



## Housing Production Trust Fund (HPTF) New Construction Term Sheet (Rental and Homeownership)

<b>Program Description:</b>	HPTF Financing of New construction affordable multi-family rental and/or homeownership projects in which up to 100% of the units are up to 80 percent of Area Median Income (AMI). HPTF is a subsidy that can be paired with other public and private sources, including, but not limited to, private financing, tax exempt bond financing, Federal and DC State Low Income Housing Tax Credits, and other Federal affordable housing finance funding sources. (i.e., CDBG, HOME, NHTF, RHP).
<b>Eligible Sponsors:</b>	Sponsor (defined as developer and/or owner of the project) alone or in partnership with non-profit entities, for-profit developers, limited partnerships, corporations, trusts, joint ventures, or limited liability companies. Sponsors must have demonstrated experience and a positive track record of successfully developing, leasing and managing the type of proposed housing development or have formed a joint venture with an entity with expertise.
<b>Project Goals:</b>	To maximize the efficiency of public resources and to achieve multiple policy goals outlined in the Qualified Allocation Plan, Homeownership Task Force, Preservation Strike Force.
<b>Affordability Requirements:</b>	<p>Projects must achieve the requirements of HPTF funding, with at least 50% of the spending serving households with incomes at or below 30% AMI. At least 40% of the spending serving households with incomes between 30% and 50% AMI, and the balance of fund spending serving households with incomes up to 80% AMI.</p> <p>Income Averaging: The maximum income limit for a LIHTC unit is 80% AMI and the average income for all LIHTC units in the project must be no greater than 60% AMI.</p>
<b>Loan Amount:</b>	<p>DHCD subsidy limits are set at a per unit level identified, depending on the size of the project and percentage of HPTF units. All units within a project will receive the same HPTF subsidy amount per unit. Subsidy levels listed below are intended to be maximums, as the expectation is that project sponsors will seek competitive pricing, contain overall project costs, maximize first trust loan sizing and seek additional financing sources such that projects do not require subsidy at the term sheet maximums. Maximum per-unit subsidy may be reduced for projects that have an average AMI greater than the applicable Target Average AMI. To reduce the subsidy need for a project, DHCD may require that Sponsor contribute cash equity, deferred developer fee, and/or a sponsor loan. Projects should only expect to receive the subsidy levels above per unit maximums in <b>extraordinary circumstances</b>. DHCD <u>may</u> allow subsidy above the term sheet maximum for projects in limited affordability areas where the acquisition cost is contributing to an above term sheet subsidy request.</p> <p><u>HPTF Subsidy Per Unit:</u></p> <p>Target Average AMI: 50% AMI: \$340,000 HPTF Subsidy Per Unit</p> <p>Target Average AMI: 55% AMI: \$320,000 HPTF Subsidy Per Unit</p> <p>Target Average AMI: 60% AMI: \$300,000 HPTF Subsidy Per Unit</p>
<b>Loan Term:</b>	40 Years minimum, post-construction
<b>Interest Rate:</b>	<p>Up to 4% as determined by DHCD. After permanent loan conversion all interest may be deferred and accrued and due as a balloon payment upon maturity of the loan.</p> <p>DHCD reserves the right to require a paid interest rate, or a higher deferred/accrued interest rate on a case-by-case basis.</p>
<b>Amortization:</b>	Available Cash flow plan or Balloon payment of principal plus accrued interest at the end or the term.
<b>Service Fee:</b>	\$1,000/application. Due at time of submission of each HPTF Project Application.
<b>Debt Service Coverage:</b>	1.15x on all financing
<b>Income to Expense:</b>	1.05x on all financing
<b>Maintenance and Operations:</b>	All projects will be subject to maintenance standards as outlined by the District of Columbia Building Code, HUD's Housing Quality Standards or NSPIRE.
<b>Federal Compliance:</b>	Projects funded will require compliance with Section 3, Davis-Bacon prevailing wages and other requirements, as applicable and determined by the DHCD Office of Program Monitoring (OPM).
<b>Homeownership Projects:</b>	Sales prices are set jointly with DHCD at prices affordable to households earning between 30-120% AMI, or as dictated by market, with a mandatory minimum 10% discount to market. Prices are calculated to cap housing costs at 33% of total annual income for a household, which takes into consideration costs including monthly maintenance costs, utilities, and projected mortgage payments (assuming a 30-year mortgage term with a 5% down payment and a fixed interest rate calibrated to current rates).

