




NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Marc Jahr
President 

Date: November 18, 2013

Subject: Affordable Housing Retrofit Program (AHRP)
CDBG-DR Multifamily Build it Back

I am pleased to recommend that the Members approve the Corporation's Affordable Housing Retrofit Program (the "AHRP," or the "Program"). The New York City Department of Housing Preservation and Development ("HPD") acting for the City of New York (the "City") has applied for and been awarded funds from the United States Department of Housing and Urban Development ("HUD") under the Community Development Block Grant Disaster Recovery ("CDBG-DR") Program for Superstorm Sandy. In collaboration with HPD, and pursuant to a subrecipient agreement, the Corporation's AHRP is authorized to administer, underwrite, service and asset manage loans consisting of CDBG-DR funds on behalf of HPD. The AHRP provides evaporating subordinate mortgage loans, or grants to finance rehabilitation, resiliency and reimbursement of eligible costs incurred by affordable multifamily housing in the Corporation's loan portfolio that was affected by Superstorm Sandy ("Sandy"). This program is an important element of City's CDBG-DR Action Plan and the recovery programs known as "Build It Back."

Background

Superstorm Sandy hit New York City on October 29, 2012. Over the course of 48 hours, wind, rain, and water destroyed approximately 300 homes, left hundreds of thousands of New Yorkers without power, damaged critical public and private infrastructure, and left many New Yorkers

vulnerable with limited access to food, drinking water, healthcare, and other critical lifesaving functions. The City estimates that more than 63,000 residential units were impacted by physical damage resulting from the storm. In addition, many thousands of New Yorkers were temporarily displaced from their homes due to power outages or other service interruptions. The Corporation's affordable housing portfolio included more than 30 developments representing over 150 buildings containing over 13,800 residential units that were affected by Sandy.

Damage from the storm threatened to put a portion of these developments at risk of physical or financial failure. The AHRP is part of the City's storm recovery strategy that aims to provide a more coordinated response to addressing these building's issues and improving the overall resilience of the multifamily housing stock. The strategy for preserving these developments relies on a coordinated multi-agency effort that will harness the resources of federal CDBG-DR funds and existing HDC, City and State financing programs. The CDBG-DR funding available to the Corporation from the City's first allocation of Federal recovery funds totals approximately \$60 million, and must be expended by September 1, 2015 unless extended by HUD.

Affordable Housing Retrofit Program (AHRP)

The Corporation's staff is working with current owners to evaluate and address their storm recovery needs through refinancing and recapitalization under the AHRP and the Corporation's existing financing programs, such as MLRP, LAMP, NewHOP, RRF, and AHPLP (as defined in the Corporation's term sheets). Where feasible, the City, acting through HPD, will provide additional financing through HPD programs such as HUD Multi-Family, Article 8-A, and the Preservation Participation Loan Program. The AHRP financing may be used in conjunction with other governmental assistance provided that such uses do not duplicate funding available from the Federal Emergency Management Agency (FEMA), the Small Business Administration (SBA), insurance proceeds, philanthropic donations and other disaster assistance.

Eligible uses of AHRP funds shall include addressing storm damage, replacing affected systems, resiliency, and certain storm-related reimbursements. Funding may also be provided for multifamily new construction retrofit or redesign in the affected areas, subject to approval by the Corporation. Eligible uses shall be reviewed and approved by HDC Engineering and include, but are not limited to:

- HVAC systems and electrical controls.
- Elevator system resiliency.
- Plumbing and masonry work.
- Interior repairs to flood-damaged areas.
- Acquisition and installation of back-up generators.
- Dry flood proofing, wet flood proofing, or flood barriers.
- Hard cost contingency and certain soft costs associated with the loan closing.

Assistance will be prioritized for properties with a high proportion of residents earning at or below 80% of the Area Median Income (currently \$68,700 for a family of four), properties with significant storm damage, and properties located in the highest flood risk areas, at the discretion of HPD and the Corporation. The AHRP funds will be structured as evaporating subordinate mortgage loans, or grants based on prioritization, availability of CDBG-DR funding and other disaster assistance, and unmet needs, as determined by HDC. If a property is sold or refinanced during the term of the AHRP loan, all or a portion of the loan may become due and payable to HDC. All repayments would be considered "Program Income" and would need to be expended on an eligible project or program activity, or returned to HPD. The current AHRP pipeline includes approximately 13 multi-family developments with 8,000 units located in the Brooklyn, Queens and Manhattan.

Work financed under the Program will be subject to all applicable federal requirements including, but not limited to the Davis-Bacon and Related Acts, Section 3, Section 504 of the Rehabilitation Act, the National Environmental Policy Act, and the Uniform Relocation Act. See the AHRP term sheet ("Attachment A") for more detail.

Risks to the Corporation

The AHRP poses a limited financial repayment risk to the Corporation with 100% of the Program funding from CDBG-DR. Staff expects that the AHRP loans will restore or enhance the underlying collateral value of the properties in the Corporation's portfolio that were affected by Superstorm Sandy at a minimal cost. The AHRP loans shall be subordinate to HDC's existing financing. Additionally, the Corporation's costs associated with program administration, including staff time, are reimbursable, subject to 24 CFR Part 85, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State, Local, and Federally-recognized Indian Tribal Governments." The principal risk to the Corporation is regulatory compliance. This risk is mitigated by the overall Program design and implementation, which has incorporated guidance from HPD, the City Law Department, and technical advice from HUD.

As a result, the Corporation believes that the AHRP is structured to effectively insulate the Corporation from credit, real estate and regulatory risks.

Action By Members

It is requested that the Members (1) approve the AHRP Program (2) authorize the officers of the Corporation to prepare and execute all documents and enter into all agreements necessary to effectuate the making of loans and grants under the Program as described in this memorandum.

