

**MINUTES OF THE
REGULAR MEETING OF THE
MORTGAGE INSURANCE COMMITTEE OF THE
STATE OF NEW YORK MORTGAGE AGENCY
HELD ON DECEMBER 13, 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	Vice Chairperson
Don Lebowitz	Director
Darryl C. Towns	Director
Marge Rogatz	Director

William J. Mulrow, Chairman of the State of New York Mortgage Agency (SONYMA), opened and chaired the meeting of the Mortgage Insurance Committee of SONYMA. M. Lauren McGill, Vice President and Counsel to the Mortgage Insurance Fund (MIF), acted as Secretary and asked for a motion and a second to call the meeting to order. Chairman Mulrow moved to call the meeting to order; Mr. Lebowitz seconded the motion. Ms. McGill stated that as items were presented before the Committee throughout the meeting, this motion and second would be used unless specific items called for a different vote or unless any Committee director wished to record his or her vote differently.

Anthony Bergamo, SONYMA Director, attended the meeting as a guest.

The first item on the agenda was the adoption of the minutes of the meeting of the Mortgage Insurance Committee (MIC) held on November 8, 2012. There being no objections or corrections from the Directors, Ms. McGill reported that the minutes were deemed approved.

The next item on the agenda was a resolution recommending approval of 100% mortgage insurance on a \$35,000,000 CPC permanent first mortgage for Ocean Tower, 2950-2970 West 24th Street, Brooklyn, Kings County. Certificate No.

10-1820. Mr. Michael A. Friedman, Senior Vice President and Director of the MIF, highlighted certain information contained in the materials provided to the Directors in connection with this item, which are incorporated herein by reference. Mr. Friedman stated that this project consists of the arms length acquisition and moderate rehabilitation of 360 affordable units which will be subject to an HPD regulatory agreement restricting eligibility to households with incomes at or below 120% of AMI with initial rents set so that the units will be affordable to households with incomes between 21% and 85% of AMI. Mr. Friedman stated that, in addition to the insured first mortgage, the project would receive a \$3.6 million HPD Article 8A loan and J-51 real estate tax benefits. He stated the borrower entity is controlled by a Demetrios Moragianis, a repeat CPC and SONYMA borrower. Mr. Friedman stated that the insured loan amount is \$97,000 per unit which equals 74% of the project's total development cost of \$132,000 per unit. He noted that the developer is investing \$8.8 million in equity and the project has a satisfactory loan to liability ratio of 79% and income to expense ratio of 1.05%. Mr. Friedman stated the project was underwritten with a 5% vacancy rate although it would break even with a pro forma 10% vacancy rate or an 8% increase in operating expenses. Mr. Friedman stated that although the project is in Coney Island, it sustained virtually no damage as a result of hurricane Sandy. Chairman Mulrow inquired if this was because the location was away from the water; Mr. Friedman responded that the project was built with the residential apartments beginning on the third floor and the mechanicals raised above ground level. He asked Robert Riggs, head of CPC's Brooklyn office to comment on the condition of the project. Mr. Riggs stated that the project had water from Sandy at the lobby level and that sand and debris were deposited in the parking lot but that there was no damage from Sandy to any of the residential units.

Mr. Lebowitz noted that the underwriting projections for payroll and security were lower than the actual figures for 2011 and asked how the savings would be realized. Mr. Riggs stated that the developer intended to transfer management functions to its central office and reduce on site staff by one resulting in savings. Similarly, security will be assumed by the developer's security company which is already operating at two other very large and similar projects in Brooklyn. The scope of work will include installation of approximately \$110,000 in electronic equipment and cameras. The developer anticipates that this initial capital investment and staffing relating to security will reduce operating costs. Mr. Riggs noted that CPC will have approval of contracts to insure they are consistent with projected expenses and needs.

Ms. Bayer recused herself from voting on the project.

Chairman Mulrow moved to adopt the resolution; Mr. Lebowitz seconded the motion, and the resolution was adopted.

