NYC Department of Housing Preservation and Development (HPD) Office of Development, Division of Homeownership Opportunities and Preservation

Affordable Neighborhood Cooperative Program (ANCP) Term Sheet

Program Description	HPD's Affordable Neighborhood Cooperative Program (ANCP) selects qualified development sponsors to rehabilitate distressed, city-owned multi-family properties, managed by the Tenant Interim Lease program (TIL), to create affordable cooperatives for low- and moderate-income households. ANCP provides low- to no- interest loans in the form of City Capital subsidy. All ANCP properties are currently owned by the City of New York. Upon construction loan closing, ownership will be transferred to Restoring Communities HDFC, a nonprofit, interim owner. Upon cooperative conversion after construction is complete, ownership will subsequently be conveyed to a newly formed, resident-controlled cooperative HDFC.
Eligible Borrowers	Restoring Communities HDFC will own the property during construction and will delegate development and operating responsibilities to a selected sponsor. The sponsor's borrowing entity may be a limited partnership, corporation, trust, joint venture, limited liability corporation, housing development fund corporation, or 501(c)(3) corporation. The development team for the project must have a demonstrated track record of successfully developing, marketing, and managing affordable housing and/or homeownership projects. Please see "Application Process" below for more information regarding sponsor selection.
Eligible Uses	Substantial rehabilitation or demolition and new construction of city-owned TIL buildings. Projects will typically be comprised of multiple TIL buildings that will be financed as one cluster. All uses of HPD loan funds must be capitally eligible. Capitally ineligible uses must be covered by other sources, such as sales proceeds or available State funding including Affordable Housing Corporation (AHC) grants.
HPD Loan Amount	Up to $560,000 per unit. Per-unit subsidies may be reduced based on project needs and the availability of other permanent sources.
HPD Loan Terms	• Maximum loan term: 40 years, or coterminous with the project's tax exemption and Regulatory Agreement. • Interest Rate: as low as 0% paid and 0% per annum during the permanent term. A maximum 0.25% servicing fee may be charged during construction. • Amortization: HPD permanent loans will have deferred payments with a balloon at the end of the loan term to serve as an enforcement. • The general contractor must secure a Letter of Credit for 10% of hard costs excluding contingency. Payment and Performance bonds for 100%

	of hard costs may be accepted in lieu of letter of credit, upon HPD approval. • Reserves: A minimum of six months of operating expenses must be capitalized. A minimum $300 per unit repair and replacement reserve will be contributed from cash flow in accordance with the Community Preservation Corporation's (CPC) maintenance and operating standards for cooperatives. • Developer Fee: Up to 10% of the total development cost of the project excluding the developer fee, reserves, soft cost contingency, and tenant relocation rent differential. HPD may cap the developer fee to control project costs. • The developer fee will be paid in increments based on achievement of project milestones. Up to 20% may be paid at construction loan closing and up to an additional 20% may be paid at construction completion, with the balance payable in increments upon conversion to cooperative, permanent loan conversion, and sale of all vacant units.
Equity Requirements	• $2,500 per unit to be reimbursed upon cooperative conversion and sale of the vacant units. • If a building fails to convert to cooperative, HPD will select an owner who is not the ANCP project sponsor from a prequalified list to own and operate the building as an affordable rental project. The new owner's equity requirement will equal a minimum of $2,500 per unit plus an amount needed to close any gap caused by the loss of sales proceeds and other homeownership sources that cannot be covered by leveraging additional debt based on the project's projected rental income. • If the project includes a city-owned rental building that is not intended to convert to a cooperative, the equity requirement for that building will be equal to a minimum 10% of total allowable development costs associated with that building.
HPD Fees	• HPD Commitment Fee: 1% of the HPD mortgage (waived for not-for-profit borrowers). • HPD Closing Fee: 0.5% of the portion of the mortgage funded by HPD (waived for not-for-profit borrowers). • Construction Signage Fee (per building): $100 • Restoring Communities Fee: $4,500 per unit to cover costs associated with interim ownership and liaising with residents.
Responsibilities of Sponsor	• Engagement and regular communication with existing tenants related to achieving predevelopment milestones such as design review, budget review, property management, and achieving milestones for cooperative conversion. • Relocation of residents prior to construction commencement and upon construction completion. • Oversight of development of selected sites in compliance with negotiated terms. • Property management responsibilities, pursuant to an agreement with Restoring Communities HDFC, during construction and for at least 1 year after cooperative conversion.

