




NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Eric Enderlin 
President

Date: September 19, 2019

Subject: Approval to Originate Additional Portions of Two Senior Mortgage Loans

I am pleased to recommend that the Members authorize the Corporation to use its unrestricted reserves to originate additional portions of two (2) previously authorized Senior Loans for (i) a portion of the construction and permanent financing of the Bay Towers Development (“Bay Towers”) in an amount not-to-exceed \$2,000,000 (“Bay Towers Additional Portion”), and (ii) a portion of the permanent financing of the Bronx Commons Development (“Bronx Commons”) in an amount not-to-exceed \$1,300,000 (“Bronx Commons Additional Portion”).

The financing for Bay Towers (the “Bay Towers Financing”) was approved by the Members at the May 30, 2019 meeting and is expected to close in September, shortly after this Members’ Meeting. The financing for Bronx Commons (the “Bronx Commons Financing”) was approved by the Members at the December 1, 2016 Meeting and closed on December 28, 2016.

The Members are also being asked to authorize the Corporation to enter into a participation agreement (“Participation Agreement”) with Citibank, N.A. (“Citibank”), pursuant to which Citibank will fund the Bronx Commons Additional Portion during the construction phase. The Corporation expects to fund the permanent Bronx Commons Additional Portion and the Bay Towers Additional Portion with the Corporation’s unrestricted reserves and to reimburse itself with tax-exempt or taxable bonds, at a later time. Such later issuance of additional Bonds will be presented to the Members for approval at such time.

Additional Portions of Two Senior Mortgage Loans

Bay Towers

On May 30, 2019, the Members approved the Bay Towers Financing in an amount not to exceed \$51,445,000 to be used by the Borrower, DRC Realty Associates LLC, for the purpose of rehabilitating a 374-unit multi-family, Mitchell-Lama rental housing development known as Bay Towers consisting of two, 14 story- buildings in the Rockaway Park neighborhood of Queens and to restructure a loan associated with Bay Towers currently existing in the Corporation's portfolio.

Pursuant to that authorization, the Corporation has sold and expects to issue \$51,055,000 of the Corporation's Multi-Family Housing Revenue ("Open Resolution") Bonds to fund a portion of the Bay Towers Financing. However, due to an increase to the budget, due in part by the need for the Corporation to provide construction financing rather than permanent financing as originally contemplated, the Development needs an incremental increase in financing beyond the amount approved in May, in an amount not-to-exceed \$2,000,000.

The Corporation expects to increase the amount of the Senior loan to be made, in an amount not-to-exceed \$2,000,000 to finance a portion of the rehabilitation and permanent financing of Bay Towers.

Bronx Commons

On December 1, 2016, the Members approved the Bronx Commons Financing in an amount not to exceed \$64,460,000 to be used by the Borrowers, Bronx Commons LLC and Bronx Commons LIHTC LLC, for the new construction of a 305-unit multi-family, rental housing development known as Bronx Commons consisting of one, 12 story-building in the Melrose neighborhood of the Bronx.

Pursuant to that authorization, the Corporation issued \$61,770,000 in Open Resolution Bonds to finance the senior construction loan, which was made on December 28, 2016. However, due to a request by the Borrower to renovate the Project's commercial space so that it may be used by the NYC School Construction Authority as a Pre-Kindergarten school, the development needs an incremental increase in financing beyond the amount approved in 2016, in an amount not-to-exceed \$1,300,000.

The Corporation expects to originate a new, co-senior loan, in an amount not-to-exceed \$1,300,000 to finance a portion of the renovation of the Bronx Commons commercial space and to enter into a participation agreement with Citibank, pursuant to which Citibank will acquire a 100% participation interest in such loan. Upon construction completion, the Corporation expects to use its unrestricted reserves, in an amount not-to-exceed \$1,300,000 to repurchase the loan and provide permanent financing.

Risks and Risk Mitigation

The Bay Towers Additional Portion was conservatively underwritten and is sized to Bay Tower's increased expected cash flow. Bay Towers is currently occupied and by closing, will be receiving a new project-based Section 8 contract and expects to obtain rents better aligned with local market levels than what was previously collected.

The primary risk to the Corporation related to the loans during the permanent phase is repayment risk from the borrowers. This risk is mitigated through conservative underwriting incorporating low loan-to-value ratios, strong debt service coverage and income to expense ratios. In the case of Bay Towers, the risk of default is also partially mitigated through the FHA Risk Sharing Program. In the case of Bronx Commons, the risk of default is also partially mitigated through the Corporation's use of mortgage insurance policies provided by the New York City Residential Mortgage Insurance Corporation. Additionally, NYC School Construction Authority, the tenant expected to occupy the commercial space in Bronx Commons, has a long-term commitment to the neighborhood.

