

THE BASEMENT APARTMENT CONVERSION PILOT PROGRAM

Homeowner Resource Guide



The Basement Apartment Conversion Pilot Program is administered by the New York City Department of Housing Preservation & Development (HPD), in partnership with Cypress Hills Local Development Corporation (CHLDC), a local non-profit serving Cypress Hills and East New York since 1983.

CHLDC will provide technical assistance by managing and navigating the pre-development and construction process on behalf of the homeowner to convert their basement or cellar into an apartment that has a Certificate of Occupancy from the NYC Department of Buildings (DOB). CHLDC will also guide and support the homeowner through the entire process of applying for and obtaining the loan.



This guide was designed by the
Pratt Center for Community Development.

ABOUT THIS GUIDEBOOK

The Basement Apartment Conversion Pilot Program Guidebook is a resource to provide eligible homeowners with an overview of the program, policies, and related frequently asked questions.

How to work with your Housing Counselor

Cypress Hills Local Development Corporation will assign a housing counselor to homeowners to guide them through the process, including:

- providing information about converting a basement or cellar into an apartment
- determining the most affordable loan terms;
- gathering all the needed paperwork to complete the loan package and close on a loan to start construction;
- answering homeowners' or tenants' questions throughout the construction process
- providing financial education and landlord training so homeowners can improve their finances long-term and manage the new apartment

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CHAPTER 1

INTRODUCTION

The Basement Apartment Conversion Pilot Program (BACPP) (“the program” or “pilot program”) is a pilot program in East New York and Cypress Hills created to help low- to middle-income homeowners in one- to three-family homes convert their basement or cellar into a safe apartment. Eligible homeowners will be able to access low- or no-interest, potentially forgivable, loans of up to \$120,000 to help pay for the construction costs.

The program aims to create safe housing for occupants, while providing homeowners with an opportunity to earn rental income.

One-unit homes adding a new unit

The pilot program will utilize modifications to the NYC Building Code standards, outlined in *Local Law Intro. 1004* for a one-unit home converting to a two-unit home, since the conversion of a basement or cellar into an apartment is an increase in units. The code modifications uphold the highest health and safety standards for the occupants of these newly created apartments.

Two- and three-unit homes adding a new unit

The Multiple Dwelling Law has jurisdiction over an existing two-unit home converting to a three-unit home or an existing three-unit home converting to a four-unit home, as a result of a basement or cellar conversion into an apartment. The program will also provide low or no-interest, or potentially forgivable, loans to homeowners who fall under the Multiple Dwelling Law (MDL) jurisdiction (see page 30 for more information on the MDL).



Benefits

of converting a basement or cellar into a rentable apartment when participating in the program:

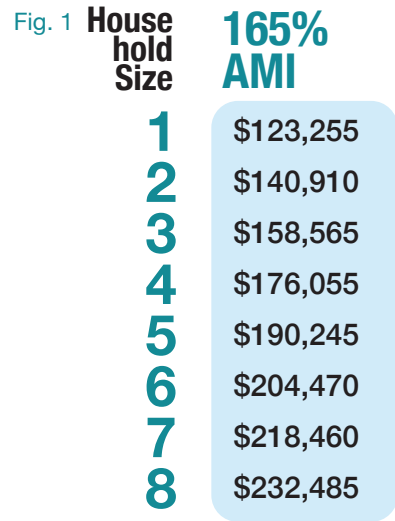
- Potential to earn rental income
- Low or no-interest, potentially forgivable, loan to help pay for construction
- Increase in property value
- Creation of a safe, legal, and healthy living space for additional occupants
- No city filing fees required to obtain a construction permit
- Eligible relocation services provided
- CHLDC manages the entire process on behalf of the homeowner
- Pre-qualified contractors, architects, and other third parties

Eligibility

To be eligible for the pilot program, a homeowner must:

- Own a one-, two-, or three- unit home in East New York or Cypress Hills (Brooklyn Community District 5)
- Occupy the home as their primary residence. Primary residency is defined as residing in the home 270 days a year.

Homeowners are eligible based on the total annual gross household income and size, outlined here, which cannot exceed 165% area median income (AMI), as seen on figure 1. All members of the household earning an income must be considered in the income calculation. The median income is defined each year by the U.S. Department of Housing and Urban Development (HUD).

