers that seek to keep properties affordable instead of transitioning the units to market rate. HPP goals are:

1. Preserve affordable housing units that are at risk of being turned into market rate rental units. As used herein, "affordable" shall mean rent that is no more than 30% of a household's annual income for households at or below the applicable area median income (**AMI**) level.
2. Preserve affordable housing portfolios that are currently affordable or were affordable within the last five (5) years and/or preserve project-based subsidies that are at risk of being lost due to poor housing conditions or expiration of project-based rental subsidies.
3. Encourage preservation by affordable housing development entities, including but not limited to, partnerships between community development corporations and housing developers.
4. Encourage developers to create or preserve affordable housing units by financing property acquisition.
5. Provide short-term financing to encourage more dynamic recapitalization strategies.
6. Encourage community stewardship and permanent preservation of affordable housing assets.
7. Support the creation and/or preservation of Limited Equity Cooperatives (**LECs**).

III. Eligible Borrowers

Eligible borrowers are limited to the following:

1. Non-profit development organizations
2. Limited Equity Cooperatives
3. For-profit development organizations with a documented letter of community and/or tenant support

To be an eligible borrower, the following requirements must be met:

1. Eligible borrowers are members of development teams with demonstrated development and property management experience.
2. Borrower must be tax compliant, disclose all conflicts of interest, and be current on all URA loans related to existing projects undertaken by the borrower and/or any related entity of the borrower.
3. Possess all necessary legal and corporate authorization to incur the obligations of HPP financing.
4. When applicable, agree in writing to assist with the relocation of tenants displaced as a result of the rehabilitation in accordance with the Uniform Relocation Act.
5. When applicable, agree in writing to pay prevailing wages to the extent required by the Federal Government and/or the Commonwealth of Pennsylvania, as well as agree in writing to comply with the PA Steel Products Act.

IV. Eligible Projects/Properties

Eligible projects are limited to the following:

1. Projects of at least five (5) total units, wherein no fewer than 50% of total project units are affordable for renters at or below 80% of AMI.
 - a. HPP funds may only be utilized on the affordable units to be included in the completed project.
 - b. Funds may also be accessed to complete acquisitions that reposition or apply federal, state, or local project-based housing subsidies to a new property (such as a HUD Section 8[bb] transfer).
 - c. Participating LECs must have no fewer than 50% of total project units affordable to households at or below 80% of AMI after recapitalization and/or renovations are completed.

2. Scattered site projects of five (5) or more units are eligible.
 - a. All properties in scattered site acquisitions/rehabilitations must be reasonably included in one single project. All properties involved must be included in a single construction scope and if acquisition is involved, all properties must be acquired concurrently.

V. Eligible Activities

HPP funds may be used for the following activities:

1. Acquisition of housing portfolios that either consist of affordable housing rental units or previously consisted of affordable rental housing rental units within the last five (5) years and for which the HPP funds will be used to return the units to affordable rental housing.
2. Preservation of properties with project-based subsidies and/or deed restricted affordable housing at risk of being lost due to poor housing conditions or contract expiration.
 - a. Capital needs assessment, physical remediation plan, and management strategy will be required.
3. Operating expenses to stabilize currently affordable properties.
 - a. Detailed description of operating shortfalls and plans for financial stabilization of project will be required.
4. The creation and/or preservation of LECs
 - a. Eligible activities for LECs include costs related to the formation of the LEC, acquisition of the existing building, capitalization of traditional reserves, and necessary renovation/rehabilitation required to ensure the long-term viability of the LEC.
5. Emergency stabilization activities including but not limited to roof repair, mold remediation, building systems, building envelope, life safety issues, or other physical needs that could impact the health and quality of life for current residents, or compromise the building structure.

