



Urban
Redevelopment
Authority
of Pittsburgh

Affordable Housing Bond

Spending Plan
April 2024





Introduction

This Spending Plan highlights the targeted long-term impact of the Affordable Housing Bond (Bond), issued by the Urban Redevelopment Authority of Pittsburgh (URA) on December 28, 2023, emphasizing its role in creating mission-driven investments that foster a more inclusive, equitable, and prosperous future for Pittsburgh residents, both present and future.

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Background & Purpose

The Urban Redevelopment Authority of Pittsburgh (URA) is the economic development enterprise for the City of Pittsburgh, with a mission to foster sustainable prosperity across all of Pittsburgh. The URA is committed to building thriving neighborhoods, creating quality jobs, healthy communities, and sustainable businesses. In this regard, the URA bridges public and private interests to invest in equitable developments that promote housing affordability, economic mobility, entrepreneurship, and neighborhood revitalization.

The URA has a proven track record of adapting to the changing needs of Pittsburgh's affordable housing community. Over the past three decades, the URA has established a consistent and wide-ranging pipeline of housing programs. These programs range from direct lending for large-scale multi-family projects led by private or nonprofit development entities to providing assistance for down payment and closing costs for eligible first-time homebuyers.

In May 2016, the City of Pittsburgh's Affordable Housing Task Force reported a defined affordability gap of 17,241 units for households earning up to 50% of the city's median household income. The report found that the lack of affordable housing is most severe for those at the lowest income tiers, with only 34 units of affordable and available housing per 100 households earning less than 30% of the Area Median Income (AMI). In response to this report, the City of Pittsburgh, in partnership with the URA, established an affordable housing trust fund, the Housing Opportunity Fund, pledging \$10 million annually starting in 2018 for the creation and preservation of affordable housing opportunities.

The lack of affordable housing continues to be a critical issue in Pittsburgh. The 2022 Pittsburgh Housing Needs Assessment reports that, "Nearly half of all renters in Pittsburgh are cost-burdened, with over a quarter qualifying as extremely cost-burdened. Additionally, approximately 20% of all owners are cost burdened with 10% qualifying as extremely cost burdened." Cost burdened households are a direct result of the combination of low incomes and a shortage of affordable and available housing. High housing costs increase the likelihood that low-income households may have difficulty paying for other necessities such as food, transportation, or healthcare.

Furthermore, since the start of the COVID-19 pandemic, the real estate development industry has experienced industry-wide trends that have made securing financing for real estate rehabilitation projects and construction projects increasingly difficult. These issues are even more challenging to overcome within the affordable housing development sector. The demand for higher public subsidies for affordable housing developments in the City of Pittsburgh is causing a strain on the standard, existing financial resources available for such projects through the City and the URA.

In response, the URA recognized the opportunity to create an innovative solution to Pittsburgh's complex housing problems and took the necessary steps to secure an Affordable Housing Bond issuance in the amount of \$31,575,000, with \$30,646,216 of that available to spend on projects. The issuance, leveraging the successful implementation and partnership of the Housing

Opportunity Fund, is made possible through a cooperation agreement with the City of Pittsburgh and the URA for \$2.5 million per year over the next 25 years.

With this Bond, the URA will provide much-needed leverage to fund multiple programs rather than investing in one project and establish a new way of providing construction support through a reusable, revolving source of funding over 25 years. The URA plans to respond to the current affordable housing market demands and increased financial needs for development projects while ensuring that the investments made through this Bond 1) create and preserve affordable housing that is consistent with community goals, 2) result in lasting affordability, and 3) increase the City's tax base.

The URA acknowledges that the Bond is one piece of the affordable housing finance ecosystem. By securing the Affordable Housing Bond, the URA and City are better positioned to empower and incentivize development partners that share the same values and goals to advance the mission of safe, quality, and fair affordable housing. Our aim is to ensure that Pittsburgh is a city where everyone can have a place to call home and thrive.

