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

Participation Loan Program (PLP) Term Sheet

Program Description

HPD's Participation Loan Program (PLP) provides low-interest loans and/or tax exemptions to rehabilitate housing for low- to moderate-income households. HPD provides City Capital funds at the Applicable Federal Rate (AFR) for rental buildings and 1% for cooperative buildings. Combined with bank financing from a participating private lender, the blended financing cost is below market.

HPD subsidy is in addition to construction and permanent financing sources provided by, but not limited to: private institutional lenders; HPD's Federal Low Income Housing Tax Credit Program (LIHTC), New York City Housing Development Corporation (HDC) programs such as HDC's Preservation and Mitchell Lama Preservation programs, and New York State programs including Low Income Housing Tax Credit Program (SLIHC) and Low Income Housing Credit Program (LIHC), and Federal Low Income Housing Tax Credit Program (LIHTC).

Eligible Projects

Multiple dwellings, including rentals, Mitchell-Lama developments, and HDFC co-ops with three or more units that are able to leverage private financing.

Properties that have previously received State or City Low Income Housing Tax Credits (LIHTCs) are not eligible for PLP and should contact the HPD Year 15 Program (hpdyear15@hpd.nyc.gov). Projects that have previously received HUD-assistance are not eligible for PLP and should contact the HPD HUD Multifamily Program (hpdhudmf@hpd.nyc.gov).

Eligible Borrowers

Limited partnerships, corporations, joint ventures, limited liability companies, 501(c)(3) corporations and single purpose housing development corporations using the HPD approved Certificate of Incorporation form, and individual owners. The program is open to for-profit and not-for-profit borrowers.

Eligible Uses

Moderate or substantial rehabilitation of multiple dwellings including SROs. Limited acquisition costs, supported by an as-is appraisal (completed according to HPD's Approved Appraisal guidelines), may also be eligible and replacement of building systems, structural improvements and modernization of apartment interiors.

HPD Loan Amount

Maximum HPD subsidy amounts are outlined below:

Projects with greater than 15 units:

Average Post-Rehabilitation Affordability	Maximum Subsidy
Projects with 9% Low Income Housing Tax Credits (LIHTC) or Non-LIHTC projects with rents between 80% and 120% AMI	Up to $40,000 per unit
Projects with rents between 60% and 80% AMI	Up to $70,000 per unit
Projects with rents at or below 60% AMI	Up to $90,000 per unit

Projects with 15 or fewer units may be eligible for higher subsidy amounts on a case by case basis.

Per unit subsidies may be reduced for projects utilizing other sources or programs, including the Inclusionary Housing Program, absent broader/deeper affordability or project benefits. Overleveraged and distressed multifamily

	properties may be eligible for additional assistance. All projects must incorporate a homeless requirement of at least 10%, and projects that exceed the requirement may be eligible for more favorable loan terms. Additional homeless set aside requirements and/or longer regulatory restriction periods will apply to projects requesting over the term sheet limit. Preferences will be given to projects demonstrating cost containment; examples may include but will not be limited to proposals that conform with competitive criteria LIHTC basis caps, utilize efficient construction and lease-up schedules, and use of reserves. Subsidies may be adjusted for private site acquisition supported by an "as-is" appraisal acceptable to HPD.