VI. Program Requirements

1. Eligible borrowers must contribute no less than \$3,000 per unit in equity to an eligible project.

- a. Borrower contribution may be reduced to \$1,000 per unit for non-profit development entities, subject to URA staff underwriting procedures.
2. Borrowers must submit an Affirmative Fair Housing Marketing Plan.
3. All affordable units assisted through HPP shall remain affordable for a minimum period of 40 years.
4. All affordable units shall comply with the resident income restrictions, affordability, and related covenant requirements for assisted units, tenant protections, and housing quality standards of the HOME Investments Partnership Program (hereinafter called the “Federal Program Requirements”).
5. Eligible projects should not result in a net decrease of affordable housing units or project-based subsidies.
 - a. As determined on a case-by-case basis, this requirement may be waived if a participating project results in a net reduction of units but increased unit sizes.
6. If the project involves the conversion of non-affordable housing units to affordable housing units, the developer must convert the units to be affordable to households at or below 80% of AMI and comply with the Federal Program Requirements.
7. No project receiving HPP financing may deny housing to a Housing Choice Voucher holder solely because they are a voucher holder. The URA reserves the right to request denied tenant applications for HPP supported projects.

VII. Funding Terms, Limits and Requirements

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

1. Maximum Loan Amounts
 - a. Loan amount is determined by the number of affordable units, up to \$50,000 per unit, dependent on program funding availability.
 - b. Maximum loan amount is set at \$1,500,000 per project.
 - i. Requests above the maximum loan amount will be entertained based on program funding availability and portfolio unit count.

2. Loan Term
 - a. 20 to 40 years
 - i. HPP financing shall not mature prior to senior debt on the participating property.
3. Interest Rate
 - a. Loans may carry an interest rate determined appropriate through URA Staff underwriting as well as requirements of equity investors.
4. Collateral
 - a. A recorded mortgage on the participating property.
5. Other Loan Requirements for Low Income Housing Tax Credit Projects
 - a. For loans to finance projects expected to be eligible for the low-income housing tax credit under section 42 of the Internal Revenue Code of 1986 (the Code):
 - i. The project owner must agree, as a condition of accepting such loan, to waive any right to request a qualified contract (as defined in Section 42[h][6][F] of the Code); and
 - ii. The project owner must agree to repay any loaned funds to the entity that originated the loan at the time the project becomes non-compliant, including if such project ceases to satisfy the requirements to be a qualified low-income housing project (as defined in section 42[g] of the Code) or a qualified residential rental project (as defined in section 142[d] of the Code), or if such project fails to comply with any of the requirements of the extended low-income housing commitment that are described in section 42(h)(6)(B)(i-iv) of the Code.
6. Loan Repayment
 - a. The loan repayment schedule will be based upon the borrower's capacity to repay the loan through the project's operating income as determined by the URA, using the projected operating cashflow analysis.
 - b. The repayment schedule may be either:
 - i. Annual cashflow repayment;

- ii. Monthly principal and interest payments;
 - iii. Monthly interest only payments; or
 - iv. Deferred loan repayment due upon sale or at maturity date.
- c. For deferred loans, a balloon payment of principal and interest, will be due on the loan's maturity date.

7. Rent Limits and the Affordability Period

- a. All loans shall have a Declaration and Agreement of Restrictive Covenants recorded on the property to ensure affordability throughout the affordability period.
- b. The borrower must agree to comply with the specified income and rent limits and the Federal Program Requirements for at least 40 years. Priority will be given to projects that have permanent affordability (defined as a 99-year affordability period). The gross rent for units to be occupied by households who earn at or below 80% of AMI may not exceed 30% of the monthly income for the household. Priority will be given to projects that are affordable for households at or below 50% of AMI.
- i. LEC projects must agree to recording a Declaration of Restrictive Covenants that limits resale of LEC shares to be affordable to households at or below 80% of AMI for at least 40 years.
- c. If a property does not maintain compliance with affordability or the Federal Program Requirements, the loan will be in default. URA will conduct annual tenant income verification audits on properties which receive HPP funding to ensure compliance with affordability covenants.
- i. In such cases where naturally occurring affordable housing is acquired and existing low-income tenants are cost-burdened, a predetermined amount of HPP financing may be held in escrow to serve as a temporary subsidy until a project-based voucher is acquired or a Housing Choice Voucher holder is able to be placed in the unit.

