



NEW YORK CITY  
HOUSING DEVELOPMENT  
CORPORATION

**MEMORANDUM**

**To:** The Chairperson and Members

**From:** Eric Enderlin *E.E.*  
President

**Date:** October 22, 2020

**Subject:** Approval of Loans for Pratt Towers and Highbridge House

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I am pleased to recommend that the Members approve the origination of a loan for the Pratt Towers development and the purchase of a participation interest in a loan originated by the New York Community Bank (“NYCB”) for the Highbridge House development (each a “Loan” and together, the “Loans”) in an amount not expected to exceed \$14,238,000 to finance the acquisition, rehabilitation and/or permanent financing for the developments, as described herein. All, or a portion, of the Loans will be funded with the Corporation’s unrestricted reserves.

Following is a description of the proposed uses of the Loans, the anticipated structure, security, other relevant terms.

**Proposed Uses for the Loans**

It is anticipated that the Corporation’s unrestricted reserves, in an amount not expected to exceed \$14,238,000, initially will be used to finance the Loans, for two (2) developments (the “Developments”) as described in the chart below.

<b>Development Name (Borough/Number of units)</b>	<b>Project Type</b>	<b>Loan</b>	<b>Expected Not to Exceed Amount</b>
Pratt Towers (Brooklyn/327)	Mitchell-Lama Preservation	Senior Loan	\$9,744,000
Highbridge House (Bronx/400)	Preservation / Section 8	Senior Loan*	\$4,494,000
<b>TOTAL SENIOR LOAN AMOUNT:</b>			<b>\$14,238,000</b>

\*The existing NYCB Highbridge House Loan has an outstanding principal amount of \$57,187,500.

The proceeds of the Loan for Pratt Towers will be used by the owner of Pratt Towers for the purpose of preserving a 327-unit Mitchell Lama cooperative. It is anticipated that a portion of the proceeds of the Loan for Pratt Towers will be used to fund substantial rehabilitation work and recapitalize project reserves.

The proceeds of the Loan for Highbridge House will be used by the owner of Highbridge House, a 400-unit rental development, to fund the purchase of the participation interest pursuant to a Participation Agreement between the Corporation and NYCB and costs related to acquisition to facilitate the long-term preservation of the project.

For more information on the Pratt Towers and Highbridge House projects, please see Attachment A-1 and A-2.

### **Structure and Security**

The Pratt Towers Loan will be structured as a senior permanent mortgage loan. It is anticipated that the loan will be originated with a term of up to 35 years and with an interest rate of 4.50% (inclusive of 0.50% mortgage insurance premium and 0.20% HDC servicing fee).

The Highbridge House Loan will be structured as a participation interest in an existing senior permanent mortgage loan originated by New York Community Bank (“NYCB”) in June of 2019, which has a ten-year term with principal amortization over a 30-year schedule and an initial fixed interest rate of 3.875%, inclusive of a 0.15% servicing fee. Beginning in the 5th year of the loan term and continuing through maturity, the interest rate will become a variable rate based on the FHLB NY Index Rate plus a spread of 275 basis points. The Highbridge House Loan is conservatively underwritten with a higher than normal debt service coverage ratio and is projected to have sufficient coverage to absorb a significantly higher interest rate, thereby mitigating the balloon balance upon maturity of the loan. The terms of the existing senior mortgage loan will remain unchanged after the Corporation’s purchase of a participation interest.

The Highbridge House development is expected to benefit from a new Project Based Voucher (“PBV”) Section 8 contract through HUD’s Project-Based Section 8 Housing Assistance Payments (“HAP”) program. The Corporation’s Credit Committee has determined that the rental income to the project is not sufficient to support the existing financing without the addition of the HAP contract and concurrent restructuring of the registered Legal Rents of those residential units included in the HAP contract. After closing on the proposed Loan, HDC will direct the owner to re-register Legal Rents with the New York State Department of Homes and Community Renewal to enable the project to benefit from the full value of the voucher payments under the HAP contract without increasing the tenant’s share of the rental income.

### **Risks and Risk Mitigation**

The primary risk associated with each Loan is a payment default by the borrower. The Corporation’s staff believes that this risk is mitigated by strict underwriting, each borrower’s financial strength and experience, respectively, and the Corporation’s ongoing asset management and monitoring of the development. In addition, Pratt Towers will capitalize an operating reserve equal to approximately eight months of debt service payments. Pratt Towers will also recapitalize the development’s reserves for future capital needs to further mitigate the repayment risk. In the

event of a default on Pratt Towers, the Corporation's risk will be mitigated by the REMIC mortgage insurance.

### **Deposits and Fees**

The borrowers 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 Loans or to reimburse the Corporation for certain costs incurred in connection with the redemption of the existing bonds.

