NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Marc Jahr
President

Date: July 17, 2013

Re: Multi-Family Secured Mortgage Revenue Bonds, 2013 Series A, and Certain Related Matters

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I am pleased to recommend that the Members approve the issuance of the Corporation's Multi-Family Secured Mortgage Revenue Bonds, 2013 Series A (the "2013 Series A Bonds"), in an amount not to exceed $83,000,000. Interest on the 2013 Series A Bonds will not be exempt from Federal income taxes, but will be exempt from state and local income taxes. The 2013 Series A Bonds would constitute the fifth series of bonds to be issued under the Corporation's Multi-Family Secured Mortgage Revenue Bonds Bond Resolution (the "Secured Resolution"), adopted by the Members on May 10, 2005.

In addition, the Members are asked to approve the use of the Corporation's general obligation pledge, in an amount not to exceed $45,000,000, to provide supplemental security for one construction mortgage loan to be acquired with proceeds of the 2013 Series A Bonds.

Finally, the Members are asked to authorize the Corporation to originate from its unrestricted reserves a mortgage loan in an aggregate amount not to exceed $40,000,000 for the rehabilitation of one Mitchell-Lama cooperative housing development located in Manhattan and consisting of over 1,600 units (the "Franklin Plaza Mortgage Loan"). The Members are simultaneously asked to authorize the financing of the Franklin Plaza Mortgage Loan directly or indirectly with proceeds of the 2013 Series A Bonds, as further described under "Proposed Uses for the 2013 Series A Bond Proceeds" below. Following the issuance of the 2013 Series A Bonds, the Franklin Plaza Mortgage Loan is expected to be pledged to the Corporation's Multi-Family Housing Revenue Bonds Bond Resolution (the "Open Resolution") or the Secured Resolution, as discussed below.

Following is a discussion of the Secured Resolution, the proposed uses of the 2013 Series A Bond proceeds, the structure and security for the 2013 Series A Bonds, and other related matters.

Background on the Secured Resolution

The Secured Resolution allows the Corporation to issue bonds (a) to finance mortgage loans for multi-family cooperative and rental housing developments throughout New York City and (b) to refund prior bond issues of the Corporation that financed other multi-family developments. Any series of bonds issued under the Secured Resolution, or any mortgage loan financed by such bonds, must be secured by supplemental security (e.g., bond insurance, a credit facility and/or mortgage insurance). As of May 31, 2013, there are 14 mortgage loans (permanent co-op or rental loans) held under the Secured Resolution with a total outstanding principal balance of approximately $99,712,000. All 14 of the mortgage loans are current in payment of debt service. These mortgage loans, together with the Debt Service Reserve Account, total $101,952,000 as of May 31, 2013. As of May 31, 2013, the aggregate principal balance of Multi-Family Secured Mortgage Revenue Bonds outstanding was $62,835,000.

Proposed Uses for the 2013 Series A Bond Proceeds

The 2013 Series A Bond proceeds are expected to be used to acquire three mortgage loans currently pledged to the Open Resolution with an approximate aggregate outstanding principal balance of $69,950,000 as of May 31, 2013 (the "2013 Series A Mortgage Loans"). Two of the mortgage loans are permanent mortgage loans insured by the mortgage insurance fund of the State of New York Mortgage Agency ("SONYMA"). One of the mortgage loans is a construction mortgage loan for the rehabilitation of a Mitchell-Lama development that is expected to convert to a SONYMA-insured permanent mortgage loan within nine months (the "Dayton Towers Mortgage Loan"); during the remaining construction period, the Corporation is expected to provide a funding agreement backed by its general obligation to meet the credit facility requirement under the Secured Resolution, as further detailed in "Security for the Bonds" below. A portion of the 2013 Series A Bond proceeds may be used to pay costs of issuance. For more information on the loans to be securitized through the issuance of the 2013 Series A Bonds, please see Attachment "A".

