NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Marc Jahr
President

Date: November 30, 2011

Subject: Amendment to the Authorizing Resolution for the Multi-Family Mortgage Revenue Bonds (West 26th Street Development), 2011 Series A and 2012 Series A

I am pleased to recommend that the Members approve an amendment to the Authorizing Resolution relating to the issuance of the Corporation's Multi-Family Mortgage Revenue Bonds (West 26th Street Development), 2011 Series A and 2012 Series A (the "2011 Bonds" and the "2012 Bonds", respectively and collectively, the "Bonds").

On September 23, 2011, the Members approved the Authorizing Resolution relating to the Bonds. The board memo presented at that meeting outlined the Corporation's expectation to issue the Bonds for the West 26th Street Development in two installments. The initial series of Bonds, the 2011 Bonds, were issued on October 19, 2011. Due to the availability of additional private activity volume cap in an amount expected to be less than $10 million, the Members are requested to approve an amendment to the Authorizing Resolution to permit more than one additional issuance of Bonds in one or more series or subseries. Such additional issuance is expected to occur before the end of 2011. The maximum aggregate principal amount of Bonds authorized to be issued for this Development will not be increased.

All other terms and conditions of the financing of the Bonds are as contemplated in the original financing. Attached for your reference is the September Memorandum to the Members.

Action By Members

The Members are requested to approve an amendment to the Resolution Authorizing Adoption of the Multi-Family Mortgage Revenue Bonds (West 26th Street Development) Bond Resolution, the First Supplemental Resolution Relating to Multi-Family Mortgage Revenue Bonds (West 26th Street Development), 2012 Series A and Certain Other Matters in Connection Therewith to permit more than one additional issuance of Bonds in one or more series or subseries and the execution by the President or any authorized officers of the Corporation of any and all documents necessary to effect such changes.

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NEW YORK CITY
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MEMORANDUM

To: The Chairperson and Members

From: Marc Jahr
President

Date: September 16, 2011

Subject: Multi-Family Mortgage Revenue Bonds (West 26th Street Development), 2011 Series A and 2012 Series A

I am pleased to recommend that the Members approve the issuance of the Corporation's Multi-Family Mortgage Revenue Bonds (West 26th Street Development), 2011 Series A and 2012 Series A (the "2011 Bonds" and the "2012 Bonds", respectively and collectively, the "Bonds") in an amount not to exceed $90,000,000. Interest on the Bonds is anticipated to be exempt from Federal, state and local income tax. The 2011 Bonds, in an approximate amount of $35,000,000 will be recycled tax-exempt bonds which are not subject to the Private Activity Bond Volume Cap while the 2012 Bonds, in an approximate amount of $55,000,000 will be subject to the Private Activity Bond Volume Cap. The Corporation made an unsecured initial loan to the borrower on January 7, 2010 to reserve the recycled volume cap from its Multi-Family Housing Revenue Bonds, 2009 Series E, which will be refunded at construction loan closing with the 2011 Bonds.

The proceeds of the Bonds will be used by Chelsea W26, LLC and 26th Street Affordable, LLC (individually and collectively, the "Borrower"), both New York limited liability companies for the purpose of paying a portion of the costs of constructing and equipping a 204-unit multi-family rental housing development to be located at 260 West 26th Street in Manhattan (the "Project").

The Bonds will be issued as unrated, variable rate index bonds to be directly purchased by Citibank, N.A. ("Citibank") pursuant to a Bond Purchase Agreement with respect to the 2011 Bonds and a Forward Bond Purchase Agreement with respect to the 2012 Bonds. In the event the Corporation does not receive the Approvals as defined in the HDC Financing Commitment and Agreement (the "HDC Commitment") necessary to issue the 2012 Bonds, including receipt of Private Activity Bond Volume Cap, Citibank has agreed, and is expected to enter into an agreement with the Borrower, to fund a loan to the Borrower up to $55,000,000.

