

**MINUTES OF THE  
REGULAR MEETING OF THE  
MORTGAGE INSURANCE COMMITTEE OF THE  
STATE OF NEW YORK MORTGAGE AGENCY  
HELD ON DECEMBER 1, 2011 AT 1:29 P.M.  
AT ITS OFFICES AT 641 LEXINGTON AVENUE  
NEW YORK, NEW YORK 10022**

DIRECTORS AND DESIGNEES

PRESENT:

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

Karen A. Phillips, Vice Chairperson of the 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. Elaine McCann, Division of the Budget, representing Robert Megna, SONYMA Director (via video conference); Marge Rogatz, SONYMA Director, and Steven J. Weiss, New York State Housing Finance Agency (“HFA”) Member, attended the meeting as guests.

Chairperson Phillips requested a motion to convene an Executive Session to discuss the financial, credit or employment history of a particular corporation, pursuant to Section 105(f) of New York State Open Meetings Law. Mr. Lebowitz moved to convene the Executive Session and Mr. Sweet seconded the motion. The Executive Session ended at 2:00 p.m. After reconvening in public session, Chairperson Phillips stated that no votes had been taken in Executive Session. The committee meeting reconvened at 2:01 PM.

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\* **Item number 1 on the agenda was the presentation of the minutes of the meeting of the Mortgage Insurance Committee (“MIC”) held on November 9, 2011.** There being no objections or corrections suggested by the Directors, the minutes were deemed approved.

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\* **Item number 2 on the agenda was a resolution recommending the approval of 50% mortgage insurance on a \$13,300,000 HDC permanent first mortgage loan for the rehabilitation of Greene Avenue Senior Apartments, 257 Greene Avenue,**

**Brooklyn, Kings County, containing 150 low-income senior units. Certificate #10-1765.** 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 materials are incorporated herein by reference. He stated that the renewal of the project's Section 8 project-based HAP contract, which expires in 2011, is a condition precedent to receiving mortgage insurance. He stated that, in addition to the mortgage, the project will also receive approximately \$13.3 million in low-income housing tax credits, and that the seller is taking back a \$15.6 million purchase money mortgage. He stated that the developer, Bedford Stuyvesant Housing Corporation, has been in business for over forty years, and the project will be managed by the experienced TUC Management. He stated that the insured loan amount is \$88,000 per unit, noting that although the development cost appears high at \$288,000 per unit, it includes \$100,000 per unit in purchase money mortgage debt for the 150 units. He stated that the project breaks even with a pro forma increase of 8% in operating expenses.

Mr. Lebowitz asked why the MIF staff analyzed the budget impact of vacancy increases for certain projects and operating increases for others. Mr. Friedman responded that, because vacancy rates in New York City are not likely to be at issue, the MIF looks at operating costs; whereas, the MIF is more concerned about the break-even occupancy in upstate locations.

Ms. Beyer moved to adopt the resolution; Mr. Lebowitz seconded the motion, and the resolution was adopted.

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\* **Item number 3 on the agenda was a resolution authorizing the approval of 50% mortgage insurance on a \$5,220,000 HDC permanent first mortgage loan for the acquisition and rehabilitation of St. Luke's Senior Housing, 3911 Barnes Avenue, Bronx County, containing 81 low-income senior units. Certificate #10-1764.** 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 renewal of the project's Section 8 project-based HAP contract, which expires in 2011, is a condition precedent to receiving mortgage insurance. He stated that, in addition to the mortgage, the project will receive \$5.3 million in federal low-income housing tax credits. He stated that the project's developer/owner, St. Luke's Williamsbridge Associates, L.P., was founded in 1980 and will continue to own the project. He stated that the project will be managed by Amistad Management Corporation, which has been in business a long time and has been vetted by HDC. He stated that the loan amount is \$64,000 per unit, with a development cost of \$148,000 per unit, and that the project breaks even with a 7% increase in pro forma operating costs.

Mr. Lebowitz noted that replacement reserves appeared low, and asked if there was a capitalized reserve. Mr. Friedman confirmed that there was a capitalized reserve. Mr. Lebowitz asked what happens to the operating reserve, which is generally required by the tax credit investors, once those tax credit investors are out of the deal. Mr. Friedman responded that there are usually competing uses for the operating reserve which may be applied to repay subsidy loans or deferred developer fee, but are not likely to remain with the project after

year 16. Mr. Lebowitz asked for comment on risk factors concerning the capital reserves and asked if the MIF should be more concerned. Mr. Friedman stated that loan servicing and oversight are provided by HDC or HFA, and that the MIF does not rely on the syndicator for that. He added that accumulated replacement reserves are generally adequate for capital needs.

