

**NEW YORK STATE MORTGAGE LOAN ENFORCEMENT  
AND ADMINISTRATION CORPORATION**

**MEETING OF THE DIRECTORS**

**WEDNESDAY**

**JANUARY 30, 2013**

**2:00 p.m.**

**NEW YORK STATE MORTGAGE LOAN ENFORCEMENT AND ADMINISTRATION CORPORATION**

**Meeting of the Board of Directors of the  
New York State Mortgage Loan Enforcement  
and Administration Corporation**

At the offices of the  
New York State Urban Development Corporation  
d/b/a Empire State Development  
633 Third Avenue – 37<sup>th</sup> Floor  
New York, New York 10017

**Wednesday**

**January 30, 2013 – 2:00 p.m.**

**AGENDA**

**CORPORATE ACTION**

1. Appointment of Officers

**FOR CONSIDERATION**

2. Authorization to Terminate an Arrears Payment Agreement in Connection with the Harlem River Park Towers Residential Project Refinancing

**ITEM 1**

**FOR CONSIDERATION**

January 30, 2013

**TO:** The Directors

**FROM:** Justin Ginsburgh

**SUBJECT:** Appointment of Officers

**REQUEST FOR:** Authorization to appoint Officers to the New York State Mortgage Loan Enforcement and Administration Corporation ("**MLC**")

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**BACKGROUND**

The New York State Mortgage Loan Enforcement and Administration Corporation ("**MLC**") is a subsidiary of New York State Urban Development Corporation d/b/a Empire State Development ("**UDC**") that has been inactive. MLC's purpose was to enforce, administer, and service mortgages and other interests in real estate owned or held by UDC and the New York State Project Finance Agency ("**PFA**") and to work closely with the State of New York Division of Housing and Community Renewal, a supervising agency of the Article II Mitchell Lama housing developments, in pursuit of its purpose.

Originally, MLC was 51% controlled by UDC and 49% controlled by the New York State Project Finance Agency ("**PFA**"). PFA has dissolved by operation of law. PFA's common stock in MLC has been delivered to UDC. Accordingly, MLC is now wholly controlled by UDC.

To position MLC to take corporate action that is now needed, we recommend the appointment of the following officers to MLC in the offices indicated.

**APPOINTMENT OF OFFICERS**

Pursuant to Article IV, Section 1 of the MLC By-Laws, we recommend that the Directors appoint the following individuals as Officers to MLC in the positions indicated below:

<u>Name</u>	<u>Office</u>
Justin Ginsburgh	President and Chief Executive Officer
Paula Roy	Executive Vice President
Regina Stephens	Secretary
Robert Godley	Treasurer
Kathleen Mize	Comptroller
Maria Cassidy	Deputy General Counsel

**REQUESTED ACTION**

The Directors are requested to authorize the appointment of Officers to MLC.

**RECOMMENDATION**

Based on the foregoing, I recommend approval of the requested action.

**ATTACHMENTS**

Resolution

January 30, 2013

REQUEST FOR AUTHORIZATION TO APPOINT OFFICERS TO THE NEW YORK STATE MORTGAGE  
LOAN ENFORCEMENT AND ADMINISTRATION CORPORATION ("MLC")

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RESOLVED, that pursuant to Article IV, Section 1 of its By-Laws, the following individuals be, and they hereby are, appointed to the offices of MLC which appear opposite their respective names, until their earlier resignation or removal:

<u>Name</u>	<u>Office</u>
Justin Ginsburgh	President and Chief Executive Officer
Paula Roy	Executive Vice President
Regina Stephens	Secretary
Robert Godley	Treasurer
Kathleen Mize	Comptroller
Maria Cassidy	Deputy General Counsel

and be it further

RESOLVED, that, in accordance with and for all the purposes of MLC and the bylaws of MLC, including but not limited to the indemnification provision thereof, each of the foregoing individuals is an "officer" of MLC; and be it further

RESOLVED, that any and all actions taken by each of the foregoing individuals since their nomination to the offices identified herein be and hereby are ratified as the acts and deeds of MLC.

