

Affordable Cooperative Housing Program (Taxable Bonds)

Program Description	<p>HDC's Affordable Cooperative Housing Program offers developers an attractive lending program to finance cooperative developments affordable to middle income families. Under this program, HDC will provide a permanent mortgage to the cooperative to be funded by taxable bonds which will be blended with the HDC subordinate financing for a 1st position mortgage. During the construction period, an approved lender will provide the construction financing and HDC will provide subordinate financing up to \$65,000 per unit.</p> <p>The interest rate on the bonds for the permanent period financing will be set at construction loan closing. The permanent loan must be insured by SONYMA and the coverage is required to be in place prior to the construction loan closing.</p>
Eligible Uses	<p>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.</p>
Affordability and HDC Subsidy	<p>HDC Subsidy Amount: Second Mortgage (HDC Subsidy) is available on affordable units in the amount of \$65,000 per dwelling unit (du). Subsidy availability is also based on need as determined by HDC.</p> <p>HDC's 1% loan funds will <u>not</u> be available for market rate units.</p> <p>Income Eligibility: For the affordable units, purchaser's incomes must not exceed 175% of median income. HDC will also allow up to 25% of the units to be sold at market rate prices without any income restrictions*.</p> <p>All projects are subject to HDC's marketing guidelines, which include income verification and a lottery process for initial applicants.</p> <p>*Please be advised that the developer should ascertain whether market rate units will impact the tax abatement for the proposed cooperative. Costs and sales proceeds from market rate units will not be subject to the 15% developer's fee.</p>
Sales Price Calculations	<p>Sales Prices can be calculated using the formula and assumptions below:</p> $ \begin{array}{r} \text{\% AMI Affordability} \\ * \text{ Household Factor (for appropriate Apartment Size)} \\ * \text{ \$70,900 (Area Median Income for purposes of rent calcs)} \\ * \text{ 33\% (of income to housing)} \\ \hline / \text{ 12 months} \\ \hline \text{\$ Total monthly gross housing cost} \\ \\ \text{\$ Total monthly gross housing cost} \\ \text{less } \underline{\text{\$ Monthly maintenance charges to co-op (calculated as \$ per unit SF)}} \\ \hline \text{\$ Monthly mortgage payment} \end{array} $ <p>Sales price can be determined by finding the present value of the monthly mortgage payments using the mortgage assumptions below:</p> <p>10% down payment 30 year mortgage term 7.5% annual fixed mortgage rate</p>
Construction Loan	<p>Participating construction lenders are Bank of America, JP Morgan Chase, and Citibank</p> <p>Private for profit or not-for-profit experienced developers. Subject to all underwriting and credit approvals as set forth by the program and the construction lender's and HDC's credit policies.</p> <p>The Construction Lender will co-underwrite individual construction loans with HDC. HDC will provide low-interest subordinate 2nd mortgage construction loans.</p>

	<p>Construction First Mortgage (from construction lender bank)</p> <p>Individual construction loan pricing to be negotiated directly with Construction Lender</p> <p>Maximum LTV on 1st Mtg: 80% LTV</p> <p>Term: Construction term may range from 24 months to 30 months from closing of construction loan.</p> <p>Construction Second Mortgage (HDC subsidy)</p> <p>HDC subsidy is available with interest only due on the drawn funds during construction and is subject to a servicing fee by the Construction Lender.</p> <p>HDC Commitment Fee: 1% on HDC permanent loan amount due at commitment signing.</p>
<p>Permanent Loan</p>	<p>Permanent Term Mortgage:</p> <p>Permanent mortgage to the co-op is a blended mortgage funded by taxable bond proceeds and HDC corporate reserves (HDC subsidy).</p> <p>Rate:</p> <p>Rate on the portion of the loan funded through taxable bond proceeds will be set at construction loan closing.</p> <p>Rate on the portion of the loan funded through HDC corporate reserves (HDC Subsidy) will be 1%.</p> <p>Loan amount:</p> <p>Sized based on debt coverage 1.05 overall (based on co-op net income, determined by revenue from maintenance fees charged to co-op owners less co-op expenses).</p> <p>Income to expense: minimum 1.00 to 1.00</p> <p>Term: 30 year loan term.</p> <p>Amortization:</p> <p>Bond proceeds will be fully amortized over the term of the loan. HDC's 1% corporate reserve funds (HDC Subsidy) can be interest only. Balloon on permanent blended mortgage can not exceed 50% of the total blended loan amount.</p> <p>HDC Servicing Fee: .25% on permanent blended mortgage due annually to HDC on the outstanding loan balance; fee will be included in the permanent interest rate stack.</p> <p>Mortgage Insurance:</p> <p>State of New York Mortgage Agency (SONYMA) commitment must be in place or must have received SONYMA Board approval at closing of the construction loan.</p> <p>Application Fee: .10% on HDC blended loan.</p> <p>Annual premium: .50% of outstanding bond amount; premium will be included in permanent interest rate stack.</p>
<p>Overall Terms</p>	<p>Loan to Value:</p> <p>Maximum combined LTV not to exceed 95% as established by an independent MAI appraisal acceptable to HDC.</p> <p>Loan to Cost: may not exceed 90% overall.</p> <p>Project must be feasible under a "rental fallback" scenario using an applicable HDC rental program. Conditions include:</p> <p><i>Minimum DSC on 1st Mtg: 1.20 under rental fallback scenario</i></p> <p><i>Minimum DSC on combined debt: 1.15 under rental fallback scenario</i></p>
<p>Construction Loan Closing</p>	<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. • Completed and satisfactory State Environmental Quality Review Act (SEQRA) review.