It's important to note that this Spending Plan is preliminary. The URA is ready to adapt and evolve as the needs within the affordable housing landscape change in the coming years and will work diligently to ensure the efforts result in meaningful and sustainable solutions.

Stakeholder Engagement

Stakeholder engagement has been at the core of the Affordable Housing Bond issuance since its initial announcement. The URA has worked collaboratively with affordable housing advocacy groups, for-profit and nonprofit developers, and financial institutions across the city to ensure that both the fund uses and targets are created by members of the community who would directly benefit from the fund and are also meeting the current funding needs within Pittsburgh's affordable housing market. Groups that are integral to the public engagement and stakeholder outreach process include:

ACTION-Housing, Inc.	Hazelwood Initiative	Housing Opportunity Fund Advisory Board
Allegheny County Department of Human Services (DHS)	Amani CDC	Housing Authority of the City of Pittsburgh
Housing Justice Table	Larimer Consensus Group	2023/24 Pittsburgh Low-Income Housing Tax Credit (LIHTC) Applicants
City of Bridges Community Land Trust	Beltzhoover Consensus Group	Pennsylvania Housing Finance Agency (PHFA)

Catapult Greater Pittsburgh	Schenley Heights Collaborative	URA Board of Directors
Garfield Community Land Trust	Northside Leadership Conference	Pittsburgh City Council
Hilltop Alliance	Bloomfield Garfield Corporation	Rising Tide
Oakland Planning and Development Corporation	Uptown Partners	Main and Elm
Open Hand Ministries	East Hills Consensus Group	Pittsburgh Land Bank
East Liberty Development Inc.	Federal Home Loan Bank of Pittsburgh	Pittsburgh Housing Development Corporation (PHDC)
Pittsburgh Community Reinvestment Group (PCRG)	Pittsburgh Fair Housing Partnership	Habitat for Humanity of Greater Pittsburgh

Bond Fund Targets and Goals

The Affordable Housing Bond was secured with the goal of addressing the City of Pittsburgh’s current housing needs and leveraging additional affordable housing opportunities as they arise. Based upon stakeholder engagement, community outreach, and evaluation of the URA’s project pipeline and demand for existing funding programs, the URA set the following targets for the use of the Bond proceeds across multiple programs that support the creation and preservation of affordable housing. These targets could shift over the lifetime of the Bond Spending Plan, depending on the pipeline and need. Our goal is to deploy all initial funding over the next three years.

Proposed Targeted Allocation of Bond Funds

PROGRAMS

The URA is committed to making affordable housing accessible to everyone, as demonstrated by its offerings of a range of gap financing programs to support the creation and preservation of rental and for-sale housing. Our financing options include patient cash flow loans, deferred loans due upon sale or refinance of the property, and amortizing interest-bearing loans. We are proud to utilize the Affordable Housing Bond funds as a source of funds for our existing

programs, ensuring that the City's investment goes towards a worthy cause and will be available and utilized into the future as the debt revolves.

The Affordable Housing Bond funds will be utilized as a funding source for the URA's following four existing programs and one potential new program:

Rental Programs – Programs include the Rental Gap Program, the Housing Preservation Program, and the Pittsburgh Downtown Conversion Program.

The **Rental Gap Program (RGP)** provides loans to nonprofit developers or developers with nonprofit partners for the creation and/or preservation of affordable units. The RGP is designed to increase the supply of affordable rental units.

The **Housing Preservation Program (HPP)** helps fund the acquisition, renovation, or operations of existing subsidized or naturally occurring affordable rental units located within the City of Pittsburgh. HPP aims to quickly deploy loan 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.

The **Pittsburgh Downtown Conversion Program (PDCP)** is intended to stimulate the economic recovery of Downtown Pittsburgh by creating new 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, through the inclusion of affordable units. 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. This program is patient debt in the form of a cashflow or deferred loan.

