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MINUTES OF THE
REGULAR MEETING OF THE
MORTGAGE INSURANCE COMMITTEE OF THE
STATE OF NEW YORK MORTGAGE AGENCY
HELD ON SEPTEMBER 15, 2001 AT 1:35PM
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022

DIRECTORS AND DESIGNEES
PRESENT:

Don Lebowitz	Director
David J. Sweet	Director
Darryl C. Towns	Director
Naomi Bayer	Director

Karen A. Phillips, Vice Chairperson of State of New York Mortgage Agency ("SONYMA"), attended and chaired the meeting; M. Lauren McGill, Vice President and Counsel to the Mortgage Insurance Fund ("MIF"), acted as Secretary. Marge Rogatz, SONYMA Director, attended the meeting as a guest.

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* **Item 1 on the agenda was the presentation of the minutes of the meeting of the Mortgage insurance Committee ("MIC") held on July 14, 2011.** There being no objections or corrections suggested by the Directors, the minutes were deemed approved.

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* **Item 2 on the agenda was withdrawn.**

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* **Item 3 on the agenda was a resolution recommending the approval of 100% mortgage insurance on a $9,250,000 HFA permanent first mortgage loan for the rehabilitation of HANAC Archbishop Lakovos Senior Apartments, 32-06 21st Street, Astoria, Queens County, containing 100 low-income units. Certificate # 10-1741.** 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 highly-subsidized project comprises 100% insurance on a $9,250,000 New York State Housing Finance Agency ("HFA") permanent loan for the moderate rehabilitation of a 100-unit all low-income senior project in Astoria. He stated, at its April meeting, the SONYMA Board approved insurance on a $10,485,000 New York City Housing Development Corporation ("HDC") mortgage loan for the Project. Mr. Friedman stated that subsequent to the April board

meeting, HUD had reduced the rents on the project thereby reducing the loan amount that the Project could support. He noted that in this related-party transaction, the $9,500,000 acquisition cost net of the $2,200,000 cash flow sellers' note exactly equals the $7,300,000 in existing debt so that there is no gain on sale. He stated that the cash developer's fee was reduced from $2,000,000 in the HDC loan to $1,000,000 in the HFA loan. He stated that the project has a Section 8 HAP project-based contract which will be renewed as a condition precedent to SONYMA insurance. Mr. Friedman added that the project had been continually owned and operated by HANAC, a well-regarded 501(c)(3), and that it was one of two senior projects owned by HANAC in Astoria. He stated that the loan amount is $92,000 per unit, which equals 47% of project total development cost.

Mr. Lebowitz asked whether the HDC mortgage would have been insured at 50% rather than 100% insurance for the loan. Mr. Friedman responded that it would have been but, that the MIF risk remained the same because the MIF insures the top loss for HDC. He noted that, because HDC has a rated resolution, it can sell bonds with 50% mortgage insurance on project loans; HFA resolution is not rated and requires 100% insurance.

In response to questions from Mr. Sweet regarding the move from HDC to HFA, Mr. Friedman stated that the change was a matter of comparative advantage for the borrower. He stated that HFA offered a better NIBP bond rate and a subsidy loan was not required.

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

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* **Item 4 on the agenda was a resolution approving 100% mortgage insurance on $4,550,000 HFA construction and permanent first mortgage loans for the rehabilitation of Greenacres Apartments, 102 Wisteria Drive, Village of Fredonia, Chautauqua County, containing 101 low-income units. Certificate # 1-105.** 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 the project comprised 100% insurance on $4,550,000 HFA construction and permanent mortgage loans for a 101-unit all low-income project with a Section 8 HAP contract. He stated that this is one of four similar transactions with Related Development and that current MIF exposure to Related is approximately $35,000,000. He stated that the four transactions aggregate $15,000,000 and would bring the total exposure to $50,000,000.

Mr. Lebowitz moved to table all four of the transactions until the following meeting noting that he had questions common to all four to raise with HFA that, in the interest of time, could be addressed collectively before considering the transactions individually. He noted that the October board meeting would take place in three weeks. Mr. Sweet seconded the motion.

Mr. Towns suggested that Mr. Lebowitz proceed with his questions at that time. Mr. Lebowitz stated that his questions address the benefit created by each of the transactions to justify SONYMA taking the insurance risk and using capacity. He noted that the first transaction involves insignificant rehabilitation, an issue common to the four transactions.

Vice Chairperson Phillips requested that HFA address the impact of the delay.

