

**MINUTES OF THE
REGULAR MEETING OF THE
MORTGAGE INSURANCE COMMITTEE OF THE
STATE OF NEW YORK MORTGAGE AGENCY
HELD ON JANUARY 27, 2011, AT 2:05 P.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022**

DIRECTORS AND DESIGNEES

PRESENT:

Judd S. Levy	Chairman
Brian E. 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. Karen A. Philips, Director of the State of New York Mortgage Agency ("SONYMA"), attended the meeting as a guest. Marge Rogatz, Director of SONYMA, attended the meeting as a guest via telephone conference.

Chairman Levy noted that Mr. Lawlor would join the meeting later and appointed Ms. Philips as a member of the Mortgage Insurance Committee for the duration of the meeting. Chairman Levy announced that, in the absence of Michael Friedman, Sheldon Goldman, Vice President, would present the Agenda items to the Committee.

* **Item number 1 on the agenda was the presentation of the minutes of the meeting of the Mortgage Insurance Committee ("MIC") held on December 9, 2010.** 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 100% mortgage insurance on a \$16,293,692 CPC permanent mortgage loan**

for the rehabilitation of South Bronx Community Management Housing Portfolio located on scattered sites throughout the South Bronx, containing 732 units subject to HPD regulation. Certificate #10-1728. Mr. Goldman 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 loan would be issued by The Community Preservation Corporation ("CPC") and will include a portfolio of multi-family properties owned by South Bronx Community Management ("SBCM"). As background, Mr. Goldman stated that in the 1990's, the New York City Department of Housing Preservation and Development ("HPD") transferred the project properties to SBCM which managed them very poorly. He said that HPD then brought in Lemle & Wolff to manage the properties and inserted Lemle & Wolff into the project ownership. He added that Lemle & Wolff is a reputable firm. Mr. Goldman stated that the project was a moderate rehabilitation.

In response to a question from Chairman Levy, Mr. Goldman stated that SBCM will function as a silent partner while Lemle & Wolff will control the management of the properties. In response to questions from Mr. Sweet, Mr. Goldman and Ms. McGill confirmed that before insurance becomes effective, the borrower's organizational documents will be approved by the Mortgage Insurance Fund ("MIF"). Chairman Levy requested that the Resolution include the requirement that project documentation be subject to MIF approval and establish Lemle and Wolff's control of the project.

In response to a question from Mr. Sweet, Mr. Goldman stated that the 8% management fee was reasonable and was justified because the scattered-site properties were difficult to manage.

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

* **Item number 3 on the agenda was a resolution recommending the approval of 100% mortgage insurance on an \$11,200,000 CPC permanent mortgage loan for the conversion of Lafayette Hotel Apartments, 391 Washington Street, Buffalo, Erie County, containing 115 affordable units. Certificate #1-102.** Mr. Goldman 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 significant mixed-use development project which will help downtown Buffalo maintain its economic viability. He noted that SONYMA will insure only the residential portion of the development, and that the commercial portion will be funded separately. Mr. Goldman stated that the project will receive federal and state historic credits, and the Erie County Industrial Development Agency ("IDA") has granted a 25-year PILOT. He added that the City is to provide free parking spaces for the project.

In response to questions from Chairman Levy, Mr. Goldman confirmed that there are no income restrictions on the project because the project will receive historic tax credits rather than low-income housing tax credits. Mr. Goldman added that 90% occupancy must be achieved before mortgage insurance becomes effective.

In response to questions from Mr. Sweet, Mr. Goldman stated that occupancy in the commercial portion of the project, which includes the hotel and retail space, will not affect the residential portion of the premises which has separate expenses and utilities.

Chairman Levy noted that this project is part of a community development plan for downtown Buffalo and has strong local support.

Mr. Lebowitz questioned whether the project will pay a fee of 50 basis points or the higher 1% fee. In response to a question from Ms. Willig, Mr. Goldman confirmed that the underwriting analysis was at 50 basis points. Chairman Levy stated that there will be three levels of government support for this project which will help to rejuvenate downtown Buffalo. He noted that the City will forego property taxes for 25 years, the state will forego income taxes through the historic tax credits, and the federal government will forego revenue at the federal level thru historic tax credits, all of which fulfills public policy criteria. He added that the MIF, through the lower fee, should facilitate this. Ms. Rogatz stated that this was the type of project that the Agencies and the MIF seek to support. Chairman Levy suggested that staff develop more detailed standards to establish applicable fees.

