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

LIHTC Preservation (Year 15) - Resyndication Term Sheet

Program Description	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. 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. For certain distressed Year 15 projects, HPD will consider resyndication using a combination of 4% tax credits and Tax Exempt Bonds. As a condition of resyndication, new ownership will be required.
Eligible Projects	City and state assisted tax credit properties at the end of their initial fifteen year tax credit compliance period or LIHTC projects that have previously exited the investor. To be considered eligible for resyndication the following conditions must be met: • Have at least $20,000 per unit in immediate capital work, excluding maintenance, based on a Green Physical Needs Assessment (GPNA) acceptable to HPD. • No more than 25% of the units from projects other than city and state assisted tax credit projects at or beyond year 15 of the initial tax credit compliance period. • Have taken Rent Guidelines Board allowable rent increases for at least two years prior to resyndication finance closing. • Have a minimum of 300 dwelling units in the proposed resyndication portfolio. • Transfer of greater than 50% ownership interest to an unrelated entity with a demonstrated track record of developing and managing comparable projects acceptable to HPD. HPD may require the current owner to form a joint venture with an entity that has such experience. • Borrowers must demonstrate sufficient financial stability and liquidity to construct and operate the project. For severely distressed portfolios the Year 15 Program will work closely with HPD's Division of Asset Management to develop appropriate third party manager, development partner, and ownership matches. HPD may also consider resyndication for projects or portfolios, owned by organizations with a demonstrated track record of successfully managing and operating low income portfolios, that have a minimum of $20,000 per unit in hard costs, do not require any additional HPD subsidy, and agree to extended affordability for a minimum of 50 years at tax credit levels. HPD will evaluate and determine the project's ability to pay down existing city debt.
Eligible Borrowers	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.
Eligible Uses	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.

HPD Loan Amount	• Up to $20,000 per unit depending on the rehabilitation needs of the buildings and availability of existing reserves. Per-unit subsidies may be reduced for projects utilizing other sources, including the Inclusionary Housing Program, absent broader/deeper affordability or project benefits. • 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 will consider available funding sources in the following order: tax-exempt bond financing, tax credit equity, existing project reserves, HPD subsidy, and other non-city financing that may be available at the time of resyndication. 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 resyndication needs.
HPD Loan Terms	• Maximum loan term: 30 years, repayable balloon • 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.

Underwriting Terms	• Vacancy and Collection Loss Rate: 5% for Residential and 10% for Commercial.
	• Reserves:
	    • 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 HDC debt is satisfied prior to the end of the restriction period, HPD will assume control of the 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.
	• M&O: underwritten to a level acceptable to HPD.
	• Construction Contingency: 10%.
	• Developer's Fee: Not to exceed fee allowed per the HPD Qualified Allocation Plan. The total fee should be fully deferred at construction loan closing except as needed to pay consultant fees (including a technical assistance provider, if applicable), and the deferred fee paid from cash flow during the permanent period as allowable by the QAP. HPD may require a reduction in paid developer fee in order to reduce public subsidy. Consultant fees should be paid from the developer fee.
	• Owner may elect to retain a Technical Assistance Provider for a maximum fee of up to $15,000 per project, which will be paid from Developer's Fee. Technical Assistance Providers and owners must submit a contract of services to HPD for review and approval.
	• Acquisition Basis: HPD may recognize the lower of two as-is appraisals in determining HPD subsidy. HPD reserves the right to conduct an in-house appraisal.

	• Appraisals must be completed according to HPD's Approved Appraisal Guidelines, please contact the Program with any questions. • Paid Acquisition: No more than $2,000 PDU in paid acquisition may be recognized. • No single entity may receive acquisition, cash flow and developer fee proceeds. • Debt Coverage Ratio: 1.15 or greater on all financing. • 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 maturitywith up to 1% as the paid interest rate.
Regulatory Requirements	• 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 any additional mortgage provided, or (ii) 15 additional years from the current restriction period. • Projects with previous 100% homeless unit requirements shall maintain at least 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 waive the homeless requirement if deemed necessary. • 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 (IAIs) or Major Capital Improvement increases (MCIs). Vacancy and luxury decontrol are not permitted for the duration of the HPD restriction period.
Real Estate Tax Benefits	All projects are required to have submitted a complete tax benefit application prior to repositioning. Projects are expected to receive a full or partial 420-c tax exemption. Projects with commercial space will be responsible for the payment of commercial taxes after repositioning.
Design and Construction Requirements	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)). All projects must comply with HPD's Standard Specification (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. 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. 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. 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 which include all three of the following 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; 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. More information can be found at: http://www1.nyc.gov/site/hpd/developers/green-building.page
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	Resyndication proposals are accepted on a rolling basis. Proposals must include a Green Physical Needs Assessment prepared by an HPD-approved provider, development proposal, development team description, organizational chart and preliminary underwriting.
HPD Contact	**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

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.