

# Public Housing / Year 15 Panel

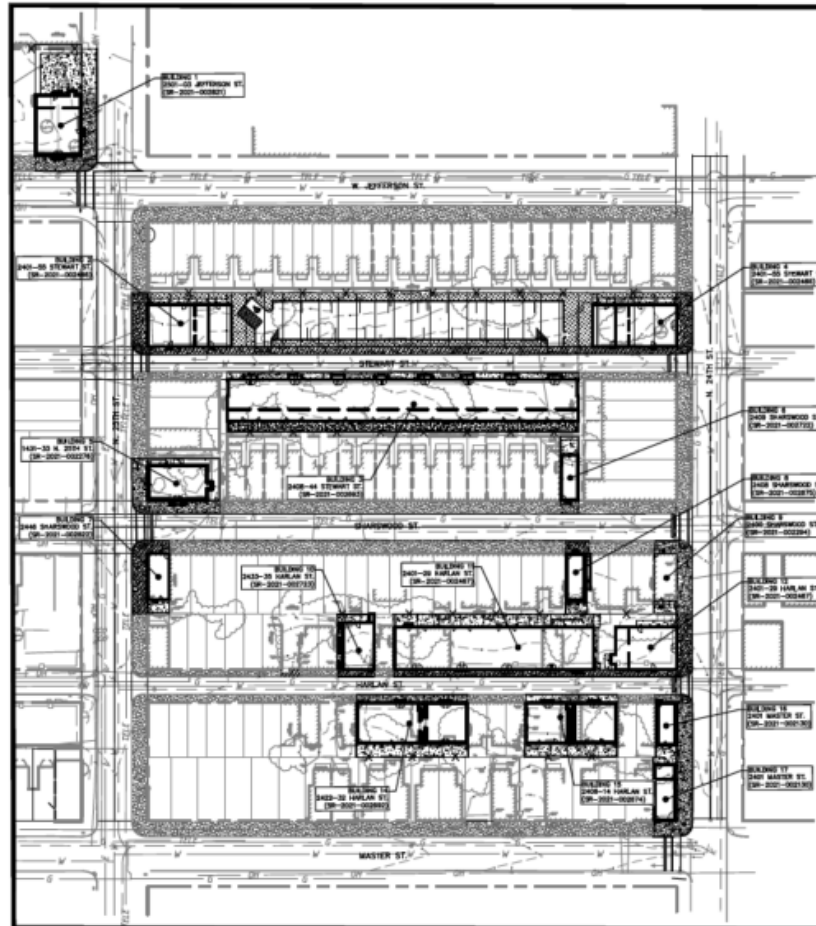
IPED CONFERENCE  
TAX CREDIT PROPERTY DISPOSITIONS

July 29, 2022

Lindsey Samsi, Developer, Pennrose, LLC

# SHARSWOOD PHASE II OVERVIEW

- 59-unit, scattered site, 9% Low-Income Housing Tax Credit project
- Located in the Sharswood neighborhood of North Philadelphia
- 2<sup>nd</sup> of three affordable rental phases as part of the Philadelphia Housing Authority's (PHA) CHOICE Neighborhood Initiative (CNI) Housing Plan
- PHA procured Penrose as the CNI Housing Implementation Entity through a competitive RFP
- Penrose responsible for a total of 343-units
  - 308 LIHTC units
  - 35 market-rate units

