Department of Housing Preservation & Development
nyc.gov/hpd

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

Participation Loan Program (PLP)
Term Sheet

Program Description

HPD's Participation Loan Program (PLP) provides low-interest loans and/or tax exemptions to rehabilitate housing for low- to moderate-income households. HPD provides City Capital and/or Federal HOME funds at 1% interest. Combined with bank financing from a participating private lender, the blended financing cost is below market.

HPD subsidy is in addition to construction and permanent financing sources provided by, but not limited to: private institutional lenders; HPD's Federal Low Income Housing Tax Credit Program (LIHTC), New York City Housing Development Corporation (HDC) programs such as HDC's LAMP Preservation program, and New York State programs including Low Income Housing Tax Credit Program (SLIHC) and Low Income Housing Credit Program (LIHC), and Federal Low Income Housing Tax Credit Program (LIHTC).

Eligible Projects

A multiple dwelling with 3 or more apartments with all essential services such as, but not limited to, water supply, house sewers, and heat.

Eligible Borrowers

Limited partnerships, corporations, joint ventures, limited liability companies, 501(c)(3) corporations, housing development corporations, and individual owners including homeowners. The program is open to for-profit and not-for-profit borrowers.

Eligible Uses

Moderate or substantial rehabilitation of multiple dwellings including SROs. Limited acquisition costs, supported by an as-is appraisal, may also be eligible and replacement of building systems, structural improvements and modernization of apartment interiors.

HPD Loan Amount

Maximum HPD subsidy amounts are outlined below:

Average Post-Rehabilitation Affordability	Maximum Subsidy*
Projects with 9% Low Income Housing Tax Credits (LIHTC) or projects with rents between 80% and 130% AMI	Up to $40,000 per unit
Projects with 4% LIHTC	Up to $60,000 per unit
Projects with rents between 60% and 80% AMI	Up to $70,000 per unit
Projects with rents at or below 60% AMI	Up to $90,000 per unit

Subsidy levels for other affordability proposals will be evaluated on a case by case basis. Per unit subsidies may be reduced for projects utilizing other sources or programs, including the Inclusionary Housing Program, absent broader/deeper affordability or project benefits. Overleveraged and distressed multifamily properties may be eligible for additional assistance. All projects must incorporate a homeless requirement of at least 10%, and projects that exceed the requirement may be eligible for additional subsidy.

Preferences will be given to projects 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, and use of reserves.

Subsidies may be adjusted for private site acquisition supported by an "as-is" appraisal acceptable to HPD.

HPD Loan Terms	• Maximum loan term: 30 years.
	• Overall Interest Rate: The long-term, monthly-compounding Applicable Federal Rate (AFR), with a minimum floor of 2.5% (compounding monthly).
	• Paid Interest Rate: 1% per annum (plus 0.25% servicing fee during construction). HPD may reduce the paid rate to leverage additional private financing. Any unpaid interest will defer and accrue, to be paid as a balloon at maturity.
	• Amortization: Balloon may be allowable.
	• Debt Service Coverage: 1.15 on all financing.
	• Contingency: 10% of hard costs; 5% of soft costs.
	• Letter of credit or Payment and Performance Bond: 10% of hard costs excluding contingency.
	• Vacancy and Collections Loss Rate: 5% for Residential and 10% for Commercial
	• Reserves:
	  o Operating Reserve that is in an amount equal or great than 6 months of maintenance and operating expenses and debt service on all loans is required.
	  o Replacement reserve of $250 per unit per year, increasing at 3% annually, paid from cash flow.
	  o Reserves must remain with the project for the duration of the HPD regulatory term. If senior debt is satisfied prior to HPD regulatory term, HPD will assume control of the reserves.
	• Appraisals must be completed according to HPD's Approved Appraisal Guidelines.
	• Developer's Fee: For non-LIHTC projects, greater of 3% of allowable TDC or $1000 per unit net of cash equity for not for-profits only. Fee must be fully deferred at construction loan closing. In addition, an incentive developer fee of up to 50% of the savings in the construction interest reserve may be released to the developer for projects that complete and convert on time. The total paid fee should be fully deferred at construction loan closing except as needed to pay consultant fees and the deferred fee and paid from cash flow during the permanent period as allowable by the QAP and IRS rules. Consultant fees must be paid from the developer fee. The eligible fee may be reduced if HPD subsidy exceeds the program maximum.

