Entry Form
2018 Annual Awards for Program Excellence

Entry Deadline: Friday, June 15, 2018, Midnight ET

Each entry must include a completed entry form. Please complete a form for each entry your HFA is submitting. The completed entry form will become the first page of your entry.

This form is a fillable PDF. Type your information into the entry form and save it as a PDF. Please do not write on or scan the entry form. **Questions: Call 202-624-7710 or email awards@ncsha.org.**

Entry Title: Enter your entry's title exactly as you wish it to be published on the NCSHA website and in the awards program.

The Mitchell-Lama Reinvestment Program

Category: RENTAL HOUSING CATEGORY

Subcategory: PRESERVATION AND REHABILITATION

Entry Summary: A 15-word (max) summary of the program, project, or practice you are entering.

Innovative program that encourages existing developments to address capital repairs while minimizing negative financial burdens

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Visual Aids:
Are you mailing to NCSHA 10 copies of any visual aids that cannot be included in your entry PDF? ☐ Yes ☐ No

Payment:
☒ My HFA is mailing a check to NCSHA.
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Mitchell-Lama Reinvestment Program

Background

The Mitchell-Lama program was enacted under state law in 1955 as a way to promote and facilitate the construction of affordable housing throughout New York State. The goal of the program was the creation of affordable rental and cooperatively owned housing targeted for moderate and middle-income New Yorkers. Over time many of the developments now serve a combination of low and moderate income residents. The program was a major force in urban renewal and facilitated the construction of over 140,000 units spanning more than 300 developments, and required projects to remain affordable for a minimum of 20 years. The original incentives to encourage the private market to invest in the Mitchell-Lama program involved a system of real property tax breaks and low interest mortgages. Since 1989 more than 19,600 units in New York City have opted out of the Mitchell-Lama program. Many factors including the challenges associated with an aging housing stock, rising property values, and financial markets led these Mitchell-Lama projects to opt out of affordability.

In 2004 HDC created its Mitchell-Lama preservation programs, the Mitchell-Lama Restructuring Program, and the Mitchell-Lama Repair Loan Program, to preserve the remaining Mitchell-Lama developments as affordable housing by refinancing their existing mortgages and funding critical capital needs. Since December 2004, HDC has successfully preserved over 70 Mitchell-Lama properties totaling approximately 39,000 units that were at risk of converting to market rate housing.

As the regulatory agreements for these developments expire, the buildings are at risk of being lost to market. In order to encourage the City's Mitchell-Lama housing stock to extend their regulatory agreements and not "opt-out" of affordability, HDC has created the *Mitchell-Lama Reinvestment Program (MLRP)* which allows developments to address some of their most pressing capital repairs while minimizing any negative financial burdens of restructuring their debt. The challenges facing the Mitchell-Lama portfolio have only magnified over time with both larger capital needs, and increased pressure to exit affordability. In response, HDC has continued to develop creative and competitive financing products and mortgage terms that provide strong incentives to secure the long-term preservation of the Mitchell-Lama portfolio as affordable housing.

Mitchell-Lama Restructuring Program

HDC's existing Mitchell-Lama Restructuring Program was recently updated with lower cost financing and subsidized fees to maintain affordability and fund critical capital repairs while keeping monthly debt service constant. The revised program is now known as the Mitchell Lama Reinvestment Program. The MLRP Term Sheet (attached as Attachment "A"), as approved and/or amended by HDC's Credit Committee, is consistent with HDC's conservative underwriting standards and reflects the strong performance of the Mitchell-Lama portfolio, as well as HDC's long history with the underlying properties, owners, management, and residents. To facilitate the preservation of HDC's existing investments in Mitchell-Lama, MLRP offers compelling incentives in exchange for an extension of Mitchell-Lama occupancy restrictions for at least 20 years.

