NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

M E M O R A N D U M

To: The Chairperson and Members

From: Eric Enderlin
President

Date: October 3, 2023

Re: Multi-Family Housing Revenue Bonds, 2023 Series D and Approval of a Mortgage Loan

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I am pleased to recommend that the Members approve the issuance of the Corporation's Multi-Family Housing Revenue Bonds, 2023 Series D (the "Bonds") in an amount not expected to exceed $135,000,000.

The Bonds are expected to be used for the financing of a portion of the mortgage loan for the acquisition and construction of the Willets Point Buildings 1 and 2 development (the "Project").

Interest on the Bonds is expected to be exempt from Federal, New York state and local income tax, and such bonds will qualify as tax-exempt private activity bonds with an allocation of new private activity bond volume cap.

The Members are further being asked to approve one or more interest rate hedging instruments, in a combined notional amount not expected to exceed $150,000,000, to manage interest rate risk relating to the remarketing of certain bonds into variable rate bonds and/or other bonds issued under the Open Resolution in connection with certain permanent financings.

The Authorizing Resolution will authorize the 351st Supplemental Resolution.

The following is a background of the Open Resolution, the proposed uses of the Bonds, and a description of their structure and security.

Background and Status of the Open Resolution

Under the Open Resolution, the Corporation has issued bonds (a) to finance or acquire mortgage loans for multi-family rental and cooperative housing developments throughout New York City, (b) to refund other bond issues of the Corporation, which had financed other multi-family developments, and (c) to acquire a 100% interest in City-owned mortgages. As of April 30, 2023, there were 1,299 mortgage loans (1,128 permanent loans and 171 construction loans) held under the Open Resolution with a total outstanding principal balance of approximately $11,707,634,171 including $7,422,632,089 in permanent loans and $4,285,002,082 in construction loans. These mortgage loans, together with funds in the Bond Proceeds Account and Debt Service Reserve Account, totaled $13,610,397,750 as of April 30, 2023. There are no material monetary defaults on any of the mortgage loans other than temporary financial difficulties with respect to certain developments which are in the process of being cured. As of April 30, 2023, there were $10,626,985,000 of Open Resolution bonds outstanding, not including bonds issued under the Federal New Issue Bond Program (NIBP) and bonds issued under the 2017 Pass-Through Resolution. Subsequent to April 30, 2023, the Corporation issued $696,370,000 principal amount of Open Resolution bonds.

Proposed Interest Rate Hedge

In connection with certain upcoming permanent financings of the Corporation, the Members are being asked to approve one or more interest rate hedging instruments, in a combined notional amount not expected to exceed $150,000,000 to manage its interest rate risk relating to the remarketing of certain bonds into variable rate bonds and/or other bonds issued under the Open Resolution.

The Corporation is working with Mohanty Gargiulo LLC, its hedge advisor to lock in the favorable current financing cost through the facilitation of interest rate hedging instruments including forward-starting interest rate swaps. The Corporation expects to enter into one or more interest rate swaps based on an Index likely to be the Securities Industry and Financial Markets Association Municipal Swap Index or a percentage of the Secured Overnight Financing Rate. Each swap will mature on or prior to the maturity date of the underlying bonds. The Corporation will consider purchasing certain cancellation options or shortening the terms of the swaps based on the anticipated redemption provisions of the underlying bonds as well as the swap market conditions. The Corporation may restructure the terms of the swaps subsequent to the execution date in response to the market conditions at the time as well as the overall HDC variable rate bond portfolio and may reallocate the swaps to other bonds in that portfolio.

Proposed Use for the 2023 Series D Bond Proceeds

It is anticipated that the proceeds of the Bonds, in an amount not expected to exceed $135,000,000, will be used to finance a portion of the mortgage loan for one (1) development described in the chart below.

Development Name (Borough/Units)	Project Type	Loan	Expected Not to Exceed Amount
Willets Point – Buildings 1 and 2 [1] (Queens/881)	Mix and Match	Co-Senior Bond Loan	$135,000,000
		TOTAL LOAN AMOUNT:	**$135,000,000**

[1] This development will be financed in conjunction with a bank loan during construction as further described below. The loan amount is contingent on the Project's tax-exempt qualifying costs. The portions of the loan financed with bond proceeds and the bank participation may change but the total not to exceed loan amount for the Project will not.

In addition, the Corporation intends to sell a 100% participation in a co-senior construction loan to Wells Fargo Bank, N.A. and a syndicate of investment grade banks ("Lender Syndicate") to be selected prior to origination ("Co-Senior Participation Loan", together with the Co-Senior Bond Loan, the "Construction Loan").

The Co-Senior Bond Loan is expected to be funded with the Bonds and the Bonds are expected to be secured by a collateral facility, as described below in Risks and Mitigation.

