



NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Eric Enderlin *E.E.*
President

Date: May 26, 2021

Re: New York City Acquisition Fund LLC (NYCAF) Senior Term Loan Extension

I am pleased to recommend that the Members approve the extension of the Corporation's Senior Term Loan to the New York City Acquisition Fund LLC ("NYCAF"). On June 5, 2018, the Members approved the use of the Corporation's unrestricted reserves to make an interest-only loan to NYCAF in an amount not to exceed \$15 million (the "Senior Term Loan") in order to facilitate an increase in volume of loans generated by NYCAF. (See attached 2018 Memorandum to the Board.)

The Members are being asked to approve the extension of the maturity date of the Corporation's Senior Term Loan from August 31, 2024 until on or about December 31, 2026. The Corporation anticipates the extension will provide NYCAF with the additional capacity required to keep pace with projected demand from prospective borrowers.

This memorandum will provide a description of NYCAF, and a discussion of the structure and risks of the Senior Term Loan.

Program Description

NYCAF, which was created in 2006, offers acquisition, predevelopment and moderate rehabilitation loans to experienced for-profit and not-for-profit real estate developers of affordable, supportive, and mixed income rental housing in the five boroughs of New York City. Its current members are Enterprise Community Partners (50%) and Local Initiatives Support Corporation (50%). NYCAF has been managed by Forsyth Street Advisors since its inception. Made possible through a partnership between the City of New York, major philanthropic foundations, and New York's public and private investment groups, NYCAF provides loans at capital advance rates of up to 130% loan-to-value for non-profit borrowers with loan terms of up to five years and limited recourse. Since inception, and as of December 31, 2020, NYCAF's lending volume has exceeded \$530 million, generating over 14,200 newly constructed or preserved affordable homes in 87

projects throughout the five boroughs. In January 2021, Mayor de Blasio announced that NYCAF will now exclusively serve Minority and Women-Owned Businesses (M/WBEs) or non-profit developers with a minimum 51% ownership in the project.

Economics

NYCAF's total current lending capacity consists of \$148.5 million in Revolving Credit Agreement ("RCA") lender commitments from eight senior secured lenders, \$37.0 million in Senior Term Loans from three Senior Term Lenders (including HDC), and \$24.1 million of Risk Capital including mezzanine debt, subordinate debt, and NYCAF equity. From these lender commitments, NYCAF's current \$123.1 million loan portfolio is supported by \$78.1 million of RCA lender commitments, and \$42.5 million of Senior Term/Risk Capital lender commitments.

Based on conservative loan payoff projections in 2021, NYCAF will be in a position to lend approximately \$40 million.

Early indications from originating lenders signal short and medium-term demand from prospective borrowers in 2021 may far outpace NYCAF's current lending capacity. To help address the potential funding gap, NYCAF has engaged three of its current lenders, whose loan commitments mature prior to December 21, 2026, the end date for 2021 loans originated with 5-year terms. The proposed update will extend the current maturity date of the HDC term loan from August 31, 2024 until on or about December 31, 2026. Extending existing sources to 2026 will provide NYCAF with the additional capacity required to keep pace with anticipated demand increases.

Risk Mitigation

NYCAF delegates the underwriting and servicing of its loans to four NYC-based community development institutions: CSH (Corporation for Supportive Housing), Enterprise, LIIF (Low Income Investment Fund), and LISC (Local Initiatives Support Corporation). The risk mitigation for the Senior Term Loan stems from the superior performance of NYCAF and the senior position of the Senior Term Loan in relation to the mezzanine and subordinate Risk Capital at NYCAF, as well as fund covenants and rigorous underwriting standards for individual deals. Moreover, the NYCAF Credit Committee has a representative from the Corporation as well as a representative from the City's Department of Housing Preservation and Development ("HPD"), and all project loan approvals require an affirmative vote from both HDC and HPD. Senior Term Lenders to the Fund hold a senior position secured by the New York City Acquisition Fund LLC and its assets, but not by collateral that secures the NYCAF's project loans. As of December 31, 2020, the NYCAF remained in compliance with all financial covenants and has no delinquent project loans.

Actions by the Members

The Members are being asked to authorize (i) the extension of the maturity date of the Corporation's Senior Term Loan until on or about December 31, 2026, (ii) the delegation to the Corporation's Credit Committee to approve one or more extensions of the maturity date of the Corporation's Senior Term Loan for a combined duration not to exceed five years, and (iii) the execution by an Authorized Officer of the Corporation of loan documents and any other documents necessary to accomplish the extensions described herein.