

**FOR CONSIDERATION**

November 19, 2009

**TO:** The Directors

**FROM:** Dennis M. Mullen

**SUBJECT:** City of Watervliet (County of Albany)  
Van Rensselaer Village - UDC Loan No. 44

**REQUEST**

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

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**PROJECT SUMMARY**

**Project Name:** Van Rensselaer Village (the “Project”)

**Location:** City of Watervliet, County of Albany

**Improvements:** A 100 unit affordable housing project consisting of twelve two-story garden apartment buildings on 5.8 acres.

**Legal Title:** Van Rensselaer Village Houses, Inc.

**BACKGROUND**

Van Rensselaer Village is a 100 unit affordable housing Project located in the City of Watervliet. The Project was built in the early 1970s with UDC financing and had a final mortgage determination on October 31, 1973. Managing General Partner is Estate of Salvatore Beltrone.

**PRIOR BOARD ACTION**

The New York State Mortgage Loan Enforcement and Administration Corporation (“MLC”) and UDC Boards of Directors authorized the execution of a Settlement Agreement in 1982.

## **CURRENT STATUS**

The Project was originally financed by UDC with a mortgage loan in the amount of \$2,525,000 (“Final Mortgage Determination” or “FMD”). The current debt structure consists of the outstanding FMD mortgage in the amount of \$2,118,980, three (3) arrearage notes with an outstanding balance of \$927,661, a Project Improvement Program (“PIP”) loan of \$557,505, and a Flexible Subsidy loan of \$195,580. As of October 31, 2009, interest arrears on the FMD mortgage and three arrearage notes total \$335,090.

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 \$121,978. The Project’s IRP contract expires in October 2013. The Project also receives the benefit of a Rent Supplement Contract for 10 apartments (10% of the Project), which provides rental assistance payments to qualified tenants.

## **REDEVELOPMENT PLAN**

Constructed in 1972, Van Rensselaer Village is located in Watervliet, a working class community seven miles north of downtown Albany and three blocks from the city’s main commercial district. It is a special public purpose Project in that it provides housing to low- and very low-income families with incomes ranging from only 20% to less than 50% of the area’s median income (“AMI”). The Project is in need of significant rehabilitation and upgrades to building systems, common areas, apartment interiors and grounds.

The contemplated plan calls for the acquisition of the Project by entities of the Watervliet Housing Authority (the Project’s current managing agent) and Omni Housing Development, LLC of Albany (a long-time local affordable housing developer) on behalf of a to-be-formed Article II housing company, which proposes to refinance and revitalize the Project. Under the plan, the Project would be resized from 100 to 81 units to address current marketability and livability issues and would undergo a comprehensive rehabilitation program. The scope of the rehabilitation includes window replacement, building insulation, installation of a sprinkler system, re-siding of the buildings’ exterior, and replacement of flat roofs with pitched roofs. Upon completion of the rehabilitation, Van Rensselaer Village will have the energy and maintenance efficiencies to ensure its financial and physical viability over an extended fifty year low-income regulatory term wherein it will continue in the State’s Mitchell-Lama portfolio.

## **PROPOSED FINANCING PLAN**

Financing for the proposed \$18.0 million rehabilitation project will be achieved through a combination of sources. The major source of financing will come from the issuance by DHCR of \$1.4 million in 9% low income housing tax credits, which is expected to generate approximately \$9.4 million in equity. The HUD Section 236 subsidy will be decoupled; HUD will also issue 80 Section 8 enhanced vouchers in lieu of the existing Rent Supplement contract, which will ensure long-term affordability for those earning less than 50% of AMI. In addition, the Project will support a \$3.0

million permanent loan, will receive a grant of approximately \$3.8 million under the American Recovery and Reinvestment Act's ("ARRA") Tax Credit Assistance Program ("TCAP"), and \$223,000 in NYSERDA incentives.

ESDC will receive \$1.0 million in cash at closing in full satisfaction of its outstanding mortgage indebtedness. This payment equates to approximately 200% of the funds ESDC would receive from HUD during the remaining term of the IRP contract. To complete the proposed financing of this acquisition and rehabilitation, ESDC will also consent to the assignment of the \$557,505 PIP loan to the new owner, an extension of the loan's term and subordination of the loan to the new financing.

Implementation of the above contemplated plan will ensure that this critically important affordable housing asset can continue to serve low- and very low-income households in the greater Watervliet community and further demonstrates the State's commitment to the preservation of quality affordable housing for decades to come.

### **ENVIRONMENTAL REVIEW**

ESDC staff has determined that this request 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 outstanding mortgage indebtedness, (ii) consent to the assignment, extension, and subordination of the Project Improvement Program ("PIP") loan, and (iii) the taking of all related actions.

### **RECOMMENDATION**

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

### **ATTACHMENTS**

Resolution  
Summary Approval Sheet

November 19, 2009

City of Watervliet - Albany County – Van Rensselaer Village (Van Rensselaer Village Houses, Inc. - UDC Loan No. 44) - Authorization to (i) Accept Partial Prepayment of Cash and Forgive Remaining Balance of Outstanding Mortgage Indebtedness; (ii) Consent to Assignment, Extension, and Subordination of Project Improvement Program (“PIP”) Loan; and (iii) Take All Related Actions.

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RESOLVED, on the basis of the materials submitted to this meeting and ordered filed with the records related to Van Rensselaer Village (Van Rensselaer Village Houses, Inc. - UDC Loan No. 44), the New York State Urban Development Corporation (“Corporation”) be and hereby is authorized to (i) Accept Partial Prepayment of Cash and Forgive Remaining Balance of Outstanding Mortgage Indebtedness, (ii) Consent to Assignment, Extension, and Subordination of Project Improvement Program (“PIP”) Loan, and (iii) Take All Related Actions; and be it further

RESOLVED, that the Chairman and Chief Executive Officer-Designate 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.