
NEW YORK CITY MINORITY BUSINESS ENTERPRISE GUARANTY FACILITY

March 15, 2024

Proposed Term Sheet for Project Sponsors, Developers, and Guarantors

This summary Term Sheet is provided for discussion purposes only and does not constitute a commitment. The terms contained herein are of a summary nature and are not all-inclusive.

PURPOSE: Minority-owned business enterprise (“MBE”) developers of affordable housing have historically had difficulty securing construction loans, often resulting in the need to form a partnership with larger firms that dilutes their ownership, reduces their developer fees, and limits their ability to grow and take on more projects independently in the future. Recognizing this challenge, the City of New York, acting through the New York City Department of Housing Preservation and Development (HPD) and the NYC Housing Development Corporation (HDC), has partnered with the Urban Investment Group within Goldman Sachs’ Asset Management division (“GS”) to create the New York City Minority Business Enterprise Guaranty Facility (the “Facility”) to facilitate more direct and meaningful opportunities for MBEs to build affordable housing in New York City.

The Facility is expected to provide a total of up to \$50 million in Back-Stop Guaranties (each, a “Back-Stop Guaranty” and, collectively, the “Back-Stop Guaranties”) for minority developers who are struggling to independently provide the guaranties required to secure construction financing to develop affordable housing projects in New York City. The Back-Stop Guaranties will be available to support only the construction or development completion guaranty, the repayment guaranty, and the carry guaranty.

ELIGIBLE SPONSOR/DEVELOPER: The Facility will determine whether an applicant (the “Project Sponsor”) is eligible for a Back-Stop Guaranty based on the following:

- Current certification as a Minority Business Enterprise from any certifying body, or current certification as a Minority Business Enterprise from any certifying body for a partial owner of a joint venture sponsor solely to the extent the other partner is a non-controlling not-for-profit entity partner that owns a minority interest in the joint venture;
- A development track record that includes, at minimum, the timely and on-budget completion of an affordable housing project that demonstrates the necessary experience to successfully complete the project for which a Back-Stop Guaranty is being considered; and

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- A demonstration of need as described in the application process below.

The Facility may also consider the experience and performance of the Project Sponsor's selected property manager and/or contractor.

The Facility will consider exceptions to the experience requirements on a case-by-case basis and will prioritize deals in HPD's and/or HDC's pipeline that are ready to close on financing but for the Back-Stop Guaranty.

The Facility will require the Project Sponsor to maintain a minimum net worth and liquidity amount that will be sized as a percentage of the guaranty amount and determined on a deal-by-deal basis, and which the Credit Committee can waive at its discretion.

Only applications for which a Back-Stop Guaranty from the Facility is required for a borrower to obtain a loan from an institutional lender will be considered, as the intent of the Facility is to facilitate transactions with MBE sponsors/developers who otherwise demonstrate the ability to successfully carry out the proposed development but for the financial capacity to meet guaranty requirements.

ELIGIBLE PROJECTS:

Projects eligible for the Back-Stop Guaranty must be Affordable Housing Development Projects (as defined below) that are:

- located in New York City;
 - either 100% owned by the Project Sponsor or a joint venture between the Project Sponsor and a non-controlling not-for-profit entity partner that owns a minority interest in the joint venture, or if it is a low income housing tax credit project, the managing member or general partner of which will be 100% owned by the Project Sponsor or a joint venture between the Project Sponsor and a non-controlling not-for-profit entity partner that owns a minority interest in the joint venture;
 - in the HDC and/or HPD project construction financing pipeline, with a maximum senior loan component of its Construction Financing being no greater than \$50,000,000, it being understood that the Credit Committee may consider a larger amount in its sole and absolute discretion; and
 - the Project is determined to satisfy a maximum loan to value and a minimum debt service coverage ratio as are established during the full underwriting of the Project.
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No Project seeking solely land acquisition financing or pre-development financing rather than Construction Financing are eligible for participation.

“Affordable Housing Development Projects” means Projects that involve the new construction or rehabilitation of rental housing including units with income restrictions that are unanimously approved by the Credit Committee with the intent of the Facility being that Back-Stop Guaranties are not intended for Projects which take on market rate risk or material commercial property risk.

NATURE OF GUARANTY:

The Back-Stop Guaranty will be capped at 10% of the senior loan made to the borrower, unless otherwise approved by the unanimous agreement of the credit committee of the Facility (the “Credit Committee”). Each Back-Stop Guaranty will not exceed \$5 million. Each Back-Stop Guaranty will apply only to the construction or development completion guaranty, the repayment guaranty (if applicable), and the carry guaranty (if applicable), for a term that is co-terminus with the term of the applicable construction financing (the “Construction Financing”) and shall be automatically extended with an extension of said Construction Financing.

