

**MINUTES OF THE 22<sup>ND</sup> MEETING OF THE  
NEW YORK STATE HOUSING FINANCE AGENCY'S  
FINANCE AND PROGRAM COMMITTEE  
HELD ON NOVEMBER 8, 2012, AT 8:40 A.M  
AT ITS OFFICES AT 641 LEXINGTON AVENUE**

MEMBERS AND DESIGNEES

PRESENT

William J. Mulrow	Chairman
Darryl C. Towns	Member
Elaine McCann	Division of the Budget, representing Robert Megna, Member (via video conference)

Chairman William J. Mulrow, opened and chaired the meetings. He noted that Elaine McCann was participating in the meeting by video conference from the New York State Division of Budget conference center at the Capitol Building, Room 131, in Albany. A public notice was given of the time and location of that venue.

Alejandro J. Valella, Vice President and Deputy Counsel of the Agencies, acted as Secretary and asked for a motion and a second to call the meeting to order of the New York State Housing Finance Agency Finance and Program Committee meeting. Elaine McCann made a motion to call the HFA Finance and Program Committee meeting to order; Commissioner Towns seconded the motion.

**The first item on the agenda was the approval of the minutes of the 21<sup>st</sup> HFA Finance and Program Committee, held on November 8<sup>th</sup>, 2012, which minutes were deemed approved, absent corrections from Members.**

**The next item on the agenda was a resolution recommending the approval of financing for Riverside Center 2 (a/k/a 21 West End Avenue), Manhattan, New York County.** Ms. Zucker stated that this new 80/20 construction project consisted of 616 units on the Upper West Side and that the Agency was requesting up to \$275 million of financing. Richard Brown, a project underwriter in the Multi-Family Finance Unit, highlighted certain information contained in the meeting materials provided to the Members in connection with this item, which are incorporated herein by reference. He stated that 127 units (20%) of this multi-family housing project would be set aside for tenants with incomes at or below 50% of the New York City area median income (AMI), with 19 units (15%) set aside for tenants with incomes at 40% of the AMI, and the remaining units at market rate. He stated that The Dermot Company, Inc. would sponsor and manage the project, Tishman would be the general contractor, and Bank of American

would provide a letter of credit during the construction period. He stated that the project was located in the southern portion of the Riverside Zoning District and was the first of five proposed buildings in the Riverside Center Development sponsored by Extell Development. He stated that two conditions of the 2010 zoning approval by the New York City Council were that a school be constructed to occupy the first five floors of the first building constructed on the site, and second, that the affordable units would remain affordable in perpetuity as per guidelines of the New York City Department of Housing Preservation and Development (HPD) Inclusionary Housing Program. He stated construction costs for this project approximated \$275 million, or \$446,591 per unit. He stated that the project would create over 1000 union construction services jobs and 136 permanent jobs. Mr. Brown stated that the project would have a multi-year finance structure, and of the \$275 million being requested for authorization, \$25 million in recycled bonds would be issued this year. He stated that the borrower equity contribution approximated \$119.7 million.

In response to Chairman Mulrow's question of who the several equity investors were, Mr. Brown named the Carlyle Group, the AFL-CIO Building Investment Trust, Greenfield partners and the borrower, Riverside Center Parcel II BIT Associates LLC sponsored by The Dermot Company, Inc.

Chairman Mulrow moved to adopt the resolution; Ms. McCann seconded the motion, and the following resolution was adopted unanimously:

**A RESOLUTION OF THE FINANCE COMMITTEE OF THE NEW YORK STATE HOUSING FINANCE AGENCY RECOMMENDING THE ISSUANCE OF CERTAIN BONDS**

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**The next item on the agenda was a resolution recommending financing for Dock Street Apartments (60 Water Street) Brooklyn, Kings County.** Ms. Zucker invited Amish Patel, who works with David and Jed Walentas of Two Trees Management Company, Inc., (Two Trees) the managing member of borrower and project developers, to speak to the Members today regarding the effects of Hurricane Sandy on the Brooklyn neighborhood called Down Under the Manhattan Bridge Overpass (DUMBO). Mr. Patel stated that Two Trees had two HFA projects in DUMBO; and the project at 25 Washington Street, financed in 2010, suffered power outages which were restored by Consolidated Edison by midweek, and extensive water damage to three affordable units and four other apartments located on the lowest level. He stated that building residents were assured that their leases would remain intact and they would be able to return to their apartments following restoration, adding that financial assistance was offered to tenants of the affordable units. In addition, he stated that the 291-unit Dock Street project was mostly unaffected, but for loss of 7-10 days of on-site work. He stated that the project building was designed to be flood resistant, with the major mechanical system located on the roof, and the electric, gas and water service rooms located on the first floor instead of in the cellar.

