

**MINUTES
OF THE MEETING OF THE
NEW YORK CITY HOUSING DEVELOPMENT CORPORATION**

June 9, 2009

A meeting of the Members of the New York City Housing Development Corporation (the "Corporation" or "HDC") was held on Tuesday, June 9, 2009, at the offices of the Corporation, 110 William Street, 10th Floor, New York, New York 10038. The meeting was called to order at 10:00 a.m. by the Chairperson, Rafael Cestero, who noted the presence of a quorum. The Members present were Felix Ciampa, Michael Hyman and Michael W. Kelly. Shortly after the start of the meeting, at 10:03 a.m., Charles G. Moerdler arrived. The Members absent were Harry E. Gould, Jr. and Mark Page. A list of observers is appended to these minutes.

The Chairperson called for the approval of the minutes of the meeting held on April 21, 2009.

Upon a motion duly made by Mr. Kelly, and seconded by Mr. Ciampa, the Members unanimously:

RESOLVED, to adopt the minutes of such meeting.

The Chairperson stated that the next item on the agenda would be the President's Report. He called upon Marc Jahr, President of the Corporation, to make this presentation.

Mr. Jahr thanked the Chairperson and stated that he would first like to welcome Michael Hyman, the City of New York's Acting Commissioner of the Department of Finance, to HDC's Board of Directors. He said that he looked forward to working with Mr. Hyman in the coming months, and appreciated all the support the Department of Finance has provided to HDC in the past, when, from time to time, the Corporation had to address complex property tax matters confronting some of its projects.

Mr. Jahr stated that it was June -- the "closing season" -- the time when HDC and HPD traditionally close on a large numbers of deals, and that there was a full agenda of developments for the Members to consider. He said that twelve projects, comprised of approximately 2,070 apartments, were embedded in a complex set of issuances within HDC's Open Resolution, while two projects, containing approximately 520 units, were stand-alone issuances. He said that the mix was emblematic of the current state of the financial markets, where the difficulty of arranging long-term credit enhancement -- the thinning of the ranks of lenders and the increased cost of doing deals -- was driving projects into HDC's Open Resolution.

Mr. Jahr stated that at the Corporation's prior meeting in April, he attempted to describe the challenges confronting HDC and HPD as they attempt to finance developments. He said that it was sufficient to note that compared to a year to 18 months ago, origination and annual fees on letters of credit were two to three times more expensive; liquidity is, depending upon the vintage of the facility we use, four to ten times more expensive; while the value of tax credits -- so

integral to the financial architecture of HDC's deals -- has been reduced by roughly 25%. Moreover, he said, the terms and conditions being exacted by both LC and equity providers are far more stringent, indeed more punishing than they have been in more than a decade.

Mr. Jahr stated that his staff, developers and other participants in the affordable housing world have commented that it has never been more difficult to finance deals, and the deals that have been painstakingly assembled from a range of financing sources have never seemed more fragile. He said that nothing can be taken for granted as debt and equity providers pull in different directions, making new demands on borrowers and threatening to unravel carefully crafted financing structures.

Mr. Jahr stated that this demanding environment had forced the Corporation to be far more flexible and agile than at any point in the recent past. He said that together with HPD, and drawing upon all the new resources coming out of Washington -- Tax Credit Assistance Program dollars or "TCAP" and recycled bonds, as well as HDC's usual menu of subsidies, including the use of our corporate reserves, HPD capital, and tax credit equity, even in its diminished amounts -- the Corporation has been able to cobble together deals that work for borrowers, lenders, and investors alike. He said that once completed, the Corporation believes these projects will significantly contribute to the strength of the communities they're located in, as well as the City as a whole. Mr. Jahr stated that he'd like to briefly highlight a couple of these developments for the Members to provide them with, as his friends in the investment banking world would say, some "color" surrounding these deals.

Mr. Jahr stated that in the first instance, within the Open Resolution, the Corporation would be seeking the Members' approval of two developments that are part of the continuing collaboration among HDC, HPD and the New York City Housing Authority or "NYCHA." He said that Arista UAC is a 290 unit, scattered site moderate rehabilitation of six recently vacant buildings in the Bronx, while Ciena Hobbs Court or Metro North is the new construction of 259 affordable units and the rehabilitation of 81 units in East Harlem. He said that combined, the developments would provide 630 apartments, new, affordable housing opportunities to existing NYCHA tenants as well as other households.

