




NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Marc Jahr 
President

Date: July 17, 2013

Re: Approval of Loans to Lindville Housing and The Washington

The Corporation seeks the Members' approval to make the following loans: (i) two loans in the aggregate amount of \$4,225,000 to Lindville Housing ("Lindville"), a Mitchell-Lama cooperative development organized pursuant to Article II of the New York Private Housing Finance Law (the "Mitchell-Lama Program") in the Bronx; and (ii) a repair loan in the amount of \$1,824,515 for The Washington, a middle-income cooperative development originally financed by the Corporation under its New Housing Opportunities Program ("New HOP"). The terms of the loans are described below.

Lindville Housing

Lindville is a 143-unit cooperative development located in the Williamsbridge section of the Bronx. The project is regulated by the New York City Department of Housing Preservation and Development ("HPD") under the Mitchell-Lama Program with approximately 57% of the shareholders' incomes at or below 80% of area median income. Lindville's original senior loan was made by New York City and pledged to the Corporation in a trust held as collateral for the Corporation's Multi-Family Housing Revenue Bonds, 2006 Series A. The loan was refinanced in 2007 with Freddie Mac through Wells Fargo Multi-Family Capital, Inc. ("Wells Fargo").

The Members are requested to approve a senior loan in the amount of \$3,225,000 at 6.00% interest and a subordinate loan for \$1,000,000 at 1.00% interest, both for a term of 30 years (collectively, the "Lindville Loan"). The proceeds of the Lindville Loan will be used to pay off the existing senior mortgage loan with Wells Fargo, satisfy a Judgment of Foreclosure and Sale, and pay other aged payables as well as soft costs associated with the transaction. The transaction is necessary to prevent foreclosure and restore Lindville's financial standing.

Background

In early 2008 Lindville entered into a contract with Jerrick Associates ("Jerrick") to make certain repairs to the property's garage. The repair work was completed; however, there remains an outstanding balance due to Jerrick in the amount of \$292,393 for which a mechanic's lien was

filed in 2010. In 2012, because of the prior management company's negligence, the lien was converted into a judgment. On February 21, 2013, the Supreme Court of New York ruled in favor of a Judgment of Foreclosure and Sale and the property was scheduled to be sold at an auction on June 11, 2013.

Both HPD's Division of Housing Supervision and Wells Fargo were notified only three weeks before the auction date of the Judgment of Foreclosure and Sale. HPD's legal department quickly petitioned the designated referee to have the property pulled from the auction due to improper noticing relating to foreclosure under the Mitchell-Lama Program. Jerrick's attorney has agreed to a stay of 120 days, thus allowing enough time to close on the transaction proposed herein and the satisfaction of the judgment. The Lindville Loan is expected to close in early September.

The Lindville Loan will be made conditional on Lindville entering into a Regulatory Agreement with affordability restrictions for 20 years, five years longer than the current requirements. Additionally, the Corporation has requested a capital needs assessment and environmental Phase 1 study in order to identify the current and future physical needs of the property before closing. Lindville was awarded RESO A funds totaling \$1,650,000 from the local City Council member and is also in HPD's 8A pipeline for Fiscal Year 2014. It is expected that the immediate and short term repairs will be funded by the RESO A funding and longer term repairs will be funded through HPD's 8A Program.

The Lindville Loan is necessary to prevent the foreclosure of the existing mortgage and the sale of the property which would jeopardize the livelihood of the shareholders and potentially result in the loss of affordable housing in New York City.

Risks to the Corporation

The Corporation is exposed to risk based on Lindville's ability to repay the loans. This risk is mitigated by the structure of the financing, which is underwritten at 1.05 debt coverage ratio and satisfies all terms of the Mitchell-Lama Program. Additionally, the owner, with the approval of HPD, has the ability to impose maintenance increases to fund ongoing operations. The senior loan is also expected to be insured by REMIC.

The Washington

The Washington is a 103-unit cooperative development, financed by the Corporation under its New HOP program. The project was originally financed by the Corporation in 2004 with a \$6,760,000 senior loan funded with proceeds from the Corporation's Multi-Family Housing Revenue Bonds, 2004 Series G. The current senior loan has a 4.5% interest rate and matures on July 31, 2029, at which time a \$3,972,642 balloon payment is due.

Background

Over the past several years, the project has suffered from roof leaks and damage to the building's facade. Additional funding is needed to correct the problems and prevent future damage. The Washington has been negotiating with the original developer, BFC, which has corrected and

repaired some of the problems at the building. The Corporation's engineers have examined the building on numerous occasions and have concluded that it is not possible to determine if the damage is due to construction defects, poor maintenance practices, or both. The Washington's board has also entered into discussions with Firestone, which holds the roof warranty, but has not reached any agreement as to whether the roof replacement will be paid for under the warranty. According to the engineer's report produced for The Washington, the roof needs to be repaired as soon as possible.

