

FOR CONSIDERATION

August 16, 2010

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Twin Parks Northeast 6 & 8 – UDC Loan No. 17
City of New York (Bronx County)

REQUEST

FOR: Authorization to (i) Accept a Partial Prepayment and Forgive Remaining Balance of Outstanding Mortgage Indebtedness; (ii) Consent to Assignment, Extension, and Subordination of Project Improvement Program (“PIP”) Loan; (iii) Convey Title to a Parcel of Land; and (iv) Take All Related Actions.

PROJECT SUMMARY

Location: City of New York (Bronx County)

Improvements: A 274 unit affordable housing project consisting of one 7-story building and one 16-story building.

BACKGROUND

Legal title to Twin Parks Northeast 6 & 8 (“Twin Parks” or the “Project”) is held by Twin Parks Northeast Houses, Inc. (the “Housing Company”), with beneficial ownership in Twin Parks Northeast Associates, a New York limited partnership (the “Partnership”).

PRIOR BOARD ACTION

Prior to the formation of the New York State Mortgage Loan Enforcement and Administration Corporation (“MLC”), under an authorization by the UDC Board of Directors, a Workout Agreement was executed in 1977. The UDC and MLC Boards of Directors authorized a foreclosure action and the making of Section 32 advances in 1984. In 1994 the MLC and UDC Directors authorized the execution of an Arrears Payment Agreement and discontinuance of the foreclosure action.

FINANCIAL

The Project was originally financed by UDC with a mortgage loan in the amount of \$11,084,000 (“Final Mortgage Determination” or “FMD”). The current debt structure consists of the outstanding FMD mortgage in the amount of \$9,744,766, an arrearage note with an outstanding balance of \$1,665,427, Section 32 advances of \$1,598,975, and a Project Improvement Program loan (“PIP”) of \$744,748. As of July 31, 2010, accrued interest arrears total \$11,822,133. The Project is subsidized under Section 236 of the National Housing Act and receives annual interest reduction payments (“IRP”) from HUD in the amount of \$531,244. The Project’s IRP contract expires in July, 2013. The Project also receives the benefit of a Rent Supplement Contract for 109 apartments (40% of the Project), which provides rental assistance payments to qualified tenants.

CURRENT STATUS

Constructed in the early 1970s, Twin Parks is located in the Tremont section of the Bronx. The Project, which is managed by Shinda Management Corporation, has always been owned and operated as a Mitchell-Lama Project. It is currently in need of significant rehabilitation and upgrades to building systems, common areas, apartment interiors, roof, façade, and grounds.

Located within the Project is a 75 foot by 220 foot parcel of land on which a park/plaza was built in the early 1970s and which continues to be utilized for this purpose. According to our files and an early survey of the property, this parcel was intended to be conveyed to the Housing Company pending the construction of a park/plaza. Although the plaza was constructed, the parcel was never transferred to the Project. We are therefore requesting authority to convey title to the parcel to Omni New York LLC (“Omni”), as part of the redevelopment plan described below, by means of a quitclaim deed. We will also obtain an acceptable indemnity from the existing owner. An appraisal will be obtained in conformity with the Public Authorities Accountability Act. We expect the parcel to have a minimal appraised value.

REDEVELOPMENT PLAN

The contemplated plan calls for the acquisition and rehabilitation of the Project by Omni, an experienced local affordable housing developer, through an affiliated to-be-formed single purpose limited partnership and a to-be-formed limited dividend corporation or Housing Development Fund Corporation which will serve as a nominee for the partnership.

The proposed rehabilitation of Twin Parks will include a conversion from electric to gas heat, the renovation of the lobby and common areas, upgrading of the elevators, replacement and upgrading of mechanical systems, renovation of the roof, brick pointing, new doors, renovation of the community room, parking lot repairs, landscaping, and an overhauled security system. Improvements within dwelling units will include new floors and windows, new kitchen cabinets, appliances, countertops and fixtures, and bathroom modernization.

PROPOSED FINANCING PLAN

The contemplated acquisition and rehabilitation of Twin Parks by Omni is to be financed by an HFA mortgage loan funded through the issuance of tax exempt bonds by HFA. Such issuance will allow the transaction to receive 4% as-of-right low income housing tax credits. Additional financing will be in the form of a subordinate mortgage provided by HFA. The Section 236 Interest Reduction Payment (IRP) contract will be decoupled from the existing FMD mortgage. Eligible current tenants will receive enhanced Section 8 vouchers allowing the property to receive higher rents while at the same time ensuring the continued affordability for current tenants.

