HOUSING SUNSET PARK

NYU
ROBERT F. WAGNER GRADUATE
SCHOOL OF PUBLIC SERVICE

Brooklyn Community Board 7: Housing Sunset Park

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Jay Marcus – Fifth Ave Committee
Brooklyn Community Board 7 – Housing Community Meeting & Survey Participants

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Introduction

Brooklyn Community Board 7 comprises the Windsor Terrace and Sunset Park neighborhoods in southwest Brooklyn.

With increasing income inequality and a tightening market for affordable housing, long-time residents of Community Board 7 Brooklyn are being displaced. Few units are being built and existing affordable housing is being lost through landlords opting-out, speculative development and tenant harassment.

Executive Summary

Housing Sunset Park: A Community Oriented Ten-Year Plan is a collaborative undertaking between the NYU Wagner Capstone Team and Brooklyn Community Board 7 (CB7) to address the housing insecurity facing Sunset Park residents, as a result of increasing income inequality and a tightening housing market.

CB7 engaged the NYU Wagner Capstone Team to assess the current housing environment and develop recommendations to guide future housing and land use decisions. Through a community workshop, community survey, stakeholder interviews, site visits, case study reviews, legal policy assessment, and evaluation of current financial programs, the team analyzed the existing conditions and housing trends in the neighborhood. Best practices were evaluated to develop recommendations for the preservation and development of affordable housing within the Study Area.

The following is the final report including recommendations to guide the Community Board in future land use and zoning decisions.

Vision Statement

Housing Sunset Park envisions a future of diversity and affordability through policy and financial strategies. The plan proposes short and long-term steps to foster a community that accommodates the needs of its existing population, while facilitating future growth and ensuring the longevity of the historical character of the area.

Regional & Historical Context of Sunset Park

Sunset Park was transformed from its Dutch agricultural roots by Irish immigrants fleeing the potato famine. It became a port city where later Norwegian and Finnish immigrants would follow to help construct the buildings and initial infrastructure of the area to accommodate influxes of new residents. Finnish immigrants in particular are noted as being responsible for creating the first housing cooperative in the United States, which is still standing within the neighborhood. The area was quick to develop its maritime and industrial uses after these influxes of immigration. As Nina Agrawal points out, “Many of the immigrants worked on the waterfront, as shipbuilders, riggers, sailors and dock workers. They also found work at Bush Terminal, a freight-handling terminal with piers, warehouses and factory lofts linked by a railway, and at Brooklyn Army Terminal, a large military supply base completed in 1919.” Agrawal adds that the neighborhood’s diverse character has been embedded for over a century, noting “...the neighborhood [of Sunset Park] has since the 1800s attracted immigrants with steady blue-collar work on its waterfront and easy access to Manhattan.”

In 1965, the neighborhood took on its namesake of ‘Sunset Park,’ after the park that encompasses approximately 25 acres of the neighborhood. In more recent years, the area has remained a largely working class and diverse neighborhood, acting as a hub for predominantly Latino and Asian-Americans. Today, the neighborhood continues to act as an epicenter for working class immigrants, but faces issues of rising land values and influxes of new residents. Displacement has become a strong concern among residents who hope to preserve the historical and demographic history of the neighborhood.

Map 1 Study Area
NYC Department of City Planning

[1] Brooklyn’s Sunset Park, built and rebuilt by immigrants, sees change once again. LA Times (2018).

Demographics

This study focuses on twenty-one census tracts which embody the areas that would be most highly affected by a Community Board 7 Housing Plan. Each tract was chosen as they are geographically located in part or entirely between 3rd and 8th Ave and 36th and 62nd Streets. This zone, deemed the 'Study Area,' is depicted in Map 1. This report finds this area to have significant demographics, land use, zoning and housing characteristics, which are essential components of understanding the community and its needs. Alongside site visits, community meetings, and literature reviews, the report presents the following characteristics of the Study Area.

Age and Neighborhood Longevity

Figure 1 Population: Age
2012-2016 American Community Survey
5-Year Estimates
U.S. Census Bureau

Figure 1 illustrates the Study Area's age breakdown in comparison with the Brooklyn borough. The pyramid shows that the age of residents is mostly parallel with borough-wide age cohorts, however there are some notable variances. The population in the Study Area is generally younger than the average Brooklyn resident. Over 10% of the Study Area's population consists of 25-29 year olds. This is the largest of any 5-year population group, by percentage, both in either the Study Area or Brooklyn as a whole. Furthermore, the Study Area contains a smaller percentage of older residents. Residents who are 65 and over account for only 8.03% of the Study Area's population, while 12.18% of Brooklyn residents are within this age range. These age discrepancies point towards potential for varying preferences and ideals within the neighborhood between age groups. Additionally, these findings lead to early assumptions that residential migration into the Study Area is occurring.

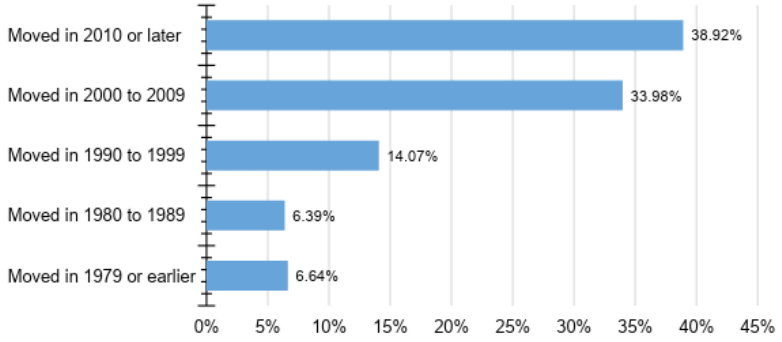


Figure 2 Longevity of Living in the Study Area
2012-2016 American Community Survey
5-Year Estimates
U.S. Census Bureau

[2] The tracts chosen include: 106, 118, 98, 86, 92, 78, 74, 76, 80, 102, 104, 108, 72, 94, 96, 82, 100, 90, 84, 88, & 22.

It appears younger residents are moving into the area at a fairly rapid rate. This finding was bolstered by additional data on when residents initially moved into the Study Area. 38.92% of Study Area residents moved into the neighborhood in 2010 or later, while only 27.10% of residents have lived in the area before 2000. Table 2 shows a one-year residential migration pattern, from 2015 to 2016. This table shows that the area is changing at a slightly faster rate than the rest of Brooklyn.

According to 2012-2016 ACS 5-Year Estimates, 11.3% of the Study Area's population lived in a different house in 2015, while 9.4% relocated during this time frame in the borough.[3] Although this sample migration does not demonstrate if there is internal or external movement among residents, these numbers demonstrate a shifting population, especially in recent years.

	Study Area		Brooklyn		Difference	
	Number	Percentage (%)	Number	Percentage (%)	Number	Percentage (%)
Population 1 year and over	95,821	100.00%	2,569,396	100.00%	-2,473,575	0.00%
Same house	85,006	88.70%	2,327,630	90.60%	-2,242,624	-1.90%
Lived in a different house	10,815	11.30%	241,766	9.40%	-230,951	1.90%

Table 2 Residential Migration
2012-2016 American Community Survey
5-Year Estimates
U.S. Census Bureau

Race, Ethnicity, and Immigration Population

The Study Area has a high concentration of individuals who identify as Hispanic or Latino. ACS 5-Year Estimates indicate that almost half of the population in the Study Area is Hispanic or Latino, at 44.96%.[4] This is a large percentage of the population, as of 2017 ACS estimates show Brooklyn's population is approximately 19.3% Hispanic or Latino.

The largest racial category is 'Asian alone' at 42.36%, followed by 'White alone' at 9.87%. These two groups make up the majority of the population, not including the racial identifications of the Hispanic or Latino population. No other individual racial group other than these two exceeded 2%, showing the significant Asian and Hispanic or Latino populations within the area.

More than half of the Study Area population (55.78 percent) is comprised of residents born outside of the U.S. This is significantly higher than Brooklyn as a whole, at 37.23%.

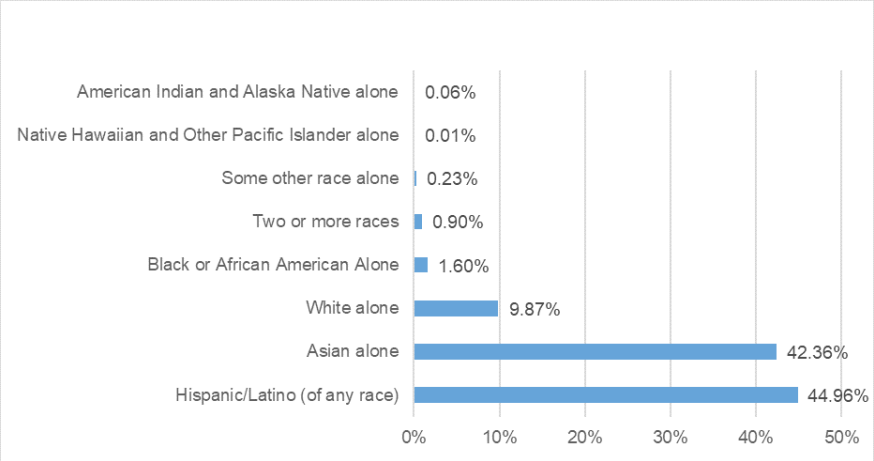


Figure 3 Race
2012-2016 American Community Survey
5-Year Estimates
U.S. Census Bureau

[3] American Community Survey (ACS). The data does not note residents moved within the study area or outside of it.
[4] Hispanic or Latino of any race.

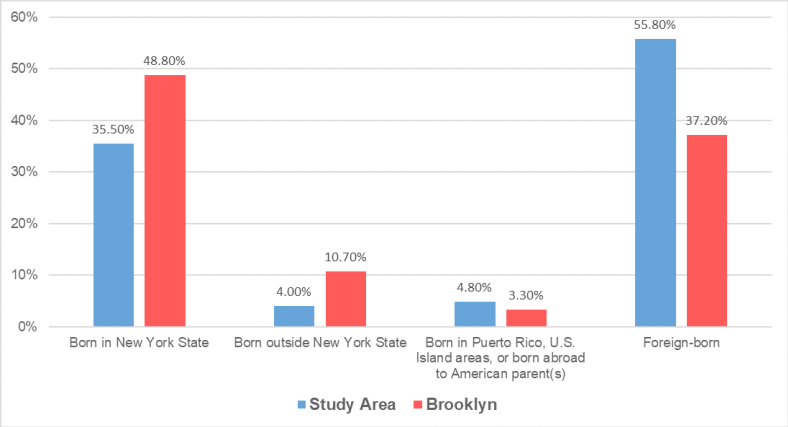


Figure 4 Place of Birth
2012-2016 American Community Survey
5-Year Estimates
U.S. Census Bureau

Families and Educational Attainment

Family households are particularly prevalent in the Study Area, which corresponds to the higher child population, shown in the population pyramid. According to the ACS, 78.05% of households in the area are family households. Additionally, 41.27% of these family households have children under the age of 18 years old. These figures are lower than the rest of Brooklyn, which shows lower family (62.60%) and family with children (28.21%) rates. Families appear to be a strong fixture within the Study Area.

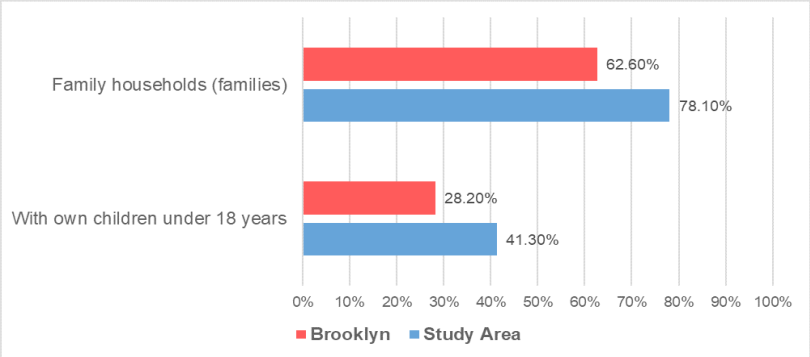


Figure 5 Family Households
2012-2016 American Community Survey
5-Year Estimates
U.S. Census Bureau

Educational attainment is lower in the Study Area when compared to the rest of Brooklyn. Only 16.71% of residents in the study area have achieved a Bachelor's Degree or higher, while more than half the population (52.04%) have not graduated high school or met an equivalency. Only 20.02% of Brooklyn residents as a whole have not reached the level of high school graduation.

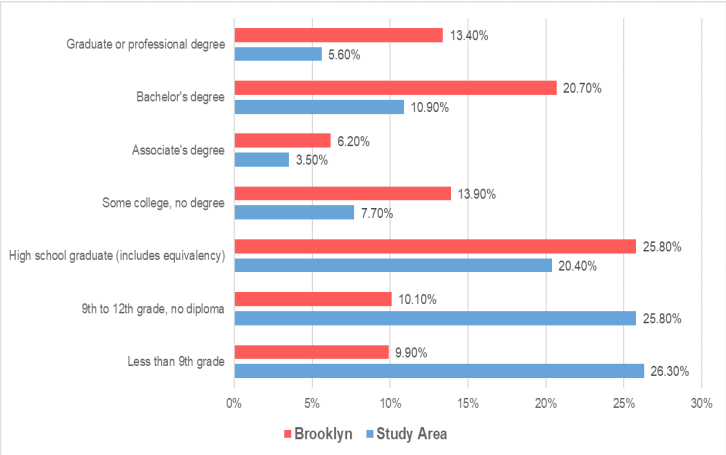


Figure 6 Educational Attainment (Population over 25)
2012-2016 American Community Survey
5-Year Estimates
U.S. Census Bureau

Employment, Occupation, and Income

Despite comparatively lower educational attainment in the Study Area, the employment rate is higher than the rest of Brooklyn. As depicted in Figure 7, 60.06% of the Study Area's population over the age of 16 is employed. This is slightly higher than the Brooklyn average of 57.8%. Similarly, the rates of individuals who are unemployed (5.7%) and not in the labor force (34.2%) are lower than the rest of the borough. While the percentages do not vary greatly from the rest of Brooklyn, they do show that employment is a valued factor within the neighborhood.

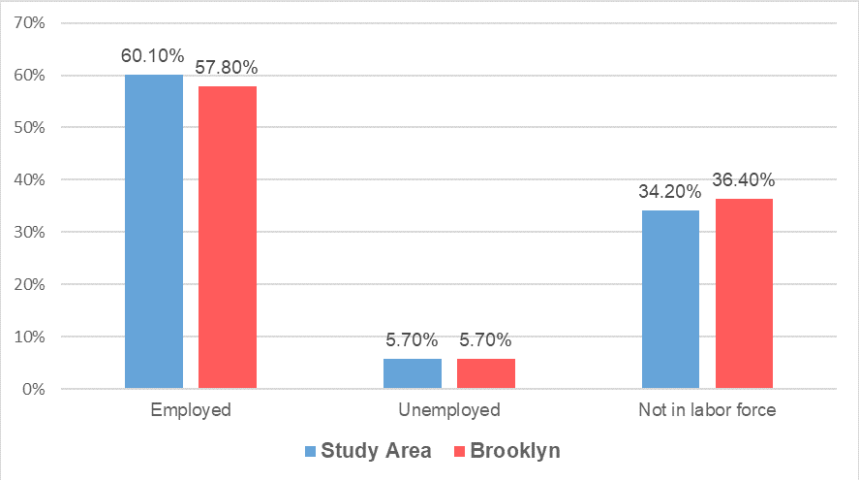


Figure 7 Employment
2012-2016 American Community Survey
5-Year Estimates
U.S. Census Bureau

The figure below shows the occupation by industry of residents within the Study Area, as it compares with the rest of the borough. The Study Area's most prevalent occupations include: arts, entertainment, recreation, and food services (24.85%), educational, health, and social services (17.08%), and retail trade (11.10%). Meanwhile, Brooklyn's top sectors are: educational, health and social services (28.72%), professional, scientific, management services (13.04%), and arts, entertainment, recreation and food services (10.32%).

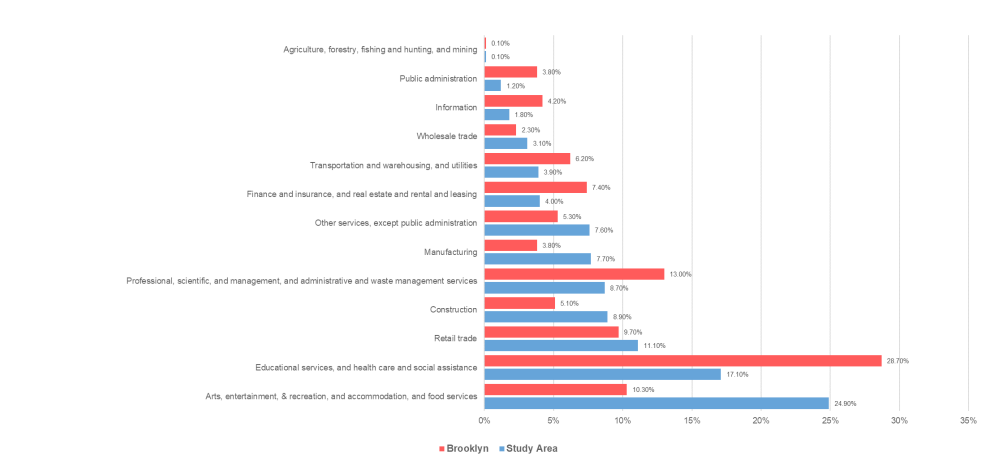


Figure 8 Occupation by Industry
2012-2016 American Community Survey
5-Year Estimates
U.S. Census Bureau

Relatively limited educational attainment and higher percentage of service jobs directly affect resident income in the study area. As of 2016, the ACS estimated the median full-time earnings for an adult resident of the Study Area is $27,220 (male population) and $30,675 (female population). This differed drastically from Brooklyn as a whole, both in scale and distribution, where the median income is $47,707 for men and $44,616 for women. The income breakup by household is illustrated in Figure 9 which demonstrates that Brooklyn earns more income than the Study Area residents. The borough's five highest income brackets, $50,000 and above, are all at higher percentages than that of the Study Area. Further, more than half (52.41%) of the Study Area's population makes below $50,000 per year.

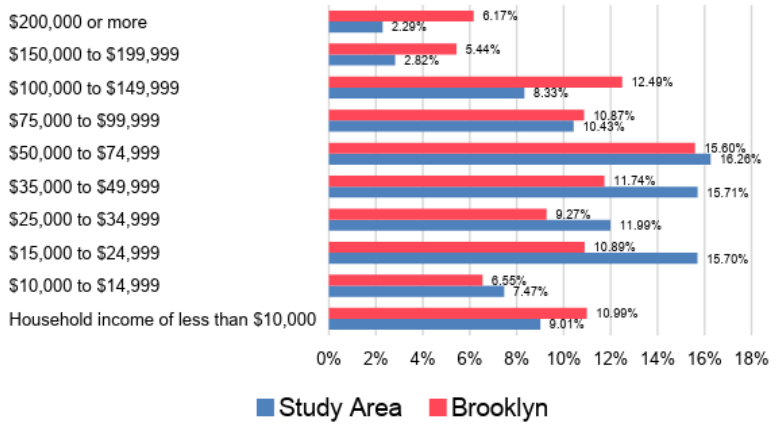


Figure 9 Median Income
2012-2016 American Community Survey
5-Year Estimates
U.S. Census Bureau

Housing Tenure, Stock, and Rent Prices

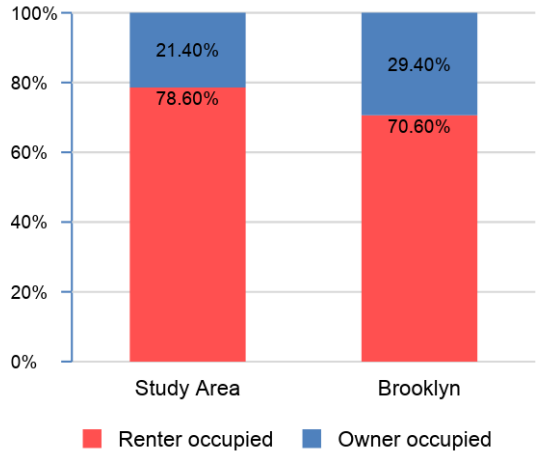


Figure 10 Housing Tenure
2013-2017 American Community Survey, 5-Year Estimates
U.S. Census Bureau

Home ownership in Sunset Park is slightly lower than the rest of Brooklyn. An estimated 78.60% of Sunset Park residents are renters versus 70.60% of borough residents. Rental vacancy rates within the study area are estimated at 2.5% versus 3.4% borough-wide, an indication of a tight rental market. This further demonstrates the demand for rental housing within the Study Area.

There has been particularly slow housing growth in recent years within the Study Area. Currently, there are an estimated 29,034 housing units, 66.60% of which were built prior to 1939. Since 2010, housing production within the study area has resulted in the construction of 305 units or just 1.10% of the total.

