NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Marc Jahr
President

Date: June 4, 2012

Re: Multi-Family Housing Revenue Bonds, 2012 Series D and E;
Second Amendment to 2006 Series J-1 Supplemental Resolution
and Approval of Several Loans from Unrestricted Reserves

I am pleased to recommend that the Members approve the issuance of the Corporation's Multi-Family Housing Revenue Bonds, 2012 Series D and 2012 Series E (the "2012 Series D Bonds" and "2012 Series E Bonds," respectively, and collectively, the "2012 Bonds") in an amount not expected to exceed $400,000,000.

Interest on the 2012 Series D Bonds is expected to be exempt from Federal, state and local income tax and will qualify as tax-exempt private activity bonds with an allocation of both new private activity bond volume cap and a portion of "recycled" volume cap. The 2012 Series D Bonds are expected to be issued on a fixed rate basis in June of 2012.

Interest on the 2012 Series E Bonds will not be exempt from Federal income tax, but will be exempt from state and local income tax. The 2012 Series E Bonds are expected to be issued on a fixed rate basis in July of 2012.

Approval of the Resolution will authorize the repeal of the 162nd Supplemental Resolution authorizing the issuance of Multi-Family Housing Revenue Bonds, 2012 Series D, adopted on April 16, 2012, and authorize the 162nd and 163rd Supplemental Resolutions under the Corporation's Multi-Family Housing Revenue Bonds Bond Resolution originally adopted by the Members in 1993 (the "Open Resolution").

In addition, the Members are being asked to approve a second amendment to the Authorizing Resolution for the 81st Supplemental Resolution, adopted on December 8, 2006, relating to the Corporation's Multi-Family Housing Revenue Bonds, 2006 Series J-1 Bonds (the "2006 Series J-1 Bonds") to approve the remarketing of the 2006 Series J-1 Bonds pursuant to a direct purchase of the bonds. The 2006 Series J-1 Bonds are expected to be remarketed on an index rate basis, be secured by a Mortgage Purchase Agreement ("MPA"), as described herein, and under a separately secured "walled-off" supplemental resolution under the Open Resolution.

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In addition, the Members are being asked to authorize the Corporation to pledge any unencumbered assets of the Corporation, including, but not limited to, any mortgage loans made by the Corporation with respect to the developments financed by a series of bonds. Certain issuances of the Corporation exceed the tax exempt bond yield requirements under the Internal Revenue Code of 1986, as amended (the "Code"). The authorization will allow the Corporation to pledge low interest loans to past and future effected issuances to reduce the over-all yield and bring such issuance within Code requirements.

In addition, the Members are requested to authorize the Corporation to originate, from unrestricted reserves, two construction loans and one permanent mortgage loan for three (3) Mitchell-Lama projects, two (2) of which are cooperative housing developments and one (1) multi-family rental development. These projects contain over 2,700 units and are located in Manhattan and the Bronx. The initial reserve funded loans will be made in an amount not to exceed $80,000,000. It is anticipated that the Corporation will be either wholly or partially reimbursed for the making of these loans with bond proceeds as part of a future 2012 or early 2013 Open Resolution issuance. The bond financing of these projects would require further authorization by the Members at a later date.

Further, the Members are asked to approve the origination, from unrestricted reserves, of one subordinate repair loan for Amalgamated Warbasse Houses, a state-supervised Mitchell-Lama cooperative housing development located in Brooklyn. The project consists of five (5) buildings containing 2,582 units of housing. The repair loan will be made in an amount not to exceed $16,000,000.

Finally, the Members are asked to approve the origination, from unrestricted reserves, of one construction loan for an affordable rental project previously financed by the U.S. Department of Housing and Urban Development and located in the Bronx named Crotona V, in an amount not to exceed $6,000,000. The Members are simultaneously asked to authorize the financing of a portion of this loan with the proceeds of the 2012 Series D Bonds. It is anticipated that the Corporation will be either wholly or partially reimbursed for the making of this loan with bond proceeds as part of a future 2012 or early 2013 Open Resolution issuance. The bond financing of this projects would require further authorization by the Members at a later date.

