



Department of
Housing Preservation
& Development



NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

Introduction to New Construction

Working Together to Bring More Affordable Housing to NYC

HPD M/WBE and Non-Profit Development Training
December 8, 2020

Sibling Agencies



Shared Mission	Increasing the availability, affordability, and quality of housing in thriving and diverse city neighborhoods.	
Reach	Largest municipal developer of affordable housing in the nation	#1 issuer of mortgage revenue bonds for affordable housing in the nation
Governance	Mayoral Agency—led by Commissioner	Public benefit corporation led by President and a board of Mayoral and Gubernatorial-appointees. HPD Commissioner serves <i>ex-officio</i> as HDC Board Chair
Size	~2,400 employees (~350 in Development); \$1.1 billion expense budget, \$1.4 billion capital budget	~ 173 employees; \$13 Billion in assets
Principal Housing Development Tools	Underwriting; Low-interest loans; 4% and 9% tax credits; tax incentives; direct subsidy loans; refinancing	Underwriting; Tax-exempt or taxable bonds; HDC subsidy loans (corporate reserves)
Revenue Sources	Federal, state and private grants, city tax levy, city capital (G.O. bond issuances)	Bond issuance, origination and servicing fees, loan securitization, investments

Complementary Programs

Many of HPD's and HDC's programs are designed to work together, while some function independently.



New Construction	✓	✓
Preservation	✓	✓
Planning	✓	
Capital Markets		✓
Intergov	✓ City Council, State, Federal	✓ Primarily State & Federal
Marketing & Asset Management	✓ handles projects financed independently by HPD	✓ handles projects financed independently by HDC, and jointly with HPD

What is Affordable Housing?

Housing is considered “affordable” when a household spends no more than $1/3$ of its income on rent and utilities.

Affordable housing is usually achieved through a combination of below-market loans, subsidies, and tax incentives offered in exchange for a set of affordability terms written into a regulatory agreement for a set period of years, usually no less than 30, and sometimes permanent.

Affordable housing is *not*:

- Public housing, although public housing is a source of affordable housing
- Section 8 vouchers, although Section 8 vouchers can be used in coordination with affordable housing development
- Always low-income housing, although much of the affordable housing financed is for lower income households

Area Median Income (AMI)

AMI is the annually-adjusted metric used by HUD to allocate affordable housing—it determines the rents you can underwrite and who can live in the affordable housing you build

Link: <https://www1.nyc.gov/site/hpd/services-and-information/area-median-income.page>



**If your family of 3 has
an annual salary of...**

AMI level

**Your monthly rent for a 2BR
apartment should
be approximately:**

\$133,120	130%	\$3,235
\$102,400	100%	\$2,467
\$81,920	80%	\$1,878
\$61,440	60%	\$1,366
\$30,720	30%	\$598

DEV Project Types

Source of Property

- Privately-owned sites - Developers / owners apply to the City for low-interest loans, tax credits, and other incentives in exchange for building or preserving affordable housing
- Publicly-owned sites - The City awards property to private developers via competitive processes (RFP, RFQ, etc.) based on a range of factors, including affordability, and may also provide other financial assistance

Type of Construction

- Preservation -- facilitating the physical and financial sustainability and affordability of existing residential buildings by helping owners address a spectrum of operating, rehabilitation, and other financing needs
- New Construction -- leveraging City, State, and Federal subsidies and other tools to finance the creation of new affordable units

Tenure: rental, ownership (coop, condo, small homes)

Primary DEV Considerations

New Construction

- Financial feasibility and site constraints
- Community needs and local market conditions
- Overall program, including non-residential uses / community benefits
- Affordability mix

For all projects, HPD evaluates project team track record and capacity

Financing Tools

HPD's financing programs typically combine direct subsidy with tax exemptions/abatements to help with the acquisition, construction / rehabilitation, refinancing, and / or operations of buildings to ensure long term financial viability and affordability.

