MEMORANDUM

To: The Chairperson and Members

From: Eric Enderlin
President

Date: May 27, 2025

Re: Housing Impact Bonds, 2025 Series C, D, E, and F for the NYCHA PACT Metro North White Houses and PACT Ocean Hill/Stuyvesant Gardens Developments; and Approval of Mortgage Loans

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I am pleased to recommend that the Members approve the issuance of the Corporation's Housing Impact Bonds, 2025 Series C and 2025 Series D (the "2025 Series C Bonds" and "2025 Series D Bonds", collectively the "2025 Series C/D Bonds"); and 2025 Series E and 2025 Series F (the "2025 Series E Bonds" and "2025 Series F Bonds", collectively the "2025 Series E/F Bonds", and together with the 2025 Series C/D Bonds, the "Bonds") in an amount not to exceed $255,100,000.

Proceeds of the Bonds will be used to finance the acquisition, rehabilitation, and permanent financing of two New York City Housing Authority ("NYCHA") developments known as the PACT Metro North White Houses ("PACT Metro North") development and PACT Ocean Hill/Stuyvesant Gardens ("PACT Ocean Hill") development (collectively, the "Projects", and each a "Project") which will consist of the conversion of tenant-occupied NYCHA public housing buildings to Section 8 supported multi-family housing projects, as described herein. The Projects are part of the "Permanent Affordability Commitment Together," or "PACT" strategy outlined in the 2018 NYCHA 2.0 strategic plan, which describes how the City of New York (the "City") will reinvest and reposition public housing through Section 8 conversions.

Interest on the 2025 Series C Bonds and the 2025 Series E Bonds is expected to be exempt from Federal and New York state and local income tax, and such bonds will qualify as tax-exempt private activity bonds with an allocation of "recycled" volume cap in accordance with the Housing and Economic Recovery Act of 2008 ("HERA"). Interest on the 2025 Series D Bonds and the 2025 Series F Bonds is expected to be federally taxable but exempt from New York state and local income tax. The anticipated interest rates, maturity dates, and relevant terms of the Bonds are described herein.

The Members are asked to approve the use of the Corporation's general obligation pledge to support the HDC Enhanced Mortgage Loans, described herein, plus any interest due thereon.

In addition, the Members are asked to approve the origination of senior unenhanced non-accelerating loans (each, a "SUN Loan"), as described herein.

The Bonds are expected to be issued under the Corporation's Housing Impact Bonds Resolution (the "Impact Resolution"). An Authorizing Resolution will authorize the eighteenth through twenty-first Supplemental Resolutions.

Following is the background of the Impact Resolution, the proposed use of the Bonds (including their structure and security), and the Projects.

Background and Status of the Housing Impact Bonds Resolution

Under the Impact Resolution, the Corporation may issue bonds (a) to finance or acquire mortgage loans for the benefit of NYCHA and NYCHA properties and (b) to refund other bond issues of the Corporation, which had financed other multi-family developments. As of April 30, 2025, there were 14 permanent mortgage loans held under the Impact Resolution with a total outstanding principal balance of $1,433,754,036 for 8 PACT developments. There are no material monetary defaults on these mortgage loans.

Proposed Uses for the Bond Proceeds

The Bond proceeds are expected to fund mortgage loans (the "Bond Loans", and together with the SUN Loans, the "Mortgage Loans") to pay a portion of the cost of acquiring, rehabilitating, and equipping the two (2) developments as described in the chart below. The Bond Loans will be comprised of the "GSE Enhanced Mortgage Loan(s)", representing approximately 90% of the Bond Loans, and the "HDC Enhanced Mortgage Loan(s)", representing approximately 10% of the Bond Loans, which will be subordinate to the GSE Enhanced Mortgage Loan.

The Bond Loans are expected to have an approximate 30-year term, inclusive of an initial, five-year interest-only period, and amortize over a 40-year amortization schedule, with an interest rate of approximately 7.14%. A balloon payment will be due upon maturity.