For more information on the five projects to be financed with the Corporation's unrestricted reserves, please see Attachment "A-1" through "A-4" and "C-12"

Simultaneously with the issuance of the 2012 Series D Bonds, the Corporation will remarket its Multi-Family Housing Revenue Bonds, 2009 Series H-2 Bonds pursuant to a Supplemental Resolution previously approved by the Members.

Following is a discussion concerning the proposed terms of the 2006 Series J-1 direct placement remarketing, the background of the Open Resolution, the proposed uses of the 2012 Bonds and a description of their structure and security.

2006 Series J-1 Remarketing and Second Amendment to the Supplemental Resolution

On December 8, 2006, the Members approved the issuance of 2006 Series J-1 Bonds for the purpose of providing construction and permanent financing in an amount of $100,000,000 for the Avalon Morningside development, a 296 unit 80/20 development, to be located in Manhattan

("2006 Series J-1 Mortgage Loan"). On June 7, 2010 the Members approved the Remarketing and Amendment of the Supplemental Resolution relating to the 2006 Series J-1 Bonds to allow the 2006 Series J-1 Bonds to convert from a weekly variable mode to a term rate mode. The purpose of the remarketing at that time was to provide the borrower with the opportunity to retire their liquidity facility and maintain a low cost of funds while considering their options for credit enhancement during permanent financing.

The Members are being asked to approve a second amendment to the authorizing resolution for the 81st Supplemental Resolution relating to the 2006 Series J-1 Bonds to approve the remarketing pursuant to a direct purchase of the Bonds. SunTrust Bank ("SunTrust") will be the direct purchaser of the 2006 Series J-1 Bonds and two (2) qualified financial institutions will be initial participants ("Initial Participants") in the direct purchase of the 2006 Series J-1 Bonds. Any additional participants ("Additional Participants") will be subject to approval by the Corporation. In conjunction with the direct purchase, SunTrust will be required to provide a Mortgage Purchase Agreement ("MPA") which will secure the Bonds for the initial 5 year period. Upon the expiration of the initial 5 year period, it is anticipated that the MPA will be extended or replaced with a traditional credit facility.

The amendment to the Supplemental Resolution will provide that the 2006 Series J-1 Bonds shall bear interest at a rate expected to equal 75% of the sum of one-month LIBOR index plus an agreed upon scale dependent on the credit rating of AvalonBay Communities Inc. ("AvalonBay"), the guarantor of the 2006 Series J-1 Mortgage Loan. Upon a credit downgrade of AvalonBay such spread would be adjusted based upon a previously agreed upon scale. The maximum spread is not expected to exceed 2.25% and the minimum spread is not expected to be less than 1.10%. The final rate will be evaluated by the Corporation's Pricing Advisor, Caine Mitter & Associates Inc. and is subject to approval by the Corporation. The rate will be reset on a monthly basis. The Bonds will be subject to a maximum interest rate of 15% per annum in any of the above interest rate modes. The bonds have a final maturity of May 1, 2046.

The 2006 Series J-1 Bonds will be unrated during the term of the MPA. In order to allow for unrated bonds in the Open Resolution, the Supplemental Resolution will also be amended to provide that the 2006 Series J-1 Bonds and the 2006 Series J-1 Mortgage Loan will be "walled-off" from the rest of the Open Resolution. All associated accounts relating to the 2006 Series J-1 Bonds and the 2006 Series J-1 Mortgage Loan will be held and maintained by the Trustee separate from any other funds and accounts established and maintained pursuant to the Open Resolution. The 2006 Series J-1 Mortgage Loan will not benefit from the revenues of the Open Resolution nor will the Open Resolution benefit from the revenues of the 2006 Series J-1 Mortgage Loan. To effectuate the foregoing, the amendment to the Supplemental Resolution contains many provisions that are similar to those in the General Resolution, except that they would only apply to the 2006 Series J-1 Bonds and 2006 Series J-1 Mortgage Loan.

For more information on the 2006 Series J-1 Mortgage Loan please see Attachment "B".

