

Mixed Income Market Initiative RFEI Addendum

RFEI Issue Date: December 26, 2023

Pre-submission Conference Date: January 18, 2024

Addendum Issue Date: January 31, 2024

Proposal Submission: February 15, 2024 at 4pm

Contents of Addendum:

- A. Questions and Answers – Enclosed are questions sent to the MIMI email address through January 18th and received during the Pre-submission Conference.
- B. Corrections to the RFEI

A. Mixed Income Market Initiative (MIMI) Questions and Answers

1. Will HPD consider projects with Low Income Housing Tax Credits (LIHTCs)?
No, HPD will not consider projects that assume LIHTC.
2. Can projects assume Project Based Section 8 Vouchers?
Yes, applicants can assume Project Based Section 8 vouchers (PBVs) or other forms of rental assistance. However, please note that PBVs are subject to a separate application process. PBVs are not guaranteed for this program. If rental assistance is assumed, applicants should describe their experience applying for rental assistance programs in their RFEI submission. PBV's are a public resource, and may be considered as part of the competitive review of aggregate government assistance.
3. Can you provide a clearer map of Limited Affordability Areas (LAAs)?
Please use the following link for a map with the 2010 PUMA boundaries. Applicants can check the qualifying LAA PUMAs listed in the RFEI against this map.
<https://data.cityofnewyork.us/Housing-Development/2010-Public-Use-Microdata-Areas-PUMAs-cwiz-gcty>
4. Would an office to multi-family residential conversion project be eligible for the MIMI program?
No, the MIMI RFEI is limited to new construction projects only. For owners with existing buildings interested in pursuing adaptive reuse, separate inquiries can be made to NCF@hpd.nyc.gov.
5. Will HPD consider proposals for sites located outside of the Limited Affordability Areas (LAAs)?
Yes, HPD will consider proposals for sites located outside of LAAs.
6. The MIMI term sheet states that at least 25% of the units must have rents affordable to ELI or VLI households (30-50% AMI). Please clarify if this requirement is based on 25% of the affordable units or 25% of all units.
25% of total units must have rents affordable to ELI or VLI households. 15% of total units must be homeless units. Homeless units may count as ELI/VLI units.
7. Will HPD consider projects that do not meet the MIMI affordability requirements?
No, projects that do not meet the affordability requirements described in the MIMI Program Summary will not be considered.
8. Will HPD accept 100% affordable submissions?
No, all submissions must meet the affordability terms described in the MIMI Program Summary. This is a Mixed Income Market Initiative. Applicants interested in 100% affordable housing projects may apply to one of HPD's established affordable financing programs. Please reference the term sheets on HPD's website for more details, and inquiries may be directed to NCF@hpd.nyc.gov.

9. In the MIMI Program Summary, there is no development fee for the market rate units. What is the reason for this?

HPD does not typically recognize developer fee for market rate units, as it is expected that the developer is compensated through cash flow on the market rate portion of the project. If a developer wants to propose developer fee as part of the market rate costs, it needs to be broken out as a cost of the market rate portion of the building. If a developer chooses to include developer fee for the market rate portion, it would need to be fully supported by sources and uses for that portion of the building. Please note that developer fee on the market rate portion of the project would reduce the amount of cross subsidization from market to affordable, a competitive criterion.

10. Please confirm that the MIMI Program requires marketing bands of 10% as opposed to 3%.

The marketing band requirements differ depending on the AMI levels. Please refer to Table 1: Rents and Income bands in the MIMI Program Summary.

11. Please confirm that the requirement for the income to expense ratio is 1.05 and debt service coverage ratio is 1.15.

That is correct. It should be assumed that those ratios are used in sizing the permanent loan, and meeting these income tests shall be a condition for converting the project.

12. Please confirm the servicing fee and interest rates of the HPD subsidy loans.

As described in the MIMI Program Summary, HPD subsidy loan interest rate will be equal to the Applicable Federal Rate (AFR), monthly long term rate, at the time of closing. Interest will defer and accrue at a simple annual rate during construction and defer and accrue at a compounded monthly rate after permanent conversion. Up to an additional 0.25% paid servicing fee may be applied during construction. Please refer to the MIMI Program Summary for more detailed information. Requests to adjust the above mentioned interest rate standards can be considered after a project is selected and is approaching a financing closing.