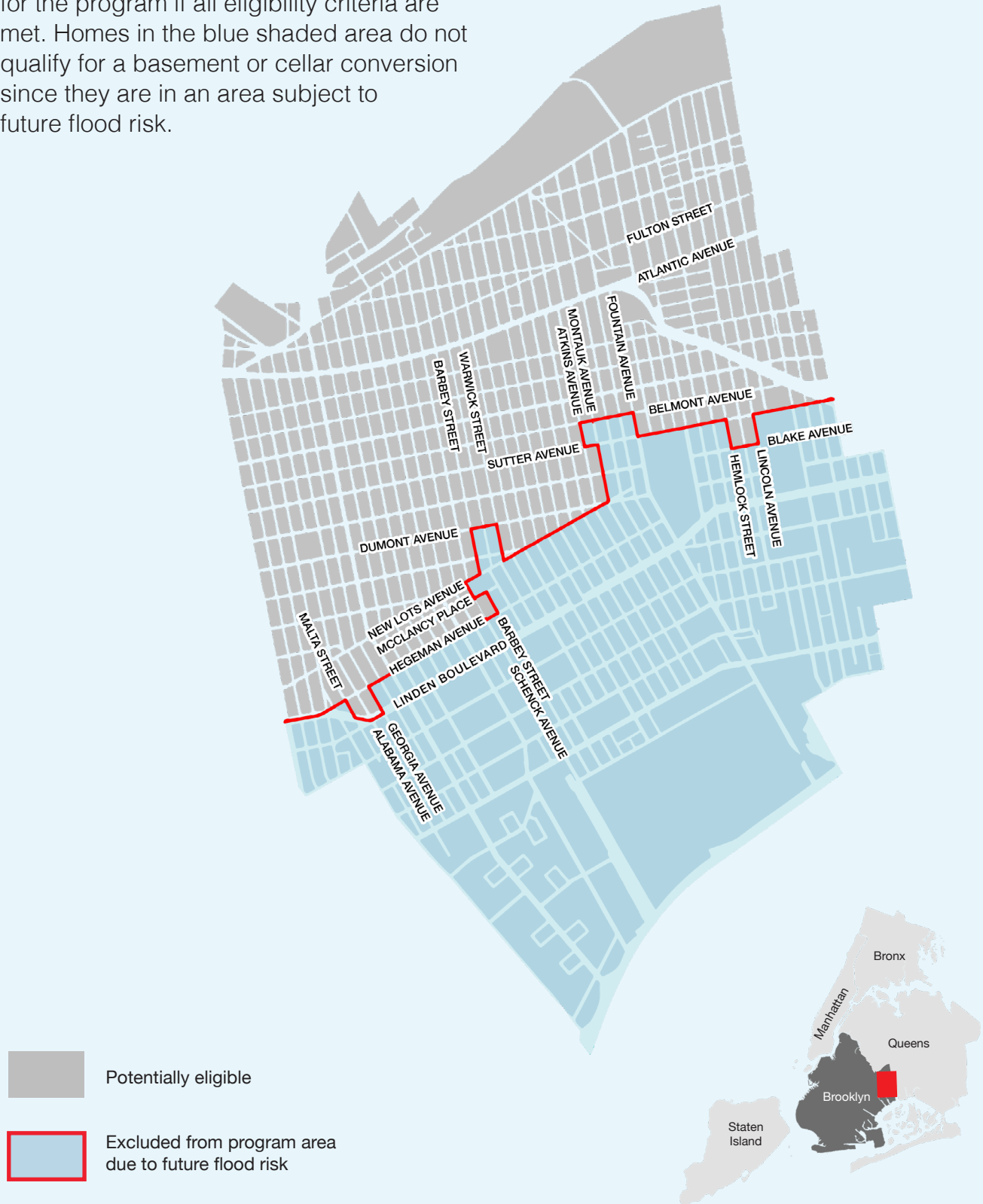


- Comply with zoning requirements for one-, two-, or three-unit homes. The program will determine if the home complies with zoning.
- Homes in the gray shaded area on the map (see fig. 2) may qualify for the program if all eligibility criteria are met. Homes in the blue shaded area do not qualify for a basement or cellar conversion since they are in an area subject to future flood risk. The program will determine if a home is subject to future flood risk.

Figure 2

Program Eligibility Area

Homes in the gray shaded area may qualify for the program if all eligibility criteria are met. Homes in the blue shaded area do not qualify for a basement or cellar conversion since they are in an area subject to future flood risk.



CHAPTER 2

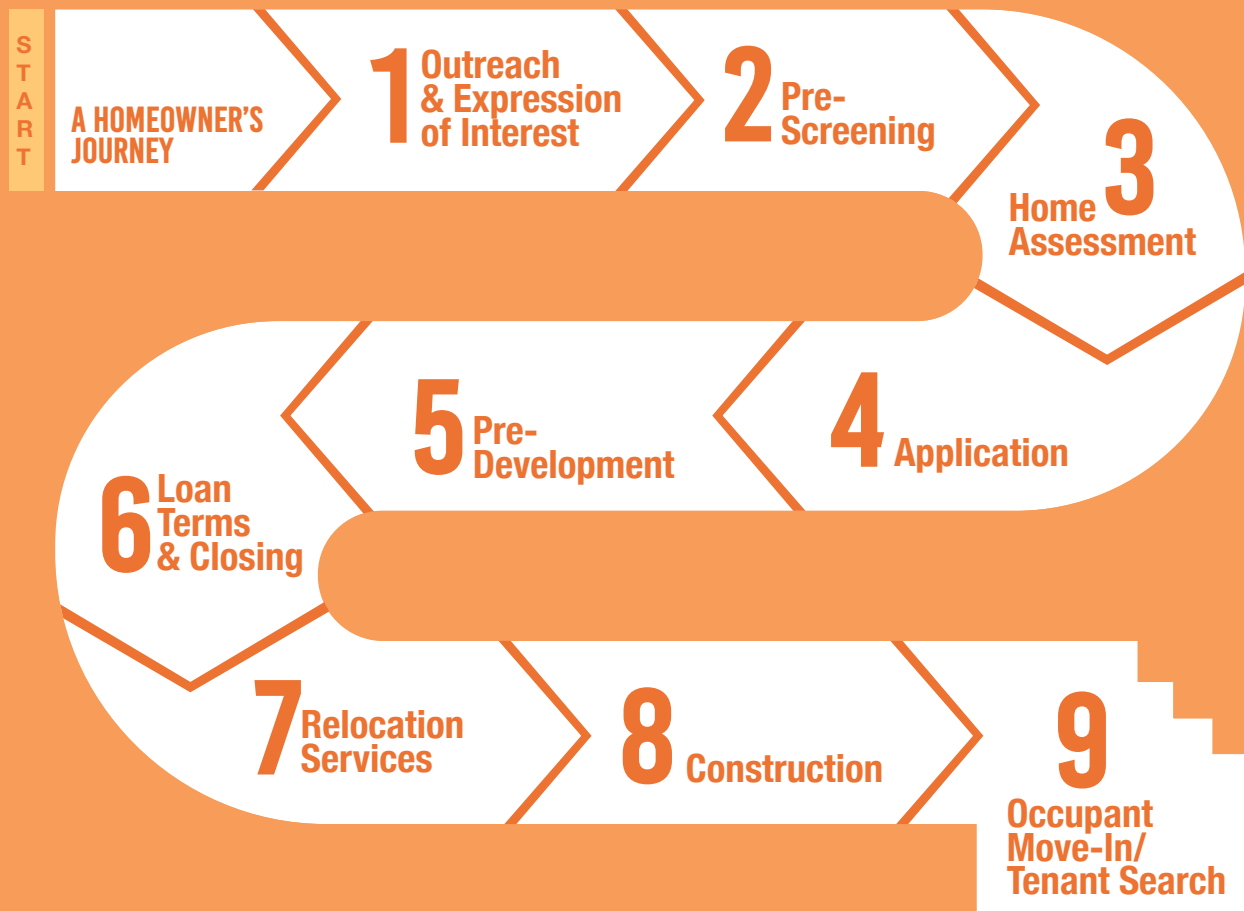
PROGRAM PROCESS

This chapter will provide a step-by-step guide to the process required to convert a basement or cellar into a rentable apartment.

This is a time-sensitive and space limited pilot program so it's essential that homeowners meet deadlines, attend scheduled appointments, and provide requested information to participate in the program.

