

**Senior Affordable Rental Apartments (SARA) Program
 Term Sheet**

Program Description	<p>HPD's Senior Affordable Rental Apartments (SARA) Program provides gap financing in the form of low interest loans to support the construction and renovation of affordable housing for seniors, 62+ years in age, with low incomes.</p> <p>SARA funds may be used in conjunction with 4% and 9% Low Income Housing Tax Credits and other loan and subsidy sources.</p>
Eligible Borrowers	<p>Nonprofit or for profit entities or joint ventures with experience developing, marketing, owning and managing housing for low income seniors. Developer(s) will form an Article XI Housing Development Fund Corporation (HDFC) which will hold title to the property. Borrowers must demonstrate sufficient financial stability and liquidity to construct and operate the project.</p>
Eligible Tenants	<p>Projects serve seniors, 62 years of age and over, with incomes up to 60% of the Area Median Income (AMI). Rental assistance programs and other funding sources may have additional income requirements. Projects may include a tier of units affordable to seniors earning between 61% - 90% AMI, as dictated by other funding sources.</p> <p>30% of units should be reserved for homeless seniors referred by a City or State agency, typically the NYC Department of Homeless Services (DHS). Referrals may also be available with associated service funding through the Department of Health & Mental Hygiene (DOHMH), the HIV/AIDS Services Administration (HASA) and the New York State Office of Mental Health (OMH).</p>
Eligible Uses	<p>Projects may be new construction or rehab, on privately-owned or City-owned land, with acquisition costs approved by HPD up to appraised value.</p> <p>SARA Program funds are typically used to pay for construction costs but in certain circumstances may be used to cover other costs. SARA does not provide predevelopment loans.</p>
Loan Amount	<p>Up to \$75,000/unit. Lower subsidy requests will increase project competitiveness. 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, use of reserves, etc.</p> <p>Subsidies may be reduced for projects utilizing other sources, including the Inclusionary Housing Program, absent broader/deeper affordability or project benefits.</p> <p>Most projects are funded with federal HOME funds requiring Davis-Bacon Prevailing Wages and Section 3 hiring protocols.</p>
Loan Terms	<p>Loan/regulatory term is construction period plus a minimum of 30 years post-conversion. HPD's 9% tax credit Qualified Allocation Plan (QAP) requires a regulatory period of 60 years.</p>

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	<p>Interest Rate: 1% per annum plus 0.25% servicing fee during construction. HPD may reduce the paid rate to leverage additional private financing. An additional compounding interest rate set at the Applicable Federal Rate (AFR) may defer and accrue, with balloon due at maturity.</p> <p>Debt Service Coverage Ratio: 1.15</p> <p>Income to Expense: Minimum of 1.05 on all financing; 1.10 when commercial space generates more than 25% of gross income. Commercial income must be included in the underwriting, as applicable.</p> <p>Land Acquisition: Acquisition costs for privately owned land will be reviewed by HPD and may be approved at up to appraised value. At HPD's discretion, subsidies may be adjusted for private site acquisition supported by an appraisal methodology acceptable to HPD. For publicly-owned sites, disposition in most cases will be for \$1 per lot with the balance of appraised value in an enforcement note and mortgage, payable upon maturity</p>
Developer Fees	<p>Total developer fee shall not exceed 15% of tax credit eligible cost or limits of the governing QAP. For projects utilizing project-based Section 8, layering review requirements limit developer fee to 12% of total development costs. At least 12 years of deferred fee should be funded from cash flow. All consulting fees of the developer should be paid from developer fee.</p> <p>Projects that do not leverage private debt will be limited to \$10,000/unit.</p>
Reserves	<p>The following reserve amounts should be capitalized as part of developer fee:</p> <ul style="list-style-type: none"> • An operating reserve of up to \$1,000/unit. • A rent-up reserve of up to \$2,500 for each project-based Section 8 unit. • A social service reserve of up to \$2,500/homeless unit. <p>A replacement reserve of \$250/unit must be funded annually, with an appropriate annual escalation factor.</p>
Unspent Development Funds	<p>Excess SARA loan funds will pay down the outstanding SARA loan balance. Developers are permitted to receive half of unspent tax credit equity as additional fee; half will be used to reduce the SARA loan.</p>
Design and Construction Requirements	<p>A 50-unit minimum is preferred. Projects may include studio and 1BR apartments.</p> <p>Projects should maximize efficiency with net unit sizes not to exceed 400sf for studios and 650sf for 1BR apartments. Within these unit size guidelines, projects should seek to meet HPD Design Guidelines for New Construction as best possible.</p> <p>One unit should be provided on-site for a building superintendent.</p> <p>Projects may provide community space for building residents and space for social services when appropriate.</p>

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	<p>Projects must meet the requirements of the Enterprise Green Communities program. Step 1 Pre-Build Approval from Enterprise is required to close. Final Certification by Enterprise is required for conversion.</p> <p>For zoning purposes, projects are typically filed under either:</p> <ul style="list-style-type: none"> • Residential Use Group 2 Nonprofit Residences for the Elderly, or • Residential Use Group 2, utilizing Quality Housing bonuses. <p>General Construction Contractors are typically selected through a competitive bid process but may be proposed through sole-source negotiation on a case-by-case basis. Contractors must provide payment and performance bonds or a 10% letter of credit.</p> <p>Projects must be in full compliance with the requirements of all applicable laws, including, but not limited to, the <i>New York City Zoning Resolution</i>, the <i>New York City Building Code</i>, the <i>New York City Housing Maintenance Code</i>, the <i>New York State Multiple Dwelling Law</i>, the federal <i>Fair Housing Act</i>, the <i>Americans with Disabilities Act</i>, and <i>Section 504 of the Rehabilitation Act of 1973</i>.</p>
Rents	<p>Tenants pay 30% of their income toward rent. Rents are typically capped at 50% and 60% of AMI as per HOME, LIHTC and rental assistance program requirements.</p>
Rental Subsidies	<p>In order to best serve seniors on fixed incomes significantly lower than 60% AMI, projects with SARA funding should be supported with project-based rental assistance. Projects able to cross subsidize units serving seniors below 50% AMI will be considered on a case-by-case basis.</p> <p>When service contracts are not available to fund supportive services, homeless units may be underwritten at tax credit rent levels, and additional income generated by rental assistance contracts on those units may be used to fund supportive services.</p>
M&O	<p>Follow HDC LAMP guidelines. Projects coordinating reporting requirements for HOME, LIHTCs, rental assistance, homeless tenant referrals and supportive services may be considered for a higher management fee on a case by case basis.</p>
Cash Flow	<p>Half of net cash flow must be deposited in an operating reserve.</p>
Social Services	<p>Applicants must provide a plan, budget and funding source for services. A funding plan is typically evidenced by an award from NYC DOHMH, DHS or HASA, or NYS OMH or OASAS.</p>
Tax Exemption	<p>LIHTC projects may be eligible for a 420c tax exemption. Non-tax credit projects can typically apply for a 420a exemption. Some projects may make a payment in lieu of taxes depending on financing sources.</p>
Marketing	<p>Projects that do not require federal marketing protocols must be marketed according to HPD and HDC marketing guidelines. Developers submit a marketing plan for agency review and approval. Where applicable, developers will be required to use HPD's and HDC's lottery process.</p>

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Contact Information

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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.