

**ARTICLE 8A LOAN PROGRAM**

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- 1. PROGRAM DESCRIPTION** The Article 8A Loan Program provides low-interest loans to preserve affordability, to correct substandard or unsanitary conditions, and to prolong the useful life of multiple dwellings. Rehabilitation is generally limited to the upgrading or replacement of major building systems.
- 2. ELIGIBLE BORROWERS** Partnerships, corporations, joint ventures, limited liability corporations, 501©(3) corporations, individuals, and housing development fund companies. Borrowers must have been turned down by at least two institutional financing sources prior to application to the 8A Loan Program.
- 3. ELIGIBLE BUILDINGS**
- Average Rents: Buildings must be affordable to low income tenants as demonstrated by overall average rents, which shall not exceed \$244 per room.
  - Regulated Rents/Expenses: Rents must be stabilized or controlled, or the building must be a government-assisted cooperative.
  - Building size: Buildings must consist of 3 or more units.
- 4. ELIGIBLE USES** System replacement/rehabilitation and the removal of housing violations and hazardous and unsanitary conditions. Rehabilitation is limited to residential work only.
- 5. HPD SUBSIDIZED LOAN AMOUNT** Maximum HPD subsidy is \$35,000 per unit. Maximum subsidy amounts will be adjusted downward as appropriate for projects that utilize additional funding sources or programs.
- 6. RENT SETTING** After rehabilitation, rents may be adjusted to ensure repayment of debt service and there will be no change in the rent regulation status of the units.
- 7. HPD SUBSIDIZED LOAN TERMS**
- Maximum loan term: 30 years or the useful life of the improvements, whichever is less.
  - Interest Rate: 3%
  - Minimum Debt Service Coverage Ratio: 1.25 if the 8A loan is the only financing on the building; and 1.15 combined if additional mortgages are outstanding.
  - Minimum Expense Coverage Ratio for government-assisted coops: 1.05
  - Prepayment prohibited for first 5 years of loan term.
- 8. EQUITY REQUIREMENTS**
- Minimum of 5% - 10% of total allowable development costs.

## **HPD PRESERVATION FINANCE UNDERWRITING CRITERIA**

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### **9. HPD FEES**

- HPD Commitment Fee: 1%
- HPD Legal Fee: 0.5%
- Non-refundable application fee: \$150
- Construction signage fee: \$200
- All fees except signage fee are waived for non-profit owners.

### **10. OTHER**

- Real Estate Tax Benefits: Projects are typically eligible for property tax abatement through the J-51 program.
- Mitchell-Lama developments are prohibited from "buy-out" of the New York City Mitchell-Lama program for the entire 8A Loan term.
- All Housing Development Fund Company (HDFC) cooperatives must enter into a Regulatory Agreement providing, amongst other requirements, that the development must (1) have a minimum 80% shareholder owned units, (2) employ professional paid management, (3) maintain a monthly 5% building reserve account, and (4) remain an HDFC for the entire 8A-Loan term.

### **11. CONTACT**

Roger Ho  
Director, Article 8A Loan Program  
(212) 863-6415  
NYC Department of Housing Preservation and Development  
100 Gold Street, Room 9-U7  
New York, NY 10038