NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

M E M O R A N D U M

To: The Chairperson and Members

From: Eric Enderlin
President

Date: May 24, 2023

Re: Housing Impact Bonds, 2023 Series A and 2023 Series B for the NYCHA PACT Edenwald Development and Approval of a Mortgage Loan

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I am pleased to recommend that the Members approve the issuance of the Corporation's Housing Impact Bonds, 2023 Series A and 2023 Series B (the "2023 Series A Bonds", and "2023 Series B Bonds", and collectively, the "Bonds") in an amount not expected to exceed $369,600,000.

Proceeds will be used to finance the acquisition, rehabilitation, and permanent financing of the NYCHA development known as Edenwald Houses (the "Project"), which consists of the conversion of 2,030 units in forty tenant-occupied New York City Housing Authority ("NYCHA") public housing buildings to Section 8 supported multi-family housing, as described herein. The Project is part of the "Permanent Affordability Commitment Together," or "PACT" strategy outlined in the NYCHA 2.0 plan, which describes how the City of New York (the "City") will reinvest and reposition public housing through Section 8 conversions.

Interest on the 2023 Series A Bonds is expected to be exempt from Federal and New York state and local income tax, and such bonds will qualify as tax-exempt private activity bonds with an allocation of "recycled" volume cap in accordance with the Housing and Economic Recovery Act of 2008 ("HERA"). Interest on the 2023 Series B Bonds is not expected to be exempt from federal income tax but is expected to be exempt from New York state and local income tax.

In addition, the Members are asked to approve the use of the Corporation's general obligation pledge, in an amount not expected to exceed 10% of the outstanding principal balance of the mortgage loan to be financed with the proceeds of the Bonds, plus costs associated with any delinquency resolution, as described herein, to facilitate the top loss share supplemental security for such mortgage loans.

In addition, the Members are asked to approve the origination of a senior unenhanced non-accelerating loan (the "SUN Loan") in an amount not to exceed $126,900,000.

The Bonds are expected to be issued under the Corporation's Housing Impact Bonds Resolution (the "Impact Resolution").

Following is a background of the Impact Resolution, the proposed use of the Bonds (including their structure and security), and the Project.

Background and Status of the Housing Impact Bonds Resolution

Under the Impact Resolution, the Corporation may issue bonds (a) to finance or acquire mortgage loans for the benefit of NYCHA and NYCHA properties and (b) to refund other bond issuances of the Corporation, which had financed other multi-family developments. As of April 30, 2023, there were five permanent mortgage loans held under the Impact Resolution with a total outstanding principal balance of $764,355,116. There are no material monetary defaults on these mortgage loans.

Proposed Uses for Bond Proceeds

The Bond proceeds are expected to fund a mortgage loan (the "Bond Loan", and together with the SUN Loan, the "Mortgage Loans") to pay a portion of the cost of acquiring, rehabilitating, and equipping the Project. The Bond Loan will have a principal amount not to exceed $369,600,000 and is expected to have supplemental security from a standby credit enhancement agreement issued by Freddie Mac, as described below. Pursuant to a risk sharing agreement with Freddie Mac, the Corporation will be obligated to cover losses on the top 10% of the Bond Loan, which will be a general obligation of the Corporation.

The Bond Loan is expected to have a 30-year term and will be interest-only for four years, and then amortize over a 40-year amortization schedule, with an interest rate of approximately 6.378%. A balloon payment will be due upon maturity.

Merchants Capital Corp. ("Merchants") will service the Mortgage Loans and a subordinate loan made by the Corporation using city capital granted by the City of New York, acting by and through its Department of Housing Preservation and Development ("HPD") to the Corporation, on behalf of Freddie Mac and the Corporation.

Structure of the Bonds

The Members are being asked to authorize the issuance of the Bonds pursuant to multi-modal Supplemental Resolutions. Accordingly, all or a portion of the Bonds may be converted to other interest rate modes provided for in the Supplemental Resolutions such as a fixed rate or variable rate.