During the construction and lease-up period, estimated to be 30 months plus a 6-month extension, the Bonds will be secured by a Mortgage Purchase Agreement ("MPA") to be entered into by Citibank and the Corporation. The MPA is described further below in the section entitled "Security for the Bonds."

At the end of the construction and lease-up period, the Corporation will remarket the Bonds as weekly variable rate tax-exempt bonds secured by a Federal Home Loan Mortgage Corporation ("Freddie Mac") Direct-Pay Credit Enhancement Agreement (the "Credit Facility"). Prior to remarketing the Bonds, the Borrower must meet the Corporation's and Freddie Mac's criteria and approvals as outlined in the HDC Commitment. As a result, the Corporation believes that the financing is structured to effectively insulate the Corporation from credit, market and real estate risks.

In addition to the Bonds, the Project will be financed with Borrower equity, which may be partially replaced by tax credit equity generated by the sale of Federal low income housing tax credits after the construction loan closing.

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

Project Description

The 260 West 26th Street project will consist of a twelve-story elevator building with approximately 178,400 square feet of residential space divided into 204 apartments with a unit mix of 60 studios, 95 one-bedrooms and 48 two-bedrooms, as well as an additional non-rent bearing one-bedroom super's unit. 3% of the units (7) will be affordable to tenants earning at or below 40% of Area Median Income ("AMI") and 17% of the units (34) will be affordable to tenants earning at or below 50% AMI to qualify the project for tax exempt recycled and volume cap bonds. The balance of the units will be at market rents, currently estimated at an average of $60.60 per square foot. Although the project underwriting does not assume tax credit equity as a source, a portion of the 2012 Bonds, currently estimated to be $9,050,000, will be subject to volume cap to allow the Project to generate as-of-right 4% tax credits on the low-income units.

In addition to the residential space, the project will include approximately 22,344 square feet of retail space, 600 square feet of community space and 42 parking spaces.

The Project will consist of three condominium units: (i) a residential unit containing the low income units (the "Low Income Unit"), (ii) a market unit containing the market rate residential units (the "Market-Rate Unit"), and (iii) a commercial unit containing the commercial area and parking spaces (the "Commercial Unit"). Chelsea W26th, LLC will retain fee ownership of the Market-Rate Unit and Commercial Unit, and on or about the date of the construction loan closing, Chelsea W26th, LLC will transfer the Low Income Unit to 26th Street Affordable, LLC.

Following initial occupancy, rents on the Project will be subject to Rent Stabilization. Pursuant to the terms of the Regulatory Agreement to be executed by the Corporation and the Borrower, the occupancy restrictions will remain in effect for as long as the Bonds are outstanding and for a minimum of thirty (30) years from the date the Project is first occupied (the "Occupancy Restriction Period"), except that as to the market rate units, upon expiration of the 421-a tax benefits, a market rate unit may be decontrolled upon vacancy. The low-income tenants in occupancy at the expiration of the Occupancy Restriction Period will be protected by the terms of the HDC Regulatory Agreement, which mandates that the tenants be offered continuous lease renewals in accordance with Rent Stabilization.

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

Borrower Description

Chelsea W26, LLC and 26th Street Affordable, LLC will be the fee owners of the Project. The managers of Chelsea W26, LLC and 26th Street Affordable, LLC are 26th Street Equities LLC with a 25% ownership interest and Chelsea Park Holdings LLC with a 75% ownership interest. 26th Street Equities LLC, the managing member during the construction period, is a single purpose New York limited liability company controlled by members RYD LLC (a New York limited liability company owned and controlled by Yoav Haron) and DRALE LLC (a New York limited liability company owned and controlled by Robert Ezrapour), each with a 24% ownership interest and MEB LLC (a New York limited liability company owned and controlled by Eytan Benyamin) and MYH LLC (a New York limited liability company owned and controlled by Yoav Haron), each with a 26% ownership interest. Chelsea Park Holdings, LLC, the managing member during the permanent period, is a single purpose New York limited liability company majority controlled by Gary Spindler, Heidi Spindler, and Adam Spindler.

