

**MINUTES OF THE
REGULAR MEETING OF THE
MORTGAGE INSURANCE COMMITTEE OF THE
STATE OF NEW YORK MORTGAGE AGENCY
HELD ON OCTOBER 28, 2010 AT 12:13 P.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022**

DIRECTORS AND DESIGNEES

PRESENT:

Judd S. Levy	Chairman
Brian Lawlor	Director
Don Lebowitz	Director
David J. Sweet	Director

ABSENT:

Naomi Bayer	Director
William Myers	Director

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, 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 September 14, 2010.** There being no objections or corrections suggested by the Directors, the minutes were deemed approved.

In order to discuss the financial history of a corporation, Chairman Levy moved to adjourn the MIC meeting for an Executive Session; Mr. Lebowitz seconded the motion, and the meeting adjourned for Executive Session at 12:15 P.M. pursuant to Section 105(f) of the New York State Public Officers Law. Chairman Levy advised that no action was taken at Execution Session. The MIC meeting resumed at 12:40 P.M.

Mr. Lawlor informed Chairman Levy that he would have to leave the meeting at 12:50 P.M. Chairman Levy moved that Ms. Rogatz be designated a member of the Mortgage Insurance Committee for the remainder of the day in order to participate in the meeting as a member of the MIC; Mr. Lawlor seconded the motion which was adopted unanimously.

* **Item number 2 on the agenda was a resolution recommending the approval of 100% mortgage insurance on a \$16,200,000 HFA construction loan and a \$10,020,000 HFA permanent first mortgage loan for the construction of Warburton Riverview Apartments, 49 North Broadway, City of Yonkers, Westchester County containing 92 low-income units. Certificate #8-264.** 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 are affordable and income-restricted at 60% of the Westchester Area Median Income ("AMI"), and that the project was being developed by L&M Development Partners, Inc., an experienced repeat borrower. Mr. Friedman noted that the MIF might be asked to wrap the Citibank letter of credit during construction and, accordingly, approval was being requested to insure the construction loan. He said that the MIF would insure the permanent loan whether or not it took construction risk. He added that the insured permanent loan amount of approximately \$109,000 per unit equals one-third of the total development cost, and the project breaks even with a 15% vacancy rate. Mr. Friedman stated that the MIF has six insured loans with L&M-controlled entities, which total \$33 million, and that MIF's total exposure to L&M will increase to \$43 million with this project.

In response to a question from Mr. Lebowitz, Mr. Friedman clarified that, under the HFA Regulatory Agreement, tax credit rents will be regulated for 30 years, even though the tax credits expire in 15 years.

In response to questions from Chairman Levy, Mr. Friedman confirmed that condominium projects built in the vicinity of the project have been successful, and added that the MIF charges HFA 25 basis points to wrap a bank letter of credit.

Mr. Lebowitz asked whether a commitment fee would be charged. Mr. Friedman responded that the MIF does not charge a commitment fee for bond deals, and added that borrowers do not break HFA commitments.

Mr. Lawlor moved to adopt the resolution; Mr. Lebowitz 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 \$14,280,000 HFA permanent first mortgage loan for the construction of Erie Harbor Apartments, located at 225-405 Mount Hope Avenue, Rochester, Monroe County containing 132 low and moderate income units. Certificate #2-110.** 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 will be an 80/20 project, with 26 low-income units available at 50% of the Rochester AMI, subject to an HFA Regulatory Agreement. He added that the remaining 75 market-rate units are not rent regulated but are affordable at approximately 81-111% of the AMI. Mr. Friedman stated that project subsidies include a \$2.8 million subordinate loan and a PILOT from the City of Rochester, \$5.9 million in Brownfield Tax Credits, and a second HFA mortgage. He added that borrower Conifer

Realty, LLC, was a successful developer of affordable and market-rate housing, that the MIF has nine insured loans with Conifer which total \$30 million, and that MIF's total exposure will increase to \$45 million with this project.

Chairman Levy inquired if this was the first MIF-insured housing project that was not 100% affordable. Mr. Friedman responded that the MIF has financed projects that are all-market rate, but market-affordable, as this project is.

Mr. Lebowitz expressed concern that the underwriting loan-to-value ratio was over 80%. Mr. Friedman responded that the project's mitigating factors include the higher than usual income-to-expense ratio and debt-service coverage, and a 7.5% cap rate which mitigate the risk associated with high loan-to-value ratio.

