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Affordable Housing Alert

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New York City announces \$50 Million initiative to address a historic barrier facing developers of color

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The “New York City Minority Business Enterprise Guaranty Facility” (MBE Guaranty Facility) will provide a guaranty back-stop to help eligible developers of color secure construction financing for affordable housing.



What’s the impact?

- Affordable housing developers certified as Minority Business Enterprises (MBEs) can receive a back-stop guaranty for construction financing.
- The MBE Guaranty Facility includes a \$25 million commitment from the City of New York and a \$25 million commitment from the Urban Investment Group at Goldman Sachs.
- The \$50 million initiative is expected to leverage up to \$500 million of investment in affordable housing in New York City.

The City of New York’s Department of Housing Preservation (HPD) and New York City Housing Development Corporation (HDC) announced a new program known as the “New York City Minority Business Enterprise Guaranty Facility” (MBE Guaranty Facility) that creates a pool of up to \$50 million to help eligible developers of color overcome traditionally onerous guaranty obligations for construction financing.

Developers of color have faced well-documented challenges in securing construction loan financing as the result of burdensome financial barriers such as lender guaranty and liquidity requirements.¹

Recognizing these structural challenges, the MBE Guaranty Facility was created to promote the participation and growth of MBE-certified developers by serving as a back-stop for the guarantees provided by these developers for construction financing. Specifically, the MBE Guaranty Facility is anticipated to provide a top loss guaranty of up to 10% of the senior construction loan value and will be offered for construction or development completion guarantees, repayment guarantees, and the carry guaranty.

The MBE Guaranty Facility includes a \$25 million commitment from the City of New York and a \$25 million commitment from Goldman Sachs in connection with its “One Million Black Women” initiative. The Community Preservation Corporation (CPC) will serve as the facility manager. The \$50 million is expected to leverage as much as \$500 million in investment in affordable housing.

HDC announced initial guidelines regarding eligibility for the MBE Guaranty Facility:

- / **Eligible Developers:** developers must be certified MBEs with a strong development track record and demonstrated a need for capital. Joint ventures are anticipated to be allowed if the joint venture partner is a non-controlling, not-for-profit entity, such as a faith-based organization.
- / **Eligible Projects:** projects in HPD and/or HDC’s funding pipeline that have a senior private construction loan of up to \$50 million and are expecting to close within a six-month period are expected to be eligible.

HPD and HDC have indicated that they will begin accepting applications for the MBE Guaranty Facility as early as winter 2024, with the first projects expected to close by the end of Fiscal Year 2024 or early in Fiscal Year 2025. MBE developers are encouraged to ask their HPD project managers for more information to learn more about eligibility and the forthcoming application process.

¹ [Breaking the Glass Bottleneck: The Economic Potential of Black and Hispanic Real Estate Development and the Contract They Face](#), March 2023.

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