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: MVP- Preserving New York's Volume Cap

HFA: New York State Housing Finance Agency

Submission Contact: (Must be HFA Staff Member) Marian Zucker   **Email:** marian.zucker@nyshcr.org

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

Low cost financing mechanism designed to preserve tax-exempt bond capacity

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

HFA: New York State Housing Finance Agency

Entry Name: MVP- Preserving New York's Volume Cap

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

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

OVERVIEW

New York, unlike some other states, has historically had demand for its tax-exempt bonding authority in excess of the amount of volume cap it has been allocated. The State's housing issuers have utilized a number of different tools to address the shortfall in volume cap without limiting the preservation and new construction of desperately needed affordable units, most notably issuing replacement refunding bonds to fund new production whenever possible.

While issuing replacement refunding bonds for the Agencies' single family activities has been fairly straight forward, the process for issuing multifamily replacement refunding housing bonds has been cumbersome. Nonetheless, since the Housing and Economic Recovery Act granted housing bond issuers the ability to recycle volume cap from multifamily project repayments in 2008, the New York State Housing Finance Agency (the "Agency" or "NYSHFA") has explored methods to more efficiently recycle its multifamily project repayments. In 2014, as a result of this exploration, the Agency launched its Multifamily Volume Cap Preservation Program ("MVP" or the "Facility"). The MVP allows the Agency to more efficiently capture and warehouse recycled bonding authority to fund its multifamily rental pipeline without curtailing the prepayment ability of its affordable projects.

BACKGROUND

HERA, adopted in July, 2008, allows for the replacement refunding of multifamily prepayments from transactions issued in the prior four years. These replacement refunding bonds must be issued before the redemption of the existing project bonds and must be used for other qualifying multifamily projects, though without the attendant benefit of tax credits. Although HERA eliminated the alternative minimum tax ("AMT") penalty on all housing bonds issued after its enactment, it complicated the ability to combine recycled bonds with a new series of bonds because the recycled bonds retained their initial AMT status. That is, bonds subject to the AMT were still subject to the AMT when recycled for a new project. ARRA, which was adopted in January 2009, provided that bonds issued after January 1, 2004, could be refunded on a non-AMT basis. This provision, coupled with the new replacement refunding ability under HERA, allowed us to combine recycled bonds and new bond proceeds into one non-AMT series of bonds.
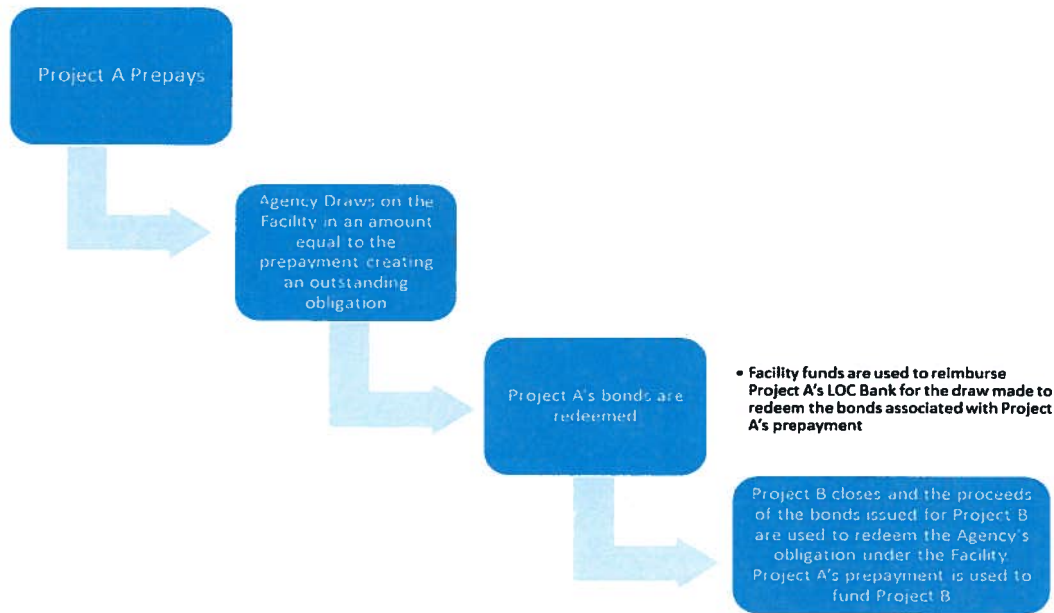
Additionally, the legislation requires that the replacement refunding bond proceeds attributable to the new project be used to redeem the bonds issued to fund the prepaying project. The initial project's prepayment is then used to fund the new project. Predicting the timing of the repaying project and assuring a new bond issue is ready to close simultaneously is not always possible or practical and has caused NYSHFA to occasionally lose recycled volume cap. The Multifamily Volume Cap Preservation Program was developed to address this issue.

