MINUTES
OF THE MEETING OF THE
NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

June 5, 2017

A meeting of the Members of the New York City Housing Development Corporation (the "Corporation" or "HDC") was held on Monday June 5, 2017 at the offices of the Corporation, 110 William Street, 10th Floor, New York, New York 10038. The meeting was called to order at 11:06 a.m. by the Chairperson, Maria Torres-Springer, who noted the presence of a quorum. The Members present were Harry E. Gould, Jr., Jacques Jiha, Charles G. Moerdler and Denise Notice-Scott. The Member absent was Dean Fuleihan. There is currently one vacancy. A list of observers is appended to these minutes.

The Chairperson called for the approval of the minutes of the meeting held on March 17, 2017.

Upon a motion duly made by Mr. Gould, and seconded by Mr. Jiha, the Members unanimously:

RESOLVED, to approve the minutes of such meeting.

The Chairperson stated that the next item on the agenda would be the President’s Report, and called upon Eric Enderlin, President of the Corporation, to make this presentation.

Mr. Enderlin thanked the Chairperson and the Members in attendance, and stated that the Chairperson and he had made several trips to Washington, D.C. over the last few months, meeting with elected officials and strategizing with other housing agencies and housing groups around the nation in the face of uncertainty regarding federal resources for housing programs and the possibility of tax reform. Mr. Enderlin stated that in addition to supporting efforts to defend HUD programs for affordable housing, rental assistance, and community development, our priority has also been to advance bi-partisan efforts to expand the 4% and 9% Low Income Housing Tax Credits. He said we’ve been working to advance several proposals that would improve the availability, efficiency, and allocation of volume cap in New York and nationally. He said that while we will continue those efforts, we’re also moving full speed ahead with our work here to make New York City more affordable.

Mr. Enderlin stated that today we have an agenda of actions for the Members’ consideration which, if approved, would collectively strengthen HDC’s contributions to the Housing New York plan. He said that he was particularly proud to point out that starting with the transactions presented today, HDC would be joining HPD in implementing requirements that would further the Mayor’s goal of expanding the talent and diversity of the external teams which serve as our partners in the housing plan by improving access and opportunity to “minority and women owned business enterprises”, or MWBEs. He said that specifically, the agencies would require borrowers that receive over $2 million in HPD contributions through land or subsidy to participate in this new MWBE buildup program. He said that that program requires those
projects to spend at least a quarter of eligible costs based on the HPD and HDC subsidy on MWBE construction contracts or professional services. So it's important to remember, he stated, that as we review the projects on today's agenda that the Administration's goal is not only to provide affordable housing but to leverage that investment as a springboard to address inequality in all its forms.

Mr. Enderlin stated that on a separate note, you may be aware that the Mayor and the Comptroller issued a statement last week regarding restrictions on the City doing banking business with Wells Fargo due to a “needs–improvement” rating on the bank's last community reinvestment examination. He said that an exception was made for affordable housing finance; the way the bank can improve its rating is by doing more affordable lending. Thus, he said, HDC would continue to include Wells Fargo in its affordable housing finance transactions.

Returning to the agenda, Mr. Enderlin stated, after Mr. Gould's update on the Audit Committee, Anthony R. Richardson, HDC’s Senior Vice President of Development, would present the latest issuance and activity planned for the Corporation’s Open Resolution. Mr. Enderlin stated that additionally, Christina Clarke, Project Manager for Preservation Finance, would present actions for two specific and substantial Mitchell Lama preservation projects, Stevenson Commons and Independence House. He noted that if approved, today’s actions authorized by the Members would finance the construction or preservation of over 5,000 affordable units for Housing New York.

Mr. Enderlin stated that Jonah M. Lee, Vice President and Director of Preservation Finance, would present exciting new initiatives focused specifically on the preservation front. He said that the first is the Federal Financing Bank (FFB) Program Pilot and the reduction of the Corporation’s elective FHA risk-share loss reserves. He said that the second is the launching of the “Mitchell Lama Restructuring Program”, what we have been calling “Mitchell Lama 2.0”, which will protect the continued affordability and quality of The City’s Mitchell Lama housing stock.

Finally, Mr. Enderlin stated, Mr. Richardson would preview future business with new declarations of intent for HDC’s latest projects under review.

Mr. Enderlin stated that this concludes his remarks, and if there were no questions the Chairperson could proceed with the remaining agenda.

The Chairperson noted that tomorrow would be her four-month anniversary as HPD Commissioner and Chairperson of HDC, and stated that she has been incredibly impressed by Mr. Enderlin’s leadership, not just on so many projects and policy issues but of the entire HDC team. She said that what she’s experienced and what continues to be a necessity given the strong headwinds from Washington, DC, are to operate on two gears: the gear that is fighting for all of the support and programs and tools that are made available by the Federal Government so that we can collectively continue our work in affordable housing, while at the same time staying as aggressive as we need to be in the implementation of the Mayor's Housing Plan; and given that challenge of doing those two things—always at the same time—it has really been her pleasure
for Mr. Enderlin to be such an incredible partner to her and to the agency, and she knows to all of you.

The Chairperson stated that pursuant to the Public Authorities Accountability Act, and for purposes of discussing the next items on the agenda, the Corporation would now commence the meeting of HDC’s Finance Committee.

The Chairperson stated that the next item on the agenda would be the Report of the Audit Committee, and called upon Mr. Gould to make this presentation.

Mr. Gould first stated that after forty-one years as a Member of HDC, he would like to echo the Chairperson’s remarks about HDC’s senior management and staff, which have been impressive since he first joined the Board in 1976.

Mr. Gould stated that the Audit Committee met prior to this meeting at which time the Members reviewed the second quarter financial statements, and other investment, debt and credit reports.