Merchants Capital Corp ("Merchants") will be the servicer of the Mortgage Loans (described below) and the City Capital Loan (defined below) pursuant to servicing, intercreditor and appointment agreements between the Corporation, Federal Home Loan Mortgage Corporation ("Freddie Mac" or the "GSE") and Merchants.

Development Name (Borough/Units)	Expected Bond Series	Project Type	Loan	Expected Not to Exceed Amount
PACT Metro North (Manhattan/516)	2025 Series C/D	PACT/ Section 8	GSE Enhanced Mortgage Loan	$87,970,000

			HDC Enhanced Mortgage Loan	$9,780,000
PACT Ocean Hill (Brooklyn/927)	2025 Series E/F	PACT/ Section 8	GSE Enhanced Mortgage Loan	$141,610,000
			HDC Enhanced Mortgage Loan	$15,740,000
TOTAL GSE ENHANCED MORTGAGE LOAN AMOUNT:				**$229,580,000**
TOTAL HDC ENHANCED MORTGAGE LOAN AMOUNT:				**$25,520,000**
TOTAL LOAN AMOUNT:				**$255,100,000**

<u>Supplemental Security</u>

GSE Supplemental Security

Subject to Freddie Mac approval, each GSE Enhanced Mortgage Loan is expected to be secured by supplemental security in the form of a standby credit enhancement agreement issued by Freddie Mac pursuant to which, if a payment default occurs under the respective GSE Enhanced Mortgage Loan, the GSE will advance an amount equal to the unpaid amount of principal and/or interest due.

The Corporation's General Obligation Pledge

Each HDC Enhanced Mortgage Loan is expected to be secured by supplemental security in the form of a funding agreement (each an "HDC Funding Agreement") to be provided by the Corporation. Each HDC Funding Agreement is expected to provide that if a payment default occurs under the related HDC Enhanced Mortgage Loan, the Corporation will advance the unpaid amount of principal and/or interest due. This payment obligation will be a general obligation of the Corporation.

In the event of an advance by the Corporation under an HDC Funding Agreement, any subsequent repayments of principal and interest with respect to the Project's Bond Loans would be allocated first to reimburse Freddie Mac in full for any advance under its standby credit enhancement agreement and to pay any amounts due under the related GSE Enhanced Mortgage Loan prior to any reimbursement of the Corporation.

The Members are asked to approve the use of the Corporation's general obligation pledge in an amount not expected to exceed $25,520,000 plus any interest due. The general obligation pledge amount is expected to include the full principal amount of the HDC Enhanced Mortgage Loans and the interest due and payable. If a payment default occurs under any HDC Enhanced Mortgage Loan, HDC will advance an amount equal to the unpaid amount of principal and/or interest due.

<u>Project Description</u>

The proposed financings are subject to receipt of required United States Department of Housing and Urban Development ("HUD") approvals, described below. Following the PACT conversion, 100% of the rental units are expected to be governed by the Rental Assistance Demonstration (RAD) for the Conversion of Public Housing to the Section 8 Project-Based Voucher Program

HAP Contract (the “RAD HAP Contract”).

RAD shifts federal public housing operating and capital subsidy into a federal Section 8 housing assistance payment (HAP) contract. The program mandates contract renewals and use agreements; robust resident rights, including resident right-to-return; and partial ownership by a public entity or non-profit.

The Projects will go through substantial tenant-in-place rehabilitations to address 20-year capital needs, as prescribed by HUD. The scopes of work consist of substantial rehabilitation that is expected to address major capital needs at the Projects, bring significant quality of life improvements to residents of the Projects, and improve the Projects’ energy efficiency performance.

Each Project is also expected to receive a subordinate loan made by the Corporation using city capital granted by the City of New York (“City Capital Loan”), acting by and through its Department of Housing Preservation and Development (“HPD”); the Projects are currently under review by the New York City Office of Management and Budget for the City Capital Loan.