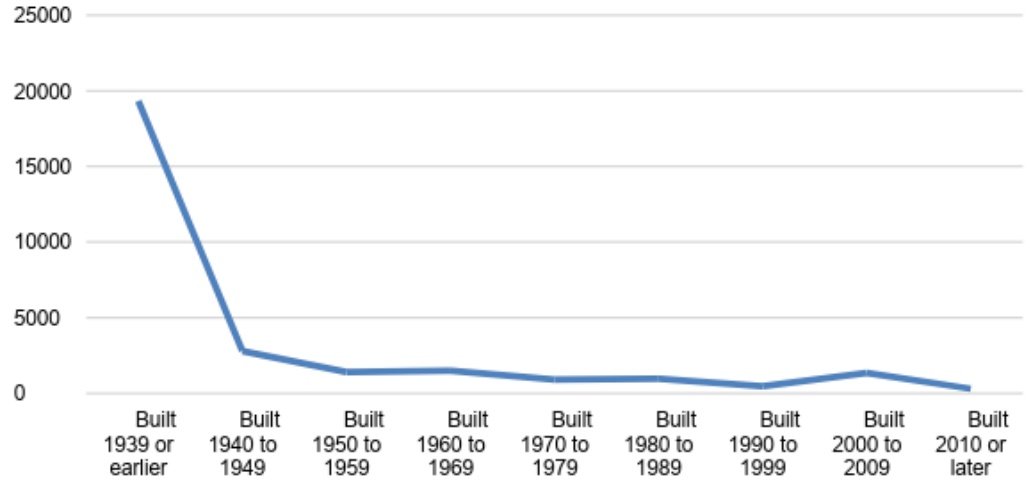


Figure 11 Housing Units Built Year
2013-2017 American Community Survey
5-Year Estimates
U.S. Census Bureau

NYC's Department of Buildings issued 137 new building permits to 138 properties in all of Community Board 7 in 2018.[5] These numbers demonstrate a stagnant housing stock within the area. The slow-moving rate of housing growth in the Study Area is an issue that should be on the forefront of future analyses.

[5] NYC Open Data

Average Rent

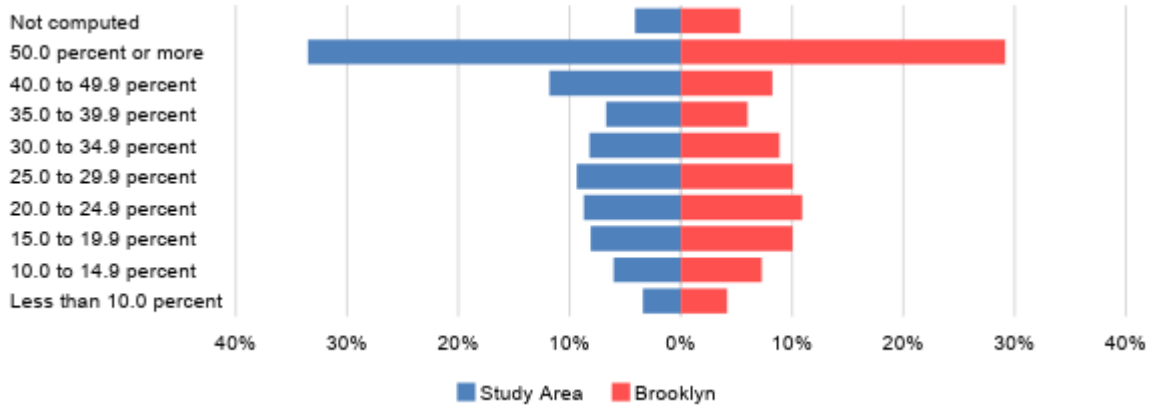


Figure 12 Gross Rent as a Percentage of Income
2013-2017 American Community Survey
5-Year Estimates
U.S. Census Bureau

Median market rent in Sunset Park was $2,375 in 2017. Data from the American Community Survey indicates that residents of Sunset Park face significant housing challenges, with an estimated 60.26% of residents paying rents that are at least 30% of their household income. This is significantly higher than the borough, with 52.23% of Brooklyn residents being rent-burdened. The 2017 estimates further demonstrate that an estimated 33.52% of households were severely rent-burdened, paying more than 50% of gross household income toward rent, which compares with 29.15% of Brooklyn as a whole.

Overcrowding

Overcrowding is a major issue within the Sunset Park Neighborhood. Severe overcrowding, as defined by the U.S. Census Bureau means the share of renter households that contain 1.5 or more household members per bedroom. Overcrowding as an issue has been historically more prevalent in Sunset Park than the rest of Brooklyn, especially in more recent years. Approximately 9.1% of Sunset Park rental units are considered severely overcrowded. This is almost double the percentage of Brooklyn as a whole, at 4.7%. Severe overcrowding is a concern for both health and safety of residents and further illustrates that housing in the area is largely unaffordable to many of the current residents.

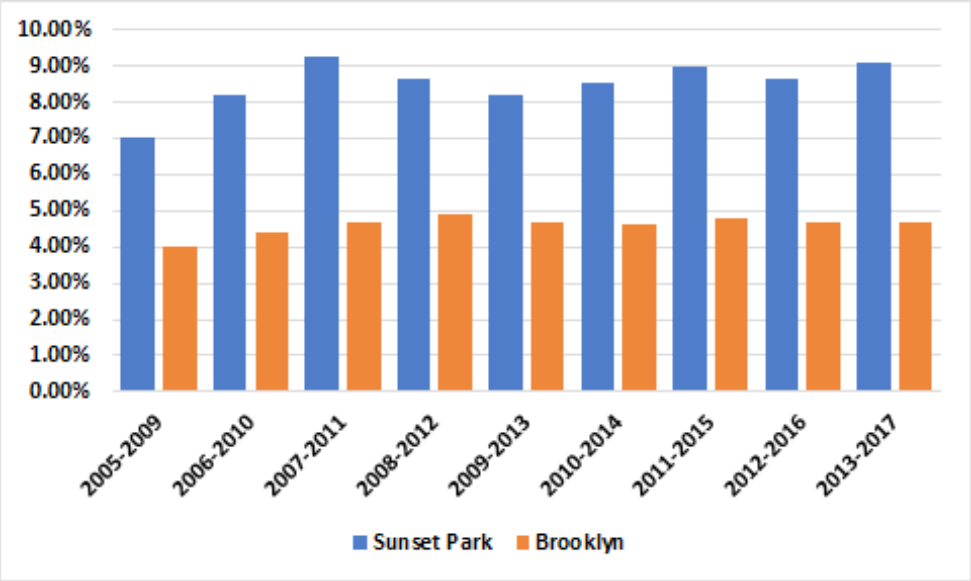


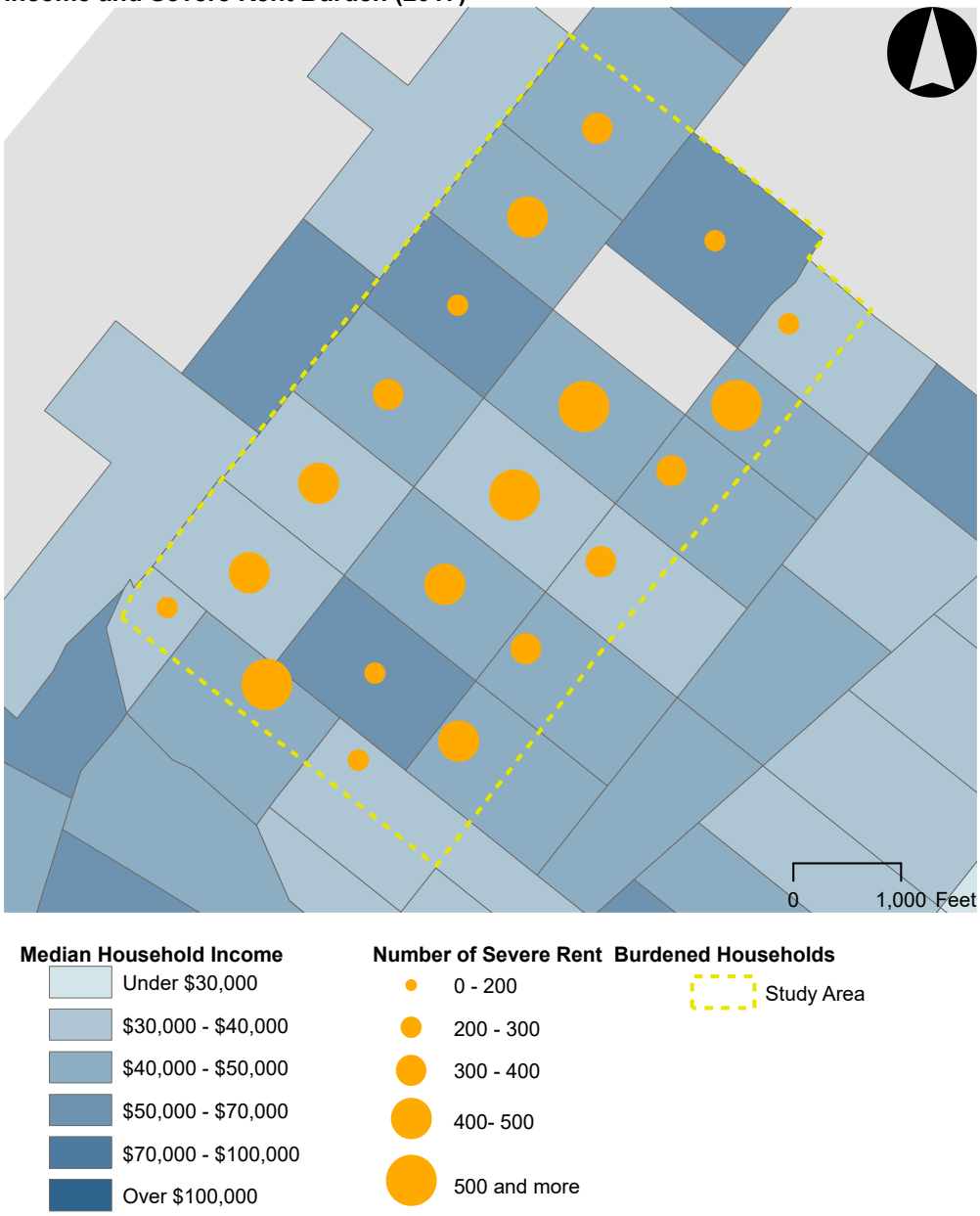
Figure 13 Severe Overcrowding
American Community Survey
5-Year Estimates
U.S. Census Bureau

Severe Rent Burden and Displacement

Map 2 demonstrates where within the Study Area tenants are most rent-burdened. As shown, the most highly rent burdened households are in the central and eastern sections of the Study Area. The Study Area is primarily a renter-occupied neighborhood, meaning that the extent of this issue is widespread.

Severe rent burden and the number of evictions in an area are both prominent indicators of potential displacement - which is notoriously difficult to track. In the last two years 179 evictions have been executed, or are currently pending, within the Study Area. While this appears in-line with many other neighborhoods of Brooklyn, the correlation of lower median incomes and higher: rent prices, levels of residential migration, and rent burden levels, than Brooklyn as a whole, makes Study Area residents extremely vulnerable to potential displacement.

Income and Severe Rent Burden (2017)



Map 2
2013-2017 American Community Survey, 5-Year Estimates
U.S. Census Bureau

Housing Subsidies

There are 284 properties in the district that receive subsidies from city, state, and federal agencies. More than half of the subsidized properties obtained partial real estate tax exemptions through the 421-a Tax Incentive Program, for new construction of multi-family rental units. Other properties are subsidized through NYC Department of Housing Preservation and Development's regulatory multi-family programs and the US Department of Housing and Urban Development's Project-Based Section 8 program.

Approximately 5 properties receive Low Income Housing Tax Credits (LIHTC), which, given the prevalence of the program within New York City, demonstrates that many developers are not using this housing finance mechanism in the Sunset Park Area.

Program	# of Properties	# of Units
420-c Tax Incentive Program	2	250
421-a Tax Incentive Program	152	2,185
Article 8A/HRP	2	96
J-51 Tax Incentive	32	362
LAMP – HDC	1	201
LIHTC 4%	2	250
LIHTC Year 15	3	40
Multi-Family Program	44	763
Other HPD Programs	1	8
Other HUD Financing	1	0
Participation Loan Program	4	28
Project-Based Section 8	32	424
Section 202/8	3	369
Section 223(f)	4	233
TPT	1	8
Total	284	5,218

Figure 14 Subsidized Housing by Program Type
NYU Furman Center

Year	# of Properties	# of Units
2018	3	37
2019	36	436
2020	8	142
2021	4	104
2022	1	8
2023	4	81
2024	8	104
2025	7	171
2026	12	305
2027	22	255
2028	5	44
2029	10	94
2030	9	244
2031	13	194
2032	5	39
2033	21	323
2034	25	389
2035	11	89
2036	11	216
2037	1	201
2038	1	49
2039	1	18
2040	0	0
2041	1	18
2042	1	0
2043	2	65
2044	0	0
2045	0	0
2046	0	0
2047	2	168
Unknown or No Subsidy Expiration Date	60	1424
Total	**284**	**5,218**

Figure 15 Expiring Subsidized Housing
NYU Furman Center

Not only are subsidies not being utilized well within the area, but many of the units have, or will expire in the near future. According to a 2016 NYU Furman Center Report on expiring subsidies, approximately 38.8% of subsidized units in Brooklyn Community Board 7 are set to expire by 2030, and 67.9% (or 3,543 units) by 2040. While a large percentage of units (27.3%) did not list a subsidy expiration date, and some of these properties may elect to renew their programs, the high level of subsidy expiration may be of particular concern - especially given the slow rate of development of new rental units.

Land Use

Sunset Park is a predominantly residential neighborhood, with a land use pattern that retains elements of its historical industrial and manufacturing base and ties to the shipping industry.

Residential

Residential uses, excluding mixed uses, allocated to the entire district account for approximately 30% of the district's total lot area. Such uses consisting of primarily one and two family, multifamily walk-up, and multifamily elevator buildings. The analysis identified approximately 10,312 tax lots for residential uses that make up 77.5% of the entire district's tax parcels.

Commercial

Mixed-use buildings containing both commercial and residential uses account for approximately 4% of the total lot area, located primarily along avenues east of the Gowanus Expressway. Tax lot parcels designated for mixed residential and commercial make up almost 11% of the district's total parcels.

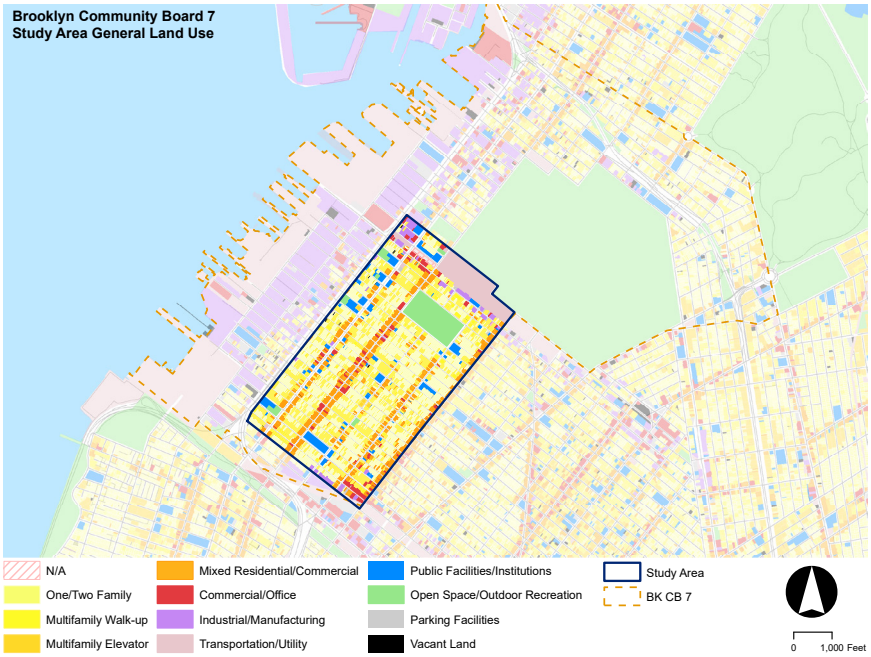
Industrial/Commercial

Industrial and manufacturing uses mostly located west of the Gowanus Expressway/3rd Avenue, account for 4.7% of the total lot area. Such uses are spread along the waterfront and its adjacent areas.

Commercial and Office buildings comprise just 1.8% of the total lot area, with smaller sites interspersed between the mixed-use buildings along the avenues and larger sites located within the industrial area adjacent to the waterfront.

Open Space

Open space comprises 0.27% of the total tax lots, concentrated in the northeast portion of the district. However, open space accounts for 28.54% (22,229,800 square feet), of the total lot area, largely due to the park and cemetery.



Map 4
NYC Department of City Planning

Community Facilities

The district has 551 facilities including 255 facilities for education, child welfare and youth. The Study Area contains 139 facilities, 88 of which are for educational and youth services.

Vacant Land

Vacant land accounts for approximately 1.4% of the total tax lots with most of these lots located within the industrial and manufacturing area adjacent to the waterfront. Approximately 188 parcels, about a million square feet, are vacant in the district.

Study Area
General Land Use

N/A	Mixed Residential/Commercial	Public Facilities/Institutions
One/Two Family	Commercial/Office	Open Space/Outdoor Recreation
Multifamily Walk-up	Industrial/Manufacturing	Parking Facilities
Multifamily Elevator	Transportation/Utility	Vacant Land

Map 3
NYC Department of City Planning

0 — 1,000 Feet

Zoning

Sunset Park contains a mix of residential districts (R6B, R7A and R4A) and manufacturing districts (M1-2, M2-1 and M3-1). Residential areas along the avenues also have C2-4, C4-2 and C4-3A commercial overlays. The current zoning is designed to limit the scale of buildings, with relatively low FAR limits within the residential districts to preserve the existing neighborhood context. Lots within the study area are mapped as contextual residential districts with commercial overlays.

Along the narrow side streets, R6B permits residential and community facility uses to an FAR of 2.0 with a maximum building height of 55 feet after setback. This is intended to preserve the medium density scale in line with the attached row houses that comprise these areas.

Areas zoned R7A along Fourth Avenue and Seventh Avenue permit higher density residential and community to an FAR of 4.0 with higher maximum FAR available for buildings participating in the Inclusionary Housing Program.

A C4-3A Contextual General Commercial District is mapped along Fifth Avenue from 47th to 57th Streets. This permits residents and commercial uses up to an FAR of 3.0, facilitating commercial activity and commercial uses above the ground floor in buildings with residential units. C2-4 commercial overlays, permitting uses such as cleaners, grocery stores and restaurants are mapped along Fourth, Fifth, Seventh and Eighth Avenues.

Areas mapped M1-1 and M1-2 are located in the northern and southern sections of the Study Area. These areas permit light industrial uses within facilities with FAR restricted to a maximum of 1.0 and 2.0 respectively.

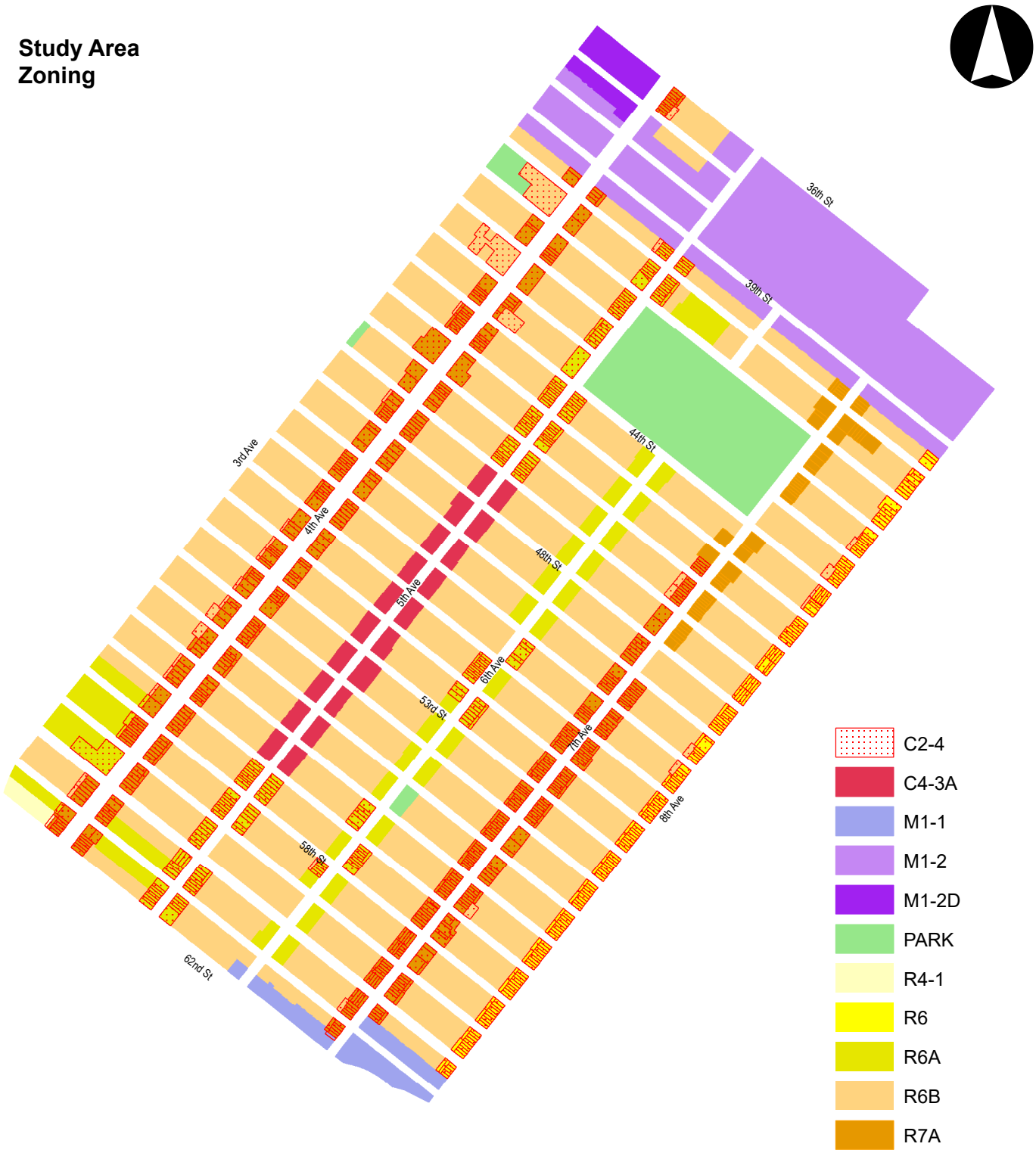
The Study Area contains R6, R6A, R6B, and R7A zoning districts allowing for medium density development. The corridors along Fourth and Sixth Avenues are zoned R7A with commercial overlays.

