Green Housing Preservation Program
Term Sheet for HDFC Cooperatives

Program Description	The Green Housing Preservation Program (GHPP) provides low- and no-interest loans to finance energy efficiency and water conservation improvements and rehabilitation work, to: • Ensure the physical health of buildings • Preserve safe affordable housing for low- and moderate-income households • Reduce building operating expenses • Reduce greenhouse gas emissions In addition to the financing provided for efficiency and rehabilitation work, the Program offers technical assistance services to owners for scope development, bid process facilitation, owner's representative services during construction, training on efficient building operations and maintenance practices, and a follow up report one-year post-construction completion to ensure proper operation of installed equipment and energy savings are being met.
Eligible Buildings	• Multifamily buildings between 3 units and 50,000 square feet (approximately 50 units) • Projects scopes of work with energy efficiency measures that are projected to save at least 20% in annual energy (heating and electric) usage (% reduction in kBTU). Water is not included. • Properties with rehabilitation needs are also eligible. Ineligible Buildings • Properties that have previously received State or City Low Income Housing Tax Credits (LIHTCs) are not eligible for GHPP and should contact the HPD Year 15 Program (hpdyear15@hpd.nyc.gov). Projects that have previously received HUD-assistance are not eligible for GHPP and should contact the HPD HUD Multifamily Program (hpdhudmf@hpd.nyc.gov). • Projects that do not meet the energy savings requirement or other eligibility criteria above may be eligible for financing through other applicable HPD Preservation Finance programs. • Projects that are only seeking financing for lead abatement should refer to the Lead-Free NYC Program Term Sheet.
Eligible Borrowers	This term sheet is available to single-purpose limited equity housing development fund corporation (HDFC) cooperatives. HDFCs with a Certificate of Incorporation (COI) that does not list HPD as the supervising agency must amend their COI using the HPD-approved COI template. This term sheet is not applicable to owners of HDFC rental properties or other ownership entities. Owners of HDFC rental properties and other owner types should consult with the other GHPP Term Sheets, as applicable.
Eligible Uses of the HPD Loan	• **Energy Efficiency and Water Conservation (EEWC)** measures with a 10 year payback period or less as specified by the IPNA (see explanation below) or as approved by HPD, including solar electricity and heating, efficient lighting, low-flow fixtures, insulation (piping and roof), and heating distribution upgrades • **Moderate Rehabilitation**, including roof replacement, window replacement, masonry/pointing work, and electrical and plumbing upgrades. • **Eligible Soft Costs** (*See the Fees and Closing Costs Section below for Eligible Soft Costs*)
HPD Loan Amount	The loan amount is sized according to the energy efficiency, water conservation and rehabilitation needs of the building. Energy efficiency, water conservation and rehabilitation needs are determined through an Integrated Physical Needs Assessment (IPNA), which is a roof-to-cellar assessment of a building's physical conditions combined with an energy audit and conducted by a third party firm on HDC's Pre-Qualified IPNA Firms list.

The first $8,500/$4,500 per residential unit (amount defined by building size; see below) of a project's cost is structured as a 0% interest, evaporating loan. Any project cost, with a maximum of $50,000 per residential unit, is repayable to HPD *(see Appendix A for an example of how the loan would be structured).*

	Maximum Green Efficiency Funds (0% interest, forgivable)		**Maximum Moderate Rehabilitation Funds** (repayable, up to 3% interest)		**Total Maximum HPD Loan Amount**
Small Buildings (3-15 units)	$8,500	+	$41,500	=	$50,000
Mid-Size Buildings (16-50 units)	$4,500	+	$45,500	=	$50,000

In cases where a project is 15 units or less, has significant rehabilitation needs <u>and</u> cannot leverage private financing, HPD may lend up to $80,000 per unit.

HPD Loan Terms

	Green Efficiency Funds Only	**Green Efficiency Funds* + Moderate Rehabilitation Funds**
Loan Term:	15 years	30 years
Interest Rate:	0% (a 0.25% servicing fee is applicable during construction only)	• <u>Loans in excess of the Green Efficiency threshold</u>: o <u>City Capital</u>: Up to 3%, inclusive of servicing; HPD may reduce the interest rate to leverage additional financing or meet minimum coverage requirements. o <u>Reso-A</u>: up to 1%, incl. of servicing
Loan Structure:	Evaporating; no interest or principal payments are made during the loan term. The loan evaporates in equal annual amounts over a 15-year period, as long as the building remains in compliance with the HPD Regulatory Agreement.	• <u>Loans up to the Green Efficiency Fund threshold</u>: same loan structure applies as Green Efficiency Fund Only loans. • <u>Loans in excess of the Green Efficiency Fund threshold</u>: 50% or more of the loan will amortize during the loan term, with a balloon of 50% or less of the principal due upon maturity. HPD may consider adjusting the balloon for projects that cannot support payments in order to ensure sufficient coverages are met or to leverage private financing.
Minimum Expense Coverage Ratio:	1.05	1.05
Minimum Debt Service Coverage Ratio:	N/A	• 1.25 if the HPD loan is the only financing on the project • 1.15 combined if additional mortgages are outstanding