HPD Loan Terms	• Maximum loan term: 30 years.
	• -Construction Term Interest Rate: 1% per annum plus 0.25% servicing fee . HPD may consider deferring and accruing interest to accept a paid rate under 1.00% to leverage additional private financing, but any accrued and deferred interest is to be paid as a balloon at maturity of the permanent loan.
	• Permanent Loan Interest Rate: Interest rate will be set at the long term monthly compounding Applicable Federal Rate (AFR), with a minimum floor of 2.5% (compounding monthly). The required paid rate of 1% per annum (inclusive of 0.25% servicing fee) is due during the permanent loan period. HPD may reduce the paid rate to leverage additional private financing. Any unpaid interest will defer and accrue, to be paid as a balloon at maturity.
	• Amortization: Balloon may be allowable.
	• Debt Service Coverage: 1.15 on all financing.
	• Contingency: 10% of hard costs; 5% of soft costs.
	• Letter of credit or Payment and Performance Bond: 10% of hard costs excluding contingency.
	• Vacancy and Collections Loss Rate: 5% for Residential and 10% for Commercial
	• Reserves:
	  o Operating Reserve that is in an amount equal to 6 months of maintenance and operating expenses and debt service on all loans is required.
	  o Replacement reserve of $250 per unit per year, increasing at 3% annually, paid from cash flow.
	  o Reserves must remain with the project for the duration of the HPD regulatory term. If senior debt is satisfied prior to HPD regulatory term, HPD will assume control of the reserves.
	• Appraisals must be completed according to HPD's Approved Appraisal Guidelines.
	• Developer's Fee (Non-LIHTC Projects): must be deferred until project conversion to permanent financing
	  o Nonprofit: 8% of TDC less acquisition, reserves, and developer fee and 5% of acquisition, with a net developer fee cap of $10,000/du
	  o For-profit: 5% of TDC less developer fee and reserves
	• Developer's Fee (LIHTC Projects): The total paid fee should be fully deferred at construction loan closing except as needed to pay consultant fees and 15 years of cash flow should be deferred and paid from cash flow during the permanent period as allowable by the QAP and IRS rules. Consultant fees must be paid from the developer fee. The eligible fee may be reduced if HPD subsidy exceeds the program maximum.

	• Existing HPD Debt: May be extended to run concurrent with the new regulatory term. Based on the level of affordability provided, a monthly compounding interest rate the higher of 2.5% or the long-term, monthly-compounding Applicable Federal Rate (AFR) will accrue and defer, to be paid as a balloon at maturity with up to 1% as the paid interest rate.
HPD Cash Equity Requirements	For-profit developers: minimum of 10% of total allowable development costs. Non-profit developers: minimum of 2% of total allowable development costs.
Fees and Closing Costs	• HPD Commitment Fee of 1% of the portion of the mortgage funded by HPD. • HPD Closing Fee of 0.5% of the portion of the mortgage funded by HPD. • Construction signage fee per building: $100 • Equal Opportunity Review Fee per project: $1,400 • Davis Bacon/Prevailing Wage Monitoring fee per project: $30,000 • Fees must be paid by borrowers and are not counted towards owner equity requirement • The HPD Commitment and Closing Fees are waived for not-for-profit borrowers.
Rent Setting	• For occupied units, rents will be projected to increase by rent stabilization allowances during the construction period. If a more significant increase is necessary to support building operations and debt service, rents may be restructured post-completion. • For vacant units, rents shall generally be set no higher than a level affordable to households earning 120% AMI, unless further restricted based on federal funding sources and/or LIHTC requirements if applicable. Rents for vacant units may be set at multiple tiers under 120% AMI.
Rental Buildings Regulatory Restrictions	Projects will be subject to a minimum of 30-year regulatory agreement with the following requirements: • Rents for all units in a project shall be restricted in one or more regulatory tier that are determined by the existing rent distribution, amount of HPD subsidy provided, and restrictions set forth through other subsidies or regulations. However, no rents shall exceed a level affordable to households earning 120% AMI during the regulatory term. • Units with rents set up to 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. Under no circumstances will there be units in projects with income limitations that exceed 130% AMI • HOME-funded and LIHTC units will be subject to additional restrictions and monitoring during the HOME and/or LIHTC compliance period. • All units must be registered with DHCR and are subject to the New York State Rent Stabilization system. Work completed as a result of the financing is not eligible for Individual Apartment Increases (IAIs) or Major Capital Improvement increases (MCIs). Vacancy and luxury decontrol are not permitted for the duration of the HPD restriction period. • Projects with no previous homeless requirements shall set aside at least 10% of the total units as homeless units. All other projects shall maintain their initial requirements. All homeless unit referrals must be made by HPD's Homeless Placement Unit. In the event of financial hardship, HPD may reduce or waive the homeless requirement if deemed necessary.

