

**MINUTES OF THE  
463<sup>RD</sup> MEMBERS MEETING OF  
THE NEW YORK STATE HOUSING FINANCE AGENCY  
HELD ON DECEMBER 11, 2014 AT 8:35 A.M.  
AT ITS OFFICES AT 641 LEXINGTON AVENUE  
NEW YORK, NEW YORK 10022**

MEMBERS AND DESIGNEES

PRESENT:

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| William J. Mulrow  | Chairman   |
| Steven J. Weiss    | Vice Chairman  |
| Nestor M. Davidson | Member   |
| Joyce L. Miller    | Member   |
| Darryl C. Towns    | Member   |
| Elaine McCann      | New York State Division of the Budget, representing<br>Robert Megna, Member (via video conference) |
| Christopher Curtis | New York State Department of Taxation and Finance<br>Representing Commissioner Thomas H. Mattox    |

Chairman William J. Mulrow presided over the meeting and welcomed everyone.

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 and Ms. Linda M. Baldwin representing Secretary of State, Cesar A. Perales from the Department of State participated in the meetings via video conference from the New York State Division of the Budget conference center at the Capitol Building, Room 131, in Albany. He also noted that Marge Rogatz was attending the meeting 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. Moses Kraus and Ms. Marge Rogatz, SONYMA Directors, Linda M. Baldwin, representing Secretary of State, Cesar A. Perales from the Department of State and Kenneth M. Bialo MBBA/TSFC Vice Chairman, attended this meeting as guests.

Mr. Kim asked for motions and seconds to call to order the December 11, 2014 Members and Directors meetings of the New York State Housing Finance Agency ("HFA"), the New York State Affordable Housing Corporation ("AHC"), the State of New York Mortgage Agency ("SONYMA"), the Municipal Bond Bank Agency ("MBBA") and the Tobacco Settlement

Financing Corporation ("TSFC").

Mr. Weiss moved to call the HFA and AHC meetings to order; Mr. Davidson seconded the motion; Ms. Rogatz moved to call the SONYMA meeting to order, Commissioner Towns seconded the motion; Mr. Kenneth Bialo moved to call the MBBA/TSFC meeting to order; Ms. Linda Baldwin 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 Director/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.

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Chairman Mulrow announced that Commissioner Towns was recognized by his peers and received a Public Service Award at the New York Housing Conference and National Housing Conference's 41st Annual Awards.

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**The first item on the agenda was the President's Report.** President Towns noted that the Agency's senior staff once again is demonstrating its commitment and professionalism by going above and beyond expectations with respect to the building and preservation of affordable housing. He noted that the building and preservation of affordable housing continues to dominate conversations in the political and business communities across the nation. He stated that as 2014 comes to a close, HFA, in what is because of the holidays essentially the shortest month of the year, is expecting to close fifteen (15) HFA financings. He noted, as an example of the level of activity, the fact the conference room used by Directors prior to commencing the board meetings, has been reserved for a closing currently going on. He commended the efforts of agency staff, noting the particular contributions of the debt issuance and legal staffs.

President Towns reported that earlier this morning the Mortgage Insurance Committee ("MIC") approved insurance for eight (8) projects representing over 1,300 units of affordable in housing.

President Towns said that at today's HFA meeting, approval will be sought for three (3) financings totaling just over \$24-million and that these projects are located in Erie, Sullivan and Kings Counties.

President Towns said as for AHC, awards being sought totaling just over \$4 million will be reviewed. He said these awards represent 329 units in New York City and in the counties of: Broome, Greene, Erie, Otsego, Onondaga, Albany and Schenectady.

President Towns said that on the administrative side at today board meetings, Members/Directors will be asked to approve the Agencies' 2015-16 MWBE Goal Plan and that there is an informational item on the Board Self-evaluation process.

President Towns also noted that the Directors will be provided with reports on the Mitchell Lama pipeline and the 80/20 condo conversion issues.

President Towns noted the passing of Allan Bayer, the husband of former SONYMA and MBBA/TSFC Director/Member, Naomi Bayer, who recently retired from the Boards to care for her husband. He asked that everyone remember Ms. Bayer and her family in their minds and prayers especially in the midst of the holiday season. President Towns asked attendees to observe a moment of silence with respect to the Bayer family.

