



NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Eric Enderlin *E.E.*
President

Date: May 28, 2024

Re: Approval to Fund NYC Housing Assistance Corporation (HAC)
Ruppert/Yorkville Subsidy Program

I am pleased to recommend the Members of the New York City Housing Development Corporation approve the transfer of a not to exceed amount of \$3,400,000 of HDC corporate reserves to the New York City Housing Assistance Corporation (“HAC”) to continue to provide subsidy to the residents of Ruppert Yorkville Towers in accordance with a 2003 agreement with the City of New York.

Background

Ruppert Yorkville Towers is a former Mitchell-Lama rental complex located on the Upper East Side of Manhattan that bought out of the Mitchell-Lama program and converted into a condominium in 2002. At that time, litigation between the residents and the owner over the buyout resulted in a Court-supervised settlement. As part of the settlement, the City agreed to subsidize residents of Ruppert Yorkville Towers earning less than 80% of Area Median Income who could not afford to purchase their units for as long as the residents remained income eligible and continued to reside at Ruppert Yorkville Towers.

The City requested the Housing Assistance Corporation, an HDC subsidiary, to be the vehicle to provide the rental subsidy program (“City Subsidy Program”). HAC, which was originally created to finance affordable housing and provide direct tenant assistance, had previously provided rental subsidies to developments using money from the Municipal Assistance Corporation at the direction of the City. The City Subsidy Program for Ruppert Yorkville Towers was approved by HAC Board Members in July 2003. The background and details of the City Subsidy Program are described in the attached 2003 Memorandum.

Funding

A portion of the initial City Subsidy Program funding came from HAC corporate reserves and was supplemented from proceeds of annual interest payments on mortgage loans made by HAC and other monies of HAC which were subsequently depleted. Between 2004 and 2017, the Members of HDC authorized periodic transfers to HAC in amounts not to exceed \$10 million outstanding at any point to cover shortfalls in available resources at HAC, to cover payments under the City Subsidy Program.

As HAC approached that \$10 million cap in 2017, the Members approved the sale of HAC's remaining five mortgage loans for five developments with an aggregate balance of approximately \$32,505,241 (the "HAC Loans") to HDC to securitize and pledge to the Open Resolution. The HDC securitization of the HAC Loans raised approximately \$23.8 million for HAC. The loan sale proceeds were used to repay HDC \$9.05 million in unreimbursed transfers it made to HAC between 2003 and 2017 and the remaining \$14.75 million was held at HAC, invested and used to continue funding the City Subsidy Program. The background and details of the approval of the loan sale from HAC to HDC are described in the attached 2017 Memorandum.

The money in HAC is projected to be depleted by June 2024, two years later than was originally projected in 2017. Currently there are 55 households at Ruppert Yorkville Towers eligible for the City Subsidy Program at a current cost of approximately \$2.1 million per year. As there are no longer assets or monies available in HAC to fund the City Subsidy Program, HDC proposes to temporarily fund, on a monthly basis, the City Subsidy Program. HDC would transfer the necessary amounts from its corporate reserves through December 2025, with an estimated not to exceed amount of \$3,400,000 in the aggregate.

Since inception of the City Subsidy Program, HAC has paid \$55.5 million in subsidy payments to residents of Ruppert Yorkville Towers on behalf of the City. As the payments are projected to continue for several decades, a long-term solution needs to be found. Therefore, HDC staff will work with the City of New York to determine other potential resources to support the City Subsidy Program going forward and to reimburse the Corporation for any funds deposited with HAC and used to pay the subsidy.

Action by Members

The Members are requested to approve (i) the authorization to fund a not to exceed amount of \$3,400,000 in the aggregate of corporate reserves to be transferred to HAC on a monthly basis to cover monthly payments under the City Subsidy Program through December 2025 and, (ii) the execution by an Authorized Officer of the Corporation to execute any documents necessary to effect such transfers.