13. How will the HPD Subsidy be structured? Is HPD providing a low interest loan or cash subsidy?

See the MIMI Program Summary for loan terms. The HPD subsidy shall be provided in the form of a loan, subject to the agency's loan authorities, capital eligibility rules, and other lending requirements.

14. Can projects assume recycled volume cap bonds?

Development teams may assume HDC recycled volume cap bonds, however, it cannot be guaranteed to be available for the closing, therefore the project would need to be able to pivot to other construction and permanent loan sources if not available.

15. Could HPD share the comparable weight in scoring for the competitive criteria stated in the RFEI such as, depth of affordability, site control and site location in LAA?

HPD cannot share additional scoring details. The agency is looking for projects that balance meaningful affordability with efficient use of government resources. Competitive proposals will balance the goals of the RFEI with the context of their site and local market.

16. How will the Article XI Tax exemption be sized? How should development teams approach the exemption?

The Art. XI tax exemption provides a complete or partial tax exemption from New York City real property taxes for up to 40 years for the new construction or rehabilitation of affordable housing carried out by a Housing Development Fund Company (HDFC). Please refer to Section V (E) of the RFEI or the [HPD Website](#) for more information.

Proposals can assume a full or partial exemption. HPD will consider the value of the exemption when evaluating the project's resource need. All Art. XI exemptions are subject to City Council approval. HPD makes no representations or warranties as to the continued availability of these benefits or as to the project's eligibility to receive these benefits.

17. Can HPD share specific weighted average AMI targets?

HPD cannot share additional scoring details. HPD will calculate the weighted average AMI of the affordable portion of each proposal. Projects with a lower weighted average will receive higher scores for their depth of affordability. Please note that all affordable units must be discounted to market by 20% in order to pass threshold review.

18. Can HPD provide per unit subsidy levels?

HPD cannot identify specific subsidy limits. HPD will consider the total public resources, including subsidy and the subsidy per affordable unit, requested when evaluating the resource needs of each proposal.

19. Can HPD clarify the cash flow sweep requirements referenced in the MIMI Program Summary and specify if the cash flow sweep is net of operating expenses and/or debt service?

The cash flow sweep referenced in the MIMI Program Summary is limited to tenant-based rental assistance on OurSpace homeless units. OurSpace homeless units are underwritten at Shelter Rent, meaning all debt must be sized assuming shelter rent. HPD shall require 100% of rental income received from tenant-based rental assistance above the underwritten rent (Shelter Rent after accounting for RGB increases) to be swept on an annual basis to the benefit of the project. Operating expenses and debt service are not considered when calculating the sweep. Please refer to the MIMI Program Summary for specifics on the social service requirements.

20. How will HPD evaluate projects located in high cost areas or limited affordability areas with higher acquisition prices?

HPD understands that acquisition prices vary greatly in NYC and will consider location when evaluating the resource need of projects. All acquisition costs must ultimately be supported by an appraisal.

21. Does the RFEI include any restrictions for commercial, sanctuary, or public spaces for churches in projects?

The RFEI does not include any restrictions on non-residential uses, however proposals should not assume HPD subsidy is available to fund the construction of non-residential spaces. In certain instances, for example a land transfer from a faith-based organization, HPD can recognize the buildout of non-residential spaces as compensation for a reduced acquisition price.

22. What are the RFEI's requirements for M&O standards, broadband, replacement reserves, and operating reserves?

Respondents should assume HDC's 2023 New Construction Maintenance & Operating expense standards and note that Broadband is required for all affordable units.

23. What flexibility will HPD allow for the Brownfield requirement referenced in the MIMI Program Summary? It will be challenging to syndicate credits without LIHTC.

If it is challenging to bring in a single purpose syndicator for Brownfield Tax Credits (BTCs), developers, or affiliated investors, may directly purchase BTCs provided the proceeds are supplied as a source to fund the affordable portion of the project.

24. Will selected projects close immediately? When is the earliest a selected project should expect to close?

HPD cannot guarantee closing timelines. HPD will prioritize projects that can be ready to close within 12 months of submission.

22. Market rents in our area are closer to 110% AMI, would this be acceptable for the tier of units considered market rate?

A proposal with market rents equivalent to 110% AMI will be considered if the market rate units are self-funded through debt and equity. Please note that the max affordable rents must be underwritten at a 20% discount to market.

23. Please confirm that the market rate units will not have to go through Housing Connect and will not require income verification.

