Department of Housing Preservation & Development
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NYC Department of Housing Preservation and Development (HPD)

Office of Development, Division of Preservation Finance

Multifamily Housing Rehabilitation Loan Program (HRP) Term Sheet

Program Description

The Multifamily Housing Rehabilitation Loan Program provides low interest rehabilitation loans to finance the replacement of major building systems and treatment of lead-based paint hazards in order to ensure the physical health of buildings and preserve safe, affordable housing for low- and moderate-income households.

Eligible Buildings

Multifamily buildings containing three or more units, including rentals, Mitchell-Lama developments, and housing development fund corporation (HDFC) cooperatives.

Ineligible Buildings

- Projects that have previously received State or City Low Income Housing Tax Credits (LIHTCs) are not eligible for HRP and should contact the HPD Year 15 Program (hpdyear15@hpd.nyc.gov). Projects that have previously received HUD-assistance are not eligible for HRP and should contact the HPD HUD Multifamily Program (hpdhudmf@hpd.nyc.gov).
- Projects that are only seeking financing for lead abatement should refer to the Lead Hazard Reduction and Healthy Homes Program Term Sheet.

Eligible Owners

The term sheet is available to non-profit and for-profit building owners, including partnerships, corporations, limited liability companies, 501c (3) corporations, individual owners, and single purpose HDFC rentals or HDFC cooperatives using the HPD approved Certificate of Incorporation (COI) form. HDFCs with a COI that does not list HPD as the supervising agency must amend their COI using the HPD-approved COI template.

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 portions of buildings only. Loans may not be used to refinance existing debt.
- **Treatment of Lead-Based Paint Hazards,** including abatement measures, such as the removal and replacement of lead-positive doors, window frames, sills, baseboards, and other "friction surfaces", and interim controls, such as paint stabilization (wet-scraping and re-painting).

HPD Loan Amount

The loan amount is sized according to the rehabilitation needs of the building. The lead treatment needs are determined through lead testing conducted by HPD at no cost to the owner.

Buildings without Substantial Lead-Based Paint Hazards
Maximum of $35,000 per residential unit. See below for specific loan terms.

Buildings with Substantial Lead-Based Paint Hazards
Maximum loan amount of $45,000 per residential unit. See below for specific loan terms.

HPD Loan Terms

Maximum loan term: 30 years

- **Interest Rate:**
  - Buildings without Substantial Lead-Based Paint Hazards:
    - Up to 3%, based on project's financial capacity as determined by income to expense and debt coverage ratios.
  - Buildings with Substantial Lead-Based Paint Hazards:
    - Lead Treatment Funds: Loans up to the Lead Treatment Funds threshold ($10,000) per residential unit are structured as 0% interest, evaporating loans.
    - Moderate Rehabilitation Funds: Up to 3%, based on project's financial capacity as determined by income to expense and debt coverage ratios.

Maximum **Lead Treatment Funds** (0% interest, evaporating)		*Maximum* **Moderate Rehabilitation Funds** (repayable, up to 2.5% interest)		**Total Maximum HPD Loan Amount**
$10,000	+	$35,000	=	$45,000

(see Appendix A for an example of how the loan would be structured if the building had substantial lead treatment needs)

- **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
- **Reso A:** Reso A will be structured as a 30-year, 1% interest mortgage, repayable at the end of the term, except for Mitchell Lama projects for which Reso A loans are 0% interest, forgivable.
- **Pre-Payment Penalty:** Declining for the first 5 years:
    - Year 1: 5% of unpaid principal
    - Year 2: 4% of unpaid principal
    - Year 3: 3% of unpaid principal
    - Year 4: 2% of unpaid principal
    - Year 5: 1% of unpaid principal
- **Construction Monitoring/Construction Completion Fee:** Calculated as the greater of $2,500 per unit or 5% of the total project costs, with a $100,000 maximum for projects greater than 25 units. The entire fee will be held back at closing and released upon project completion (including violation removal and requirements set forth in the Housing Repair Agreement); however HPD may release a portion of the fee prior to completion to cover HPD approved owner's representative costs.

Owner Equity Requirements

- Minimum cash equity requirement of 10% for for-profit owners and 2% for not-for-profit owners and HDFC coops.
- Owner 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. HPD may consider crediting other non-debt sources, such as rebates obtained through a utility incentive program, toward the equity requirement.

All projects proposed to be located in an Opportunity Zone should consider Opportunity Funds as a potential source of equity. Projects that use Opportunity Fund investments must clearly identify the amount of all such investments, the name and location of the Opportunity Fund, and the tax payment implications and benefits for the Opportunity Zone investment. Any additional federal funding beyond the tax must also be disclosed and will be included in the evaluation of the project. Maps of the designated tracts can be found at this link https://esd.ny.gov/opportunity-zones

Fees and Closing Costs

- **HPD Commitment Fee:** 1% of the HPD loan amount (waived for not-for-profit owners, HDFC coops, and Mitchell-Lama coops)
- **HPD Closing Fee:** 0.5% of the HPD loan amount (waived for not-for-profit owners, HDFC coops, and Mitchell-Lama coops)
- **Environmental Testing:**
    - Asbestos Testing: HPD must approve cost
    - Lead Testing:
        - Buildings Eligible for Lead Treatment Funds: Lead testing will be performed by an HPD Lead Inspector at no cost to the owner.
        - Buildings NOT Eligible for Lead Treatment Funds: HPD must approve cost.