Ms. Beyer moved to adopt the resolution; Mr. Lebowitz seconded the motion, and the resolution was adopted.

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\* **Item number 4 on the agenda was a resolution authorizing the approval of 50% mortgage insurance on a \$4,880,000 HDC permanent first mortgage loan for the rehabilitation of Borinquen Court, 285 East 138<sup>th</sup> Street, Bronx County, containing 145 low-income senior units. Certificate #10-1766.** 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 extension of the project's Section 8 project-based HAP contract, which expires in 2012, is a condition to insurance effectiveness. He stated that in addition to approximately \$8.7 million in low-income housing tax credits, the project will receive a \$5 million HPD second mortgage. To recap the project's history, Mr. Friedman stated that the project was foreclosed on by HUD which sold it to HDC, which in turn sold it to the current borrower. He stated that the borrower has been in business since 1976 and currently owns and manages 1600 affordable housing units. He stated that the insured loan amount is \$34,000 per unit, and that the total development cost is approximately \$256,000 per unit, including \$79,000 per unit in purchase money mortgage debt.

Ms. Beyer moved to adopt the resolution; Mr. Lebowitz seconded the motion, and the resolution was adopted.

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\* **Item number 5 on the agenda was a resolution authorizing the approval of 50% mortgage insurance on a \$4,550,000 HDC permanent first mortgage loan for the acquisition and rehabilitation of CABS Housing, 270 Pulaski Street, Brooklyn, Kings County, containing 71 low-income units. Certificate #10-1763.** 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 has two Section 8 project-based HAP contracts for 65 of the units, which have been extended as a condition precedent to receiving mortgage insurance. He stated that in addition to the insured mortgage loan, there are approximately \$6.6 million in low-income housing tax credits. He stated that the borrower, Sr. Nick's Alliance, was founded in 1975 and has rehabilitated or constructed over 2000 affordable housing units. He stated that the project will continue to be managed by St. Nick's, which manages 840 housing units. He stated that loan amount is \$63,000 per unit, and that the total development cost is approximately \$107,000 per unit.

Mr. Sweet asked if completion of the new units being constructed was a condition to the permanent loan closing. Sheldon Goldman, Vice President, confirmed that it was. He added that in order to meet rent-up and income thresholds, the units need to be occupied.

Ms. Beyer moved to adopt the resolution; Mr. Lebowitz seconded the motion, and the resolution was adopted.

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\* **Item number 6 on the agenda was a resolution recommending the approval of 100% mortgage insurance on an \$8,300,000 JPMorgan Chase permanent first mortgage loan for the rehabilitation of Wood Creek Apartments, 23 Wood Creek Drive, Rome, Oneida County, containing 194 affordable units. Certificate #7-79.** 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 since mortgage insurance for this project was approved in July by the Board of Directors, a change was made in the construction lender, which is now NBT Bank, a small upstate commercial bank, rather than The Community Preservation Corporation ("CPC"). He stated that NBT Bank does not have a buy-sell with the New York State Common Retirement Fund ("CRF"); therefore, JP Morgan Chase will make the permanent loan for sale to the CRF and the MIF will insure the 30-year permanent loan.

Ms. Beyer moved to adopt the resolution; Mr. Lebowitz seconded the motion, and the resolution was adopted.

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\* **Item number 7 on the agenda was a resolution authorizing the approval of 100% mortgage insurance on a \$4,300,000 JPMorgan Chase permanent first mortgage loan for the acquisition and rehabilitation of Underhill Apartments, 240 & 250 Underhill Avenue, Yorktown Heights, Westchester County, containing 51 low income and 9 affordable units. Certificate #8-274.** 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 transaction was an arms-length acquisition and rehabilitation of 60 units. He stated that this was a mixed-income project with 51 low-income tax credit units, of which 15 units are further restricted by a Section 8 HAP contract, and nine units are not income restricted, but are affordable at between 70% and 80% of the Westchester County AMI. He stated that, in addition to the \$4.3 million loan, there is \$5.6 million from federal low-income housing tax credits, a small Westchester County subsidy loan and a small NYSERDA grant. He stated that the developer, Marathon Development Group, Ltd., was founded in 2002, and that this was the second JPMorgan Chase loan to Marathon being insured by the MIF. Mr. Friedman stated that the loan amount was approximately \$72,000 per unit, which equals about 42% of the total development cost of \$171,000 per unit, and that the project will break even with an 11% vacancy loss.