Action by the Members

The Members are requested to approve the use of the Corporation's unrestricted reserves to fund additional portions of two (2) previously authorized Senior Loans for (i) the construction and permanent financing for Bay Towers in an amount not-to-exceed \$2,000,000, and (ii) the permanent financing of Bronx Commons in an amount not-to-exceed \$1,300,000, and (iii) the execution by an Authorized Officer of the Corporation of mortgage-related documents and any other documents necessary to accomplish the financing.

The Members are requested to approve (i) the origination of a construction loan in an amount not to not-to-exceed \$1,300,000 for Bronx Commons, (ii) a Participation Agreement with Citibank or another construction financing institution, which will acquire a 100% participation interest in the loan, (iii) the subsequent re-purchase from Citibank or other construction financing institution of the 100% participation interest in such loan with the Corporation's unrestricted reserves or available funds of the Open Resolution, and (iv) the execution by an Authorized Officer of the Corporation of mortgage related documents and any other documents necessary to accomplish such financing.

Attachment "1"

**Bay Towers
Queens, New York**

Project Location: 319 Beach 98th Street, Rockaway Park, NY

HDC Program: Mitchell-Lama Reinvestment Program

Project Description: The project consists of the refinancing of two, 14-story buildings containing 374 residential units located in the Rockaway Park section of Queens. 25% of the units will be affordable to households earning no more than 60% of AMI, and 75% of the units will be reserved for households earning up to 125% of AMI.

Total Rental Units: 372 (plus 2 superintendent units)

<u>Apartment Distribution:</u>	<u>Unit Size</u>	<u>No. of Units</u>
	Studio	27
	1 bedroom	102
	2 bedroom	187
	<u>3 bedroom</u>	<u>56</u>
	Total Units*	374

*Total Units are inclusive of two superintendent unit

Expected HDC Construction Financing Amount: \$1,160,000 (\$50,160,000 in total including previously issued debt)

Expected HDC Permanent Financing Amount: \$1,160,000 (\$50,160,000 in total including previously issued debt)

Expected HDC Subordinate (IRP) Mortgage: \$2,020,000

Expected Total Development Cost: \$64,314,231

Owner: DRC Realty Associates LLC (beneficial owner) whose sole member DRC Realty Holdings LLC whose sole member is David Lichtenstein and Bay Towers Preservation Housing Company, Inc. (fee owner)

Developer: Camber Property Group, whose principals are Rick Gropper and Andrew Moelis

Expected Investor Limited Partner: N/A

Credit Enhancement: FHA Risk Share 50-50 (Permanent)

Attachment "2"

**Bronx Commons Supplemental Loan
Bronx, New York**

Project Location: 443 East 162nd Street

HDC Program: Mix and Match

Project Description: The project will consist of the new construction of one 12-story building containing 305 residential units. 100% of the units will be affordable to households earning at or below 90% AMI.

Total Rental Units: 304 (plus 1 superintendent unit)

Apartment Distribution:

<u>Unit Size</u>	<u>No. of Units</u>
Studio	35
1 bedroom	75
2 bedroom	177
3 bedroom	18
Total Units*	305

* Total Units are inclusive of one superintendent unit

Expected HDC Construction Financing Amount: \$1,285,000 (\$63,055,000 in total including previously issued debt)

Expected HDC Permanent Financing Amount: \$1,285,000 (\$22,810,000 in total including previously issued debt)

Expected HDC Second Mortgage: \$26,386,513

Expected Total Development Cost: \$166,568,265

Owner: Bronx Commons HDFC, formed by principals Nancy Biberman, Jonathan Springer and Sean Simmons and Bronx Commons JV, LLC, whose membership includes the HDFC and the principals of BFC Bronx Commons, LLC, Joseph Ferrara, Brandon Baron, Don Capoccia and Winthrop Wharton

Developer: Bronx Commons Developer LLC whose principals are those of BFC Bronx Commons, LLC, Joseph Ferrara, Brandon Baron, Don Capoccia and Winthrop Wharton as well as the members of the housing committee of Women's Housing and Economic Development Corporation (Linda Field, Nancy Bieberman, and Sean Simmons).

Investor Limited Partner: Richman Group – Syndicator/Investor

Credit Enhancer: N/A (Construction)
REMIC (Permanent)