Department of Housing Preservation & Development
nyc.gov/hpd

**NYC Department of Housing Preservation and Development (HPD)**
Office of Development, Division of Preservation Finance

# Green Housing Preservation Program
# Term Sheet for Small Building Owners

| | |
|---|---|
| **Program Description** | The Green Housing Preservation Program (GHPP) provides low- and no-interest loans to finance energy efficiency and water conservation improvements, treatment of lead-based paint hazards, and rehabilitation work, to:<br><br>• Ensure the physical health of buildings<br>• Preserve safe affordable housing for low- and moderate-income households<br>• Reduce building operating expenses<br>• Reduce greenhouse gas emissions |
| **Eligible Buildings** | • Multifamily buildings between 3 and 15 units<br>• Project scopes of work with energy efficiency measures that are projected to save at least 20% in annual energy (heating and electric) usage (% reduction in kilo-British thermal unit (kBTU)). Water is not included.<br>• Properties with rehabilitation needs are also eligible.<br><br>Ineligible Buildings<br>• 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).<br>• 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.<br>• Projects that are only seeking financing for lead abatement should refer to the Lead Hazard Reduction and Healthy Homes Program term sheet. |
| **Eligible Owners** | The term sheet is available to building owners of rental housing that own a building between 3 and 15 units **AND** own no more than three buildings in New York City, one of which serves as the owner's primary residence.<br><br>The owner can be a for-profit owner, including individuals, partnerships, limited liability corporations, and corporations.<br><br>Owners of rental buildings that do not fit this definition should refer to the Green Housing Preservation Program Standard Term Sheet. |
| **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<br>• **Moderate Rehabilitation**, including roof replacement, window replacement, masonry/pointing work, and electrical and plumbing upgrades.<br>• **Treatment of Lead-Based Paint Hazards,** including abatement measures, such as the removal and replacement of lead-positive doors, window frames, sills, baseboards, and other "friction surfaces", and interim controls, such as paint stabilization (wet-scraping and re-painting).<br>• **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, lead treatment 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 lead treatment needs are determined through lead testing conducted by HPD at no cost to the owner.

**Buildings with Substantial Lead-Based Paint Hazards**
Maximum loan amount of $60,000 per residential unit.
(*see Appendix A for an example of how the loan would be structured if the building had lead treatment needs)*

**Buildings without Substantial Lead-Based Paint Hazards**
Maximum loan amount of $50,000 per residential unit.
(*see Appendix A for an example of how the loan would be structured if the building did not have lead treatment needs)*

**All Buildings**
In cases where a property has significant rehabilitation needs and cannot support private financing, HPD may lend up to $80,000 per unit.

**HPD Loan Terms**

**Buildings with Substantial Lead-Based Paint Hazards**

The first $18,500 per residential unit of a building's cost is structured as a 0% interest, evaporating loan over a 15-year term. Any cost above that amount, with a maximum of $60,000 per residential unit, is repayable to HPD. See below for specific loan terms.

| *Maximum* **Green Efficiency Funds** (0% interest, evaporating) | | *Maximum* **Lead Treatment Funds** (0% interest, evaporating) | | *Maximum* **Moderate Rehabilitation Funds** (repayable, up to 3% interest) | | **Total Maximum HPD Loan Amount** |
|---|---|---|---|---|---|---|
| $8,500 | + | $10,000 | + | $41,500 | = | $60,000 |

**Buildings without Substantial Lead-Based Paint Hazards**

| *Maximum* **Green Efficiency Funds** (0% interest, evaporating) | | *Maximum* **Moderate Rehabilitation Funds** (repayable, up to 3% interest) | | **Total Maximum HPD Loan Amount** |
|---|---|---|---|---|
| $8,500 | + | $41,500 | = | $50,000 |

**All Buildings**

| | **Green Efficiency and Lead Treatment Funds Only** | **Moderate Rehabilitation Funds** |
|---|---|---|
| **Loan Term:** | 15 years | 30 years |
| **Interest Rate and Loan Structure:** | 0% (a 0.25% servicing fee is applicable during construction only)<br><br>Evaporating; no interest or principal payments are made | City Capital Funds<br>Up to 3%, inclusive of servicing fee; HPD may reduce the interest rate to leverage additional financing or meet minimum coverage requirements. |

| | | |
|---|---|---|
| | 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. | Reso-A Funds<br>Up to 1%, inclusive of servicing fee; HPD may reduce the interest rate to leverage additional financing or meet coverage requirements.<br><br>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 | • 1.30 if the HPD loan is the only financing on the project<br>• 1.20 combined on all mortgages |
| **Pre-Payment Penalty:** | No prepayment allowed | Declining for the first 5 years:<br>• Year 1: 5% of unpaid principal<br>• Year 2: 4% of unpaid principal<br>• Year 3: 3% of unpaid principal<br>• Year 4: 2% of unpaid principal<br>• Year 5: 1% of unpaid principal |
| **Replacement Reserve*:** | N/A | 3% of collected rent |
| **Operating Reserve*:** | N/A | Minimum of 6 months of maintenance and operating expenses including debt service |
| **Cash Flow:** | N/A | Owner receives 100% of cash flow |

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

Private Debt

- HPD loans can be subordinated to existing or new first mortgage loans from a private bank.
- If a project can support a private loan, HPD will require the owner 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 loan 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 owners 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)

**Owner Equity Requirements**

Owners are required to contribute 10% of the total project cost (excluding any refinancing costs) using cash equity. Equity is typically provided as a portion of the scope of work paid for directly by the owner or covered by a utility incentive program and documented by a Housing Repair Agreement executed at closing. HPD may consider crediting other non-debt sources toward the equity requirement.