For-Sale Development Program – The purpose of the For-Sale Development Program (FSDP) is to provide construction financing to nonprofit and for-profit developers for the substantial rehabilitation or new construction of for-sale housing. FSDP provides low interest rate construction financing and grants for the purpose of increasing the supply of affordable housing for homeownership and eliminating substandard housing by ensuring compliance with applicable codes and standards. Through this program, the Bond funds would be used as a pre-development loan that would be paid back at construction financing.

New Revolving Loan Fund – As a result of the stakeholder engagement process, the URA has identified an opportunity to establish a new revolving loan fund using the Bond funds. The primary objective of this loan fund is to provide much-needed financial support to development projects that require construction or bridge loans with a below-market interest rate.

The proposed loan program will use amortizing debt, which means that the borrower will repay both the principal and the interest over a set period of time. This structure has been designed to ensure that the loan is affordable and sustainable for the borrower while also providing a reasonable return for the URA as the lender.

Establishing this new loan fund is a major step toward supporting economic development in our community. By providing access to affordable capital, not only do we help create affordable

housing, but we can also help create new jobs, stimulate economic growth, and promote prosperity for all.

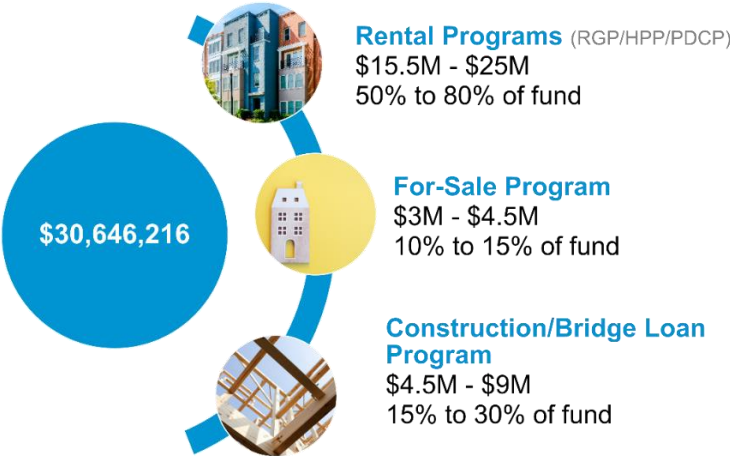
LOAN APPROVAL PROCESS

Each program will have its own URA board-approved guidelines. As the dynamics of the housing market change, URA staff can propose amended program guidelines to the URA Board of Directors for approval, as deemed necessary and appropriate. The URA will accept applications for each program on a rolling basis. URA staff will underwrite each application and determine the amount of funds the applicant is eligible for based on the program guidelines. The URA will set the interest rate. After underwriting, an external review of the project will be conducted by the URA’s advisory Real Estate Loan Review Committee (RELRC), which is comprised of representatives from private lenders, nonprofit CDCs, university small business development centers, and other local real estate professionals with expertise in evaluating commercial real estate financing. Upon affirmative recommendation from the RELRC, the application will be presented to the URA’s Board of Directors for their final approval. URA Board Meetings are public meetings and are open for public comment. The URA Board Meeting agendas are public documents and provide detailed descriptions of each item/project.

Whenever a borrower repays the principal and interest of a loan from the Bond funds, the entire amount is reinvested into the Bond fund account and will be utilized to fund upcoming projects. This way, the Bond fund account is constantly replenished and ready to finance future projects.

Proposed Allocation of Funds to URA Programs

The URA proposes to allocate the Bond funds using the following approach based on stakeholder engagement, potential programmatic pipelines, and projects underway.



Rental Programs: The fund is expected to be used for various rental programs, which include the Rental Gap Program (RGP), Housing Preservation Program (HPP), and the Pittsburgh Downtown Conversion Program. These programs will receive an estimated 50%-80% or \$15.5-\$25 million dollars of the fund based on stakeholder outreach and our existing project pipeline. These loans are deployed into projects as patient cashflow loans in which repayment is based on the borrower's capacity to repay through the project's operating income as determined by the URA, or deferred loans in which the payment of the loan is deferred until the occurrence of a recapitalization event or the property is sold or transferred to a different entity.

