NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

To: The Chairperson and Members

From: Gary Rodney
President

Date: February 25, 2016

Subject: Amendment to Community Preservation Corp. ("CPC") Subordinate Participation Loan Facility

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I am pleased to recommend that the Members approve an increase in the Corporation's subordinate participation ("Subordinate Participation") in the lending facility for CPC (the "Facility") from an amount not to exceed $20 million to an amount not to exceed $25 million. The purpose of the Facility is to provide financing for CPC to facilitate the origination, or acquisition of, or participation in mortgage loans for construction, rehabilitation, and refinancing of multi-family rental properties located in New York City's low and moderate income communities.

Background

In November, 2013, the Members approved the Subordinate Participation in the Facility for CPC in an amount not to exceed $20 million. Currently, the Facility totals $355 million, and participating lenders include Citibank, Morgan Stanley, Wells Fargo, Deutsche Bank, Bank of America, M&T Bank, RBS Citizens Bank, and various New York State community banking institutions. As of February 5, 2016, the outstanding balance of HDC's Subordinate Participation totaled approximately $7.6 million. For further information, please refer to the memorandum to the Members dated November 18, 2013 attached hereto.

Proposed Amendments to Existing Facility

As we approach the end of the original two-year origination period, CPC has proposed amendments to the existing Facility. Due to continued and significant need identified in the City's communities, CPC is requesting an increase in the Facility to a total of $450 million to meet construction loan demand. CPC has requested that existing lenders in the Facility increase their share by a pro-rata amount, which would bring HDC's share to approximately $25 million. CPC is also seeking to amend and extend its existing origination period and Facility for a three-year term. In addition, CPC has proposed that each participating lender receive a reduced origination fee equal to 0.25% of each loan (versus the current 0.50%), and that the spread on the

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applicable interest rate for each loan be reduced to 225 basis points over 30-Day LIBOR (versus the current 275 basis points). The Corporation believes the reduced fee and spread is justified based on the improved risk profile of CPC and its loan portfolio, and will help contribute to the long-term viability of CPC as a primary partner in the creation and preservation of affordable housing.

The Community Preservation Corporation ("CPC")

Incorporated in 1974, CPC is a non-profit lending institution that finances affordable multi-family housing. CPC's lending compliments banks by filling in market gaps not served by conventional lenders, including transactions with one or more of the following characteristics: occupied buildings; scattered site projects; not-for-profit sponsors; for-profit borrowers new to subsidy programs; and for private debt under $3 million. Additionally, as a primary private sector partner to the City's Department of Housing Preservation and Development ("HPD"), CPC has worked to support HPD's priorities since HPD's inception in 1978.

Since falling into financial distress during the last recession, and embarking on a major restructuring beginning in 2011, CPC has emerged as a well-capitalized, financially sound partner in the mission to create and preserve affordable housing. As part of its restructuring, CPC has strengthened its infrastructure with credit and asset management professionals, rid its portfolio of non-core assets, and returned to its core lending focus on multi-family affordable housing. By re-focusing on its core mission to reach into underserved multi-family housing markets throughout New York City and State, CPC will play a more effective role in revitalizing these neighborhoods and communities, by providing much-needed access to capital for the creation and preservation of affordable housing.

Action by Members

The Members are requested to approve the increase in the Subordinate Participation in the Facility to an amount not to exceed $25 million, as well as the proposed amendments to the Facility, which include a reduction in each participating lender's origination fee and a reduction in the spread on the applicable interest rate, as well as other changes necessary or proper for carrying out the proposed amendments, as described in this memo.