A. Acquisition

- Disposition of City-owned property
- NYC Acquisition Fund

B. Loans

- Senior or subordinate loans per terms of HPD programs
- Capital / Reso A
- Extension or modification of existing City loans (Preservation)
- HDC subsidy and/or bond financing

Financing Tools

- C. Real estate / property tax incentives (e.g., 420-c, Article XI, J-51)
 - Require different levels of affordability
 - May be full or partial tax exemption
 - May require that development or preservation be carried out by a Housing Development Fund Company (HDFC)

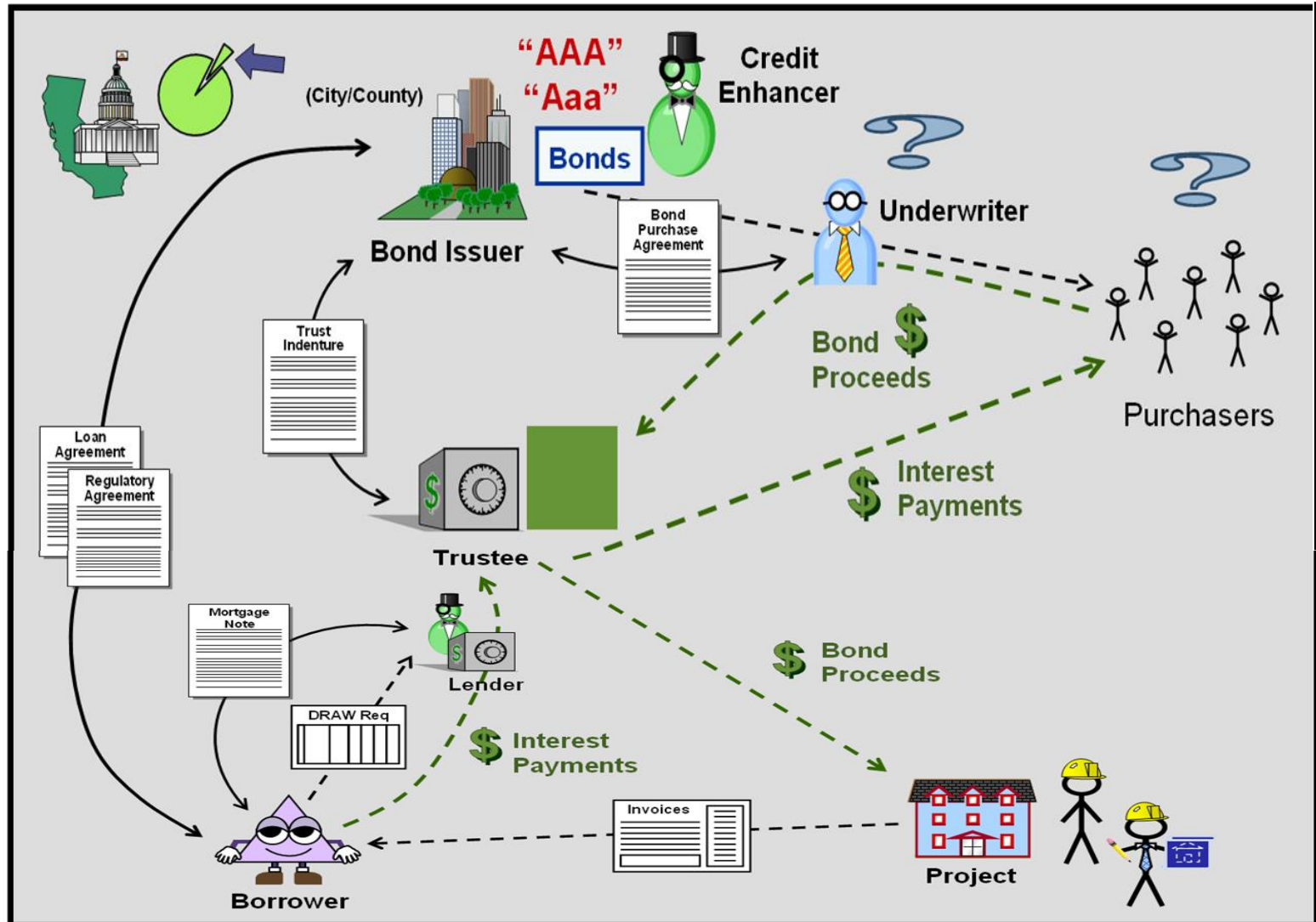
- D. Tax credits
 - 9% credits available through annual competitive process
 - 4% available as of right with tax exempt bonds
 - Other less common credits (Brownfields, Historic)

