

**MINUTES OF THE
REGULAR MEETING OF THE
MORTGAGE INSURANCE COMMITTEE OF THE
STATE OF NEW YORK MORTGAGE AGENCY
HELD ON JUNE 14, 2011 AT 11:34 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 State of New York Mortgage Agency (“SONYMA”), attended and chaired the meeting; M. Lauren McGill, Vice President and Counsel to the Mortgage Insurance Fund, acted as Secretary. Steven J. Weiss, newly-appointed Member of New York State Housing Finance Agency (“HFA”), 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 April 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 approving 100% mortgage insurance on a \$5,060,000 HFA permanent first mortgage loan for the construction of CAMBA Gardens, 690-738 Albany Avenue, Brooklyn, Kings County, containing 209 low-income and special needs units. Certificate #10-1742.** 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 supportive housing project comprises 100% insurance on a 30-year HFA first mortgage for the construction of 207 low-income units, including 146 units for individuals with mental illnesses and substance abuse disorders and 61 units for tax credit eligible households. He stated that the project will also receive a project-based Section 8 HAP contract for 125 of the units, the receipt of which is a

condition precedent to effectiveness of the Mortgage Insurance Fund (“MIF”) insurance. He added that approximately 20 units will receive subsidy pursuant to a contract with the New York City Department of Health and Mental Hygiene. Mr. Friedman stated that the loan amount for this project is \$24,000 per unit which equals only 8% of the project’s total development cost of \$320,500 per unit. Mr. Friedman stated that this was a heavily-subsidized project which also includes \$24,591,170 in federal low-income housing tax credits. Mr. Friedman stated that the development entity is controlled by Church Avenue Merchants Block Association (“CAMBA”), an experienced provider of mental health services; and the project will be managed by WinnResidential LLC, an experienced manager of low-income housing nationwide.

In response to a question from Mr. Sweet regarding the ground lease, Mr. Friedman stated that the project is being developed on the campus of Kings County Hospital, and will be subject to a 99-year ground lease with the Health and Hospitals Corporation.

In response to a question from Mr. Sweet regarding New York City funding for supportive services, Mr. Friedman confirmed that the funds originate with New York State, but noted that the project is subject to a contract between the borrower and the New York City Department of Health and Mental Hygiene, and that the failure of the State to pay the City would not negate the City’s obligation to uphold its contract with the borrower. Ms. Bayer stated that this project had a capital grant and a different structure from other projects, and therefore, did not have the risk of state annual appropriation to pay debt service.

In response to a question from Mr. Lebowitz regarding ground rent, Sheldon Goldman confirmed that there was a one-time payment of \$2.3 million which is treated like acquisition cost.

Ms. Bayer recused herself from voting on this item.

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

* **Item number 3 on the agenda was a resolution approving 100% mortgage insurance on a \$3,250,000 CPC permanent first mortgage loan for the conversion of 13 South Fitzhugh Street, Rochester, Monroe County, containing 21 affordable units. Certificate #2-118.** 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 30-year Community Preservation Corporation (“CPC”) first mortgage loan will be sold to the New York State Common Retirement Fund. He stated that this project is a rehabilitation and conversion of a vacant building listed on the National Register of Historic Places and is supported by the City of Rochester, as is evidenced by the \$800,000 Restore grant and the 485-a real estate tax exemption. He stated that the project had 6,000 square feet of commercial space, in addition to 21 residential loft apartments. Mr. Friedman said there were no income restrictions on the units, although all units are affordable to prospective

tenants with incomes between 116% and 128% of the Rochester Area Median Income ("AMI"). He stated that the loan amount is \$155,000 per unit which equals 56% of the project's total development cost. He stated that because the rents are high, the MIF underwrote the project with a 7% vacancy rate and a 1.10:1 required income-to-expense ratio. He added that on a pro-forma basis, the project will break even with no income from the commercial space, and that if the commercial space was rented, the project would break even with a 14% reduction in residential rents.

In response to a question from Mr. Sweet, Mr. Friedman said that both residential and commercial rents are included in the rent achievement calculation, but noted that, if the developer leased commercial space from the project, the MIF would not give credit for commercial rents paid by the developer regardless of whether the developer occupied or sublet the space. Mr. Goldman stated that the MIF only credits commercial rents for space occupied by unrelated tenants.

In response to a question from Mr. Lebowitz, Mr. Friedman stated that the project's insurance premium was 50 basis points.

