

NEW YORK STATE HOMES AND COMMUNITY RENEWAL'S MITCHELL-LAMA REHABILITATION AND PRESERVATION PROGRAM

PROGRAM GOALS

To offer flexible low cost financing to allow state-financed Mitchell Lama rental properties to refinance and restructure existing first and second mortgages and to extend the long term affordability of these properties. Borrowers will also be able to access low cost loans for acquisition, rehabilitation and refinancing of existing indebtedness.

PROJECT PARAMETERS

Eligible Properties

Any state-financed Mitchell-Lama rental property.

Eligible Borrowers

Single asset entities, which include general or limited partnerships, trusts, corporations, limited liability companies, and 501(c) (3) corporations.

Rehabilitation Requirements

HCR will approve the scope of the rehabilitation based upon the results of a third party physical needs assessment commissioned by HCR.

In general, for tax-exempt bond financed projects, rehabilitation costs must not be less than 15% of the bond amount. For SONYMA insured properties, rehabilitation costs must not be less than 20% of the mortgage amount.

Rehabilitation should repair or replace components that:

- are in immediate need of repair or replacement;
- are functionality obsolete;
- will provide modifications or betterment required by new applicable federal, state or local housing or building code requirements, including making units accessible; or
- will improve a buildings energy efficiency.

Affordability Period

Projects must include units that will remain affordable to low- and moderate- income families. Specific income requirements vary according to the type of financing or subsidy being utilized.

Borrowers will be required to execute a regulatory agreement with HCR, whereby the borrower agrees to keep the agreed upon units affordable for the agreed upon affordability period. In no event shall the affordability period be shorter than the term of any loan. Except for projects that receive a subsidy loan only, HCR will require a 40 year affordability period.

LOAN PARAMETERS

Sources of Financing

HCR recognizes that preservation of existing affordable using projects is complex and each project and financing transaction will vary significantly. To deal with this complexity, HCR is committed to being flexible in structuring transactions. As such, loans under the ML-RAP program may be financed from one or more of the following sources, depending on the project:

Tax-Exempt Private Activity Bonds

Require an allocation of private activity bond volume cap. Volume cap allocations also allow HFA (a subsidiary of HCR) to allocate 4% federal tax credits subject to the requirements of Section 42 of the U.S. Internal Revenue Code. Borrowers receiving tax credits will be required to waive their “qualified contract” rights.

Tax-Exempt 501 (c)(3) Bonds

Do not require a private activity bond volume cap allocation. Available to qualified non-profit organizations.

Taxable Bonds

Taxable bonds are available to for-profit and not-for profit organizations and do not require an allocation of private activity bond volume cap.

Subsidy Loans

HCR will make subordinate subsidy funds available on an as needed basis.

Minimum Loan Amount

\$1 million

Credit Enhancement	<p><u>SONYMA Mortgage Insurance Fund Credit Enhancement</u>: To facilitate the preservation of state-financed Mitchell Lama projects, HCR and the SONYMA Mortgage Insurance Fund, or the MIF, have agreed to: 1) streamline processing for MIF credit enhancement; and 2) waive the standard 10 basis point MIF application fee and, in most cases, the requirement for a bank letter of credit during rehabilitation. The required letter of credit will be waived for those projects where the rehab is done with tenants in place and either rents remain the same or rent increases, if any, have been agreed upon and implementation is not anticipated to adversely affect occupancy rates. All third party reports, financial statements and credit reports provided by the borrower to HCR will be acceptable to the MIF. The MIF's standard mortgage insurance premium of 50 basis points per annum on the unpaid principal amount of the loan will apply. Other Credit Enhancement: HCR will also accept other third party credit enhancers with a minimum long term rating of Aa/AA for fixed rate financings or the highest short term rating for variable rate financings.</p>
Amortization Period	First mortgage loan must amortize over the life of the loan. Amortization periods of secondary and subsidy loans are flexible.
Developer Fee	HCR's standard developer fee for 4% tax credit deals is a maximum of (i) 15% of the net total development cost ("TDC"), with a 4% cash equity contribution or (ii) 10% of the TDC with a 2% cash equity contribution.
Equity Requirements	Stated above. Cash equity can be provided in the form of cash or deferred developer fee. Exceptions to equity requirements may be provided for projects sponsored by not-for-profit entities.
FEES	
Application Fee	<p>\$15,000 non-refundable application fee for a financing request of up to \$25,000,000. \$45,000 non-refundable application fee for a financing request of over \$25,000,000.</p> <p>The Application Fee is due upon submission of an application for financing.</p>

Servicing Fee

An amount equal to 25 basis points of the original principal amount to be included in the mortgage interest rate.

On projects for which HCR will serve as the Section 236 regulatory agency, the applicable servicing fee will be increased by 10 basis points.

HCR may impose a similar administrative fee for other types of projects that require HCR to perform additional regulatory functions.

Mortgage Origination Fee 1% of the mortgage amount

**New York State
Bond Issuance Fee**

For bond amounts between \$10 million to \$20 million, 67.2 basis points.

For bond amounts more than \$20 million, 84 basis points.

Expenses

Borrowers will be responsible for all third-party expenses, including legal fees, audit services, underwriting fees, etc. HCR will commission and advance funds for a project's physical needs assessment and appraisal. HCR will be reimbursed for such fees by bond proceeds at loan closing.

MISCELLANEOUS**Section 236 Decouplings**

To facilitate an acquisition and rehabilitation as part of Section 236 decoupling, HCR may issue tax exempt financing and 4% tax credits. Projects already in HCR's portfolio are also eligible for this approach.

Section 236 decouplings rely upon using the project's Interest Reduction Payment to support part of the new mortgage and the project's net operating income to support another part of the new mortgage, producing a considerably larger new mortgage amount. Projects also typically receive preservation vouchers or other forms of federal assistance to support rent increases. Decouplings, including proposed rent increases, are subject to the approval of the U.S. Department of Housing and Urban Development.

**Regional Strategic
Priorities**

Project selection shall take into consideration the recommendation of the relevant regional economic development council or the [Commissioner's] determination that the proposed project aligns with the regional strategic priorities of the respective region.

NYSERDA Funds Available

HCR has entered into a "memorandum of understanding" with the New York State Energy Research Agency, or NYSERDA, whereby interested borrowers will be referred to NYSERDA for processing under the revised "Multifamily Performance Program" for existing buildings. HCR will distribute a portion of NYSERDA's grant funds during the rehabilitation in accordance with the terms of the memorandum of understanding.

For further information and an application package, please contact:

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