**Non-Residential Space:**

Projects may include non-residential spaces that are permitted by zoning and other land use approvals, including commercial, community facility, and parking square footage. Non-residential space must be self-funded through debt leveraged from cash flow and other non-subsidy sources. To the extent lease commitments are not in place by closing, DHCD will expect Sponsors to underwrite reasonable rents for such spaces justified by an appraisal. DHCD may request that non-residential spaces (including community facility and parking) be divided into separate condominium units and removed from tax credit basis.

**Developer Fee:**

Project is entitled to a total developer fee which is inclusive of a paid fee and a deferred fee. Under no circumstance may total developer fee exceed the limits outlined in the Qualified Allocation Plan (QAP) in effect.

For Rental Projects:

**Paid Developer Fee.** The maximum paid developer fee is up to \$50,000 per unit for the first 70 units of a project, with an additional \$20,000 per unit for the next 70 units, and additional \$10,000 per unit for the balance of units. At DHCD's discretion, and subject to approval by first trust lender and LIHTC syndicator/investor, the developer may collect up to 25% of paid fee at construction loan closing, up to 25% of paid fee at substantial completion (typically defined as receipt of the temporary certificate of occupancy) or at other construction milestones as approved by DHCD, and the remaining 50% of paid fee at permanent loan conversion.

**Deferred Developer Fee.** In addition to the paid fee, Developer may collect a deferred developer fee payable out of project cash flow and sized to no greater than 15 years of the project's net cash flow prior to collection of any asset management fees.

**Reductions of Developer Fee.** If a project requires subsidy financing above term sheet limits, DHCD may require the paid or deferred developer fee to be reduced or additional developer fee to be deferred to reduce requested subsidy to comply with the term sheet. DHCD may require removal or reduction of deferred developer fee under certain circumstances, such as on 4% LIHTC deals where deferred developer fee contributes to tax credit basis or where unencumbered cash flow is needed for cash flow sweeps or other program requirements.

**Development Consultants and Owners Representatives.** Where the project sponsor has retained a development consultant to assist in project management and underwriting services, the cost of such services must be netted out of developer fee. For non-profit Sponsors, DHCD may allow owners representative fees to be capitalized in the development budget in addition to the developer fee.

For Homeownership Projects:

**Developer's Fee:** The total developer's fee will be the lesser of 10% of the total development costs (excluding the developer's fee, reserves, soft cost contingency and acquisition costs) and \$50,000/unit. DHCD will require a reduction in the paid developer fee in order to reduce funding gaps and/or public subsidy. Development consultants and owners representatives fees must be paid from developers' fee. Up to 10% of the fee may be paid during the construction period.

**Sponsor Equity:**

DHCD will defer to the first construction private lender's equity requirement. However, if necessary to improve financeability, DHCD may require a developer equity contribution during construction to reduce the project's DHCD subsidy need.

Sponsor equity shall be required for all projects where the average residential AMI is greater than 60% AMI. For every 1% of AMI above 60% AMI (rounded up), the project sponsor shall be required to provide equity equivalent to 0.25% of Total Development Costs (TDC), as illustrated in the table below.

**Equity Requirement Schedule****Average AMI Equity Requirement / % of Total Development Cost (TDC)**

60% AMI / 0.0% of TDC  
 61% AMI / 0.25% of TDC  
 62% AMI / 0.50% of TDC  
 63% AMI / 0.75% of TDC  
 64% AMI / 1.00% of TDC  
 65% AMI / 1.25% of TDC

Additional sponsor equity may be required for projects with over term sheet subsidy requests. Sponsor equity may be in the form of cash or a Sponsor Loan with repayments out of cash flow. Reduced land price below market value may be considered for up to 50% of the equity requirement, per DHCD approval. Sponsor equity and sponsor loans shall be subordinate to DHCD financing, and interest rates and return on equity requirements may be reviewed and approved by DHCD. All cash flow sweeps required by DHCD must be satisfied before repayment of sponsor equity or sponsor loans.

