MEMORANDUM

To: The Chairperson and Members

From: Eric Enderlin
President

Date: November 18, 2024

Subject: Multi-Family Mortgage Revenue Bonds (8 Spruce Street), Series 2024

I am pleased to recommend that the Members approve the issuance of the Corporation's Multi-Family Mortgage Revenue Bonds (8 Spruce Street), Series 2024 (the "Bonds") in an amount not to exceed $575,000,000.

A portion of the proceeds of the Bonds in an amount expected to be $203,900,000 (the "2024 Liberty Bonds") will be used to refund the Corporation's Multi-Family Mortgage Revenue Bonds (8 Spruce Street), Series 2014 Classes D, E, and F (the "Prior Liberty Bonds"). The remaining proceeds of the Bonds in an amount expected to be $346,100,000 (the "2024 Taxable Bonds") will be used to refund the Corporation's Multi-Family Mortgage Revenue Bonds (8 Spruce Street), Series 2014, Classes A, B, and C (the "Prior Taxable Bonds", and, together with the Prior Liberty Bonds, the "Prior Bonds").

Interest on the 2024 Liberty Bonds is anticipated to be exempt from Federal and New York State and local income tax. Interest on the 2024 Taxable Bonds will not be exempt from Federal income tax but is anticipated to be exempt from New York State and local income tax.

This memorandum will provide a description of the Project and the Borrower (each as defined herein), and a discussion of the structure and security for the Bonds.

Background

The Bonds are expected to be issued as fixed rate obligations, structured in multiple classes in a manner consistent with the existing Commercial Mortgage-Backed Securities ("CMBS") criteria of the selected national rating agency, as further described in the section titled Structure of the Bonds below. The Prior Bonds were issued in a CMBS structure to refund the Corporation's variable rate Multi-Family Mortgage Revenue Bonds (Beekman Tower), 2008 Series A and Multi-Family Mortgage Revenue Bonds (Beekman Tower), 2009 Series A-1 and A-2, 2010 Series A-1 and A-2 and lock in a fixed rate in the then current low-rate environment. It represented the first of the Corporation's transactions to be structured as CMBS and allowed for the preservation of the tax-exempt Liberty Bond financing without the added borrower costs of long-term credit enhancement. The Prior Bonds were issued as interest-only bonds, which interest-only period ended in mid-November 2024, triggering increased interest and a premium due upon repayment of principal. Subject to Member approval, the current transaction is expected to close before additional increased interest payments and a higher premium would be due on the Prior Bonds.

Project Description

The Bonds are being issued to refund the Prior Bonds, which were issued in 2014 to refinance the Corporation's initial financing for the construction of 8 Spruce Street, formerly known as Beekman Tower (the "Project"). The Project is a residential rental and retail unit of a four-unit mixed-use condominium development contained in one 76-story building located at 8 Spruce Street in lower Manhattan, designed by architect Frank Gehry and completed in March 2011.

The Project was originally financed in part with a special allocation of Liberty Bonds. Liberty Bonds were authorized by Congress under The Job Creation and Worker Assistance Act of 2002 (the "Liberty Bonds Program"). The original financing of the Project was the seventh and final transaction by the Corporation under the Liberty Bonds Program. The Project received approval in 2008 to be allocated as Liberty Bonds by the joint State-City Liberty Bond Committee, and the 2024 Liberty Bonds will not require re-designation by the Committee.

The Project contains 900 units (including four units not serving as rental units available to the public[1]) consisting of 193 studio units, 512 one-bedroom units, 168 two-bedroom units, 26 three-bedroom units, 1 four-bedroom unit, and approximately 904 leasable square feet of retail commercial space. As of August 2024, the Project was approximately 97.2% leased.

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[1] Two units are currently used as a management/leasing office and two units are currently reserved for architect, Frank Gehry (the designer of the Mortgaged Property).

The three remaining condominium units were financed separately and are not part of the Project and consist of: (i) an ambulatory care center on portions of floor 1 and floor 5 that is owned and operated by an entity affiliated with the New York Presbyterian Hospital, (ii) a below grade parking garage that is also owned by an entity affiliated with the hospital, and (iii) a pre-Kindergarten through 8th grade New York City public school that is owned and operated by the New York City School Construction Authority.

