



MEMORANDUM

To: The Chairperson and Members

From: Eric Enderlin *E. Enderlin*
President

Date: May 28, 2026

Re: Housing Impact Bonds, 2026 Series A and B for the Public Housing Preservation Trust (PHPT) Nostrand Houses; and Approval of Mortgage Loans

I am pleased to recommend that the Members approve the issuance of the Corporation’s Housing Impact Bonds, 2026 Series A and 2026 Series B (the “2026 Series A Bonds” and “2026 Series B Bonds”, collectively the “Bonds”) in an amount not to exceed \$220,000,000.

Proceeds of the Bonds will be used to finance the acquisition, rehabilitation, and permanent financing of the New York City Housing Authority (“NYCHA”) development known as PHPT Nostrand Houses (the “Project”) which will consist of the conversion of 1,145 units within sixteen (16) tenant-occupied, 6-story buildings to Section 8 supported multi-family housing projects, as described herein. The Project is the first development under the Public Housing Preservation Trust Program (the “Trust Program”), which seeks to rehabilitate and preserve public housing developments owned by NYCHA through Section 8 conversions.

Interest on the 2026 Series A Bonds is expected to be exempt from Federal and New York state and local income tax, and such bonds will qualify as tax-exempt qualified 501(c)(3) bonds. Interest on the 2026 Series B 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 Bonds are expected to be issued under the Corporation’s Housing Impact Bonds Resolution (the “Impact Resolution”). An Authorizing Resolution will authorize the twenty-third and twenty-fourth Supplemental Resolutions.

Following is the background of the Impact Resolution, the proposed use of the Bonds, the structure and security of the Bonds, and the Project.

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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 and (b) to refund other bond issues of the Corporation, which had financed other multi-family developments. As of April 30, 2026, there were 22 permanent mortgage loans held under the Impact Resolution with a total outstanding principal balance of \$2,133,538,587 for 12 developments financed under NYCHA’s Permanent Affordability Commitment Together Program (the “PACT Program”). There are no material monetary defaults on these mortgage loans.

Proposed Uses for the Bond Proceeds

It is anticipated that the proceeds of the Bonds are expected to fund a mortgage loan (the “Mortgage Loan”) to pay a portion of the costs of acquiring, rehabilitating, and equipping the Project as described in the chart below, together with related financing costs and deposits to required reserve funds.

Development Name (Borough/Units)	Expected Bond Series	Project Type	Loan	Expected Not to Exceed Amount
PHPT Nostrand Houses (Brooklyn/1,145)	2026 Series A/B	NYCHA Trust/ Section 8	Senior Mortgage Loan	\$220,000,000
TOTAL LOAN AMOUNT: \$220,000,000				

The Mortgage Loan is expected to have a construction-to-permanent financing structure with a 5-year interest-only construction term followed by a conversion to a fully amortizing fixed rate 35-year permanent loan.

Prior to permanent loan closing, the Mortgage Loan will be secured by Supplemental Security in the form of a collateral facility agreement to be entered into among Merchants Capital Corp. (“Merchants Capital”), AFL-CIO Housing Investment Trust (“AFL-CIO”, and together with Merchants Capital, the “Facility Providers”), HDC, the Bond Trustee, and the mortgagor of the Mortgage Loan, as described below in Risks and Mitigation.

It is anticipated that during the construction period, the Borrower will pay a fee to the Facility Providers for such facility agreement at a floating rate payable on the amount advanced from time to time under such facility agreement. The interest due on the fixed rate bonds is expected to be paid from earnings on the bond proceeds and collateral accounts and advances under the Mortgage Loan.

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

The Public Housing Preservation Trust Program

The Trust Program is administered by the New York City Public Housing Preservation Trust (the “Trust”), a public benefit corporation formed under the New York City Public Housing Preservation Trust Act, Article XV of the New York Public Housing Law (the “Trust Act”) in 2022. The Trust was created to design, develop, construct, reconstruct, improve, modernize, rehabilitate, repair and operate housing facilities for the benefit of public housing residents. The Trust Program seeks to rehabilitate and preserve public housing developments owned by NYCHA by converting such developments into Section 8 assisted housing through the HUD Programs, including RAD, Section 18 and Part 200. The Project is the inaugural development financed in connection with the Trust Program.

Under the Trust Program, NYCHA retains fee ownership of the land and buildings and enters into a long-term lease with the Trust for developments selected for conversion. The Trust, as leaseholder, arranges for the financing, rehabilitation and ongoing operation of the developments. Unlike PACT developments, by voting to participate in the Trust Program, residents elect to have NYCHA continue to provide property management, security, and social services at developments converted under the program. . Despite this election, it is important to note that NYCHA Management has been subject to criticism from tenants and advocates related to deferred maintenance and living conditions which ultimately resulted in a federal monitorship in 2019 to improve housing conditions at its properties. The conversion to Section 8 assisted housing is intended to place the developments on a more secure financial footing, facilitate the raising of capital to address critical capital needs, and ensure the developments’ continued use as long-term affordable housing while preserving strong resident protections in line with public housing standards. The Trust will retain the right to replace NYCHA as property manager upon failure to meet performance standards, as described further in the Risks and Risk Mitigation section in the memorandum.