Mr. Jahr stated that at the same time, the deals have been structured to provide NYCHA with income, both in the form of up-front cash payments at either construction loan closing and/or permanent conversion, as well as through the project's cash flow. He said that these funds would help NYCHA meet some of its operating expense needs now and in the future. He said that the Corporation was pleased at the collaboration among the HDC, HPD and NYCHA staffs, and exceptionally pleased that NYCHA's newly appointed Chairperson, John Rhea, had joined in the discussions that have brought these projects to the point where you can consider them for approval. He said that with similar projects in the Corporation's pipeline, HDC looks forward to working with NYCHA and HPD staff on additional developments in the future that can do good by providing additional affordable housing for existing NYCHA residents and others, while doing well, by helping to bolster NYCHA's finances.

Mr. Jahr stated that within the context of the Open Resolution, the Corporation was also seeking the Members' approval of three deals in the Melrose section of the South Bronx which

were part of the Mayor's South Bronx Initiative. He noted that previously, the Members approved two of these developments -- St. Ann's Terrace -- as stand-alone bond issuances; now, in an effort to reduce project costs, the Corporation seeks the Members' approval to undertake them within the Open Resolution.

Mr. Jahr stated that these two projects, containing a total of 480 units -- it's a mixed income development -- are located between East 156th Street and East 159th Street, on a steep rise bounded by Eagle and St. Ann's Avenues. He said that when you go up to the top of the rise, a public school is across the street, and when you look down at the site and beyond, the Melrose section of the Bronx presents itself to you. He said that it's a remarkable view: at the base of the site, directly across the street, is Melrose Court, a pioneering condominium project undertaken with HPD subsidies a number of years ago; slightly to the north and west the seven building, 689 unit Boricua Village site, previously approved by the Members, is under construction; and then dotting the landscape to the south of Boricua Village and west of Melrose Court, as well as going north up Third Avenue, are a series of new construction projects also financed by HDC. He said that the third deal he alluded to earlier, La Terraza/Melrose Site B, located at the intersection of East 158th Street and Third Avenue, would join the many other projects HDC has financed up and down Third Avenue and throughout the Melrose section.

Mr. Jahr stated that La Terraza's development team had undertaken previous projects with HDC and included L&M Development, Procida Real Estate and Construction and Nos Quedamos, the non-profit community development corporation, which has played a pivotal role in the redevelopment of this part of the South Bronx.

Mr. Jahr stated that since 2004, HDC had committed over \$1.5 billion in bond financing and corporate reserves to finance 102 developments containing over 13,100 apartments in The Bronx, and that it was a remarkable commitment that has helped transform the borough's neighborhoods. He said that these projects, St. Ann's and La Terraza, would build on and contribute to that community building effort.

Mr. Jahr stated that the Corporation's efforts had not been limited to The Bronx and the South Bronx. He said that today, the Members would also be asked to consider approving two companion projects developed by the Richman Group in Harlem on 127th and 128th Streets. He said that one development would be financed within the Open Resolution: a 70 unit project, The Douglass; the other, a stand-alone development on the same block, would be a 156 apartment, mixed-income project, The Balton, which is named after a former HPD Planner, Ibo Balton, who passed away at much too young an age. He said that the whole project, involving the reconstruction of a city block, would be a fitting tribute to Ibo, who contributed so much to Harlem's revival.

Mr. Jahr stated that there was, of course, more, but that he would make note of only one other set of developments. He said that HDC was providing construction financing to two moderate rehabilitations of Section 202 elderly and supportive housing projects. He said that the first, "The Bridge", was an 81 unit undertaking, comprised of five buildings in different Manhattan neighborhoods; the second, "Jennings Hall" was a 150 apartment project located in Brooklyn's Greenpoint/Williamsburg neighborhood. He said that subject to the Members'

approval, these developments were part of an HDC pilot Preservation Program designed to reduce the expenses associated with preservation projects requiring modest scopes of work. He said that the initiative was another example of HDC's efforts to aggressively respond to the new financing environment by generating lower cost financing solutions to the capital and operating needs of preservation projects.

Mr. Jahr stated that as he mentioned at the beginning of his remarks, the projects the Corporation was seeking the Members' approval of today would use an array of federal, state and City resources. He said that they'll require that the Corporation lend approximately \$90 million in corporate reserves; they'll draw upon roughly \$140 million in HPD subsidies, including over \$42 million in federal "TCAP" funds authorized under the federal tax stimulus bill, the American Recovery and Reinvestment Act of 2009 ("AARA") and allocated to New York State which will, in turn, grant the funds to HPD.