8. Fair Housing and Accessibility Principals

- a. All units shall meet visitability standards to the greatest extent feasible. Basic visitability requirements include:
- i. One zero-step entrance to the unit/building;
 - ii. Doors with 32 inches of clear passage space; and

- iii. One wheelchair accessible bathroom.
- b. All projects shall, to the best of their ability, maximize adherence to Universal Design standards. Universal Design standards include: equitable use; flexibility in use; simple and intuitive use; perceptible information; tolerance for error; low physical effort; and size and space for approach and use.
- c. Priority will be given to borrowers making a documented effort to go above and beyond to affirmatively further fair housing rental practices, including but not limited to: modified criminal history screenings for potential tenants; reporting rental payments to credit bureaus, with the consent of the prospective tenant; allow security deposits to be paid in installments; providing preference for an agreed upon percentage of units to families that are currently rent-burdened, have experienced a no-fault eviction, or have experienced eviction but now display the ability to pay; and develop marketing and tenant selection policies and procedures that are less likely to exclude preferred tenants.

9. Loan Delinquency and Default

- a. Loans shall be deemed delinquent if payment is not received within 15 days of the payment due date. Delinquent loans may be subject to late charges.
- b. Loans shall be deemed in default to the extent that:
 - i. Any payment required by the documents evidencing the loan is 30 days delinquent.
 - ii. There is a default in any other term or condition of the loan documents, including but not limited to the loan agreement.
 - iii. Any representation made in any document submitted to the URA in connection with the loan is determined to have been untrue when made or anytime thereafter.
- c. In the event of any borrower default, the URA may, after giving the required notice to the borrower:
 - i. Recast the loan at an interest rate not exceeding prevailing conventional interest rates.
 - ii. Accelerate the loan to maturity.
 - iii. Foreclose on the property.

10. Refinancing

- a. Refinancing of existing debt on a property with a URA loan is not permitted unless approved in writing by the URA Board of Directors.

11. Change of Ownership

- a. Borrower may not sell, lease to own, assign, transfer, dispose of or master lease all or any part of the property or the borrower's interest in it during the loan term without the prior written consent of the URA.

12. Insurance

- a. The borrower shall maintain fire and extended coverage insurance at the borrower's expense in an amount not less than the sum of the URA loan and any prior indebtedness secured by the property.
- b. For properties located in a floodplain, the borrower must maintain special flood insurance in an amount not less than the sum of the URA loan and any prior indebtedness secured by the property.
- c. All required insurance policies shall:
 - i. Be written by a company authorized to transact business in the Commonwealth of Pennsylvania
 - ii. Be written by a company which is reputable and financially sound as determined by the URA.
 - iii. Be in force at the time of loan closing.
 - iv. Name the URA as loss payee in a standard mortgage clause attached to or printed in the policy.
 - v. Contain terms and coverage satisfactory to the URA.

13. Title Insurance

- a. The borrower shall provide a policy issued by a title insurance company acceptable to the URA for an amount equal to the maximum principal amount of the URA loan. The title insurance policy must name the URA as mortgagee and must provide evidence that the title to the property on the date of closing is vested in the borrower and is free and clear of all liens and encumbrances, except to taxes not yet due and payable. Approved prior mortgages and any other items that are required by or specifically determined to be acceptable by the URA may be included.

14. Appraisals

- a. The URA may require an appraisal of each property showing the value of the structure and/or land before and after the proposed construction. All appraisals shall be performed by appraisers acceptable to the URA and shall be in an URA-approved format.

VIII. Proposal Deadlines and Requirements

A. Bid Notification Announcement

The URA uses Ion Wave Technologies (IWT) as its bid notification and Question and Answer (Q&A) platform. In addition to following the Submission Requirements, respondents must also register at <https://ionwave.net/suppliers/> in order to submit questions about this funding application.