The Chairperson stated that the next item on the agenda for the Members’ consideration would be the Approval of an Authorizing Resolution relating to the Multi-Family Housing Revenue Bonds, 2017 Series C, D and 2021 Series A; First Amendment to the Authorizing Resolution to 2006 Series J-1 Supplemental Resolution; Approval of Mortgage Loans; and Approval of a Permanent Loan to be Delivered to FFB, and called upon Mr. Richardson to advise the Members regarding this item.

Mr. Richardson referred the Members to the memorandum before them entitled “Multi-Family Housing Revenue Bonds, 2017 Series C, D and 2021 Series A; First Amendment to the Authorizing Resolution to 2006 Series J-1 Supplemental Resolution; Approval of Mortgage Loans; and Approval of a Permanent Loan to be Delivered to FFB” dated May 26, 2017 (the “Open Resolution Memorandum”) and the attachments thereto including (i) the Resolution Authorizing Adoption of the Two Hundred Forty-Sixth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2017 Series C-1, the Two Hundred Forty-Seven Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2017 Series C-2, the Two Hundred Forty-Eighth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2017 Series C-3, the Two Hundred Forty-Ninth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2017 Series C-4, the Two Hundred Fiftieth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2017 Series D, and the Two Hundred Fifty-First Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2021 Series A and Certain Other Matters in Connection Therewith; and the Resolution Authorizing Adoption of the Amendment to the Second Amended and Restated Eighty-First Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2006 Series J-1 and Certain Other Matters in Connection Therewith (each, an “Authorizing Resolution” and together, the “Authorizing Resolutions”); (ii) the Two Hundred Forty-Sixth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2017 Series C-1; the Two Hundred Forty-Seven Supplemental Resolution
Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2017 Series C-2; the Two Hundred Forty-Eighth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2017 Series C-3; the Two Hundred Forty-Ninth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2017 Series C-4; the Two Hundred Fiftieth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2017 Series D; the Two Hundred Fifty-First Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2021 Series A; and the Amendment to the Second Amended and Restated Eighty-First Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2006 Series J-1 (each, a “Supplemental Resolution” and collectively, the “Supplemental Resolutions”); (iii) the Bond Purchase Agreements; and (iv) the Preliminary Official Statement, all of which are appended to these minutes and made a part hereof.

Mr. Richardson stated that he was pleased to recommend that the Members approve the issuance of the Corporation’s Multi-Family Housing Revenue Bonds, 2017 Series C-1, 2017 Series C-2, 2017 Series C-3, 2017 Series D (collectively, the “2017 Bonds”), and 2021 Series A (collectively with the 2017 Bonds, the “Bonds”) in an amount not expected to exceed $563,500,000 to finance the construction, acquisition, rehabilitation and/or permanent financing of the projects and other activities as described in the Open Resolution Memorandum.

Mr. Richardson stated that interest on the 2017 Bonds was expected to be exempt from Federal, state and local income tax and would qualify as tax-exempt private activity bonds with a combination of an allocation of new private activity bond volume cap, and an allocation of “recycled” volume cap in accordance with the Housing and Economic Recovery Act of 2008 and the refunding of certain outstanding bonds or obligations of the Corporation. He noted that interest on the 2021 Series A Bonds, if issued, may or may not be exempt from Federal income tax, but was expected to be exempt from state and local income tax.

Mr. Richardson stated that the Members were further being asked to authorize the use of the proceeds of the Corporation’s Multi-Family Housing Revenue Bonds, 2017 Series B, authorized on March 17, 2017 and issued on April 5, 2017 or other unrestricted funds available to the Corporation, to finance or restructure mortgage loans for the rehabilitation and/or permanent financing of certain projects as described in the Open Resolution Memorandum.

Mr. Richardson stated that the Members were further being asked to approve a first amendment to the Second Amended and Restated Eighty-First Supplemental Resolution, adopted on June 11, 2012, relating to the Corporation’s Multi-Family Housing Revenue Bonds, 2006 Series J-1, to permit the reduction in the applicable interest rate on such bonds.

Mr. Richardson stated that the Members were further being asked to authorize making of a senior loan expected to be financed with the proceeds of a portion of the 2017 Bonds in an amount not expected to exceed $60,925,000 which is expected to subsequently be sold to the Federal Financing Bank (“FFB”).

Mr. Richardson stated that the Members were further being asked to approve the purchase of (i) an interest rate swap in a notional amount not expected to exceed $80,000,000 to
manage its interest rate risk relating to the variable rate obligations of the Open Resolution, including the 2017 Series C-3 floating rate bonds, if issued, and (ii) an interest rate hedge in a notional amount not expected to exceed $60,925,000 to protect against interest rate volatility.

Mr. Richardson stated that approval of these Resolutions would authorize the 246th through 251st Supplemental Resolutions under the Corporation’s Open Resolution.

Mr. Richardson stated that it was anticipated that a portion of the 2017 Series C Bond proceeds, in an amount not expected to exceed $437,575,000, would be used to finance mortgage loans for as many as eleven (11) developments - 6 ELLA projects, 2 Preservation projects, and 3 Mix and Match projects, which would create or preserve more than 2,600 units of rental housing, located throughout Bronx, Brooklyn, and Manhattan.

Mr. Richardson stated that the ELLA and Mix & Match developments were expected to receive subordinate financing from the Corporation’s unrestricted reserves in an aggregate amount not expected to exceed $133,630,000. He said that all subordinate loans were expected to have an interest rate equal to the Applicable Federal Rate as recently published by the Internal Revenue Service (“AFR”), with set lower monthly payments, to be advanced during construction and to remain in the projects as permanent loans. He said that although such subordinate loans are to be financed initially from the Corporation’s unrestricted reserves, the Members also were being asked to adopt a declaration of intent to issue bonds (other than the 2017 Bonds) to finance such subordinate loans. Such declaration would be adopted solely for tax code purposes, so that amounts advanced by the Corporation to finance such loans may be eligible to be later reimbursed from proceeds of tax exempt bonds. He said that any such future bond issue would be presented to the Members for further review and approval prior to issuance. He added that two Preservation developments were expected to receive restructured subordinate mortgage loans pursuant to Purchase and Sale Agreements with the City of New York.