The conversion of developments under the Trust Program is subject to resident approval. Prior to conversion, NYCHA and the Trust issue a Resident Information Notice (“RIN”) that outlines the Trust’s and NYCHA’s intention to convert the development to Project-Based Section 8 under the federal Rental Assistance Demonstration (RAD) program and details the rights residents will maintain under the program. The RIN is provided to residents in multiple languages. Following the issuance of the RIN, residents vote on whether to approve the conversion. Only developments that receive approval from a simple majority of voting residents, provided at least 20% of households participate in the vote, proceed with the conversion process.

The New York City Public Housing Preservation Trust is governed by a 9-member Board of Trustees, which includes four members that are NYCHA residents, one member that represents NYCHA workers, the CEO and CFO of NYCHA, the New York City Deputy Mayor of Housing, Economic Development and Workforce, and an at-large member. There are currently two NYCHA resident member vacancies. The Trust coordinates opportunities for residents of developments in the Trust Program to participate in the design, rehabilitation and management of their residential

facility, including, but not limited to, oversight committees for design, rehabilitation, maintenance and repair work, organized tenant-votes for decisions affecting the design and living experience in the residential facility and directing employment and economic opportunity associated with the residential facility toward residents, to the extent feasible and consistent with federal law.

Project Description

The proposed financing is subject to receipt of required United States Department of Housing and Urban Development (“HUD”) approvals, described below. The Project will be converted into Section 8 assisted housing through HUD programs, including RAD, Section 18, and Part 200. Following 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 Project is located in the Sheepshead Bay neighborhood of Brooklyn, New York and is comprised of 1,145 units across sixteen (16) 6-story residential buildings. There is one non-residential space occupied by an after-school program operated by the New York City Department of Youth Comprehensive After School System (COMPASS).

The Project will go through a substantial rehabilitation to address 20-year capital needs, as prescribed by HUD. Tenants are expected to be temporarily relocated to vacant units within the Project while their units are being rehabilitated. The scope of work consists of substantial rehabilitation that is expected to address major capital needs at the Project, bring significant quality of life improvements to residents of the Project, and improve the Project’s energy efficiency performance.

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

The New York State Legislature allocated \$300 million to NYCHA to upgrade the oldest elevators in NYCHA’s portfolio, with the Dormitory Authority of the State of New York (“DASNY”) acting as the signatory on the Grant Disbursement Agreement. NYCHA is expected to allocate \$25 million to Nostrand Houses via a loan agreement.

For more information on the 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 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 \$220,000,000 and the interest rate on the Bonds does not exceed 15%. The Corporation expects to designate the Bonds as Sustainable Development Bonds.

2026 Series A Bonds

It is anticipated that the 2026 Series A Bonds, in an amount not expected to exceed \$165,000,000, 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 forty (40) years.

2026 Series B Bonds

It is anticipated that the 2026 Series B Bonds, in an amount not expected to exceed \$55,000,000, 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 twenty (20) years.

Security for the 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. As of April 30, 2026, approximately \$22.5 million has been deposited as an interest reserve in the Impact Resolution in connection with mortgage loan closings to ensure that sufficient funds will be available to pay the debt service on all outstanding Bonds.

As of April 30, 2026, the existing collateral of the Impact Resolution consisted of the following:

TYPE OF COLLATERAL	# OF LOANS	AMOUNT	% OF TOTAL
Freddie Mac Enhanced Mortgage Loans	9	\$1,277,688,406	59.89%

HDC Enhanced Mortgage Loans	10	153,325,703	7.19%
Fannie Mae Enhanced Mortgage Loans	3	702,524,478	32.93%
Total*	22	\$2,133,538,587	100.00%

* May not add due to rounding

Risks and Risk Mitigation

A risk to the Corporation related to the Bonds financing the Mortgage Loan during the period the Project is under construction is the borrower's potential inability to complete the construction or make payments on its Mortgage Loan. This risk is mitigated because the Mortgage Loan is expected to be secured by Supplemental Security in the form of a collateral facility agreement. As the proceeds of the Bonds are advanced to fund the Project's development costs, the Facility Providers will deposit the same amount into a cash collateral account which then serves as credit enhancement. In the event the Borrower is unable to complete construction or make a payment, the Corporation will have the right to apply amounts from the unadvanced bond proceeds and cash collateral account, as applicable, to redeem the Bonds.

An additional risk to the Corporation related to the Bonds during the period the Project is under construction is the possibility of negative arbitrage. Interest on the Bonds 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, as well as the upfront capitalization of projected negative arbitrage. Based on current market indications and its experience in actively managing its investment portfolio, the Corporation expects the combined pledged investments, capitalized negative arbitrage funding, capitalized additional year of carrying costs, and excess net cash flow from higher debt service coverage ratio will be sufficient to meet scheduled debt service requirements during the construction and stabilization period. The Corporation will structure the investments of the bond proceeds and cash collateral to maximize returns and expects to enter into a Guaranteed Investment Contract ("GIC") or other permitted investments in the Corporation's Investment Guidelines to provide investment income stability.