# ITEM 2

**FOR CONSIDERATION**

January 30, 2013

**TO:** The Directors

**FROM:** Justin Ginsburgh

**SUBJECT:** Harlem River Park Towers Residential Project – UDC Loan No. 18

**REQUEST FOR:** Authorization to: (i) terminate the Arrears Payment Agreement in connection with the Harlem River Park Towers Residential Project Refinancing and/or to enter into related documents; and (ii) the taking of all related actions.

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**BACKGROUND**

The New York State Mortgage Loan Enforcement and Administration Corporation (“**MLC**”) was created to enforce, administer, and service mortgages and other interests in real estate owned or held by the New York State Urban Development Corporation d/b/a Empire State Development (“**UDC**”) and the New York State Project Finance Agency (“**PFA**”) and to work closely with the State of New York Division of Housing and Community Renewal (“**DHCR**”) a supervising agency of the Article II Mitchell Lama housing developments, in pursuit of its purpose.

As agent to UDC and PFA in the servicing of mortgages held by UDC and PFA, MLC entered into certain Arrears payment agreements involving UDC, PFA and the housing development owners who had defaulted on their UDC mortgages and worked out with UDC the funding of certain reserves and minimum debt service payments to cure such defaults. In this role of monitor, MLC approved the operating expenses of the housing developments and held a letter of credit as collateral if the owners did not provide sufficient funding.

**HARLEM RIVER PARK TOWERS RESIDENTIAL PROJECT REFINANCING**

By resolutions adopted by UDC on August 16, 2012 and November 15, 2012, copies of which are attached, the Directors of UDC authorized UDC to enter into a transaction (the “**Closing**”) for the Harlem River Park Towers Residential Project (the “**Project**”) which is also known as UDC Loan No. 18, whereby its mortgage interests would be restructured in a refinancing involving the New York State Housing Finance Agency (“**HFA**”) and the transfer of the Project from

Harlem River Park Houses, Inc. and River Park Associates (collectively, the “**Prior Owner**”) to River Park Bronx Apartments, Inc. and River Park Residences, L.P., c/o Omni New York LLC (collectively, the “**New Owner**”). UDC would receive a \$24 million payment at closing, a guaranteed minimum payment for a number of years up to a certain aggregate amount, and a balloon payment at the end of a 35-year term for its subordinated debt.

In connection with such Closing, the Prior Owner has requested that UDC and MLC terminate the Arrears Payment Agreement dated October 31, 1998 by and among UDC, PFA, MLC and the Prior Owner (the “**Arrears Payment Agreement**”). UDC has deemed the Prior Owner’s obligations satisfied upon the occurrence of the Closing and the preconditions therein. The Closing occurred on December 13, 2012. In connection with such Closing, UDC terminated the Arrears Payment Agreement on its behalf. As MLC considers all obligations to have been satisfied at closing and has agreed to the termination of the Arrears Payment Agreement, this Agreement no longer serves any purpose and MLC’s role as monitor of payments is concluded. Staff recommends that MLC also agree to the termination of the Arrears Payment Agreement.

#### **REQUESTED ACTION**

The Directors are requested to authorize to: (i) terminate the Arrears Payment Agreement in connection with the Harlem River Park Towers Residential Project Refinancing and/or to enter into related documents; and (ii) the taking of all related actions.

#### **RECOMMENDATION**

Based on the foregoing, I recommend approval of the requested action.

#### **ATTACHMENTS**

Resolution  
UDC Board Materials dated August 16, 2012 and November 15, 2012

January 30, 2013

REQUEST FOR AUTHORIZATION: (I) TO TERMINATE THE ARREARS PAYMENT IN CONNECTION WITH THE HARLEM RIVER PARK TOWERS RESIDENTIAL PROJECT REFINANCING AND/OR TO ENTER INTO RELATED DOCUMENTS, AND (II) TO TAKE ALL RELATED ACTIONS.

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RESOLVED, that, based on the materials submitted to this meeting and ordered filed with the records of the New York State Mortgage Loan Enforcement and Administration Corporation ("MLC") relating to the Harlem River Park Towers Residential Project (UDC Loan No. 18), the termination of the Arrears Payment Agreement dated October 31, 1998 is hereby approved; and

RESOLVED, that MLC delegates to each of its Officers the authority to terminate the Arrears Payment Agreement and/or to enter into related documents; and be it further

RESOLVED, that the Officers of the MLC, be, and each of them hereby is authorized and directed to take any and all actions necessary to carry out the foregoing resolutions and to carry out any authority or delegation granted to MLC or in conjunction with such authorizations, including, but not limited to, the preparation and execution of any agreements, instrumentation and/or documents as such authorized officer may deem necessary or appropriate.