Ms. McGill noted that there was a substitute Resolution in the board materials which changed the HFA mortgage loan amount from \$14,270,000 to \$14,280,000.

Mr. Lebowitz moved to adopt the resolution; Mr. Lawlor 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 \$7,060,000 HFA permanent first mortgage loan for the construction of Roundtop Commons, Route 9A, Town of Cortlandt, Westchester County containing 92 low-income units. Certificate #8-262.** 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 noted that this is the first project that will comply with the terms of the federal Fair Housing Act settlement with Westchester County. He added that Westchester County has shown its support of the project by their \$8.5 million loan, and that all project units are both restricted and affordable at either 50% or 60% of the Westchester County AMI. Mr. Friedman stated that the insured loan is approximately \$77,000 per unit, which equals about 23% of the project's total development cost, that there is a high land cost of \$48,000 per unit, and that the project breaks even with a 12% vacancy rate. Mr. Friedman stated that borrower is an experienced developer of affordable and market-rate housing, and that this is the second MIF-insured loan.

In response to a question from Mr. Sweet, Mr. Friedman confirmed that the land purchase contract was an arms-length purchase by the developer from an unaffiliated independent third party, and that the expense analysis was under separate cover in the Directors' materials.

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

* **Item number 5 on the agenda was a resolution approving 100% mortgage insurance on a \$4,900,000 HFA permanent first mortgage loan for the construction of**

Spring Valley Apartments, 70-94 North Main Street, Village of Spring Valley, Rockland County, containing 54 low-income units. Certificate #8-263. 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 all units will be affordable to tenants earning up to 60% of the Rockland County AMI, but that initial rents were at levels affordable to tenants earning 48% of the AMI. He noted that the for-profit developer is CPC Resources ("CPCR"), and the loan amount is approximately \$91,000 per unit, which equals about 30% of the total development cost. He added that the project breaks even at a 12% vacancy rate with all the commercial space vacant. Mr. Friedman stated that the MIF has made seven loans to entities in which CPC is a partner of the borrower, aggregating \$244 million; however \$220 million of that amount is attributable to the Parkchester North and Parkchester South transactions which financed the substantial rehabilitation of 12,000 units. He added that, exclusive of those two loans, the MIF's exposure to CPC entities is about \$44 million.

Chairman Levy asked why this loan was from HFA, rather than CPC. Mr. Friedman responded that the MIF will not insure a CPC loan on a CPCR project.

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

* **Item number 6 on the agenda was a resolution approving 100% mortgage insurance on a \$4,180,000 HFA permanent mortgage loan for the construction of Liberty Green III Senior Housing, 3 Liberty Court, Village and Town of Warwick, Orange County containing 82 low-income units. Certificate #5-242.** 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 all units are income-restricted at 30%, 50% or 60% of the Orange County AMI, and that the loan amount is approximately \$50,000 per unit, which equals 28% of the total development cost, and the project breaks even with a 14% vacancy rate. Mr. Friedman noted that the MIF also insured Phase I, and there is no debt on Phase II. He added that the MIF has insured eight loans with experienced developer, Jonah Mandelbaum of Liberty Green III, LP, aggregating \$12 million.

In response to questions from Mr. Lebowitz concerning operating reserves and replacement reserves, staff responded that this project did not have an operating reserve. Chairman Levy noted that project managers generally structure deals so that cash flow is available for necessary repairs. Marian Zucker added that a formula was implemented in 2009 to calculate the amount of cash flow necessary to insure maintenance of project buildings. In response to a question from Mr. Sweet, Mr. Friedman confirmed that there was an HFA mechanism in place for scheduled building inspections, in addition to building reserves.

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 \$3,900,000 HFA permanent first mortgage loan for the construction of State Street Apartments, 25 State Street, Village of Ossining, Westchester County, containing 50 low-income units. Certificate #8-266.** 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 all units are income-restricted and affordable at 50% or 60% of the Westchester County AMI. He added that the loan amount is approximately \$78,000 per unit, which equals 25% of the total development cost, and the project breaks even with a 13% proforma vacancy rate. Mr. Friedman noted that the project was underwritten with residential income only because commercial viability is currently unclear. He added that this will be the third MIF-insured loan with repeat borrower Atlantic Development, controlled by Peter Fine and Marc Altheim, aggregating \$6 million.