- E. Operations
 - Tenant or Project-Based Section 8
 - Other rental subsidies for supportive housing (e.g. NYC 15/15, ESSHI)
 - Rent restructuring
 - Energy and water efficiency savings programs

Value of Subsidized Financing

	6.25% Rate	5.7% Rate	5.7% Rate & Capital Subsidy	5.7% Rate & Capital Subsidy & Free land
Acquisition Cost	\$11.5M	\$11.5M	\$11.5M	\$1
Construction Costs	\$75M	\$75M	\$75M	\$75M
Capital Subsidy	\$0	\$0	\$22M	\$22M
Max loan needed at 80% LTC	\$69M	\$69M	\$51.5M	\$42M
Monthly Debt Service	\$426K	\$400K	\$300K	\$300K
Rent psf Required	\$39	\$37	\$31	\$28
Translatable Monthly Rent	\$2,000	\$1,900	\$1,550	\$1,400

The Basic Bond Structure (Courtesy of Novagradac & Co.)



Ensuring Affordability

A. Regulatory agreement

- Executed at closing
- Runs with the property (i.e., unaffected by sale)
- Describes requirements for affordability, including term, mix, rent limits, income limits, and compliance
- City can bring foreclosure action for noncompliance with loan documents and/or regulatory agreement

B. Other tools include:

- Rent stabilization
- Enforcement mortgages
- Coordination with other lenders and regulatory agencies (e.g., HUD, HCR/HFA, AHC, tax credit investors, banks)

The Impact of a Regulatory Agreement

A. HDFCs

- Not-for-profit sponsor, Nominal Ownership
- Required for capital loans, tax exemptions, disposition of City land

B. Rent stabilization

- At least 30 years
- Initial rent vs. Legal Rent
- Limited / regulated rent increases

