




NEW YORK CITY  
HOUSING DEVELOPMENT  
CORPORATION

## MEMORANDUM

**To:** The Chairperson and Members

**From:** Eric Enderlin   
President

**Date:** March 22, 2018

**Re:** Multi-Family Housing Revenue Bonds, 2018 Series A, B and C; Approval of Mortgage Loans

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I am pleased to recommend that the Members approve the issuance of the Corporation's Multi-Family Housing Revenue Bonds, 2018 Series A, 2018 Series B-1, 2018 Series B-2 and 2018 Series C (the "2018 Series A Bonds," "2018 Series B-1 Bonds," "2018 Series B-2 Bonds," and "2018 Series C Bonds" respectively, and collectively, the "Bonds") in an amount not expected to exceed \$265,000,000 to finance the construction, acquisition, rehabilitation and/or permanent financing of certain projects and other activities as described herein.

Interest on the 2018 Series A Bonds and 2018 Series C Bonds is expected to be exempt from Federal, state and local income tax, and such bonds and obligations will qualify as tax-exempt private activity bonds ("Private Activity Bonds") with an allocation of "recycled" volume cap in accordance with the Housing and Economic Recovery Act of 2008 ("HERA") and the refunding of certain outstanding bonds of the Corporation. Interest on the 2018 Series B-1 Bonds and 2018 Series B-2 Bonds (together, the "2018 Series B Bonds") is not expected to be exempt from Federal income tax, but is expected to be exempt from state and local income tax. The anticipated interest rate, maturity date and other relevant terms of the Bonds are described herein.

It is anticipated that the proceeds of the 2018 Series B Bonds will be used to purchase a 100% participation interest in various mortgage loans with an aggregate outstanding principal amount of approximately \$702.7 million (as of January 31, 2018), originated and owned by The City of New York, acting by and through the Department of Housing Preservation and Development (the "City"), and to provide funds in furtherance of the Housing New York plan. The Members are being asked to approve an interest rate hedge to manage the risk from increases in variable interest rates on the 2018 Series B-2 Bonds. The Members are further being asked to approve the use of the Corporation's general obligation pledge to satisfy rating agency reserve requirements for the 2018 Series B Bonds in an amount not expected to exceed \$9,000,000, or such greater amount as may be required by the rating agencies. **The transaction is expected to yield at least a total of \$100,000,000 for the City and between approximately \$40,000,000 to \$70,000,000 to the Corporation to further the Housing New York plan.**

The Members are further being asked to authorize the use of available funds of the Open Resolution, in an amount not to exceed \$28,360,000, to finance the rehabilitation of three developments.

An Authorizing Resolution will authorize the 261st through 264th Supplemental Resolutions.

Following are descriptions of the Open Resolution, three (3) mortgage loans to be financed, the proposed uses of the Bonds and the structure and security of the Bonds.

### Background and Status of the Open Resolution

Under the Open Resolution, the Corporation has issued bonds (a) to finance or acquire mortgage loans for multi-family rental and cooperative housing developments throughout New York City, (b) to refund other bond issues of the Corporation, which had financed other multi-family developments, and (c) to acquire a 100% interest in City-owned mortgages. As of January 31, 2018, there were 920 mortgage loans (770 permanent loans and 150 construction loans) held under the Open Resolution with a total outstanding principal balance of approximately \$5,906,540,214 including \$4,105,182,114 in permanent loans and \$1,801,358,100 in construction loans. These mortgage loans, together with funds in the Bond Proceeds Account and Debt Service Reserve Account, totaled \$7,561,136,510 as of January 31, 2018. There are no material monetary defaults on any of the mortgage loans other than temporary financial difficulties with respect to certain developments which are in the process of being cured and one construction delay described below relating to the 810 River development. As of January 31, 2018, there were \$6,184,290,000 of Open Resolution bonds outstanding, not including bonds issued under the Federal New Issue Bond Program (NIBP) and bonds issued under the 2017 Pass-Through Resolution.

### Financing Preservation Loans

The Corporation expects to use available funds of the Open Resolution, generated in part with the financing authorized by Members on September 19, 2017, in an amount not to exceed \$28,360,000, for the restructuring, financing or reimbursement of the loans described in the chart below.

Development Name (Borough/Units)	Project Type	Loan	Not Expected to Exceed Amount
Bethany Place (Manhattan/23)	NEWHOP	Senior Loan	\$4,380,000
Adee Towers*** (Bronx/293)	Mitchell-Lama Reinvestment Program*	Senior Loan	6,400,000
		Subordinate Loan	785,000
Franklin Plaza (Manhattan/1,624)	Mitchell-Lama Reinvestment Program*	Senior Loan	16,795,000**
<b>TOTAL SENIOR LOAN AMOUNT:</b>			<b>\$27,575,000</b>
<b>TOTAL SUBORDINATE LOAN AMOUNT:</b>			<b>\$785,000</b>

\* Formerly the Mitchell-Lama Restructuring Program.

\*\* As part of its restructuring, the senior loan for the Franklin Plaza development will have a total outstanding indebtedness in an amount not expected to exceed \$50,527,000.

\*\*\* This development is not currently in the Corporation's portfolio as further described in Risks and Mitigation below.

