NYCHDC Term Sheet

PRESERVATION PROGRAM

(Tax-Exempt Bonds)

Program Description	HDC's Preservation Program provides tax-exempt, first-position bond financing, which brings as-of-right "4%" Federal Low Income Housing Tax Credits, for the acquisition and moderate rehabilitation of existing projects. No HDC second subsidy mortgage funds are available. The project must have a minimum of 50 units and incur rehabilitation costs of no less than the greater of: (i) $6,000/unit or (ii) 20% of eligible basis (tax credit rules – Section 42(e)(3)); and 15% of the amount of acquisition costs financed by the bond proceeds. Project acquisition cost must be the lesser of the actual acquisition cost, or the as-is value from an independent MAI appraisal acceptable to HDC. HDC reserves the right to review a draft of the appraisal and scope of work and may request changes.
Maximum Monthly Rents	Units must have rents set at the lesser of 60% of Area Median Income (AMI), or levels required by additional subsidy providers. If the project benefits from a Project-Based Section 8 contract, HDC may underwrite to the current contract rents.
Maximum Income Limits	Incomes must be the lesser of 60% of AMI or as required by additional subsidy benefit providers. Tenants may pay up to 35% of their income toward net rents unless prohibited by other financing providers. Incomes will be adjusted for family size.
First Mortgage	Loan Amount: During construction, tax-exempt bonds subject to "Volume Cap" must fund more than 50% of the total development costs of the project. Debt Coverage: 1.15 on all financing or greater as set by permanent credit enhancer. Loan to Value: Max 80%. Value will be determined using a capitalization rate that does not consider the tax-exempt financing or other below market financing. Value based on an independent MAI appraisal acceptable to HDC. Interest Rate: Permanent 30-Year Fixed Rate, Weekly Tax-Exempt Variable Rate or Auction Rate may be available. Interest rates on long-term first mortgages established at bond sale based on market conditions. If variable rate debt is used, an appropriate hedge is required. Underwriting Rate: Fixed Rate: Usually based on bond rate plus 20 basis points for HDC servicing and 50 basis points for mortgage insurance premium. Variable Rate: Includes a base rate and cushion recommended by credit enhancer and approved by HDC, all on-going fees (e.g. credit enhancement and servicing, HDC servicing, liquidity, issuer and trustee, remarketing agent, cap escrow) and an amortization component. At the time of conversion to the permanent credit enhancement, an interest rate cap or swap will be required. Term: 30-year permanent term with a 30-year amortization schedule. Amortization: First mortgage will be fully amortizing. HDC Financing and Servicing Fees: Commitment Fee: .75% of first mortgage amount plus costs of issuance as determined by HDC. Servicing fee: 20 basis points annually to HDC on the outstanding bond balance.

