




NEW YORK CITY  
HOUSING DEVELOPMENT  
CORPORATION

## MEMORANDUM

**To:** The Chairman and Members

**From:** Marc Jahr  
President 

**Date:** February 8, 2012

**Re:** Residential Revenue Bonds  
(College of Staten Island Residences), 2012 Series A and 2012 Series B

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I am pleased to recommend that the Members approve the issuance of the Corporation's Residential Revenue Bonds (College of Staten Island Residences), 2012 Series A in an amount not to exceed \$67,500,000 and 2012 Series B in an amount not to exceed \$2,500,000 (the "2012 Series A Bonds," and "2012 Series B Bonds," respectively, and collectively, "the Bonds"). Interest on the 2012 Series A Bonds will be exempt from Federal, state and local income tax. The Bonds are to be issued on behalf of a §501(c)(3) organization, and, as such, the 2012 Series A Bonds do not require an allocation of Private Activity Bond volume cap. Interest on the 2012 Series B Bonds will be subject to Federal taxation, but exempt from state and local income tax.

The proceeds of the Bonds will be utilized by CSI Student Housing, LLC, (the "Mortgagor"), a New York limited liability company, for the purpose of paying for the costs of constructing and equipping a 133-unit residential building to be located on an approximately 7-acre parcel of land located on the College of Staten Island campus (the "Project").

Principal and interest payments on the Bonds and expense shortfalls in the operation of the Project are expected to be secured by a support agreement (the "Support Agreement"), from the City University of New York ("CUNY"). The Bonds are expected to be further secured by Assured Guaranty Municipal Corp. ("Assured Guaranty" and/or the "Bond Insurer"), who will insure the Bonds pursuant to a municipal bond insurance policy. In addition, CUNY will enter into an affiliation agreement (the "Affiliation Agreement") with the Mortgagor to provide marketing and other support for the Project. Assured Guaranty is currently rated AA-/Aa3 with a

stable outlook by Standard & Poor's Ratings Services ("S&P"), and negative outlook by Moody's Investors Service, Inc. ("Moody's"). As a result, the Corporation believes that the financing is structured to effectively insulate the Corporation from credit, market and real estate risks.

This memorandum will provide a description of the Project, and the Mortgagor, and a discussion of the structure, security and risks of the Bonds.

### **The Project**

The Project will be located on the College of Staten Island ("CSI") campus at 2800 Victory Boulevard, Staten Island. The site is at the northwest corner of the north academic quadrangle and adjacent to the buildings for Business and Engineering Technologies. Although intended predominantly for undergraduates, the building may also include apartments for graduate students, faculty, staff and resident advisors.

The Project will consist of two L-shaped buildings with four and five stories, consisting of approximately 170,000 square feet. The Project will be comprised of 133 apartments with a total of 454 beds. The apartments consist of 24 two-bedroom / one-bathroom single occupancy units, 67 three-bedroom / two-bathroom double occupancy units, and 32 four-bedroom / two-bathroom single occupancy units, 9 Resident Assistant units, and a Resident Director unit.

Each apartment will be furnished with a dining table and chairs, entertainment center, coffee table and soft seating, and will include one or more bathrooms and a kitchen with four stovetop oven, refrigerator, and sink. Each resident will have his or her own closet, semi-private vanity area with sink, bed, desk, chair, and stackable dresser in the bedroom/bath area. Amenities will include laundry facilities, resident mailroom, fitness center, conference rooms, a social lounge with television and seating, public restrooms, administrative offices, mechanical and maintenance areas. The Project is expected to be LEED Silver-certified, based upon the types of building materials, the nature of its landscaping, energy efficiency and minimal land disturbance.

The developer and managing agent for the project, American Campus Communities, Inc. ("ACC" and/or the "Developer" or the "Manager"), is a publically traded for-profit developer and operator of student housing. ACC has developed 71 residential communities totaling over \$2.91 billion in investments.

ACC, which is headquartered in Austin, Texas, was selected by CSI as a result of a request for proposal process undertaken and reviewed by it and CUNY. To date, ACC has developed more than 48,700 beds and currently manages 37 student communities containing more than 28,000 beds. Their expertise extends to all facets of the student housing development process and includes marketing, design, engineering, finance and construction management. Originally founded in 1996, ACC has become one of the nation's largest developers, owners and managers of student housing communities.

Pursuant to the terms of the Affiliation Agreement, CUNY has agreed to assist the Manager in marketing the Project, to bill and to collect license fees from residents and to remit such license fees collected to the Manager, and to provide access to the campus computer network.

### **The Mortgagor**

CSI Student Housing, LLC, the Mortgagor, is a New York limited liability company that was established in 2008 by the College of Staten Island Auxiliary Services Corporation (the "Auxiliary Services Corporation," and "ASC") for the purpose of supporting ASC's charitable activities and, more specifically, to develop, own, lease and operate a residential facility on the campus of CSI, a senior college within CUNY.

The Auxiliary Services Corporation is the sole member of the Mortgagor and was established in 1977, among other purposes, to promote and foster the educational mission, programs and activities of CUNY by aiding its students, faculty and other staff through the provision of food service, book store, parking lot, student, faculty and staff housing, transportation, athletic and recreational facilities and other auxiliary services and facilities at or near the various locations of CSI. The Auxiliary Services Corporation was formed as a not-for-profit corporation and as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The board of directors of the Auxiliary Services Corporation consists of eleven individuals representing CSI staff, faculty and students. All of the officers of the Mortgagor are elected by the Auxiliary Services Corporation.