MVP is a warehouse facility that allows the Agency to issue up to $300 million in unrated privately placed tax exempt debt held by a qualified banking institution. The Facility allows the Agency the flexibility to hold prepayments and refund them into a new project with one day's notice. It is structured with a drawdown feature that the Agency can access as prepayments are received, (i.e. the private placement holder will agree to purchase the refunding debt in an amount equal to the prepayment received from

the existing project). Each issue under the facility is outstanding for a maximum term of six months, after which the legislation provides that the volume cap cannot be preserved. Once the Agency has a new project for which it is issuing bonds, the Facility debt is refunded into the new transaction. Lastly, the Facility debt is fully cash collateralized by the project prepayment and the Agency only owes interest on amounts drawn from the Facility.

STRUCTURE

The schematic below details how the Facility is structured to work.

Project A Prepays

Agency Draws on the Facility in an amount equal to the prepayment creating an outstanding obligation

Project A's bonds are redeemed

- Facility funds are used to reimburse Project A's LOC Bank for the draw made to redeem the bonds associated with Project A's prepayment

Project B closes and the proceeds of the bonds issued for Project B are used to redeem the Agency's obligation under the Facility Project A's prepayment is used to fund Project B

ACTIVITY UNDER THE FACILITY

Since 2011, NYSHFA has issued $930 million in replacement refunding bonds to fund its multifamily pipeline, of which $150 million was recycled utilizing the Facility.
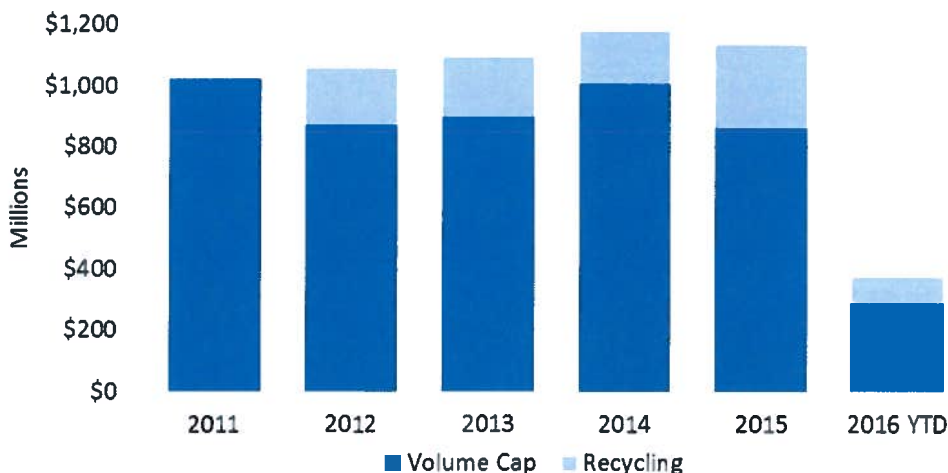
CONCLUSION

In an environment of limited resources, our innovative Multifamily Volume Cap Preservation Program has helped us to stretch the use of our limited volume cap and produce record number of affordable housing units across the State.