

**Extremely Low & Low-Income Affordability (ELLA) Program  
 Term Sheet**

<b>Program Description</b>	<p>HPD's ELLA Program funds the new construction of low income multi-family rental projects affordable to households earning up to 60% of Area Median Income (AMI).</p> <p>HPD subsidy is in addition to construction and permanent financing sources provided by, but not limited to, private institutional lenders, the NYC Housing Development Corporation (HDC) Extremely Low &amp; Low-Income Affordability (ELLA) Program, New York State Homes and Community Renewal (HCR) Homes for Working Families Initiative (HWF), Low Income Housing Trust Fund Program (HTF), New York State Low Income Housing Tax Credit Program (SLIHC) and Low Income Housing Credit Program(LIHC), Federal Low Income Housing Tax Credit Program (LIHTC), and New York State Housing Finance Agency programs.</p>
<b>Eligible Borrowers and Sponsors</b>	<p>In order to be eligible for HPD-issued Capital funds, it is required that a borrower be a Housing Development Fund Corporation either alone or in partnership with for-profit developers, limited partnerships, corporations, trusts, joint ventures, or limited liability companies.</p> <p>The development team for the project must have demonstrated a track record in successfully developing, marketing, and managing the type of facility proposed or must form a joint venture with an entity which has such expertise. Borrowers must demonstrate sufficient financial stability and liquidity to construct and operate the project.</p>
<b>Eligible Projects</b>	<p>New construction of housing affordable to families with household incomes up to 60% of AMI. Projects may include a tier of units with rents affordable to households between 61% - 90% of AMI, as dictated by other funding sources.</p> <p>In addition, projects must comply with one of the following requirements:</p> <p style="padding-left: 40px;">30% of the units serving formerly homeless households with non-HPD subsidy. HPD requires an additional funding source of non-HPD subsidy (i.e. Section 8 vouchers, OMH, MRT)</p> <p style="text-align: center;">- or -</p> <p style="padding-left: 40px;">10% of the units serving households up to 30% of AMI, 15% of the units serving households up to 40% of AMI, and 15% of the units serving households up to 50% AMI</p> <p>Preference will be given to projects that include a non-HPD rental subsidy. Projects with such subsidy will be considered with up to 30% of the units servicing formerly homeless households.</p>
<b>HPD Loan Amount</b>	<p>HPD may provide a maximum subsidy according to the chart below. Projects may include a tier of units affordable to households earning between 61%-90% of AMI, as dictated by other funding sources.</p>

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<b>Affordability</b>	<b>Publicly-owned sites*</b>	<b>Privately-owned sites**</b>
10% of units ≤ 30% of AMI	Up to \$65,000 per DU	Up to \$75,000 per DU
15% of units ≤ 40% of AMI		
15% of units ≤ 50% of AMI		
60% of units ≤ 60% of AMI		

\* For publicly-owned sites, disposition in most cases will be for \$1 per lot with the balance of appraised value in an enforcement note and mortgage, payable upon maturity. Publicly-owned sites may include sites owned by HPD, other government agencies and property owned by NYCHA.

\*\*Subject to HPD approval, subsidies may be adjusted for private site acquisition supported by an appraisal.

Per-Unit subsidies may be reduced for projects utilizing other sources, including the Inclusionary Housing Program or Project-Based Section 8, absent broader/deeper affordability or project benefits, or projects that do not meet the minimum 15% three-bedroom unit requirement.

Preference will be given to projects requesting less than the maximum subsidy and otherwise demonstrating cost containment; examples may include but will not be limited to proposals that conform with competitive criteria, LIHTC basis caps, utilize efficient construction and lease-up schedules, use of reserves, etc.

**Loan Terms**

- Loan Term: 30 years (Loan terms vary by funding source).
- Interest Rate: 1% per annum plus 0.25% servicing fee during construction, as applicable. HPD may reduce the paid rate to leverage additional private financing. An additional compounding interest rate set at the Applicable Federal Rate (AFR) may defer and accrue, with balloon due at maturity.
- Amortization: Balloon allowable up to 100% of HPD loan amount.
- Debt Service Coverage: 115% on all financing.
- Loan to Cost: May not to exceed 90% overall of total development cost.
- Income to Expense: Minimum of 1.05x on all financing; 1.10x when commercial space is more than 25% of gross income.
- Project Income should include residential rental and commercial income, as applicable
- Developer's Fee: A developer's fee is only allowed when tax credits are used or funds are combined with other public subsidy programs allowing such fees. As described in the HPD Low Income Housing Tax Credit Qualified Action Plan (QAP), total developer fee is not to exceed 15% of improvement costs (excluding developer fee, reserves, and syndication and partnership expenses) and 10% of acquisition costs for tax credit projects. The total fee should be fully deferred at construction loan closing. Consultant fees should be paid from the developer fee.
- Land Acquisition: Acquisition costs for privately owned land will be reviewed by HPD and may be approved at up to appraised value.

