

HPD PRESERVATION FINANCE UNDERWRITING CRITERIA

PARTICIPATION LOAN PROGRAM - PRESERVATION

1. **PROGRAM DESCRIPTION** HPD's Preservation Participation Loan Program provides low-interest loans to rehabilitate housing for low- to moderate-income households. HPD provides city or federal 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 corporations, 501(c)(3) 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 buildings or multiple building projects located in New York City. SRO's are also eligible. One and two-unit buildings must be owner occupied. Loans are intended for buildings needing replacement of building systems and modernization of apartment interiors.

4. **HPD SUBSIDIZED LOAN AMOUNT** Maximum HPD subsidy amounts are outlined below:

SUBSIDY LEVELS	
Average Post-Rehab Affordability	Maximum Subsidy
≥ 70% AMI	Up to \$55,000 per unit
≥ 50% AMI, < 70% AMI	Up to \$85,000 per unit
< 50% AMI	Up to \$100,000 per unit

Maximum subsidy amounts will be adjusted downward as appropriate for projects that utilize additional funding sources or programs.

5. **ALLOWABLE INCOME LEVELS & 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 8 -10% following a 2-year rehabilitation period. For vacant units, rents are set at market rents as defined in consultation with HPD and the bank, unless further restricted based on federal funding sources and/or Low Income Housing Tax Credit (LIHTC) requirements if applicable. Market rents shall generally be set no higher than a level affordable to households earning 80% AMI.
6. **HPD SUBSIDIZED LOAN TERMS**
- Maximum loan term: 30 years.
 - Interest Rate: 1% on HPD Capital funds.
 - Balloon may be allowable.
 - Debt Service Coverage: 1.15 on all financing. Typically, DCR of 1.30 required for private financing.
 - Letter of credit: 10% of hard costs excluding contingency.
 - Developer's Fee: Up to \$2,000/DU for non-profits only.

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- 7. EQUITY REQUIREMENTS** For-profit developers: minimum of 10% of total allowable development costs. Non-profit developers: minimum of 2% of total allowable development costs.
- 8. HPD FEES**
- HPD Commitment Fee of 1% of the portion of the mortgage funded by HPD if City funds are used.
 - HPD Legal Fee of 0.5% of the portion of the mortgage funded by HPD regardless of funding source.
 - Construction signage fee of \$200.
 - Fees must be paid by owners and are not counted towards owner equity requirement
 - Excluding the signage fee, these fees are waived for not-for-profit borrowers.
- 9. OTHER**
- Rent stabilization: Following rehabilitation, all units are registered in the New York State Rent Stabilization system.
 - Real Estate Tax Benefits: Projects are typically eligible for property tax abatement through the J-51 Program.
 - These loan terms may be altered if the project is funded in conjunction with another HPD program, such as the Third Party Transfer program.
- 10. APPLICATION PROCESS** For multiple dwellings, borrowers must apply through one of the participating private lenders listed below and contact them for an application. Upon approval, the lender will arrange for a building inspection. The completed loan proposals are forwarded to HPD for review and processing.
- Homeowners of 1, 2, or 3 family homes may contact Neighborhood Housing Services or HPD for an application.
- 11. PARTICIPATING BANKS**
- Banco Popular:** (212) 417-6785
Bank of America: (212) 819-5890
BPD Bank: (212) 506-0633
Carver Savings Bank: (212) 360-8887
Citibank: (718) 248-4772
Community Preservation Corporation: (718) 601-6600, 552-3900
Low Income Investment Fund: (212) 509-5509
National Cooperative Bank: (202) 808-0880
Neighborhood Housing Services (212) 519-2530
Washington Mutual: (212) 326-6064
- 12. 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 program, you may contact:
- Louis Johnson
(212) 863-6447
NYC Department of Housing Preservation and Development
100 Gold Street, Room 9-S1
New York, NY 10038

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.