

New Housing Opportunities Program – New HOP (Middle Income Program)

Program Description	<p>HDC’s New Housing Opportunities Program (New HOP) combines a first mortgage, funded through proceeds from the sale of variable or fixed rate taxable bonds, with a second mortgage, provided through HDC corporate reserves, to finance multi-family rental housing affordable to moderate and middle income families.</p> <p>Under this initiative, all units in a new or rehabilitated development must be affordable to middle-income households earning up to 130% of the New York City Area Median Income (AMI). Tax exempt recycled bonds may be available if low-income set asides and other requirements are met (see <i>Tax Exempt Recycled Bonds</i> below).</p> <p>In addition to providing the bond financing to fund the first mortgages of developments financed under the initiative, HDC would provide \$55,000 to \$85,000 per unit as a second mortgage at 1% for the moderate and middle-income units in the development. The HDC second mortgage would be subordinate to the first mortgage. The second mortgage would be structured with fixed minimum payments of at least interest only. The second mortgage will be capped at \$15 million dollars per project. 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 Mixed Income 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>All units must be affordable to those earning 130% AMI or below. Subsidy amount is determined by the project’s mix of affordability as outlined in the <i>Second Mortgage</i> section.</p> <p>2009 New HOP maximum rent levels¹ are outlined below:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-decoration: underline;">Unit Type</th> <th style="text-decoration: underline;">80% AMI</th> <th style="text-decoration: underline;">100% AMI</th> <th style="text-decoration: underline;">130% AMI</th> </tr> </thead> <tbody> <tr> <td>Studio</td> <td>\$872</td> <td>\$1,103</td> <td>\$1,448</td> </tr> <tr> <td>1 BR</td> <td>\$1,098</td> <td>\$1,386</td> <td>\$1,818</td> </tr> <tr> <td>2 BR</td> <td>\$1,322</td> <td>\$1,668</td> <td>\$2,186</td> </tr> <tr> <td>3 BR</td> <td>\$1,527</td> <td>\$1,926</td> <td>\$2,525</td> </tr> </tbody> </table> <p>¹Rent levels are calculated as gross rents less an electricity allowance</p>	Unit Type	80% AMI	100% AMI	130% AMI	Studio	\$872	\$1,103	\$1,448	1 BR	\$1,098	\$1,386	\$1,818	2 BR	\$1,322	\$1,668	\$2,186	3 BR	\$1,527	\$1,926	\$2,525
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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> <ul style="list-style-type: none"> • Units with rents set at or below 80% AMI can be rented to those with incomes up to 100% of AMI. • Units with rents set at or below 100% AMI can be rented to those with incomes up to 130% of AMI. • Units with rents set at or below 130% AMI can be rented to those with incomes up to 175% of AMI. <p>More restrictive income limits of other financing sources may apply.</p>																				
First Mortgage	<p>Loan Amount: Debt Coverage 1.20 on the first and 1.15 overall.</p> <p>LTV max 80%. Value based on an independent MAI appraisal acceptable to HDC. Higher amounts will be considered and may require third party credit enhancement.</p> <p>Interest Rate: Perm 30-Year Fixed Rate or Weekly Taxable 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 and credit enhancement are 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 the HDC first loan 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: Second mortgage (subsidy) is calculated per dwelling unit (du). The amount available per du is based on rent levels as outlined below and on need as determined by HDC.</p> <ul style="list-style-type: none"> • Up to \$55,000 / du Requires all units to be underwritten at or below 130% AMI. • Up to \$65,000 / du Requires a minimum of 20% of units to be underwritten at or below 80% AMI And the remainder of the units to be underwritten at or below 130% AMI. • Up to \$75,000 / du Requires all units to be underwritten at or below 100% AMI. • Up to \$85,000 / du Requires all units to be underwritten at or below 80% AMI. <p>Interest Rate: 1% fixed</p> <p>Term: Up to 30 years permanent term for new construction, rehabilitation and conversion projects.</p> <p>Amortization: Second mortgage may be interest only although HDC reserves the right to require amortization if possible. At permanent conversion, if rent increases are approved by HDC (see <u>Other: Rent/Loan Increases</u> below), 35% of the additional revenue earned from the HDC permitted rent increases will be used to accelerate amortization on the second mortgage. If the additional income is sufficient and funds are available, an increase in the first mortgage may be permitted as well.</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 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. 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 95% 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 overall and 1.20 on first.</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>
TaxExempt "Recycled" Bonds	<p>Recycled tax exempt bonds may be available to finance the first mortgage if low-income set asides are met. No additional subsidy is available and the bonds are not eligible for as-of-right 4% Federal Low Income Housing Tax Credits.</p> <p>Low Income Units: A minimum of 20% of the units must be affordable to those earning 50% AMI or below Or 25% of the units must be affordable to those earning 60% AMI or below</p> <p>Next Available Unit Rule: Unless these additional requirements for tax-exempt bond projects are met, the project will be subject to the Next Available Unit rule, whereby a vacated middle 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> <ul style="list-style-type: none"> ○ Deep-rent skewing – 15% or more of the low income units have rents set at or below 40% AMI and are occupied by those with incomes at or below 40% AMI. ○ 2:1 test – by unit size, average rents for the Middle Income and Market rate rents must be a minimum of 2 times the rent for the Low Income units.
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. • 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. • Final architectural plans reviewed and approved by HPD DACE and lender. • 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 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 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.
- Funds for any required escrows including Water/Sewer, taxes and insurance.
- All other conditions as required by the credit enhancer.

Other

Design Guidelines:

Projects must meet HPD's Design Guidelines for [HPD's Design Guidelines for New Construction and Substantial Rehabilitation](#). Suggested minimum square footage by unit type:

Studio: 500 sf
 1 BR: 650 sf
 2 BR: 800 sf
 3 BR: 1000 sf

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.

Rent/Loan increases:

At the time of marketing, rent increases may be permitted. However, any rent increase must be approved by HDC (and HPD, if applicable) prior to the commencement of marketing. Increased rents must be in conformance with the HDC maximum allowable rents in effect at the time of marketing.

Upon project stabilization, New HOP rents may be increased by the more restrictive of AMI increases or rent stabilization increases with no vacancy decontrol.

Reserves/Ongoing Fees:

Capitalized Operating Reserve: \$500 per unit minimum.

Replacement Reserve: minimum of \$250/unit/year increased with CPI. Smaller projects may require higher replacement reserves.

HDC Tax Credit Monitoring Fee: .75% of Annual Tax Credit Rents per year (if applicable).

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

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

Real estate tax benefits:

New construction projects within the 421a Geographic Exclusion Area (GEA) must meet affordability and other requirements to receive enriched §421-a benefits.

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.

See [HPD Tax Incentive Program guidelines](#) for more details on benefits/eligibility.

Minimum equity:

At least 10% of total development cost. Preference will be given to proposals with greater equity contributions. Up to 50% of the equity requirement may be met through the pledge of developer's fee.

Developer Fee: Not allowed unless supported by non-HDC and non-HPD financing sources or fully deferred during construction and paid from cash flow during permanent.

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 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 anticipated financing sources.
- Development team (borrower, contractor, management company) and list of experience and principals for each.

Contact Information

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