For more information on these developments, please see Attachments “1” - “2”.

Historic Tax Credits

All or a portion of each Project is expected to be listed on the National Register of Historic Places (the “National Register”) and the New York State Register of Historic Places by the National Parks Service (“NPS”) and the New York State Historic Preservation Office, respectively, making them eligible to receive federal historic tax credits (“FHTC”) and state historic tax credits (“SHTC”, and together with the FHTC, the “HTC”). The Projects are expected to receive capital contributions in exchange for the right to claim the HTC generated by the rehabilitation of the Projects.

The investment of the HTC equity will be structured through an HTC pass-through master lease. Through this structure, the HTC master tenant will operate all or a portion of the Property, collect rent from tenants at all or a portion of the Property, and make rent payments back to the Borrower, as landlord, in an amount sufficient to cover the financing and economic requirements of the Borrower, including mortgage payments, replacement reserves, insurance, and distributions. In addition, the HTC master tenant will also own a small percentage of the Borrower.

The Corporation will enter into Subordination, Non-Disturbance and Attornment Agreements with regard to the HTC master lease that preserves certain enforcement rights of the Corporation with respect to the Mortgage Loans but prevents the Corporation from taking certain actions that would cause a recapture of the HTCs during the 5-year compliance period that begins on the date the project is placed in service.

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 Resolutions 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 as taxable or tax-exempt, in multiple issuances pursuant to the same resolution and in one or more series or sub-series as long as the total principal amount of Bonds issued does not exceed $255,100,000 and the interest rate on the Bonds does not exceed 15%. The Corporation expects to designate the Bonds as Sustainable Development Bonds.

2025 Series C and 2025 Series E Bonds

It is anticipated that the 2025 Series C Bonds and 2025 Series E Bonds, in an amount not expected to exceed $127,550,000, will initially be issued as tax exempt fixed rate bonds with a true interest cost of approximately 5.50% during the initial Fixed Rate period, which is expected to be approximately thirty (30) years.

2025 Series D and 2025 Series F Bonds

It is anticipated that the 2025 Series D Bonds and 2025 Series F Bonds, in an amount not expected to exceed $127,550,000, will initially be issued as taxable fixed rate bonds with a true interest cost of approximately 6.50% with a maturity date that is expected to be approximately thirty (30) years.

Security for Bonds

The Bonds are special revenue obligations of the Corporation, and payment of principal and interest on the Bonds will be secured by the revenues and assets pledged to such payment. The Bonds will be issued on a parity basis with all outstanding previous series of bonds and all future bonds to be issued under the Resolution and secured by all collateral anticipated to be held under the Resolution. The total loan amount of the mortgages to be funded with the proceeds of the Bonds will be pledged to the Impact Resolution. Approximately $2,845,712 will be deposited into an interest reserve upon the Bond closing to ensure that sufficient funds will be available to pay the debt service on the Bonds.

As of April 30, 2025, the existing collateral of the Impact Resolution consisted of the following:

TYPE OF COLLATERAL	# OF LOANS	AMOUNT	% OF TOTAL
Freddie Mac Enhanced Mortgage Loans	7	$1,065,380,762	74.31%
HDC Enhanced Permanent Mortgage Loans	6	$82,983,828	5.79%
Fannie Mae Enhanced Mortgage Loans	1	$285,389,447	19.91%
Total*	14	$1,433,754,036	100.00%

* May not add due to rounding

SUN Loan

Each Project is also expected to be financed with a senior unenhanced non-accelerating loan (the SUN Loan, as defined above), in a total amount not to exceed $87,605,000.

The Corporation expects to fund the SUN Loans with recycled volume cap bonds under its Open Resolution but may fund the SUN Loans with its unrestricted reserves or available funds of the Open Resolution based on the availability of recycled volume cap.