Bethany Place was originally financed by the Corporation through a construction loan funded from Corporation’s Multi-Family Housing Revenue Bonds, 2004 Series C-2. The development experienced significant construction delays and in 2010 the Community Preservation Corporation (“CPC”) agreed to refinance the loan provided there was a commitment from the Corporation to provide permanent financing at project completion. In 2017, the sponsor completed construction and the project was fully stabilized.

The Bethany Place development also expects to receive additional subordinate financing from the Corporation’s unrestricted reserves in an amount not expected to exceed \$580,000, which together with the existing subordinate loan, will equal a total outstanding indebtedness in an amount not expected to exceed \$1,305,000.

All three developments are also expected to receive a restructured subordinate mortgage loan pursuant to one or more Purchase and Sale Agreements with the City of New York.

The portion of the Open Resolution Bonds associated with the two Mitchell-Lama Reinvestment Loans is expected to be designated Mitchell-Lama Restructuring Bonds.

For more information on the developments, please see Attachment “1 – 3.”

**Proposed Uses for the 2018 Series A Bond Proceeds**

It is anticipated that a portion of the proceeds of the 2018 Series A Bonds, in an amount not expected to exceed \$39,080,000 will be used to finance or to reimburse the Corporation for amounts previously advanced from its unrestricted reserves to finance, all or a portion of one (1) senior mortgage loan for one (1) development and nine (9) subordinate loans for nine (9) developments. The Members have previously approved the making of senior and subordinate loans for all of the developments described in the chart below. The Members are now being asked to approve the use of the 2018 Series A Bond proceeds for the financing of, or reimbursement for, the loans described in the chart below.

<b>Development Name (Borough/Number of units)</b>	<b>Project Type</b>	<b>Loan</b>	<b>Loan Amount*</b>
Bedford Arms (Brooklyn/94)	Mixed- Middle Income (M2)	Senior Loan	\$14,570,000
Harlem Dowling (Manhattan/58)	LAMP	Subordinate Loan	3,900,000
655 Morris Avenue (Bronx/176)	LAMP	Subordinate Loan	11,440,000
Williamsburg Bridgeview	ELLA	Subordinate Loan	3,445,000

Apartments (Brooklyn/55)			
3160 Park Avenue 1 A (Bronx/95)	LAMP	Subordinate Loan	11,203,760
Van Dyke I (Brooklyn/101)	ELLA	Subordinate Loan	12,525,000
Summit Ridge Apartments (Bronx/58)	LAMP	Subordinate Loan	3,770,000
The Henry Apartments (Brooklyn/134)	LAMP	Subordinate Loan	8,710,000
Greenpoint Landing Site F2 (Brooklyn/103)	ELLA	Subordinate Loan	6,695,000
Strivers Plaza (Manhattan/54)	New HOP	Subordinate Loan	3,510,000
Total			\$79,768,760*

\* The total par amount of mortgage loans represents the total loan amount for each Development as previously approved by Members to be funded with the Corporation's unrestricted reserves; however, only a portion of each subordinate loan is expected to be financed with 2018 Series A Bonds and the total principal amount of the 2018 Series A Bonds is not expected to exceed \$39,080,000.

It is anticipated that the remaining proceeds of the 2018 Series A Bonds, in an amount not expected to exceed \$15,920,000, will be used to refund all or a portion of the 2014 Series C-1-A Bonds and 2014 Series C-1-B Bonds issued under the Open Resolution in connection with the restructuring of all or a portion of the senior and subordinate loans for the Mixed Income Project known as 810 River with 134 units located in the Bronx, as originally approved by Members on June 10, 2014. The 810 River development has experienced significant construction delays which have ultimately led to the borrower's failure to generate the equity necessary to timely make a loan prepayment. The Corporation is working with the Borrower to extend the date of the required loan prepayment, reduce the amount of the required loan prepayment and increase the permanent loan amount. The construction letter of credit provided by Capital One, National Association for the 810 River development has already been extended to December 31, 2018.

#### **Proposed Uses for the 2018 Series B Bond Proceeds**

The Corporation expects to use a portion of the proceeds of the 2018 Series B Bonds to purchase from the City a 100% participation interest in approximately 321 multifamily mortgage loans ("2018 Series B Participant Interest"), and provide funds to the Corporation for use in furtherance of its commitment to the Housing New York Plan. The Corporation plans to use the

funds raised from the securitization to continue its affordable housing mission principally through the making of subordinate loans.

In addition, a portion of the 2018 Series B Bond proceeds, together with other available funds, will be used to purchase an interest rate hedge and pay other costs of issuance.

#### 2018 Series B Participant Interest

The 2018 Series B Participant Interest is expected to include approximately 321 underlying mortgage loans with an approximate outstanding principal balance of \$702.7 million as of January 31, 2018 originated by the City under the Article 8A Program, Participation Loan Program (“PLP”), Third Party Transfer Program (“TPT”), Low Income/Mixed Income Rental Program (“LIRP/MIRP”), Cornerstone Program, Multifamily Initiative Program and the HUD Multifamily Program. Almost all of the underlying mortgage loans are permanent mortgage loans<sup>1</sup> with a subordinate lien position. All of the underlying mortgage loans are current in payment or less than three (3) months in arrears. The underlying mortgage loans are currently either serviced by the Corporation, the City or the Community Preservation Corporation (“CPC”). The Corporation anticipates that it will assume servicing of all the underlying mortgage loans currently serviced by the City, except for the Article 8A Loans that are still being advanced. Once these loans are fully advanced, the Corporation expects to assume servicing of the loans.

