



MEMORANDUM

To: The Chairperson and Members

From: Eric Enderlin 
President

Date: September 24, 2026

Subject: Approval of a Subordinate Market-Rate Revolving Term (“SMRRT”) Loan
for 665 New York Avenue

I am pleased to recommend that the Members approve the making of a subordinate market-rate revolving cash flow mortgage loan (the “SMRRT Loan”) with the Corporation’s unrestricted reserves or HDC Battery Park City Authority (“BPCA”) funds in an amount not to exceed \$12,870,000.

Background and Project Description

The project is expected to be a 134-unit mixed-income multi-family rental development located at 665 New York Avenue in the Prospect Lefferts Gardens section of Brooklyn (the “Project”).

Currently, the site comprises one vacant and uninhabitable 117-unit rent stabilized building. The building was constructed in 1960 and the property was occupied until 2012 when the building sustained severe damage during a seven-alarm fire caused by a lightning strike. The intensive damage prompted the New York City Department of Buildings and New York City Department of Housing Preservation and Development (“HPD”) to issue vacate orders, displacing the project's residents. The majority of residents settled with the former owner and have relocated to permanent housing. Eighteen households are expected to exercise their right to return to the property following construction completion. Since 2012, the property has remained unoccupied and currently lacks all mechanical, electrical and plumbing systems, as well as utility service.

The proposed SMRRT Loan is expected to partially finance the substantial rehabilitation of the Project. All major building elements, including the addition of 17 new residential units, load-bearing structures, windows, walls, flooring and plumbing, electrical and heating systems will be replaced. Additionally, the Project will feature 22 parking spaces. Residential amenities will include bicycle storage, a fitness center and a roof deck.

The Project will contain 12 units which will be affordable to households earning 50% of Area Median Income (“AMI”), 22 units which will be affordable to households earning 80% of AMI and 56 units which will be affordable to households earning at or below 105% of AMI. 43 units will be market-rate units. One unit will be reserved for a superintendent. Certain tenants are expected to have a right to return and such tenants shall be permitted to lease an income-restricted unit.

The term of the HDC Regulatory Agreement is expected to match the term of the SMRRT Loan; however, the occupancy restrictions shall remain in effect in perpetuity pursuant to a Project-specific regulatory agreement that will be entered into by HPD and the Borrower at construction loan closing. The Project received approval for a 40-year tax exemption pursuant to Section 577 of Article XI of the Private Housing Finance Law.

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

Borrower Description

The developer is MSquared (“M2”), the principals of which are Alicia Glen and Carolee Fink. MSquared is a vertically integrated real estate development and investment firm with experience in mixed-income housing development across the New York metropolitan area and the U.S.

The fee owner of the Project will be 665 New York Avenue Housing Development Fund Corporation, whose sole member is Settlement Housing Fund, Inc. The beneficial owner of the Project will be 665 NYA Owner LLC (“Borrower”), whose sole member is M2 665 NYA LLC (the “Managing Member”).

More information on the principals of the Borrower and Fee Owner is included in Exhibit A.

HDC SMRRT Financing

The financing arrangement for 665 New York Avenue contemplates senior debt financing from Citibank, N.A., subordinate SMRRT debt financing from the Corporation and general-partner equity financing from M2-affiliated investor entities. The Citibank, N.A. loan (“Senior Loan”) will be comprised of a construction and mini-perm loan with a combined maximum term of up to 74 months inclusive of as-of-right extension options. The senior loan shall bear interest at a variable rate of Term SOFR plus 2.50%. The borrower anticipates purchasing an interest rate swap to fix Term SOFR at 4.00%; the all-in rate is expected to be approximately 6.50%. During the term of the construction and mini-perm term of the Senior Loan, the loan payments will be interest-only, with the full principal balance due and payable at maturity.