The securitization of SONYMA-insured permanent mortgage loans into the Secured Resolution allows for a reduction in the number of SONYMA-insured loans in the Open Resolution. Standard & Poor's Ratings Services ("S&P") does not rate SONYMA or its mortgage insurance fund, and as a result, the Open Resolution, which is rated by both S&P and Moody's Investors Service, Inc. ("Moody's"), operates with a 10% limit on SONYMA-insured loans for S&P rating purposes. SONYMA-insured loans over the 10% limit are deemed unenhanced by S&P, and S&P assumes that unenhanced loans have a higher potential for losses. This reduces the Open Resolution cash flow assumptions and could potentially affect the rating on the Open Resolution bonds. By transferring SONYMA-insured loans to the Secured Resolution, which is rated by Moody's only, the Corporation is providing a long-term benefit to the Open Resolution and ensuring that these enhanced loans are given full valuation.

The securitization of $36,865,000 of the Dayton Towers Mortgage Loan through the purchase of the mortgage loan from the Open Resolution is expected to generate approximately $36,865,000 in funds under the Open Resolution (a) to purchase the Franklin Plaza Mortgage Loan and (b) to reimburse the Corporation for previously originating mortgage loans from its unrestricted reserves. Following the issuance of the 2013 Series A Bonds, the Franklin Plaza Mortgage Loan is expected to be pledged to the Open Resolution to replace the Dayton Towers Mortgage Loan. The Corporation expects to use this "loan swap" structure, instead of acquiring or financing the Franklin Plaza Mortgage Loan directly with 2013 Series A Bond proceeds, in order to shorten the period of time during which the Corporation will have to pledge its general obligation to meet the credit facility requirement under the Secured Resolution. Both the Dayton Towers Mortgage Loan and the Franklin Plaza Mortgage Loan are or will be financed through the Corporation's Mitchell-Lama Restructuring Program ("MLRP") and are not or will not be secured by a letter of credit during the construction period. The remaining construction period for the Dayton Towers Mortgage Loan is anticipated to be nine months, while the construction period for the Franklin Plaza Mortgage Loan, a new construction loan, is anticipated to be 2.5 years.

As an alternative to the aforementioned "loan swap" structure, the Corporation may decide that it is preferable to directly acquire or finance the Franklin Plaza Mortgage Loan with 2013 Series A Bond proceeds. If so, the Franklin Plaza Mortgage Loan will be pledged to the Secured Resolution, and the Corporation will be expected to use its general obligation pledge to provide supplemental security for the Franklin Plaza Mortgage Loan during the loan's construction period. Upon conversion to the permanent phase, the Franklin Plaza Mortgage Loan is expected to be insured by SONYMA.[1] For more information on the Franklin Plaza Mortgage Loan, please see Attachment "B".

As both the Dayton Towers Mortgage Loan and the Franklin Plaza Mortgage Loan are or will be financed under the MLRP, the Corporation may decide to designate the portion of the 2013 Series A Bonds financing the Dayton Towers Mortgage Loan or the Franklin Plaza Mortgage Loan as Mitchell-Lama Restructuring Bonds.

Structure of the Bonds

The 2013 Series A Bonds are expected to be issued as fixed-rate bonds in an amount not to exceed $83,000,000. The Supplemental Resolution relating to the 2013 Series A Bonds will permit the Corporation to issue the 2013 Series A Bonds in multiple sub-series pursuant to the same Supplemental Resolution (if a senior officer of the Corporation determines to do so), as long as the total amount of 2013 Series A Bonds does not exceed $83,000,000.

The Members are asked to authorize a not-to-exceed true interest cost of 10% for the 2013 Series A Bonds; however, it is expected that the true interest cost on the 2013 Series A Bonds will be 6%. The 2013 Series A Bonds are expected to have an approximate final maturity of May 1, 2044.

Security for the Bonds

The 2013 Series A Bonds will be issued and secured on a parity basis with all collateral anticipated to be held under the Secured Resolution. The total amount of the mortgage loans to

[1] The Corporation may determine that it is preferable to structure the Franklin Plaza Mortgage Loan as a senior and subordinate mortgage loan. Any such subordinate mortgage loan would not be pledged to the Secured Resolution and is not expected to be insured by SONYMA upon conversion to the permanent phase.

be acquired or financed with the 2013 Series A Bond proceeds will be pledged to the Secured Resolution, and all of the pledged loans have or are expected to have permanent mortgage insurance provided by SONYMA. Before the Dayton Towers Mortgage Loan (or the Franklin Plaza Mortgage Loan, if it is directly financed or acquired by 2013 Series A Bond proceeds) converts to a permanent mortgage loan secured by SONYMA, the mortgage loan will be secured by the Corporation's general obligation pledge as further described below.

