

Multifamily Housing Rehabilitation Loan Program (HRP)
Term Sheet

Program Description	The Multifamily Housing Rehabilitation Loan Program provides rehabilitation loans at a maximum 3% interest for the replacement of major building systems in order to improve living conditions and to preserve safe affordable housing for low- and moderate-income households.
Eligible Buildings	Multiple dwellings, including rentals, Mitchell-Lama developments, and HDFC co-ops.
Eligible Borrowers	Partnerships, corporations, joint ventures, limited liability companies, 501c (3) corporations, individuals, and housing development fund corporations (HDFCs).
Eligible Uses	Moderate rehabilitation including replacement and/or repairs of building systems, and the removal of housing violations and hazardous conditions. Rehabilitation is limited to residential work only. Loans may not be used to refinance existing debt.
HPD Loan Amount	<ul style="list-style-type: none"> Subsidized loan amount depends on the rehabilitation needs of the building, based upon the HPD approved scope of work, with a maximum of \$35,000 per unit. Per-unit subsidies may be reduced for projects utilizing other sources, including the Inclusionary Housing Program, absent broader/deeper affordability or project benefits.
HPD Loan Terms	<ul style="list-style-type: none"> Maximum loan term: 30 years Interest Rate: Up to 3%, based on project's financial capacity as determined by income to expense and debt coverage ratios. Minimum Debt Service Coverage Ratio: 1.25 if the HPD loan is the only financing on the building; and 1.15 combined if additional mortgages are outstanding. Minimum Expense Coverage Ratio: 1.05 Equity requirements are based on cash flow, available reserves, rehabilitation needs, and the subsidy amount with a minimum requirement of 10% for for-profit developers and a minimum requirement of 2% for not-for-profit developers. Borrower equity is typically provided as a portion of the rehabilitation scope paid for directly by the owner documented by a Housing Repair Agreement executed at closing.
Fees and Closing Costs	<ul style="list-style-type: none"> HPD Commitment Fee: 1% of the portion of the mortgage funded by HPD, with the exception of Federal HOME funds. HPD Closing Fee: 0.5% of the portion of HPD mortgage. Non-refundable application fee: \$150 Construction signage fee per building: \$100 Fees must be paid by borrowers and are not counted towards owner equity requirement. HPD Commitment and Closing fees are waived for not-for-profit borrowers and Mitchell-Lama coops.
Rent Setting	After rehabilitation, rents may be adjusted to ensure repayment of debt service. Regulatory status for individual units (rent control/rent stabilization) will not change. Any units that are not currently rent stabilized are required to be entered into rent stabilization.

NYC Department of Housing Preservation and Development (HPD)
Office of Development, Division of Preservation Finance

Regulatory Requirements: Rental Buildings	<p>All projects must enter into a regulatory agreement with a minimum term of 30 years and the following requirements:</p> <ul style="list-style-type: none"> • Regulatory status for individual units (rent control/rent stabilization) will not change. Any units that are not currently rent stabilized are required to be entered into rent stabilization. • After rehabilitation, rents may be adjusted to ensure repayment of debt service • Current and future vacant apartments must be rented to households whose incomes do not exceed 120% of AMI. The income limitation will be determined based on rent affordability. • Rents may not exceed a level affordable to households earning 120% AMI. • Preference will be given to projects that maintain existing homeless requirements, or add a homeless requirement of 10%. • Vacancy and luxury decontrol are not permitted for the duration of the HPD restriction period. • The building must maintain an operating reserve account. • The owner may not apply to DHCR for MCI increases in connection with the work funded by the loan or identified in the Housing Repair Agreement. • On an annual basis, HPD requires that Borrowers submit a certified rent roll, a written certification of tenant incomes, and supporting documentation for rent and income determination pursuant to the regulatory agreement. All projects receiving enriched J-51 tax benefits or Article XI exemption shall be subject to a regulatory agreement during the term of the tax benefits.
Regulatory Requirements: HDFC Cooperatives	<p>All HDFC cooperatives must enter into a regulatory agreement with a minimum term of 30 years and the following requirements:</p> <ul style="list-style-type: none"> • The HDFC may not rent vacant units and borrowers or shareholders must sell units to eligible households only. • Borrowers or shareholders shall not sell any unit to a household whose annual household income exceeds 120% AMI. • The HDFC must employ professional paid management services, management fee not to exceed 6%. • The building must maintain an operating reserve account based on 5% of the monthly gross revenue. • The project must remain an HDFC for the entire HPD Loan term. • Borrowers or shareholders shall not sell any unit to a tenant whose annual household income exceeds 120% AMI. • Maintenance charges shall increase by at least 2% annually. • On an annual basis, HPD may request documentation demonstrating that unit sales have been conducted in accordance with the regulatory terms.
Mitchell Lama Developments	<ul style="list-style-type: none"> • Mitchell-Lama developments are prohibited from "buy-out" of the New York City Mitchell-Lama program for the entire loan term.
Real Estate Tax Benefits	<ul style="list-style-type: none"> • Projects may be eligible for full or partial tax exemptions and/or abatements pursuant to J-51 or Article XI.
Design and Construction Requirements	<p>All projects must comply with HPD's Master Guide Specifications for Rehabilitation Projects and Scope of Work (July 2014) (http://www1.nyc.gov/site/hpd/developers/specifications-rehabilitation/master-guide-specifications-for-rehabilitation-projects.page).</p>

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	<p>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.</p>
Fair Housing and Accessibility Requirements	<p>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.</p>
Marketing	<p>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.</p>
HPD Contact	<p>hpdrehabloans@hpd.nyc.gov</p> <p>Raveen Seaton, Director of Rehabilitation Loan Programs, (212) 863-8960</p> <p>Sandro Martorella, Deputy Director, Multifamily Housing Rehabilitation Loan Program, (212) 863-8960</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.

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.