

**MINUTES OF THE
REGULAR MEETING OF THE
MORTGAGE INSURANCE COMMITTEE OF THE
STATE OF NEW YORK MORTGAGE AGENCY
HELD ON MARCH 16, 2011 AT 1:11 P.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022**

DIRECTORS AND DESIGNEES

PRESENT:

Judd S. Levy	Chairman
Naomi Bayer	Director
Don Lebowitz	Director
David J. Sweet	Director
William Myers	Director

ABSENT:

Brian E. Lawlor	Director
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Chairman Levy chaired the meeting; M. Lauren McGill, Vice President and Counsel to the Mortgage Insurance Fund, acted as Secretary. Marge Rogatz, Director of the State of New York Mortgage Agency ("SONYMA"), attended the meeting as a guest.

* **Item number 1 on the agenda was the presentation of the minutes of the meeting of the Mortgage Insurance Committee ("MIC") held on January 27, 2011.** There being no objections or corrections suggested by the Directors, the minutes were deemed approved.

* **Item number 2 on the agenda was a resolution recommending the approval of 50% mortgage insurance on a \$16,250,000 HDC permanent first mortgage loan for the rehabilitation of Simpson Street Apartments, 923 Simpson Street, et al, Bronx County, containing 301 low-income units. Certificate #10-1720.** Michael Friedman, Senior Vice President and Director of the Mortgage Insurance Fund ("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 all units in this substantial rehabilitation project are covered by project-based HUD Section 8 HAP contracts, and the units are restricted to households with incomes at 50% of

the New York City AMI. He added that the tax credit investor, First Sterling, is well-known to the MIF and to SONYMA. He stated that the project is encumbered by \$15.6 million of HUD debt, \$8 million of which will be paid off and \$7.6 million of which will remain as a cash-flow mortgage. Mr. Friedman stated that the insured loan amount is approximately \$54,000 per unit which equals about 36% of the project's total development cost, and the project would break even with a vacancy and collection loss of 10%.

In response to questions from Chairman Levy, Mr. Friedman stated that the project was an eight-building, scattered site development, with all the buildings located within an approximate two-block radius, and confirmed that the \$1.1 million operating reserve, while large, is reasonable for the number of units in the project. Mr. Friedman noted that tax credit syndicators were more frequently requiring operating reserves to mitigate risk.

In response to a question from Mr. Sweet, Ms. Bayer stated that Fannie Mae and Freddie Mac only require operating reserves where there is a specific risk which can be mitigated by holding operating reserves.

In response to a question from Mr. Sweet, Mr. Friedman confirmed that, HDC has allowed the project owner/developer to take a substantial developer's fee out of the project, and added that the project, as structured, underwrites for MIF insurance of the mortgage. Chairman Levy added that the New York City Department of Housing Preservation and Development ("HPD") is contributing \$4 million to the project and permitting a payout to the developer, which does not adversely affect the credit enhancement of the project.

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

*** Item number 3 on the agenda was a resolution recommending the approval of 100% mortgage insurance on a \$9,225,000 CPC permanent mortgage loan for the rehabilitation of Cow Bay Apartments, 2 Bay Green Lane, Port Washington, Nassau County, containing 88 low-income units. Certificate #9-74.** 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 76 of the units are covered by a HAP contract, and the remaining 12 units are income-restricted at 95% of the Nassau County AMI, but are affordable at 35% of the AMI. He added that project has had the same owner for nearly 40 years. Mr. Friedman stated that the insured loan amount of \$105,000 per unit will cover the entire cost of the rehabilitation. He added that the project will have no change of control and no tax credit equity.

In response to a question from Mr. Lebowitz regarding the affordability of non-Section 8 units, Ms. Bayer noted that the project has no subsidy financing, and that the non-profit owner appears to have kept non-Section 8 units affordable to long-term tenants in very low income bands. She observed that permitting those units to rent at higher rents upon vacancy might assist the project.

Mr. Lebowitz questioned whether taking a 30-year mortgage at 80% loan-to-value for a moderate rehab will permit the project to finance necessary repairs and improvements over the 30-year term. Jack Green, Senior Vice President of The Community Preservation Corporation ("CPC"), addressed the Committee to explain that an energy audit was conducted as part of CPC's "Green Program" in order to review project rehab requirements, which included new window insulation and extensive renovations. He added that although the square footage hard cost to renovate each unit is high, a gut renovation of the units was not required because the building is structurally sound.

