

HPD PRESERVATION FINANCE TERM SHEET

LIHTC PORTFOLIO PRESERVATION (YEAR 15) PROGRAM - REPOSITIONING

- 1. PROGRAM DESCRIPTION**

HPD's Low Income Housing Tax Credit Portfolio Preservation ("Year 15") Program ensures the future financial and physical viability and preserves the long-term affordability of City-assisted Low Income Housing Tax Credit ("tax credit") properties that are reaching Year 15. The program assesses the needs of each project and develops a repositioning strategy to address projects' financial and capital needs as part of the Year 15 tax credit investor exit review. Repositioning strategies may include extensions or modifications of existing mortgages, and securing additional subsidy through debt.
- 2. ELIGIBLE PROJECTS**

City-assisted tax credit properties at the end of their initial tax credit compliance period developed through HPD's disposition or homeless housing development programs.
- 3. SOURCES OF FUNDS AND USE OF EXISTING RESERVES**

HPD will consider available funding sources in the following order: GP funds (select projects only), project reserves, and HPD subsidy. HPD will also evaluate and determine the project's ability to repay outstanding loans.

HPD may approve the release of 50% of the excess reserve funds for other affordable housing initiatives only if the project does not need additional HPD subsidy and the project's cash flow, capital and reserve needs are adequate for an additional 30 years. The remaining excess funds shall remain in the project's blocked reserve account. HPD reserves the right to determine the amount, if any, that will be released to the Sponsor.

Reserve withdrawal requests during repositioning will be evaluated in the context of the project's available resources and repositioning needs.
- 4. UNDERWRITING TERMS**
 - I & E Trending: 2% income increase and 3% expense increase.
 - Vacancy and Collection Loss Rate: 5% for Residential and 10% for Commercial.
 - Replacement Reserves: minimum of \$500 per unit at initial repositioning/capitalization and \$250 per unit per year, increasing at 3% annually.
 - Initial Operating Reserve: 6 months of M&O plus debt service and sizing for long term capital needs and projected operating shortfalls for next 15 years. Project is expected to meet the annual Operating Reserve Targets outlined in the Project's Funding and Disbursement Agreement. Upon repositioning, all project reserves are required to be transferred to HDC for management.
 - M&O: \$6,900 per unit inflated 3% annually (HPD will determine if adjustments for elevator, union labor, building size, and special services related to supportive housing are appropriate and will apply the adjustment to the final underwriting).
 - Construction Contingency: 5%.
 - Construction Monitoring Fee: Up to \$70,000 per project payable to the Sponsor based on number of residential units, capital needs, and availability of funds.
- 5. HPD SUBSIDIZED LOAN AMOUNT**

Up to \$15,000 per unit depending on the rehabilitation needs of the buildings and availability of existing reserves.
- 6. HPD SUBSIDIZED LOAN TERMS**
 - Maximum loan term: 30 years, repayable balloon
 - Interest Rate: 1% per annum plus 0.25% servicing fee during construction
- 7. ELIGIBLE USES**

City Capital loans fund the moderate rehabilitation of multiple dwellings needing replacement of building systems. Additional funding sources may also be available for Operating and Replacement Reserves for select projects.

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- 8. FEES AND CLOSING COSTS**
- Subject to funding availability, the following fees can be paid from project reserves or loan proceeds: \$15,000 Technical Assistance Fee, up to \$100 per unit for capital needs assessment, construction signage fee of \$200 for projects that receive a capital loan, up to \$6,500 for asbestos testing for projects that receive a capital loan, and up to \$7,500 in legal fees. All remaining closing costs are the responsibility of the Sponsor and cannot be funded with project reserves.
 - Payment of any transfer taxes from project resources is not permitted.
- 9. REGULATORY REQUIREMENTS**
- Projects with post-1989 tax credits must conform to the basic income, occupancy, rent and other restrictions outlined for tax credit projects in IRS Section 42. Projects must also comply with all income, occupancy and rent restrictions outlined in current and any supplemental regulatory agreements. Projects with pre-1990 tax credits must agree to extend the affordability levels required during the initial tax credit restriction period.
 - Owners must agree to extend the affordability period through the later of (i) the term of the any additional mortgage provided, or (ii) 15 additional years from the current restriction period.
 - Projects with previous 100% homeless unit requirements shall maintain at least 30% of the total units as homeless units. All other projects shall maintain their initial requirements. In the event that Section 8 or a comparable subsidy is no longer available, HPD may waive the homeless requirement if deemed necessary.
- 10. REAL ESTATE TAX BENEFITS**
- All projects are required to have a tax benefit in place at repositioning. Projects are expected to receive a full or partial 420-c tax exemption. Projects with commercial space will be responsible for the payment of commercial taxes after repositioning.
- 11. CONSTRUCTION SPECIFICATIONS**
- All projects must comply with HPD's Standard Specification (see: <http://www.nyc.gov/html/hpd/html/architects/specifications.shtml>), as the specifications relate to the project's HPD-approved scope of work.
- 12. APPLICATION PROCESS**
- Sponsors interested in repositioning a project in fiscal year 2013 or later should contact LISC or Enterprise ("Technical Assistance Provider") to discuss a repositioning strategy. Application packages should be submitted to the Technical Assistance Provider for review and submission to HPD. Applications are due by August 30th, 2012 for the fiscal year 2013.
- 13. HPD CONTACT**
- Andrew Cohen, Director LIHTC Portfolio Preservation (Year 15) Program
(212) 863-6424
NYC HPD
100 Gold Street, Room 9-Q5
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.