Affordable housing hanging in balance

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DAILY NEWS CITY HALL BUREAU

Nearly 5,000 affordable apartments won't get built this year unless the city is given authority to issue more bonds to pay for them, city officials charged yesterday.

The city Housing Development Corporation announced plans yesterday to build and preserve 2,285 affordable apartments in low-income neighborhoods throughout the city but said further development will come to a halt until January unless the state gives them the ability to issue $500 million worth of bonds to fund them, the agency claims.

"The fear is that deals that are ready to close now may not be there in '08," said HDC President Emily Youssouf.

The 2,285 developments received financing from bonds and agency reserves, but HDC says they need another $410 million worth of bonds to go forward, HDC officials said.

They estimate those bonds will allow them to build up to 5,000 planned units, but if they don't get the green light from the state or feds soon, the projects will be bumped into next year.

State officials authorized $90 million worth of bonds for HDC this year — rollover money from 2006 — but the previous year, the state gave them about $200 million in rollover funds and an additional $250 million in the fall, according to HDC.

This year's rollover was less than previous years for all agencies because there were more demands for the bonds, according to Christine Pritchard, a spokeswoman for Gov. Spitzer.

"They may get other bonds at the end of the year, as they have in previous years," said Pritchard.

The federal government decides how many tax-exempt bonds the state can dole out to agencies.

The state received about $1.6 billion worth of bonds this year from the feds, with $1.1 billion going to the city, said Pritchard.

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Affordable housing faces money crunch

By: Kira Bindrim
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The New York City Housing Development Corp.'s tax-exempt well has run dry said the agency as it announced $320 million in financing to build or preserve 2,285 affordable apartments in 36 buildings in the Bronx, Brooklyn, Manhattan and Queens.

That funding is the last HDC can offer this year for low-income, mixed-income or 80/20 housing unless state or federal officials replenish its supply of private activity bond volume cap. And it's only June. "We're looking at a six-month drought," said HDC spokesman Aaron Donovan.

Earlier this year, the agency asked Washington legislators to free up several hundred million dollars in tax-exempt bonding capacity for additional affordable housing. "So far, there hasn't been any definitive response, although they've been somewhat receptive to the idea," said Mr. Donovan.

Last year, City Hall provided $200 million and Albany provided $500 million to help HDC build and preserve more than 9,000 affordable units. This year, the agency got $195 million from the city and $90 million from the state, which was carried over from 2006.

The $320 million announced Wednesday is a combination of tax-exempt and taxable bonds, as well as money from HDC's corporate reserves. There is no cap on taxable bonds, however, Mr. Donovan pointed out that those bonds are only used for middle income housing and the agency's reserves are only used when paired with bond financing.

The HDC has boasted success with its affordable housing program, part of Mayor Michael Bloomberg's, "New Housing Marketplace Plan," which aims to create 165,000 affordable housing units by 2013. The agency has preserved or constructed nearly 55,000 since the plan's inception.

A report issued last month by the Community Service Society of New York said that the number of affordable apartments in the city has declined by more than a quarter in the last two decades. According to the report, more than 32,300 subsidized apartments have been lost since 1990 and another 18%, or 21,500, are in danger of being lost. Primarily hit are units under the Mitchell-Lama Housing Program, a 1955 law that allows local jurisdictions to take land by eminent domain and provide it to developers at a reduced cost for the creation of housing for low- and middle-income tenants.

Although developers receive tax reductions and low-interest mortgages as long as they remain in the program, more landlords are deciding to leave. From 1990 through the end of 2005, 26,250 Mitchell-Lama housing units have been removed from the subsidy program. In 2006 alone, 36,000 were lost and another 4,700 are in the process of leaving.

Low-cost housing is also an issue in the controversial High Line development, where affordable housing is slated to make up 20% of residential construction. The state is already unable to issue tax-exempt bonds for all of the affordable housing developers who want them, leaving question marks around how to finance the low- and middle-income housing planned for the rail yards.

"With the scale and ambition of the mayor's housing plan we now face a challenge caused by our success," Department of Housing Preservation and Development Commissioner Shaun Donovan told a subcommittee late last month. "We find ourselves in a position of needing more tax-credits and private activity bond volume cap to be able to keep pace with the demand and need for more affordable housing."

He also told the committee that without additional volume cap, 6,700 units of housing in the pipeline will not be built.