The majority of the Study Area is zoned as R6B districts where 19th century row houses line the streets. Building types and heights vary throughout the district and within the Study Area.

Along Fourth, Fifth, Sixth, Seventh, and Eighth Avenues, C2-4 commercial overlay is mapped in residential districts to provide ground floor local retail services. A portion of Fifth Avenue between 47th and 57th Streets is mapped C4-3A. Fifth Avenue also contains a business improvement district served by the Sunset Park Fifth Avenue BID. On Eighth Ave, the corridor is lined with businesses.

Map 4
NYC Department of City Planning

Study Area Zoning



Map 5
NYC Department of City Planning

0 1,000 Feet

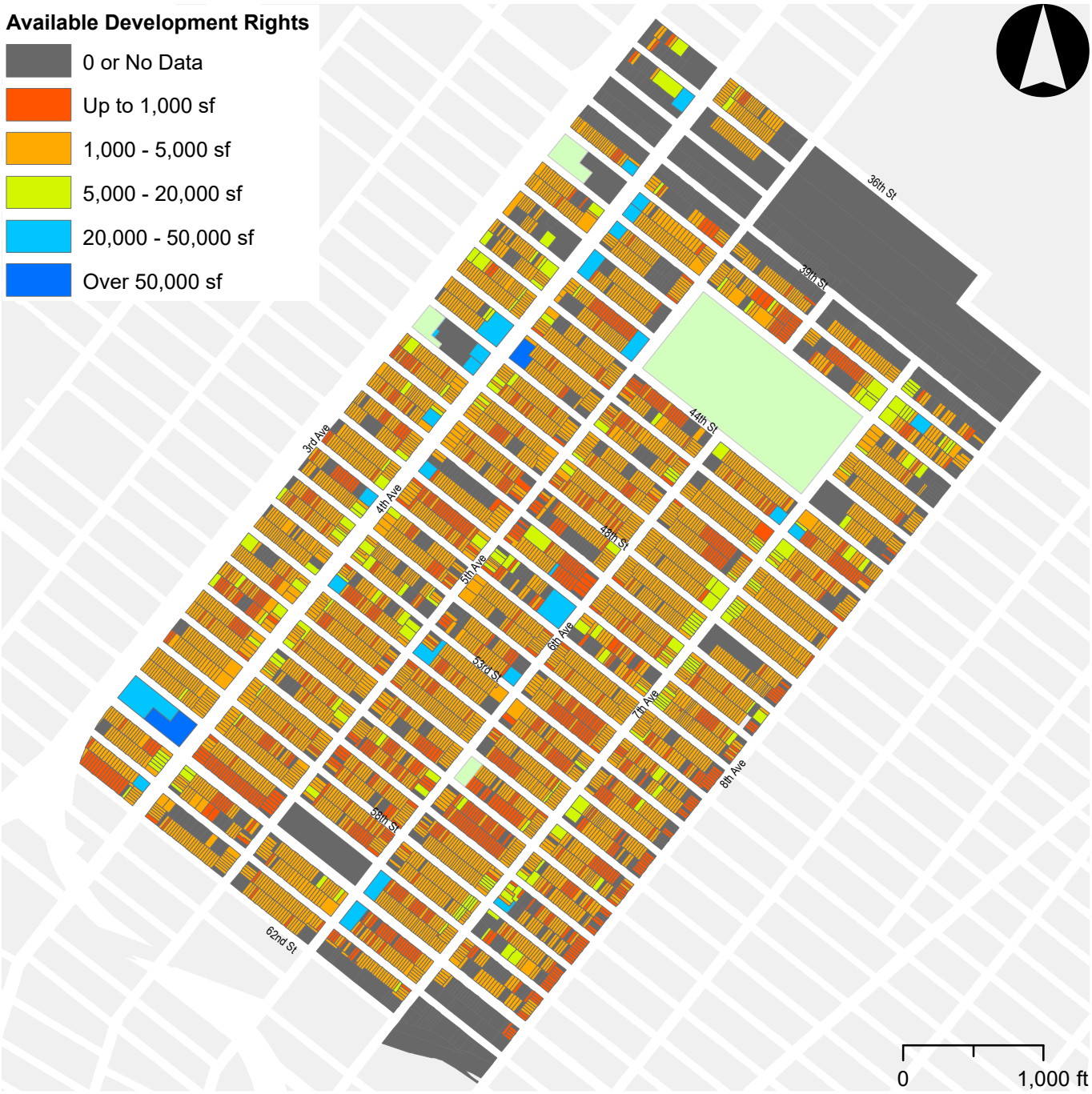
Soft Site Analysis

In order to assess development potential within the study area, a soft site analysis is necessary. Vacant lots are typically the most attractive redevelopment targets. However, as indicated in the Land Use Assessment, only a minimal amount of the land within the study area is vacant, leaving soft sites as the best development options.

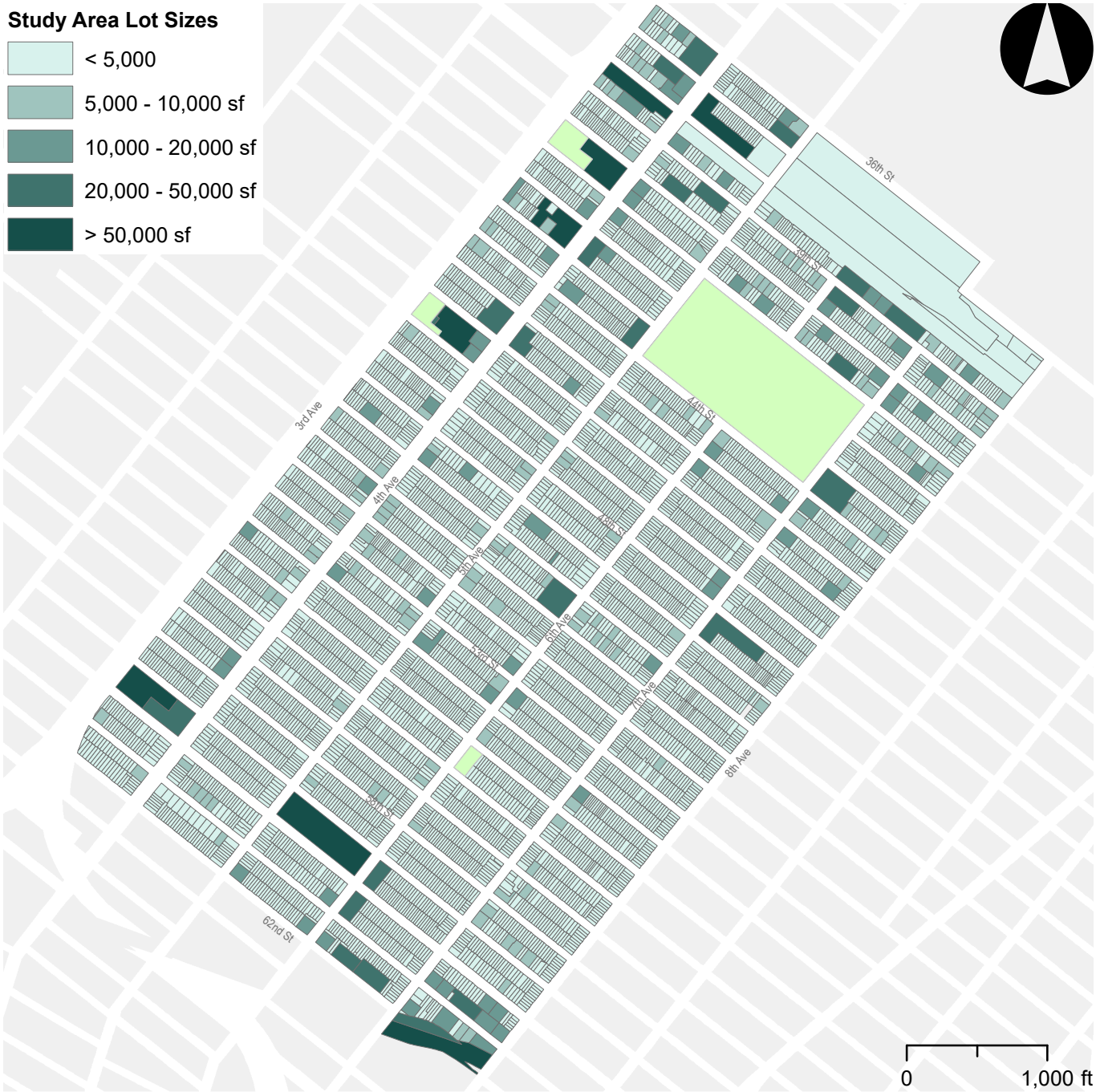
Soft sites are lots that are under built relative to their zoning designation, making these potential redevelopment targets. Developers are also able to increase the capacity on sites by purchasing unused development rights (also referred to as “Air Rights”), from the owners of adjacent lots.

An analysis of the 6,316 lots within the study area, reveals an aggregate of approximately 8,509,871 square feet of unused development rights, suggesting significant redevelopment potential. However, in the absence of a coordinated effort, significant redevelopment is unlikely; since median lot size is 2,003 square feet and median available development rights is calculated at 1,464 square feet, reflecting relatively limited capacity on individual sites.

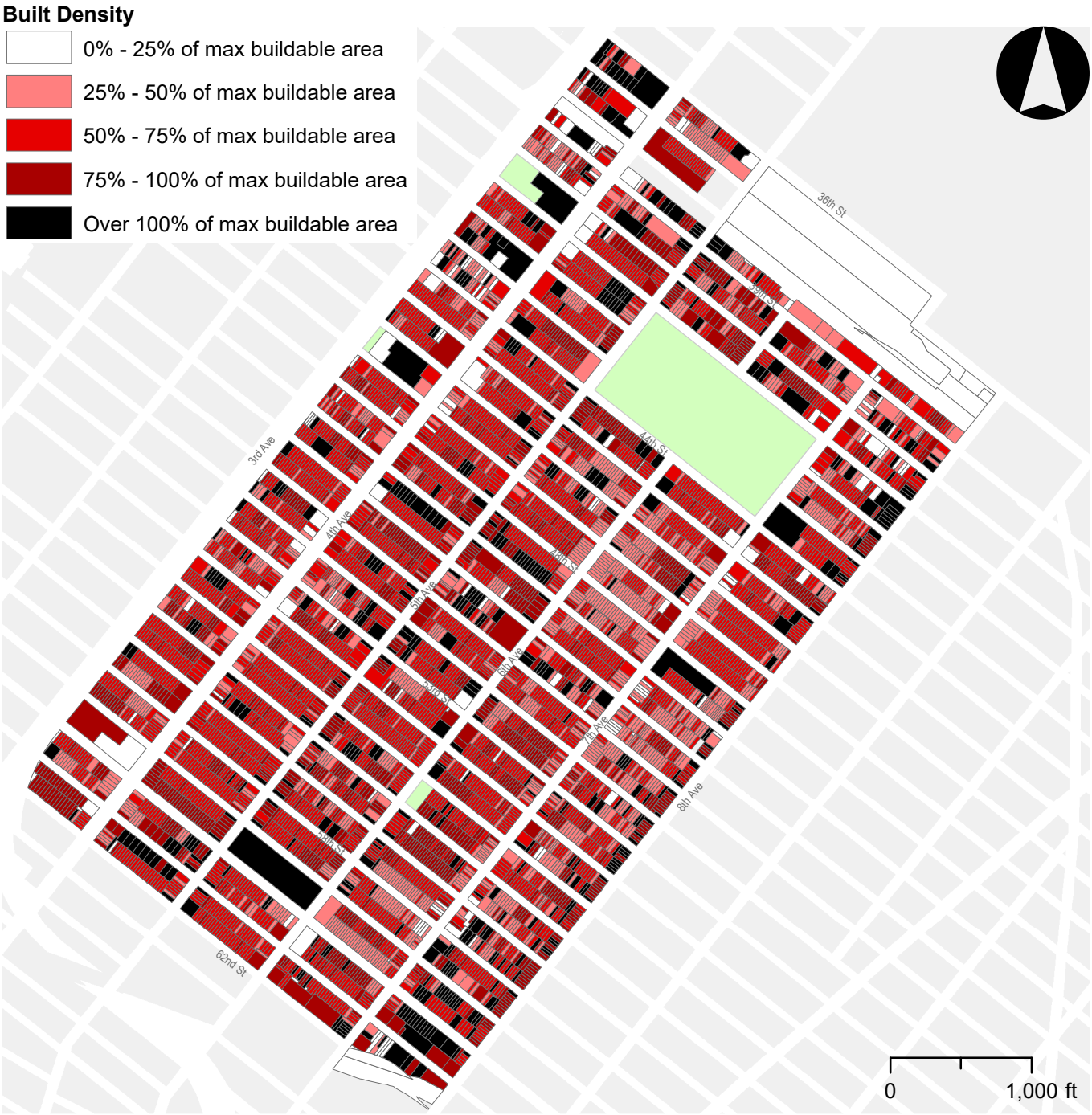
The transfer of unused rights to appropriately zoned lots (while keeping with the community’s housing needs and their desire to preserve some historical context) would enable development capacity to be deployed in the best interest of the community.



Map 6
NYC Department of City Planning



Map 7
NYC Department of City Planning



Map 8
NYC Department of City Planning

Housing Case Studies

Comparative analyses are particularly important when developing a housing plan for Community Board 7. Having context of what other cities experienced and their actions to address housing concerns, notably one with similar existing conditions, was of particular importance when developing our recommendations. Conditions we looked for in similar cities included: rising land values and housing prices, increases in rent-burdened tenants, and increased relocation of community residents in recent years. The case studies focused particularly on similar cities and neighborhoods with a high amount of minority and lower income residents, and on analysis of different stages that these communities go through to fight against the ill-effects of gentrification.

A. Seattle, Washington

Just cause evictions have been a city ordinance in Seattle since 1980 via amendments to the municipal code. These protections allow tenants, even those without contractual leases with their landlords, to maintain their tenancy unless a landlord can provide evidence of 1 of 18 pre-approved 'just' reasons which are applicable to a potential eviction.[6] Such reasonable causes for evictions in Seattle include: nonpayment of rent, sale of property and substantial rehabilitations of properties. These protections are hotly debated amongst various groups and have shown merit in keeping communities and neighborhoods intact, notably in the face of increasing land values and potential for higher rent prices to be charged. Opponents have argued that the ordinance prevents landlords from evicting difficult tenants and achieving fair rents, while some advocates have noted that the protections do not go far enough in stopping unreasonable evictions.

A recent report entitled *Losing Home: The Human Cost of Eviction in Seattle*, looked at the qualitative and quantitative impacts of evictions on the Seattle population. According to the report, evictions negatively impact residents' health, cause lower academic performance in children who are forced to relocate, and resulted in very high levels of homelessness among respondents.[7] This report has helped advocates for just cause eviction laws in their efforts to further tenant rights and protections. A housing bill recently passed in the state House which "...would extend notice periods from three days to 14, ban eviction for nonpayment of fees, and require landlords to apply payments to rent before fees, among other protections."[8] The support for the bill appears to be strong among residents and city policymakers, which demonstrates the demand for tenant protections within the city.

New York City currently does not have just cause evictions for tenants, and very few tenant protections at all beyond rent stabilization and a minute amount of rent controlled units. This especially applies to tenants who are not on a lease, as a landlord can choose to end the tenancy so long as they have given the resident 30 days notice and the landlord has not violated any related laws (e.g. harassment, non-repairs, etc.). Non-leased or month-to-month tenants frequently pay lower rents (and often have lower income), and they do not have the long-term security of a leased tenant.

The idea of just cause eviction laws within New York has recently gained traction as Brooklyn State Senator Julia Salazar of the 18th District, representing the neighborhoods of Williamsburg, Greenpoint, Cypress Hills, Bushwick and parts of East New York and Bedford-Stuyvesant, has submitted the "good cause" eviction bill in January of 2019. The bill is "a proposed amendment to the state's real property law and would prevent tenants in nearly any market-rate apartment from being evicted for not paying an 'unconscionable' increase in rent."[9]

[6] Seattle Department of Construction and Inspections
[7] Seattle Women's Commission (2018)
[8] Tom James, The Seattle Times (2019)
[9] Will Parker, The Real Deal (2019)

A rent increase deemed "unconscionable" is any annual rent increases at 150% of the regional Consumer Price Index (CPI), which measures the average price goods have increased in price over time. While this bill would not, in itself, prevent rent increases, it would prevent evictions as a result of rents raised beyond a certain level and would symbolize a major step towards increasing tenant protections and limiting forced evictions of longtime residents.

B. Oakland, California

Oakland has seen major influences of gentrification and urban displacement, notably within minority communities. According to Lin, Lindheim and Smith, the issues of displacement reach far beyond popular opinions on gentrification. They note that urban displacement is:

> "…Not just that too many individuals are paying too much for housing or can't afford housing. Rather, urban displacement today is about the structural exclusion and involuntary departure of lower-income, predominantly people of color, from new centers of employment and quality of life advancements. It is ultimately about the unjust and radical transformation of our cities."[10]

This demonstrates the depth of the issues that Sunset Park faces, notably being a working class area with a large minority population.

In 2016 the City of Oakland developed the Housing Action Plan to address the issues that the city has and continues to face. The action plan laid out several strategies to address the rising levels of urban displacement in the city, including immediate strategies to preserve affordable housing for current residents as well as strategies to create affordable housing.

Preservation Strategies

- Improve renter services – expanding and improving the current Rental Assistance Program to better address the needs of low-income renters.
- Strengthen renters' protections and enforcement, including expanding rent stabilization and addressing unjust evictions.
- Preserve housing for existing residents by buying, fixing up and converting homes to permanent affordability – focusing on renewing expiring affordable protections and offering funding for non-profit organizations to renovate newly affordable developments.
- Address homelessness – advancing a declaration of emergency for homeless shelters in the area and opening new opportunities for buildings to convert into new shelters.
- Keep artists in Oakland – utilizing the Community Land Trust (CLT) to preserve affordable living and working spaces for Oakland artists.

Creation Strategies

- Incentivize affordable units to be incorporated into market rate developments.
- Create public land policy that helps fund and build more affordable housing – refining public bond measures and garnering public support from local officials on affordable housing development strategies.
- Establish infrastructure and pursue funding opportunities for low-income transit and public works – ensuring there is sufficient public amenities needed for the new affordable units

[10] Housing is Essential: A Commonsense Paradigm Shift to Solve the Urban Displacement and Racial Injustice Crisis (2017)

The reason for the multi-pronged approach to Oakland's Housing Action Plan was that they wanted to do more than the typical economics-based approach of simply creating a supply to meet the full housing demand. According to Lin, Lindheim and Smith:

> "…Market rate units are not affordable to the people being displaced. Most families being displaced cannot afford anything close to even the building cost of new units. While new units might help alleviate the regional housing crisis for new, higher-income people (e.g., tech migrants), they will do little to alleviate housing pressures for current, long-time residents. Rather than addressing housing issues for current residents, building more market rate units will mostly serve the housing needs of new higher-income in-migrants from the region."[11]

This demonstrates why it is important to have a multi-faceted approach within any housing plan that plans to address an issue as complex and pervasive as displacement. In 2017 Oakland introduced the 17k/17k Plan, which set out to protect 17,000 homes from displacement, while simultaneously building 17,000 units by 2024. This utilized both the build more and preservation strategies to address a major housing crisis. While the plan is still in its infancy and there is a long way to go, the 17k/17k Plan appears to be having positive results within Oakland. According to the city:

- Oakland rents appear to be stabilizing. Citywide rents increased only 1% in 2018 – compared to a 22% increase in 2015 (the baseline year prior to launching the 17k/17k Plan).
- Oakland evictions are declining. This past year, eviction notices filed with the City of Oakland and Unlawful Detainer Actions filed in the courts were 30-33% fewer since our baseline year of 2015.
- The percentage of rent-burdened Oaklanders is declining; with the biggest decreases for Latino renters. Racial disparities still exist, but are improving slightly. Compared with our baseline year 2015, the percent of Oaklanders who spent more than 30% of their income on rent in 2017 decreased from 52% to 49%, and from 59% to 47% for Latino renters.[12]

Finding concrete results within Oakland, especially among Hispanic and Latino populations, is important, especially as there are many cities and neighborhoods who are losing the battle against displacement of their long-standing residents.

