

**MINUTES OF THE 36th MEETING OF THE
NEW YORK STATE HOUSING FINANCE AGENCY'S
FINANCE AND PROGRAM COMMITTEE
HELD ON JULY 10, 2014 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 meeting.

Mr. C. Jason Kim, Senior Vice President and Counsel to the Agencies, acted as Secretary.

Mr. C. Jason Kim 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. Commissioner Towns made a motion to call the HFA Finance and Program Committee meeting to order; Ms. Elaine McCann seconded the motion. These motions and seconds would be used, unless specific items called for a different vote, or unless any Committee Member wished to record his or her vote differently.

Mr. Nestor M. Davidson, Commissioner Thomas J. Mattox, and Ms. Joyce Miller all HFA Members attended this meeting as guests.

The first item on the agenda was the adoption of the minutes of the 35th HFA Finance and Program Committee held on June 12, 2014. There being no objections or corrections from the Members, the minutes were deemed approved.

The next item on the agenda was a resolution recommending financing approval in an amount not-to-exceed \$19,795,000 for Brighton Towers, 821 E. Brighton Avenue, Syracuse, Onondaga County. Bret Garwood, Senior Vice President,

Multifamily Housing, provided the relevant background information with regard to this request. He reported that the project is being undertaken by Rochester Management, Inc. and has \$37 Million in total project development costs which "makes it a very substantial project." He reported that 506 units are set aside for people with incomes below 60% of the AMI. Mr. Garwood noted the request for \$19 Million in tax-exempt bonds and stated that there will be an allocation of approximately \$1.2 Million in low-income housing tax credits. He said that during construction, JP Morgan Chase is providing the letter of credit; SONYMA is providing the insurance during the loan permanent period.

Mr. Garwood stated that the project consists of the rehabilitation of two (2) fully-occupied, 18-story buildings located in the City of Syracuse (built in the early 1970s). He noted the \$10.2 Million purchase price and that a second loan from HFA will also be used in the amount of \$1.2 Million and that there will also be a Seller's Note of \$6.6 Million. He noted that HFA will be paying off the first mortgage debt (\$5.2 Million).

Mr. Garwood reported that the total rehabilitation cost is \$17.8 Million and the hard costs per dwelling unit is approximately \$30,000 per unit. He also stated that the scope of work includes upgrades to kitchens and appliances; new exterior window and window treatments; painting; repair of roof parapet railings; as well as an upgrade to a common area fire alarm system; carpet in the common areas and community room. He said that all the work will be completed with tenants in place "which is common for a project like this."

Ms. Zucker thanked Mr. Weiss for bringing to the Agencies' attention recent regulations that were issued by HUD regarding guidance on projects subject to the David-Bacon Act ("David-Bacon"). She noted that it was initially assumed that this project would not be subject to David-Bacon. Ms. Zucker explained that Senior Management has reached out to HUD to have a longer conversation with them about this and to see if there is any potential flexibility as to how the regulation will be interpreted. For this particular project, it would raise the hard costs by about 10%.

Ms. Zucker said that it was confirmed that David-Bacon establishes the requirement for paying the local prevailing wages on public works projects for laborers and mechanics. She said that as a result, in different parts of the State the financial impact on projects will vary (downstate, for example, is 20%-30% of our costs).

Considering the first and second motions previously entered, the motions were carried, and the following resolutions were adopted with the recusal of Mr. Weiss.

Considering the first and second motions previously entered, the motions were carried, 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 financing approval in an amount-not-to-exceed \$15,015,000 for ArtsBridge Senior Apartments, 1450 Plimpton Avenue, Bronx County. Mr. Garwood provided the relevant background information with regard to this request. He reported that this project is controlled by Highbridge Community Housing Development Fund Corporation for the development of the Artsbridge Senior Apartments in the Bronx, NY and represents a \$26.7 Million investment. He stated that the project would include new construction that will consist of sixty-two (62) units for seniors and that all the units will be set aside for households earning under 50% of the AMI.

Mr. Garwood reported that Management is seeking approval of an estimated \$15 Million in fixed-rate, tax-exempt bonds and an allocation of \$1 Million in low-income housing tax credits. He noted there is a HUD Section 202 Capital Advance fund mortgage in the amount of \$10 Million. He also noted that there is \$750,000 of funding available from the Rural & Urban Community Investment Fund ("CIF"), administered by the HTFC, which is another HCR resource and was approved by the HTFC at its most recent meeting. He said that management is excited about the mix of uses that will be occurring as a result of the various funding.