For more information on the underlying mortgage loan pool of the 2018 Series B Participant Interest, please see Attachment “4”.

#### Interest Rate Hedge for 2018 Series B-2 Bonds

The Corporation expects to issue the 2018 Series B-2 Bonds as LIBOR-indexed variable rate bonds, as further described below. The Corporation expects that the 2018 Series B-2 Bonds will be purchased by the Federal Home Loan Bank of New York (the “FHLBNY”) and have a ceiling rate anticipated to be 7.5%. To further protect against interest rate volatility, the Corporation expects to enter into a LIBOR-indexed interest rate hedge such as an interest rate cap, an interest rate collar or an interest rate swap from a qualified interest rate provider pursuant to the hedge policy approved by the Members on April 10, 2014 (the “Hedge Policy”) and with advice from its Hedge Advisor. An interest rate collar involves the simultaneous purchase of an interest rate cap and sale of an interest rate floor so that the interest rate risk to the Corporation can be limited to a certain interest rate band. The notional amount of the interest rate hedge is expected to be \$100,000,000; however, the Members are asked to authorize a not-to-exceed notional amount of \$130,000,000, to allow the flexibility to make adjustments based on the market conditions and the final amount of the 2018 Series B-2 Bonds. The interest rate hedge is anticipated to amortize along with the anticipated bond schedule for the entire term of the 2018 Series B-2 Bonds.

The Members are asked to authorize a not-to-exceed cost of \$8,000,000 for an interest rate hedge to allow the flexibility to make the hedging decision based on the market conditions and the final amount of the 2018 Series B-2 Bonds. The cost of an interest rate cap for a notional

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<sup>1</sup> Approximately ten (10) Article 8A Loans have automatically converted to permanent loans and have started amortizing but loan proceeds are still being advanced.

amount of \$100,000,000 with a strike rate of 4% is anticipated to be approximately \$6,150,000. The cost of an interest rate collar will likely be the most cost effective, and depending on market conditions, could be structured as a zero-cost collar with a strike rate of 4% and a floor rate of 2.25%. If the Corporation chooses to enter into a LIBOR-indexed interest rate swap, the swap rate for the 2018 Series B-2 Bonds assuming a weighted average life of approximately 18 years and a cancellable option exercisable on or after 15 years is anticipated to be set at an approximate rate of 3.3%. These rates or costs are based on the current market rates as of March 20, 2018 and are subject to change.

### **Proposed Uses for the 2018 Series C Bond Proceeds**

It is anticipated that the 2018 Series C Bonds will be issued as a convertible option bond (“COB”) to preserve tax-exempt “recycled” volume cap in excess of the amounts currently needed by the Corporation.

The Members are asked to authorize a not-to-exceed amount of \$30,000,000 for the 2018 Series C Bonds. If issued, the proceeds of the 2018 Series C Bonds are expected to provide construction and permanent financing for the new construction or acquisition and rehabilitation of certain developments, all of which are listed on Attachment 5 or which were previously approved by the Members, and which will reserve a minimum of 20% of the units for households earning no more than 50% of the Area Median Income (“AMI”) or 25% of the units for households earning no more than 60% of the AMI. The mortgage loans for these developments are expected to close in 2018 at which point the 2018 Series C Bonds will be refunded or remarketed to match the terms of the applicable mortgage loans.

Most of the developments listed will not be funded from the 2018 Series C Bond proceeds but all will be eligible for such financing.

### **Structure of the Bonds**

The Bonds are expected to be issued in the modes described below, however, the Authorizing Resolution relating to the Bonds will provide that a senior officer of the Corporation may determine to combine supplemental resolutions or issue the Bonds in multiple issuances pursuant to the same resolution as long as the total amount of Bonds issued does not exceed \$265,000,000. The Corporation expects to designate the 2018 Series A and B Bonds as Sustainable Neighborhood Bonds.

#### **A. 2018 Series A Bonds**

It is anticipated that the 2018 Series A Bonds, in an amount not expected to exceed \$55,000,000, will be issued as tax-exempt bonds in an initial Fixed-Rate Term with convertible options as further described below, to finance the 2018 Series A mortgage loans or to refund certain Open Resolution bonds.

It is anticipated that the 2018 Series A Bonds will have an approximate maximum maturity of November 1, 2047, and may be converted to other interest rate modes such as an Index Rate, a Term Rate, or into another Fixed Rate prior to maturity, to effectuate economic savings via a remarketing. A portion of the 2018 Series A Bonds may be structured with a short-term maturity for the 810 River development. The Members are asked to authorize a not-to-exceed interest rate of 15% for the 2018 Series A Bonds; however, it is expected that the 2018 Series A Bonds will have an interest rate that does not exceed 5.00% during the initial Fixed Rate mode.

#### **B. 2018 Series B Bonds**

The 2018 Series B Bonds are expected to be issued in an amount not expected to exceed \$180,000,000.

The 2018 Series B-1 Bonds are expected to be issued on a fixed-rate basis. The Members are asked to authorize a not-to-exceed true interest cost of 15.0% for the 2018 Series B-1 Bonds; however, it is expected that the 2018 Series B-1 Bonds will have a true interest cost that does not exceed 5.00%. The 2018 Series B-1 Bonds are expected to have an approximate final maturity of November 1, 2028.

