

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

Basement Apartment Conversion Pilot Program (BACPP)
Term Sheet

Program Description

- Local Law Int. No. 1004-A (2018) establishes a demonstration program to facilitate the creation and alteration of habitable apartments in basements and cellars of certain one and two unit family dwellings.
- The Basement Apartment Conversion Pilot Program (BACPP) provides homeowners of one-, two-, and three- unit homes in Brooklyn Community Board 5 earning less than 165% of Area Median Income (AMI), adjusted by household size, with financial and technical assistance to convert a basement or cellar to a legal, safe residential unit for rental occupancy. BACPP provides non-interest bearing forgivable and low-interest loans for financing of conversion of the space.
- BACPP applicants converting a basement or cellar to a residential unit with a home requiring other critical repairs may be eligible for funding for these repairs through the program.

Eligible Buildings

- Owner-occupied, one-, two-, and three-unit homes located in Brooklyn Community Board 5, with a basement or cellar unit eligible for conversion to a residential unit.

Eligible Borrowers

- In order to be eligible a borrower must be the owner-occupant of a one-, two, or three- unit home, with a maximum current household income of 165% of AMI.

Family Size	165% AMI
1	\$123,255.00
2	\$140,910.00
3	\$158,565.00
4	\$176,055.00
5	\$190,245.00
6	\$204,270.00
7	\$218,460.00
8	\$232,485.00

- Rental income: Income from rental units will be included in household income calculations.
- Applicant must be current on, or have a payment plan in good standing, with Department of Environmental Protection (DEP) for water bills and Department of Finance (DOF) charges.

	<ul style="list-style-type: none"> • Applicant must be current with any mortgages or provide documentation that they are on an established payment agreement with their mortgage lender. • In the event that an applicant's property has outstanding violations, participation in this pilot is predicated upon correction, which may include concurrent resolution through BACPP. • Maximum Debt to Income: 45%. Borrower with Debt to Income in excess of 45% may be eligible to participate upon completion of homeownership counseling. Debt to Income is calculated by adding all monthly household debt and dividing by your net monthly income. • Credit History: Applicants with a credit score of less than 640 will be eligible to participate upon completion of homeownership counseling. • Loan-to-Value: If all loans secured by the home (i.e. existing debt plus any new private and BACPP loans) have a value that exceeds the post-renovation value of the home, HPD may consider making a conditional grant for the portion of the loan in excess of the value.
Eligible Uses	<ul style="list-style-type: none"> • Scope of work must address the requirements to legally convert a basement or cellar, and may also include critical home repairs. • The BACPP administrator will oversee a pre-qualified list of architects who will develop the scope of work, plans, and specifications, in compliance with New York City building codes and which must be acceptable to HPD.
HPD Loan Amount	<ul style="list-style-type: none"> • Maximum loan amount of up to \$120,000 per home. Properties with 3-4 units may qualify for additional funds, to be used to cover qualifying, critical home repairs.
HPD Loan Terms: General	<ul style="list-style-type: none"> • The BACPP will offer amortizing or forgivable loans with an interest rate ranging from 0% to 5%. • Loan terms are based on factors including household income, debt-to-income ratio (DTI), credit score, and applicant age. These BACPP Lending Criteria are used to identify initial loan terms. See the chart at the end of this section. • The initial term of the mortgage is set as follows: <ul style="list-style-type: none"> ○ Loans will be set at 180 months (15 years) ○ Loans are due upon sale or refinancing of the home prior to maturity. • Cash flow: Monthly loan payments will be set so that the household has at least \$200 monthly cash flow available after household debt obligations are subtracted from household income. Homeowners should work with BACPP administrator to assess household finances and their ability to repay debt incurred through the BACPP. • HPD calculates monthly gross income by adding all sources of income (including rental income). • If the initial loan terms, as provided above, are not affordable, HPD

may adjust the loan terms in the following sequential order to achieve affordability:

1. The initial loan term may be extended up to 360 months;
2. The initial interest rate set may be lowered at sequential quarter basis points to as low as 0%;

Area Median Income (AMI)			
Less than 50%	Between 51% and 80%	Between 81% and 120%	Between 121% and 165%
(Extremely Low Income and Very Low Income)	(Low Income)	(Moderate and Middle Income)	(Middle Income)
Less than 62 years old			
Deferred, forgivable loan	Amortized at 0%	Amortized loan at 5%	Amortized loan at 5%
62 years old and older			
Deferred, Forgivable	Deferred, Forgivable	Amortized at 0%	Amortized loan at 5%

HPD Equity Requirements	<ul style="list-style-type: none"> • A secured mortgage will be placed on homeowner property. • Homeowners may need to contribute equity or secure additional financing for basement conversion costs, or critical home repairs, in excess of the HPD loan amount.
Design and Construction Requirements	<ul style="list-style-type: none"> • A registered design professional (architect/engineer) and contractor from the pre-qualified list will be overseen by the BACPP administrator. • The BACPP administrator will monitor construction in accordance with HPD requirements. • Projects must be in full compliance with the design requirements of all applicable laws, including, but not limited to, Local Law Int. No. 1004-A (2018) • Luxury upgrades, or upgrades of any kind beyond the work that is required to convert the basement/cellar legally and address critical home repairs, will not be considered.
Fees and Closing Costs	<ul style="list-style-type: none"> • Financing of Basement Apartment Conversion Pilot projects may include costs needed to complete construction efforts, including developer fees, hard and soft costs.
Regulatory Requirements	<ul style="list-style-type: none"> • Owner must enter into a regulatory agreement with the City of New York for a term/regulatory restriction period of 15 years from completion of the renovations or until satisfaction of the loan, whichever is first. The regulatory agreement will include the following provisions: • Borrower must maintain ownership of property as a primary residence for term of the loan. Homeowners are required to sign a primary residence affidavit and demonstrate primary residency to receive a loan satisfaction. If the applicant sells the home or refinances during the loan term, the loan must be repaid. • Upon completion of renovations to the basement/cellar apartment,

the following terms will apply for the duration of the regulatory restriction period:

- Owners must offer tenants in place prior to renovation the option to return to the renovated unit at last rent charged, unless otherwise approved by HPD.
- For unit that was not previously occupied, unless otherwise approved by HPD, new basement unit must be rented at or below 80% of the Area Median Income upon initial lease-up.
- Basement apartment tenant must be offered a lease with the following terms:
 - Rent must not be increased by more than 2% annually; and
 - Tenant must be offered option to renew the lease.
 - Family members occupying the basement unit may be exempt from these provisions.
- The BACPP administrator will assist the owner in appropriately marketing and leasing a vacant unit. Initial income limitation for a vacant unit is up to 100% of Area Median Income.
- Owner is required to keep tenant leases demonstrating compliance with the rent restrictions and may be required to submit leases to HPD upon request.

<p>Real Estate Tax Benefits</p>	<ul style="list-style-type: none"> ● Projects may qualify for J51 tax exemptions. See HPD Tax Incentive Programs guidelines for more details. ● Owners may also be eligible to apply for homeowner property tax exemptions and benefits through the NYC Department of Finance.
<p>Application Process</p>	<p>Homeowners can express interest in participating in the BACPP Filling out an online Expression of Interest Form</p> <p>Once a homeowner has expressed interest, City staff will reach out to the homeowner directly to preliminarily assess eligibility and provide more information about the program.</p> <p>Once selected homeowners must submit an application to the program by the deadline specified on the Selection letter.</p> <p>For more information about the BACPP program and important dates, please visit: nyc.gov/basementconversions</p>