In response to Chairman Mulrow's question of how deep the flooding was in DUMBO, Mr. Patel stated that location variances placed it at about two feet above the level of the 100-year flood plain, and in other instances, from three to four feet higher than street level, depending upon where location of the first floor was relative to grade. He stated that all buildings in their portfolio were back in service.

Commissioner Towns stated that, with regard to efforts to meet the Governor's WMBE goals, Two Trees conducted a pre-bidders conference for this project, which conferences were being tracked by the Agency to determine if this practice could be a new protocol to help the Agency determine if WMBE goals were being met; and he thanked Two Trees for having taken this extra step.

Richard Brown, a project underwriter in the Multi-Family Finance Unit, highlighted certain information contained in the meeting materials provided in connection with this item, which are incorporated herein by reference. He stated that this new 80/20 multifamily construction project consisted of 291 units, of which 58 units (20%) would be affordable to households earning at or below 50% of the New York City AMI, and that 10 units (15%) would be affordable to households earning at or below 40% of the AMI. He stated that the project would have a two-building base that supported a nine-story tower and a seventeen-story tower, adding that the project would also contain about 25,000 square feet of commercial space. He stated that Two Trees would sponsor, build and manage the project, and that Wells Fargo Bank would provide a letter of credit during the construction period. He stated that, as a zoning requirement, this project would have an elementary school located on the first two floors of the project site. He stated that the project would have a Master Lease structure, whereby the borrower would master-lease the structure to an affiliate-owner for 99 years. Mr. Brown stated that the total development cost approximated \$123,913,470 million. He stated that the project would create about 627 union construction services jobs and 84 permanent jobs.

Commissioner Mattox asked if the development of schools on the first or second floor of project buildings represented a trend, what was driving this idea and what entity would receive credit. Ms. Zucker replied that the City of New York was driving this through its site zoning, and asked Mr. Patel if he had any comments. Mr. Patel responded that the idea was actually community driven, in that when Two Trees sought discretionary approval to permit residential use on a site that otherwise would not permit it, the first thing Two Trees did was to determine what public good it could contribute to secure community approval, and the addition of a school was the community's priority.

Ms. McCann asked if any of the 84 permanent jobs were school-related; Ms. Zucker stated that they were not.

Chairman Mulrow moved to adopt the resolution; Ms. McCann seconded the motion, and the following resolution was adopted unanimously:

**A RESOLUTION OF THE FINANCE COMMITTEE OF THE NEW YORK STATE HOUSING FINANCE AGENCY RECOMMENDING THE ISSUANCE OF CERTAIN BONDS**

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The next item on the agenda was a resolution recommending financing for **Public School 6 Apartments, 33 Ashburton Avenue in the City of Yonkers, Westchester County**. Ms. Zucker stated that this highly-subsidized new construction project consisted of 120 housing units. Leonard Gruenfeld, a project underwriter in the Multi-Family Finance Unit, highlighted certain information contained in the meeting materials provided in connection with this item, which are incorporated herein by reference. He stated that new construction would comprise partial replacement of existing public housing of 70 family units and 50 senior units in two six-story buildings. He stated that 26 family units located in one building were replacements of public housing units for households earning at or below 30% of the Westchester County AMI. He stated that 50 units in the second building would be set aside for senior tenants earning at or below 50% of the AMI and would be under a HUD project-based Section 8 contract, and that the remaining units would be affordable to tenants with incomes at or below 60% of the AMI. He stated that The Bank of New York N.A. would provide a letter of credit during the construction period. He stated that the project would create about 350 construction services jobs and 5.5 permanent jobs. Mr. Gruenfeld stated that the current project site was owned by the City of Yonkers and would be transferred to the Municipal Housing Authority of the City of Yonkers, which, together with The Community Builders, Inc. were co-developers of the project. He stated that the total development cost of the project approximated \$57.3 million, and the project was a high priority for the City of Yonkers.