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

* **Item number 4 on the agenda was a resolution approving 100% mortgage insurance on a \$2,200,000 CPC permanent first mortgage loan for the construction of Creek Wood Apartments, 918 Mill Street, Watertown, Jefferson County, containing 96 affordable to low-income units. Certificate #7-78.** 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 30-year Community Preservation Corporation ("CPC") first mortgage loan will be sold to the New York State Common Retirement Fund. He stated that this heavily-subsidized project, located about 12 miles south of Fort Drum, is for the site acquisition and construction of 14 buildings which will provide 96 housing units, 72 of which will be low-income housing and 24 will be market rate. Mr. Friedman stated that project subsidies include approximately \$12 million in 9% federal low-income tax credits. He stated that the loan amount is \$21,000 per unit which equals 11% of the project's total development cost. He added that there will be accelerated amortization on the mortgage to take advantage of the PILOT, so that after 10 years, the loan will be paid down from \$2.2 million to \$1.5 million. Mr. Friedman stated that, because of the high tenant turn-over of military personnel, the MIF underwrote the project with a 7% vacancy rate rather than 5%, and that the project actually breaks even with a pro-forma vacancy rate of 15%.

Mr. Lebowitz asked if the income will be adequate to maintain the same ratios after the 10-year 485-e real estate tax exemption expires. Mr. Friedman responded that it would, and that the debt service will go down about \$10,000 per month.

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

* **Item number 5 on the agenda was a resolution approving 100% mortgage insurance on a \$3,153,000 Citibank permanent first mortgage loan for the construction of Belmont Gardens, 680 South Conduit Boulevard (a/k/a 628 Eldert Lane), Brooklyn, Kings County, containing 64 low-income units. Certificate # 10-1744.** 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 30-year Citibank N.A. first mortgage loan will be sold to the New York City Employees' Retirement System. He stated that this all low-income housing tax credits project is for the construction of a building which will provide 64 low-income housing units, of which 8 units will receive a project-based Section 8 HAP contract. He stated that the development entity is equally controlled by East Brooklyn Housing Development Corp. and Jackson Belmont LLC. He stated that the insured loan amount is \$49,000 per unit which equals 19% of the project's total development cost of \$261,000 per unit. Mr. Friedman stated that this heavily-subsidized project will receive \$13,094,400 from 9% federal low income housing tax credits and 420-c real estate tax benefits.

In response to a question from Mr. Sweet, Mr. Friedman stated that Citibank had not required a cross-default or cross-collateralization of the construction and permanent loans for this project and for Parkside Court, Item 6 on the Agenda. He noted that while the development entities for the projects are similar, they are not identical.

In response to a question from Mr. Lebowitz, Mr. Friedman stated that there was no precedent for the MIF to independently require cross-collateralization or cross-default of projects with similar or related development entities. He noted that the two projects underwrite separately and do not depend upon the other to meet the MIF's underwriting criteria. Ms. Bayer noted that each project receives independent review by the tax credit allocating agencies and receives separate allocations of low-income housing tax credits.

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

* **Item number 6 on the agenda was a resolution approving 100% mortgage insurance on a \$3,025,000 Citibank permanent first mortgage loan for the construction of Parkside Court, 642 Eldert Lane, Brooklyn, Kings County, containing 64 low-income units. Certificate #10-1745.** 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 30-year Citibank N.A. first mortgage loan will be sold to the New York City Employees' Retirement System. He stated that this project is for the construction of a building which will provide 64 low-income housing units, of which 8 units will

receive a project-based Section 8 HAP contract. Mr. Friedman stated that this heavily-subsidized project will receive \$13,094,400 from 9% federal low income housing tax credits in addition to \$1,059,996 from state low-income tax credits and 420-c real estate tax benefits. He stated that the development entity is equally controlled by East Brooklyn Housing Development Corp. and Joy Parkside LLC. He stated that the insured loan amount is \$47,000 per unit which equals 17% of the project's total development cost.

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

* **Item number 7 on the agenda was was for Information only.**

Vice Chairperson Phillips asked if there were any issues to report. Mr. Friedman stated that the April mortgage tax surcharge collections levels rose to about \$7 million, noting that month-to-month fluctuation in levels seem to remain between \$5.5 to \$7 million. He added that since November 2010, collections for each month were higher compared to collections for the same month in the preceding year.

Mr. Friedman stated that, at the April MIC meeting, in response to a question from Mr. Sweet, he stated that the MIF's total exposure to projects funded by the New York State Office of Mental Health ("OMH") was in excess of \$100 million. Mr. Friedman noted that the MIF actually has \$95 million of commitments on OMH-funded projects and an additional \$55 million of policies in force, for total exposure to OMH of almost \$150 million. He stated that Michael Newman of OMH will attend the next MIC meeting in July.

Mr. Friedman stated that three CPC projects with Cornerstone Homes, which were in default in April, have all cured, adding that CPC will make a future presentation to the MIC.

There being no unfinished business, Mr. Lebowitz moved to adjourn; Mr. Sweet seconded the motion; and the meeting was adjourned at 1:35 P.M.



M. Lauren McGill
Secretary