C. West Harlem, New York (Community Board 9)

A neighborhood that is ostensibly very similar to Sunset Park is West Harlem. It has a rapidly changing population, increasing rent and land prices and a historical foundation of lower-class minorities. An approach they took to the issue included a community-guided vision in 2005 in the face of housing challenges. One of the primary ways a community is able to help guide development to the benefit of its residents is via the development of a 197-a plan. According to New York City's Department of City Planning, the plan:

[11] Housing is Essential (2017)
[12] City of Oakland. New Report Shows City of Oakland's Strong Progress on Housing Goals (2019)

> "... Authorizes community boards and borough boards, along with the Mayor, the City Planning Commission (the "Commission"), the Department of City Planning ("DCP"), and any Borough President, to sponsor plans for the development, growth, and improvement of the city, its boroughs and communities. Once approved by the Commission and adopted by the City Council, 197-a plans guide future actions of city agencies in the areas addressed in the plans."

Incorporation of particular planning components within a 197-a plan demonstrates to potential developers, especially those who have to withstand New York City's lengthy Uniform Land Use Procedures, where the community places value.

Manhattan Community Board 9, which encompasses Manhattanville, Morningside Heights and Hamilton Heights, embraced affordable housing as one of the primary components of their 197-a plan when it was adopted in 2007. According to the Plan, the community board was hoping to achieve many similar goals to the residents of Brooklyn Community Board 7. Such objectives included:

- Build on the strong social, economic and cultural base of the district through a sustainable agenda that would reinforce and reinvigorate the ethnically diverse and culturally diverse community.
- Ensure that future development is compatible with the existing and historic urban fabric and complements the neighborhood's character.
- Create the conditions to generate good jobs for its residents.
- Provide housing and services that are affordable to the community.
- Provide for future growth while preserving the district's physical and demographic character without displacement of existing residents.

Alongside these goals, the Community Board laid out recommendations in order to achieve the objectives set-out by the community. In doing so, they provided steps to achieve more affordability in an area that was rapidly changing in demographics and in the physical landscape. The recommendations included a mandate for affordable housing, preserving current affordable housing, and establishing a Community Trust Fund funded by potential neighborhood developers.

The current state of Manhattan Community Board 9 may point more towards the failures of the 197-a plan to actualize what it set out to do. According to Manhattan Community Board 7's Fiscal Year 2017 Statement of Community District Needs, affordable housing remains the most important issue in the Community Board, almost 10 years after the initial plan was put into action. According to the report, "The need for affordable housing has become a major problem for low, medium and middle income families. A significant portion of CB9 renter households are under financial burden to pay rent."[13] The longevity of affordable housing as a primary issue, despite the goals of Manhattan Community Board 9's 197-a plan, demonstrates that while the intentions of a 197-a plan can sound ideal, they need to work in conjunction with other programs and policies which can reasonably attain these goals.

[13] CB9M, NYC.gov (2015)

Currently, Brooklyn Community Board 7's 197-a plan sets out the goals of:

- Promoting industrial redevelopment and job creation in Sunset Park while retaining existing industrial jobs.
- Maximizing waterfront access and open space opportunities in combination with industrial and waterfront development.
- Preserving existing industrial, commercial and residential uses and fabric in the area east of First Avenue.
- Encouraging development that places a minimal environmental burden on adjacent residential communities.
- Preserving and celebrating Sunset Park's rich maritime and industrial heritage.[14]

While revising the current plan to include affordable housing as a primary objective may not provide a viable solution to gentrification forces, the 197-a plan's revisions are seen as a starting point to combat urban displacement of the working-class community. Alongside an action plan to obtain real housing results, the plan is a way for community boards to align their development priorities within the Uniform Land Use Review Procedure and demonstrate a guideline for development to the Borough President, City Planning Commission and members of the City Council.

Gowanus, Brooklyn, New York (Community Board 6)

The Gowanus neighborhood of Brooklyn faced and continues to face massive gentrification effects that have been felt throughout the neighborhood. As Krisel notes, "As of December 2014, a two-bedroom condo boasting waterfront views and located just one block away from the Gowanus Canal on Carroll Street was priced at $1,549,000. The average price per square foot for homes in Gowanus is 50 percent higher than the rest of Brooklyn."[15] The major difference between Gowanus' housing and Sunset Park, is that Gowanus has three NYCHA sites - Gowanus, Warren Street, and Wyckoff Gardens. Gowanus was included in Mayor de Blasio's rezoning plan of neighborhoods throughout the city. There are also serious environmental remediation requirements in Gowanus that Sunset Park does not face.

In January of 2019 the Department of City Planning released a Gowanus Zoning Proposal based on the goals outlined in the Gowanus Framework findings of 2018. Within the Gowanus Framework the housing proposal sets several goals including:

- Keep existing apartments affordable by continuing to offer loans and tax incentives to building owners.
- Implement a targeted outreach strategy to promote loans and tax incentives that can help building owners make repairs and preserve affordability for existing tenants.
- Continue to work with the City's Tenant Harassment Prevention Task Force to investigate and take action against landlords who harass tenants.
- Educate tenants, particularly the elderly and non-English speakers, about their rights and available resources to prevent displacement.
- Implement Mandatory Inclusionary Housing (MIH) to require that all new residential development include permanently affordable homes.

[14] Community Board 7 New Connections/New Opportunities Sunset Park 197-a Plan (2009)
[15] Gentrifying a Superfund Site: Why Gowanus, Brooklyn is Becoming a Real Estate Hot Spot (2015)

- Offer financing to develop affordable housing that exceeds minimum MIH requirements.
    - Rezone land to support residential growth in appropriate locations.
    - Create affordable housing for New York's lowest earners.
    - Make it easier for residents to understand, prepare for, and complete the affordable housing application process.[16]

All of these goals were intended to be implemented via various programs within the Department of Housing Preservation and Development (HPD). The proposed rezoning includes the requirement of affordable housing in all new mixed-use developments, via Mandatory Inclusionary Housing (MIH).

The objectives of the Gowanus Housing Zoning Proposal, utilizing HPD as a valuable housing ally, is a valuable guide for Sunset Park, which faces many of the same rent issues as its northern neighbor. Through rezoning in a way that is beneficial to the residents, and provides incentives for preservation and development of affordable housing, the community can guide the neighborhood into a positive vision of physical change while preserving the social and communal aspects which help define the neighborhood.

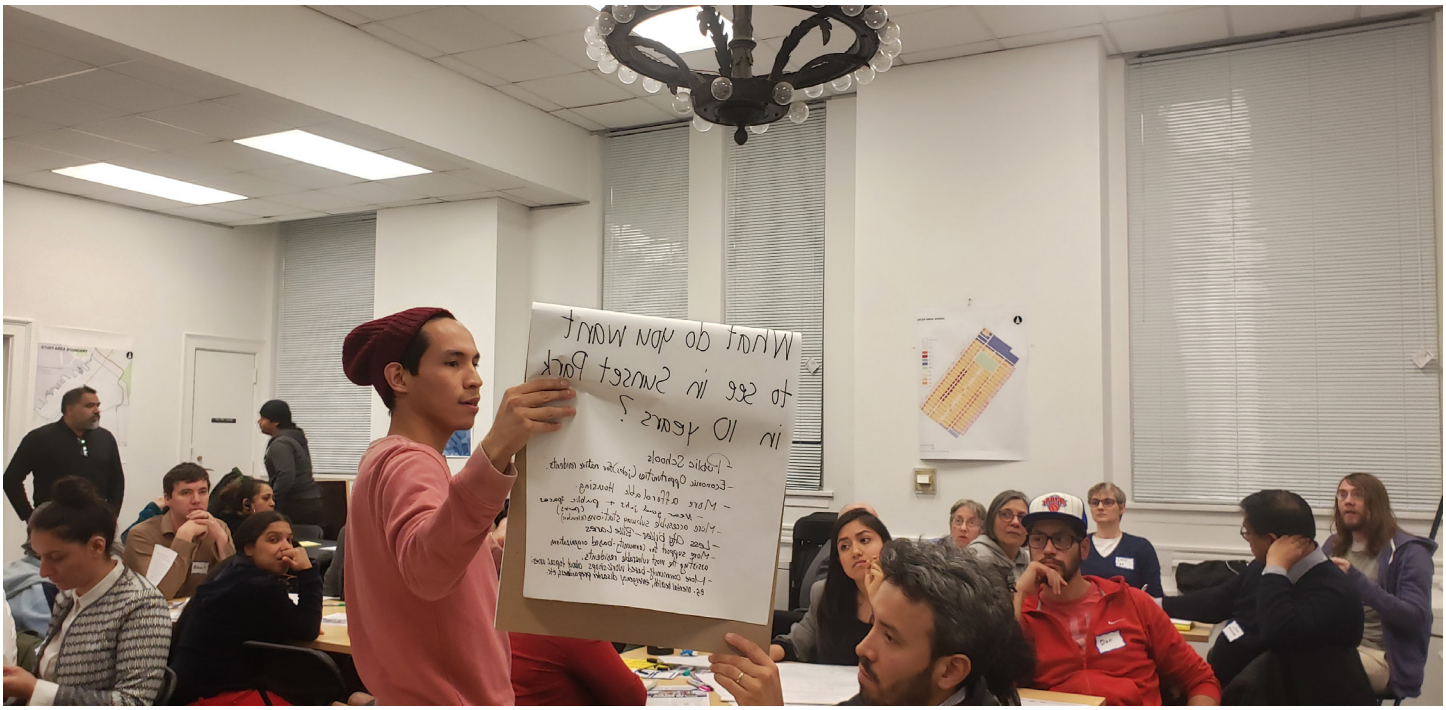
[16] Department of City Planning. Gowanus: A Framework for a Sustainable, Inclusive, Mixed-use Neighborhood (2018)

Community Engagement

This report included a series of strategies to engage the Sunset Park community and gather meaningful input for Housing Sunset Park. The community was given a platform to articulate the housing issues in the neighborhood and to explore ideas for affordable housing through the community workshop and survey. These efforts also provided insights into how the housing trends and existing neighborhood conditions impact the experience of Sunset Park residents. Through these exercises, major housing themes emerged that helped shape this report's housing recommendations for Sunset Park.

A. Community Workshop

A workshop was conducted in order to solicit valuable feedback from community stakeholders on current housing issues and ideas for the preservation and development of affordable housing in Sunset Park. Around 40 people participated in the 2-hour workshop which included residents, community-based organization leaders, CB7 committee members, and representatives from elected officials' offices.



B. Stakeholder Interviews

Interviews were carried out with stakeholders who have been working with the Sunset Park community for years. Those who provided feedback included representatives from the Brooklyn Borough President's Office, Community Board 7, small business networks, and other local nonprofit organizations serving constituents from Sunset Park. Additionally, conversations with affordable housing experts and practitioners were conducted to evaluate possible solutions to better address housing challenges in the neighborhood.

C. Community Survey

A survey was developed to widen the reach for collecting community input.[17] The survey was designed to gain better understanding of the community's housing vulnerabilities and what their housing priorities are. Overall, 176 community surveys were collected, including 15 homeowners, 152 renters and 9 residents who did not identify as either. Survey results demonstrated a diversity of both residential demographics and opinions neighborhood issues.

The age breakup for the surveys was varied, with the largest age range being residents over the age of 35 but less than 45 years old. Educational attainment levels were in-line with existing conditions research on the area, showing that only 30.11% of respondents reported having some post-high school education. The two largest racial/ethnic groups of the area also made up the majority of the survey-takers, with Asians making 46.71% of respondents and individuals identifying as Hispanic or Latino making up 32.89% of the survey pool.

Almost half the respondents were long-standing residents, as 47.73% have lived in the Community Board district for 10 or more years. Furthermore, the respondents were generally working class, with 75.66% having a household income of below $35,000 annually. 72.37% of respondents pay less than $1,250 monthly in rent, which ostensibly appears fairly low for the area; however further evidence shows that over half of respondents live in either subsidized or rent stabilized units. Furthermore, despite initial concerns over tenant harassment, only 13 (8.55%) of tenant respondents had experienced any cases of landlord harassment.

The ranking survey questions were particularly important in understanding how residents feel the neighborhood should adapt to future changes and what ideals are most important to them in their vision of Community Board 7. On an assignment system of 1 through 4, with 1 being the most important and 4 being the least, respondents were asked to rank: maintaining the physical characteristics of the neighborhood (existing building height, row houses, etc.), development of low-income housing units (Rents at or below 1/3 of monthly household income), strengthening legal protections for current residents (e.g. rent stabilization, just cause evictions), and creating and improving economic opportunities in the neighborhood.

Survey takers generally valued the development of low-income units and strengthening of legal protections for current residents much higher than the other two categories. 67.05% of respondents listed development of low-income units as a level 1 or 2 in importance. Similarly, 63.64% listed the strengthening of legal rent protections as either a 1 or 2. Conversely, the lowest amount of significance appears to be revolved around improving economic opportunities within the neighborhood, with only 23.86% of survey takers noting them as 1 (Very Important) or 2 (Important).

Another ranking question asked what community residents wanted to see more of within the physical landscape of the neighborhood. For this question respondents were questioned about their preferences for senior housing, multi-family affordable housing, market-rate housing, and supportive housing (formerly homeless, special needs, etc.). Multi-family affordable and senior housing are the two highest priorities for survey respondents, with 57.95% (multi-family affordable) and 43.18% (senior housing) being listed as 1 or 2 in level of necessity within the neighborhood. Market-rate and supportive housing were less wanted within the neighborhood, with 30.68% of respondents listing market-rate housing and 22.73% of respondents listing supportive housing as a 4 in importance (least wanted or not wanted at all).

[17] Refer to Appendix B for full survey results

List of Community Engagement Stakeholders and Housing Specialists

Office of Senator Velmanette Montgomery
Office of Assemblymember Felix W. Ortiz
Brooklyn Borough President's Office
NYC Comptroller
NYU Furman Center
NYC HDC
Magnusson Architecture and Planning, nonprofit developer

Community Board 7 Committees
Sunset Park Landmarks Committee
Brooklyn Chinese-American Association
Fifth Avenue Committee
Sunset Park BID
Friends of Sunset Park
Mixteca Organization
Neighbors Helping Neighbors
United Voices for the Community
UPROSE

Strengths, Weaknesses, Opportunities, and Threats

Using research on existing conditions, housing trends, and lessons taken away from the community engagement activities provided better understanding of the challenges and opportunities in preserving and creating affordable housing in Sunset Park. Below are key findings that outline the strengths, weaknesses, opportunities and threats to Sunset Park achieving its vision for affordable housing.

Summary of Strengths, Weaknesses, Opportunities, and Threats

Strengths

- Diverse neighborhood of immigrants and working class
- Civically engaged residents
- Community groups leading advocacy work
- Small business retail networks that support resident needs
- Proximity to economic opportunities within the district and beyond
- Nationally-recognized historic district
- Attractive location

Weaknesses

- Few opportunities to create new development
- Overcrowding in existing community facilities
- Housing cost affordability
- Low stock of new housing
- Low homeownership rate
- Low vacancy rates
- Limited capacity of CB7
- Limited vacant lands

Opportunities

- Establish historic districts
- New tools and resources to track housing conditions in the community
- Engage local government body to advocate for local rent laws and tenant protections
- Connections to new economic development opportunities
- Build capacity for community-based organizations
- Availability of transferable development rights

Threats

- Tenant harassment
- Increase in rent burdened households
- Expiring housing subsidies
- Increase in new residents
- Increase in market rate development
- Waterfront redevelopment
- Surrounded by changing neighborhoods
- Developer-driven process
- Loss of affordable housing due to investor purchases
- Housing quality
- New housing units are not compatible with existing needs
- Infrastructure and public facilities
- Real estate speculation

Recommendations and Implementations Strategies

Addressing New York City's housing shortage is a formidable challenge. In Sunset Park the pressures are exacerbated by its proximity to neighborhoods that are also experiencing growth in the percentage of higher income residents. Other factors such as the Industry City development will also impact housing demand within Sunset Park. As such, efforts to preserve and increase the supply of affordable housing must be part of a larger strategy to increase the overall supply of housing within Sunset Park. The recommendations outlined below represent a multipronged strategy to increase the supply housing units at all income levels. These form part of a balanced deployment of financial mechanisms, legislative action and targeted policy implementation at the state and local government levels.

A. Preservation: Preserve Existing Affordable Units

> *"There are no easy answers, but one relatively simple, if potentially expensive, response is to preserve the substantial stock of affordable housing that already exists in gentrifying areas." -Ingrid Gould Ellen*[18]

Residential land use within the district accounts for more than 76% of the land use area. However, much of the housing stock is unregulated, meaning that most properties are not under any type of Land Use Restrictive Agreement (LURA) that imposes rent or income restrictions. Most of affordable housing within the study area is privately owned low to medium density housing. This report recommends prioritizing the preservation of this segment of the housing stock. This can be achieved by identifying and indexing potential properties, engaging owners to determine their plans for the properties, and acquiring as many as possible to create a multi-building portfolio of affordable units.

To achieve this objective the Community Board would need to identify a developer, preferably a nonprofit developer, to undertake the acquisition and renovation of such properties. Within the study area, the row houses on the side streets are prime candidates for this strategy as they represent both a critical supply of rental units and attractive targets for market speculators.

Under Housing New York 2.0, the City has expanded funding and created new programs and incentives targeted to the preservation of existing affordable housing. In December 2018, NYC Department of Housing Preservation and Development (HPD), launched the Neighborhood Pillars program to help finance the acquisition and rehabilitation of existing rent-stabilized and unregulated buildings to preserve affordability in neighborhoods across the city. This program, along with others such as the Neighborhood Pillars Down Payment Assistance Fund, and the Low-income Housing Tax Credit (LIHTC) are financial mechanisms which can be leveraged to preserve affordable units within Sunset Park.

B. New Production: Implementing a "Build More" Strategy

Expanding the supply of housing units is critical to addressing the housing needs in Sunset Park. In concert with increasing the supply of affordable units, incentivizing the development of housing at all levels of affordability is important to reducing the upward pressure on rents. Due to a shortage of available buildable lots, zoning amendments are necessary to increase capacity. In view of residents' expressed desire to maintain certain physical characteristics of the neighborhood, this report recommends certain zoning amendments that conform to this requirement:

- Rezone 8th Avenue to R7A from its current R6 within the study area boundaries. In addition to the increased capacity, this would also trigger Mandatory Inclusionary Housing (MIH) requirements. These requirements will produce permanently affordable units as a percentage of all production based on the MIH options selected.

[18] Can Gentrification Be Inclusive? (2017)

- Map MIH along the previously rezoned areas of 4th and 7th Avenues. While the 2009 rezoning did not lead to significant production, current market conditions in surrounding neighborhoods, portend potential spillover effects. This amendment would allow the community to leverage expected development to balance existing and future housing needs.

In March 2016 the City Council adopted modified Zoning for Quality and Affordability (ZQA), and Mandatory Inclusionary Housing (MIH) requirements to facilitate increased housing production. The amendments modified building height, setback, parking, and other zoning restrictions while maintaining difference to neighborhood context. The modifications provide incentives for producing senior and affordable housing without the need for direct city subsidy, and are the city's most effective tools for creating affordable housing when a zoning map or text amendment unlocks additional residential floor area. The report recommends the above actions to enable Sunset Park to optimize the benefits of ZQA and MIH.

C. Transferable Development Rights

Soft-sites or underbuilt lots within the study area represent another potential source of housing production. A soft-site analysis determined that an aggregate of 8,509,871 square feet of unused development rights exist within the study area.

New York City's Zoning Resolution permits the transfer of unused development rights from one tract of land to another. Known as transferable development rights or air rights, these rights allow the receiving site to develop buildings larger than permitted under the applicable zoning.

Transfers are permitted under limited circumstances identified as Zoning Lot Mergers, Landmark Transfers and Special Purpose District Transfers. The rules governing these transfers restrict the distance between receiving and sending sites. Landmark Transfers for example, are permitted between adjacent lots (defined as adjoining or across the street). However, amendments permitting transfers within a defined district or sub area have been executed under previous rezoning, including the East Midtown Subdistrict in 2017.

In accordance with the preservation and new production objectives this report recommends the establishment of a transferable development rights (TDR) program to facilitate the transfer of unused development rights within Community District 7. TDR programs require zoning amendments and are therefore subject to the Uniform Land Use Review Procedure (ULURP), thereby allowing the Community Board an avenue to shape the design of the program. This strategy, as recommended, comprises two components, establishing a TDR Bank and designing the program to meet local housing objectives.