The Dormitory Authority of the State of New York is the fee owner of the CSI campus and the Project site located on the campus. It will lease the Project site to the Mortgagor pursuant to the terms of a long-term ground lease (the "Ground Lease"). Under the Ground Lease, the Mortgagor will be permitted to finance, develop, construct, use, maintain and operate the Project as a residential facility for students, faculty and staff of CSI and other senior colleges within the CUNY system.

### **Structure of the Bonds**

The Bonds will be issued in a total amount not expected to exceed \$70,000,000 at a fixed rate not anticipated to exceed 6.00% with an approximate final maturity of July 1, 2046.

### **Security for the Bonds**

The Bonds are special obligations of the Corporation payable solely from payments under the mortgage loan and other revenues pledged under the bond resolution, including investment earnings thereon. The Bonds will be secured by the payments from a leasehold mortgage and evidenced by a mortgage note to be executed by the Mortgagor.

The Bonds will be further secured by the CUNY Support Agreement. Pursuant to the Support Agreement, if the revenues of the Project and other funds available therefor are insufficient to

pay the operating expenses of the Project and/or the scheduled interest and principal payments on the Bonds, CUNY agrees to pay the amount of such deficiency.

In addition, the scheduled payment of principal and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued by Assured Guaranty.

### **Risks and Risk Mitigation**

The primary risk associated with this bond issue is the failure of the Mortgagor to repay the mortgage loan. This repayment risk is mitigated by the CUNY Support Agreement and the bond insurance policy. Pursuant to the terms of the CUNY Support Agreement, if the revenues of the Project and other funds available to Mortgagor are insufficient to pay the operating expenses of the Project and/or the scheduled interest and principal payments on the Bonds, CUNY agrees to pay the amount of the deficiency. In the event that CUNY fails to honor its obligations under the Support Agreement, the repayment risk is further mitigated by Assured Guaranty, pursuant to its bond insurance policy. The Corporation's staff believes that a default by Assured Guaranty, a highly rated financial institution that survived the 2008 financial crisis with a strong rating intact, is an unlikely scenario.

Additional risks include construction completion, and lease-up. The risk of construction completion is mitigated by the Support Agreement, bond insurance, a payment and performance bond relating to the construction, and the strength and experience of the development team. The lease-up risk is partially mitigated by strong demand for residential housing at the College. A 2010 market study concluded that there is demand for over 1,400 beds, which results in demand coverage of over 3 to 1 at the Project. The lease-up risk is also mitigated by the Support Agreement, bond insurance, and the Affiliation Agreement between CUNY and the Mortgagor, which obligates CUNY to provide marketing and other support for the Project.

### **Fees**

The Mortgagor will be obligated to pay the Corporation a fee equal to the Corporation's costs of issuance for the Bonds plus an up-front fee equal to approximately 0.75% of the Bonds.

In addition, HDC will receive annual construction and permanent servicing fees with respect to the Project in amounts equal to 0.25% and 0.20% of the outstanding amount of the loan, respectively.

For providing its bond insurance policy, Assured Guaranty is expected to charge an upfront fee equal to approximately 0.30% of the total debt service.

The underwriters are expected to earn an up-front underwriter's fee not to exceed 1.75% of the Bonds plus their expenses.

**Rating**

The Bonds are expected to be rated AA- by S & P, and Aa2 by Moody's. The anticipated ratings are based on the strength of CUNY's credit profile and the Support Agreement, under which CUNY absolutely and unconditionally guarantees the full and prompt payment of operating expense and debt service deficiencies.

**Trustee**

Deutsche Bank Trust Company Americas

**Bond Counsel**

Hawkins, Delafield & Wood LLP

**Co-Senior Managers**

RBC Capital Markets  
Bank of America Merrill Lynch

**Co-Managers**

J.P. Morgan  
Morgan Stanley  
Wells Fargo Securities  
Raymond James Financial  
Roosevelt & Cross, Inc.  
Samuel A. Ramirez & Co., Inc

**Underwriter's Counsel**

Michael Best & Friedrich, LLP

**Action by Members**

The Members are requested to approve an Authorizing Resolution for the Bonds which provides for (i) the adoption of the Bond Resolution, (ii) the execution of the Bond Purchase Agreement, (iii) the distribution of the Preliminary and final Official Statements in connection with the financing, and (iv) the execution by an Authorized Officer of the Corporation of mortgage related documents and any other documents necessary to accomplish the issuance of the Bonds and the financing of the aforementioned mortgage loan.

## “Exhibit A”

### College of Staten Island Residences Staten Island, New York

**Project Location:** 2800 Victory Boulevard, Staten Island, NY

**Project Description:** A 133-unit, 4 and 5-story residential development located on the College of Staten Island campus

**Apartment Distribution:**

	# of Units
2 BR / 1 BA (Resident Director unit)	1
0 BR A / 1 BA (Resident Advisor unit)	4
0 BR B / 1 BA (Resident Advisor unit)	5
2 BR / 1 BA (Private)	24
3 BR / 2 BA (Private & Shared)	67
4 BR / 2 BA (Private)	<u>32</u>
<b>Total</b>	<b>133</b>

**Expected HDC Tax-Exempt Financing Amount:** \$67,500,000

**Expected HDC Taxable Financing Amount:** \$2,500,000

**Bond Insurance:** Assured Guaranty Municipal Corp.

**Owner:** The Mortgagor is a New York limited liability company that was established in 2008 by the College of Staten Island Auxiliary Services Corporation (“ASC”) for the purpose of supporting the charitable activities of ASC and, more specifically, to develop, own, lease and operate a residential facility on the campus of the College of Staten Island, a senior college within the City University of New York

**Developer:** American Campus Communities, a publically traded for-profit developer and operator of student housing, which was founded in 1996

**Underwriters:** RBC Capital Markets  
Bank of America Merrill Lynch