The Corporation's expected funding of the SUN Loans is further described in the memorandum entitled "Multi-Family Housing Revenue Bonds, 2025 Series C, D, E, and F and Approval of Mortgage Loans" to be presented to the Members concurrently herewith.

Each SUN Loan will be senior, un-enhanced and non-accelerating with fixed principal and interest payments that are designed to mimic real estate taxes. Each SUN Loan will have a 40-year term and will fully amortize after a five-year interest-only period. Due to the enormity of the PACT initiative goals and the limited availability of relatively low-cost financing, the Corporation developed the SUN Loan structure to leverage resources and save on costs such as third-party credit enhancement fees.

The obligation under each SUN Loan with respect to each separate year during which the SUN Loan remains outstanding, will be evidenced by a separate mortgage note ("SUN Note") and subject to a separate first lien mortgage ("SUN Mortgage"). Each SUN Note will be secured by a SUN Mortgage in the inverse order of priority (i.e., the SUN Note maturing after the first year will be secured by the SUN Mortgage that is in last position), to ensure that any foreclosure will be subject to the remaining, more senior SUN Mortgages. The only default that can occur under the SUN Loan is the failure to pay amounts due under the SUN Note for each year. The debt service coverage on the SUN Loan will be very high as described below in the Risk and Risk Mitigation section.

Risks and Risk Mitigation

The primary risks associated with the Projects are (1) construction completion risk; (2) payment default by the Borrower; and (3) refinance risk. Corporation staff believes these risks are mitigated by several factors. Construction completion risk is mitigated by the Development Teams' experience renovating similar tenant-in-place rehabilitation projects, the completion guaranty to be provided by the General Contractor, the 100% Payment and Performance bonds provided by the General Contractor, and the monitoring of construction by a third-party. Payment default risk is mitigated by the Section 8 contract payments, the Development Teams' history in operating and managing similar projects, conservative underwriting incorporating low loan-to-value ratios, and satisfactory income to expense ratios, the Corporation's ongoing asset management and monitoring of the developments, and the GSE Credit Enhancement of the GSE Enhanced Mortgage Loan. At loan closing, the Bond Loans are expected to have debt service coverage ratios below 1.15 due to vacant units that are expected to be used for temporary on-site tenant relocation during rehabilitation. To mitigate payment default risk caused by such vacancies and low debt service coverage, the Projects have sized robust reserves to cover debt service for the duration of the rehabilitation and the Project have an extended period of interest-only payments beyond the construction term. Furthermore, the RAD HAP Contract is expected to include monthly subsidy payments for vacant units during the construction period. Lastly, the risk is expected to be further mitigated by the applicable Borrower's commitment to post additional collateral if the project income does not increase within approximately six months after the closing of the applicable project.

As described earlier, the Corporation will be obligated to cover HDC Enhanced Mortgage Loan losses. The Corporation staff believes this is an acceptable risk for the reasons described above. The SUN Loan, as a first position loan, benefits from very high debt service coverage in excess of 4.0. For this reason, the risk of non-payment is particularly low, and the Corporation will not require any additional credit enhancement with respect to the SUN Loan.

Refinance risk is mitigated by conservative refinance assumptions and 25 years of amortization of the Bond Loans following the interest only period.

Deposits and Fees

Each Borrower will pay the Corporation its costs of financing which is expected to be approximately 1.50% of the respective total Mortgage Loan amount, plus an up-front commitment fee equal to 0.75% of such Mortgage Loans.

Each Borrower will pay the respective GSE Enhanced Mortgage Loan Servicer an up-front origination fee equal to 1.00% of the associated GSE Enhanced Mortgage Loan.

Each Borrower will pay the Corporation an ongoing annual credit enhancement fee of at least 0.35%, included in the interest rate of the Mortgage Loans.

Each Borrower will pay the Corporation an annual servicing fee of at least 0.20% on the original principal balance of the Mortgage Loans.

The Borrower will pay the GSE and its servicer lender an ongoing annual guaranty fee and an annual servicing fee, included in the interest rate of the Bond Loan.