Mr. Garwood stated that there is an estimated \$3 Million in the City of New York Reso A Funds (the project site is currently owned by the City of New York and will be transferred to the project for \$5) for this seven-story building of all one-bedroom units which will be Americans with Disabilities Act compliant. He said the tax syndicator will be Enterprise Community Investment.

HFA Member, Mr. Davidson inquired about whether HFA is the sole construction lender. The response was in the affirmative.

HFA Vice Chairman Mr. Weiss inquired about how the tax credit amounts compare to other projects in the Bronx. Mr. Gruenfeld noted that it is lower because the equity is being introduced to the project a little earlier. Also, Mr. Weiss noted that New York City's Department of Housing, Preservation & Development may be considering different alternatives in cases where the use is converted, i.e. may require an enforcement mortgage in the form of a hard-debt payment, and advised that HFA ensure that this issue is discussed upfront.

SONYMA Director, Ms. Marge Rogatz inquired as to how the "senior" designation is established. It was explained that the designation of "62 and older" is a requirement under the HUD mortgage.

Chairman Mulrow confirmed that the relevant background checks were completed, e.g. Lexis/Nexis search.

Considering the first and second motions previously entered, the motions were carried, 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 financing approval in an amount not to exceed \$14,300,000 for 188 Warburton Avenue Apartments, Westchester County. Mr. Garwood provided the relevant background information with regard to this request.

He reported that in the City Yonkers, this project is being carried out by a partnership with Community Builders by the Yonkers Housing Authority and will be a \$17.7 Million total investment. He also reported that all 51 of the units will be affordable of which twelve (12) of those units will be for people earning under 30% of the AMI and thirteen (13) of those units will be for people earning under 50% of the AMI. He noted that Management is seeking authority in the amount of \$1.2 Million in HFA subsidy and \$948,000 in low-income housing tax credits. He also noted that there is a great amount of participation in this project -- \$750,000 coming from the Municipal Housing Authority of Yonkers, NY and \$550,000 from the City of Yonkers, NY; also \$1.7 Million of Neighborhood Stabilization Program funds and a sponsor loan funded from the State of New York Department of Environmental Conservation Brownfield Cleanup Tax Credits in an amount up to \$4.2 Million. He also noted that a \$2 Million subsidy loan from the NYSHTFC's Homes for Working Families was approved for the project, as well.

Mr. Garwood provided additional background information by noting that this project is an example of the creation of lasting community improvement in the City of Yonkers as it is a part of the redevelopment of Cottage Place.

Mr. Garwood referred to a map which represents a "remarkable footprint and highlights the activity." Commissioner Towns commented that "this is a prime example of community renewal." Ms. Zucker noted that this project is similar to the New Rochelle, NY project.

Mr. Gruenfeld described how the leasehold works and said that the leasehold is controlled by the City of Yonkers Industrial Development Agency (title is taken from the property and released back to the project). He explained that remediation is required due to the historic use of a portion of the site as a gas station.

HFA Member, Commissioner Mattox asked Mr. Alejandro J. Valella, Vice President and Deputy Counsel to the Agencies, to address the process that is in place for background checks. Mr. Valella explained that a thorough background search is typically conducted, and added that the Agencies are looking to combine efforts with both HTFC and DHCR. Commissioner Mattox noted for the record that when deals that are brought for the

Members consideration, they either have been cleared or have contingencies on them pending clearance.

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 a \$260,000,000 unrated, private placement financing for the 320 West 38th Street Project New York County. Ms. Zucker thanked the Members for considering this last new item on such short notice. She explained that the owner of the Project has requested the Agency's approval to amend and restate the existing bond resolution to include an unrated private placement bond option and other refinements.

Ms. Zucker reported that at the July 23, 2008 Members' meeting, the project received financing authorization for the issuance of variable rate tax-exempt bonds in an amount not-to-exceed \$315,000,000 with an allocation of 4% as of right low-income housing tax credits. Subsequently, the Agency issued \$74,500,000 320 West 38th Street Housing Revenue Bonds, 2008 Series A, \$119,500,000 320 West 38th Street Housing Revenue Bonds, 2009 Series A, and \$106,000,000 320 West 38th Street Housing Revenue Bonds, 2009 Series A, for an aggregate amount of \$300,000,000 of tax-exempt bonds, all of which remain outstanding.

