



# **WORKFORCE HOUSING CREDIT ENHANCEMENT APPLICATION**

September 2019



# WORKFORCE HOUSING CREDIT ENHANCEMENT

## PROGRAM DESCRIPTION

**The Workforce Housing (“WFH”) Program** is an initiative of the Philadelphia Department of Planning and Development that seeks to promote the development of housing for moderate- and middle-income households (between 80%-120% of Area Median Income). The workforce housing credit enhancement (WFHCE) is available to support the financing of any workforce housing product within Philadelphia, for-sale or rental, that is built on land acquired from Philadelphia Redevelopment Authority (PRA), the Philadelphia Land Bank (PLB), Philadelphia Department of Public Property (DPP), Philadelphia Housing Development Corporation (PHDC), or Philadelphia Housing Authority (PHA).

## PROGRAM TERMS

The terms of this program are as follows:

- **Eligibility:** Any for-sale or rental development that is located within Philadelphia, on a site that either entirely or partially includes land purchased from Philadelphia Redevelopment Authority (PRA), the Philadelphia Land Bank (PLB), Philadelphia Department of Public Property (DPP), Philadelphia Housing Development Corporation (PHDC), or Philadelphia Housing Authority (PHA), and that includes housing units that will be sold or rented to workforce-housing income-eligible households (see Income Qualification below).
  - The WFHCE may be used to guarantee a portion of a larger mixed-use or mixed-income project, so long as the WFHCE is only guaranteeing financing for the workforce housing portion of the project, calculated on a pro rata square footage basis.
  - The WFHCE may be used for projects where land acquired from the public-sector comprises just part of an assemblage; in this case, the WFHCE may cover the workforce housing portion of the entire project.
- **Facility:** Up to a twenty-five percent (25%) guarantee on secured construction loans of up to three-million dollars (\$3,000,000) of construction debt (i.e., up to \$750,000 of credit enhancement) for WFH projects, to be payable to the financial institution in event of default or nonpayment. One guarantee shall be available per project. If at any time the loan amount is reduced by payoff, forgiveness or otherwise, PHDC's guarantee will be reduced proportionately such that the guaranteed portion of the loan shall not to exceed 25% of the total secured loan amount. It shall be necessary for financial institutions, in order to enforce payment by the PHDC under this facility, to exhaust their remedies against developers, any other guarantor of the construction loan, and any other person liable for payment or performance of such loan, including the liquidation of any assets or property securing the construction loan, prior to demanding payment or proceeding against the PHDC under this program.
- **Purchaser:** The purchaser of the WFHCE shall be the construction lender. The WFHCE facility may be assigned, with the consent of PHDC, if the construction loan is sold, assigned, or refinanced.
- **Term:** Up to 24 months, with up to one (1) twelve (12) month extension.

- **Price:** PHDC will charge a one-time fee equal to 150bps on the value of the guarantee, payable at time of origination for the initial 24-month term. The twelve (12) month extension term will incur an additional fee of 50bps on the total remaining exposure at time of renewal. Renewal is subject to PHDC approval. Any fees will be refunded if the construction loan fails to go to settlement.
- **Underwriting:** PHDC shall review the project, credit-worthiness of the developer, and terms and conditions of the lender, and may at its sole discretion approve or decline applications.
- **Lender Requirements:** Including the PHDC's portion of the exposure, financial institutions utilizing this facility must provide at least 85% LTC (or replacement cost).
- **Income Qualification:** For this purpose, income eligibility is based on the Philadelphia-Camden-Wilmington-PA-NJ-DE-MD MSA Area Median Income (AMI). For homeownership projects, units must be sold at a price point whereby the PITI payment (including insurance and taxes) on a mortgage, plus reasonable monthly utility bills do not exceed 30% of the income for a household earning at or below 120% of AMI. For rental product, units must be priced so that the rent plus any utilities and other passthrough costs that are billed to tenants do not exceed 30% of the income for a household earning at or below 100% of AMI. Occupants who subsequently become over-income may continue to reside in properties if they were income eligible at time of their initial lease signing. Properties that utilize the WFHCE shall be required to remain affordable to income qualified households as described above for a minimum of 15 years.
- **Restrictive Covenants:** Public entities in Philadelphia will typically dispose properties for redevelopment as workforce housing with a Declaration of Restrictive Covenants recorded against the property requiring the affordability restriction for a certain period and under certain terms expressed in the Declaration. A separate Declaration will not be recorded by the public sector in connection with the WFHCE.
- **Right to Audit and Penalties:** The PHDC maintains the right to audit any project financed with the WFHCE anytime during the affordability period, to ensure that the property remains occupied by income qualified households. For properties that are deemed to be in noncompliance PHDC shall provide a reasonable cure period, following which if the property is still in noncompliance PHDC may charge the current property owner a fee equal to the amount of credit enhancement provided by the WFHCE.
- **Termination:** The WFHCE facility will immediately terminate if the construction loan is terminated, refinanced, or converted to permanent debt without express consent of PHDC for assignment of the WFHCE.