B. Submission Requirements

All application submissions are to include: 1. A completed HPP Application Narrative ([Exhibit B](#)), 2. HPP Excel Template ([Exhibit C](#)), and 3. all applicable attachments listed in the Attachments Checklist ([Exhibit D](#)).

The Application Narrative is comprised of the following sections:

- I. Eligibility Checklist
- II. Development Team Information
- III. Project Information
- IV. Project Narrative

All sections of the Application Narrative are mandatory and must be completed to the best of the applicant's ability to be considered a complete application.

All submissions must be electronically submitted via Ion Wave Technologies at <https://ura.ionwave.net/CurrentSourcingEvents.aspx>

C. Selection Criteria and Application Review

Fully completed applications will be evaluated by URA staff with particular attention paid to the following items:

1. Readiness to Proceed

2. Capacity of the Development Team
3. Cost Reasonableness
4. Compliance with HPP Funding Guidelines
5. External Funding Leveraged
6. Acceptance of Housing Choice Vouchers
7. MWBE Participation

Preference will be given to shovel ready projects that utilize Housing Choice Vouchers, that serve lower AMI levels, that leverage sources outside of the URA to build out their project budget.

Application review may take up to ninety (90) days during which URA staff may contact applicants to discuss submitted materials. Selected applications will be advanced for approval consideration.

HPP funds are not guaranteed to any applicant, and are subject to availability.

D. Funding Approval

1. Authority to Approve

- a. All HPP financing is subject to review by URA Staff, the URA Real Estate Loan Review Committee, the City of Pittsburgh Office of Management and Budget, and the City of Pittsburgh Law Department. All HPP financing must be approved by the URA Board of Directors and the City of Pittsburgh.
- b. In emergency situations where timing is a restricting factor, the Housing Lending Director can provide a Letter of Intent, based on review of the application meeting these program guidelines. The applicant can use the Letter of Intent to submit an offer on eligible properties listed for sale. The Letter of Intent will state that funding is contingent upon final approval by the URA Board and the City of Pittsburgh.
- c. Approval of HPP financing shall be evidenced by a written commitment to the borrower. Further action may not be taken toward closing on a loan until the applicant executes and returns a copy of the commitment letter.
- d. The loan closing will be scheduled at a time acceptable to the borrower and the URA.

2. Deadlines

The borrower must meet deadlines for submission of documents at each stage of the application process. Failure to meet the deadlines may result in the cancellation of the application and/or applicant's loss of a priority position in funding processing.

3. Written Commitment Letter

Approval shall be evidenced by a written commitment to the applicant. Further action toward closing on funding may not be taken until the applicant executes and returns a copy of the commitment letter. No construction activity may occur until after the HPP funding has been closed.

4. Written Rejection Letter

If a funding application is disapproved for HPP funds, the URA shall notify the applicant in writing. The rejection letter shall state the reason for rejection of the application.

5. Withdrawal of Application

An applicant may withdraw their HPP application at any time before closing by giving written notice to the URA. The applicant shall bear any costs incurred in submitting and reviewing the HPP application including, but not limited to, title examinations, legal fees and appraisals.

6. Funding Closing

- a. The loan closing will be scheduled at a time acceptable to the borrower and the URA, as well as other funders involved in the project.
- b. All pre-closing conditions outlined in the HPP commitment letter must be satisfied before a financial closing may take place.
- c. HPP loan closing and construction start will take place no longer than one hundred eighty (180) days after authorization by the URA Board of Directors to award HPP funds.
- d. Reporting and inspection requirements for HPP funded projects begin at loan closing and continue through the term of the HPP loan.

E. Questions and Answers

Due to the rolling basis of the HPP application and selection process, questions will be answered on IWT on an ongoing basis. All questions regarding this application for funding shall

be submitted and will be answered exclusively through the IWT platform. Questions and answers relates to this program will be visible to anyone registered on the IWT site.