Attachments

- A. 2003 Memorandum
- B. 2017 Memorandum



MEMORANDUM

TO: The Chairperson and Members
FROM: William W. Traylor *WT*
DATE: July 29, 2003
SUBJECT: Ruppert/Yorkville Subsidy Program

The Members are asked to approve the funding of a rental subsidy program ("City Subsidy Program") for eligible Ruppert/Yorkville residents as defined below. Ruppert/Yorkville, a 1,257 unit development located on the Upper East Side of Manhattan, prepaid its HDC mortgage in October of 2002 and subsequently bought out of the Mitchell-Lama Program. This buyout was the subject of a lawsuit brought by the residents against the owners. The owners and the residents agreed to a settlement plan that included both condominium conversion and a subsidy program for low income residents. The City agreed to subsidize residents who earn below 80% of median income for as long as they are income eligible and continue to reside at Ruppert/Yorkville. The City has asked HAC to fund and implement this subsidy program. The City Subsidy Program became effective January of 2003.

Below is a discussion of the background of the Project, the terms and conditions of the City Subsidy Program, and sources of funding.

Background

The Project, which is located on the Upper East Side of Manhattan, was originally constructed by Yorkville Towers Housing Company, Inc. ("Owner") in 1974 under the Mitchell-Lama Program. The Owner is an entity effectively controlled by the DeMatteis Organization. In addition, the Project is managed by R.Y. Management Company, Inc. During 1973, HDC made two un-insured first position mortgages totaling \$ 62,356,700. These loans were prepaid on October 7, 2002 and Yorkville Towers Housing Company was dissolved as a Mitchell Lama Housing Company. The City received \$ 19 million in surplus cash from this buyout and will receive an estimated additional \$ 7 million per year in real estate taxes.

City Subsidy Program

The Court supervised settlement between the Owner and the residents provided financial relief to residents not purchasing their apartments. These residents are eligible for one of three subsidized or discounted rent programs at the time of their lease renewal: (1) the "the City Subsidy Program" for residents whose household income is below 80% of the Area Median Income, (2) the "Landlord Supplemental Subsidy Program" for residents whose household income is between 80% and 100% of the Area Median Income, and (3) the "Limited Rent Increase Program" for residents whose household income exceeds 100% of the Area Median Income. The Landlord Supplemental Subsidy Program and the Limited Rent Increase Program are funded by the owners of Ruppert/Yorkville.

At the time of lease renewal, non-purchasing residents must complete an application providing all required documentation in order to participate in one of the programs. Under the City Subsidy Program the rent during the first lease renewal will be an annual amount equal to the greater of (i) the resident's immediately previous annual rent or (ii) one-third of the aggregated income for their household for the immediately preceding calendar year calculated in accordance with the settlement agreement. The City agreed to pay the difference between the resident rent and the "HPD Adjusted Rent" on a monthly basis. The HPD Adjusted Rent is the 1982 vacancy rent as adjusted thereafter by the Rent Guideline Board for increases on one-year leases from 1982 to the present. At subsequent lease renewals, the new adjusted rent is calculated by adding 50% of the RGB increases to the previous HPD Adjusted Rent. The residents will pay the greater of one-third their income plus one-half the RGB increase or their immediate previous annual rent plus one-half of the RGB increase.

Residents have a one-time opportunity to qualify for the City Subsidy Program. If a resident fails to qualify at the time of their first lease renewal, they will not be eligible for subsidy in subsequent years. In addition, if at any subsequent lease renewal a resident is no longer qualified, they will not be eligible to obtain benefits in the future.

Income eligibility is determined based upon standards utilized in the Mitchell Lama Program: wages, taxable interest and/or dividends, taxable business income, and taxable capital gain or loss as reported on the resident's tax return, with permissible deductions for dependants, secondary wage earners, itemized medical deductions, and social security income.

Current Status

825 of the 1,257 units were sold. Of the 432 remaining unsold units, it is estimated that 200 of these units will be eligible for the City Subsidy program.

Ruppert/Yorkville has submitted the required documentation to request subsidy for January 2003 through and including June 2003. To date \$354,000 is owed the owners pursuant to these requests for 81 eligible households. The owners have the right to request payment from the residents if the City does not pay the subsidy. Over six months have elapsed since the initial payment was due to the owners.

Funding

HAC is empowered to assist rental developments to maintain rents affordable to low- and moderate-income persons.

Originally, the City anticipated the cost of the City Subsidy Program would be slightly less than \$3 million per year. Based upon the information we have received to date, the Corporation estimates the subsidy for 2003 to be \$1.5 million as the leases come up for renewal and the City Subsidy Program ramps up. Once fully implemented, the Corporation estimates that the City Subsidy Program will cost \$3 million per annum.

At this time the Members are being asked to authorize funding for calendar year 2003. The Corporation has the resources to meet the 2003 obligation. Subsequent requests for funding may be made beginning in calendar year 2004, upon appropriation by the City or other funding source.

