NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Gary Rodney
President

Date: February 25, 2016

Subject: Approval of a Loan for Sons of Italy Apartments

I am pleased to recommend that the Members approve the origination of a loan (the "Loan") in an amount not expected to exceed $9,125,000 to finance the acquisition, rehabilitation and/or permanent financing for Sons of Italy Apartments, described herein. All, or a portion, of the Loan may be initially funded with the Corporation's unrestricted reserves, and is expected to be insured under the Corporation's Risk-Sharing program with the U.S. Department of Housing and Urban Development ("HUD") and sold to the Federal Financing Bank (the "FFB").

Following is a description of the proposed uses of the Loan, the anticipated structure, security, other relevant terms, and a background of the FFB program.

Proposed Uses for the Loan

It is anticipated that a portion of the proceeds of the Loan will be used to finance a new senior mortgage loan for one (1) development as described in the chart below:

Existing Financing Source	Development Name (Borough/Number of units)	Project Type	Expected Not to Exceed Amount
2008 Series A Bonds	Sons of Italy Apartments* (Brooklyn/106)	HUD 202/ LAMP Preservation	$9,125,000
		Total	**$9,125,000**

* Existing financing for Sons of Italy Apartments was previously approved by the Members in December 2008.

The proceeds of the Loan will be utilized by the mortgagor, SOI Preservation L.P. and Order Sons of Italy in America Housing Corporation, for the purpose of paying for the costs of preserving Sons of Italy Apartments. The development is a 106-unit low-income senior housing rental project built in 1987 and rehabilitated with financing provided by the Corporation in 2008. It is located in the Gravesend neighborhood of Brooklyn and consists of a seven-story elevator building, plus 16 on-site parking spaces, laundry facilities, administrative offices, one superintendent's unit, and community space. All 105 rental units currently receive subsidy under a HUD Housing Assistance Payments Contract ("HAP"). The current HAP Contract expires on December 23, 2028. As part of the proposed financing the development is expected to renew the HAP Contract for 20 years, and extend the existing occupancy restrictions for the 35 year term of the Loan.

It is anticipated that a portion of the proceeds of the Loan will be used to refinance the existing indebtedness, including redeeming the Corporation's 2008 Series A Bonds, which will create interest rate savings for the project. Additionally, a portion of the proceeds of the Loan will be used to fund minor repair work, recapitalize project reserves, raise proceeds for charitable purposes, and facilitate the long term preservation of affordable housing for households earning at or below 60% of area median income.

For more information on the project, please see Attachment A-1.

Structure and Security

The Loan will be structured as a senior permanent mortgage loan secured by the fee simple interest in the development. The Loan will be originated with a 35-year term and is expected to have an interest rate that does not exceed 5%. The Loan is expected to have mortgage insurance under the Risk-Sharing program with HUD with the Corporation assuming 50% of the risk, which is a requirement for participation in the FFB program.

Background of the FFB Program

In September 2014, the Members approved the FFB Program, an initiative with HUD and the FFB, a federal corporation under the supervision of the U.S. Department of the Treasury. Under the program, the FFB purchases a beneficial ownership interest in mortgage loans that are originated by HFAs and insured with Risk-Sharing mortgage insurance. The FFB receives a purchaser pass-through rate, which will not exceed the interest rate on the mortgage loan and is expected to approximate the rate that the market is then providing on a comparable Ginnie Mae security. The proposed Loan is expected to be the Corporation's fourth transaction under the FFB Program.

Risks and Risk Mitigation

The primary risk associated with the Loan is a payment default by the borrower. The Corporation's staff believes that this risk is mitigated by the Risk-Sharing mortgage insurance, strict underwriting, the borrower's history in operating and managing the project, and the Corporation's ongoing asset management and monitoring of the development. Recapitalizing the development's reserves for future capital needs will further mitigate the repayment risk. The Corporation will be obligated to cover 50% of the total loss following a claim on the Risk-

Sharing mortgage insurance. Corporation staff believes this is an acceptable risk given the favorable terms of the FFB financing.

Deposits and Fees

The borrower will pay an amount equal to their pro-rata share of the fees of bond counsel, if any, and the trustee, plus any additional funds that are required to compensate the Corporation for its management of the Loan or to reimburse the Corporation for certain costs incurred in connection with the redemption of the existing bonds.

The Corporation will also charge the borrower an annual servicing fee of at least 0.20% on the outstanding principal balance of the senior mortgage loan or other applicable fees.

Action by the Members

The Members are being requested to approve i) the making of a loan in an aggregate amount not to exceed $9,125,000 for the preservation of Sons of Italy Apartments, and ii) the execution by an Authorized Officer of the Corporation of mortgage related documents and any other documents necessary to accomplish the financing.

Attachment "A-1"

Sons of Italy Apartments
Brooklyn, New York

Project Location: 2629 Cropsey Avenue

HDC Program: HUD 202/ LAMP Preservation

Project Description: The project consists of the preservation of one seven-story elevator building containing 106 residential units, community space, laundry facilities, administrative offices and 16 parking spaces. 100% of the units will be affordable to households earning no more than 60% AMI.

Total Rental Units: 106 (including 1 unit for superintendent)

Apartment Distribution:

Unit Size	No. of Units
Studio	37
1 bedroom	69
Total Units*	106

* Total Units are inclusive of one Studio unit for a superintendent

Expected HDC Permanent Financing Amount: $8,295,000

Total Development Cost: $8,769,614

Owner: SOI Preservation LP, whose sole member is Order Sons of Italy in America Housing Corporation.

Developer: Order Sons of Italy in American Housing Corporation. Board of Directors: Joseph DiTrapani, Carolyn Reres, Nancy DeFore Quinn and Thomas Lupo.

Investor Limited Partner: Boston Capital (existing)

Credit Enhancer: HUD Risk Share 50/50 (Permanent)