

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

**LIHTC Preservation (Year 15) – Private Debt
Term Sheet**

Program Description	<p>HPD's Low Income Housing Tax Credit Portfolio Preservation ("Year 15") Program ensures the future financial and physical viability and preserves the long-term affordability of Low Income Housing Tax Credit ("tax credit") properties that are reaching the end of the initial tax credit compliance period.</p> <p>The program assesses the needs of each project and develops a repositioning strategy to address projects' financial and capital needs as part of the Year 15 tax credit investor exit review. Repositioning strategies may include tax exemptions, subsidy for loans and extensions or modifications of existing mortgages to assist in leveraging private debt.</p>
Eligible Projects	<p>Tax credit properties at the end of their initial tax credit compliance period or tax credit projects that have previously exited the investor. When tax credit projects are combined with non-tax credit projects the majority of the units must be from city and state assisted Year 15 tax credit projects.</p>
Eligible Borrowers	<p>Limited partnerships, corporations, joint ventures, limited liability companies, 501(c)(3) corporations and single purpose housing development fund corporations. The program is open to for-profit and not-for-profit borrowers. Borrowers must demonstrate sufficient financial stability and liquidity to rehabilitate and operate the project.</p>
Eligible Uses	<p>Moderate rehabilitation of multiple dwellings, including SROs. Loans are intended for buildings needing replacement of building systems, structural improvements and modernization of apartment interiors. Limited acquisition costs may be eligible if supported by an as-is appraisal.</p>
HPD Loan Amount	<ul style="list-style-type: none"> • Up to \$20,000 per unit depending on the rehabilitation needs of the buildings. Per-unit subsidies may be reduced for projects utilizing other sources, including the Inclusionary Housing Program, absent broader/deeper affordability or project benefits. HPD will consider available funding sources in the following order: private debt, borrower equity, existing project reserves, seller's note (as supported by current appraisal) and HPD subsidy. HPD will also evaluate and determine the project's ability to repay outstanding loans. Reserve withdrawal requests during repositioning will be evaluated in the context of the project's available resources and repositioning needs. • 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. • Additional homeless set aside requirements and/or longer regulatory restriction periods will apply to projects requesting over the term sheet limit.
HPD Loan Terms	<p>Maximum loan term: 30 years, repayable balloon, or to coincide with the permanent senior loan term as allowable per the applicable HPD lending authority.</p> <ul style="list-style-type: none"> • 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. Debt Service Coverage: 1.15 on all financing.

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	<ul style="list-style-type: none"> • Loan to Value must be consistent with the HPD lending authority. • Payment and Performance Bond or Letter of Credit: 10% of hard costs excluding contingency.
<p>HPD Underwriting Terms</p>	<ul style="list-style-type: none"> • Existing HPD Debt: May be extended to run concurrent with the new regulatory term at current interest rate up to 1% per annum inclusive of 0.25% servicing fee. Based on the level of affordability provided, a monthly compounding interest rate the higher of 2.5% or the long-term, monthly-compounding Applicable Federal Rate (AFR) will accrue and defer, to be paid as a balloon at maturity with up to 1% as the paid interest rate. • Vacancy and Collection Loss Rate: 5% for Residential and 10% for Commercial. • Reserves: <ul style="list-style-type: none"> • Replacement Reserves: Minimum of \$500 per unit at closing and \$250 per unit per year, increasing at 3% annually. • Capitalized Operating Reserve: 6 months of M&O plus debt service and sizing for long term capital needs and projected operating shortfalls for next 15 years. • Reserves will remain in place for the full restriction period. If senior debt is satisfied prior to the end of the restriction period, HPD will assume control of all reserves, which will remain in place for the benefit of the project. Operating and Replacement reserves will be resized and will be serviced by HDC, with approval for use required by HPD. • Developer's Fee: The greater of 3% of total development costs or \$1,000 PDU for not-for-profits only. If funds are available, up to 1/3 of the developer fee may be paid upon reaching 25% construction completion. Projects qualifying as not-for-profit are majority owned and controlled by a not-for-profit entity. • M&O: underwritten to a level acceptable to HPD. • Equity Requirements: Minimum 10% of total development costs (less existing HPD debt) in a financing with a for-profit developer. Minimum of 2% of total development costs (less existing HPD debt) in a project 100% owned and managed by a not-for-profit entity defined as majority owned and controlled by a not-for-profit entity. Project reserves in excess of the ongoing reserve requirement as well as other non-debt sources may be credited toward the equity requirement. Appraisals must be completed according to HPD's Approved Appraisal Guidelines, please contact the Program with any questions. • Construction Contingency: 10%
<p>Fees and Closing Costs</p>	<ul style="list-style-type: none"> • Owner may elect to retain a Technical Assistance Provider for a maximum fee of up to \$15,000 per project. Technical Assistance Providers and owners must submit a contract of services to HPD for review and approval. • Construction signage fee of \$100 per building. • 420C fees (\$100 420c application fee + \$80/unit for Class A units or \$60/unit for Class B units if applicable) • Fees must be paid by borrowers and are not counted toward the owner equity requirement.
<p>Regulatory Requirements</p>	<ul style="list-style-type: none"> • Projects with post-1989 tax credits must conform to the basic income, occupancy, rent and other restrictions outlined for tax credit projects in IRS Section 42. Projects must also comply with all income, occupancy and rent restrictions outlined in current and any supplemental regulatory agreements. Projects with pre-1990 tax credits must agree to extend the affordability levels required during the initial tax credit restriction period. • Owners must agree to extend the affordability period through the later of (i) the term of the additional mortgage provided, or (ii) 15 additional years from the current restriction period. • Projects with previous 100% homeless unit requirements shall maintain at least