All developments financed by the Corporation under the Liberty Bonds Program have no income restrictions or other affordability requirements. The Project received a 20-year 421-a tax abatement and is therefore subject to rent stabilization laws. The 421-a tax abatement will expire on June 30, 2031.

Please see "Exhibit A" for additional information.

Borrower Description

The proceeds of the Bonds will be used to provide a loan in an expected amount of $550,000,000 (the "Loan") to 8 Spruce (NY) Owner LLC (the "Borrower"), a duly organized, single-purpose Delaware limited liability company. The Borrower's primary business is the performance of the obligations under the Loan documents to which it is a party and the acquiring, developing, owning, operating, leasing, improving, managing, and/or maintaining of the Project. The Borrower is indirectly 100% owned and controlled by Blackstone Real Estate Income Trust, Inc., a Maryland Corporation ("BREIT"). BREIT is the sole general partner of BREIT Operating Partnership L.P., a Delaware limited partnership through which BREIT owns substantially all of its assets.

BREIT was formed by Blackstone Inc. ("Blackstone") in 2015 as a private, non-traded real estate investment trust (REIT) that allows individual investors to invest in commercial real estate, such as apartment buildings and warehouses. Blackstone is an American multinational private equity, alternative asset management and financial services firm based in New York City. Blackstone is the world's largest alternative asset manager in the world with approximately $1 trillion of assets under management as of December 31, 2023. Blackstone's businesses include the management of private equity funds, real estate funds, hedge fund solutions, credit-oriented funds and closed-ended mutual funds.

BREIT MF Holdings LLC, a Delaware limited liability company and an affiliate of the Borrower, will provide a guaranty to HDC and its successors and assigns for the payment and performance of certain specified non-recourse carveout obligations of the Borrower. The guaranty will be capped at 10% of the outstanding principal amount of the Loan.

Structure of the Bonds

The Bonds are expected to be structured as fixed rate obligations following a sequential pay structure, as further described below. To achieve the lowest interest rates for the

Project, the 2024 Taxable Bonds and the 2024 Liberty Bonds are expected to be structured into three classes each (each, a "Bond Class"), with the Bond Classes of 2024 Taxable Bonds having higher payment priorities and the Bond Classes of 2024 Liberty Bonds having lower payment priorities. The Bonds will have a final maturity in December 2031 (approximately seven years), but the Loan will have a maturity of approximately five years. The Bonds will be interest only obligations. All interest payments and principal payments, if any, on the Bonds will be made first to holders of the most senior Bond Class (Class A) until the balance owed to them is zero, then to holders of the next most senior Bond Class (Class B) until the amount owed to them is reduced to zero, and so on and so forth until all amounts owed to holders of the most junior Bond Class (Class F) have been paid. If the Loan is not repaid/refinanced at maturity, the Loan would be in default and the Special Servicer would pursue a refinance, workout, foreclosure or other remedies. Such Loan default will not constitute a default under the Bonds as the staggered Bond maturity gives the Special Servicer an additional two years after the Loan maturity date to pursue such remedies.

Corresponding to each Bond Class, the Loan will be divided into the same number of components as illustrated below (each, a "Loan Component"). Each Loan Component will have the same rate as that of the corresponding Bond Class, except interest on the Loan Components corresponding to the 2024 Taxable Bonds will include servicing and other fees. The interest on each Bond Class will differ based on the payment priority and the expected credit rating. The Members are asked to authorize a not-to-exceed true interest cost of 15% with respect to the aggregate principal amount of the Bonds; however, it is expected that the true interest cost with respect to the aggregate principal amount of the Bonds will not exceed 6%.

Loan Component	**Expected Tax Status**	**Bond Class**	**Class Priority**	**Credit Rating**	**Interest Rate**
Component A	Taxable	Class A	Highest	Highest	Lowest
Component B	Taxable	Class B	↓	↓	↓
Component C	Taxable	Class C			
Component D	Liberty	Class D			
Component E	Liberty	Class E			
Component F	Liberty	Class F	Lowest	Lowest	Highest

The Authorizing Resolution relating to the Bonds, will provide that a senior officer of the Corporation may determine to create a different number of Bond Classes to be issued under the Indenture as long as the combined amount for the Bonds does not exceed $575,000,000.

