

Low-Income Affordable Marketplace (LAMP) PRESERVATION PROGRAM (Tax-Exempt Bonds)

<p>Program Description</p>	<p>HDC's LAMP Preservation program provides tax exempt first position bond financing which brings as-of-right "4%" Federal Low Income Housing Tax Credits for acquisition and moderate rehabilitation of existing projects. No HDC second subsidy mortgage funds are available.</p> <p>The project must have a minimum of 50 units and incur rehabilitation costs 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.</p> <p>Project acquisition cost must be the lesser of the actual acquisition cost, or as supported by an as-is value from an independent MAI appraisal acceptable to HDC.</p> <p>HDC reserves the right to review a draft of the appraisal and scope of work and may request changes.</p>
<p>Maximum Monthly Rents</p>	<p>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.</p>
<p>Maximum Income Limits</p>	<p>Incomes must be the lesser of 60% of area median income or as required by additional subsidy benefit providers.</p> <p>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.</p>
<p>First Mortgage</p>	<p>Loan Amount: During construction, tax exempt bonds subject to "Volume Cap" must fund more than 50% of the total development costs of the project.</p> <p>Debt Coverage: 1.15% on all financing or greater as set by permanent credit enhancer.</p> <p>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.</p> <p>Interest Rate: Perm 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.</p> <p>Underwriting Rate: Fixed Rate: Usually based on bond rate plus 20 basis points for HDC servicing and 50 basis points for mortgage insurance premium.</p> <p>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.</p> <p>Term: Perm 30-year term with a 30-year amortization schedule.</p> <p>Amortization: First mortgage will be fully amortizing</p> <p>HDC Financing and Servicing Fees: Commitment Fee: .75% of first mortgage amount plus costs of issuance as determined by HDC.</p> <p>Servicing fee: 20 basis points annually to HDC on the outstanding bond balance.</p>
<p>Credit Enhancement and Mortgage Insurance</p>	<p>Open Resolution (fixed rate pooled financing) Transactions:</p> <p>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 through a letter of credit. The stand by LOC provider must be a highly rated financial institution acceptable to HDC.</p>

	<p>Permanent Period: Mortgage insurance <u>OR</u> permanent credit enhancement is required during the permanent mortgage period.</p> <ul style="list-style-type: none"> • 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 letter of credit (LOC) provided by a highly rated financial institution acceptable to HDC. <p>Stand Alone (variable rate or fixed rate) Transactions:</p> <p>Construction Period: Credit enhancement for the bonds is required during construction and stabilization periods. A direct pay 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 through a letter of credit. The direct pay LOC provider must be a highly rated financial institution acceptable to HDC.</p> <p>Permanent Period: Mortgage insurance or permanent credit enhancement is required during the permanent mortgage period.</p> <ul style="list-style-type: none"> • Mortgage insurance may be provided by SONYMA or HUD for fixed rate transactions. • Permanent credit enhancement must be in the form of a direct pay letter of credit (LOC) or alternate credit facility for variable rate transactions 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 origination fee, annual LOC Fee, LOC Servicing Fee, and liquidity fee.
Construction	<p>Conditions precedent to construction loan closing include (but are not limited to):</p> <ul style="list-style-type: none"> • 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 with more than 20% interest in the project. <i>All members of a non-profit board must complete the disclosure process.</i> • 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) • Developer Financial statements and credit reports. • Historic Building Operating Statements. • Final architectural plans reviewed and approved by HPD DACE, 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. • Assignment of Leases and Rents. • Mortgage and Note and UCC’s. • Certifications and attorney opinion letters. • Borrower’s organizational documents. • 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. <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>
Conversion	<p>Conditions precedent to permanent loan conversion include (but are not limited to):</p> <ul style="list-style-type: none"> • 95% residential rental achievement and 100% commercial/retail evidenced by certified rent roll. • Evidence of completed tenant income certifications. • Evidence of funds available for 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.

Other	<p>Reserves/Ongoing Fees:</p> <p>Capitalized Operating Reserve: Minimum of \$1,000 per unit collected at conversion.</p> <p>Replacement Reserve: minimum of \$250/unit/year increased with CPI. Smaller projects may require higher replacement reserves.</p> <p>HDC Tax Credit Monitoring Fee: .75% of Annual Tax Credit Rents per year.</p> <p>Real estate tax benefits:</p> <p>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.</p> <p>See HPD Tax Incentive Program guidelines for more details on benefits/eligibility.</p> <p>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.</p> <p>Marketing:</p> <p>Typically not applicable for occupied moderate rehab projects. If applicable, marketing process and income certification overseen by HDC.</p> <p>HDC marketing guidelines can be found on HDC website or by contacting Clare Farnen in HDC's Asset Management Department (E-mail: cfarnen@nychdc.com, Phone: 212-227-8475).</p> <p>Recourse:</p> <p>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.</p> <p>Collateral: First mortgage on land and improvements.</p> <p>Other subordinate liens permitted with HDC approval of terms.</p>
Items Required for Project Review	<p>For consideration, submit project information, including:</p> <ul style="list-style-type: none"> • Location and description of site & 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 list of their 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).
Contact Information	<p>Development Group Phone: (212) 227-9407 Fax: (212) 227-6845 E-Mail: development@nychdc.com</p> <p>110 William Street, 10th Floor New York, NY 10038 www.nychdc.com</p>