The Bonds are expected to be issued as 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 as taxable or tax-exempt, in multiple issuances pursuant to the same resolution and in one or more series or sub-series as long as the total principal amount of Bonds issued does not exceed $369,600,000 and the interest rate on the Bonds does not exceed 15%. The Corporation expects to designate the Bonds as Sustainable Development Bonds.

2023 Series A Bonds

It is anticipated that the 2023 Series A Bonds, in an amount not expected to exceed $280,000,000, will initially be issued as tax exempt fixed rate bonds with a true interest cost of approximately 6% during the initial Fixed Rate period, which is expected to be approximately thirty (30) years.

2023 Series B Bonds

It is anticipated that the 2023 Series B Bonds, in an amount not expected to exceed $89,600,000, will initially be issued as taxable fixed rate bonds with a true interest cost of approximately 6.5% with a maturity date that is expected to be approximately thirty (30) years.

Security for Bonds

The Bonds are special revenue obligations of the Corporation, and payment of principal and interest on the Bonds will be secured by the revenues and assets pledged to such payment. The Bonds will be issued on a parity basis with all outstanding previous series of bonds and with all future bonds to be issued under the Resolution, secured by all collateral anticipated to be held under the Resolution. The total loan amount of the mortgages to be funded with the proceeds of the Bonds will be pledged to the Impact Resolution. Approximately $3,721,481 will be deposited into an interest reserve upon the Bond closing to ensure that sufficient funds will be available to pay the debt service on the Bonds.

Freddie Mac Supplemental Security

The Mortgage Loan is expected to be secured by supplemental security in the form of a standby credit enhancement agreement issued by Freddie Mac pursuant to which, if a payment default occurs under the Mortgage Loan, Freddie Mac will advance an amount equal to the unpaid principal amount of principal and/or interest (excluding servicing and credit enhancement fees) due on the Mortgage Loan.

The Corporation's General Obligation Pledge

The Corporation will be obligated to reimburse Freddie Mac for losses on the top 10% of the Bond Loan. This payment obligation will be a general obligation of the Corporation and will be outlined in a Loss Share Agreement (the "Loss Share Agreement") between the Corporation and Freddie Mac. The total loss obligation of the Corporation will be calculated by Freddie Mac in accordance with its guidelines. The Corporation's loss share obligation will be equal to 10% of the unpaid principal balance of the Bond Loan, plus costs associated with any delinquency resolution. This amount will be reduced dollar for dollar for any losses paid by the Corporation or any collateral reimbursed to Freddie Mac by the Trustee (as described below). Once the Corporation's top loss has been exhausted, Freddie will be obligated for the remainder of the losses related to the Bond Loan.

The Loss Share Agreement requires that in the event the Corporation's issuer credit rating is downgraded, the Corporation will be required to post collateral with a custodial bank to be identified at such time.

The Members are asked to approve this use of the Corporation's general obligation pledge in an amount not to exceed 10% of the outstanding principal amount of the Bond Loan.

As of April 30, 2023, the collateral of the Impact Resolution consisted of the following:

TYPE OF COLLATERAL	# OF LOANS	AMOUNT	% OF TOTAL
Freddie Mac Insured Mortgage Loans	2	$427,696,635	56.0%
Uninsured Permanent Mortgages	2	$47,593,481	6.2%
Fannie Mae Insured Mortgage	1	$289,065,000	37.8%
Total*	5	$764,355,116	100%

* May not add due to rounding

Transaction Summary and History

RAD / Section 18

Approximately ten percent of the rental units (199 units) will convert to Section 8 through the United States Department of Housing and Urban Development's ("HUD") Rental Assistance Demonstration ("RAD") program. RAD is designed by HUD to be "cost neutral" and simply shifts federal public housing operating and capital subsidy into a federal Section 8 rental subsidy contract (the "RAD HAP Contract"). Given that public housing subsidies are dwindling, RAD rents are significantly lower than Fair Market Rent ("FMR").

