NYC HDC
NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

M E M O R A N D U M

To: The Chairperson and Members

From: Eric Enderlin
President

Date: March 24, 2023

Re: Approval of Amendments to the 2018 Series L Supplemental Resolution; Amendment to the Funding Loan Agreement for MEC 125 Parcel B West; and Approval of Mortgage Loans

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I am pleased to recommend that the Members approve amendments to the 276th Supplemental Resolution of the Corporation's Multi-Family Housing Revenue Bonds, 2018 Series L-1 and L-2 initially issued on December 26, 2018 (the "2018 Series L-1 Bonds" and "2018 Series L-2 Bonds" and together the "2018 Series L Bonds") for the Hunters Point South –North Tower and Hunters Point South –South Tower developments (the "2018 Series L Supplemental Resolution") as described herein.

The Members are also asked to approve an amendment to a Funding Loan Agreement to increase the maximum amount of the Corporation's recycled volume cap debt obligations for the related MEC 125 Parcel B West development by $10,000,000 to preserve additional recycled volume cap received from the New York State Housing Finance Agency ("NYSHFA").

In addition, the Members are asked to approve the use of the Corporation's unrestricted reserves and available funds of the Open Resolution to finance the Preservation of two (2) developments in the Harlem neighborhood of Manhattan and two (2) developments in the Morrisania neighborhood of the Bronx (the "Heighliner Portfolio").

The following is a background of the Open Resolution, a description of the proposed REMIC-SONYMA Risk Share Insurance Agreement, the amendments to the 2018 Series L Supplemental Resolution, the amendment to the Funding Loan Agreement for MEC 125 Parcel B West, and the Preservation loans for the four (4) developments in the Heighliner Portfolio.

Background and Status of the Open Resolution

Under the Open Resolution, the Corporation has issued bonds (a) to finance or acquire mortgage loans for multi-family rental and cooperative housing developments throughout New York City, (b) to refund other bond issues of the Corporation, which had financed other multi-family developments, and (c) to acquire a 100% interest in City-owned mortgages. As of October 31, 2022, there were 1,300 mortgage loans (1,115 permanent loans and 185 construction loans) held under the Open Resolution with a total outstanding principal balance of approximately $11,207,548,099 including $6,925,397,503 in permanent loans and $4,282,150,596 in construction loans. These mortgage loans, together with funds in the Bond Proceeds Account and Debt Service Reserve Account, totaled $12,977,426,327 as of October 31, 2022. There are no material monetary defaults on any of the mortgage loans other than temporary financial difficulties with respect to certain developments which are in the process of being cured. As of October 31, 2022, there were $10,264,825,000 of Open Resolution bonds outstanding, not including bonds issued under the Federal New Issue Bond Program (NIBP) and bonds issued under the 2017 Pass-Through Resolution. Subsequent to October 31, 2022, the Corporation issued $696,815,000 principal amount of Open Resolution bonds.

Description of Proposed REMIC-SONYMA Risk Share Insurance Agreement

The proposed REMIC-SONYMA Risk Share Insurance Program is expected to provide mortgage insurance for large loans made by the Corporation. The maximum loan amount under the proposed agreement would be the greater of $75 million, or $250 thousand per dwelling unit (the "Maximum Loan Amount"). The Members of REMIC are expected to be asked to approve the execution of an agreement to participate in the REMIC-SONYMA Risk Share Insurance Program. If approved, the maximum policy coverage percentage would equal fifty percent (50%) of certain of the Corporation's senior permanent mortgages in the Open Resolution, with REMIC and SONYMA each responsible for insuring twenty-five percent (25%) of the original principal balance of the loan. REMIC and SONYMA will each issue certificates to the insured (HDC) evidencing its twenty-five percent (25%) coverage. Loans insured under this agreement will have a term of not more than forty (40) years and observe the Maximum Loan Amount, and eligible properties must have a loan-to-value ratio of less than eighty percent (80%).

The Corporation uses a variety of permanent credit enhancement products in the Open Resolution and staff believe that the addition of the REMIC-SONYMA Risk Share Insurance Program will be an important tool for providing diverse options for the Corporation's core lending programs.

If approved, the Corporation intends to initially use the REMIC-SONYMA Risk Share Insurance program for the permanent financing of two existing loans in the Open Resolution with a total approximate principal balance of $151,000,000.