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# Empire State Development

## FOR CONSIDERATION

August 16, 2012

**TO:** The Directors

**FROM:** Kenneth Adams

**SUBJECT:** Harlem River Park Towers Residential Project – UDC Loan No. 18

**REQUEST FOR** Authorization to (i) Accept a Partial Prepayment of Cash and Allow the Assumption of the Remaining Balance of Outstanding Indebtedness and (ii) Take All Related Actions.

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## PROJECT SUMMARY

Location: Bronx, NY

Improvements: Constructed in 1974, Harlem River Park Towers (the "Project") is located in the Morris Heights section of the Bronx and is situated on a 4.22-acre site adjacent to Roberto Clemente State Park and the Major Deegan Expressway. The Project consists of two 38-story buildings and two 40-story buildings containing 1,654 family apartments (119 Studios, 553 one-bedroom units, 534 two-bedroom units, 440 three-bedroom units, and 8 four-bedroom units), ground-level commercial spaces, and a four-level parking structure.

## BACKGROUND

Legal title to the Project is held by Harlem River Park Houses, Inc. (the "Housing Company"). The beneficial ownership is in River Park Associates (the "Partnership"), and the Managing Agent is R/Y Management.

## FINANCIAL

The Project was financed in 1974 with a UDC mortgage loan in the amount of \$71,986,000 ("Final Mortgage Determination" or "FMD"). The Project's current total indebtedness is \$102,267,483, and includes the \$70,936,479 outstanding FMD, an arrearage note of \$3,846,000, Section 32 advances in the amount of \$1,497,532, a Project Improvement Program ("PIP") loan of \$6,982,694, and accrued interest arrears through October 31, 2012 totaling \$19,004,778.

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 \$4,320,763. The Project's IRP contract expires on January 31, 2025. The Project also receives a rental subsidy under a Rent Assistance Contract through HUD for 464 units, which represents 28% of the Project's total 1,654 units. Currently, approximately 90% of the Project's tenants are at or below 60% of the Area Median Income (AMI).

## **CURRENT STATUS**

The 38-year old Project has undergone some modernization, but is in need of additional structural repairs, weatherization, and security upgrades. The Project's age, together with its physical and financial condition, necessitate a financial restructuring to allow for overall rehabilitation. Capital needs include roof repairs, window replacement at two of the four buildings, façade repairs, interior common area renovations, mechanical upgrades, extensive security upgrades, repair to water damaged interiors, apartment upgrades, and structural bracing and repairs to the parking structure. Approximately 18% of the 1,654 units in the Project are currently vacant due the current Housing Company's inability to make necessary improvements to turn the apartments over.

In 1998, after years of the Housing Company and Partnership's failure to pay full debt service payments, ESD entered into a workout agreement that provided debt relief, but also ensured some repayment of the outstanding interest. However, two years after finalizing the workout agreement, the Project faced further financial hardship due to 38% and 22% increases in utility costs for calendar years 2000 and 2001, respectively. In effort to ease the Project's financial burden, ESD modified the workout agreement in June 2002 to provide even further debt relief.

The Housing Company had been making the agreed upon minimum debt service payments per the workout agreement until 2008. The workout agreement expired in July 2011, and at the end of 2011, ESD placed the Project in default for failure to remit \$5.3 million in debt service payments from 2008-2010. The owner subsequently accepted ESD's proposal to pay a reduced payment of \$3 million to satisfy the 3-year default period of 2008-2010. ESD received their \$3 million payment in November 2011 and will apply it against the Project's outstanding interest arrears. An additional approximately \$1.4 million is expected to be paid to ESD from the Project's current Operating Escrow Fund ("OEF") reserves at closing as a partial repayment for 2011 debt service arrears.

