

**DHS NEW TIER II SHELTER CONSTRUCTION and OPERATION
PROGRAM TERM SHEET**

1. PROGRAM DESCRIPTION

The NYC Department of Homeless Services (DHS) provides funding to create and operate new Tier II Family Shelters (Stand-Alone Transitional Residences for Families). The agency – in conjunction with other sources -- will pay debt service for costs associated with acquisition, conversion and rehabilitation over a 20-year loan term, and will fund social services and maintenance & operations.

2. ELIGIBLE BORROWERS & SPONSORS

Eligible applicants are non-profit developers and shelter operators, or for-profit developers in combination with a non-profit shelter operator.

The development team for the project must have demonstrated a track record in successfully developing, and managing low income multi-family rental housing or Tier II shelters. The entity that will operate the facility must have a demonstrated track record in successfully running one or more DHS shelters. Applicants will be evaluated on their ability and track record in delivering high quality services to shelter residents. Borrowers must demonstrate sufficient financial stability and liquidity to construct and operate the project.

3. ELIGIBLE PROJECTS

Eligible projects will allow for the creation of Tier II shelters that are anywhere from 50-150 units. The Tier II shelter shall provide apartment-style units with kitchens and bathrooms as well as office space for social services.

4. CONTRACT TERM

Contract term should not exceed 20 years. The operating contract term for facilities on which DHS will pay debt service is the same as the loan term. In the event the Department terminates the operating agreement prior to the end of the loan term, the Department or its designee will operate the Building and the Department agrees to make Debt Service payments through the loan term.

5. DHS MAXIMUM DEBT AND OPERATING PAYMENTS

DHS will sign one contract with the developer/ provider team to include an annual budget. The budget will include amounts for debt service and operations and will be used to set the per diem rate. Within this budget, the Department will pay \$1,300 per unit in replacement reserves, to be capitalized up front, and a 10% developer fee. The Department will also pay to capitalize a project operating reserve. Any amounts in the operating reserve shall remain available over the life of the contract.

Preference will be given to projects for which the all-in per diem in year one of the project does exceed \$130.

In addition, for shelters constructed with flexible design standards in which unit size can be manipulated to accommodate larger or smaller families, DHS will approve a per diem range that allows the shelter to maintain consistent operational funding.

6. LOAN TERMS

Borrower is responsible for securing a loan from a private institution. DHS will consider the competitiveness of the loan terms when making funding decisions. DHS will pay debt service directly to the lender.

Non-profit developers may be eligible for 501(c)(3) bond financing.

7. DESIGN AND CONSTRUCTION REQUIREMENTS

Projects must be designed and built in accordance with all applicable laws, codes and regulations, including but not limited to Part 900 of OTDA Regulations for family facilities. The facility must have sufficient space for social services, security, maintenance and other operating requirements. Preference will be given to projects that achieve a mix of unit sizes reflective of the shelter population. At least 20% of units in a Tier II shelter development must be 3 bedrooms. Net unit sizes should exceed 300sf.

8. USE RESTRICTIONS

During the program contract period, shelter providers are required to operate the facility as a Tier II Transitional Residence. In the event that DHS cancels the Tier II shelter before contract expiration, the provider is required to maintain the property as affordable housing, subject to the requirements of government financing sources as necessary.

9. PROPOSAL REVIEW INFORMATION

For consideration, please submit project information, including:

- Location (Borough/Block/Lot and address) and description of site and proposed development. Include community space, and residential square footage.
- Proposed pro-forma including development and operating budgets. Include an appraisal for private site acquisitions.
- Proposed development team (borrower, contractor, architect, shelter operator), respective principals and previous development experience over the last 10 years. DHS, HPD and NYC program experience should be highlighted.
- Acquisition price per developable floor area for privately owned sites. Include an appraisal for private site acquisitions.
- Proposed development budget for new shelter including a capitalized replacement reserve, proposed operations plan, and budget. The total project per diem, which shall include debt service on new shelter construction, and social services / maintenance and operations (including staff, security, management, etc.) shall not exceed \$130.

12. CONTACT INFORMATION

DHS
33 Beaver St.
New York, NY 10004

DHS, 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.

DHS Tier II Family Shelter Preservation Loan Program Term Sheet

1. PROGRAM DESCRIPTION

The NYC Department of Homeless Services (DHS) has established an initiative to promote the long-term preservation of Tier II Family Shelter developments in which the city has already invested, through the use of DHS's Shelter Preservation Loan Program. This program aims to retain existing shelters in the DHS portfolio through capital investment and operational incentives.

- **Capital Investment:** Loan funds will be made available to address the physical plant needs of current Tier II family shelters. A Capital Needs Assessment must be prepared by a qualified consultant (refer to attached Approved Consultant List); the provider shall obtain bids from three qualified consultants before selection. Participating private institutional lenders or NYC Housing Development Corporation (HDC) will provide the loan or bond to eligible shelter operators; the loan will be paid back directly by DHS.
- **Operational Incentive:** For shelters with DHS contracts expiring within a 5-year time frame, DHS will provide an operational incentive for existing providers to sign new long-term contracts in an effort to retain current shelter capacity. For such shelters, DHS will consider "refreshing" the shelter's per diem by 1) increasing the base per diem to reflect current costs; 2) adding a capital reserve in the amount of \$1 per diem; 3) adding an operating reserve in the amount of \$2 per diem. Providers must submit an itemized budget and additional documentation to justify the increase of base per diem.