As the soft-site analysis indicates, most sites retain less than 5,000 square feet of development rights.[19] This report recommends that a TDR Bank be established to acquire and warehouse development capacity. Along with fulfilling the primary goal of capturing unused rights, this would also create a source of capital to fund the preservation of existing housing, while also reducing the potential of loss to the market by providing another way for owners to leverage property values.

The second component of this strategy involves program design. In line with community zoning objectives, the design should appropriately designate sending site areas and receiving site areas, allowing the increased development to occur along the avenues where appropriate. Affordable housing requirements and density bonuses may also include as incentives to boost production. While the Community Board would have significant input in this process, this report recognizes that agencies such as DCP and HPD would be instrumental in implementing and managing this strategy.

[19] Sending sites typically have significant marketable unused capacity.

D. Qualified Opportunity Fund

The Opportunity Zone (O-Zone) tax incentive program was established as part of the Tax Cuts and Jobs Act of 2017. It is a place-based policy designed to incentivize investment in distressed communities. Investments are made through the facility of a Qualified Opportunity Fund (QO Fund). Under the rules of this program taxes are deferred on all or part of capital gains reinvested in a QO Fund, and gains on the sale of the investment within the fund can be permanently excluded from taxable income if held in the fund for 10 years. In the initial rollout of the program, states were required to select eligible low-income census tracts to be Designated Opportunity Zones. Based on the designations adopted by New York State, all of the census tracts within the Study Area are designated opportunity zones.

This report recommends the establishment of a Community Board 7 Qualified Opportunity Fund, with the goal of attracting investment in support of the community's housing needs. While the program is still relatively new, recent U.S. Department of Treasury Department guidance provided additional clarification regarding issues related to real estate and economic development expanding the options for structuring O-Zone Investments. The program as recommended would be community directed, promoting investment in housing and other community priorities. It would provide equity to supplement state with investment mix that targets housing production.

E. Housing Program Design: Local Housing Program

In order to the meet the need for more extremely low-income and low income units, this report recommends adjustments in housing program design to incorporate local household income.

Community Board 7 residents identified program eligibility income levels as a barrier to securing housing under many of the city's popular programs. This is due to a mismatch between program income levels and the actual household incomes of families within the study area. As outlined in the existing conditions, the median income within the study area is lower than Brooklyn as a whole. In fact, just over 75% of respondents to the community survey reported annual income of less than $35,000. Feedback from the Community Workshop indicates that residents attribute this mismatch to the methodology the United States Department of Housing and Urban Development (HUD) uses to calculate Area Median Income (AMI). The assumption being that the inclusion of higher regional incomes in the AMI calculation skews the numbers upward beyond what local residents can actually afford.

In reality, due to the high cost of housing in NYC, a high housing cost area adjustment included in the HUD methodology results in AMI numbers tied to Census rent-level data as opposed to income. Further, the AMI levels established by HUD define maximum eligibility thresholds, allowing local housing agencies to tailor programs to meet the need of local communities.

Therefore, this report recommends the development of a customized housing program that incorporates neighborhood specific income demographics. Housing conditions within local communities can be very different as is exemplified by the differences between Sunset Park and the surrounding communities. To address the local housing needs, programs must be designed to target neighborhood realities as opposed to city-wide conditions.

[20] Fund under this program does not mean multi-investor fund, can also be a single investor or LLC

MIH provides an example of programming with options to provide deeper affordability where required. However, it must be noted this type of flexibility comes at a cost. Current program structures reflect the underlying reality that deeper affordability levels require additional direct subsidy, or must otherwise be cross subsidized by higher AMI or market-rate units. Restricting rent burden to within the 30% range as derived from income leads to lower cash flow, creating funding gaps that are typically plugged by city, state and other local funding sources. Thus, incorporating deeper affordability into program design requires additional funding strategies to avoid having to sacrifice unit production. The report proposes that the program design should incorporate the TDR and QO Fund mechanisms to help offset funding gaps.

F. Expanding and Strengthening Tenant Protections

A critical component in preserving housing affordability is ensuring the tenure of renters. The primary protections enjoyed by tenants in rental buildings In New York City are the result of rent control and rent stabilization regulations, with the latter being more prevalent. In addition to limiting rent increases these regulation also govern the right to receive renewal leases and protection from unlawful eviction.

The New York City Council reported that in 2018, Brooklyn had the second highest rate of evictions in the city at 1 eviction per 180 units. With city-wide vacancy rates at less than 4% the incentives for landlords to evict tenants in order to turn over units to market rents is ever present. Sunset Park is particularly vulnerable, since most of the existing housing units are unregulated. Unregulated tenants may be evicted without cause provided the landlord gives 30 days notice. Landlords may also increase the rents of unregulated tenants without consent.

Draft legislation currently within the NY State Assembly seeks to address these issues by expanding rent regulation. In addition to fully supporting this legislation, this report also makes the following recommendation:

- **Expand Rental Protections:** Expand rental protections to tenants in month to month rental agreements and other informal agreements. While current rent regulations are specific to the terms of lease agreements, many local residents live under less formal rental arrangements and are therefore at risk of eviction or having their rents increased.
- **Enact Local Good Cause Eviction Legislation:** Enacting local good cause eviction legislation to provide additional protections to renters in New York City would provide more robust support for existing residents in the face of increasing rent pressure.
- **Create a Local Restricted Unit Database:** Enforcement of rent restrictions is heavily dependent on owners registering restricted units as required by law. Creating a local database of restricted units would create a public accountability mechanism, providing an additional check on potential bad actors while also help the community to keep track of the inventory of affordable units.

G. Revisit the Sunset Park 197-A Plan

The Sunset Park 197-A adopted in 2009 was primarily focused on Industrial Development and Job Creation. Yet in spite of this, the plan also acknowledged the potential for disruption within the local community and indicated a desire to strike a balance. As noted in the plan document:

> "The plan is built upon a vision of the Sunset Park waterfront as a sustainable mixed-use neighborhood that promotes regional and local economic development, fosters a healthy living and working environment, and reconnects upland residential communities in Brooklyn Community District 7 to the water's edge."[19]

Current economic conditions, while favorable to the redevelopment of the waterfront, also have the potential to exacerbate the housing inequities within the community. Manufacturing innovations have changed the nature of industry. Demographic data indicates that current residents do not typically meet the minimum qualifications for the types of jobs being created. The tension surrounding the Industry City rezoning application is indicative of the fear among local resident regarding future jobs prospects and housing stability within the community.

It is recommended that Community Board 7 revisits the 197-A Plan, with the aim of realigning the priorities to account for the importance of housing to the preservation and development of Sunset Park, in accordance with community goals.

Financing Programs

Various financing and subsidy programs were reviewed to determine whether the financing types and program objectives coincide with the existing conditions and objectives of the Sunset Park plan. While many available federal, state and local new construction and preservation programs include regulatory restrictions governing affordability, the efficacy of many programs require a baseline number of housing units or are tied to private development incentives that are incongruous with some aspects of the Sunset Park plan.

Limited capacity compels both state and city agencies to target resources to optimize production. Specific examples are the use of Low-Income Housing Tax Credits and Tax-Exempt Bonds. Critical equity and capital sources in popular state and city housing programs; these sources are optimized when deployed in the development of projects producing a substantial numbers of units. Development is also partially driven by private developer fee and investor tax benefits, incentives that are maximized in larger projects. As such they are most effectively utilized to achieve new production objectives.

Based on this report's assessment of existing programs, the following represent programs that best fit the objectives outlined in Sunset Park's housing plan:[20]

[19] New Connections/New Opportunities Sunset Park 197-A Plan
[20] See Appendix C for Term Sheets

Preservation

Under Housing 2.0, the City of New York increased its production target from 200,000 units by the year 2024 to 300,000 units by 2026, with 60% of this production being targeted to preservation. Based on this report's assessment of existing programs, the following represent programs and financing mechanisms that best fit the preservation objectives outlined in Sunset Park's housing plan:[21]

- **HPD's Neighborhood Pillars (Pillars):** Launched in December 2018 the HPD Neighborhood Pillars program is a $275 million public-private fund established to help non-profit and mission-driven organizations be more competitive in the acquisition of rent-stabilized and unregulated buildings to preserve as affordable housing. The program was created as a tool to counteract the market pressure prevailing in neighborhoods across the city. It is specifically designed to support neighborhood stabilization and targets regulated and unregulated housing types such as are typical in Sunset Park. In addition to preserving housing units, the program would bring unregulated units under city oversight.
- **The Neighborhood Pillars Down Payment Assistance Fund:** Launched in concert with HPD's Neighborhood Pillars, this program provides financial and technical assistance to not-for-profit borrowers to facilitate the acquisition of unregulated or rent stabilized properties. It is a bridge to the funding available under the Neighborhood Pillars program.
- **New York City Acquisition Fund LLC:** Established through a partnership comprised of Enterprise Community Partners, Inc., Local Initiatives Support Corporation, the City of New York, and other commercial lending institutions; the NYC Acquisition Fund provides low-interest loans for up to 3 years to fund acquisition and pre-development costs such as appraisals and environmental assessments.
- **Housing Trust Fund:** Housing trust funds are established at the state or local level and overseen by a housing agency. They are funded through a variety of sources including local real estate taxes and linkage fees. These funds allow more flexibility in program design since they are not subject to federal oversight, permitting communities to design programs to meet their specific objectives.
- **Revolving Loan Fund:** A revolving loan fund is a lending facility capitalized for the purpose of making loans in support of a specific objective. The fund is recapitalized by loan repayments allowing additional loans to be made. Establishing a revolving loan fund for Sunset Park would provide additional financing support for its housing plan.

[21] See Appendix C for Term Sheets

New Production

Rezoning and the Transfer of Development Rights are projected to create additional development capacity within Sunset Park. Leveraging this capacity to benefit the neighborhood requires flexible and adaptable financing types that can be combined with other forms of equity. The New York City Housing Development Corporation offers various financing programs that combine federal, state and city sources to finance new production. These programs would also allow Opportunity Fund and other types of equity to be utilized without compromising program objectives. Based on this report's assessment, the following programs coincide with the new production objectives outlined in Sunset Park's housing plan:[22]

- **Mixed Income Program - Mix and Match:** The Mixed Income Program financed by the New York City Housing Development Corporation (HDC) combines Tax-Exempt Bonds and Low-Income Housing Tax Credits (LIHTC) with City and State subsidy to develop low to moderate income housing units. This program combines some of the City's most frequently utilized funding mechanisms and is designed to produced low-income units cross-subsidized by moderate-income units. This program is intended to provide units for families at various income levels, and would be an effective tool in accommodating expansion in a growing community such as Sunset Park.

- **Mixed Income Program - M2 (Mixed-Middle):** The Mixed Income Program financed by the New York City Housing Development Corporation (HDC) combines Tax-Exempt Bonds and Low-Income Housing Tax Credits (LIHTC) with City and State subsidy to develop low to moderate income housing units. The program is designed to finance the construction and substantial rehabilitation of projects containing a minimum of 100 unit. Buildings containing a minimum of 50 units may also be considered. This program is intended to provide units for families of low to moderate-income.

[19] See Appendix C for Term Sheets

Recommendation Matrix

Land Use

Goals	Objectives	Timeline	Actions	Agency or Private Entity	Funding Type / Sources
Preservation	Acquisition of existing housing units to preserve affordability	Short to medium term	Approach current owners	NYC Housing Preservation & Development (HPD), NYC Housing Development Corporation (HDC)	HPD Pillars, NYC Acquisition Fund
New Production	Production of new housing units	Short to medium term	Add capacity for residential density where contextually appropriate	Dept. of City Planning (DCP), NYC HDC, NYC HPD, Private Developers	Tax-Exempt Bonds, Qualified Opportunity Fund, Private Capital, Tax Exemptions and or Abatements
Housing Program Design	Design a housing program to match community need	Medium to long term	Work with state and local agencies to develop housing programs that target neighborhood income demographics	DHCR, HPD, HDC	N/A - Policy design
Expanding and Strengthening Tenant Protections	Just Cause Eviction Legislation	Short to medium term	State Senate and local government support for Good Cause Eviction proposal	State & Local Government, Elected Officials, NY City Council	N/A - Legislative action
	Rent Stabilization enforcement	Short to medium term	Renewal of rent stabilization laws with amendments expanding tenant protections	State & Local Government & Elected Officials	N/A - Legislative action
	Tenant Rights' Advocacy	Short to medium term	City and State funding for local not-for profit organizations in affected neighborhoods	HPD & Department of Housing and Community Renewal (DHCR)	HPD Partners in Preservation Pilot Program
	Creation of a local restricted unit database	Short to medium term	Establish a research and data team to track rent-restricted units	DHCR, HPD, Brooklyn Community Board 7	Brooklyn Borough President, City Council
Revisit Sunset Park 197-A Plan	Realign plan with community goals	Long term	Community Stakeholder outreach, Asses	NY City Council, City Planning Commission (CPC), NYC DCP, Brooklyn Community Board 7	N/A

Financing Programs

Goals	Objectives	Timeline	Actions	Agency or Private Entity	Funding Type
Qualified Opportunity Fund	Establish a fund to attract investment in Brooklyn Community Board 7	Medium to long term	Designate a fund manager. Outline fund objectives.	Internal Revenue Service (IRS), fund manager, investors	Private investment
Transfer of Development Rights	Acquire and warehouse development capacity	Medium to long term	Purchase development rights from underused sites, to be redirected to development areas approved by the community	DCP, HPD, NY City Council	HPD, EDC

Conclusion

Whatever their financial resources, everyone needs housing they can afford. While affordable housing is generally viewed as housing that requires some form of public support, the reality is that families and individuals at all income levels are better off when housing costs are within a manageable range based on their income. However, the reality faced by many local communities is that the market is generally more efficient at providing market-rate housing. Providing affordable housing for lower-income families is the challenge faced by many communities nationwide. This report is offered as a framework for addressing this challenge within the Sunset Park Community.

The Sunset Park Community's history of facilitating the integration of upwardly mobile immigrants represents a link to the past and a vision for a future built on diversity and inclusion. The ability to accommodate growth while preserving the historical values is inextricably linked to the ability to meet the housing needs of existing and future residents. Thus, it is the general recommendation of this report that the Community Board pursues a housing policy that expands housing supply at all levels.

Appendices

Appendices

Appendix A: Community Workshop

On Monday, March 18, 2019, a community meeting was held with housing professionals and community stakeholders within the community. Three sets of questions were posed to the 40 participants in the meeting, focusing on current housing issues, potential solutions, and future visions of the neighborhood. The questions posed during the group discussion included the following:

What do you want to see in Sunset Park in 10 years?

Public schools

Economic opportunities for native residents

More affordable housing near good jobs and public spaces

More accessible subway stations

Less Citi bikes and bike lanes

More support for community-based organizations assisting vulnerable residents

More community-based workshops about topical issues (e.g. mental health, emergency disaster preparedness, etc.)

Build truly affordable housing

Maintain immigrant and working class nature of Sunset Park

Have more activities for youth, more parks' programming

What does housing Sunset Park mean to you?

Safety

Community

Diverse

Affordable

Limited preservation

Homelessness and overcrowding

Expensive

Discriminatory

Flipping properties

Community Workshop: Breakout Session 1

How has housing changed in the community?

More expensive to purchase housing
Housing prices are up especially for studios and 2-bedrooms
Utility bills are going up
Illegal conversion of units into smaller apartments
Discriminatory practices by landlords such as:
Asking for proof of nationality, tax requirements
Requesting professional formal employment
Asking for 2-3 months rent before qualifying
Requiring no children
Turning away renters whose apparent race is Hispanic
Loss of Section 8 housing
Loss of rent-regulated or rent-controlled units
More rent-burdened households
Out migration of longtime residents
Compositional change in households (increase in non-family households)
Increase in purchases made by investors
Difficulty in finding apartment
Increase in luxury housing
Neighborhood aesthetics have changed
Decrease in tree-lined blocks
Overcrowding in public facilities
Building height of new developments is out of context
Condos between row houses and townhouses

If nothing changes, what will housing in Sunset Park look like in 10 years? What are the best and worst outcomes you envision for the neighborhood?

Worst Outcomes

Displacement of residential and commercial tenants
Pressures on manufacturing jobs
Less rent-stabilized housing
Increase unaffordability
Cultural fragmentation or breaking of community fabric
Less supportive programming for youth
More luxury housing
Decrease in quality housing
Decrease in owner-occupants
Neighborhood aesthetics change
Loss of middle and working classes
4th Ave becoming market rate and luxury housing

Best Outcomes

Increase investments
Reduced school crowding
Increase in diversity
Increase in green spaces
Increase in community facilities and services

What are your biggest reservations about affordable housing development in the neighborhood?

Development is developer-centric and often leaves community members out

“Always good but developers can always make luxury homes in exchange for building affordable housing”

Will the new affordable housing benefit existing housing communities in the neighborhood?

Affordable housing application:

Hard to access

Legal status

Not truly affordable

Housing is driven by developers now

NY State is not as active in providing affordable housing

Affordable units are studio sizes and not meeting the need for 2- and 3-bedrooms

Affordable unit sizes are smaller and do not accommodate families

What are the biggest barricades to the neighborhood achieving its housing goals?

Getting younger and more diverse communities involved in neighborhood decisions?

Getting access to the support services that the community needs

Not enough vacant land for housing construction

Limited community input

Foreign capital investments

Developers attracting migration into Sunset Park

AMI rules do not adequately serve Sunset Park residents

Community Workshop: Breakout Session 2

How can residents best secure long-term housing?

Establish real protections for low income residents

Local investments that do not incentivize developers and create cycles of gentrification (e.g. designation of opportunity zones)

Being aware of housing rights

Recognizing discrimination and other forms of unjust treatment

Engaging in advocacy

Make available low-cost loans or grants to incentivize landlords to fix properties in exchange for keep rent levels low

Be an ideal tenant

Purchase homes

Inclusionary units must be permanently affordable

What programs/agencies would be most effective in preserving and developing affordable housing in Sunset Park?

Rent-control law

Program providing housing court lawyers

Anti-harassment laws

Program for emergency repairs

Open House NYC program that pays for disability infrastructure

Incentive programs for landlords to make infrastructure upgrades

Nonprofit developers in community such as community-based organizations and churches

Section 8 expansion

Universal rent control

More programs such as Center for Family Life’s lifeline programs

How can rising property values be leveraged to assist renters?

Institute “Flip tax” on sale of building to fund affordable housing

Increase property tax - use to invest in programs that can help renters with housing placement

Tax real estate developers

How can the Community Board best address housing in the coming years?

Strengthen rent laws

Engage in charter revision to make Community Board vote binding in land use decisions / ULURP

Advocate for the need for universal affordable housing

Advocate for policies that preserve affordable housing

Recommend upzoning

Direct all complaints from CB to State officials

More issue-based workshops in community spaces

Put pressure on elected officials

Engage the community better; effective community outreach

Larger meeting spaces

Discuss strategies for balancing the need for more affordable housing with the desire to maintain neighborhood character?

Incentivize contiguous homeowners to build up to add housing units

Landmarking

Making the existing housing stock truly affordable

Better protections for housing

Prevent houses from turning into condos

Can you identify housing developments or neighborhood clusters in NYC or elsewhere that serves as a model for what you’d like Sunset Park to become?

Bronx and Williamsburg have nonprofit affordable housing developers, own rent-stabilized properties

Bayridge used zoning to preserve neighborhood character

Stuytown has good example of middle class affordable housing for purchase

Do you think that an affordable component should be a requirement in all housing proposals seeking community board approval/endorsement? Why or why not? What would you like to see potential developers provide to the community?