Mr. Richardson stated that due to the limited availability of new private activity bond volume cap, certain of the projects have a bifurcated structure that enables those projects to satisfy Federal low-income housing tax credit requirements with a smaller allocation of new private activity bond volume cap from the Corporation but may also receive allocations of recycled bonds.

Mr. Richardson stated that should the Corporation choose to issue a portion of the short-term bonds under the subseries 2017 Series C-3 as variable rate index bonds, it is anticipated that the Corporation would enter into a hedging instrument to manage the interest rate risk associated with the 2017 Series C-3 Bonds.

Mr. Richardson stated that it was anticipated that the Corporation would purchase an interest rate swap to manage the interest rate risk, based on market rates at the time of execution for a notional amount expected to be $60,000,000. However, he said that the Members were being asked to authorize a not-to-exceed notional amount of $80,000,000, to allow the flexibility to make adjustments based on the market conditions and the final amount of the 2017 Series C-3 Bonds. He said that the interest rate hedge was anticipated to be SIFMA or LIBOR-indexed, and coterminal with the anticipated term of the 2017 Series C-3 Bonds.
Mr. Richardson stated that if the Corporation chooses to purchase an interest rate swap, the swap rate for a 3 year term, based on 70% of 1 month LIBOR, was anticipated to be set at an approximate rate of 1.25% based on market rates as of May 22, 2017.

Mr. Richardson stated that the 2017 Series C-4 Bond proceeds, together with a co-senior bank loan, are expected to be used to provide a senior mortgage loan for the financing of Lexington Gardens II, a new construction Mix/Match development in Manhattan with a total of 400 residential units. He said that the co-senior bank loan, in an amount not expected to exceed $28,000,000, was anticipated to be originated by the Corporation and funded by Wells Fargo, N.A. pursuant to a participation agreement between Wells Fargo, N.A. and the Corporation.

Mr. Richardson stated that the permanent mortgage loan in an amount not expected to exceed $60,925,000 was expected to be sold to the FFB, a federal corporation under the supervision of the U.S. Department of the Treasury, as part of FFB’s New Construction/Substantial Rehab Insured Upon Completion Program. He said that all, or a portion, of the permanent loan may be initially funded with the Corporation’s unrestricted reserves, and is expected to be insured under the Corporation’s Risk-Sharing program with the U.S. Department of Housing and Urban Development (“HUD”). He said that the Members of the Board originally approved HDC’s participation in the FFB Program and the use of the Risk-Sharing program for FFB in September 2014. He said that the bank loan and the 2017 Series C-4 Bonds are expected to be paid in full on or around the making of the permanent mortgage loan.

Mr. Richardson stated that the interest rate to be established by FFB for this transaction would not be determined until a date within two months of delivery of the permanent FHA-insured loan. He said that to protect against interest rate volatility associated with the Forward FFB Execution during the approximately 3-year construction period, the Corporation expects to purchase an interest rate hedge which will be described in greater detail shortly.

Mr. Richardson stated that in the event the Forward FFB Execution is no longer available or feasible upon the completion of construction, the Corporation expects to commit to undertake an alternative permanent execution while preserving the underwriting terms presented. He said that to maximize flexibility, the Members were being asked to authorize the 2021 Series A Bonds in an amount not expected to exceed $60,925,000, which authorization could be used to issue bonds to refund the 2017 Series C-4 Bonds.

Mr. Richardson stated that to protect against interest rate volatility associated with the Forward FFB Execution during the approximately 42-month construction period of the Lexington Gardens II financing, the Corporation expects to purchase a LIBOR-indexed interest rate swap from a qualified interest rate provider pursuant to the Hedge Policy. He said that it is expected that the interest rate swap, for a notional amount not expected to exceed $60,925,000, would be a three and a half year forward starting swap with a nineteen year weighted average life and a twelve year cancellation option to be set at an anticipated rate of 3.00% based on market rates as of May 22, 2017. He said that if the interest rate environment were to trend upwards over the next three years and the LIBOR swap rates increased above the hedge rate, the swap counterparty would be obligated to pay HDC if the swap were terminated. He said that this
payment would offset the upward movement that would also likely occur in the rate established by FFB. He said that if the interest rate environment were to trend downwards over the next three years and the LIBOR swap rates decreased below the hedge rate, HDC would be obligated to pay the swap counter party if the swap were terminated. He said that in addition to the interest rate volatility risk, there is basis risk as the FFB rate would be tied to Treasuries and the swap indexed to LIBOR. He said that the interest rate volatility risk and the basis risk are mitigated by two factors: (1) HDC can choose to keep the swap outstanding and use the swap to hedge HDC’s outstanding LIBOR-indexed variable rate debt under the Corporation’s Open Resolution and (2) in a lower interest rate environment, HDC would be able to lock in a lower rate with FFB on the Permanent Loan. Furthermore, he said, if the FFB Program were to be terminated the Corporation could use other methods of permanent financing and such swap would protect the Corporation from upward interest rate movement applicable to such other executions.

Mr. Richardson stated that it is anticipated that the 2017 Series C-1 Bonds would be issued as fixed rate tax-exempt bonds to finance the long-term portion of certain 2017 Series C permanent mortgage loans.

Mr. Richardson stated that it is anticipated that the 2017 Series C-2 Bonds would be issued as fixed rate tax-exempt bonds with convertible options as described in the Open Resolution Memorandum, to finance the short-term portion of certain 2017 Series C senior mortgage loans. However, he said that if the finance market conditions change, and staff determines that it is not cost-effective to issue all of the expected short-term bonds as fixed rate under the 2017 Series C-2 Bond designation, the Corporation may choose to issue a portion of the short-term bonds as variable rate bonds under the 2017 Series C-3 Bond designation.

Mr. Richardson stated that it is anticipated that the 2017 Series C-3 Bonds, if issued, would be structured as tax-exempt variable rate index bonds.