Mr. Jahr stated that the complete pipeline, the Open Resolution and stand-alone developments would also consume over \$50 million in recycled bonds authorized under the Housing and Economic Recovery Act of 2008, a resource that the Corporation worked closely with Senator Schumer's and Congressman Rangel's offices to secure. And, finally, he said that apart from the \$210 million in volume cap the City's Industrial Development Agency had committed to HDC, the Corporation would require an additional approximately \$100 million in volume cap from the State—a request that is currently under consideration and which we expect will be approved during the coming days.

Mr. Jahr stated that taken as a whole, these resources, these projects would translate the rhetoric of stimulus and the promise of federal resources like TCAP and recycled bonds into the reality of construction in neighborhoods in The Bronx, Brooklyn, Manhattan and Queens (and, as an aside, also in Staten Island, where HDC recently closed on a project, "Broad Street," which the Members approved at a prior meeting.) He said that total development costs for these projects would amount to over \$700 million—and that would translate into lots of construction jobs on the sites, and employment opportunities among the suppliers and vendors who serve the building trades. He said that over the long run, apart from the more than 2,000 affordable apartments that will be constructed, the result of these investments will be stronger, more resilient neighborhoods, and an improved quality of life for their residents. He noted that it was not a bad accomplishment for all of the partners in these deals in tough economic times.

Finally, Mr. Jahr reminded the Members that they should have received a notice from the Conflicts of Interest Board (or "COIB") requesting that they complete and submit the necessary disclosure forms by no later than June 26, 2009. He said that it was important that they comply with this request. He said that they could complete and submit the form with relative ease on-line. He said that if they had not received this notice they should please speak to him after the meeting; and, of course, if they had any questions concerning this matter they should not hesitate to ask them. He noted that their cooperation in this matter was greatly appreciated.

The Chairperson stated that the next item on the agenda for consideration by the Members would be the approval of an Authorizing Resolution for the Corporation's Multi-

Family Rental Housing Revenue Bonds (The Balton), 2009 Series A. He called upon Rashida McGhie, Project Manager for the Corporation, to advise the Members regarding this transaction.

Ms. McGhie referred the Members to the memorandum before them entitled "Multi-Family Rental Housing Revenue Bonds (The Balton) 2009 Series A" dated June 9, 2009 (the "Balton Memorandum") and the attachments thereto including (i) the Resolution Authorizing Adoption of the Multi-Family Rental Housing Revenue Bonds (The Balton) Bond Resolution and Certain Other Matters in Connection Therewith (the "Authorizing Resolution"); (ii) the Multi-Family Rental Housing Revenue Bonds (The Balton) Bond Resolution (the "Bond Resolution"); (iii) the Official Statement; and (iv) the Bond Purchase Agreement, all of which are appended to these minutes and made a part hereof.

Ms. McGhie stated that she was pleased to recommend that the Members approve the issuance of the Corporation's Multi-Family Rental Housing Revenue Bonds, (The Balton), 2009 Series A (the "Bonds") in an amount not to exceed \$30,500,000. She said that interest on the Bonds was anticipated to be exempt from Federal, state and local income tax. She said that approximately \$17,250,000 of the Bonds would be subject to the Private Activity Bond Volume Cap and up to \$13,250,000 would be recycled tax-exempt bonds which are not subject to the Private Activity Bond Volume Cap.

Ms. McGhie stated that the proceeds of the Bonds would be used by The Balton LLC and The Balton Affordable LLC (collectively the "Borrower"), both New York limited liability companies. She said that the managing member of the Borrower is Richman 127, LLC which is controlled by Richard P. Richman of The Richman Group Development Corporation. She added that affiliates of The Richman Group would also act as the low-income housing tax credit investor.

Ms. McGhie stated that The Balton was a joint venture between The Richman Group Development Corporation and The Gotham Organization. She noted that Kristin Miller and Richard P. Richman were the principals of The Richman Group Development Corporation ("Richman"). She said that Richman had been in the development business for over fifteen years and was among the top five syndicators of low income housing tax credits. She acknowledged Kristin Miller's presence at the meeting. Ms. McGhie stated that the Gotham Organization operates over 1.7 million square feet of residential and retail properties throughout the northeast and provides real estate consulting services.

Ms. McGhie stated that the Bonds would be used for the purpose of paying a portion of the costs of acquiring and constructing a multi-family rental housing development to be located at 311 West 127th Street in Manhattan (the "Project"). She said that the Project would contain 156 rental units financed under the Corporation's Mixed Income Program. She added that thirty-nine (39) of the residential units (25% of the Project) would be reserved for families earning no more than 60% of the Area Median Income ("AMI"), which is currently \$46,080 for a family of four. She said that the remaining one hundred and sixteen (116) units (75% of the Project) would be affordable to middle-income households earning 130% AMI, which is currently \$99,840 for a family of four. She said that the Project would include 113 residential parking spaces and an 8,161 square foot commercial space.

