




NEW YORK CITY  
HOUSING DEVELOPMENT  
CORPORATION

## MEMORANDUM

**To:** The Chairperson and Members

**From:** Marc Jahr   
President

**Subject:** Appointment of Interest Rate Hedge Advisor and Pricing Advisor

**Date:** April 9, 2012

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The Corporation issued a Request for Qualifications, ("RFQ") for selecting an Interest Rate Hedge Advisor and a Pricing Advisor for directly placed bond issues, pursuant to the terms detailed in the memo of November 21, 2011 (attached) and discussed in the Member's meeting of November 30, 2011. The need to select advisory firms reflects trends in the current market where interest rates are ultimately expected to rise, as well as an increased number of investors with an interest in purchasing bonds directly from the Corporation at favorable pricing. The Corporation issued the RFQ in December and established a Review Committee ("the Committee"), which analyzed the written responses and selected the firms to be invited for an interview. The Committee then evaluated the oral presentations of those firms selected to be interviewed, and, after such review, came to a recommendation for advisory services. This report describes the RFQ process and presents the findings and recommendations of the Committee.

### **The Process:**

The Corporation's Request for Qualifications for Advisory Services was distributed to nine firms, comprised of the leading municipal hedge advisory and public finance advisory firms in housing finance, including minority and women-owned firms. The RFQ was publicly advertised in *The Bond Buyer*, and the Corporation received seven written responses by the deadline of January 11, 2012. Of these responses, seven firms sought a role as Interest Rate Hedge Advisor and six firms sought a role as Pricing Advisor. Please refer to Attachment "A" for the names of the firms.

The Committee was comprised of executive staff of the Corporation (including the President, Chief Operating Officer and General Counsel, Executive Vice President for Real Estate and Chief of Staff, Senior Vice President for Debt Issuance and Finance, Treasurer, and Deputy

General Counsel). The Committee analyzed the written responses of those firms proposing to act as advisors to the Corporation. The Committee met as a group to discuss the proposals and select firms to be interviewed to act as advisor(s) to the Corporation. Based upon this review, five firms were invited to make oral presentations to the Corporation on March 2nd and March 6th. The firms were each given approximately 15 minutes to make an oral presentation describing the firm's credentials, best recommendations for the Corporation, and current market pricing indications. The presentations were followed by an additional 15 minutes for questions and discussion.

**The Criteria:**

The following criteria were used to assist the staff in its evaluation of the written and oral presentations:

1. Evaluation of the firm's recommendations for effective use of hedges for financings and the use of direct placement of bonds with investors.
2. Evaluation of the firm's in-house analytic capabilities, the organizational structure under which the firm would propose to advise the Corporation on the use of derivative products and multi-family housing pricing services.
3. Relevant experience providing Interest Rate Hedge advisory services and pricing services to multi-family housing finance agencies.
4. Evaluation of recommended Interest Rate Hedge policies.
5. Evaluation of the strength, clarity and effectiveness of the firm's presentation.
6. Analysis of the firm's proposed commitment to the Corporation's financings, including the number, experience and ability of the personnel proposed to represent HDC, and their availability.
7. Analysis of the firm's financial condition.
8. Degree to which the firm encourages equal employment opportunity and affirmative action.
9. Analysis of the firm's continued commitment to the municipal housing market and New York City financings.
10. Other relevant factors.

**Recommendations:**

It is the consensus of the Committee that all of the firms offered excellent written proposals and oral presentations. In making recommendations for selection to the Members, the Committee considered the Corporation's likely financing needs over the next several years and concluded that there are two distinct categories of financing for which the Corporation would need the services of an Interest Rate Hedge Advisor and a Pricing Advisor: (1) The development, risk analysis and recommendation of optimal interest rate hedge strategies and structures for the Corporation's existing and future variable rate debt; and (2) the pricing of bonds that are directly

placed with financial institutions. The Committee prepared recommendations for advisors based on these two categories. In making these recommendations, the Committee considered the firms' strengths and abilities, as presented in their written proposals and interviews.

**Interest Rate Hedge Advisor:**

Mohanty Gargiulo LLC was established in 2008 with a mission to deliver derivatives and structured products advice to public, not-for-profit and corporate entities. Their technical expertise, client focus, New York City commitment, and dedicated resources are key factors for the Committee's decision in selecting Mohanty Gargiulo as Interest Hedge Advisor. Seema Mohanty and Zoya Gargiulo, senior members of the firm, have experience at several major financial institutions structuring, marketing and executing a wide variety of derivative structures for municipal issuers.

Mohanty Gargiulo currently is the advisor for issuers such as the City of New York relating to its General Obligation bonds and bonds issued for the Transitional Finance Authority, the Dormitory Authority for the State of New York, Empire State Development Corporation, The State of New York Division of Budget and the Office of the State Comptroller. Mohanty Gargiulo has recently been appointed as advisor to the New York State Homes and Community Renewal.

The firm is committed to the City of New York and maintains all of its operations in the City. Mohanty Gargiulo is a certified Minority and Women-Owned Business Enterprise by the City and State of New York. The firm has the knowledge and the analytical tools in place to provide the Corporation with comprehensive advisory services and required reporting.

**Pricing Advisor:**

Caine Mitter & Associates Inc. (and related predecessor entities) has been a leader in providing a full range of financial advisory services relating to multifamily and single family housing finance programs since 1978. With a broad range of experience with housing programs and the bond markets, analytical capabilities and an ability to adjust to changing conditions, Caine Mitter has demonstrated that the firm will be responsive to the needs of the Corporation. The Committee believes that Caine Mitter will provide the highest quality of service in assisting the Corporation in achieving its financing and programmatic goals.