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

* **Item number 8 on the agenda was a resolution approving 100% mortgage insurance on a \$3,300,000 HFA construction and permanent first mortgage loan for the rehabilitation of Wilcox Lane Apartments, 40 Wilcox Lane, City of Canandaigua, Ontario County, containing 118 low-income units. Certificate # 2-114.** 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 this Mitchell-Lama rehabilitation project would be subject to a Regulatory Agreement and that SONYMA would insure both HFA loans from day one, at somewhat higher than usual interest rates of 6.10%. He added that the project would have no tax credits and that all units are income-restricted at 60% of the Ontario County AMI, with the loan amount at approximately \$41,000 per unit. Mr. Friedman noted that the project has a Section 8 HAP contract for 47 of the 118 units and an IRP for six years. The loan-to-value ratio of 83% is acceptable because this is a senior project with low turnover, with the same successful management for the last 26 years, and that 22% of the debt will be amortized by the IRP within 6 years.

Chairman Levy inquired how the project would be financed. Ms. Zucker responded that this project would be packaged with another and that bonds would be sold in an Open Resolution.

In response to a question from Mr. Lebowitz, Mr. Friedman clarified that the \$1.27 million acquisition cost will pay-off the existing debt.

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

* **Item number 9 on the agenda was a resolution approving 100% mortgage insurance on a \$3,646,236 CPC permanent first mortgage loan for the rehabilitation of Kennedy Plaza Apartments – Phase II, 2 Kennedy Plaza, Utica, Oneida County, containing 88 low-income units. Certificate #7-75.** 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 noted that this phase-2 substantial rehabilitation project was a 9% tax credit project with conventional financing, while phase-1, approved by the board last month, was a 4% tax credit project with tax-exempt bond financing. He added that rents are income-restricted at 60% of the Oneida County AMI, subject to a DHCR Regulatory Agreement, and that the MIF insured loan amount of \$41,000 per unit equals approximately 25% of the project's total development cost. Mr. Friedman stated that this project has an IRP which retires one-third of the debt within the first 11 years. He added that the MIF has four insured loans with Liberty Affordable Housing, Inc. which total \$12.7 million, and that MIF's total exposure will rise to approximately \$16.3 million with this project.

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

* **Item number 10 on the agenda was a resolution approving 100% mortgage insurance on a \$3,616,000 CPC permanent first mortgage loan for the rehabilitation of 2895, 2897, 2899 and 2901 Frederick Douglas Boulevard, New York, New York County, containing 23 moderate-income units. Certificate #10-1701.** 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 noted that this substantial renovation of a now-vacant project into 23 affordable units, 5 at 100% of the New York County AMI and 18 at 130% of AMI, was before the board last month, and is being resubmitted with additional background information concerning the prior HDC construction loan and increased costs. Mr. Friedman stated that the project was originally financed with 7% HDC taxable bonds, will now be financed with new, conventional CPC/NYCERS financing at 5.9%, and that the New York City Housing Preservation and Development ("HPD") is contributing \$2 million to cover cost overruns and satisfy project liens. He added that the former general contractor and architect were replaced. Mr. Friedman stated that the MIF insured loan amount of approximately \$157,000 per unit equals approximately 43% of the project's total development cost, and the project breaks even with all the commercial space vacant or with a 14% vacancy rate in the residential units.

In response to a request from Mr. Lebowitz for additional information concerning project history, Sheldon Goldman, Vice President of MIF, explained that the City owned the vacant buildings prior to 2004; project developer, Bethany Baptist Church, owned the adjoining vacant lot and was approached by the City which offered to finance the properties if Bethany operated them. He added that the City sold the properties to Bethany in 2004, and CPC was brought in. Mr. Lebowitz expressed concerns about the developer's experience. Mr. Goldman stated that there were no problems with the developer and that project management is experienced. Mr. Friedman added that the MIF was only going to insure the

permanent loan when the building was fully occupied, and that MIF would therefore have no construction risk.

