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

HUD Multifamily Program
Subsidy Term Sheet

Program Description	The HUD Multifamily Program leverages public resources and private sector financing to rehabilitate, recapitalize and preserve privately-owned HUD-assisted rental housing throughout New York City. For Program purposes, HUD-assisted is defined as properties where a majority of the units are covered by a form of project-based rental assistance including various types of Housing Assistance Payment (HAP) contracts, Moderate Rehabilitation (MOD-Rehab), Moderate Single Room Occupancy (MOD-SRO) or Rental Assistance Demonstration Phase II (RAD) contracts and/or properties that received federal subsidies through programs including the HUD 202 or 236 programs. The Program's mission is to ensure low-income households remain in affordable apartments over the long term, to promote financial and physical stability, and to promote revitalized neighborhoods. The Program achieves these goals by providing tax exemptions and/or low interest loans using City Capital funds at below market interest rates. Combined with bank, FHA, federally-insured or HDC financing, the blended rate is below market. Projects may be eligible to apply in HPD's competitive rounds of the Federal Low Income Housing Tax Credits (LIHTC).
Eligible Borrowers	Limited partnerships, corporations, joint ventures, limited liability corporations or 501(c)(3) corporations. The development team for the project must have a demonstrated track record of successfully developing, marketing and managing comparable projects, or must form a joint venture with an entity that has such expertise. The Program is open to for-profit and non-profit borrowers.
Eligible Uses	Moderate or substantial rehabilitation of existing multifamily projects. HPD subsidy may be used for hard costs and eligible soft costs. With prior approval and at HPD's sole discretion, HPD may fund acquisition or refinancing costs supported by an 'as is' appraisal consistent with HPD appraisal guidelines.
Loan Amount	Up to $35,000 per assisted unit. Assisted units are defined as units that receive Section 8 or another rental subsidy and/or are rent and income restricted. Subsidy amounts will be based on project type and need, as determined by HPD, and adjusted accordingly for projects that utilize additional funding sources and/or that receive a tax credit allocation. 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 HPD "as is" appraisal guidelines, competitive criteria LIHTC basis caps, efficient construction and lease-up schedules, use of reserves, etc. • Appraisals must be completed according to HPD's Approved Appraisal Guidelines: https://www1.nyc.gov/assets/hpd/downloads/pdf/developers/as-is-appraisal-guidelines.pdf. Please contact the Program with any questions.

Loan Terms:	• Loan term: 30 years, amortizing or balloon.
	• Senior Debt must be concurrent with the HPD loan term
	• Overall Interest Rate: the long-term, monthly Applicable Federal Rate (AFR), with a minimum floor of 2.5%.
	• Paid Interest Rate: 1% per annum (includes 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 Ratio: 1.15 on all financing.
	• Contractor Letter of Credit: 10% of hard costs excluding contingency.
	• Reserves: A replacement reserve sized at $250 per unit per year paid from cash flow is required. HPD may also require a capitalized operating reserve. If senior debt is satisfied prior to the expiration of the HPD regulatory period, HPD will assume control of the reserves for the remainder of the regulatory period.
	• Developer's Fee will be paid in increments based on project milestones. Up to half may be paid during the construction period with the balance payable upon permanent loan conversion.
	  o For-profit: 5% of total development cost less existing debt, developer fee, and reserves. Net Developer Fee Cap – N/A. 50% of the cash equity requirement must remain in the deal.
	  o Nonprofit: 8% of total development costs less existing debt, acquisition and reserves + 5% of acquisition. Net developer fee cap of $10,000/du
	• Cash Flow:
	  o For Profit: developer receives 100%.
	  o Nonprofit: developer receives 50% and 50% is held in City-controlled reserve.
	
	• Developer's Fee for LIHTC Projects: The total developer fee is not to exceed the fee allowable per the Qualified Allocation Plan (QAP). The total paid fee should be fully deferred at construction loan closing except as needed to pay consultant fees. The deferred fee should be paid from cash flow during the permanent period as allowable by the QAP and IRS rules. Consultant fees should be paid from the developer fee. The eligible fee may be reduced if HPD subsidy exceeds the program maximum.

