

NYC Neighborhood Capital Corporation
Minutes of the Meeting of the Governing Board
January 27, 2017

A meeting of the Governing Board (the “Governing Board” or “Board”) of NYC Neighborhood Capital Corporation (“NYCNCC”) was held on January 27, 2017 at 11:00 a.m. at the New York City Economic Development Corporation (“NYCEDC”), 110 William Street, Conference Room 5A, New York, NY 10038.

The following directors were present:

Sara Tranter

Senior Vice President, NYCEDC

Nate Bliss

Senior Vice President, NYCEDC

Julie Stein

Senior Vice President, NYCEDC

Liz Verostek

Senior Vice President, NYCEDC

Kate Van Tassel

Vice President, NYCEDC

James Katz

Chief of Staff, NYCEDC

The following directors were not present:

Maria Torres-Springer, Chairperson

President, NYCEDC

Miquela Craytor

Vice President, NYCEDC

Charles Gans

Executive Vice President, NYCEDC

Also present were the following NYCEDC staff members and interns:

Jeff Lee

Senior Vice President, NYCEDC

Mac Thayer

Assistant Vice President, NYCEDC

Lily Berticevich

Project Manager, NYCEDC

Astrid Andre

Counsel, NYCEDC

Tiffany Lacker
Counsel, NYCEDC

Mr. Thayer convened the meeting of the Governing Board of NYCNCC at 11:00 am, at which time a quorum was present.

1. NMTC Overview and Updates

Mr. Thayer reviewed the agenda and reminded the Board that we were awarded \$55 million of NMTC in the CDFI's Round 13 NMTC award. He gave a brief overview of the NMTC program, noting that we will allocate our \$55 million NMTC to five projects, following industry standard of around \$10 million NMTC per project.

Mr. Thayer reviewed NMTC eligibility criteria established by the CDFI, the community benefits outlined in the CDFI's NMTC application, and financing efficiency criteria. Mr. Thayer provided an example of a NMTC-funded project that meets all eligibility criteria.

Mr. Thayer reviewed NYCNCC's portfolio goals, which will fulfill CDFI mandates and maximize our likelihood of success in future rounds. Mr. Lee emphasized that fast closings with projects in Q1 or Q2 are important for a competitive application.

Ms. Tranter confirmed that this competitive advantage is what is driving our urgent approval process for today's meeting.

Mr. Bliss commented that retail jobs are usually lower paying. Mr. Thayer responded that the CDFI specifically identifies locally-owned retail as a type of project NMTC should support. Ms. Tranter noted that affordable housing developments encourage NMTC-funded retail on the ground floor.

Ms. Stein asked for a description of a "jobs" project. Mr. Thayer explained that the CDFI wants NMTC to support heavy job creation, such as for industrial projects.

Mr. Thayer showed a map with nineteen projects that we're aware of throughout NYC that may be funded by a CDE with Round 13 NMTC. Ms. Stein asked how our review brought us to these nineteen projects and to the two we reviewed in detail that day. Mr. Thayer explained that we've reviewed more projects than are pictured on the map, and that the nineteen are all eligible for NMTC. From there, we selected those that align best with our goals, and out of those the two we're reviewing today have the fastest closings scheduled. Mr. Lee reminded the Board that we have reviewed a variety of projects and the Q1 or Q2 closing is an important factor in our review.

Mr. Thayer described the NMTC CDE and investor landscape, and explained that we are in communication with multiple groups. There is an element of competition between the CDEs and investors to be included in the best projects.

Mr. Bliss asked how we'd learned about non-EDC projects. Mr. Thayer explained that there is a lot of networking and continued communication with all of the other CDEs, investors, and consultants interested in NYC projects.

Mr. Thayer described the roles and responsibilities of the NYCNCC Staff, Advisory Board, and Governing Board. He defined Community Development Entities (CDEs) and

highlighted the Governing Board's role to verify that projects approved by the Advisory Board are within NYCNCC strategy.

Mr. Katz asked what would happen if opinions about a given project differ between the Advisory Board and Governing Board.

Ms. Lacker responded that the Advisory Board must recommend projects for the Governing Board's vote and the Governing Board must approve them for the projects to move forward, and that the Governing Board cannot approve projects that have not been given the Advisory Board's recommendation.

