

**MINUTES OF THE 41ST MEETING OF THE
NEW YORK STATE HOUSING FINANCE AGENCY'S
FINANCE AND PROGRAM COMMITTEE
HELD ON DECEMBER 11, 2014 AT 9:07 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

Chairman William J. Mulrow opened and chaired the meeting.

Mr. C. Jason Kim, Senior Vice President and Counsel to the Agencies, acted as Secretary. He noted that Ms. Elaine McCann from the New York State Division of the Budget, representing Robert Megna, Budget Director participated via video conference from the New York State Division of the Budget conference center at the Capitol Building, Room 131, in Albany. A public notice was given of the time and location of the venue in accordance with the New York State Open Meetings Law.

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.

Ms. Joyce Miller, Nestor Davidson, Christopher Curtis, Deputy State Treasurer in his role as designee of Commissioner Mattox, New York State Department of Taxation and Finance, all HFA Members attended this meeting as guests.

The first item on the agenda was the adoption of the minutes of the 40th HFA Finance and Program Committee held on November 6th 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 \$12,500,000 for Smith Woodward Apartments located at 1660-1670 Fulton Street, Kings County. Mr. Garwood reported that this investment funds the rehabilitation of a six-story building comprising 141 units. He noted that 71% of the revenue-generating units or approximately 100 units are expected to be set aside for tenants with incomes at or below 60% of the Area Medium Income ("AMI"). He reported that the investment recommendation includes \$4.2 million maximum Mitchell-Lama Subsidy Loan.

Mr. Garwood reported that the project's total development cost is estimated to be approximately \$41.5 million. He noted that as part of HUD's Rental Assistance Demonstration Program, the Project has received a Project Based Section 8 Voucher Contract.

Mr. Garwood described the project. He explained that the project was built in 1974 and is located in the Bedford-Stuyvesant neighborhood of Brooklyn. It currently consists of one building with ground floor commercial space for a private elementary/middle school and a free standing, one-story commercial building that operates as a funeral home.

Mr. Garwood said the project has two (2) elevators and the units are comprised of twenty-three (23) one-bedroom apartments, seventy-two (72) two-bedroom apartments, twenty-five (25) three-bedroom apartments and twenty-one (21) four-bedroom apartments. He also noted that the project contains a laundry room and community room. He said, additionally, the separate parcel that contains a funeral home will be sold to the funeral home operator who will make the purchase, as requested, at the same time of the construction loan closing and will make additional monthly lease payments from the date of the closing until August 2015 for a total of \$31,893.

Mr. Garwood reported that the proposed scope of work is extensive to include new bathrooms, hot water heater boiler replacing, etc.

Mr. Garwood reported that through this transaction approximately \$528,000 of First Mortgage Debt currently held by HFA will be paid at the construction loan closing. He reported that \$15.8 million of existing debt held by the Agency will be subordinated.

Mr. Garwood said the developer and owner has substantial experience. He said that it will be unique to have two (2) general contractors: Notias Construction, Inc. and KNS Building Restoration. He said Agency staff is working closely with the developer and project construction manager. He said Freddie Mac will credit enhance the bonds commencing at the loan closing.

HFA/AHC Board Member, Mr. Davidson asked for further explanation on the pricing on the funeral home. Ms. Zucker explained that the funeral home was a part of the lease when the portfolio was inherited. Mr. Kim noted that the lease has been amortizing the

development costs.

HFA/AHC Board Member, Mr. Davidson noted that the market-rate units are lower than the subsidized units. Ms. Zucker reported that the developer was asked that the rents not be increased and to phase any increase over a 3-year period.

HFA/AHC Vice Chairman, Mr. Weiss noted that the land is owned by Fulton Park Associates #2, LP whose principal is William S. Lucas and is a related party to the buyer and asked for some history on the project in terms of the subordinate debt that is still on the property. Ms. Zucker explained that Mr. Lucas supported the project with limited partners.

Mr. Weiss expressed some concerns. He noted that he did not see a lot of capital coming in from the buyer and that the property has been in default for a long time, is being refinanced and reiterated that the buyer is related to the seller and expressed his uneasiness with a project where the buyer is not committing much capital. He noted the policy issue involved with rewarding negative behavior.

Ms. Zucker explained that the tenants of the properties were taken into consideration. She said this results sometimes in doing business with borrowers who haven't been great performers in the past, and causes the Agency to sometimes obtain imperfect conclusions which ultimately benefit the property and people that live there. She emphasized that the Agency now has stronger oversight of the property and that future performance should improve.

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 \$9,500,000 for Hemlock Ridge Apartments, Town of Rockland, Sullivan County. Mr. Garwood reported that this investment funds the acquisition and demolition of one hundred (100) units and the construction of sixty (60) units of Mitchell-Lama, multifamily affordable housing known as Hemlock Ridge Preservation Apartments. He noted that the investment recommendation includes \$9.5 million in tax-exempt bonds, \$627,000 in estimated annual allocation of 4% Low Income Housing Tax Credits ("LIHTCs"), etc. He also noted that as part of U.S. Department of Housing and Urban Development's ("HUD") Rental Assistance Demonstration PILOT Program, the project has already received project based section 8 vouchers for thirty (30) households and is expected to be transferred to the new owner. He said there is also a \$1,180,000 estimated Federal Home Loan Bank of New York loan.

Mr. Garwood stated that the existing development was constructed in 1972, the property was foreclosed in 1992 by New York State and in 2010, and that the current owner engaged an engineering consultant to conduct a structural analysis of the then 40-year old development. He noted that the analysis concluded that the development had reached the end of its useful life with a recommendation to demolish the 60 units.

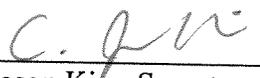
Mr. Garwood stated that the seller is a related party to the Borrower. He stated that the purchase price is \$300,000, which is supported by a third-party appraisal. He noted that the original UDC loan was satisfied and the existing PIP Loan is approximately \$4,282,000 and will be forgiven. He said the investor member will be an entity controlled by First Sterling.

Mr. Davidson noted that the project has a 60% occupancy rate. Mr. Garwood explained that the focus is on the property and the community doesn't have a growing population so it was agreed to accommodate the residents that are there.

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.

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 10:34 a.m.



C. Jason Kim, Secretary