
NEW YORK CITY DOWN PAYMENT ASSISTANCE FUND

PROGRAM DESCRIPTION

The **Down Payment Assistance Fund (DPAF)** is a unique collaboration between The Robin Hood Foundation, Charles H. Revson Foundation, Oak Foundation, NYC Housing Development Corporation, NYC Department of Housing Preservation and Development, Supportive Housing Network of New York, Enterprise Community Partners, Local Initiatives Support Corporation, and the New York City Acquisition Fund. Its goal is to speed production of supportive and affordable-with-supportive housing units built and operated by non-profit developers in New York City. **DPAF** will enable strong and seasoned nonprofits to move more rapidly into contract for vacant properties, eliminating a growing obstacle to development on private sites.

ADDRESSING SIGNIFICANT NEEDS

The Housing Need

New York City is facing a housing crisis. Many households are severely rent-burdened, paying much more than 30% of their income towards housing costs. Close to 60,000 people will be sleeping in a shelter tonight. The need to create more supportive and affordable housing is unquestionable. Supportive housing has become one of the most effective interventions to end (and prevent) homelessness among New York City's most vulnerable individuals and families. 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. This strategy is part of a larger ongoing effort, at both City and State levels, to preserve existing and increase new production of affordable and supportive units to low- and moderate-income New Yorkers. To that end, augmenting the capacity of nonprofits to build and operate supportive and affordable 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.

The Capital Need

There is a sophisticated and growing network of mission-based developers with strong track records of building and operating permanent supportive and affordable housing for a broad mix of low-income residents. Yet, when asked what their biggest development challenge is, they cite land costs, and the ability to move quickly to put a site under contract which requires ready cash for the down payment. Notwithstanding the City and State's commitment to fund supportive and affordable housing, there is a gap in the marketplace between the permanent subsidies offered and the developer's ability to make down-payments on sites at the outset. This situation demands an upfront, flexible capital source to fund the down-payment on future housing sites.

IMPLEMENTATION PLAN

The Product

DPAF will provide flexible down payment loans with full recourse to pre-qualified nonprofits. Such a product represents a greater level of risk than traditional capital sources, accustomed to receiving collateral, are willing to support. The DPAF will expect repayment of the full down payment, along with interest accruals, at the time of closing on an acquisition loan.

DPAF Entity

DPAF will be set up as an independent Limited Liability Company, jointly owned by **Enterprise Community Partners** (“Enterprise”) and the **Local Initiatives Support Corporation** (“LISC”), who are Co-Members and Co-Managers of the **New York City Acquisition Fund** (“NYCAF”). NYCAF has a 12-year track record of successful capital deployment to projects that house low and very-low income households, including homeless and special needs populations. To date, NYCAF has lent over \$415 million dollars to 73 affordable and supportive housing projects, generating new production or preservation of 12,360 units. NYCAF’s four originating lenders, including **Enterprise Community Loan Fund**, **Local Initiatives Support Corporation**, **Corporation for Supportive Housing** and **Low Income Investment Fund**, will underwrite and close DPAF’s loans. **Forsyth Street**, NYCAF’s Fund Manager, will oversee DPAF’s daily operations.

Eligibility and Approval Process

Through a New Construction Down Payment Assistance RFQ administered by HPD, nonprofit developers with established track records and strong financials will be screened and pre-qualified. The RFQ will be posted on **December 5, 2018**. Submissions will be due by **January 11, 2019**, and decisions on pre-qualified applicants will be announced by **March 1, 2019**.

DPAF General Loan Terms

DPAF’s general loan terms include the following:

- DPAF Loan commitments under this NOFA will be subject to: i) availability of capital; ii) underwriting and credit committee approval; and iii) a Letter of Interest from the New York City HPD.
- DPAF loans will cover 100% of the down payment amount, limited in size to the lesser of 10% of the contracted purchase price or \$1 million. DPAF borrowers will be expected to cover their early due diligence costs out-of-pocket.
- An origination fee equal to the greater of \$5,000 or 1.0% of the down payment 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.
- Loan interest will be deferred, accruing on a monthly basis and payable along with full principal at the time of an acquisition closing. The interest rate charged is currently projected to be **3.0%** fixed.
- The loan will be fully recourse to the non-profit sponsor, evidenced by a guaranty of payment for 100% of the loan commitment.
- Repayment of DPAF loans will occur at the time of an acquisition loan closing, financed by the New York City Acquisition Fund or other acquisition lenders of the borrower’s choosing.
- 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 acquisition 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.

When a nonprofit developer identifies a property that it wishes to buy, the DPAF will require the developer, at its own cost, to (i) contract with a Fund-approved environmental consultant to run a historical data scan of the site's environmental conditions; (ii) obtain an estimate of the site's as-is market value through a Fund-approved professional, and report the findings back to the Fund; (iii) conduct an initial legal review of title; and (iv) engage a zoning expert to review the subject property's current zoning and development potential. The Fund would aim to approve the loan in a matter of days following a financial review of the borrower, and receipt and evaluation of the above-listed due diligence. Upon repayment, the Fund will re-lend the proceeds for another pre-approved developer's down-payment needs.

The DPAF expects to launch in March of 2019, following pre-qualification of nonprofits through an RFQ administered by New York City Department of Housing Preservation and Development.