Ms. Phillips asked if the asbestos and lead-based paint identified by the environmental site assessment would be removed or contained. Mr. Friedman responded

that, since the tenants will remain in place during the rehabilitation, the materials would be contained.

Ms. Beyer moved to adopt the resolution; Mr. Lebowitz seconded the motion, and the resolution was adopted.

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\* **Item number 8 on the agenda was a resolution authorizing the approval of 100% mortgage insurance on a \$3,450,000 JPMorgan Chase permanent first mortgage loan for the acquisition and rehabilitation of 916, 920, 924, 928 and 935 Kelly Street, Bronx, Bronx County, containing 78 low-income units. Certificate #10-1768.** 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 is an arms-length acquisition for the substantial rehabilitation of 78 housing units. He stated that the borrower acquired the property from Ridgewood Savings Bank by purchasing a defaulted mortgage with a \$5 million face amount that sold for \$2.8 million. He stated that the borrower then spent an additional \$575,000 for legal, consulting and transaction fees for a total basis of \$3.4 million to acquire the project. He stated that this was a 9% low-income housing tax credit project; therefore, in addition to the \$3.4 million loan, the project will receive \$9 million from federal low-income housing tax credits, and a \$3.2 million HPD subsidy loan. Mr. Friedman stated that the buildings were built in 1910, and that over \$200,000 per unit will be spent for gut rehabilitation, during which the existing tenants will be relocated.

Mr. Sweet asked if the MIF had previous experience with Workforce Housing Advisors. Mr. Friedman stated that, although the MIF has not previously done a transaction with Workforce, it is acquainted with the principals of Workforce.

Ms. Beyer moved to adopt the resolution; Mr. Lebowitz seconded the motion, and the resolution was adopted.

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\* **Item number 9 on the agenda was a resolution recommending the approval of 100% mortgage insurance on a \$7,652,000 CPC permanent first mortgage loan for the acquisition and rehabilitation of Tivoli Park Apartments, 421 Livingston Avenue, Albany, Albany County, containing 200 affordable units.** 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 arms-length transaction is encumbered with a \$4.8 million Freddie Mac/CPC mortgage which matures in two years and has a significant prepayment penalty. He stated that the developer will acquire and assume the Freddie Mac loan, pay for the rehabilitation out-of-pocket, and be partly reimbursed in two years by the CPC loan, at which time there will be \$1.7 million of developer equity in the project. He stated that the use of funds does not include a developer fee; and, because the project has no subsidy or low-income housing tax credits, there will be no Regulatory Agreement. He stated that the MIF requires that the borrower

and CPC execute an agreement whereby 20% of the units will be restricted to households with incomes at or below 60% of the Albany County AMI.

Ms. Beyer moved to adopt the resolution; Mr. Lebowitz seconded the motion, and the resolution was adopted.

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\* **Item number 10 on the agenda was a resolution authorizing the approval of 100% mortgage insurance on a \$2,799,000 CPC permanent first mortgage loan for the rehabilitation of 754 East 161<sup>st</sup> Street and 1496, 1500, 1504 Longfellow Avenue, Bronx County, containing 80 low-income units. Certificate #10-1758.** 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, in addition to the \$2.8 million CPC loan, the project will have a \$1.2 million HPD Article 8A subordinate loan. He stated that, because of poor project management, HPD is replacing management with Cornell Place, Inc., which is well-regarded and familiar to the MIF. He stated that refinancing will pay-off about \$1.2 million in existing liens and trade payables, and provide for moderate rehabilitation. Mr. Friedman stated that 11 units will be income-restricted to 60% of the AMI, and the remaining 70 units have income eligibility up to 120% of the AMI, but are affordable at 60% of the AMI. He stated that the loan amount is \$34,000 per unit.

Mr. Lebowitz asked if any subsequent management change would be subject to the MIF's oversight, and Mr. Friedman confirmed that it would be.

Ms. Beyer moved to adopt the resolution; Mr. Lebowitz seconded the motion, and the resolution was adopted.

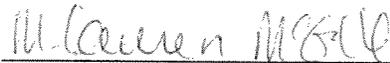
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\* **Item 11 on the agenda was for Information only.**

Vice Chairperson Phillips asked if there were any issues to report. Mr. Friedman stated that the monthly mortgage recording surtax for November remained down at approximately \$6 million. He noted that increases in surtax collection seemed to reflect commercial mortgage recording taxes paid on large New York City transactions.

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There being no unfinished business, Mr. Sweet moved to adjourn; Ms. Bayer seconded the motion; and the meeting was adjourned at 2:29 P.M.

  
M. Lauren McGill  
Secretary