

**MINUTES OF THE
REGULAR MEETING OF THE
MORTGAGE INSURANCE COMMITTEE OF THE
STATE OF NEW YORK MORTGAGE AGENCY
HELD ON MAY 9, 2013 AT 8:00 AM
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022**

DIRECTORS AND DESIGNEES

PRESENT:

William J. Mulrow	Chairman
Don Lebowitz	Director
Darryl C. Towns	Director

ABSENT:

Marge Rogatz	Director
Naomi Bayer	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. Darryl C. Towns moved to call the meeting to order; Chairman Mulrow 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 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 April 11, 2013. 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 the approval of 100% mortgage insurance on a \$7,090,000 HFA permanent first mortgage loan for The Mews at Baldwin Place - Phase II, Clayton Blvd., Somers, Westchester County. 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 is a 75 unit all low income project. He stated that the project would benefit from a \$4.4 million grant from the Westchester County Fair and Affordable Housing Fund, a 40 year PILOT from the Town of Somers, approximately \$8.5 million in federal and state low income housing tax credits and a \$900,000 HFA subordinate loan. He noted that this project meets the requirements of the settlement in the Westchester federal fair housing case. He stated that the loan amount for each unit is \$94,000 which equals 32% of the project's total development cost of \$298,567 per unit and the project would break even with a pro forma vacancy rate of 13% or an increase of 20% in maintenance and operating expenses. He noted that the development entity is a joint venture between Kearney Realty and Development Group and the Housing Action Council. Housing Action Council has been in developing affordable housing for over 40 years and Kearney Realty is an experienced developer in Westchester County.

Commissioner Towns moved to adopt the resolution, Chairman Mulrow seconded the motion and the resolution was adopted unanimously.

The next item on the Agenda was a resolution recommending the approval of a resolution approving 100% mortgage insurance on a \$5,800,000 HFA permanent first mortgage loan for O'Neil Apartments, 2121 6th Avenue, Troy, Rensselaer 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. He stated that the project includes the acquisition and rehabilitation of a 123-unit all low income senior housing project. He noted that the project benefits from a Section 8 HAP Contract covering all the units, a PILOT agreement with the City of Troy, \$3.5 million in federal low income housing tax credits and a \$1.7 million HFA second mortgage loan. He noted that the loan amount is \$47,000 per unit which equals 47% of the project's total cost of \$100,000 per unit. He stated that the project would break even with a pro forma vacancy rate of 10% and a 9% increase in maintenance and operating expenses. Mr. Lebowitz asked if there is a demand for affordable housing in Troy and

Mr. Friedman confirmed that there was noting that the project is a senior housing project. Mr. Lebowitz noted that the City of Troy had experienced tough economic times and did not know where they were in the recovery cycle. Chairman Mulrow asked if the Mortgage Insurance Fund received many requests from the Capital District. Mr. Friedman confirmed that the Agency does noting that there was demand for affordable senior housing.

Commissioner Towns moved to adopt the resolution, Chairman Mulrow seconded the motion and the resolution was adopted unanimously.

The next item on the Agenda was a resolution approving 100% mortgage insurance on a \$5,920,000 HFA permanent first mortgage loan for Boston Road Residence, 1191 Boston Road, Bronx 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 project is comprised of 155 low income units of which 94 units will be reserved for adults with mental illness and the remaining 60 units will be reserved for low-income seniors. He noted that the sponsor of this project is Common Ground, a highly regarded and experienced developer of supportive housing. He stated that this project will benefit from a \$6.3 million HCR MRT subsidy loan, an \$8.2 million HPD Supportive Housing Loan, \$3.7 million from NYS OTD HHAP and \$18.5 million in low income housing tax credits. He noted that the loan amount is \$39,000 per unit and the total development cost is \$300,000 per unit. He stated that the project would break even with a pro forma 9% increase in operating expenses. Mr. Lebowitz asked if all the units were studio apartments and Mr. Friedman confirmed that they were all studios. Mr. Lebowitz asked about the cash flow on this project. Mr. Friedman stated the large amount of up front subsidy in this project lowers the amount of the mortgage and its carrying costs. Mr. Friedman stated OMH and OPWDD subsidize these projects by either paying the mortgage over 30 years or pay a large amount of capital subsidy.

Commissioner Towns moved to adopt the resolution, Chairman Mulrow seconded the motion and the resolution was adopted unanimously.

The next item on the Agenda was a resolution approving 100% mortgage insurance on a \$3,650,000 HFA permanent mortgage loan for 3361 Third Avenue, Bronx 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 this project consists of 63 units of which 38 units are reserved for adults with mental illness and the remaining 24 units are reserved for low income tenants. He noted that there will be a project based Section 8 HAP contract for

the 38 OMH units, \$3.9 HCR MRT loan, \$3.9 million HPD Supportive Housing Loan and \$7.7 million in low income housing tax credits. He stated that the development entity for this project will be controlled by Bronx Pro with Services for the Underserved which will provide on-site support services. Bronx Pro is a well-known, highly regarded developer of affordable housing and Services for the Underserved is a not-for-profit entity which has been in business for over 40 years and will contract directly with OMH for the supportive services. Mr. Lebowitz stated that he would recuse himself from voting but noted his support of the project.