F. Anticipated Timeframe

Funding Application Issue Date	April 14, 2023
Due Date for Applications	Applications will be accepted on a rolling basis

IX. Other Information

A. Minority and Women-Owned Business Enterprise (MWBE) Participation

The URA is committed to diversity and inclusion within all of its programs and activities. The URA encourages the full participation of minority and women business owners in its projects and programs. The URA requires that all respondents demonstrate a good faith effort to obtain minority and women-owned business enterprise participation in work performed in connection with URA projects. The URA acknowledges the City of Pittsburgh’s goals of 18% minority-owned business enterprise participation and 7% of women-owned business enterprise participation. Successful applicants will be required to submit MWBE plans as part of the project approval process. Any questions about MWBE requirements should be directed to mwbe@ura.org.

Specific to this program, the URA will require that all HPP borrowers demonstrate a good faith effort to obtain MWBE participation in work performed in connection with this program. Before HPP loan closing, borrowers will be required to work with the URA’s MWBE Program Office to create a MWBE plan for the project/development. As referenced in the Attachments Checklist, all applicants must provide a preliminary MWBE Narrative for their application to be considered complete and ready for review.

The MWBE Narrative briefly conveys, in written form, the applicant’s understanding of and commitment to the aforementioned MWBE participation goals. Whereas, the MWBE Plan, required before closing, requires the completion of a standardized Excel spreadsheet with specific information on the MWBE firms being provided with opportunities through the applicant’s HPP project.

B. Recordkeeping and Reporting Requirements

Borrowers will be required to maintain books, records, memoranda, checks, invoices, contracts, receipts, purchase orders, correspondence, records demonstrating that HPP funds were spent for eligible purposes for at least five (5) years beyond December 31, 2026, or any longer period that is required by the URA or by law. Borrowers will be required to agree to make records available to representatives of the URA or the City upon request and in the format requested by the URA or the City.

Following HPP closing, borrowers may be required to submit quarterly reports related to their projects to the URA. Such quarterly reports shall contain the following information:

1. Borrower name and contact person
2. Project location
3. HPP loan amount
4. Project status:
 - a. Not started
 - b. Completed less than 50%
 - c. Completed 50% or more
 - d. Fully completed
5. Total cost of project (including outside sources)
6. Other project information, as requested

C. Legal Information

The URA reserves the right to verify the accuracy of all information submitted in response to this application for funding and to make such investigation as it deems necessary to determine the ability of each applicant to perform the obligations in the response. The URA in its discretion reserves the right to reject any response when the available evidence or information does not satisfy the URA that the applicant is qualified to carry out properly the obligations of the response.

The URA shall be the sole judge as to which, if any, respondent(s) meet the selection criteria. The URA reserves the right, in its sole discretion, to reject any or all responses received, to waive any submission requirements contained within this application for funding, and to waive any irregularities in any submitted response

This form is submitted subject to errors, omissions, and/or withdrawal without notice by the URA at any time.

By responding to this application for funding, respondents acknowledge that the URA has no liability to any individual or entity related to this application or any proposal and/or the URA's use or nonuse of any such proposal.

All responses, including attachments, supplementary materials, addenda, etc. shall become the property of the URA and will not be returned.

Respondents and team members must disclose any conflict of interest with regards to any other work performed by the respondent for the URA, the City of Pittsburgh, or any related entity.

D. Non-Discrimination

The Urban Redevelopment Authority of Pittsburgh abides by all applicable laws and regulations regarding nondiscrimination and refrains from discriminating on the basis of age, race, color, religious creed, ancestry, national origin, sex, sexual orientation, gender identity, gender expression, political or union affiliation, and/or disability. No person shall be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination solely on the basis of any of the above factors under the loan and grant programs administered by the Urban Redevelopment Authority of Pittsburgh.