

# Low-Income Affordable Marketplace Program – LAMP (Tax-Exempt Bonds)

Program Description	<p>HDC's LAMP program combines a first mortgage, funded through proceeds from the sale of variable or fixed rate tax-exempt private activity bonds, with a second mortgage, provided through HDC corporate reserves, as of right "4%" Federal Low Income Housing Tax Credits, and other subsidies, to produce housing affordable to those earning less than 60% of New York City's median income.</p> <p>The Corporation's second mortgage is a subordinate loan of up to \$55,000/unit at 1% interest with fixed minimum payments of at least interest only. This HDC subsidy may be used in conjunction with subsidies provided by other agencies, including several New York City Department of Housing Preservation and Development (HPD) programs, such as its Mixed Income Rental Program (MIRP), Section 421-a Negotiable Certificate Program and Participation Loan Program or with loans provided by the New York State Division of Housing and Community Renewal (DHCR) through its Homes for Working Families Program.</p>										
Eligible Uses	New construction, substantial rehabilitation and conversions of non-residential buildings on an as-of-right-basis.										
Maximum Monthly Rents	<p>All units must be affordable to those earning 60% AMI or below.</p> <p>2006 Low income<sup>1</sup> rent levels<sup>2</sup> are outlined below:</p> <table style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Unit Type</u></th> <th style="text-align: left;"><u>60% AMI</u></th> </tr> </thead> <tbody> <tr> <td>Studio</td> <td>\$ 675</td> </tr> <tr> <td>1 BR</td> <td>\$ 723</td> </tr> <tr> <td>2 BR</td> <td>\$ 871</td> </tr> <tr> <td>3 BR</td> <td>\$1,007</td> </tr> </tbody> </table> <p><sup>1</sup> Low-income rents are calculated at 58% AMI  <sup>2</sup> Rent levels are calculated as gross rents less an electricity allowance</p>	<u>Unit Type</u>	<u>60% AMI</u>	Studio	\$ 675	1 BR	\$ 723	2 BR	\$ 871	3 BR	\$1,007
<u>Unit Type</u>	<u>60% AMI</u>										
Studio	\$ 675										
1 BR	\$ 723										
2 BR	\$ 871										
3 BR	\$1,007										
Maximum Income Limits	<p>Tenants may pay up to 35% of their income toward net rents. Incomes will be adjusted for family size.</p> <p>Incomes must be the lesser of 60% of area median income or as required by additional subsidy benefit providers.</p>										
First Mortgage	<p>Loan Amount:</p> <p>During construction, tax exempt bonds subject to "Volume Cap" must fund more than 50% of the total development costs of the project.</p> <p>Permanent first mortgage amount will be set based on HDC underwriting criteria as set forth within.</p> <p style="margin-left: 40px;">Debt Coverage:  Open Resolution: 1.25 on the first and 1.15 overall.  Stand Alone: 1.20 on the first and 1.15 overall.</p> <p style="margin-left: 40px;">LTV max 75%. 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.</p> <p>Interest Rate:  Perm 30-Year Fixed Rate, Weekly Tax-Exempt Variable Rate or Auction 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.</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</p>										

	<p>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 Fees:          Commitment Fee: .75% of first mortgage 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><b>Second Mortgage</b></p>	<p>Loan Amount:</p> <p>Second mortgage (subsidy) amounts range from \$45,000 per dwelling unit (du) up to \$55,000 per du, based on the following requirements and on need as determined by HDC.</p> <ul style="list-style-type: none"> <li>• Up to \$45,000 / du          Requires either:         <ul style="list-style-type: none"> <li>○ 10% of units to be underwritten at or below 40% AMI.</li> <li><i>or</i></li> <li>○ 10% of units reserved for homeless households<sup>1</sup>.</li> </ul> </li> <li>• Up to \$55,000 / du          Requires either:         <ul style="list-style-type: none"> <li>○ 20% of units to be underwritten at or below 40% AMI.</li> <li><i>or</i></li> <li>○ 20% of units reserved for homeless households<sup>1</sup>.</li> </ul> </li> </ul> <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.</p> <p><sup>1</sup> Units reserved for homeless households will be underwritten at 60% AMI rent levels (see <u>Maximum Monthly Rents</u> above). HPD provision of Section 8 vouchers for all units reserved for homeless households is required.</p>
<p><b>Credit Enhancement and Mortgage Insurance</b></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"> <li>• 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.</li> <li>• 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.</li> </ul> <p>Stand Alone 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:</p>

