Multifamily Housing Rehabilitation Loan Program (HRP)
Term Sheet

Program Description

The Multifamily Housing Rehabilitation Loan Program provides low interest rehabilitation loans to finance the replacement of major building systems and treatment of lead-based paint hazards to:

- Ensure the physical health of buildings
- Preserve safe affordable housing for low- and moderate-income households.
- Reduce building operating expenses
- Reduce greenhouse gas emissions

Eligible Buildings

Multifamily buildings containing three or more units, including:
- Rentals
- Mitchell-Lama developments
- Housing development fund corporation (HDFC) cooperatives.

Ineligible Buildings
- Projects that have previously received State or City Low Income Housing Tax Credits (LIHTCs) are not eligible for HRP and should contact the HPD Year 15 Program (hpdyear15@hpd.nyc.gov). Projects that have previously received HUD-assistance are not eligible for HRP and should contact the HPD HUD Multifamily Program (hpdhudmf@hpd.nyc.gov).
- 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 program is open to non-profit and for-profit building owners, including partnerships, corporations, limited liability companies, 501c (3) corporations, individual owners, and single purpose HDFC rentals or HDFC cooperatives using the HPD approved Certificate of Incorporation (COI) form. HDFCs with a COI that does not list HPD as the supervising agency must amend their COI using the HPD-approved COI template.

HPD may, among other interventions, require a change of ownership and/or property management as a condition of HPD assistance if there is a history of noncompliance or poor performance at the project and throughout any existing HPD-regulated portfolio.

Eligible Uses

- **Moderate rehabilitation** including replacement and/or repairs of building systems, and the removal of housing violations and hazardous conditions. Rehabilitation is limited to residential portions of buildings only. Loans may not be used to refinance existing debt.
- **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).
- **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 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 a third-party lead testing company.

Buildings without Substantial Lead-Based Paint Hazards
Maximum of $35,000 per residential unit. See below for specific loan terms.

Buildings with Substantial Lead-Based Paint Hazards
Maximum loan amount of $45,000 per residential unit. See below for specific loan terms.

Maximum **Lead Treatment Funds** (0% interest, evaporating)		*Maximum* **Moderate Rehabilitation Funds** (repayable, up to 2.5% interest)		**Total Maximum HPD Loan Amount**
$10,000	+	$35,000	=	$45,000

(See Appendix A for an example of how the loan would be structured if the building had substantial lead treatment needs)

HPD Loan Terms

	Substantial Lead Treatment Funds Only	**Moderate Rehabilitation Funds without Substantial Lead Treatment**
Loan Term:	15 years	30 years
Interest Rate and Loan Structure:	0% (a 0.25% servicing fee is applicable during construction only) Evaporating: no interest or principal payments are made during the permanent 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.	Moderate Rehabilitation Funds and Reso A Funds are repayable. During the permanent period, only the Paid Interest Rate will be paid to HPD. The principal and Accrued Interest Rate will defer and accrue and be paid as a balloon upon maturity. City Capital Funds • **Overall Interest Rate:** 3% • **Paid Interest Rate:**1%, inclusive of servicing; HPD may reduce the paid rate to leverage additional financing or meet minimum coverage requirements. • **Accrued Interest Rate:** The balance will defer and accrue, compounding monthly to be paid as a balloon upon maturity. Reso-A Funds **Overall and Paid Interest Rate:** 1%, inclusive of servicing, except for Mitchell Lama projects for which Reso A loans are 0% interest, forgivable; HPD may reduce the paid rate to leverage additional financing or meet minimum coverage requirements
Minimum Expense Coverage Ratio:	1.05	1.05
Minimum Debt Service Coverage Ratio:	N/A	• 1.25 if the HPD loan is the only financing on the project • 1.15 combined on all mortgages
Pre-Payment Penalty:	No prepayment allowed	No prepayment allowed during construction.

Replacement Reserve:	N/A	$250 per unit per year, increasing at 3% annually
Operating Reserve*:	N/A	Minimum of 6 months of maintenance and operating expenses including debt service
Cash Flow:	N/A	For Profit: Developer receives 100% Nonprofit: Developer receives 50% and 50% is placed in the operating reserve.