Mr. Richardson stated that it is anticipated that the 2017 Series C-4 Bonds would be issued as tax-exempt variable rate tax demand bonds.

Mr. Richardson stated that the 2021 Series A Bonds, if issued, would function as alternative permanent financing for Lexington Gardens II development, and would be issued as multi-modal bonds. He said that for more information on the individual projects, please see Attachments 6 through 16 to the Open Resolution Memorandum.

Mr. Richardson stated that the Members were being asked to authorize the use of the proceeds of the 2017 Series B Bonds or other unrestricted funds available to the Corporation, including the Corporation’s unrestricted reserves or other available proceeds or funds of the Open Resolution, in an amount not to exceed $29,885,000, to finance and/or restructure mortgage loans for the rehabilitation and/or preservation of four developments as described in the Open Resolution Memorandum, which will preserve 1,496 residential units located in Bronx, Queens, and Manhattan. He said that one of the Preservation developments is expected to receive restructured subordinate mortgage loans pursuant to a Purchase and Sale Agreement with the City of New York. He said that for more information on the four projects please see Attachments 2 through 5 to the Open Resolution Memorandum.
Mr. Richardson stated that on December 8, 2006, the Members approved the issuance of the 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, located in Manhattan. He said that on June 11, 2012, the Members approved an amendment to the authorizing resolution for the Eighty-First Supplemental Resolution whereby the Members approved the direct purchase of the 2006 Series J-1 Bonds by SunTrust Bank and two (2) qualified financial institutions to be initial participants in the direct purchase of the 2006 Series J-1 Bonds. He said that at that time, the Members also authorized the Corporation to enter into a Mortgage Purchase Agreement ("MPA") with SunTrust as credit enhancement for the 2006 Series J-1 Bonds.

Mr. Richardson stated that currently, the 2006 Series J-1 Bonds bear interest at a rate equal to 75% of the sum of the one-month LIBOR index plus a spread. He said that the spread adjusts in accordance with a previously agreed upon scale whenever there is an upgrade or downgrade in the credit rating of AvalonBay Communities Inc., the guarantor of the project. He said that the amendment to the Supplemental Resolution would amend the previously agreed upon scale so as to reduce the interest rate that the borrower must pay to SunTrust. He said that the maximum spread was expected to be reduced from 2.25% to 2.01%, and the minimum spread is expected to be reduced from 1.10% to 0.95%. He said that the amendment would also explicitly apply a 0% floor to the LIBOR index, in case LIBOR becomes negative.

Mr. Richardson stated that in connection with the execution of the amendment to the Supplemental Resolution described above, SunTrust would transfer its interest in the 2006 Series J-1 Bonds, as well as its rights and obligations under the MPA, to its wholly-owned subsidiary, STI Institutional and Governmental Inc., which was created to hold certain of SunTrust’s bonds, including municipal bonds. He said that simultaneously with these actions, the MPA would be extended through June 7, 2022. He added that for more information on the 2006 Series J-1 Mortgage Loan, the Members should see Attachment 1 to the Open Resolution Memorandum.

Mr. Richardson stated that as you know, approval was obtained from the Members on March 17, 2017, for a recycling facility, which would provide the Corporation with more options to recycle prepayments in the most cost-effective manner. He said that staff has determined that a COB would likely provide the most cost effective means of recycling prepayments given current market conditions. He added that such analysis would be performed each time recycling is contemplated, as described when the recycling facility was approved.

Mr. Richardson stated that it was anticipated that the 2017 Series D Bonds would be issued as a convertible option bond ("COB") in the event the Corporation has tax-exempt "recycled" volume cap in excess of the amounts needed by both the Corporation and the New York State Housing Finance Agency ("HFA"). Mr. Richardson stated that if issued, the proceeds of the 2017 Series D Bonds, in an amount not to exceed $65,000,000, are expected to provide first position construction and permanent financing for the new construction or acquisition and rehabilitation of certain developments, all of which are listed in Attachment 17 to the Open Resolution Memorandum, and which would meet the affordability requirements for Federal low-income housing tax credits. He said that the mortgage loans for these projects are
expected to close in 2017 at which point the 2017 Series D Bonds would be refunded to match the terms of the applicable mortgage loans. He said that the 2017 Series D Bonds are expected to be issued initially as variable-rate obligations in the term rate mode. Mr. Richardson stated that most of the projects listed would not be funded from the 2017 Series D Bond proceeds but all would be eligible for such financing. He said that more detail on the developments, as well as the Bond underwriters, Risks, Fees and Credit Ratings associated with the 2017 Bonds, are outlined in the Open Resolution Memorandum.

Mr. Moerdler stated that he was required by the Conflicts of Interest Board to disclose that members of his firm, but not he, represent in various transactions Citigroup Global Markets, Morgan Stanley, JP Morgan and Well Fargo, but that he was not disqualified from voting.

Mr. Moerdler said that listed on Attachment 17 of the Open Resolution Memorandum was a potential loan, something involving Queens Family Courthouse and questioned if this was a residence. Richard M. Froehlich, Chief Operating Officer, Executive Vice President and General Counsel for the Corporation, said that it was a residence and it was a project that the Corporation previously financed and that it was now called the Moda.

Mr. Moerdler then stated that Lexington Gardens was a sizeable project and questioned if it had been called to the attention of the Community Board of Manhattan and if the Community Board had an opportunity to consider it. Mr. Richardson replied yes.

Finally, Mr. Moerdler questioned the reduction in the interest rate for the Avalon Morningside development and asked if the tenants would receive any benefit from it. Mr. Froehlich said that the answer was no and that the rents were set pursuant to rent stabilization. He said that the project was rent stabilized because of the 421-a real property tax exemption. He said that this was for the advantage of the owner who put certain monies and equity into the project and took certain risks and that this was a financial benefit that it had negotiated with the owner of the bonds, which was SunTrust. Mr. Moerdler asked whether this in any way would negatively impact upon HDC. Mr. Froehlich replied no, that it was a pass-through project, a conduit transaction, so there was no risk to the Corporation.