C. Restrictions on property transfers

- Transfers require Agency approval

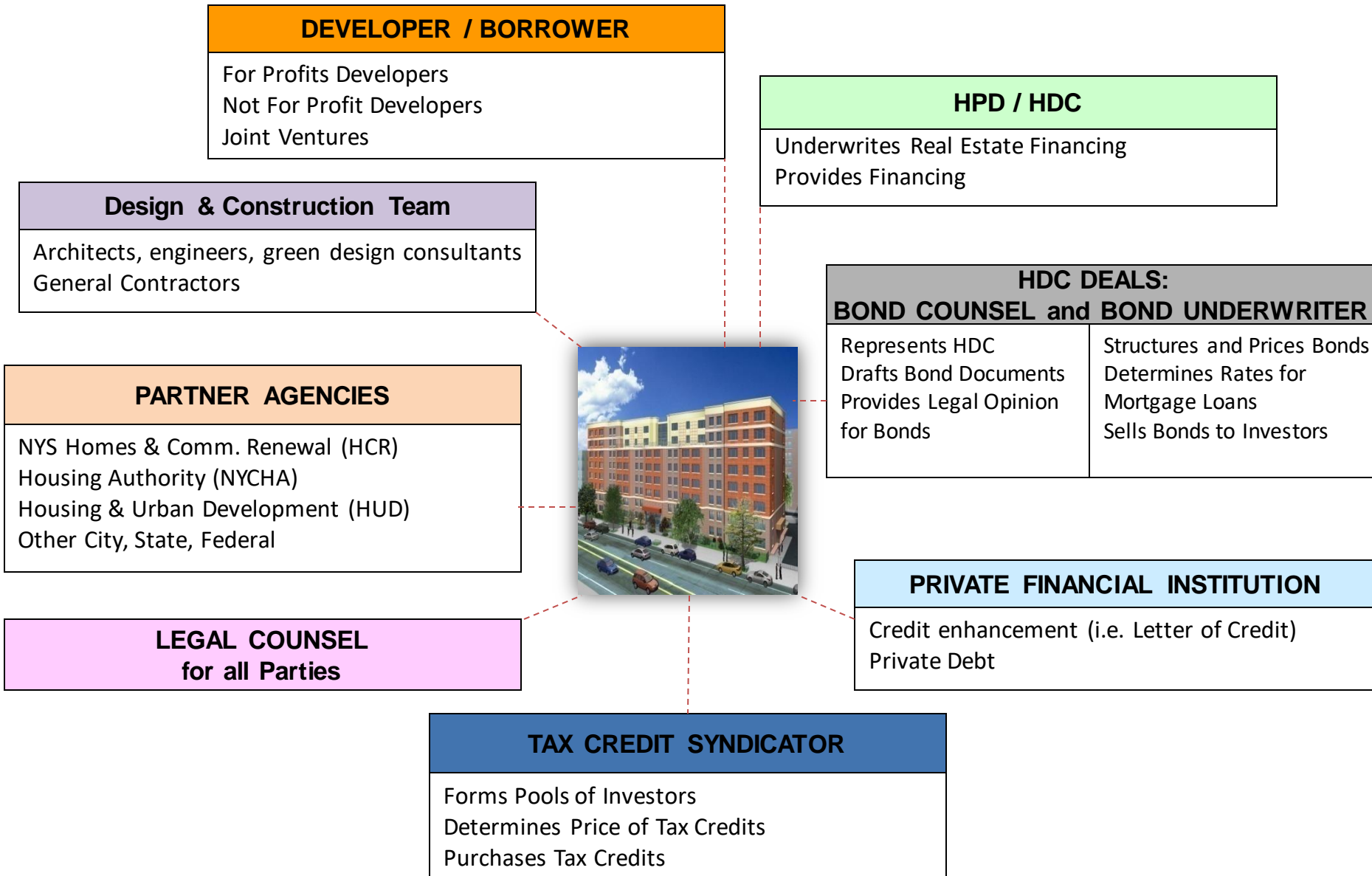
D. Reporting

- Annual income certification for tax credit units
- HUD

E. Public Sites

- Enforcement mortgages; Remainder Interest; and Reverters

Partners in an Affordable Housing Project



Typical Development Process

START

→ Pre-Development (up to 2 years)

→ **Construction Closing**

→ Construction Period (18-36 months)
Bank and/or HPD monitors progress

→ Rent-up (3-9 months)
Housing Connect lottery process

Conversion to Permanent Financing

Coordinated by HPD and/or HDC Development, Legal, and Loan Servicing

← Permanent Loan Period (30-35 years)
Asset Management monitors regulatory compliance; Loan servicing monitors timely repayments.

← **Regulatory Period**
(30-60 years, sometimes permanent)

FINISH

Pre-Development Close Up

START

→ Pre-Development (at least 1 Year)

Environmental Review (at least 3-6 months)
CEQR, SEQRA, NEPA, Phase 1, Brownfields

BLDS Review
(3-6 months)

ULURP (6-7 months)

Sponsor Review (2-3 months)