Mandatory Inclusionary Housing is not enough - 50% or more should be set aside for affordable housing; use zip codes to determine AMI

All new housing construction must have affordable component

New developments should provide cultural uses and other community facility depending on the project scale

Community should have control over land use decisions

Appendix B: Brooklyn Community Board 7 - Survey Results

Survey Respondents	Amount	Percentage
Renter	152	86.36%
Homeowner	15	8.52%
Did Not Reply (Blank)	9	5.11%
Total	176	100.00%

Age

Total Respondents	Amount	Percentage
18 to 25 years old	12	6.82%
>25 to 35 years old	27	15.34%
>35 to 45 years old	48	27.27%
>45 to 55 years old	10	5.68%
>55 to 65 years old	18	10.23%
Over 65 years old	30	17.05%
Prefer Not to Answer	10	5.68%
Did Not Reply (Blank)	21	11.93%

Educational Attainment

Total Respondents	Amount	Percentage
Less than 9th grade	28	15.91%
9th to 12th grade (no diploma)	37	21.02%
High school graduate (includes equivalency)	33	18.75%

Some college (no degree)	9	5.11%
Associate's Degree	6	3.41%
Bachelor's Degree	11	6.25%
Graduate or Professional Degree	10	5.68%
Prefer Not to Answer	17	9.66%
Did Not Reply (Blank)	25	14.20%

Length of Time Living in Brooklyn CB 7

Total Respondents	Amount	Percentage
0-3 Years	20	11.36%
> 3-6 years	36	20.45%
> 6-10 years	29	16.48%
More than 10 years	84	47.73%
Did Not Reply (Blank)	7	3.98%

Annual Household Income

Renters	Amount	Percentage	Homeowner	Amount	Percentage
Less than $10,000	29	19.08%	Less than $10,000	0	0.00%
$10,000 to $24,999	63	41.45%	$10,000 to $24,999	1	6.67%
$25,000 to $34,999	23	15.13%	$25,000 to $34,999	1	6.67%
$35,000 to $49,999	6	3.95%	$35,000 to $49,999	1	6.67%
$50,000 to $74,999	2	1.32%	$50,000 to $74,999	0	0.00%
$75,000 to $99,999	1	0.66%	$75,000 to $99,999	0	0.00%

$100,000 to $149,999	1	0.66%	$100,000 to $149,999	2	13.33%
$150,000 or more	3	1.97%	$150,000 or more	6	40.00%
Did Not Reply (Blank)	24	15.79%	Did Not Reply (Blank)	4	26.67%

Race/Ethnicity

Renters	Amount	Percentage	Homeowner	Amount	Percentage	Did Not Respond	Amount	Percentage
Hispanic or Latino	50	32.89%	Hispanic or Latino	2	13.33%	Hispanic or Latino	0	0.00%
Asian	71	46.71%	Asian	1	6.67%	Asian	0	0.00%
Black or African American	0	0.00%	Black or African American	0	0.00%	Black or African American	1	11.11%
White	2	1.32%	White	8	53.33%	White	0	0.00%
Two or more	2	1.32%	Two or more	0	0.00%	Two or more	0	0.00%
Other	6	3.95%	Other	1	6.67%	Other	0	0.00%
Prefer Not to Answer	12	7.89%	Prefer Not to Answer	0	0.00%	Prefer Not to Answer	0	0.00%
Did Not Reply (Blank)	9	5.92%	Did Not Reply (Blank)	3	20.00%	Did Not Reply (Blank)	8	88.89%

Rental Subsidies

Renters	Amount	Percentage
Low-Income Housing Tax Credit (LIHTC)	6	3.95%
Rent Controlled	11	7.24%
Rent Stabilized	38	25.00%
Subsidized (Section-8, HUD Senior, etc.)	18	11.84%

Tax Exemption or Abatement (421-A,J-51, etc.)	1	0.66%
Two or More Subsidies	12	7.89%
No Subsidies	58	38.16%
Did Not Reply (Blank)	8	5.26%

Housing Price

Renters	Amount	Percentage	Homeowner	Amount	Percentage
Less than $625	26	17.11%	Less than $625	0	0.00%
$625 to $874	40	26.32%	$625 to $874	1	6.67%
$875 to $1,249	44	28.95%	$875 to $1,249	0	0.00%
$1,250 to $1,874	30	19.74%	$1,250 to $1,874	4	26.67%
$1,874 to $2,499	7	4.61%	$1,874 to $2,499	1	6.67%
$2,500 to $2,999	1	0.66%	$2,500 to $2,999	2	13.33%
$3,000 or more	0	0.00%	$3,000 or more	6	40.00%
Did Not Reply (Blank)	4	2.63%	Did Not Reply (Blank)	1	6.67%

Experienced Landlord Harassment

Renters	Amount	Percentage
Yes	13	8.55%
No	134	88.16%
Did Not Reply (Blank)	5	3.29%

Ranking Importance

Maintaining the physical characteristics of the neighborhood (existing building height, row houses, etc.)

Renters	Amount	Percentage	Homeowner	Amount	Percentage	Total Responde	Amount	Percentage

						nts		
1 - Very Important	24	15.79%	1 - Very Important	5	33.33%	1 - Very Important	29	16.48%
2 - Important	10	6.58%	2 - Important	1	6.67%	2 - Important	11	6.25%
3 - Somewhat Important	28	18.42%	3 - Somewhat Important	4	26.67%	3 - Somewhat Important	32	18.18%
4 - Not Very or Not at All Important	70	46.05%	4 - Not Very or Not at All Important	3	20.00%	4 - Not Very or Not at All Important	73	41.48%
Did Not Reply (Blank)	20	13.16%	Did Not Reply (Blank)	2	13.33%	Did Not Reply (Blank)	31	17.61%

Development of low-income housing units (Rents at or below 1/3 of monthly household income)

Renters	Amount	Percentage	Homeowner	Amount	Percentage	Total Respondents	Amount	Percentage
1 - Very Important	86	56.58%	1 - Very Important	5	33.33%	1 - Very Important	91	51.70%
2 - Important	25	16.45%	2 - Important	2	13.33%	2 - Important	27	15.34%
3 - Somewhat Important	6	3.95%	3 - Somewhat Important	5	33.33%	3 - Somewhat Important	11	6.25%
4 - Not Very or Not at All Important	18	11.84%	4 - Not Very or Not at All Important	1	6.67%	4 - Not Very or Not at All Important	19	10.80%
Did Not Reply (Blank)	17	11.18%	Did Not Reply (Blank)	2	13.33%	Did Not Reply (Blank)	28	15.91%

Strengthening legal protections for current residents (e.g. rent stabilization, just cause evictions)

Renters	Amount	Percentage	Homeowner	Amount	Percentage	Total Respondents	Amount	Percentage
1 - Very Important	41	26.97%	1 - Very Important	2	13.33%	1 - Very Important	43	24.43%
2 - Important	63	41.45%	2 - Important	6	40.00%	2 - Important	69	39.20%
3 - Somewhat Important	19	12.50%	3 - Somewhat Important	3	20.00%	3 - Somewhat Important	22	12.50%
4 - Not Very or Not at All Important	10	6.58%	4 - Not Very or Not at All Important	0	0.00%	4 - Not Very or Not at All Important	10	5.68%
Did Not Reply (Blank)	19	12.50%	Did Not Reply (Blank)	4	26.67%	Did Not Reply (Blank)	32	18.18%

Creating and improving economic opportunities in the neighborhood

Renters	Amount	Percentage	Homeowner	Amount	Percentage	Total Respondents	Amount	Percentage
1 - Very Important	18	11.84%	1 - Very Important	3	20.00%	1 - Very Important	21	11.93%
2 - Important	20	13.16%	2 - Important	1	6.67%	2 - Important	21	11.93%
3 - Somewhat Important	64	42.11%	3 - Somewhat Important	2	13.33%	3 - Somewhat Important	66	37.50%
4 - Not Very or Not at All Important	30	19.74%	4 - Not Very or Not at All Important	6	40.00%	4 - Not Very or Not at All Important	36	20.45%
Did Not Reply (Blank)	20	13.16%	Did Not Reply (Blank)	3	20.00%	Did Not Reply (Blank)	32	18.18%

Ranking Importance - Most Needed in Sunset Park

Senior Housing

Renters	Amount	Percentage	Homeowner	Amount	Percentage	Total Respondents	Amount	Percentage
1 - Very Important	40	26.32%	1 - Very Important	3	20.00%	1 - Very Important	43	24.43%
2 - Important	28	18.42%	2 - Important	5	33.33%	2 - Important	33	18.75%
3 - Somewhat Important	40	26.32%	3 - Somewhat Important	3	20.00%	3 - Somewhat Important	43	24.43%
4 - Not Very or Not at All Important	22	14.47%	4 - Not Very or Not at All Important	1	6.67%	4 - Not Very or Not at All Important	23	13.07%
Did Not Reply (Blank)	22	14.47%	Did Not Reply (Blank)	3	20.00%	Did Not Reply (Blank)	34	19.32%

Multi-Family Affordable Housing

Renters	Amount	Percentage	Homeowner	Amount	Percentage	Total Respondents	Amount	Percentage
1 - Very Important	56	36.84%	1 - Very Important	7	46.67%	1 - Very Important	64	36.36%
2 - Important	37	24.34%	2 - Important	1	6.67%	2 - Important	38	21.59%
3 - Somewhat Important	20	13.16%	3 - Somewhat Important	2	13.33%	3 - Somewhat Important	22	12.50%
4 - Not Very or Not at All Important	14	9.21%	4 - Not Very or Not at All Important	1	6.67%	4 - Not Very or Not at All Important	15	8.52%
Did Not Reply (Blank)	25	16.45%	Did Not Reply (Blank)	4	26.67%	Did Not Reply (Blank)	37	21.02%

Market-Rate Housing

Renters	Amount	Percentage	Homeowner	Amount	Percentage	Total Respondents	Amount	Percentage
1 - Very Important	29	19.08%	1 - Very Important	2	13.33%	1 - Very Important	31	17.61%
2 - Important	21	13.82%	2 - Important	2	13.33%	2 - Important	23	13.07%
3 - Somewhat Important	24	15.79%	3 - Somewhat Important	2	13.33%	3 - Somewhat Important	26	14.77%
4 - Not Very or Not at All Important	49	32.24%	4 - Not Very or Not at All Important	5	33.33%	4 - Not Very or Not at All Important	54	30.68%
Did Not Reply (Blank)	29	19.08%	Did Not Reply (Blank)	4	26.67%	Did Not Reply (Blank)	42	23.86%

Supportive Housing (formerly homeless, special needs, etc.)

Renters	Amount	Percentage	Homeowner	Amount	Percentage	Total Respondents	Amount	Percentage
1 - Very Important	26	17.11%	1 - Very Important	3	20.00%	1 - Very Important	29	16.48%
2 - Important	31	20.39%	2 - Important	1	6.67%	2 - Important	32	18.18%
3 - Somewhat Important	30	19.74%	3 - Somewhat Important	6	40.00%	3 - Somewhat Important	37	21.02%
4 - Not Very or Not at All Important	38	25.00%	4 - Not Very or Not at All Important	2	13.33%	4 - Not Very or Not at All Important	40	22.73%
Did Not Reply (Blank)	27	17.76%	Did Not Reply (Blank)	3	20.00%	Did Not Reply (Blank)	38	21.59%

Appendix C: Financing Program Term Sheets

Department of Housing Preservation & Development
nyc.gov/hpd

NYC Department of Housing Preservation and Development (HPD)
Office of Development, Division of Preservation Finance

Neighborhood Pillars
Term Sheet

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.
Eligible Projects	Multiple dwellings with three or more units that are rent stabilized or unregulated. 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. Priority will be given to buildings across the city that are experiencing market pressure and/or that are in distress.
Eligible Borrowers	The program is open to not-for-profit and for-profit borrowers. Eligible entities include 501(c)(3) corporations, single purpose housing development fund corporations using the HPD approved Certificate of Incorporation, limited partnerships, corporations, joint ventures, limited liability companies, and individual owners.
Eligible Uses	The acquisition and moderate or substantial rehabilitation of multiple dwellings.
HPD Loan Amount	Maximum HPD subsidy amounts are outlined below:

Underwritten Rents	Maximum Subsidy
Projects with average rents of 50% of AMI or less	Up to $180,000 per unit
Projects with average rents between 50% and 60% AMI	Up to $155,000 per unit
Projects with average rents between 60% and 70% AMI	Up to $130,000 per unit
Projects with average rents more than 70% of AMI	Up to $110,000 per unit

Higher per unit subsidy requests will be considered on a case by case basis for projects that are located in high cost neighborhoods, however HPD will impose additional regulatory restrictions.

HPD Loan Terms

- Loan term: 30 years.
- Overall Interest Rate: The long-term, monthly-compounding Applicable Federal Rate (AFR), with a minimum floor of 2.5% (compounding monthly).
- Paid Interest Rate: 1% per annum (plus 0.25% servicing fee during construction). HPD may reduce the paid rate to leverage additional private financing. Any unpaid interest will defer and accrue, to be paid as a balloon at maturity.
- Amortization: Balloon may be allowable.
- Debt Service Coverage: 1.15 on all financing.
- Appraisals must be completed according to HPD's Approved Appraisal Guidelines
- Maximum Gross Rent Multiplier (GRM) for acquisition price: 12 (however HPD may consider higher GRM for projects in higher cost markets)
- Developer's Fee: Developer fee will be paid in increments based on project milestones. Up to half may be paid during the construction period with the balance payable upon permanent loan conversion.
  - Nonprofit: 8% of TDC less acquisition, reserves, and developer fee and 5% of

	acquisition, with a net developer fee cap of $10,000/du o For-profit: 5% of TDC less developer fee and reserves • Reserves: o Operating Reserve that is in an amount equal to or greater than 6 months of maintenance and operating expenses and debt service on all loans is required. o Replacement reserve of $250 per unit per year, increasing at 3% annually, paid from cash flow. o Reserves must remain with the project for the duration of the HPD regulatory term. If senior debt is satisfied prior to HPD regulatory term, HPD will assume control of the reserves. • Contingency: 10% of hard costs; 5% of soft costs. • Letter of credit or Payment and Performance Bond: 10% of hard costs excluding contingency. • Cash Flow: • For Profit: developer receives 100%. • Nonprofit: developer receives 50% and 50% is held in City-controlled reserve
Borrower Cash Equity Requirements	For-profit developers: minimum of 10% of TDC less reserves and developer fee Nonprofit developers: minimum of 2% of TDC less reserves, and developer fee
Fees and Closing Costs	• HPD Commitment Fee of 1% of the portion of the mortgage funded by HPD. • HPD Closing Fee of 0.5% of the portion of the mortgage funded by HPD. *(The HPD Commitment and Closing Fees are waived for not-for-profit borrowers.)* • Construction signage fee per building: $100 • Equal Opportunity Review Fee per project: $1,400 • Davis Bacon/Prevailing Wage Monitoring fee per project: $30,000 • Fees must be paid by borrowers and are not counted towards owner equity requirements
Rent Setting	• For occupied units, rents will be projected to increase by rent stabilization allowances during the construction period. If a more significant increase is necessary to support building operations and debt service, rents may be restructured post-completion. • For vacant units, rents shall generally be set no higher than a level affordable to households earning 120% AMI, unless further restricted based on federal funding sources and/or LIHTC requirements if applicable. Rents for vacant units may be set at multiple tiers under 120% AMI.
Regulatory Restrictions	Projects will be subject to a regulatory agreement with the following requirements: • Projects must commit to permanent affordability for no less than 30% of the units. The permanently affordable units shall be contained in the lowest regulated tiers. • Rents for all units in a project shall be restricted in one or more regulatory tier that are determined by the existing rent distribution, amount of HPD subsidy provided, and restrictions set forth through other subsidies or regulations. However, no rents shall exceed a level affordable to households earning 120% AMI during the regulatory term. • Units with rents set up to 80% AMI can be rented to households earning up to 10% above the rent limitation. Units with rents set above 80% can be rented to households earning up to 20% above the rent limitation, with the maximum household income being 130% AMI. • All units must be registered with DHCR and are subject to the New York State Rent Stabilization regulations. Work completed as a result of the financing is not eligible for Individual Apartment Increases (IAIs) or Major Capital Improvement increases (MCIs). Vacancy and luxury decontrol are not permitted for the duration of the HPD restriction period.

Neighborhood Pillars Term Sheet December 2018

	• Projects shall set aside at least 20% of the total units as homeless units. All homeless unit referrals must be made by HPD's Homeless Placement Unit. In the event of financial hardship, HPD may reduce or waive the homeless requirement if deemed necessary. • HPD requires annual submission of a certified rent roll; written certification of tenant incomes on vacant units; and supporting documentation for rent and income determination pursuant to the regulatory agreement.
Real Estate Tax Benefits	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.
Design and Construction Requirements	All projects must comply with HPD's Master Guide Specifications for Rehabilitation Projects and Scope of Work (July 2014): (http://www1.nyc.gov/site/hpd/developers/specifications-rehabilitation/master-guide-specifications-for-rehabilitation-projects.page. Projects must complete an Integrated Physical Needs Assessment (IPNA) from a firm that has been pre-qualified by HDC: http://nychdc.com/content/pdf/RFP/IPNA%20Pre-Qualified%20Firms%20List.pdf 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. All substantial rehab projects, as determined by HPD, must achieve Green Communities Certification. The Green Communities Criteria and Certification portal is available at www.greencommunitiesonline.org. Projects that include all three items within their scope of work are considered 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. More information can be found at: http://www1.nyc.gov/site/hpd/developers/green-building.page Prior to closing, all projects must complete benchmarking on a whole building basis using a Benchmarking Software Provider Firm that has been pre-qualified by HDC: http://www.nychdc.com/Current%20RFP. Funded projects must benchmark throughout the loan and regulatory term. Projects where HPD/HDC's contribution is more than $2 million will have to comply with the M/WBE Build Up Program requiring developers/borrowers to spend at least a quarter of HPD-supported costs on certified M/WBEs over the course of design and construction of an HPD-subsidized project. A minimum goal will be required for each project subject to the program. Developers may adopt a goal higher than the minimum. HPD requires developers, general contractors, and subcontractors working on projects receiving more than $2 million in City subsidy to share job openings in entry- and mid-level construction positions with HireNYC and to interview the qualified candidates that HireNYC refers for those openings.

Fair Housing and Accessibility Requirements	The Developer is required to comply with all applicable Federal, State, and local laws, orders, and regulations prohibiting housing discrimination. The Developer must also construct the project in compliance with all laws regarding accessibility for people with disabilities, including but not limited to Chapter 11 of the 2014 New York City Building Code, the federal Fair Housing Act, the Americans With Disability Act, and Section 504 of the Rehabilitation Act of 1973. Work to assist tenants aging in place may also be required by HPD and included in the scope of work.
Marketing Requirements	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.
Application Process	Borrowers must apply to HPD by submitting a proposal for acquisition using the property summary and underwriting template located on the program website. To receive financing through the program, Borrower must request a soft commitment letter, which will only be granted at HPD discretion based on a review of the proposed project. HPD highly encourages Borrowers to request feedback on a project prior to making an offer to a seller.
HPD Contact	**Hollis Savage, Deputy Director, Leveraged Preservation Programs** hpdplp@hpd.nyc.gov

HPD, 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.

NOTE: The project receiving funding under this program may be subject to Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) and the implementing regulations at 24 CFR part 135. If applicable to the project, (i) to the greatest extent feasible, opportunities for training and employment arising in connection with the planning and carrying out of the project must be given to "Section 3 Residents" as such term is defined in 24 CFR 135.5; and (ii) to the greatest extent feasible, contracts for work to be performed in connection with any such project must be awarded to "Section 3 Business Concerns" as such term is defined in 24 CFR part 135.5.

Neighborhood Pillars
Down Payment Assistance Fund
Term Sheet

Program Description	The Neighborhood Pillars Down Payment Assistance Fund provides financial and technical assistance to not-for-profit housing organizations with the acquisition of unregulated and/or rent stabilized multifamily properties in New York City for preservation through the New York City Department of Housing Preservation and Development (HPD) Neighborhood Pillars Acquisition/Rehab Program. The Neighborhood Pillars Down Payment Assistance Fund is administered by Restored Homes Development LLC, an affiliate of Neighborhood Restore HDFC, with oversight from HPD. Qualified not-for-profit borrowers may access the Neighborhood Pillars Down Payment Assistance Fund to use as a down payment/deposit on a contract to acquire properties as well as to cover limited pre-acquisition costs. Restored Homes Development LLC will also assess building condition and capital needs, and may also provide assistance in identifying properties to bid on, underwriting the project, and moving towards an acquisition loan closing with the New York City Acquisition Loan Fund.
Eligible Projects	Multiple dwellings with three or more units that are rent stabilized or unregulated and that meet the terms of HPD's Neighborhood Pillars Acquisition/Rehab Program. 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. Properties that have previously received State or City Low Income Housing Tax Credits (LIHTCs) are not eligible for acquisition through the Neighborhood Pillars Down Payment Assistance Fund and should contact the HPD Year 15 Program (hpdyear15@hpd.nyc.gov). Projects that have previously received HUD-assistance are not eligible for the Neighborhood Pillars Down Payment Assistance Fund and should contact the HPD HUD Multifamily Program (hpdhudmf@hpd.nyc.gov).
Eligible Borrowers	Only not-for-profit organizations that responded to the Preservation Buyer Request for Qualifications issued by HPD, were selected to be a Qualified Preservation Buyer, and who have been reviewed and approved by a New York City Acquisition Loan Fund Originating Lender.
Eligible Uses	Down payments/deposits toward the acquisition of multiple dwellings for purposes of rehabilitation and preservation of affordable housing under HPD's Neighborhood Pillars Acquisition/Rehab Program. Eligible uses including the contract down payment/deposit of up to 10% of the purchase price as well as limited pre-acquisition costs, including third party reports and some legal costs associated with closing on the acquisition, per the terms outlined below. Any use of the Neighborhood Pillars Down Payment Assistance Fund must be approved by the Neighborhood Pillars Price Review Committee (Price Review Committee).
Terms	Interest Rate: 3% on the outstanding loan balance (accrued until repayment). Maximum Term: 18 months, with the possibility of 1 six-month extension. Additional terms will depend on whether the not-for-profit organization contributes equity to the down payment/ deposit, as detailed below:

	Option 1		Option 2	
Eligible Costs	**NFP**	**Fund**	**NFP**	**Fund**
Contract Deposit/Down payment of up to 10%	25%	75%	0%	100%
Third Party Reports	0%	100%	0%	100%
Acquisition Legal Costs	100%	0%	0%	100%
Recourse and Guarantee Requirements	No Recourse or Guarantee		Partial Guarantee: 50% of the loaned amount	

Origination and Services Fee: $35,000 per project

- At the time the fund is used for down payment/deposit: $15,000 (fee is accrued to the loan balance).
- At acquisition closing: $20,000 (fee is accrued to the loan balance or paid by an acquisition loan).

