

NYCHA & HDC Underwriting Guidelines for PACT Program

Project Cost Limits	Acquisition Cost	<p>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).</p> <p>HUD HCC here: https://www.hud.gov/sites/dfiles/PIH/documents/TDCs_2022.pdf</p> <p>Assume a 5.25% cap rate.</p>
	Upfront Acquisition Payment	Upfront Cash Acquisition Payment to NYCHA should be maximized. If projects contemplate City subsidy an Upfront Acquisition Payment will not be permitted.
	Development Costs	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.
	Construction Contingency	Minimum hard cost contingency of 10%.
	Soft Cost Contingency	Minimum soft cost contingency of 5%.
	Overhead and Profit	Contractor overhead, profit and general conditions will be limited to a maximum of 14% of hard costs.
	Reserves	Operating Reserve
Replacement Reserves		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.
Financing Structure	For evaluation purposes, respondents should assume a straight-to-perm loan structure. The final financing structure will be determined by HDC and will include but is not limited to straight-to-perm, construction that converts to perm, or HUD Multifamily Accelerated Processing (MAP) financing.	
Financing Sources	Seller Note	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.
	Equity:	Applicant and/or third-party "Preservation" equity equal to at least 5% of the total development cost, less existing debt, developer fee and reserves will be required. The amount is subject to HDC and NYCHA approval based on whether City subsidy is required to finance the project and whether the borrower is a non-profit or a for-profit entity.

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Permanent Loan	Interim Income	Respondents may assume interim income equal to up to 75% of the NOI after Debt Service during construction as a source										
	Amortization	40 years										
	Term	30 years										
	Underwriting Rate	Assume a 6.50% underwriting rate (inclusive of servicing and mortgage insurance), subject to market at time of financing. 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	\$9,800 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										
	NYS Bond Issuance Charge	<table border="0"> <tr> <td>\$1,000,000 or less</td> <td>0.168%</td> </tr> <tr> <td>\$1,000,001 to \$5,000,000</td> <td>0.336%</td> </tr> <tr> <td>\$5,000,001 to \$10,000,000</td> <td>0.504%</td> </tr> <tr> <td>\$10,000,001 to \$20,000,000</td> <td>0.672%</td> </tr> <tr> <td>More than \$20,000,000</td> <td>0.84%</td> </tr> </table>	\$1,000,000 or less	0.168%	\$1,000,001 to \$5,000,000	0.336%	\$5,000,001 to \$10,000,000	0.504%	\$10,000,001 to \$20,000,000	0.672%	More than \$20,000,000	0.84%
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Bond Deposit	Will be required and determined after designation											
Other	General Contractor Requirements	100% Payment & Performance Bonds										