

**MINUTES OF THE
REGULAR MEETING OF THE
MORTGAGE INSURANCE COMMITTEE OF THE
STATE OF NEW YORK MORTGAGE AGENCY
HELD ON JUNE 14, 2012 AT 8:00 A.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022**

DIRECTORS AND DESIGNEES

PRESENT:

William J. Mulrow	Chairman
Naomi Bayer	Director
Marge Rogatz	Director
Darryl C. Towns	Director

Chairman William J. Mulrow opened and chaired the meeting. M. Lauren McGill, Vice President and Counsel to the Mortgage Insurance Fund ("MIF"), acted as Secretary. Anthony Bergamo, SONYMA Director, attended the meeting as a guest.

Item 1 on the agenda was the presentation of the minutes of the meeting of the Mortgage Insurance Committee ("MIC") held on May 9, 2012. There being no objections or corrections suggested by the Directors, the minutes were deemed approved.

Item 2 on the agenda was a resolution recommending the approval of 100% mortgage insurance on a \$14,760,000 HFA first mortgage loan for Yonkers Apartments, Westchester County. Mr. Friedman highlighted certain information contained in the materials provided to the Directors in connection with this item, which materials are incorporated herein by reference. He stated that this project comprises 100% insurance of a \$14,760,000 New York State Housing Finance Agency permanent mortgage loan for the gut rehabilitation of a 14-story building with 129 units. Mr. Friedman stated that all units would be affordable to households with incomes at or below 60% of the New York City area medium income. He stated that this subsidized project includes a project-based Section 8 HAP Contract covering all units, a \$1,450,000 HFA second mortgage loan, \$2,711,708 assumption of an existing HTF loan and \$12,846,316 federal low income housing tax credits. He stated that the loan amount is

approximately \$113,418 per unit, which equals 39% of total development cost. The project has a satisfactory loan to value ratio at 67%. He noted that the project was underwritten with a 5% vacancy rate but will breakeven with a 10% vacancy rate. Mr. Friedman stated that the ownership entity is controlled by Roizman Development, Inc. which is a repeat SONYMA borrower.

Chairman Mulrow asked what is involved in gut rehab and how the \$113,000 per unit cost compares with other projects. Mr. Friedman responded the cost per unit is high because of the gut rehab which will involve taking the building down to its studs and temporarily relocating tenants. He said the developer will replace virtually everything.

Ms. Bayer recommended that the Agency target green energy efficiency standards which will save money and help sustain projects.

Ms. Bayer moved to adopt the resolution; Ms. Rogatz second the motion and the motion was unanimously adopted.

Item 3 on the agenda was a resolution approving 100% mortgage insurance on a \$4,370,000 HFA permanent first mortgage loan for David E. Podell House, New York County. Mr. Friedman highlighted certain information contained in the materials provided to the Directors in connection with this item, which materials are incorporated herein by reference. He stated that this project comprises 100% insurance of a \$4,370,000 New York State Housing Finance Agency permanent mortgage loan for the acquisition and rehabilitation of an 11-story building with 50 units. Mr. Friedman stated that all units would be restricted to seniors with incomes at or below 60% of the New York City area medium income. He stated that all units this project will be covered by a project-based Section 8 HAP Contract and the project will receive \$3,636,525 federal low income housing tax credits. He added that the project will also benefit from a real estate tax exemption. He stated that the loan amount is approximately \$87,400 per unit, which equals 41% of total development cost. The Project has a satisfactory loan to value ratio at 53%. He noted that the project will breakeven with a pro forma operating expense increase of 11%. Mr. Friedman stated that the ownership entity is controlled by an affiliate of The Education Alliance, Inc.

Chairman Mulrow asked if the capacity to absorb an 11% increase reflected conservative underwriting. Mr. Friedman responded it did and that it meant that the project would still breakeven with expenses 11% higher than projected in the underwriting.

Ms. Bayer moved to adopt the resolution; Ms. Rogatz second the motion and the motion was unanimously adopted.

Item 4 on the agenda was a resolution recommending the approval of 50% mortgage insurance on a \$24,950,000 HDC permanent first mortgage loan for Maria Estella I & Aldus III Apartments, Bronx County. Mr. Friedman highlighted certain information contained in the materials provided to the Directors in connection with this item, which materials are incorporated herein by reference. He stated that this project comprises 50% insurance of a \$24,950,000 New York City Housing Development Corporation permanent mortgage loan for the moderate rehabilitation of two developments including eight buildings with 406 units. Mr. Friedman stated that all units would be affordable to households with incomes at or below 60% of the New York City area medium income. He stated that this subsidized project includes Section 8 HAP contracts covering all units, a \$19,000,000 HUD subordinate loan, a \$21,618,113 federal HOME loan and New York City Shelter Rent real estate tax benefits. He stated that the loan amount is approximately \$61,000 per unit, which equals 35% of total development cost. The Project will break even with a 7% increase in total operating expenses over projected expenses. The ownership entity is controlled by an affiliate of Property Resources Corporation, an experienced and well regarded developer of affordable housing.