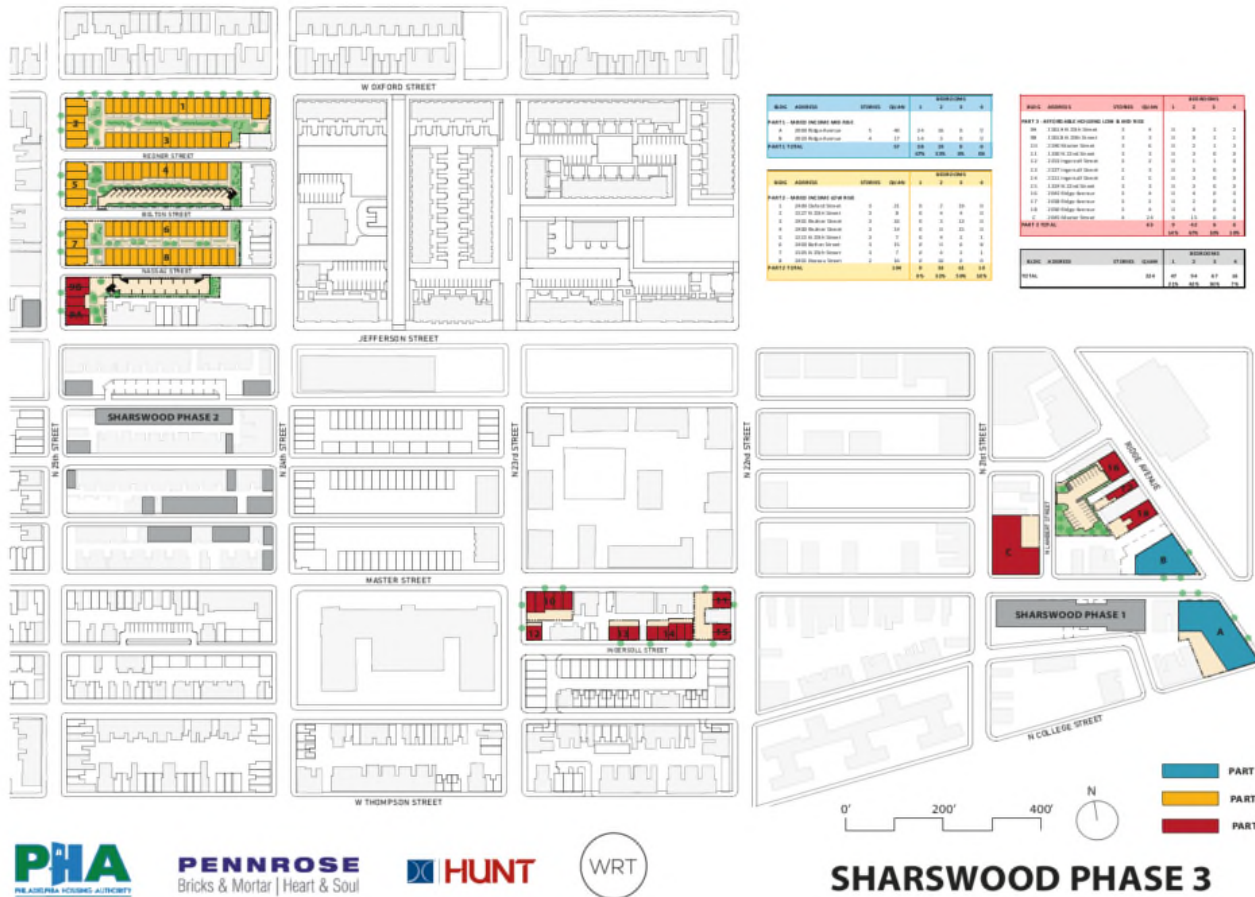


# SHARSWOOD PHASE II OVERVIEW

- Funding sources include:
  - LIHTC Equity
  - Permanent Debt (Freddie Mac)
  - City of Philadelphia HOME Funds
  - PHFA PHARE Funds
  - Commonwealth of PA RACP Funds
  - Energy Rebates
  - Deferred Developer Fee
  - **Philadelphia Housing Authority CNI Funds**
- 30 Project-Based Vouchers through RAD conversion at 110% of FMR



# SHARSWOOD PHASE III OVERVIEW



BLDG. ADDRESS	STORIES	UNITS	1	2	3	4
<b>PART 1 - MIXED INCOME AND AFF. HOUSING</b>						
2000 W. Oxford Street	4	24	12	12	0	0
2001 W. Oxford Street	4	24	12	12	0	0
<b>PART 1 TOTAL</b>	<b>8</b>	<b>48</b>	<b>24</b>	<b>24</b>	<b>0</b>	<b>0</b>
<b>PART 2 - MIXED INCOME NEW HOUSING</b>						
2002 W. Oxford Street	4	24	12	12	0	0
2003 W. Oxford Street	4	24	12	12	0	0
2004 W. Oxford Street	4	24	12	12	0	0
2005 W. Oxford Street	4	24	12	12	0	0
2006 W. Oxford Street	4	24	12	12	0	0
<b>PART 2 TOTAL</b>	<b>20</b>	<b>120</b>	<b>60</b>	<b>60</b>	<b>0</b>	<b>0</b>