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	<p>30% of the total units as homeless units. All other projects shall maintain their initial requirements. Projects with no previous homeless requirements shall set aside at least 10% of the total units as homeless units. All homeless unit vacancy 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.</p> <ul style="list-style-type: none"> • All units must be registered with DHCR and are subject to New York State Rent Stabilization. Work completed as a result of the financing would not be eligible to trigger Individual Apartment Increases (IAs) or Major Capital Improvement increases (MCIs). Vacancy and luxury decontrol are not permitted for the duration of the HPD restriction period. • HPD may be willing to broaden affordability restrictions after the original Extended Use Period and/or for non-LIHTC units for projects that can reduce subsidy, introduce deeper affordability, leverage other sources of funds and/or pay down existing debt.
<p>Real Estate Tax Benefits</p>	<p>All projects are required to have a tax benefit in place for the loan and regulatory terms. Projects are expected to receive a full or partial 420-c tax exemption or Article XI benefit. Projects with commercial space will be responsible for the payment of commercial taxes after repositioning. Projects not eligible for 420-c tax exemption may apply and qualify for exemption under Article XI. If awarded, projects may be subject to a 10% PILOT payment.</p>
<p>Design and Construction Requirements</p>	<p>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).</p> <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> <p>All projects must comply with HPD's <u>Standard Specification</u> (see: http://www1.nyc.gov/site/hpd/developers/specifications-rehabilitation/master-guide-specifications-for-rehabilitation-projects.page), as the specifications relate to the project's HPD-approved scope of work.</p> <p>Subject to funding availability, the following can be paid through the project development budget: GPNA base cost of up to \$5,000 per ownership entity plus up to \$250 per unit for the first 20 units in a project and up to \$125 per unit for all remaining units.</p> <p>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.</p> <p>Projects which include all three of the following items within their scope of work are considered a Substantial Rehab:</p> <ul style="list-style-type: none"> • Replace heating system; • Work in 75% of units including work within the kitchen and/or bathroom; and • 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. <p>More information can be found at: http://www1.nyc.gov/site/hpd/developers/green-building.page</p>

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Fair Housing and Accessibility Requirements	Depending on project scope, an architect must execute a statement to HPD stating that in the architect's professional opinion, if the project is constructed in accordance with the HPD-approved plans, the completed building(s) in the Project will be in compliance with the construction and design requirements contained in Chapter 11 of the New York City Building Code and Section 504 of the Rehabilitation Act of 1973 (29 U.S.C.794) and implementing regulations at 24 CFR Part 8.
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.
Application Process	<p>Year 15/Private Debt proposals are accepted on a rolling basis. Proposals must include a Green Physical Needs Assessment prepared by an HPD/HDC-approved provider, development proposal, development team description, org chart and preliminary underwriting.</p> <p>Owners may wish to contact lenders that have previously worked with HPD Preservation Programs. The below is not an exclusive list of potential lenders:</p> <p>Banco Popular: (212) 417-6878 Bank of America: (212) 819-5412 BPD Bank: (212) 506-0647 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 New York City Housing Development Corporation: (212) 227-5500</p>
HPD Contact	<p>Kerry LaBotz, Director LIHTC Preservation (Year 15) hpdyear15@hpd.nyc.gov (212) 863-8940 NYC HPD 100 Gold Street, Room 9-S7 New York, NY 10038</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.