NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Gary Rodney
President

Date: June 3, 2014

Subject: Multi-Family Housing Pass-Through Revenue Bonds, 2014 Series A

I am pleased to recommend that the Members approve the issuance of the Corporation's Multi-Family Housing Pass-Through Revenue Bonds, 2014 Series A (the "Bonds") in an amount not expected to exceed $50,000,000. Interest on the Bonds is not expected to be exempt from Federal income tax, but is expected to be exempt from state and local income tax.

This memorandum will describe the background of the structure, the proposed use of Bond proceeds, their structure, and their security.

Background

The Bonds are expected to be structured as pass-through obligations, as further described below. The "pass-through" structure provides an alternative to the taxable structure utilized under the Corporation's Multi-Family Housing Revenue Bonds Bond Resolution (the "Open Resolution") and helps broaden the Corporation's traditional investor base. The structure is expected to result in preferable pricing similar to other pass-through securities such as the FHA Risk-Sharing Pass-Through Securities recently executed by the Massachusetts Housing Finance Agency, the Colorado Housing and Finance Authority and the District of Columbia Housing Authority. The proposed pass-through financing by the Corporation will be the first one by a housing finance agency to use loans enhanced by an entity other than the Federal Housing Administration (in this case all loans will be partially insured by the Corporation's subsidiary insurance corporation, New York City Residential Mortgage Insurance Corporation ("REMIC")).

Proposed Use for the Bond Proceeds

It is anticipated that the Bond proceeds will be used to finance the acquisition of eight (8) permanent loans (the "Mortgage Loans") currently pledged to the Corporation's Open Resolution with an approximate aggregate outstanding principal balance of $41,809,163 as of January 31, 2014. All of the Mortgage Loans are partially insured by REMIC.

Together with the proposed authorization of the Corporation's Multi-Family Housing Revenue Bonds, 2014 Series D ("2014 Series D"), the Bond proceeds are expected to be used to refund certain bonds of the Open Resolution in order to re-leverage assets currently held under the Open Resolution. Together with 2014 Series D, the issuance of the Bonds is expected to allow for the replenishment of the Corporation's reserves that can then be re-lent to new developments in furtherance of the Corporation's commitment to the Mayor's housing plan.

For more information on the loans requested to be acquired through the issuance of the Bonds, please see Attachment "A".

Structure of the Bonds

The Bonds, in an amount not expected to exceed $50,000,000, will be issued as fixed rate bonds. The Members are asked to authorize a not-to-exceed interest rate of 10% for the Bonds; however, it is expected that the Bonds will have an interest rate that does not exceed 3.5% and an approximate final maturity of May 1, 2036.

Under the Resolution, the Corporation is obligated to pay Bond debt service consisting of interest due monthly and principal due at maturity or prior redemption. All repayments and prepayments derived from the Mortgage Loans, including a payment of REMIC insurance, if any, will be passed through to the bondholders to redeem the Bonds on a monthly basis.

The Corporation will covenant under the Resolution that in the event of a missed Mortgage Loan payment by a Borrower, the Corporation will use funds from certain sources, if available, as described below under Security for the Bonds, to cause the expected monthly principal redemption of Bonds.

The Corporation expects to fund an interest account for the initial debt service payment and debt service reserve fund from the Corporation's unrestricted reserves.

Security for the Bonds

The Bonds will be secured by the Mortgage Loans and the revenues derived therefrom and a debt service reserve fund. The Mortgage Loans are expected to have a significantly higher interest rate than the interest on the Bonds. The anticipated excess interest will be collected in a special revenue account (the "Excess Revenue Fund"). Amounts in the Excess Revenue Fund in excess of one-month's debt service on the Mortgage Loans will be deposited back to the Open Resolution.

To achieve a AA rating and reduce the debt service reserve fund requirement, the Bonds will also be secured by a contingent pledge of the Open Resolution in the event there is a missed Mortgage Loan payment and amounts in the Excess Revenue Fund are insufficient to pay interest on and the expected monthly principal redemption of Bonds. The pledge of the Open Resolution will only be available after a demonstration that there is surplus cash flow in the Open Resolution pursuant to a Cash Flow Statement (as defined in the Open Resolution General Resolution).

In addition, all of the Mortgage Loans are partially insured by REMIC.

Risks and Risk Mitigation

The primary risk associated with the Bonds is repayment risk from the borrowers. This risk is mitigated through conservative underwriting incorporating substantial debt service coverage and income to expense ratios, as well as low loan-to-value ratios. All of the Mortgage Loans are seasoned mortgage loans with a consistent payment history. The Corporation believes that there is a low risk of non-payment.

In the event of non-payment by a borrower, the Corporation would first look to amounts in the Excess Revenue Fund, second to the contingent pledge of the Open Resolution, third to the Debt Service Reserve Fund and fourth to file a claim under the REMIC insurance policy.

Rating

The Bonds are expected to be rated AA by Standard and Poor's Rating Service ("S&P") and Aa2 by Moody's Investors Service ("Moody's").

Underwriter

Barclays Capital Inc.

Underwriter's Counsel

Orrick, Herrington & Sutcliffe LLP

Trustee

The Bank of New York Mellon

Bond Counsel

Hawkins Delafield & Wood LLP

Action by the Members

The Members are requested to approve an authorizing resolution which provides for (i) the adoption of the Multi-Family Housing Pass-Through Revenue Bonds, 2014 Series A Resolution (the "Pass-Through 2014 A Resolution"), (ii) the execution of the bond purchase agreement regarding the sale of the Bonds, and (iii) the execution of any other documents necessary to accomplish the issuance and securing of the Bonds.

The Members are asked to authorize the Corporation to fund an interest account for the initial debt service payment in an amount not to exceed $150,000 and debt service reserve fund in an amount not to exceed $1,500,000 from the Corporation's unrestricted reserves.

Attachment "A"

Project Name	Original Bond Series under the Open Resolution	Subsidy Program	Supple-mental Security	% of Loss Insured by REMIC	Original Loan Amount	Unpaid Principal Balance as of 1/31/2014
137-02 Northern Blvd	1999 Series B-2	New HOP	REMIC	20%	7,200,000	5,908,480
140-26 Franklin Ave	1999 Series B-2	New HOP	REMIC	20%	5,190,000	4,287,713
32-08 Union St	1999 Series B-2	New HOP	REMIC	20%	2,770,000	2,230,776
Triangle Court I	1999 Series B-2	New HOP	REMIC	25%	3,820,000	2,787,586
9501 Rockaway Blvd	2002 Series C	New HOP	REMIC	20%	5,380,000	4,845,038
138 East 112th Street	2004 Series C-2	New HOP	REMIC	20%	6,210,000	5,559,062
1514 Sedgwick Avenue	2004 Series C	New HOP	REMIC	20%	10,185,000	9,274,563
Beach 94th Street & Holland Avenue (Shoreview)	2002 Series C	New HOP	REMIC	20%	7,640,000	6,915,945
Total					**48,395,000**	**41,809,163**