NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Gary Rodney
President

Date: November 25, 2014

Subject: Multi-Family Rental Housing Revenue Bonds (NYCHA Triborough Preservation Development), 2014 Series A

I am pleased to recommend that the Members approve the issuance of the Corporation's Multi-Family Rental Housing Revenue Bonds (NYCHA Triborough Preservation Development), 2014 Series A (the "Bonds") in an amount not to exceed $250,000,000.

The proceeds of the Bonds will be used to make a loan (the "Loan") to Triborough Preservation LLC, a New York limited liability company (the "Borrower") for the purpose of acquiring and rehabilitating an 874-unit multi-family rental housing development known as NYCHA Triborough Preservation Development (the "Project") consisting of ten (10) buildings located at six (6) scattered sites in the City of New York. The Project will be developed under the Corporation's LAMP Preservation Program.

It is anticipated that $230,000,000 of the Bonds will be subject to the private activity bond volume cap and is anticipated to be exempt from Federal, state and local income tax. It is anticipated that no more than $20,000,000 of the Bonds will not be exempt from Federal income tax but will be exempt from state and local income tax.

The Bonds are expected be issued as fixed rate obligations and will be secured by a direct-pay credit facility to be provided by the Federal National Mortgage Association ("Fannie Mae").

This memorandum will provide a description of the Project and the Borrower and a discussion of the structure, security and risks of the Bonds.

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Project Description

The Project consists of ten (10) buildings located at six (6) scattered-sites located at (i) 510-522 East 156th Street in the Bronx (ii) 631, 635, 637 East 13th Street and 205, 207, 211 Avenue C in Manhattan, (iii) 4-20 East 117th Street and 1772-1780 Madison Avenue in Manhattan, (iv) 438, 444 East 120th Street in Manhattan, (v) 277 and 279 East 4th Street in Manhattan and (vi) 930, 940, 950 Halsey Street and 51, 55 Saratoga Avenue in Brooklyn, in all cases located in New York City.

Fee title to the Project is currently held by New York City Housing Authority ("NYCHA") but upon construction loan closing it is expected to be transferred to NYCHA Triborough Housing Development Fund Corporation, a not for profit corporation whose sole member is NYCHA III Parent Housing Development Fund Corporation, for the benefit of the Borrower pursuant to a nominee agreement.

The Project consists of 52 studio rental units, 313 one-bedroom rental units, 207 two-bedroom rental units, 181 three-bedroom rental units, 92 four-bedroom rental units, 29 five-bedroom rental units, and two non-revenue-producing one-bedroom units and three non-revenue-producing two-bedroom units set aside for superintendents. The Project will be reserved for tenants earning no more than 60% of Area Median Income ("AMI") which is currently $50,340 for a family of four. As of November 1, 2014, the Project was 99% occupied.

The Project currently receives subsidy from six project-based Section 8 Housing Assistance Payments Renewal Contracts (each a "HAP Contract" and, collectively, the "HAP Contracts") with the U.S. Department of Housing and Urban Development ("HUD"). There is one HAP Contract for each site, and all of them are expected to be renewed to have a co-terminus expiration date of January 1, 2035.

The Project is anticipated to receive a partial exemption from real estate taxes for 30 years in accordance with Section 420-c of the Real Property Tax Law of the State of New York.

The scope of the renovation work will increase the overall energy efficiency of the Project while simultaneously improving the building facades and interiors by employing the following sustainable design and construction strategies across the Project: replacing inefficient, aging mechanical systems with state-of-the-art computer-controlled high efficiency systems; replacing stair and hallway lighting with energy efficient dual level fixtures with built in motion detectors where appropriate to reduce electricity use; replacing existing appliances with new Energy Star compliant models and existing plumbing fixtures with low flow fixtures to reduce water consumption; interior renovation of apartments to include new bathroom and kitchens and paint, and transformation of hardscaped outdoor areas to landscaped, green seating and play areas for residents.

Following initial occupancy, rents on the Project will be subject to the provisions of the HAP Contracts and Rent Stabilization. Pursuant to the terms of the regulatory agreement to be executed by the Corporation and the Borrower (the "HDC Regulatory Agreement"), the occupancy restrictions will remain in effect for as long as the Bonds are outstanding and for a minimum of thirty (30) years from the date the Project is first occupied (the "Occupancy Restriction Period").

