



MEMORANDUM

To: The Chairperson and Members

From: Eric Enderlin 
President

Date: September 24, 2026

Subject: Conduit New York City Acquisition Fund (NYCAF) Subordinate Loan from New York City Grant Proceeds

I am pleased to recommend that the Members authorize the Corporation to make one or more subordinate loan(s) to the New York City Acquisition Fund LLC (“NYCAF” or “Fund”) with the proceeds of one or more grant(s) from the New York City Department of Housing Preservation and Development (“HPD”) in an aggregate amount of up to \$14 million, which may be increased as provided herein (collectively, the “NYCAF Loan”).

Background

NYCAF offers acquisition, predevelopment and moderate rehabilitation loans to developers of affordable, supportive, and mixed income rental housing in the five boroughs of New York City. Its co-members are an affiliate of Enterprise Community Partners (50%) and the Local Initiatives Support Corporation (50%), and the Fund has been managed by Forsyth Street Advisors since its inception in 2006. Made possible through an unprecedented partnership between the City of New York, major foundations and New York’s public and private investment groups, the Fund provides loans at capital advance rates of up to 130% loan-to-value (“LTV”) ratio for not-for-profit and for-profit borrowers with loan terms of up to 5 years and limited recourse to the project sponsor.

The Corporation has two outstanding interest-only loans to NYCAF in the aggregate amount of \$25 million that mature in December 2031 (the “HDC Senior Term Loans”), both of which are current in their payments to the Corporation.

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There are currently four senior term loans to NYCAF, including the HDC Senior Term Loans, with commitments totaling \$48.5 million, at terms varying between 3 and 5 years. The other two loans include a \$12 million revolving facility from Deutsche Bank with a December 2028 maturity date, and a \$11.5 million loan from Amalgamated Bank which matures in April 2029. Since the making of the HDC Senior Term Loans, NYCAF has successfully expanded its lending, providing new commitments of approximately \$354 million since 2019, comprised of 35 new loans. NYCAF has recently re-opened applications to for-profit developers and no longer exclusively focuses on MWBE and non-profit developers as it previously did since 2021.

Request for Approval

Pursuant to Section 27-131(a)(5) of the Zoning Resolution of the City of New York (the “Zoning Resolution”), HPD has received a contribution to the Affordable Housing Fund (as defined in the Zoning Resolution), which Affordable Housing Fund is administered by HPD and serviced by the Corporation. The definition of “Affordable Housing Fund” in Section 27-111 of the Zoning Resolution requires that contributions to the Affordable Housing Fund shall (i) be used for development, acquisition, rehabilitation, or preservation of affordable housing, and (ii) be reserved for use within the borough, and, for a minimum of 10 years, the community district, in which the MIH Development that has contributed to the Affordable Housing Fund is located (the “AHF Restrictions”).

HPD has requested to grant funds from the Affordable Housing Fund to the Corporation in multiple separate grants in the aggregate total amount of up to approximately \$14,000,000 (collectively, the “Grant Proceeds”) pursuant to Section 661 of the Private Housing Finance Law to benefit qualifying NYCAF projects as described herein. The first approximately \$5,700,000 grant loan facilitated by a MIH Development that contributed to the Affordable Housing Fund is located in Manhattan Community District 2. Subject to the Members’ approval, upon receipt of the Grant Proceeds, the Corporation expects to make one or more 30-year, 0% loan(s) to NYCAF to allow NYCAF to provide financing for affordable housing projects in compliance with the AHF Restrictions (collectively, the “NYCAF Loan”). The Members are asked to delegate authority to the Corporation’s Credit Committee to increase the NYCAF Loan amount to the extent HPD grants additional funds (“Additional Grant Proceeds”) subject to the AHF Restrictions for this purpose to the Corporation. If the Corporation does not use the Grant Proceeds to provide the NYCAF Loan, it shall use the Grant Proceeds or the Additional Grant Proceeds in accordance with the applicable grant agreement between HPD and the Corporation incorporating the AHF Restrictions.

The NYCAF Loan would be subordinate to the senior term loans to NYCAF and its mezzanine debt, and repaid *pari passu* with the existing HPD subordinate loan to NYCAF. The Grant Proceeds comprising the NYCAF Loan would not be counted for the purposes of the Fund’s financial covenants related to liquidity and leverage so long as they were subject to the geographic area restrictions; and further, the Grant Proceeds could not be used (while geographically constrained under the AFH Restrictions) to repay the NYCAF Senior Term Loans or any subordinate loans upon the maturity of such loans or at the dissolution of the Fund.

Risks to the Corporation

The Corporation's role is purely as a conduit lender with no risk to assets of the Corporation. Additionally, each grant agreement will provide indemnification of the Corporation by the City.

Action by Members

The Members are requested to approve the Corporation's making of the NYCAF Loan with the Grant Proceeds in an amount and with terms agreed to by HPD and the execution by an Authorized Officer of the Corporation of loan documents and any other documents necessary to accomplish the making of the NYCAF Loan. The Members are requested to authorize the delegation to the Corporation's Credit Committee to approve increased funding of the NYCAF Loan to the extent HPD grants any Additional Grant Proceeds to the Corporation.