## APPLICATION

### 1. Developer Information

A) Project Developer/Sponsor: \_\_\_\_\_ B) EIN (if applicable): \_\_\_\_\_

C) Project Ownership Entity: \_\_\_\_\_ D) EIN (if applicable): \_\_\_\_\_

The Philadelphia Housing Development Corporation does not do business with any individual or business who is noncompliant with the Philadelphia Department of Revenue and/or who owns property with open violations from the Philadelphia Department of Licenses & Inspections. The questions below are intended to assist PHDC with carrying out a compliance review of development entities whose financing may utilize the WFHCE.

E) List all individuals and entities who have had any ownership or controlling interest in the Project Sponsor and/or Ownership Entity included in sections 2A and 2B above including principals, general partners, limited partners, managing partners, members, managers, shareholders, and/or nonprofit officers:

F) For all entities and individuals identified in Subsection E above, list all other business entities in which the parties own or control an interest:

G) List all property address(es) the entities, individuals, or organizations identified in subsections 2E and 2F own within the City of Philadelphia:

## 2. Project Description

A) Project Address: \_\_\_\_\_  
*Street Address(es)*

\_\_\_\_\_  
*City*

\_\_\_\_\_  
*State*

\_\_\_\_\_  
*ZIP Code*

B) Total  
Number of  
Residential  
Units: \_\_\_\_\_

C) Number of  
Workforce Housing  
Units: \_\_\_\_\_

D) Please describe the major project uses and provide a breakdown by square footage:

## 3. Lender Information

A) Lender: \_\_\_\_\_

B) Loan Officer: \_\_\_\_\_

C) Contact Information: \_\_\_\_\_

\_\_\_\_\_  
*Email*

\_\_\_\_\_  
*Phone*

\_\_\_\_\_  
*Fax*

D) Lender Address: \_\_\_\_\_  
*Street Address*

\_\_\_\_\_  
*City*

\_\_\_\_\_  
*State*

\_\_\_\_\_  
*ZIP Code*

## 4. Guarantee Request

A) Total Loan Amount: \$ \_\_\_\_\_ B) Guarantee Requested: \$ \_\_\_\_\_

C) Loan Terms:

i) Term\*: \_\_\_\_\_

ii) Rate\*\*: \_\_\_\_\_

iii) Origination Fee: \_\_\_\_\_

iv) Other Fees: \_\_\_\_\_

\*May not exceed 24 months, with up to one (1) twelve (12) month extension.

\*\*Please indicate whether rate is fixed or variable. If variable, include what the interest rate is pegged to.

## 5. Application Attachments

Please include the following attachments:

- A) Loan commitment letter;
- B) Project budget;
- C) Development and site plans including:
  - a. Number of workforce units;
  - b. Square footage of workforce units;
  - c. Number of bedrooms in each workforce unit; and
- D) Certificates of Insurance.

By submitting an application, each applicant affirmatively acknowledges: (i) its acceptance of the terms and conditions of this program; (ii) the PHDC may exercise in its sole discretion the following rights at any time and without notice to any applicant:

- A) to reject any and all applicants;
- B) to supplement, amend, substitute, modify or re-issue the application with terms and conditions materially different from those set forth here;
- C) to conduct personal interviews with any applicant or any borrower to assess qualification; and/or
- D) to request additional material, clarification, confirmation or modification of any information in the application or any information related to the proposed construction loan and the due diligence or approval thereof by the applicant.

## 6. Prospective Project Developer and Lender Certification

I certify that:

- ☐ I am the individual authorized to complete this application, agree that my institution is interested in having PHDC guarantee up to 25 percent of this construction loan, and agree to the terms stated on pages 1-2 of this application.
- ☐ To attain a construction loan guarantee from PHDC, I agree to pay 150 basis points on the value of the guarantee.

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*Signature of Authorized Representative of Lender*

*Printed Name*

*Date*

I certify that the project will include the number of workforce housing units indicated in section 2 above, and that these units will be maintained priced to be affordable to income-eligible\* households (as defined below) for minimum 15 years.

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*Signature of Authorized Representative of Project Developer*

*Printed Name*

*Date*

**\*Income Qualification:** For this purpose, income eligibility is based on the Philadelphia-Camden-Wilmington-PA-NJ-DE-MD MSA Area Median Income (AMI). For homeownership projects, units must be sold at a price point whereby the PITI payment (including insurance and taxes) on a mortgage, plus reasonable monthly utility bills do not exceed 30% of the income for a household earning at or below 120% of AMI. For rental product, units must be priced so that the rent plus any utilities and other passthrough costs that are billed to tenants do not exceed 30% of the income for a household earning at or below 100% of AMI. Occupants who subsequently become over-income may continue to reside in properties if they were income eligible at time of their initial lease signing.

**The Philadelphia Housing Development Corporation is under no obligation whatsoever to any applicant or any other party following the submission of this application. The submission of an application does not represent any commitment on the part of the Philadelphia Housing Development Corporation to any applicant or any other party. In no event shall the Philadelphia Housing Development Corporation be responsible for any cost, expense or fee incurred by or on behalf of any applicant or any other person in connection with the application. Such parties shall be solely responsible for all such costs, expenses and fees.**