NCSHA 2016 Annual Awards Entry Form

(Complete one form for each entry)

Deadline: Wednesday, June 15, 2016

Visit ncsha.org/awards to view the Annual Awards Call for Entries.

Instructions: Type entry information into the form and save it as a PDF. Do not write on or scan the form. If you have any questions contact awards@ncsha.org or 202-624-7710.

Fill out the entry name *exactly* as you want it listed in the program.

Entry Name: Year 15 Resyndication Strategies for Scattered Site Portfolios

HFA: New York City Housing Development Corporation ("HDC")

Submission Contact: (Must be HFA Staff Member) Norman Garcia **Email:** ngarcia@nychdc.com

Please provide a 15-word (maximum) description of your nomination to appear on the NCSHA website.

The strategy of pooling multiple buildings into a resyndicated portfolio to enhance HDC's rehabilitation efforts.

Use this header on the upper right corner of each page:

HFA: ______

Entry Name: ______

Select the appropriate subcategory of your entry and indicate if you are providing visual aids.

Communications	Homeownership	Legislative Advocacy	Management Innovation
○ Annual Report ○ Creative Media ○ Promotional Materials and Newsletters	○ Empowering New Buyers ○ Encouraging New Production ○ Home Improvement and Rehabilitation	○ Federal Advocacy ○ State Advocacy	○ Financial ○ Human Resources ○ Operations ○ Technology
Rental Housing	**Special Needs Housing**	**Special Achievement**	Are you providing visual aids?
○ Encouraging New Production ○ Multifamily Management ◉ Preservation and Rehabilitation	○ Combating Homelessness ○ Housing for Persons with Special Needs	○ Special Achievement	○ Yes ◉ No

Maintaining the quality and affordability of housing that is currently affordable to low- and moderate-income New Yorkers is critical to meeting New York City's long-term housing needs. Mayor Bill de Blasio's *Housing New York* plan calls for the preservation of 120,000 units over 10 years. HDC's Year 15 Resyndication Program is an effective tool that we use to preserve and rehabilitate existing affordable housing developments to keep them affordable and viable for many more years. Recently and effectively, these include the stabilization of multiple buildings, scattered site portfolios that have been reorganized into one syndicated project entity. In the past year, HDC has used this program to preserve and rehabilitate 3 portfolios comprising of 159 buildings and approximately 1,100 units of affordable housing.

As affordable housing projects get closer to Year 15 (the end of the 15 year tax credit period), they may face many issues. They might be distressed portfolios which may include significant capital needs and deferred maintenance, operating deficits, interest arrears, municipal arrears, and inability to pay mortgage balloons and other project obligations when due. These developments need more assistance and a greater capital infusion of resources. They may also require changes in ownership and property management. The tenants may be suffering when buildings are no longer be maintained properly.

New capital is needed to modernize such projects to fund upgrades and repairs and provide needed services to tenants. Pooling multiple buildings into one portfolio also allows construction and management to utilize economies of scale during the renovation and ongoing operating expenses. While operationally, each building can stand on its own, combining them will allow cross subsidization on operations and greater buying power for contracts.

Primary preservation strategies have included the leveraging of tools that the city often uses for financing new construction of affordable housing but with a particular focus on the needs of preservation. This is meant to be a simpler program with easier tools than what might be used in typical resyndication efforts.

The capital program relies on the following tools – residential tax exemptions, mortgage extensions and workouts, additional subsidy as needed (up to $15K per unit) for capital work and project reserves, restructuring rents, and improving or changing project management.

The program can also be a helpful tool to extend the affordability even for developments that are not distressed. Healthier portfolios leverage strong market opportunities – and so the programs can be appealing to developers with portfolios after prior Tax Credit compliance periods expire. The owners of these developments may want the enhanced returns that can come from a resyndication and as such commit to the accompanying extended affordability.

Program and Financing Structure
HDC can utilize Tax Exempt Bonds/4 percent credits (as or right) as a method of financing the preservation and rehabilitation. Eligible projects must have a minimum of 50 units, and incur rehabilitation costs no less than the greater of $6,000/unit or 20% of eligible basis (IRC Section 42e3). The general tax exempt bond rules apply – 20% of the units to be rented at or below 50% of AMI or 25% (in NYC) at or below 60%. An allocation of private activity volume cap covering 50% or more of the aggregate basis of each building is required.

For a Year 15 re-syndication with tax exempt bonds to be feasible, two issues relating to the existing City debt must be addressed.

