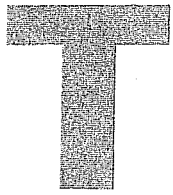


**NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION
1986 ANNUAL REPORT
TO HONORABLE
EDWARD L. KOCH, MAYOR
HONORABLE
HARRISON J. GOLDIN
COMPTROLLER
HONORABLE
PAUL DICKSTEIN
DIRECTOR OF
MANAGEMENT AND
BUDGET**

**SUBMITTED BY:
THE CHAIRMAN AND
MEMBERS OF THE
NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION**

Our cover depicts the final touches being applied to an apartment at the Westmont as the development awaits the arrival of its first tenant. ■ Completed in July of 1986, the Westmont was the first 80/20 project financed by HDC in Manhattan's West Side Urban Renewal Area. The Westmont, one of several important, long-awaited urban renewal projects to reach fruition in 1986, has added 163 dwelling units to the City's rental housing stock, including 32 apartments for low and moderate income families. ■ HDC financed the Westmont through a \$32,500,000 bond issue, with security for the financing provided by Citibank, N.A. in the form of an irrevocable letter of credit. ■

REPORT OF THE CHAIRMAN AND PRESIDENT



This year's Annual Report has several concurrent themes. 1986 was a year of accelerated construction activity as many projects financed during 1985 neared completion. The year also saw the Corporation receive industry recognition for its contributions to housing development in New York City.

Correspondingly, the Corporation utilizes this annual report to recognize the professionals who played an integral role in the development process and whose contributions have enabled HDC's financing programs to provide vitally needed affordable housing. Our report addresses the impact of recent Federal tax code revisions on HDC's programs and the efforts of the City to address its low income housing crisis. Finally, as the Corporation has reached an important crossroads in its history, our report assesses the changing role of the Corporation in assisting in the development and implementation of new housing programs for the City's low, moderate and middle income residents.

In 1986 the Corporation was honored for its financing accomplishments and emergence as one of the nation's leading multifamily housing finance agencies. The Corporation received an Award of Merit from the National Housing Conference, which recognized HDC's important role in the development of low and moderate income rental housing. HDC was also honored by the Association of Local Housing Finance Agencies, which cited HDC's innovative Moderate Rehabilitation Initiative as a model program featuring the creative use of local resources and the complex synthesis of multiple security techniques.

It is fitting that the 1986 Annual Report pay tribute to the developers, bankers and attorneys who labored tirelessly during the past two years in order to implement a program which many skeptics thought infeasible in New York City in view of our high level of construction costs and complex development process. We are particularly grateful to those professionals whose patience and service to the Corporation was undiminished during those difficult periods when the pipeline was barren and no immediate business opportunities were imminent.

1986 was a year of intensive construction activity in HDC's 80/20 program, and our report reflects the increased pace of construction within HDC's pipeline and the anticipation generated as neighborhoods awaited the delivery of new housing on sites that had been in the planning process for considerable periods. Several important developments financed during the past two years are nearing completion and have started marketing and rental activities.

In particular, Manhattan's Upper West Side Urban Area where several 80/20 projects are situated, is finally seeing the results of years of planning. Formerly vacant lots have been turned into new housing for a variety of income groups. Given the dramatically changed Upper West Side community it is remarkable that HDC and the City have been able to achieve a mixed income development plan on such prime sites, providing homes for low and moderate income tenants in a neighborhood where rents have risen greatly during the past decade.

In the second year of the Moderate Income Rental Housing Program, also known as the "MAC" program, construction starts did not occur at the pace originally envisioned. However, during the past year, the factors which prevented a number of first phase projects from proceeding were thoroughly examined by HDC and the New York City Department of Housing Preservation and Development ("HPD") and our analysis and experiences should prove instructive in expediting delayed projects and in subsequent program implementation efforts. Importantly, the planning realities and production implications which result from the cost levels of producing new and substantially rehabilitated housing in New York City for low, moderate and middle income families has become accepted by a larger constituency, a recognition important in understanding the depth of our housing dilemma.

The Corporation also designed an innovative construction financing program for the Charlotte Gardens development in the South Bronx, a long awaited single family home initiative which had experienced financial difficulties following the default of its general contractors. Working closely with HPD and the State's Division of Housing and Community Renewal, HDC structured an interim loan which ensured the completion of the project, a cornerstone of the City's effort to revitalize the Crotona Park East area. The Charlotte Gardens financing represented HDC's initial utilization of the broadened corporate authority provided by the Housing New York Program Act.