	• HPD requires annual submission of a certified rent roll; written certification of tenant incomes on vacant units; and supporting documentation for rent and income determination pursuant to the regulatory agreement.
HDFC Cooperatives Regulatory Requirements	• Current and future units must be sold to households whose incomes do not exceed 120% of AMI • The HDFC may not rent vacant units; any current or future vacant rental units must be sold to eligible households • Shareholders can only sell units to eligible households only, with the sale price restricted to an amount affordable to a household earing 120% of AMI. • The project must remain an HDFC for the entire HPD Loan term. • 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	Projects may be eligible for full or partial residential property tax exemption through the J-51 Program, 420-c, or Article XI. Projects receiving an Art XI may be subject to a Gross Rent Tax (GRT) payment. Gross Rent is defined as total annual residential and commercial income received which includes tenant share plus any tenant subsidy payments. Projects with commercial space will be responsible for the payment of commercial taxes.
Design and Construction Requirements	All projects must comply with HPD's Master Guide Specifications for Rehabilitation Projects and Scope of Work (July 2014): (http://www1.nyc.gov/site/hpd/developers/specifications-rehabilitation/master-guide-specifications-for-rehabilitation-projects.page. Projects must complete an Integrated Physical Needs Assessment (IPNA) from a firm that has been pre-qualified by HDC: http://nychdc.com/content/pdf/RFP/IPNA%20Pre-Qualified%20Firms%20List.pdf Subject to funding availability, the following can be paid through the project development budget: IPNA base cost of up to $5,000 per project plus up to $250 per unit for the first 20 units in a project and up to $125 per unit for all remaining units. All substantial rehab projects, as determined by HPD, must achieve Green Communities Certification. The Green Communities Criteria and Certification portal is available at www.greencommunitiesonline.org. HPD considers projects substantial rehabilitations when all three of the following items are included in the scope: • Replace entire heating system (including distribution system) AND • Work in 75% of units including plumbing or electrical work within the kitchen and/or bathroom AND

	• Substantial work on the building envelope that will upgrade the thermal properties of the building envelope including:
	    • Replace or add roof insulation (entire roof area) OR
	    • Insulate at least 50% of exterior walls OR
	    • Window upgrades to at least 90% of windows
	
	More information can be found at: https://www1.nyc.gov/site/hpd/services-and-information/enterprise-green-communities-criteria-egcc.page
	
	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 loan and 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 Accessibility Requirements	The Developer 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 Chapter 11 of the 2014 New York City Building Code, the federal Fair Housing Act, the Americans With Disability Act, and Section 504 of the Rehabilitation Act of 1973. Work to assist tenants aging in place may also be required by HPD and included in the scope of work.
Marketing Requirements	All projects must be marketed according to HPD and HDC marketing guidelines. The developer 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 and contact them for an application.
Participating Banks	Bank of America: (212) 819-5412 Capital Impact Partners: (703) 647-2323 Capital One: (646) 670-6834 Carver Federal Savings Bank: (212) 360-8825 Chase Community Development Group: (212) 552-4059 Citibank: (212) 723-5535 Community Preservation Corporation: (646) 822-9428 Enterprise Community Partners, Inc.: (212) 284-7181 Hunt Mortgage Group: (212) 317 - 5747 Local Initiatives Support Corporation: (212) 455-1606

	Low Income Investment Fund: (212) 509-5509 Popular Community Bank: (212) 417-6829 Sterling National Bank - (212) 575-2461 Trimont Real Estate Capital NYC: (212) 321-7954
HPD Contact	**Hollis Savage, Director, Leveraged Preservation Programs** (212) 863-6172 savageh@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.