A fact sheet with a brief description of the Project is attached (see "Exhibit A").

Development Team and Borrower Description

NYCHA issued a request for proposal for a co-developer partner for the premises in June of 2013. The development team selected by NYCHA is a joint venture between entities controlled by L&M Development Partners and Preservation Development Partners. NYCHA will enter into an operating agreement with the development team detailing the share of development fee and cashflow to be shared between the parties. Triborough Preservation LLC will be the Borrower comprised of a managing member entity, Triborough Preservation Managers LLC, which will be controlled 50% by NYCHA Triborough Preservation LLC, an entity controlled by NYCHA, and 50% by L&M PDP Triborough Preservation LLC, an entity controlled by L&M Development Partners and Preservation Development Partners.

Preservation Development Partners is the preservation arm of BFC Partners and was formed in early 2011 between BFC Partners and K&R Preservation. BFC Partners is owned by Donald Cappocia, Joseph Ferrara and Brandon Baron. K&R Preservation is owned by Francine Kellman and Brian Raddock. BFC Partners and K&R Preservation have constructed or preserved thousands of rental and home ownership units in New York City including the rehabilitation of over 500 units of Section 8-assisted Housing.

The principals of L&M Development Partners Inc. are Ronald Moelis and Sanford Loewentheil. L&M Development Partners Inc. and affiliates have developed or rehabilitated over 15,000 units in the New York City Metropolitan area at a cost in excess of $3,000,000,000.

The guarantors of certain obligations under the Mortgage Loan are expected to be Donald Cappocia, Joseph Ferrara, Brandon Baron, Francine Kellman, Brian Raddock and L&M Development Partners Inc.

An entity created by Wells Fargo Bank to be a conduit for its tax credit investment in the Project is also expected to be an initial member of the Borrower. The Wells Fargo entity has agreed to contribute capital to the Borrower in return for the receipt of low income housing tax credit benefits.

C&C Management, an entity controlled by L&M Development Partners, will take over property management at the construction loan closing for all six properties. All existing NYCHA management employees are to be relocated to other NYCHA developments.

Structure of the Bonds

It is anticipated that the Bonds, in an amount not expected to exceed **$250,000,000**, will be issued as fixed rate bonds. The Members are asked to authorize a not-to-exceed true interest cost of 10% for the fixed rate bonds; however, it is expected that the Bonds will have a true interest cost that does not exceed 4.5% and an approximate final maturity of December 1, 2044.

Security for the Bonds and Security for Fannie Mae

The Bonds will be secured by a credit enhancement facility in the form of a direct-pay Credit Enhancement Agreement (the "Credit Facility") executed and delivered by Fannie Mae to the Trustee concurrently with the issuance of the Bonds. The Trustee will draw upon the Credit Facility to make all regularly scheduled payments due on the Bonds.

The approximate term of the Credit Facility is thirty years and it will remain in effect for as long as the Bonds are outstanding.

Fannie Mae expects to be reimbursed for draws on the Credit Facility from payments made by the Borrower pursuant to a reimbursement agreement between Fannie Mae and the Borrower (the "Reimbursement Agreement"). The obligations of the Borrower will be evidenced by one or more mortgages and notes, which, with respect to any bond-financed mortgage loan, will be assigned to Fannie Mae and the Trustee, as their interests may appear, at the construction loan closing.

The Bond Resolution permits the provision of alternate forms of credit enhancement provided that the Corporation provides the Trustee certain items detailed in the Bond Resolution including, but not limited to, (i) an opinion of bond counsel stating that the alternate form of credit enhancement meets the requirements of the Bond Resolution and will not adversely affect the tax exemption relating to such bonds, and (ii) a letter from the nationally recognized rating agency or agencies then rating the Bonds to the effect that such alternate form of credit enhancement will provide the Bonds with an investment grade rating. The Borrower must pay all costs incurred by the Trustee and the Corporation in connection with the provision of an alternate form of credit enhancement.

Under the terms of the Bond Resolution, a change in either (i) the security for the Bonds, or (ii) the method of establishing the interest rate on the Bonds, will result in a mandatory tender of the Bonds for purchase at par plus accrued interest.

Wells Fargo will service the Loan on behalf of Fannie Mae.