The entire Construction Loan will be floating rate and will be structured as draw-down to reduce the negative arbitrage that would otherwise be incurred under the conventional fully-funded Open Resolution bond structure.

No permanent financing has been secured to replace the Construction Loan. At the time the Construction Loan is ready to convert to a permanent loan, the Corporation may enter into a permanent financing agreement with the borrower which will be brought to the Members for prior approval.

For more information on this development, please see Attachment "1".

Structure of the Bonds

The Members are being asked to authorize the issuance of the Bonds pursuant to multi-modal Supplemental Resolutions. Accordingly, all or a portion of the Bonds may be converted to other interest rate modes provided for in the Supplemental Resolution such as a fixed rate or variable rate.

The Bonds are expected to be issued as described below, however, the Authorizing Resolution relating to the Bonds will provide that a senior officer of the Corporation may determine to combine supplemental resolutions or issue the Bonds in multiple issuances pursuant to the same resolution and in one or more series or sub-series, as taxable or tax-exempt, as long as the total amount of Bonds issued does not exceed $135,000,000 and the interest rate on the Bonds does not exceed 15%. The Corporation expects to designate the Bonds as Sustainable Development Bonds.

2023 Series D Bonds

The Bonds are expected to be issued solely for the financing of a portion of the Construction Loan, in an amount not expected to exceed $135,000,000. The Bonds are expected to initially be issued as tax-exempt, fixed rate bonds to finance all or a portion of the short-term senior mortgage loan. The Bonds are expected to have a true interest cost not to expected to exceed 5% during the initial Fixed Rate period, which is expected to be up to approximately five (5) years.

Security for Bonds

All Open Resolution Bonds will be issued on a parity basis with all outstanding previous series of bonds issued under the Open Resolution from July 1993 to date. As a result, all Bonds will be secured on a parity basis with all the collateral currently held under the Open Resolution. As of April 30, 2023, that collateral consisted of the following:

TYPE OF COLLATERAL	# OF LOANS	AMOUNT	% OF TOTAL
FHA Insured Mortgage Loans	40	766,168,807	5.63%
Fannie Mae/Freddie Mac Insured Mortgage Loans	27	698,032,724	5.13%
GNMA	2	16,792,597	0.12%
SONYMA Insured Mortgages	64	662,874,840	4.87%
REMIC Insured Mortgages	268	2,006,270,670	14.74%
LOC Insured Mortgages	6	20,386,427	0.15%
Uninsured Permanent Mortgages	372	2,590,633,738	19.03%
Uninsured 2014 Series B Mortgages	76	58,799,752	0.43%
Uninsured 2018 Series B Mortgages	273	602,672,535	4.43%
Partially Funded Construction Loans Secured by LOC	64	2,805,029,333	20.61%
Partially Funded Construction Loans Not Secured by LOC	106	1,361,499,871	10.00%
Partially Funded Construction Loans Secured by Collateral	1	118,472,878	0.87%
Sub-Total	1,299	11,707,634,171	86.02%
Undisbursed Funds in Bond Proceeds Account[1]		1,648,730,548	12.11%
Debt Service Reserve Account[2]		254,033,031	1.87%
Total*	**1,299**	**13,610,397,750**	**100.00%**

* May not add due to rounding

[1] Undisbursed Funds in Bond Proceeds Accounts are monies held by the Trustee for construction financing of projects under the Open Resolution.

[2] Includes a payment obligation of $10,302,750 of the Corporation, which constitutes a general obligation.

Risks and Risk Mitigation

2023 Series D Bonds

The primary risk to the Corporation related to the Bonds financing the Co-Senior Bond Loan during the period the Project is under construction is the possibility of negative arbitrage. Interest on the Bonds is not capitalized in the development budget for the underlying loan and is expected to be paid from investment earnings on the bond proceeds and cash collateral accounts, both of which will be pledged to the Bonds. Based on its experience in actively managing its investment portfolio and current market indications, the Corporation expects earnings received will be sufficient to cover debt service on the bonds. The Corporation will structure the investments of the bond proceeds and collateral to maximize return. The Corporation expects to enter into a Guaranteed Investment Contract ("GIC"). Current indications show investment rates greater than the bond rates.

An additional risk to the Corporation related to the Bonds financing the Co-Senior Bond Loan during the period the Project is under construction is the borrower's potential inability to complete the construction and secure permanent financing. This risk is mitigated because the Bonds will be fully collateralized with a combination of unadvanced bond proceeds and/or cash collateral at all times. As the proceeds of the Bonds are advanced to fund the Project's development costs, the Lender Syndicate will deposit the same amount into a cash collateral account which then serves as credit enhancement for the Bonds. In the event the Project is unable to complete construction or fails to secure permanent financing, the Corporation will have the right to apply amounts from the unadvanced bond proceeds and cash collateral account, as applicable, to redeem the Bonds. Additionally, other than the Co-Senior Bond Loan, there is no other financing from the Corporation or its unrestricted reserves.