Commissioner Towns moved to adopt the resolution, Chairman Mulrow seconded the motion and the resolution was adopted with the recusal of Mr. Lebowitz.

The next item on the Agenda was a resolution approving 50% mortgage insurance on a \$6,600,000 HDC permanent first mortgage loan for Carmel Apartments, 2-36 & 5-69 Carmel Court, Staten Island, Richmond 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 this an all low income senior housing project. He stated that this project is being developed by an affiliate of the Archdiocese of New York and has been continually owned by affiliates of the Archdiocese since 1983. He noted that there is project based Section 8 HAP contract covering all the units and \$6.5 million in federal low income housing tax credits. He stated that the loan per unit was \$66,000 which is approximately one third of the total project cost of \$200,000 per unit, the project would break even with a 7% increase in maintenance and operating expenses. Noting that the flood plain had shifted, Commissioner Towns recommended that the MIF inquire if there were any complications on this project in the aftermath of Hurricane Sandie.

Commissioner Towns moved to adopt the resolution, Chairman Mulrow seconded the motion and the resolution was adopted unanimously.

The next item on the Agenda was a resolution recommending the approval of 100% mortgage insurance on a \$12,038,230 JPMorgan Chase Bank, N.A. permanent first mortgage loan for 500 Trinity Avenue et al, Bronx 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 this a low to moderate income housing project in the Bronx and there are no tax credits. Mr. Friedman stated that this is an HPD PLP project which, in addition to the insured \$12 million first mortgage, will have a substantial second HPD mortgage of \$7.4 million. Mr. Friedman noted that the development team is a father and son team with moderate experience in affordable housing which is a first time MIF

borrower. He stated that the loan amount is \$64,000 per unit which equals 50% of the project's total development cost of \$127,000 per unit and that the project will break even with a 9% increase in pro forma operating expenses. Chairman Mulrow asked Mr. Friedman for further information about the development team's experience. Mr. Friedman stated that they had developed five projects containing a total of 468 units. Mr. Lebowitz asked why the project would need to undergo extensive work when it underwent gut renovations under HPD's Vacant Building Program just 20 years ago. Mr. Friedman stated that he did not have that information. Mr. Lebowitz also inquired how the purchase price was determined. Mr. Friedman stated that it was based on an appraisal prepared for JPMorgan Chase with an "as is" valuation for the property and a post-rehab valuation of the project and the appraisal supports the acquisition cost.

Commissioner Towns moved to adopt the resolution, Chairman Mulrow seconded the motion and the resolution was adopted unanimously.

The next item on the Agenda was a resolution approving 100% mortgage insurance on a \$6,720,000 JPMorgan Chase permanent first mortgage loan for 1479 Macombs Road, Bronx 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 was a HPD PLP project and that, in addition to the insured JPMorgan Chase first mortgage of \$6.7 million, there is a second HPD subsidy loan of \$5 million and an Article XI tax abatement from the City. He stated that this is an acquisition and rehab project which consists of 73 moderate income units. He stated that the insured loan amount is \$93,000 per unit which equals 47% of the project total development cost of \$197,000 per unit and the project would break event with a 23% increase in maintenance and operating costs. He noted that the sponsor is Bronx Pro, an experienced and well regarded developer of affordable housing. He noted that there is \$2.4 million in developer equity in this project. Mr. Lebowitz asked if there was any concern about level of exposure to the developer and Mr. Friedman responded that this will be only the third loan to Bronx Pro insured by the MIF. He noted that JPMorgan Chase requires that the sponsoring entity provide them with financial statements annually and in turn JPMorgan Chase will provide copies to the Agency.

Commissioner Towns moved to adopt the resolution, Chairman Mulrow seconded the motion and the resolution was adopted unanimously.

The next item on the Agenda was resolution approving 100% mortgage insurance on a \$2,114,000 JPMorgan Chase permanent first mortgage loan for Schomburg I; St. Nicholas Terr. et al, 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 this an all low income project with 60 units. He stated that this project has \$6 million in subordinate debt from HPD, \$12 million in federal low income housing tax credits and a Section 420c tax abatement. He noted that the developer, West Harlem Group Assistance Inc., has been in the affordable housing business in west and central Harlem for over 40 years and manages 100 units in the Hamilton Heights neighborhood around City College and central Harlem. He stated that the loan amount is \$35,000 per unit but that, as a multi-site project, the project is a fairly expensive project with a total development cost per unit of \$345,000. He stated that the project would break even with a 12% vacancy rate or a 10% increase pro forma increase in maintenance and operating expenses.

Commissioner Towns moved to adopt the resolution, Chairman Mulrow seconded the motion and the resolution was adopted unanimously.