Rating

The Bonds are expected to be rated Aa2 by Moody's.

Underwriters

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

BofA Securities, Inc. *(Expected Senior Manager for 2025 Series C/D Bonds)*
Raymond James & Associates, Inc. *(Expected Co-Senior Manager for 2025 Series C/D Bonds)*
Jefferies LLC *(Expected Senior Manager for 2025 Series E/F Bonds)*

J.P. Morgan Securities, LLC *(Expected Co-Senior Manager for 2025 Series E/F Bonds)*

Academy Securities, Inc.
Bancroft Capital, LLC
Hilltop Securities Inc.
Morgan Stanley & Co. LLC
Oppenheimer & Co. Inc.
PNC Capital Markets LLC
Ramirez & Co., Inc.
Roosevelt & Cross, Incorporated
Stifel, Nicolaus & Company, Incorporated

It is anticipated that the selling group for the Bonds will include one or more of the following or their affiliates:

Veterans Group, PBC
AmeriVet Securities, Inc.
Blaylock Van, LLC
D.A. Davidson & Co.
Essex Securities LLC
Fidelity Capital Markets
InspereX LLC
Mischler Financial Group, Inc.

Underwriters' Counsel for the Bonds

Tiber Hudson LLC

Bond Trustee

U.S. Bank Trust Company, National Association

Bond Counsel and Disclosure Counsel

Hawkins Delafield & Wood LLP is expected to be Bond Counsel for the Bonds.

Orrick, Herrington & Sutcliffe LLP is expected to be Disclosure Counsel for the Bonds.

A senior officer of the Corporation may determine to re-designate counsel roles based on timing of issuances to create efficiencies.

Action by the Members

The Members are requested to approve an authorizing resolution that provides for (a) the adoption of the Supplemental Resolutions to the Impact 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 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 requirement in connection with any or all of the series of Bonds, as may be required; (e) the pledge to the Housing Impact Bonds Resolution of any mortgage loans or other assets of the Corporation; and (f) 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, including the HDC Funding Agreements.

The Members are asked to authorize the use of the Corporation's general obligation pledge in an amount not to exceed $25,520,000 plus any interest due on the HDC Enhanced Mortgage Loans.

The Members are asked to authorize the origination of the SUN Loans in an amount not to exceed $87,605,000, and the mortgage-related documents and other documents necessary to accomplish the SUN Loan financings.

Attachment "1"

PACT Metro North White Houses
New York, New York

Project Location:	2029 Second Avenue 310 East 102nd Street 307 East 101st Street 345 East 101st Street
HDC Program:	PACT/Section 8
Project Description:	The Project will consist of the preservation of 516 residential units, and approximately 37,641 square feet of community facility space in 4 buildings in the East Harlem neighborhood of Manhattan.
Total Rental Units:	514 (plus two superintendent units)
Apartment Distribution:	

Unit Size	No. of Units
Studio	127
1 bedroom	197
2 bedroom	80
3 bedroom	77
4 bedroom	20
5 bedroom	15
Total Units*	516

*Total Units are inclusive of two superintendent units

Expected HDC Construction Financing Amount:	N/A
Expected HDC Permanent Financing Amount:	SUN Loan: $30,295,000 Freddie Mac Enhanced Mortgage Loan: $81,810,000 HDC Enhanced Mortgage Loan: $9,095,000
Expected Total Development Cost:	$384,500,235
Owner:	MNPW PACT ML LLC, the beneficial ground lessee, whose principals are Thomas Buonopane and D. Morgan Wilson (TCB Ascendant MNPW PACT LLC); and ACDC Housing Development Fund Corporation, the nominal ground lessee, whose sole member is The Community Builders, Inc., whose housing committee consists of Louis Mercedes, Patrick Nash, and Carol Galante.
Developer:	The Community Builders, Inc and Ascendant Neighborhood Development Corporation
Credit Enhancer:	Construction - N/A Permanent - Freddie Mac will provide credit enhancement for the Freddie Mac Enhanced Mortgage Loan. The HDC Funding Loan Agreement will provide enhancement for the HDC Enhanced Mortgage Loan.