The remaining 1,831 rental units will convert to Section 8 through the Section 18 disposition process which accesses Tenant Protection Vouchers ("TPVs") with FMRs for 100% of such units (the "TPV HAP Contract, and together with the RAD HAP Contract, the "HAP Contract"). To qualify for 100% Section 18 and corresponding TPVs, a property must meet HUD's definition of "obsolescence". The Project is expected to meet the required threshold.

Project Description

The Project is comprised of 2,038 units across forty buildings located in the Eastchester neighborhood of the Bronx. Five of the 2,038 residential units will be occupied by resident superintendents and three will be used by the New York Police Department (NYPD). The Project also includes two non-residential buildings, a garage and 2-story structure containing 2 community facility units.

Pursuant to the HAP Contract, the Project will be reserved for households earning no more than 50% of Area Median Income ("AMI") which is currently $70,600 for a family of four. The Project is approximately 95% occupied, with a majority of households earning below 50% of AMI. Approximately 1% of the existing tenants (23 families) are expected to be over-income but will be allowed to remain in residence (the "Over Income Units"). Upon vacancy, the Over Income Units will be rented to households earning no more than 50% of AMI. In addition to income restrictions under the HAP Contract, the Project will be subject to the terms of a regulatory agreement to be executed by the Corporation, the City of New York, acting by and through its Department of

Housing Preservation and Development and the Borrower (the "HDC/HPD Regulatory Agreement"). The occupancy restrictions under the HDC/HPD Regulatory Agreement will require units to be reserved for households earning no more than 60% of AMI and remain in effect for as long as the term of the ground lease (the "Occupancy Restriction Period"). As part of the PACT conversion, the Project will go through a substantial tenant-in-place rehabilitation of its 2,038 units that will address a 20-year capital need, as prescribed by HUD. The scope of work consists of an extensive rehabilitation program that is expected to bring significant quality of life improvements to residents of the Project, improve the Project's energy efficiency performance and enhance the Project. Specific improvements include: upgraded kitchens and baths; facade repairs and upgrades; new energy efficient windows; broadband infrastructure installation for subsidized access to broadband; mechanical and electrical upgrades; new storefronts, laundry rooms, security, and access control; full lobby and common area upgrades; new roofing systems; and lead testing and abatement.

A fact sheet with a brief description of the Project is attached (see "Exhibit A").

SUN Loan

The Project is also expected to be financed with a senior unenhanced non-accelerating loan (the SUN Loan, as defined above), in an amount not to exceed $126,900,000.

The Corporation expects to fund the SUN Loan with recycled volume cap bonds under its Open Resolution but may fund the SUN Loan with its unrestricted reserves or available funds of the Open Resolution based on the availability of recycled volume cap. The Corporation's expected funding of the SUN Loan is further described in the memorandum entitled "Multi-Family Housing Revenue Bonds 2023 Series A, B, C, D; Approval of Mortgage Loans and Approval of SUN Loan" to be presented to the Members concurrently herewith.

The SUN Loan will be senior, un-enhanced and non-accelerating with fixed principal and interest payments that are designed to mimic real estate taxes. The SUN Loan will be structured to mimic a 40-year term and will fully amortize after a four-year interest-only period. Due to the enormity of the PACT initiative goals and the limited availability of relatively low-cost financing, the Corporation developed the SUN Loan structure to leverage resources and save on costs such as third-party credit enhancement fees.

The obligation under the SUN Loan with respect to each separate year during which the SUN Loan remains outstanding, will be evidenced by a separate mortgage note ("SUN Note") and subject to a separate mortgage ("SUN Mortgage"). Each SUN Note will be secured by a SUN Mortgage in the inverse order of priority (i.e., the SUN Note maturing after the first year will be secured by the SUN Mortgage that is in last position), to ensure that any foreclosure will be subject to the remaining, more senior SUN Mortgages. The only default that can occur under the SUN Loan is the failure to pay amounts due under the SUN Note for each year. The debt service coverage on the SUN Loan will be very high as described below in the Risk and Risk Mitigation section.