Use of the Corporation's general obligation pledge to meet the credit facility requirement

The Secured Resolution requires (a) any series of bonds issued under the Secured Resolution to be secured by a credit facility or (b) any mortgage loan financed by such bonds to be (i) secured by a credit facility, (ii) insured by a policy of mortgage insurance insuring all or a portion of the principal amount of the mortgage loan, or (iii) secured by a combination of items (i) and (ii).

During the construction period for the Dayton Towers Mortgage Loan (or the Franklin Plaza Mortgage Loan, as the case may be), the Corporation expects to use its general obligation pledge, in the form of a funding agreement (the "Funding Agreement"), to meet the Secured Resolution's requirement for a credit facility securing the mortgage loan. The Funding Agreement is expected to provide that if a default with respect to any payment of principal and/or interest occurs under the mortgage loan, then the Corporation will advance such unpaid amounts to the Trustee. The general obligation pledge will be released upon the conversion of the mortgage loan to permanent status, once SONYMA insurance is effective.

The Members are asked to approve the use of the Corporation's general obligation pledge in an amount not to exceed $45,000,000; however, the general obligation pledge amount is expected to be $37,694,463 for the Dayton Towers Mortgage Loan or $38,812,500 for the Franklin Plaza Mortgage Loan. These general obligation pledge amounts include the full principal amount of the mortgage loan and the interest component for the remaining construction term.

Risks and Risk Mitigation

The primary risk associated with the 2013 Series A Bonds is repayment risk from the borrowers. This risk is mitigated through conservative underwriting incorporating substantial debt service coverage and income-to-expense ratios, as well as low loan-to-value ratios. The 2013 Series A Bonds will be conservatively sized based on the amount of debt service currently being paid on the 2013 Series A Mortgage Loans. The Corporation believes that the risk of non-payment is small. In addition, the security requirement under the Secured Resolution further reduces the non-payment risk. All of the mortgage loans expected to be acquired or financed by the 2013 Series A Bonds are insured or will be insured by SONYMA during the permanent period.

Deposits and Fees

The Corporation will not collect any fees for this bond issuance as the proceeds will be used to acquire existing mortgage loans.

The underwriters will earn an up-front underwriters' fee, including expenses, in an amount that is collectively not to exceed 1.75% of the 2013 Series A Bonds.

Ratings

The Bonds are expected to be rated Aa1 by Moody's.

Senior Manager

Samuel A. Ramirez & Co., Inc.

Co-Senior Manager

Raymond James & Associates, Inc.

Co-Managers

Merrill Lynch, Pierce, Fenner & Smith Incorporated
Morgan Stanley & Co. LLC
RBC Capital Markets, LLC

Underwriters' Counsel

Harris Beach PLLC

Bond Trustee

The Bank of New York Mellon

Bond Counsel

Hawkins Delafield & Wood LLP

Action by the Members

The Members are asked to approve an authorizing resolution that provides for (i) the adoption of a Supplemental Resolution to the Secured Resolution providing for the issuance of the 2013 Series A Bonds; (ii) the distribution of a preliminary and final official statement for the 2013 Series A Bonds; (iii) the execution of a bond purchase agreement with the underwriters and/or purchasers of the 2013 Series A Bonds; (iv) the use of the Corporation's unrestricted reserves to pay all costs associated with the issuance of the 2013 Series A Bonds, including any bond issuance charge, and/or to satisfy the Debt Service Reserve Account requirement in connection with the 2013 Series A Bonds, if necessary; (v) the use of the Corporation's general obligation pledge in the form of the Funding Agreement to provide supplemental security for the Dayton Towers Mortgage Loan or the Franklin Plaza Mortgage Loan during the loan's construction period; (vi) the execution by an authorized officer of the Corporation of (x) amendments to the existing Participation Agreement with the City relating to the MLRP and the existing Purchase and Sale Agreement with the City relating to the MLRP and/or (y) a new Participation Agreement with the City relating to the MLRP and/or a new Purchase and Sale Agreement with the City relating to the MLRP; and (vii) the execution by an authorized officer of the Corporation of any and all documents necessary to issue the 2013 Series A Bonds and to acquire the mortgage loans relating to the 2013 Series A Bonds.

