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# New York City Housing Authority

## Proposed Federalization of State & City Developed Public Housing

March 1, 2010

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# Overview of NYCHA's State & City Public Housing Developments

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- 21 developments with 20,139 units in 4 boroughs.
- Constructed with State and City assistance from 1949 to 1978.
- Always owned, managed and maintained by NYCHA.
- Resident income levels comparable to NYCHA's federal public housing.
- The State provided subsidy for the State developments until 1998.
- The City provided subsidy through 2003.
- No funds are provided to NYCHA from any source for the continued operation of the public housing units in the State and City developments.
  - State continues to service approximately \$30 million of debt until 2024.
  - City debt service was retired on January 1, 2010.

# 1995 ACC Amendment

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- Allowed the 21 State and City developments to “share” ACC subsidies provided to the 315 Federal developments.
- Required the State and City developments to comply with all Federal public housing requirements.
- However, the State and City units were excluded from the count determining NYCHA’s annual federal subsidy.
- No additional operating or capital subsidies have been provided for the public housing units.

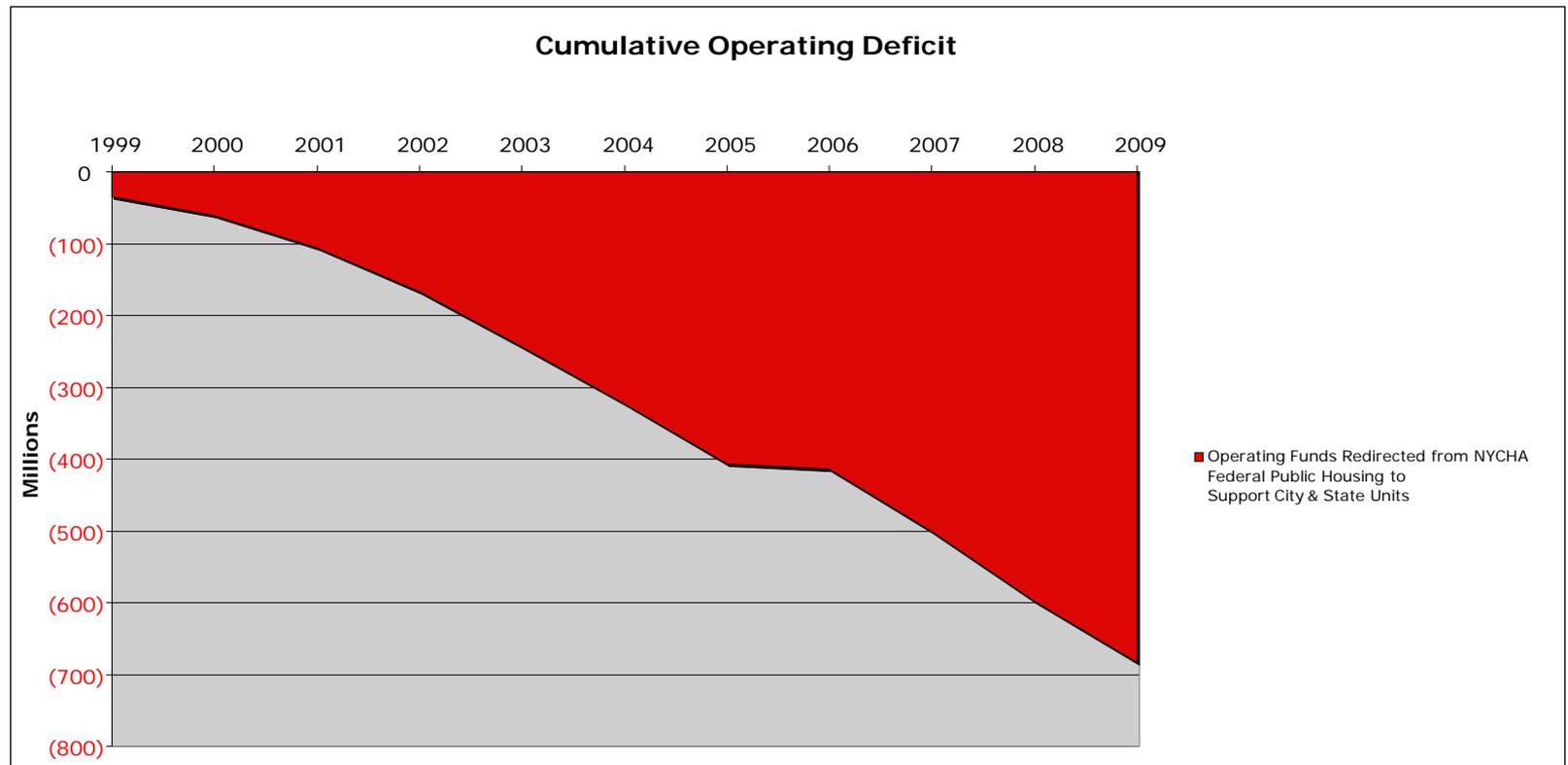
# State & City Developments Divert Substantial Funding from Federal Units

