

Neighborhood Construction Program (NCP)
Term Sheet

Program Description

HPD's Neighborhood Construction Program (NCP) funds the new construction of infill rental housing with up to 45 units affordable to low, moderate and middle income households earning up to 165% Area Median Income (AMI).

Sponsors may apply to the program to develop privately owned properties or they may be selected through a Request for Qualifications (RFQ) process to purchase City-owned sites. For city-owned sites, disposition will be for \$1 per lot and developers will deliver an enforcement note and mortgage equal to the land's appraised value ("Land Debt").

HPD subsidy is in addition to construction and permanent financing sources provided by, but not limited to, private institutional lenders, the Federal Low Income Housing Tax Credit Program (LIHTC), New York State Homes and Community Renewal (HCR) Homes for Working Families Initiative (HWF), Low Income Housing Trust Fund Program (HTF), New York State Low Income, Housing Tax Credit Program (SLIHC) and Low Income Housing Credit Program (LIHC), and New York State Housing Finance Agency programs.

Eligible Borrowers and Sponsors

In order to be eligible for HPD-issued Capital funds, it is required that a borrower be a Housing Development Fund Corporation either alone or in partnership with for-profit developers, limited partnerships, corporations, trusts, joint ventures, or limited liability companies.

New construction of affordable rental housing with up to 45 units affordable to households earning up to 165% AMI. Projects may serve low income households or moderate and middle income households.

HPD Loan Amount

HPD may provide a maximum subsidy according to the chart below. Preference will be given to projects requesting less than the maximum subsidy.

PER DU SUBSIDY	
MAXIMUM SUBSIDY	Up to \$100,000 per DU*

*Subsidies may be adjusted for private site acquisition supported by an appraisal methodology acceptable to HPD.

Per-Unit subsidies may be reduced for projects utilizing other sources, including the Inclusionary Housing Program or Project-Based Section 8, absent broader/deeper affordability or project benefits.

Preference will be given to projects requesting less than the maximum subsidy, offering the most affordability, and otherwise demonstrating cost containment; examples may include but will not be limited to proposals that conform with competitive criteria, LIHTC basis caps, utilize aggressive construction and leaseup schedules, use of reserves, etc.

Loan Terms

- Loan Term: 30 years (Loan terms vary by funding source and lending authority).
- Interest Rate: 1% per annum plus 0.25% servicing fee during construction. HPD may consider reducing the paid rate under 1.00% to leverage additional private financing. An additional simple interest rate set at the Applicable Federal Rate (AFR) may defer and accrue, with balloon due at maturity.
- Amortization: Balloon allowable up to 100% of HPD loan amount.
- Debt Service Coverage: 115% on all financing.
- Loan to Cost: May not exceed 90% overall of total development cost.
- Income to expense ratio: 1.00 to 1.05 on all financing. Project Income should include residential rental and commercial income, as applicable

- **Developer's Fee:** A developer's fee is only allowed when tax credits are used or funds are combined with other public subsidy programs allowing such fees. As described in the HPD Qualified Action Plan, total developer fee is not to exceed 15% of improvement costs (excluding developer fee, reserves, and syndication and partnership expenses) and 10% of acquisition costs for tax credit projects. Up to 10% of the fee may be paid during construction. Consultant fees should be paid from the developer fee. HPD may require a reduction in paid developer fee in order to reduce public subsidy. HPD will recognize deferred developer fee if there is a revenue stream, usually cash flow, to enable the deferred fee to be paid within 15 years of the expected placed in service date of the project.
- **Land Acquisition:** Acquisition costs for privately owned land will be reviewed by HPD and may be approved at up to appraised value. Subsidies may be adjusted for private site acquisition supported by an appraisal methodology acceptable to HPD. For city-owned sites, disposition will be for \$1 per lot with the land's appraised value in an enforcement note and mortgage, which may be payable upon maturity
- HPD requires that the general contractor secures projects by either a Payment and Performance bond for 100% of hard costs or a letter of credit.
- Projects funded with Federal funds require compliance with Section 3 new hires and Davis Bacon prevailing wages, as applicable.

Equity Requirement

At least 10% of total allowable development costs for projects serving mostly moderate and middle income households. Preference will be given to proposals with greater equity contributions.

Maximum Initial Rents; Income Limits; Rent Increases

Initial rents for tenants with low incomes (30% of AMI, 40% of AMI, 50% of AMI and 60% of AMI) are calculated at 30% of 27% of AMI, 30% of 37% of AMI, Rent Increases 47% of AMI and 57% of AMI, respectively. All other rents are calculated at 30% of the target AMI. All rent levels are calculated as gross rents less an electricity allowance.