Mr. Katz clarified that if the Governing Board would not approve a project, they would notify the Advisory Board.

Ms. Andre noted that part of the CDFI's NMTC application requires providing meeting minutes, ensuring that all necessary parties appropriately approve of the funded projects. Mr. Thayer explained that our goal is to find and present projects that the Advisory and Governing Board will approve of.

Ms. Andre explained that HireNYC and other policies will apply, and Mr. Lee confirmed that we are screening projects based on consistency with EDC policy.

2. Rockaway Beach Medical Arts Complex

Mr. Thayer explained that he would review the Rockaway Beach Medical Arts Complex (RBMAC) and ask for questions and comments. Mr. Lee explained that if the Board was comfortable with approving the project today, we could hold a vote. Otherwise, we would request Unanimous Written Consent.

Mr. Thayer described the RBMAC project as a 55,000 sf building in the middle of the peninsula that will provide healthcare services. He said that it is a 3-floor building with different tenants on each of the floors: the first floor is the non-profit south Nassau Communities Hospital that will provide primary and specialty care; the second floor will be Rockaways ASC Development, which is a consortium of physicians providing a range of specialty ambulatory surgery services; the third floor will be several different tenants that will provide various services including dialysis, lab and imaging, physical therapy and physician practices.

Mr. Thayer explained NYCNCC's main rationale for this project: the project location is in a low-income area with higher than average poverty rates, unemployment rates, and median family income; the area is still rebuilding after damage from Hurricane Sandy; there is an identified need for medical services in the Rockaways; the project is in a Federally Medically Underserved Area; and there is a recognized need for economic development in the area on city and state levels, including the State's Empire Zone designation.

Mr. Thayer described the community benefits for the project: it will create about 100 permanent jobs, including accessible jobs, that are expected to provide above-living wage salaries and benefits, and it will provides services to a low income community by providing a range of important healthcare benefits to the local population; it is expected that about 40% of the patients will be on Medicaid and 50% will be on Medicare; and the project is being built specifically with hurricane and flood prevention measures in mind.

Mr. Thayer stated that NYCNCC is seeking to provide the project with \$9 million in NMTC.

Ms. Stein asked how “accessible jobs” is defined. Mr. Thayer said that he could send the definition around and that accessible jobs focuses on skills alignment for low-income persons, such as support positions rather than doctor positions.

Mr. Thayer noted that Seth Bornstein’s feedback, from the Advisory Board, was very enthusiastic about this project. Seth had commented on the retail potential and possibility for preventative services to be included in the building.

Ms. Van Tassel asked whether EDC’s connection with the Addabbo project was conflicting. Mr. Thayer said that, while Addabbo’s services are similar to this project’s, the closing timeline was key for our NMTC program success; Addabbo did not have a competitive timeline. Mr. Thayer explained that we have supported the project’s pursuit of NMTC and believe it will be an important, successful project, even though we chose not to allocate our NMTC to the project.

Mr. Lee affirmed that the developer has a positive track record. Mr. Thayer affirmed that Provident Bank is underwriting the project and is comfortable with the developer’s tenant selection.

Mr. Bliss noted that the project had pulled permits a few years ago and wondered what took so long to be fully financed. Mr. Thayer explained that the project had planned for NMTC financing to close their financing gap, and that was why they are ready to close with us so quickly.

Ms. Lacker asked if we’re the only CDE. Mr. Thayer explained that the project requested a \$10 million NMTC allocation, and that we’re providing \$9 million while Chase, the investor, is providing \$1 million. Frequently, if the investor also has a NMTC allocation, they contribute to the project to help reduce fees. Mr. Lee explained that it’s also positive for us to be the only CDE for a project because the CDFI recognizes that there will be lower fees with fewer CDEs.

Mr. Thayer described the sources and uses for the project and other project financials.

Ms. Tranter asked if their DCSR rate was standard. Mr. Thayer responded that our standard for IDA projects is 1.2, and it does satisfy that.

Ms. Tranter asked if there are other returns we focus on when reviewing projects for potential allocation. Mr. Thayer responded that allocation choices are largely based on need. Mr. Lee explained that some projects are too small for NMTC because of the fees associated with NMTC issuance, and that the NMTC becomes overly-complex if more than three CDEs contribute to one project. Ideally, projects will request between \$10-50 million of NMTC. With our \$55 million allocation, we expect to contribute around \$10+ million to 5 projects, per industry standard.