In 1986, as a result of the decline in mortgage interest rates, HDC was able to restructure a segment of its mortgage portfolio, selling through public auction, the FHA-insured mortgages financed pursuant to its 1982 Series A bond issue and using part of the proceeds to redeem its 1982 Series A bonds. This transaction relieved the Corporation of more than \$160,000,000 in high-interest long term debt and resulted in a substantial gain, which will assist the Corporation and the City in future affordable housing initiatives. Litigation challenging the redemption is presently pending.

1986 can also be characterized as a period during which HDC reached a significant crossroads in its 15 year history. During the first two months of the Fiscal Year (November and December of 1985), HDC issued \$97,000,000 in bonds to finance three significant new construction projects, a \$17,675,000 bond issue to finance rehabilitation projects, and a \$250,000,000 bond issue to provide funding for a broad range of new construction and rehabilitation projects currently in processing. For the remainder of the Fiscal Year, however, HDC did not enter the credit markets with a single new project financing. The sudden decline in activity is a likely precursor of reduced issuance activity for many housing finance agencies in the post-tax revision era.

The stark contrast between 1985 and 1986 activity levels can be attributed to a variety of circumstances, the most prominent of which was the great uncertainty created by pending Federal legislative initiatives which proceeded under the aegis of tax reform proposals and which contained threatening and unprecedented retroactive provisions. The proposed bond finance restrictions, together with parallel adverse changes in the tax code provisions governing rental real estate, made 1986 a moribund year for HDC and its sister agencies throughout the nation. Certainly the impact of the Tax Reform Act on rental housing has reduced greatly the economic

incentives of rental housing ownership, which will accentuate the difficulty in attracting capital investment to rental real estate.

The depth of the Federal assault on rental housing and on State and local finance authorities can be best understood in an HDC context: in 1985 HDC's multifamily bond issuances approximated \$900,000,000; in 1988 the total statewide volume which will be permitted for all housing and other "private purpose financing" will approximate \$900,000,000. Thus, despite the need for a massive low, moderate and middle income housing development program in New York City and State, the tax reform movement has seriously impaired the ability of HDC and the City to implement its programs.

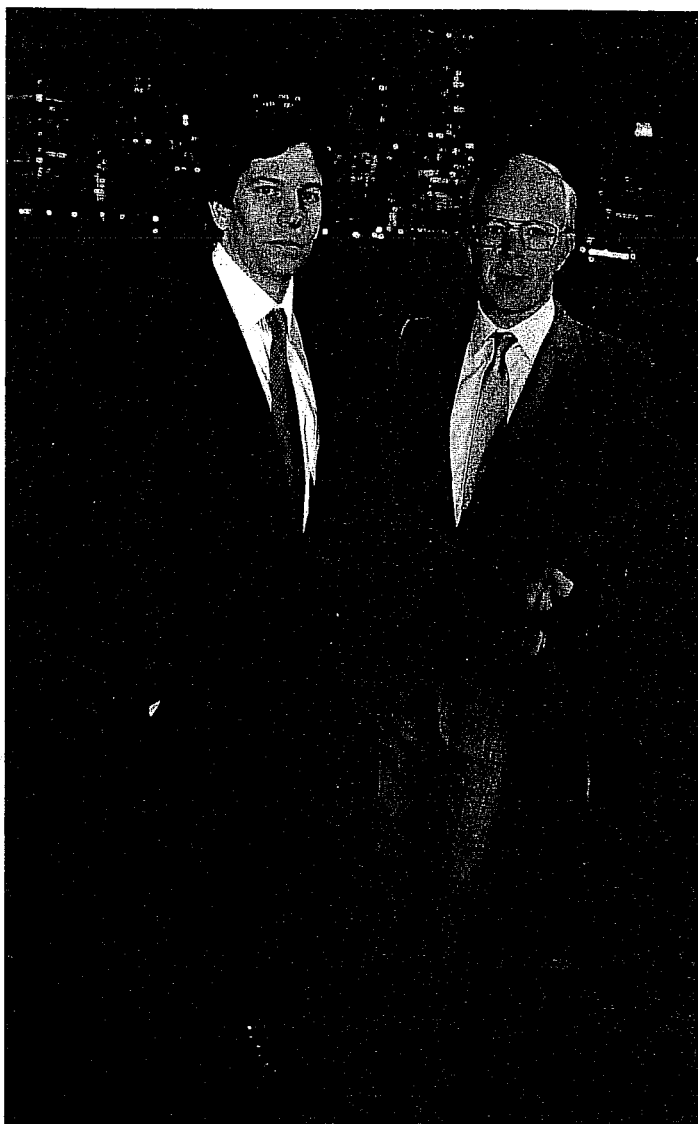
The Federal tax code revisions can be viewed as the denouement in the Federal government's abandonment of its historic role in low and moderate income housing development. This once unthinkable Federal retrenchment has become an increasingly harsh reality for New York City and municipalities throughout the nation, despite a 50 year Federal commitment to urban renewal, public housing and other vital low income housing programs, as well as a significant Federal investment in the nation's low income housing stock. Regretfully, as a result of the Tax Reform Act of 1986, multifamily rental housing no longer enjoys its previous "protected" status; many urban housing initiatives now bear a pejorative "private purpose" label.