## **PROPOSED REDEVELOPMENT AND PREPAYMENT PLAN**

Omni New York LLC ("Omni") and Mill Plain Properties, LLC plan to acquire and rehabilitate River Park Towers through River Park Bronx Apartments, Inc. (a newly formed Article II entity) as nominee for River Park Bronx Residences, LP (a newly formed single purpose limited partnership) as beneficial owner of the property (the "Borrower").

The rehabilitation will be financed with a mortgage loan provided by New York State Housing & Community Renewal ("HCR"), and the issuance of tax-exempt bonds. The tax-exempt bond issuance will allow the transaction to receive 4% as of right low income housing tax credits, and as a result, the transaction will be financed with approximately \$125 million in tax credit equity.

To facilitate the overall rehabilitation and financial restructuring of this significant affordable housing asset, ESD has agreed to accept a partial prepayment of \$40 million at closing plus an additional amount of approximately \$1.4 million from the Project's OEF account. The remaining outstanding arrears of approximately \$49 million will be assigned to the Borrower as subordinate debt.

The \$40 million payment to ESD represents 58% of the outstanding FMD and is equivalent to the IRP subsidy stream that ESD would have expected to receive had the Project not elected to prepay their mortgage calculated at a 4% discount rate. The Borrower will assume the remaining balance of outstanding indebtedness of \$57,867,483.34 as part of their overall refinancing plan and will undertake an extensive rehabilitation.

Approximately \$155 million will be spent to rehabilitate the Project. The rehabilitation will be subject to federal prevailing-wage rates and include a conversion from electric to gas heat, renovation of the lobbies and common areas, replacement and upgrading of mechanical systems, window replacement of two of four buildings, roof repair, brick pointing, completion of elevator modernization, replacement of doors and entrances, structural repair to the adjoining parking structure, landscaping, and a new DVR security system with approximately 1,500 security cameras. Improvements within tenant dwelling units will include repainting of units, new floors, new kitchen cabinets, new appliances, countertops and fixtures, and new bathroom vanities, sinks, faucets, and bath tubs.

To ensure quality management of the property, the Section 236 subsidy will be decoupled to allow for the issuance of project based Section 8 vouchers for all eligible current tenants. The project-based vouchers will allow the Property to receive higher rents while ensuring that tenants will pay no more than 30% of their income for their new rent. This affordability will be maintained for 35 years.

**NON-DISCRIMINATION AND CONTRACTOR & SUPPLIER DIVERSITY**

ESD's Non-Discrimination and Contractor & Supplier Diversity policies will apply. Purchaser and every successor in interest to the Property shall not discriminate upon the basis of race, creed, color, sex or national origin in the sale, lease or rental, or in the use or occupancy of the Property or improvements erected or to be erected thereon or any part thereof. This covenant shall run with the land in perpetuity.

**ENVIRONMENTAL REVIEW**

ESDC staff has determined that the project 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 project.

**REQUESTED ACTION**

The Directors are requested to authorize: (i) acceptance of a partial prepayment of cash and allow the assumption of the remaining balance of outstanding indebtedness and (ii) the taking of all related actions.

**RECOMMENDATION**

Based on the foregoing, I recommend approval of the requested action.

**ATTACHMENT**

Resolution

August 16, 2012

BRONX COUNTY - RIVER PARK TOWERS RESIDENTIAL PROJECT - UDC LOAN NO. 18 - REQUEST FOR AUTHORIZATION TO (I) ACCEPT A PARTIAL PREPAYMENT OF CASH AND ALLOW THE ASSUMPTION OF THE REMAINING BALANCE OF OUTSTANDING INDEBTEDNESS AND (II) TAKE ALL RELATED ACTIONS.

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RESOLVED, that, based on the materials submitted to this meeting and ordered filed with the records of the New York State Urban Development Corporation ("Corporation") relating to the River Park Residential Project (UDC Loan No. 18), the Corporation be and hereby is authorized to: (i) Accept a Partial Prepayment of Cash and Allow the Assumption of the Remaining Balance of Outstanding Indebtedness and (ii) Take All Related Actions, and be it further

RESOLVED, that the Officers of the Corporation, be, and each of them hereby is authorized and directed to take any and all actions necessary to carry out the foregoing resolutions and to carry out any authority or delegation granted to the Corporation or in conjunction with such authorizations, including, but not limited to, the preparation and execution of any agreements, instrumentation and/or documents as such authorized officer may deem necessary or appropriate.