The Servicer

The primary servicer of the Loan (the "Master Servicer") will service and administer the Loan while it is performing. In the event of a default, the servicing of the Loan will be transferred to a special servicer (the "Special Servicer", and together with the "Master Servicer", the "Servicers"). The Master Servicer will have certain obligations to make advances ("Servicing Advances") to pay interest when there is a shortfall, except when it has reasonably determined that such advances would not be recoverable from subsequent payments or collections from the Borrower. The Bonds will not be structured with a debt service reserve fund because the Master Servicer is required to make Servicing Advances to pay interest on the Bonds.

The Servicer will also be empowered under the servicing agreement to take almost all prudent actions in order to protect the interests of the purchasers of the Bonds ("Bondholders") with respect to the Project. However, the Servicer must receive the Corporation's consent for actions involving transfers of the Project, changes in the managing agent of the Project, and defaults under the Regulatory Agreement; and the Servicer will not be allowed to take any actions that would extend the maturity date of the Bonds or that would jeopardize the exemption from Federal income tax of interest on the 2024 Liberty Bonds.

Because of the responsibilities entrusted to the Servicers and the significance of Servicing Advances to Bondholders, the expertise and rating of the Servicers are important factors in selecting a Servicer. BofA Securities, Inc., the lead Underwriter for this transaction, has selected Wells Fargo Bank, N.A. ("Wells Fargo") to be both the Master Servicer and the Special Servicer. Wells Fargo has been selected because of its experience as a servicer for CMBS transactions. Rating agencies rate servicers using specific criteria particular to their ability to service loans and fund advances for CMBS transactions like the one contemplated by this memorandum.

Wells Fargo Commercial Loan Servicing Ratings			
	Fitch*	**S&P***	**Morningstar***
Primary Servicer:	CPS1	Strong	MOR CS1
Master Servicer:	CMS1-	Strong	MOR CS1
Special Servicer:	CSS2+	Above Average	MOR CS2

* As of October 31, 2024.

In addition, the transaction will include an Operating Advisor to advise and report to Bondholders.

<u>Security for the Bonds</u>

The Bonds will be secured by a pledge of the borrower's fee interest in the Project, which has an approximate appraised value of $802,000,000 based on the most recent appraisal, as well as all rental income and revenues derived from the Project and all interests in the Loan. Additionally, in the event of a shortfall in interest payments from the Borrower, Servicing Advances would provide security to Bondholders for such interest payments.

<u>Risks and Risk Mitigation</u>

A Bond default caused by the Borrower's failure to pay debt service and the absence of a third-party credit enhancement is the primary risk associated with this transaction. There is no financial risk to the Corporation associated with a Bond default; however, there is reputational risk as a default could diminish the Corporation’s standing in the bond market at large. The Corporation believes the risk of default is mitigated by conservative underwriting, the provision for Servicing Advances, and a Bond maturity that exceeds the Loan Payment term by two years, providing time for the Servicer to pursue a refinance, workout or foreclosure of the Project or other remedies for the benefit of the bondholders without triggering a Bond default.

An appraisal dated October 29, 2024, valued the Project at $802,000,000. Based on this appraisal, the as-is loan-to-value ratio for this transaction is 68.6%. The Project is expected to have a debt service coverage ratio of approximately 1.63 during the five-year interest-only period. Based on appraisal estimates, the Project is expected to have a debt service coverage ratio sufficient to mitigate non-payment risk during the five-year interest-only period.

The risk of a Bond default is also mitigated by the obligation of the Master Servicer (or the Trustee if the Master Servicer does not act) to make Servicing Advances to pay the interest when there is a shortfall, except when it has reasonably determined that such advances would not be recoverable from subsequent payments or collections from the Borrower. Additionally, upon the happening of certain events, such as a default under the Loan Agreement, the Servicer may order a new appraisal. If the appraised value of the Project is decreased such that it reduces the amount of debt the Project can support, the Servicer has the power to correspondingly reduce the amount of the Loan for purposes of calculating (i) the amount of interest required to be covered by Servicing Advances and (ii) the relative voting rights of Bondholders of different Classes. Following a default under the Loan Agreement the Special Servicer also has the power to effect certain modifications to the Loan and corresponding modifications to the timing of debt service on the Bonds (but not to extinguish liability for payment of principal and interest, except following foreclosure or sale of the defaulted Loan).

