Green Housing Preservation Program
Term Sheet

Program Description	The Green Housing Preservation Program provides low- or no-interest loans to finance energy efficiency and water conservation improvements and moderate rehabilitation to ensure physical and financial health and to preserve safe affordable housing for low- and moderate-income households. HPD encourages owners to leverage other construction and permanent financing sources for energy efficiency improvements including, but not limited to: private debt, utility incentive programs such as the Con Edison and National Grid programs, and public programs such as the New York State Energy Research and Development Authority (NYSERDA) Multifamily Performance Program, the New York State Weatherization Assistance Program, Housing Development Corporation Program for Energy Retrofit Loans (PERL), New York City Corporation for Energy Efficiency (NYCEEC) Multifamily Energy Efficiency Loan Program and the New York City Department of Environmental Protection Toilet Replacement Program.
Eligible Buildings	Multiple dwellings below 50,000 square feet containing at least 5 units that require energy efficiency and water conservation improvements. Properties with moderate rehabilitation needs are also eligible. Projects scopes of work must contain energy efficiency measures projected to save at least 20% in annual energy (heating and electric) usage (% reduction in kBTU), water not included. Projects that do not meet energy savings requirements may be eligible for financing through other applicable HPD Preservation Finance program with the cost of the Green Physical Needs Assessment (GPNA) covered by the loan.
Eligible Borrowers	Partnerships, corporations, joint ventures, limited liability companies, 501c(3) corporations, individuals, and housing development fund corporations (HDFCs). The program is open to for-profit and not-for-profit borrowers. Projects that have previously received State or City Low Income Housing Tax Credits (LIHTCs) are not eligible for GHPP and should contact the HPD Year 15 Program regarding financing. Privately owned rental projects that have previously received HUD-assistance are not eligible for GHPP and should contact the HPD HUD Multifamily Program regarding financing.
Eligible Uses	Energy efficiency and water conservation (EEWC) measures and moderate rehabilitation (as defined by the HPD Enterprise Green Communities Certification requirements in the *"Design and Construction Requirements"* section below) of multiple dwellings as identified by the Green Physical Needs Assessment (GPNA) and approved by HPD. EEWC measures must have a payback period 10 years or less as specified in the GPNA or be approved by HPD; HPD encourages and will work with owners to seek financing sources for additional measures and deeper retrofits. The required Green Physical Needs Assessment (GPNA) and technical assistance services are allowable up to program maximums described below, as well as limited soft costs.
HPD Loan Amount	Subsidized loan amount depends on the rehabilitation needs of the building, with a maximum of $50,000 per unit. Per-unit subsidies may be reduced for projects utilizing other governmental energy incentive programs or other City programs, including the Inclusionary Housing Program, absent broader/deeper affordability or project benefits. **Green Efficiency Funds:** To facilitate energy efficiency and water conservation improvements in buildings, project costs up to the threshold amounts listed below will be structured as a 0%

	interest forgivable loan. Project costs above these amounts will be financed at program terms listed in the "*HPD Loan Terms: General*" section below. • Small Projects (containing 5 - 15 units): $8,500 per unit • Mid-Sized Buildings (containing greater than 15 units): $4,500 per unit • Large Buildings (containing greater than 50 units): $2,500 per unit
HPD Loan Terms: General	**Green Efficiency Funds:** • Minimum Loan Term: 15 years • 0.25% servicing during construction • 0% interest forgivable during the permanent period • Minimum Expense Coverage Ratio: 1.05 **Project costs in excess of the Green Efficiency Fund amounts listed above will be structured as follows:** • Maximum Loan Term: 30 years • Overall Interest Rate: The higher of 2.5% or the long-term, monthly-compounding Applicable Federal Rate (AFR) • Existing HPD Debt: HPD may consider extending to run concurrent with the new regulatory agreement at interest rates consistent with this term sheet. • Minimum Expense Coverage Ratio: 1.05 • Minimum Debt Service Coverage Ratio: 1.25 if the HPD loan is the only financing on the building; 1.15 combined if additional mortgages are outstanding • Operating Reserves: Minimum of 6 months of maintenance and operating expenses including debt service • Replacement Reserve of $250 per unit per year, increasing at 3% annually • Reso A: Repayable with a 30 year term. • Payment and Performance Bond or Letter of Credit: may be required for projects receiving private financing or containing greater than $1 million in subsidy.