Ms. Bayer moved to adopt the resolution; Ms. Rogatz second the motion and the motion was unanimously adopted.

Item 5 on the agenda was a resolution approving 50% mortgage insurance on a \$3,065,000 HDC permanent first mortgage loan for St. Lucy's Apartments, New York County. Mr. Friedman noted that this item was back before the Committee having been deferred the previous month. Mr. Friedman highlighted certain information contained in the materials provided to the Directors in connection with this item, which materials are incorporated herein by reference. He stated that this project comprises 50% insurance of a \$3,065,000 New York City Housing Development Corporation permanent mortgage loan for the moderate rehabilitation of two buildings with 100 units. Mr. Friedman stated that 74 units would be affordable to households with incomes at or below 60% of the New York City area medium income. The remaining units are limited to households with incomes at or below 100% of the New York City area medium income. He stated that this subsidized project includes a Section 8 HAP contract covering 63 units, a \$500,000 HPD Subsidy loan, \$5,000,000 federal low income housing tax credits and New York City Shelter Rent real estate tax benefits. He stated that the loan amount is approximately \$30,000 per unit, which equals 18% of total development cost. The Project will break even with a 6% increase in maintenance and operating expenses. The ownership entity is controlled by an affiliate of Union Settlement Association, a settlement house which has been in business in Harlem for over 100 years.

Chairman Mulrow asked why this project had been deferred. Mr. Friedman stated that at the previous meeting Mr. Lebowitz had raised concern because the purchase money mortgage was greater than the appraisal value of the Project. Mr. Friedman stated

that SONYMA insurance is at 60% of the appraised value. He stated that as long as the tax credit syndicator is able to get a tax opinion on the purchase money mortgage, it is not a concern from an underwriting prospective.

Ms. Bayer asked if anything had changed about the transaction and whether funds were going back to the sponsor. Ms. Friedman responded that the transaction had not changed and that no funds would go to the sponsor due to the purchase money mortgage.

Ms. Bayer moved to adopt the resolution; Ms. Rogatz second the motion and the motion was unanimously adopted.

Item 6 on the agenda was a resolution approving 100% mortgage insurance on a \$6,600,000 CPC loan for 1520 Sedgwick Avenue, Bronx County. Mr. Friedman highlighted certain information contained in the materials provided to the Directors in connection with this item, which materials are incorporated herein by reference. He stated that this project comprises 100% insurance of a \$6,600,000 permanent mortgage loan for the moderate rehabilitation of an 18-story elevator building with 102 units and 60 on-site parking spaces. Mr. Friedman stated that 53 units would be affordable to households with incomes up to 70% of the New York City area medium income. He stated that this highly subsidized project includes a \$4,500,000 HPD NSP subsidy loan, \$1,590,000 HPD 421 A Fund, \$3,000,000 HPD Reso A and a 40-year J-51 real estate tax exemption. He stated that the loan amount is approximately \$64,706 per unit, which equals 39% of total development cost. He noted that the project breaks even at 18% over proforma operating expenses. Mr. Friedman stated that the ownership entity is Work Force Housing Advisors, which is controlled by well regarded former HDC and JP Morgan Chase employees and is a relatively new entity.

Ms. Bayer moved to adopt the resolution; Ms. Rogatz second the motion and the motion was unanimously adopted.

Item 7 on the agenda was a resolution approving 100% mortgage insurance on a \$2,400,000 CPC permanent first mortgage loan for Hudson River Lodging, LaGrange, Dutchess County. Mr. Friedman highlighted certain information contained in the materials provided to the Directors in connection with this item, which materials are incorporated herein by reference. He stated that this project comprises 100% insurance of a \$2,400,000 The Community Preservation Corporation permanent mortgage loan for the moderate rehabilitation of a three building development emergency housing containing 116 units. Mr. Friedman stated that this housing development is the only emergency housing facility in Dutchess County. The emergency and transitional housing units are reserved for homeless or near homeless individuals who are expected to be eligible for Supplemental Security Income. Rents for these units will be paid by the

Dutchess County Department of Social Services ("DSS"); there are no income restrictions for the permanent housing units. He stated that this highly subsidized project includes a \$1,084,000 from the NYS Homeless Housing Assistance Program, a \$250,000 Weatherization grant, operating support of \$341,000 a year from DSS, NYS Office of Temporary and Disability Assistance, NYS DOH & Dutchess County Community Development Block Grants.

Mr. Friedman stated that the loan will pay off by an existing CPC loan. He stated that the Project has undergone \$1,400,000 rehabilitation and will require an additional \$200,000 in rehab. He added that the current mortgage has debt service of \$287,000 per year; the new mortgage will reduce the debt service to \$207,000 per year. The operator has been in business since 1982 and gets support from a variety of sources. He noted that the project is unique in that there are no contracts; there is per diem reimbursement per tenant per occupancy.

Chairman Mulrow asked about the impact of per diem vs. contract support. Mr. Friedman responded that it was riskier and more difficult to underwrite.