Chairman Mulrow noted that subsidy funds for this project would come from many entities and stated that this was a good project.

Chairman Mulrow moved to adopt the resolution; Ms. McCann seconded the motion, and the following resolution was adopted unanimously:

**A RESOLUTION OF THE FINANCE COMMITTEE OF THE NEW YORK STATE HOUSING FINANCE AGENCY RECOMMENDING THE ISSUANCE OF CERTAIN BONDS**

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The next item on the agenda was a resolution recommending financing for **River Park Towers Apartments in the Borough and County of Bronx**. Ms. Zucker stated that this project, for acquisition and rehabilitation of over 1600 housing units, was one the most significant projects that the Agency would finance this year. She stated that it was significant for the amount of resources to be invested by the Agency of approximately \$180 million of bonds and \$9.5 million of subsidies, and for the

rehabilitation of many uninhabitable units in the deteriorated building. She noted that it was important to bring the vacant housing units back into use as soon as possible, particularly since the occurrence of Hurricane Sandy, and that the developers would first focus on those units.

Gail Bressler, Vice President, Multi-Family Housing, highlighted certain information contained in the meeting materials provided in connection with this item, which are incorporated herein by reference. She stated that project developers were Omni New York, LLC (OMNI) and Mill Plain Properties, LLC, and that all 1654 units would be rehabilitated at an approximate cost of \$110.5 million, or \$67,000 per unit, adding that this project was likely the largest rehabilitation project that the Agency had ever undertaken. She stated that the total development cost of the project approximated \$338 million. She stated that the building would convert from electric to gas heat, which would save approximately 35% in energy costs. She stated that the project would be credit enhanced by Fannie Mae during construction and permanent financing, and that letters of credit would be issued by three banks: Capital One Bank, NA, and Bank of America, NA led by The Bank of New York Mellon. She stated that the project would benefit from annual allocation of low-income housing tax credits and an Article 2 shelter rent tax abatement which would be in effect for the 35-year life of the loan. Ms. Zucker noted that the project had the largest tax credit investments seen by the Agency. Ms. Bressler stated that this project would be acquired from Empire State Development Corporation (ESDC) and the private seller, and comprised a long negotiation process. She stated that the project would create about 584 construction services jobs.

In response to SONYMA Vice Chair Bayer's inquiry about the vacancy rate, Ms. Zucker responded that the vacancy rate for the uninhabitable units it was about 20%. Eugene Schneur of Omni added that the existing tenants were living in substandard conditions. He stated that, in addition to the building's conversion from electric to gas, as many renovations as possible would be done to achieve energy efficiency in a 1970s building. Chairman Mulrow asked if there were any flooding issues. Mr. Schneur stated that approximately two feet of flooding occurred in the lower level and the parking area, and that a temporary loss of power was restored by Consolidated Edison, adding that there was no damage that would affect this rehabilitation project or increase its costs.

Chairman Mulrow stated that he was pleased that the Agency could play such an important role in making the building a habitable structure.

Chairman Mulrow moved to adopt the resolution; Ms. McCann seconded the motion, and the following resolution was adopted unanimously:

**A RESOLUTION OF THE FINANCE COMMITTEE OF THE NEW YORK STATE HOUSING FINANCE AGENCY RECOMMENDING THE ISSUANCE OF CERTAIN BONDS**

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**The next item on the agenda was a resolution recommending financing for Cornerstone Sandy F. Ray Housing, 550 Greene Avenue, Brooklyn, Kings County.** Ms. Zucker stated that this project comprised the acquisition and rehabilitation of an existing HUD Section 202 senior affordable building in the Bedford-Stuyvesant neighborhood of Brooklyn. Allison Lam, a project underwriter in the Multi-Family Finance Unit, highlighted certain information contained in the meeting materials provided in connection with this item, which are incorporated herein by reference. She stated that the project was expected to receive a HUD-approved extension of the existing Housing Assistance Payment (HAP) Section 8 contract for 20 years. She stated that 150 units (100%) would be set aside for senior tenants with incomes at or below 60% of the New York City AMI, and that one unit would be for a building employee. She stated that the total development cost of the project approximated \$26.4 million, and that total rehabilitation costs would approximate \$7 million, or \$46,271 per unit. She stated that JP Morgan Chase N.A. would provide the letter of credit during the construction phase, and SONYMA would provide mortgage insurance during the permanent phase of the project. She stated that Raymond James would be the tax credit syndicator. Ms. Lam stated that the project would create about 30 construction services jobs.