BLDG. ADDRESS	STORIES	UNITS	1	2	3	4
<b>PART 3 - AFFORDABLE ACCORDING LOW &amp; MOD. INCOME</b>						
1000 N. 2nd Street	3	12	6	6	0	0
1001 N. 2nd Street	3	12	6	6	0	0
1002 N. 2nd Street	3	12	6	6	0	0
1003 N. 2nd Street	3	12	6	6	0	0
1004 N. 2nd Street	3	12	6	6	0	0
1005 N. 2nd Street	3	12	6	6	0	0
1006 N. 2nd Street	3	12	6	6	0	0
1007 N. 2nd Street	3	12	6	6	0	0
1008 N. 2nd Street	3	12	6	6	0	0
1009 N. 2nd Street	3	12	6	6	0	0
1010 N. 2nd Street	3	12	6	6	0	0
1011 N. 2nd Street	3	12	6	6	0	0
1012 N. 2nd Street	3	12	6	6	0	0
1013 N. 2nd Street	3	12	6	6	0	0
1014 N. 2nd Street	3	12	6	6	0	0
1015 N. 2nd Street	3	12	6	6	0	0
1016 N. 2nd Street	3	12	6	6	0	0
1017 N. 2nd Street	3	12	6	6	0	0
1018 N. 2nd Street	3	12	6	6	0	0
1019 N. 2nd Street	3	12	6	6	0	0
1020 N. 2nd Street	3	12	6	6	0	0
<b>PART 3 TOTAL</b>	<b>20</b>	<b>240</b>	<b>120</b>	<b>120</b>	<b>0</b>	<b>0</b>

- 224-unit, scattered site, 4% Low-Income Housing Tax Credit projects
  - Three separate tax credit transactions / one TE bond issuance
- 6 multifamily buildings + townhomes/flats
- Funding sources include:
  - LIHTC Equity
  - Permanent Debt (Freddie Mac)
  - City of Philadelphia HOME Funds
  - Energy Rebates
  - **Philadelphia Housing Authority CNI Funds**
- 101 Project-Based Vouchers through Faircloth to RAD at 110% of FMR

# SHARSWOOD PHASE II and PHASE III

## HOUSING AUTHORITY ROLE

- **MASTER DEVELOPMENT AGREEMENT** between PHA and Pennrose for ALL phases of development
  - Economics
    - 50/50 Developer Fee split
    - 50/50 Cash Flow split

### **PHA**

- NO ownership role in SPE
- Funded 25% of pre-development expenses
- 99-year ground lessor
- General oversight
- Typical ROFR / Purchase Option
  - Outstanding Debt + Exit Taxes
- Providing gap financing
- Providing 50% Project-Based Vouchers through RAD conversion at 110% of FMR

### **Pennrose**

- 100% owner of SPE
- Funded 75% of pre-development expenses
- 99-year ground lessee
- Responsible for all project management
  - Community engagement
  - Design/construction
  - Obtaining all entitlements/approvals
  - Arranging all financing
  - Closing on construction financing/perm conversion/lease-up
- Provides all guarantees
- Pennrose Management Company will manage

# Faircloth to RAD DEVELOPER PERSPECTIVE

*PHA to provide 101 Project-Based Vouchers to Sharswood Phase III through Faircloth to RAD program*

## **F a i r c l o t h t o R A D from Developer Perspective**

- Potential Issues/Concerns
  - Decrease in revenue while the RAD conversion is taking place
    - All units must be PIS and added to PIC
    - The units are considered public housing units until the RAD conversion occurs so lease-up cannot begin until that time
    - If the units are available for occupancy over time (phased construction), the RAD conversion can only occur AFTER all units exist as public housing
  - A negative impact, from the decrease in revenue, on the underwriting of the perm loan (for construction closing) – i.e., less proceeds
  - Delays in meeting stabilization requirements and perm loan conversion
- Potential Solutions
  - Operating Deficit Reserve or Transformation Reserve to cover the loss in revenue, while the RAD conversion takes place

*\*HUD guidance recommends establishing a “year of conversion” reserve to supplement the public housing funding and provide the project with normal RAD revenue, especially where perm loan conversion requires stabilized occupancy for a certain period.*