

**Affordable Neighborhood Cooperative Program (ANCP)
 Term Sheet**

Program Description	<p>HPD's Affordable Neighborhood Cooperative Program (ANCP) selects qualified developers to rehabilitate distressed city-owned occupied multi-family properties, managed by the Tenant Interim Lease Program, in order to create affordable cooperatives for low and moderate-income households.</p> <p>ANCP provides low interest loans in the form of City Capital subsidy, in addition to construction and permanent financing sources provided by, but not limited to private institutional lenders and New York State Affordable Housing Corporation (AHC) programs.</p> <p>All ANCP properties are currently owned by the City of New York. They will be transferred to Restoring Communities HDFC upon construction loan closing, and conveyed to a newly formed cooperative HDFC upon cooperative conversion.</p>
Eligible Borrowers	<p>Restoring Communities HDFC will own the property during construction and will transfer operating authority to a selected developer. The borrowing entity may be a limited partnership, corporation, trust, joint venture, limited liability corporation, housing development fund corporation, or 501(c)(3) corporation. The development team for the project must have demonstrated a track record in successfully developing; marketing and managing of homeownership projects.</p>
Eligible Uses	<p>Moderate or substantial rehabilitation of city owned buildings under the TIL Program. Loans are intended for buildings needing replacement of building systems, structural improvements and modernization of apartment interiors.</p>
HPD Loan Amount	<ul style="list-style-type: none"> • Up to \$200,000 per unit. Per-unit subsidies may be reduced for projects utilizing other sources, including the Inclusionary Housing Program, absent broader/deeper affordability or project benefits.
HPD Loan Terms	<ul style="list-style-type: none"> • Maximum loan term: 30 years. • Interest Rate: 1.0% per annum plus 0.25% servicing fee during construction and 1% per annum during the permanent term (includes 0.25% servicing fee). • Amortization: Balloon may be allowable. • Debt Service Coverage: 1.15 overall • The general contractor must secure a Letter of Credit for 10% of hard costs excluding contingency. Payment and Performance bond for 100% of hard costs may be accepted in lieu of letter of credit, upon HPD approval. • Developer's Fee: Up to 10% of the total development cost of the project. Developer fee will be paid in increments based on project milestones. Up to half may be paid during the construction period with the balance payable upon permanent loan conversion.
Equity Requirements	<ul style="list-style-type: none"> • \$2,500 per unit to be reimbursed upon cooperative conversion and sale of the vacant units.
Responsibilities of Developer	<ul style="list-style-type: none"> • Oversight of development of selected sites in compliance with negotiated terms. • Property management responsibilities, pursuant to an agreement with Restoring Communities HDFC, during construction and for at least 1 year after cooperative conversion. • Cooperative conversion responsibilities including but not limited to submission of Co-op Offering Plan and marketing and sale of vacant units. • Identification of appropriate initial shareholder(s) and rent up for any non-residential space(s) in the building, if applicable. • Engagement with existing tenants as related to property management and achieving milestones for cooperative conversion.

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HPD Fees	<ul style="list-style-type: none"> • HPD Commitment Fee of 1% of the portion of the loan funded by HPD. • HPD Closing Fee of 0.5% of the portion of the loan funded by HPD. • Construction signage fee of \$100 per building. • License agreement fee of \$100 per license agreement. • Fees must be paid by borrowers and are not counted towards equity requirement. • Excluding the signage fee, these fees are waived for not-for-profit borrowers.
Rent/Maintenance Setting	<ul style="list-style-type: none"> • Upon conveyance from the City, rents for all units must be registered with HCR and are subject to the New York State Rent Stabilization Code. • Upon cooperative conversion, rent will become maintenance, which will be equalized and allocated per apartment based on the square footage, number of bedrooms, or another distribution method approved by HPD. • Initial maintenance will be set at a level that ensures ongoing successful building operations while still maximizing affordability for residents.
Sales Price	<p><u>Insider Purchase Price:</u> the insider purchase price for all eligible tenants in occupancy, regardless of unit size is \$2,500. Insider families earning less than or equal to 80% of Area Median Income and current in rent will be eligible to participate in a payment plan toward the purchase price of \$2,500.</p> <p><u>Outsider Purchase Price/ Vacant Units:</u> Sale prices are set at prices affordable to households earning between 80-120% AMI. Prices are calculated to cap housing costs at 33% of total annual income which takes into consideration monthly maintenance costs and projected mortgage payments (assuming a 30 year mortgage term with a 10% down payment and 5% fixed interest rate).</p> <p>At the construction loan closing, the owner will enter into a Regulatory Agreement with HPD, setting forth income and sales restrictions and marketing requirements. Upon conversion to a Co-op, a Co-op form of regulatory agreement will replace the construction loan closing regulatory agreement.</p>
Regulatory Requirements	<p>Projects will be subject to a minimum 30-year Regulatory Agreement with the following requirements:</p> <ul style="list-style-type: none"> • Current and future vacant apartments must be sold to households whose incomes do not exceed 120% of AMI. Profits on resale of apartments will be split among the Co-op, HPD and the seller based on a schedule within the Regulatory Agreement. • Minimum annual maintenance increases of 2%. • Third Party Property Management and a Third Party Co-op Monitor required for the term of the regulatory period. • HPD requires annual submission of documents including, but not limited to audited financial reports with support documentation demonstrating annual maintenance increases.
Cooperative Conversion Plan	<ul style="list-style-type: none"> • A minimum of 80% of existing residents must sign subscription agreements, must be current in rent, and must attend mandatory cooperative homeownership training classes. • Co-op Offering Plan must be approved by NYS Attorney General's office. • Co-op Offering Plan must be a Non-Eviction Plan.
Real Estate Tax Benefits	<p>Projects are eligible for Article XI tax exemption for up to 40 years.</p>
Marketing	<p>All projects must be marketed according to HPD 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 lottery process.</p>

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Construction Requirements	<p>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</p> <p>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.</p> <p>All substantial rehab projects, as determined by HPD, must achieve Enterprise Green Communities Certification. The Enterprise Green Communities Criteria and Certification portal is available at www.greencommunitiesonline.org.</p> <p>HPD will require projects to install solar photovoltaic or thermal systems, if it is physically feasible and cost-effective to do so, as determined by the IPNA or another assessment. Projects are considered physically feasible if the roof is in good condition and has at least 15 years left in its lifespan <u>OR</u> the roof will be replaced as part of the HPD project. Projects are considered cost-effective if they have a payback period of 10 years or less, as projected by the assessment. 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.</p>
Fair housing & Accessibility Requirements	<p>The borrower is required to comply with all applicable Federal, State, and local laws, orders, and regulations prohibiting housing discrimination. The borrower 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.</p>
Application Process	<p>Developers are selected through a Request for Qualifications (RFQ). After commencing negotiations, developers must submit a project proposal including scope of work, development and operating budgets. To access private financing, developers must apply through one of the participating private lenders listed below. Developers are expected to be able to secure financing and close within 12 months of commencing negotiations.</p>
Participating Banks	<p>Community Preservation Corporation: (646) 822-9428 Chase Community Development Group: (212) 270-6647 Local Initiatives Support Corporation: (212) 455-1606</p>
HPD Contact	<p>For general information about ANCP, you may contact:</p> <p>Affordable Neighborhood Cooperative Program NYC Department of Housing Preservation and Development 100 Gold Street, Room 9-W7 New York, NY 10038 ancp@hpd.nyc.gov</p>

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.