**The next item on the Agenda was the report of the Audit Committees.**

Mr. Kim reported that on December 9th, the Committees met and took the following actions:

- All five Committees adopted minutes.
- All five Committees adopted a resolution approving Audit Committee Action Plan for FY 2015.
- All five Committees adopted a resolution approving Internal Audit Staff Functions.
- All five Committees adopted a resolution approving Internal Audit's Information Technology Audit Report.

**The next item on the Agenda was the report of the Governance Committees.** Mr. Kim reported that on December 9th, the Committees met took the following actions:

- All five Committees adopted minutes
- All five Committees approved salary ranges for Senior Officers
- All five Committees approved an MWBE Goal Plan for 2015-16
- All five Committees adopted a resolution approving a Records Manual
- All five Committees adopted a resolution approving OTPS Procedures
- All five Committees adopted a resolution approving Action Plans for the Committees
- HFA adopted a resolution approving Post-Issuance Compliance Procedures
- HFA, SONYMA, MBBA and TSFC reviewed financial advisor services contracts with firms on the Agencies' prequalified panel
- All five Committees reviewed Report on Agency Administration of Ethics Policy
- All five Committees reviewed a report on Salary Adjustments (Management Confidential)

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**The next item on the agenda was the adoption of the minutes of the 462<sup>nd</sup> HFA Members' meeting held on November 6, 2014.** Absent comments or corrections from the Members, Mr. Kim reported that the minutes were deemed approved.

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**The next item on the agenda was a resolution approving the Agencies' MWBE Goal Plan for 2015-2016.** Mr. Kim noted that comments were received from Governance Committee Members at the meetings held earlier this week and that the MWBE Goal Plan for 2015-2016 will be updated accordingly. It was noted that there would be no further discussion on this consent item unless the Members so request.

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

**A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY, NEW YORK STATE AFFORDABLE HOUSING CORPORATION, STATE OF NEW YORK MORTGAGE AGENCY, STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND TOBACCO SETTLEMENT FINANCING CORPORATION APPROVING THE ANNUAL UPDATED AND CONSOLIDATED EQUAL OPPORTUNITY AND AFFIRMATIVE ACTION 2015-2016 MASTER GOAL PLAN**

**The next item on the agenda was a resolution approving Annual Bond Sale Reports.** Chairman Mulrow called attention to the fact that the bond sale report for the fiscal year reflect the fact that Agencies issued approximately \$3.55 billion in bonds, making them one of the, if not the, largest bond issuer in the country. He noted that this is a reflection on how much the Agencies are doing to address the affordable housing needs of the State. It was noted that there would be no further discussion on this consent item unless the Members so request.

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

**A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY, STATE OF NEW YORK MORTGAGE AGENCY, STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND TOBACCO SETTLEMENT FINANCING CORPORATION APPROVING THE AGENCIES' BOND SALE REPORTS**

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**The next item on the agenda was a resolution approving Purchase Procedures.** It was noted that there would be no further discussion on this item unless the Members so request.

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

**A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY, STATE OF NEW YORK MORTGAGE AGENCY, NEW YORK STATE AFFORDABLE HOUSING CORPORATION, STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND TOBACCO SETTLEMENT FINANCING CORPORATION APPROVING A PURCHASE PROCEDURES MANUAL**

**The next item on the agenda was a resolution approving Records Procedures.** It was noted that there would be no discussion on this item unless the Members so request.

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

**A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY, STATE OF NEW YORK MORTGAGE AGENCY, NEW YORK STATE AFFORDABLE HOUSING CORPORATION, STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND TOBACCO SETTLEMENT FINANCING CORPORATION (COLLECTIVELY, "AGENCIES") APPROVING A RECORDS MANUAL**

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**The next item on the agenda were resolutions authorizing 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.

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.

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.