Ms. McGhie stated that the Project would also receive two additional loans from the Department of Housing Preservation and Development in an amount of \$9,150,000 and \$13,000,000, respectively. She said that both loans would be subordinate to the loan of the Corporation.

Ms. McGhie stated that during the construction and lease-up period, the Bonds would be secured by an irrevocable direct pay Letter of Credit to be issued by Bank of America and delivered to the trustee for the bondholders (the "Trustee") concurrently with the issuance of the Bonds. She said that the Trustee would draw on the Letter of Credit to make all payments of principal and interest due on the Bonds.

Ms. McGhie stated that upon construction completion, it is anticipated that the Letter of Credit would be replaced with a Direct-Pay Credit Enhancement Instrument from Freddie Mac for a term of up to 37 years, subject to no defaults existing at conversion. She said that the Letter of Credit during construction and the Credit Enhancement Instrument during permanent would provide liquidity for any Bonds that may be tendered by bondholders. She said that as a result, the Corporation believes that the financing is structured to effectively insulate the Corporation from credit, market and real estate risks.

Ms. McGhie stated that the Bonds would initially be issued as seven-day variable-rate obligations. She said that the interest rate on the Bonds would be reset weekly by Morgan Stanley, the remarketing agent, and the Bonds would be subject to an absolute maximum interest rate of 15%, in accordance with the provisions of the Bond Resolution. She said that Bank of America and Freddie Mac would require the Borrower to purchase an interest rate cap ("Cap") as a hedge against interest rate volatility. She said that it was anticipated that the initial Cap would be for a term of eight years and would cover the 32-month construction and lease up term plus the six month extension and the first five years of the permanent term. She said that prior to the expiration of the Cap, the Borrower would be required to purchase a subsequent Cap with a term of at least five years or enter into another interest rate hedge. Ms. McGhie stated that all risks and fees are outlined in the Balton Memorandum and that it is expected that the Bonds would be rated Aa3 by Moody's Investors Service, Inc.

Mr. Moerdler stated that he wanted to disclose for the record that members of his firm have acted for The Richman Group on other matters, but that he has not; therefore he sees no conflict.

Richard M. Froehlich, Executive Vice President and General Counsel for the Corporation, then described the provisions of the Authorizing Resolution to the Members and the actions the Members were being requested to approve.

Upon a motion duly made by Mr. Kelly, and seconded by Mr. Hyman, the Members unanimously:

RESOLVED, to approve the Authorizing Resolution which provides for (i) the adoption of the Bond Resolution, (ii) the execution of the Bond Purchase Agreement regarding the sale of

the Bonds, (iii) the distribution of the Official Statement in connection with the financing, and (iv) execution of mortgage related documents and any other documents necessary to accomplish the issuance of the Bonds and the financing of the loan.

The Chairperson stated that the next item on the agenda would be the approval of an Authorizing Resolution for the Corporation's Multi-Family Rental Housing Revenue Bonds (Gateways Apartments), 2009 Series A. He called upon Jerry Mascuch, Assistant Vice President of the Corporation, to advise the Members regarding this financing.

Mr. Mascuch referred the Members to the memorandum before them entitled "Multi-Family Rental Housing Revenue Bonds (Gateways Apartments), 2009 Series A Bonds" dated June 2, 2009 (the "Gateways Memorandum") and the attachments thereto including (i) the Resolution Authorizing Adoption of the Multi-Family Rental Housing Revenue Bonds (Gateways Apartments) Bond Resolution and Certain Other Matters in Connection Therewith (the "Authorizing Resolution"); (ii) the Multi-Family Rental Housing Revenue Bonds (Gateways Apartments) Bond Resolution (the "Bond Resolution"); (iii) the Preliminary Official Statement; and (iv) the Bond Purchase Agreement, all of which are appended to these minutes and made a part hereof.

Mr. Mascuch stated that he was pleased to present for the Members' approval the issuance of the Corporation's Multi-Family Rental Housing Revenue Bonds (Gateways Apartments), 2009 Series A (the "Bonds") in an amount not to exceed \$25 million dollars. He said that interest on the Bonds would be exempt from Federal, state, and local income tax and that the Bonds were subject to the private activity bond volume cap.

Mr. Mascuch stated that the Bonds would be issued on a fixed rate basis at an annual interest rate not to exceed 6.10% with a final maturity date not later than July 2025. He said that the proceeds from the Bonds would be utilized to refinance and rehabilitate a 364-unit, 5-building property located in Far Rockaway, Queens (the "Project") that was initially financed by the U.S. Department of Housing and Urban Development.

