

INCLUSIONARY PRESERVATION TERM SHEET- GREENPOINT-WILLIAMSBURG

Goal: To encourage owners of existing buildings to preserve affordable units by offering financial incentives to participate in the Inclusionary Housing Preservation Program while ensuring that the units remain permanently viable

Process: Owners must file a Lower Income Housing Plan with HPD. As part of the application process, owners of qualifying buildings entering the Program must provide documentation of the building's rent levels and existing maintenance and operating expenses.

Primary underwriting terms

Minimum Investment/Price

A minimum of \$110 psf of lower-income housing must be invested in the project for:

- Required capital costs as determined by DACE
- Soft costs and fees (capped at a maximum of 10% of the rehabilitation costs)
- Reserves (both replacement and operating)
- Reduction of existing debt and liens if debt exceeds the supportable mortgage that could be refinanced at the time of the project

The remainder may be used for acquisition or to credit the owner for a portion of the market value of the property.

HPD may stipulate that upfront costs higher than the minimum investment/price may be necessary if it is determined that more work or more reserves are needed to adequately sustain the project.

Note that any proceeds from the sale of the zoning bonus exceeding \$110 per affordable square foot can be used to recapture a portion of the building's market value or cover the costs of consultants or other expenses not noted above.

Increases to the minimum investment/price shall follow the Consumer Price Index on an annual basis, with the first increase to become effective as of July 1, 2007. HPD reserves the right to adjust the minimum investment/price on a programmatic basis.

Ratio/Affordability

Please refer to the NYC zoning resolution to determine required ratios and the percentage and income levels of affordable housing needed to generate bonuses in specific locations.

For example:

- For compensated developments in the GW Upland, 1 square foot of affordable housing (with average rents of < 80% of AMI) generates 1.25 SF of zoning bonus.
- For compensated development in the R8 or blended R6/R8 GW waterfront area purchasing offsite inclusionary housing bonus, 20% to 25% of the total residential floor area must be affordable (with average rents of <80% or <125% of AMI), with different zoning bonus limits depending on the zoning district.

Floor Area Measurements

Applicants are required to provide the following documents to determine floor area to be preserved:

- Provide existing DOB approved layout plans measuring the residential zoning floor area of the building as well as any accessory residential space, as determined by a licensed architect.
- If there are no DOB approved plans, provide DOB filing quality plans created by a licensed architect

Documentation of floor area will be reviewed by HPD's DACE during their inspection of the property.

Required Capital Investment

The initial rehabilitation requirements will be determined by the owner in conjunction with DACE. The requirements include:

- Rehabilitation needs to sustain a 15-year system life
- Cosmetic improvements
- Stabilization and remediation of lead-based paint hazards

Operating Reserve

Preservation Reserve Fund of 6 months of M&O, Debt Service, and Taxes. This reserve shall be held by HPD or its designee. This reserve fund replaces the standard Inclusionary Special Reserve Fund of \$2.25 psf.

Additional initial (operating) reserves will be assessed to cover any deficit in a 35-year cash flow projection, with income increasing at a 2% rate and operating expenses increasing at a 3% rate per year.

Building Reserve

A minimum of \$5,000 per dwelling unit is required to be placed in a reserves account held by HPD or its designee prior to the issuance of the certificate of eligibility of zoning bonus.

Annual ongoing building reserves should be a minimum of \$250 per DU.

Note on reserves (both operating and building)

Draws will require HPD's approval

Fees

\$1,000 per dwelling unit for the first 50 units in a project, \$500 for each additional unit. \$100 deposit must be submitted with the application.

Debt

Any debt must be subordinate to the inclusionary requirements

Projects must refinance or prepay the existing debt to carry only the supportable mortgage, subject to lender written agreement to the subordination requirements imposed by the Inclusionary Housing Program

Require an initial 1.3 DSCR for private financing. Subsidized financing through affordable housing programs, if approved by the HPD, would be subject to the requirements of the Program.

Any debt incurred subsequent to the issuance of a Lower Income Housing Plan Written Agreement is subject to HPD approval. In such cases or in cases of refinancing, owners' proceeds may be limited.

Ownership and Management

Administering Agent: A not-for-profit administering agent is required unless waived by the Commissioner of HPD. While there is no initial marketing required on occupied units, the agent will be required to submit a marketing plan for rent-up of existing vacant units and re-rentals.

Ownership and Management: The building may be owned and managed by a for-profit entity, provided that cash flow is not negative due to tax liability. Before approval of the management entity, HPD will require documentation of past satisfactory management experience.

HPD must approve any future purchaser of the property.

Taxes

Projects may be eligible for real property tax benefits. Owners must apply and meet the requirements of those programs in order to receive such benefits.

Governmental Assistance

Governmental assistance may be used to complete work required to participate in the Program with approval of HPD.

Projects receiving governmental assistance (exclusive of real property tax benefits) within the last fifteen years are not eligible to participate in the Program.