Amendments to the 2018 Series L Supplemental Resolution

On November 20, 2018, the Members approved the issuance of the 2018 Series L Bonds solely for the financing of a portion of the mortgage loans for the Hunters Point South – North Tower and Hunters Point South – South Tower developments. The 2018 Series L Bonds were issued as tax-exempt, multi-modal bonds initially in the Term Rate Term mode for approximately 5 years corresponding to the anticipated construction term of the developments. The Members also approved the remarketing of the 2018 Series L Bonds into variable rate bonds to be supported by a liquidity facility provider on or around the time of conversion of the developments to their permanent phases.

The Members are currently being asked to approve amendments to the 2018 Series L Supplemental Resolution to modify the maximum rate of the 2018 Series L-1 Bonds and 2018 Series L-2 Bonds in connection with their upcoming remarketings into variable rate bonds supported by a liquidity facility provider. The increased maximum rate will align the 2018 Series L Bonds with the maximum rates for certain other currently issued bonds by the Corporation. The remarketed 2018 L-1 Bonds will be used to finance a portion of the permanent loan for the Hunters Point South – North Tower, which expects to convert to the permanent phase in late 2023. The remarketed 2018 L-2 Bonds will be used to finance a portion of the permanent loan for the Hunters Point South – South Tower development, which converted to the permanent phase on February 28, 2023.

Amendment to the Funding Loan Agreement for MEC 125 Parcel B West

On November 20, 2018, the Members also approved a Funding Loan Agreement with Citibank, N.A. ("Citibank") to receive funds from Citibank that were loaned by the Corporation to the borrower as stand-alone construction financing for the MEC 125 Parcel B West development.

Pursuant to the Funding Loan Agreement, Citibank agreed to fund a portion of the senior construction loan initially with taxable proceeds resulting in a participation in the applicable portion of the construction loan on a draw-down basis to reduce the negative arbitrage that would otherwise have been incurred under the conventional fully-funded Open Resolution recycled volume cap bond structure. As recycled volume cap became available over the course of the scheduled construction period for the qualified tax-exempt financing portion, the Corporation issued tranches of debt obligations resulting in the refinancing of a portion of Citibank's taxable participation loan into a loan financed with tax-exempt proceeds.

The Members are currently being asked to amend the Funding Loan Agreement to increase the maximum amount of the Corporation's recycled volume cap debt obligations for MEC 125 Parcel B West by $10,000,000 to preserve additional recycled volume cap received from NYSHFA. This increase will not change the permanent loan amount for the MEC 125 Parcel B West development but will facilitate the use of tax-exempt financing for the Corporation's obligation to purchase Citibank's interest in the construction loan for the project as originally anticipated when presented to the Members in 2018.

Preservation Loans for the Heighliner Portfolio

The Corporation expects to finance, in an amount not expected to exceed $29,062,000 with its unrestricted reserves and/or available funds in the Open Resolution, mortgage loans for the acquisition and financing of four (4) developments in the Heighliner Portfolio as described in the chart below.

Development Name (Borough/Units)	Project Type	Loan	Expected Not to Exceed Amount
Site 15 (Heighliner) (Manhattan/87)	LAMP Preservation	Senior Loan	$5,038,000
		Subordinate Loan	$3,828,000
349 Lenox (Heighliner) (Manhattan/26)	LAMP Preservation	Senior Loan	$3,806,000
		Subordinate Loan	$605,000
1090 Franklin (Heighliner) (Bronx /60)	LAMP	Senior Loan	$3,635,500
1011 Washington (Heighliner) (Bronx /136)	LAMP	Senior Loan	$12,149,500
TOTAL SENIOR LOAN AMOUNT: $24,629,000 TOTAL SUBORDINATE LOAN AMOUNT: $4,433,000 TOTAL LOAN AMOUNT: $29,062,000			

The proposed acquisition and financing of the four (4) developments in the Heighliner Portfolio which are currently in the Corporation's portfolio, is expected to refinance the existing debt and provide additional financing to the new borrowers. The new financing will facilitate the acquisition of the Heighliner Portfolio and fund a small rehabilitation scope at the properties.

For more information on these developments, please see Attachment "1-4".

