



# Pennsylvania

## Low Income Housing Preservation in 2010

### Low Income Housing Tax Credits (9% Tax Credits)

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Pennsylvania's 2010 QAP maintains the 15% preservation set-aside. Eligible properties include: (a) existing low income units receiving project-based rental subsidies that are within two years of any permitted prepayment or subsidy contract expiration with a likely conversion to market rate housing or equivalent loss of low income use restrictions; (b) developments requiring rehabilitation of systems or components in immediate need of repair or replacement, or (c) rehabilitation of already existing low income units provided that the rehabilitation is being funded through the Agency and the development will be monitored through an Agency preservation program. Preference may be given to developments that face conversion to market or which have rehabilitation scope of work that addresses significant life safety issues.

Developments must expend for rehabilitation a minimum of \$10,000 per unit in construction costs on major systems and components.

Preservation projects are exempt from the requirement to ensure at least 25% of total units of a rehab development are visitable. They may be required to provide air conditioning if financially feasible.

Rehab and preservation developers fees are limited to 10% of purchase price of the property less the cost of land. There is also a required commitment to serving low income residents for a period of not less than 30 years OR offer homeownership opportunities to qualified residents after the initial 15 year compliance period.

#### **Allocations (2003-2009)**

*Properties Preserved:* 129

*Apartments Preserved:* 8,424

*Additional Info:* From 2008 - 2009, PHFA allocated 9% tax credits to help preserve 1,778 affordable apartments. While PHFA's preservation set-aside is 15%, the agency targeted more than 20% of their allocations to preservation, with more than 36% of all the units receiving tax credits being preservation.

### Private Activity Bonds with 4% Tax Credits

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#### **Allocations (2003-2009)**

*Properties Preserved:* 47

*Apartments Preserved:* 7,992

### Housing Trust Funds

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In November 2010, the Pennsylvania Housing Affordability and Rehabilitation Enhancement Act (the state housing trust fund), was signed into law. It takes effect on February 21, 2011 and will be administered by PHFA.

#### Philadelphia

The Philadelphia Housing Trust Fund, created in 2005, is financed by a \$1.5 million bond offering and a document recording fee which is expected to raise more than \$10 million a year. The Philadelphia Office of Housing and Community Development has committed to allocating at least 50% of funds to housing production - both rehabilitation and new construction of single family homes and multi-family apartments. In 2009, the Philadelphia Housing Trust Fund launched the Targeted Housing Preservation Program providing funds for targeted home repair to augment other neighborhood investments, such as the production of new homes and revitalization.

**PLEASE NOTE:** *Some of the information on housing trust funds included in this report was generously provided by the Center for Community Change (Housing Trust Fund Project).*

## Other Preservation Incentives

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In the largest such effort in the nation, Pennsylvania will conduct comprehensive energy audits to determine the most appropriate and cost-effective improvements for increasing energy efficiency in rental homes. Results will help reduce anticipated 40 to 60 percent increases in utility expenses in affordable rental housing serving some of Pennsylvania's neediest families. Pennsylvania Housing Finance Agency is receiving a \$1 million MacArthur grant to support these efforts. The grant will also: help generate a dedicated and qualified cadre of energy auditors to scale the Preservation through Smart Rehab program statewide; and fund marketing efforts directed towards prospective owners and property managers about taking advantage of the new energy auditing services and the capital resources that are available to implement energy-conservation technologies.

The PennHOMES is a PHFA loan program that can provide a soft loan to a development that restricts one-half of the PennHOMES assisted units for households with incomes at or below 50 percent of the area's median income. The remaining PennHOMES assisted units must be restricted for households with incomes at or below 60 percent of the area's median income. The PennHOMES loan can be subordinated only to an Agency or Agency approved third party primary mortgage loan. The PennHOMES loan has a zero percent interest rate, a 30-year term, and repayment is made from excess cash flow as determined annually by the Agency.

## Green Multifamily Preservation Initiatives

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### *Green Incentives in State Tax Credit Allocation Plan*

In Pennsylvania's 2010 QAP, Energy Conservation is a Threshold Criteria and requires that all appliances, mechanical equipment, ceiling fans, and exit signs be Energy Star certified in both new construction and rehabilitation projects. Exceptions can be made in preservation projects for refrigerators, heat pumps, air conditioning units, and through wall air conditioning units less than 6 years old and for furnaces and boilers less than 10 years old. Additionally, community rooms and common areas with lighting more than 15 years old need to be replaced with fluorescent fixtures with electronic ballasts or fixtures that utilize compact fluorescent bulbs.

While new construction projects must meet Energy Star standards according to the Home Energy Rating System (HERS), rehabilitation projects are only required to meet a score 2 points higher than this (a higher score is less efficient and thus more lenient on the HERS index).

The QAP awards 5 points for projects that exceed the thermal insulation standards of the 2006 International Energy Conservation Code by at least 10%. Five additional points will be given to projects that conform to Pennsylvania's Green Building Criteria. These criteria call for water conservation devices, drought-tolerant landscaping, low-VOC paints and adhesives, "Green Label" carpeting, and other green building practices. These QAP incentives do not distinguish between new construction and preservation proposals.

### *Other Green Incentives Relevant to Preservation*

The Preservation through Smart Rehab Program (Smart Rehab) is a multifamily affordable rental housing preservation program that provides financing for capital improvements that result in a measurable reduction in energy consumption and utility costs. As of June 2010, the Smart Rehab program had over 7,000 projects in its pipeline. PHFA is a subgrantee of weatherization funds; they are receiving more than \$20 million from the PA Dept. of Housing and Econ. Dev. to supplement the Preservation through Smart Rehab program. For complete information on PA's weatherization program see: <http://www.waptac.org/grantee-contacts.aspx>.

Other incentives include property tax exemptions for renewable energy systems and grants/favorable loans for green rehabilitation and energy efficiency upgrades.

*For additional information on green initiatives, visit [www.aceee.org](http://www.aceee.org) for more on policies related to energy efficiency or [www.dsireusa.org](http://www.dsireusa.org) for programs that may be available to developers to incentivize renewable energy or energy efficiency.*

## Sustainable Communities & Transit-Oriented Development Incentives

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Being part of a Community Revitalization Plan and either being in a Qualified Census Tract or utilizing existing housing can earn points in the Community and Economic Impact section of Pennsylvania's 2010 QAP. This section is worth a total of 30 points.

Projects within the Supportive Housing set-aside must be located within 2 blocks of a public transit stop or include transportation in the site plan of services.

"Access to public transportation" is one of the criteria PHFA will use to evaluate the community impact of developments.