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 resolutions were adopted unanimously:

**AN OMNIBUS RESOLUTION OF THE NEW YORK STATE HOUSING  
FINANCE AGENCY AUTHORIZING AND APPROVING CERTAIN  
MATTERS IN CONNECTION WITH THE FINANCING OF THE  
PROJECT KNOWN AS SMITH WOODWARD APARTMENTS**

**A SUPPLEMENTAL RESOLUTION OF THE NEW YORK STATE  
HOUSING FINANCE AGENCY AUTHORIZING THE ISSUANCE OF  
AFFORDABLE HOUSING REVENUE BONDS, 2015 SERIES \_ IN A  
PRINCIPAL AMOUNT NOT EXCEEDING \$12,500,000**

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The next item on the agenda were resolutions authorizing 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 resolutions were adopted unanimously:

**AN OMNIBUS RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY AUTHORIZING AND APPROVING CERTAIN MATTERS IN CONNECTION WITH THE FINANCING OF THE PROJECT KNOWN AS HEMLOCK RIDGE PRESERVATION APARTMENTS**

**A SUPPLEMENTAL RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY AUTHORIZING THE ISSUANCE OF AFFORDABLE HOUSING REVENUE BONDS, 2015 SERIES \_ IN A PRINCIPAL AMOUNT NOT EXCEEDING \$9,500,000**

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The next item on the agenda was a resolution approving a subordinate M-L subsidy loan in an amount not-to-exceed \$2,505,961 for Waterfront Apartments Phase I, Buffalo, Erie County. Mr. Garwood reported that this investment funds a permanent financing loan under the Agency's Subsidy Fund Loan Program in connection with the redevelopment of Waterfront Apartments Phase 1 and it has the same architectural style as what was renovated previously. He

reported that the project includes the demolition of 137 units in five of the existing buildings, and the new construction of eight buildings with a total of 48 units. Seven of the buildings will be two-story townhouses and one three-story building will contain an elevator.

Mr. Garwood noted that there is \$1,056,000 estimated annual allocation of 9% LIHTC.

Mr. Garwood reported that staff has reviewed the proposed transaction and has determined that it meets the Agency's public purpose requirements and by providing a House-NY Loan in an amount not-to-exceed \$2,505,961. He noted that in terms of leverage, there is a \$500,000 permanent loan from The Community Preservation Corporation in the first lien position.

He stated that this is the first phase of what is likely to be three phases. He also stated that the Agency has been working closely with the City of Buffalo to ensure that there is a good "community development" result.

Ms. Zucker noted that upstate development needs considerable more financing than downstate.

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 WATERFRONT APARTMENTS PHASE I.**

The next item on the Agenda was a resolution approving the HFA Post Issuance Compliance Procedures. It was noted that there would be no discussion on this item unless the Members so request.

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

**A RESOLUTION OF THE NEW YORK STATE HOUSING FIANNCE  
AGENCY APPROVING AND ADOPTING POLICIES AND PROCEDURES  
FOR TAX COMPLIANCE AND INTERNAL MONITORING.**

Chairman Mulrow stated that the next four (4) items on the agenda were information items concerning:

- a) Review of Report on Agency Administration of Ethics Policy.
- b) Board Self Evaluation. Mr. Kim reminded the Board that, as usual, evaluations will be electronically mailed and will be due January 15.
- c) An Update on 80/20 Condominium Conversion Issues
- d) Report on the Mitchell-Lama Pipeline

Chairman Mulrow introduced Ms. Zucker to report on items c) and d).

Ms. Zucker give an update on the 80/20 condominium conversion issues and noted that a number of owners are starting to approach the Agencies. She said, for example, Battery Park City is facing increasing lease payments. She said that as a result, the Agency engaged in conversations with the New York State Attorney General's office to permit a waiver to allow the market rate units to be sold as condominiums and the rental units to remain the same. She stated that the Agency is willing to allow properties to be kept affordable -- in perpetuity-- but lease terms will be impacted 55 years from now. She said it is important that rents be sufficient to cover costs.

Ms. Zucker said that staff thought the policy change was noteworthy enough to bring to the Board's attention.

Ms. Zucker asked if the Members had any questions. No questions were asked.

Ms. Zucker then moved to the Mitchell-Lama pipeline presentation, noting that staff was looking to provide the Members with an in-depth look at the transformative effects of the Agency's work on refinancing projects in the Mitchell-Lama portfolio acquired by the Agency from ESDC in 2013. She stated that the presentation would involve the Marcus Garvey project in Brooklyn.