Mr. Moerdler stated that on the last page, among the requests made in connection with the Mitchell-Lama Restructuring Program, there is a statement that HDC in its sole discretion may at any time and without prior notice terminate the program, and amend or waive compliance with any of its terms. He said that if he understands that correctly, if there is a requirement, for example, that the rents be at a certain base amount or that the loans be subject to certain circumstances, you can amend them or waive the requirement. Mr. Froehlich said no—that they are referring to the terms in the term sheet which are in essence a program that we are describing, and noted that this is related to an agenda item which we haven’t gotten to yet and which would be presented to the Members later in the meeting. He said that the actual rents and the like are established by law in the Mitchell-Lama program and the rents are set through a process under the Commissioner where as a supervising agency they approve rent changes and the like pursuant to Article 2 of the Private Housing Finance Law. He said that the point there is that we’re offering a program under certain financing terms and we have the ability to change those terms or to terminate this financing program. Mr. Moerdler stated that he was only concerned
with the phrase “waive compliance”. Mr. Enderlin said the clarification is that it specifically refers only to the program terms represented in the term sheet, which we’ll talk about later, as opposed to anything that might be legally binding. He said that we are not waiving everything, just the program that we establish we can waive. Mr. Moerdler said that he would like to get some clarification on that because a broad right of waiving compliance can allow you to do an awful lot, good or bad. Mr. Froehlich stated that we will clarify that.

Mr. Froehlich then described the provisions of the Authorizing Resolutions and the actions the Members were being requested to approve.

Upon a motion duly made by Mr. Gould, and seconded by Ms. Notice-Scott, the Members of the Finance Committee unanimously:

RESOLVED (A) to approve the Authorizing Resolution that provides for (a) the adoption of Supplemental Resolutions to the Open Resolution providing for the issuance of the Bonds, (b) the distribution of Preliminary and final Official Statement(s) for the Bonds, (c) the execution of bond purchase agreement(s) with the Underwriter(s) of the Bonds or a direct purchaser of any or all of the Bonds, (d) the use of the Corporation’s unrestricted reserves to fund costs of issuance for the Bonds and to fund all or a portion of the debt service reserve account requirement in connection with any or all of the series of Bonds, as may be required, and (e) the execution by the President or any Authorized Officer of the Corporation of any and all documents necessary to issue the Bonds and to make the mortgage loans relating to the Bonds; (B) to approve the Authorizing Resolution that provides for the amendment to the Supplemental Resolution relating to the 2006 Series J-1 Bonds; (C) to approve the making of subordinate loans for three (3) Preservation developments, two (2) ELLA developments, four (4) ELLA/Section 8 developments and three (3) Mix & Match developments from the Corporation’s unrestricted reserves in an amount not expected to exceed $152,345,000, and the execution by an Authorized Officer of the Corporation of mortgage-related documents and any other documents necessary to accomplish the subordinate financing; (D) to resolve that the Corporation’s intends to issue bonds (other than the Bonds) to finance, or reimburse the financing of, such subordinate loans for two (2) ELLA developments, four (4) ELLA/Section 8 developments and three (3) Mix & Match developments, in principal amounts presently anticipated not to exceed the respective amounts set forth above in the Open Resolution Memorandum under the heading “Proposed Uses for the 2017 Series C Bond Proceeds and 2021 Series A Bond Proceeds;” (E) to authorize the use of the proceeds of 2017 Series B Bonds or other unrestricted funds available to the Corporation in an amount not expected to exceed $29,885,000, to finance senior and subordinate mortgage loans for the rehabilitation and preservation of Dreamyard NEP, a 301-unit development in the Bronx, Clayton Apartments, a 161-unit Mitchell-Lama development in Manhattan, Big Six Towers, a 980-unit Mitchell-Lama development in Queens and 140-26 Franklin Avenue, a 54-unit development in Queens; (F) to approve entering into a Purchase and Sale Agreement with the City of New York relating to the existing subordinate debt on three (3) Preservation developments; (G) to approve the origination of a loan in an amount not expected to exceed $35,000,000 to finance the Lexington Gardens II development and a participation agreement with Wells Fargo pursuant to which Wells Fargo will acquire a 100% interest in such loan; (H) to approve the making of a permanent loan in an aggregate amount not expected to exceed $60,925,000, which may be initially financed by Corporate Reserves, for the permanent
financing of Lexington Gardens II; (l) to approve the execution of two or more interest rate
swaps in an aggregate notional amount not expected to exceed $140,925,000 using the
Corporation’s unrestricted reserves and the execution by the President or any Authorized Officer
of the Corporation of any and all documents necessary to enter into an interest rate swap
agreement; and (J) to approve the making of all or a portion of the Lott Legacy Apartments
senior mortgage loan described under the heading “Proposed Uses for the 2017 Series C Bond
Proceeds and 2021 Series A Bond Proceeds” from the Corporation’s unrestricted reserves in an
amount not to exceed $10,200,000.

The Chairperson stated that the next item on the agenda would be the Approval of FFB
Loans for Stevenson Commons and Independence House and called upon Ms. Clarke to advise
the Members regarding this item.

Ms. Clarke referred the Members to the memorandum before them entitled “Approval of
FFB Loans for Stevenson Commons and Independence House” dated May 26, 2017 (the
“Stevenson/Independence Memorandum”), which is appended to these minutes and made a part
hereof, and noted that updates have been made to it as reflected in the black-lined version placed
before the Members.

Ms. Clarke stated that she was pleased to present, for the Members’ approval, the
origination of two FFB loans in an amount not expected to exceed $127,445,000 to finance the
acquisition, rehabilitation and permanent financing for the Stevenson Commons and
Independence House developments.

