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

September 27, 2012

The meeting of the Members of the New York City Housing Development Corporation (the “Corporation” or “HDC”) was held on Thursday, September 27, 2012 at the offices of the Corporation, 110 William Street, 10th Floor, New York, New York 10038. The meeting was called to order at 3:13 p.m. by the Chairperson, Mathew M. Wambua, who noted the presence of a quorum. The Members present were Felix Ciampa, Harry E. Gould, Jr., David M. Frankel and Denise Notice-Scott. The Members absent were Mark Page and Charles G. Moerdler. A list of observers is appended to these minutes.

The Chairperson called for the approval of the minutes of the meeting held on August 8, 2012.

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

RESOLVED, to adopt the minutes of such meeting.

The Chairperson stated that as a prelude to the Audit Committee report he wanted to note that Mr. Ciampa had recently joined HPD as the Deputy Commissioner of Policy and External Affairs. He said that he was absolutely ecstatic about having Mr. Ciampa join HPD given his long history with the administration. The Chairperson noted that Mr. Ciampa had been Chief of Staff for Deputy Mayor Lieber and Chief Operating Officer for EDC, and said that he was thrilled to have him join HPD.

The Chairperson then called upon Mr. Ciampa for a report of the Audit Committee.

Mr. Ciampa stated that the Audit Committee met just prior to this meeting, at which time the members reviewed the Corporation’s third quarter financial statements, as well as other financial and internal audit reports. Additionally, he said, the Members approved a $10 million transfer of funds from HDC to REMIC, which would increase REMIC’s capacity to insure by an additional $50 million.

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

Mr. Jahr thanked the Chairperson and bid a good afternoon to the Members and others in attendance. He said that he hoped all were able to take some time away from work and have good summer vacations. He said that unfortunately all that’s past, but as we enter the Fall, we also enter the run-up to another season of loan closings, which for us is a form of Spring. He added that his remarks today would focus on that activity.
Mr. Jahr stated that the resolution the Corporation would seek the Members’ approval of today had multiple components. He said that one set of issuance, 2012 G, H, I, J, K, and 2013 Series A—a good portion of the alphabet—is devoted to the financing, refinancing, and restructuring of a series of Mitchell Lama developments. He said that he would leave it to Simon A. Bacchus, HDC’s Senior Vice President for Development, to walk the Members through these complex actions.

Mr. Jahr stated that a single issuance—the 2012 Series F Bonds—would provide bond proceeds needed to support the development of three (3) LAMP projects containing 464 apartments and one (1) moderate income New HOP deal containing 101 apartments. He said that toward that end, New York City’s Industrial Development Agency (“IDA”) recently allocated $60 million of volume cap to HDC for these deals, after previously allocating $173 million to the Corporation for its June closings. He said that the Corporation also anticipates receiving an additional $12.5 million volume cap allocation from New York State to partially finance the New HOP development located on 161st Street in Jamaica, Queens, a commitment from the State which we deeply appreciate.

Mr. Jahr stated that apart from this development, two (2) other Fall deals were worthy of mention. He said that “Harlem RBI” would be built on New York City Housing Authority land located on East 104th Street in East Harlem. He said that the development would be an 11 story apartment building containing 89 units, but it would also involve the construction of a 55,000 square foot K-8 Charter School and 6,000 square feet of non-profit office space. He said that regrettably, he could not resist calling this a home run...or at least a triple.

Mr. Jahr stated that not so far away, five blocks down Second Avenue at East 99th Street, the Corporation would also finance the construction of a 176-unit apartment building designed for low-income, disabled individuals currently in skilled nursing facilities operated by the New York City Health and Hospitals Corporation. He said that many of these individuals are housed at Coler-Goldwater Hospital located on Roosevelt Island, which is the site anticipated to be used for the Applied Engineering campus. He said that the 99th Street development, which was directly across from the Metropolitan Hospital campus, would serve as a new home for many of these patients, and once they are relocated, construction of the campus, central to the launch of a world class engineering school, would begin in earnest.

Mr. Jahr stated that the Corporation’s December pipeline contains 13 deals, comprised of 1,661 apartments, and would require approximately $237 million in volume cap. He said that over and above that pipeline, the Corporation would be seeking volume cap for two developments of strategic importance to the City—Hunters Point South in Queens and Atlantic Yards in Brooklyn. He said that these two developments—Hunters Point South would be comprised of two towers containing 962 affordable apartments and Atlantic Yards Tower 2 would contain 349 units, of which half would be affordable—would require approximately $277 million in cap, which could be funded over two to three years, so, assuming they’re ready to close this year—the Corporation would need $90 million for their initial 2012 traunches.

