Exhibit R- PACT Underwriting Guildelines

<table>
<tr><td rowspan="7">Project Cost Limits</td><td>Acquisition Cost</td><td>For initial underwriting purposes, Acquisition Cost should represent the capitalized net operating income from the first year of stabilized operations (NOI), less the lesser of (1) the Developer Hard Costs, or (2) the HUD Housing Construction Costs (HCC). Assume a 5.25% cap rate.

HUD HCC here: https://www.hud.gov/sites/dfiles/PIH/documents/TDCs_2022.pdf

Final Acquisition Cost will be determined by a lender-commissioned appraisal.</td></tr>
<tr><td>Upfront Acquisition Payment</td><td>Upfront Cash Acquisition Payment to NYCHA should be maximized. If projects contemplate City subsidy an Upfront Acquisition Payment will not be permitted.</td></tr>
<tr><td>Development Costs</td><td>20-Year RAD CNA to be addressed. The Rehabilitation Scope of Work must meet or exceed the 60% HCC requirements in the RAD/Section 18 blend underwriting scenario, or in any Section 18 underwriting scenario, at least 62.5% for elevator buildings, or 57.14% for walk up buildings, of the HUD-published TDC threshold.</td></tr>
<tr><td>Construction Contingency</td><td>Minimum hard cost contingency of 10%.</td></tr>
<tr><td>Soft Cost Contingency</td><td>Minimum soft cost contingency of 5%.</td></tr>
<tr><td>Overhead and Profit</td><td>Contractor overhead, profit and general conditions will be limited to a maximum of 14% of hard costs.</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td rowspan="2">Reserves</td><td>Operating Reserve</td><td>For initial underwriting purposes, respondents should assume the following:

Three months of operating expenses, replacement reserves, and debt service; subject to lender review at full underwriting.</td></tr>
<tr><td>Replacement Reserves</td><td>A replacement reserve sized at a minimum of $300 per unit per year paid from cash flow is required. RAD conversion will require that the 20-year RAD CNA is addressed through a combination of: 1) upfront rehab; 2) initial deposit to replacement reserve; and 3) ongoing deposits to replacement reserve; and therefore, annual deposits may need to exceed the minimum amount.</td></tr>
<tr><td>Financing Structure</td><td colspan="2">For evaluation purposes, respondents should assume a straight-to-perm loan structure. The final financing structure will be determined by NYCHA and HDC .</td></tr>
<tr><td rowspan="2">Financing Sources</td><td>Seller Note</td><td>The Seller Note should represent the Acquisition Cost, less the Upfront Acquisition Payment, any applicable Debt, and any applicable Arrears payments. Term should match the term of the permanent loan.</td></tr>
<tr><td>Equity:</td><td>A material equity contribution from Applicant and/or third-party “Preservation” equity as compared to the total development</td></tr>
</table>

		cost, less existing debt, developer fee and reserves will be required.
	Interim Income	Respondents may assume interim income equal to up to 75% of the NOI after Debt Service during construction as a source.
Permanent Loan	**Amortization**	40 years
	Term	30 years
	Underwriting Rate	For initial underwriting purposes, assume a 6.35% underwriting rate (inclusive of servicing and mortgage insurance). Final interest rates will be determined closer to the closing date.
	Debt Coverage	1.15x
	Loan-to-Cost	90%
	Loan-to-Value	85%
	Vacancy	5% residential; 10% commercial/community space
	Operating Expenses	$12,000 per unit per year. This **should not** include annual expenses required for Social Services or Broadband related expenses.
	Income/Expense Trending	2% / 3%
	HDC Commitment Fee	0.75%
	HDC Cost of Issuance	1.25% - 1.5% of the first mortgage amount
	Bond Deposit	Will be required and determined after designation
Other	**General Contractor Requirements**	100% Payment & Performance Bonds The GC contract must include the following terms: • 10% retention to 50% completion, reduced to 5% thereafter; • 2.5% Stored Materials Allowance; • 1.5% Deposit Allowance; and • 0.25% Mobilization Advance.