If the borrower is unable to close on an acquisition within the timeframe allowed in the contract of sale, contract maintenance fees or other penalties are the responsibility of the borrower, unless otherwise approved by the Price Review Committee.

In the event that a borrower fails to close on an acquisition after using the Neighborhood Pillars Down Payment Assistance Fund, the borrower must make every effort to recover the down payment/ deposit, and the funds must be returned to the Neighborhood Pillars Down Payment Assistance Fund.

If the borrower fails to close on the acquisition for a reason that is the responsibility of the borrower and the down payment/deposit is forfeited, then the borrower must repay the Neighborhood Pillars Down Payment Assistance Fund loan pursuant to the terms outlined above.

Additionally, the funds must be used for projects that will be financed through HPD's Neighborhood Pillars Program, except as otherwise approved by HPD. The funds may be used in conjunction with the New York City Acquisition Loan Fund.

Requirements

Use of the Down Payment Assistance Fund is contingent on the approval of the price and property from the Price Review Committee. This approval will require, at minimum, the following:

- Borrower must use a building consultant identified by Restored Homes Development, LLC to complete a walkthrough of the building and produce a property condition report.
- Borrower must use the Restored Homes Development, LLC underwriting template.
- Contract/ Purchase and Sale Agreement must contain terms consistent with the Restored Homes Development, LLC standards and/or include the Restored Homes Development, LLC rider.
- Borrower must enter into a loan agreement with Restored Homes Development, LLC.
- Borrower must create a single purpose entity to acquire the property.
- Borrower's Board of Directors must pass a resolution authorizing the Borrower's participation in the Neighborhood Pillars Program.

Contact	Non-profits interested in using the fund may contact: **Restored Homes Development, LLC** **(212) 584-8981** **info@neighborhoodrestore.org**

NYC ACQUISITION FUND
bridge loans for affordable housing

Occupied Property and Moderate Rehab Loan Term Sheet (Updated 10.24.18)

The following represent the Fund's general loan terms and conditions for acquisitions of occupied multi-family rental buildings to preserve long-term affordability. Each Originating Lender (see contacts below) is delegated authority to set terms (other than loan pricing, maximum term and fees) for each Fund loan, which may vary from the terms outlined here.

Project Sponsors:	Non-profit, For-profit, and M/WBE Sponsors with successful track records in developing and operating affordable housing.
Loan Proceeds:	May be used for costs associated with the acquisition, predevelopment and as applicable, moderate repair and upgrades of occupied multi-family rental buildings, to preserve long-term affordability.
Loan Amount:	Up to **$20,000,000**. Higher amounts available with approval by Fund.
Loan Term:	Up to 3 years, plus up to two six-month extensions at the Fund's discretion.
Loan to Value:	• **Non-profit and M/WBE Sponsors:** up to **130% LTV**. • **For-profit Sponsors:** up to **95% LTV.** Here, Value is defined as the lesser of appraised value and the purchase price**.**
Collateral:	First position lien on the property.
Equity Requirement:	• **Non-profit and M/WBE Sponsors:** Minimum **5%** of the total acquisition and predevelopment budget, due at closing**.** • **For-profit Sponsors:** Minimum **10%** of total acquisition and predevelopment budget, due at closing.
Pricing:	Variable rate pricing indexed to LIBOR, currently set at **LIBOR plus 3.75% for Non-profits and M/WBEs, and LIBOR plus 4.0 % for For-profits**
Origination Fees:	Up to 2.5%.
Payment Guarantee:	• **Maximum 25% guarantee** for **Non-profit and M/WBE Sponsors**. • **25% - 50% guarantee** for **For-profit Sponsors,** based on underwriting of loan transaction.
Takeout Financing:	At commitment the Fund requires soft written commitments to provide construction or permanent takeout financing, from the NYC Department of Housing Preservation and Development (HPD), the NYC Housing Development Corporation (HDC), or other New York City or State government sources, as applicable to the proposed transaction.

PLEASE CONTACT ONE OF OUR ORIGINATING LENDERS TO DISCUSS YOUR PROJECT

CSH	Enterprise	capital for healthy families & communities	LISC New York City
Maygen Moore Phone: (212) 986-2966	Victoria Rowe-Barreca Phone: (212) 262-9575	Kirsten Shaw Phone: (212) 509-5509	Arturo Suarez Phone: (212) 455-9800

www.nycacquisitionfund.com

NYC ACQUISITION FUND
bridge loans for affordable housing

VACANT PROPERTY LOAN TERM SHEET (UPDATED 10.24.18)

The following represent the New York City Acquisition Fund's general loan terms and conditions for vacant property acquisitions. Each Originating Lender (see contacts below) is delegated authority to set terms (other than loan pricing, maximum term and fees) for each Fund loan, which may vary from the terms outlined here.

Project Sponsors:	Non-profit, For-profit, and M/WBE Sponsors with successful track records in developing and operating affordable and/or supportive housing.
Loan Proceeds:	May be used for costs associated with the acquisition and predevelopment of vacant property for new construction of affordable and/or supportive multifamily rental housing in the 5 boroughs of New York City.
Loan Amount:	Up to **$10,000,000**. Higher amounts available with approval by Fund.
Loan Term:	Up to 3 years, with up to two six-month extensions at the Fund's discretion.
Loan to Value:	• **Non-profit and M/WBE Sponsors:** up to **130% LTV**. • **For-profit Sponsors:** up to **95% LTV.** Here, Value is defined as the lesser of appraised value and the purchase price.
Collateral:	First position lien on the property.
Equity Requirement:	• **Non-profit and M/WBE Sponsors:** Minimum **5%** of the total acquisition and predevelopment budget, due at closing. • **For-profit Sponsors:** Minimum **10%** of the total acquisition and predevelopment budget, due at closing.
Pricing:	Variable rate pricing indexed to LIBOR, currently set at **LIBOR plus 3.75% for non-profits and M/WBEs, and LIBOR plus 4.0 % for For-profits**
Origination Fees:	1.5% - 2.5%.
Payment Guarantee:	• **Maximum 25% guarantee** for **Non-profit and M/WBE Sponsors**. • **25% - 50% guarantee** for **For-profit Sponsors,** based on underwriting of loan transaction**.**
Takeout Financing:	At commitment the Fund requires soft written commitments for construction or permanent takeout financing from the NYC Department of Housing Preservation and Development (HPD), the NYC Housing Development Corporation (HDC), or other NYC or State sources, as applicable to the transaction.

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www.nycacquisitionfund.com

Department of Housing Preservation & Development
nyc.gov/hpd

NYC Department of Housing Preservation and Development (HPD)
Office of Development, Division of New Construction Finance

Mixed Income Program: Mix & Match
Term Sheet

Program Description

HPD's Mixed Income Program: Mix & Match funds the new construction of mixed income multi-family rental projects in which 40%-60% of the units are at low income rents affordable to households earning up to 60% of Area Median Income (AMI) and the other 40%-60% of units would have rents affordable to moderate and/or middle income households earning up to 130% of AMI. Projects must have a range of affordability tiers.

HPD subsidy is in addition to other public and private sources including but not limited to: private institutional lenders; New York City Housing Development Corporation (HDC) programs such as HDC's Mixed Income Mix and Match program; New York State Homes and Community Renewal (HCR) programs such as Homes for Working Families Initiative (HWF), Low Income Housing Trust Fund Program (HTF), Middle Income Housing Program (MIHP), New York State Low Income Housing Tax Credit Program (SLIHC) and Low Income Housing Credit Program (LIHC), Federal Low Income Housing Tax Credit Program (LIHTC), and New York State Housing Finance Agency programs.

Eligible Borrowers and Sponsors

In order to be eligible for Capital funds, a borrower must be a Housing Development Fund Corporation either alone or in partnership with for-profit developers, limited partnerships, corporations, trusts, joint ventures, or limited liability companies.

The development team for the project must have demonstrated a track record of successfully developing, marketing, 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 construct and operate the project.

HPD Loan Amount

HPD subsidy calculation is based on the number of units with rents affordable to households at or below 130% AMI according to the chart below. Projects should have a minimum of four affordability tiers. At least 10% of units must be set aside for formerly homeless households and a minimum of 10% of units must be affordable to households earning between 30-50% AMI.

Projects are encouraged to create intergenerational housing by incorporating senior housing units, including under the zoning rules for affordable independent residences for seniors (AIRS).

Rental Tier	Subsidy
Our Space	$225,000
27% of AMI	$185,000
37% of AMI	$155,000
47% of AMI	$125,000
57% of AMI	$95,000
70% of AMI	$120,000
80% of AMI	$115,000
90% of AMI	$95,000
100% of AMI	$70,000
110% of AMI	$40,000
120% of AMI	$20,000
130% of AMI	$10,000

Project Selection: Preference will be given to projects that include: (1) provide more than 20% of units for formerly homeless families, (2) include more than 20% of units serving households earning up to 50% of AMI or less, and/ or (3) provide more than four income tiers.

Requests for Above Term Sheet Subsidy: Projects that request more than the maximum subsidy will be considered for funding, but will not receive preference. For every $5,000 per unit in additional subsidy provided above the term sheet maximum, projects will be required to provide an additional 5% of units to serve formerly homeless families or make an additional 5% of units affordable in perpetuity.

Mandatory Inclusionary Housing (MIH): MIH projects that request subsidy for the MIH units will be required to provide an additional 15% of permanently affordable units.

Voluntary Inclusionary Housing/Other Sources: Maximum per-unit subsidies may be reduced for projects utilizing other sources, including Inclusionary

Housing, or rental assistance such as Project Based Vouchers, absent broader/deeper affordability or project benefits.

Rents and Marketing Bands

Rental Tier	Income Limits	Maximum Initial Rents			
		Studio*	1 BR	2 BR	3 BR
Our Space	30% of AMI	$215	$283	$425	$512
27% of AMI	30% of AMI	$331	$426	$521	$594
37% of AMI	40% of AMI	$475	$605	$736	$843
47% of AMI	50% of AMI	$618	$784	$951	$1,091
57% of AMI	60% of AMI	$761	$963	$1,166	$1,339
70% of AMI	80% of AMI	$947	$1,196	$1,445	$1,661
80% of AMI	100% of AMI	$1,091	$1,375	$1,660	$1,910
90% of AMI	110% of AMI	$1,234	$1,554	$1,874	$2,158
100% of AMI	130% of AMI	$1,377	$1,733	$2,089	$2,406
110% of AMI	140% of AMI	$1,520	$1,912	$2,304	$2,654
120% of AMI	150% of AMI	$1,664	$2,091	$2,519	$2,902
130% of AMI	165% of AMI	$1,807	$2,270	$2,733	$3,150

**Studio Rents are sized based on a 0.6 Household Factor*

***Rents are based on 2017 HUD income limits and assume tenant pays electricity with no electric stove.*

Initial Rents: Initial rents for tenants with low incomes (30% of AMI, 40% of AMI, 50% of AMI, and 60% of AMI) are calculated at 30% of 27% of AMI, 30% of 37% of AMI, 30% of 47% of AMI, and 30% of 57% of AMI. All other rents are calculated at 30% of the target AMI. All rent levels are calculated as gross rents less a utility allowance.

Rent Increases: Subsequent rent increases for restricted units will be governed by the lower of AMI or rent stabilization increases. No vacancy or luxury decontrol will be permitted for the duration of the HPD restriction period for all unit types.

Marketing Bands: Projects must comply with the above listed Marketing Bands, or where other funding sources restrict the allowable maximum income. In addition, Program seeks to minimize overlapping income limits between tiers.

Loan Terms

- Loan Term: 30 year minimum (Loan terms vary by funding source and lending authority).
- Interest Rate: Applicable Federal Rate (AFR) monthly long-term rate simple during construction and permanent. An additional 0.25% servicing fee will be applied during construction, as applicable. The actual paid rate during construction will be up to 1% per annum in addition to the servicing fee. The actual paid rate during permanent will be up to 1% per annum, inclusive of the servicing fee. The difference between AFR and the paid rate will defer and accrue, with balloon due at maturity. HPD may reduce the interest rate to below AFR in return for extended affordability of 60 years or permanent affordability for at least 15% of the units.
- Amortization: Balloon payment up to 100% of HPD loan amount.
- Debt Service Coverage: 1.15 on all financing.
- Loan to Cost: May not exceed 90% overall of total development cost.

	• Income to expense ratio: Minimum of 1.05 on all financing; 1.10 when commercial space is more than 25% of gross income. • Developer's Fee: As described in the HPD Low Income Housing Tax Credit Qualified Action Plan (QAP), total developer fee is not to exceed 15% of improvement costs (excluding developer fee, reserves, and syndication and partnership expenses) and 10% of acquisition costs for tax credit projects. Up to 10% of the fee may be paid during construction. Consultant fees should be paid from the developer fee. HPD may require a reduction in paid developer fee in order to reduce public subsidy. HPD requires that the deferred developer fee be based on 15 years' of cash flow. • Consultant Fees: Consultant fees, including development consultants, owner's representatives, etc., must be paid from the developer fee. • Land Acquisition: Acquisition costs for privately owned land will be reviewed by HPD and may be approved at up to appraised value. ○ For publicly-owned sites, disposition in most cases will be for $1 per lot with the balance of appraised value in an enforcement note and mortgage payable upon maturity with simple AFR. The enforcement note and mortgage may be structured as a forgivable loan in return for extended affordability beyond what is minimally required by other sources of funds. Publicly-owned sites may include sites owned by HPD, other government agencies and property owned by NYCHA. • Projects funded with Federal funds require compliance with Section 3 new hires and Davis Bacon prevailing wages, as applicable. • Preferences will be given to projects demonstrating cost containment.
Equity Requirement	10% of total allowable development costs excluding costs attributable to LIHTC eligible basis. This equity requirement is exclusive of the paid and deferred developer's fee. Reduced land price below value will be considered as part of the equity requirement, per HPD's approval.
Units for Formerly Homeless Households	• Homeless referrals must come directly from HPD except projects that receive a supportive housing social service contract award from New York State Office of Mental Health (OMH) or New York City Department of Health and Mental Hygiene (DOHMH) or another government agency. • All projects with homeless set-aside units must submit a **Social Service Plan** and a proposed **Social Service Provider** for HPD approval prior to marketing and lease-up of the homeless set-aside units, except those receiving referrals from a government agency under a social service contract. • For projects with a social service contract that provides rental assistance above tax credit rents, HPD may require that a portion of net cash flow be deposited in the a social service reserve • The unit distribution for homeless units must be approved by HPD. • For developments with Project-Based Section 8, a **Rent-Up Reserve** of up to $1,500 per homeless unit may fund rental income. • For projects with Our Space units or without a social service contract, a capitalized **Social Service Reserve** of up to $7,500 per homeless unit and annualized reserve of $9,500 per 5% of the homeless units (rounded up) may fund the approved social service plan • HPD may require an additional set-aside of up to $2,000 per studio homeless unit, or up to $3,000 if the homeless units include family units, to fund furnishings for homeless units at initial rent-up.

Mixed Income: Mix and Match, Term Sheet *Updated – 05.15.17*

Design and Construction Requirements

- Projects must meet HPD Design Guidelines for Multifamily New Construction and Senior Housing and plans must be approved by HPD. HPD also strongly encourages the incorporation of the critical success factors outlined in "Laying the Groundwork: Design Guidelines for Retail and Other Ground-Floor Uses in Mixed-Use Affordable Housing Developments".
- HPD will approve unit distribution. Projects are suggested to have a minimum of 15% one-bedroom, a minimum of 30% two-bedroom or larger, and a maximum of 25% studio units. Projects that include supportive housing units for singles may be allowed to exceed the 25% studio threshold.

Unit Type	Net Square Footage
Studio	350 - 400 sq. ft.
1 BR	500 - 550 sq. ft.
2 BR	650 - 725 sq. ft.
3 BR	850 - 950 sq. ft.
4 BR	950 - 1,075 sq. ft.

- HPD reserves the right to participate in construction monitoring.
- HPD may at its discretion require competitive bidding for general contractors.
- All projects must achieve Green Communities Green Certification. The Green Communities Criteria and Certification portal is available online at http://www.greencommunitiesonline.org/
- All projects will be required to retain a qualified benchmarking service provider to track utility usage for heating, electric and water. The HPD Benchmarking and Performance Tracking Protocol is available online at http://www1.nyc.gov/site/hpd/developers/green-building.page
- Projects must be in full compliance with the design requirements of all applicable laws, including, but not limited to, the *New York City Zoning Resolution*, the *New York City Building Code*, the *New York City Housing Maintenance code*, the *New York State Multiple Dwelling Law*, the *Fair Housing Act*, and *Section 504 of the Rehabilitation Act of 1973*. Projects receiving New York State Homes and Community Renewal (HCR) funding must also comply with the *HCR Design Guidelines,* as applicable.

Real Estate Tax Benefits

- Projects may qualify for §421-a or the Article XI tax exemption. See HPD Tax Incentive Programs guidelines for more information. Projects may be subject to a PILOT in the HPD Regulatory Agreement depending on the availability of project cash flow.
- Developers must provide proof of any such tax exemption prior to construction loan closing.

Closing Requirements

Closing requirements prior to construction loan closing include (but are not limited to):

- Completed and satisfactory Sponsor Review disclosure documents for all applicable individuals and entities in the project. Further disclosure documentation may be required.
- Completed and satisfactory Equal Opportunity documents for applicable entities, including contractors and sub-contractors, in the project. Further documentation may be required for contractors and sub-contractors on the Enhanced Contractor Review status list.
- Completed and satisfactory HUD Section 3 documents for applicable entities in the project, if project is receiving federal funding.
- Completed and satisfactory Campaign Finance documents for applicable individuals and organizations in the project.
- Completed and satisfactory Environmental Review including, but not limited to, City

	Environmental Quality Review (CEQR), and/or State Environmental Quality Review Act (SEQRA), and/or National Environmental Policy Act (NEPA), as applicable. Detailed environmental studies and compliance measures may be required. • Architectural plans approved by HPD's Building and Land Development Services • Approval and Permits by the NYC Department of Buildings (DOB) • HPD may require the inclusion of an HPD rider as part of the construction contract. • Borrower's organizational documents including W-9 forms and IRS EIN letters. • Projects with HOME funds must comply with HOME Compliance requirements. • HPD requires that the general contractor secures projects by a letter of credit for 10% of hard costs excluding contingency. Payment and Performance bond for 100% of hard costs may be accepted in lieu of letter of credit. • HPD may require that it be named beneficiary on documents, including but not limited to insurance certificates and completion guarantees.
Rent Up	• All projects must be marketed according to HPD and HDC marketing guidelines. The developer must submit a marketing plan for agency review and approval prior to marketing. • On an annual basis, HPD may require a certified rent roll, written certification of tenant incomes, and other supporting documentation.
Conversion	Conditions precedent to permanent loan conversion include (but are not limited to): • Evidence of rent registration with HCR in compliance with rent stabilization requirements • 95% residential rental achievement • 100% commercial/retail occupancy evidenced by executed leases • Evidence of real estate tax benefits. • Temporary or Final Certificate of Occupancy from NYC Department of Buildings (DOB). • Architect's Statement post-completion regarding accessibility • Certificate of Completion from HPD on publicly-owned sites. • Evidence of HOME compliance.
Proposal Review Information	For consideration, please submit the following: • Location (Borough/Block/Lot and address) and description of site and proposed development. Include commercial, parking and residential square footage. • Proposed pro-forma including development and operating budgets, as well as acquisition price per developable floor area for privately owned sites. Include an appraisal for private site acquisitions. • Whether the project is generating tax benefits or zoning bonus to another project. • Proposed development team (borrower, contractor, architect, management company) respective principals and previous development experience over the last 10 years. HPD and NYC development experience should be highlighted.
Additional Requirements	Developers are required to comply with all applicable Federal, State, and local laws, orders, and regulations prohibiting housing discrimination. The Developer must also construct the project in compliance with all laws regarding accessibility for people with disabilities, including but not

	limited to the New York City Building Code, the federal Fair Housing Act, the Americans With Disability Act, and Section 504 of the Rehabilitation Act of 1973. Eligible HPD-financed projects will be subject to the Agency's economic opportunity programs including HireNYC and M/WBE Build Up. Such projects must meet the obligations of each applicable program and initiative. Additional information can be found at http://www1.nyc.gov/site/hpd/developers/hirenyc.page and http://www1.nyc.gov/site/hpd/developers/mwbe-build-up-program.page. HPD requires a fee of $1,400 for monitoring compliance with Executive Order 50 of 1980 (as amended by Executive Order 94 of 1986, Executive Order 108 of 1986, and Executive Order 159 of 2011) which requires equal employment opportunity in New York City contracting and monitoring compliance with the Federal Davis Bacon Act (40 U.S.C. §3141 et seq.), State Labor Law §§220 and 230, Real Property Tax Law §421-a(8), and New York City Administrative Code §6-109 which require the payment of prevailing wages and compliance with labor standards.
HPD Contact	**Multifamily New Construction Programs** 100 Gold Street, Room 9I-5, New York, NY 10038 mfnc@hpd.nyc.gov Phone: 212-863-6044

HPD, 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.