Mr. Jahr stated that combined, then, HDC’s cap need for the balance of this year would amount to approximately $327 million, a not insignificant amount but along with the 2012
volume cap previously allocated to us by the State and IDA, it brings the Corporation to a number—$679 million. He said that that was also not out of line with what the Corporation had received over the prior two years from the City and State. He said that in 2010, in toto, the Corporation received $601 million in cap, while last year they received a total of $661 million in cap. He noted that these allocations and this year’s includes the “over and above” commitment to the NYCHA federalization deal.

Mr. Jahr stated that unlike the prior years, however, with the reemergence of a strong residential rental market in New York City, demand for tax-exempt financing was exceptionally high, and the State was being compelled to balance a variety of interests in deciding upon how to allocate cap. He said that to partially address the demand, while conserving volume cap, with assistance from HDC’s outside Bond Counsel, Hawkins Delafield, the Corporation had made great progress with its colleagues at the State’s Housing Finance Agency, in particular Marian Zucker, President of Homes and Community Renewals’ Office of Finance and Development, constructing a method for applying “recycled bonds” to market-rate “80-20” deals typically developed in Manhattan.

Mr. Jahr stated that in the Housing and Economic Recovery Act of 2008, Congress authorized the recycling of multi-family housing revenue bonds. He said that since that time, the Corporation had recycled slightly more than $655 million in volume cap, a remarkable amount. He said that he wouldn’t recount the intricacies of the method that would allow HDC to apply recycled cap to HFA deals. He said that suffice to say that in the typical HDC recycling transaction, HDC’s bonds are treated as “new money” bonds for State law and Resolution purposes but are treated as refunding bonds for Federal tax purposes and therefore do not require a volume cap allocation. He said that consequently, it is HDC’s Bond Counsel’s view that as a federal tax law matter, HFA can issue refunding bonds for HDC financed projects. And, accordingly, in the recycling context, HFA can play the role that HDC had previously played to the great benefit of both HFA and HDC.

Mr. Jahr stated that with this elegant, efficient method in place, HDC and HFA are preparing to use $25 MM in recycled bonds on an HFA transaction in mid-October, and by the end of the calendar year we anticipate providing another $150 million in recycled cap to four (4) other HFA financed developments. He said that going forward, on an annual basis, HDC expects to recycle approximately $100-$150MM in volume cap. He said that the Corporation anticipates that some of it would go to fund HDC deals; some of it would be used for HFA deals; and all of it would help to alleviate the demand for volume cap, conserving the tax credit equity generated by that cap for the deals that need it the most.

Mr. Jahr stated that during the balance of this calendar year, HDC’s collaborative efforts with the State and its able Homes and Community Renewal Commissioner and CEO, Darryl Townes, would not be limited to the funding of 80-20’s described above, nor to the financing of HDC’s pipeline, including the Hunters Point and Atlantic Yards developments with discretionary allocations of volume cap from the State, they would also extend to the restructuring and rehabilitation of the 1,093 unit Ocean Village development in The Rockaways, which is part of the Empire State Development portfolio of aging Mitchell Lama deals, as well as to the refinance of Coop City, with FHA insurance and a partial guarantee from HDC, approved by the Members
at its August 8th meeting, as well as from the State of New York Mortgage Agency, whose Board approved its share of the guaranty on September 13 of this year. He said that presently HUD, State and HDC staff are working to close this critically important $625 million undertaking prior to the end of October.

Mr. Jahr stated that finally, later in this meeting the Corporation would seek the Members’ approval of a resolution establishing and providing initial funding for HDC’s Retiree Medical Trust. He said that Richard M. Froehlich, Chief Operating Officer, Executive Vice President and General Counsel for the Corporation would provide the Members with the background to this proposal which he was pleased to recommend to the Members. He said that given the strength of HDC’s net revenues over the past few years, now was the ideal time to begin funding a portion of its “post-employment benefits other than pensions” liability or “OPEB” liability. He said that from a business standpoint, it’s a best practice that would strengthen HDC’s balance sheet, one of the foundations for the Corporation’s Double A (“AA”) credit rating. He said that moreover, it would provide concrete assurance to the Corporation’s superb staff of its commitment to them and their future health care needs. Mr. Jahr stated that concludes his remarks, and if there were no questions or comments, the Members could move on to the next item on the agenda.

