With the passage of the Housing and Economic Recovery Act of 2008 ("HERA"), HDC pioneered the use of recycled tax-exempt multi-family housing revenue bonds. Since then, HDC has been able to use more than $240,000,000 of recycled bonds to fund a portion of the mortgage loans for a variety of affordable housing transactions. Prior to HERA, this was a resource that was lost, as tax credit projects paid down their short term bonds to a supportable level at the permanent financing phase. HERA allowed for the "recycling" of that tax-exempt authority into new projects.

The most prevalent, and as described below, unanticipated use of HDC's recycled bonds has been to fund the construction of new moderate-income workforce housing. To date, HDC has used nearly $88.4 million of its recycled bonds to fund 100% of the senior mortgages for seven projects containing 779 units of new housing affordable to families earning between 60% and 100% of the area median income (AMI) which is currently $49,080 to $81,800 for a family of four.

HDC has historically financed its moderate and middle income developments under the New Housing Opportunities Program (NewHOP), which provides a taxable bond-funded first mortgage and a low-interest subordinate mortgage from HDC's corporate reserves in addition to developer equity to fund project costs. The authority to issue recycled tax exempt multi-family bonds provided an opportunity to use tax exempt debt for middle- and moderate-income developments as long as the required low-income set asides are met. For HDC, the timing of HERA was perfect—interest rates on long term taxable bonds were too high in the aftermath of the financial crisis to be feasible; at the same time, the demand for moderate and middle income rental housing was rising in New York City, as households who would have previously sought to purchase homes were now waiting out the housing crisis and staying in the rental market.

In response to this demand for workforce housing, the use of recycled bonds has enabled HDC to move forward with seven moderate-income projects. By setting aside 20% of the units at 50% AMI (or 25% at 60% AMI in New York City), these moderate-income projects qualified for recycled bond funding; HDC now refers to these NewHOP developments funded with recycled bonds as "Re-HOPs." With the use of recycled bonds for these developments, HDC has been able to maintain production of workforce housing during the economic downturn while decreasing the cost of financing through the tax exempt lending rate. In all cases, the interest rate savings on the tax exempt debt more than offset the loss of revenue from the required low-income set aside.

The following seven developments closed on construction financing between June 2009 and June 2010 under Re-HOP (dollar amounts are rounded):

St. Ann's Terrace

St. Ann's Terrace is distinguished by the fact that it was the nation's the first moderate-income housing complex to use recycled bonds when it closed on construction financing in June 2009. Developed on a 3.5-acre site formerly zoned for industrial use, St. Ann's Terrace is a mixed-use development with more than 600 residential units, 45,000-square-feet of ground floor commercial space and underground parking in the Melrose neighborhood of the Bronx, all financed by HDC and the City of New York.

The Re-HOP portion of the project consists of three autonomous buildings designed to blend with the surrounding architecture and contain 166 studios, one-, two- and three-bedroom units for low- and moderate-income tenants, along with two superintendent's units. HDC provided a recycled bond-funded construction and permanent loan of $25.8 million at an all-in rate of 6% as well as a 1% subsidy loan of $14.1 million. In order to qualify for the Re-HOP program, 42 units are affordable to households earning 60% AMI and 122 units are affordable to households earning 80% AMI.

Currently, the ground floor retail is nearly fully leased to a daycare operator, a grocery store, Laundromat and doctor's office. And residential tenants are moving in; a recently approved applicant to St. Ann's is a single mother with two school-age children who works as a processing clerk for Jacobi Medical Center in The Bronx. Her annual salary—the family's only source of income—is $45,987.

700 Rosewood a/k/a 3254 White Plains Road

700 Rosewood is located on White Plains Road in the Williamsbridge section of the Bronx. This attractive eight-story new-construction building fully encompasses the curvature of its corner lot, replacing what was once a vacant site used for parking. In August 2009, HDC closed on a recycled bond funded construction and permanent loan of $9.6 million at an all-in rate of 6.2%, and a 1% subsidy loan of $10.6 million. Its 125 units, 92 of which will be affordable to those at 80% AMI and 32 of which will be reserved for those at 60% AMI, include studios, one- and two- bedroom units and a superintendent's unit. Additionally, the project will have over 8,000-square-feet of street-level commercial space housing a daycare facility as well as 62 underground parking spaces for both tenants and local retail customers. Nearby access to subway lines further allows for easy commuting for residents and customers.