Equity Requirements	**For-profit developers:** minimum of 10% of total allowable development costs except on LIHTC financed transactions, for which the LIHTC equity may satisfy this requirement. **Non-profit developers:** minimum of 2% of total allowable development costs, except on LIHTC financed transactions, for which the LIHTC equity may satisfy this requirement. All projects proposed to be located in an Opportunity Zone should consider Opportunity Funds as a potential source of equity. Projects that use Opportunity Fund investments must clearly identify the amount of all such investments, the name and location of the Opportunity Fund, and the tax payment implications and benefits for the Opportunity Zone investment. Any additional federal funding beyond the tax must also be disclosed and will be included in the evaluation of the project. Maps of the designated tracts can be found at this link https://esd.ny.gov/opportunity-zones

HPD Fees	• Construction signage fee of $100 per building • Equal Opportunity Filing Fee of no more than $1,400 per Project for Borrower and any General Contractors involved in project. • Davis Bacon/Prevailing Wage Monitoring fee per project: $30,000 (if applicable) • Fees must be paid by owners and are not counted towards owner equity requirement.
Real Estate Tax Benefits	Projects may be eligible for Article XI exemptions under NYS Private Housing Finance Law; or 420-C benefits under NYS Real Property Tax Law. Exemption level: 10% of GRT (Gross Rent Tax). Gross Rent is defined as total annual residential (which includes tenant share plus total subsidy payments) rental and commercial income received Exemptions will be sized to account for the following: • Replacement reserve: higher of 3% of residential income or $250 per unit per year paid from cash flow. Replacement reserves must remain with the property for the full term of the HPD regulatory agreement. • Projects may be required to provide additional reserve funds for critical repairs and maintenance based on an Integrated Physical Needs Assessment (IPNA).For more details regarding an IPNA, please use this link: http://www1.nyc.gov/site/hpd/developers/development-programs/integrated-physical-needs-assessment.page Actual level of benefit may be adjusted based on numerous factors, including but not limited to: • Type of project-based Section 8 or rental assistance • loan to value on financing, • standard debt service coverage 1.15 on all financing • standard income to expense ratio1.05 minimum • Current level of taxation/exemption. If the current taxation level is supportable • HPD may consider reducing the Gross Rent Tax in order to reduce HPD subsidy. For projects with HAP contracts that allow market based rent increases, the GRT payments will increase by 25% of contract rents in excess of the base contract rent. HPD may consider capping the property tax liability at 17% of gross rent during the HPD regulatory term Underdeveloped land in regulated housing developments may provide opportunities for both new affordable housing and for extending/deepening affordability of the existing affordable housing. To facilitate affordable housing development opportunities on underdeveloped land and parking lots in regulated affordable housing, HPD may provide City Capital subsidy conforming with a New Construction term sheet or consider deepening the level of tax exemption on the preservation site in exchange for increased affordability on new construction projects. Priority will be given to projects that most efficiently use City resources.

Regulatory Restrictions; Allowable Income Levels; Rent Setting	Projects will be subject to a regulatory agreement with a minimum 30-year restriction period with the following requirements: • Allowable income levels and rents depend on the type of subsidy to be used and on the existing affordability restrictions already in place. For non-HAP units, HPD may be willing to set rents at up to 130% AMI to cover debt service. Units with rents set below 60% AMI can be rented to households earning up to 10% above the rent limitation. Units with rents set above 60% can be rented to households earning up to 20% above the rent limitation. • HOME-funded and LIHTC units will be subject to additional restrictions and monitoring during the HOME and/or LIHTC compliance period. • Section 8 HAP Contract: The contract must be extended to the maximum term prior to closing. • Rent stabilization: Following rehabilitation all units are required to be registered with the New York State Rent Stabilization system according to NYS Housing Community and Renewal guidelines. Rent registration is typically set at 120% of Section 8 / HAP contract rents in effect at construction closing. Units with upgrades completed as a result of the financing are 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. • Required homeless preference of 20% must be established in accordance with HPD and HUD marketing/tenant selection requirements. The source of referrals will be HPD's Homeless Referral Unit. In the event of financial hardship, HPD may reduce or waive the homeless preference if deemed necessary.
Initial Submission Requirements	No later than 180 days **prior to** anticipated closing date, Sponsor will submit for HPD review: • Project proposal including: location and description of the site, proposed acquisition details if applicable, Physical Needs Assessment (IPNA) conducted by either an independent third-party or HUD CNA eTool as deemed acceptable to HPD; proposed scope of work, proposed financing plan and evidence of eligibility for other financing sources. • Project history including a summary of ownership history with supporting documentation, any existing mortgages, use restrictions, tax exemptions and rental assistance. • Evidence of HUD rental assistance, including copies of current and renewal contracts and pending applications for rent subsidy increases. • Past three years of project operating budgets, historical rent rolls for three previous years, current project rent roll, and three years of audited annual financial statements. • Organizational chart of existing ownership and future ownership. • Description of development team including borrower, architect, contractor, and management company, with list of principals, previous experience (particularly with HPD) and recent financial statements of principal entity(ies). • An independent appraisal performed within the past twelve months must be submitted for a project to be considered for subsidy. The independent appraisal must include an 'As Is' market valuation which conforms with HPD's "As Is" Appraisal guidelines. It should assume an unsubsidized project with market rate financing, unencumbered by rent restriction as **applicable, applicable property taxes, market** rents that consider the