Security for Bonds

All Open Resolution Bonds will be issued on a parity basis with all outstanding previous series of bonds issued under the Open Resolution from July 1993 to date. As a result, all Bonds will be secured on a parity basis with all the collateral currently held under the Open Resolution. As of

October 31, 2022, that collateral consisted of the following:

TYPE OF COLLATERAL	# OF LOANS	AMOUNT	% OF TOTAL
FHA Insured Mortgage Loans	36	549,481,053	4.23%
Fannie Mae/Freddie Mac Insured Mortgage Loans	30	721,502,570	5.56%
GNMA	2	17,030,152	0.13%
SONYMA Insured Mortgages	65	665,021,693	5.12%
REMIC Insured Mortgages	258	1,823,155,421	14.05%
LOC Insured Mortgages	6	20,820,075	0.16%
Uninsured Permanent Mortgages	360	2,446,934,059	18.86%
Uninsured 2014 Series B Mortgages	79	66,913,109	0.52%
Uninsured 2018 Series B Mortgages	279	614,539,371	4.74%
Partially Funded Construction Loans Secured by LOC	72	2,783,266,335	21.45%
Partially Funded Construction Loans Not Secured by LOC	111	1,326,090,586	10.22%
Partially Funded Construction Loans Secured by Collateral	2	172,793,675	1.33%
Sub-Total	1,300	11,207,548,099	86.36%
Undisbursed Funds in Bond Proceeds Account[1]		1,521,946,218	11.73%
Debt Service Reserve Account[2]		247,932,010	1.91%
Total*	**1,300**	**12,977,426,327**	**100.00%**

* May not add due to rounding

[1] Undisbursed Funds in Bond Proceeds Accounts are monies held by the Trustee for construction financing of projects under the Open Resolution.

[2] Includes a payment obligation of $10,766,574 of the Corporation, which constitutes a general obligation.

Risks and Risk Mitigation

Preservation Loans for the Heighliner Portfolio

All senior mortgage loans for the Heighliner Portfolio to be financed with corporate reserves and/or available taxable funds in the Open Resolution during the permanent financing period will be secured by a mortgage insurance policy provided by REMIC.

The primary risk associated with the financing of the senior and subordinate mortgage loans is repayment risk from the borrowers. This risk is mitigated for the permanent period through conservative underwriting incorporating low loan-to-value and substantial debt service coverage and income-to-expense ratios.

Amendment to the Funding Loan Agreement for MEC 125 Parcel B West

There is no change to the Corporation's obligation to purchase Citibank's interest in the construction loan for the MEC 125 Parcel B West development. The increase in the recycled volume cap debt obligations will allow the Corporation to use tax-exempt financing for the permanent loan rather than taxable.

Deposits and Fees

With respect to the Heighliner Portfolio, it is expected that the Corporation will charge the borrowers an up-front commitment fee equal to 0.75% of the mortgage loan amount. In addition, these borrowers will pay an amount equal to their pro-rata share of costs of issuance, including the fees of the underwriter, bond counsel, rating agencies, and the trustee plus any additional funds that are required to compensate the Corporation for its management of the Bonds or to reimburse the Corporation for certain costs incurred during the construction of the project. For the Site 15 (Heighliner) and 349-359 Lenox Avenue (Heighliner) developments, the borrowers will pay a 0.25% refinancing fee based on the outstanding principal amount of the subordinate loans.

As with other Open Resolution transactions completed by the Corporation, the Corporation will also charge each borrower of the developments in the Heighliner Portfolio an annual servicing fee of at least 0.20% on the outstanding principal balance of each first permanent mortgage loan or other applicable fees.

Action by the Members

The Members are requested to approve an authorizing resolution that provides for the adoption of the amendments to the 276th Supplemental Resolution for the 2018 Series L Bonds.

In addition, the Members are requested to approve an authorizing resolution that provides for (i) an amendment to the Funding Loan Agreement for MEC 125 Parcel B West; and (ii) the execution of mortgage-related documents and any other documents necessary to accomplish the issuance of the MEC 125 Parcel B West Funding Loan Debt Obligations and the financing of the related loan.

Lastly, the Members are also requested to approve (i) the making of certain senior and subordinate loans, in an amount not expected to exceed $29,062,000, from unrestricted reserves and/or available funds for four (4) Preservation projects in the Heighliner Portfolio; and (ii) the execution by an Authorized Officer of the Corporation of mortgage-related documents and any other documents necessary to accomplish the senior and subordinate financing.

Attachment "1"

Site 15 (Heighliner)
Manhattan, New York

Project Location:	203, 205, 207, 209, 213, 215 West 148th Street
HDC Program:	LAMP Preservation
Project Description:	The project consists of the moderate rehabilitation of 6 buildings containing 87 residential units located in the Harlem neighborhood of Manhattan. All units will be affordable to households earning at or below 60% AMI.
Total Rental Units:	86 (plus one superintendent units)
Apartment Distribution:	

Unit Size	No. of Units
Studio	6
1 bedroom	29
2 bedroom	49
3 bedroom	3
4 bedroom	0
Total Units*	87