The 2018 Series B-2 Bonds are expected to be issued as variable rate index bonds purchased by the FHLBNY with an approximate final maturity of November 1, 2047. The Members are asked to authorize a not-to-exceed interest rate of 15% for the 2018 Series B-2 Bonds; however, it is expected that the interest rate on the 2018 Series B-2 Bonds will not exceed 7.5%. FHLBNY will have the right to give notice on a quarterly basis to put the 2018 Series B-2 Bonds back to the Corporation effective twelve (12) months after such notice. The right to put is only available after an initial twelve (12) month period. If the Corporation cannot repay the principal remaining on the 2018 Series B-2 Bonds put then the Corporation will repay FHLBNY the principal amount over a period, anticipated to be five (5) years, from excess cash in the Open Resolution.

## 2018 Series B Structuring Assumptions

The principal amount and maturities of the 2018 Series B Bonds have been structured based on the projected cash flows of the underlying mortgage loans of the 2018 Series B Participant Interest using conservative payment assumptions based on the type of subsidy, the servicer of the mortgage loan, and in the case of certain underlying mortgage loans, the amount of municipal liens. The Corporation also assumed there are no prepayments, deeply discounted balloon payments made within 10 years from the 2018 Series B financing, and no balloon payments made after 10 years from the 2018 Series B financing.

In addition, the existing cash flow of the 2014 Series B Participant Interest is expected to support the cash flow of the 2018 Series B Bonds once the 2014 Series B Bonds are retired or treated as retired under the Participation Agreement. This will re-leverage the surplus cash flows from the 2014 Series B Participation Interest without incurring the associated transaction costs.

To the extent the cash flow of the 2018 Series B Participant Interest is greater than the debt service on the 2018 Series B Bonds and applicable fees including the Corporation's credit enhancement fee, the excess revenue may be applied to redeem an equal amount of the 2018 Series B Bonds or, pursuant to a cash flow statement, be used for other permitted uses under the Open Resolution, which include acquiring mortgage loans of the Corporation and redeeming bonds other than the 2018 Series B Bonds. Such acquired mortgage loans will provide security for the outstanding 2018 Series B Bonds. Any excess revenue that is used to acquire a new mortgage loan or redeem bonds other than the 2018 Series B Bonds instead of redeeming 2018 Series B Bonds will be accounted for pursuant to the terms of the Participation Agreement on a semi-annual basis after debt service and applicable fees are paid.

When the 2018 Series B Bonds are redeemed, or an accounting of such excess revenue indicates that all of the 2018 Series B Bonds would have been redeemed had all excess revenue been used to retire such bonds, the underlying mortgage loans from the 2018 Series B Participant Interest, and from the 2014 Series B Participant Interest, if any, will be returned to the City. If the 2018 Series B and/or 2014 Series B Participant Interest are returned to the City before all of the 2018 Series B Bonds are retired, the additional mortgage loans acquired will provide security for any outstanding 2018 Series B Bonds.

The Corporation believes it is using a reasonable and prudent structuring approach. The valuation applied to the scheduled payments of the underlying mortgage loans has been established based on the overall historical programmatic performance of each type of loan, adjusted individually by special conditions such as outstanding municipal liens. The prepayment risk is generally low due to the predominance of subordinate loans and affordability regulations, and is further reduced because the 2018 Series B Bonds can be redeemed with the use of any mortgage prepayments. Lastly, limiting the use of balloon payments is prudent because the City and the Corporation tend to refinance balloons to extend the affordability. This approach also allows the City to monetize balloon payments in a subsequent financing if the portfolio performs better than projected.



Use of the Corporation's General Obligation to Meet the Debt Service Reserve Account Requirement for the 2018 Series B Bonds

The rating agencies are expected to require a Debt Service Reserve Account for the 2018 Series B Bonds in an amount equal to 5% of the outstanding 2018 Series B Bonds. In order to avoid using cash or issuing additional bonds to fund the reserve requirement for the 2018 Series B Bonds, the Corporation expects to use its general obligation to satisfy the Debt Service Reserve Account for the 2018 Series B Bonds. This is the same approach employed in connection with the issuance of the Open Resolution bonds for the previous loan securitization for the City in 2002 and 2003 as well as the subsequent refundings in 2006 and 2014. Based on a not-to-exceed amount of \$180,000,000 for the 2018 Series B Bonds, the amount of the Corporation's general obligation pledged is not expected to exceed \$9,000,000.

**C. 2018 Series C Bonds**

The 2018 Series C Bonds are expected to be issued as a "recycled" private activity volume cap COB.

The 2018 Series C Bonds are expected to be issued in an amount not expected to exceed \$30,000,000.

The 2018 Series C Bonds are expected to be issued as variable rate obligations initially in the Term Rate mode. The 2018 Series C Bonds will have an approximate final maturity of November 1, 2048. In the Term Rate mode, interest is reset at specific intervals. The first Term Rate Term will begin on the date of issuance and run through approximately June 29, 2018. The Members are asked to authorize a not-to-exceed interest rate of 15% for the 2018 Series C Bonds; however, it is expected that the interest rate on the 2018 Series C Bonds will not exceed 2.0% during the first Term Rate Term.

The Corporation may direct that all or a portion of the 2018 Series C Bonds be converted from time to time to another interest rate mode (including to a fixed rate to maturity) at any time approximately from March 1, 2018 to and including June 29, 2018 and thereafter in accordance with any new term rate term.