For-Sale Predevelopment Loan: An estimated 10% to 15%, or \$3-\$4.5 million, of the fund will be allocated to for-sale predevelopment loans. These loans will be either amortized or interest-only and repaid at a project's construction financing closing.

Construction/Bridge Loan Program: The fund will create a new construction/bridge loan program and allocate an estimated \$4.5 to \$9 million, or 15% to 30% of the fund. This loan program will provide interest-bearing amortizing debt that will be paid down throughout a project's construction period. The loan will be paid off at the project's conversion from a construction loan to permanent debt. This program aims to support new construction projects and bridge the gap between construction loans and permanent debt.

Unit Production Target

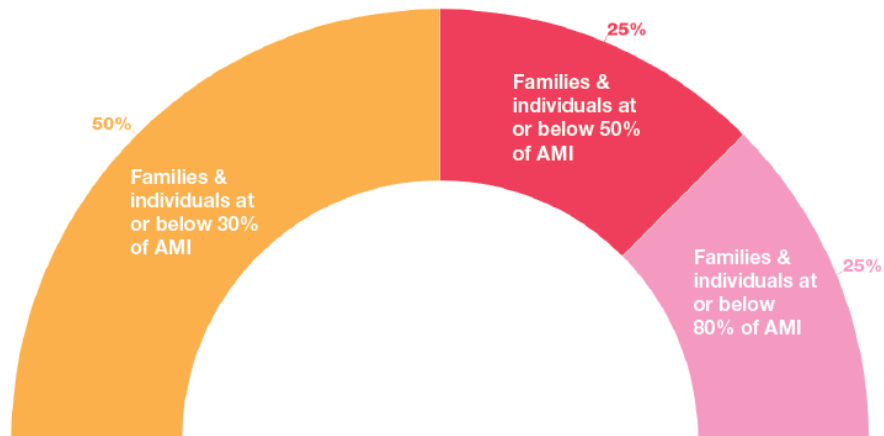
We conservatively anticipate that the Bond funds will help create or preserve approximately 1,000 rental and/or for-sale housing units in the fund's first three years.

Area Median Income Targets

Affordability targets: Consistent with those of the Housing Opportunity Fund, the following income targets shall be set for the overall investment of Bond fund assets in projects, programs, and activities:

- 50% of funds should benefit families and individuals at or below 30% of AMI.
- 25% of funds should benefit families and individuals at or below 50% of AMI.
- 25% of funds should benefit families and individuals at or below 80% of AMI by providing or supporting homeownership opportunities. 80% of AMI may only be exceeded for funds used to provide For-Sale Development Program (FSDP) predevelopment loans consistent with the income targets and policies used by the URA homeownership programs.

AMI Targets



Preferences and Priorities

Priority will be given to projects:

- with long-term affordability of 40 years or more, with a preference given to projects with permanent affordability.
- that maximize other relevant public and private financing sources (such as tax credits, private debt, and other tools) and that commit to deeper affordability by utilizing the Housing Choice Voucher Program offered by the Housing Authority of the City of Pittsburgh (HACP).
- with creative homeownership models, including limited equity cooperatives and other social housing concepts.
- that offer larger family-sized units with three bedrooms or more.

Anti-displacement Targets

When Bond funds are used to preserve affordable housing to the greatest extent feasible, there should be:

- no net loss in affordability;
- all affordable units should be maintained or replaced in locations that are no less desirable than the original location;
- all existing residents should be given their choice to live in the redeveloped housing or receive comparable relocation housing; and
- replacement housing should be built first or otherwise phased so that residents will not be required to make more than one move.

