MEMORANDUM

To: The Chairperson and Members

From: Marc Jahr (President)

Date: September 18, 2013

Subject: Multi-Family Mortgage Revenue Bonds
(City Point - Tower One Development), 2013 Series A

I am pleased to recommend that the Members approve the issuance of the Corporation’s Multi-Family Mortgage Revenue Bonds (City Point - Tower One), 2013 Series A (the “Bonds”) in an amount not expected to exceed $70,000,000. Interest on the Bonds is anticipated to be exempt from Federal, state and local income tax. The Bonds will be recycled tax-exempt bonds which are not subject to the private activity bond volume cap. The Corporation made an unsecured initial loan on April 1, 2010, to Hudson City Point LLC, which entity was replaced by the developer (described below), to reserve the recycled volume cap from its Multi-Family Housing Revenue Bonds, 2009 Series H-2, which will be refunded contemporaneously at construction loan closing.

The proceeds of the Bonds will be used by Albee Tower I Owners LLC, a Delaware limited liability company (the “Mortgagor”) for the purpose of paying a portion of the costs of acquiring and constructing a 251-unit multi-family rental housing development to be located at 7 DeKalb Avenue in Brooklyn (the “Project”) and to be developed under the Corporation’s Mixed Income Program. The managers of Albee Tower I Owners LLC are described below.

The Bonds will be issued initially as unrated variable rate index bonds to be directly purchased by Wells Fargo Bank, National Association (“Wells Fargo”) pursuant to a bond purchase agreement, and secured by a mortgage purchase agreement (described below), with Wells Fargo.

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

The Project consists of the new construction of a 19-story residential tower above a four floor retail podium to be located at 7 DeKalb Avenue between Fleet and Gold Streets in Downtown Brooklyn. The Project will be developed on land subject to a ground lease between The City of New York and Albee Development LLC, a partnership comprised of Acadia Realty Trust and Washington Square Partners, and subleased to the Mortgagor. The Project will consist of the residential unit in a condominium development and will contain 250 rental units (76 studio units, 105 one-bedroom units, and 69 two-bedroom units). Fifty (50) of the units (20% of the project) will be reserved for tenants earning no more than 50% of Area Median Income ("AMI") which is currently $42,950 for a family of four. Of those fifty (50) units, eight (8) will be reserved for tenants earning no more than 40% of AMI, which is currently $34,360 for a family of four. Seventy-five (75) units (30% of the Project) will have rents set to be affordable to households earning 130% of AMI, which is currently $111,670 for a family of four. The remaining one hundred and twenty-five (125) units (50% of the project) will not have income restrictions and will be rented at market rents. The Project is also expected to provide the tenants with 100 storage units as well as a gymnasium.

Following initial occupancy, rents on the Project will be subject to Rent Stabilization. Pursuant to the terms of a regulatory agreement to be executed by the Corporation and the Mortgagor (the "Regulatory Agreement"), the occupancy restrictions will remain in effect for as long as the Bonds are outstanding and for a minimum of thirty (30) years from the date the Project is first occupied (the "Occupancy Restriction Period"). Both the low and middle-income tenants in occupancy at the expiration of the Occupancy Restriction Period will be protected by the terms of the HDC Regulatory Agreement, which mandates that the tenants be offered continuous lease renewals in accordance with Rent Stabilization.

The Project will receive two additional loans from the Corporation’s unrestricted reserves of $8,190,000 and $10,810,000 (the “Second Position Subordinate Loan” and the “Third Position Subordinate Loan,” respectively, and collectively the “Subordinate Loans”). The $8,190,000 loan shall be made in accordance with the Mixed Income Program guidelines of $65,000 per unit for the 125 low and middle-income units in the Project and will bear interest at a rate of 1%, with scheduled amortization based on a 2% constant payment beginning at the earlier of 36 months after construction loan closing or conversion to permanent financing. The $10,810,000 loan shall be equal to $85,794 per unit for the 125 low and middle-income units in the Project and will bear interest at a rate of 1%, with interest only payments during construction and after conversion to permanent financing. The $10,810,000 loan will fill the financing gap created by the absence of Low Income Housing Tax Credits and Homes for Working Families funding due to the use of recycled tax-exempt bonds, which do not qualify the project for these important sources of financing. The Subordinate Loans will not be credit enhanced.