The 2018 Series C Bonds or applicable portion thereof shall be subject to mandatory tender for purchase on any date on which such Bonds or such portion are to be converted to a different interest rate mode and on the last day of any Term Rate Term. It is expected that when mortgage loans are ready to close, a portion of such Bonds will be subject to mandatory tender and either converted to another interest rate mode or refunded for the financing of the applicable project. In order to utilize the recycling authorization in HERA, the Corporation must issue refunding bonds prior to the redemption of the 2018 Series C Bonds, or remarket into a long-term structure through a mandatory tender, from prepayment proceeds. The Corporation will be obligated to pay the purchase price of those Bonds that are subject to mandatory tender for purchase and are not remarketed. No liquidity facility has been obtained to fund such obligation. However, the unexpended proceeds are expected to be

available to pay the purchase price of any 2018 Series C Bonds that are subject to mandatory tender for purchase and are not remarketed. To provide assurances to the Bondholders that sufficient monies will be available to fund the purchase price for the 2018 Series C Bonds, the Corporation may covenant to maintain unencumbered cash or cash equivalents (U.S. Treasury Notes, STRIPS or Agencies) under the Open Resolution available to pay the purchase price of all un-remarketed 2018 Series C Bonds.

### **Security for Bonds**

The Bonds will be issued on a parity basis with all outstanding previous series of bonds issued under the Open Resolution from July 1993 to date. As a result, the Bonds will be secured on a parity basis with all the collateral currently held under the Open Resolution. As of January 31, 2018, that collateral consisted of the following:

TYPE OF COLLATERAL	# OF LOANS	AMOUNT	% OF TOTAL
FHA Insured Mortgage Loans	18	\$93,913,314	1.24%
Fannie Mae/Freddie Mac Insured Mortgage Loans	36	688,880,504	9.11%
GNMA Insured Mortgages	2	19,053,774	0.25%
SONYMA Insured Mortgages	52	550,976,093	7.29%
REMIC Partially Insured Mortgages	188	1,093,141,584	14.46%
LOC Insured Mortgages	11	55,984,966	0.74%
Uninsured Permanent Mortgages	312	1,474,178,903	19.50%
Uninsured 2014 Series B Mortgages	151	129,052,976	1.71%
Partially Funded Construction Loans Secured by LOC	85	1,330,758,048	17.60%
Partially Funded Construction Loans Not Secured by LOC	65	470,600,052	6.22%
Sub-Total	920	5,906,540,214	78.12%
Undisbursed Funds in Bond Proceeds Account <sup>[1]</sup>		1,531,265,568	20.25%
Debt Service Reserve Account <sup>[2]</sup>		123,330,727	1.63%
Total*	920	7,561,136,510	100.00%

\* May not add due to rounding

<sup>[1]</sup> Undisbursed Funds in Bond Proceeds Accounts are monies held by the Trustee for construction financing of projects under the Open Resolution.

<sup>[2]</sup> Includes a payment obligation of \$4,845,000 of the Corporation which constitutes a general obligation.

## **Risks and Risk Mitigation**

### **Preservation Loans**

The primary risk to the Corporation related to the Adee and Franklin Plaza rehabilitation loans funded with available funds of the Open Resolution is the borrowers' potential inability to complete the rehabilitation or pay interest and principal, when applicable, on the loans during the rehabilitation period. The Corporation's staff believes this risk is mitigated through a comprehensive structure dictating the types of projects to be financed without a letter of credit, strict underwriting and the ongoing monitoring of the developments during the rehabilitation period. The developments include occupied buildings with limited scopes of work. The related project budget includes complete capitalized interest reserves and construction retainage. The Corporation's staff will review scopes of work and bids and the general contractor is required to have a letter of credit or a payment and performance bond. The Corporation's Asset Management staff will assume construction monitoring and servicing responsibilities.

The primary risk associated with the loans funded with available funds of the Open Resolution during the permanent financing period is repayment risk from the borrower. The risk of default on the preservation loans is partially mitigated by the Corporation's use of mortgage insurance policies provided by the New York City Residential Mortgage Insurance Corporation ("REMIC") or the State of New York Mortgage Agency ("SONYMA"). Risk is also mitigated through conservative underwriting incorporating low loan-to-value and substantial debt service coverage and income to expense ratios.

The first phase of rehabilitation for the Franklin Plaza development has been completed. The Corporation's staff believes that the Corporation's risks are further limited due to the borrowers' record in operating and managing the project or projects similar in size and complexity.

The Adee development will be new to the Corporation's loan portfolio. The Corporation's Asset Management staff has visited the buildings in the development and found them to be in satisfactory condition. The Adee development is an occupied project with a limited scope of work, and is currently in HPD's loan portfolio. The Corporation's staff believes that the Corporation's risks are further limited due to the borrowers' record in operating and managing the project or projects similar in size and complexity.

The Corporation's Asset Management staff has visited the Bethany Place buildings and found them to be in satisfactory condition. Despite the prior delays, the project is now stabilized and the Corporation's risk is further mitigated through the borrower's retention of an experienced managing agent that has successfully operated other developments in the Corporation's portfolio and is in good standing with HDC Asset Management.

### **2018 Series A Bonds**

The primary risk to the Corporation related to the financing of the Bedford Arms project funded with 2018 Series A Bond proceeds during the period the development is under construction is the potential failure of the commercial bank to honor its obligation to pay the Corporation under the construction letter of credit (an "LOC") in an event of a default by a borrower.