Background and Status of the Open Resolution

Under the Open Resolution, the Corporation has issued bonds (a) to finance mortgage loans for multi-family rental and cooperative housing developments throughout New York City, (b) to refund other bond issues of the Corporation, which had financed other multi-family developments, and (c) to acquire a 100% interest in City-owned mortgages. As of January 31, 2012 there were 953 mortgage loans (871 permanent loans and 82 construction loans) held under the Open Resolution with a total outstanding principal balance of approximately $3,462,452,000, with $2,379,402,000 of permanent loans and $1,083,050,000 of construction loans. These mortgage loans, together with funds in the Bond Proceeds Account and Debt Service Reserve Account total $4,076,506,000 as of January 31, 2012. There are no material monetary defaults on any of the mortgage loans other than temporary financial difficulties with respect to certain developments which are in the process of being cured. As of January 31, 2012, there were $3,414,940,000 of Open Resolution Bonds outstanding. Subsequent to January 31, 2012, the Corporation issued $182,255,000 principal amount of Open Resolution Bonds.

Proposed Uses for the 2012 Series D Bond Proceeds

It is anticipated that the 2012 Series D Bond proceeds will be used to finance mortgage loans for developments as described in the chart below:

Development Name	Project Type	Expected Not to Exceed Amount of 2012 Series D Mortgage Loan
LMLD Citywide Preservation Portfolio	LAMP Preservation	$46,535,000
St. Lucy's	LAMP Preservation	9,465,000
Hoewood Point	LAMP Preservation	10,335,000
MBD Year 15	LAMP Preservation	35,150,000
George Hardy St. Francis Apartments	LAMP Preservation	27,320,000
Lebanon West Farms	LAMP	26,495,000
Harlem River Point South	LAMP	23,000,000
Morris Court	LAMP	39,480,000
Crossroads Plaza	New HOP	16,410,000
PRC ME1/Aldus	LAMP Preservation	40,070,000
Southern Boulevard	LAMP Preservation	42,910,000
Crotona V	Section 8/236	5,810,000
B&L Grand Concourse	Moderate Rehab	2,020,000
Total		$325,000,000

The proceeds of the 2012 Series D Bonds, in an amount not expected to exceed $325,000,000 are expected to be utilized to provide financing for thirteen projects.

A portion of the 2012 Series D Bonds will be issued to provide financing under the LAMP and LAMP Preservation Programs for the new construction or acquisition and rehabilitation of (10) ten developments with a total of 2,668 units located in the Bronx, Brooklyn and Manhattan.

A portion of the 2012 Series D Bonds will be issued to provide financing for the new construction of one New HOP development for the new construction of a development with a total of 126 units located in the Bronx.

A portion of the 2012 Series D Bonds will be issued to provide a portion of the financing for the rehabilitation of a Section 8/236 development with 87 units in the Bronx and the portion of the financing of a multi-family rental development previously financed by the Corporation with 105 units in the Bronx. Members are also being asked to authorize the financing of an additional portion of these projects with corporate reserves. It is anticipated that the Corporation will be either wholly or partially reimbursed for a portion of these loans with bond proceeds as part of future 2012 or early 2013 Open Resolution issuance. The bond financing of these project would require further authorization by the Members at a later date.

Three (3) LAMP developments, two (2) LAMP Preservation developments and the New HOP development will receive subordinate financing from the Corporation's unrestricted reserves in an amount not to exceed $48,000,000 and one LAMP development and two LAMP Preservation developments will receive subordinate financing in an amount not to exceed $10,500,000 to be funded from the 421-a affordable housing trust fund established by the Corporation utilizing money transferred to it from the Battery Park City Authority ("421-a Affordable Housing Fund"). The subordinate loans will be advanced during construction and remain in the projects as permanent loans.

For more information on the individual projects, please see Attachments "C-1" through "C-13."