Shelter providers will be required to sign a new 20-year contract.

2. ELIGIBLE BORROWERS & SPONSORS

In order to be eligible for capital loan funds or an operational incentive, the shelter provider is required to be in good standing with DHS, currently performing at a 3rd performance tier or higher or demonstrating improvement in performance measures. Providers must demonstrate sufficient financial stability and liquidity to continue to operate the shelter by providing the most up-to-date audited financial statement.

The shelter provider may own or rent the shelter building(s). If renting, the provider must enter into a joint agreement with the property owner exhibited by an extended lease agreement including lease payment and an ongoing commitment to ongoing physical maintenance.

3. ELIGIBLE PROJECTS

Preference will be given to Tier II Family Shelter developments containing apartment-style units with self-contained kitchens and bathrooms. Non-profit owned shelters will also be prioritized, with the option for-profit owned properties in a joint venture with non-profit operator, as described above.

4. MAXIMUM LOAN AMOUNT

Subject to DHS approval.

5. LOAN TERMS

Refer to the terms set by the private lender or HDC.

4. DESIGN AND CONSTRUCTION REQUIREMENTS

The provider shall assign a staff member or hire a consultant to manage the project on their behalf.

The project scope of work will be based on a Capital Needs Assessment prepared by a qualified consultant (refer to attached Approved Consultant List); the provider shall obtain bids from three qualified consultants before selection. DHS shall reimburse for cost of CNA, and will approve the scope before moving forward.

Once architectural/engineering plans are completed, the provider shall obtain bids from at least three contractors to complete the construction work. DHS strongly encourages the use of HPD-approved contractors to complete the work.

The Building renovation shall meet the program and physical requirements of the New York State Office of Temporary and Disability ("NYSOTDA") Assistance Rules and Regulations Part 900, and all applicable Federal, State and local laws, regulations, codes and ordinances, including, but not limited to, zoning laws, building codes and the Americans with Disabilities Act.

Renovation work must obtain the approval of all regulatory agencies whose approval is required, including, but not limited to, the NYC Landmark Commission, if applicable, the NYC Department of Environmental Protection, the NYC Fire Department, NYSOTDA and the NYC Department of Buildings.

5. PROPOSAL REVIEW INFORMATION

For consideration, please submit project information, including:

- Letter of intent to apply for program
- Completed Capital Needs Assessment from qualified consultant, or three bids from qualified consultants
- Contact information and qualifications of staff member/consultant responsible for design/construction project management
- Shelter operating budget showing increase in costs since the DHS contract was initiated and backup documentation.
- Organization's most up-to-date audited financial statement.

6. CONTACT INFORMATION

33 Beaver St.
New York, NY 10004

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Co-located DHS Tier II Family Shelter and HPD-HDC Low Income Rental Housing Program Term Sheet

1. PROGRAM DESCRIPTION

The program funds the new construction of “purpose-built” Tier II Family Shelters (Stand-Alone Transitional Residences for Families) co-located with low income multi-family rental housing affordable to households earning up to 60% of Area Median Income (AMI).

While co-located and jointly owned, each facility will be financed separately. It is anticipated that the shelter will be financed through a construction / permanent loan from private institutional lenders or NYC Housing Development Corporation (HDC) 501c3 bonds (if applicable), whose debt service shall be paid directly by the NYC Department of Homeless Services (DHS). Other sources may include, but not be limited to, the NYS Homeless Housing and Assistance Corporation (HHAC) and the NYS Office of Temporary and Disability Assistance (OTDA).

Financing for the permanent housing will be provided by, but not limited to, the following sources: private institutional lenders, HPD, HDC, New York State Homes and Community Renewal (HCR) and New York State Housing Finance Agency (HFA) programs. For tax credit projects, a portion of the Transitional Residence may be claimed as community facility in accordance with the Internal Revenue Code Section 42(d)(4)(C)(ii) in the amount of the sum of a.) 25% of so much of the eligible basis of the qualified low income housing credit project of which it is a part as does not exceed \$15,000,000; and b.) 10% of any excess over \$15,000,000 of the eligible basis.

2. ELIGIBLE BORROWERS & SPONSORS

The development team for the project must have demonstrated a track record in successfully developing, marketing, and managing low income multi-family rental housing or must form a joint venture with an entity which has such expertise. Borrowers must demonstrate sufficient financial stability and liquidity to construct and operate the project.

The development team must include an experienced non-profit organization currently under contract with DHS to operate at least one Tier II Family Shelter, which is performing at a 3rd performance tier or higher or demonstrating improvement in performance measures.

3. ELIGIBLE PROJECTS

New construction of Tier II Family Shelters co-located with low income multi-family rental housing affordable to families with household incomes up to 60% of AMI, designed to meet the physical and programmatic requirements of both uses. Projects should be accessible by subway.

