MINUTES OF THE REGULAR MEETING OF THE MORTGAGE INSURANCE COMMITTEE OF THE STATE OF NEW YORK MORTGAGE AGENCY HELD ON DECEMBER 9, 2010 AT 10:36 A.M. AT ITS OFFICES AT 641 LEXINGTON AVENUE NEW YORK, NEW YORK 10022

DIRECTORS AND DESIGNEES

PRESENT:

Judd S. Levy	Chairman
Naomi Bayer	Director
Brian Lawlor	Director
David J. Sweet	Director

ABSENT:

Don Lebowitz	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 October 28, 2010.** 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 $23,590,000 HDC permanent mortgage loan for the rehabilitation of 13 scattered-site projects, located in Brooklyn, Bronx, Staten Island and Manhattan containing 14,465 low-income units. Certificate #10-1717.** Michael Friedman, Senior Vice President and Director of the Mortgage Insurance Fund (MIF), introduced representatives from the New York City Housing Development Corp. (HDC), Joan Tally and Simon Bacchus, to provide an overview of the general structure of this complex preservation transaction. Ms. Tally thanked the MIC members and SONYMA directors for being great partners to HDC in its affordable housing efforts. She highlighted certain information contained in the materials provided to the Directors in connection with this item, which materials are incorporated herein by reference. She noted that this mixed-

finance transaction enables the federalization of a total of 20,139 New York City Housing Authority (NYCHA) units in 21 projects by leveraging $200 million in tax credit equity to access capital funds available under the American Recovery and Reinvestment Act of 2009 to fund the renovation and reserves, and to secure long-term federal support for NYCHA projects. She said that HDC was requesting mortgage insurance from the MIF on the tax credit portfolio of 13 properties with tax credit eligible tenants, adding that $55 million in operating reserves would be set aside. Ms. Tally added that the insured loan amount is approximately $6000 per unit; that all the project-based Section 8 HAP contracts will be assigned to HDC; and that the Section 8 income will be used to pay debt service on the $23,590,000 permanent loan.

In response to questions from Chairman Levy, Mr. Friedman confirmed that the Section 8 revenue was sufficient to cover debt service and not the only revenue, and that the transaction between HDC and NYCHA was structured to first pay debt service from the $25 million project-based Section 8 HAP income, and not from the NOI. He added that the MIF was providing only 50% insurance, rather than 100% insurance, in order to limit its liability in light of continued reduction in mortgage recording tax revenues and corresponding decrease in MIF capacity.

Mr. Sweet expressed concerns about possible foreclosures. Ms. Tally responded that the transaction was set up with substantial reserves of $55 million, partially from tax credit equity to further mitigate the possibility of an unwieldy foreclosure. Mr. Friedman added that HDC will take an assignment of the HAP contracts which yield approximately $25 million per year in revenue against $1.7 million in debt service. He said that the MIC was underwriting the transaction as a credit deal rather than as a real estate deal, and that foreclosure was highly unlikely. Mr. Bacchus noted that there was $70 million in total operating reserves and reiterated that this was a solid financial transaction. Mr. Lawlor commended all the city and state agencies involved for joining forces to provide bond cap for this complex project that will positively impact New York City.

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

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Chairman Levy next introduced a discussion of standards by which the MIC monitors MIF exposure to any one borrower or developer. He stated that while this is a question of general concern for the MIF, the principals of Omni New York (Omni) were present to address the specific questions of exposure to Omni before the MIC considered Item Number 3 on the Agenda. Ms. Bayer questioned whether there should be a maximum exposure limit. Mr. Friedman noted that the asset management units of HFA and HDC annually review their project portfolios for compliance, including review of financial statements, so that there is ongoing monitoring of borrowers. Addressing the exposure to Omni, he said that, including the Good Neighbor Apartments project, the MIF's total exposure to Omni will be approximately $100 million out of the MIF's $2.6 billion total exposure, making it the single largest entity exposure. He noted that HFA and SONYMA staff met with Omni and examined a number of items including its track record since it began doing business in 2004, the number of projects in its portfolio, the dollar amount of construction completed to date, and the dollar amount of construction anticipated for 2011. He added that Citibank, which provided credit enhancement on 10 Omni deals, has reported that all their deals with Omni have been completed on time and on budget, and continue to perform satisfactorily. Mr. Friedman noted that to date, exclusive of today's agenda item, Omni has a portfolio of 29 projects.

