

Pittsburgh Downtown Conversion Program Guidelines

Program Objective

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

PDCP further seeks to make the Downtown residential community accessible to all Downtown workers, specifically low-to-moderate income households. Under current conditions, many who work Downtown cannot afford to live in the neighborhood, or struggle to find available affordable units. PDCP looks to simultaneously address the lack of quality affordable housing options Downtown and reduce underutilized office space.

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 was 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 addresses 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 is designed to provide more resources to projects that commit to creating units affordable to households at lower **Area Median Income (AMI)** thresholds. 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 Choice Voucher Program offered by the **Housing Authority of the City of Pittsburgh (HACP)**. PDCP 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 AMI or lower.

The total amount of funding received by a PDCP project will be subject to specific project details, URA, and Advisory Committee review. The framework in the navy-blue table at the top of page two provides a model of how the PDCP may be operationalized for a project.

Affordability Targets	Max PDCP Investment / % of total project costs	Notes
20% of units @ 80% AMI	\$1 million / 40% of total project costs	Not to exceed \$60,000 PDCP Investment per 80% AMI unit
20% of units @ 60% AMI	\$2 million / 40% of total project costs	Not to exceed \$80,000 PDCP Investment per 60% AMI unit
20% of units @ 50% AMI	\$3 million / 40% of total project cost	Not to exceed \$100,000 PDCP Investment per 50% AMI unit
Mix of Affordability	Case-by-case consideration	<p>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.</p> <p>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 review the project for matters including but not limited to compliance with federal American Rescue Plan Act (ARPA) requirements and provide the URA Board with a concurrence memo agreeing to the project.</p>

Other Criteria	Requirements	Notes
Maximum PDCP Investment Amount	\$3 million / 40% of total project costs	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.
Eligible Applicants	<p>For Profit and / or Not-for-profit Developers and Joint Ventures</p> <p>Projects must be located in Pittsburgh's Central Business District.</p>	To qualify for PDCP, projects must be located in the area identified on page 1 of the document linked here .
Funding Disbursement	Funds are disbursed based on approval after an inspection of work completed.	<p>A third-party inspector may be utilized to complete inspections and approve disbursements.</p> <p>PDCP Investment funds will generally be last funds in unless otherwise required by other financing sources.</p>

Other Criteria (continued)	Requirements (continued)	Notes (continued)
Closing	PDCP Investments will close at or after all project development financing necessary to complete project is closed.	
Eligible & Ineligible Costs	<p>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.</p> <p>Developer fees, financing fees, and pre-development costs are ineligible.</p>	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.
Wage Rates	Federal Davis Bacon Rates and Pittsburgh Service Worker Prevailing Wage Rates, provided applicable thresholds are met	
Fees	<p>Application fee: \$500</p> <p>Due Diligence fee: 2% of PDCP Investment paid at closing</p>	Example: A PDCP investment of \$1 million results in a \$20,000 due diligence fee paid at closing
3rd Party Inspections	In most cases a third-party inspector will be engaged by lender. The URA will reserve right to do its own inspections if necessary but will generally utilize the lender’s inspector as not to add additional inspection time and costs.	In cases where URA retains its own third-party inspector, the cost of the inspector will be taken out of PDCP Investment Proceeds.
Acceptance of HACP Housing Choice Vouchers (HCV)	<p>No project receiving PDCP financing may deny housing to a Housing Choice Voucher holder solely because they are a voucher holder.</p> <p>The URA reserves the right to request denied tenant applications for PDCP supported projects.</p>	For more information on HACP HCV program, including Mobility Voucher payment standards, visit HACP’s website .
Duration of Affordability	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.
Preference for Residential / Employment Retention	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.	
Reporting	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.

Other Criteria (continued)	Requirements (continued)	Notes (continued)
Advisory Committee	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. The URA Board of Directors will consider the Advisory Committee's recommendations and will make the final approvals.	The URA will utilize its Real Estate Loan Review Committee to provide underwriting recommendations and guidance.
Application Underwriting, Due Diligence, and Approval Process	Applications will be vetted utilizing standard affordable housing finance underwriting methods.	<p>Application requirements will include project pro forma, sources and 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> <p>Applications will be accepted on a rolling basis and are subject to availability of funds.</p>
Minority/Women Owned Business Enterprise (MWBE) Participation	Participating projects are subject to the URA's MWBE Policy requirements.	URA MWBE Policy
Other Eligibility Requirements	<p>Participating projects/borrowers must be in good standing on local, state, and federal taxes, zoning requirements, other public financing, State Historic Preservation Officer (SHPO), Historic Review Commission, and any other reasonable requirements as set forth by the URA.</p> <p>All projects must comply with all City of Pittsburgh permitting requirements.</p>	

Other Criteria (continued)	Requirements (continued)	Notes (continued)
Waiver of Guidelines	<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>	
PDCP Funding	<p>Funding for the program is from the Commonwealth of Pennsylvania, the City of Pittsburgh, and the URA of Pittsburgh. Future funding may occur.</p>	
Non-PDCP Sources	<p>Preference will be given to projects that extensively fundraise sources outside of PDCP to build out project budgets.</p>	<p>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.</p>
American Rescue Plan Act (ARPA)	<p>Projects will comply with all necessary requirements of the ARPA, as well as those requirements set forth by the U.S. Treasury and the City of Pittsburgh.</p>	
Affirmative Fair Housing Marketing Plans	<p>All participants must submit an Affirmative Fair Housing Marketing Plan as part of their application.</p>	
Other Requirements	<p>Projects will comply with all necessary requirements as determined by the URA and its funders.</p>	