Proposed Uses for the 2012 Series E Bond Proceeds

In connection with the Corporation's various financing programs, the Members have previously approved the utilization of the Corporation's reserves to fund both senior and subordinate loans. In order to raise funds to meet the Corporation's goals under the Mayor's New Housing Marketplace Plan, the staff recommends that the Members approve the issuance of the 2012 Series E Bonds in an amount not to exceed $75,000,000 to: 1) refund and/or reimburse the Corporation for amounts used to pay the redemption price of a portion of the Corporation's Multi-Family Housing Revenue Bonds, 2002 Series E-2 and 2002 Series F, issued under the Open Resolution, 2) acquire loans previously funded by the Corporation with its own corporate funds in an amount not to exceed $150,000,000 and 3) re-leverage assets currently held under the Open Resolution in order to monetize such assets and lock in funding at the current low rates. The issuance of the 2012 Series E Bonds will allow for replenishment of the Corporation's reserves, which can then be re-lent to new developments in furtherance of the Corporation's commitment to the Mayor's New Housing Marketplace Plan.

Please see Attachment "D" for more information on the loans requested to be securitized through the issuance of the 2012 Series E Bonds.

Uses of Funds

Cost of Issuance and Underwriter's Discounts are paid by the Corporation and, as they relate to the 2012 Bonds, are to be reimbursed to the Corporation by the Borrowers or from bond proceeds, as the case may be.

Structure of the 2012 Bonds

The 2012 Bonds are expected to be issued in the mode described below, however, the Supplemental Resolutions relating to the 2012 Bonds will permit that a senior officer of the Corporation may determine to issue the bonds in multiple issuances pursuant to the same supplemental resolution as long as the total amount of 2012 Bonds issued does not exceed $400,000,000.

A. **2012 Series D Bonds**

It is anticipated that the 2012 Series D Bonds, in an amount not expected to exceed $325,000,000 will be issued as fixed rate tax-exempt bonds. The Members are asked to authorize a not-to-exceed rate of 10% for fixed rate bonds. However, it is expected that the 2012 Series D Bonds will have an interest rate of 5.50% and an approximate final maturity of May 1, 2046.

B. **2012 Series E Bonds**

It is anticipated that the 2012 Series E Bonds, in an amount not expected to exceed $75,000,000 will be issued as fixed rate taxable bonds. The Members are asked to authorize a not-to-exceed rate of 10% for fixed rate bonds. However, it is expected that the 2012 Series E Bonds will have an interest rate of 6.50% and an approximate final maturity of November 1, 2037.

Security for the 2012 Bonds

The 2012 Bonds will be issued on a parity basis with all outstanding previous series of bonds issued under the Open Resolution from July 1993 to date. As a result, the 2012 Bonds will be secured on a parity basis with all the collateral currently held under the Open Resolution. As of January 31, 2012, that collateral consisted of the following:

TYPE OF COLLATERAL	# OF LOANS	$ AMOUNT	% OF TOTAL
FHA Insured Mortgage Loans	13	$ 37,078,535	0.91
Fannie Mae/Freddie Mac Insured Mortgage Loans	18	149,282,726	3.66
GNMA Mortgage Backed Securities	2	128,334,791	3.15
SONYMA Insured Mortgages	22	245,124,897	6.01
REMIC Partially Insured Mortgages	140	680,124,022	16.68
LOC Insured Mortgages	11	63,473,878	1.56
Uninsured Permanent Mortgages	262	675,651,386	16.57
Uninsured 2006 Series A Mortgages	403	400,332,111	9.82
Partially Funded Construction Loans Secured by LOC	65	991,269,048	24.32
Partially Funded Construction Loans Not Secured by LOC	17	91,780,662	2.25
Sub-Total	953	3,462,452,056	84.93
Undisbursed Funds in Bond Proceeds Account[1]		533,887,681	13.10
Debt Service Reserve Account[2]		80,165,930	1.97
Total	953	4,076,505,667	100.00

[1] Undisbursed Funds in Bond Proceeds Accounts are monies held by the Trustee for construction financing of projects under the Open Resolution.

[2] Includes a payment obligation of $6,274,250 of the Corporation which constitutes a general obligation.