Attachment A

Affordable Housing Retrofit Program – AHRP (CDBG-DR Multifamily Build it Back)

Program Description

The New York City Department of Housing Preservation and Development (HPD) has applied for and been awarded funds from the United States Department of Housing and Urban Development (HUD) under the Community Development Block Grant Disaster Recovery (CDBG-DR) Program for Superstorm Sandy. In collaboration with HPD, HDC's Affordable Housing Retrofit Program (AHRP) is authorized to administer, underwrite, service and asset manage loans consisting of CDBG-DR funds on behalf of HPD. The AHRP provides subordinate funds to finance rehabilitation, resiliency and reimbursement of eligible costs incurred by affordable multifamily housing in HDC's portfolio that was affected by Superstorm Sandy.

The AHRP financing may be used in conjunction with other programmatic HDC, HPD, or other governmental assistance provided that such uses do not duplicate funding available from the Federal Emergency Management Agency (FEMA), the Small Business Administration (SBA), insurance proceeds, philanthropic donations and other disaster assistance.

Eligible Uses

Moderate or substantial rehabilitation of multifamily affordable housing in HDC's portfolio that was damaged by Superstorm Sandy. Eligible uses include addressing storm damage, replacing affected systems, resiliency, and certain storm-related reimbursements. Funding may also be provided for multifamily new construction retrofit or redesign in the affected areas, subject to HDC approval. Eligible uses shall be determined and approved by HDC Engineering and include, but are not limited to:

- HVAC systems and electrical controls.
- Elevator system resiliency.
- Plumbing and masonry work.
- Interior repairs to flood-damaged areas.
- Acquisition and installation of back-up generators.
- Dry flood proofing, wet flood proofing, or flood barriers.
- Hard cost contingency and certain soft costs associated with the loan closing.

Other available sources of disaster assistance, such as insurance proceeds, must be expended before AHRP funds can be drawn. Work will be subject to all applicable federal requirements including, but not limited to the Davis-Bacon and Related Acts, Section 3, Section 504 of the Rehabilitation Act, the National Environmental Policy Act (NEPA), and the Uniform Relocation Act (URA).

Eligible Developments

Eligible developments shall include affordable multifamily residential rental and cooperative housing in HDC's portfolio that were affected by Superstorm Sandy.

Assistance will be prioritized for properties with a high proportion of residents earning at or below 80% of the Area Median Income (currently \$68,700 for a family of four), properties with significant storm damage, and properties located in the highest flood risk areas, at the discretion of HDC. Owners are encouraged to apply even if the property does not meet all of these criteria.

Subordinate Mortgage Terms

Subordinate Mortgage Amount:

Based on the prioritization and availability of AHRP funding and other disaster assistance, and unmet needs, as determined by HDC.

Interest Rate:

0% fixed rate.

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	<p>Term: Up to 15 years.</p> <p>Repayment: Subsidy loan shall evaporate at the end of the term provided there have been no defaults and the property has met all applicable requirements. If the property is sold or refinanced during the loan term, part, or all of the subsidy loan may be due.</p>
<p>Items Required for Project Review</p>	<p>For consideration, submit project information including:</p> <ul style="list-style-type: none"> • Development team (organizational chart, owner, management company, proposed general contractor). • Location and description of project (addresses, building typologies, mechanical systems, unit distribution, rent roll, audited financials, and resident income profile). • Description of Superstorm Sandy damage, and preliminary rehabilitation/resiliency/reimbursement scope, including hard and soft costs. • Documentation of disaster assistance and other funding expected, received, and expended (FEMA, SBA, insurance, reserves, grants, loans, etc).
<p>Loan Closing</p>	<p>Conditions precedent to loan closing include, but are not limited to:</p> <ul style="list-style-type: none"> • Completed AHRP application. • Certification of resident annual income satisfactory to HDC. • Damage and resiliency assessment satisfactory to HDC. • Completed Tier I and Tier II NEPA reviews satisfactory to HDC. • Final scope of work, architectural plans, specifications, permits, GC contract, costs, performance bond, or letter of credit reviewed and approved by HDC. • Determination of unmet need satisfactory to HDC • Completed sponsor review satisfactory to HDC. • Borrower's organizational documents. • Financial statements and credit reports. • Property, Liability and Flood Insurance in form and substance acceptable to HDC. Completed and satisfactory third party reports with reliance letters to HDC. • Senior Lender approvals. • Assignment of Leases and Rents. • Mortgage and Note and UCC's. • Certifications, architect and attorney opinion letters. • 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. <p>Documentation will require that HDC be named a beneficiary on a number of documents, including but not limited to insurance certifications and completion guarantees.</p>
<p>Other</p>	<p>Construction Scope and Specifications: Scopes of work shall be approved by HDC, and must comply with HPD's Specifications for Storm Recovery and Resiliency.</p> <p>Building Green: HDC encourages all developments to incorporate energy efficient and sustainable systems. Scopes of work that include energy efficiencies may be eligible for additional</p>

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funding through the Corporation's Program for Energy Retrofit Loans (PERL). All work must meet either Enterprise Green Communities standards, or the HUD CPD Green Building Retrofit Checklist for environmentally sustainable construction.

Recourse:

Non-recourse to Borrower, except for environmental indemnity and standard non-recourse "carve out" Guaranty for fraud and related misrepresentation.

Collateral:

Subordinate mortgage on land and improvements.

Real Estate Tax Benefits:

Projects will not be eligible for property tax abatement through the J-51 Program.

Rent Stabilization:

Owners of rent stabilized properties may not apply to HCR for MCI increases in connection with the work funded by the loan.

Contact Information

Affordable Housing Retrofit Program

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