NYC Housing Development Corporation (HDC) Term Sheet
Neighborhood Pillars Loan Program

Program Description	The Neighborhood Pillars program provides low-interest loans and tax exemptions to nonprofits and mission driven organizations to acquire and rehabilitate unregulated or rent stabilized housing for low- to moderate-income households. HDC's Neighborhood Pillars Loan Program combines an HDC first mortgage with a second mortgage funded by the New York City Department of Housing Preservation and Development (HPD) through its Neighborhood Pillars Program to finance the preservation of existing multifamily apartments that are either rent-stabilized or are willing to restrict rents going forward. Projects may have a range of affordability tiers depending on the existing rent levels at an eligible project. Please refer to the HPD Neighborhood Pillars Term Sheet for details on subsidy levels and the maximum monthly rents and income limits.
Eligible Uses	Acquisition and rehabilitation of existing multiple dwellings with 15 or more units that are currently rent stabilized or unregulated. Smaller developments with no fewer than 3 units may be considered on a case-by-case basis. Properties that have current regulatory agreements with New York City, New York State, or the federal government restricting rents or household incomes are not eligible for the program.
Eligible Borrowers	The development team for the project must have demonstrated a track record in successfully developing and managing the type of facility proposed or must form a joint venture with an entity with such expertise. Borrowers must demonstrate sufficient financial stability and liquidity to rehabilitate and operate the project. The program is open to not-for-profit and mission driven for-profit borrowers. Eligible entities include 501(c)(3) corporations, single purpose duly incorporated Housing Development Fund Corporations, limited partnerships, corporations, joint ventures, limited liability companies, and individual owners.
First Mortgage	Loan Amount: Permanent first mortgage loan amount will be set based on HDC underwriting criteria as set forth below: Debt Coverage: Open Resolution: 1.25 on the first and 1.15 overall. Stand Alone: 1.20 on the first and 1.15 overall. Loan to Value (LTV) max 85%. 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: Interest rates during construction on long-term first mortgages will be established at closing. Permanent rate is the construction rate plus 20 basis points for HDC servicing and 50 basis points for mortgage insurance premium. Term: 30-year permanent term with a full amortization over 30 years. 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 over the term of the loan. HDC Financing and Servicing Fees: Commitment Fee: 1.00% of the HDC first loan amount. Costs of Issuance: as determined by HDC. Construction Monitoring: $2,500-$5,000 per month based on total number of units, buildings and scattered sites. All of the above fees are capitalized in the development budget. Servicing fee: 20 basis points annually to HDC on the outstanding bond balance; the servicing fee is included in the underwriting rate.
Credit Enhancement and Mortgage Insurance	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 loan may be provided by a construction lender. The stand-by LOC provider must be a highly rated financial institution acceptable to HDC. HDC may elect to enhance a construction loan at its discretion. Contractor must secure either a 100% Payment and Performance Bond or a Letter of Credit equivalent to 10% of hard costs plus contingency. Permanent Period: Mortgage insurance is required during the permanent mortgage period. • Mortgage insurance may be provided by REMIC, SONYMA, or HUD, as determined by HDC.
Overall Terms	HDC publishes annual Maintenance and Operating Expense Standards for underwriting. Loan to Cost: May not exceed 90% on the first mortgage. Debt Coverage: 1.15 times overall. Income to Expense Ratio: 1.05 to 1.00 or greater on all financing. HDC-HPD Regulatory Agreement requires a minimum 30-year occupancy restriction period. Projects receiving HPD subsidy must have a minimum of 30% Permanent affordability per the HPD Neighborhood Pillars program terms.
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 State Environmental Quality Review Act (SEQRA) review, including letter from the State Historic Preservation Office asserting no adverse effects on historic or archeological resources. • Completed and satisfactory third party reports with reliance letters to HDC. • Financial statements and credit reports. • Final architectural plans reviewed and approved by 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. 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. • Completion of entire rehabilitation scope of work. • Certificate of completion from HPD on City-owned sites. • All other conditions as required by the permanent credit enhancer.
Other	Design Guidelines: All projects must comply with HPD's Master Guide Specifications for Rehabilitation Projects and Scope of Work (July 2014). Projects must complete an Integrated Physical Needs Assessment (IPNA) from a firm that is on HDC's prequalified list of IPNA providers. Subject to funding availability, the following can be paid through the project development budget: IPNA base cost of up to $5,000 per project plus up to $250 per unit for the first 20 units in a project and up to $125 per unit for all remaining units. Building Green: HDC requires all Substantial Rehab projects to meet Enterprise Green Communities standards. Projects that include all three of the following items within their scope of work are considered to be a Substantial Rehab: • Replace heating system, • Work in 75% of units including work within the kitchen and/or bathroom, • Work on the building envelope, such as replacement and/or addition of insulation, replacement of windows, replacement and/or addition of roof insulation, new roof, or substantial roof repair. Benchmarking: All projects will be required to retain an HDC pre-qualified Benchmarking Software Provider Firm to track utility usage for heating, electric and water. Funded projects must benchmark throughout the loan and regulatory term. For cost information see Maintenance and Operating Expense Standards for underwriting expense. Rent/Loan Increases:

Any rent increase in low, moderate, or middle-income rents must be approved by HDC (and HPD if applicable) prior to the commencement of marketing.

After project stabilization, low, moderate, and middle-income unit rents may be increased by the more restrictive of AMI increases or rent stabilization increases.

Reserves/Escrows:

Capitalized HDC Operating Reserve: An amount equal to or greater than 6 months of maintenance and operating expenses and debt service on all loans.

Replacement reserve: minimum of $300/unit/year increased with CPI. Smaller projects may require higher replacement reserves on a per-unit basis.

Taxes, insurance, and water/sewer escrows will be held at HDC. Reserves are held at HDC and must remain with the project for the duration of the HPD regulatory term. If HDC debt is satisfied prior to the end of the HPD regulatory term, HPD will assume control of the reserves.

Real Estate Tax Benefits:

See HPD Tax Incentive Programs guidelines for more details on benefits and eligibility information. Projects may be eligible for full or partial residential property tax exemption through the J-51 or Article XI tax benefit programs.

Projects receiving an Art XI may be subject to a Gross Rent Tax (GRT) payment. Gross Rent is defined as total annual income received which includes tenant share plus any tenant subsidy payments. Projects with commercial space will be responsible for the payment of commercial taxes.

Minimum Equity:

At least 10% of the total development cost for for-profit developers and 2% for non-profit developers. An acquisition price below appraised market value may be used to satisfy a portion of the equity requirement, subject to HDC's approval. Preference will be given to proposals with greater equity contributions.

Developer Fee:

A developer's fee is permitted, in the amount of 10% of TDC for non-profits and 5% of TDC for for-profit entities. The entire fee is payable at permanent conversion, with no release of the fee at construction closing.

Marketing:

All projects must be marketed according to HPD and HDC marketing guidelines. The developer must submit a marketing plan for agency review and approval. Where applicable, marketed projects will be required to use HPD's and HDC's lottery process. Guidelines are available online, or by contacting HDC's Asset Management Department.
E-mail: hdcmarketing@nychdc.com or Phone: 212-227-5500.

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 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 development proposal (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. • If applicable, term sheets for any acquisition or predevelopment loans.
Contact Information	Development Group Phone: (212) 227-9373 Fax: (212) 227-6845 E-Mail: hdcdevelopment@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 compliance with any of its terms, or reject any or all proposals for funding.* Updated May 2018