Credit Enhancement and Mortgage Insurance	Open Resolution Transactions (fixed rate pooled financing): Construction Period: Credit enhancement for the bonds is required during construction and stabilization periods. A stand-by letter of credit (LOC) for the full amount of the bonds may be provided by either the permanent credit enhancer or by a construction lender. The stand-by LOC provider must be a highly rated financial institution acceptable to HDC. Permanent Period: Mortgage insurance or permanent credit enhancement is required during the permanent mortgage period. • Mortgage insurance may be provided by REMIC, SONYMA, or HUD. On deals with first mortgages of less than $20,000,000, mortgage insurance requirements may be satisfied with partial REMIC mortgage insurance. • Permanent credit enhancement must be in the form of a long-term stand-by LOC or alternate credit facility provided by a highly rated financial institution acceptable to HDC. Stand Alone Transactions (variable rate or fixed rate): Construction Period: Credit enhancement for the bonds is required during construction and stabilization periods. A direct-pay LOC for the full amount of the bonds may be provided by either the permanent credit enhancer or by a construction lender. The direct-pay LOC provider must be a highly rated financial institution acceptable to HDC. Permanent Period: Mortgage insurance or permanent credit enhancement is required during the permanent mortgage period. • Mortgage insurance may be provided by REMIC, SONYMA or HUD for fixed rate transactions. • Permanent credit enhancement must be in the form of a direct-pay LOC or alternate credit facility for variable rate transactions. The direct-pay LOC provider must be a highly rated financial institution acceptable to HDC. Any alternate credit facility must be approved by HDC. A payment guarantee may be required by the credit enhancer. Typical fees to the credit enhancer include an origination fee, an annual LOC fee, an LOC servicing fee, and a liquidity fee.
Construction Closing	Conditions precedent to construction loan closing include (but are not limited to): • Approval from HUD for pre-payment, if applicable. • Completed and satisfactory Physical Needs Assessment (“PNA”). • Completed and satisfactory disclosure documents for principals and known investors in the project, as required by HDC. *All members of a non-profit board must complete the disclosure process.* • Completed and satisfactory Type II State Environmental Quality Review Act (SEQRA) review. • Completed and satisfactory third party reports with reliance letters to HDC. • Completed and satisfactory developer’s tax certification (95-5 Form). • Financial statements and credit reports. • Historic building operating statements. • Final architectural plans reviewed and approved by HPD BLDS, if applicable. • Construction lender loan offering package. • Commitment letter from the construction lender and other subordinate lenders. • Evidence of all other required funding, including tax credit equity. • Note, mortgage, assignment of leases and rents, and UCC’s. • Certifications and attorney opinion letters. • Satisfactory organizational documents for the borrower and related entities. • Property and liability insurance in form and substance acceptable to HDC. • Good and marketable title, free and clear of encumbrances except as permitted by HDC. • Title insurance and survey in form and substance acceptable to HDC. Documentation will require that HDC be named a beneficiary on a number of documents, including but not limited to insurance certificates and completion guarantees.
Conversion	Conditions precedent to permanent loan conversion include (but are not limited to): • 95% residential rental achievement evidenced by certified rent roll. • 100% commercial/retail occupancy evidenced by executed leases.

	• Evidence of completed tenant income certifications. • Evidence of funds available for any required partial redemption of bonds. • 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. • All other conditions as required by the credit enhancer. • Completed and satisfactory final developer's tax certification (Final 95/5).
Other	Building Green: HDC requires all projects to meet Enterprise Green Communities standards. Please see HPD's current Qualified Allocation Plan for details. Reserves/Ongoing Fees: Capitalized Operating Reserve: Minimum of $1,000 per unit collected at conversion. Replacement Reserve: Minimum of $250/unit/year increased with CPI. Smaller projects may require higher replacement reserves. HDC Tax Credit Monitoring Fee: .75% of Annual Tax Credit Rents per year. Real Estate Tax Benefits: Real Estate Tax Benefits are provided through the New York City Department of Housing Preservation and Development (HPD). Potential benefits include standard or enhanced J-51, 420-c, and/or an Article XI exemption. Current shelter rent payments should be expected to continue as long as the HAP contract is in place. See HPD Tax Incentive Program guidelines for more details on benefits/eligibility. Maximum Developer Fee: Not to exceed 15% of tax credit eligible cost or the governing Qualified Allocation Plan (QAP) limitations. HPD's current QAP allows 10% of acquisition costs and 15% of improvement costs less developer fee, reserves and partnership expenses. The total fee should be deferred during construction and paid from cash flow during the permanent period, as allowable by IRS rules and the governing QAP. Marketing: Typically not applicable for occupied moderate rehab projects. If applicable, marketing process and income certification overseen by HDC. Guidelines are available online, or by contacting HDC's Asset Management Department (E-mail: hdcmarketing@nychdc.com or Phone: 212-227-5500). Recourse: HDC permanent loans are generally non-recourse to Borrower, except for environmental indemnity and standard non-recourse "carve out" Guaranty for fraud and related misrepresentation. Collateral: First mortgage on land and improvements. Other Subordinate Liens: Permitted with HDC approval of terms.
Items Required for Project Review	For consideration, submit project information, including: • Location and description of site and proposed development (including address, borough, block and lots). • Project history including existing mortgages, use restrictions, tax exemptions and rental assistance including status of any Section 8 HAP or other contracts. • Preliminary pro-forma including hard and soft costs, unit distribution, current rents and income levels, projected rents, outstanding debt balance and rate, estimated rehabilitation costs, and other financing sources. • Development team (borrower, contractor, management company) and listing of experience and principals. • Identification of credit enhancer and tax credit investor. • Identification of current tax exemption. • Statement of required HUD approvals, if applicable (HUD approval required if original project was financed by HUD after 1983).

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