The Corporation will also charge Pratt Towers an annual servicing fee of at least 0.20% on the outstanding principal balance of the senior mortgage loans or other applicable fees. The Corporation will receive an upfront premium and an ongoing premium of 0.50%, which is the REMIC mortgage insurance premium paid by the borrower and included in the interest rate.

The current senior lender on Highbridge House, NYCB, will retain a majority interest in the senior financing and will continue to service the loan. NYCB will remit debt service attributable to the Corporation's portion of the senior loan to the Corporation on a monthly basis minus an annual servicing fee of 0.15% on the outstanding principal balance of the senior financing.

### **Action by the Members**

The Members are requested to authorize the Corporation to (i) make the Pratt Towers Loan; (ii) purchase a participation interest in the existing NYCB mortgage loan and enter into the Participation Agreement with NYCB for the Highbridge House Loan; (iii) use the Corporation's unrestricted reserves in an amount not to exceed \$14,238,000; and (iv) permit the execution by an Authorized Officer of the Corporation of related documents and any other documents necessary to accomplish the financing and participation.

**Attachment “A-1”**

**Pratt Towers  
Brooklyn, New York**

**Project Location:** 333 Lafayette Avenue

**HDC Program:** Mitchell-Lama Restructuring

**Project Description:** The project consists of the preservation of one 24-story elevator building containing 327 residential units, commercial space, laundry room and administrative offices. 100% of the units will be affordable to households earning at or below 125% of AMI.

**Total Rental Units:** 326 (plus 1 unit for superintendent)

**Apartment Distribution:**

<u>Unit Size</u>	<u>No. of Units</u>
One bedroom	189
Two bedroom	115
<u>Three bedroom</u>	<u>23</u>
Total Units*	327

\* Total Units are inclusive of one 1-bedroom unit for a superintendent

**Expected HDC Permanent Financing Amount:** \$8,120,000

**Expected HDC Subordinate and Restructured Mortgage:** \$24,000,000 (Section 661 Grant from NYC HPD)

**Total Development Cost:** \$34,727,261

**Owner:** Pratt Towers Inc., whose principals are Leslie Sierra, Audrey McConney, Phyllis Hulen, Charlene Stevens, and Chrysetta Patterson

**Developer:** Pratt Towers Inc., whose board officers are Leslie Sierra, President, Audrey McConney, Vice President, Phyllis Hulen, Treasurer, Charlene Stevens, Assistant Treasurer, and Chrysetta Patterson, Secretary

**Investor Limited Partner:** N/A

**Credit Enhancer:** REMIC (Permanent)

**Attachment “A-2”**

**Highbridge House  
Bronx, New York**

**Project Location:** 1133 Ogden Avenue

**HDC Program:** Preservation / Section 8

**Project Description:** The project consists of the preservation of one 26-story elevator building containing 400 residential units, 240 parking spaces, laundry rooms and administrative offices. 75 of the units will be supported by Section 8 Project-Based Vouchers and will be affordable to households earning no more than 50% of AMI; the remaining units will be affordable at incomes between 65% AMI and 130% AMI.

**Total Rental Units:** 399 (plus 1 unit for superintendent)

<b>Apartment Distribution:</b>	<u>Unit Size</u>	<u>No. of Units</u>
	Studio	26
	1 bedroom	125
	2 bedroom	225
	3 bedroom	24
	Total Units*	400

\* Total Units are inclusive of one 2-bedroom unit for a superintendent

**Permanent Financing Amount:** \$57,187,500, of which \$3,745,000 will be funded by HDC and \$53,442,500 will be funded by New York Community Bank

**Expected HDC Subordinate Mortgage:** N/A

**Total Development Cost:** \$79,080,149

**Owner:** Highbridge Preservation LLC, whose managing member is Camber Property Group, LLC, and Highbridge House Housing Development Fund Corporation, the fee owner, whose sole member is Harlem Congregations for Community Improvement, Inc. and whose board of directors consists of: Joan O. Dawson, Ph.D., Chairperson, Rev. Keith W. Roberson, D. Min., First Vice Chair, Mr. George H. Weldon, Jr., Second Vice Chair, Rev. Eva G. Duzant, Treasurer, Imam Talib Abdur Rashid, Corporate Secretary, Rev. John L. Scott, A.B., M. Div., Ed. D., Assistant Secretary and Mr. Malcolm A. Punter, MBA, Ed.D., President & CEO (Ex Officio).

**Developer:** Camber Property Group, whose principals are Rick Gropper, Andrew Moelis and Ron Moelis.

**Investor Limited Partner:** Belveron Fund V REIT Property Owner, LLC

**Credit Enhancer:** Unenhanced