Any delays in submitting information to the program or providing access to the home may result in withdrawal from the program.

Step-by-Step Guide



Step 1 _____

Outreach & Expression of Interest

Homeowners are contacted by the City, if they are preliminarily deemed eligible for the program based on zoning compliance and ownership. City staff will reach out to the homeowner directly to initially assess eligibility and provide more information about the program. Cypress Hills Local Development Corporation will then reach out to the homeowner, if it's been determined that they are preliminarily eligible.

Did You Know?

Potentially eligible homeowners identified by the City have already received a mailer or phone call. If a homeowner did not receive either form of communication and believe they may be eligible, they can express interest in participating in the pilot program by visiting hpd.nyc.gov/basementconversion

Participation in the program is based on eligibility and cannot be guaranteed. Homeowners will be selected based on program eligibility and the viability of a basement or cellar conversion into a livable, safe apartment. For further details on eligibility, see following steps.

If an applicant would like another party to communicate or make decisions on their behalf, they must fill out the Designated Communication Form or submit Power of Attorney documentation.

Step 2

Pre-screening

Cypress Hills Local Development Corporation will contact the homeowner to conduct a two-step pre-screening to confirm eligibility based on 1) primary residency, ownership, and income, which requires a meeting with CHLDC's team member to bring in documentation and 2) viability of a basement or cellar conversion into an apartment which may require access to the property ("physical prescreen").

CHLDC may ask the homeowner to sign a "Right of Entry" form to allow CHLDC and their partner, Restored Homes (RH), access to the property for the physical pre-screen. Restored Homes will not enter the basement during this phase.

If the homeowner is deemed eligible based on income, primary residency confirmation and ownership, CHLDC and Restored Homes, will visit the property for approximately 30-45 minutes to conduct a physical pre-screen to preliminarily assess the viability of converting the homeowner's basement cellar into an apartment. They will look at the following features:

- Whether the home meets the parking requirements.
- Whether there is enough space to meet the window and egress (exit) requirements, which includes adequate walkways to the street.
- Whether the basement or cellar is at least two feet above the curb, as observed.
- Whether there are any other challenges that can be observed that would prohibit a basement or cellar conversion into an apartment.

Did You Know?

The information gathered during the physical pre-screening is preliminary. A final determination about whether a homeowner can participate in the program does not occur at this stage.

All deed holders must be aware if a loan is obtained through the pilot program, a lien will be placed on the property for the term of the loan. The consent of deed holders must be provided in writing. CHLDC will provide more information.

If a deed holder is not living in the house, they have to acknowledge where they live and consent to let debt on the property.

For deceased parties, please include the death certificate.

Step 3 _____

Home Assessment

Once the homeowner has passed the initial pre-screening in Step 2, they will be approved for a home assessment, which assesses the physical and financial viability of converting the basement or cellar into an apartment.

Physical Information

Cypress Hills Local Development Corporation and their partners will need access to the basement or cellar for 1-1.5 hours to take measurements and observe the basic physical features of the space. A preliminary cost estimate to convert the basement or cellar will be determined.

Financial Information

The home assessment also requires some basic information about the homeowner's finances, such as debt, expenses, and any available funds. A homeowner's finances are assessed because if the estimated cost of construction is over \$120,000, then the homeowner will have to contribute their own funds to the project or obtain a private loan. The program can preliminarily assess whether a homeowner may qualify for a private loan to help fund construction.

Once completed, a score will be assigned based on the information collected. This score will help assess whether a home is eligible for a basement or cellar conversion, with NYC Department of Housing Development and Preservation making the final determination about which home can move forward in the process.



How is the home assessment scored?

The program will analyze the physical and financial information gathered from the home assessment and assign a score based on the viability of a basement or cellar conversion. For example, some homes will require a significant amount of construction to convert a basement or cellar into an apartment that will be estimated to cost over \$120,000, which is the maximum the loan amount the program can provide. If the homeowner does not have the funds to pay for the estimated amount that exceeds the \$120,000, then the project is not viable and would receive a low score.

When will I know if I'm eligible for the program?

Once the home assessment analysis is complete, the homeowner will be notified of the determination in at least three weeks or more. The homeowner will be kept updated on the timeline as needed, by CHLDC.

Did You Know?

If a homeowner qualifies, the program will ensure the loan terms are affordable based on their current financial information.

If a homeowner is found ineligible for the program, the homeowner may still be able to access other programs to help with other housing issues and CHLDC's housing counselors can help.

The information gathered during the home assessment is preliminary. A final determination about whether a homeowner can participate in the program is not final at this stage because the cost of construction is estimated during the home assessment. A final construction cost and determination about whether a homeowner can participate is not final until Step 5 (page 15).

Step 4_____

Application

If a basement or cellar is identified as viable for a conversion into an apartment based on the home assessment, the homeowner will be notified by CHLDC. They will receive a Selection Letter sent by HPD and be invited to fill out an application and sign a development agreement by a specified deadline.

Once the homeowner completes and signs the application and the development agreement, a title report will be requested from a title company to ensure there are no issues with the title on the home. A credit report will also be run to ensure the homeowner is up to date on municipal charges and mortgage payments.

Once the application and development agreement are approved by HPD, the scope of work will be developed by an architect (Step 5).

What is a development agreement?

The development agreement is a contract between the homeowner and the East New York BASE HDFC, a subsidiary of Cypress Hills Local Development Corporation. The development agreement outlines the obligations of both parties during the program process from pre-development to construction completion, which includes the scope of work, architectural plans, and construction phases.

Did You Know?

The completion of the application and development agreement does not guarantee participation in the program. There are several more steps needed to qualify for a loan to start construction.

If a homeowner chooses not to move forward in the program or voluntarily withdraws after signing the application and development agreement, the homeowner may have to repay expenses incurred by the program.

If a homeowner is no longer able to move forward in the pilot due to unforeseen circumstances, they will not be required to pay back expenses incurred by the program.