Mr. Sweet moved to adopt the resolution; Mr. Lebowitz 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 mortgage loan for the rehabilitation of Abbey Manor Apartments, 4029 Long Beach Road, Island Park, Nassau County, containing 50 OHM supportive housing and low-income units. Certificate #9-73.** Mr. Goldman 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 previously operated as an adult home and was purchased by the proposed operator, PSCH, Inc., which will convert the project to a residential, supportive housing facility to be funded by the New York State Office of Mental Health ("OMH"). He stated that the facility will house monitored, independent adults with treated psychiatric disorders. He added that the project's acquisition cost was high and this will be a substantial gut rehabilitation to meet the requirements of supportive housing.

In response to a question from Mr. Lebowitz, Mr. Goldman stated that the facility will maintain a common eating area, in addition to limited cooking appliances in each unit.

Mr. Lebowitz expressed concerns about the high project costs and MIF recovery in the event of a default on the mortgage loan. Mr. Goldman responded that the loan was being underwritten on the basis of the OMH contract, rather than value of the real estate. OMH has a public policy obligation to provide housing for qualified individuals. Ms. Willig added that SONYMA and the SONYMA Board discussed OMH supportive housing transactions in the past and were satisfied that there were sufficient layers of protection in place to assure that OMH, as a state entity, would honor its obligations.

As additional diligence, Chairman Levy suggested that prior to the next MIC meeting, a schedule be prepared of every deal that the Agencies have with OMH, the average cost per unit, the average loan per unit, and any other relevant information, and the extent of exposure to OMH in the MIF portfolio should be addressed. Mr. Sweet requested that additional information be obtained which explains the tax credit reasons for the stand-still agreements.

A Community Preservation Corporation ("CPC") representative addressed the Committee to explain how certain items drive OMH supportive housing project costs, such as special institutional finishes and requirements, and the overlay of tax credits.

This item was deferred pending receipt of additional information concerning the OMH supportive housing transactions.

Chairman Levy noted that Mr. Lawlor had joined the meeting during discussion of this item.

* **Item number 5 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 affordable units. Certificate #8-267.** Mr. Goldman 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 December 2010, this project was presented to the Committee as a 90% market-rate/10% affordable housing project, which met the minimum standards of the City of New Rochelle; and at that time, the Committee expressed its desire for a minimum of 20% affordable housing units in keeping with previous Agency projects. Mr. Goldman stated that after discussions with the lender, the borrower and the City of New Rochelle, three additional affordable housing units were added to make the project eligible for MIF mortgage insurance.

In response to a question from Chairman Levy, Mr. Goldman confirmed that the mortgage insurance premium, as a 20% affordable project, would be adjusted from a 1% premium to 50 basis points premium.

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

* **Item number 6 on the agenda was a resolution approving 100% mortgage insurance on a \$2,332,000 JPMorgan Chase permanent mortgage loan for the construction of Hillcrest Commons, Route 52, Town of Carmel, Putnam County, containing 76 low-income units for seniors. Certificate #5-246.** Mr. Goldman 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 was a heavily-subsidized project with a well-known developer, and will be built in two phases on 80 acres. He added that after the Town of Carmel approved the project, the developer realized it did not require the entire 80 acres, which resulted in the Town's additional

requirement that the unused land remain in perpetuity as undeveloped land. Mr. Goldman stated that the high 83% loan-to-value ratio is acceptable to the MIF because the project is a low-income housing tax credit project for seniors, which creates greater incentive for the borrower to maintain ownership of the project.

Mr. Lawlor noted that the project was approved by the Housing Trust Fund at its last meeting, and that efforts are being made to approve a project simultaneously across all the Agencies.

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 an increase in mortgage amount from \$6,175,000 to \$6,970,000 on an HDC loan for Beacon Towers Cooperative, 21 West 138th Street, New York, New York County containing 73 cooperative units. Certificate #10-1384.** Mr. Goldman 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 project was approved by the MIC in June 2006, but the market-rate units became difficult to sell as the New York City housing market changed and the project did not convert. He stated that in 2008, the loan was increased to \$6,175,000. Mr. Goldman said that 75% of the units have been sold, and the New York City Housing Development Corp. ("HDC") has requested that a \$6,970,000 permanent mortgage loan be placed on the project. He noted that 4 market units have been reconfigured to income-restricted units.

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

* **Item number 8 on the agenda was for Information only.**

Chairman Levy asked if there were any issues to report. Chairman Levy reported that the November and December mortgage tax surcharge collections levels rose slightly for the first time in 27 months.

There being no unfinished business, Mr. Lebowitz moved to adjourn; Mr. Lawlor seconded the motion; and the meeting was adjourned at 3:20 P.M.


M. Lauren McGill
Secretary