Mr. Frankel asked when the project on East 99th Street was expected to be ready, and when people would be moved out of Coler-Goldwater. Mr. Jahr said that it would be approximately 24 months after closing; if the Corporation closed the project in October, it may be a little sooner, perhaps 3 months or so, which would be in June or July of 2014. The Chairperson said that it was anticipated that Coler-Goldwater would be vacated by the end of 2013, and that HPD would assist in providing housing for the residents during the transition.

The Chairperson stated that pursuant to the Public Authorities Accountability Act, and for the 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 for consideration by the Members would be the approval of an Authorizing Resolution relating to the issuance of the Corporation’s Multi-Family Housing Revenue Bonds, 2012 Series F, G, H, I, J, K and 2013 Series A. He called upon Simon A. Bacchus, Senior Vice President for Development of the Corporation, to advise the Members regarding this transaction.

Mr. Bacchus referred the Members to the memorandum before them entitled “Multi-Family Housing Revenue Bonds, 2012 Series F, G, H, I, J, K and 2013 Series A” dated September 20, 2012 (the “Open Resolution Memorandum”) and the attachments thereto including (i) the Resolution Authorizing Adoption of the One Hundred Sixty-Fourth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2012 Series F, the One Hundred Sixty-Fifth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2012 Series G, the One Hundred Sixty-Sixth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2012 Series H, the One Hundred Sixty-Seventh Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2012 Series I, the One Hundred Sixty-Eighth
Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2012 Series J, the One Hundred Sixty-Ninth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2012 Series K, and the One Hundred Seventieth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2013 Series A and Certain Other Matters in Connection Therewith (the “Authorizing Resolution”); (ii) the One Hundred Sixty-Fourth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2012 Series F, the One Hundred Sixty-Fifth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2012 Series G, the One Hundred Sixty-Sixth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2012 Series H, the One Hundred Sixty-Seven Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2012 Series I, the One Hundred Sixty-Eighth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2012 Series J, the One Hundred Sixty-Ninth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2012 Series K, the One Hundred Seventieth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2013 Series A (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. Bacchus stated that he was pleased to recommend that the Members approve the issuance of the Corporation’s Multi-Family Housing Revenue Bonds, 2012 Series F, 2012 Series G, 2012 Series H, 2012 Series I, 2012 Series J, 2012 Series K and 2013 Series A (collectively, the “Bonds”) in an amount not expected to exceed $475,000,000. He said that interest on the 2012 Series F, 2012 Series G, 2012 Series H, 2012 Series J, 2012 Series K and 2013 Series A 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 new private activity bond volume cap, and “recycled” volume cap in accordance with the Housing and Economic Recovery Act of 2008. He said that interest on the 2012 Series I Bonds would not be exempt from Federal income tax, but would be exempt from state and local income tax. Mr. Bacchus stated that approval of this Authorizing Resolution would authorize the 164th through 170th Supplemental Resolutions under the Corporation’s Open Resolution originally adopted by the Members in 1993.

Mr. Bacchus stated that the proceeds of the 2012 Series F Bonds, in an amount not expected to exceed $89,000,000, were expected to be utilized to provide first position construction and permanent financing for the new construction or acquisition and rehabilitation of four developments, consisting of 570 units located in the Bronx, Queens and Manhattan. He said that one LAMP development and the New HOP development would receive subordinate financing from the Corporation’s unrestricted reserves in an amount not to exceed $13,585,000 and one LAMP Preservation development would receive subordinate financing in an amount not to exceed $7,854,000 to be funded from the 421-a Affordable Housing Trust Fund.

Mr. Bacchus stated that the 2012 Series G, 2012 Series H and 2012 Series I Bonds, would be issued in an amount not expected to exceed $133,000,000. He said that the proceeds of these Series were expected to be utilized as follows: To restructure existing financing and
provide additional financing under the Mitchell-Lama Restructuring Program ("MLRP") for a portion of the rehabilitation of four developments consisting of more than 3,100 units located in the Bronx and Queens; to redeem certain of the Corporation's Multi-Family Housing Limited Obligation Bonds ("MFHLOB") relating to ten (10) senior Mitchell Lama loans and the assignment of the FHA insured mortgages relating to the developments to the Open Resolution; to acquire loans previously funded by the Corporation with its own corporate funds and re-leverage assets currently held under the Open Resolution in order to monetize such assets and lock in funding at the current low rates, allowing for replenishment of the Corporation's Mitchell Lama Repair Loan fund and Reserves to help meet the Corporation's goals under the Mayor's New Housing Marketplace Plan.