**UDC Loan No. 18 - LOAN FACT SHEET**

**Property Name:** River Park Towers  
**Mortgagor:** Harlem River Park Houses, Inc.  
**Property Location:** 55 Richman Plaza Bronx, NY 10453  
**Mortgagee:** New York State Urban Development Corporation

**Outstanding Indebtedness as of October 31, 2012**

FMD Note (Principal Balance)	\$ 70,936,478.69
Arrearage Note (Principal Balance)	\$ 3,846,000.00
<u>Section 32 Note (Principal Balance)</u>	<u>\$ 1,497,532.15</u>
<i>Outstanding Mortgage Indebtedness</i>	<i>\$ 76,280,010.84</i>
Debt Service Interest Arrears*	\$ 19,004,778.02
Project Improvement Program Loan	\$ 6,982,694.48
2008-2010 Debt Service Payment held in Escrow	(\$ 3,000,000.00)
<i>Total Outstanding Indebtedness</i>	<i>\$ 99,267,483.34</i>

**HUD Section 236 Subsidy**

Annual HUD Section 236 Interest Reduction Payments (thru 1/31/25)	\$ 4,320,763.00
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**Debt Service**

Total Contractual Annual Debt Service	\$ 6,963,202.04
<u>Annual HUD Section 236 Subsidy (thru 1/31/25)</u>	<u>(\$ 4,320,763.00)</u>
Housing Company's Annual Debt Service	\$ 2,642,439.04
<i>Housing Company's Actual 2011 Debt Service per Workout Agreement</i>	<i>\$ 2,215,404.00</i>

**Proposed Transaction Details**

Payment to ESD at closing	\$ 40,000,000.00
<u>Operating Escrow Fund account</u>	<u>\$ 1,400,000.00</u>
Total Payment to ESD	\$ 41,400,000.00
Payment as a percent of FMD	58%
Assignment of Remaining Indebtedness to NYCHDC	\$ 57,867,483.34

**Miscellaneous**

Operating Escrow Fund Balance as of 8/1/12	\$ 1,402,075.52
Occupancy as of 3/31/12 (1,093 units)	82.2%
Rental Assistance Payment (RAP) Contract	\$ 2,410,270.00
Number of Units Receiving RAP	464
RAP Units as a % of Total Units	28.0%



# Empire State Development

## FOR CONSIDERATION

November 15, 2012

**TO:** The Directors

**FROM:** Kenneth Adams

**SUBJECT:** Harlem River Park Towers Residential Project – UDC Loan No. 18

**REQUEST FOR:** Authorization to (i) Accept a Partial Prepayment of Cash, (ii) Accept Cash Flow Payments, (iii) Consent to Borrower Assignment and Subordination of the Remaining Balance of Outstanding Indebtedness, and (iv) Take All Related Actions.

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## PROJECT SUMMARY

Location: Bronx, NY

Improvements: Constructed in 1974, Harlem River Park Towers (the "Project") is located in the Morris Heights section of the Bronx and is situated on a 4.22-acre site adjacent to Roberto Clemente State Park and the Major Deegan Expressway. The Project consists of two 38-story buildings and two 40-story buildings containing 1,654 family apartments (119 Studios, 553 one-bedroom units, 534 two-bedroom units, 440 three-bedroom units, and 8 four-bedroom units), ground-level commercial spaces, and a four-level parking structure.

## BACKGROUND

Legal title to the Project is held by Harlem River Park Houses, Inc. (the "Housing Company"). The beneficial ownership is in River Park Associates (the "Partnership"), and the Managing Agent is R/Y Management.

## FINANCIAL

The Project was financed in 1974 with a UDC mortgage loan in the amount of \$71,986,000 ("Final Mortgage Determination" or "FMD"). The Project's current total indebtedness is \$102,267,483, and includes the \$70,936,479 outstanding FMD, an arrearage note of \$3,846,000, Section 32 advances in the amount of \$1,497,532, a Project Improvement Program

("PIP") loan of \$6,982,694, and accrued interest arrears through October 31, 2012 totaling \$19,004,778.