Design Targets

All new construction and all projects of four units or more receiving an investment of Bond funds shall target to meet or exceed the following goals, to the greatest extent feasible:

- A minimum of 10% of units shall be accessible to individuals with mobility impairments and a minimum of 4% shall be accessible to individuals with sensory impairments.
- All units shall meet visitability standards.
- All projects shall maximize the number of units that meet universal design standards.

Next Steps

Looking ahead, the URA remains dedicated to transparency, accountability, and ongoing stakeholder engagement. Annual spending reports will be delivered to the City, and adjustments to program guidelines will be made as necessary based on community feedback and evolving needs.

- URA staff remains available for stakeholder outreach and engagement throughout the life of the fund.
- The targeted timing for making any initial necessary amendments to program guidelines, per stakeholder outreach discussion and feedback, is May 2024.
- The targeted timing to provide a public notice of the availability of funds and launch final applications is June 2024.
- The targeted timing to create new program guidelines and launch the application for the new construction/bridge loan fund is August 2024.
- Annual spending reports will be delivered to the City beginning in Q1 2025.

Conclusion

In conclusion, the Affordable Housing Bond spending plan presented to City Council by the URA represents a significant milestone in addressing the critical issue of affordable housing deficit in our city. The collaboration between the URA and the City of Pittsburgh, with input from numerous stakeholders has successfully resulted in the 2023 Affordable Housing Bond, amounting to \$31,575,000.

The purpose of this Bond is clear: to provide sustainable and flexible funding for the creation and preservation of affordable housing opportunities and to innovate solutions for Pittsburgh's complex housing challenges. This initiative exemplifies the URA's commitment to fostering thriving neighborhoods, promoting economic mobility, revitalizing communities, and ensuring housing affordability for all residents in alignment with its mission.

The Bond's structure, programs, and repayment mechanisms have been meticulously designed to ensure long-term sustainability and effectiveness. We recognize that the impact of this Bond extends far beyond the present moment, as it will benefit the lives of future generations and

stakeholders. It underscores the importance of responsible leadership and decision-making practices, as well as prioritizing actions that may not yield immediate benefits but will contribute to creating a lasting impact. By investing in affordable housing now, we are laying the foundation for a more equitable and prosperous future for all residents of Pittsburgh.

In essence, the Affordable Housing Bond is not just a financial instrument; it's a testament to our collective commitment to building a more inclusive, equitable, and prosperous Pittsburgh where everyone can have a place to call home and thrive. We thank the Gainey Administration, members of City Council, and the numerous community development and housing stakeholders engaged for their time, consideration, and valuable advisement in supporting this crucial initiative to benefit our community's present and future well-being.

APPENDIX

Bond Structure

<u>Issuer</u>	Urban Redevelopment Authority of Pittsburgh
<u>Underwriter</u>	PNC Capital Markets LLC
<u>Trustee</u>	The Bank of New York Mellon Trust Company, N.A
<u>Type</u>	General Obligation Revenue Bonds
<u>Tax Status</u>	Federally Taxable and Pennsylvania Tax-Exempt
<u>Settlement Date</u>	December 28, 2023
<u>Program</u>	To meet the shared goals for increased housing and increased availability of affordable housing, the Urban Redevelopment Authority, in cooperation with the City of Pittsburgh, determined that new creative and dynamic tools are needed for financing the production and rehabilitation of housing for low and moderate-income residents of the City of Pittsburgh
<u>Rating</u>	<p>The Bond rating was prepared by Standard and Poors Global Ratings (S&P Global Ratings) which assigned its 'A+' long-term rating to the Urban Redevelopment Authority (URA or authority) of Pittsburgh, Pa.'s \$31.3 million series 2023 taxable revenue bonds issued for the City of Pittsburgh. At the same time, S&P Global Ratings affirmed its 'AA-' long term rating and underlying rating (SPUR) on the city's general obligation (GO) debt outstanding. The outlook is stable.</p> <p>The rating is also based on the cooperation agreement the City of Pittsburgh entered into with the URA to make annual payments to the URA, by way of annual appropriation by the city council, from any legally available general revenues.</p>
<u>Security</u>	The Bonds are payable from and secured solely by cooperation agreement payments in the amount of \$2,500,000 made annually for 25 years by the City of Pittsburgh to the URA, paid from the City's general revenues. The city's cooperation payments are expected to be sufficient to pay for the principal and interest of the bonds.
<u>Maturity Dates</u>	between 2024 and 2048
<u>Interest Rates</u>	4.742% to 5.718%
<u>Par Amount</u>	\$31,575,000
<u>Project Fund Amount</u>	\$30,646,216.40 (Amount available to spend)