Ms. Zucker, President, Finance and Development, stated that the four transactions were scheduled to be pooled with other projects in two October bond issues and to close in the second and third weeks of October. She stated that the impact of the delay was hard to quantify. She noted that, in general, a larger pool brings down transaction costs for all projects in the pool but that the two bond issues would go forward with or without the four transactions. She also noted that HFA has a large pipeline of year end projects and postponing projects at that time would put additional pressure on the year end closings. Ms. Zucker acknowledged that the rehabilitation work for the four projects was light but said that staff had carefully addressed the rehabilitation component of the projects and was recommending that HFA move forward with these four Section 8 projects in counties where HFA rarely sees demand. She noted that, without subsidy, the projects are also relatively light in their use of resources.

Mr. Sweet asked what the impact of insuring the projects would be on MIF capacity. Mr. Friedman responded that the aggregate insurance would only be $15 million which would not impact overall MIF capacity.

Ms. Bayer stated that, while recognizing the concerns raised to the MIC, she thought the policy issues were properly questions for HFA staff and the HFA Board of Directors. She stated that, in approving mortgage insurance, the responsibility of the MIC is to assess risk to the MIF and manage the capacity of the MIF. Where capacity became an issue, she continued, using policy considerations to prioritize projects, as the MIC had been doing, was appropriate. She suggested that the four transactions currently before the MIC met the standards the MIC had adopted to date and noted that the MIC had been told by staff that insuring the mortgages would not impact overall capacity.

Mr. Sweet asked if there were alternative executions available for the transactions if they were not insured by SONYMA. Ms. Zucker noted that, while they might be able to look to Fannie Mae or Freddie Mac for long term credit enhancement, there were no easily available alternatives in the market. She noted that the MIF insurance facilitates the bonds and the tax credits making the transaction possible.

Ms. Phillips called for a vote on the motion to defer the four projects to the next MIC meeting. Mr. Lebowitz voted in favor of the motion; with one vote in favor and four votes opposed, the motion was not approved.

The MIC returned to consideration of Greenacres Apartments. Mr. Lebowitz asked why the MIF was taking construction risk. Mr. Friedman responded that all four transactions were relatively small and the rehabilitation modest making the construction risk deminimus. He added that the construction and permanent loans were the same size so that the MIF was not using capacity to provide insurance for eighteen months on construction loans that would be paid down at conversion.

Mr. Lebowitz noted that the HAP contract was only eleven years on a thirty-year mortgage. Mr. Friedman responded that the MIF, and other credit enhancers, had determined that it was not imprudent to take political risk on the Section 8 program. Mr. Lebowitz asked if that decision had been re-evaluated in the current economic environment. Mr. Friedman said that it had not and noted that there had been no real discussion in Congress about eliminating the Section 8 program. Ms. Rogatz noted that, in committee, there had been discussion of eliminating vouchers. Mr. Friedman noted that this project had a HAP contract, not vouchers.

Mr. Sweet asked for confirmation that the $800,000 developer fee would not be taken out of the project until construction is complete. Mr. Friedman confirmed that it comes out last.

Mr. Lebowitz, noting that the rehabilitation work is minimal, asked how future needs of the project would be addressed over the thirty year period of the loan. Mr. Friedman responded that HFA does a physical needs assessment on the basis of which the scope of work was identified and had determined that the current rehabilitation together with ongoing funding of reserves would meet the project's needs.

Ms. Phillips called for a motion and vote on the resolution approving mortgage insurance for Greenacres Apartments. Ms. Bayer moved to adopt the resolution; Mr. Sweet seconded the motion; Mr. Lebowitz voted against the resolution, which was adopted with four votes in favor and one opposed.

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* **Item 5 on the agenda was a resolution approving 100% mortgage insurance on $4,375,000 HFA construction and permanent first mortgage loans for the rehabilitation of John Crawford Apartments, 33 Liberty Street, Monticello, Sullivan County, containing 96 low-income units. Certificate # 5-257.** 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 on $4,375,00 HFA construction and permanent mortgage loans for a 96-unit all low-income senior housing project with a project based 20 year Section 8 HAP contract. He stated this is a moderate rehabilitation project.

Mr. Sweet noted that this project included even less rehabilitation work than the Greenacres project.

Ms. Bayer moved to adopt the resolution; Mr. Sweet seconded the motion; Mr. Lebowitz voted against the resolution, which was adopted with four votes in favor and one opposed.

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* **Item 6 on the agenda was a resolution approving 100% mortgage insurance on $3,300,000 HFA construction and permanent first mortgage loans for the rehabilitation of Burt Farms II Apartments, 97-105 Forester Avenue, Village of Warwick, Orange County consisting of 50-low-income units. Certificate # 5-258.** 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 on $3,300,000 HFA construction and permanent mortgage loans for a 51-unit all low-income senior housing project with a project based 20 year Section 8 HAP contract.