Ms. Tranter responded that, based on the explanations, there are specific NMTC priorities and metrics to consider. Mr. Thayer agreed and noted that there are a variety of types of projects, each with a unique story and financing structure.

3. Madison Square Boys & Girls Club

Mr. Thayer described the Madison Square Boys and Girls Club (MSBGC) as a 52,000 sf building in Central Harlem which will be a youth recreation and academic support center. The building will include a gym, a small soccer field, a kitchen, a cafeteria, performing arts studio, and rooftop play area.

Mr. Thayer explained that NYCNCC's main rationale for this project is that: the area is a low-income area with higher than average poverty rates, unemployment rates, and median family income; the area has a lack of quality amenities and programming for youth; and there is a recognized need for a facility like this, as it was requested specifically in Community Board 10's 2014 District Needs Statement. The entire project is being funded through project equity and a capital campaign. Mr. Thayer noted that there was great competition between CDEs for this project, and we are in a position to be the lead CDE.

Mr. Thayer described the community benefits for the project: the project will create 38 new FTE jobs, which are expected to provide above-living wage salaries and benefits; it will provide services to a low income community by serving 450 youth on a daily basis and approximately 1,500 youth annually; they provide healthy food to local families, their Executive Board includes minority representation; and their building will include several LEED features. We discussed the community benefits with the Advisory Board at length and there was great support.

Mr. Lee noted that, in the interest of time, information about potential future projects are included in the remainder of the deck and asked if there are any questions at this time.

Mr. Bliss asked if all of the MSBGC financing is in place. Mr. Thayer responded that, yes, all of the equity is in hand.

Ms. Tranter asked if we've reviewed the hard and soft costs for the project. Mr. Thayer responded yes, and that we'd reviewed the General Contractor and Architect's certifications.

4. Project Approvals

Mr. Bliss made a motion to approve the MSBGC project, which motion was seconded and unanimously approved.

Mr. Lee asked for the outstanding questions about RBMAC, noting that we can follow up with answers and receive approvals through Unanimous Written Consent.

Ms. Van Tassel wonders if there is sufficient demand for both the RBMAC and Addabbo projects on the peninsula and wonders about the likelihood of success of the project. Mr. Bliss had the same questions.

Mr. Lee commented that we conducted significant diligence through the IDA process and now throughout the NMTC process. Ms. Van Tassel asked if that diligence is completed before the Boards see the projects, and Mr. Lee responded yes.

Ms. Andre noted that the projects are required to operate for at least seven years, the NMTC compliance period.

Mr. Bliss asked if there are leases in place. Mr. Thayer responded that there are a few leases and several LOIs.

Mr. Bliss commented that the project pulled building permits two years ago, and asked if they have only been waiting for financing. Mr. Lee responded that the role of NMTC is to close financing gaps for projects such as RBMAC.

Mr. Bliss asked what the local support has been for the project. Ms. Berticevich responded that we'd received several letters of support for the project, which we will share, and the Advisory Board was supportive. Mr. Lee noted that Government and Community Relations was also supportive.

Ms. Verostek asked how we'd compared hard costs between the two projects, noting that the buildings are roughly the same size but the MSBGC hard costs are nearly twice as much. Mr. Thayer suggested that the design for MSBGC is particularly complicated.

5. Other Matters

Mr. Thayer thanked the Board members for working with us and said we'd follow up with more information to answer the outstanding questions for RBMAC as soon as possible for further review. Mr. Lee said we'd have more frequent meetings going forward and asked if anybody was aware of any projects closing in 2018 that we could reference in an upcoming application and begin collaborating about.

Ms. Tranter noted that Flatbush Caton will be a December 2017 project, that 168th St. is targeted for June 2017, and the Child's Restaurant is targeted for May 2017.

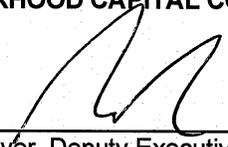
6. Adjournment

There being no further business to come before the Board of Directors at the meeting, pursuant to a motion made, seconded and unanimously approved, the meeting of the Board of Directors was adjourned at 12:10 p.m.

Approved by:

NYC NEIGHBORHOOD CAPITAL CORPORATION

By:



Mac Thayer, Deputy Executive Director