Attachment "2"
PACT Ocean Hill/Stuyvesant Gardens
Brooklyn, New York

Project Location:

701 WILLOUGHBY AVENUE
671 WILLOUGHBY AVENUE
675 WILLOUGHBY AVENUE
281 THROOP AVENUE
213 HART STREET
24 MOTHER GASTON BOULEVARD
26 MOTHER GASTON BOULEVARD
30 MOTHER GASTON BOULEVARD
301 MACDOUGAL STREET
15 MOTHER GASTON BOULEVARD
17 MOTHER GASTON BOULEVARD
305 MACDOUGAL STREET
309 MACDOUGAL STREET
311 MACDOUGAL STREET
319 MACDOUGAL STREET
386 SUMPTER STREET (Garage)
23 SARATOGA AVENUE
33 SARATOGA AVENUE
35 SARATOGA AVENUE
881 HALSEY STREET
940 HANCOCK STREET
946 HANCOCK STREET
245 LEWIS AVENUE
714 GATES AVENUE
720 GATES AVENUE
730 GATES AVENUE
734 GATES AVENUE
740 GATES AVENUE
744 GATES AVENUE
750 GATES AVENUE
760 GATES AVENUE
770 GATES AVENUE
210 STUYVESANT AVENUE
214 STUYVESANT AVENUE
220 STUYVESANT AVENUE
585 MONROE STREET
855 GATES AVENUE
845 GATES AVENUE
835 GATES AVENUE
841 GATES AVENUE
185 STUYVESANT AVENUE
175 STUYVESANT AVENUE
680 QUINCY STREET
690 QUINCY STREET
700 QUINCY STREET
706 QUINCY STREET
885 GATES AVENUE
881 GATES AVENUE
875 GATES AVENUE
865 GATES AVENUE
857 GATES AVENUE
859 GATES AVENUE
863 GATES AVENUE
150 MALCOLM X BOULEVARD
128 MALCOLM X BOULEVARD

HDC Program: PACT/Section 8

Project Description: The Project will consist of the preservation of 927 residential units, and approximately 14,133 square feet of commercial space in 14 buildings the Bedford–Stuyvesant neighborhood of Brooklyn.

Total Rental Units: 923 (plus four superintendent units)

Apartment Distribution:

Unit Size	No. of Units
Studio	1
1 bedroom	302
2 bedroom	394
3 bedroom	176
4 bedroom	41
5 bedroom	11
6 bedrooms	2
Total Units*	927

*Total Units are inclusive of four superintendent units

Expected HDC Construction Financing Amount: N/A

Expected HDC Permanent Financing Amount: SUN Loan: $48,135,000
Freddie Mac Enhanced Mortgage Loan: $129,925,000
HDC Enhanced Mortgage Loan: $14,440,000

Expected Total Development Cost: $569,185,908

Owner: OHSG Owner LLC and OHSG Owner 2 LLC, the co-beneficial ground lessees, whose shared indirect principals are Pierre Downing, Amy Stokes, and Noel Henderson-James, Omabuwa Binitie, Michael Nyamekye and Corey Powell and HP BSC Housing Development Fund Company, Inc, the nominal ground lessee, whose sole member is NYC Partnership Housing Development Fund Company, Inc., whose housing committee consists of Jamie A. Smarr, Nadja Alvarado and Debbra McAllister.

Developer: Kalel Companies, Inc and Dantes Partners

Credit Enhancer: Construction - N/A
Permanent - Freddie Mac will provide credit enhancement for the Freddie Mac Enhanced Mortgage Loan.
The HDC Funding Loan Agreement will provide enhancement for the HDC Enhanced Mortgage Loan.