

N.Y. Housing Agencies Recycling Multifamily Volume Cap

BY TED PHILLIPS

New York housing bond issuers are jumping in with deals using recycled multifamily private-activity bond volume cap.

The New York City Housing Development Corp. approved two deals yesterday at its board meeting that officials said would be the first in the nation to use recycled cap from a project's outset.

The New York State Housing Finance Agency also plans to sell \$119 million of bonds next week that will use \$17.5 million of recycled cap for a project that is already under construction and has been already been partially financed at 320 West 38th Street in Manhattan.

The city HDC plans to market \$79 million of tax-exempt bonds next month for a 480-unit development in the Bronx called St. Ann's Terrace. The project is split between low-income and middle-income housing, which will use \$52 million of new volume cap and \$27 million of recycled cap, respectively. Jackson Development Group will develop the project on a 3.1-acre site.

The U.S. government allocates a limited amount of private-activity bond volume cap to states, based on population. States then further divide that cap among

different issuers.

Recycling multifamily cap gives housing agencies a way to stretch this limited resource and is permitted under the Housing and Economic Recovery Act of 2008. Recycling allows issuers to recapture private-activity bond volume cap that has been refunded or retired on multifamily

structure of the financing and income ranges within the project, said HDC president **Marc Jahr**.

"This allows us to stretch our resources, to target our most valuable resource, the cap with credits for the projects that absolutely need them," Jahr said. "They are targeted to low-income families, and

to have a 40 year maturity. **Hawkins Delafield & Wood LLP** is bond counsel.

The non-recycled part of the deal uses low-income housing tax credits, which have suffered over the past year as **Fred-die Mac** and **Fannie Mae** and other companies have pulled back from the tax credit market.

"The market for credits has been brutal," Jahr said. "Pricing has declined precipitously and there continues to be downward pressure in all markets."

Still, the New York market hasn't been hit as bad as other places, and Jahr expects they will get between 80 cents and 85 cents on the dollar for the credits.

The HDC also approved a \$20 million deal that includes \$6.5 million of recycled cap for a senior housing project in Staten Island called Broad Street Senior Housing. In addition, it approved \$14 million of bonds for a project at 2264 Morris Avenue in the Bronx that uses all new cap.

Yesterday's HDC board meeting was the first with **Rafael Cestero** as chairman. The commissioner of the Department of Housing Preservation and Development serves as chairman of HDC.

Cestero became the new commissioner after **Shaun Donovan** left to become U.S. Housing and Urban Development secretary. □

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housing, as had already been allowed for single-family housing.

Recycled bonds can't include low-income housing tax credits, which results in two types of bonds for housing. In the case of St. Ann's Terrace, the portion of the project that is set aside for low-income tenants uses new volume cap that comes with tax credits, whereas the middle-income portion uses recycled cap that would be ineligible for the tax credits.

The proportion of recycled cap in a given deal will vary, depending on the

allow us over the long term to do a lot more units than we'd otherwise have been able to do."

Jahr said he expects the HDC will be able to market about \$600 million of recycled bonds over three years.

The bonds will be issued as variable-rate term bonds subject to mandatory tender. **JPMorgan** will underwrite the recycled bonds that will have an expected final maturity of 2038 and **Bank of America-Merill Lynch** will underwrite the new cap bonds that are expected