Step 5 _____

Scope of Work & Architectural Plans (pre-development)

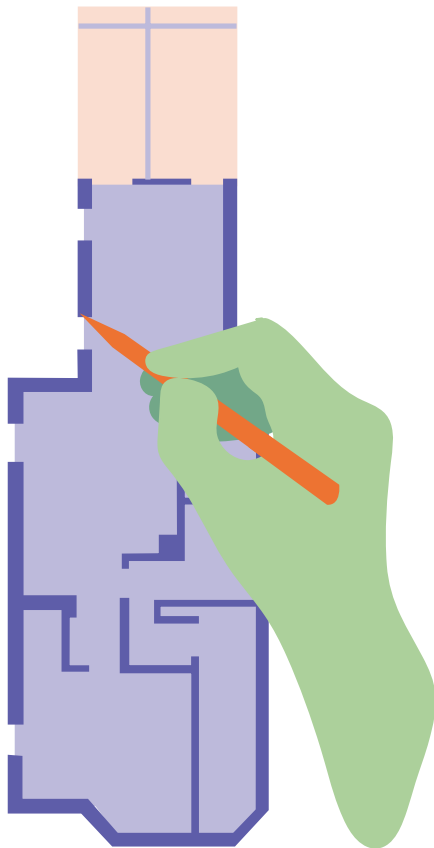
Once a completed application has been approved, the design plans and confirmation of the final cost for the basement/cellar conversion will be completed. The following outlines this process:

1. Scope of work

A scope of work will be developed by a pre-qualified architect chosen by Cypress Hills Local Development Corporation. The architect will require access to the property for a couple of hours to develop the architectural plans. HPD will then approve the scope of work.

2. Architectural Plans

Based on the scope of work approved by HPD, the architect will develop the architectural plans and obtain approvals by all city agencies, including the NYC Department of Buildings, to ensure all applicable codes are met.



3. Bids

Once the architectural plans are approved by the NYC Department of Buildings, CHLDC and its partner, Restored Homes, will obtain bids from contractors to determine costs to construct the basement or cellar into an apartment. The contractor with the most cost reasonable and complete bid will be chosen for the construction, approved by HPD.

- If the construction cost is over \$120,000 (max loan amount), then the homeowner will be required to contribute funding to the project.

For example: if the cost of constructing the basement apartment is \$130,000, HPD can provide an affordable loan of \$120,000. The homeowner will then need to contribute \$10,000 from another source, such as the homeowner's savings, a loan from a bank, or any other available source.

4. Approval

If all funding for the basement/cellar conversion is secured, then the project can be approved to move to step 6, Loan Package and Closing.

Important to remember

- If the total construction amount, including any critical repairs, exceeds \$120,000, the homeowner may have to fund critical repairs using their own funds, such as their savings, a loan from a bank, or any other available source.
- If the home is a two-family converting to a three-family or a three-family converting to a four-family, the NYC Board of Standards and Appeals (BSA) has jurisdiction under the NYS Multiple Dwelling Law to provide approvals (see Chapter 4 for more information).

Did You Know?

For repairs that are not a risk to health and safety, the homeowner will sign a Housing Repair Agreement with HPD agreeing to complete repairs independent of the program in one year.

If major repairs or structural issues are identified, the home may not be ready for a basement/cellar conversion and will be referred to other programs to bring the home up to code .

Luxury upgrades, or upgrades of any kind beyond the work that is required to convert the basement/cellar legally and address critical home repairs, will not be considered.

There may be design and finishes to choose from depending on the scope of work on a case by case basis.



Step 6

Loan Package & Closing

The approved loan amount will be based on the final cost of construction. The program will ensure the loan terms are affordable to the homeowner, so the homeowner can manage the monthly payments, if any.

The assigned housing counselor will review the loan terms with homeowner and ensure all required documentation on the *Loan Package* and *Closing* checklists are included in the loan package. (See Appendix).

During the loan packaging process, the homeowner will provide the housing counselor with information on expenses, including insurance, mortgage payments and other financial information. This is used to help determine the final terms of the loan, such as the interest rate and principal payments, if any.

Did You Know?

If a homeowner has a credit score less than 640 or debt that is more than 45% of their income, then the homeowner is required to attend financial counseling before the program closes on a loan to start construction.

Homeowners must be current with municipal charges/taxes and any existing mortgage, or be in a payment agreement in good standing.

- If a homeowner has a payment agreement, it must show active payments.
- If a homeowner recently started a payment agreement, the first payment is required.

Once the loan package is complete, Cypress Hills Local Development Corporation will submit the loan package to HPD for approval and homeowners will be notified of the status. Once HPD approves the loan package, the homeowner will be provided with a move out notice to start the process to temporarily relocate occupants and belongings from the basement/cellar, if needed.

The homeowner will be required to sign legal documents, including: the regulatory agreement, which outlines the rental restrictions of the newly converted apartment; the loan; and Building and Loan Agreements, which are countersigned by HPD. The loan is closed when all legal agreements are signed by all parties.



Important to remember

- At least one unit in the building must remain the homeowner's primary residence for the life of the loan.
- If the house is sold, refinanced, or if there is an ownership transfer, the loan needs to be repaid in full.
- If the homeowner defaults (stops making payments) on the loan payments, if any, the homeowner should contact HPD to resolve the default.
- Homeowner cannot use the basement for commercial use.
- If someone in the family inherits the property and they qualify under the initial terms of the program, they will qualify to inherit the lien.

What is the interest rate?

The total loan amount is based on the total cost of construction, which will be determined at Step 5 above. The interest rate is based on age, credit score, income, and the amount of debt compared to income, with interest rates between 0% and 5%. The loan may be forgivable. For more information on “Loan Terms” see Appendix A.

For seniors and very low-income households, loans are deferred and forgivable. This means that as long as the homeowner remains in the home for the life of the loan, and doesn't refinance or transfer ownership, they will not be required to pay back the loan. At the end of the loan term, the loan will be forgiven.

How long is the term of the loan?

The minimum loan term is 15 years, with a maximum of 30 years to make the loan more affordable, if needed. The loan will also be considered a lien on the property for the term of the loan.

Can the homeowner move out of the home and rent all units?

No, the homeowner has to reside in at least one unit in the home 270 days of the year for the term of the loan, in order to remain in compliance with the program requirements. If the homeowner moves out of the home, it is considered a default of the loan which means the loan will need to be repaid. The homeowner should ensure they can commit to this requirement before moving forward in the program.

Will this increase the property taxes?

Yes, since the conversion of the basement or cellar is considered an increase in units, the homeowner's property taxes will increase. For more information on property taxes, please see Chapter 4, page 32.

Are there other requirements of the loan?