Mr. Mascuch stated that the Project was currently owned and being developed by principals of The Related Companies LP ("Related"). He said that founded in 1972, Related was a fully integrated, diversified real estate organization with expertise in real estate development, construction, government-sponsored programs, and property management. He said that they had completed 15 projects financed through HDC and then noted the presence at the meeting of Mr. Andrew Nathenson, from Related, representing the Mortgagor (defined below).

Mr. Mascuch stated that Greenport Preservation LP (the "Mortgagor"), the new owner and mortgagor, would use the proceeds of the Bonds to acquire and rehabilitate the buildings and improve living conditions for the Project's tenants, and that renovation work to the property would include improvements to kitchens and baths, building systems and common area upgrades. He said that the Project was currently fully occupied and the rehabilitation would be completed without relocating the tenants. Mr. Mascuch stated that the Mortgagor would agree to an extended period of affordability for existing low-income residents, and that all of the Project's

units would be reserved for households earning less than 60% of the New York City area median income.

Mr. Mascuch stated that the Mortgagor was a single purpose New York limited partnership whose sole purpose was to rehabilitate, own and operate the Project. He said that the General Partner of the Mortgagor was Greenport Preservation GP, LLC whose members are the principals of Related and the Metropolitan New York Coordinating Council on Jewish Poverty (Met Council), a 501(c)(3) not for profit corporation. He said that the low income housing tax credit investor will be an affiliate of WNC & Associates, Inc.

Mr. Mascuch stated that the Bonds would be secured by an irrevocable direct pay credit facility to be issued by Fannie Mae and delivered to The Bank of New York Mellon as the Trustee for the bondholders concurrently with the issuance of the Bonds. He said that the Trustee would draw on the Credit Facility to make all payments of principal and interest due on the Bonds.

Mr. Mascuch stated that Fannie Mae expects to be reimbursed for draws on the Credit Facility from payments made by the Mortgagor pursuant to a Reimbursement Agreement. He said that the obligations of the Mortgagor were expected to be secured by one mortgage on the property and evidenced by one or more mortgage notes. He said that the Mortgagor would be required under the note to make payments sufficient to pay principal and interest on the Bonds. He said that at the closing of the Bonds, the Corporation would assign its interest in the mortgage and note to Fannie Mae and the Trustee. He said that it was expected that the financing would be initially rated AAA by S&P and that all risks and fees were outlined in the Gateways Memorandum.

Mr. Moerdler stated that he wanted to disclose for the record that members of his firm have acted for The Related Companies, but that he does; therefore he sees no conflict.

Mr. Froehlich then described the provisions of the Authorizing Resolution to the Members and the actions the Members were being requested to approve.

Upon a motion duly made by Mr. Ciampa, and seconded by Mr. Hyman, the Members unanimously:

RESOLVED, to approve the Authorizing Resolution which provides for (i) the adoption of the Bond Resolution, (ii) the execution of the Bond Purchase Agreement regarding the sale of the Bonds, (iii) the distribution of the Official Statement in connection with the financing, and (iv) the execution of mortgage related documents and any other documents necessary to accomplish the issuance of the Bonds and the financing of the loan.

The Chairperson stated that the next item on the agenda would be the approval of an Authorizing Resolution relating to the issuance of the Corporation's Multi-Family Housing Revenue Bonds, 2009 Series C-1, C-2, C-3, C-4, D and E. He called upon Joan Tally, Senior Vice President of Development for the Corporation, to advise the Members regarding this item.

Ms. Tally referred the Members to the memorandum before them entitled "Multi-Family Housing Revenue Bonds, 2009 Series C-1, C-2, C-3, C-4, D and E" dated June 2, 2009 (the "Open Resolution Memorandum") and the attachments thereto including (i) the Resolution Authorizing Adoption of the One Hundred Eleventh Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2009 Series C-1, the One Hundred Twelfth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2009 Series C-2, the One Hundred Thirteenth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2009 Series C-3, the One Hundred Fourteenth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2009 Series C-4, the One Hundred Fifteenth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2009 Series D and the One Hundred Sixteenth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2009 Series E and Certain Other Matters in Connection Therewith (the "Authorizing Resolution"); (ii) the One Hundred Eleventh Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2009 Series C-1, the One Hundred Twelfth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2009 Series C-2, the One Hundred Thirteenth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2009 Series C-3, the One Hundred Fourteenth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2009 Series C-4, the One Hundred Fifteenth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2009 Series D and the One Hundred Sixteenth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2009 Series E (each, a "Supplemental Resolution" and collectively, the "Supplemental Resolutions"); (iii) the Series Certificate of the New York City Housing Development Corporation Relating to \$50,000,000 Multi-Family Housing Revenue Bonds, 2009 Series C-3, and the Series Certificate of the New York City Housing Development Corporation Relating to \$12,945,000 Multi-Family Housing Revenue Bonds, 2009 Series C-4; (iv) the Preliminary Official Statement; and (v) the Bond Purchase Agreement, all of which are appended to these minutes and made a part hereof, and noted that the Open Resolution Memorandum had been revised since originally distributed to the Members and that the revised version was presently before them, together with a marked copy showing the changes.