	existing conditions, the projected cost of rehabilitation to achieve the market rents and rent stabilization, as applicable. The first mortgage lender's appraisal standards and valuation dates must also be met for the loan closing. The HPD Appraisal Guidelines are found here: **http://www1.nyc.gov/assets/hpd/downloads/pdf/developers/as-is-appraisal-guidelines.pdf**. Please contact the program with any questions. • Disclosure: Prior to consideration for subsidy, developers must disclose any pending applications before HPD, HDC, the New York City Acquisition Fund, the Department of City Planning or the City Council that may be related to the project, including but not limited to requests for other forms of financing, tax benefits or exemptions and land use actions.
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. 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. HPD considers projects substantial rehabilitations ("sub rehabs") when all three of the following items are included in the scope: • Heating system replacement (includes heating equipment & distribution system) • Work on at least 75 percent of dwelling units contained within such building including but not limited to fixture replacements in kitchens and bathroom, and • Substantial work on the building envelope, including but not limited to the addition of building wide air sealing measures performed in conjunction with window replacements on at least 50 percent of total glazing, addition of roof insulation on 100 percent of the roof or the addition of at least 50 percent wall insulation. More information can be found at: https://www1.nyc.gov/site/hpd/developers/enterprise-green-communities.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. Proposed layout changes will require review and approval by HPD's Division of Building and Land Development Services. HPD will require projects to install solar photovoltaic or thermal systems if both of the below criteria are met: • Physical Feasibility: Projects are considered physically feasible if the roof is in good condition and has at least 15 years left in its lifespan OR the roof will be replaced as part of the HPD project. • Financial Feasibility: Projects are considered financially feasible if the system has a payback period of 10 years or less, as projected by the HPD Solar Screening Tool (a link to the tool is found in the IPNA), AND inclusion of the system does not increase HPD's loan to over term sheet

	max (critical scope items cannot be taken out in favor of the solar system). All projects will be required to complete a Solar Feasibility Analysis using the HPD Solar Screening Tool, which must also be submitted to, and reviewed by, HPD. Projects will have access to free technical assistance services provided through our NYSERDA-funded partnership with the non-profit Solar One. Solar One can assist owners and development teams with completing the Solar Feasibility Analyses, optimizing solar designs, identifying solar incentives and financing options, and facilitating the competitive procurement of solar bids. Solar savings, when used to offset a building's utility costs, will be underwritten to the maximum extent allowed by the lenders. Projects that fall within a Solarize NYC catchment area may use the selected Solarize installer to design and install the solar system. All projects that fall outside of the catchment area must competitively bid out the solar project to NYSERDA qualified NY-Sun Incentive solar installers. An Integrated Physical Needs Assessment (IPNA) is required. The IPNA is a physical needs assessment that includes energy, water, and health assessments, including identification of deficiencies, recommended improvements (scope of work), and associated construction costs for those improvements. More information is available using this link: http://nychdc.com/content/pdf/RFP/IPNA%20Standard.pdf As an alternative, HPD may accept HUD's Capital Needs Assessment Tool (HUD CNA E Tool) that automates and standardizes the preparation, submission and review of a capital needs assessment. More information is available using this link: https://www.hud.gov/program_offices/housing/mfh/cna Subject to funding availability, the following may be paid through the project development budget: IPNA 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. For jointly funded projects with HUD, HPD may accept an alternative assessment as required by HUD. Work to assist tenants aging in place may also be required by HPD and included in the scope of work.
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 the New York City Building Code, the federal Fair Housing Act, the Americans With Disability Act, and Section 504 of the Rehabilitation Act of 1973 (29 U.S.C.794) and implementing regulations at 24 CFR Part 8.
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.

Program Requirements	Projects where HPD/HDC's contribution is more than $2 million will have to comply with the M/WBE Build Up Program requiring developers/borrowers to spend at least a quarter of HPD-supported costs on certified M/WBEs over the course of design and construction of an HPD-subsidized project. A minimum goal will be required for each project subject to the program. Developers may adopt a goal higher than the minimum. HPD requires developers, general contractors, and subcontractors working on projects receiving more than $2 million in City subsidy to share job openings in entry- and mid-level construction positions with HireNYC and to interview the qualified candidates that HireNYC refers for those openings.
HPD Contact	Director, HPD/HUD Multifamily Program 100 Gold Street, 9th floor New York, NY 10038 (212) 863- 8920 hpdhudmf@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.