NYC Housing Development Corporation (HDC) Term Sheet

New Construction Program

Program Description	HDC's New Construction Program combines a first mortgage loan, funded with proceeds from the sale of variable or fixed rate tax-exempt "private activity" bonds, with a second mortgage loan, as-of-right "4%" Federal Low Income Housing Tax Credits (LIHTCs), and other subsidies, to produce housing affordable primarily to those earning less than 80% of New York City's Area Median Income (AMI). HDC may also consider utilizing taxable bonds and/or 501c3 bonds to fund first mortgage loans on a case-by-case basis. The Corporation's second mortgage (subsidy) is a subordinate loan of up to $65,000/unit, capped at $20 million per project. This HDC loan 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 housing finance programs, and applicable programs offered by New York State Homes & Community Renewal (HCR).
Eligible Borrowers and Sponsors	The development team for the project must have a demonstrated track record in successfully developing, marketing and managing the type of facility proposed or must form a joint venture with an entity which has such expertise. Borrowers must demonstrate sufficient financial stability and liquidity to construct and operate the project.
Eligible Uses	New construction, substantial rehabilitation and conversions of non-residential buildings or developments containing a minimum of 100 residential units. Smaller developments with no fewer than 50 units may be considered on a case-by-case basis.
Income Limits and Rents	Unit Distribution and Affordability: • LIHTC eligible units must be affordable to those earning 80% AMI or below. • Projects may utilize income averaging and LIHTC AMI's must average less than 60% AMI. • Projects must meet Federal minimum LIHTC set aside requirements as applicable. • Projects may be required to provide 15% or more of the units for formerly homeless households. • Units affordable up to 120% AMI may be eligible for HDC subsidy. Projects will fall into one of two project types, ELLA (Extremely Low & Low-Income Affordability) or Mixed Income, according to the percentage of LIHTC units or as otherwise determined by HDC. General project type guidelines are as follows: ELLA: 70 – 100% LIHTC Mix & Match: 40 - 60% LIHTC Other Considerations: • HDC will work with partner agencies to determine appropriate marketing bands, income limits, and legal rent limits for each AMI level. • The inclusion of non-tax credit eligible units may trigger annual income certifications for all households and subject the project to the "Next Available Unit

Rule" whereby a vacated non-tax credit unit may be required to meet the low-income occupancy requirements should an occupied low-income household exceed the maximum low-income limit.

- All units should provide a 10% discount to market based on a third-party appraisal acceptable to HDC.

HDC Publishes annual Income Limits and Rent Charts based on HUD FMR levels: 2024 Income Limits and Rent Chart

First Mortgage

Loan Amount:

During construction, tax-exempt bonds subject to new private activity bond volume cap must fund at least 50% of the aggregate basis of the project.

Permanent first mortgage loan amount will be set based on HDC underwriting criteria as set forth below:

Debt Service Coverage Ratio:
Open Resolution: 1.15 overall
Stand Alone: 1.20 on the first and 1.15 overall

Loan to Value (LTV) max 80% on the HDC First. 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.

Interest Rate:

Permanent Fixed Rate or Weekly Tax-Exempt Variable 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.

Underwriting Rate:

Fixed Rate: Usually based on bond rate plus 50 basis points for mortgage insurance premium (MIP), depending on mortgage insurer.

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) as well as an amortization component.

Term:

30-year permanent term with a 30-year amortization schedule. Longer permanent and/or amortization term may be available at HDC's sole discretion and as permissible by the permanent enhancement provider.

Amortization:

First mortgage will be fully amortizing. HDC may consider balloons on a case-by-case basis.

HDC Financing and Servicing Fees:

Commitment Fee: 1.00% of Construction first mortgage amount payable at the time of commitment signing and prior to the HDC board meeting.

Costs of Issuance: 1.50% or as determined by HDC.

First year MIP: 50 basis points on the outstanding permanent loan balance but may vary based on mortgage insurer.