The next item on the Agenda was resolution approving 20% mortgage insurance on a \$21,068,000 CPC construction loan for Nehemiah Spring Creek Phase 3B, Vandalis Avenue, Egan Street, and Erskine Street, Brooklyn, Kings 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 this is the fourth phase of a project in East New York and will comprise 81 for sale units. He noted that the first three phases included 287 units which have been built and sold. He noted that SONYMA Single Family insures the end loans on virtually all the units in the first three phases and is expected to insure end loans on phase four. He stated that this is a heavily subsidized project with approximately \$21 million of the total \$42 million development costs funded through HPD subsidy and the Agency's total exposure is \$4 million. Mr. Lebowitz noted that the developer equity is only \$81 and the developer is financially weak and asked why the developer was chosen by HPD. Mr. Friedman stated that the developer is partnered with Monadnock. He stated that Monadnock is a very well capitalized and managed entity who is building these modular units at Monadnock's factory at the Brooklyn Navy Yard. Chairman Mulrow noted that this is Phase 4 of the project. Mr. Friedman stated that HPD has successfully completed the first three phases of the project with the same development team.

Mr. Lebowitz questioned the pricing structure of the development and noted that the project cost is \$42 million although the market value when completed will only be approximately \$32 million. At the request of Michael Friedman, Robert Riggs from Community Preservation Corporation answered Mr. Lebowitz's question. Mr. Riggs stated that the HPD had a long history with the Nehemiah projects and without HPD subsidy the development would probably not happen. He noted that HPD and the

developer have worked together developing all four phases of Nehemiah Spring Creek and prior to that built 3000 houses since 1989. He stated that this relationship has been very successful and these homes have been very stabilizing for these neighborhoods. Chairman Mulrow asked Mr. Riggs if CPC had done the first phases and if the economics were similar. Mr. Riggs responded yes and that the economics were very similar. Mr. Friedman stated that HPD does not have access to a lot of vacant land and by developing these types of projects in these locations they are creating new neighborhoods. He noted that the larger Nehemiah development includes two high-rise low income rental buildings developed by the Hudson Companies, a new public school and the Gateway Mall developed by The Related Companies. Mr. Riggs noted when the purchase price from Related for the commercial portion of the redevelopment site will fund much of HPD's subsidy on the residential portion of the site. Mr. Riggs stated that the City has had a long term commitment to putting some of their resources in the new construction of ownership housing in low density neighborhoods in Queens and Brooklyn.

Commissioner Towns moved to adopt the resolution, Chairman Mulrow seconded the motion, Mr. Lebowitz voted against the resolution which was adopted with two votes in favor and one against.

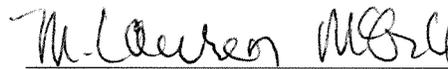
The next item on the Agenda was resolution approving 100% mortgage insurance on a \$2,225,000 CPC permanent first loan for 755 Dawson Street & 914 Simpson Street, Bronx County. Mr. Friedman highlighted certain information contained in the materials provided to the Directors in connection with this item, which are incorporated herein by reference. Mr. Friedman stated this a HPD PLP project, there is a \$2.2 million insured CPC permanent first mortgage and a \$5.5 million in HPD subsidy with an Article XI tax abatement. Mr. Friedman stated that this is a Banana Kelly development and they have been in the affordable housing development for last 40 years and this is the sixth loan that MIF has insured for Banana Kelly. He stated that the insured amount is \$53,000 per unit which equals 27% of the total development cost of \$197,000 per unit. He noted that the project with break even with a 9% vacancy rate or a 7% increase in maintenance and operating expenses.

Commissioner Towns moved to adopt the resolution, Chairman Mulrow seconded the motion and the resolution was adopted unanimously.

The next item on the Agenda was an informational item. Mr. Friedman noted that the tax surcharge collection went back down to \$9 million in March from \$15 million in February. Chairman Mulrow asked if Mr. Friedman had any insight into the reduced tax collection. Mr. Friedman responded that it was too soon to tell but that perhaps the \$15 million was anomalous because sellers were moving deals up because they believed

the tax rates would be increased. Mr. Lebowitz asked about the increase in the MIF pipeline. Mr. Friedman stated that HPD generally looked to close deals by the end of their fiscal year in June and that he expected the summer months to be lighter. Mr. Lebowitz asked that the members be informed as soon as possible when there are large numbers of transactions pending. Mr. Lebowitz further commented on CPC's increased activity. Mr. Friedman again invited Mr. Riggs to speak to the Committee. Mr. Riggs stated that CPC had an agreement with Citibank under which Citibank funded \$100 million specifically for HPD subsidized transactions and that CPC had been active with those transactions. He noted that HDC had agreed to credit enhance the pool.

There being no unfinished business, Commissioner Towns moved to adjourn; Chairman Mulrow seconded the motion; and the meeting was adjourned at 8:38 AM.



M. Lauren McGill
Secretary