THE REAL DEAL

June 14, 6:23 am

HDC says '07 financing is tapped

The New York City Housing Development Corp. says it has run out of tax-exempt bonds that go to financing the creation or preservation of affordable housing. The agency's funding shortage this year comes as HDC announced it was allocating $320 million in financing to build or preserve 2,285 apartments in the city. HDC's lack of funds means that right now it has no more money to allocate in 2007 for low-income, mixed-income or 80/20 housing unless state or federal officials replenish its supply of private activity bond volume cap. HDC's cash shortage not only impacts developers seeking to build affordable housing as part of 421-a regulations, it comes at a time when the city is losing massive amounts of affordable housing. According to a recent report from the Community Service Society of New York, 21,500 subsidized apartments in the city are currently in danger of being lost. more [Crain's]

N.Y.C. HDC OKs $260M for Building Construction, Rehab

BY TED PHILLIPS

The **New York City Housing Development Corp.** yesterday approved $260 million of taxable and tax-exempt bonds to be sold in five series to partially finance construction of 10 new buildings and rehabilitation of 10 existing buildings.

The HDC intends to sell the bonds by the end of the month.

The bond sales tap out the agency's private-activity bond volume cap allocation for the year, unless it either receives a greater share of **New York** State's allocation or federal legislation is passed to either raise the agency's bond cap or allow for the recycling of bond cap.

The HDC has asked the Legislature to raise its debt-limit to $7.75 billion, a $1.5 billion increase, partially in anticipation of selling more taxable bonds to make up for the shortage of volume cap to sell tax-exempt bonds in face of high demand in **New York City**.

The corporation also announced yesterday that it would use $60 million of its reserves to partially finance new construction and rehabilitation. The financings will create or preserve 2,285 units of housing in 36 buildings, of which all but 130 units will be reserved as low- or middle-income housing. The HDC offers low cost financing to developers in return for setting aside all or a portion of the housing as affordable for a period of time, usually about 30 years.

Hawkins, Delafield & Wood LLP is bond counsel on all of the deals.

Three of the series will be sold on the corporation's open resolution and will be underwritten by **Bear, Stearns** & Co. The bonds will be used to partially finance 10 new buildings and to rehabilitate four existing buildings. Open resolution bonds finance HDC mortgages and are backed by pooled mortgage revenue from the projects they finance.

Series 2007 B-1, with a par amount of $40 million, will be tax-exempt, fixed-rate, and mature in 2045 with a call option in 2017. HDC plans to sell $60 million of tax-exempt auction-rate bonds with a 28-day reset as Series 2007 B-2 that mature in 2015. Series 2007 C will be sold as fixed-rate federally taxable debt with a par amount of $10 million and will mature in 2040 with a call option in 2017.

Standard & Poor's assigns its AA rating with a stable outlook to the credit and **Moody's Investors Service** assigns the issuer its Aa2 rating. **Fitch Ratings** does not rate the credit.

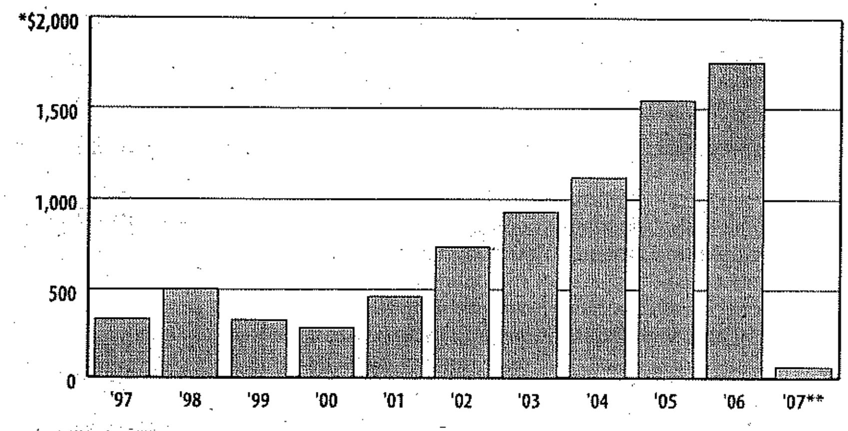
The HDC also approved two stand-alone financings that will be backed by revenue from those projects. HDC financings do not cover the entire cost of the projects.

Developer **Omni New York** LLC plans to use the proceeds of up to $30 million of 35-year tax-exempt, seven-day variable-rate demand obligation bonds to finance the conversion of the vacant Queens Family Court Building in Jamaica, Queens, into 277 rental apartments and 69 co-op apartments. **Merrill Lynch** & Co. will underwrite the bonds and **Citibank** NA will provide a letter of credit.