Historic Tax Credits

Due to the Project's historic significance, the Project is expected to be listed on the National Register of Historic Places (the "National Register") and the New York State Register of Historic Places by the National Parks Service ("NPS") and the New York State Historic Preservation Office, respectively, making it eligible to receive federal historic tax credits ("FHTC") and state historic tax credits ("SHTC", and together with the FHTC, the "HTC"). To date, the Project has received Part 1 approval from NPS, indicating the Project appears to meet the relevant criteria to be listed on the National Register if nominated by the New York State Historic Preservation Officer. Chase Community Equity, LLC, a subsidiary of JPMorgan Chase Bank, N.A. ("HTC Investor") is expected to invest a total of approximately $270.4 million in exchange for the right to claim the HTC generated by the rehabilitation of the Project.

The transaction will be structured to include an HTC pass-through master lease between the Borrower (defined below) and CSA Preservation HTC LLC ("Master Tenant") (the "HTC Master Lease"). Through this structure, equity flows from the HTC Investor into the Property and the HTC Investor receives certain payments from cash flow. Once the Property is placed in service, the Master Tenant will operate the Property, collect rent from tenants at the Property, and make rent payments back to the Borrower, in an amount sufficient to cover the financing and economic requirements of the Borrower, including mortgage payments, replacement reserves, insurance, and distributions. In addition, the Master Tenant will also own a small percentage of the Borrower.

The Corporation will enter into Subordination, Non-Disturbance and Attornment Agreements with regard to the HTC Master Lease that preserves certain enforcement rights of the Corporation with respect to the Mortgage Loans but prevents the Corporation from taking certain actions that would cause a recapture of the HTCs during the 5-year compliance period that begins on the date the project is placed in service.

The Project has not yet received an Advisory Opinion (an "AO") from the New York State Department of Taxation and Finance ("NYSDTF") to confirm its eligibility to receive SHTC on a building-by-building basis. The failure of the Project to qualify for SHTC on a building-by-building basis would result in a significant gap in the financing sources. Because NYSDTF is unlikely to issue an AO ahead of closing, the lending partners on the transaction have asked the development team and NYCHA to mitigate the risk by identifying a list of scope items that could be deferred until the AO is received. This scope is still under discussion but is expected to include landscaping, improvements to the storefronts, entrances, recycling rooms, in-unit upgrades, non-immediate facade repairs and a solar array. The Development Team has also agreed to defer the underwritten paid development fee at conversion to help solve the gap in a hypothetical scenario under which the Project does not receive SHTC on a building-by-building basis. The risk of the Project failing to qualify for SHTC on a building-by-building basis is mitigated because similar PACT projects have received an AO determining them to be eligible on a building-by-building basis.

Borrower and Developer Description

In November 2020, NYCHA issued a request for proposal for a co-developer partner for the Project. The developer selected is a joint venture between entities controlled by Camber Property

Group LLC ("Camber") (80% interest), Stuart Alexander and Associates, Inc. (15% interest) and Henge Development LLC (5% interest), (collectively, the "Development Team").

The Project will be leased to a newly formed single-purpose borrower, CSA Preservation Partners LLC ("the Borrower"), as beneficial leasehold owner, and M.B.D. Community Housing Corporation, as nominal leasehold owner, pursuant to a 99 year ground lease from NYCHA. The Borrower is comprised of the Master Tenant (10% interest), and CSA Preservation MM LLC (90% interest and managing member) ("Managing Member"). The Managing Member is a joint venture between NYCHA PACT LLC, a subsidiary of NYCHA and NYC Partnership Housing Development Fund Company, Inc. (50% non-managing member) and CSA Preservation Partners Manager LLC (50% managing member), which is an indirect subsidiary of the Development Team"). Through this organizational structure, a wholly-owned subsidiary of Camber will provide day-to-day decision making, and NYCHA will receive various financial benefits, including a seller's note for the as-is value of the property as an acquisition payment (the "Seller Note"), development fee, and cash flow. At closing, NYCHA is expected to assign the Seller Note to the Corporation. The assignment allows for the cash flow note repayments to be pledged to the Impact Resolution. The Corporation anticipates that this additional cash flow stream will strengthen the Impact Resolution and allow it to become a future resource for the PACT portfolio and the NYCHA 2.0 plan.