A fact sheet with a brief description of the Project is attached (see “Exhibit A”).
Mortgagor Description

BFC Partners ("BFC"), a privately owned real estate development company will be the developer of the Project. BFC has a development agreement with Albee Development LLC and has developed over 4,100 units of housing in over 35 projects in Manhattan, Brooklyn, Staten Island and the Bronx. This will be BFC's sixth project financed by the Corporation.

At construction closing, the Mortgagor of the Project will be Albee Tower I Owners LLC of which BFC Albee Tower I LLC, an entity controlled by BFC principals Donald Capoccia, Brandon Baron and Joseph Ferrara, is the managing member. Albee Tower I Member LLC, an entity controlled by Acadia Realty Trust and Paul Travis of Washington Square Partners, will be the non-managing member.

Structure of the Bonds

The Bonds will be initially issued as unrated, variable rate index bonds to be directly purchased by Wells Fargo pursuant to a bond purchase agreement. The Bonds shall bear interest at a floating rate expected to be re-set periodically based on 100% of the most recent Securities Industry and Financial Markets Association ("SIFMA") Municipal Swap Index as re-set weekly, plus a spread expected to be 1.25% during construction and 2.00% during the permanent phase. Similar to other multi-modal transactions undertaken by the Corporation, the Bond Resolution and other agreements to be entered into in connection with the financing provide that the Bonds may be converted to (i) a Weekly Rate, (ii) a Term Rate (with a semi-annual term or any multiples thereof), or (iii) a Fixed Rate, all at the option of the Mortgagor with the approval of the credit enhancer and the Corporation pursuant to the terms of the Bond Resolution.

The Bonds will be subject to a maximum interest rate of 12% per annum in any of the above interest rate modes, although the maximum rate may be increased to 15% in accordance with the provisions of the Bond Resolution. The Bonds will have an approximate final maturity of March 1, 2046.

Security for the Bonds

During the construction and lease-up period, the Bonds will be secured by a mortgage purchase agreement with Wells Fargo ("MPA" or "Mortgage Purchase Agreement"). If the Trustee has not received any amount due and owing under the Bonds or otherwise required by the Resolution, upon notice after an opportunity to cure any defaults, Wells Fargo shall have (i) the option to pay such amount or (ii) the obligation to purchase the note and mortgage from the Corporation resulting in the redemption of the Bonds. Even if Wells Fargo fails to pay the purchase price, the note and mortgage will be assigned to Wells Fargo and the Bonds will be retired under the terms of the Resolution.

Upon construction completion, it is anticipated that the MPA may be extended for an additional term up to six (6) years, subject to certain conditions. Alternatively, the Mortgagor may secure a long-term variable-rate credit facility acceptable to the Corporation. As a result, the Corporation
believes that the financing is structured to effectively insulate the Corporation from credit, market and real estate risks.

The Bond Resolution permits the substitution of letters of credit and confirming letters of credit or the provision of alternate forms of credit enhancement, provided that the Corporation provides the Trustee certain items detailed in the Bond Resolution including, but not limited to, (i) an opinion of bond counsel stating that the substitute letter of credit or alternate form of credit enhancement meets the requirements of the Bond Resolution and will not adversely affect the tax exemption relating to such bonds, and, if applicable (ii) a letter from the nationally recognized rating agency or agencies then rating the Bonds stating that (a) in the case of a substitute letter of credit, the substitute letter of credit will not result in a reduction or withdrawal of the rating on the Bonds or (b) in the case of an alternate security, to the effect that such alternate form of credit enhancement will provide the Bonds with an investment grade rating. The Mortgagor must pay all costs incurred by the Trustee and the Corporation in connection with the provision of a substitute letter of credit, confirming letter of credit or alternate form of credit enhancement.

