NYC HDC

M E M O R A N D U M

To: The Chairperson and Members

From: Eric Enderlin
President

Date: May 28, 2026

Subject: Multi-Family Mortgage Revenue Bonds (Moda Apartments f/k/a Queens Family Courthouse), 2026 Series A and 2026 Series B

I am pleased to recommend that the Members approve the issuance of the Corporation's Multi-Family Mortgage Revenue Bonds (Moda Apartments f/k/a Queens Family Courthouse), 2026 Series A (the "2026 Series A Bonds" or "Tax-Exempt Refunding Bonds") and Multi-Family Mortgage Revenue Bonds (Moda Apartments f/k/a Queens Family Courthouse), 2026 Series B (the "2026 Series B Bonds" or "Taxable Bonds", and together with the 2026 Series A Bonds, the "2026 Bonds") in an amount not to exceed $67,500,000. The 2026 Bonds are expected to be issued pursuant to the terms of the Multi-Family Mortgage Revenue Bonds (Moda Apartments f/k/a Queens Family Courthouse) Bond Resolution (the "Resolution").

All of the proceeds of the Tax-Exempt Refunding Bonds in an amount expected to be $40,000,000 will be used to refund the Corporation's outstanding federally tax-exempt Multi-Family Mortgage Revenue Bonds (Queens Family Courthouse Apartments), 2007 Series A (the "2007 Bonds"). A portion of the proceeds of the Taxable Bonds in an amount expected to be $15,000,000 will be used to refund the Corporation's Multi-Family Mortgage Revenue Bonds (Queens Family Courthouse Apartments), 2016 Series A (the "2016 Bonds" and, together with the 2007 Bonds, the "Prior Bonds"). The remaining proceeds of the Taxable Bonds in an amount not to exceed $12,500,000 will be used to reimburse the Borrower for certain prior costs of the Project (as defined herein).

Interest on the 2026 Series A Bonds is anticipated to be exempt from Federal, New York State and local income tax and subject to the Alternative Minimum Tax (AMT). Interest on the 2026 Series B Bonds will not be exempt from federal income tax but is anticipated to be exempt from New York State and local income tax.

Background

The 2007 Bonds were originally issued in an amount of $120,000,000 pursuant to the Corporation's Multi-Family Mortgage Revenue Bonds (Queens Family Courthouse Apartments) Bond Resolution adopted by the Members on June 13, 2007, which was amended and restated by the Second Amended and Restated Bond Resolution adopted by the Members on February 15, 2012 (collectively, the "2007 Resolution"). The 2016 Bonds were originally issued pursuant to the Corporation's Multi-Family Mortgage Revenue Bonds (Queens Family Courthouse Apartments) Bond Resolution adopted by the Members on September 22, 2016.

The proceeds of the 2007 Bonds were used to finance the acquisition and construction of a 277-unit multi-family rental housing and 69-unit cooperative development located at 153-30 89th Avenue in Jamaica, Queens under the Corporation's Mixed Income Program (the "Original Loan"). In connection therewith, the Corporation also made two subordinate mortgage loans from its unrestricted reserves in the aggregate amounts of $10,790,000 and $4,485,000. In 2010, the Corporation approved a restructuring that integrated the 69-unit cooperative development with the rental development into a 346-unit, all rental development in accordance with its Mixed Income Program guidelines at that time.

In 2012, the Members approved the amendment and restatement of the 2007 Resolution to authorize the restructuring of the financing to redeem $78,170,000 of the 2007 Bonds, reduce the Original Loan to $40,000,000 (the "Existing Tax-Exempt Loan"), and consolidate the two subordinate loans into a single subordinate loan in the amount of $15,275,000 (the "Subordinate Loan"). In 2016, the outstanding 2007 Bonds were remarketed and directly purchased by Deutsche Bank AG, New York Branch ("Deutsche Bank") pursuant to a remarketing purchase agreement. The Corporation simultaneously issued $15,000,000 of 2016 Bonds that were also directly purchased by Deutsche Bank pursuant to a bond purchase agreement (the "Existing Taxable Loan", and together with the Existing Tax-Exempt Loan, the "Existing Loan"). Repayment of the 2007 Bonds, as remarketed, and the 2016 Bonds was secured by a mortgage purchase agreement entered into by Deutsche Bank and HDC (the "MPA"). The MPA, which has an initial term of 10 years ending October 31, 2026, will be replaced with a letter of credit as part of the proposed financing as described below.