MLRP is structured to leverage HDC's existing low cost tax-exempt and taxable debt, and raise new funds through a combination of taxable bonds and Corporate Reserves. Corporation staff anticipates the use of an amount not to exceed $100,000,000 in Corporate Reserves or other available funds of HDC to initially fund the Program. The proposed programmatic lending authority is an essential component of the updates to the MLRP. It enables HDC to proactively seek out preservation opportunities, quickly address physical and financial distress within the portfolio, and compete with conventional loan products that would otherwise enable Mitchell-Lama developments to exit the program. It is anticipated that HDC's use of unrestricted funds would be replenished through the issuance of new Mitchell-Lama Restructuring Bonds, which would require further authorization by the Members at a later date.

For Mitchell-Lama developments with significant capital needs beyond what can be funded under MLRP, alternative financing executions and bonded loan programs may be considered to the extent that any new debt is supported by rent or maintenance increases. HDC will continue to work with the City to leverage other public resources to mitigate any financial burden on residents. It is anticipated that alternative executions would require extended affordability beyond 20 years. The financing of these projects would require further authorization by the Members at a later date.

The concept of encouraging middle-class (aka – workforce) housing is not unique to New York and many of the techniques used under the Mitchell-Lama Reinvestment Program (MLRP) can be replicated across the country on many levels.

Although designed specifically to preserve Mitchell-Lama developments that fall under City supervision, New York State supervised Mitchell-Lamas are considered on a case-by-case basis.

HDC closed the following two deals, comprising a total of 395 units of affordable housing in the first year of the program (2017):

Strycker's Bay is a 234-unit Mitchell-Lama cooperative located on the Upper West Side of Manhattan. Excluding one superintendent's unit, all 233 cooperative units are affordable to households at or below 125% of AMI. The rehabilitation included work to the exterior facades and balconies, replacement of sidewalks, significant garage infrastructure repairs, new windows, the replacement of the electrical circuit breaker panels in each apartment, and the installation of a dual fuel, steam and hot water generating plant. As a condition of the new financing, Strycker's Bay will remain affordable through 2052.

Clayton Apartments is a 161-unit City-supervised Mitchell-Lama cooperative in the Harlem neighborhood of Manhattan. The rehabilitation work included façade, balcony, lobby, community room and garage repairs, roof replacement, and in-unit electrical upgrades. Excluding one superintendent's unit, all 160 cooperative units are affordable to households at or below 125% of AMI. As a condition of the new financing, Clayton Apartments will remain affordable through 2047.

Our closings under the MLRP program for the first six months of 2018 comprise an additional 3,899 units of affordable housing with 3,000 to 4,000 more units anticipated to close from July 2018 to June of 2019, for a total yield of 8,000 plus units of affordable housing preserved since inception.

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

Mitchell-Lama Reinvestment Program

(Taxable and Tax-Exempt Financing)

Program Description	HDC's Mitchell-Lama Reinvestment Program (MLRP) provides taxable or tax exempt, fixed-rate, first-position mortgage financing for the preservation of City-supervised Mitchell-Lama developments. Senior and subordinate debt would be refinanced at a lower cost to the owner and for an extended term. Owners may take advantage of lower cost financing and subsidized HDC fees to maintain affordability and fund critical capital repairs without the need to increase monthly debt service payments.
Eligible Projects	Eligible projects must be a City-supervised Mitchell-Lama owner, limited partnership, or a cooperative board. State-supervised Mitchell-Lama developments may be considered on a case by case basis. Property occupancy cannot be less than 93% over the past 12 months. HDC Regulatory Agreements require that the borrower remain in the Mitchell-Lama program through the term of the loan, and in no event less than 20 years. More restrictive occupancy restrictions of other public subsidy programs may apply.
First Mortgage	Loan Amount: Debt Coverage: Rental Housing - 1.15 on all financing, or greater as required by permanent credit enhancer. Cooperative Housing - 1.0 on all financing, or greater as required by permanent credit enhancer. Loan to Value: 80% maximum. Value will be determined using a capitalization rate that does not consider the value below market financing. Value based on an independent MAI appraisal acceptable to HDC. Income-to-Expense Ratio: 1.0 on all financing, or greater as required by permanent credit enhancer. Interest Rate: 4.75% 30-year Fixed Rate. Interest rates are subject to change based on market conditions. Interest rate is inclusive of servicing and mortgage insurance fees. Term: 30 year term with a 30 year amortization schedule. A 35 year amortization schedule may be considered on a case by case basis. Loan Prepayment: 10 year prepayment lockout. Prepayment during the 11th or 12th year shall be subject to a prepayment premium of 2% and 1%, respectively. HDC Financing Fees (may be waived based on demonstrated need) Commitment Fee: 0.75% of first mortgage amount. Costs of Issuance: 0.50% of bonds issued. Construction Monitoring: $2,500-$5,000 per month based on total number of units, buildings and scattered sites.