NYC Housing Development Corporation (HDC) Term Sheet

Mixed Income Program: M^2 (Mixed-Middle)

(Tax-Exempt Bonds)

Program Description	HDC's M^2 Program combines a first mortgage, funded with proceeds from the sale of variable or fixed rate tax-exempt bonds, with a second mortgage, funded with HDC corporate reserves, and other City/State subsidies to finance multi-family rental housing affordable to low, moderate and middle-income families. More specifically, 20% of the units will be at rents affordable to households earning up to 50% of Area Median Income (AMI); alternatively, 25% of the units must be affordable to those earning up to 60% AMI. A minimum of 30% of the units must be affordable to moderate-income households earning between 80% and 100% of AMI with the remaining units affordable to middle-income households earning between 130% and 165% of AMI. Projects may have a range of affordability tiers. The tax-exempt first mortgage may be financed with a combination of new "private activity" bonds, which may qualify the low-income units for as-of-right "4%" Federal Low Income Housing Tax Credits (LIHTCs), and "recycled" bonds, which provide a tax-exempt rate for the moderate and middle-income units but do not bring LIHTCs. HDC allocates new private activity bonds to meet the 50% test on the low-income units only while the balance of the loan may be financed with recycled bonds. In addition to providing the tax-exempt financing (credit enhanced by a long-term credit enhancer) to fund the first mortgage, HDC will provide a subordinate loan of $85,000 to $95,000 per affordable unit, capped at $15 million 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 M^2 (Mixed-Middle-Income) Program, as well as applicable programs offered by New York State Homes & Community Renewal (HCR). The mortgages will be subordinate to the credit-enhanced HDC first mortgage. Please refer to the M² Program for details on the maximum monthly rents and income limits.
Eligible Uses	New construction, substantial rehabilitation and conversions of non-residential buildings on an as-of-right basis for developments containing a minimum of 100 residential units. Smaller developments with no fewer than 50 units may be considered on a case-by-case basis.
Eligible Borrowers	The development team for the project must have demonstrated a track record in successfully developing, marketing, 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 construct and operate the project.
Maximum Income Limits and Monthly Rents	Low-Income Units – 20% of the units must be affordable to low-income households earning at or below 50% AMI. Alternatively, 25% of the units must be affordable to those earning at or below 60% AMI. 2017 low-income rent levels are outlined below: Unit Type / 47% AMI* / 57% AMI* Studio** / $618 / $761 1 BR / $784 / $963

2 BR	$951	$1,166
3 BR	$1,091	$1,339

*Rent levels are calculated as 2017 HUD FMR derived gross rents less an electricity allowance.
**Note that Studios are calculated with a Household Factor of 0.60.

Moderate and Middle-Income Units* – a minimum of 30% of the units must be affordable to moderate-income households earning between 80%-130% AMI. A maximum of 50% of the units could be affordable to middle-income households earning up to 165% AMI. Units with rents above 130% AMI may be considered but will not receive subsidy.

- 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 165% of AMI.

More restrictive income limits of other financing sources may apply. The maximum income of any middle-income unit will be 165% of AMI.

Additional requirements for mixed-income tax-exempt bond projects may include:

- Deep-rent skewing – 15% or more *of the low-income unit*s 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 moderate and middle-income units must be a minimum of 2 times the rent for the low-income units.

First Mortgage

Loan Amount:

During construction, tax-exempt bonds subject to new private activity volume cap may be available for up to 50% of the aggregate basis of the low-income portion of the project.

Permanent first mortgage loan amount will be set based on HDC underwriting criteria as set forth below:

Debt Service Coverage Ratio:
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:

Permanent Fixed Rate or Weekly Tax-Exempt 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 is required.

Underwriting Rate:

Fixed Rate: Usually based on bond rate plus 20 basis points for HDC servicing and 50 basis points for mortgage insurance premium (MIP).

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) as well as an amortization component.

Term: 30-year permanent loan term with a 30-year amortization schedule. Longer permanent and/or amortization term may be available at HDC's sole discretion and as permissible by the permanent enhancement provider.

Amortization:
Open Resolution: First mortgage will be fully amortizing.
Stand Alone: First mortgage will be fully amortizing with the ability to build up principal reserve funds up to 20% of the bond balance of the first mortgage loan prior to actual redemption of bonds.

HDC Financing and Servicing Fees:
Commitment Fee: 1.00% of the HDC first loan amount.

Costs of issuance: as determined by HDC.

First year MIP: 50 basis points annually to HDC on the outstanding permanent loan balance.

New York State Bond Issuance Charge: HDC will collect an additional bond issuance charge that is payable on a sliding scale and is based on the amount of bonds issued.

- Less than $1,000,001 = 0.168%
- $1,000,001 to $5,000,000 = 0.336%
- $5,000,001 to $10,000,000 = 0.504%
- $10,000,001 to $20,000,000 = 0.672%
- Greater than $20,000,000 = 0.84%

Stand-by Bond Purchase Agreement Fee (variable rate transactions only): 1.00% of the HDC first loan amount.

All of the above fees are capitalized in the development budget.

Servicing fee: 20 basis points annually to HDC on the outstanding bond balance.

Second Mortgage

Loan Amount:
A second mortgage (subsidy) from HDC, not to exceed $15 million per project, of

1) Up to $85,000 per affordable dwelling unit without rental subsidy; this requires moderate-income units to be underwritten at or below 100% AMI. Any units with Project Based Section 8 or other rental subsidy will receive $75,000 per unit.

OR

2) Up to $95,000 per affordable dwelling unit without rental subsidy; this requires moderate-income units to be underwritten at or below 80% AMI. Any units with Project Based Section 8 or other rental subsidy will receive $85,000 per unit.

The amount available per unit is based on the moderate-income rent levels

outlined above and on need as determined by HDC. Per-Unit subsidies may be reduced for projects utilizing other sources, including the Inclusionary Housing Program, absent broader/deeper affordability or project benefits. Preference will be given to projects that permit full amortization of HDC subordinate financing.

Interest Rate: A simple interest rate set at the Applicable Federal Rate (AFR).

Payment: A minimum of a 1% interest only payment is required, although preference will be given to projects that permit a higher constant or full amortization of the HDC subordinate financing. The difference between Payment and Interest Rate may defer and accrue with balloon due at maturity.

Term: 30-year permanent term or a coterminous term with the First Mortgage for new construction, rehabilitation and conversion projects.

Credit Enhancement and Mortgage Insurance

Open Resolution Transactions (variable rate or fixed rate pooled financing):

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. The stand-by LOC provider must be a highly rated financial institution acceptable to HDC.

All variable rate transactions will also require the construction lender to enter into a stand-by bond purchase agreement to provide liquidity for the bonds.

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. On deals with first mortgages of less than $20,000,000, mortgage insurance requirements may be satisfied with REMIC mortgage insurance.

<u>Stand Alone Transactions (variable rate or fixed rate):</u>

Construction Period:

Credit enhancement for the bonds is required during construction and stabilization periods. A direct-pay LOC for the full amount of the bonds may be provided by either the permanent credit enhancer or by a construction lender. The direct-pay LOC provider must be a highly rated financial institution acceptable to HDC.

All variable rate transactions will also require the construction lender to enter into a bond purchase agreement to provide liquidity for the bonds.

Permanent Period:

A permanent credit enhancement is required during the permanent mortgage period.

- Mortgage insurance may be provided by REMIC, SONYMA or HUD, as determined by HDC, for fixed rate transactions.
- Permanent credit enhancement must be in the form of a direct-pay 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 an origination fee, an annual LOC fee, an LOC servicing fee, and a liquidity fee.
Overall Terms	Loan to Value: Combined first and second mortgage not to exceed 95% LTV as established by an independent MAI appraisal acceptable to HDC. HDC publishes annual Maintenance and Operating Expense Standards for underwriting. Loan to Cost: May not exceed 90% overall. Debt Service Coverage Ratio: 1.15 times overall. Income to Expense Ratio: 1.05 to 1.00 or greater on all financing. Variable Interest Rate Protection: At the time of conversion to the permanent credit enhancement, an interest rate cap or swap will be required. HDC-HPD Regulatory Agreement requires a minimum 30-year occupancy restriction period. Permanent affordability may be required per the program terms for projects subject to the Mandatory or Voluntary Inclusionary Program.
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. • Completed and satisfactory third party reports with reliance letters to HDC. • Completed and satisfactory developer's tax certification (95-5 Form). • 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.
- Certificate of completion from construction lender's construction monitor.
- Completed and satisfactory final developer's tax certification (Final 95/5).
- Certificate of completion from HPD on City-owned sites.
- All other conditions as required by the credit enhancer.

Other

Design Guidelines:

Projects must meet HPD's Design Guidelines for New Construction and Substantial Rehabilitation. The minimum and maximum square footage (sf) by unit type are as follows:

Studio: 350-400 sf
1 BR: 500-550 sf
2 BR: 650-725sf
3 BR: 850-950 sf
4 BR: 950–1,075 sf

HDC will approve unit distribution based on HPD's Design Guidelines referenced above. Projects are encouraged to have a minimum of 15% one-bedroom, a minimum of 30% two-bedroom or larger, and a maximum of 25% studio units. Projects that include supportive housing units for singles may be allowed to exceed the 25% studio threshold. Homeless set aside units must be proportionally distributed among unit types and approved by HPD.

Building Green:

HDC requires all projects to meet Enterprise Green Communities standards. All projects will be required to retain an HDC pre-qualified benchmarking service provider to track utility usage for heating, electric and water. 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/Ongoing Fees:

Capitalized HDC Operating Reserve: $1,000 per unit minimum required.

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

Tax credit monitoring fee: 0.75% of the max annual Tax Credit Rent capped at $12,500 for buildings of 150 units or less, and $17,500 for buildings over 151 units. An additional $100 per building will also be due on an annual basis.

Taxes, insurance, and water/sewer escrows required at conversion.

Subsequent interest rate cap reserves (as required by credit enhancer).

Ongoing Trustee, Rating Agency and Remarketing Agent fees may apply on Stand Alone transactions.

Real Estate Tax Benefits:

Projects may qualify for §421-a or the Article XI tax exemption. See HPD Tax Incentive Programs guidelines for more details on benefits and eligibility information. Projects may be subject to a PILOT depending on the availability of project cash flow. Developers must provide proof of any such tax exemption prior to construction loan closing.

Minimum Equity:

At least 10% of total allowable development cost, excluding LIHTC eligible basis. An acquisition price below appraised market value may be used to satisfy a portion of the equity requirement, subject to HDC's approval; however deferred developer's fee may not be applied towards the equity requirement. Preference will be given to proposals with greater equity contributions.

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 described in the HPD Qualified Action Plan (QAP), total developer fee is not to exceed 15% of improvement costs (excluding developer fee, reserves, and syndication and partnership expenses) and 10% of acquisition costs for tax credit projects. Consultant fees should be paid from the developer fee. A portion of the developer fee, deemed "paid fee", is allowed to be paid at the time of closing, with the balance at or after conversion; HDC allows up to 10% of the paid fee to be released at closing. Any remaining unpaid developer fee should be deferred during construction and paid from cash flow, as allowable by IRS rules and the governing QAP.

Marketing:

Marketing plan to be approved by HDC and HPD on jointly funded projects. Marketing process and income certification overseen by HDC.

Must comply with HDC marketing guidelines. 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 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 and proposed development (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.
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 02/28/18

NYC Housing Development Corporation (HDC) Term Sheet

Mixed Income Program: Mix and Match

(Tax-Exempt Bonds)

Program Description	HDC's Mix & Match Program combines a first mortgage, funded with proceeds from the sale of variable or fixed rate tax-exempt bonds, with a second mortgage, funded with HDC corporate reserves, and other City/State subsidies to finance multi-family rental housing affordable to low, moderate and middle-income families. More specifically, 40%-60% of the units will be at rents affordable to households earning up to 60% of Area Median Income (AMI) with the remaining units affordable to households earning higher incomes up to 130% AMI. Projects may have a range of affordability tiers. The tax-exempt first mortgage may be financed with a combination of new "private activity" bonds, which may qualify the low-income units for as-of-right "4%" Federal Low Income Housing Tax Credits (LIHTCs), and "recycled" bonds, which provide a tax-exempt rate but do not bring LIHTCs. HDC allocates new private activity bonds to meet the 50% test on the low-income units only while the balance of the loan may be financed with recycled bonds. In addition to providing the tax-exempt financing (credit enhanced by a long-term credit enhancer) to fund the first mortgage, HDC will provide a subordinate loan of up to $75,000/unit, capped at $15 million 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 Mix & Match Program, as well as applicable programs offered by New York State Homes & Community Renewal (HCR). The mortgages will be subordinate to the credit-enhanced HDC first mortgage. Please refer to the HPD Mix & Match Term Sheet for details on the maximum monthly rents and income limits.
Eligible Uses	New construction, substantial rehabilitation and conversions of non-residential buildings on an as-of-right basis for developments containing a minimum of 100 residential units. Smaller developments with no fewer than 50 units may be considered on a case-by-case basis.
Eligible Borrowers	The development team for the project must have demonstrated a track record in successfully developing, marketing, 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 construct and operate the project.
First Mortgage	Loan Amount: During construction, tax-exempt bonds subject to new private activity bond volume cap may be available for at least 50% of the aggregate basis of the low-income portion of the project. Permanent first mortgage loan amount will be set based on HDC underwriting criteria as set forth below: Debt Service Coverage Ratio: 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:

Permanent Fixed Rate or Weekly Tax-Exempt 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 is required.

Underwriting Rate:

Fixed Rate: Usually based on bond rate plus 20 basis points for HDC servicing and 50 basis points for mortgage insurance premium (MIP).

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) as well as an amortization component.

Term: 30-year permanent term with a 30-year amortization schedule. Longer permanent and/or amortization term may be available at HDC's sole discretion and as permissible by the permanent enhancement provider.

Amortization:

Open Resolution: First mortgage will be fully amortizing.
Stand Alone: First mortgage will be fully amortizing with the ability to build up principal reserve funds up to 20% of the bond balance of the first mortgage loan prior to actual redemption of bonds.

HDC Financing and Servicing Fees:

Commitment Fee: 1.00% of the HDC first loan amount.

Costs of Issuance: as determined by HDC.

First year MIP: 50 basis points on the outstanding permanent loan balance.

New York State Bond Issuance Charge: HDC will collect an additional bond issuance charge that is payable on a sliding scale and is based on the amount of bonds issued.

- Less than $1,000,001 = 0.168%
- $1,000,001 to $5,000,000 = 0.336%
- $5,000,001 to $10,000,000 = 0.504%
- $10,000,001 to $20,000,000 = 0.672%
- Greater than $20,000,000 = 0.84%

Stand-by Bond Purchase Agreement Fee (variable rate transactions only): 1.00% of the HDC first loan amount.

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.

Second Mortgage	Loan Amount: Second Mortgage (subsidy), not to exceed $15 million per project, of 1) Up to $75,000 per affordable dwelling unit without rental subsidy, with rents affordable to households at or below 130% AMI; OR 2) Up to $65,000 per Project Based Section 8 Unit or other rental subsidy unit. Per-Unit subsidies may be reduced for projects utilizing other sources, including the Inclusionary Housing Program, absent broader/deeper affordability or project benefits. Preference will be given to projects that permit full amortization of the HDC subordinate financing. Interest Rate: A simple interest rate set at the Applicable Federal Rate (AFR). Payment: A minimum of a 1% interest only payment is required, although preference will be given to projects that permit a higher constant or full amortization of the HDC subordinate financing. The difference between Payment and Interest Rate may defer and accrue with balloon due at maturity. Term: 30-year permanent term or a coterminous term with the First Mortgage for new construction, rehabilitation and conversion projects.
Credit Enhancement and Mortgage Insurance	Open Resolution Transactions (variable rate or fixed rate pooled financing): 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. The stand-by LOC provider must be a highly rated financial institution acceptable to HDC. All variable rate transactions will also require the construction lender to enter into a stand-by bond purchase agreement to provide liquidity for the bonds. Permanent Period: Mortgage insurance is required during the permanent mortgage period and may be provided by REMIC, SONYMA, or HUD, as determined by HDC. On deals with first mortgages of less than $20,000,000, mortgage insurance requirements may be satisfied with REMIC mortgage insurance. Stand Alone Transactions (variable rate or fixed rate): Construction Period: Credit enhancement for the bonds is required during construction and stabilization periods. A direct-pay LOC for the full amount of the bonds may be provided by either the permanent credit enhancer or by a construction lender. The direct-pay LOC provider must be a highly rated financial institution acceptable to HDC. All variable rate transactions will also require the construction lender to enter into a bond purchase agreement to provide liquidity for the bonds. Permanent Period: A permanent credit enhancement is required during the permanent mortgage period.

	• Mortgage insurance may be provided by REMIC, SONYMA or HUD for fixed rate transactions. • Permanent credit enhancement must be in the form of a direct-pay 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 an origination fee, an annual LOC fee, an LOC servicing fee, and a liquidity fee.
Overall Terms	Loan to Value: Combined first and second mortgage not to exceed 95% LTV as established by an independent MAI appraisal acceptable to HDC. HDC publishes annual Maintenance and Operating Expense Standards for underwriting. Loan to Cost: May not exceed 90% overall. Debt Service Coverage Ratio: 1.15 times overall. Income to Expense Ratio: 1.05 to 1.00 or greater on all financing. Variable Interest Rate Protection: At the time of conversion to the permanent credit enhancement, an interest rate cap or swap will be required. HDC-HPD Regulatory Agreement requires a minimum 30-year occupancy restriction period. Permanent affordability may be required per the program terms for projects subject to the Mandatory or Voluntary Inclusionary Program.
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. • Completed and satisfactory third party reports with reliance letters to HDC. • Completed and satisfactory developer's tax certification (95-5 Form). • 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. • Certificate of completion from construction lender's construction monitor. • Completed and satisfactory final developer's tax certification (Final 95/5). • Certificate of completion from HPD on City-owned sites. • All other conditions as required by the permanent credit enhancer.
Other	Design Guidelines: Projects must meet HPD's Design Guidelines for New Construction and Substantial Rehabilitation. The minimum and maximum square footage (sf) by unit type are as follows: Studio: 350-400 sf 1 BR: 500-550 sf 2 BR: 650-725sf 3 BR: 850-950 sf 4 BR: 950-1,075 sf HDC will approve unit distribution based on HPD's Design Guidelines referenced above. Projects are encouraged to have a minimum of 15% one-bedroom, a minimum of 30% two-bedroom or larger, and a maximum of 25% studio units. Projects that include supportive housing units for singles may be allowed to exceed the 25% studio threshold. Homeless set aside units must be proportionally distributed among unit types and approved by HPD. Building Green: HDC requires all projects to meet Enterprise Green Communities standards. All projects will be required to retain an HDC pre-qualified benchmarking service provider to track utility usage for heating, electric and water. 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/Ongoing Fees: Capitalized HDC Operating Reserve: $1,000 per unit minimum required. Replacement reserve: minimum of $300/unit/year increased with CPI. Smaller projects may require higher replacement reserves. Tax credit monitoring fee: 0.75% of the max annual Tax Credit Rent capped at

$12,500 for buildings of 150 units or less, and $17,500 for buildings over 151 units. An additional $100 per building will also be due on an annual basis.

Taxes, insurance, and water/sewer escrows required at conversion.

Subsequent interest rate cap reserves (as required by credit enhancer).

Ongoing Trustee, Rating Agency and Remarketing Agent fees may apply on Stand Alone transactions.

Real Estate Tax Benefits:

Projects may qualify for §421-a or the Article XI tax exemption. See HPD Tax Incentive Programs guidelines for more details on benefits and eligibility information. Projects may be subject to a PILOT depending on the availability of project cash flow. Developers must provide proof of any such tax exemption prior to construction loan closing.

Minimum Equity:

At least 10% of the total development cost, excluding LIHTC eligible basis. An acquisition price below appraised market value may be used to satisfy a portion of the equity requirement, subject to HDC's approval; however deferred developer's fee may not be applied towards the equity requirement. Preference will be given to proposals with greater equity contributions.

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 described in the HPD Qualified Action Plan (QAP), total developer fee is not to exceed 15% of improvement costs (excluding developer fee, reserves, and syndication and partnership expenses) and 10% of acquisition costs for tax credit projects. Consultant fees should be paid from the developer fee. A portion of the developer fee, deemed "paid fee", is allowed to be paid at the time of closing, with the balance at or after conversion; HDC allows up to 10% of the paid fee to be released at closing. Any remaining unpaid developer fee should be deferred during construction and paid from cash flow, as allowable by IRS rules and the governing QAP.

Marketing:

Marketing plan to be approved by HDC and HPD on jointly funded projects. Marketing process and income certification overseen by HDC.

Must comply with HDC marketing guidelines. 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 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 and proposed development (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.
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 02/28/2018

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