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

Private Debt

- HPD's loan can be subordinated to existing or a new first mortgage loan from a private bank.
- If a project can support private debt, HPD will require the owner to apply for private financing from one of the participating banks listed below or another lender approved by HPD.
- If a project has existing private debt that will balloon during the HPD loan term and/or has a variable interest rate, HPD will require the owner to refinance the private debt into a fully amortizing, stable interest rate loan product prior to, or at the time of, the HPD loan closing. If the project can support additional debt beyond the outstanding principal amount, HPD will require the owner to leverage additional financing to pay for construction and/or soft costs associated with the HPD transaction.

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 Efficiency Incentives: Projects must pursue all available utility incentives, including:

- AMEEP (the NY Affordable Multifamily Energy Efficiency Program), which provides up to $2,000 per unit for projects following a comprehensive pathway, or more for projects implementing significant equipment or envelope improvements.
- The HPD Retrofit Electrification Pilot for projects seeking to electrify heating or hot water
- NYSERDA's Heat Pump Program (NYS Clean Heat) or other Multifamily Building Programs - NYSERDA and
- DEP's Water Conservation & Reuse Grants - DEP (nyc.gov)

Owner Equity Requirements

Owner equity is typically provided as a portion of the rehabilitation scope paid for directly by the owner documented by a Housing Repair Agreement executed at closing. HPD may consider crediting other non-debt sources, such as rebates obtained through a utility incentive program, toward the equity requirement.

Owners are required to contribute 2% (non-profit) or 10% (for profit) of the total project cost (excluding any refinancing costs, existing debt, developer fee and reserves) using cash equity. Projects only receiving Reso A funds are not required to contribute equity towards the project. Equity requirements are waived for buildings that only borrow up to the Lead Treatment Fund threshold amount.

Equity is typically provided to fund a portion of the scope of work, soft costs associated with closing on the transaction, or capitalizing an operating and/or replacement reserve. The Equity contribution is documented by a Housing Repair and Owner Equity Contribution Agreement executed at closing. HPD will credit any rebates obtained through a utility incentive program toward the equity requirement.

All projects proposed to be located in an Opportunity Zone should consider Opportunity Funds as a potential source of equity. Projects that use Opportunity Fund investments must clearly identify the amount of all such investments, the name and location of the Opportunity Fund, and the tax payment implications and benefits for the Opportunity Zone investment. Any additional federal funding beyond the tax must also be disclosed and will be included in the evaluation of the project. Maps of the designated tracts can be found at this link https://esd.ny.gov/opportunity-zones.

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 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 for the first 15 units in a project and up to $125 per unit for all remaining units.
Architect and/or Engineer	Scope of work development	HPD must approve cost.
Technical Assistance Services	Bid process facilitation, tenant relocation services, owner's representative services during construction	Greater of $2,500 per unit or 5% of the total project costs, with a maximum of $100,000 for projects greater than 25 units. The entire fee will be held back at closing and released upon project completion (including violation removal and requirements set forth in the Housing Repair Agreement), however HPD may release a portion of the fee to cover HPD approved owner's representative costs 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.
Developer Fee	Ensure timely completion of construction work	Projects that leverage private debt may be eligible for a developer fee that 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. ○ Nonprofit: Lesser of $10,000/du and 8% of TDC less acquisition, reserves, and developer fee ○ For-profit: 5% of TDC less developer fee and reserves Projects that receive a developer fee cannot use HPD loan proceeds to pay for the Technical Assistance Services described above.
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	<u>Asbestos Testing</u>: HPD must approve cost.

		<u>Lead Testing</u>: 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 defects in the title to a property.	.9% of the total loan amount
Owner Legal Fee	Attorney fee for reviewing legal documents and being present at the loan closing.	Up to $15,000.
Initial Benchmarking Setup Fee	Fee to setup benchmarking account	HPD must approve cost
Green Consultant Fee (if applicable)	Consultant to assist in complying with Enterprise Green Communities Program	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 through the private loan, Developer Fee, or cash equity:

Item	**Cost**
Construction Signage Fee	$100 per building
Equal Opportunity Fee	$1,400 per project
Financial/Development Consultant Fee	Based on owner-negotiated contract with vendor
Tenant Training Consultant Fee	Based on owner-negotiated contract with vendor
DOB Expeditor Fee	Based on owner-negotiated contract with vendor
Attorney Fee	Based on owner-negotiated contract with vendor
Marketing Fees	Based on owner-negotiated contract with qualified marketing agent
Coop Conversion Attorney Fee	Based on owner-negotiated contract with qualified marketing agent

Regulatory Term	All owners must enter into a regulatory agreement with HPD. The term of the regulatory agreement shall be the later of (i) the new HPD loan term, (ii) 15 additional years from the expiration of a current HPD regulatory period, or (iii) the expiration of the tax benefit, including J-51 or Article XI.