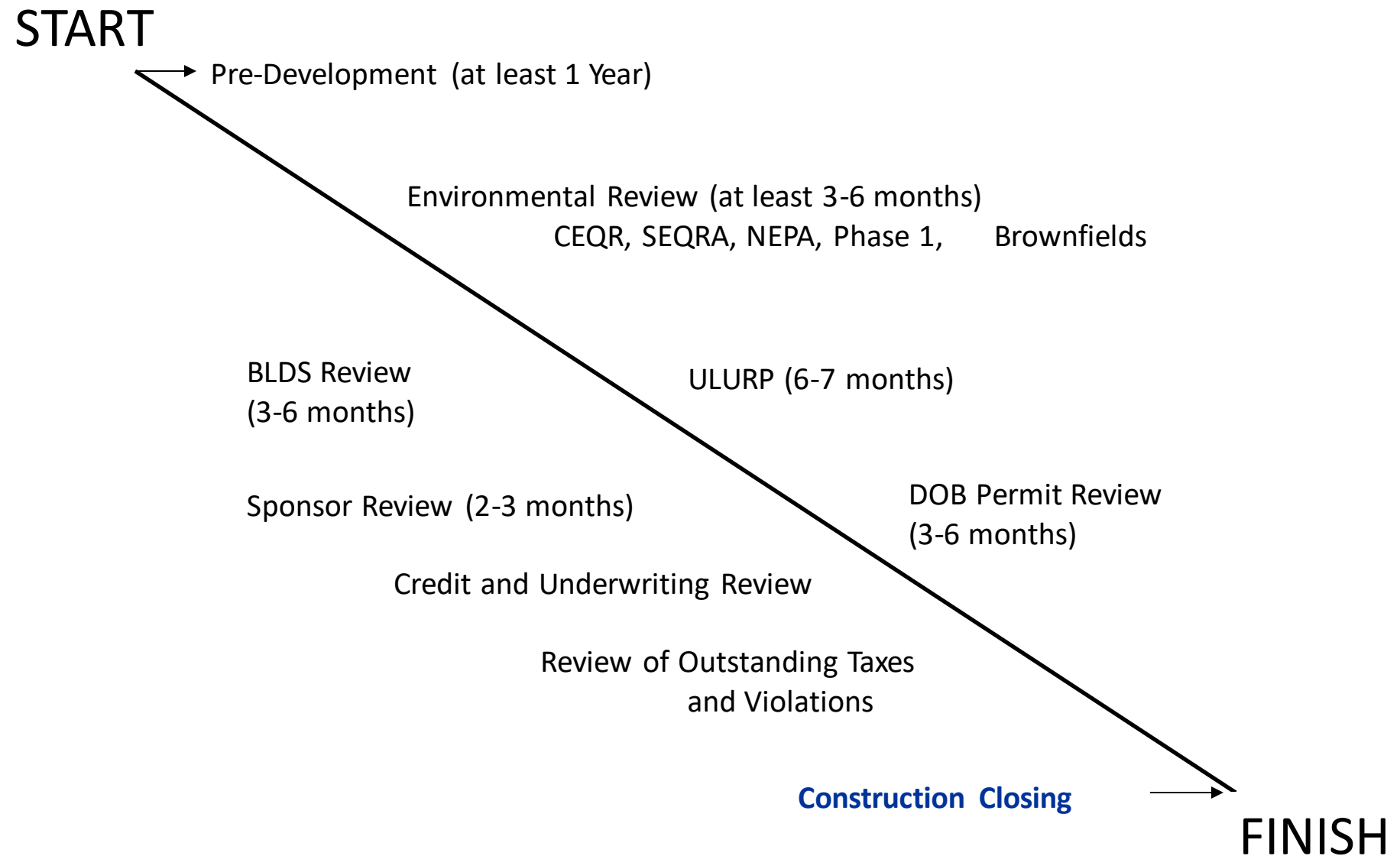
DOB Permit Review
(3-6 months)

Credit and Underwriting Review

Review of Outstanding Taxes
and Violations

Construction Closing →

FINISH



New Construction

HPD's Division of New Construction Finance and HDC Development partner with federal, state, and other City agencies to help fund the development of affordable housing on both public and private sites.

