NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Gary Rodney
President

Date: November 24, 2015

Re: Stuyvesant Town-Peter Cooper Village

The Members are asked to authorize the Corporation to originate a mortgage loan in an aggregate principal amount not to exceed $3.15 billion (the "Loan") to finance a portion of the acquisition of Stuyvesant Town-Peter Cooper Village in Manhattan (the "Property") by a partnership of affiliates of Blackstone Property Advisors L.P. and affiliates of Caisse de dépôt et placement du Québec, a leading Canadian public pension fund (the "Purchaser"). The Loan will be funded pursuant to a participation agreement (the "Participation Agreement") with Wells Fargo Bank, N.A. or an affiliate (collectively, "Wells Fargo") and the Corporation's subsidiary, the Housing Assistance Corporation ("HAC").

The Members are also asked to authorize, in accordance with Section 654-a(3) of the New York Private Housing Finance Law, the transfer of an amount not to exceed $150 million of the Corporation's unrestricted reserves to HAC, to provide HAC with the monies to fund a subordinate participation interest in the Loan (the "HAC Subordinate Participation").

This memorandum will describe the proposed acquisition of the Property, the Corporation's role in the financing of this acquisition, and the related establishment of an affordable housing regime at the Property.

Acquisition of Stuyvesant Town-Peter Cooper Village

The Property is an 11,241-unit, 110-building development on the east side of Manhattan bordered by 14th Street to the south, 23rd Street to the north, First Avenue to the west, and Avenue C and the FDR Drive to the east.

In October 2015, the current owner of the Property, CWCapital, entered into an agreement to sell the Property to the Purchaser. In connection with the planned acquisition, the Purchaser reached a separate agreement with The City of New York (the "City"), working in partnership with other elected officials, the Tenants Association for the Property and the Corporation, to create a new affordable housing regime at the Property. Existing affordability restrictions with respect to the Property will expire in 2020 with the expiration of the Property's J-51 tax benefits.

Due to funding restrictions for the City, the City is requesting the assistance of the Corporation to facilitate the implementation of this new affordable housing regime. As part of the agreement between the City and the Purchaser, the City is requesting that the Corporation (1) originate the Loan, (2) provide HAC with the monies to fund the HAC Subordinate Participation, and (3) execute and monitor a regulatory agreement to be recorded against the Property.

Financing by the Corporation

The Loan will be originated by the Corporation and funded pursuant to the Participation Agreement. Under the terms of the Participation Agreement, the Corporation will originate mortgages securing a senior participation interest in the Loan and the HAC Subordinate Participation. The Corporation's mortgages securing the Loan will be exempt from the mortgage recording tax. The Corporation will fund a small percentage of the senior participation interest in the Loan. At the closing, Wells Fargo will purchase and fund the remaining percentage of the senior participation interest in the Loan, and shortly after the closing, Wells Fargo will purchase the percentage funded by the Corporation and return those funds to the Corporation. The Corporation will assign the senior mortgage to Wells Fargo or its agent.

The Corporation will provide HAC with the monies to fund the HAC Subordinate Participation. Section 654-a(3) of the New York Private Housing Finance Law permits the Corporation to transfer money to HAC and provides that HAC has all of the privileges, immunities and tax exemptions of the Corporation. While the Corporation has broad authority to make loans for affordable housing, HAC was established in part to provide grants and forgivable loans such as the mortgage securing the HAC Subordinate Participation. In connection with the Corporation's transfer to HAC of the monies to fund the HAC Subordinate Participation, the City (acting through its Department of Housing Preservation and Development) will enter into a memorandum of understanding with the Corporation under which the City will agree to provide an amount equal to the amount of the HAC Subordinate Participation in grants to assist with the financing of other projects by the Corporation. These grants from the City will reimburse the Corporation for providing the funds for the HAC Subordinate Participation.