The newly converted basement or cellar apartment must be rented at the rents outlined in the regulatory agreement and lease rider provided by the program. Upon completion of renovations to the basement/cellar apartment, the following terms will apply for the duration of the loan which is 15 years:

- If the basement or cellar was previously occupied, the owner must offer the tenants in place prior to the conversion the option to return to the renovated unit at the last rent charged, unless otherwise approved by HPD.
- For a unit that was not previously occupied, unless otherwise approved by HPD, the new basement unit must be rented at or below 80% of the Area Median Income (AMI) upon initial lease-up, which is the following depending on the number of bedrooms:

Unit Size	Max. Rent
Studio	\$1,225
1 BR	\$1,542
2 BR	\$1,862
- The Initial income limitation for a vacant unit is up to 100% of Area Median Income, based on 2019 AMI. For 2019, this is \$106,700 for a family of four.
- All basement/cellar apartment tenants must be offered a lease with the following terms:
 - Rent must not be increased by more than 2% annually
 - Tenant must be offered option to renew the lease;
 - Family members occupying the basement unit may be exempt from these rental restriction provisions.
- The owner is required to keep tenant leases to demonstrate compliance with the rent restrictions and may be required to submit leases to HPD upon request.

* Cypress Hills Local Development Corp can assist homeowners in appropriately marketing and leasing a vacant unit.

Step 7 _____

Construction

Once the loan is approved and all legal agreements are signed by all relevant parties, construction can begin. CHLDC will oversee and manage the conversion of the basement or cellar into an apartment for the duration of the construction. The length of time it will take to complete construction will vary depending on the complexity of the project, which could be up to 1 year or less.

These are some of the steps required during construction:

1. Testing and Surveys

The general contractor, architect, and other third party vendors will need access to the property/home to conduct various tests and surveys during construction to meet environmental and building code requirements.

2. Construction & Site Monitoring

CHLDC and their partner, Restored Homes, will monitor construction by visiting the home to check on the general contractor's work.

3. Inspection, Sign-off, and Certificate of Occupancy

In order to obtain a partial or amended Certificate of Occupancy for the newly converted basement/cellar apartment, the contractor/third parties will request inspection(s) from the NYC Department of Buildings. Once the NYC Department of Buildings has signed off or approved construction, they will issue a partial or amended Certificate of Occupancy for the newly converted basement/cellar apartment. This Certificate of Occupancy means the basement or cellar is a legal apartment ready for occupancy.

What are the basic requirements to convert a basement or cellar into a legal apartment?

A legal apartment must comply with all applicable codes and regulations. As per the NYC Building Code, every legal apartment should include basic features such as a kitchen or kitchenette, bathroom, a window in every bedroom and living room, at least one door leading directly to the outside, and heat and hot water.

This includes the following requirements:



Minimum Ceiling Height	All apartments must meet code-required minimum ceiling heights
Minimum Number of Windows	Habitable rooms shall be provided with at least one window providing natural ventilation
Fire Separation	Non-combustible materials are required to separate boilers and furnaces, egress (exit) stairs, and the above-grade apartment from the basement apartment
Sprinkler System	Required in the basement or cellar
Basement Apartment Exits	One door leading directly to the outdoors, that can access a public way (meaning occupants are able to reach the street unrestricted)
Cellar* Apartment Exits <small>*For units more than 50% below ground</small>	Two doors leading directly to the outdoors, that can access a public way (meaning occupants are able to reach the street unrestricted)
Emergency Escape & Rescue Openings	All sleeping rooms in basement or cellar apartment shall have emergency escape and rescue openings
Health and Safety Measures	Includes combination smoke and carbon monoxide alarms and vapor barriers to guard against moisture, amongst others

In addition to other regulations and codes, the NYC Building Code was modified by *Local Law Intro.1004* to help homeowners in Brooklyn Community District 5 convert their basement or cellar safely.

Reminder: Two-family homes converting to a three-family home or three-family converting to a four-family need to comply with the NYS Multiple Dwelling Law (see page 30). The program will work with you to ensure the basement apartment meets the MDL requirements.

What companies or organizations will be working in the home?

The following is a basic list of companies and organizations that are involved in the process. They will need access to the home at different stages during the program:

Project Management	 <p>Restored Homes, working as a partner to CHLDC, will manage the physical prescreen, home assessment, pre-development and construction. They will coordinate with the architects, contractors, and other third parties as needed to complete design and construction of the basement or cellar into an apartment.</p>
Temporary Housing Placement	 <p>Chhaya CDC will help temporarily relocate occupants or belongings in the basement or cellar. They will also give tenants an overview of the lease terms upon return to the newly converted apartment.</p>
Home Assessor/ Construction Consultant	<p>Conducts the home assessment per Step 3, Chapter 2.</p>
Property Surveyor	<p>Performs physical measurements of property to determine property line boundaries.</p>
Environmental Company	<p>Performs environmental testing.</p>
Architect	<p>Creates the design plans for the apartment to ensure it meets all code requirements.</p>
General Contractor	<p>Performs the physical construction of the basement/cellar into an apartment.</p>
Structural Engineer	<p>If needed, will determine structural conditions and construction requirements.</p>
Special Inspector	<p>Third party consultant hired for special inspections to confirm the construction meets all applicable codes.</p>
NYC Department of Buildings Inspector	<p>The city inspector verifies the completed apartment meets all code requirements before issuing a partial or amended Certificate of Occupancy for the newly created apartment.</p>

Can a homeowner choose their own contractor, architect or other third parties?

No, the pilot program is time-limited and the entire process must be completed by deadlines specified by the program and *Local Law Intro.1004*. CHLDC, their partners and any third party vendors are required to complete work in a timely manner to meet all regulations. CHLDC pre-qualifies all third party vendors, such as General Contractors and Architects, to ensure they have the required license and insurance.

What if there's a problem with the construction after the project is complete?

All participants will be provided with any relevant warranty related to construction. The homeowner should contact the general contractor directly if any warranty matters arise.

What is environmental testing and why is it necessary?

Environmental testing involves a site inspection and testing to ensure the basement or cellar meets health and safety regulations before converting into an apartment. The testing will detect any hazardous materials, such as lead, asbestos, and radon making a living space unsafe for habitation. Any remediation work required would be paid by the loan provided to the homeowner, within the budget of \$120,000.

Did You Know?

The homeowner has obligations as part of the program to provide access to their Cypress Hills Local Development Corporation, Restored Homes, contractors, and other third parties before and after construction starts. Failing to provide access to the home for these parties can be deemed a default under the legal agreements a homeowner signs and may require expenses the program incurred to be paid back by the homeowner.