Building Types

- Small multifamily buildings (75 units or less)
- Large multifamily buildings (50+ units)

Programs and Affordability

- *NCP - Small rental projects affordable to households earning up to 120% of AMI*
- *Open Door – Homeownership projects affordable to households earning between 80%-120% of AMI.*
- *ELLA – Rental projects with majority of units affordable up to 80% of AMI*
- *Mix and Match - Rental projects affordable to households earning up to 165% of AMI*
- *M2 - Rental projects affordable to moderate- and middle-income families. May include market rate units in high value neighborhoods.*
- *SHLP – 60% formerly homeless with onsite services, 40% LIHTC rents*
- *SARA –Age 62+ with incomes of 0-50% AMI supported by project-based Section 8 vouchers.*

Combines a first mortgage funded by tax-exempt bond sale, a second mortgage funded by HDC's corporate revenue, and a third mortgage subsidy from HPD

Loan Overview

Subsidized Loans for Acquisition and/or Rehabilitation

- HPD provides **subsidized loans** (more favorable terms than private debt)
- The typical **construction loan** is for 2-4 years, and the **permanent** loan term is 30 years
- The loans are typically below-market interest rates, **interest only, with repayable balloon**
- HPD requires owner equity contribution in proportion to project income
- There are “**term sheet limits**” to the amount of subsidy the City will provide to a project

Private debt and other sources are leveraged to the extent possible

- Limits the amount of subsidy dollars that the City must provide to the project when the City is providing gap financing
- When private debt is not supportable due to low rents, high expenses, or loan size, HPD can provide a direct loan, with terms based on ability to pay. There are limitations to what the loan can fund.

Term Sheets

Our term sheets describe the amount of financing offered in exchange for the level and duration of affordability required.

- Maximum subsidy amount from the City
- Required # of units and affordability levels
- Length of affordability requirements
- # or % of certain sized units in a project

HPD Website

The screenshot shows the HPD website's navigation bar with links for Home, About, Services and Information (highlighted), Media, Events, and Contact. A search bar is located to the right. Below the navigation is a teal banner with the text "Do Business with HPD". On the left is a vertical sidebar menu with links: Affordable Housing, Code Enforcement, Compliance, Design Guidelines, Do Business with HPD (highlighted), Home Repair and Preservation Financing, Housing Quality / Safety, and Neighborhood Planning. The main content area features three sections: "Development Opportunities" with sub-sections for "RFPs / RFQs / RFEIs" (respond to agency requests), "M/WBE Building Opportunity Initiative" (find opportunities to participate more effectively), and "Pre-Qualified Lists" (access pre-qualified lists for various services); and "Vendor Opportunities" with a sub-section for "Become a Pre-Qualified Vendor" (learn about and apply for pre-qualified status).

HDC Website

HOME

New Program Termsheets

New Program Termsheets are [Available Now](#)



So You Wanna Make a Deal?

What Are HPD and HDC Looking For?

In General

- Development/Property Management experience
- Ability to Finance
- Positive Track Record
- Community Engagement

New Construction

- Transit Oriented Development
- Job Creation
- Neighborhood Approach
- Activation of Street Life
- Open Space
- Targeted Affordability

What Are the Opportunities?

Home About **Services and Information** Media Events Contact Search

Do Business with HPD

RFPs, RFQs, RFEIs

Consult this page to learn more about development opportunities on public sites, and see below the open Requests for Proposals (RFPs), Requests for Qualifications (RFQs), and Requests for Expressions of Interest (RFEIs).

Sign up for Email Alerts

Expand All Collapse All

Open Requests

- ▶ ANCP, TPT-TP & Special Projects RFP
- ▶ Bedford-Stuyvesant Community Wealth and Wellness RFP
- ▶ Inclusionary Housing Program Administering Agent RFQ
- ▶ Jerome-Anthony Av RFP



HPD Website

HDC Website



HOME ABOUT US APPLY FOR HOUSING INVESTORS DOING BUSINESS WITH HDC PROGRAMS PRESS ROOM

[Home](#) » [Doing Business with HDC](#) » Current RFP

CURRENT RFP

Below is a list of the Current RFPs.