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- NYCHA's annual deficit for the 21 State and City developments is approximately \$90 million in operating and \$20 million in capital.
- These deficits impose a significant and adverse impact on the 178,000 families residing in *all* NYCHA's public housing city-wide, as federal subsidy dedicated for the federal units is diverted to the State and City developments which receive no funding.
- Units for which NYCHA receives no dedicated subsidy:
  - 20,139 Total State / City units
  - 2,236 Section 8 voucher conversions via HUD approved VCA
  - 17,903 Units with no federal operating or capital subsidies

# Substantial Cumulative Deficit

- The loss of State and City funding, coupled with declines in HUD operating subsidy, has profoundly impacted NYCHA's long-term structural deficit.



# The Recovery Act Provides a Unique, One-Time Opportunity to “Federalize” the State & City Units

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- One-time opportunity to qualify the 21 State and City developments for federal operating and capital subsidy under the Recovery Act.
  - Recovery Act suspended the restrictions of the Faircloth Amendment.
  - All funding - whether ARRA or private debt or equity - to be used for the development of the State and City units must be obligated before March 17, 2010.
  - Must use mixed-finance model to develop these properties.
- To qualify for federal low income housing tax credits, an aggregate \$6,000 per unit must be spent and residents must earn less than 60% of AMI.
- HUD has preliminarily advised that subsidy payment for 11,743 units of public housing will be available beginning October 1, 2010.
  - \$65 Million in annual operating and capital subsidy.

# Transaction Overview

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- Based on an assessment of capital needs and operating profiles, NYCHA has separated the 21 State and City developments into two portfolios to optimize leveraging of Recovery Act funds and tax credits.
  - NYCHA Public Housing Preservation I, LLC (“LLC I”), tax credit entity.
  - NYCHA Public Housing Preservation II, LLC (“LLC II”), non-tax credit entity.
- Buildings will be sold to respective LLCs with a NYCHA long-term, non-subordinated ground lease.
- While final transaction structure remains subject to change pending receipt of building appraisals and construction bids, an estimated \$239 million new money will be invested to rehabilitate the 21 State and City developments.
- An estimated \$212 million of tax credit equity will be received from Citi.
- NYCHA retains a purchase option to reacquire the developments.

# Transaction Overview (Continued)

	LLC-I (Tax Credit Portfolio)	LLC-II (Non-Tax Credit Portfolio)
Developments	• 13	• 8
Rehabilitation spend	• \$193 million	• \$46 million
ARRA spend	• \$79 million	• \$29 million
Total units	• 14,465	• 5,674
Public housing units	• 12,885	• 5,018
<i>Receive HUD subsidy</i>	• <i>11,743 initially</i>	• <i>None initially</i>
Section 8 units	• 1,580	• 656
LIHTC Units	• 12,039	• Not applicable
Management	• NYCHA via HDFC	• NYCHA via HDFC
Partners	• NYCHA via HDFC • Citi via Citi Community Capital	• NYCHA via HDFC • Housing Partnership Development Corp. (501c3)

# Partnership with HDC

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- HDC's strong financing capabilities and cooperative partnership with NYCHA are enabling this transformational transaction.
  - Allocating ~\$450 million volume cap over the next three years.
  - Providing \$64 million short-term collateral bonds for ARRA funds.
  - Providing \$52 million long-term Section 8 net operating income bonds.
  - Providing \$372 million bridge financing with Citi.
- HDC will support monitoring of tax credit compliance.

# Approvals Pending

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- Governor Patterson
- State Division of Housing and Community Renewal
- HUD

# Benefits to NYCHA, Residents & NYC

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- Preserves all 21 developments as NYC public housing for the long-term.
  - Immediately qualifies 11,743 units for dedicated annual allocation of HUD operating and capital funding, thereby substantially reducing diversion of funding from NYCHA's existing federal units.
  - Positions remaining 5018 units to receive federal subsidies in the near future.
- Protects and preserves the tenancy rights of all existing residents, and no tenants will be displaced during rehabilitation.
- Maintains NYCHA's long-term regulation and control of these developments.
- Invests \$108 million of Recovery Act funds and leverages approximately \$700 million of debt and equity for modernization and the building acquisition costs.
- Improves the developments' physical condition to ensure compliance with HUD requirements.