

HPD PRESERVATION FINANCE UNDERWRITING CRITERIA

PARTICIPATION LOAN PROGRAM

- 1. PROGRAM DESCRIPTION** HPD's Preservation Participation Loan Program (PLP) provides low-interest loans to rehabilitate housing for low- to moderate-income household. HPD provides City Capital or Federal HOME funds at 1% interest. Combined with bank financing from a participating private lender, the composite financing cost is below market.
- 2. ELIGIBLE BORROWERS** Limited partnerships, corporations, joint ventures, limited liability companies, 501(c)(3) corporations, housing development corporations and individual owners including homeowners. The program is open to for-profit and non-profit borrowers.
- 3. ELIGIBLE USES** Moderate or substantial rehabilitation of multiple dwellings including SROs. Loans are intended for buildings needing replacement of building systems, structural improvements and modernization of apartment interiors. Limited acquisition costs are also eligible.
- 4. HPD SUBSIDIZED LOAN AMOUNT** Maximum HPD subsidy amounts are outlined below:

Average Post-Rehabilitation Affordability	Maximum Subsidy*
Projects with rents at or below 60% AMI with Low Income Housing Tax Credits (LIHTC)	Up to \$40,000 per unit
Projects with rents between 60% AMI and 80% AMI	Up to \$70,000 per unit
Projects with rents at or below 60% AMI	Up to \$90,000 per unit

Subsidy may be adjusted as appropriate for projects that utilize additional funding sources or programs.

- 5. HPD SUBSIDIZED LOAN TERMS**
 - Maximum loan term: 30 years.
 - Interest Rate: 1.0% per annum plus 0.25% servicing fee during construction.
 - Amortization: Balloon may be allowable.
 - Debt Service Coverage: 1.15
 - Letter of credit: 10% of hard costs excluding contingency.

Developer's Fee: \$3,000/DU for non-profits only. For projects utilizing LIHTC, the total developer fee is not to exceed 15% of development costs (excluding developer fee, reserves and syndication/partnership expenses) and 10% of acquisition costs. The total fee should be fully deferred at construction loan closing. The fee payable at conversion shall not be greater than 50% of the total developer fee. Consultant fees should be paid from the developer fee.
- 6. EQUITY REQUIREMENTS** For-profit developers: minimum of 10% of total allowable development costs. Non-profit developers: minimum of 2% of total allowable development costs.
- 7. HPD FEES**
 - HPD Commitment Fee of 1% of the portion of the mortgage funded by HPD, with the exception of Federal HOME funds.
 - HPD Closing Fee of 0.5% of the portion of the mortgage funded by HPD.
 - Construction signage fee of \$200.
 - Fees must be paid by borrowers and are not counted towards owner equity requirement
 - Excluding the signage fee, these fees are waived for not-for-profit borrowers.
- 8. RENT SETTING**
 - Projects may be eligible for rent restructuring to cover debt service and post-rehabilitation property operation.
 - For occupied units, rents will be projected to increase by rent stabilization allowances during the construction period. If a more significant increase is necessary to support building operations, rents will be restructured post-completion.
 - For vacant units, rents shall generally be set no higher than a level affordable to households earning 80% AMI, unless further restricted based on federal funding sources and/or LIHTC requirements if applicable.

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9. REGULATORY REQUIREMENTS

Projects of more than 5 units will be subject to a minimum of 30-year regulatory agreement with the following requirements:

- Current and future vacant apartments must be rented to households whose incomes do not exceed 120% of AMI.
- Rents may not exceed a level affordable to households earning 120% AMI during the regulatory term.
- Following rehabilitation, all units must be registered with DHCR and are subject to the New York State Rent Stabilization system.
- Vacancy and luxury decontrol are not permitted for the duration of the HPD restriction period.
- HPD requires annual submission of a certified rent roll; written certification of tenant incomes on vacant units; and supporting documentation for rent and income determination pursuant to the regulatory agreement.

10. MARKETING PLAN

An HPD-approved marketing plan is required for all projects with a minimum of 10 vacant units. Projects with 20 or more vacant units must also utilize HPD's lottery process and include a 50% community preference.

11. REAL ESTATE TAX BENEFITS

Projects are typically eligible for property tax abatement through the J-51 Program. Tax credit projects are eligible for 420-c tax exemption.

12. CONSTRUCTION SPECIFICATIONS

Projects must meet HPD's construction specifications and design guidelines (www.nyc.gov/html/hpd/downloads/pdf/rehab-guidelines.pdf.)

All projects must comply with HPD's Standard Specification (www.nyc.gov/html/hpd/html/architects/specifications.shtml), as the specifications relate to the project's scope of work.

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.

- Projects that include all three items within their scope of work are considered a Substantial Rehab:
 1. Replace heating system, and
 2. Work in 75% of units including work within the kitchen and/or bathroom, and
 3. Work on the building envelope, such as replace/add insulation, replace windows, replace/add roof insulation, new roof or substantial roof repair.
- More information can be found at:
<http://www.nyc.gov/html/hpd/downloads/pdf/HPD-Green-Building-Policy-FAQs.pdf>

13. APPLICATION PROCESS

Borrowers must apply through one of the participating private lenders listed below and contact them for an application. Upon acceptance for lender review, the lender will arrange for a building inspection. The completed loan proposals are forwarded to HPD for review and processing.

14. PARTICIPATING BANKS

Banco Popular (212) 417-6785
Bank of America (212) 819-5890
BPD Bank (212) 506-0633
Carver Savings Bank (212) 360-8887
Community Preservation Corporation (718) 601-6600 Bronx, (718) 522-3900 Brooklyn
Low Income Investment Fund (212) 509-5509
NCB Capital Impact (212) 808-0880

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15. HPD CONTACT

For questions about submitting an application to the PLP program, please contact one of the participating banks listed above.
For general information about the PLP, you may contact:

Participation Loan Program

Chris Dewees, Director (212) 863-6408
NYC HPD
100 Gold Street, Room 9-U8
New York, NY 10038

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.

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