	New York State Bond Issuance Charge: 0.35% on bond issuances over $20,000,000 Servicing fee: 25 basis points annually to HDC on the original principal amount of the permanent senior loan, included in the M&O budget. *All of the above fees, with the exception of the servicing fee, are capitalized in the development budget.
Second Mortgage Loan	Loan Amount: Second Mortgage (subsidy), of up to $65,000 per unit, not to exceed $20 million per project. Interest Rate: • Construction: A simple interest rate set at the Applicable Federal Rate (AFR) with 1% Interest Paid plus any servicing fees, with the difference deferred and accrued until maturity • Permanent: 1% Simple Interest Paid Term: 30-year permanent term or a coterminous term with the First Mortgage for new construction, rehabilitation and conversion projects.
Credit Enhancement and Mortgage Insurance	Open Resolution Transactions (fixed rate pooled financing): 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. The stand-by LOC provider must be a highly rated financial institution acceptable to HDC. Permanent Period: Mortgage insurance is required during the permanent mortgage period and may be provided by REMIC, SONYMA, or HUD, as determined by HDC. Stand Alone Transactions (variable rate or fixed rate): Construction Period: Credit enhancement for the bonds is required during construction and stabilization periods. A direct-pay LOC for the full amount of the bonds may be provided by either the permanent credit enhancer or by a construction lender. The direct-pay LOC provider must be a highly rated financial institution acceptable to HDC. Permanent Period: Mortgage insurance or permanent credit enhancement is required during the permanent mortgage period. • Mortgage insurance may be provided by REMIC, SONYMA or HUD for fixed rate transactions. • Permanent credit enhancement must be in the form of a direct-pay LOC or alternate credit facility 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 an origination fee, an annual LOC fee, an LOC servicing fee, and a liquidity fee.
Overall Terms	Loan to Value: First Mortgage not to exceed 80% LTV as established by an independent MAI appraisal acceptable to HDC. HDC publishes annual Maintenance and Operating Expense Standards for underwriting. Loan to Cost: May not exceed 90% overall. Debt Service Coverage Ratio: 1.15 or greater on all financing. Income to Expense Ratio: 1.05 or greater on all financing. Variable Interest Rate Protection: At the time of conversion to the permanent credit enhancement, an interest rate cap or swap will be required. HDC-HPD Regulatory Agreement requires a minimum 30-year occupancy restriction period. Permanent affordability may be required per the program terms or requirements of participating agencies. HDC requires paydown of the short term loan (the Mandatory Prepayment) no later than 46 months from the date of closing.
Construction Closing	Conditions precedent to construction loan closing include (but are not limited to): • Completed and satisfactory disclosure documents for principals, board members, guarantors and investors in the project, as required by HDC. • Completed and satisfactory review by HDC Asset Management of sponsor and managing agent. • Satisfactory approval by HDC Credit Committee. • 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 NYC DOB and HPD BLDS. • Construction lender loan offering package. • Commitment letter from construction lender and other subordinate lenders. • Evidence of all other required funding, including tax credit equity. • 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 or tax opinion letter. • 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.
Conversion	Conditions precedent to permanent loan conversion include (but are not limited to): • 95% residential rental achievement evidenced by certified rent roll. • Executed commercial leases evidencing income sufficient to satisfy the debt service coverage requirement. • 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. • Completed and satisfactory final developer's tax certification (Final 95/5). • Certificate of completion from HPD on City-owned sites. • IH completion certificate, as applicable. • Clearance of open building violations. • Final approval by HDC Asset Management of sponsor and managing agent. • All other conditions as required by the permanent credit enhancer.
Other	Design Guidelines: Projects must meet HPD's Design Guidelines for New Construction . Building Green: HDC requires all projects to meet Enterprise Green Communities standards and are encouraged to consider energy efficient design. All projects will be required to retain an HDC pre-qualified benchmarking service provider to track utility usage for heating, electric and water. See Maintenance and Operating Expense Standards for underwriting expense. HDC will consider M&O adjustments on a case-by-case basis for building design features that result in energy savings. Reserves/Ongoing Fees: Capitalized HDC Operating Reserve: $1,000 per unit minimum required. Replacement Reserve: minimum of $400/unit/year increased with CPI. Smaller projects may require higher replacement reserves. Additional Operating Reserves, Social Service Reserves, and Homeless Reserves, including reserves per HPD's Our Space Initiative may be required. See HPD's New Construction Finance Program Term Sheet for more details. Any unused reserve funds will be transferred to the Operating Reserve. Tax credit monitoring fee: 0.75% of the max annual Tax Credit Rent capped at $12,500 for buildings of 150 units or less, and $17,500 for buildings over 151 units. An additional $100 per building will also be due on an annual basis. Taxes, insurance and water/sewer escrows will be required at conversion. Real Estate Tax Benefits:

Projects in which a not-for-profit corporation has at least a 50% interest in the managing partner or member and meet the LIHTC requirements 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. Developers must provide proof of any such tax exemption prior to construction loan closing.

Projects may consider ICAP benefits from NYC DOF for non residential spaces.

See HPD Tax Incentive Program guidelines for more details on benefits/eligibility.

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 described in the HPD Qualified Action Plan (QAP), total developer fee is not to exceed 15% of improvement costs (excluding developer fee, reserves, and syndication and partnership expenses) and 10% of acquisition costs for tax credit projects. A portion of the developer fee, deemed "paid fee", is allowed to be paid at the time of closing, with the balance at or after conversion; HDC allows up to 10% of the paid fee to be released at closing and may amend the paid fee schedule on a case by case basis. Any remaining unpaid developer fee should be deferred during construction and paid from cash flow, as allowable by IRS rules and the governing QAP. Total and paid developer's fee may be further limited by HDC, HPD or another partner agency.

Marketing:

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

Must comply with HPD-HDC marketing guidelines. Guidelines are available online, or by contacting HDC's Asset Management Department.
E-mail: hdcmarketing@nychdc.com or Phone: 212-227-5500.

Social Service Plan:

A social services plan will be required for Our Space, senior, and homeless units to be approved by HPD or another overseeing partner agency. At a minimum the plan should include tenant referrals to the appropriate services in an effort to ensure the stability of this population.

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. HDC requires non-profit developers to provide guarantees from both Borrower and the non-profit developer and/or parent entities. For-profit developers are required to provide guarantees from both Borrower and one or more individual guarantors. All guarantors must complete satisfactory disclosure documents. HDC reserves the right to accept and approve all proposed individual and/or corporate guarantors and guarantee terms.

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 and 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 listing of experience and principals. • Submission of above materials along with narrative to the intake portal on HDC's website: Develop | NYCHDC
Contact Information	Development Group Phone: (212) 227-9373 Fax: (212) 227-6845 E-Mail: hdcdevelopment@nychdc.com 120 Broadway, 2nd Floor New York, NY 10271 www.nychdc.com *HDC, in its sole discretion, may, at any time and without prior notice, terminate the program, amend or waive compliance with any of its terms, or reject any or all proposals for funding.* *Published January 2025*