This memorandum will provide a description of the Project and the Borrower (each as defined herein), and a discussion of the structure, security and risks of the 2026 Bonds.

Project Description

The project is a 346-unit multi-family rental development located at 153-30 89th Avenue in the Jamaica section of Queens (the "Project"). The Project consists of 43,226 square feet of commercial space, 19,522 square feet of community facility space, and a parking facility. The Project consists of three condominium units: (i) a "Market/Middle Income Condominium Unit," consisting of two hundred seventy-six (276) middle and market rate units including one superintendent's unit; (ii) a "Commercial Condominium Unit," consisting of approximately 148,079 square feet of space including commercial space, a parking facility and community facility space; and (iii) an "Affordable Condominium Unit" consisting of seventy (70) low-income rental units. The Commercial Condominium Unit was subdivided so that approximately 16,936 square feet of the community facility space is now part of a separate condominium unit that was sold to the Greater Jamaica Development Corporation in May of 2019.

Pursuant to the regulatory agreement among the Corporation, the Borrower, and the Affordable Owner (as defined below) (as may be amended and restated from time to time, the "Regulatory Agreement"), 165 of the units are available for occupancy by households whose incomes do not exceed 175% of Area Median Income ("AMI"), 59 of the units are available for occupancy by households whose incomes do not exceed 50% of AMI, and 11 units are available for occupancy by households whose incomes do not exceed 40% of AMI. The remaining 110 units are market rate units. One unit is set aside for occupancy by the building superintendent. The occupancy restrictions remain in effect for as long as the 2026 Bonds are outstanding and, at a minimum, until December 2040 (the "Occupancy Restriction Period"). Pursuant to the Regulatory Agreement, low- and middle-income tenants in occupancy at the time of expiration of the Occupancy Restriction Period must be offered continuous lease renewals in accordance with rent stabilization laws. The Project received a 20-year tax abatement pursuant to Section 421-a of the New York State Real Property Tax Law. Therefore, the Project's market rate units are also subject to rent stabilization laws for as long as the 421-a tax abatement remains in effect. The 421-a tax abatement will expire on June 30, 2036. The Project also benefits from a partial tax abatement from real estate taxes for the Commercial Condominium Unit under the New York State Industrial and Commercial Abatement Program ("ICAP") that will expire in 2036.

A fact sheet with a brief description of the Project is attached (see "Exhibit A")

<u>Borrower Description</u>

The developer is The Dermot Company, Inc. ("Dermot"), the principals of which are Stephen Benjamin, Drew Spitler and Andrew Levinson. Dermot is a New York City-based real estate investment firm that owns and manages multifamily units across the US. In 2003, Dermot completed construction on Hudson Crossing, an HDC-financed taxable 80/20 project with 259 units in Midtown West. In 2004, Dermot opened The Opal, a 388-unit 80/20 rental project in Kew Gardens, Queens. Dermot is also the developer of the HDC-financed 101 Avenue D Apartments, a 78-unit rental project in Lower Manhattan developed under the Corporation's NewHop Mixed Income "50/30/20" program.

The fee owners of the Project are the QFC Owner, LLC (the "Borrower") and QFC LI Owner, LLC (the "Affordable Owner"). The sole member of the Borrower is QFC Associates, LLC, whose managing member is Dermot QFC, LLC, and whose investor member is an entity owned by the AFL-CIO Building Investment Trust (the "BIT"). The owner of the Affordable Condominium Unit is the Affordable Owner, whose manager is QFC LI Manager, LLC, which is wholly owned by the Borrower, and whose investor member is USA Institutional 80-20 Tax Credit Fund VI L.P., which is owned by UIG BSPI TC Holdings, LLC (a Goldman Sachs affiliate) and U.S.A. 80-20 Tax Credit VI, LLC, a Richman Affiliate.

Proposed 2026 Refinancing

The 2026 Bonds are being issued to: (i) refund in whole the Prior Bonds, (ii) provide an additional $12,500,000 in financing for the Project; and (iii) refinance the Existing Loan (as refinanced and increased, the "Senior Loan").