Eugene Schneur, a principal of Omni, introduced fellow principals, Mo Vaughn and Robert Bennett, for a discussion of the history and background of Omni. Mr. Schneur highlighted certain information contained in materials he provided to the Directors. He said that to date, the partnership has closed on 29 transactions containing approximately 5100 units; and that after the Good Neighbor Apartments transaction closes by year end, the partnership will have closed on 30 transactions totaling 5400 units, at a total transaction size of about $750 million since its inception in December 2004. Noting the company's rapid growth, Mr. Schneur spoke about the various units within the organization and current staff size. He said that Wavecrest Management was previously used to manage Omni projects, but after Omni had acquired about 2000 units, it began to manage its own projects and regards itself as a full-service real estate company which also includes a maintenance company and a security company. He noted that because Omni has acquired troubled projects, it uses extensive security cameras at and surrounding its properties, the footage of which is often resourced by NYPD.

In response to questions from Chairman Levy, Mr. Schneur explained that although Omni does not generate a financial statement, each Omni affiliate has balance sheets and tax returns. In response to questions from Ms. Bayer, Mr. Schneur explained that Omni has corporate completion guarantees tied to the properties for which Omni, Mill Plain Properties LLC and Alliant, its tax syndicator, are responsible. He described most Omni projects as being either project-based Section 8 or 236 acquisition rehabilitations of troubled properties, 98% of which are Section 8, and that all units are tax credit units. In response to questions from Chairman Levy, Mr. Schneur responded that Omni does business in New York, Massachusetts and Wyoming; and that in the next five years, Omni plans to continue its expansion into other major cities and tax credit markets. Noting Omni's unique and successful niche, Chairman Levy asked Mr. Schneur what made Omni better than others at what they do. Mr. Schneur described the hands-on approach by the partners and personnel who frequently visit a project site, meetings with the tenants concerning quality of life issues, and Omni's emphasis on safety issues.

Due to the MIF's existing exposure to Omni, and Omni's goal to continue its growth, Chairman Levy suggested that the agencies examine the possibility of a co-insurance program with HFA. He noted that the agencies and Omni should grow together; but that, given the high exposure, an increased level of asset management and oversight should be developed. The Committee expressed its appreciation of its association with Omni and requested enhanced reporting by Omni on all their properties which will reveal how Omni is performing in other states.

Chairman Levy moved to adjourn the meeting so that the Committee members could attend the National Housing Conference luncheon; Mr. Lawlor seconded the motion; and the meeting was adjourned at 11:50 a.m. The meeting reconvened at 3:07 p.m.

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* **Item number 3 on the agenda was a resolution recommending the approval of 50% mortgage insurance on a $18,430,000 HDC permanent mortgage loan for the rehabilitation of Good Neighbor Apartments, 114-132 East 104th Street, Manhattan, New York County containing 118 low-income units. Certificate #10-1714.** 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 covered by a project-based Section 8 contract which expires in 2015; extending the contract is a condition precedent to mortgage insurance effectiveness. Mr. Friedman stated that the insured loan is approximately $156,000 per unit, which equals about 65% of the project's total development cost. He noted that the loan-to-value ratio is 78%, and the MIF is providing top loss 50% insurance on this loan. He added that Omni is the developer of the project, and that this project will bring the MIF's total exposure to Omni to $100 million which is just under 4% of the MIF's total exposure.

In response to questions from Chairman Levy, Mr. Friedman confirmed that the MIF was providing $9 million mortgage insurance, that hard costs for repairs to the property are about $3 million, and that most of the loan amount is a function of the acquisition cost for a moderate rehab in this arms-length transaction.

Ms. Bayer asked why the MIF is issuing 50% mortgage insurance to HDC and not to HFA or other lenders. Mr. Friedman responded that HDC's resolution has a rating separate from the enhancement on individual credits, so this does not impair the rating of their resolution. He added that because the MIF covers the top 50%, HDC will pay a premium based on the loan amount, not the insured amount. Chairman Levy noted that the MIF has changed its exposure, not the premium income, thereby enhancing the MIF's capacity.

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

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* **Item number 4 on the agenda was a resolution approving 50% mortgage insurance on a $9,480,000 HDC permanent mortgage loan for the rehabilitation of Mother Zion Houses, 2640 Frederick Douglas Boulevard, Manhattan, New York County, containing 76 low-income units. Certificate #10-1716.** 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 covered by a project-based HUD Section 8 HAP contract for a 20-year term, and that the project is being acquired by an entity controlled by Abyssinian Development Corporation. He noted that the Resolution A Loan subsidy amount is $1,680,000. He stated that the loan amount is approximately $125,000 per unit which equals about 45% of the project's total development cost.