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	<p>Subsidies may be adjusted for private site acquisition supported by an appraisal methodology acceptable to HPD. For publicly-owned sites, disposition in most cases will be for \$1 per lot with the balance of appraised value in an enforcement note and mortgage, payable upon maturity. Publicly-owned sites may include sites owned by HPD, other government agencies and property owned by NYCHA.</p> <ul style="list-style-type: none"> <li>• HPD requires that the general contractor secures projects by a letter of credit for 10% of hard costs excluding contingency. Payment and Performance bond for 100% of hard costs may be accepted in lieu of letter of credit.</li> <li>• Projects funded with Federal funds require compliance with Section 3 new hires and Davis Bacon prevailing wages, as applicable.</li> </ul>																																										
<p><b>Maximum Initial Monthly Rents &amp; Rent Increases</b></p>	<p>Initial rents for tenants with low incomes (30% of AMI, 40% of AMI, 50% of AMI and 60% of AMI) are calculated at 30% of 27% of AMI, 30% of 37% of AMI, 30% of 47% of AMI, and 57% of AMI, respectively. All other rents are calculated at 30% of the target AMI. All rent levels are calculated as gross rents less an electricity allowance.</p> <table border="1" data-bbox="467 821 1263 1083"> <thead> <tr> <th colspan="7">2014 MAXIMUM INITIAL RENTS FOR TENANTS WITH INCOMES UP TO:</th> </tr> <tr> <th>UNIT SIZE</th> <th>30% AMI</th> <th>40% AMI</th> <th>50% AMI</th> <th>60% AMI</th> <th>80% AMI</th> <th>90% AMI</th> </tr> </thead> <tbody> <tr> <td>0 BR</td> <td>\$347</td> <td>\$494</td> <td>\$641</td> <td>\$788</td> <td>\$958</td> <td>\$1,085</td> </tr> <tr> <td>1 BR</td> <td>\$375</td> <td>\$532</td> <td>\$690</td> <td>\$847</td> <td>\$1,208</td> <td>\$1,367</td> </tr> <tr> <td>2 BR</td> <td>\$458</td> <td>\$647</td> <td>\$836</td> <td>\$1,025</td> <td>\$1,458</td> <td>\$1,649</td> </tr> <tr> <td>3 BR</td> <td>\$527</td> <td>\$745</td> <td>\$963</td> <td>\$1,182</td> <td>\$1,902</td> <td>\$1,902</td> </tr> </tbody> </table> <p>Subsequent rent increases will be governed by the lower of AMI or rent stabilization increases with no vacancy or luxury decontrol for the duration of the HPD restriction period. HOME-funded and tax credit units will be subject to additional restrictions and monitoring during the affordability period.</p>	2014 MAXIMUM INITIAL RENTS FOR TENANTS WITH INCOMES UP TO:							UNIT SIZE	30% AMI	40% AMI	50% AMI	60% AMI	80% AMI	90% AMI	0 BR	\$347	\$494	\$641	\$788	\$958	\$1,085	1 BR	\$375	\$532	\$690	\$847	\$1,208	\$1,367	2 BR	\$458	\$647	\$836	\$1,025	\$1,458	\$1,649	3 BR	\$527	\$745	\$963	\$1,182	\$1,902	\$1,902
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<p><b>Units for Formerly Homeless</b></p>	<ul style="list-style-type: none"> <li>• Units for the formerly homeless will be underwritten at tax-credit levels, but Section 8 Payment Standard may be charged for those units in order to fund social services, based on an HPD approved social service plan.</li> <li>• To the extent that Section 8 subsidy may be available for formerly homeless tenants in developments, developers must follow all HPD and HUD Section 8 processing regulations.</li> <li>• Homeless referrals must come directly from HPD (via the Department of Homeless Services (DHS)). Any exceptions to this must be approved by HPD in advance.</li> <li>• Rent-up reserves of up to \$1,500 per homeless unit may fund rental income during the Section 8 enrollment period.</li> <li>• Social Service Reserve of up to \$2,500 per homeless unit may fund the approved social service plan during the Section 8 enrollment period.</li> <li>• Homeless set aside units must be proportionally distributed among unit types.</li> </ul>																																										
<p><b>Design and Construction Requirements</b></p>	<ul style="list-style-type: none"> <li>• Projects must meet <a href="#">HPD Design Guidelines for New Construction</a> and plans must be approved by HPD.</li> <li>• HPD will approve unit distribution. Projects must have a minimum of 15% one-bedroom, 15% two-bedroom, 15% three or more-bedroom units and a maximum of 25% studio units. Projects that include supportive housing</li> </ul>																																										

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units for singles may be allowed to exceed the 25% studio threshold at HPD's sole discretion.