The Senior Loan will have a maturity date of June 15, 2047 and is expected to require interest-only payments for the term of the Letter of Credit (as defined below).

The Subordinate Loan will remain in place. The Subordinate Loan has a current outstanding principal balance of $13,739,418 and has a maturity date of June 15, 2047. The Subordinate Note shall continue to provide for an interest rate of 1.00% per annum with a 2.00% debt service constant resulting in monthly payments of $25,458.

The BIT initially contributed $58,193,009 in equity to the Project and made an additional contribution of $47,000,000 in connection with the 2012 Restructuring for a total equity investment of $105,193,009. As part of the 2016 refinancing, $15,000,000, less the transaction costs, was used to repay a portion of the equity. It is anticipated that a portion of the proceeds of the 2026 Bonds will be used to further reduce the BIT's aggregate equity position in the Project.

Structure for the 2026 Bonds

The 2026 Bonds are expected to be issued as Term Rate obligations or variable rate obligations in an Index Rate mode but may be issued in any interest rate mode permitted by the Resolution (as discussed below). The 2026 Bonds will have the same final maturity, June 15, 2047, as the Prior Bonds.

Similar to other multi-modal transactions undertaken by the Corporation, the Bond Resolution and other agreements to be entered into in connection with the financing provide that each series of the Bonds may be changed from time to time to bear interest at (i) a Daily Rate, (ii) a Weekly Rate (iii) a SIFMA- or SOFR-based Index Rate, (iv) a Flexible Rate (with terms up to 275 days) or, (v) a Term Rate (with a semi-annual term or any multiples thereof), or converted to a Fixed Rate to maturity, all at the option of the Mortgagor with the approval of the credit enhancer and the Corporation pursuant to the terms of the Bond Resolution. The Bonds will be subject to a maximum interest rate of 10% per annum in any of the above interest rate modes, although the maximum rate may be increased to 15% in accordance with the provisions of the Bond Resolution.

Mizuho is expected to purchase the 2026 Bonds pursuant through a placement agent to a bond purchase agreement with HDC and the placement agent (the "Bond Purchase Agreement"). The Resolution will permit Mizuho to transfer the 2026 Bonds, including to a tender option bond trust or other special purpose entity or custodial arrangement established by Mizuho. Repayment of the 2026 Bonds will be secured by a Standby Letter of Credit ("Letter of Credit") to be entered into by Mizuho and the Corporation in favor of the Bond Trustee. The Letter of Credit is expected to have an initial effective term of 10 years as described in further detail below. It is expected that at the end of the 10-year term, the Borrower will request an extension of the term or, alternatively, seek substitute credit enhancement satisfactory to staff of the Corporation. The Letter of Credit will be guaranteed by Mizuho Bank, Ltd.

In separate transactions, the Borrower and Mizuho are expected to enter into two total return swaps (each a "TRS") pursuant to which Mizuho, as swap provider, will pay the Borrower a rate equal to the interest rate on the 2026 Bonds of a Series and the Borrower, as swap counterparty, will pay Mizuho a variable rate on a notional amount equal to the principal amount of the 2026 Bonds of such series. The variable rate paid by the Borrower is expected to be equal to the sum of SIFMA Index Rate plus a specified percentage on the TRS referencing the Tax-Exempt Refunding Bonds and SOFR plus a specified percentage on the TRS referencing the Taxable Bonds. Each TRS is expected to terminate ten years from the date of closing but may terminate earlier. Upon any termination of a TRS, the Borrower may owe a termination payment equal to the difference between the par amount of the 2026 Bonds of the referenced Series and the market value of the 2026 Bonds of the referenced Series on the date of termination.

Security for the 2026 Bonds

Repayment of the 2026 Bonds will initially be secured by the Letter of Credit. If the Trustee has not received from the Borrower any amount due and owing under the note and mortgage or otherwise required by the Resolution, then upon notice after an opportunity to cure any defaults, the Corporation will have the ability to draw on the Letter of Credit to satisfy the corresponding debt obligations. The Letter of Credit will secure repayment of the full principal amount of the 2026 Bonds plus an expected 159 days of interest coverage at the maximum rate. It is expected that the Letter of Credit will have a one-year term, and will automatically renew for nine subsequent one-year terms, for an effective 10-year term.

