

**MINUTES OF THE
455TH MEMBERS MEETING OF
THE NEW YORK STATE HOUSING FINANCE AGENCY
HELD ON MARCH 6, 2014 AT 8:30 A.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022**

MEMBERS AND DESIGNEES

PRESENT:

William J. Mulrow	Chairman
Steven J. Weiss	Vice Chairman
Nestor M. Davidson	Member
Thomas H. Mattox	Member (via videoconference)
Joyce L. Miller	Member
Darryl C. Towns	Member
Elaine McCann	New York State Division of the Budget, representing Robert Megna, Member (via video conference)

Chairman William J. Mulrow presided over the meeting. Chairman Mulrow welcomed Mr. Moses Krausz, a new Director to the SONYMA board. He explained that Mr. Krausz is an appointee of the Assembly and comes with many years of experience from the banking business. He stated that Mr. Krausz is the President and CEO of the Berkshire Bank, one of the great community banks in New York. Chairman Mulrow expressed appreciation for his expertise and commitment of time to this new position.

Mr. C. Jason Kim, Senior Vice President and Counsel to the Agencies, acted as Secretary. He noted that Ms. Elaine McCann, Aida Brewer and Commissioner Thomas H. Mattox participated in the meetings via video conference from the New York State Division of Budget conference center at the Capitol Building, Room 131, in Albany, and that SONYMA Director, Ms. Marge Rogatz was attending via video conference from the office of Expedia at 325 Duffy Avenue, Hicksville, NY. A public notice was given of the time and location of the venues in accordance with the New York State Open Meetings Law.

Mr. Kim asked for motions and seconds to call to order the Members and Directors meetings, of the New York State Housing Finance Agency ("HFA") and the State of New York Mortgage

Agency (“SONYMA”); Ms. Miller moved to call the HFA meeting to order; Vice Chairman Weiss seconded the motion. Mr. Bergamo moved to call the SONYMA meeting to order; Chairman Mulrow seconded the motion.

Mr. Kim stated that as items were presented to each Board throughout the meetings, these motions and seconds would be used, unless specific items called for a different vote, or unless any Board Member wished to record his or her vote differently.

The meetings of the affiliated Agencies were opened in joint session for the President’s report, the recital of the Committee reports, the adoption of the minutes of previous meetings and consideration of various matters of shared importance. These minutes reflect only those items being considered by the Members of the New York State Housing Finance Agency. A record of items considered by the other Agencies is contained in the minutes of each of the Agencies.

The first item on the agenda was the President’s Report. Commissioner Towns discussed the Agency’s overall housing agenda in both the Federal and State levels.

Commissioner Towns noted that he previously discussed Governor Cuomo’s ambitious affordable housing goals for 2014 but would take a moment to highlight a few of the Governor’s priorities. First, he reported that the House New York program continues for a second year, as it seeks to fulfill its five-year plan to preserve and create 14,000 affordable units across New York State. Commissioner Towns reported that this year, the Governor moves the Agencies to the next phase of this plan by adding \$40 Million Dollars in new capital resources. Second, he reported that the Governor is seeking to use up to \$100 Million Dollars in Federal monies, mostly in Community Development Block Grant Disaster Recovery (CDBG-DR for 2011 Disasters) to create and preserve additional affordable housing units in multi-family developments. Lastly, Commissioner Towns reported that the Governor’s budget proposes a renter’s personal income tax and continues to invest in affordable housing programs that work like New York Main Street Technical Assistance Program and the Access to Home Program. He commented that “unfortunately, things are not as rosy on the Federal side” and referred to the majority of the members of the House, Ways and Means Committee who presented a tax plan that would “virtually eliminate the 4% bond program and devastate municipal bonds, in general.” He also commented that the 4% bond program is the “bread and butter” of many of HFA’s programs and while the program preserves 9% credits, this proposal is not expected to move forward as it is but may serve as a starting point when the House takes up tax reform in the future.