Ms. Clarke stated that the proceeds of the loan for Stevenson Commons would be used by
the mortgagor, Stevenson Commons Affordable LLC for the purpose of paying for the costs of
preserving Stevenson Commons, a HUD Section 236/Mitchell-Lama development totaling 948
residential units located in the Clason Point neighborhood of the Bronx. She said that a portion
of the proceeds of the loan would be used to refinance the existing indebtedness, fund substantial
rehabilitation work, and recapitalize project reserves. She said that this was the first partnership
for the project sponsor, a group of three for-profit investors and developers, whose principals all
have over a decade’s worth of experience in affordable housing.

Ms. Clarke stated that the proceeds of the loan for Independence House would be used by
the mortgagor, IH Associates LLC, for the purpose of paying for the costs of preserving
Independence House, a Mitchell-Lama development totaling 120 residential units. She said that
a portion of the proceeds of the loan would be used to fund substantial rehabilitation work,
recapitalize project reserves, and facilitate the long term preservation of affordable housing for
households earning at or below 50% and 125% of area median income. She said that the project
sponsor is the non-profit developer WSFSSH, the West Side Federation For Senior and
Supportive Housing. She said an Article 78 proceeding was recently initiated in connection with
the rent increase, but the court date has been pushed back to July, and the City is optimistic that
the matter will be resolved favorably.

Ms. Clarke stated that each loan may be initially funded with the Corporation’s
unrestricted reserves, and both loans were expected to be insured under the Corporation’s Risk-
Sharing program with HUD and sold to the Federal Financing Bank. She said that these projects were expected to be the Corporation’s sixth and seventh transactions under the FFB Program, which was previously approved by the Members in September 2014. She said that at today’s Board meeting the Members would be presented with the FFB Preservation Program Pilot, for loans meeting proposed guidelines. Ms. Clarke stated that the risks and fees associated with each project are described in greater detail in the Stevenson/Independence Memorandum, and that unless there were any questions, the Members’ approval is sought at this time.

Mr. Moerdler stated that with respect to Independence House there was a statement in the penultimate paragraph on page two of the Stevenson/Independence Memorandum that an Article 78 proceeding was brought by the Tenants Association to delay a rent increase hearing which had been adjourned until after the rent increase hearing. He said that he wanted to know the basis for the next statement in the Memorandum, which reads as follows: “the matter is likely to be withdrawn once documents with tenant rent protections are clearly understood by the Tenants Association”. He wanted to know what assurance, if any, do we have that it is likely to be withdrawn. Mr. Froehlich said that there have been conversations and we believe that but it may not be. He said that in any case there’s broad authority in HPD as the supervising agency that the courts generally will recognize. He said that we believe that here the Tenants Association was concerned about certain situations and they raised them and we believe that they will be addressed, if not then they will proceed with the Article 78, but we also believe that if that were to be the case that there would likely be a favorable result because there’s broad discretion in the process of budget based rent approvals that are given to the Commissioner. Mr. Moerdler questioned why it was necessary to proceed with this matter before that issue is resolved. Mr. Froehlich said that there were certain pressures here; this has private ownership and we are bringing in a not-for-profit to purchase this property in a structured transaction that’s meant to do long term preservation of this development. He said that if it were to go otherwise and if it weren’t able to go through with this transaction then that would reopen that whole process. Mr. Moerdler asked why isn’t action at this time adverse to the interests of the tenants? Mr. Froehlich said that we don’t believe that’s true; we believe that this is actually favorable for the tenants and that the actual ownership here with long term preservation and a not-for-profit that is aimed at protecting overall affordable housing is a positive. He said that very rarely do tenants enjoy rent increases; this is a project that has extraordinarily low rents in a very high value neighborhood and so at some level there may be some disappointment in that but overall the preservation and the overall goals of the City are being furthered. Mr. Moerdler said that he does not question the overall goals, nor does he question the appropriateness, under certain circumstances, of rent increases. He said that what he does question is that we are prejudging and putting the tenants in an adverse position and therefore not acting as a neutral party. Mr. Froehlich said that we don’t actually have to be a neutral party. He said that the City has actually made a determination, if the rent increase goes through, to approve the rent as established, and it doesn’t have to be neutral in that situation; that’s a policy decision that’s being made and it’s appropriate and it furthers the overall goals. He said that the tenants may not like that but it’s not our job necessarily to make them all happy. Mr. Moerdler said that he doesn’t disagree with the fact that you don’t have the responsibility of making tenants happy but what he does quarrel with, and he will vote against this measure for this sole reason, is that he thinks we are prejudging and biasing the interests of the tenants in a fair and open hearing. Mr. Froehlich said that there are two different hearings going on; there’s a rent hearing which is expected to proceed
and if it doesn’t then the financing itself wouldn’t be able to go forward. He said that as far as the Article 78 hearing, he doesn’t think we are prejudging that; it will be what it will be. He said that if they don’t seek TRO then there’s nothing that prevents us from closing with that rent increase in place. Mr. Moerdler said that he’s troubled—he thinks that what we’re doing is we are essentially taking sides. He said that the side that we are taking may be entirely fair and correct but he does not think that it is appropriate for us to put the tenants in that position that we have taken a position; indeed what he thinks we should have done was say to them get this decided and don’t consent to the adjournments until this is done, and that’s where we differ, and reasonable people can differ, reasonably. Mr. Enderlin said that the approval today would not obligate us to move forward; as Mr. Froehlich pointed out the process would continue, but he understood Mr. Moerdler’s point clearly. Mr. Moerdler asked if they were saying that the approval of this item would not obligate us to move forward. Mr. Froehlich said it would not obligate us to move forward, that on some level some of these things have to be clarified before we close the loan; what the Members would be doing would be to authorize us to be able to close the loan. Mr. Moerdler said that what he would ask the Corporation to do—ask but not bind—is to give the tenants the opportunity to get a fair and balanced hearing in court; whether they win or lose he didn’t really have any view on, but he thinks they ought to have a fair day and a fair hearing. Mr. Froehlich said that there’s nothing that we’re doing that in any way prevents that; what we are saying is that we have a point of view, not that they can’t have the Article 78 hearing and that it be done fairly by the courts. Mr. Moerdler then suggested that if the hearing is a day apart from the adjournment, HDC consider not closing until a day or two thereafter so that they’ve had their day in court, noting that it’s a request, not a binding obligation on HDC’s part, and that under those circumstances he would vote for it. The Chairperson stated that is something which could certainly be taken under consideration.