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

* **Item number 11 on the agenda was a resolution approving 100% mortgage insurance on a \$3,600,000 Citibank permanent mortgage loan for the construction of 490 Lefferts Avenue, Brooklyn, Kings County, containing 32 moderate-income units. Certificate #10-1709.** 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 this was the first HPD/Housing Asset Renewal Program ("HARP") project which the MIF would insure. He added that under the program, HPD will provide subsidy of up to \$75,000 per unit in order to encourage owners to convert failed for-sale projects into affordable rentals. He added that half the units of this project are reserved for tenants earning up to 80% of the Kings County AMI, with the other half reserved for tenants earning up to 130% of the AMI, noting that the 130% AMI-eligibility units are actually affordable at 92% and 95% of the AMI. Mr. Friedman stated that the MIF insured loan amount of approximately \$112,500 per unit equals approximately 50% of the total development cost, and the project breaks even at a 17% vacancy rate, with HARP subsidy at about 33% of project cost and developer equity at approximately 16.5% of project cost.

In response to a question from Mr. Sweet, Mr. Goldman clarified that this project was going to be constructed on vacant land which was sold by the former developer to the borrower in an arms-length transaction.

In response to a question from Mr. Lebowitz concerning long-term affordability, Mr. Friedman stated that the project has a 30-year HPD Regulatory Agreement which requires that future rents remain at existing AMI levels, and that existing tenants can remain even if their incomes exceed AMI levels which were in place at initial occupancy.

In response to a question from Mr. Sweet, Mr. Goldman confirmed that the project manager was experienced with low-income housing and tax credits.

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

* **Item number 12 on the agenda was a resolution approving 100% mortgage insurance on on a \$3,000,000 Citibank permanent first mortgage loan for the rehabilitation of 1512-1524 Leland Avenue; 1528 Bryant Avenue; 2254 Crotona Avenue and 806-08 East 175th Street, Bronx County, containing 154 low-income units. Certificate #10-1710.** 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 this was a 9% tax credit deal with a \$5.5 subordinate loan from HPD with the development entity controlled by OMNI. He added that the insured loan amount is about \$19,000 per unit which equals about 10% of the project's total development cost.

Chairman Levy asked if project owner, OMNI New York, LLC, would be making a requested presentation to the MIF which would encompass scope of the company, financial status, experience and property management issues, because OMNI is the MIF's largest financial exposure. Mr. Friedman noted that this project will bring total exposure to OMNI to \$80 million, and that an HDC application for \$18.5 million loan will bring exposure to OMNI to almost \$100 million in December.

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

* **Item number 13 on the agenda was a resolution approving 100% mortgage insurance on a \$2,900,000 Citibank permanent first mortgage loan for the rehabilitation of 621-623 and 625-627 Manida Street, 1269 Morris Avenue and 1271 Morris Avenue, Bronx County, containing 136 low-income units. Certificate #10-1711.** 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 this was also an OMNI-controlled 9% tax credit project, with income-restricted units at 50% or 60% of the Bronx County AMI, and that the MIF insured loan amount of \$21,000 per unit equals approximately 12% of the project's total development cost. He added that there would be no construction risk.

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

* **Item number 14 on the agenda was a resolution approving 100% mortgage insurance on a \$2,260,000 JPMorgan Chase permanent first mortgage for the construction of Highbridge Terrace, 220 West 167th Street, Bronx County, containing 65 low-income units. Certificate #10-1712.** 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 this would be a conventional 9% tax credits deal with a \$4,100,000 subordinate loan from HPD City Capital Funds, with income-restricted units at 50% or 60% of the Bronx County AMI. He added that the MIF-insured loan amount of \$34,769 per unit equals approximately 12% of the project's total development cost, and that the project breaks even with a 12% vacancy rate. Mr. Friedman stated that the MIF has insured three other loans with developer Martin Dunn of Dunn Development Corp., aggregating \$6.2 million.

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

* **Item number 15 on the agenda was for Discussion only.**

Chairman Levy asked if there were any issues to report. Mr. Friedman responded that the three Dormitory Authority of the State of New York ("DASNY") loans to Housing Works are now current.

Mr. Friedman reported that the mortgage tax surcharge collections declined to \$5 million in September from \$6 million in August, returning to the July level.

There being no unfinished business, Ms. Rogatz moved to adjourn; Mr. Lebowitz seconded the motion; and the meeting was adjourned at 1:48 P.M.

M. Lauren McGill
M. Lauren McGill
Secretary