Commissioner Towns also provided a report on President Obama’s Executive Budget as it relates to housing.

Commissioner Towns reported that in a recent trip to Washington, D.C., a meeting was held with several members of the New York Delegation where it was impressed upon them how important the Federal housing programs utilized at the Agency are, i.e. creates jobs in parts of the State that are in need of that type of stimulus.

Commissioner Towns reported that, earlier in the day, the Mortgage Insurance Committee approved insurance for seven (7) projects representing five hundred and twenty-two (522) units of affordable housing in Suffolk, Albany, Orange, Montgomery, Bronx and Kings County.

Commissioner Towns noted that on today's agenda, the HFA Board will be asked to consider a request for authorization to approve a subsidy loan on Woodrow Wilson Homes and with regard to staffing will be asked to approve the appointment of Senior Vice President/Chief Operating Officer, Kevin Kelly.

Commissioner Towns stated that in 2012, Governor Cuomo, looking to increase diversity within his Administration, created the Empire State Fellows Program and at that time the Agency was fortunate to get a Fellow in the person of Keisha Santiago Martinez who has grown from a Fellow to a staff person filling the position of Assistant Commissioner of the Budget in Project Management. He noted that the first program had eight (8) participants and now the Governor's program has gone into its second year. He said that several Fellows have been assigned to the Agency and are also stars who might be in the current pool of Executives as well.

Finally, Commissioner Towns noted the revival of one of the former practices of this Agency which is a Recognition Program for those employees who have had twenty (20) or more years of service. He said that his team will be going around to the varying offices to recognize over two hundred (200) employees with twenty (20) years or more of State service with one employee even having forty-seven (47) years of service. He commented that this experienced and talented staff is "up to the challenge of the Governor's quest in accelerating the creation of affordable housing."

The next item on the agenda was the adoption of the minutes of the 454th HFA Members meeting held on January 29, 2014. Absent comments or corrections from the Members, Mr. Kim reported that the minutes were deemed approved.

The next item on the agenda was a resolution approving the appointment of Senior Vice President and Chief Operating Officer to the Agencies. Commissioner Towns announced that he was pleased to introduce and present for consideration the appointment of Kevin Kelly as Senior Vice President and Chief Operating Officer to the Agencies. He reported that for the last two years, Mr. Kelly has served as Deputy Commissioner of the New York City Business in the Mayor's Office, where he designed and implemented a robust customer support model for New York City businesses that leveraged the City's much-admired 311 system and other online resources. Commissioner Towns said that similarly, he also developed a business customer portal (NYC.gov/Business) that aggregates relevant information in a coherent and comprehensive fashion, enabling a range of stakeholders to better manage their relationships with the City.

Commissioner Towns reported that prior to Mr. Kelly's position in the Mayor's Office, Mr. Kelly served in various senior leadership positions at the New York City Department of Small

Business Services (“SBS”) where he created and oversaw NYC Business Express, an effort to transform the way businesses interact with government into a one-stop experience.

Commissioner Towns reported that prior to joining SBS, Mr. Kelly worked in the private sector as a management consultant, devising and implementing working capital improvement strategies for Fortune 500 companies. He said that Mr. Kelly lived and worked overseas for many years, primarily in Latin America and Europe, with a career that includes public service with the Peace Corps in Costa Rica and the New York City Transit Authority. He said that Mr. Kelly serves on the Board of Directors of Upwardly Global and is an adjunct professor at Columbia University’s School of International and Public Affairs.

Commissioner Towns reported that Mr. Kelly received a Bachelor of Arts Degree in Urban Studies from Columbia University; a Master’s of Arts Degree in International Studies from the University of Pennsylvania and a Master’s in Business Administration from the Wharton School at the University of Pennsylvania. He commented that Mr. Kelly is joining the Agencies at a time when the Agencies are moving towards “performance matrix” systems, and that he is highly capable and the Agencies are excited about him joining and look forward to his great service.