Equity requirements may be decreased or waived for buildings that only borrow up to the Green Efficiency and Lead Treatment Funds threshold amount, as long as the Loan to Value does not exceed 98%.

**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 (NYCEEC) 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. |
| **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<br><br>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. |
| **Loan Packaging Fee** | Third-party representative that assists an owner in completing loan due diligence to close on the HPD loan | Projects that can support private debt may be eligible for a loan packaging fee that will be paid upon loan closing.<br><br>The maximum loan packaging fee is 3% of the Total Development Cost (TDC) less the loan packaging fee. |
| **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 | Asbestos Testing: HPD must approve cost.<br><br>Lead Testing:<br>• Buildings Eligible for Lead Treatment Funds: Lead testing will be performed by an HPD Lead Inspector at no cost to the owner.<br>• Buildings NOT Eligible for Lead Treatment Funds: 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 | 0.9% of the total loan amount |

| | | |
|---|---|---|
| | defects in the title to a property. | |
| **Owner 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 owner 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 projects must enter into a regulatory agreement at closing requiring the following:

| | **Green Efficiency and Lead Treatment Funds Only** | **Green Efficiency, Lead Treatment Funds + 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. | |
| **Rent Stabilization** | • All units must remain in rent stabilization during the term of the regulatory agreement.<br>• Owner may not apply to the Division of Homes and Community Renewal (DHCR) for Major Capital Improvement (MCI) or Individual Apartment (IAI) increases in connection with the work funded by HPD and private loans for this project. Throughout the Term of the Regulatory Agreement, the owner may apply for MCI and IAI increases in accordance with the Rent Stabilization Code, as long as the Legal Rent does not exceed the Rent Limitation set forth in the Regulatory Agreement or the rental assistance rent, if a unit receives rental assistance.<br>• All units that are currently not rent stabilized must be registered with DHCR prior to loan closing. Setting for initial legal rents will be determined by HPD. | |
| **Rent Limitation** | N/A | • Maximum rents charged of 100% Area Median Income (AMI). Rent restrictions may be based on current tenants' rents and set at multiple tiers up to a level affordable to households earning 100% AMI.<br>• Restricted rents for units with current rents below 80% AMI will be set to rents 10% above the current rent. |

| | | | |
|---|---|---|---|
| | | | The maximum restricted rents for units with current rents above 80% AMI will be restricted to rents 20% above current rent. |
| | **Income Limitation** | • Current and future vacant apartments must be rented to households whose incomes do not exceed 120% of AMI .<br>• If the building's current rents are close to this AMI level, HPD may adjust to allow for appropriate marketing band. | • Current and future vacant apartments must be rented to households whose incomes do not exceed 120% of AMI.<br>• Units with rents set below 80% AMI can be rented to households earning up to 10% above the rent limitation. Units with rents set above 80% can be rented to households earning up to 20% above the rent limitation.<br>• If the building's income is close to the maximum level, HPD may adjust to allow for appropriate marketing band. |
| | **Building Operations** | N/A | • Projects must maintain an operating and replacement reserve that will stay with the project throughout the regulatory term.<br>• Owners must manage the property in accordance with generally acceptable management practices in New York City. HPD may require the owner enter into a management contract with a third-party management entity. |
| **Real Estate Tax Benefits** | Tax exemptions or abatements may be available pursuant to J-51 or Article XI. Projects receiving an Article XI may pay partial taxes based on 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.<br><br>• Projects must complete an Integrated Physical Needs Assessment (IPNA) and procure Technical Assistance Services by a New York City Housing Development Corporation (HDC) pre-qualified IPNA and TA firm. *See HDC website for current list of qualified firms:* http://www.nychdc.com/Current%20RFP<br><br>• 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.<br><br>• Projects where HPD/HDC's contribution is more than $2 million will have to comply with the Minority/Women Business Enterprise (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.<br><br>• 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.<br><br>• Owners are required to survey all tenants in a project using HPD's Aging-in-Place Survey to determine modifications needed to assist tenants age more comfortably and safely in place. The scope of work will include the modifications listed in the survey as requested by tenants. |
| **Fair Housing and Accessibility Requirements** | The owner 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 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.<br><br>Work to assist tenants aging in place may also be required by HPD and included in the scope of work. |
| **Marketing** | All projects must be marketed according to HPD and HDC marketing guidelines. The owner 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** | Owners 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<br>Enterprise Community Partners: Victoria Rowe-Barreca, 212-284-7181<br>Low Income Investment Fund: Ivan Levi, 212-509-5509 x 29<br>Local Initiatives Support Corporation (LISC): Arturo Suarez, 212-455-1606<br>New York City Energy Efficiency Corporation (NYCEEC): Poise Constable, 646-797-4615<br>Habitat for Humanity Community Loan Fund: Christopher Illum, 646-779-8861 |
| **HPD Contact** | Dara Yaskil, Director, Green Housing Preservation Program<br>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 1: LOAN STRUCTURE WITH LEAD-BASED PAINT HAZARDS**

**Building Size =** 8 units

**Maximum Eligible Financing =** $60,000 per unit, or $480,000

**Total Loan Amount =** $350,000

**Loan Structure:**

| | **HPD Loan A** | **HPD Loan B** |
|---|---|---|
| **Loan Amount** | $148,000 ($80,000 in Lead Treatment Funds plus $68,000 in Green Efficiency Funds) | $202,000 |
| **Loan Term** | 15 years | 30 years |
| **Interest Rate** | 0% | Up to the higher of 3% or the Applicable Federal Rate, inclusive of servicing |
| **Repayment Term** | Evaporating by $9,867.67 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 |

**EXAMPLE 2: LOAN STRUCTURE WITHOUT LEAD-BASED PAINT HAZARDS**

**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 the higher of 3% or the Applicable Federal Rate, inclusive of servicing |
| **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 |