CHAPTER 3

LANDLORD AND TENANT RIGHTS & RESPONSIBILITIES

Owners and tenants have legal responsibilities to each other. Owners and tenants can gain an understanding of the rules and regulations affecting housing by visiting HPD's website to read "The ABC's of Housing," HPD's guide: <https://www1.nyc.gov/site/hpd/about/abcs-of-housing.page>

Inside the guide you will find information about owner and tenant rights and responsibilities, staying in your apartment safely, resources for new affordable housing or rental assistance, and useful contact information for other housing related issues.



What is required of the homeowner as a landlord?

Owners must ensure that common areas and individual apartments in their homes are safe and well maintained in compliance with all applicable codes including the Housing Maintenance Code (HMC) and Multiple Dwelling Law (MDL).

Among other responsibilities, owners must provide and maintain security measures, heat, hot and cold water, good lighting, smoke detectors, carbon monoxide detectors, and window guards. Only legal residential space may be rented for living, as defined by a property's Certificate of Occupancy. Homes that do not comply with regulations are at risk of violations and penalties that is the responsibility of the owner. Please visit the following for more information, HPD's website to read "The ABC's of Housing," HPD's guide: <https://www1.nyc.gov/site/hpd/about/abcs-of-housing.page>

For this pilot program, there are also rules around affordability requirements, since the newly converted apartment will have rents that are restricted. Homeowners are required to attend a landlord training provided by the program that will give more information on landlord and tenant rights and responsibilities.

What does rent restriction mean for the basement or cellar that is converted into an apartment?

Once a homeowner signs the loan and regulatory agreements with HPD to close on a loan and the basement or cellar has a Certificate of Occupancy, the homeowner is required to comply with rental restrictions outlined in Chapter 2, page 21. The homeowner cannot increase rents above a specified schedule provided by the program.

Will I need to provide a lease to the tenant living in the newly converted apartment?

Yes, homeowners will be required to provide the tenant with a lease, with an option to renew. The program will provide the homeowner with a lease template, if needed, and a rider that is required to be attached to the lease outlining the rental restrictions outlined in Chapter 2.

A homeowner must keep a copy of the signed leases including the rider, as the homeowner may be required to submit copies to HPD upon request.

Will the homeowner need a new lease, if they already had one with a tenant that was previously living in the basement or cellar?

If the homeowner already had a lease with a tenant, the program will provide the homeowner with a lease rider template to attach to the lease. This lease rider will outline the rental restrictions pertaining the program, mentioned in Chapter 2, page 21. The program will make case to case determinations on whether a new lease is needed.

If the tenant is temporarily relocated to complete construction will a homeowner lose rental income?

Yes, the homeowner will not be collecting rent when the tenant/occupant is not living in the home, as part of the program. However, long-term the homeowner will be able to legally rent and collect rental income after a Certificate of Occupancy is issued for the new apartment.

Where will the occupant of the basement or cellar go during construction?

The occupant and any belongings located in the basement or cellar will be temporarily relocated before closing on a loan and during the course of construction. CHLDC and their partners will make all the arrangements needed to temporarily relocate any occupants or belongings that resided in the basement or cellar, if needed.

Relocation services may include: finding a temporary apartment for an existing occupant of the basement or cellar, storage spaces, broker fees, packing supplies and payment of a rent differential. The occupant that previously lived in the basement or cellar must continue to pay rent to the landlord for the apartment that they temporarily move to during construction. The program will pay the difference between their existing rent and new rent. The program will pay for eligible relocation expenses within budget.

For existing occupants of the basement or cellar, the homeowner must provide them with an option to return, to the basement or cellar once a Certificate of Occupancy is issued for the new apartment, unless otherwise approved by HPD.

What information should a homeowner give their tenant(s) while participating in the program?

It's recommended the homeowner give occupant(s) advance notice that access to the basement or cellar is required during the program, as needed.

If the homeowner is eligible for a loan to start construction, the program will send the homeowner a move out notice before closing on a loan to start construction so homeowners have advance notice to start the relocation process. The homeowner should also coordinate in advance with occupant(s) to temporarily relocate during construction. Homeowners should let occupants know the goal of the program is to create a safe living space.

If homeowners need assistance communicating with the occupants of their home, Cypress Hills Local Development Corporation and their partners are available to help.

CHAPTER 4

OTHER IMPORTANT INFORMATION

Multiple Dwelling Law

What is the Multiple Dwelling Law (MDL)?

The Multiple Dwelling Law is a New York State building code that regulates buildings with three or more residential units. For more information, please visit: <https://www1.nyc.gov/site/bsa/about/about.page>





How does the MDL impact a two or three family home when a basement or cellar converts into an apartment?

The Multiple Dwelling Law has jurisdiction over an existing two-unit home converting to a three-unit home or an existing three-unit home converting to a four-unit home, as a result of a basement or cellar conversion into an apartment.

For existing two- and three-family homes adding a unit, architectural plans must be approved by both the NYC Department of Buildings (DOB) and the NYC Board of Standards and Appeals (BSA). Proposed plans for these units shall undergo full plan review at the DOB so that all parties are fully informed as to the specific waivers required for legalization of the basement or cellar into an apartment. The BSA will then ensure the plans meet the MDL requirements and may consider waivers for some requirements on a case-by-case basis.

After the basement or cellar work is completed and a Certificate of Occupancy has been issued for future changes made to the home, homeowners will be required to comply with the MDL, as well as other municipal regulations, and may require BSA approval.

For questions in regards to your property and the program, please, contact CHLDC first. For general information or appointments, contact the Board Office at: 212-386-0009. The public is welcome to meet with Board staff to discuss BSA-related issues, file materials related to new applications and review BSA archives. For more information, please visit: <https://www1.nyc.gov/site/bsa/about/about.page>

Property Taxes

The addition of a new unit will increase the taxes that homeowners are required to pay. The increase in taxes is determined by the NYC Department of Finance (DOF) and depends on the total cost of construction and the tax class.

How much will my taxes increase?

Please note the following are estimates and the final tax increase amount is determined by the NYC Department of Finance:

- Two or three unit homes: Buildings with two or three units post-conversion fall into Tax Class 1. The addition in taxes per year could be approximately \$700-1,400 per year.
- Four-unit homes: Buildings converting from a three-unit to a four-unit shift into Tax Class 2A. The estimated increase in taxes could be approximately \$2,000 a year.