Transitional Residence: The Tier II shelter shall provide apartment-style units with kitchens and bathrooms as well as office space for social services. A 40-unit minimum and 100-unit maximum is preferred.

Permanent housing: At least 30% of units must serve formerly homeless households; preference will be given to projects that provide up to 40% of units for formerly homeless households. These units shall be set-aside in the absence of traditional rental subsidies (i.e. Section 8 vouchers, OMH, MRT) and shall serve households earning between 0-30% AMI.

4. MAXIMUM LOAN AMOUNT

Transitional Residence: Subject to DHS approval.

Permanent Housing: HPD/HDC may provide a maximum subsidy per dwelling unit as set forth in their respective term sheets for the Extremely Low & Low-Income Affordability (ELLA) Program. Preference will be given to projects requesting less than the maximum subsidy and otherwise demonstrating cost containment; examples may include but will not be limited to proposals that conform with competitive criteria, LIHTC basis caps, utilize efficient construction and lease-up schedules, use of reserves, etc.

5. LOAN TERMS

Transitional Residence: Refer to the terms set by the private lender or HDC.

Permanent Housing: Refer to the ELLA Program Term Sheet, and other funding sources, if applicable.

6. MAXIMUM INITIAL MONTHLY RENTS & RENT INCREASES

Transitional Residence: It is anticipated that the shelter will lease the facility from the property owner. Monthly rent payments and lease terms are subject to DHS approval.

Permanent Housing: Formerly homeless tenants will pay 30% of their income toward rent. For underwriting purposes, rents for half of those units may be set at the Public Assistance Shelter Allowance (currently \$450 for a family of four), adjusted for household size, contingent on eligibility requirements. Rents for the other half of the units set-aside for the formerly homeless shall be underwritten at 30% of 8% of AMI and 30% of 17% AMI (for households earning less than 10% and 20% of AMI, respectively). Initial rents for non-formerly homeless tenants at 60% of AMI are calculated at 30% of 57% of AMI. All rent levels are calculated as gross rents less an electricity allowance.

Subsequent rent increases will be governed by the lower of AMI or rent stabilization increases with no vacancy or luxury decontrol for the duration of the HPD restriction period. HOME-funded and tax credit units will be subject to additional restrictions and monitoring during the affordability period.

7. PERMANENT UNITS FOR FORMERLY HOMELESS

Permanent Housing: Homeless referrals must come directly from HPD (via the Department of Homeless Services (DHS)). Homeless set aside units must be proportionally distributed among unit types.

8. DESIGN AND CONSTRUCTION REQUIREMENTS

Each project element (Transitional Residence and Permanent Housing) shall retain separate entrances that are preferably at least one half-block apart.

Transitional Residence: Projects must be designed and built in accordance with all applicable laws, codes and regulations, including but not limited to Part 900 of OTDA Regulations for family facilities. The facility must have sufficient space for social services, security, maintenance and other operating requirements. Preference will be given to projects that achieve the following unit distribution: 30% one-bedroom units; 50% two-bedroom units and 20% three-bedroom and/or four- or five-bedroom units. Net unit sizes should exceed 300sf. The program strongly encourages the use of flexible design in which unit size can be manipulated to accommodate larger or smaller families based on need.

Permanent Housing: Projects must meet HPD Design Guidelines for New Construction and plans must be approved by HPD. HPD will approve unit distribution. Projects must have a minimum of 15% three-bedroom units and a maximum of 5% studio units, unless it is demonstrated that the project is located in an atypical market. Refer to the ELLA Program term sheet for all other design/construction guidelines.

9. OTHER

Permanent Housing: Refer to the ELLA Program term sheet for all other guidelines and requirements.

10. PROPOSAL REVIEW INFORMATION

For consideration, please submit project information, including:

- Location (Borough/Block/Lot and address) and description of site and proposed development. Include Transitional Residence and ancillary social service square footage and proposed number/distribution of shelter units, Permanent Housing square footage and proposed number/distribution of permanent units, and any additional square footage reserved for commercial, community space, and/or parking.
- Acquisition price per developable floor area for privately owned sites. Include an appraisal for private site acquisitions.
- Proposed development budget for new shelter, including a capitalized replacement reserve. Proposed operations plan and budget, including an operating reserve. **Preference will be given to projects that achieve a total project per diem – which includes debt service on new shelter construction; lease payments made to the property owner; and social services / maintenance and operations (including staff, security, management, etc.) – that does not exceed \$140.**
- Proposed pro-forma for permanent housing including development and operating budgets.
- Proposed development team (borrower, shelter provider, contractor, architect, management company), respective principals and previous development / operations experience over the last 10 years. HPD, DHS and NYC development experience should be highlighted. Most recent performance rating received or evidence of improving performance.

11. CONTACT INFORMATION

DHS
33 Beaver St.
New York, NY 10004

AND

HPD Multifamily New Construction Programs
100 Gold Street, Room 9I-5
mfnc@hpd.nyc.gov

DHS and HPD/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.