Ms. Bayer asked about the existing CPC loan. Mr. Friedman responded that it was a CTN loan which CPC kept on its books. Ms. Bayer noted that the transaction appeared to be an economic refinancing with weatherization funds coverings remaining rehab. Mr. Friedman stated that most of the loan proceeds would reimburse the borrower for ongoing rehabilitation.

Ms. Rogatz suggested that the temporary shelter model is not an economic way for the state to provide housing.

Chairman Mulrow asked if the Mortgage Insurance Fund had insured similar mortgages in the past. Friedman stated that the Agency has done one similar project.

Chairman Mulrow asked how the project had come to the Mortgage Insurance Fund. Mr. Friedman replied that it came from CPC and he believed the primary objectives of the proposed financing were to (i) lower debt service for the project, (ii) reimburse the developer for rehab costs, and (iii) allow CPC to sell the loan to the Common Retirement Fund.

Ms. Bayer moved to adopt the resolution; Ms. Rogatz second the motion and the motion was unanimously adopted.

Item 8 on the agenda was a resolution approving 100% mortgage insurance on a \$5,680,000 Chase permanent first mortgage loan for Davidson Avenue Rehabs, Bronx, Bronx County. Mr. Friedman highlighted certain information contained in the materials provided to the Directors in connection with this item, which materials are incorporated herein by reference. He stated that this project comprises 100% insurance of

a \$5,680,000 JPMorgan Chase permanent mortgage loan for the rehabilitation of 6 buildings with 185 moderate income units. Mr. Friedman stated that all units would be affordable to households with incomes at or below 120% of the New York City area medium income ("AMI") but will be affordable to households with income at 70% of AMI. He stated that this project includes a \$512,359,878 HPD Capital Funds subsidy loan and an Article XI real estate tax exemption. He stated that the loan amount is approximately \$30,703 per unit, which equals 28% of total development cost. The Project will break even with a 10% increase in pro forma operating costs. Mr. Friedman stated that the ownership entity is controlled by Peter Magistro who is new to the Mortgage Insurance Fund but not to affordable housing.

Ms. Bayer moved to adopt the resolution; Ms. Rogatz second the motion and the motion was unanimously adopted.

Item 9 on the agenda was a resolution approving 100% mortgage insurance on a \$2,500,000 LIIF permanent mortgage loan for Belmont Cluster, Bronx County. Mr. Friedman highlighted certain information contained in the materials provided to the Directors in connection with this item, which materials are incorporated herein by reference. He stated that this project comprises 100% insurance of a \$2,500,000 Low Income Investment Fund permanent mortgage loan for the rehabilitation of five scattered site apartment building with 54 units. Mr. Friedman stated that all units would be affordable to households with incomes at or below 80% of the New York City area medium income. Rents to existing tenants in the occupied units will be affordable at 50% of AMI. He stated that this project includes a \$4,078,431 NYC Housing Preservation and Development loan and a 34-year J-51 real estate tax exemption. He stated that the loan amount is approximately \$46,296 per unit, which equals 33% of total development cost. Mr. Friedman stated that the ownership entity is Dougert Realty Round II LLC, who are first time borrowers.

Ms. Bayer moved to adopt the resolution; Ms. Rogatz second the motion and the motion was unanimously adopted.

Item 10 on the agenda was a resolution approving 100% mortgage insurance on a \$2,125,000 LIIF permanent first mortgage loan for 165 West 80th Street, New York County. Mr. Friedman highlighted certain information contained in the materials provided to the Directors in connection with this item, which materials are incorporated herein by reference. He stated that this project comprises 100% insurance of a \$2,125,000 Low Income Investment Fund permanent mortgage loan for the moderate rehabilitation of a partially-occupied five-story building with 30 units. Mr. Friedman stated that currently occupied units will be restricted, upon re-rental, to households with incomes at or below 60% of New York City area medium income ("AMI"); incomes on currently vacant units will be restricted to 100% of AMI. Rents will be affordable to households

with incomes at 43%, 51% or 96% of AMI, adjusted for unit size. He stated that this project includes a \$1,711,982 HPD Capital Funds subsidy loan. He stated that the loan amount is approximately \$70,833 per unit, which equals 55% of total development cost. Mr. Friedman stated that the ownership entity is controlled by Community Assisted Tenant Controlled Housing, Inc., the project will be managed by the Wavercrest Team, Ltd.

Ms. Bayer moved to adopt the resolution; Ms. Rogatz second the motion and the motion was unanimously adopted.

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

Item 11 on the agenda was for Information only.

Chairman Mulrow asked if there was anything to report. Mr. Friedman noted that the mortgage recording surtax, which had fallen to \$5,000,000 in March, was back to \$7,700,000 in April. He stated that there is no sustained trend, but that receipts seem to be averaging over six million a month with the variation coming from New York City.

There being no unfinished business, Mr. Mulrow moved to adjourn; Ms. Bayer seconded the motion, and the meeting was adjourned at 8:28 a.m.



M. Lauren McGill
Secretary