<b>Project Reserves</b>	<p>All reserve accounts must be held and serviced by the project's permanent senior lender, or another financial institution approved by DHCD. DHCD must provide consent for reserve withdrawals, as specified in the Regulatory Agreement. Reserves must remain with the project for the duration of the regulatory period. Reserves may include Operating and Replacement Reserve sized to underwritten operating expenses.</p> <p><b>Master Lease Reserve.</b> For projects with a Master Lease for non-residential project income (e.g. commercial, community facility, or parking income), DHCD may require that Master Tenant set up a Master Lease Reserve and deposit excess income into such reserve on an annual basis. Should there be an operating loss on the Project, Master Tenant may be required to utilize any balance in the Master Lease Reserve for the benefit of the Project. Such Master Lease Reserve is also available to the Master Tenant to pay operating losses on the Master Lease. Upon expiration of the Master Lease, the Master Lease Reserve must be deposited in the Project's Operating Reserve.</p>
<b>Cash Flow Sweeps</b>	<p><b>Operating Reserve Sweep.</b> Fifty percent of net cash flow, after payment of the Deferred Developer Fee, must be deposited in the Operating Reserve.</p> <p><b>Master Lease Reserve Sweep.</b> For projects with a Master Lease on non-residential spaces, DHCD may require that up to 100% of excess non-residential income be swept into the Master Lease Reserve. Master Tenant may account for operating losses, expenses and taxes prior to the Master Lease Reserve Sweep.</p>
<b>Private Land Acquisition:</b>	<p>Acquisition costs for privately owned land will be reviewed by DHCD and may be approved at the lesser of the purchase price or up to appraised value. DHCD will not recognize an increased acquisition price from a private site rezoning (or may require a sellers note or sponsor loan for the difference; however, such note or loan must be in excess of any equity requirements of the program).</p>
<b>Design &amp; Construction Guidelines:</b>	<p>All HPTF projects must follow the District of Columbia Building Code.</p> <p><b>Broadband:</b> Broadband service must be provided for all units at no additional cost to tenants.</p> <p><b>Construction Monitoring:</b> DHCD reserves the right to participate in construction monitoring.</p> <p><b>Construction Costs:</b> DHCD may at its discretion require competitive bidding for general contractors. DHCD requires a construction contract cost review to assess reasonability of the HPTF subsidy request.</p> <p><b>Enterprise Green Communities:</b> Projects are required to certify with the current version of the <a href="#">Enterprise Green Communities</a> or LEED v4 (Gold or Platinum).</p> <p><b>Zoning Compliance:</b> Projects must be in full compliance with the design requirements of all applicable laws, including but not limited to, all design regulations, including the Zoning Regulations of 2016 (11 DCMR), the Comprehensive Plan, the Green Area Ratio (GAR), environmental/stormwater management, and , if applicable, inclusionary zoning for affordable housing. Projects must conform to rules on height, bulk, density, and where applicable.</p>
<b>Fees and Closing Costs:</b>	<p>All applicable fees as outlined in the QAP apply to the Housing Production Trust Fund.</p>
<b>Pipeline Prioritization:</b>	<p>DHCD will prioritize projects for financing to maximize the Agency's goals, including redevelopment of city-owned sites, affirmatively furthering fair housing and promoting access to homeownership. Projects will also be evaluated based on their per-unit subsidy amounts.</p>
<b>Requisitions:</b>	<p>DHCD Construction Loans shall be advanced for hard costs only on a pari passu basis with advances hard costs from other project construction lenders.</p>
<b>Project Bonding:</b>	<p>DHCD 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.</p>
<b>Inclusionary Zoning:</b>	<p>Inclusionary zoning regulations may apply depending on project structure.</p>