The SMRRT Loan will consist of a second-priority cash flow mortgage loan. The SMRRT Loan original principal amount is expected to not exceed \$12,870,000. The SMRRT Loan shall have a term of approximately 20 years and be prepayable in whole or in part without penalty. The SMRRT Loan will bear interest at a fixed rate of approximately 6.25% per annum. During the construction period, interest shall be deferred and accrued, compounding monthly. Following stabilization and the conversion to the mini-perm term, the SMRRT Loan shall be repaid from a percentage of net cash flow and proceeds from a capital event such as a refinance or sale of the property, either of which is expected

to happen at or prior to the end of the mini-perm term. At maturity, the principal amount of the SMRRT Loan and all deferred and accrued interest (including the interest accrued during the construction period) and any other outstanding amounts will be due and payable.

BPCA funds are available pursuant to a 2024 Agreement and Consent Pursuant to Settlement Agreement between the City of New York and the Battery Park City Authority setting forth guidelines for the use of the affordable housing allocation, in an amount not to exceed \$500 million, to be paid to the Affordable Housing Accelerator Fund, a program administered by HDC and to be used as a funding source by HDC and HPD to address New York City's affordable housing challenges, including maximizing leverage from other resources to efficiently use this capital.

Risks and Risk Mitigation

The primary risks associated with this financing are related to the unenhanced and subordinate nature of SMRRT loans and the availability of net sale or refinancing proceeds prior to or upon the SMRRT Loan maturity date. The Corporation believes market conditions would have to deteriorate beyond reasonable projections to preclude repayment of the SMRRT loan prior to or upon maturity. The sponsor will execute a completion guaranty, mitigating construction completion risk.

Fees

The Borrower will be obligated to pay the Corporation a commitment fee equal to the sum of 1.00% of the original principal balance of the SMRRT Loan. In addition, the Corporation will receive an annual servicing fee equal to 0.125% of the original principal balance of the SMRRT loan prior to conversion to the mini-perm phase and an annual servicing fee equal to 0.25% of the original principal balance thereafter.

Action by the Members

The Members are requested to authorize (a) the financing of the SMRRT Loan for the Development in an amount not to exceed \$12,870,000 from the Corporation's unrestricted reserves or Battery Park City Authority funds allocation, and (b) the execution by an Authorized Officer of the Corporation of mortgage-related documents and any other documents necessary to accomplish the financing.

Exhibit “A”

**665 New York Avenue
Brooklyn, New York**

Project Location: 665 New York Avenue

Project Description: The Project consists of the financing of one 7-story building with 134 residential units, and 22 parking spaces in the Prospect Lefferts Gardens neighborhood of Brooklyn. 12 residential rental units will be affordable to households earning 50% AMI, 22 residential rental units will be affordable to households earning 80% AMI, 56 residential rental units will be affordable to households earning 105% AMI, and the remaining 43 residential rental units will be market rate. Income-restricted units are subject to rent stabilization.

Total Rental Units: 133 (plus one superintendent unit)

Apartment Distribution:	<u>Unit Size</u>	<u>No. of Units</u>
	Studio	30
	1 bedroom	69
	2 bedroom	35
	<u>Total Units*</u>	<u>134</u>

*Total Units are inclusive of one superintendent unit

**Expected HDC Subordinate
Financing Amount:** \$11,700,000

Expected Total Development Cost: \$62,358,517

Owner: 665 NYA Owner LLC, the beneficial owner, whose managing member is M2 665 NYA LLC. M2 665 NYA LLC is comprised of Equitable Housing Solution Fund I, L.P. Equitable Housing Solution Fund I Co-Invest, L.P., MSquared Impact Partners Fund I, L.P. and MSquared NYC Affordable Fund I, L.P. The fee owner is 665 New York Avenue Housing Development Fund Corporation, whose board of directors and officers consists of Charles A. Brass, Joan T. Tally, Juan Barahona, Judith Herbstman, Johanna Kletter, Graikelis Moarle, Jacqueline Tom and Emily Lehman.