Total Funds Available

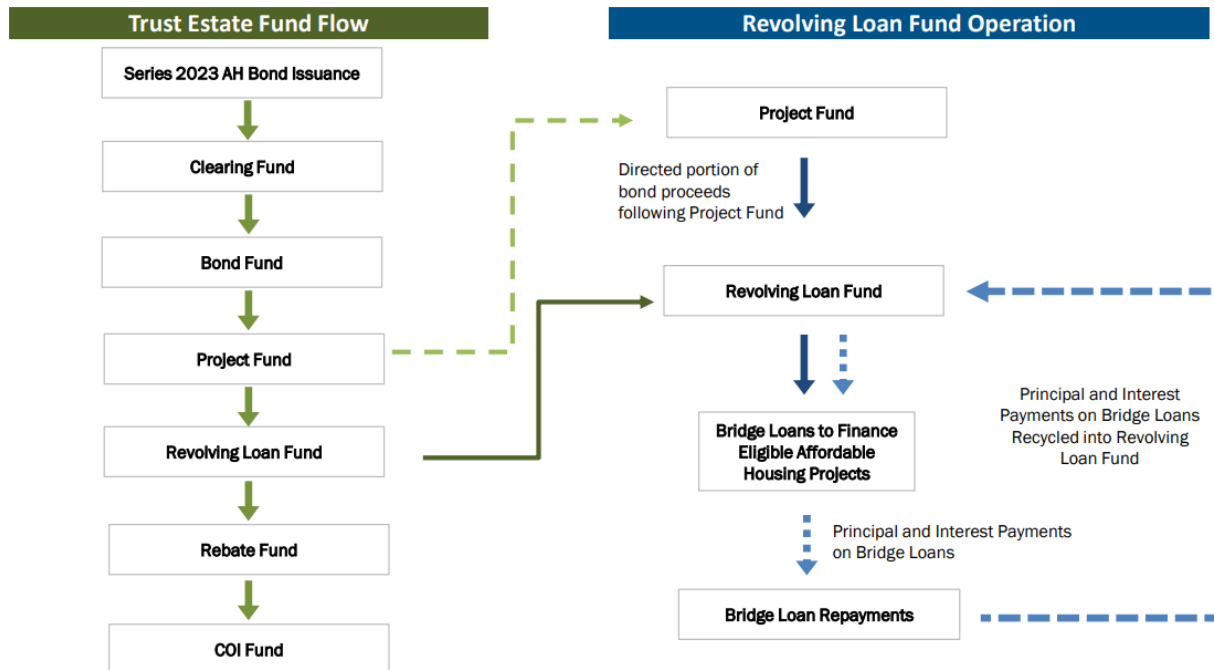
The amount determined as follows:

Sources of Funds	
Principal Amount of Bonds (Par Amount)	\$31,575,000.00
Original Issue Premium (Discount)	\$0.00
Total Sources	\$31,575,000.00

Uses of Funds	
Total Funds Available	\$31,575,000.00
Deposit to the Supplemental Reserve Fund	\$394,174.10
Payment of Delivery Date Expenses	\$537,109.50
Deposit to the Project Fund	\$30,646,216.40
Total Uses	\$31,575,000.00

Bond Fund Flow Chart

Courtesy of PNC Capital Markets LLC



Bond Fund Accounts

The following funds were established at closing (including any accounts or subaccounts), and the money deposited in the funds shall be held in trust and maintained by the Trustee, Bank of New York Mellon Trust Company, N.A. The URA has the right to deposit funds into, and withdraw funds from, as applicable, the foregoing funds, subject to the requirements of the Bond Indenture. The following is a description of each account. An account flow chart can be found in the graphic above.