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 \$4,320,763 through January 31, 2025. The Project also receives a rental subsidy under a Rent Assistance Contract through HUD for 464 units, which represents 28% of the Project's total 1,654 units. Currently, approximately 90% of the Project's tenants are at or below 60% of the Area Median Income (AMI).

In 1998, after years of the Housing Company and Partnership's failure to pay full debt service payments, ESD entered into a workout agreement that provided debt relief, but also ensured some repayment of the outstanding interest. However, two years after finalizing the workout agreement, the Project faced further financial hardship due to 38% and 22% increases in utility costs for calendar years 2000 and 2001, respectively. In effort to ease the Project's financial burden, ESD modified the workout agreement in June 2002 to provide even further debt relief.

The Housing Company had been making the agreed upon minimum debt service payments per the workout agreement until 2008. The workout agreement expired in July 2011, and at the end of 2011, ESD placed the Project in default for failure to remit \$5.3 million in debt service payments from 2008-2010. The owner subsequently accepted ESD's proposal to pay a reduced payment of \$3 million to satisfy the 3-year default period of 2008-2010. ESD received their \$3 million payment in November 2011 and will apply it against the Project's outstanding interest arrears. An additional approximately \$1.4 million is expected to be paid to ESD from the Project's current Operating Escrow Fund ("OEF") reserves at closing as a partial repayment for 2011 debt service arrears.

Omni New York LLC ("Omni") and Mill Plain Properties, LLC plan to acquire and rehabilitate Harlem River Park Towers through River Park Bronx Apartments, Inc. (a newly formed Article II entity) as nominee for River Park Bronx Residences, LP (a newly formed single purpose limited partnership) as beneficial owner of the property (the "Borrower").

#### **PRIOR BOARD ACTION**

To facilitate the overall rehabilitation and financial restructuring of the Project, ESD received Board of Directors approval on August 16, 2012 for the acceptance of a partial prepayment of \$40 million at closing plus an additional amount of approximately \$1.4 million from the Project's OEF account. The remaining outstanding arrears of approximately \$49 million were to be assigned to the Borrower as subordinate debt.

#### **PROPOSED PREPAYMENT PLAN**

The Project's refinancing plan was contingent upon receiving project based subsidy from HUD under the Rental Assistance Demonstration Program ("RAD") for 100% of the units upon

refinancing. However, the RAD program was revised late this summer to allow only projects with Rent Supplement contracts maturing prior to September 30, 2013 to participate in the program. Harlem River Park Towers' contract matures on June 1, 2014, and is thus ineligible.

Omni prepared a revised refinancing plan that will include the obtaining of enhanced vouchers for eligible units from HUD and additional HCR subsidy. Since the enhanced vouchers are portable, the new debt for Harlem River Park will be underwritten to the maximum tax credit rents.

The loss of project based vouchers results in the Project needing to be underwritten to tax credit rents. As a result, Harlem River Park can support significantly less in mortgage proceeds than previously assumed, and as such, the deal can no longer support an upfront payment to ESD for \$40 million at closing.

To allow the transaction to move forward, ESD has agreed to new financing terms which consist of a \$24 million partial prepayment of the outstanding indebtedness to ESD at closing, and the borrower's assumption and subordination of the remaining approximately \$75 million in ESD and Project Improvement Program ("PIP") loan debt. Additionally, ESD will receive annual payments of \$2,380,615 or 45% of available cash flow each year, whichever is greater, following permanent conversion. 5% of the remaining cash flow will go to pay back the HCR subsidy and 50% will go towards the Developer Fee. The minimum payment of \$2,380,615 will be structured as a guarantee from Omni New York LLC and Mill Plain Properties, LLC to cover any shortfall in available cash flow. As such, ESD would receive no less than the \$2,380,615 minimum amount annually until \$52,209,220, the remaining value of the IRP stream, is reached. It is expected that together with the \$24 million at closing, ESD would reach \$52,209,220 within 12 years of Harlem River Park Towers' permanent loan conversion. The present value of the total payments that ESD will receive over time is \$37-38 million depending on the years until permanent conversion and using a 4% discount rate.