HDC RFP's

Please find below the Request for Proposals for Offers that have been issued by HDC

What Should I Know About My Site Going In?

General Site Information:

- All relevant location information: Address, BBL, City and State Elected Official Districts
- Zoning analysis
- Community needs: local AMI information
- What does your balance sheet look like?

New Construction Project Information

- Housing proposal: HPD program, affordability levels, unit types, unit number.
- How does your project complement HNY 2.0?
- Environmental reports: Phase 1, Phase 2 if needed.
- Who are your team members and their roles?- complement your skills with your partner's skills. Have any involved in HPD/HDC projects previously?

Disposition of City-owned sites

- ULURP/UDAAP process will be needed
- CB/City Council support needed
- Willingness to work with program terms

What Can I Expect of HPD?

What HPD does provide

- Review and comments on a completed New Proposals package
- Architectural comments per HPD design guidelines
- Review of CEQR and NEPA documents
- Advice on funding options
- Connections to existing developers for advice on potential development team members
- Clear communication regarding outstanding items/information in development proposals and impact on finance timing.
- Soft commitment letters with caveats and expiration dates.

What HPD does not provide

- A commitment to fund a project – no matter what
- A commitment to close a project by a certain date
- Expediting services with DOB or DEP
- DOB code review
- Recommendations for general contractors or any other development team members

Timing Considerations

HPD 9% Tax Credits:

- Applications are due in late summer / early fall.
- Projects should be solidified and reviewed by HPD a few months prior to application due date.
- Green Communities Step 1 must be complete.
- Awards are typically made in late November – early December.
- Projects are expected to close by the following June.

HCR 9% Tax Credits:

- Three opportunities to apply October – December
- If HPD loan funds are assumed, applications must include a soft commitment letter from HPD.
- Awards are typically made in May of the following year.

HDC Bonds/4% credits:

- Deals typically close in December and June
- Projects should be far along in pre-development 6 months prior.
- HPD issues 4% tax credits unlocked by the Bond Financing

HDC/HFA bond calendar

- Closings can be scheduled in March, June, October and December.
- Projects should be far along in pre-development 6 months prior.

Whom Should I Contact?

HPD

New Construction Finance: Lauren Connors, connorsl@hpd.nyc.gov

– *Vacant land (public or private)*

Division of Special Needs Housing

*SARA – Senior Affordable Rental Apartments: Jenna Breines,
breinesj@hpd.nyc.gov*

SHLP – Supportive Housing Loan Program: Ross Karp, karpr@hpd.nyc.gov

HDC

Development: Ruth Moreira, Vice President, rmoreira@nychdc.com

– *Existing HDC portfolio*

Thank You

Please visit our websites:

www.nyc.gov/hpd

www.nychdc.com

Questions?