	<p>Mortgage insurance or permanent credit enhancement is required during the permanent mortgage period.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Permanent credit enhancement must be in the form of a direct pay letter of credit (LOC) or alternate credit facility. 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.</li> </ul>
Overall Terms	<p>Loan to Value: Combined first and second mortgage not to exceed 90% 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 or greater on all financing.</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>
Construction	<p>Conditions precedent to construction loan closing include (but are not limited to):</p> <ul style="list-style-type: none"> <li>• Completed and satisfactory disclosure documents for principals and known investors with more than 20% interest in the project. <i>All members of a non-profit board must complete disclosure process.</i></li> <li>• Completed and satisfactory State Environmental Quality Review Act (SEQRA) review.</li> <li>• Completed and satisfactory third party reports with reliance letters to HDC.</li> <li>• Completed and satisfactory Developer's Tax Certification (95-5 Form)</li> <li>• Financial statements and credit reports.</li> <li>• Final architectural plans reviewed and approved by HDC.</li> <li>• Construction Lender Loan Offering Package.</li> <li>• Commitment letter from the construction lender and other subordinate lenders.</li> <li>• <i>Evidence of all other required funding.</i></li> <li>• Assignment of Leases and Rents.</li> <li>• Mortgage and Note and UCC's.</li> <li>• Certifications and attorney opinion letters.</li> <li>• Borrower's organizational documents.</li> <li>• Property and Liability Insurance in form and substance acceptable to HDC.</li> <li>• Good and marketable title, free and clear of encumbrances except as permitted by HDC.</li> <li>• Title Insurance and Survey in form and substance acceptable to HDC.</li> </ul> <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"> <li>• 100% rental achievement/sales evidenced by certified rent roll.</li> <li>• Evidence of funds available for partial redemption of bonds.</li> <li>• Evidence of real estate tax benefits.</li> <li>• Evidence of compliance with zoning and all applicable codes.</li> <li>• Certification of "No Change" in borrower's financial status.</li> <li>• Certificate of completion from construction lender's construction monitor.</li> <li>• Certificate of completion from HPD on city-owned sites.</li> <li>• All other conditions as required by the credit enhancer.</li> </ul>
Other	<p>Design Guidelines: In addition to meeting HPD's Design Guidelines for New Construction and Substantial Rehabilitation, projects should meet the following overall square footages per apartment type:</p>

Studio: 400 sf  
1 BR: 575 sf  
2 BR: 775 sf  
3 BR: 950 sf

HDC will approve unit distribution; preference will be given to projects with 50% or more 2+ BR units.

**Reserves:**

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

**Real estate tax benefits:**

Enriched §421-a for new construction.

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.

Note: Only projects located north of East/West 96th Street for all rehabilitation projects as well as for new construction projects located east of Fifth Avenue and new construction projects west of Fifth Avenue located north of West 110<sup>th</sup> Street are eligible for full tax abatements.

Projects in which a not-for-profit corporation has at least a 50% interest in the managing partner or member may be eligible for §420-c benefits.

Maximum developer fee: Not to exceed 15% of tax credit eligible cost cost.

**Marketing:**

Marketing plan to be approved by HDC and HPD. Marketing process overseen by HPD with income certification by HDC.

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](mailto: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, and expected rents.
- Development team (borrower, contractor, management company) and list of their experience and principals.

**Contact Information**

Rachel Grossman, Senior Vice President  
Phone: (212) 227-9373  
Fax: (212) 227-6845  
E-Mail: [rgrossman@nychdc.com](mailto:rgrossman@nychdc.com)

110 William Street, 10<sup>th</sup> Floor  
New York, NY 10038  
[www.nychdc.com](http://www.nychdc.com)