HPD Loan Terms: Rental Buildings	• Loan Structure: Interest only, with a balloon of the principal and unpaid interest due upon maturity
	   o Paid Interest Rate: 1.0% per annum. HPD may reduce the paid rate to leverage additional private financing. Any unpaid interest will defer and accrue, to be paid as a balloon upon maturity.
	   o Accrued Interest Rate: The balance will defer and accrue, compounding monthly to be paid as a balloon at maturity.

HPD Loan Terms: HDFC Cooperatives	• Loan Structure: 50% of the loan will amortize, with a balloon of 50% of the principal due upon maturity. HPD may consider adjusting the balloon for projects that cannot support payments in order to ensure sufficient coverages are met or to leverage additional private financing. • Paid Interest Rate: Amounts up to 2.5% or the AFR will be paid, inclusive of servicing; HPD may reduce the paid rate to leverage additional financing or meet minimum coverage requirements.
HPD Equity Requirements	Minimum equity requirement of 10% for for-profit developers and 2% for non-profit developers. Equity requirements may be decreased or waived for buildings with only EEWC needs, as defined in the "HPD Loan Terms" section above, as long as the Loan to Value does not exceed 90% for a for-profit borrower or 98% for a not-for-profit borrower. HPD may consider crediting other non-debt sources toward the equity requirement. Equity is typically provided as a portion of the rehabilitation scope paid for directly by the owner and documented by a Housing Repair Agreement executed at closing.

Fees and Closing Costs	• Subject to funding availability, the following can be paid through the project development budget: GPNA costs as described in the "*Design and Construction Requirements*" below; technical assistance services as defined in the GPNA guidelines (scope of work development, bid process facilitation, owner's representative services during construction, training and follow up report) of up to $35,000 for projects containing 15 units or below and up to $50,000 for projects containing 16 units or greater. Fees for technical assistance services must be reasonable and commensurate with the project scope of work. HPD may limit reimbursement to amounts below the above costs based on these criteria. All remaining closing costs will be the responsibility of the borrower. • Construction signage fee per building is $100 and must be paid by the borrower at closing. It is not counted towards owner equity requirement.
Regulatory Requirements: General	The following requirements shall apply to all buildings: • All projects will enter into a regulatory agreement for the term of the loan. Projects receiving enriched J-51 tax benefits or an Article XI exemption shall be subject to a regulatory agreement for the term of the tax benefit. • Owners must, at a minimum, agree to a regulatory period through the later of (i) the term described above or (ii) 15 additional years from the expiration of the current HPD regulatory period. • Annual rent rolls and certified financial statements will be submitted to HPD on an annual basis. Other documentation will be maintained and submitted to HPD upon request.

Regulatory Requirements: Rental Buildings	**Rent Stabilization:**
	• Any units that are not currently rent stabilized are required to be entered into rent stabilization through DHCR. Setting for initial legal rents is further described below.
	• Vacancy and luxury decontrol are not permitted for the duration of the HPD restriction period. The owner may not apply to DHCR for Major Capital Improvement (MCI) increases in connection with the work funded by the loan. Individual Apartment Increases (IAI) are prohibited during the restriction term.
	• If units are currently not rent stabilized or controlled, legal rents will be set at the greater of 1) 20% above the Fair Market Rent (FMR), or 2) 20% above the current rent charged to the residents.
	
	Income and Rent Limitations:
	Projects Receiving Green Efficiency Funds Only:
	• Income Limitation:
	    o Current and future vacant apartments must be rented to households whose incomes do not exceed 110% of AMI.
	    o If the building's current income is close to this level, HPD may adjust to allow for appropriate marketing band.
	