HAC will purchase and fund the HAC Subordinate Participation, and the Corporation will assign the subordinate mortgage securing the HAC Subordinate Participation to HAC. Under the terms of the Participation Agreement, the Corporation will retain the servicing rights for this mortgage, and HAC will be required to assign the mortgage back to HDC if the Purchaser transfers the Property to any party that is a prohibited transferee under the regulatory agreement (i.e., certain parties with a history of adverse criminal convictions or administrative findings). In such a case, the Purchaser will be required to repay the outstanding principal amount of the mortgage securing the HAC Subordinate Participation.

The portion of the Loan funded by the HAC Subordinate Participation will have a 20-year term and will not bear interest. HAC will forgive the principal amount of the portion of the Loan funded by the HAC Subordinate Participation at the rate of 1/20th of the original principal amount per annum over the 20-year term. The mortgage securing the HAC Subordinate Participation will be subordinate and subject to standstill with respect to any other current or future debt affecting the Property, the Purchaser or any assignee of the Purchaser.

Affordable Housing Regime

To implement the agreement to create a new affordable housing regime at the Property, the Corporation's regulatory agreement will restrict 5,000 units at the Property as affordable units for 20 years from the date of the Purchaser's acquisition. Approximately 5,300 units will be designated initially as affordable units, with the existing tenants of these units protected by their current leases and their rights under rent stabilization.

As these initial affordable units become vacant, the Purchaser will be obligated to rent the future affordable units to income-qualified tenants, with rents to be limited based on the income restriction for the unit. The regulatory agreement will require the Purchaser to rent these income-restricted units as follows: (1) 90% of the units must be rented to tenants with an annual household income of no more than 165% of the area median income ("AMI"), which is currently $128,205 for a family of three; and (2) 10% of the units must be rented to tenants with an annual household income of no more than 80% of AMI, which is currently $62,150 for a family of three. The future affordable units will be marketed pursuant to Corporation-approved marketing guidelines, which will require a regular lottery and the maintenance of a waiting list.

The regulatory agreement will further require the Purchaser to limit rent increases for in-place tenants in affordable units during a five-year "step-up" period after the expiration of the 20-year regulatory period. The Purchaser has also agreed to limit rent increases during a certain period for designated existing tenants whose units were subject to a legal settlement concerning rent stabilization at the Property. In addition, the regulatory agreement will require the Purchaser to provide a range of services to the senior tenants of the Property without charge.

Per the terms of the agreement between the City and the Purchaser, the Corporation's role in overseeing the initial rental of any affordable unit will be limited to the general requirements of the approved marketing guidelines. The Purchaser will not be required to receive the Corporation's express approval prior to the rental of any affordable unit. To ensure compliance with the regulatory agreement, the Corporation will receive semi-annual reports from the Purchaser that include the rent roll for the affordable units, highlighting the tenants who have moved in or out during the prior six months. The Corporation will have the right to review up to 20 randomly selected files every six months from the group of tenants who have moved into affordable units during the period. If material noncompliance issues exist, then the Corporation will have the right to review additional files. In addition, the Corporation will have the right to review any file associated with a complaint.

The regulatory agreement will also restrict the Purchaser from transferring the Property to parties who have a history of adverse criminal convictions or administrative findings by requiring repayment of the portion of the Loan funded by the HAC Subordinate Participation if such a transfer occurs.

Risks to the Corporation

The Loan poses no risk of non-payment to the Corporation. Under the terms of the Participation Agreement, the Corporation will have no long-term obligation to fund the senior participation interest in the Loan, and the portion of the Loan funded by the HAC Subordinate Participation is structured to be fully forgiven over its term.

Action by the Members

The Members are asked to approve (1) the origination of the Loan in an aggregate principal amount not to exceed $3.15 billion and (2) the execution by an authorized officer of the Corporation of the Participation Agreement, mortgage-related documents and any other documents necessary to accomplish the financing.

The Members are further asked to approve (1) the transfer of an amount not to exceed $150 million of the Corporation's unrestricted reserves to HAC to provide the funds for the HAC Subordinate Participation and (2) the execution by an authorized officer of the Corporation of any documents necessary to effect such transfer.