Upon conversion, C+C Property Management will take over property management responsibilities for the portfolio.

The general contractor of the rehabilitation work will be River City Builders LLC (the "General Contractor"), a wholly-owned subsidiary of L+M Development Partners LLC.

<u>Risks and Risk Mitigation</u>

The primary risks associated with the Project are (1) construction completion risk; (2) payment default by the Borrower; and (3) refinance risk. Corporation staff believes these risks are mitigated by several factors. Construction completion risk is mitigated by the Development Team's experience renovating similar tenant-in-place rehabilitation projects, the completion guaranty to be provided by the General Contractor, the 100% Payment and Performance bonds provided by the General Contract, and the third-party construction monitoring overseen by Hillman Consulting. Payment default risk is mitigated by the HAP Contract payments, the Development Team's history in operating and managing similar projects, conservative underwriting incorporating low loan-to-value ratios, and strong debt service coverage and income to expense ratios, the Corporation's ongoing asset management and monitoring of the developments, and the Freddie Mac credit enhancement of the Bond Loan. In addition, the SUN Loan, as a first position loan, benefits from very high debt service coverage in excess of 4.0. For this reason, the risk of non-payment is particularly low and the Corporation will not require any additional credit enhancement with respect to the SUN Loan. As described earlier, the Corporation will be obligated to cover losses on the top 10% of the Bond Loan. The Corporation staff believes this is an acceptable risk for the reasons described above. Refinance risk is mitigated by conservative refinance assumptions.

Deposits and Fees

The Borrower will pay the Corporation its costs of financing which is expected to be approximately 1.25% of the total Mortgage Loans amount, plus an up-front commitment fee equal to 0.75% of the Mortgage Loans.

The Borrower will pay Merchants an up-front origination fee equal to 0.75% of the Bond Loan. The Borrower will also pay Merchants an ongoing annual servicing fee of at least 0.03%, included in the interest rate of the Bond Loan.

The Borrower will pay the Corporation an ongoing annual servicing fee of at least 0.20% and an ongoing annual credit enhancement fee of at least 0.35%, included in the interest rate of the Mortgage Loans.

The Borrower will pay Freddie Mac an ongoing annual guaranty fee of 0.48%, included in the interest rate of the Bond Loan.

Rating

The Bonds are expected to be rated in the Aa category by Moody's.

Underwriters

Jefferies LLC (*Senior Managing Underwriter*)
BofA Securities, Inc (*Co-Senior Managing Underwriter)*
Citigroup Global Markets Inc. (*Co-Senior Managing Underwriter)*
Barclays Capital Inc.
J. P. Morgan Securities LLC
Morgan Stanley & Co. LLC
Samuel A. Ramirez & Co., Inc.
Wells Fargo Securities
Raymond James & Associates, Inc.
RBC Capital Markets, LLC
Siebert Williams Shank & Co., L.L.C
UBS Securities LLC
Bancroft Capital, LLC
Loop Capital Markets LLC
Stern Brothers & Co.
Stifel, Nicolaus & Company, Incorporated
Oppenheimer & Co. Inc.

Selling Group
American Veteran's Group, PBC
AmeriVet Securities LLC
Multi-Bank Securities, Inc.
Drexel Hamilton, LLC
Rice Securities, LLC
Rockfleet Financial Services, Inc.

Roberts & Ryan Investments Inc.