Rental Buildings Regulatory Requirements

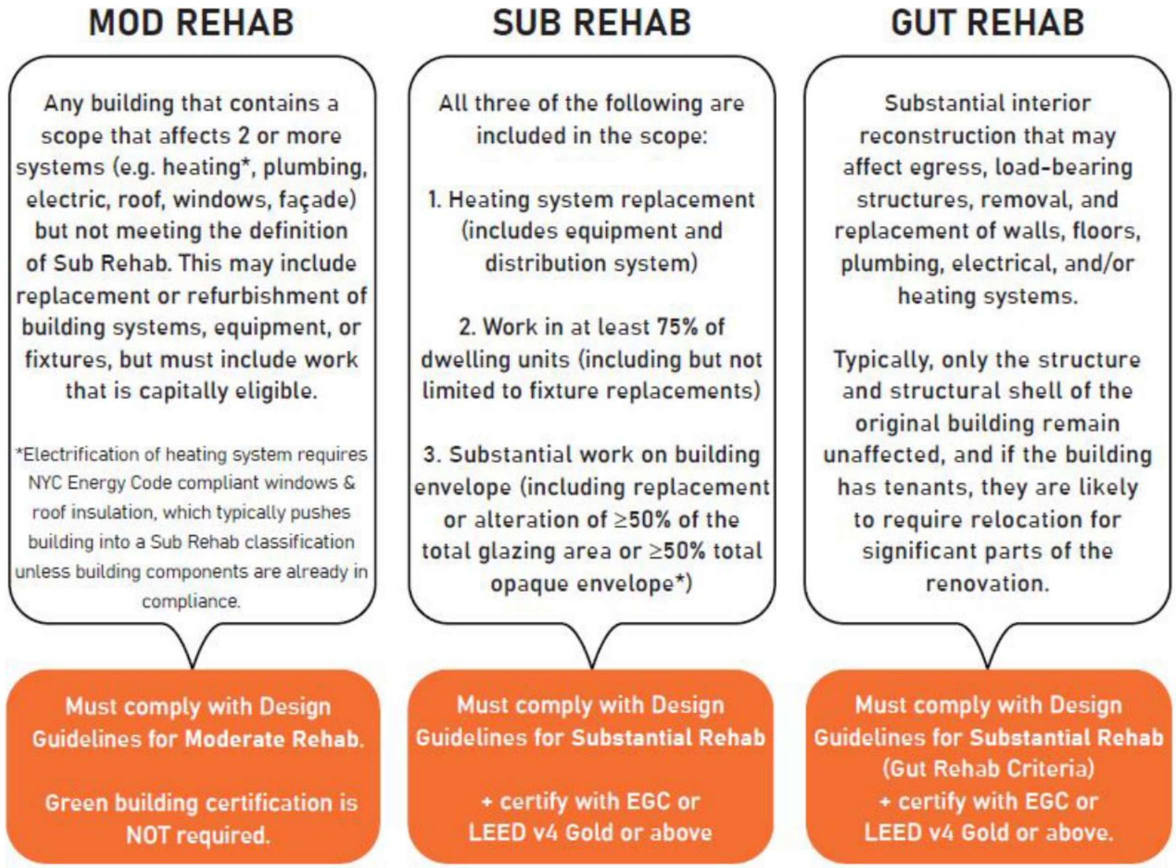
Rent Stabilization Requirements	• All units must remain in rent stabilization during the term of the regulatory agreement; vacancy and luxury decontrol are prohibited. • Owner may not apply to DHCR for Major Capital Improvement (MCI), or Individual Apartment (IAI) increases in connection with the work 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. • 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 Restriction	• Rents may not exceed a level affordable to households earning 100% of Area Median Income (AMI), however HPD may require one or more regulatory tiers at lower AMI restrictions.
Initial Household Income Limitation	• Current and future vacant apartments must be rented to households whose incomes do not exceed 120% of AMI.
Building Operation Requirements	• The owner must maintain a replacement reserve account* in an amount equal to 3% of the monthly gross revenue. • The owner must maintain an operating reserve account* with a minimum of 6 months of maintenance and operating expenses, including debt service. • 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.