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

* **Item number 4 on the agenda was a resolution recommending the approval of 100% mortgage insurance on a \$8,357,409 CPC permanent first mortgage loan for the rehabilitation of Abbey Manor Apartments, 4029 Long Beach Road, Island Park, Nassau County, containing 45 units of OHM supportive housing and 5 units of low-income housing. Certificate #9-73.** 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 item, deferred from January's MIC meeting, concerns the substantial rehabilitation of a vacant, former adult-care facility. He stated that of the project's 50 efficiency units, 45 will be reserved for clients of the New York State Office of Mental Health ("OMH") and 5 will be reserved for low-income tenants at up to 60% of the Nassau County AMI. Mr. Friedman stated that the contract between OMH and the not-for-profit project operator provides for payment of operating support subsidy and debt service. He stated that the insured loan amount of \$167,148 per unit equals 50% of the project's development cost, with the balance funded with tax credit equity.

In response to a question from Chairman Levy, Mr. Friedman confirmed that debt service payments are made to the operator and are then forwarded to CPC.

In response to a question from Mr. Lebowitz concerning the project's cost compared with the cost of other Agency-OMH projects, Mr. Friedman referred the Directors to a spreadsheet provided to the Directors which listed all OMH-funded projects. He stated that the project's high cost was due to the acquisition cost per unit of a vacant Nassau County adult-care facility which does not require zoning change or site plan approval.

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

* **Item number 5 on the agenda was a resolution approving 100% mortgage insurance on a \$2,686,194 CPC permanent first mortgage loan for the rehabilitation of State Street Apartments, 435-445 State Street, Rochester, Monroe County, containing 30 units of OMH supportive housing and 14 low-income units. Certificate #2-116.** 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 is the substantial rehabilitation of a vacant building which contains 30 apartments for OMH clients and 14 for low-income tenants. He stated that the contract with OMH will pay operating subsidy and debt service for the entire project. He added that the project operator has been in business for 45 years and is a well-known provider of psychiatric services.

Ms. Bayer recused herself from voting on this item.

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

* **Item number 6 on the agenda was a resolution approving 75% mortgage insurance on a \$6,100,000 CPC permanent mortgage loan for the construction of 386 Lefferts Avenue, Brooklyn, Kings County, containing 46 affordable HPD HARP units and 1,839 square feet of commercial space. Certificate #10-1731.** 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 will receive HPD Housing Asset Renewal Program ("HARP") subsidy to support the completion of a stalled condominium as an affordable housing project. He stated that occupancy in the project will be restricted to tenants earning 130% of the New York City AMI, but the initial rents are affordable at approximately 90% of the AMI. Mr. Friedman stated that the project will receive \$64,000 subsidy per unit out of the maximum \$75,000 that HPD can provide under the HARP program. He added that there will be a 30-year HPD regulatory agreement. Mr. Friedman stated that the insured loan amount is approximately \$133,000 per unit which equals about half of the project's total development cost.

In response to a question from Chairman Levy, Mr. Friedman stated that CPC will be taking a small loss on principal, interest and fees payable on its construction loan.

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

* **Item number 7 on the agenda was a resolution approving 100% mortgage insurance on a \$3,666,000 CPC permanent mortgage loan for the construction of Mason's Ridge Apartments, 80 Windsor Highway, New Windsor, Orange County, containing 84 affordable units. Certificate #5-247.** 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 said that all units in this heavily-subsidized project will be restricted to households with incomes at or below 50% of the Orange County AMI.

In response to a question from Mr. Lebowitz, Mr. Friedman stated that for this 9% tax credit deal, the developer will obtain a construction loan from JPMorgan Chase, and CPC will service the permanent loan when it is acquired by NYCERS.

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

* **Item number 8 on the agenda was a resolution approving 100% mortgage insurance on a \$2,750,000 CPC permanent mortgage loan for the rehabilitation of Stevedore Lofts, 317 West First Street, Oswego, Oswego County, containing 29 affordable units. Certificate #3-177.** 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 said that the project will receive \$1.6 million Federal Historic Tax Credits towards the conversion of an old warehouse into 29 loft units and 6,000 square feet of commercial space, and will receive other subsidies evidencing substantial local government support. He stated that while there are no income restrictions, the units are affordable at between 60% and 80% of the Syracuse AMI. Mr. Friedman stated that in order to mitigate any lease-up risk, the MIF will not insure the project until it has 90% occupancy for 90 days. He stated that the project breaks even with all the commercial space vacant.

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

* **Item number 9 on the agenda was for Information only.**

Chairman Levy asked if there were any issues to report. Mr. Friedman noted that although the January mortgage tax surcharge collections went down to \$5.5 million; they will exceed \$7 million in February.

Mr. Lebowitz asked whether the MIF was exploring 50% insurance with non-HDC lenders. Mr. Friedman noted that the Lefferts Avenue project, which will be acquired by NYCERS, has 75% insurance. He noted that NYCERS may charge a higher fee. Chairman Levy suggested that the MIF aggressively pursue this matter with NYCERS.

There being no unfinished business, Ms. Bayer moved to adjourn; Mr. Lebowitz seconded the motion; and the meeting was adjourned at 1:57 P.M.


M. Lauren McGill
Secretary