HPD Contacts: Preservation : hpdpres@hpd.nyc.gov

New Construction: mfnc@hpd.nyc.gov

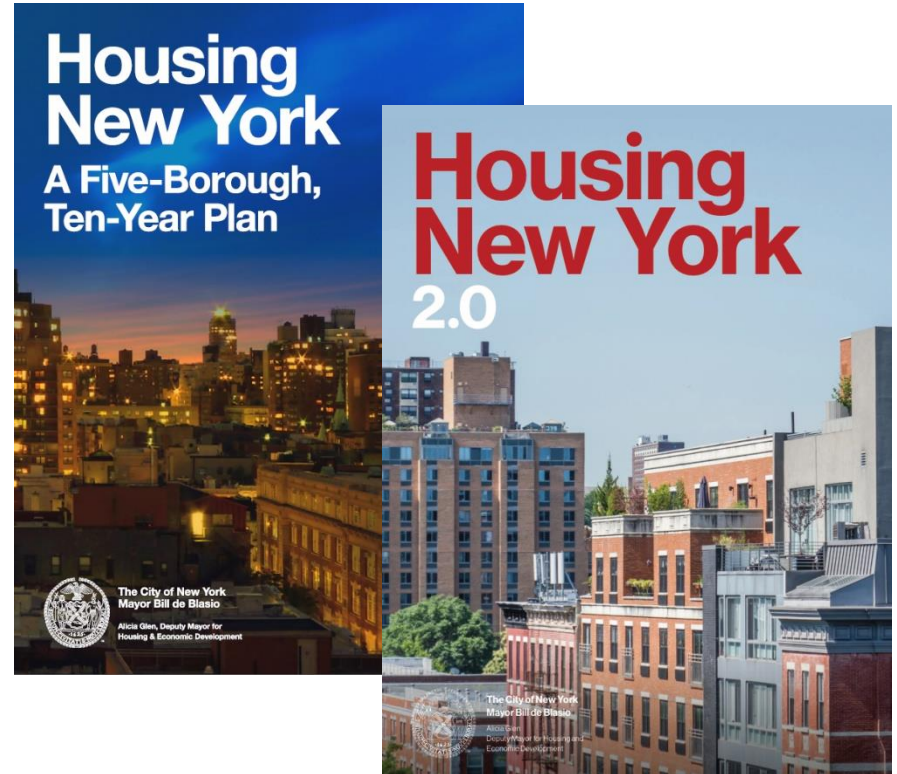
Property Disposition and Finance: pdf@hpd.nyc.gov

HDC Contacts: Phone: (212) 227-5500 Email: info@nychdc.com

appendix

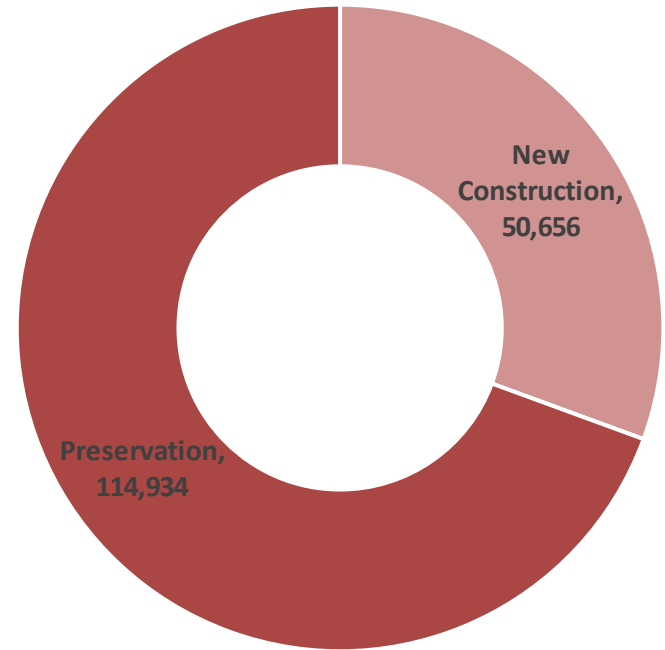
Housing New York

- Create and Preserve 300,000 units of affordable housing by 2026
- 60% Preservation and 40% New Construction
- 12 years (2014 – 2026)
- Serving more than 500,000 low-income and middle-class New Yorkers
- Suite of new initiatives to provide even deeper affordability and promote innovation



Progress To Date

- 165,590 units as of June 2020---55% of HNY Target
- \$6.6 Billion invested
- \$35.5 Billion Total Development Cost



Total: 165,590

- Homeless Units 12,941
- Supportive Units 6,256
- Senior Units 9,180
- 421-a Standalone 4,278
- Mitchell-Lama Units 55,461

Households Served
Income for 3-Person Household

