# Merchants Capital places $40.9 million refinance

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Manhattan, NY Mortgage banking company Merchants Capital has secured $40.9 million in refinancing for The Tapestry, 245 E. 124th St., a 12-story gateway residential building in the Harlem neighborhood.

The financing has two components:

• A $35.4 million Freddie Mac Credit Enhancement; and

• A $5.5 million cash loan.

Both the fixed-rate credit enhancement and supplemental aspect were secured on behalf of Jonathan Rose Cos. and Lettire Construction Corp.

“This deal’s successful execution represents opportunities on multiple fronts for Merchants Capital, Jonathan Rose, Freddie Mac and HDC,” said Merchants Capital executive vice president Mathew Wambua.

The 185-unit, mixed-income rental building sets 50% of the apartments aside for market-rate tenants; 30% of the apartments for middle-Income tenants with rents set at 130% of the area median income (AMI); and 20% of the apartments for low-income tenants with rents set at 40% and 50% of AMI. Additionally, The Tapestry features about 7,000 s/f of ground-floor retail space, consisting of five commercial spaces.

The Tapestry was originally financed in 2008 through a combination of Freddie Mac credit-enhanced, variable-rate and tax-exempt private activity bonds, Low Income Housing Tax Credits, and additional subsidized mortgage financing through the New York City Housing Development Corporation (HDC) and the New York City Department of Housing Preservation and Development.

This transaction effectively changes the mode of the underlying HDC variable-rate bonds to fixed-rate bonds. Additionally, a cash tail component was incorporated to provide proceeds to pay swap breakage fees and cover associated transaction costs. By doing so, the borrower will replace the costly in-place loan with a much more favorably priced structure.

“Jonathan Rose is one of New York City’s premier and most prolific affordable mixed-income

developers, and we are proud to have assisted them in executing this complex yet sound affordable multifamily transaction," said Merchants Capital vice president Michael Milazzo.

Located at 245 E. 124th St. at the foot of the Robert F. Kennedy Bridge, The Tapestry is part of the 125th Street Corridor Rezoning, a multi-agency effort to infuse the area with cultural, retail, entertainment and residential uses.

"Jonathan Rose Companies is proud to partner with Merchants on this customized financing solution," said Nicholas Maloney, associate director of Jonathan Rose Cos. "Their decades of multifamily industry experience and housing industry knowledge were clear from inquiry to closing, and we are excited to continue our work in revitalizing the 125th Street Corridor and providing transient oriented, environmentally friendly housing."