### **PROPOSED REDEVELOPMENT PLAN**

The 38-year old Project has undergone some modernization, but is in need of additional structural repairs, weatherization, and security upgrades. The financial restructuring and rehabilitation will include roof repairs, window replacement at two of the four buildings, façade repairs, interior common area renovations, mechanical upgrades, extensive security upgrades, repair to water damaged interiors, apartment upgrades, and structural bracing and repairs to the parking structure. Approximately 18% of the 1,654 units in the Project are currently vacant due to the current Housing Company's inability to make necessary improvements to turn the apartments over.

The rehabilitation will be financed with a mortgage loan and subsidy provided by New York State Homes & Community Renewal ("HCR"), and the issuance of tax-exempt bonds. The tax-exempt bond issuance will allow the transaction to receive 4% as of right low income housing

tax credits, and as a result, the transaction will be financed with approximately \$106 million in tax credit equity. Additionally, Omni is contributing \$4 million from property operations over the course of the rehab to help fund development costs and minimize HCR subsidy.

Approximately \$110 million will be spent to rehabilitate the Project. The rehabilitation will be subject to federal prevailing-wage rates and include a conversion from electric to gas heat, renovation of the lobbies and common areas, replacement and upgrading of mechanical systems, window replacement of two of four buildings, roof repair, brick pointing, completion of elevator modernization, replacement of doors and entrances, structural repair to the adjoining parking structure, landscaping, and a new DVR security system with approximately 1,500 security cameras. Improvements within tenant dwelling units will include repainting of units, new floors, new kitchen cabinets, new appliances, countertops and fixtures, and new bathroom vanities, sinks, faucets, and bath tubs.

To ensure quality management of the property, the Section 236 subsidy will be decoupled to allow for the issuance of project based Section 8 vouchers for all eligible current tenants. The project-based vouchers will allow the Property to receive higher rents while ensuring that tenants will pay no more than 30% of their income for their new rent and that no residents will be involuntarily displaced. This affordability will be maintained for 35 years.

#### **NON-DISCRIMINATION AND CONTRACTOR & SUPPLIER DIVERSITY**

ESD's Non-Discrimination and Contractor & Supplier Diversity policies will apply. Purchaser and every successor in interest to the Property shall not discriminate upon the basis of race, creed, color, sex or national origin in the sale, lease or rental, or in the use or occupancy of the Property or improvements erected or to be erected thereon or any part thereof. This covenant shall run with the land in perpetuity.

#### **ENVIRONMENTAL REVIEW**

ESDC staff has determined that the project 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 project.

#### **REQUESTED ACTION**

The Directors are requested to authorize: (i) acceptance of a partial prepayment of cash, (ii) acceptance of cash flow payments, (iii) consent to borrower assignment and subordination of the remaining balance of outstanding indebtedness, and (iv) the taking of all related actions.

**RECOMMENDATION**

Based on the foregoing, I recommend approval of the requested action.

**ATTACHMENT**

Resolution

November 15, 2012

BRONX COUNTY – HARLEM RIVER PARK TOWERS RESIDENTIAL PROJECT - UDC LOAN NO. 18 - REQUEST FOR AUTHORIZATION TO (I) ACCEPT A PARTIAL PREPAYMENT OF CASH, (II) ACCEPT CASH FLOW PAYMENTS, (III) CONSENT TO BORROWER ASSIGNMENT AND SUBORDINATION OF THE REMAINING BALANCE OF OUTSTANDING INDEBTEDNESS, AND (IV) TAKE ALL RELATED ACTIONS.

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RESOLVED, that, based on the materials submitted to this meeting and ordered filed with the records of the New York State Urban Development Corporation ("Corporation") relating to the Harlem River Park Residential Project (UDC Loan No. 18), the Corporation be and hereby is authorized to: (i) Accept a Partial Prepayment of Cash, (ii) Accept Cash Flow Payments, (iii) Consent to Borrower Assignment and Subordination of the Remaining Balance of Outstanding Indebtedness, and (iv) Take All Related Actions.

and, be it further

RESOLVED, that the Officers of the Corporation, be, and each of them hereby is authorized and directed to take any and all actions necessary to carry out the foregoing resolutions and to carry out any authority or delegation granted to the Corporation or in conjunction with such authorizations, including, but not limited to, the preparation and execution of any agreements, instrumentation and/or documents as such authorized officer may deem necessary or appropriate.

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