Costs to the Corporation

In addition to the cost of funding the City Subsidy program, the costs of supervision and administration of this program will be absorbed by the Corporation.

Recommendation and Action by Members

Staff recommends that the Members (i) approve the execution of a resident assistance contract between the corporation and Yorkville Towers Housing Company for the administration of the City Subsidy Program, (ii) approve the City Subsidy Program to be funded from the HAC proceeds for calendar year 2003, and, (iii) authorize an officer of the Corporation to execute any documents necessary to effectuate the City Subsidy Program.



MEMORANDUM

To: The Chairperson and Members

From: Eric Enderlin *EE*

Subject: Approval for Loan Sale from HAC to HDC to fund Ruppert/Yorkville Subsidy Program

Date: September 12, 2017

The Members of the New York City Housing Assistance Corporation ("HAC") are asked to approve the sale of mortgage loans, currently held by HAC to the New York City Housing Development Corporation ("HDC") to provide funds for HAC subsidy and to reimburse HDC, as described in more detail below.

On July 29, 2003, the HAC Members approved the funding of a rental assistance subsidy program ("City Subsidy Program") for eligible residents in Ruppert/Yorkville, a former Mitchell Lama rental complex located on the Upper East Side of Manhattan. The background and details of the City Subsidy Program are described in the attached 2003 Memorandum.

A portion of the initial City Subsidy Program funding came from HAC corporate reserves and was supplemented with annual interest payments on loans made by HAC and other monies of HAC which are now depleted. Between 2004 and 2011, the Members of HDC have authorized the transfer to HAC an amount not to exceed \$10 million outstanding at any point to cover shortfalls in available resources at HAC to cover payments under the City Subsidy Program. A total of \$9.5 million is projected to be owed by HAC to HDC by October 31, 2017, for money transferred to HAC for the City Subsidy Program. HAC is obligated to repay the Corporation for all funds advanced by HDC, without interest, at such time as funds become available to HAC. A concern has been raised by HDC's external auditors that the debt owed by HAC could be considered a bad debt if there were no resources in HAC to repay HDC and as a result, HDC would have to treat it as a loss on its financial statements.

Currently, there are 78 households at Ruppert/Yorkville eligible for the City Subsidy Program. It is estimated that the City Subsidy Program currently costs approximately

\$(2.7) million per year. HAC does not currently have funds available to pay subsidy or to repay HDC. It is expected that the existing HDC authorization to fund the City Subsidy Program will be exhausted by the end of 2017.

In order to continue to fund the City Subsidy Program and repay HDC, HAC recommends that the Members authorize the sale of its remaining five loans with an aggregate outstanding balance of approximately \$32,405,241, as of August 15, 2017 (the "HAC Loans") to HDC. For more information on the HAC Loans, see Attachment "A". HDC will securitize the loans it acquires from HAC and pledge them to the Open Resolution. The HDC securitization of the HAC Loans is expected to raise approximately \$23.8 million for HAC. The loan sale proceeds will be used to repay HDC the outstanding \$9.5 million loan and together with earnings on the loan sale proceeds should be sufficient to continue the City Subsidy Program through 2022. HDC staff will work with the City of New York to determine other potential resources to support the City Subsidy Program in the intervening period.

Staff recommends that the Members (i) approve the sale of the HAC Loans to HDC, and (ii) authorize an officer of the Corporation to execute any documents necessary to effect such transfer.

Attachment "A"

Project Name	Balance as of 8/15/17	Int Rate	Int Type	Closing Date	Conversion Date	Maturity Date	Paid To Date
Gates Ave.	\$4,225,000.00	1.00	I/O	4/26/1989	4/26/1989	5/1/2021	8/1/2017
Queenswood Apartments	17,929,100.00	0.80	I/O	3/21/2001	3/21/2001	4/30/2036	8/1/2017
405 East 94th St.	875,857.34	1.00	P.A.	12/14/1988	12/14/1988	12/1/2020	8/1/2017
St. Edmonds CT	5,550,000.00	1.00	I/O	11/30/1989	11/30/1989	12/1/2021	8/1/2017
Astoria Apart	3,825,284.19	1.00	P.A.	12/26/1989	12/26/1989	5/1/2031	8/1/2017
total:	\$32,405,241						

Attachment "B"