Ms. Zucker alluded to the time sensitivity factor which is the fact that the existing LOC matures in the middle of September 2014 which would require a transaction to happen by the end of August 2014 (deal is expected to close on August 27th). She added that the Borrower now wishes to enter into agreements with Wells Fargo Bank N.A. ("Wells") whereby Wells will directly purchase a portion of the outstanding bonds in the amount of \$260,000,000. She said the remaining Bonds in the amount of \$40,000,000 will be redeemed with funds available from the Borrower, West 38th Street, LLC, a single purpose entity. This presented an entirely new structure and noted that this is reason why the project is back before the Members for approval.

Ms. Zucker said that if approved by the Members, it is anticipated that the Agency will publish a mandatory tender notice and the current bonds will be tendered to the remarketing agent and purchased by Wells Fargo Bank as the current LOC provider. She said that Wells Fargo Bank will then consent to amend and restate the Bond Resolution to allow for a direct purchase of the Bonds, the addition of a daily mode feature and a discretionary tender provision, all of which are features of more recently issued HFA bonds for variable rate 80/20 transactions approved by the Members.

Ms. Zucker explained that, previously, both Fannie Mae and Freddie Mac, two government-sponsored enterprises, were pretty much the only games in town throughout the recession if you were looking to credit-enhance a tax-exempt bond. She said that Fannie Mae then moved away from this market and Freddie Mac, who remained, had

pricings which reflected the fact that they were a sole source. She said that today, however, Agencies such as HFA are seeing spirited competition from the banking sector as the private-placement market re-emerges.

Ms. Zucker reported that Wells Fargo Bank is proposing to purchase the Bonds as follows: (i) \$225,000,000 of Bonds will be purchased as unenhanced Series A Bonds for a period of 15 years (i.e., through 2029), and (ii) the remaining \$35,000,000 of Bonds will be held as Series B-1 Bonds for a period of seven years, secured by guaranties from entities affiliated with the Borrower. She said a portion of the initial amount of Series B-1 bonds may be converted to Series A Bonds and continue to be held as such for the remainder of the 15-year period. She said that any Series B Bonds outstanding at the end of the first seven year period are expected to be redeemed. She said that Wells Fargo Bank will take these unrated privately placed bonds and deposit them into a custody account.

Ms. Zucker noted that every year, there will be a test of the project to see if the bonds will be able to move from Series B-1 to Series A. She said in the event the benchmarks are not met, a maximum of 1/6 of the initial amount of Series B Bonds will be either redeemed by the Borrower, or converted to Series B-2 Bonds which will be secured by either a letter of credit or a cash collateral account funded by affiliates of the Borrower.

Ms. Zucker reported that Management has consulted with Bond Counsel and a complicated series of conversations were held noting that bond counsel is now comfortable with the current structure. She noted how law firms such as Nixon Peabody LLP has been extraordinary in working with the Agency. She also noted that Hawkins, Delafield & Wood LLP was brought in along with in-house, Associate Counsel, Joan Bocina, Esq.

Ms. Zucker concluded by noting the projected benefits. She said first, this type of financing provides a longer term execution to the borrower than they would be able to achieve (a 15-year commitment with two tenders). She said second, it provides the borrower the ability to borrow at a floating-rate basis without the variable bond rate risks, since the bonds are held privately.

HFA Member Mr. Davidson asked about Agency risk. Ms. Zucker explained that the previous bonds were publicly-rated bonds and the structure of the transaction was typical whereas these bonds will not be rated, will be privately placed and involved a complicated structure. But she noted that the Agency is utilizing one of the largest real estate lenders in the country, which is a source of comfort.

Ms. Zucker said that the Members are asked to consent to the remarketing of a portion of the previously issued \$300,000,000 320 West 38th Street Housing Revenue Bonds as unrated bonds on a private placement basis which will follow with public hearings and be presented for approval at the July 2014 Public Authorities Control Board.

There being no further business, Chairman Mulrow asked for a motion and a second to adjourn the New York State Housing Finance Agency's Finance and Program Committee meeting. Ms. McCann moved to adjourn; Commissioner Towns seconded the motion, and the meeting was adjourned at 9:35 a.m.



C. Jason Kim, Secretary