Subordinate Mortgages	Existing HDC subordinate mortgages may be restructured and extended to be coterminous with the First Mortgage.
Credit Enhancement	HDC will provide primary credit enhancement, supplementary security may be considered
Closing Conditions	Conditions precedent to loan closing include (but are not limited to): • Approval from HUD for pre-payment, if applicable. • Completed and satisfactory Integrated Physical Needs Assessment ("IPNA"). Please refer to the Pre-qualified list for IPNA vendors. • Completed and satisfactory disclosure documents for principals and known investors in the project, as required by HDC. • 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. • Historic building operating statements. • Final construction plans reviewed and approved by HPD or HDC, as applicable. • Commitment letter from other subordinate lenders, if applicable. • Evidence of all other required funding. • 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. • 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.
Other	Design Guidelines: If applicable, projects must meet HPD's Design Guidelines for New Construction and Substantial Rehabilitation. Building Green: If applicable, projects must meet Enterprise Green Communities (EGC) standards. HDC encourages all projects to comply. All projects will be required to retain an HDC pre-qualified benchmarking service provider to track utility usage for heating, electric and water. Benchmarking expense may vary by project. 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 approved by HDC. As described in the HPD Qualified Allocation Plan (QAP), total developer fee is not to exceed 15% of improvement costs (excluding developer fee, reserves, syndication and partnership expenses) and 10% of acquisition costs for tax credit projects. Consultant fees should be paid from the developer fee. The total fee should be deferred during rehabilitation and paid from cash flow during the permanent period, as allowable by IRS rules and the governing QAP.

	Equity Take Outs: Equity take outs may be financed provided that 1) no defaults in the last 12 months, 2) HDC approved IPNA with funds escrowed for all necessary repairs and reserves funded for future capital needs, as determined by HDC, and 3) For projects receiving Section 8 Housing Assistance Payment (HAP) contracts, owners must renew HAP contract(s) for a 20-Year term and set aside existing and post-refinance HAP residual receipts to reduce future HAP payments. 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 mortgage on land and improvements. Subordinate Financing: Other subordinate liens permitted with HDC approval of terms. Reserves/Ongoing Fees: Capitalized Operating Reserve: Minimum of $1,000 per unit collected at loan closing. Replacement Reserve: Minimum of $250/unit/year increased with CPI. Smaller projects may require higher replacement reserves.
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). • Project history including existing mortgages, use restrictions, tax exemptions and rental assistance including status of any Section 8 HAP or other contracts. • Preliminary pro-forma including hard and soft costs, unit distribution, current rents and income levels, projected rents, outstanding debt balance and rate, estimated rehabilitation costs, and other financing sources. • Development team (borrower, contractor, management company) and listing of experience and principals. • Identification of tax credit investor, if applicable. • Identification of current tax exemption. • Statement of required HUD approvals, if applicable (HUD approval required if original project was financed by HUD after 1983). Documentation will require that HDC be named a beneficiary on a number of documents, including but not limited to insurance certificates and completion guarantees.
Contact Information	Preservation Finance Group Phone: (212) 227-9139 E-Mail: hdcpreservation@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 any of the terms set forth in this document, or reject any or all proposals for funding.* Updated 10/31/2017