Mr. Lebowitz asked how the value was determined in these related party acquisitions. Mr. Friedman responded that it was done by appraisal. He added that in all four transactions, the acquisition price was paying off outstanding mortgages, satisfying limited partner obligations and paying transaction costs with no acquisition proceeds going to the developer.

Bayer moved to adopt the resolution; Mr. Sweet seconded the motion; Mr. Lebowitz voted against the resolution which was adopted with four votes in favor and one against.

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* **Item 7 on the agenda was a resolution approving 100% mortgage insurance on $2,300,000 HFA construction and permanent first mortgage loans for the rehabilitation of PJ Housing Apartments, 230 Jersey Avenue, Port Jervis, Orange County containing 50 affordable units. Certificate # 5-259.** 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 on $2,300,000 HFA construction and permanent mortgage loans for a 51-unit all low-income senior housing project with a project based 20 year Section 8 HAP contract. The Project will also receive $1,020,000 from Low Income Tax Credits.

Mr. Sweet asked how the asbestos question is being addressed. Mr. Friedman stated there is a Maintenance and Operating Plan in place to insure that the asbestos is encapsulated noting that where asbestos is found the practice is to encapsulate rather than remove which would release previously contained asbestos.

Mr. Lebowitz noted that the amount of the rehabilitation work is equal to or less than the tax credits with all other funds going to soft costs and acquisition.

Ms. Bayer moved to adopt the resolution; Mr. Sweet seconded the motion; Mr. Lebowitz voted against resolution which was adopted with four votes in favor and one against.

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* **Item 8 on the agenda was a resolution recommending the approval of 100% mortgage insurance on a $9,600,000 CPC permanent first mortgage loan for the construction of The Pike Block, 300, 306-312, 320-324 Salina Street & 115 W. Fayette Street, Syracuse, Onondaga County, containing 78 affordable units. Certificate # 3-182.** 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 heavy subsidized project comprises 100% insurance on a $9,600,000 Community Preservation Corporation permanent mortgage loan for the acquisition and rehabilitation of a 78-unit mixed housing development. The loan amount is $123,000 per unit and equals 37% of the Project's total development cost and includes the Project's commercial space.

Mr. Sweet asked whether the Project would need the commercial space to meet the 1.10 debt coverage for the project. Mr. Friedman stated the commercial space must have a 85%

occupancy rate order to reach the 1.10 coverage and that the insurance would not be effective until that threshold is reached.

Ms. Bayer asked about the absorption of the residential units in downtown Syracuse. Mr. Friedman stated the project stood at the middle of two downtown areas with recently renovated projects that were nearly fully leased at higher rents.

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

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* **Item 9 on the agenda was a resolution approving 100% mortgage insurance on a $2,400,000 CPC permanent first mortgage loan for the conversion of 346 Connecticut Street, Buffalo, Erie County into 18 affordable units and 5,000 square feet of ground floor retail space. Certificate # 1-103.** 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 subsidized project comprises 100% insurance on a $2,400,000 Community Preservation Corporation permanent mortgage loan for the acquisition and rehabilitation of 18 loft-units and 5,000 sq. feet of commercial space. The loan amount is $133,000 per unit and equals 55% of the Project's total development cost. The Project includes $1,053,167 from Federal and State Historic Tax Credits.

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

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* **Item 10 on the agenda was a resolution approving 100% mortgage insurance on a $3,500,000 CPC permanent first mortgage loan for the construction of 479 Front Street and 16, 18, 33 Attorney Street, Hempstead, Nassau County, containing 6 low-income units and 23 affordable units. Certificate # 9-75.** 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 subsidized project comprises 100% insurance on a $3,500,000 Community Preservation Corporation permanent mortgage loan for the construction of a 4-story elevator apartment building containing 29 units. The loan amount is $120,000 per unit and equals 45% of the Project's total development cost.

Mr. Sweet asked what borrower equity is in the Project. Mr. Friedman responded that the "equity" is coming from Nassau County. The role of the developer is to deliver a turnkey project for Nassau County.

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

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* **Item 11 on the agenda was for Information only.**

Mr. Friedman stated that in July the surtax was $8.5 million, which was the highest in three years. He noted that it is too early to see a trend. He said that defaults remain constant at a low level.

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There being no unfinished business, Ms. Bayer moved to adjourn; Mr. Sweet seconded the motion; and the meeting was adjourned at 2:33 P.M.

M. Lauren McGill
Secretary