Underwriters' Counsel

Tiber Hudson LLC

Bond Trustee

U.S. Bank National Association

Bond Counsel

Orrick, Herrington & Sutcliffe LLP

Disclosure Counsel

Hawkins Delafield & Wood LLP

Action by the Members

The Members are requested to approve an authorizing resolution that provides for (a) the adoption of the Resolution and the Supplemental Resolutions providing for the issuance of the Bonds, (b) the distribution of preliminary and final Official Statement(s) for the Bonds, (c) the execution of bond purchase agreement(s) with the Underwriter(s) of the Bonds or a direct purchaser of any or all of the Bonds; (d) the use of the Corporation's unrestricted reserves or a cash equivalent, including, but not limited to the Corporation's general obligation, to fund costs of issuance for the Bonds and to fund all or a portion of the debt service reserve account requirement in connection with any or all of the series of Bonds, as may be required; and (e) the execution by the President or any Authorized Officer of the Corporation of any and all documents necessary to issue the Bonds and to make the mortgage loans relating to the Bonds, including the Loss Share Agreement.

The Members are asked to authorize the use of the Corporation's general obligation pledge in an amount not to exceed 10% of the outstanding principal of the Bond Loan, plus costs associated with any delinquency resolution.

The Members are requested to approve i) the making of the Bond Loan in an aggregate amount not to exceed $369,600,000, which may be initially financed with the Corporation's unrestricted reserves until the issuance of the Bonds, and ii) 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 asked to authorize the origination of the SUN Loan in an amount not to exceed $126,900,000, and the mortgage-related documents and other documents necessary to accomplish the SUN Loan financing.

Exhibit A

PACT Edenwald
Manhattan, New York

Project Location:

1186 Grenada Place
3881 Baychester Avenue
3865 Baychester Avenue
3841 Baychester Avenue
1981 Schieffelin Avenue
1961 Schieffelin Avenue
1173 229th Drive North
1159 229th Drive North
1147 229th Drive North
1160 Grenada Place
1137 229th Drive North
1125 229th Drive North
1107 East 229th Street
1126 229th Drive North
1141 East 229th Street
1145 East 229th Street
1165 East 229th Street
1175 East 229th Street
1195 East 229th Street
1170 229th Drive South
1155 East 229th Drive South
1130 229th Drive South
1120 East 229th Street
4040 Laconia Avenue
4056 Laconia Avenue
4020 Laconia Avenue
4034 Laconia Avenue
1138 229th Drive South
1154 229th Drive South
1160 229th Drive South
1183 226th Drive
1165 226th Drive
1141 226th Drive
1131 226th Drive
4000 Laconia Avenue
1115 East 225th Street
1130 226th Drive
1155 East 225th Street
1175 East 225th Street
1855 Schieffelin Avenue
1140 East 229th Street
1149 229th Drive North

HDC Program: NYCHA PACT

Project Description: The Project will consist of the preservation of 2,038 units in 42 buildings, 441 parking spots, and 20,587 square feet of community space in the Eastchester neighborhood of the Bronx.

Total Rental Units: 2,030 (plus five superintendent units and three NYPD units)

Apartment Distribution:

Unit Size	No. of Units
Studio	0
1 bedroom	160
2 bedroom	1,249
3 bedroom	577
4 bedroom	51

5 bedroom	0
6 bedroom	1
Total Units*	2,038

*Total Units are inclusive of five superintendent units and three units occupied by the NYPD

Expected HDC Construction Financing Amount: N/A

Expected HDC Permanent Financing Amount: SUN Loan: $112,000,000
Mortgage Loan: $336,000,000

Expected Total Development Cost: $1,030,422,047

Owner: CSA Preservation Partners LLC, the beneficial ground lessee, whose principals are Rick Gropper and Andrew Moelis (Camber Property Group LLC) and Ernst Valery, Stuart Alexander and David Alexander (Stuart Alexander and Associates, Inc.) and Ayanna Oliver-Taylor (Henge Development LLC) and CSA Housing Development Fund Corporation, the nominal ground lessee, whose sole member is M.B.D. Community Housing Corporation and whose board of directors consists of Derrick A. Lovett, Wallace E. Mobley and April Horton.

Developer: Camber Property Group LLC, Stuart Alexander and Associates, Inc. and Henge Development LLC

Credit Enhancer: Construction – N/A
Permanent - Freddie Mac will provide credit enhancement for 100% of the permanent financing amount. The Corporation will be obligated to cover the top 10% of losses.