Replacement Reserve*:	N/A	5% of Effective Gross Income (Income minus any vacancy losses)
Operating Reserve:**	N/A	Minimum of 6 months of maintenance and operating expenses including debt service

*HPD may reduce the reserve requirement in cases where it would create a burden to the project.

Private Debt

- HPD debt can be subordinated to existing or new first mortgage debt from a private bank.
- If a project can support private debt, HPD will require the borrower to apply for private financing from one of the participating banks listed below.

Existing HPD Debt

- HPD may consider extending the term of the existing HPD debt to run concurrent with the new loan term at interest rates consistent with this term sheet.

Utility and Other Energy and Water Efficiency Financing Programs

HPD encourages and assists borrowers in applying for financing from the following programs:

- Con Edison and National Grid incentive programs
- DEP Toilet Replacement Program (TRP)
- Weatherization Assistance Program (WAP)
- NYSERDA Multifamily Performance Program (MPP)

Borrower Equity Requirements

Borrowers are required to contribute 2% of the total project cost (excluding any refinancing costs, developer fee and reserves) using cash equity. Projects only receiving Reso A funds are not required to contribute equity towards the project. Equity requirements may be decreased or waived for buildings that only borrow up to the Green Efficiency Fund and Lead Treatment Fund threshold amount, as long as the Loan-to-Value does not exceed 98%.

Equity is typically provided to fund a portion of the scope of work and documented by a Housing Repair Agreement executed at closing. HPD may consider crediting other non-debt sources including any rebates obtained through a utility incentive program, toward the equity requirement.

All projects proposed to be located in an Opportunity Zone should consider Opportunity Funds as a potential source of equity. Projects that use Opportunity Fund investments must clearly identify the amount of all such investments, the name and location of the Opportunity Fund, and the tax payment implications and benefits for the Opportunity Zone investment. Any additional federal funding beyond the tax must also be disclosed and will be included in the evaluation of the project. Maps of the designated tracts can be found at this link https://esd.ny.gov/opportunity-zones

Fees and Closing Costs

Subject to funding availability, the following fees and closing costs can be paid for through the HPD loan. Owners that do not have the upfront funding to pay for any of the below costs incurred prior to the HPD loan closing can apply for a predevelopment loan from the New York City Energy Efficiency Corporation to cover those costs (terms on the predevelopment loan can be found here).

Item	Description	Reimbursable Amount
Integrated Physical Needs Assessment (IPNA)	Roof-to-cellar assessment of a building's physical condition combined with an energy audit	Base cost of up to $5,000 per project plus up to $250 per unit for the first 15 units in a project and up to $125 per unit for all remaining units.

Technical Assistance Services	Scope of work development, bid process facilitation, owner's representative services during construction, training and one-year follow up report	Greater of $2,500 per unit or 5% of the total project costs, with a maximum of $100,000 for projects greater than 25 units. Fees for TA services must be reasonable and commensurate with the project scope of work. HPD may limit reimbursement to amounts below the cost thresholds based on these criteria.
Payment and Performance Bond or Letter of Credit	Construction guarantees for projects receiving private financing or over $1 million in HPD financing	Typically, 2-5% of the construction contract
Environmental Testing	Lead and asbestos testing	HPD must approve cost
Title Report	A report that discloses whether there are any competing claims, liens or other issues on the property.	HPD must approve cost
Title Insurance	Insures the owner and lender against loss or damage that can occur due to liens, encumbrances, or defects in the title to a property.	.9% of the total loan amount
Borrower Legal Fee	Attorney fee for reviewing legal documents and being present at the loan closing.	HPD must approve cost
Initial Benchmarking Setup Fee	Fee to setup benchmarking account	HPD must approve cost

The following fees cannot be paid for by HPD through its loan proceeds and must be paid for by the borrower at closing (only the Equal Opportunity Fee can be counted towards the equity requirement):

Item	**Cost**
Construction Signage Fee	$100 per building
Equal Opportunity Fee	$1,400 per project

Regulatory Requirements

All HDFC cooperatives must enter into a regulatory agreement at closing requiring the following:

	Green Efficiency + Moderate Rehab Funds
Term of Regulatory Agreement	Owners must, at a minimum, agree to a regulatory period through the later of (i) the new HPD loan term, (ii) 15 additional years from the expiration of the current HPD regulatory period, or (iii) the expiration of the J-51 or Article XI tax benefit.
Income and Resale Restrictions	• Current and future vacant apartments must be sold to households whose incomes do not exceed 120% of AMI.