Upon a motion duly made by Mr. Gould, and seconded by Mr. Moerdler, the Members of the Finance Committee unanimously:

RESOLVED, to approve (i) the making of two senior loans in an aggregate amount not to exceed $127,445,000 (approximately $116,700,000 for Stevenson Commons and $10,745,000 for Independence House), initially funded with the Corporation’s unrestricted reserves until purchase of the loans by the Federal Financing Bank (“FFB”), for the preservation of such developments, (ii) the entering into of a Purchase and Sale Agreement with The City of New York relating to the existing subordinate debt, and (iii) the execution by an Authorized Officer of the Corporation of mortgage related documents and any other documents necessary to accomplish the financings.

The Chairperson stated that the next item on the agenda would be the Approval of FFB Preservation Program Pilot and FHA Risk Share Loss Reserves, and called upon Mr. Lee to advise the Members regarding this agenda item.

Mr. Lee referred the Members to the memorandum before them entitled “FFB Preservation Program Pilot & FHA Risk Share Loss Reserves” dated May 26, 2017 (the “FFB Preservation Program Memorandum”) and the attachments thereto, which are appended to these minutes and made a part hereof, and stated that he was pleased to recommend for the Members’ approval, two proposals related to the Corporation’s existing FFB and FHA-Risk Sharing
programs. He said that first, the Members are being asked to authorize the use of unrestricted funds to make loans to preserve projects in the Corporation’s portfolio, in an aggregate amount not expected to exceed $200 million, which would be subsequently sold to the FFB. He said second, the Members are requested to authorize a reduction of the Corporation’s elective FHA Risk Share loss reserves.

Mr. Lee said that in 2014, the Members originally approved the Corporation’s participation in the FFB program, and the Corporation has sold beneficial ownership interests in five mortgage loans to the FFB. He said that the FFB financing has become an increasingly attractive and low-cost execution. He said that the proposed FFB Preservation Program Pilot would facilitate the Corporation’s ongoing efforts to preserve its existing investments in affordable housing, which are facing significant capital needs and increasing market pressure to exit affordability. He said that the Pilot lending authority would enable the Corporation to proactively seek out preservation opportunities, quickly address physical and financial distress within the portfolio, and compete with conventional loan products that would otherwise enable developments to terminate their occupancy and use restrictions. He said that the terms of the Pilot are structured to be consistent with the Corporation’s strict underwriting standards, and are detailed in the FFB Preservation Program Memorandum, including annual reporting to the Corporation’s Audit Committee.

Mr. Lee stated that the Corporation’s FHA Risk Share loss reserves mitigate the financial risk of claims under the program, and were established when the Corporation began using FHA Risk-Sharing in 2011. He said that based on the Corporation’s top-tier Housing Finance Agency designation, no reserves were required at that time, and no reserves are required today. He said that the proposed reduction to the Corporation’s elective FHA Risk Share loss reserves range from 0.5-1% of the loans, and are structured to comply with the reserve requirements for Housing Finance Agencies without a top-tier designation. He said that the reduction in loss reserves more appropriately reflect the underlying credit risk of the FHA-insured portfolio, would eliminate unnecessary strain on the Corporation’s balance sheet and would have no adverse impact on the Corporation’s credit ratings. He added that all program terms and risks were outlined in the FFB Preservation Program Memorandum, and if there were no questions, the Members’ approval is sought at this time.

Upon a motion duly made by Mr. Gould, and seconded by Mr. Jiha, the Members of the Finance Committee unanimously:

**RESOLVED**, to approve (i) the making of loans to Pilot Eligible Projects in an aggregate amount not to exceed $200,000,000, initially funded with the unrestricted funds of the Corporation until purchase of the Loans by the FFB, (ii) the execution by an Authorized Officer of the Corporation of mortgage-related documents and any other documents necessary to accomplish the financing and (iii) a reduction to the loss reserves established for the Corporation’s FHA Risk Share portfolio.

At 11:50 a.m. Ms. Notice-Scott left the meeting and apologized for her early departure.

The Chairperson stated that the next item on the agenda would be the Approval of
Mitchell-Lama Restructuring Program and again called upon Mr. Lee to advise the Members regarding this item.

Mr. Lee referred the Members to the memorandum before them entitled “Mitchell-Lama Restructuring Program (MLRP)” dated May 26, 2017 (the “MLRP Memorandum”) and the attachments thereto, which are appended to these minutes and made a part hereof, and stated that he was pleased to recommend that the Members approve the use of the Corporation’s unrestricted funds in an amount not to exceed $100 million to finance or restructure mortgage loans for the rehabilitation, and/or permanent financing of certain Mitchell-Lama developments, as part the Corporation’s Mitchell-Lama Restructuring Program.

Mr. Lee stated that the Members originally approved the Program in 2004, and since then, the Corporation has successfully preserved over 70 Mitchell-Lama properties totaling approximately 39,000 units that were at risk of converting to market rate housing. He said that the challenges facing the Mitchell-Lama portfolio have only magnified over time with both larger capital needs, and increased pressure to exit affordability.

Mr. Lee stated that the proposed funding and updates to the Program would facilitate the preservation of the Corporation’s existing investments in Mitchell-Lama. He said that the Program would be updated with lower cost financing and subsidized fees to maintain affordability and fund critical capital repairs while keeping monthly debt service constant. He said that the Participants in the Program would be required to extend their occupancy restrictions for at least 20 years. He said that the Program terms were consistent with the Corporation’s conservative underwriting standards, and were detailed in the MLRP Memorandum.