*Total Units are inclusive of one superintendent unit

Current HDC Permanent Financing Amount:**	$1,665,646
Expected HDC Construction Financing Amount:	$0
Expected HDC Permanent Financing Amount:	$4,580,000
Current/Expected HDC 2nd Mortgage Amount:**	$3,480,000
Expected Total Development Cost:	$11,802,477
Owner:	HP Site 15 HDFC, the fee owner, whose board of directors and officers consist of Jamie Smarr, Sheila Martin, and Esther Toporovsky, and Site 15 Preservation LLC, the beneficial owner, whose principal is James Simmons III (Asland Capital Partners).
Developer:	Asland Capital Partners
Credit Enhancer:	Construction – n/a Permanent – REMIC

** Balance as of March 1, 2023

Attachment "2"

349-359 Lenox Ave (Heighliner)
Manhattan, New York

Project Location:	349-359 Lenox Avenue
HDC Program:	LAMP Preservation
Project Description:	The project consists of the moderate rehabilitation of one building containing 26 residential units located in the Harlem neighborhood of Manhattan. All units will be affordable to households earning at or below 60% AMI.
Total Rental Units:	25 (plus 1 superintendent units)
Apartment Distribution:	see table below

Unit Size	No. of Units
Studio	6
1 bedroom	8
2 bedroom	12
3 bedroom	0
4 bedroom	0
Total Units*	26

*Total Units are inclusive of one superintendent unit

Current HDC Permanent Financing Amount:**	$0
Expected HDC Construction Financing Amount:	$0
Expected HDC Permanent Financing Amount:	$3,460,000
Current/Expected HDC 2nd Mortgage Amount:**	$550,016
Expected Total Development Cost:	$5,999,448
Owner:	HP 349 Lenox HDFC, the fee owner, whose board of directors and officers consist of Jamie Smarr, Sheila Martin, and Esther Toporovsky, and 349 Lenox Preservation LLC, the beneficial owner, whose principal is James Simmons III (Asland Capital Partners).
Developer:	Asland Capital Partners
Credit Enhancer:	Construction – n/a Permanent – REMIC

** Balance as of March 1, 2023

<u>Attachment "3"</u>

1090 Franklin Ave (Heighliner)
Bronx, New York

Project Location:	1090 Franklin Avenue
HDC Program:	LAMP
Project Description:	The project consists of the moderate rehabilitation of one building containing 60 residential units located in the Morrisania neighborhood of the Bronx. All units will be affordable to households earning at or below 60% AMI.
Total Rental Units:	59 (plus one superintendent units)

Apartment Distribution:

Unit Size	No. of Units
Studio	10
1 bedroom	20
2 bedroom	30
3 bedroom	0
4 bedroom	0
Total Units*	60

*Total Units are inclusive of one superintendent unit

Current HDC Permanent Financing Amount:**	$2,120,000
Expected HDC Construction Financing Amount:	$0
Expected HDC Permanent Financing Amount:	$3,305,000
Expected Total Development Cost:	$7,188,447
Owner:	HP 1090 Franklin HDFC, the fee owner, whose board of directors and officers consist of Jamie Smarr, Sheila Martin, and Esther Toporovsky, and 1090 Preservation LLC, the beneficial owner, whose principal is James Simmons III (Asland Capital Partners).
Developer:	Asland Capital Partners
Credit Enhancer:	Construction – n/a Permanent – REMIC

** Balance as of March 1, 2023

Attachment “4”

1011 Washington Ave (Heighliner)
Bronx New York

Project Location:	1011 Washington Avenue
HDC Program:	LAMP
Project Description:	The project consists of the moderate rehabilitation of one building containing 136 residential units located in the Morrisania neighborhood of the Bronx. All units will be affordable to households earning at or below 60% AMI.
Total Rental Units:	135 (plus one superintendent units)
Apartment Distribution:	see below

Unit Size	No. of Units
Studio	6
1 bedroom	47
2 bedroom	75
3 bedroom	8
4 bedroom	0
Total Units*	136

*Total Units are inclusive of one superintendent units

Current HDC Permanent Financing Amount:**	$7,665,000
Expected HDC Construction Financing Amount:	$0
Expected HDC Permanent Financing Amount:	$11,045,000
Expected Total Development Cost:	$19,635,939
Owner:	HP 1011 Washington HDFC, the fee owner, whose board of directors and officers consist of Jamie Smarr, Sheila Martin, and Esther Toporovsky, and 1011 Washington Preservation LLC, the beneficial owner, whose principal is James Simmons III (Asland Capital Partners).
Developer:	Asland Capital Partners
Credit Enhancer:	Construction – n/a Permanent – REMIC

** Balance as of March 1, 2023