In furtherance of New York State's commitment to the preservation of quality affordable housing, ESDC has negotiated a partial settlement of outstanding indebtedness, which will allow the new owner to undertake the much-needed rehabilitation and modernization of both Twin Parks and another Mitchell-Lama project, Grote Street (UDC Loan #31). Both projects are located in the Tremont section of the Bronx, have the same principal owner, are under contract for sale to Omni, and are proposed for refinancing by HFA. At the closing of both projects, ESDC has agreed to accept a cash payment of \$9 million, plus future cash flow, in satisfaction of the two projects' outstanding indebtedness.

Twin Parks' total indebtedness to ESDC as of July 31, 2010, including interest arrears of \$11,822,133 and excluding PIP, is \$24,831,302. Under the prepayment plan for Twin Parks, ESDC will receive approximately \$5 million of the \$9 million cash payment at closing and approximately \$1.6 million will be written off at closing. The remaining indebtedness will be paid as follows; \$18.2 million to be paid to ESDC over 30 years from 50% of the annual cash flow of the Project for 20 years and 40% of annual cash flow for the last 10 years; any remaining balance after 30 years will be forgiven; ESDC will no longer be a mortgagee and the cash flow will not be secured.

To complete the proposed financing of this acquisition and rehabilitation, ESDC will consent to the assignment without consideration of ESDC's interest in the \$744,748 PIP to the new owner, an extension of the term of the PIP, and subordination of the PIP to the HFA financing.

Information regarding the Grote Street transaction is detailed in separate Board materials.

PUBLIC PURPOSE

The public purpose served by the refinancing of this Project will be the rehabilitation and preservation of a critical affordable housing resource as well as the restructuring of the Project's governmental subsidy to leverage new private capital investment. The rehabilitation of Twin Parks will help to ensure the continued availability of affordable housing currently serving residents of the greater Bronx community.

NON-DISCRIMINATION

ESDC's non-discrimination policy will apply.

ENVIRONMENTAL REVIEW

ESDC staff has determined that this requested authorization constitutes a Type II action as defined by the New York State Environmental Quality Review Act (“SEQRA”) and the implementing regulations for the New York State Department of Environmental Conservation. No further environmental review is required in connection with the action.

REQUESTED ACTION

The Directors are requested to adopt the attached resolution authorizing (i) acceptance of a partial prepayment and forgiveness of the remaining balance of the Project’s outstanding mortgage indebtedness; (ii) consent to the assignment, extension, and subordination of the Project Improvement Program (“PIP”) loan; (iii) conveyance of title to a parcel of land and (iv) the taking of all related actions.

RECOMMENDATION

Based on the foregoing, I recommend approval of the attached resolution.

ATTACHMENTS

Resolution
Summary Approval Sheet

August 16, 2010

CITY OF NEW YORK - BRONX COUNTY – (TWIN PARKS NORTHEAST 6 & 8 – UDC LOAN NO. 17) - AUTHORIZATION TO (i) ACCEPT PARTIAL PREPAYMENT AND FORGIVE REMAINING BALANCE OF OUTSTANDING MORTGAGE INDEBTEDNESS; (ii) CONSENT TO ASSIGNMENT, EXTENSION, AND SUBORDINATION OF PROJECT IMPROVEMENT PROGRAM (“PIP”) LOAN; (III) CONVEYANCE OF TITLE TO A PARCEL OF LAND; AND (iv) TAKE ALL RELATED ACTIONS.

RESOLVED, on the basis of the materials submitted to this meeting and ordered filed with the records related to Twin Parks Northeast 6 & 8 (Twin Parks Northeast Houses, Inc. - UDC Loan No. 17), the New York State Urban Development Corporation (“Corporation”) be and hereby is authorized to (i) Accept Partial Prepayment and Forgive Remaining Balance of Outstanding Mortgage Indebtedness; (ii) Consent to Assignment, Extension, and Subordination of Project Improvement Program (“PIP”) Loan; (iii) Conveyance of title to a parcel of land; and (iv) Take All Related Actions; and be it further

RESOLVED, that the Chairman and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to take such action and execute such documents as may be necessary or appropriate to carry out the foregoing resolution.