	• Cooperative conversion responsibilities including but not limited to: submission of Co-op Offering Plan, marketing, and sale of vacant units. • Identification of appropriate initial shareholder(s) and lease up for any nonresidential space(s) in the building, if applicable.
Rent/Maintenance Setting	• Upon conveyance from the City, rents for all units must be registered with HCR and are subject to the New York State Rent Stabilization Code. • Upon cooperative conversion, rent will become maintenance, which will be equalized and allocated per apartment based on the interior square footage of the units or another distribution method approved by HPD. • Initial maintenance will be set so that the building collects at least 110% of the year-one projected building operating expenses based on CPC's current maintenance and operating standards for cooperatives, or to otherwise ensure long-term, sustainable cash flow. • HPD may make operating subsidies available to ensure that eligible, existing residents do not pay more than roughly one third of their gross income on housing costs.
Sales Price	**<u>Vacant Units:</u>** Sales are set at prices affordable to households earning between 80-120% AMI. Prices are calculated to cap housing costs at roughly 33% of total gross annual income, which takes into consideration monthly maintenance costs, projected owner-paid utilities costs, and projected mortgage payments assuming a 10% downpayment and an estimated interest rate. At the construction loan closing, the owner will enter into a Regulatory Agreement with HPD, setting forth income and sales restrictions and marketing requirements. Upon conversion to cooperative, a co-op form of Regulatory Agreement will replace the construction loan closing Regulatory Agreement. **<u>Occupied Units:</u>** the purchase price for all eligible tenants in occupancy, regardless of unit size, is $2,500. Households earning less than or equal to 80% of Area Median Income and who are current in rent will be eligible to participate in the Purchase Savings Program so that their out-of-pocket cost to purchase at cooperative conversion is $250. 90% of the anticipated sales proceeds are needed to convert the project to permanent financing. The remaining 10% will be allocated to unpaid developer fee.
Regulatory Requirements	Converted cooperatives will be subject to a minimum 40-year Regulatory Agreement with requirements including but not limited to: Shareholders must occupy their apartments as their primary residences and comply with restrictions on subletting. Current and future vacant apartments must be sold in a manner approved by HPD at prices that do not exceed a permitted maximum to income-eligible households. Profits on resale of apartments will be split among the co-op, HPD, and the seller based on a schedule within the Regulatory Agreement.

	The co-op must increase maintenance a minimum of 2% annually. The co-op must retain third-party property management and a third party Co-op Monitor, selected from a prequalified list, for the term of the regulatory period. On an annual basis, the co-op, in collaboration with its Monitor, must submit documents including but not limited to: audited financial reports; documentation of annual Board elections; and documentation demonstrating annual maintenance increases.
Cooperative Conversion	A minimum of 80% of existing residents must sign subscription agreements to purchase their units, must be current in rent, and must attend mandatory cooperative homeownership training classes provided during the project's construction period. Any resident of a building eligible to convert to cooperative who does not wish to purchase their unit will be offered a rent-stabilized lease for their unit, provided they are current on rent and compliant with other requirements. Buildings that do not satisfy the requirements for conversion to cooperative will be preserved as affordable, rent-stabilized rental projects. The Cooperative Offering Plan must be approved by HPD and the NYS Attorney General's office and be declared effective at the time of conversion.
Marketing	All vacant units must be marketed through HPD's lottery process in accordance with HPD's Marketing Handbook.
Construction Requirements	All projects must comply with HPD's Preservation Design Guidelines for Substantial Rehabilitation or HPD's New Construction Design Guidelines depending on whether there will be substantial rehabilitation or demolition and ground-up new construction. Prior to closing, all projects must complete benchmarking on a whole building basis using a Benchmarking Software Provider Firm that has been pre-qualified by HDC. Funded projects must benchmark throughout the loan and regulatory term. All substantial rehab projects, as determined by HPD, must achieve Enterprise Green Communities Certification. The Enterprise Green Communities Criteria and Certification portal is available at www.greencommunitiesonline.org. HPD will require projects to install solar photovoltaic or thermal systems, if it is physically feasible and cost-effective to do so, as determined by the IPNA or another assessment. Projects are considered physically feasible if the roof is in good condition and has at least 15 years left in its lifespan OR the roof will be replaced as part of the HPD project. Projects are considered cost-effective if they have a payback period of 10 years or less, as projected by the assessment. Projects that fall within a Solarize NYC catchment area may use the selected Solarize installer to design and install the solar system. All

	projects that fall outside of the catchment area must competitively bid out the solar project.
Application Process	Organizations that submit satisfactory applications to the ANCP-TPT-Special Projects Request for Qualifications (RFQ) will be added to a pre-qualified list of sponsors. HPD will select multiple pre-qualified sponsors from the list as candidates for each ANCP project and will present these options to the project residents. The residents will make a final selection via a majority vote. HPD will designate the resident-selected sponsor to the project and commence negations. At the onset of negotiations, sponsors must submit a project proposal including a scope of work, development budget, and operating budget. Sponsors are expected to secure construction financing and close within 12 months of commencing negotiations.
HPD Contact	For general information about ANCP, you may contact: Affordable Neighborhood Cooperative Program NYC Department of Housing Preservation and Development 100 Gold Street, Room 9-W7 New York, NY 10038 ancp@hpd.nyc.gov