The managers of 26th Street Equities LLC are also the principals of Artimus Development. Artimus is one of the Corporation's most active developers with over 20 years of experience in developing affordable housing in the Harlem, Washington Heights, Hamilton Heights and Lower East Side areas of Manhattan. Their projects include low and moderate-income housing as well as luxury condominiums, together totaling over 1,000 units. The Corporation has previously financed 11 projects developed by the principals of Artimus.

Structure of the Bonds

The Bonds will initially be issued as variable rate obligations directly purchased by Citibank. The Bonds shall bear interest at a rate equal to 100% of the most recent Securities Industry and Financial Markets Association ("SIFMA") Municipal Swap Index plus a spread expected to be 2.20% and will be re-set quarterly. Upon conversion and the commencement of the Freddie Mac Credit Facility, the Bonds will be remarketed as seven-day variable rate obligations, and the interest rate on the Bonds will be reset weekly (the "Weekly Rate") by Morgan Stanley in its capacity as Remarketing Agent. On the basis of the prevailing financial market conditions, Morgan Stanley will establish the Weekly Rate at the minimum interest rate that it determines will be necessary to market the Bonds at par. Similar to other multi-modal transactions undertaken by the Corporation, the Bond Resolution and other agreements to be entered into in connection with the financing provide that the Bonds may be converted to (i) a Weekly Rate, (ii) a Term Rate (with a semi-annual term or any multiples thereof), or (iii) a Fixed Rate, all at the option of the Borrower with the approval of the credit enhancer and the Corporation pursuant to the terms of the Bond Resolution. The Bonds will be subject to a maximum interest rate of 10% per annum in any of the above interest rate modes, although the maximum rate may be increased to 15% in accordance with the provisions of the Bond Resolution. The Bonds will have a final maturity of 30 years from conversion or approximately November 1, 2044.

Citibank and Freddie Mac will require the Borrower to purchase an interest rate cap ("Rate Cap") as a hedge against interest rate volatility. It is anticipated that the initial Rate Cap will be for a term of five (5) years. The Borrower is required to escrow on a monthly basis approximately 1/60th of the cost to replace the initial Rate Cap upon its expiration.

Security for the Bonds

During the construction and lease-up period, the Bonds will be secured by the MPA with Citibank. If the Trustee has not received from the Borrower any amount due and owing under the note and mortgage or otherwise required by the Bond Resolution, Citibank shall have (i) the option to pay such amount or (ii) the obligation to purchase the note and mortgage from the Corporation resulting in the redemption of the Bonds. Even if Citibank fails to pay the purchase price, the note and mortgage will be assigned to Citibank and the Bonds will be retired under the terms of the Bond Resolution.

Upon construction completion, it is anticipated that the MPA will be replaced with a Credit Facility from Freddie Mac for a term of up to 30 years, subject to no defaults existing at conversion. The Bond Resolution permits the substitution of letters of credit and confirming letters of credit or the provision of alternate forms of credit enhancement, provided that the Corporation provides the Trustee certain items detailed in the Bond Resolution including, but not limited to, (i) an opinion of bond counsel stating that the substitute letter of credit or alternate form of credit enhancement meets the requirements of the Bond Resolution and will not adversely affect the tax exemption relating to such bonds, and (ii) a letter from the nationally recognized rating agency or agencies then rating the Bonds stating that the provision of (a) the substitute letter of credit or confirming letter of credit will not result in a reduction or withdrawal of the rating on the Bonds or (b) in the case of an alternate security, to the effect that such alternate form of credit enhancement will provide the Bonds with an investment grade rating. The Corporation, pursuant to the HDC Commitment, requires any alternate security to be in the "A" category or higher. The Borrower must pay all costs incurred by the Trustee and the Corporation in connection with the provision of a substitute letter of credit, confirming letter of credit or alternate form of credit enhancement.

