



MEMORANDUM

To: The Chairperson and Members

From: Eric Enderlin *EE*

Subject: Approval for Loan Sale from HAC to HDC to fund Ruppert/Yorkville Subsidy Program

Date: September 12, 2017

The Members of the New York City Housing Assistance Corporation (“HAC”) are asked to approve the sale of mortgage loans, currently held by HAC to the New York City Housing Development Corporation (“HDC”) to provide funds for HAC subsidy and to reimburse HDC, as described in more detail below.

On July 29, 2003, the HAC Members approved the funding of a rental assistance subsidy program (“City Subsidy Program”) for eligible residents in Ruppert/Yorkville, a former Mitchell Lama rental complex located on the Upper East Side of Manhattan. The background and details of the City Subsidy Program are described in the attached 2003 Memorandum.

A portion of the initial City Subsidy Program funding came from HAC corporate reserves and was supplemented with annual interest payments on loans made by HAC and other monies of HAC which are now depleted. Between 2004 and 2011, the Members of HDC have authorized the transfer to HAC an amount not to exceed \$10 million outstanding at any point to cover shortfalls in available resources at HAC to cover payments under the City Subsidy Program. A total of \$9.5 million is projected to be owed by HAC to HDC by October 31, 2017, for money transferred to HAC for the City Subsidy Program. HAC is obligated to repay the Corporation for all funds advanced by HDC, without interest, at such time as funds become available to HAC. A concern has been raised by HDC’s external auditors that the debt owed by HAC could be considered a bad debt if there were no resources in HAC to repay HDC and as a result, HDC would have to treat it as a loss on its financial statements.

Currently, there are 78 households at Ruppert/Yorkville eligible for the City Subsidy Program. It is estimated that the City Subsidy Program currently costs approximately

[\$2.7] million per year. HAC does not currently have funds available to pay subsidy or to repay HDC. It is expected that the existing HDC authorization to fund the City Subsidy Program will be exhausted by the end of 2017.

In order to continue to fund the City Subsidy Program and repay HDC, HAC recommends that the Members authorize the sale of its remaining five loans with an aggregate outstanding balance of approximately \$32,405,241, as of August 15, 2017 (the "HAC Loans") to HDC. For more information on the HAC Loans, see Attachment "A". HDC will securitize the loans it acquires from HAC and pledge them to the Open Resolution. The HDC securitization of the HAC Loans is expected to raise approximately \$23.8 million for HAC. The loan sale proceeds will be used to repay HDC the outstanding \$9.5 million loan and together with earnings on the loan sale proceeds should be sufficient to continue the City Subsidy Program through 2022. HDC staff will work with the City of New York to determine other potential resources to support the City Subsidy Program in the intervening period.

Staff recommends that the Members (i) approve the sale of the HAC Loans to HDC, and (ii) authorize an officer of the Corporation to execute any documents necessary to effect such transfer.

Attachment "A"

Project Name	Balance as of 8/15/17	Int Rate	Int Type	Closing Date	Conversion Date	Maturity Date	Paid To Date
Gates Ave.	\$4,225,000.00	1.00	I/O	4/26/1989	4/26/1989	5/1/2021	8/1/2017
Queenswood Apartments	17,929,100.00	0.80	I/O	3/21/2001	3/21/2001	4/30/2036	8/1/2017
405 East 94th St.	875,857.34	1.00	P.A.	12/14/1988	12/14/1988	12/1/2020	8/1/2017
St. Edmonds CT	5,550,000.00	1.00	I/O	11/30/1989	11/30/1989	12/1/2021	8/1/2017
Astoria Apart	3,825,284.19	1.00	P.A.	12/26/1989	12/26/1989	5/1/2031	8/1/2017
total	\$32,405,241						

Attachment "B"