That is correct. Market rate units will not be marketed through Housing Connect and there will be no income verification process required. Additionally, market rate units will not be restricted or subject to rent stabilization. Market rate units will be subject to the Regulatory Agreement, however, as required for an Article XI exemption.

25. The RFEI notes an appraisal / market study is due as part of the MIMI proposal submission.

Given the 2/15 deadline, can teams submit this report after initial submission? Does a market study need to be a 3rd party report from an appraiser or can it be a list of relevant comps?

Submissions must include a 3rd party market study or appraisal. If a project is submitted in full except for this component by the 2/15 deadline, HPD will accept a 3rd party market study or appraisal submitted no later than 3/15/2024.

26. How much subsidy can HPD commit to an individual project? And how much subsidy has HPD allocated to the MIMI program?

HPD is not able to commit to a specific subsidy level at this time.

27. Is there a limit to the amount of deferred fee that can be capitalized as a source in the development budget?
No, developers may propose a deferred fee as a means to reduce the subsidy request.
28. Are other sources of bond financings, like 501C3 bonds, available for this program?
Bond financing from HDC or HFA is not assumed or guaranteed for the MIMI Program. Development teams may propose this type of financing execution, but should consider other options in the event that bond financing from the housing agencies is not available.
29. What does it mean for market rate units to be subject to a Regulatory Agreement but not subject to rent stabilization or income restrictions?
Market rate units would need to be subject to a Regulatory Agreement to benefit from the Article XI tax exemption. The Regulatory Agreement would not require rent or income restrictions, or rent stabilization, on the market rate units.
30. Could HPD provide further guidance on whether social service reserves are required in the Maintenance and Operating (M&O) budget?
Please reference HDC's new construction M&O standards for all M&O assumptions. In most cases, there are no social service reserves required in the M&O budget. The social service requirements will vary depending on what type of homeless units are assumed in a proposal. Please reference the MIMI Program Summary for more information on OurSpace units.
31. Will HPD permit any flexibility with Maintenance and Operating (M&O) and reserve requirements? Can market rate units assume different M&O standards?
It is encouraged that all submissions adhere to HDC's new construction M&O standards for affordable units. Developers may propose a different M&O standard for market rate units; since M&O costs impact the sizing of permanent debt this would be considered as part of the competitive review of market to affordable cross subsidization.
32. Does the MIMI RFEI assume any project size limitations? How much subsidy is available for this program?
The RFEI does not restrict project size, and HPD cannot speak to subsidy allocations.
33. Will HPD subordinate subsidy loans to other lenders?
HPD subordinates construction and permanent loans to senior lenders subject to a subordination agreement acceptable to the agency.
34. How is HPD's accrued interest structured?
The HPD subsidy loan interest rate will be equal to the Applicable Federal Rate (AFR) monthly long-term rate at the time of closing. Interest will defer and accrue at a simple annual rate during construction, and will defer and accrue at a compounded monthly rate after permanent conversion. Up to an additional 0.25% paid servicing fee may be applied during construction, as required by construction servicers. All deferred and accrued interest from the construction and

permanent periods will be due as a balloon at maturity. HPD may reduce the interest rate below AFR in return for extended affordability or additional permanent affordability. HPD reserves the right to offer loans under different terms at its sole discretion.

35. The MIMI Program Summary states that land values should be based on the pre-rezoned appraised value for rezoned sites. Will HPD recognize the post rezoned value if supported by an appraisal?

Acquisition costs for privately owned land must be reviewed by HPD, and may be approved at the lesser of the purchase price or appraised value. If a site was rezoned prior to development, HPD reserves the right to recognize no higher than the pre-rezoning appraised value. The acquisition price permitted will depend on the context of the site, rezoning, and ownership history.

36. What is HPD's RFEI review timeline? When can we expect to hear back about our proposal?

HPD cannot commit to a review timeline, since it is uncertain how many proposals we will receive. HPD aims to review proposals this winter/spring.

37. Will there be a second application round for this program?

HPD cannot commit to a second application round at this time.

38. Is it required to complete the "Trade Pmt" and "FL Area Summary" tabs in the MIMI RFEI Form E-1 (underwriting template)?

Yes, both tabs are required.

B. Corrections to the RFEI

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Requirements & Review Criteria Development Program Residential

Preference will be given to proposals that include permanent supportive housing with on-site social services funded by NYC DOHMH, DHS or HRA, or a New York State agency through programs such as NYC15/15 or ESSHI. Supportive set asides are limited to 30% of the total project.