Finally, to further reduce the risk of default, the Indenture will incorporate a grace period which provides that a failure to make full payment due on the lowest Bond Class will not constitute an event of default on those bonds unless the amount owed remains unpaid at the end of the immediately succeeding semi-annual period. This regimen, which will apply to each monthly interest payment due, will result in grace periods for payment shortfalls on the lowest Bond Class of at least six months and as many as twelve months depending on when the shortfall occurred. This will give the Corporation and the Servicer time to work out any underlying problems with the Borrower and the Loan prior to there being a default on such Bonds.

Fees

The Borrower will be obligated to pay the Corporation a fee equal to all of the Corporation’s costs of issuance in connection with the Bonds plus an up-front origination fee equal to 0.6% of the Loan amount (expected to be $3,300,000). The Corporation will use this fee to finance affordable housing units through its existing programs. In addition, the Borrower shall pay to the Corporation an annual servicing fee equal to 0.05% of the outstanding amount of Bonds.

Ratings

It is expected that the financing will be rated by Moody's Ratings Service ("Moody's") as follows:

Tax Status	Bond Class	Rating[1]
Taxable	Class A	Aaa
Taxable	Class B	Aa3
Taxable	Class C	A2
Liberty	Class D	Baa1
Liberty	Class E	Baa3
Liberty	Class F	NR

Indenture Trustee and Paying Agent

U.S. Bank Trust Company, National Association

Underwriters

BofA Securities, Inc. (*Senior Managing Underwriter*)
Goldman Sachs & Co. LLC
Barclays Capital Inc.
Wells Fargo Securities, LLC

Pricing Advisor

Caine Mitter & Associates Incorporated

Operating Advisor

Park Bridge Lender Services LLC

Master Servicer and Special Servicer

Wells Fargo Bank, N.A.

Bond Counsel

Hawkins Delafield & Wood LLP

[1] These ratings are based on preliminary feedback from Moody's and, along with the class sizes, are subject to change based on Moody's criteria.

Underwriter's Counsel

Orrick, Herrington & Sutcliffe LLP

Underwriter's CMBS Counsel

Cadwalader, Wickersham & Taft LLP

Action By Members

The Members are requested to approve an authorizing resolution which provides for (i) the execution of an Indenture of Trust, (ii) the execution of bond purchase agreement(s) with the Underwriter(s) of the Bonds or a direct purchaser of any or all of the Bonds, (iii) redemption of the Prior Bonds, (iv) the execution of the Servicing Agreement, (v) the distribution of preliminary and final Official Statements in connection with the financing of the Bonds, and (vi) the execution by an Authorized Officer of mortgage loan related documents and any other documents necessary to accomplish the issuance of the Bonds.

Exhibit "A"

8 Spruce Street
Manhattan, New York

Project Location:	8 Spruce Street
HDC Program:	Preservation
Project Description:	The Project consists of the refinancing of a residential and retail condominium unit within a four-unit condominium development contained in one 76-story building located in lower Manhattan. The residential portion of the condominium unit contains 900 total units comprised of 896 residential units, two units used as management and leasing offices, and two units reserved for the project architect. All residential units are market rate and subject to rent stabilization.
Total Rental Units:	896 (plus four units not serving as rental units available to the public)

Apartment Distribution:

Unit Size	No. of Units
Studio	193
1 bedroom	512
2 bedroom	168
3 bedroom	26
4 bedroom	1
Total Units*	900

*Total Units are inclusive of four non-revenue generating units, two units that are currently used as management and leasing offices and two units currently reserved for the building's architect, Frank Ghery.

Expected HDC Construction Financing Amount:	$0
Expected HDC Permanent Financing Amount:	$550,000,000
Expected Total Development Cost:	$550,000,000
Owner:	8 Spruce (NY) Owner LLC, the current owner of the property and a single purpose entity ultimately controlled by Blackstone Real Estate Income Trust ("BREIT") whose board of directors and officers consists of Frank Cohen, Robert Harper, Wesley LePatner, Brian Kim, Anthony F Marone, Jr., Leon Volchyok, Paul Kolodziej, Zaneta Koplewicz, Raymond J. Beier, Susan Carras, Richard I. Gilchrist, Field Griffith, Edward Lewis, and A.J. Agarwal (Board Observer).
Developer:	Blackstone
Expected Syndicator and/or Investor:	NA
Credit Enhancer:	NA – Commercial Mortgage Back Security (CMBS) structure