Clearing Fund

The proceeds of the Bond are initially deposited into the clearing fund. The Clearing Fund shall be used to fund other funds and accounts as directed by the URA by written requisition to the Trustee.

Bond Fund

The Bond Fund is used to pay the principal of, premium, if any, and interest on the Bonds when due. Moneys in the Bond Fund shall be used solely as a fund for the payment of the principal of, premium, if any, and interest on the Bonds and for the redemption of the Bonds at or prior to maturity. All Cooperation Payments shall be deposited in the Bond Fund as received by the URA or the Trustee on behalf of the URA. The URA will authorize and direct the Trustee to withdraw sufficient funds from the Bond Fund to pay principal, interest and premium, if any, on the Bonds when due and payable and to make such funds so withdrawn available to the Trustee for the purpose of paying principal, interest, and premium, if any.

Project Fund

The Project Fund is to be used to provide financing for the construction or rehabilitation of affordable housing within the City in a manner which is consistent with the Program and as set forth in the Cooperation Agreement. The URA may grant or loan money on deposit in the Project Fund for purposes consistent with the Program. Any moneys paid to the URA by any Program borrower as debt service for any loan made by the URA out of the Project Fund shall be deposited back into the Revolving Loan Fund for use on the Project, unless there is a deficiency in the Bond Fund, in which case such moneys shall be deposited into the Bond Fund, only to the extent of such deficiency. Disposition of moneys from the Project Fund shall be made by the Trustee upon its receipt of a written requisition from the URA.

Revolving Loan Fund

the URA may transfer funds from the Project Fund to the Revolving Loan Fund for purposes of the Project. The URA may use funds in the Revolving Loan Fund for the purpose of funding loans to borrowers for purposes of the Project; provided, that the payment of the principal of, interest on or any premium paid to the URA by the borrowers with respect to such loans shall be deposited by the URA for additional uses with respect to the Program into the Revolving Loan Fund and reloaned by the URA. With respect to loans made from money in the Revolving Loan Fund, the URA shall be responsible for tracking such money once loaned and maintaining records with respect to such loans.

Supplemental Reserve Fund

The amount of money in the Supplemental Reserve Fund at any time shall not exceed

Maximum Annual Debt Service on the 2023 Bonds and any excess money in the Supplemental Reserve Fund shall be transferred by the Trustee to the Bond Fund. The Supplemental Reserve Fund shall be held in trust by the Trustee until applied as provided.

Cost of Issuance Fund

The URA may direct the deposit of amounts to the Costs of Issuance Fund for the payment of costs incurred in connection with the issuance of the related series of Bonds. Moneys in the Costs of Issuance Fund shall be applied by the Trustee to pay such costs upon receipt of a written requisition from the URA. Any moneys remaining in the Costs of Issuance Fund after the payment of all costs of issuance, and in any event not later than 60 days following the date of issuance of the related series of Bonds, shall be transferred to the Project Fund, the Revolving Loan Fund or the Bond Fund as directed by the URA.

Rebate Fund

(We do not currently plan to use this account as it is for tax-exempt bonds.) Any amount credited to the Rebate Fund shall be free and clear of any liens. The Trustee shall make deposits to and disbursements from the Rebate Fund (including rebate payments to the United States as may be required by the terms of any tax certificate or agreement relating such federally tax-exempt Bonds), as well as investments of the amounts therein, in accordance with the written directions received from the URA pursuant to any tax certificate or agreement.



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