In addition, while the Project is currently expected to convert from construction to permanent at the end of the five-year construction period, there is a risk that completion, stabilization, or conversion could be delayed. To address this risk, the Project is expected to: (i) capitalize an additional year of carrying costs to help support scheduled bond amortization commencing in year six regardless of whether the Project has achieved conversion by that date; (ii) capitalize an additional construction phase reserve sized on 6-months of debt service; and (iii) capitalize a rental achievement reserve sized on the difference between the as-is supportable debt and the debt service required to convert. Furthermore, the Project is underwritten to a higher debt service coverage ratio than a typical project, resulting in more net cash flow available to the project.

Construction completion risk is further mitigated by the completion guaranty to be provided by the General Contractor, the 100% Payment and Performance bond provided by the General

Contractor, and the monitoring of construction by the Collateral Facility Providers third-party construction monitor.

The primary risk related to the Bonds financing the Mortgage Loan during the permanent financing period is the repayment risk from the borrower. At conversion, FHA will provide credit enhancement through the 90/10 Risk Share Program. Payment default risk is further mitigated by the Section 8 contract payments, conservative underwriting incorporating low loan-to-value ratios, satisfactory income to expense ratios, a higher threshold for debt service coverage ratio to convert, and the Corporation's ongoing asset management and monitoring of the development. Furthermore, the Corporation will require a 7-month debt service reserve to be deposited with the Impact Resolution for the permanent financing period.

Lastly, an additional risk to the Bonds financing the Mortgage Loan during both the construction and permanent financing periods is concerns regarding NYCHA's past performance as property manager. The risk is mitigated by the Trust's right to terminate NYCHA as property manager in the event of a default, after providing 30 days' written notice, with the property manager receiving up to 30 days to cure; or terminate immediately for cause for bad faith or breach of fiduciary duty. In the event the Trust must replace NYCHA as property manager, the Trust will leverage a Pre-Qualified List of property managers that will be selected according to their experience managing similar project-based Section 8 properties in New York City that have undergone RAD conversions. Property managers on this Pre-Qualified List will also be reviewed and approved by HDC as lender.

Deposits and Fees

The Borrower will pay the Corporation its costs of financing which are 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 Loan.

The Borrower will pay the Corporation an annual servicing fee of at least 0.25% on the original principal balance of the Mortgage 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 banks below or their affiliates:

Senior Manager
Jefferies LLC

Co-Senior Managers

BofA Securities, Inc.

Morgan Stanley & Co. LLC

Co-Managers:

Academy Securities, Inc.

Bancroft Capital, LLC

J.P. Morgan Securities LLC

Loop Capital Markets LLC

Oppenheimer & Co. Inc.

Ramirez & Co., Inc.

Raymond James & Associates, Inc.

RBC Capital Markets, LLC

Siebert Williams Shank & Co., LLC

Wells Fargo Bank, National Association

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

American Veterans Group, PBC

AmeriVet Securities, Inc.

D.A. Davidson & Co.

Essex Securities LLC

Fidelity Capital Markets

InspereX LLC

Mischler Financial Group, Inc.

Underwriters' Counsel

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, 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.

Attachment “1”

**PHPT Nostrand Houses
Brooklyn, New York**

Project Location: 2263, 2231, 2343 Batchelder Street
3022, 3042, 3062 Avenue V
2242, 2324, 2356 Bragg Street
3041, 3021, 3012, 3040 Avenue W
3045, 3023, 3003 Avenue X

HDC Program: NYCHA Trust

Project Description: The Project will consist of the preservation of 1,145 residential rental units in 16 buildings in the Sheepshead Bay neighborhood of Brooklyn.

Total Rental Units: 1,145

Apartment Distribution:

<u>Unit Size</u>	<u>No. of Units</u>
1 bedroom	285
2 bedroom	766
<u>3 bedroom</u>	<u>94</u>
Total Units	1,145

Expected HDC Construction Financing Amount: \$214,690,000

Expected HDC Permanent Financing Amount: \$214,690,000

Expected Total Development Cost: \$712,019,446

Owner: Nostrand Houses Preservation LLC, the leasehold owner, comprised of Nostrand Houses Preservation MM LLC and Nostrand Houses Preservation Member LLC. The sole member of Nostrand Houses Preservation MM LLC is New York City Public Housing Preservation Trust. The sole member of Nostrand Houses Preservation Member LLC is New York City Public Housing Preservation Trust. The board members of New York City Public Housing Preservation Trust are Lisa Bova-Hiatt, Karen Blondel, Leila Bozorg, Pamela Campbell, John Dionisio, Jr., Annika Lescott-Martinez and Miriam Rodriguez.

Developer: New York City Public Housing Preservation Trust

Credit Enhancer: Construction – Cash Collateral Facility provided by Merchants Capital and AFL-CIO HIT
Permanent – HUD FHA Risk Share 90/10