The construction loan for the 810 River development is currently experiencing construction

delays that have led to a monetary default; however, as described above the Corporation is working with the Borrower to extend the date of the required loan prepayment. Any extension of the 810 River development loan prepayment date will be made in consultation with the bank providing the LOC, which can be drawn on to cover the amount of the prepayment. The primary risk to the Corporation during the period the development is under construction is the potential failure of the commercial bank to honor its obligation to pay the Corporation under the LOC.

The ratings of the bank are monitored by the Corporation's Credit Risk department and the Corporation's documents require replacement of an LOC or a confirmatory letter of credit if the bank's ratings fall below a long-term rating of A from Standard & Poor's Ratings Services ("S&P") and a long-term and short-term rating of A2/P-1 from Moody's Investors Service ("Moody's").

In addition, the 810 River and Bedford Arms mortgage loans will be secured by a mortgage insurance policy provided by New York City Residential Mortgage Insurance Corporation ("REMIC") during the permanent period.

The primary risk to the Corporation related to the 2018 Series A Bonds financing subordinate loans is repayment risk from the borrowers. This risk is mitigated through conservative underwriting incorporating low loan-to-value and substantial debt service coverage and income to expense ratios.

### **2018 Series B Bonds**

The primary risk to the Corporation related to the 2018 Series B Bonds is the failure of mortgagors of the underlying mortgage loans to continue to make payments. This risk is greatly reduced by the comprehensive and diligent pool selection process, of which the most relevant criterion in ensuring scheduled payments is to include only loans with good payment history and current in payment or three (3) months or less in arrears as of January 31, 2018. The conservative cash flow assumptions used to structure the 2018 Series B Bonds (See "2018 Series B Structuring Assumptions") further mitigate the risk of a cash flow shortfall.

Furthermore, the Participation Agreement will permit the Corporation to direct certain remedies regarding the underlying mortgage loans of the 2018 Series B Participant Interest. In addition, if there is a breach of a representation or warranty given by the City or CPC with respect to an underlying mortgage loan that has defaulted, or, if such breach prevents the Corporation from realizing on the security provided by such mortgage loan, the City is expected to agree to correct such breach, repurchase such mortgage loan or substitute mortgages of equal value.

### **Pledge of Corporation's General Obligation**

With respect to funding the Debt Service Reserve Account Requirement for the 2018 Series B Bonds, the Corporation's staff believes that it is extremely unlikely that the Corporation's general obligation will ever be called upon given the conservative and prudent structuring approach, as well as the strength of the Open Resolution. The Corporation's obligation will also decrease with the amortization of the 2018 Series B Bonds.

### **2018 Series C Bonds**

The primary risk associated with the 2018 Series C Bonds is that the mortgage loan closings may not be able to take place. The Corporation believes that it has sufficiently mitigated this risk. The projects that are anticipated to close with funding from the proceeds of the 2018 Series C

Bonds have been reviewed by Corporation staff, and are expected to be taken through the underwriting process, obtain credit enhancement and to satisfy all other matters relating to closing preparation. In addition, projects totaling at least \$7,000,000,000 in projected development costs were or will be publicly noticed pursuant to Federal tax rules and may be financed using the tax exempt bond proceeds issued by the Corporation in the event that replacement project(s) would be necessary.

Furthermore, the Corporation has the option to remarket the 2018 Series C Bonds at the end of their initial term into subsequent term rate terms.

### **Deposits and Fees**

The Bethany Place borrower will be charged a commitment fee of .75%. With respect to the two Mitchell-Lama developments to be financed with the available funds of the Open Resolution, the Corporation is expected to waive its up-front commitment fee and subsidize a portion of costs of issuance, including the fees of the underwriter, bond counsel, rating agencies and the trustee plus any additional funds that are required to compensate the Corporation for its management of the Bonds or to reimburse the Corporation for certain costs incurred during the construction of the project. The Corporation is expected to earn a credit enhancement fee on Franklin Plaza anticipated to be 1.15% on the first construction mortgage loan amount.

As with other Open Resolution transactions completed by the Corporation, the Corporation will charge each borrower an annual servicing fee of at least 0.20% on the outstanding principal balance of each first permanent mortgage loan or other applicable fees.

The Corporation expects to earn a credit enhancement fee anticipated to be 1.25% on the outstanding 2018 Series B Bonds per annum.

## **Ratings**

The 2018 Series A Bonds are expected to be rated AA+ by S&P and Aa2 by Moody's.

The 2018 Series B-1 Bonds are expected to be rated AA+ by S&P and Aa2 by Moody's.

The 2018 Series B-2 Bonds are expected to be rated AA+/NR by S&P and Aa2 by Moody's.

The 2018 Series C Bonds are expected to be rated A-1+ by S&P and Aa2/VMIG1 by Moody's.