The applicable Project Sponsor is expected to provide guaranties to the construction lender under the applicable Construction Financing (the “Construction Lender”) and if the Construction Lender makes a demand on said guaranty that is not funded within 60 days of such demand, the Construction Lender shall have the right to call the Back-Stop Guaranty for such amount. In no event will a Construction Lender have a right to draw under a Back-Stop Guaranty more than the capped amount of such back-Stop Guaranty. Nonrecourse carveout guaranties and environmental indemnities are not eligible for liquidity support via the Back-Stop Guaranty. In the event a guaranty is called upon, the Project Sponsor is expected to repay all amounts funded by the members of the Facility to the applicable Construction Lender and will guaranty any such payment. The obligation to repay amounts funded under the Back-Stop Guaranty will also be secured by a reimbursement promissory note and mortgage from the Project Borrower and encumbering the Project. Repayment of said reimbursement obligation will occur from net cash flow of the Project, prior to the payment of any developer fee. The reimbursement note and mortgage will be in priority behind all senior and certain subordinate debt of the Project Borrower as

determined by the Facility Participants and ahead of any sponsor loans to the Project.

TERM: Depending on institutional Lender requirements each Back-stop Guaranty shall have a term that is coterminous with the term of the applicable Construction Financing and shall be automatically extended with an extension of said Construction Financing.

REPAYMENT: In the event a Back-Stop Guaranty is called upon, the Borrower will be expected to repay the amount funded by the Facility. The reimbursement note will be repayable as follows:

- Repayments will commence upon availability of cash flow for payments
- Repayments will be made from any paid developer fee
- The reimbursement note shall bear interest at a rate of ten percent (10%) per annum
- The reimbursement note will have a maturity date that is at least coterminous with the project loan with the longest maturity
- No prepayment penalty

APPLICATION PROCESS/ REQUIREMENTS: A complete application consisting of the following must be submitted to the manager for the Facility:

- Written request to participate that includes a demonstration of need by the Project Sponsor for a Back-Stop Guaranty
- Proof of MBE certification
- Project narrative
- Org chart for proposed project
- Narrative description of company; principals' experience, etc.
- Construction lender term sheet
- HPD or HDC Program Letter of support with pro forma submitted to request the support letter
- Determination of, and documentation establishing, a maximum loan to value and a minimum debt service coverage ratio as acceptable to the Credit Committee
- Appraisal or other documentation establishing that the project can meet the required loan to value and projected minimum debt service coverage ratio.
- Documentation that establishes the net worth and liquidity of the Project Sponsor
- Each Project Sponsor and Project Borrower shall comply with all applicable GS know your customer requirements and applicable HDC/HPD sponsor review requirements.

After a full application package has been received and eligibility has been confirmed, the project will be reviewed by the Facility's Credit Committee. Upon a Credit Committee approval, a Project Term Sheet ("Project Term Sheet") will be issued by the Facility. The Back-Stop Guaranty documents will be executed by the Facility at the time of Construction Loan closing.

DOCUMENTATION OF COMMITMENT:

Project Term Sheet. The Facility will provide a Project Term Sheet to the Project Borrower to use in securing a commitment/term sheet from the Construction Lender until Back-Stop Guaranty documents are signed at the time of the closing of the Construction Financing contingent on the satisfactory completion of all required closing conditions.

Guaranty. The Facility participants will deliver to the Construction Lender signed Back-Stop Guaranty documents that will stipulate:

- Conditions for Advances
 - Repayment terms
 - Confirmation that the Back-Stop Guaranty will be coterminous with the Construction Financing.
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GUARANTY FEE:

Upfront Fee: The upfront fee will be equal to \$7,500 plus 0.75% of the amount of the Back-Stop Guaranty, paid at closing of the Construction Financing out of funds capitalized in the budget for the Construction Financing.

Ongoing Fee: The ongoing fee will be equal to \$5,000 plus 0.875% of the amount of the Back-Stop Guaranty per annum until the Back-Stop Guaranty is released or fully drawn, to be paid quarterly in advance and will be budgeted in the budget for the Construction Financing, provided that the portion of such fee which is to be paid to the facility manager will be paid in full at the Construction Loan closing; and further provided that if the amount so budgeted is depleted that will not obviate the Project Sponsor's and borrower's obligation for such fees.

The Project budget shall also include reimbursement of certain actual Construction Consultant costs, in an amount not to exceed \$26,000.

For draws on the Back-Stop Guaranty: interest rate of 10.0% per annum of the amount that is funded under the Back-Stop Guaranty.