1. Existing City debt must be extended and subordinated to run concurrently with the new financing term and LIHTC affordability restriction period. Existing City mortgages may be extended to run concurrent with the term of new debt, to the extent that the City has the loan authority to do so. Where the City does not have the authority to extend the existing debt, HDC may purchase the debt to restate and extend term so that maturity dates are coterminous.
2. Tax exempt bonds must fund more than 50% of the total development cost at construction. HDC may issue bonds to pay down subordinate debt and fund construction, so that the project meets the 50% test. In some cases, HDC may then reissue the subordinate debt to pay down bonds to supportable levels and to count the debt as acquisition in basis.

Benefits

There are many benefits associated with Year 15 Preservation and Resyndication transactions. Preservation is often a more cost-effective way of securing affordability and protecting tenants from the risks associated with poor maintenance and disinvestment. The transactions ensure long term affordability with federal compliance monitoring during the initial affordability period and preserve affordable housing resources under responsible ownership and management. It provides more flexible funding sources for capital and non-capital needs including maintenance work and project reserves. The affordable housing resource and value of asset (including debt) can be enhanced and it requires little new City subsidies other than extension of prior debt and tax abatements. The preservation of this existing affordable housing is important because there is less vacant land available for new construction.

<u>Project Examples</u>

PACC Resyndication (refinancing closed in June 2015)

The PACC Resyndication is a model of The City of New York's mission to preserve affordable housing. The PACC Resyndication is an innovative scattered site development that reorganized 56 smaller, aging Brooklyn buildings into one viable financial structure leveraging tax-exempt bond financing and tax credit equity. This restructuring protects 492 households from being priced out of the very neighborhoods they lived in and supported for years, and also ensures the long term affordability of these 492 units for future tenants as well.

PACC Preservation was an existing project with existing debt. As part of the refinancing, the existing debt (26 loans totaling over $33 million) was restructured as a new mortgage. The new mortgage has been structured so that it will stabilize the portfolio's financial position and fund repairs and ongoing maintenance improvements. Also, HDC issued $40,000,000 in tax exempt bonds.

Prior to the current refinancing, PACC and another non-profit organization owned and operated this portfolio. The other non-profit dissolved and PACC assumed ownership of the entire portfolio. For this refinancing, PACC partnered with L+M Development to cluster the group of developments in order to obtain tax exempt bond financing and 4% tax credits.

This project consolidated a portfolio of separate building clusters, several of which were existing LIHTC projects at or past year 15. Some of the clusters have a small number of units. By combining multiple clusters, the project was able to maximize the LIHTC investment and preserve more low-income units than if the clusters were evaluated individually.

Genesis Year 15 (refinancing closed in June 2015)

Genesis Year 15 is a 28-building, 358-apartment portfolio located in Harlem. As a part of HDC’s refinancing, six building clusters have been combined into one new portfolio. The refinancing will keep the portfolio affordable to low-income families for the next 30 years. All residential units will be affordable to households at or below 60% of Area Median Income. Upon re-rental, 20% of the units will be reserved for homeless tenants.

The project is utilizing a $10 million City investment, along with low-income housing tax credits (over $25 million) and tax-exempt bonds (over $33 million) that has allowed for significant capital repairs and upgrades. The apartment renovations include new kitchens, new bathroom, new roofs, new windows, intercom and camera systems, new entrances energy efficient heating systems, and exterior masonry repairs.

Prior to HDC’s involvement, each cluster had issues stemming from deferred maintenance, outstanding payables, and tax arrears. Poor financial management prevented the necessary maintenance and two of the clusters eventually appeared on the tax lien sale list. The buildings were encumbered by roughly $19 million in mortgages. As a part of the current refinancing, this debt was extended to be coterminous with the new HDC loan and its accompanying affordability requirements.

MHANY Portfolio (refinancing closed in October 2015)

The Mutual Housing Association of New York (MHANY) Portfolio is an innovative scattered site development that reorganized 75 smaller, aging buildings located in the Bushwick, Crown Heights, and East New York neighborhoods of Brooklyn into one viable financial structure leveraging tax-exempt bond financing and tax credit equity. This innovative, collective approach will rehabilitate and preserve a combined 255 units of affordable housing. All 255 residential units will be affordable to households earning between 30% and 60% of Area Median Income. All buildings were built prior to 1920 and were last renovated in the early 1990s. Many of the existing tenants are long term, having lived in their apartments for the last 20 years, and are working low-income individuals and families.

The project is utilizing low-income housing tax credits (over $24 million) and tax-exempt bonds (over $32 million) that has allowed for significant capital repairs and upgrades. The rehabilitation work includes (but is not limited to) interior apartment upgrades, upgrades to the heating and hot water system, roof and window replacement, and exterior work as needed.

Prior to HDC’s involvement, there were several outstanding mortgages between the buildings and the New York City Housing Preservation and Development (HPD). These mortgages totaled over $14 million. As a part of the current refinancing, these mortgages were consolidated and were extended to be coterminous with the new HDC loan and its accompanying affordability requirements.