Developer **Dermot** Co. plans to use the proceeds of up to $120 million of 32-year tax-exempt, seven-day variable-rate demand obligation bonds to finance the rehabilitation of a partially vacant, five-building, 385-unit complex in Brownsville, Brooklyn, formerly known as Noble Drew Ali Plaza. **JPMorgan** will underwrite the bonds and Citibank will provide a letter of credit.

HDC has sold $8.06 billion of bonds since 1997, according to **Thomson Financial**. Last year the corporation sold $1.75 billion, making 2006 its busiest year during that period. ❑

NYC Housing Development Corp., Bond Sales



*Dollars in millions **As of June 12 Source: Thomson Financial

Financing

Address	Size	Borrower / Representative	Lender / Representative	Notes
The Edge (Williamsburg)	904-unit res. development	Douglaston Development; Dillon Read Capital Management / Singer and Bassuk Organization	Hypo Real Estate Capital Corp. / n/a	A $460 million construction loan was arranged for the $612 million waterfront project. Singer and Bassuk also arranged a $110 million mezzanine loan with JPMorgan Asset Management Corp. and a $30 million loan from the New York City Housing Development Corp. The Edge will have 557 condominium units, 347 affordable rental units, 61,500 square feet of retail and 550 parking spaces.
75 Broad St	33-story, 675,00 sf office bldg	JEMB Realty / Tammy Heyman, CWCapital	n/a / n/a	A $243.5 million financing with a 10-year fixed rate was arranged for the fully occupied building. JEMB acquired the property for $75 million in 1999.
1328 Broadway (2 Herald Square)	11-story, 354,400 sf office and retail bldg	SL Green; Gramercy Capital Corp. / n/a	Goldman Sachs affiliate / n/a	The joint venture financed its $225 million acquisition of the fee interest in the building with a $191.25 million, 10-year fixed-rate loan.
333 East 91st St (The Azure)	128-unit co-op	DeMatteis Organizations; Mattone Group / Singer and Bassuk Organization	HSBC Bank USA / n/a	A $156 million construction loan was arranged for the 245,000-square-foot luxury co-op development.
189 Schermerhorn St (be@schermerhorn) (Brooklyn)	25-story, 246-unit condo	SDS Procida; Jamestown Properties Corp. / n/a	Wachovia Bank / n/a	A $100 million construction loan was arranged for the residential project, which will also include a six-story loft building and 15,000 square feet of ground floor retail.
Eastchester Heights (The Bronx)	1,416-unit apt. complex	Taconic Investment Partners; ING Clarion Partners / I. Schubert, E. Treitel, Meridian Capital Group	n/a / n/a	An $86.45 million loan over a five-year, interest-only term was arranged for the recently sold complex. It comprises five clusters of buildings located at 1400 Hicks Street, 3485 Corsa Avenue, 3444 Fish Avenue, 3438 Wilson Avenue and 3437 Eastchester Road.
36-46 33rd St (Long Island City)	189,000 sf office bldg	n/a / R. Gervis, J. Weinberg, Meridian Capital Group	n/a / n/a	A $42 million financing with a secure rate of 5.6 percent over a 10-year interest-only term was negotiated for the property.
454 Manhattan Ave	8-story, 125-unit apt. bldg	454 Equities LLC; 454 Affordable LP / n/a	New York City Housing Development Corp. / n/a	The construction of an apartment building with units reserved for low- and middle-income households will be financed with no more than $24 million in tax-exempt, variable-rate bonds issued by the New York City Housing Development Corporation, underwritten by Goldman Sachs and secured by Citibank, and with an additional estimated $4.94 million to be lent by HDC from its corporate reserves. The bonds are expected to be rated AA+/A-1+ by S&P.
1604 Broadway	41,100 sf retail property	SL Green / Sonnenblick Goldman	n/a / n/a	A $27 million mortgage with an effective interest rate of 5.66 percent that matures in April 2012 was arranged for the property. SL Green's ownership interest increased from 45 to 63 percent.
1948 Park Ave, 55 East 131st St and 50 East 132nd St	3 apt. bldgs, 99 units total	All Saints Housing LLC / n/a	New York City Housing Development Corp. / n/a	The construction of two buildings and the rehabilitation of one building at 1948 Park Avenue was financed with $13 million in tax-exempt, fixed- and variable-rate bonds issued by the New York City Housing Development Corp., underwritten by Bear Stearns and secured by JPMorgan Chase, and with an additional $5.445 million lent by HDC from its corporate reserves. The bonds are rated AA by S&P and Aa2 by Moody's.
31st St	Development site	n/a / n/a	RCG Longview / n/a	A $17 million mezzanine financing was provided for the acquisition of a mixed-use assemblage in Midtown.