HPD Equity Requirements	For-profit developers: minimum of 10% of total allowable development costs. Not-for-profit developers: minimum of 2% of total allowable development costs.
Fees and Closing Costs	• HPD Commitment Fee of 1% of the portion of the mortgage funded by HPD, with the exception of Federal HOME funds. • HPD Closing Fee of 0.5% of the portion of the mortgage funded by HPD. • Construction signage fee per building: $100 • Fees must be paid by borrowers and are not counted towards owner equity requirement • Excluding the signage fee, these fees are waived for not-for-profit borrowers.
Rent Setting	• For occupied units, rents will be projected to increase by rent stabilization allowances during the construction period. If a more significant increase is necessary to support building operations and debt service, rents may be restructured post-completion. • For vacant units, rents shall generally be set no higher than a level affordable to households earning 120% AMI, unless further restricted based

	on federal funding sources and/or LIHTC requirements if applicable. Rents for vacant units may be set at multiple tiers under 120% AMI.
Regulatory Restrictions	Projects will be subject to a minimum of 30-year regulatory agreement with the following requirements: • Rents for all units in a project shall be restricted in one or more regulatory tier that are determined by the existing rent distribution, amount of HPD subsidy provided, and restrictions set forth through other subsidies or regulations. However, no rents shall exceed a level affordable to households earning 120% AMI during the regulatory term. • Units with rents set up to 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. Under no circumstances will there be units in projects with income limitations that exceed 130% AMI • HOME-funded and LIHTC units will be subject to additional restrictions and monitoring during the HOME and/or LIHTC compliance period. • All units must be registered with DHCR and are subject to the New York State Rent Stabilization system. Work completed as a result of the financing is not eligible for Individual Apartment Increases (IAIs) or Major Capital Improvement increases (MCIs). Vacancy and luxury decontrol are not permitted for the duration of the HPD restriction period. • Projects with no previous homeless requirements shall set aside at least 10% of the total units as homeless units. All other projects shall maintain their initial requirements. All homeless unit referrals must be made by HPD's Homeless Placement Unit. In the event of financial hardship, HPD may reduce or waive the homeless requirement if deemed necessary. • HPD requires annual submission of a certified rent roll; written certification of tenant incomes on vacant units; and supporting documentation for rent and income determination pursuant to the regulatory agreement.
Real Estate Tax Benefits	Projects may be eligible for full or partial residential property tax exemption through the J-51 Program, 420-c, or Article XI. Projects with commercial space will be responsible for the payment of commercial taxes.
Design and Construction Requirements	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. Projects must complete a Green Physical Needs Assessment (GPNA) from a firm that has been pre-qualified by HDC: http://www.nychdc.com/Current%20RFP Subject to funding availability, the following can be paid through the project development budget: GPNA base cost of up to $5,000 per project plus up to $250 per unit for the first 20 units in a project and up to $125 per unit for all remaining units. 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 that include all three items within their scope of work are considered a Substantial Rehab: • Replace heating system,

	• Work in 75% of units including work within the kitchen and/or bathroom, • 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 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.
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 Chapter 11 of the 2014 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 Requirements	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 and contact them for an application.
Participating Banks	Banco Popular: (212) 417-6878 Bank of America: (212) 819-5412 BPD Bank: (212) 506-0647 Carver Federal Savings Bank: (212) 360-8887 Capital One: (646) 231-9032 Chase Community Development Group: (212) 552-4059 Citibank: (718) 248-4710 Community Preservation Corporation: (718) 522-3900 Enterprise Community Partners, Inc.: (212) 284-7181 Local Initiatives Support Corporation: (212) 455-1606 Low Income Investment Fund: (212) 509-5509 National Cooperative Bank: (202) 808-0880 Trimont Real Estate Capital NYC: (212) 895-4940
HPD Contact	**Jeremy Hoffman, Director, Leveraged Preservation Programs** (212) 863-6818 **hoffmaje@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.