700 Rosewood is presently interviewing eligible households; its public lottery attracted more than 2,200 applications.

The Tiffany

Located on a sloping and angled corner site in the Longwood section of the Bronx, the eight-story Tiffany is being constructed on a previously vacant lot and will include 54 apartments for both moderate and low-income families and one superintendent; 42 units will be reserved for households at 90% AMI and 11 units will be rented to those at 50% AMI. In December 2009, at the height of the economic crisis, HDC closed on a recycled bond funded construction and permanent loan of $4.2 million at an all-in rate of 6% and a 1% subsidy of $4.1 million. The building's amenities will facilitate the fostering of community as well as healthy living practices; facilities will include a gym, laundry room and outdoor recreational space. Several units have outdoor terraces and the building includes tenant storage units and 14 parking spaces. Nearby subway access will enable tenants to commute easily to and from the property.

One of the first households to move into the Tiffany is a single father with two school-age children. The family's only income is the father's $68,075 a year salary as an office administrator at The Albert Einstein College of Medicine.

University Avenue Consolidated (UACIII)

UAC III in the Morris Heights area of the Bronx is unique in the Re-HOP portfolio as it is a moderate rehabilitation project of four vacant buildings that were previously owned by the NYC Housing Authority (NYCHA). NYCHA sold the buildings to the private developer in December 2009 and HDC provided financing for the renovation of the 173 units—including three superintendent's units—45 units will be affordable to households at 60% AMI and 125 units will have rents set at 80% AMI. The buildings are all prewar structures of five and six stories, containing studio, one-, two-, three- and four-bedroom units, all of which will be extensively updated with new fixtures, appliances, and finishes. The renovation is also addressing aging lobbies, common areas, hallways, and systems. HDC provided a recycled bond funded construction and permanent loan of $13.6 million at an all-in rate of 6.2% and a subsidy loan of $14.7 million at 1%. The buildings are located in near the well-known Grand Concourse and are in close proximity to retail and transportation hubs.

Tenants have begun to move into the newly renovated units. One of the first to be approved is a family of four where both parents work to support themselves and their two school-age children. Both parents work in their communities; the father as an agent for a local travel agency and the mother as a bank teller at a local branch of Banco Popular. Their combined annual household income is $51,125.

The Bradford

The Bradford is under construction in Stuyvesant Heights, Brooklyn, and will offer 105 units of very low- and moderate-income housing, 51 of which will be affordable to households with incomes at 130% AMI, 32 units at 125% AMI, and 21 units at 30% AMI, along with one superintendent's unit. The nine-story building, with a varied façade of red brick, masonry, and expansive windows, will also include below-grade parking and 9,700 square feet of ground-level commercial space. The construction loan closing was in June 2010 and HDC provided a $20.7 million recycled bond-funded construction and permanent mortgage at an all-in rate of 5.5% as well as a $6.8 million subsidy at 1%.

The Bradford is also the first HDC project to be funded partially with New Market Tax Credits generated by the commercial and part of the residential portion of the project. The project is presently under construction and will be marketed to eligible families in 2012.

Stapleton Court

Boasting a varied façade, street-level retail space, and a design commensurate with neighborhood scale, Stapleton Court is a six-story rental building that closed on construction financing in June 2010 and will contain 92 low- and middle-income units, along with one superintendent's unit, in the Stapleton neighborhood of Staten Island. HDC provided a recycled bond-funded construction and permanent loan of $7.6 million at an all-in rate of 5.5% along with a subsidy loan of $7.8 million at 1%. Sixty-eight of the building's units will be reserved for households at 80% AMI, 20 units will serve those at 60% AMI, and three units will serve those at 50% AMI. In addition to providing much needed housing to the area, the project will contain 30 tenant parking spaces, outside public parking, and 9,100-square-feet of commercial space at street level. The development is also near bus routes, shops, and restaurants and promises to become a vital addition to the Stapleton community.

Stapleton Court has recently commenced marketing and will begin housing eligible families in the fall of 2011.

1800 Southern Boulevard Apartment

This multi-use masonry building in the Crotona Park section of the Bronx closed on construction financing in June 2010 and will provide 64 apartments, more than 13,000-square-feet of commercial space, and over 2,000-square-feet of community space. Forty-seven units will be affordable to households at 80% AMI, 16 units will serve those at 60% AMI, and one unit will house a superintendent. In order to facilitate the project, HDC provided a recycled bond-funded construction and permanent loan of $6.8 million at an all-in rate of 5.85%, and a 1% subsidy loan of $5.4 million. The seven-story structure will include a "green" roof terrace for tenant use, as well as laundry facilities on each floor.

1800 Southern Blvd is currently under construction; it will commence marketing in winter, 2011 and begin housing eligible families in 2012.