Chairman Mulrow welcomed Mr. Kelly and asked about the kinds of courses he teaches as an adjunct professor at Columbia University’s School of International and Public Affairs. He stated that he teaches Public Management courses. Ms. Miller noted that she was referred to his syllabus and now uses it as a model to follow when teaching.

Mr. Kelly was congratulated on his new appointment.

Considering the first and second motions previously entered, the motions were carried and the following resolution was adopted unanimously:

**A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE
AGENCY AND THE STATE OF NEW YORK MORTGAGE AGENCY
APPOINTING KEVIN KELLY AS SENIOR VICE PRESIDENT AND CHIEF
OPERATING OFFICER**

The next item on the agenda was a resolution authorizing a subsidy loan for Woodrow Wilson Homes, Amsterdam, Montgomery County, in an amount not-to-exceed \$5,363,235. Marian Zucker, President, Finance and Development, reported that as part of the Governor’s HOUSE-NY program, \$7.4 Million Dollars have been made available to the Agency to help subsidize work done on the Mitchell-Lama portfolio. She commented that this project is another of the examples of the benefits to be obtained from the HCR integration, with coordinated decision making at all levels of HCR.

Ms. Zucker then presented Bret Garwood, Senior Vice President, Multifamily Housing. He reported that this project is a good example of the challenges and opportunities that are presented to the Agency from the Empire State Development portfolio. He reported that this is the second phase of development of 176 units of fifteen (15) buildings of which 112 units are completely

occupied at this time (located in Amsterdam, Montgomery County). He stated that the project benefits from a \$5,363,235 HOUSE-NY Program Mitchell-Lama subsidy loan which will help the project to be completely renovated. He noted that this project is typical of the projects in the Agency's portfolio, as it needs an enormous amount of renovation. He said that because of the location in upstate New York, it will cost \$130,000 to renovate each apartment unit.

Commissioner Mattox asked about the \$130,000 per unit costs associated with renovation and the number of years it covers (10-20 years). Ms. Zucker reported that every project the Agency underwrites has operating maintenance reserves built into it.

Mr. Garwood reported that the project will be acquired by OMNI Housing Development LLC. He noted that the existing mortgage loan is a little over \$4 Million Dollars; and that there is \$887,644 in estimated annual allocation 9% low income housing tax credits.

Ms. Zucker noted that one of the special focus features this project is the application of energy efficient measures. Ms. Miller suggested using companies that specialize in this area and/or meeting with vendors who might fit that niche. Ms. Miller inquired about sub-metering, about emissions and suggested new forms of technology like micro-generators. Ms. Zucker explained that there are several initiatives underway to get tenants to buy into energy efficiencies. She added that there are a whole range of technologies that can reduce the operating costs and are part of the overall strategy with regard to this portfolio.

Ms. Miller asked if there was a time limit on how long the project must remain affordable. It was reported that this project must remain affordable for at least 40 years (2056) from conversion. Mr. Garwood noted the New York State Housing Trust Fund's 50-year commitment.

Commissioner Mattox then asked the Board to schedule a field trip to view this project. Commissioner Towns noted that the Board is considering the logistics in conducting a road trip and possibly some virtual tours. Commissioner Mattox suggests that the Amsterdam project should be on the agenda.

Considering the first and second motions previously entered, the motions were carried, and the following resolution was adopted with the recusal of Vice Chairman Steven Weiss:

**A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE
AGENCY AUTHORIZING A HOUSE-NY PROJECT SUBSIDY LOAN FOR
THE PROJECT KNOWN AS WOODROW WILSON HOMES**

The next item on the agenda was an information item on the Agency's New 80/20 Program Parameters. Ms. Zucker made a presentation on the proposed plan for financing 80/20s in 2014, created in response, partly, to Board member comments over the last year as to the best use of volume cap. Ms. Zucker stated that the Agency typically funds 65-70% of the project's costs with

tax-exempt bonds, at least 50% of which are new volume cap bonds. She stated that looking at 2014 there was a significant pipeline of possible projects on the horizon.