Risks and Risk Mitigation

2012 Bonds

The primary risk to the Corporation related to the 2012 Series D Bonds during the period the developments are under construction or rehabilitation is the potential failure of commercial banks to honor their obligations to pay the Corporation under their stand-by letters of credit (each an "LOC") in an event of a default by the related borrower. Despite recent credit and market dislocations, the Corporation's staff believes that defaults by highly rated financial institutions are unlikely. The ratings of banks are monitored by the Credit Risk department and the Corporation's documents require replacement of an LOC if the bank's ratings fall below investment grade.

During the permanent phase, the primary risk to the Corporation is repayment risk from any borrower. This risk is mitigated in several ways. The permanent loans are conservatively underwritten. Corporation staff believes that low loan-to-value ratios, combined with industry-standard underwriting have contributed to the strength of the AA-rated Open Resolution. There has never been a loan in the Open Resolution on which the Corporation has lost principal.

All of the developments being funded with proceeds from the 2012 Bonds are anticipated to benefit from permanent mortgage insurance coverage or long-term stand-by credit enhancement.

The primary risk associated with the 2012 Series E Bonds is repayment risk from the borrowers. The majority of the loans that are being securitized are well seasoned and have a consistently excellent payment history for many years. This risk is mitigated through conservative underwriting incorporating low loan-to-value and substantial debt service coverage and income to expense ratios. The risk for senior loans is further mitigated by mortgage insurance provided by New York City Mortgage Insurance Corporation ("REMIC").

2006 Series J-1 Bonds

The primary risk associated with the 2006 Series J-1 Bonds is the absence of a traditional credit facility. In the event of a default on the 2006 Series J-1 Mortgage Loan, 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 SunTrust Bank to purchase the 2006 Series J-1 Mortgage Loan from the Corporation, which will result in the retirement of the 2006 Series J-1 Bonds prior to an event of default on the bonds. Pursuant to the MPA and applicable provisions of the supplemental resolution, as amended, if the Trustee has not received any amount due and owing under the note and mortgage or otherwise required, Sun Trust 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 2006 Series J-1 Bonds. If Sun Trust fails to pay the purchase price, the note and mortgage will be assigned to SunTrust and the Bonds will be retired under the terms of the Supplemental Resolution. Additionally, SunTrust Bank will have remedies against the Mortgagor.

Deposits and Fees

2012 Bonds

With respect to the 2012 Series D Bonds the Corporation will charge the borrower an up-front commitment fee equal to 0.75% of the bond financed mortgage loan amount. In addition, the borrower will pay an amount equal to its pro-rata share of costs of issuance, including the fees of the underwriter, bond counsel, rating agencies and the Trustee plus any additional funds that are required to compensate HDC for its management of the 2012 Bonds or to reimburse the Corporation for certain costs incurred during the construction of the Project.

As with other Open Resolution transactions completed by the Corporation, the Corporation also will charge each borrower an annual servicing fee of at least .20% on the outstanding principal balance of each first permanent mortgage loan or other applicable fees.

2006 Series J-1 Bonds

The borrower will be obligated to pay the Corporation a fee equal to all of the Corporation's costs of remarketing in connection with the Bonds. In addition, the Corporation will receive an annual servicing fee equal to 0.25% of the outstanding principal balance of the Bonds. Finally, the Corporation will receive a fee equal to 0.05% of the outstanding principal balance of the Bonds for any Additional Participants.

Ratings

The 2012 Bonds are expected to be rated AA by Standard and Poor's Rating Service ("S&P") and Aa2 by Moody's Investors Service ("Moody's"). The 2006 Series J-1 Bonds will be unrated during the term of the MPA.

Underwriter/Co-Senior Manager regarding 2012 Series D Bonds

J. P. Morgan Securities LLC
Bank of America Merrill Lynch
M.R. Beal and Company

Co-Managing Underwriters regarding 2012 Series D Bonds

Morgan Stanley & Co., LLC
Ramirez & Co., Inc.
Roosevelt and Cross, Incorporated
Siebert Brandford Shank & Co., LLC
Stifel, Nicolaus & Company, Inc.

