

NCSHA 2008 Annual Awards

New York City Housing Development Corporation (HDC)

BORICUA VILLAGE

New Housing Opportunities Program (New HOP) and Low-Income Affordable Marketplace Program (LAMP)

Submitted for “Work Force Housing”

Innovation: The New York City Housing Development Corporation (“HDC”) has mobilized members of the real estate community and partners in affordable housing to help achieve Mayor Michael R. Bloomberg’s *New Housing Marketplace* Plan. With a vision of preserving 73,000 units of affordable housing for 220,000 New Yorkers, plus creating 92,000 units for 280,000 New Yorkers, land has become a precious resource. Boricua Village is a special opportunity to integrate housing with the construction of both low and moderate income housing (including special preferences for educators) with the construction of a new academic building/campus for an educational institution dedicated to providing opportunities to historically disadvantaged minority communities. Taken as a whole, the project will help complete the revival of the South Bronx’s Melrose area, a community that was devastated by housing abandonment and arson that occurred during the 1970’s and early to mid 1980’s.

HDC’s LAMP program creates low-income housing reserved for families earning up to 60% of the Area Median Income (AMI), currently \$46,080 for a family of four. Apartments created through the LAMP program are able to be rented out at affordable rents because of the low-cost financing offered through HDC. Through the LAMP program, HDC issues tax-exempt bonds and couples the permanent mortgage made through the bond proceeds with a 1% second mortgage loan made directly from its corporate reserves. The tax-exempt bond financing qualifies the project for as-of-right 4% Federal Low Income Housing Tax Credits, which is an essential component of the project’s financing.

New HOP was created in response to the need of offering affordable housing opportunities to people that make modest, middle-income wages. The below-market mortgages provided to developers for the construction of this type of rental housing are made through the proceeds of taxable bonds as well as through HDC’s corporate reserves which are used to make second mortgages at a 1% interest. Typically, apartments created through New HOP are reserved for households earning between 80% AMI, \$61,440 for a family of four, and 130% of AMI, \$99,840 for a family of four.

Partnering: The New York City Housing Development Corporation partnered with Atlantic Development Group for this significant project that is comprised of seven residential buildings and a 14-story, 120,000 square foot campus for Boricua College. In order to provide the lowest financing costs, HDC also worked with the New York City Comptroller and the NYC Teacher's Pension Fund to have the Fund purchase HDC's taxable bonds that financed the New HOP developments at a specially negotiated low rate. Citibank provided stand-by or direct pay letters of credit for all the projects.

HDC has financed 34 projects with approximately 3,900 units developed by Atlantic Development Group, LLC (Atlantic). Atlantic is one of HDC's most active borrowers. Knickerbocker Management is expected to manage the development upon completion. As a subsidiary of Atlantic Development, it manages over 3,000 units throughout the five boroughs.

The Developments: The Boricua Village Apartments project consists of the new construction of seven residential buildings containing 689 units of housing for low and moderate income families. The project is being developed by Atlantic Development Group LLC in partnership with The Doe Fund, Inc. Boricua Village is located in the Melrose Commons section the South Bronx. HDC provided financing for the Boricua Village Apartments project through the issuance of \$90 million in Tax-Exempt and Taxable Bonds, and provided an additional \$33 million in 1% loan financing from HDC's corporate reserves.

Three of the seven buildings in Boricua Village, financed through the LAMP program, contain 296 units which will be reserved for low-income families earning up to 60% of the Area Median Income (AMI). Four of the seven buildings, financed through the New HOP program, contain 393 units which will be reserved for moderate income families earning between 60 and 110% of Area Median Income.

Two of Boricua Village's moderate income buildings containing 236 units will be rented incorporating a 100% preference for educators. These two buildings were partially funded with Taxable Bonds issued by HDC and purchased by the New York City Teachers Retirement Fund. This partnering allowed for low-cost permanent financing at an interest rate that made the projects feasible. City officials and labor leaders are greatly concerned about the availability of housing for city employees, with teachers being a special worry. The opportunity to have housing constructed for teachers next to a new College building is an important effort to further this situation and appears to be a perfect match.

Boricua Village will also incorporate a newly constructed 14-story, 120,000 square foot structure which has been leased to hold the Bronx Campus of Boricua College, a private, not-for-profit college providing both bachelors and masters of art degrees that currently operates in two campuses; one in Audubon Terrace on Manhattan's Upper West Side and the other in Williamsburg, Brooklyn. The financing of the school was not done by HDC but did incorporate New Market Tax Credits. Boricua College's project is the centerpiece of the redevelopment of a four-and-one-half acre site in the Melrose

Commons Urban Renewal Area. The Bronx building will be the flagship campus of Boricua College. Boricua's principal student population consists of New Yorkers of Hispanic origin seeking baccalaureate and masters degrees (often attending college while continuing to work).

When completed in the Fall of 2009, the College will employ several hundred persons and provide educational opportunities for approximately 2,000 students per year. The college, together with the new housing and retail, will bring life to a long-desolate area of the Bronx while providing an eastern anchor to the East 161st Street corridor that is supported on the west by the new Yankee Stadium. The new 14-story glass tower will contain classrooms, science labs, Boricua's administrative offices, a library, museum space to display Hispanic art and an auditorium. As part of Boricua Village, it will be surrounded by landscaped publicly accessible open space.

Significant Government Support: In recognition of the importance of the Boricua College project, various public and private entities have contributed substantial funds toward the construction of the more than \$50 million in developments. The City of New York contributed the land and a low interest loan of almost \$10,400,000 to the project. The Bronx Borough President and the Bronx delegation of the New York City Council have contributed an additional \$7,500,000 of their scarce capital budget dollars. On the State side, the Bronx Assembly delegation and the Speaker's office provided a total of \$3,560,000 for its construction while the State Senate recently provided an additional \$200,000 in funding. As mentioned above, the NYC Teachers Pension Fund purchased the taxable bonds at an advantageous low interest rate that reduced the permanent financing costs.

The units set aside for people earning less than 60% will also receive low income tax credits. The equity amount is expected to be in excess of \$29,800,000.

The Boricua College project has also attracted one of the largest allocations of New Markets Tax Credits ("NMTC") in the country, raising an additional \$15,700,000+ in private equity and debt for the college. Specifically, the college received a \$44.6 million allocation of NMTC from three Community Development Entities sponsored by Citibank (\$16.8 million), Seedco Financial Services (\$16.8 million) and Enterprise (\$11 million). Citibank was the sole investor in the NMTC allocation, providing \$15,700,000 in equity/debt.

Results: Boricua Village is currently under construction. However, it will play a significant role in the Melrose Commons Urban Renewal Area (MCURA) in the South Bronx. This is another example of New York City and HDC's continuing efforts to bring substantial resources to bear on the reconstruction of blighted neighborhoods while creating significant affordable housing opportunities for families over a broad income spectrum. We believe that the partnering of housing for teachers with a new academic campus exemplifies this unprecedented effort.