		• Apartment sales prices are based on a schedule set by HPD. Profits on the resale of apartments will be split between the coop and the seller based on a schedule within the Regulatory Agreement. • The HDFC may not rent vacant units and shareholders can only sell units to eligible households only.
	Building Operations	• The HDFC must employ professional paid management services, management fee not to exceed 8%. • The HDFC must employ a coop monitor acceptable to HPD within one year of construction completion. • The building must maintain a monthly replacement reserve account equal to 5% of Effective Gross Income. • Maintenance charges must increase by at least 2% annually. • Annual rent rolls and certified financial statements will be submitted to HPD on an annual basis. HPD may additionally request on an annual basis documentation demonstrating that unit sales have been conducted in accordance with the regulatory terms. Other documentation will be maintained and submitted to HPD upon request.

Real Estate Tax Benefits

Tax exemptions or abatements may be available pursuant to J-51 or Article XI. Projects that receive Article XI tax exemptions may be subject to a Gross Rent Tax (GRT) payment. Gross Rent is defined as total annual income received which includes tenant share plus any tenant subsidy payments.

Design and Construction Requirements

- All projects must comply with HPD's Standard Specification (http://www1.nyc.gov/site/hpd/developers/specifications-rehabilitation/master-guide-specifications-for-rehabilitation-projects.page), as the specifications relate to the project's scope of work.

- Projects must complete an Integrated Physical Needs Assessment (IPNA) and procure Technical Assistance Services by an HDC pre-qualified IPNA and TA firm. *See HDC website for current list of qualified firms:* http://www.nychdc.com/Current%20RFP

- 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, if it is determined that solar is a physically and financially feasible option.

- 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: http://www.nychdc.com/Current%20RFP. Funded projects must benchmark throughout the HPD regulatory term.

- Projects where HPD/HDC's contribution is more than $2 million will have to comply with the M/WBE Build Up Program requiring developers/borrowers to spend at least a quarter of HPD-supported costs on certified M/WBEs over the course of design and construction of an HPD-subsidized project. A minimum goal will be required for each project subject to the program. Developers may adopt a goal higher than the minimum.

- HPD requires developers, general contractors, and subcontractors working on projects receiving more than $2 million in City subsidy to share job openings in entry- and mid-level construction positions with HireNYC and to interview the qualified candidates that HireNYC refers for those openings.

Fair Housing and

The Borrower is required to comply with all applicable Federal, State, and local laws, orders, and regulations prohibiting housing discrimination. The Developer must also construct the project in

Accessibility Requirements	compliance with all laws regarding accessibility for people with disabilities, including but not limited to the New York City Building Code, the federal Fair Housing Act, the Americans With Disability Act, and Section 504 of the Rehabilitation Act of 1973.
Marketing	All projects must be marketed according to HPD and HDC marketing guidelines. The borrower must submit a marketing plan for agency review and approval. Where applicable, marketed projects will be required to use HPD's and HDC's lottery process.
Application Process	Borrowers must apply to HPD and through one of the participating private lenders listed below, if applicable.
Participating Banks	Community Preservation Corporation: Atalia Howe, 646-822-9427 Enterprise Community Partners: Victoria Rowe-Barreca, 212-284-7181 Low Income Investment Fund: Ivan Levi, 212-509-5509 x 29 Local Initiatives Support Corporation (LISC): Arturo Suarez, 212-455-1606 New York City Energy Efficiency Corporation (NYCEEC): Poise Constable, 646-797-4615 Habitat for Humanity: Christopher Illum, 646-779-8861
HPD Contact	Dara Yaskil, Director, Green Housing Preservation Program 212-863-8929 / hpdpres@hpd.nyc.gov

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.

APPENDIX A

EXAMPLE LOAN STRUCTURE

Building Size = 8 units

Maximum Eligible Financing = $50,000 per unit, or $400,000

Total Loan Amount = $350,000

Loan Structure:

	HPD Loan A	**HPD Loan B**
Loan Amount	$68,000 (Green Efficiency Funds Only)	$282,000
Loan Term	15 years	30 years
Interest Rate	0%	Up to 3%
Repayment Term	Evaporating by $4,533.34 each year for 15 years	50% or more of the principal will amortize over a 30-year term and 50% or less of the principal will defer and accrue and be payable upon maturity