Deposits and Fees

With respect to the development to be financed with the Bonds, it is expected that the Corporation will charge the borrower an up-front commitment fee equal to 1% of the Construction Loan. In addition, the borrower will pay the costs of issuance, including the fees of the underwriter, bond counsel, rating agencies, and the trustee plus any additional funds that are required to compensate the Corporation for its management of the Bonds or to reimburse the Corporation for certain costs incurred during the construction of the project.

The Corporation will also charge the borrower an annual cash collateral management fee at 0.75% of the outstanding principal balance of the Co-Senior Bond Loan.

Ratings

The Bonds are expected to be rated AA+ by S&P and Aa2 by Moody's.

Underwriters

It is anticipated that the Bonds will be underwritten or directly placed by one or more of the following:

Senior Managers

Citibank, N.A. *(Expected Bookrunning Senior Manager)*
Raymond James & Associates, Inc. *(Expected Co-Senior Manager)*

Co-Managers

BofA Securities, Inc.

J.P. Morgan Securities, LLC

Morgan Stanley & Co. LLC

Samuel A. Ramirez & Co., Inc.

Wells Fargo Securities

UBS Securities LLC

Underwriters' Counsel for the Bonds

Orrick, Herrington & Sutcliffe LLP

Bond Trustee and Tender Agent

Bank of New York Mellon

Bond Counsel

Hawkins Delafield & Wood LLP

Action by the Members

The Members are requested to approve an authorizing resolution that provides for (a) the adoption of Supplemental Resolutions to the Open Resolution providing for the issuance of the Bonds; (b) the distribution of preliminary and final Official Statement(s) for the Bonds; (c) the execution of bond purchase agreement(s) with the Underwriter(s) of any or all of the Bonds or a direct purchaser of any or all of the Bonds; (d) the use of the Corporation's unrestricted reserves to fund costs of issuance for the Bonds and to fund all or a portion of the debt service reserve account requirements in connection with any or all of the series of Bonds, as may be required; (e) the execution by the President or any Authorized Officer of the Corporation of any and all documents necessary to issue the Bonds, and to make the mortgage loans relating to the Bonds; (f) the pledge to the Open Resolution of any mortgage loans of the Corporation; and (g) the terms of any liquidity facility or facilities and related documents.

The Members are requested to approve (a) the origination of one (1) Co-Senior Participation Loan, and (b) the execution by an Authorized Officer of the Corporation of mortgage related documents and any other documents necessary to accomplish such financings.

Finally, the Members are requested to approve the execution of one or more interest rate hedging instruments in a combined notional amount not expected to exceed $150,000,000 and the execution by the President or any Authorized Officer of the Corporation of any and all documents necessary to enter into said hedging instruments.

Attachment "1"

Willets Point Buildings 1 and 2
Queens, New York

Project Location:	126-43 and 126-45 39th Avenue
HDC Program:	Mix and Match
Project Description:	The project will consist of the new construction of two 12-story buildings containing 881 residential rental units in the Willets Point neighborhood of Queens. 52% of the units will be affordable to households earning at or below 80% AMI with additional tiers of deeper affordability. The remainder of the units will be affordable to households earning at or below 120% of AMI.
Total Rental Units:	880 (plus one superintendent unit)
Apartment Distribution:	

Unit Size	No. of Units
Studio	236
1 bedroom	429
2 bedroom	139
3 bedroom	77
Total Units*	881

*Total Units are inclusive of one superintendent unit

Expected HDC Co-Senior Bond Loan:	$117,500,000
Co- Senior Participation Loan[1]:	$122,011,228
Expected HDC Permanent Financing Amount:	$0
Expected HDC Second Mortgage:	$0
Expected Total Development Cost:	$532,061,612
Owner:	Willets Point Phase I Owner, LLC, the beneficial owner, whose sole member is Queens Development Group, LLC whose members are Related Willets, LLC (whose principals are Stephen M. Ross, Jeff T. Blau, Bruce A. Beal, Jr., Kenneth P. Wong, David K. Zussman, Glenn A. Goldstein, and Frank J. Monterisi Jr.), Sterling Willets, LLC (whose principals are Greg Katz, Jeffrey Wilpon, Scott Wilpon, Fred Wilpon and Sual Katz) and Willets Point Phase 1 Housing Development Fund Corporation, the fee owner, whose board of directors consists of Alexa Sewell, Richard Johns, Jacqueline Tom, Aaron Lipman, and Eric Saretsky.
Developer:	Queens Development Group, LLC
Expected Syndicator and/or Investor:	Wells Fargo N.A. as Investor
Credit Enhancer:	Construction – Cash Collateral participation loan structure through Wells Fargo Permanent – n/a

[1] The Co-Senior Participation Loan will be provided by Wells Fargo and a syndicate of investment grade banks to be selected.