How can homeowners qualify for tax exemptions?

A homeowner may be eligible to apply for property tax exemptions and benefits through the NYC Department of Finance, such as the J-51 property tax exemption for renovating a residential apartment building. The benefit varies depending on the building's location and the type of improvements. The J-51 tax exemption would cover two-families converting to a three-family, and three-families converting to a four-family.

Other tax benefits are available for senior homeowners, disabled homeowners, veterans, disabled crime victims, and clergy members. For more information on these exemptions please consult your housing counselor at CHLDC.

How will homeowners pay for the increase in property taxes?

Yes, rental income collected from a basement or cellar conversion (once a Certificate of Occupancy is issued for the new apartment) can be a source of income to help pay for the increase in taxes. For example, the increase in taxes could be paid by a couple of months of rental income, depending on how much rent is being collected.

When will I have to start paying the increased amount in taxes?

The increase in taxes will start when construction is complete and Certificate of Occupancy is issued.

Fee Waivers

The NYC Department of Environmental Protection (DEP) shall waive all application fees for homeowners participating in the program that they would otherwise be required to pay for the conversion of a basement and cellar into an apartment.

DOB will waive all fees in connection with applications, permits and inspections for work for homeowners participating in the program, which would otherwise be required to be paid to the DOB by title 28 of the administrative code, the electrical code or the rules of the DOB.

Violations

What if I have pre-existing violations related to the basement or cellar?

The program will only finance the scope of work required to convert the basement or cellar. It is possible that this construction may satisfy the corrective work required by the DOB to address the outstanding violations associated with the basement or cellar. However, any fees, penalties, or paperwork related to clearing such violations will still be the responsibility of and need to be paid by the homeowner.

Any additional violations or penalties that have occurred in the rest of the home outside of the basement or cellar, the minimal required cost to clear older violations, and relocation liens for past illegal housing will remain the homeowner's responsibility to address.

What if a violation arises after basement conversion permits are issued?

If there are violations and penalties that arise after the issuance of a permit to convert the basement or cellar, no matter if the violation is related to the basement/cellar or another part of the home, such violations must be cleared and penalties paid before a Certificate of Occupancy will be issued.

If the General Contractor hired to complete the work receives any violations related to their construction work, they must address and remove any violations. Contractors must also pay any associated penalties related to violations.

Important to remember

- Violations or penalties imposed by government agencies will not be waived or deferred for homeowners participating in the BACPP, except as described above.

APPENDIX



- Loan Term Sheet
- Loan Package Checklist
- Closing Checklist

BASEMENT APARTMENT CONVERSION
PILOT PROGRAM

TERM SHEET

TERM SHEET

Program Description

- Local Law Int. No. 1004-A (2018) establishes a demonstration program to facilitate the creation and alteration of habitable apartments in basements and cellars of certain one and two unit family dwellings.
- The Basement Apartment Conversion Pilot Program (BACPP) provides homeowners of one-, two-, and three- unit homes in Brooklyn Community Board 5 earning less than 165% of Area Median Income (AMI), adjusted by household size, with financial and technical assistance to convert a basement or cellar to a legal, safe residential unit for rental occupancy. BACPP provides non-interest bearing forgivable and low-interest loans for financing of conversion of the space.
- BACPP applicants converting a basement or cellar to a residential unit with a home requiring other critical repairs may be eligible for funding for these repairs through the program.

Eligible Buildings

- Owner-occupied, one-, two-, and three-unit homes located in Brooklyn Community Board 5, with a basement or cellar unit eligible for conversion to a residential unit.

Eligible Borrowers

- In order to be eligible a borrower must be the owner-occupant of a one-, two-, or three-unit home, with a maximum current household income of 165% of Area Median Income (AMI).
- Rental income: Income from rental units will be included in household income calculations.
- Applicant must be current on, or have a payment plan in good standing, with Department of Environmental Protection (DEP) for water bills and Department of Finance (DOF) charges.

Family Size	165% AMI
1	\$123,255
2	\$140,910
3	\$158,565
4	\$176,055
5	\$190,245
6	\$204,270
7	\$218,460
8	\$232,485

Eligible Borrowers (continued)

- Applicant must be current with any mortgages or provide documentation that they are on an established payment agreement with their mortgage lender.
- Applicants with mortgage delinquency and/or outstanding DEP and DOF charges may be eligible to access funding through the Mortgage Assistance Program administered by the Center for New York City Neighborhoods.
- In the event that an applicant’s property has outstanding violations, participation in this pilot is predicated upon correction, which may include concurrent resolution through BACPP.
- Maximum Debt to Income: 45%. Borrower with Debt to Income in excess of 45% may be eligible to participate upon completion of homeownership counseling. Debt to Income is calculated by adding all monthly household debt and dividing by your net monthly income.
- Credit History: Applicants with a credit score of less than 640 will be eligible to participate upon completion of homeownership counseling.
- Loan-to-Value: If all loans secured by the home (i.e. existing debt plus any new private and BACPP loans) 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.

Eligible Uses

- Scope of work must address the requirements to legally convert a basement or cellar, and may also include critical home repairs.
- The BACPP administrator will oversee a pre-qualified list of architects who will develop the scope of work, plans, and specifications, in compliance with New York City building codes and which must be acceptable to HPD.

HPD Loan Amount

- Maximum loan amount of up to \$120,000 per home. Properties with 3-4 units may qualify for additional funds, to be used to cover qualifying, critical home repairs.

HPD Loan Terms: General

- The BACPP will offer amortizing or forgivable loans with an interest rate ranging from 0% to 5%.
- Loan terms are based on factors including household income, debt-to-income ratio (DTI), credit score, and applicant age. These BACPP Lending Criteria are used to identify initial loan terms. See the chart at the end of this section.
- The initial term of the mortgage is set as follows:
 - Loans will be set at 180 months (15 years)
 - Loans are due upon sale or refinancing of the home prior to maturity.