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

**Risks and Risk Mitigation**

The primary risk associated with the Bonds is the potential failure of Wells Fargo to honor its obligations under the MPA, which would be a default under the transaction documents. However, the Bond Resolution and the MPA will mitigate this potential risk because even if Wells Fargo fails to honor its obligation upon a default by the Mortgagor because the note and mortgage will be automatically assigned to Wells Fargo and the Bonds will be retired. Wells Fargo is currently rated AA- by Standard & Poor’s. Additionally, under certain circumstances, the Bond Resolution allows the Corporation to require the replacement or substitution of the credit enhancement, at the Corporation’s option. The likely circumstance under which the Corporation might require a replacement or substitution would be if the respective bank was downgraded to below investment grade.

Wells Fargo will require the Mortgagor to purchase a 6-year interest rate cap ("Rate Cap") to be effective during the permanent phase. The Rate Cap will provide a hedge to mitigate the risk of rising variable rates in the future.

In an effort to alleviate the exposure of the Corporation’s subordinate debt to the availability of permanent credit enhancement on the senior loan, the Mortgagor will be required to escrow additional principal payments. The additional payments will go into an escrow account until such time as the Mortgagor secures enhancement through year 20 of the Project, at which time the escrow will be released to the Borrower. The escrow will be drawn on to pay down the Second Position Subordinate Loan of $8,190,000 in the event the Mortgagor cannot secure an additional term of enhancement after the Wells Fargo mortgage purchase agreement expires or any subsequent enhancement period expires which is not through year 20 of the Project.
Fees

The Mortgagor will be obligated to pay the Corporation its costs of issuance for the Bonds equal to approximately 1.0% of the Bonds plus an up-front fee equal to 1.25% of the Bonds. In addition, the Corporation will receive an annual servicing fee on the Project equal to .50% of the Bonds.

Wells Fargo will receive an origination fee equal to 1.0% of the construction period Mortgage Loan amount.

Rating

It is expected that the Bonds will be unrated.

Trustee and Tender Agent

TBD

Bond Counsel

Hawkins Delafield & Wood LLP

Pricing Advisor

Caine Mitter & Associates Inc.

Action by the Members

The Members are requested to approve an authorizing resolution which provides for (i) the adoption of the City Point - Tower One Bond Resolution, (ii) the execution of the bond purchase agreement regarding the sale of the Bonds, and (iii) the execution of the Mortgage Purchase Agreement with respect to the Bonds, and (vi) the execution of mortgage related documents and any other documents necessary to accomplish the issuance of the Bonds and the financing of the loans.

In addition, the Members are requested to approve the making of two subordinate loans to be funded by the Corporation’s unrestricted reserves in an amount not to exceed $19,000,000, and the execution by an authorized Officer of the Corporation of mortgage related documents and any other documents necessary to accomplish the subordinate financing.
Exhibit A

City Point Tower One
Brooklyn, New York

Project Location: 7 DeKalb Avenue, Brooklyn, NY
Block 149, Future Lot 2

Project Description: The new construction of a 19-story building with 251 mixed-income residential units.

Total Rental Units: 250 (plus one unit reserved for the superintendent)

Apartment Distribution:

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>No. of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>76</td>
</tr>
<tr>
<td>1 bedroom</td>
<td>105</td>
</tr>
<tr>
<td>2 bedroom</td>
<td>70</td>
</tr>
<tr>
<td>Total Units*</td>
<td>251</td>
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</tbody>
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*Total Units are inclusive of one superintendent unit

Market Rate Units: 125

Middle-Income Units (rents set at 30% of 130% of AMI): 75

Low-Income Units (rents set at 30% of 50% of AMI): 42

Very Low-Income Units (rents set at 30% of 40% of AMI): 8

Superintendent Unit: 1

HDC Estimated Recycled Tax-Exempt Bond Amount: $62,000,000

Bond Structure: Index Rate; may be converted to other modes

Credit Enhancement: Mortgage Purchase Agreement from Wells Fargo Bank, NA

Owner: Albee Tower I Owners LLC a Delaware Limited Liability Company whose managing member is BFC Albee Tower I LLC whose principals are Donald Capoccia, Brandon Baron and Joseph Ferrara

Underwriter/Remarketing Agent: N/A