

NYC Department of Housing Preservation and Development (HPD)
Office of Development, Division of Homeownership Opportunities & Preservation

**PLUS ONE ACCESSORY DWELLING UNIT (ADU) PROGRAM
(PLUS ONE ADU)
Term Sheet**

Program Description	<ul style="list-style-type: none">• The Plus One ADU Program provides homeowners earning up to 165% of Area Median Income with financial and technical support, including predevelopment and construction resources, to build or convert ADUs on a single-family property where existing zoning allows for an additional unit.• The Plus One ADU Program provides low interest loans in the form of City Capital subsidy, in addition to construction financing grants provided by the New York State Homes and Community Renewal (HCR) agency.• Conversions financed through the Plus One ADU Program will become safe, habitable, and potentially rent-restricted units that will help homeowners generate additional income and support long-term homeowner and neighborhood stability.
Eligible Buildings	<ul style="list-style-type: none">• One-unit, single-family detached residential homes in New York City.• Single-family homes must be in an area that allows for two-family homes and must comply with zoning regulation without prohibitive construction requirements.• Homes must be located outside of the Special Coastal Risk District according to FEMA's Flood Zone Designation.• For basement conversions, the applicable ADU space must meet ceiling height requirements prior to conversion and must be located outside of the 2050 Stormwater Flood area as well as the 2100's 100-year coastal flood zone.• Eligible homes must pass a housing quality inspection and not require any major repairs other than those that are essential to the ADU construction scope.• Eligible homes must be free of housing or building code violations prior to receiving program financing, unless the violations are directly related to ADU, or the owner agrees to address all existing violations prior to ADU construction completion.
Eligible Borrowers	<ul style="list-style-type: none">• In order to be eligible for the Plus One ADU, a borrower must be the owner-occupant of a single-family detached home, with a household income below 165% of Area Medium Income (AMI). See: https://www.nyc.gov/site/hpd/services-and-information/area-median-income.page

	<p>Borrowers must be current on any existing mortgages; have valid homeowner insurance; and either be current on municipal payments with Department of Finance (DOF) and the Department of Environmental Protection (DEP) or in an active payment plan with those agencies.</p> <ul style="list-style-type: none"> • Loan-to-Value: If all loans secured by the home have a value that exceeds the post-renovation value of the home, HPD may consider making a conditional grant for the portion of the loan in excess of the value. • Rental income: Rental income from new ADU unit will be included in household income calculations.
Eligible Uses	<ul style="list-style-type: none"> • Rehabilitation or construction of ADUs (including basements): scope of work must address the requirements to legally construct or convert an existing space or new ADU. The following costs are potentially eligible to be covered by the loan: <ul style="list-style-type: none"> ○ Renovation and construction costs ○ Architectural and engineering fees ○ Environmental testing ○ Developer’s fee
HPD Loan Amount	<ul style="list-style-type: none"> • Construction: <ul style="list-style-type: none"> ○ Maximum HPD loan amount of \$220,000 per borrower • Maximum HCR grant amount of \$175,000 per grantee
HPD Loan Terms: General	<ul style="list-style-type: none"> • Loan terms are based on factors including household income, credit score, debt to income ratios, and age. The Lending Criteria below are used to identify initial loan terms. See the chart at the end of this section. • Interest Rate: 5%. Rate may be reduced. • Payment terms: Amortizing or deferred/forgivable • Loan Term: 180 months (15 years.) Term may be extended to a term not more than 360 months. Loans are due upon sale or cash out refinancing of the home prior to maturity. • Cash flow: Monthly loan payments will be set so that the household has at least \$200 monthly cash flow available after household debt obligations are subtracted from household income. Homeowners should work with program administrator to assess household finances and their ability to repay debt incurred through the Plus One ADU. • HPD calculates monthly gross income by adding all sources of income (including rental income). • If the initial loan terms, as provided above, are not affordable, HPD may adjust the loan terms in the following sequential order to achieve affordability:

1. The initial interest rate set may be lowered at sequential quarter basis points to as low as 0%
 2. The initial loan term may be extended up to 360 months.
- Borrowers have the option of receiving either:
 1. Repayable loans (interest rate and repayment terms based on underwriting) with no regulatory agreement, or
 2. Deferred-forgivable loans, with the **requirement** of rent restriction on the new ADU unit at 100% AMI with annual increases capped at 2%

Summary of Terms			
	Subsidy Terms	Amount	Rent Restrictions
	Repayable HCR loan (amortizing with 0-5% interest or deferred with repayment due at loan maturity)*	Up to \$60,000 per unit (\$120,000 total)	No restrictions on ADU rent
	Deferred-Forgivable HPD Loans	Up to \$60,000 per unit (\$120,000 total)	Rent-restricted at 100% AMI

3. If underwriting determines the homeowner cannot afford a repayable loan at 0% interest over a 30-year term, the owner will receive a deferred-forgivable loan with a rent restriction on the newly created ADU unit.

Design and Construction Requirements

- A registered design professional (architect/engineer) and contractor from a pre-qualified list will be overseen by the Plus One ADU administrator.
- Projects must be in full compliance with the design requirements of all applicable laws, including, but not limited to, Building Code and Zoning Resolution
- Luxury upgrades, or scope items beyond the work that is required to create a legal unit and address critical home repairs, will not be considered.

Regulatory Requirements

- Borrowers whose loan terms require rental restrictions must enter into a regulatory agreement with the City of New York for a term/regulatory restriction period of 15 years from completion of the renovations. The regulatory agreement will include the following provisions:
- Borrower must maintain ownership of property as a primary residence for term of the loan. Primary residency requires that the homeowner resides in the home no less than 270 days per year. Homeowners are required to sign a primary residence affidavit and demonstrate primary residency to receive a loan satisfaction.
 - If the applicant sells the home to a non-eligible homeowner or refinances to extract equity from the home (cash-out refinance) during the loan term, the loan must be repaid.
 - Upon completion of renovations to the ADU, the following terms will apply for the duration of the regulatory restriction period:

- Unless otherwise approved by HPD, a new ADU must be rented at or below 100% of the Area Median Income upon initial lease-up.
- Tenants must be offered a lease with the following terms:
 - Rent must not be increased by more than 2% annually; and
 - Tenant must be offered option to renew the lease.
 - Family members occupying the unit may be exempt from these provisions.
- The PLUS One ADU administrator will assist the owner in qualifying the initial tenant for the vacant unit.
- Owner is required to keep tenant leases demonstrating compliance with the rent restrictions and may be required to submit leases to HPD upon request.

Borrowers whose loan terms do not require rental restrictions will have an owner occupancy restriction for the term of the loan.

Real Estate Tax Benefits	<ul style="list-style-type: none"> ● Owners may also be eligible to apply for homeowner property tax exemptions and benefits through the NYC Department of Finance.
Application Process	<p>Homeowners can apply to participate in the Plus One ADU program by completing an online pre-screen survey at https://forms.office.com/g/r71SX6B4FV.</p> <p>Once a homeowner has completed the survey, the program administrator will reach out to the homeowners directly if they are potentially eligible to submit an application package for the program.</p> <p>For more information about the Plus One ADU program and important dates, please visit: https://www.nyc.gov/plus-one-adu</p>