Representatives from L&M Development Partners, Inc. gave a presentation on the intended transformation of the Marcus Garvey houses located in the Brownsville section of Brooklyn, NY. The presentation was led by Ron Moelis, CEO and Founding Partner. He reported that the project is scheduled to close within a week at the Agency, and his organization wished to address what's happening on this particular site and the plans surrounding it.

He provided background as to other projects involving his company and the Agency, giving as examples efforts made by his organization to rehabilitate a community devastated by Hurricane Sandy (Oceanville in the Rockaways). He noted that Marcus Garvey Houses has similar challenges but also unique challenges.. It was noted that this is an area of great poverty that has been underserved socially and financially and represents an opportunity to change lives and make it a destination where people want to live. He noted prior meetings with the City, stakeholders and particularly, newly elected Assemblywoman, Latrice Monique Walker (55<sup>th</sup> District, Brooklyn) to discuss and explain the impact of the project on the community as a whole.

Mr. Moelis said that the site was surrounded by seven parking lots which are virtually unused, but yet part of the existing development. He reported on a unique aspect of the project: engaging a number of non-profits centers, i.e. Brownsville Community Justice in Red Hook to take low-end nonviolent offenders and work with them outside of the penal system using facilities to be provided as part of the rehabilitation. He also noted that the project would look to transform the overall standard of living, by for example, creating space for fresh food providers.

Mr. Moelis said the project is in its first phase; construction will start in January 2015. He provided the Members with a summary of the existing problems and conditions, highlighting the fact that trash management and security are crucial negative issues. He noted that the trash system used currently leads to an almost bunker approach, with the trash silos creating aesthetic and security issues. He reported the trash silos will be removed a a different less intrusive trash removal process will be used, and added that several hundred security cameras will be installed in the property along with new appliances. He said they ultimately want to make the area one in

which there will be less opportunity for crime; it was noted that this is the location where a one-year old baby was murdered a year ago.

Mr. Moelis said the project is broken up into four (4) phases and is expected to be completed in seven (7) years (zoning takes between 12 and 24 months; the uniform land-use review procedure nine months by itself). He said L&M is also seeking ground floor retail space under the Livonia Avenue train station (a subway stop in Brownsville).

Vice Chairman Weiss noted that this is an opportunity to expand the Agency's scope of influence to include in addition to rental housing, activities relating to community renewal and expressed an interest in being kept up-to-date on the ongoing plans.

Assemblywoman Walker stated she has seen what the vision is. She noted having some reservations about zoning and free market housing in a neighborhood where poverty is rampant. She also noted that there is so much about housing and no real attention being paid to commercial space. Mr. Moelis acknowledged that the neighborhood is severely underserved by the lack of retail space and stated that given the number of people there, there should be more services available for food, social services, security, etc. Mr. Moelis said the goal is affordable housing in a meaningful way. He also noted that there will be zero displacement as the residents want to live in Brownsville, NY. Commissioner Towns noted that the goal was to ensure that young, successful individuals who have grown up in this community will either seek to stay or return to provide an example and to mentor.

Mr. Moelis said in terms of energy conservation methods, solar panels will be installed on all the roofs in addition to an urban farm. The discussion then turned to automatic garbage collection. At the end of the discussion, Ms. Zucker returned to the update part of the presentation.

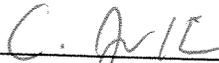
Referring to the House NY portfolio timeline, Ms. Zucker noted that there is a five-year goal to get everything done. The focus of her presentation was on the details set forth in a handout provided to the Members listing the work already done and planned for next year on the Mitchell Lama portfolio. She directed the Members' attention to Union Park/Cornerstone, Niagara Falls which was redeveloped as an HFA bond issuance and referred Members to page 7 of the handout that provides an overview of the scope of work.

She discussed the Twin Parks transaction and Spa Apartments in Clifton Springs, Ontario County. The report on page 13 reflects an update on where the Agency is on House New York Revenue Bonds which has resulted in approximately \$28 million in bond transactions.

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There being no unfinished business, Mr. Kim asked for a motion and a second to adjourn the meeting, Vice Chairman Weiss moved to adjourn the meeting; Mr. Davidson seconded the motion, and the meeting ended at 10:34 a.m.

Mr. Kim informed the Members that the next Board meeting is scheduled for Thursday, January 29, 2015, at 8:30 a.m.

  
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C. Jason Kim, Secretary