	<ul style="list-style-type: none"> • Completed and satisfactory third party reports with reliance letters to HDC. • Financial statements and credit reports. • Final architectural plans reviewed and approved by HDC. • Construction Lender Loan Offering Package. • Commitment letter from the construction lender and other subordinate lenders. • 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 Construction Lender and HDC. • Good and marketable title, free and clear of encumbrances except as permitted by Construction Lender and HDC. • Title Insurance and Survey in form and substance acceptable to Construction Lender and 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>Permanent Loan Closing</p>	<p>Conditions precedent to permanent loan closing include (but are not limited to):</p> <ul style="list-style-type: none"> • Co-op plan declaration of effectiveness; requires achievement of a minimum of 75% sales as evidenced by sales contracts approved by HDC. An escrow will be held by HDC for any units not considered sold at the time of conversion. • Effective SONYMA insurance • 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 construction lender.
<p>Other</p>	<p>Design Guidelines: In addition to meeting HPD's Design Guidelines for New Construction and Substantial Rehabilitation, projects should meet the following overall square footages per apartment type:</p> <p>Studio: 400 sf 1 BR: 575 sf 2 BR: 775 sf 3 BR: 950 sf</p> <p>HDC will approve unit distribution; preference will be given to projects with 50% or more 2+ BR units.</p> <p>Reserves: Capitalized Operating reserve: Minimum of \$1,000 per unit will be capitalized by HDC at permanent loan closing.</p> <p>Replacement reserve: Minimum of \$250/unit/year increased with CPI. Smaller projects may require higher replacement reserves.</p> <p>Escrows: Escrows taken at permanent loan closing may include, but are not limited to, real estate taxes, insurance, water & sewer, open punchlist items, unsold unit maintenance, and subsequent Interest Rate Cap (as required by credit enhancer).</p> <p>Sales Price increases: At the time of marketing, sale price increases on subsidized units are not allowed.</p> <p>Resale profits sinking fund: Any funds collected by HDC from shareholder resale profits will be deposited into a sinking fund and used as a pre-payment on the HDC subsidy. Resale profits are considered to mean 100% of a unit's net appreciation during years 1-3, and 50% of the unit's net appreciation during years 4-15 from the HDC conversion date.</p> <p>Real estate tax benefits:</p>

Enriched §421-a for new construction

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.

Note: Only projects located north of East/West 96th Street for all rehabilitation projects as well as for new construction projects located east of Fifth Avenue and new construction projects west of Fifth Avenue located north of West 110th Street are eligible for full tax abatements.

Please be advised that the developer should ascertain whether market rate units will impact the tax abatement for the proposed cooperative.

Minimum equity:

At least 5% of total development cost at construction loan closing.

Maximum developer fee:

Not to exceed 15% of non-subsidized development cost. (It should be noted that the use of other programs in conjunction with HDC financing may limit the developer's fee to 10%.)

Costs and sales proceeds from market rate units will not be subject to the 15% developer's fee.

Completion Guarantee / Payment and Performance Bond:

Underwriting including payment and completion guaranty will be required on all developments from the borrowers, principals. General Contractors shall also provide a guaranty of completion. Payment and Performance Bonds or such other instruments may be required at the discretion of Construction Lender and HDC.

Marketing:

Must comply with all HDC marketing guidelines. Guidelines can be found on HDC website or by contacting John Simons in HDC's Asset Management Department (E-mail: jsimons@nychdc.com, Phone: 212-227-9406).

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 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, and expected sales prices.
- Development team (borrower, contractor, management company) and list of their experience and principals.

Contact Information

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