- **Construction signage fee per building:** $100
- **Equal Employment Opportunity Fee:** $1,400

All fees must be paid by the owner at closing.

Regulatory Term

- All owners must enter into a regulatory agreement with HPD.
- The term of the regulatory agreement shall be the later of (i) the new HPD loan term, (ii) 15 additional years from the expiration of a current HPD regulatory period, or (iii) the expiration of the tax benefit, including J-51 or Article XI.

Rental Buildings Regulatory Requirements

Rent Stabilization Requirements	• All units must remain in rent stabilization during the term of the regulatory agreement; vacancy and luxury decontrol are prohibited. • Owner may not apply to DHCR for Major Capital Improvement (MCI) or Individual Apartment (IAI) increases in connection with the work funded by HPD and private loans for this project. Throughout the Term of the Regulatory Agreement, the owner may apply for MCI and IAI increases in accordance with the Rent Stabilization Code, as long as the Legal Rent does not exceed the Rent Limitation set forth in the Regulatory Agreement or the rental assistance rent, if a unit receives rental assistance. • All units that are currently not rent stabilized must be registered with DHCR prior to loan closing. Setting for initial legal rents will be determined by HPD.
Rent Restriction	• Rents may not exceed a level affordable to households earning 100% of Area Median Income (AMI), however HPD may require one or more regulatory tiers at lower AMI restrictions.
Initial Household Income Limitation	• Current and future vacant apartments must be rented to households whose incomes do not exceed 120% of AMI.
Building Operation Requirements	• The owner must maintain a replacement reserve account* in an amount equal to 3% of the monthly gross revenue. • The owner must maintain an operating reserve account* with a minimum of 6 months of maintenance and operating expenses, including debt service. • Owners must manage the property in accordance with generally acceptable management practices in New York City. HPD may require the owner enter into a management contract with a third-party management entity.

*HPD may reduce the reserve requirements in cases where it would create a burden to the project.

HDFC Cooperatives Regulatory Requirements

Unit Sale Restrictions	• Current and future units must be sold to households whose incomes do not exceed 120% of AMI • The HDFC may not rent vacant units; any current or future vacant rental units must be sold to eligible households

	<table><tr><td>**Building Operation Requirements**</td><td>• The project must remain an HDFC for the entire regulatory term. • 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 collected maintenance and rent (if applicable). • Maintenance charges must increase by at least 2% annually.</td></tr></table>
Mitchell Lama Regulatory Requirements	• Mitchell-Lama developments are prohibited from "buy-out" of the Mitchell-Lama program for the entire loan term. • A Non Dissolution Agreement will be in place for the life of the loan.
Real Estate Tax Benefits	Projects may be eligible for full or partial tax exemptions and/or abatements pursuant to J-51 or Article XI. Projects receiving an Article XI may pay partial taxes based on a Gross Rent Tax (GRT) payment. Gross Rent is defined as total annual income received which includes tenant share plus any tenant subsidy payments.
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 that are assessed through the IPNA or another assessment to be good candidates[1] for solar and fall within a Solarize NYC catchment area may use the selected Solarize installer to design and install the solar system. All projects that fall outside of the catchment area must competitively bid out the solar project, if it is determined that solar is a physically and financially feasible option. • 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 HPD regulatory term. • Projects where HPD/HDC's contribution is more than $2 million will have to comply with the M/WBE Build Up Program requiring developers/owners to spend at least a quarter of HPD-supported costs on certified M/WBEs over the course of design and construction of an HPD-subsidized project. A minimum goal will be required for each project subject to the program. Developers may adopt a goal higher than the minimum. • HPD requires developers, general contractors, and subcontractors working on projects receiving more than $2 million in City subsidy to share job openings in entry- and mid-level construction positions with HireNYC and to interview the qualified candidates that HireNYC refers for those openings. • Work to assist tenants aging in place may also be required by HPD and included in the scope of work. • Payment and Performance Bond or Letter of Credit is required on projects where construction costs are over $1 million dollars.

[1] A project is generally considered to be a good candidate for solar if the roof is in good condition, has at least 15 years left in its lifespan, and has good sun exposure.

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.
HPD Contact	Dara Yaskil, Director, Multifamily Housing Rehabilitation Program 212-863-8626 / hpdpres@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.

EXAMPLE 1: LOAN STRUCTURE WITH SUBSTANTIAL LEAD-BASED PAINT HAZARDS

Building Size = 8 units

Maximum Eligible Financing = $45,000 per unit, or $360,000

Total Loan Amount = $300,000

Loan Structure:

	HPD Loan A	**HPD Loan B**
Loan Amount	$80,000 ($80,000 in Lead Treatment Funds)	$220,000
Loan Term	30 years	30 years
Interest Rate	0%	Up to 3% interest
Repayment Term	Evaporating by $2,666.67 each year for 30 years	Amortizing over 30 years

EXAMPLE 2: LOAN STRUCTURE WITHOUT SUBSTANTIAL LEAD-BASED PAINT HAZARDS

Building Size = 8 units

Maximum Eligible Financing = $35,000 per unit, or $280,000

Total Loan Amount = $280,000

Loan Structure:

	HPD Loan
Loan Amount	$280,000
Loan Term	30 years
Interest Rate	Up to 3% interest
Repayment Term	Amortizing over 30 years