Mr. Bacchus stated that the proceeds of the 2012 Series J Bonds in an amount not to exceed $36,000,000 and the 2013 Series A Bonds in an amount not to exceed $46,000,000, were expected to be utilized to restructure existing financing and provide additional financing for the rehabilitation of the Ocean Village development with a total of 1,093 units located in Queens. He said that a portion of the Ocean Village rehabilitation would also be financed by a subordinate loan that would be funded with the proceeds of the 2012 Series I Bonds. He said that Members authorized the making of both these loans with corporate reserves on August 8, 2012.

Mr. Bacchus stated that Citibank was expected to be the direct purchaser of the 2012 Series J Bonds and 2013 Series A Bonds for all or a portion of the rehabilitation period. He said that in conjunction with the direct purchase, Citibank would be required to provide a mortgage purchase agreement that would secure the 2012 Series J Bonds and 2013 Series A Bonds from any mortgage loan payment default so long as Citibank is bondholder.

Mr. Bacchus stated that it was anticipated that upon the earlier of i) the conversion of the Ocean Village mortgage loan to permanent financing, ii) the date that long-term "AA" rated 30 year tax-exempt rates have reached approximately 4.80%, or iii) the end of the 2012 Series J Term Rate Period, the Corporation will remarket the 2012 Series J and 2013 Series A Bonds to fixed rate long term bonds with an approximate final maturity of May 1, 2045.

Mr. Bacchus stated that 2012 Series K Bonds would be issued as Convertible Option Bonds in an amount not to exceed $150,000,000. He said that the proceeds were expected to provide first position construction and permanent financing for the new construction or rehabilitation of one or more developments. He said that the risks and fees associated with 2012 and 2013 Bonds were outlined in the Open Resolution Memorandum and added that the Bonds would be rated AA by Standard & Poor's Rating Services and Aa2 by Moody's Investors Services.

Mr. Froehlich then described the provisions of the Authorizing Resolution to the Members 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, to approve (A) the Authorizing Resolution that provides for (i) the adoption of Supplemental Resolutions to the Open Resolution providing for the issuance of the Bonds; (ii) the distribution of Preliminary and final Official Statement(s) for the Bonds; (iii) the execution of bond purchase agreement(s) or forward bond purchase agreement(s) with the Underwriter(s) of the Bonds or a direct purchaser of any or all of the Bonds; (iv) the use of the Corporation’s unrestricted reserves to fund costs of issuance, capitalized interest and mortgage reserves for Bonds, as may be required; (v) the use of the Corporation’s general obligation as a “Cash Equivalent” (under the Open Resolution) to satisfy the Debt Service Reserve Account requirement with respect to the Bonds; (vi) 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; (vii) the execution of the Mortgage Purchase Agreement with respect to any or all of the Bonds (viii) whatever actions may be required to refund the MFHLOB, including execution by the President or any Authorized Officer of the Corporation of any and all documents necessary to arrange and complete any related redemptions or tender offers to the current holders of such bonds; (ix) the execution of amendments to the existing Participation Agreement with the City of New York relating to designating the Bonds financing mortgage loans under the MLRP as Mitchell Lama Restructuring Bonds; and (x) the execution of one or more Purchase and Sale Agreements with the City of New York relating to restructuring existing mortgage loans under the MLRP; and (B) the origination of subordinate loans for one LAMP development and one New HOP development from the Corporation’s unrestricted reserves in an amount not to exceed $13,585,000 and a subordinate loan for one LAMP Preservation development to be funded from the 421-a Affordable Housing Trust Fund in an amount not to exceed $7,854,000.

The Chairperson stated that the next item on the agenda would be the approval of the establishment of an OPEB Trust. He called upon Mr. Froehlich to advise the Members regarding this transaction.

Mr. Froehlich referred the Members to the memorandum before them entitled “Establishment and Funding of HDC’s Retiree Medical Trust” dated September 20, 2012 (the “Retiree Medical Trust Memorandum”) and stated that he was pleased to recommend that the Members approve the initial contribution of $4 million into an irrevocable trust to cover a portion of the Corporation’s unfunded post-employment benefits for its current and retired personnel.