	Projects Receiving Funds in Excess of Green Efficiency Funds:
	• Rent Limitation:
	    o Rents restriction may be based on current tenants and set at multiple tiers up to a level affordable to households earning 110% AMI.
	    o Restricted rents for units with current rents below 80% AMI will be set to rents 10% above the current rent. The maximum restricted rents for units with current rents above 80% of AMI will be restricted to rents 20% above current rent.
	• Income Limitation:
	    o Current and future vacant apartments must be rented to households whose incomes do not exceed 110% of AMI.
	    o Units with rents set below 80% AMI can be rented to households earning

	up to 10% above the rent limitation. Units with rents set above 80% can be rented to households earning up to 20% above the rent limitation. If the building's current income is close to the maximum level, HPD may adjust to allow for appropriate marketing band. **Building Operations:** • Projects must maintain an operating and replacement reserve that will stay with the project throughout the restriction period. Use of reserve may be restricted by HPD. • Projects must obtain a management entity acceptable to HPD.
Regulatory Requirements: HDFC Cooperatives	All HDFC cooperatives must enter into a regulatory agreement requiring that: • Borrowers or shareholders shall not sell any unit to a household whose annual household income exceeds 110% AMI. • The HDFC may not rent vacant units and borrowers or shareholders must sell units to eligible households only. • The HDFC must employ professional paid management services, management fee not to exceed 8%. • The HDFC must employ a coop monitor acceptable to HPD within one year of construction completion. • The building must maintain a monthly replacement reserve account equal to 5% of Effective Gross Income (Effective Gross Income is the gross income minus any loss in income due to vacancy). • The project must remain an HDFC for the entire restriction period. • Maintenance charges shall increase by at least 2% annually; and on an annual basis, HPD may request documentation demonstrating that unit sales have been conducted in accordance with the regulatory terms.
Real Estate Tax Benefits	Tax exemptions or abatements may be available pursuant to J-51 or Article XI.
Design and Construction Requirements	• All projects must comply with HPD's Standard Specification (http://www1.nyc.gov/site/hpd/developers/specifications-rehabilitation/master-guide-specifications-for-rehabilitation-projects.page), as the specifications relate to the project's scope of work. • Projects must complete a Green Physical Needs Assessment (GPNA) and work with a Qualified Technical Assistance Provider as issued by HDC and HPD. • Prior to closing, all projects must complete benchmarking on a whole building basis using a Benchmarking Software Provider Firm that has been pre-qualified by HDC: http://www.nychdc.com/Current%20RFP. Funded projects must benchmark throughout the loan and regulatory term. • Subject to funding availability, the following can be paid through the loan proceeds: GPNA base cost of up to $5,000 per project plus up to $250 per unit for the first 15 units in a project and up to $125 per unit for all remaining units. • Projects that are determined to need substantial rehabilitation are not suited to GHPP, but may be suited to another HPD program. All substantial rehab projects, as determined by HPD, must achieve Green Communities Certification. The Green Communities Criteria and Certification portal is available at www.greencommunitiesonline.org. Projects which include all three of the following items within their scope of work are considered a Substantial Rehab:

	• Replace heating system; • Work in 75% of units including plumbing and electrical work within the kitchen and/or bathroom; and • Work on the building envelope, such as replacement and/or addition of insulation, replacement of windows, replacement and/or addition of roof insulation, new roof, or substantial roof repair. More information can be found at: http://www1.nyc.gov/site/hpd/developers/green-building.page
Fair Housing and Accessibility Requirements	The Developer is 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.
Marketing	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.
Application Process	Borrowers must apply to HPD and through one of the participating private lenders listed below, if applicable.
Participating Banks	Community Preservation Corporation: Elizabeth Derry, 212-869-5300 Enterprise Community Partners: Victoria Rowe-Barreca, 212-284-7181 Low Income Investment Fund: Ivan Levi, 212-509-5509 x 29 Local Initiatives Support Corporation (LISC): Arturo Suarez, 212-455-1606 New York City Energy Efficiency Corporation (NYCEEC): Poise Constable, 646-797-4615
HPD Contact	Dara Yaskil, Senior Project Manager, Green Housing Preservation Program 212-863-8884 / hpdgreen@hpd.nyc.gov

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.

NOTE: The project receiving funding under this program may be subject to Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) and the implementing regulations at 24 CFR part 135. If applicable to the project, (i) to the greatest extent feasible, opportunities for training and employment arising in connection with the planning and carrying out of the project must be given to "Section 3 Residents" as such term is defined in 24 CFR 135.5; and (ii) to the greatest extent feasible, contracts for work to be performed in connection with any such project must be awarded to "Section 3 Business Concerns" as such term is defined in 24 CFR part 135.5.