Ms. Zucker noted that the Agency had made a decision to provide financing only for the 20% low income component of the 80/20 projects with tax exempt bonds, as opposed to the traditional way of funding the projects with approximately 65% of tax exempt bonds. She noted that this new approach had been communicated by email to the development community at the end of last year. Ms. Zucker noted that most of these projects, since they are located in New York City, already come to the Agency with structures framed by the City's 421-a program

Ms. Zucker noted that the main impact of the change in policy is higher borrowing costs, since the remaining portion of the project, roughly 60 to 65%, is expected to be financed either on a taxable bond basis or as a bank participation. Ms. Zucker noted that staff has had meetings with the developer community and with bond counsel to work through the details of the new program, and to focus on the impact this new policy will have on the financing on the projects. The main point of the meetings has been to emphasize the fact that the new policy, while saving volume cap for the State, will mean higher borrowing costs for developers coming to the Agency. Staff has also been working on the steps that may be taken to lessen that impact. Ms. Zucker noted that the following points have been examined:

1. Fee structure. Staff has looked especially at the taxable bond component to lower the fee structure and have had conversations at the State level to lower the costs of using taxable bonds.
2. Staff has also taken a look at our ongoing fees.
3. Staff has also looked at the low income unit requirements. Ms. Zucker noted that these requirements are independent of the inclusionary zoning requirements. She noted that these projects, since they come with Section 421-a requirements, do have occupancy requirements, but these requirements differ from the HFA requirements in terms of unit location and square footage versus the market rate units. Ms. Zucker noted that staff has looked at ways to lessen what we currently require. She also pointed out that staff is looking at our requirements relating to where in the building our affordable units would be located, but noted that the distribution of the low income units on each floor is something the Agency was not looking to change. Ms. Zucker finished her summary by noting that all this was still in the discussion stage.

Chairman Mulrow provided a recap by stating that overall the Agency will be able to finance more projects with more affordability and thereby stretch the availability of volume cap. He noted that this is a substantial advance for both the Agency for the market place.

Mr. Weiss commented on the impact of the new proposed structure, which would create separate condominium structures for the affordable and the market rate units. He wanted to make

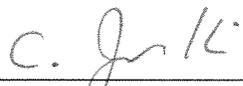
sure that under this new structure developers would still be held accountable as to the uniformity of apartments as between the affordable and the market rate condominiums. He stressed that the legal structures should not make it possible for developers to sidestep agency requirements developed to ensure that the affordable units were interspersed in the buildings in an equitable and fair way. Ms. Zucker agreed that the agency would follow his approach to ensure that this kind of separate treatment would not develop.

Ms. Miller expressed support for the new approach, but asked whether the agency would finance these projects on other than an 80/20 basis, such as 75/25. Ms. Zucker noted that the agency financing is not necessarily the only factor in making that happen. She noted that there needed to be sufficient incentives for the developers, which generally would involve the City and particularly the new Administration. Ms. Miller asked what the major incentives are for the developer to do the units. Ms. Zucker noted that (in her opinion) the 421-a tax abatement is the primary incentive. Mr. Davidson stated that it may also be zoning incentives but those are all City policies.

Mr. Davidson's questions focused on the impact on the agency of doing a larger number of smaller projects. He noted that this is a positive shift for the Agency but asked about the impact of the new fee structure, and the impact on staff time and availability. Ms. Zucker noted that there are ongoing conversations about staffing.

There being no unfinished business, Chairman Mulrow asked for a motion to adjourn the meeting. Ms. Miller moved to adjourn; Mr. Weiss seconded the motion, and the meeting was adjourned at 9:37 a.m.

Mr. Kim noted that the next Board meeting is scheduled for Thursday, April 10, 2014 at 8:30 a.m.



C. Jason Kim, Secretary