The next item on the agenda was a resolution approving 100% mortgage insurance on a \$2,250,000 CPC permanent first mortgage for 245 Broadway,

Schenectady County. Certificate No. 6-257. Mr. Friedman highlighted certain information contained in the materials provided to the Directors in connection with this item, which are incorporated herein by reference. Mr. Friedman stated that the project comprises the construction of 18 affordable units and 8,000 sq. ft. of commercial space in downtown Schenectady. He stated that in addition to the SONYMA insured first mortgage there is a \$270,000 second mortgage from the Metroplex Development Authority, a \$10,000 grant from the Metroplex Development Authority and a 15 year PILOT. He stated that all the units are subject to a regulatory agreement with the Development Authority restricting eligibility to households with incomes at approximately 78% of the AMI. Mr. Friedman stated that the borrowers are new to the MIF but they are experienced developers in the Schenectady area. The loan amount is \$125,000 per unit which equals only 69% of the development costs of \$180,000 per unit. He noted that the project includes \$700,000 of borrower equity and has a satisfactory income to expense ratio of 1.06 to 1. Mr. Friedman further noted that commercial space presents a greater risk than the residential space, but, if the commercial space were to remain vacant for an entire year, there would be an annual deficit of \$48,000 which MIF believes it is an underwritable risk given the large amount of borrower equity in the project and the strong net worth of the developers. He stated that the project would break even with a 13% residential vacancy rate and a 17% increase in pro forma operating expenses. Chairman Mulrow questioned the experience of the management company. Mr. Friedman stated he would ask for further information.

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

The next item on the agenda was a resolution approving 50% mortgage insurance on a \$6,400,000 HDC permanent first mortgage loan for Capital Hall, 166 West 87th Street, Manhattan, New York County. Mr. Friedman highlighted certain information contained in the materials provided to the Directors in connection with this item, which are incorporated herein by reference. Mr. Friedman stated that the project consists of the rehabilitation of an existing supportive housing SRO which houses 200 formerly homeless adults, many with disabilities. He said that the project has been operated by Goddard Riverside Community Center, a long-established and highly regarded not-for-profit on the Upper West Side. The principal purpose of the rehabilitation is to put bathrooms in 150 units; the remaining 50 units will remain SRO-units but will be divided into pods so that four units will share two bathrooms or two units share one bathroom. He stated that the project benefits from a project-based Section 8 Moderate Rehabilitation HAP contract. He stated the loan amount is only \$32,000 per unit which equals only 14% of the project's total development costs which is substantial at \$228,000 per unit. He stated that the project is very heavily subsidized; in addition to the insured first mortgage there is a \$6.5 million HPD second mortgage and \$15.4 million in low-income tax credits. He stated the project would break even with a 7% increase in pro forma operating expenses. Mr. Lebowitz asked if the work would be done with tenants in place. Mr. Friedman confirmed that tenants would remain in place.

Ms. Bayer recused herself from voting on the project.

Chairman Mulrow moved to adopt the resolution; Mr. Lebowitz seconded the motion, and the resolution was adopted.

The next item on the agenda was for Information only. Chairman Mulrow asked if there were any issues to report. Mr. Friedman stated that MIF continues to see principally small defaults upstate primarily due to high unemployment and consequent rent arrears. He stated the mortgage recording tax had remained constant at approximately \$8 million a month. He noted that in 2011-2012 the total tax receipts were \$83 million, up from \$68 million the previous year. For the current year, he suggested that the tax receipts might reach approximately \$96 million. Mr. Lebowitz asked about larger projects that are in default in the Hudson Valley area. Mr. Friedman stated that a single developer was in default on numerous IDA financed deals including three MIF-insured projects. He stated that, faced with the threat of foreclosure, the tax credit investor on one project had made debt service payments for over a year although he does not expect MIF to recover the periodic claims previously paid. He noted that on the other two projects, the limited partner had been able to remove the developer completely.

There being no unfinished business, Chairman Mulrow moved to adjourn; Mr. Lebowitz seconded the motion; and the meeting was adjourned at 8:25 a.m.



M. Lauren McGill
Secretary