Ms. Tally stated that she was pleased to recommend that the Members approve the issuance of the Corporation's Multi-Family Housing Revenue Bonds, 2009 Series C-1, C-2, C-3, C-4, D and E (collectively, the "2009 Bonds") in a combined amount not to exceed \$378,000,000. She said that the 2009 Bonds constitute the 112th through 117th series of bonds to be issued under the Corporation's Open Resolution originally adopted by the Members in 1993. She added that the interest on the 2009 Bonds was expected to be exempt from Federal, state and local income tax.

Ms. Tally stated that the 2009 Series C Bonds would consist of a new issuance not expected to exceed \$245,000,000 subject to the Private Activity Bond Volume Cap and a recycled bond issuance not expected to exceed \$40,000,000. She said that the C-1 and C-2 Bonds were expected to be issued on a fixed-rate basis at an annual interest rate not to exceed 6.00% on the C-1 Bonds and 4.00% on the C-2 Bonds. She said that the C-3 and C-4 Bonds were expected to be issued as variable rate demand bonds at a maximum interest rate not expected to exceed

15%. She said that liquidity for the C-3 Bonds would be provided under the stand-by bond purchase agreement that the Corporation would enter into with Bank of America, and liquidity for the C-4 Bonds would be provided under a stand-by bond purchase agreement that the Corporation would execute with The Bank of New York Mellon.

Ms. Tally stated that the 2009 Series D Bonds, in an amount not to exceed \$18,000,000, would be subject to the Private Activity Bond Volume Cap and would be issued on a fixed rate basis at an annual interest rate not to exceed 6.00%.

Ms. Tally stated that the proceeds of the Series C and Series D Bonds would be used to provide first position construction and permanent financing for the new construction or rehabilitation of up to 12 developments with a total of approximately 2,070 units located in Manhattan, Brooklyn and the Bronx. She said that up to 10 projects were to be financed under the Corporation's Low-Income Affordable Marketplace Program ("LAMP") and two projects were to be developed under the New Housing Opportunities Program ("New HOP"). She said that the Corporation was seeking approval for all 12 projects but it was possible that not all developments would be financed at this time due to the continuing challenges of arranging construction financing and satisfying all conditions precedent to closing construction loans.

Ms. Tally stated that all of the units in the LAMP Developments (excluding superintendents' units) were anticipated to be rented to households earning no more than 60% of the AMI, which was currently \$46,080 for a family of four. She added that all of the units in the New HOP Developments (excluding superintendents' units) were anticipated to be rented to households earning no more than 80% of the AMI, which was currently \$61,440 for a family of four. She said that both New HOP developments would set aside 25% of units to be affordable to households at 60% AMI, thus qualifying the projects for funding with the proceeds of tax exempt recycled bonds which afford the projects a lower tax exempt mortgage rate than would be achievable from taxable bonds.

Ms. Tally stated that the Corporation also anticipates utilizing approximately \$90,000,000 of unrestricted corporate reserves to finance the subordinate LAMP and New HOP mortgages at interest rates of at least 1%. She said that the funds would be advanced during construction and remain in the project as permanent loans. Ms. Tally stated that the LAMP and New HOP Developments would also receive subordinate financing from the Department of Housing Preservation and Development ("HPD") in an approximate amount of \$140,000,000. She said that the HPD loans would be subordinate to both of the Corporation's loans. She said that three of the HPD loans would benefit from approximately \$42,300,000 in funding available through the Tax Credit Assistance Program ("TCAP") under the American Recovery and Reinvestment Act of 2009; this program is intended to provide funds directly to states to disperse to existing tax credit developments in need of additional gap funding.

Ms. Tally stated that the 2009 Series E Bonds, in an amount not to exceed \$75,000,000, would be a "recycled" bond issuance in accordance with H.R. 3221, the Housing and Economic Recovery Act of 2008 ("HERA"). She said that as with the first two issuances of recycled bonds, the Corporation had recently been pooling prepayment proceeds from approximately four projects totaling approximately \$75,000,000 and would cause the redemption of the related

bonds shortly after the delivery of the 2009 Series E Bonds. Ms. Tally stated that the Series E Bonds would be issued as Convertible Option Bonds (or “COB”) and would be issued as variable rate obligations but would bear a fixed rate for the initial term not expected to exceed 2.00% with an initial term maturing January 15, 2010 unless earlier redeemed or called for tender.