Risks and Risk Mitigation

The primary risk associated with this bond issue is the potential failure of Fannie Mae to honor its obligations under the Credit Facility, which would be a default under the transaction documents. The Corporation's staff believes that a default by a highly rated financial institution is an unlikely scenario. Fannie Mae is currently rated Aaa by Moody's Investors Service "Moody's"). As a result, the Corporation believes that the financing is structured to effectively insulate the Corporation from credit, market and real estate risks.

Fees

The Borrower will be obligated to pay the Corporation its costs of issuance for the Bonds plus an up-front fee equal to approximately .75% of the Bonds.

The Corporation's annual servicing fee will be .20% of the outstanding amount of the Loan.

Fannie Mae and Wells Fargo, the delegated underwriting and servicing lender for the loan, will receive an up-front one-time commitment fee equal to 1.00% of the Loan amount and an annual fee equal to approximately 0.50% of the outstanding principal balance to Fannie Mae and 0.25% of the outstanding principal balance to Wells Fargo.

Rating

It is expected that the Bonds will be rated Aaa by Moody's Investors Service.

Trustee and Tender Agent

U.S. Bank National Association

Underwriter

Morgan Stanley & Co. LLC *(Bookrunner and Co-Senior Manager)*
Wells Fargo Securities *(Co-Senior Manager)*
Siebert Brandford Shank & Co., L.L.C *(Co-Senior Manager)*
J. P. Morgan Securities LLC
Bank of America Merrill Lynch
Citigroup Global Markets Inc.
Roosevelt and Cross, Incorporated
RBC Capital Markets, LLC
Loop Capital Markets
Academy Securities
Barclays Capital Inc.

Bond Counsel

Hawkins Delafield & Wood LLP

Underwriter's Counsel

Winston & Strawn LLP

Action by the Members

The Members are requested to approve an 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 Statements in connection with the financing of the Bonds, (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.

"Exhibit A"
NYCHA Triborough Preservation Development
Manhattan, Brooklyn, and Bronx, New York

Project Location:

510-522 E. 156th Street (Block 2359 Lot 210) Bronx, New York; 930, 940, 950 Halsey Street (Block 1495 Lot 1); 51, 55 Saratoga Avenue (Block 1495 Lot 13) Brooklyn, New York
631, 635, 637 E. 13th Street (Block 395 Lot 9);
205, 207, 211 Avenue C (Block 395 Lot 22);
4-20 E. 117th Street (Block 1622 Lot 17);
1772-1780 Madison Avenue (Block 1622 Lot 17);
438, 444 E. 120th Street (Block 1807 Lot 30);
277 E. 4th Street (Block 387 Lot 47);
279 E. 4th Street (Block 387 Lot 48);
Manhattan, New York

Project Description:

The New York City Housing Authority (NYCHA) Section 8 Portfolio consists of 874 units in six developments (ten buildings) currently owned, managed, and operated by NYCHA and located in Manhattan, Bronx, and Brooklyn. Pursuant to the terms of the transaction, NYCHA will convey the Section 8 Portfolio to a new entity comprised of TPP and NYCHA. The scope of work will consist of, but not be limited to mechanical and electric systems upgrades, roof and brick repair, apartment modernization including kitchen and bathroom replacements, and lobby and common area upgrades, and 100% of the units will be affordable to households earning no more than 60% of AMI.

Total Rental Units:

874 (including five superintendent's units)

Apartment Distribution:

Unit Size	No. of Units
Studios	52
One Bedroom	313
Two Bedroom	207
Three Bedroom	181
Four Bedroom	92
Five Bedroom	29
Total Units	874

* Total Units are inclusive of five superintendent's unit

Low-Income Units (rents set at 30% of 60% of median income):	874
HDC Estimated Bond Amount:	$250,000,000 ($230,000,000 tax-exempt and up to $20,000,000 taxable)
Bond Structure:	Fixed-rate, stand-alone issuance
Permanent Credit Enhancement:	Fannie Mae (Aaa/AA+)
Owner:	Triborough Preservation, LLC, a single purpose entity jointly controlled by the New York City Housing Authority, L&M Development Partners, Inc. (Ron Moelis, Sandy Lowentheil), and Preservation Development Partners (BFC: Donald Capoccia, Joseph Ferrara, Brandon Baron; K&R: Francine Kellman, Brian Raddock)