Under the terms of the Bond Resolution, a change in either (i) the security for the Bonds, or (ii) the method of establishing the interest rate on the Bonds, will result in a mandatory tender of the Bonds for purchase at par plus accrued interest.

Risks and Risk Mitigation

The primary risk associated with this bond issue is the absence of a traditional credit facility during the construction period. In the event the Borrower fails to make payments on the loan and the Project defaults, the Corporation will not have the ability to draw on a bank letter of credit to satisfy the corresponding debt obligations. However, the MPA will mitigate this potential risk by requiring Citibank to purchase the mortgage from the Corporation, which will result in the retirement of the Bonds.

Fees

The Borrower will be obligated to pay the Corporation a fee equal to all of the Corporation's costs of issuance in connection with the Bonds plus an upfront fee equal to 0.75% of the Bonds. In addition, the Corporation will receive an annual servicing fee equal to 0.20% of the outstanding principal balance of the Bonds.

Citibank will receive an up-front commitment fee of $1,150,000 and an annual servicing fee equal to 0.05% of the construction loan amount.

In its role as the Freddie Mac Underwriter/Servicer for the Project, Citibank will also receive an annual servicing fee equal to 0.078% of the outstanding loan amount. Freddie Mac will receive an up-front one-time commitment fee equal to 1.00% of the loan amount and an annual standby fee equal to 0.15% of the loan amount. Freddie Mac will receive an annual fee equal to 1.24% of the outstanding loan amount after the Freddie Mac Credit Facility is issued.

Rating

The Bonds will be unrated during construction. Upon conversion, it is expected that the Bonds will be rated Aaa by Moody's Investors Service, Inc.

Trustee and Tender Agent

U.S. Bank National Association

Senior Manager and Remarketing Agent

No Underwriter is needed during construction since the Bonds will be directly purchased by Citibank. Morgan Stanley will be the Senior Manager and Remarketing Agent upon conversion and during the permanent period.

Bond Counsel

Hawkins Delafield & Wood LLP

Remarketing Agent's Counsel Upon Conversion

Nixon Peabody LLP

Action by the Members

The Members are requested to approve an authorizing resolution which provides for (i) the adoption of the Bond Resolution and the First Supplemental Resolution relating to the 2012

Bonds, (ii) the execution of the Bond Purchase Agreement and Forward Bond Purchase Agreement regarding the sale of the Bonds, (iii) the execution of the Mortgage Purchase Agreement with respect to the Bonds, (iv) the distribution of an offering document in connection with the financing, and (v) the execution of mortgage related documents and any other documents necessary to accomplish the issuance of the Bonds and the financing of the loan.

"Exhibit A"

260 W 26th Street
New York, New York

Project Location:	260 W 26th Street, New York, NY Block 775 Lots: 4, 69, 77-80
Project Description:	The new construction of one 12-story building with 204 residential units, approximately 22,344 square feet of retail/commercial space, 600 square feet of community space and 42 parking spaces.
Total Units:	204
Rental Apartment Distribution:	60 – Studios 95 – 1 Bedrooms (Inclusive of Superintendent's Unit) 49 – 2 Bedrooms
Market Rate Units:	162
Low-Income Units (50% of median income):	34
Very Low-Income Units (40% of median income):	7
Superintendent Unit:	1
HDC Estimated Tax-Exempt Bond Amount:	$90,000,000
Bond Structure (Construction):	SIFMA index rate re-set quarterly
Bond Structure (Permanent):	Weekly variable rate
Credit Enhancement (Construction):	N/A
Credit Enhancement (Permanent):	Long term Irrevocable Direct Pay Credit Facility from Freddie Mac
Owner:	Chelsea W26, LLC and 26th Street Affordable, LLC
Underwriter/Remarketing Agent:	Morgan Stanley during the permanent period