Upon the expiration of the initial effective 10-year term, it is anticipated that the Letter of Credit will be extended or replaced with an alternate credit facility for one or more subsequent terms ending on or prior to June 15, 2047. The Resolution will permit the provision of a credit facility, as long as the Corporation provides the Trustee certain items detailed in the Resolution including, but not limited to, (i) an opinion of bond counsel stating that the credit facility meets the requirements of the Resolutions and will not adversely affect the tax exemption relating to the 2026 Series A Bonds and (ii) a letter from at least one nationally recognized rating agency to the effect that such credit facility will provide 2026 Bonds with an investment grade rating.

Under the terms of the Resolution, a change in either (i) the security for the 2026 Bonds, or (ii) the method of establishing the interest rate on the 2026 Bonds, will result in a mandatory tender of the 2026 Bonds for purchase at par plus accrued interest.

Risks and Risk Mitigation

The primary risk associated with this bond issue is refinancing risk related to the expiration of the in-place tax benefits. The 421-a and ICAP tax benefits enable the Project to meet its debt obligations. However, this is mitigated by the Corporation's ability to draw on the Letter of Credit to satisfy the corresponding debt obligations in the event the Borrower fails to make payments on the Senior Loan.

In addition, the Subordinate Loan is unenhanced. In an effort to mitigate this risk, the Borrower is required to make amortizing payments on the Subordinate Loan as described above.

Fees

The Borrower will be obligated to pay the Corporation a commitment fee equal to the sum of 1.00% of the 2026 Bonds. In addition, the Corporation will receive an annual servicing fee equal to 0.25% of the original principal amount of the 2026 Bonds. The Borrower will also pay an amount equal to the Corporation's costs of issuance and refunding.

Mizuho will receive an origination fee equal to 0.25% of the 2026 Bonds.

Rating

The 2026 Bonds are expected to obtain a rating of A from S&P.

Trustee and Tender Agent

U.S. Bank Trust Company, National Association

Placement Agent

Loop Capital Markets

Pricing Advisor

Caine Mitter & Associates Inc.

Bond Counsel

Hawkins Delafield & Wood LLP

Action by the Members

The Members are requested to approve an authorizing resolution which provides for (i) the adoption of the Resolution, (ii) the execution of the Bond Purchase Agreement for the purchase of any or all of the 2026 Bonds, (iii) the redemption of the Prior Bonds, and (iv) execution by an Authorized Officer of mortgage loan related documents and any other documents necessary to accomplish the issuance and direct placement of the 2026 Bonds and the financing of the Senior Loan.

Exhibit "A"

Queens Family Courthouse/Moda
Queens, New York

Project Location:	153-30 89th Avenue
HDC Program:	Preservation
Project Description:	The Project consists of the refinancing of one 12-story building with 346 residential units, and 43,226 square feet of commercial space in the Jamaica neighborhood of Queens. 70 residential rentals units are affordable to households earning at or below 50% AMI, 165 residential units are restricted to middle income households with incomes not to exceed 175% AMI, and the remaining 110 residential rental units are market rate. All units are subject to rent stabilization.
Total Rental Units:	345 (plus one superintendent unit)

Apartment Distribution:

Unit Size	No. of Units
Studio	109
1 bedroom	167
2 bedroom	70
Total Units*	346

*Total Units are inclusive of one superintendent unit

Expected HDC Permanent Financing Amount:	$67,500,000
Existing HDC Second Mortgage:	$13,739,418
Owner:	QFC Owner, LLC, the current owner of the Market/Middle Rate Unit and Commercial Unit, and QFC LI Owner LLC, the current owner of the Low-Income Unit. QFC Owner, LLC and QFC LI Owner LLC are ultimately controlled by Forum New York Apartments LP and Dermot Modal Capital Partners, LLC, which is owned by Stephen N. Benjamin, passive investors, and Spitler DCP Holdings, LLC, whose principal is Drew Spitler.
Syndicator and/or Investor:	U.S.A. 80-20 Tax Credit VI, LLC, Richman Affiliate – Syndicator UIG BSPI TC Holdings, LLC, Goldman Sachs Affiliate – Investor
Credit Enhancer:	Mizuho Capital Markets LLC
Letter of Credit Guarantor:	Mizuho Bank, Ltd.