Photo by Wyattgallery.com

Financing continued

Address	Size	Borrower / Representative	Lender / Representative	Notes
65 West 36th St	12-story, 60,000 sf office bldg	Hidrock Realty / n/a	Wachovia Bank / n/a	Hidrock refinanced the building with a $14.75 million loan over a term of seven years.
550 East 170th St (The Bronx)	8-story, 98-unit apt. bldg	East 170th Street Associates LP / n/a	New York City Housing Development Corp. / n/a	The construction of a building reserved for low-income households will be financed with no more than $14.3 million in tax-exempt, variable-rate bonds issued by the New York City Housing Development Corporation, underwritten by Merrill Lynch and secured by Citibank. The bonds are expected to be rated AA+/A-1+ by S&P.
3051-3053 Third Ave (Bronx)	9-story, 58-unit apt. bldg	CS Melrose Site D LLC / n/a	New York City Housing Development Corp. / n/a	The construction of a building reserved for low-income households will be financed with no more than $10 million in tax-exempt, variable-rate bonds issued by the New York City Housing Development Corporation, underwritten by Goldman Sachs and secured by Citibank, and with an additional estimated $3.19 million lent by HDC from its corporate reserves. The bonds are expected to be rated AA/A-1+ by S&P.
110 Fulton St	15-story, 28-unit apt. bldg	Fulton & Dutch LP / n/a	New York City Housing Development Corp. / n/a	The rehabilitation of the building was financed with $12 million in tax-exempt, fixed- and variable-rate bonds issued by the New York City Housing Development Corp., underwritten by Bear Stearns and secured by Commerce Bank. The bonds are rated AA by S&P and Aa2 by Moody's.
94th Ave	85,000 sf office bldg	n/a / R. Kimyagarov, J. Adler, J. Weinberg, Meridian Capital Group	n/a / n/a	A $12 million financing with a secure rate of 6 percent over a seven-year term with a three-year option was negotiated for the property.
138-52 Elder Ave (Queens)	14-story, 159-unit apt. bldg	Selfhelp (KIV) Associates LP / n/a	New York City Housing Development Corp. / n/a	The rehabilitation of the 159-unit apartment building reserved for low- and middle-income elderly tenants was financed with $10.45 million in tax-exempt, fixed- and variable-rate bonds issued by the New York City Housing Development Corp., underwritten by Bear Stearns and secured by Citibank. The bonds are rated AA by S&P and Aa3 by Moody's.
William St	12-story, 121,318 sf office bldg	n/a / n/a	RCG Longview / n/a	A $9 million mezzanine financing was provided for the acquisition of a building in the Financial District.
139-15 83rd Ave (Queens)	278-unit co-op	Arlington Owners Inc. / NCB	n/a / n/a	A $7.3 million first mortgage and a $1 million line of credit were arranged for the property.
310-330 Lenox Rd (Brooklyn)	6-story, 247-unit co-op	n/a / Houlihan-Parnes/iCap Realty Advisors	n/a / n/a	A $7.85 million underlying first mortgage with a fixed rate of 5.35 percent over a 10-year term was arranged for the complex, known as the Gentry Apartments.
55 Central Park West	109-unit co-op	Fifty-Five Corporation / NCB	n/a / n/a	A $5.2 million first mortgage and a $1 million line of credit were arranged for the property.
3636 Greystone Ave (The Bronx)	91-unit co-op	3636 Greystone Owners Inc. / NCB	n/a / n/a	A $3.9 million first mortgage and a $1 million line of credit were arranged for the property.
303 Mercer St	63-unit co-op	Snug Harbor Owners Corp. / NCB	n/a / n/a	A $3.8 million first mortgage and a $1 million line of credit were arranged for the property.
138-15 Franklin Ave (Queens)	193-unit co-op	138-15 Franklin Avenue Owners Corp. / NCB	n/a / n/a	A $3.6 million first mortgage and a $500,000 line of credit were arranged for the property.
259 East 7th St (Flowerbox Condominium)	9-unit condo	n/a / n/a	RCG Longview / n/a	A $3.5 million mezzanine financing was provided for the acquisition of a 65 percent-completed condominium project.
860-870 West 181st St	124-unit co-op	West Gate House / NCB	n/a / n/a	A $2.5 million first mortgage and a $1 million line of credit were arranged for the property.