Mr. Lee stated that the Program would be structured to leverage the Corporation’s existing low cost tax-exempt and taxable debt, and raise new funds through a combination of taxable bonds and Corporate Reserves. He said that new financing under the Program would be supported by existing debt service payments and would not require maintenance increases, equity assessments, or rent increases thus mitigating the risk of non-payment. He said that it was expected that the Corporation’s use of unrestricted funds would be replenished through the issuance of new Mitchell-Lama Restructuring Bonds, which would require further authorization by the Members at a later date.

Mr. Lee stated that for developments with significant capital needs beyond what could be funded under the Program, alternative financing executions may be considered to the extent that any new debt is supported by rent or maintenance increases. He said that the Corporation would continue to work with the City to leverage other public resources to mitigate any financial burden on residents. He said that it was anticipated that alternative executions would require extended affordability beyond 20 years, and that such financing would require further authorization by the Members at a later date. He said that all program terms and risks were outlined in the MLRP Memorandum.

The Chairperson asked if there were any further questions or comments in addition to Mr. Moerdler’s earlier request for clarification of the compliance language in the term sheet; if not, she would request a motion for approval.
Upon a motion duly made by Mr. Moerdler, and seconded by Mr. Jiha, the Members of the Finance Committee unanimously:

RESOLVED, to approve (i) the use of unrestricted funds available to the Corporation in an amount not to exceed $100,000,000 to finance or restructure mortgage loans for the rehabilitation, and/or permanent financing of MLRP Projects and (ii) the execution by an Authorized Officer of the Corporation of mortgage-related documents and any other documents necessary to accomplish the financing.

The Chairperson stated that the next item of business would be the Approval of Declaration of Intent Resolutions and called upon Mr. Richardson to advise the Members regarding this item.

Mr. Richardson reminded the Members that Declaration of Intent Resolutions are solely for tax code purposes, allowing any expenditures incurred by a project’s developer within 60 days prior to the date the Resolution is passed to be eligible for tax exempt bond financing. He said that before HDC were to actually finance a project, the specifics of the transaction would be presented to the Members for review and approval.

Mr. Richardson referred the Members to the memorandum before them entitled “Resolution of Declaration of Intent, 1560 Boone Avenue, Bronx, New York, Block 3014/Lot 15” dated May 26, 2017 for a proposed development also known as Compass 3A and the Declaration of Intent Resolution attached thereto, which is appended to these minutes and made a part hereof.

Mr. Richardson stated that the proposed development would consist of the new construction of one building containing 163 residential rental units (including one superintendent unit) to be located in the Bronx using approximately $20 million in tax-exempt bonds. He said that the project is to be developed by a single purpose entity to be formed and controlled by the principals of Monadnock Development.

Upon a motion duly made by Mr. Gould, and seconded by Mr. Jiha, the Members of the Finance Committee unanimously:

RESOLVED, to approve the Declaration of Intent Resolution for 1560 Boone Avenue, Bronx, New York, Block 3014, Lot 15, aka Compass 3A.

Next Mr. Richardson referred the Members to the memorandum before them also entitled “Resolution of Declaration of Intent, 1560 Boone Avenue, Bronx, New York, Block 3014/Lot 15” dated May 26, 2017 for a proposed development also known as Compass 3B and the Declaration of Intent Resolution attached thereto, which is appended to these minutes and made a part hereof.

Mr. Richardson stated that this proposed development would consist of the new construction of one building containing 202 residential rental units (including one superintendent
unit) to be located in the Bronx using approximately $42.25 million in tax-exempt bonds. He said that the project is to be developed by a single purpose entity to be formed and controlled by the principals of Monadnock Development.

Upon a motion duly made by Mr. Gould, and seconded by Mr. Jiha, the Members of the Finance Committee unanimously:

**RESOLVED**, to approve the Declaration of Intent Resolution for 1560 Boone Avenue, Bronx, New York, Block 3014, Lot 15, aka Compass 3B.

The Chairperson stated that at this time, she would like to close the meeting of the Finance Committee and call for a motion of the HDC Board to ratify those items just approved by the Finance Committee.

Upon a motion duly made by Mr. Moerdler, and seconded by Mr. Gould, the Members unanimously:

**RESOLVED**, to ratify and adopt each of the preceding approvals of the Finance Committee.

At 11:56 a.m., there being no further business, upon a motion duly made by Mr. Gould, and seconded by Mr. Jiha, the meeting was adjourned.

Respectfully submitted,

[Signature]

Diane J. Pugacz
Assistant Secretary
MINUTES
OF THE MEETING OF THE
NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

June 5, 2017

ATTENDANCE LIST

Howard I. Berkman
R. Gregory Henniger
Kevin Murphy
Kym Arnone
Alan Jaffe
Annie Lee
Peter Weiss
Jeff Sula
Peter Cannavo
Nick Fluehr
Matt Engler
Matt Tesseyman
Michael Barbarino
Geoffrey Proulx
Gregory Borys
Samphas Chhea
John Leach
Albert Leong
Jose Yandun
Jeffrey Philp
Eileen Heitzler
Seema Mohanty
Andrew Rothbaum
Barbara Feldman
George Jaegger
Jacqueline Gold
J. Sika
Louis Roberts
Bronson Martin
Garth Griffiths
Cathy Bell
Max Zarin
Joe Tait
Francis McKenna
Eric Enderlin

Hawkins Delafield & Wood LLP
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Jefferies LLC
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J.P. Morgan
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RBC Capital Markets
Wells Fargo
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Citi
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Morgan Stanley
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Ramirez & Co.
Barclays
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Siebert Branford Shank
Orrick, Herrington & Sutcliffe LLP
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Mohanty Gargiulo LLC
BAML
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DOF
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EY
Caine Mitter
Blaylock
Stern Brothers
Hudson
Raymond James
Academy
New York City Housing
Development Corporation
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Richard M. Froehlich

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