Ms. Tally stated that the proceeds of the Series E Bonds were expected to provide first position construction and permanent financing for the new construction of certain developments, all of which would reserve a minimum of 20% of the units for low-income tenants. She said that the potential projects that may be funded from the proceeds of the Series E Bonds were listed in the Open Resolution Memorandum. She added that one or more of these projects were expected to close in the second half of 2009. She said that the Members were being asked to authorize the financing of any developments listed in the Open Resolution Memorandum, provided that the aggregate amount of all sub-series of the Series E Bonds did not exceed \$75,000,000. She said that the specifics of the projects eventually financed from the Series E Bonds would be brought to the Members for review and approval at the time the financing was ready.

Ms. Tally stated that, as Mr. Jahr had pointed out, by the end of June, the Corporation expects to have made loans to developments for \$142 million of the \$171 million of recycled bonds issued between November 2008 and May 2009.

Ms. Tally stated that the Open Resolution Memorandum includes a description of the projects anticipated to be financed with the 2009 Series C, D and E Bonds, and that Mr. Froehlich would further discuss the risks to the Corporation associated with the 2009 Bonds. She added that the 2009 Bonds were expected to be rated AA by S&P and Aa2 by Moody’s.

Mr. Froehlich stated that as Ms. Tally mentioned, the Corporation had been confronting a difficult lending environment as it attempts to close on its pipeline of deals before the end of the City’s fiscal year later this month. He said that the staff had recommended two significant changes to its traditional lending practices that should help it address these challenges.

Mr. Froehlich stated that the first was a pilot program that would have HDC provide construction loans on preservation projects that would not require additional credit enhancement by a conventional bank that would provide a letter of credit during the construction period. He said that this program would be limited to preservation projects that have limited rehabilitation budgets. He said that HDC’s Asset Management department including its engineering staff would assume construction monitoring and servicing responsibilities similar to the Corporation’s role in the Mitchell Lama Programs over the past 5 years. He said that in those instances HDC had financed projects and monitored construction without requiring any additional credit enhancement and construction lending from conventional banks.

Mr. Froehlich stated that in the current tight credit market, there were substantial savings to the projects of not carrying high letter of credit fees and an opportunity for HDC to charge its own credit enhancement fees of approximately 125 basis points a year during the construction period. He said that the primary risks faced by the Corporation are the related borrower’s inability to complete the rehabilitation or pay interest on the loan during the rehabilitation period.

He said that these risks were mitigated because each development was currently occupied, the majority of the work relates to systems improvements and the related project budgets include capitalized interest reserves sized for the entire construction period. He said that also the Corporation's staff had reviewed scopes of work and bids, and would monitor work progress. Finally, he said that staff believes that the Corporation's risks were also limited due to each borrower's history in operating and managing the projects and the financial involvement of the tax credit syndicate partner in each project.

Mr. Froehlich stated that second, the Corporation's staff recommends that HDC participate in the construction loan to be made by JPMorgan Chase for one portion of the St. Ann's transaction named St. Ann's ABH. He said that because the combined construction loans on St. Ann's ABH and St. Ann's CDE exceed \$25 million dollars, JPMorgan must limit its total exposure under its internal guidelines by getting other lenders to participate in the loans. He said that JPMorgan had lined up a participant for the St. Ann's CDE development but an anticipated participant in St. Ann's ABH recently dropped out of the deal. He said that in order to achieve a June closing the Corporation's staff recommends that the Corporation participate in the construction loan for St. Ann's ABH in an amount not to exceed \$13 million until a bank participant is secured post-closing. He said that the Corporation would earn a fee of 2% up front and 2% as an ongoing fee during the life of the loan. He said that several banks were currently reviewing the project and have expressed interest in participating and replacing the Corporation. He added that although the Corporation does not generally take construction risk staff believes that the St. Ann's ABH transaction was an unusual situation that requires special consideration.

He said that in order to mitigate the risk of such participation the Corporation's staff recommends that the Corporation restrict up to \$6.5 million in Corporate Reserves during the period that the participation interest is outstanding. He said that staff believes that the construction and rent up risk to the Corporation is mitigated because the project's developer is providing a large amount of equity, in excess of \$12 million dollars, or 19% of total development cost as well as additional security provided to cover rental shortfalls. He said that HDC staff was recommending this instance of construction participation as a one-off and does not expect to seek such authority on a regular basis as the Corporation must restrict a significant amount of reserves to do such lending.