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

HDFC Cooperatives Regulatory Requirements

Unit Sale Restrictions	• 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
Building Operation Requirements	• The project must remain an HDFC for the entire regulatory 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 collected maintenance and rent (if applicable). • Maintenance charges must increase by at least 2% annually.

Mitchell Lama Regulatory Requirements	• Mitchell-Lama developments are prohibited from "buy-out" of the Mitchell-Lama program for the entire loan term. • A Non-Dissolution Agreement will be in place for the life of the loan.
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	**HPD'S DESIGN GUIDELINES FOR PRESERVATION:** HPD's new Design Guidelines for Moderate Rehabs and Design Guidelines for Substantial/ Gut Rehabs establish minimum design standards that ensures that all HPD projects can meet NYC's climate goals and laws while incorporating best practices for resiliency, health, and safety: • As of March 1st, 2023, all new HPD Preservation projects* must comply with the applicable version of the HPD Design Guidelines for Preservation based on the appropriate HPD Rehab Classification. • Note that projects with scopes that are maintenance only, or do not affect 2 or more systems (e.g., plumbing, heating, roof, etc.) are not subject to the Guidelines but must comply with the applicable requirements for that section of the Guidelines (e.g., heating equipment must comply with requirements for heating systems). **ENTERPRISE GREEN COMMUNITIES CRITERIA (EGCC):** All substantial and gut rehabilitation projects receiving funding from HPD must comply with the New York City Overlay (NYC Overlay) to EGCC or may pursue certification with LEED v4, gold or platinum. Per HPD's Rehab Classifications, projects with scopes that include all three of the following items are considered Substantial Rehabs: ◦ Heating system replacement (includes equipment and distribution system) ◦ Work in at least 75% of dwelling units (including but not limited to fixture replacements) ◦ Substantial work on building envelope (including replacement or alteration of >50% of total glazing area or >50% of total opaque envelope). **LOCAL LAW 97:** Most HPD projects > 25,000 SF are subject to Local Law 97 starting in 2024. The Design Guidelines will ensure that projects are able to comply. For projects not subject to the Design Guidelines, refer to the HPD LL97 Prescriptive Measures Checklist, or the IPNA's LL97 Compliance Tab. **SOLAR:** Per HPD's Solar Where Feasible Mandate, all HPD projects receiving subsidy are required to install solar where it is deemed cost-effective. A Solar Feasibility Analysis is required to assess cost-effectiveness as part of the IPNA process. HPD's non-profit partners at Solar One can help owners/ applicant complete the Solar Feasibility Analysis and Screening Tool, contact: affordable@solar1.org



- Projects must complete an Integrated Physical Needs Assessment (IPNA) and procure Technical Assistance Services by an HDC pre-qualified IPNA and TA firm. *See HDC website for current list of qualified firms*

- Projects where HPD/HDC's contribution is more than $2 million will have to comply with the M/WBE Build Up Program requiring developers/owners 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.

- 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 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 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.

Marketing	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	To apply please fill out HPD's Preliminary Preservation Application.
Participating Banks	Community Preservation Corporation: Atalia Howe, 646-822-9427 Enterprise Community Partners: Victoria Rowe-Barreca, 212-284-7181 Low Income Investment Fund: Ivan Levi, 212-509-5509 x 29 Local Initiatives Support Corporation (LISC): Arturo Suarez, 212-455-1606 New York City Energy Efficiency Corporation (NYCEEC): Poise Constable, 646-797-4615 Habitat for Humanity Community Loan Fund: Daniel Fielding, 646-779-8866

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.

EXAMPLE 1: LOAN STRUCTURE WITH SUBSTANTIAL LEAD-BASED PAINT HAZARDS

Building Size = 8 units

Maximum Eligible Financing = $45,000 per unit, or $360,000

Total Loan Amount = $300,000

Loan Structure:

	HPD Loan A	**HPD Loan B**
Loan Amount	$80,000 ($80,000 in Lead Treatment Funds)	$220,000
Loan Term	30 years	30 years
Interest Rate	0%	Up to 3% interest
Repayment Term	Evaporating by $2,666.67 each year for 30 years	Amortizing over 30 years

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

Building Size = 8 units

Maximum Eligible Financing = $35,000 per unit, or $280,000

Total Loan Amount = $280,000

Loan Structure:

	HPD Loan
Loan Amount	$280,000
Loan Term	30 years
Interest Rate	Up to 3% interest
Repayment Term	Amortizing over 30 years