

# NEW YORK CITY DOWN PAYMENT ASSISTANCE FUND

## Notice of Funding Availability – Round 1

December 5, 2018

The New York City Down Payment Assistance Fund (DPAF) is being launched to expand production of supportive housing units in New York City. **DPAF will provide flexible loans for down payments to acquire vacant land or vacant properties.**<sup>1</sup> Eligible projects will include supportive housing, in which the majority of units are supportive, and affordable residences with 30% of units set aside as supportive. DPAF will target strong and seasoned nonprofits, enabling them to move more rapidly into contract for vacant properties, a significant obstacle to development on privately owned sites.

For its **1<sup>st</sup> funding round** beginning in March of 2019, the Down Payment Assistance Fund will focus its activities on the development of **supportive housing**. Supportive housing is defined as affordable housing matched with a government-funded social service contract for the provision of on-site social services. **Priority projects** will be those that intend to receive permanent financing through HPD's **Supportive Housing Loan Program (SHLP)**, HPD's **Senior Affordable Rental Apartments (SARA) program** or HPD's **Extremely Low and Low-Income Affordability (ELLA)** program. For the latter two programs, a minimum 30% set-aside of supportive units will be required.

Applicants must be non-profit developers (or entities owned or controlled by one or more non-profit tax exempt developers) which are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

Through a **New Construction Down Payment Assistance RFQ administered by HPD**, nonprofit affordable housing developers will be screened and pre-qualified. **The RFQ will be posted on HPD's Website on December 5, 2018. A Pre-submission Conference will be held at HPD on December 12, 2018 from 12:30 – 2:00. Please go to HPD's Website to RSVP for this Conference. Submissions will be due on January 11, 2019, and decisions on pre-qualified nonprofits will be announced by March 1, 2019.**

### **DPAF General Loan Terms**

DPAF's general loan terms and conditions are summarized below.

- Applicants qualified through HPD's RFQ and wishing to apply for a DPAF loan will be subject to the Fund's application, underwriting, and credit approval processes. Applicants must also obtain a Letter of Interest from HPD prior to signing a purchase contract.
- DPAF Loans will fund 100% of the down payment for a vacant property, limited to the lesser of 10% of the purchase price and \$1 million.

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<sup>1</sup> Down Payment Assistance Loan commitments under this NOFA will be conditioned on: i) availability of capital; ii) underwriting and credit committee approval; and iii) a written letter of interest from the New York City Department of Housing Preservation and Development (HPD).

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- A DPAF borrower will be expected to cover its early due diligence costs out-of-pocket. An origination fee equal to the greater of \$5,000 or 1.0% of the loan amount will be payable at the time of the purchase contract signing to the Originating Lender which underwrites the DPAF loan. The borrower will also pay the Fund's closing legal fees.
- Interest charged on DPAF loans is deferred, accruing monthly and payable with full principal at the time of an acquisition closing. The interest rate is currently projected to be 3.0% fixed.
- DPAF loans mature at the earlier of the acquisition loan closing date and 12 months from the down payment closing date.
- DPAF will have recourse to the borrower for the full amount of the loan amount and any interest and expenses that are due. If the borrower is a special purpose, single asset entity set up by the nonprofit, DPAF will require a full payment guarantee from the nonprofit.
- Repayment of a DPAF loan will be expected at the time of an acquisition loan closing, administered by the New York City Acquisition Fund (NYCAF) or other acquisition lender of the nonprofit's choosing.

### **Acquisition Loans**

- Applications for an acquisition loan must be made separately from the DPAF, and will be subject to the applicable acquisition lender's underwriting and credit approval processes.
- If the nonprofit applies for a NYCAF loan, the closing will be subject to a soft take-out commitment letter issued from NYC HPD and/or NYC HDC or, as applicable, other City or State government sources.
- Nonprofits who are not qualified through HPD's RFQ for down payment assistance may still apply for financial assistance in acquiring properties through the NYCAF or other acquisition lenders.

### **Program Background**

DPAF is a unique collaboration among leading philanthropic funders, supportive housing advocates, New York City housing agencies, and the New York City Acquisition Fund. The City has launched an initiative to create 15,000 units of supportive housing in fifteen years: NYC 15/15. The plan addresses the needs of chronically homeless individuals and families, as well as vulnerable homeless youth. New York State has launched the Empire State Supportive Housing Initiative to create 20,000 units over fifteen years. More than 60,000 people sleep in NYC shelters each night. The need to create more supportive and affordable, low-income housing is unquestionable.

Supportive housing has become one of the most effective interventions to end homelessness among New York City's most vulnerable residents. Both the City and the State have ambitious goals to increase the production of supportive and affordable housing units in the next decade, and, as such, have allocated a significant amount of capital to meet their goals. Augmenting the ability for nonprofits to build and operate supportive and affordable, low-income housing is essential. Mission driven organizations will ensure the long-term affordability of the units, coupled with critical services, a key strategy in addressing the housing crisis in New York City.