The Members are asked to authorize the use of the Corporation's general obligation pledge in the form of the Funding Agreement in an amount not to exceed $45,000,000.

The Members are also asked to approve (i) the making of the Franklin Plaza Mortgage Loan, which is to be funded using the Corporation's unrestricted reserves in an aggregate amount not to exceed $40,000,000, and (ii) the execution by an authorized officer of the Corporation of mortgage-related documents and any other documents necessary to accomplish this financing.

Finally, the Members are asked to approve an authorizing resolution that provides for (i) the adoption of a Supplemental Resolution to the Open Resolution providing for the pledge of the Franklin Plaza Mortgage Loan to the Open Resolution and (ii) the execution by an authorized officer of the Corporation of any and all documents necessary to effect this pledge.

Attachment A

2013 SERIES A MORTGAGE LOANS AS OF MAY 31, 2013

Development Name (Address/Number of Units)	Lien Position	Permanent Mortgage Loan Supplemental Security	2013 Series A Mortgage Loan Amount	Permanent Mortgage Interest Rate	Mortgage Loan Closing Date	Mortgage Loan Maturity Date
Williamsburg Edge (34 North 6th Street, Brooklyn, NY 11233/347)	Senior	SONYMA	$24,859,789	6.20%	09/28/10	09/16/40
Maple Court Coop (1901 Madison Avenue, Manhattan, NY 10035/135)	Senior	SONYMA	8,230,936	6.51%	12/21/95	04/01/27
Dayton Towers Coop (8000 Shore Front Parkway, Queens, NY 11693/1,752)	Senior	SONYMA*	30,411,081**	6.30%	3/31/14***	12/31/43
TOTAL†			$63,501,805			

* During construction, the Dayton Towers Mortgage Loan will be secured by the Corporation's general obligation pledge. Upon conversion to a permanent loan, it is expected that SONYMA insurance will secure the first loss on the Mortgage Loan, up to 50% of the outstanding principal loan amount for the Dayton Towers Mortgage Loan, and the Corporation's general obligation pledge will be released.

** The Dayton Towers Coop is currently under construction. The total amount advanced as of 5/31/2013 is $30,411,081. The permanent loan amount will be $36,865,000.

*** Indicates the expected conversion date.

† May not add due to rounding.

Attachment B

FRANKLIN PLAZA MORTGAGE LOAN

Franklin Plaza
Manhattan, New York

Project Location:	1945 Third Avenue; 1941 Third Avenue; 221 East 106th Street; 225 East 106th Street; 2075 Second Avenue; 2081 Second Avenue; 2086 Second Avenue; 2078 Second Avenue; 315 East 106th Street; 325 East 106th Street; 2065 First Avenue; 334 East 108th Street; 2075 First Avenue; 324 East 108th Street
HDC Program:	Mitchell-Lama Preservation
Project Description:	This project will facilitate the financial restructuring and moderate rehabilitation of a portfolio of 14 existing buildings located in the borough of Manhattan, which contain 1,634 residential cooperative homeownership units as well as 23 commercial spaces and one professional apartment.
Total Cooperative Units:	1,632 (plus two units reserved for the superintendents)

Apartment Distribution:

Unit Size	No. of Units
Studio	13
1 bedroom	265
2 bedroom	1,074
3 bedroom	282
Total Units*	1,634

*Includes two superintendent units

Expected HDC Corporate Reserves Permanent Financing Amount:	$34,085,000
Expected HDC Permanent Total Financing Amount:	$34,085,000
Total Development Cost:	$41,472,351
Owner:	Franklin Plaza Apartments, Inc., whose president is Lillian Bent.
Developer:	Franklin Plaza Apartments, Inc., whose president is Lillian Bent.
Investor Limited Partner:	N/A
Permanent Credit Enhancer:	SONYMA