Caine Mitter is a full service financial advisor to state and local housing agencies, bringing a unique range of expertise. They serve housing agencies in various capacities: as financial and capital markets advisor for both municipal bond primary market and mortgage-backed security secondary market sales, quantitative consultant, swap advisor and investment bidding agent for multifamily and single family programs. This diversity provides them with complementary knowledge of all elements of the capital markets that are involved in affordable housing finance. Caine Mitter demonstrates a broad understanding of the issues

that affect housing agencies and they are strongly qualified to be the pricing advisor to the Corporation.

Caine Mitter is currently designated to provide services to thirteen state housing finance agencies, four local housing finance agencies and one state debt management division. Their clients include New York State Housing Finance Agency, State of New York Mortgage Agency, New Jersey Housing and Mortgage Finance Agency, District of Columbia Housing Finance Agency, and Maryland Community Development Administration.

**Compensation Information:**

The compensation for the Interest Rate Hedge Advisor will be on a per deal basis and be part of the cost of the interest rate hedge transaction. The compensation for the Pricing Advisor will be on a per deal basis and be paid from the costs of issuance of the bond issue.

**Action by the Members:**

The members are requested to approve the recommendations of the Committee pertaining to the selection of an Interest Rate Hedge Advisor for the Corporation's current and future variable rate debt, and Pricing Advisor for the issuance of bonds that are directly placed with investors.

Attachment "A"

**Summary of RFQ Responses**

<u>Initial Distribution</u>	<u>Firms that Responded</u>	<u>Firms Selected For Oral Presentations</u>
MohatyGargiulo LLC	MohatyGargiulo LLC	MohatyGargiulo LLC
Caine Mitter & Associates	Caine Mitter & Associates	Caine Mitter & Associates
CSG Advisors	CSG Advisors	CSG Advisors
Swap Financial Group	Swap Financial Group*	Swap Financial Group*
Kensington Capital Advisors	Kensington Capital Advisors/PRAG (joint proposal)	Kensington Capital Advisors/PRAG (joint proposal)
Lamont Financial Services Corporation	Lamont Financial Services Corporation	
First Southwest Company	First Southwest Company	
BLX Group		
ButcherMark Financial Advisors LLC		

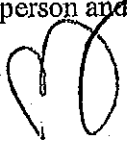
\*Swap Financial responded to be Interest Rate Hedge Advisor Only



NEW YORK CITY  
HOUSING DEVELOPMENT  
CORPORATION

**MEMORANDUM**

**TO:** The Chairperson and Members

**FROM:** Marc Jahr   
President

**SUBJECT:** Request for Qualifications for Advisory Services

**DATE:** November 21, 2011

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The staff of the Corporation will prepare a Request for Qualifications ("RFQ") to select an interest rate hedge advisor and a pricing advisor for directly placed bond issues. One or more firms may be selected to provide either one or both forms of advice. Staff shall commence a review process through which the advisors for certain future financings of the Corporation will be selected by the Members. The selection of advisory firms reflects trends in the current market where interest rates are expected to rise, as well as an increased number of investors with an interest in purchasing bonds directly from HDC at favorable pricing.

The Corporation expects to issue the RFQ in December. A review committee, comprised of senior staff members of the Corporation, will conduct an evaluation of the responses to the RFQ and shall prepare a report and recommendations for the Members by March 2012. This memorandum outlines the process which will be followed by the review committee in conducting the evaluations and making its recommendations to the Members.

The RFQ process is designed to evaluate the capacity of advisory firms to assist with certain financial transactions undertaken by the Corporation. The RFQ process will provide a framework that will enable the Corporation to assess the particular skills and contributions of advisory firms for certain future transactions, while assuring that the Corporation continues to enjoy the continuity of service essential to the professional management of its programs. The RFQ is not intended to cover any financings of the Corporation which are currently in progress.

## **THE REQUEST FOR QUALIFICATIONS**

The Corporation intends to transmit the Request for Qualifications ("RFQ") to firms, including minority- and women-owned firms that are active in the housing finance field or have previously expressed an interest in serving the Corporation. Additionally, the Corporation intends to advertise the availability of the RFQ in The Bond Buyer and to transmit the RFQ to any firm that requested to be included in any future RFQ process.

Written responses to the RFQ will be due in the offices of the Corporation approximately five (5) weeks after releasing the RFQ. Following the review of the written proposals, it is expected that approximately four advisory firms may be given an opportunity to make oral presentations.

### **A. Review Criteria**

The review committee established by the Corporation will evaluate all written material and oral presentations and prepare recommendations to the Members for selection of advisors based on the following criteria.

- a) Evaluation of experience with advising housing issuers including an analysis of the amount and frequency of issues and the role of the firm in such issues with particular emphasis on any transactions directly relevant to the Corporation.
- b) Evaluation of experience as an interest rate hedge advisor and pricing advisor pertaining to bond financed multi-family housing transactions and the firm's commitment to the municipal finance business.
- c) Analysis of the firm's proposed commitment to the Corporation's financings including the number, experience, and ability of the personnel proposed to represent the Corporation and the availability of the firm's personnel.
- d) Strength, clarity, and effectiveness of the firm's presentation.
- e) Analysis of the firm's financial condition.
- f) The degree of which the firm encourages equal employment opportunity.
- g) Other relevant factors.

### **B. Review Committee**

The Corporation has established a review committee which will implement the RFQ process and prepare a report and recommendation for the Members. The committee is to be comprised of the following employees:

- President
- Chief Operating Officer, Executive Vice President and General Counsel
- Executive Vice President for Real Estate and Chief of Staff
- Senior Vice President for Debt Issuance and Finance
- Treasurer
- Deputy General Counsel