Mr. Moerdler asked whether any thought had been give to the take-out after construction with respect to the projects in the preservation lending pilot program. Mr. Froehlich responded that the plan was for a SONYMA take-out.

Mr. Moerdler then stated that he wanted to disclose for the record that members of his firm represent JPMorgan Chase, but that he does not; accordingly, he did not feel there was any conflict.

Mr. Froehlich then described the provisions of the Authorizing Resolution to the Members and the actions the Members were being requested to approve.

Upon a motion duly made by Mr. Kelly, and seconded by Mr. Moerdler, the Members unanimously:

RESOLVED, to approve (A) the Authorizing Resolution that provides for (i) the adoption of Supplemental Resolutions to the Open Resolution providing for the issuance of the 2009 Bonds (ii) the distribution of a Preliminary and final Official Statement for the 2009 Bonds; (iii) the execution of bond purchase agreement(s) with the Underwriters of the 2009 Bonds or a direct purchaser of any or all of the 2009 Bonds; (iv) the use of the Corporation's unrestricted reserves to fund capitalized interest and mortgage reserves for 2009 Bonds, as may be required; (v) the use of the Corporation's general obligation as a "Cash Equivalent" (under the Open Resolution) to satisfy the Debt Service Reserve Account requirement with respect to the 2009 Bonds; (vi) the execution of a standby bond purchase agreement with Bank of America, N.A. and The Bank of New York Mellon or an affiliate thereof; (vii) the execution by the President or any Authorized Officer of the Corporation of any and all documents necessary to issue the 2009 Bonds and to make the mortgage loans relating to the 2009 Bonds; (B) the making of subordinate loans for the developments to be financed with the proceeds of the 2009 Series C Bonds in an amount not expected to exceed \$90,000,000 to be funded by using the Corporation's unrestricted reserves and the execution by an Authorized Officer of the Corporation of mortgage related documents and any other documents necessary to accomplish each subordinate financing; and (C) the Corporation's participation in the construction loan for St. Ann's ABH development in an amount not to exceed \$13,000,000, the establishment of such restricted reserves as required to maintain the Corporation's rating and the execution by an Authorized Officer of the Corporation of such participation documents and any other documents necessary to accomplish such financing.

At 10:29 a.m., there being no further business, upon a motion duly made by Mr. Kelly, and seconded by Mr. Hyman, the meeting was adjourned.

Respectfully submitted,

Diane J. Pugacz
Assistant Secretary

**MINUTES
OF THE MEETING OF THE
NEW YORK CITY HOUSING DEVELOPMENT CORPORATION**

June 9, 2009

ATTENDANCE LIST

<u>NAME</u>	<u>AFFILIATION</u>
Howard I. Berkman	Hawkins Delafield & Wood LLP
R. Gregory Henniger	" "
Eileen Heitzler	Orrick, Herrington & Sutcliffe LLP
Elwood Hill	OSDC
Andrew Nathenson	Related Affordable
Eli Weiss	Jackson Development Group
Kristin Miller	The Richman Group
Aaron Koffman	Hudson
Kent Hiteshew	JPMorgan Chase
Annie Lee	" "
Robert Goldrich	Mayor's Office
Barbara Feldman	BOA Merrill Lynch
Eric Taylor	Winston & Strawn
James McIntyre	Morgan Stanley
Raymond High	Citigroup
Marvin Markus	Goldman Sachs & Co.
Alan Tisch	Office of Economic Development
Marc Jahr	New York City Housing Development Corporation
Richard M. Froehlich	" "
Mathew M. Wambua	" "
Joan Tally	" "
Diane J. Pugacz	" "
Eileen M. O'Reilly	" "
Teresa Gigliello	" "
Melissa Barkan	" "
Cathleen Baumann	" "
Jonah Ming Lee	" "
Jeffrey Stone	" "
Susannah Lipsyte	" "
Ted Piekarski	" "
Chanin French	" "
Urmas Naeris	" "
Mary Hom	" "
Violine Roberty	" "

Bharat Shah	"	"
Norman Garcia	"	"
Peggy Joseph	"	"
John Fagan	"	"
Simon Bacchus	"	"
Jerry Mascuch	"	"
Shirley Jarvis	"	"
Mary John	"	"
Ruth Moreira	"	"
Rashida McGhie	"	"
Liz Oakley	"	"
Kerry Yip	"	"
Marcus Randolph	"	"
Pellegrino Mariconda	"	"