Underwriter/Co-Senior Manager regarding 2012 Series E Bonds

Citigroup Global Markets, Inc.
J. P. Morgan Securities LLC

Co-Managing Underwriters regarding 2012 Series E Bonds will include one or more of the following firms:

Bank of America Merrill Lynch
M.R. Beal and Company
Morgan Stanley & Co., LLC
Ramirez & Co., Inc.
Raymond James & Associates, Inc.
Roosevelt and Cross, Incorporated
Siebert Brandford Shank & Co., LLC
Stifel, Nicolaus & Company, Inc.

Underwriter's Counsel regarding the 2012 Bonds

Orrick, Herrington & Sutcliffe LLP

Bond Trustee

The Bank of New York Mellon

Bond Counsel

Hawkins Delafield & Wood LLP

Action by the Members

The Members are requested to approve an authorizing resolution that provides for (i) the adoption of Supplemental Resolutions to the Open Resolution providing for the issuance of the 2012 Bonds; (ii) the distribution of a preliminary and final Official Statement for the 2012 Bonds; (iii) the execution of bond purchase agreement(s) with the Underwriter(s) of the 2012 Bonds or a direct purchaser of any or all of the 2012 Bonds; (iv) the use of the Corporation's unrestricted reserves to fund costs of issuance, capitalized interest and mortgage reserves for 2012 Bonds, as may be required; (v) the use of the Corporation's general obligation as a "Cash Equivalent" (under the Open Resolution) to satisfy the Debt Service Reserve Account requirement with respect to the 2012 Bonds; (vi) the execution by the President or any authorized officer of the Corporation of any and all documents necessary to issue the 2012 Bonds and to make the mortgage loans relating to the 2012 Bonds; and (vii) to pledge any unencumbered assets of the Corporation, including, but not limited to, any mortgage loans made by the Corporation with respect to the developments financed by any series of bonds.

The Members are requested to approve an amendment to an authorizing resolution that provides for (i) the amendment to the Supplemental Resolution relating to the 2006 Series J-1 Bonds, (ii) the execution of the Remarketing Purchase Contract regarding the remarketing of the 2006 Series J-1 Bonds, (viii) the execution of the Mortgage Purchase Agreement with respect to the 2006 Series J-1 Bonds and (iv) the execution of mortgage related documents and any other documents necessary to accomplish the remarketing of the 2006 Series J-1 Bonds.

In addition, the Members are being asked to authorize the Corporation to pledge any unencumbered assets of the Corporation, including, but not limited to, any mortgage loans made by the Corporation with respect to the developments financed by a series of bonds. Certain issuances of the Corporation encounter the fortunate problem of exceeding the tax exempt bond yield requirements under the Internal Revenue Code of 1986, as amended (the "Code"). The authorization will allow the Corporation to pledge low interest loans to past and future effected issuances to reduce the over-all yield and bring it within Code requirements.

Additionally, the Members are requested to approve the origination of three (3) senior loans to three (3) Mitchell-Lama developments from the Corporation's unrestricted reserves, in an amount not to exceed $80,000,000 and the execution by an authorized Officer of the Corporation of mortgage related documents and any other document necessary to accomplish such financing.

The Members are also requested to approve the origination of a subordinate loan to Amalgamated Warbasse Houses, a Mitchell-Lama development, from the Corporation's unrestricted reserves, in an amount not to exceed $16,000,000 and the execution by an authorized Officer of the Corporation of mortgage related documents and any other document necessary to accomplish such financing.

Further, the Members are requested to approve the making of a loan to the Crotona V development in an amount not to exceed $6,000,000 to be funded in part by using the Corporation's unrestricted reserves and the execution by an authorized Officer of the Corporation of mortgage related documents and any other document necessary to accomplish such financing.

Finally, the Members are requested to approve the origination of subordinate loans for three (3) LAMP developments, and one (1) New HOP development from the Corporation's unrestricted reserves in an amount not to exceed $48,000,000 and subordinate loans for one LAMP development and two LAMP Preservation developments to be funded from the 421-a Affordable Housing Fund in an amount not to exceed $10,500,000.