Mitchell-Lama Reinvestment Program

(Taxable and Tax-Exempt Financing)

Program Description	HDC's Mitchell-Lama Reinvestment Program (MLRP) provides taxable or tax exempt, fixed-rate, first-position mortgage financing for the preservation of City-supervised Mitchell-Lama developments. Senior and subordinate debt would be refinanced at a lower cost to the owner and for an extended term. Owners may take advantage of lower cost financing and subsidized HDC fees to maintain affordability and fund critical capital repairs without the need to increase monthly debt service payments.
Eligible Projects	Eligible projects must be a City-supervised Mitchell-Lama owner, limited partnership, or a cooperative board. State-supervised Mitchell-Lama developments may be considered on a case by case basis. Property occupancy cannot be less than 93% over the past 12 months. HDC Regulatory Agreements require that the borrower remain in the Mitchell-Lama program through the term of the loan, and in no event less than 20 years. More restrictive occupancy restrictions of other public subsidy programs may apply.
First Mortgage	Loan Amount: Debt Coverage: Rental Housing - 1.15 on all financing, or greater as required by permanent credit enhancer. Cooperative Housing - 1.0 on all financing, or greater as required by permanent credit enhancer. Loan to Value: 80% maximum. Value will be determined using a capitalization rate that does not consider the value below market financing. Value based on an independent MAI appraisal acceptable to HDC. Income-to-Expense Ratio: 1.0 on all financing, or greater as required by permanent credit enhancer. Interest Rate: 4.75% 30-year Fixed Rate. Interest rates are subject to change based on market conditions. Interest rate is inclusive of servicing and mortgage insurance fees. Term: 30 year term with a 30 year amortization schedule. A 35 year amortization schedule may be considered on a case by case basis. Loan Prepayment: 10 year prepayment lockout. Prepayment during the 11th or 12th year shall be subject to a prepayment premium of 2% and 1%, respectively. HDC Financing Fees (may be waived based on demonstrated need) Commitment Fee: 0.75% of first mortgage amount. Costs of Issuance: 0.50% of bonds issued. Construction Monitoring: $2,500-$5,000 per month based on total number of units, buildings and scattered sites.

Subordinate Mortgages	Existing HDC subordinate mortgages may be restructured and extended to be coterminous with the First Mortgage.
Credit Enhancement	HDC will provide primary credit enhancement, supplementary security may be considered
Closing Conditions	Conditions precedent to loan closing include (but are not limited to): • Approval from HUD for pre-payment, if applicable. • Completed and satisfactory Integrated Physical Needs Assessment ("IPNA"). Please refer to the Pre-qualified list for IPNA vendors. • Completed and satisfactory disclosure documents for principals and known investors in the project, as required by HDC. • Completed and satisfactory State Environmental Quality Review Act (SEQRA) review. • Completed and satisfactory third party reports with reliance letters to HDC. • Financial statements and credit reports. • Historic building operating statements. • Final construction plans reviewed and approved by HPD or HDC, as applicable. • Commitment letter from other subordinate lenders, if applicable. • Evidence of all other required funding. • 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. • Evidence of real estate tax benefits. • All other conditions as required by the mortgage insurance provider. Documentation will require that HDC be named a beneficiary on a number of documents, including but not limited to insurance certificates and completion guarantees.
Other	Design Guidelines: If applicable, projects must meet HPD's Design Guidelines for New Construction and Substantial Rehabilitation. Building Green: If applicable, projects must meet Enterprise Green Communities (EGC) standards. HDC encourages all projects to comply. All projects will be required to retain an HDC pre-qualified benchmarking service provider to track utility usage for heating, electric and water. Benchmarking expense may vary by project. Maximum Developer Fee: A developer's fee is only allowed when tax credits are used or funds are combined with other public subsidy programs allowing such fees, as approved by HDC. As described in the HPD Qualified Allocation Plan (QAP), total developer fee is not to exceed 15% of improvement costs (excluding developer fee, reserves, syndication and partnership expenses) and 10% of acquisition costs for tax credit projects. Consultant fees should be paid from the developer fee. The total fee should be deferred during rehabilitation and paid from cash flow during the permanent period, as allowable by IRS rules and the governing QAP.

	Equity Take Outs: Equity take outs may be financed provided that 1) no defaults in the last 12 months, 2) HDC approved IPNA with funds escrowed for all necessary repairs and reserves funded for future capital needs, as determined by HDC, and 3) For projects receiving Section 8 Housing Assistance Payment (HAP) contracts, owners must renew HAP contract(s) for a 20-Year term and set aside existing and post-refinance HAP residual receipts to reduce future HAP payments. 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. Subordinate Financing: Other subordinate liens permitted with HDC approval of terms. Reserves/Ongoing Fees: Capitalized Operating Reserve: Minimum of $1,000 per unit collected at loan closing. Replacement Reserve: Minimum of $250/unit/year increased with CPI. Smaller projects may require higher replacement reserves.
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 tax credit investor, if applicable. • Identification of current tax exemption. • Statement of required HUD approvals, if applicable (HUD approval required if original project was financed by HUD after 1983). Documentation will require that HDC be named a beneficiary on a number of documents, including but not limited to insurance certificates and completion guarantees.
Contact Information	Preservation Finance Group Phone: (212) 227-9139 E-Mail: hdcpreservation@nychdc.com 110 William Street, 10th Floor New York, NY 10038 www.nychdc.com *HDC, in its sole discretion, may, at any time and without prior notice, terminate the program, amend or waive any of the terms set forth in this document, or reject any or all proposals for funding.* Updated 10/31/2017