HPD Loan Terms: General (continued)

- 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 BACPP administrator to assess household finances and their ability to repay debt incurred through the BACPP.
- 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 loan term may be extended up to 360 months;
 2. The initial interest rate set may be lowered at sequential quarter basis points to as low as 0%

Area Median Income

Less than 50%
(Extremely Low and Very Low income)

51% to 80%
(Low income)

81% to 120%
(Moderate and Middle Income)

121% to 165%
(Middle Income)

UNDER 62 YEARS OLD

Deferred, forgivable loan	Amortized at 0%	Amortized loan at 5%	Amortized loan at 5%
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AGE 62 AND OVER

Deferred, forgivable	Deferred, forgivable	Amortized at 0%	Amortized loan at 5%
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HPD Equity Requirements

- A secured mortgage will be placed on homeowner property.
- Homeowners may need to contribute equity or secure additional financing for basement conversion costs, or critical home repairs, in excess of the HPD loan amount.

Design and Construction Requirements

- A registered design professional (architect/engineer) and contractor from the pre-qualified list will be overseen by the BACPP administrator.
- The BACPP administrator will monitor construction in accordance with HPD requirements.

Design and Construction Requirements (continued)

- Projects must be in full compliance with the design requirements of all applicable laws, including, but not limited to, Local Law Int. No.1004-A (2018)
- Luxury upgrades, or upgrades of any kind beyond the work that is required to convert the basement/cellar legally and address critical home repairs, will not be considered.

Fees and Closing Costs

- Financing of Basement Apartment Conversion Pilot projects may include costs needed to complete construction efforts, including developer fees, hard and soft costs.

Regulatory Requirements

Owner 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 or until satisfaction of the loan, whichever is first. The regulatory agreement will include the following provisions:

- Borrower must maintain ownership of property as a primary residence for term of the loan. Homeowners are required to sign a primary residence affidavit and demonstrate primary residency to receive a loan satisfaction. If the applicant sells the home or refinances during the loan term, the loan must be repaid.
- Upon completion of renovations to the basement/cellar apartment, the following terms will apply for the duration of the regulatory restriction period:
 - Owners must offer tenants in place prior to renovation the option to return to the renovated unit at last rent charged, unless otherwise approved by HPD.
 - For unit that was not previously occupied, unless otherwise approved by HPD, new basement unit must be rented at or below 80% of the Area Median Income upon initial lease-up.
 - Basement apartment tenant 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 basement unit may be exempt from these provisions.
- The BACPP administrator will assist the owner in appropriately marketing and leasing a vacant unit. Initial income limitation for a vacant unit is up to 100% of Area Median Income.
- Owner is required to keep tenant leases demonstrating compliance with the rent restrictions and may be required to submit leases to HPD upon request.

Real Estate Tax Benefits

- Projects may qualify for J51 tax exemptions. See HPD Tax Incentive Programs guidelines for more details.

GO TO: www1.nyc.gov/site/hpd/developers/tax-incentives-j51.page

- Owners may also be eligible to apply for homeowner property tax exemptions and benefits through the NYC Department of Finance.

Application Process

1. Homeowners can express interest in participating in BACPP Filling out an online Expression of Interest Form found at:

www1.nyc.gov/site/hpd/developers/bacpp-homeowner-expression-of-interest.page

2. Once a homeowner has expressed interest, City staff will reach out to the homeowner directly to preliminarily assess eligibility and provide more information about the program.
3. Once selected, homeowners must submit an application to the program by the deadline specified on the Selection letter.

For more information about the BACPP program and important dates, please visit: nyc.gov/basementconversions

LOAN PACKAGE CHECKLIST

LOAN PACKAGE CHECKLIST

PROPERTY ADDRESS

✓ Document included

✗ Omitted (not applicable)

INTAKE	<input type="checkbox"/>	1. Loan Approval Request
	<input type="checkbox"/>	2. Application Form
	<input type="checkbox"/>	3. Loan Analysis/Eligibility Worksheet
OWNERSHIP	<input type="checkbox"/>	4. Recorded Deed
	<input type="checkbox"/>	5. Letters of consent from deed holders
	<input type="checkbox"/>	6. Primary residence documents (1 form of proof + affidavit of homeowner occupancy)
	<input type="checkbox"/>	7. Affidavit of tenant residency*
	<input type="checkbox"/>	8. Proof of active homeowner's insurance
	<input type="checkbox"/>	9. Mortgage statement/satisfaction*
	<input type="checkbox"/>	10. Title report
	<input type="checkbox"/>	11. Death certificate*
	<input type="checkbox"/>	12. Legal documentation of divorce or separation*
	<input type="checkbox"/>	13. Signed affidavit of absentee owner*

* If applicable

Document included
 Omitted (not applicable)

INCOME	<input type="checkbox"/>	Income verification (e.g. 2 recent paystubs, W-2 tax forms, pension, social security-SSI, SSD & Survivors; If self-employed: earning estimate and 2 most recent tax returns; block out SSI, bank account and credit card numbers)
	<input type="checkbox"/>	Affidavit of unemployment form*
	<input type="checkbox"/>	Credit report
MUNICIPAL CHARGES	<input type="checkbox"/>	Municipal Arrears check (HPD Verifies)
	<input type="checkbox"/>	Municipal Installment agreement* (Active Payment Agreement)
SCOPE OF WORK	<input type="checkbox"/>	Scope of work (include color pictures as needed)
CONTRACTOR	<input type="checkbox"/>	Contractor Estimate
	<input type="checkbox"/>	CHLDC Contractor Estimate Memo (Includes all bids, independent cost estimate, and recommended bid)
	<input type="checkbox"/>	Contractor Information forms (EIN#, Licenses, Legal IRS Name, Contact info)
	<input type="checkbox"/>	Contractor Insurance forms
LEAD AND LLC	<input type="checkbox"/>	Local Law 1: 3-4 dwelling units only - Children 6 yrs or less - Signed affidavit*
	<input type="checkbox"/>	Lead-paint acknowledgement form

* If applicable

CLOSING
CHECKLIST

CLOSING CHECKLIST

PROPERTY ADDRESS

Document included
 Omitted (not applicable)

- 1. Complete Loan Package
- 2. Loan Approval Letter from Assistant Commissioner
- 3. Loan Agreement
- 4. Regulatory Agreement (Includes Lease Rider)
- 5. Development Agreement
- 6. Amendment To The Development Agreement
- 7. Building Loan Contract
- 8. AIA Construction Contract
- 9. Relocation Agreement
- 10. Mortgage Recording Tax Waiver
- 11. Mortgage
- 12. Mortgage Note
- 13. Borough Recording Tax Letter

* If applicable

