

Low-Income Affordable Marketplace Program – LAMP (Tax-Exempt Bonds)

Program Description	<p>HDC's LAMP program combines a first mortgage, funded through proceeds from the sale of variable or fixed rate tax-exempt private activity bonds, with a second mortgage, provided through HDC corporate reserves, as of right "4%" Federal Low Income Housing Tax Credits, and other subsidies, to produce housing affordable to those earning less than 60% of New York City's Area Median Income (AMI).</p> <p>The Corporation's second mortgage is a subordinate loan of up to \$65,000/unit, capped at \$15 million per project, provided at 1% interest with fixed minimum payments of at least interest only. This HDC subsidy may be used in conjunction with subsidies provided by other agencies, including loans provided by the New York City Department of Housing Preservation and Development (HPD) through its Low Income Program, or the New York State Division of Housing and Community Renewal (DHCR) through its Homes for Working Families Program.</p>															
Eligible Uses	New construction, substantial rehabilitation and conversions of non-residential buildings on an as-of-right-basis for developments containing a minimum of fifty (50) residential units.															
Maximum Monthly Rents	<p>Tax credit eligible units must be affordable to those earning 60% AMI or below. Projects must include either:</p> <ol style="list-style-type: none"> 1) 20% of units affordable to those earning 40% AMI or below; or 2) 20% of units set aside for homeless households, underwritten at 60% of AMI rent levels. Provision of Section 8 vouchers for all units reserved for homeless households is required. <p>2009 Low income rent levels are outlined below:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;"><u>Unit Type</u></th> <th style="text-align: left;"><u>40% AMI</u></th> <th style="text-align: left;"><u>60% AMI</u></th> </tr> </thead> <tbody> <tr> <td>Studio</td> <td>\$461</td> <td>\$731</td> </tr> <tr> <td>1 BR</td> <td>\$493</td> <td>\$781</td> </tr> <tr> <td>2 BR</td> <td>\$596</td> <td>\$942</td> </tr> <tr> <td>3 BR</td> <td>\$688</td> <td>\$1,087</td> </tr> </tbody> </table> <p>Rent levels are calculated as gross rents less an electricity allowance at 38% and 58% AMI respectively</p> <p>NOTE: Projects may include up to 20% of units above tax credit rents however no additional HDC subsidy will be available; the inclusion of non-tax credit eligible units will trigger annual income certification for all households and subject the project to the "Next Available Unit Rule" whereby a vacated moderate income unit may be required to meet the low income occupancy requirements should an occupied low-income household exceed the maximum low income limit.</p>	<u>Unit Type</u>	<u>40% AMI</u>	<u>60% AMI</u>	Studio	\$461	\$731	1 BR	\$493	\$781	2 BR	\$596	\$942	3 BR	\$688	\$1,087
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Maximum Income Limits	<p>Tenants may pay up to 35% of their income toward net rents. Incomes will be adjusted for family size.</p> <p>Incomes must be the lesser of 60% of AMI or as required by additional subsidy benefit providers.</p>															
First Mortgage	<p>Loan Amount:</p> <p>During construction, tax exempt bonds subject to "Volume Cap" must fund more than 50% of the total development costs of the project.</p> <p>Permanent first mortgage amount will be set based on HDC underwriting criteria as set forth within.</p> <p>Debt Coverage: Open Resolution: 1.25 on the first and 1.15 overall. Stand Alone: 1.20 on the first and 1.15 overall.</p> <p>LTV max 80%. Value will be determined using a capitalization rate that does not consider the tax-exempt 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.</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>Second Mortgage</p>	<p>Loan Amount:</p> <p>Second mortgage (subsidy) of \$55,000 per Project Based Section 8 Unit; or \$65,000 per Unit without rental subsidy, based on the following requirements and on need as determined by HDC.</p> <p>Interest Rate: 1% fixed</p> <p>Term: 30 years permanent term.</p> <p>Amortization: Second mortgage may be interest only. HDC reserves the right to require amortization if possible.</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 or 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.

Overall Terms	<p>Loan to Value: Combined first and second mortgage not to exceed 90% LTV as established by an independent MAI appraisal acceptable to HDC.</p> <p>Loan to Cost: may not exceed 90% overall.</p> <p>Debt Coverage: 1.15 or greater on all financing.</p> <p>Income to expense ratio: 1.05 to 1 or greater on all financing.</p> <p>Variable interest rate protection: At the time of conversion to the permanent credit enhancement, an interest rate cap or swap will be required.</p>
Construction	<p>Conditions precedent to construction loan closing include (but are not limited to):</p> <ul style="list-style-type: none"> • 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 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. • Final architectural plans reviewed and approved by HPD DACE. • 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 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. • Certificate of completion from HPD on city-owned sites. • All other conditions as required by the credit enhancer.
Other	<p>Design Guidelines: Projects must meet HPD's Design Guidelines for New Construction and Substantial Rehabilitation. Suggested minimum square footage by unit type:</p> <p>Studio: 500 sf 1 BR: 650 sf 2 BR: 800 sf 3 BR: 1000 sf</p> <p>HDC will approve unit distribution; preference will be given to projects with 50% or more 2+ BR units OR with at least 30% two-bedroom units and 10% three-bedroom units.</p> <p>Reserves/Ongoing Fees: Capitalized Operating Reserve: \$1,000 per unit minimum required Capitalized Section 8 Rent-up Reserve of up to \$1,500 per Homeless Unit. Capitalized Social Service Reserve of \$2,500 per Homeless Unit.</p> <p>Replacement Reserve: minimum of \$250/unit/year increased with CPI. Smaller projects may require higher replacement reserves.</p>

HDC Tax Credit Monitoring Fee: .75% of Annual Tax Credit Rents per year.

Taxes, Insurance and Water/sewer escrows required at conversion.

Subsequent Interest Rate Cap (as required by credit enhancer).

Real estate tax benefits:

§421-a for new construction. Enriched benefits available for projects outside the Geographic Exclusion Area (GEA).

Standard or enhanced J-51 for rehabilitation and conversion projects. To receive enhanced J-51 benefits project must restrict all household incomes, including those in non-subsidized units to 165% of AMI, or 20% of the units can be set at 80% of AMI with the remaining units at 180% of AMI.

Projects in which a not-for-profit corporation has at least a 50% interest in the managing partner or member may be eligible for §420-c benefits.

An Article XI exemption may be available for projects owned by an HDFC, subject to City Council approval.

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 Alllocation 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:

Marketing plan to be approved by HDC and HPD on jointly funded projects. Marketing process and income certification overseen by HDC.

Must comply with all [HDC marketing guidelines](#). Guidelines can be found on the [HDC website](#) or by contacting Clare Farnen in HDC's Asset Management Department (E-mail: cfarnen@nychdc.com, Phone: 212-227-8475).

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 and/or second 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 & proposed development (including address, borough, block and lots).
- Preliminary pro-forma including hard and soft costs, unit distribution, expected rents and other financing sources.
- Development team (borrower, contractor, management company) and list of their experience and principals.

Contact Information

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