2016 MAXIMUM INITIAL RENTS FOR LOW INCOME TENANTS WITH INCOMES UP TO:					
UNIT SIZE	30%	40%	50%	60%	80%
0 BR	\$328	\$464	\$600	\$736	\$1,049
1 BR	\$419	\$589	\$759	\$929	\$1,320
2 BR	\$509	\$713	\$917	\$1,121	\$1,591
3 BR	\$582	\$817	\$1,053	\$1,289	\$1,831

2016 MAXIMUM INITIAL RENT FOR MODERATE AND MIDDLE INCOME TENANTS WITH INCOME UP TO:							
UNIT SIZE	90% AMI	100% AMI	110% AMI	120% AMI	130% AMI	140% AMI	150% AMI
0 BR	\$1,185	\$1,321	\$1,457	\$1,593	\$1,729	\$1,865	\$2,001
1 BR	\$1,490	\$1,660	\$1,830	\$2,000	\$2,170	\$2,340	\$2,510
2 BR	\$1,795	\$1,999	\$2,203	\$2,407	\$2,611	\$2,815	\$3,019
3 BR	\$2,066	\$2,302	\$2,537	\$2,773	\$3,009	\$3,244	\$3,480

Income Limits: The following income limits apply to moderate and middle income units with rents set at 80%, 90%, 100%, 110%, 120% and 130%, 140% and 150% of AMI.

- Units with rents at 80% AMI or 90% AMI can be rented to households with incomes up to 100% of AMI.
- Units with rents at 100% AMI, 110% AMI, or 120% AMI can be rented to households with incomes up to 130% of AMI.
- Units with rents at 130% AMI, 140% AMI or 150% AMI can be rented to households with incomes up to 165% of AMI.

Preference will be given for households at the lower end of income bands.

Rent Increases: Subsequent rent increases will be governed by the lower of AMI or rent stabilization increases with no vacancy or luxury decontrol for the duration of the HPD restriction period for all units types.

DESIGN AND CONSTRUCTION REQUIREMENTS

- Projects must meet [HPD Design Guidelines for Multifamily New Construction and Senior Housing](#) and plans must be approved by HPD.

Real Estate Exemption

- Projects may qualify for the Article XI tax exemption. See HPD Tax Incentive Programs guidelines for more information.
- Developers must provide proof of such tax exemption prior to construction loan closing.

Overall Terms

Loan to Value:
Combined first and second mortgage not to exceed 95% LTV as established by an independent MAI appraisal acceptable to HDC.

Loan to Cost: May not exceed 90% overall.

Debt Coverage: 1.15 times overall.

Income to expense ratio: 1.05 to 1.00 or greater on all financing.

Closing Requirements

Conditions precedent to construction loan closing include (but are not limited to):

- Completed and satisfactory [Sponsor Review](#) disclosure documents for all applicable individuals and entities in the project. Further disclosure documentation may be required.
- Completed and satisfactory Equal Opportunity documents for applicable entities, including contractors and sub-contractors, in the project. Further documentation may be required for contractors and sub-contractors on the [Enhanced Contractor Review](#) status list.
- Completed and satisfactory [HUD Section 3](#) documents for applicable entities in the project, if project is receiving federal funding.
- Completed and satisfactory [Campaign Finance](#) documents for applicable individuals and organizations in the project.
- Completed and satisfactory [Environmental Review](#) including, but not limited to, City Environmental Quality Review (CEQR), and/or State Environmental Quality Review Act (SEQRA) review, and/or National Environmental Policy Act (NEPA) environmental review, as applicable. Detailed environmental studies and compliance measures may be required.
- Final architectural plans submitted to HPD and approved by the NYC Department of Buildings (DOB).
- HPD may require the inclusion of an HPD rider as part of the construction contract.
- Borrower's organizational documents including W-9 forms and IRS EIN letters.

Documentation will require that HPD be named a beneficiary on a number of documents, including but not limited to insurance certifications and completion guarantees.

Conversion Requirements

Conditions precedent to permanent loan conversion include (but are not limited to):

- 95% residential rental achievement evidenced by a certified rent roll.
- 100% commercial/retail occupancy evidenced by executed leases.

	<ul style="list-style-type: none"> • Evidence of real estate tax benefits. • Evidence of compliance with zoning and all applicable codes. • Certification of “no change” in borrower’s financial status. • Certificate of completion from construction lender’s construction monitor. • Certificate of completion from HPD on City-owned sites. • All other conditions as required by the credit enhancer. • Completed and satisfactory final developer’s tax certification (Final 95/5).
<p>Marketing and Rent Up</p>	<ul style="list-style-type: none"> • All projects must be marketed according to HPD and HDC marketing guidelines. The developer must submit a marketing plan for agency review and approval prior to marketing. Where applicable, marketed projects will be required to use HPD’s and HDC’s lottery process and include a 50% community preference. • On an annual basis, HPD may require a certified rent roll, written certification of tenant incomes, and other supporting documentation.
<p>Proposal Review Information</p>	<p>For consideration, please submit the following:</p> <ul style="list-style-type: none"> • Location (Borough/Block/Lot and address) and description of site and proposed development. Include commercial, parking and residential square footage. • Proposed pro-forma including development and operating budgets, as well as acquisition price per developable floor area for privately owned sites. Include an appraisal for private site acquisitions. • Indicate whether the project is conveying tax benefits to another project on the same zoning lot. <p>Proposed development team (borrower, contractor, architect, management company) respective principals and previous development experience over the last 10 years. HPD and NYC development experience should be highlighted.</p>
<p>HPD Contact</p>	<p>Multifamily New Construction Programs 100 Gold Street, Room 9I-5 mfnc@hpd.nyc.gov <u>Phone: 212-863-6044</u></p> <p><i>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.</i></p> <p>Updated 06/21/2016</p>