## **Underwriters**

It is anticipated that the Bonds will be underwritten or directly placed by one or more of the following:

Wells Fargo Securities *(Expected Bookrunning Senior Manager for 2018 Series A)*  
Citigroup Global Markets Inc. *(Expected Bookrunning Senior Manager for 2018 Series B)*  
J. P. Morgan Securities LLC *(Expected Senior Manager/Remarketing Agent for 2018 Series C and Co-Senior Manager for 2017 Series A)*  
Bank of America Merrill Lynch *(Expected Co-Senior Manager for 2018 Series A)*  
Barclays Capital Inc. *(Expected Co-Senior Manager for 2018 Series B)*  
Raymond James *(Expected Co-Senior Manager for 2018 Series B-1)*  
Siebert Cisneros Shank & Co. *(Expected Co-Senior Manager for 2018 Series A)*  
Stern Brothers & Co. *(Expected Co-Senior Manager for 2018 Series B-2)*

Academy Securities Inc.  
Morgan Stanley  
Roosevelt & Cross Incorporated  
TD Securities  
UBS Securities

## **Underwriters' Counsel**

Orrick, Herrington & Sutcliffe LLP

## **Bond Trustee and Tender Agent**

Bank of New York Mellon

## **Bond Counsel**

Hawkins Delafield & Wood LLP

### **Action by the Members**

The Members are requested to approve an authorizing resolution that provides for (i) the adoption of Supplemental Resolutions to the Open Resolution providing for the issuance of the Bonds; (ii) the distribution of preliminary and final Official Statement(s) for the Bonds; (iii) the execution of bond purchase agreement(s) or direct placement agreement(s) with the Underwriter(s) of the Bonds or a direct purchaser of any or all of the Bonds; (iv) the use of the Corporation's unrestricted reserves to fund costs of issuance, capitalized interest and mortgage reserves for Bonds, as may be required; (v) the use of a "Cash Equivalent" (under the Open Resolution), in the form of the Debt Service Reserve Account Funding Agreement, to satisfy the Debt Service Reserve Account requirement with respect to the Bonds; (vi) the execution by the President or any authorized officer of the Corporation of any and all documents necessary to issue the Bonds including any Participation Agreement or amendment to an existing Participation Agreement with the City of New York; (vii) the execution by the President or any authorized officer of the Corporation to purchase any interest rate exchange agreements, interest rate cap agreements or similar agreements and related documents; and (viii) the pledge to the Open Resolution of any mortgage loans of the Corporation to replace mortgage loans funded with taxable bond proceeds that have prepaid.

The Members are requested to authorize i) the use of the Corporation's general obligation as a "Cash Equivalent" (under the Open Resolution) in an amount not expected to exceed \$9,000,000, or such greater amount as may be required by the rating agencies, in the form of the Debt Service Reserve Account Funding Agreement, and ii) the execution by the President or any authorized officer of the Corporation of any and all documents necessary to enter into the Debt Service Reserve Account Funding Agreement.

The Members are requested to approve the making of three preservation loans, from available funds of the Open Resolution, in an amount not to exceed \$28,360,000, and the execution by an Authorized Officer of the Corporation of mortgage-related documents and any other documents necessary to accomplish the financing.

The Members are requested to approve the making of an additional subordinate loan for the Bethany Place development from the Corporation's unrestricted reserves in an amount not expected to exceed \$580,000 which together with the existing subordinate loan will have a total outstanding indebtedness in an amount not expected to exceed \$1,305,000, and the execution by an Authorized Officer of the Corporation of mortgage-related documents and any other documents necessary to accomplish the amended subordinate financing.

The Members are requested to approve entering into one or more Purchase and Sale Agreements with the City of New York relating to the Mitchell-Lama Reinvestment Program developments.

Attachment "1"

**Bethany Place  
New York, New York**

**Project Location:** 2895 Frederick Douglas Boulevard  
New York, New York 10039

**HDC Program:** NEWHOP/Preservation

**Project Description:** The project is a 23 unit NEWHOP Rental in Manhattan. All of the units are governed by an HDC regulatory agreement with 5 units rented to household incomes at or below 100% AMI and 18 units rented to household incomes at or below 130% AMI.

**Total Units:** 23

**Apartment Distribution:**

<u>Unit Size</u>	<u>No. of Units</u>
2 bedroom	10
3 bedroom	13
Total Units	23

**Expected HDC Permanent Financing Amount:** \$3,980,000

**Expected HDC Second Mortgage:** \$525,000

**Expected Restructured HDC Subordinate Mortgage:** \$2,000,000

**Expected Total Development Cost:** \$10,514,679

**Owner:** Bethany II Housing Development Fund Company, Inc.

**Developer:** Bethany Baptist Church Board: Rev. Quinton Chad Foster (Pastor)  
Deacon Steven Robinson (Chairman), Darren Richburg (Chairman),  
Deacon Richard Hargrove (Vice Chairman), Harold Bonilla (Vice  
Chairman), Kitty Rembert (Chairperson of Finance), Betty Causwell  
(Finance Secretary), Rose Jones (Assistant Financial Secretary)

**Investor Limited Partner:** N/A

**Credit Enhancer:** REMIC



**Attachment "2"**

**Adee Towers  
Bronx, New York**

**Project Location:** 3000 Bronx Park East  
Bronx, New York 10467

**HDC Program:** Mitchell-Lama Reinvestment Program

**Project Description:** The project is a 293 unit (inclusive of one superintendent unit) Mitchell-Lama Cooperative in the Bronx. All of the units are governed by Mitchell-Lama income restrictions for Co-ops; incoming residents must have household incomes at or below 125% AMI.

