



NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

TO: The Chairperson and Members

FROM: Eric Enderlin

DATE: November 19, 2019

SUBJECT: Approval of a Loan for Bridgeview III

The Corporation seeks the Members approval to provide funds in an amount not to exceed \$15,000,000 to make a loan to stabilize the development known as Bridgeview III, a 171-unit Mitchell-Lama property in the Astoria section of Queens, which is currently in the Corporation's portfolio. The New York City's Department of Housing Preservation and Development ("HPD") may seek to invoke its statutory regulatory authority, described below, to take over operations of Bridgeview III's housing company because of the property's failing condition and the current partnership's inability to move forward with a sale of the building. The funds will help restore this project to physical and financial health.

Background

Bridgeview III was previously financed with a senior HDC mortgage loan with an original principal amount of \$1,950,950 and a subordinate HPD mortgage loan with an original principal balance of \$3,845,400. The senior loan was fully satisfied in November 2017. The Corporation holds a 100% participation interest in the subordinate loan which has an outstanding principal balance of \$3,845,400 and deferred interest balance of \$10,515,702.43. The Bridgeview III housing company is not currently making debt service payments.

In 2015, the owners of the Bridgeview III housing company engaged a consultant and issued a request for proposals to solicit a new owner. A transaction to transfer the ownership and management of the property has not been able to proceed because of ongoing litigation brought by an individual with purported economic interest in the housing company. Consequently, Bridgeview III has continued to fall into an increasing state of disrepair and has been unable to pay its bills, including debt service on its existing loan. Additionally, the building is in need of approximately \$7.5 million of repairs to stabilize the property, including repairs to the façade, a new boiler, new windows, and new elevators. The Corporation believes that a change in ownership is incumbent to make sure that Bridgeview III is properly managed and continues as a resource for affordable housing.

To facilitate stabilizing the property, upon a possible HPD takeover of the housing company, the Members are asked to approve the Corporation to make a supplemental loan and/or make advances under the existing loan to finance the needed repairs and satisfy payables in excess of \$5 million. Additionally, it is expected that HDC and the housing company, acting through HPD's authority, will enter into a regulatory agreement that will maintain future affordability at Bridgeview III.

For more information on the Bridgeview III development, please see Attachment "1".

HPD's Statutory Regulatory Authority

Pursuant to the provisions of Article II of the New York State Private Housing Finance Law ("Article II"), a due process hearing must be held regarding an HPD action to take over a Mitchell Lama development's board of directors. The provisions of Article II permit HPD, the supervising agency, to take over the operations of a Mitchell Lama development by replacing the board of directors of the housing company because of a violation of Section 32(6) of the Private Housing Finance Law (including violations of the mortgage and the regulations promulgated by HPD). HPD is then able to collect rents and use these funds to pay a project's operating expenses, including debt service. The proceedings under Article II are administrative in nature.

Action by Members

The Members are requested to approve the use of the Corporation's unrestricted reserves to originate one or more loans and/or fund an existing loan in an amount not to exceed \$15,000,000 for the Bridgeview III development, and the execution by an Authorized Officer of the Corporation of mortgage related documents and any other documents necessary to accomplish such financings.

Attachment "1"

**Bridgeview III
Queens, New York**

Project Location: 8-10 27th Avenue

HDC Program: Mitchell-Lama Reinvestment Program

Project Description: The project is a 171-unit (inclusive of one superintendent units) Mitchell-Lama Rental in Queens. All of the units are governed by Mitchell-Lama income restrictions for rentals; incoming residents must have household incomes at or below 125% AMI.

Total Rental Units: 170 (plus one superintendent unit)

Apartment Distribution:

<u>Unit Size</u>	<u>No. of Units</u>
Studio	7
1 bedroom	67
2 bedroom	73
<u>3 bedroom</u>	<u>24</u>
Total Units*	171

*Total Units are inclusive of one superintendent unit

Expected HDC Permanent Financing Amount: \$12,640,000

Expected Total Development Cost: \$12,640,000

Current Owner: Bridgeview III LLP whose members are Estate of Peter Perpignano, Estate of Anita Otton, Lillian Eisenberg and the Estate of Leonard Eisenberg.

After an approved HPD takeover, HPD would control the Housing Company.

Managing Agent: T.U.C. Management, Inc.