Chairman Mulrow moved to adopt the resolution; Ms. McCann seconded the motion, and the following resolution was adopted unanimously:

**A RESOLUTION OF THE FINANCE COMMITTEE OF THE NEW YORK STATE HOUSING FINANCE AGENCY RECOMMENDING THE ISSUANCE OF CERTAIN BONDS**

**The next item on the agenda was a resolution recommending the approval of amendments to the Agencies' Uniform Investment.** Sheila Robinson, Chief Financial Officer, highlighted certain information contained in the meeting materials provided in connection with this item, which are incorporated herein by reference. She stated that the two requested changes were reviewed and approved by the Agencies' Investment Committee. She stated that the first recommendation was to expand the eligibility of trustee banks to include those rated within the third highest rating category (A) without regard to gradations within such category by Moody's Investor Service or Standard & Poor's, and have a capital requirement of at least \$250 million, rather than be within the current second highest rating category (AA) with capital of \$50 million. She stated that the Agencies were currently limited to three trustee banks, of which only two submitted competitive bids, and that the requested criteria changes would allow trustee banks that were downgraded in June to again bid for the Agencies' trustee business as well allow other banks to bid. Ms. Robinson stated that sister agency, the Dormitory Authority of the State of New York (DASNY), had similar requirements to those being proposed; while Empire State Development (ESD) was silent on its investor guidelines requirements. She stated that the second recommendation of the Investment Committee was to change the requirement that the Agencies utilize only "Primary Dealers" to purchase or sell its securities, as designated by the Federal Reserve Bank, which requirement has excluded all MWBE firms from the bid process. She stated that the Investment Committee recommended that some MWBE non-primary dealer firms be

considered to bid on Agencies' investments, based on their credit worthiness, reputation and efficiencies of trade executions, and that the Agencies' current list of MWBE firms selected for the underwriters panel senior manager and co-manager could initially be used since those firms were previously vetted. She stated that DASNY currently uses four out of the eight minority firms on that existing list, and ESD uses one of the firms.

SONMYA Vice Chair Bayer asked if there was any risk to using non-primary dealers. Ms. Robinson confirmed that the Agencies' investment process mitigated risk by strict adherence to a policy whereby the Agencies did not wire funds until securities were received by the trustee banks.

Chairman Mulrow noted that both recommendations were consistent with those used by other State agencies and would expand the participation and competition of other financial institutions.

Commissioner Mattox requested clarification of the rating categories used by the Agencies. Ms. Robinson stated that the trustee banking firms were downgraded in June from AA to A, and it was the recommendation that the category requirement be amended to the "A" rating in order to allow more competition on the bidding process by the trustee banks. Commissioner Mattox asked if there were any risks, historically, to downgrading the rating requirement. Ms. Robinson stated that, although there was always risk in going to a lower rating, she reiterated that the Agencies would significantly raise the capital requirement to compensate for that risk. Noting the varying criteria used by State agencies for similar activities, Commissioner Mattox asked if there was a trend across State agencies toward standardization of criteria. Ms. Robinson stated that Board decisions made by each State agency accounted for the differences in criteria used.

In response to Don Lebowitz's question of whether there was any dissent at the Committee level, Ms. Robinson replied that there was none.

Chairman Mulrow moved to adopt the resolution; Ms. McCann seconded the motion, and the following resolution was adopted unanimously:

**A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE  
AGENCY AND STATE OF NEW YORK MORTGAGE AGENCY  
APPROVING THE AMENDMENT OF UNIFORM INVESTMENT  
GUIDELINES.**

There being no unfinished business, Chairman Mulrow moved to adjourn the meeting; Ms. McCann seconded the motion; and the meeting was adjourned at 9:48 a.m.

  
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Alejandro J. Valella, Acting Secretary