In response to a question from Mr. Sweet, Mr. Friedman confirmed that the MIF was waiting for the results of additional due diligence on Prestige Management Inc., the proposed project manager, currently being conducted with HPD. He stated that final approval of Prestige would be subject to review by the President/CEO of SONYMA.

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

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* **Item number 5 on the agenda was a resolution approving 100% mortgage insurance on a $6,050,000 Low Income Investment Fund permanent mortgage loan for the construction of Sugar Hill Houses, 404-414 West 515th Street, Manhattan, New York County containing 124 low and moderate-income units. Certificate #10-1721.** 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 is a heavily-subsidized project with 80% of the units set aside for families with incomes at or below 60% of the AMI, and 20% of the units at or below 80% of AMI, pursuant to an HPD Regulatory Agreement. He noted that the not-for-profit borrower has experience operating supportive housing, and that some of the units will be reserved for formerly homeless families. Mr. Friedman said that the loan amount is $49,000 per unit which is 13% of the project's total development cost, adding that this is an expensive mixed-use development project with a total development cost of $380,000 per unit. He noted that there would be a $535,000 operating deficit reserve.

In response to questions from Mr. Sweet, Mr. Friedman confirmed that the MIF was insuring only the residential unit, which is one of five units in this mixed-use project to be developed under a condominium structure.

Chairman Levy recused himself. Ms. Bayer moved to adopt the resolution; Mr. Lawlor seconded the motion, and the resolution was adopted.

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* **Item number 6 on the agenda was a resolution approving 100% mortgage insurance on a $3,000,000 Bank of America permanent loan for the construction of Richmond Hill Senior Apartments, 127-03 Jamaica Avenue, Richmond Hill, Queens County containing 65 low-income units. Certificate #10-1722.** 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-based Section 8 HAP contract will cover only eight units, and that the insured loan amount is $46,000 per unit which is 15% of the project's total development cost of $312,000 per unit. He noted that this low-income senior project will be managed by a subsidiary of The Arker Companies.

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

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* **Item number 7 on the agenda was a resolution approving 100% mortgage insurance on a $5,400,000 CPC permanent mortgage loan for the construction of 32 Burling Lane, New Rochelle Westchester County, containing 30 units. Certificate #8-267.** 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 this this loan will be sold to the New York State Common Retirement Fund. Mr. Friedman stated that the project will receive a HOME Grant from the City of New Rochelle and be subject to a Regulatory Agreement requiring that three of the 30 units be set aside for families with incomes at 80% of the New Rochelle AMI. He added that there were no tax credits.

Marge Rogatz, SONYMA Director, noted that only 10% of the project units would be set aside as affordable units. Following discussion, the Committee members asked Agency staff to request more affordable units in this project, and requested more information about the project. The Committee suggested adopting a formal policy whereby 20% affordability would be required, absent compelling reasons for a lower percentage such as a project's location. Pending receipt of additional information, this item was tabled until the next meeting.

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* **Item number 8 on the agenda was a resolution approving an amendment to increased mortgage insurance on a $6,809,664 CPC permanent mortgage loan for the rehabilitation of 652-660 Southern Boulevard, 1037 and 1047 Avenue St. John, Bronx County. Certificate #10-1681.** 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 the proposed amendment to increase MIF mortgage insurance was due to a $1.3 million increase in overall development costs which necessitated the increase in the CPC mortgage loan. He said that the project involves a substantial rehabilitation of vacant property on Southern Boulevard and an occupied property on Avenue St. John.

Chairman Levy asked if the project was now complete, noting the high amount of the increase in development costs, and whether there could be future requests to increase this project's insurance. Ms. Bayer asked for clarification as to what precipitated the need for such a high increase in financing and insurance. Mr. Friedman confirmed that the project was not yet complete, and that the requested increase in mortgage insurance was due to underestimation of the scope of construction work.

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

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

Chairman Levy asked if there were any issues to report. Mr. Friedman reported that the mortgage tax surcharge collections remained level at approximately $5.5 million per month.

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There being no unfinished business, Ms. Bayer moved to adjourn; Mr. Lawlor seconded the motion; and the meeting was adjourned at 3:30 p.m.

M. Lauren McGill

M. Lauren McGill
Secretary