**Total Units:** 292 (plus 1 superintendent unit)

**Apartment Distribution:**

<u>Unit Size</u>	<u>No. of Units</u>
1 bedroom	96
2 bedroom	137
3 bedroom	60
Total Units*	293

\* Total Units are inclusive of one superintendent unit

**Expected HDC Construction Financing Amount:** \$5,815,000

**Expected HDC Permanent Financing Amount:** \$5,815,000

**Expected HDC Second Mortgage:** \$710,000

**Expected Restructured HDC Subordinate Mortgage:** \$923,415

**Expected Total Development Cost:** \$11,767,592

**Owner:** Adee Towers Apartments, Inc.

**Developer:** Adee Towers Board: John Morales (President), Wigberto Norat, (Vice President), Louis Caruso (Secretary), Enrico Gabbola (Treasurer), Mona Agress (Director), Janet Huertas (Director), Michael AINETTE (Director), Ivan Borrás (Director)

**Investor Limited Partner:** N/A

**Credit Enhancer:** REMIC (expected at Permanent)

**Attachment "3"**

**Franklin Plaza  
New York, New York**

**Project Location:** 2085 Second Avenue  
New York, New York 10029

**HDC Program:** Mitchell-Lama Reinvestment Program

**Project Description:** The project is a 1,634 unit (inclusive of two superintendent units) Mitchell-Lama Cooperative in Manhattan. All of the units are governed by Mitchell-Lama income restrictions for Co-ops; incoming residents must have household incomes at or below 125% AMI.

**Total Units:** 1,632 (plus 2 superintendent units)

<u>Apartment Distribution:</u>	<u>Unit Size</u>	<u>No. of Units</u>
	Studio	13
	1 bedroom	265
	2 bedroom	1,074
	<u>3 bedroom</u>	<u>282</u>
	Total Units*	1,634

\* Total Units are inclusive of two superintendent units

**Expected HDC Construction Financing Amount:** \$15,268,000

**Expected HDC Permanent Financing Amount:** \$15,268,000

**Expected Restructured HDC Subordinate Mortgage:** \$65,035,080

**Expected Total Development Cost:** \$148,716,124

**Owner:** Franklin Plaza Apartments, Inc

**Developer:** Franklin Plaza Board: Lillian Bent (President), Eamon Connors (Vice President), Leslie Colon (Treasurer), Carol Miller (Assistant Treasurer), Della Plowden (Secretary), Sharon Hayes (Assistant Secretary) Olga Cotto, Suzette Williams, Roger Hernandez, Tiffany Smith, Trisha Rosario, Linda Corcelles Alvarez

**Investor Limited Partner:** N/A

**Credit Enhancer:** SONYMA (expected at Permanent)

Attachment "4"

**Expected 2018 Series B Participant Interest**

Supplemental Security	Subsidy Program(s)	Number of Mortgage Loans	No. of Units	Aggregate Outstanding Mortgage Balance (As of 1/31/2018)	Weighted Average Mortgage Interest Rate	Weighted Average Remaining Time to Maturity (Years)	Percentage Self-Amortizing Loans	Percentage Senior Position Loans
N/A	Capital & A Loans	79	6,063	123,097,861	1.37%	16.90	61.51%	39.58%
N/A	Cornerstone	2	129	3,459,559	1.00%	15.97	0.00%	0.00%
N/A	HUD Multifamily	16	2,181	42,015,642	1.07%	23.96	37.12%	0.00%
N/A	Low Income Rental Program	12	1,149	51,088,966	0.86%	27.43	0.00%	8.79%
N/A	Mixed Income Rental Program	25	1,861	54,813,951	0.96%	21.70	0.00%	0.00%
N/A	Multifamily Initiative Program	3	1,026	74,060,000	1.00%	27.87	0.00%	0.00%
N/A	Participation Loan Program	172	7,097	323,123,613	0.80%	23.94	9.83%	1.76%
N/A	Third Party Transfer (TPT)	12	370	31,036,102	0.55%	25.01	0.00%	0.00%
<b>TOTAL</b>		<b>321</b>	<b>19,876</b>	<b>702,695,695</b>	<b>0.95%</b>	<b>23.21</b>	<b>17.51%</b>	<b>8.38%</b>

**Attachment "5"**

**2018 Series C COB Supplemental Loan List**

<b>Development Name</b>	<b>Borough</b>	<b>Rehab/NC</b>	<b>Units</b>	<b>Anticipated Initial Mortgage Loan Amount</b>
655 Morris Avenue	Bronx	NC	176	\$51,300,000
Williamsburg Apartments	Brooklyn	NC	59	\$24,828,000
Tahl Propp Preservation Portfolio	New York	Rehab	549	\$93,145,000
The Henry Apartments	Brooklyn	NC	134	\$47,055,000
ADC Genesis Year 15	New York	Rehab	357	\$73,000,000
Archer Avenue	Queens	NC	89	\$26,500,000
Greenpoint Landing F2	Brooklyn	NC	103	\$29,755,000
Compass 2A	Bronx	NC	128	\$21,500,000
Compass 2B	Bronx	NC	164	\$39,900,000
Van Dyke	Brooklyn	NC	101	\$49,248,000
The Kelly	New York	NC	117	\$56,205,000
Valley Lodge	New York	NC	199	\$67,030,000
Victory Baptist	Bronx	NC	95	\$33,725,000
90 Sands Street	Brooklyn	Rehab	508	\$57,000,000
Van Dyke III	Brooklyn	NC	180	\$117,000,000
Muller	Bronx	NC	90	\$28,200,000
McKinley Manor & Clinton Arms	Bronx	Rehab	146	\$24,315,000
<b>TOTAL</b>				<b>\$839,760,000</b>