Unit Type	Net Square Footage
Studio	350 - 400 sq. ft
1 BR	500 - 550 sq. ft
2 BR	650 - 725 sq. ft
3 BR	850 - 925 sq. ft
4 BR	950 - 1,075 sq. ft

- HPD reserves the right to participate in construction monitoring.
- HPD may at its discretion require competitive bidding for general contractors.
- All projects must participate in the [Enterprise Green Communities Program](#) and obtain Enterprise Green Communities Green Program certification.
- Projects must be in full compliance with the design requirements of all applicable laws, including, but not limited to, the *New York City Zoning Resolution*, the *New York City Building Code*, the *New York City Building Maintenance Code*, the *New York State Multiple Dwelling Law*, the *Fair Housing Act*, and *Section 504 of the Rehabilitation Act of 1973*. Projects receiving New York State Homes and Community Renewal (HCR) funding must also comply with the *HCR Design Guidelines*.

**Real Estate Tax Benefits**

- Projects may qualify for extended §421-a, §420-c or Article XI tax exemptions. See [HPD Tax Incentive Programs guidelines](#) for more details.
- Developers must provide proof of such exemption or a private opinion.

**Closing Requirements**

Conditions precedent to construction loan closing include (but are not limited to):

- Completed and satisfactory [Sponsor Review](#) disclosure documents for all applicable individuals and entities in the project. Further disclosure documentation may be required.
- Completed and satisfactory Equal Opportunity documents for applicable entities, including contractors and sub-contractors, in the project. Further documentation may be required for contractors and sub-contractors on the [Enhanced Contractor Review](#) status list.
- Completed and satisfactory [HUD Section 3](#) documents for applicable entities in the project.
- Completed and satisfactory [Campaign Finance](#) documents for applicable individuals and organizations in the project.
- Completed and satisfactory [Environmental Review](#) including, but not limited to, City Environmental Quality Review (CEQR), and/or State Environmental Quality Review Act (SEQRA) review, and/or NEPA environmental review, as applicable. Further environmental testing and compliance may be required.
- Final architectural plans submitted to HPD and approved by the NYC Department of Buildings (DOB).
- HPD may require the inclusion of an HPD rider as part of the construction contract.
- Borrower's organizational documents including W-9 forms and IRS EIN letters.

Documentation will require that HPD be named a beneficiary on a number of documents, including but not limited to insurance certifications and completion guarantees.

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<b>Marketing and Rent Up</b>	<ul style="list-style-type: none"> <li>• All projects must be marketed according to HPD and HDC marketing guidelines. The developer must submit a marketing plan for agency review and approval. Where applicable, marketed projects will be required to use HPD's and HDC's lottery process.</li> <li>• Homeless referrals must come directly from HPD (via the Department of Homeless Services (DHS). Any exceptions to this must be approved by HPD in advance.</li> <li>• On an annual basis, HPD may require a certified rent roll, written certification of tenant incomes, and other supporting documentation.</li> <li>• Projects with HOME funds are required to undergo <a href="#">HOME Compliance</a></li> </ul>
<b>Conversion</b>	<p>Conditions precedent to permanent loan conversion include (but are not limited to):</p> <ul style="list-style-type: none"> <li>• 95% residential rental achievement</li> <li>• 100% commercial/retail occupancy evidenced by executed leases</li> <li>• Evidence of real estate tax benefits.</li> <li>• Evidence of compliance with zoning and all applicable codes.</li> <li>• Temporary or Final Certificate of Occupancy from NYC Department of Buildings (DOB).</li> <li>• Certificate of Completion from HPD on publicly-owned sites.</li> <li>• Evidence of HOME compliance.</li> </ul>
<b>Extended Affordability</b>	<p>Participating projects are subject to HPD's extended affordability policy.</p>
<b>Proposal Review Information</b>	<p>For consideration, please submit project information, including:</p> <ul style="list-style-type: none"> <li>• Location (Borough/Block/Lot and address) and description of site and proposed development. Include commercial, community space, parking and residential square footage.</li> <li>• Proposed pro-forma including development and operating budgets, as well as acquisition price per developable floor area for privately owned sites. Include an appraisal for private site acquisitions.</li> <li>• Indicate whether the project is conveying tax benefits to another project on the same zoning lot.</li> <li>• Proposed development team (borrower, contactor, architect, management company), respective principals and previous development experience over the last 10 years. HPD and NYC development experience should be highlighted.</li> </ul>
<b>Fair Housing &amp; Accessibility Requirements</b>	<p>Developers are required to comply with all applicable Federal, State, and local laws, orders, and regulations prohibiting housing discrimination. The Developer must also construct the project in compliance with all laws regarding accessibility for people with disabilities, including but not limited to the New York City Building Code, the federal Fair Housing Act, the Americans With Disability Act, and Section 504 of the Rehabilitation Act of 1973.</p>
<b>HPD Contact</b>	<p><b>Multifamily New Construction Programs</b> 100 Gold Street, Room 9I-5 <a href="mailto:mfnc@hpd.nyc.gov">mfnc@hpd.nyc.gov</a> Phone: 212-863-5613</p>

*HPD, in its sole discretion, may, at any time and without prior notice, terminate the program, amend or waive compliance with any of its terms, or reject any or all proposals for funding.*