The Members' approval is sought for a loan in the amount of \$1,824,515, comprised of approximately \$1,640,150 for brickwork, \$18,500 for sidewalk shedding, and a 10% contingency of \$165,865 (collectively, the "Repair Loan"). The Repair Loan will self-amortize at an interest rate not to exceed 5.50% with a term of 30 years. The Corporation will require a 10-year prepayment lockout period commencing on the date of Repair Loan closing. The existing Regulatory Agreement will be amended to include the Repair Loan.

In order to obtain positive debt service coverage, the Corporation will require a maintenance increase in the amount of 12.5% and will suspend monthly building reserve payments required by the senior mortgage until December 31, 2014. The terms of the Repair Loan will not require the above maintenance increase to be implemented prior to January 1, 2014, but the Repair Loan shall only close upon receipt of a Cooperative Board Resolution approving the maintenance increase with an effective date on or before January 1, 2014. To avoid a larger maintenance increase the Corporation will permit The Washington to withdraw approximately \$50,000 from the building's capital reserve account held by the Corporation to pay the general contractor's payment and performance bond. The remaining balance of the reserve account will be \$232,464, which is \$128,464 greater than the minimum threshold required by the Corporation.

Risks to the Corporation

The Corporation is exposed to repayment risk for the Repair Loan as well as the existing senior loan. The Washington will be required to maintain debt service coverage of at least 1.10 through the term of the Repair Loan and the board of The Washington will be required to meet with the Corporation's staff annually to determine if a maintenance increase is needed to maintain the debt service coverage threshold.

Recommendation and Action by Members

The Members are requested to approve the Lindville Loan to be funded by the Corporation's unrestricted reserves in an amount not to exceed \$4,225,000 in order to (i) fund the payoff of Lindville's senior debt held by Wells Fargo, (ii) pay off the funds owed to Jerrick by Lindville thus satisfying the judgment and preventing foreclosure and (iii) fund the payoff of Lindville's other aged payables. The Members are also requested to approve a subordinate repair loan to The Washington to be funded by the Corporation's unrestricted reserves in an amount not to exceed \$1,824,515. Finally, the Members are asked to approve the execution by an authorized officer of the Corporation of mortgage-related documents and any other documents necessary to accomplish the senior and subordinate financings described herein.

Attachment "A-1"

**Lindville Housing
Bronx, New York**

Project Location: 3555 Olinville Avenue

HDC Program: Mitchell-Lama Repair Loan Program

Project Description: The development consists of a 16-story residential building totaling 62,600 SF containing 69 units and 34 parking spaces. The project is located in the Williamsbridge section of the Bronx. The project is a Mitchell-Lama Cooperative and all units are income restricted under the Mitchell-Lama program.

Total Rental Units: 142 (plus one unit reserved for the superintendent)

Apartment Distribution:

<u>Unit Size</u>	<u>No. of Units</u>
1 bedroom	40
2 bedroom	68
<u>3 bedroom</u>	<u>35</u>
Total Units*	143

* Total Units are inclusive of one superintendent unit

Expected HDC Permanent Financing Amount: \$3,225,000

Expected HDC Second Mortgage: \$1,000,000

Total Development Cost: \$4,225,000

Owner: Lindville Housing Company, Inc. whose board of directors are Miguel A. Perez, Ronald Spaulding, Maria Allen, Deanna Billington-Griffin and Ronald Lee.

Attachment "A-2"

**The Washington
New York, New York**

Project Location: 231, 239 & 255 West 148th Street

HDC Program: NewHOP

Project Description: The development is a cooperative that consists of three buildings, two of which were combined and rehabilitated and one that was newly constructed. The cooperative is comprised of 104 units which includes a super's unit. There are 15 units in the new building and 89 units in the rehabilitated structure. All the units in this development are income restricted.

Total Rental Units: 103 (plus one unit reserved for the superintendent)

<u>Apartment Distribution:</u>	<u>Unit Size</u>	<u>No. of Units</u>
	1 bedroom	24
	2 bedroom	43
	<u>3 bedroom</u>	<u>37</u>
	Total Units*	104

* Total Units are inclusive of one superintendent unit

Expected HDC Permanent Financing Amount: \$0

Expected HDC Second Mortgage: \$1,824,515

Total Development Cost: \$1,824,515

Owner: The Washington Condominium whose board of directors are Hope Maddox, Robert Hairson, Antonio Santiago, Sean Cottman and Nicolle McFarlane.