Mr. Froehlich stated that in June 2004, the Governmental Accounting Standards Board (“GASB”) issued Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions (“GASB 45”). GASB 45 was issued to provide more complete, reliable and useful financial reporting regarding the costs and financial obligations incurred when public entities provide post-employment benefits (“OPEB”) other than pensions. He said that the accounting rule requires governments and agencies to account for OPEB liabilities on an accrual basis, expense its annual OPEB cost and report its OPEB obligation with a footnote disclosure. He said that the Corporation only offers health benefits to eligible retirees and their spouses. He said that in that context we would like to acknowledge the important role of our Member Mark Page in helping clarify that HDC retirees with NYCERS benefits are also covered under the City’s retiree health benefits at the expense of HDC.
Mr. Froehlich stated that an actuarial valuation was required to be updated every two or three years. He said that HDC retains an OPEB consultant, Buck Consultants ("Buck"), to perform the actuarial valuation of the Corporation’s retiree health care costs. He said that Buck was also used by the City to perform its OPEB calculations. He said that the Corporation’s most recent valuation was performed by Buck in November 2011 for fiscal year 2010 after HDC clarified its benefits. He said that this resulted in an actuarial accrued liability of $16,373,935. He said that at the end of fiscal year 2011 this liability increased to $18,407,000. He noted that currently, the Corporation’s OPEB liability was unfunded and its current obligations are paid out of the Corporation’s operating budget.

Mr. Froehlich stated that GASB 45 did not include requirements that the liability be funded, only that the agency account for its accrued actuarial liability in disclosure, as well as evidence of compliance in meeting annual required contributions ("ARC") expense in the financial statements. He said however, there were some benefits to funding the OPEB liability. He said that the main benefit, and most obvious, was that funding the liability would demonstrate that the Corporation could pay its obligation and would lead to a reduction in the ARC. He said also, funding this liability would be considered favorably by the ratings agencies.

Mr. Froehlich stated that HDC could fund its OPEB liability by setting up a trust that would be irrevocable. He said that the Corporation had engaged an outside law firm, Thompson Coburn LLP, to establish the retiree medical trust. He said that Thompson Coburn was also used by the City in setting up its OPEB trust. He said that additionally, the Corporation had selected US Bank as its trustee to administer the trust. He said that the trustee manages the funds within the trust, pursuant to the Corporation’s directions and guided by HDC’s investment guidelines (separately approved by the Members on an annual basis).

Mr. Froehlich stated that currently, the Corporation has 11 retirees and an annual OPEB cost of about $80,000. He said that staff expects (and Buck has separately confirmed) that this amount would increase gradually over time, with an expected boom occurring between five to ten years from now and then progressing from that point.

Mr. Froehlich stated that the Corporation’s operating cash flow in 2012 had exceeded staff’s projections and staff recommends that a small portion of these excess proceeds be used to initially fund the OPEB Trust with a $4 million contribution. He said that staff expects the investment returns on the OPEB Trust will cover the current and near future annual retiree medical expenses, as well as administrative costs.

Mr. Froehlich then described the action that the Members were requested to approve.

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

**RESOLVED**, to approve the establishment of the OPEB Trust and an initial funding of $4 million into the OPEB Trust; subsequent contributions into the OPEB Trust may be approved after review by the Corporation’s Audit Committee.
The Chairperson stated that at this time, he 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. Gould, and seconded by Ms. Notice-Scott, the Members unanimously:

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

At 3:35 p.m., there being no further business, upon a motion duly made by Mr. Frankel, and seconded by Mr. Gould, the meeting was adjourned.

Respectfully submitted,

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

September 27, 2012

ATTENDANCE LIST

Howard I. Berkman
R. Gregory Henniger
Matt Bissonette
Matt Tesseymann
Kent Hiteshew
Alan Jaffe
Annie Lee
Marvin Markus
Sanna Wong-Chen
John Carter
Joe Tait
Tom Caine
Geoff Proulx
Eileen Heitzler
John Germain
Casey Biegelsen
Albert Luong
B. Beal
Sammi Chhea
Margaret Guarino
Vishmi Paruchuri
Manuel Angeles
Jennifer Steinberg
Marc Jahr

Hawkins Delafield & Wood LLP
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Citibank, N.A.
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JPMorgan
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Goldman Sachs
Siebert Brandford Shank & Co., LLC
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Raymond James
Caine Mitter & Associates Inc.
Morgan Stanley
Orrick, Herrington & Sutcliffe LLP
Barclays Capital, Inc.
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M.R. Beal
BOA Merrill Lynch
Ramirez & Co.
CastleOak Securities
OMB
New York City Housing Development Corporation
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