During the past six years, as Federally supported housing programs ended and demand for rental housing in the nation's cities increased, the ability of lower income families to secure safe and sanitary housing has become extraordinarily difficult. The withdrawal of the Federal government from low income housing programs is painfully evidenced by the increasing number of families and individuals forced to live in emergency shelters and welfare hotels or who have taken refuge in public buildings and in some cases, in the streets.

As a result, New York and other cities have been forced to allocate scarce municipal resources to programs designed to provide housing for the poor on an ever increasing scale, despite other competing capital needs and municipal service demands.

In contrast to the Federal withdrawal, the City of New York's commitment has been maintained and strengthened. Mayor Edward I. Koch, with the support of Governor Mario Cuomo, has commenced an ambitious ten year program which will provide for the creation, preservation and upgrading of 250,000 units of housing for low, moderate and middle income families.

Although HDC enters 1987 amidst deep uncertainty in the bond finance and real estate industry, HDC has recently initiated discussions with the City which would substantially broaden the role of HDC in low, moderate and middle income rental housing development throughout New York City. HDC's initiative is intended to provide a mechanism through which the Corporation's resources may be constructively utilized on a long term basis to augment existing City programs and to provide increased flexibility and access to the technical skills that are essential to the planning and implementation of low income housing development. The Corporation, with its organizational and financial strengths, is uniquely situated to provide assistance to the City. Therefore, during the next year HDC will strive to expand its "partnership" with the City officials who have assumed the heavy burden of addressing the affordable housing crisis.



We look to 1987 as a period in which those projects in the pipeline will overcome the obstacles which have heretofore prevented construction starts and bring to fruition our efforts to increase the supply of low, moderate and middle income housing throughout the City. The projects foremost in this effort include the Roosevelt Island North Town development, an 1100 unit apartment complex, one of the most significant and ambitious urban developments in recent years. HDC will also undertake a wide range of rehabilitation projects in such neighborhoods as Harlem, the South Bronx, Flatbush and Bushwick. Although the specter of harmful tax revisions looms large over these important undertakings, we approach the coming year with confidence that we will persevere in our efforts to translate the labors of the many participants in the development process into construction starts.

James M. Yasser
JAMES M. YASSER
PRESIDENT

Paul A. Crotty
PAUL A. CROTTY
CHAIRMAN

THE YEAR IN PERSPECTIVE

HDC's remarkable growth during the past five years, a period in which the Corporation achieved the milestone of \$2,000,000,000 in bonds issued, is a direct reflection of the Members commitment to a strengthened Corporation capable of assuming a leadership role in the development of low, moderate and middle income housing. This commitment provided a clear signal to the development community that HDC would provide a business environment sensitive to the practical realities of real estate development. Indeed, the Corporation's staff has pledged that those participating in HDC's programs would find a "user friendly" climate conducive to the development of rental housing, a tenet which has guided the Corporation's evolution into a sophisticated financing agency.

Many factors contributed to HDC's growth and achievement, including, of course, the willingness of financial institutions to assign their guarantees to HDC's developers and projects. However, the emergence of the Corporation cannot be adequately comprehended without an appreciation of the professionals who have contributed so directly to HDC's success during the past several years. The Corporation and its development constituency benefited immeasurably from the talents of its team of bankers, attorneys and other professionals who have made significant contributions to the success of the Corporation's programs. While the Corporation has in recent years been a most visible participant in the credit markets, the Corporation's staff and financing team labored for endless hours during inactive periods, seeking to develop new programs and financing alternatives which could be applied to future projects. In retrospect, it seems clear that the Corporation's maintenance of a high degree of continuity in its primary professional relationships contributed greatly to its recent financing accomplishments.

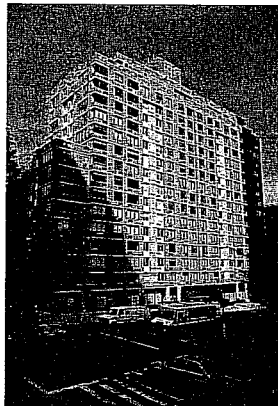
Thus, this year's report, in addition to focusing on the Corporation's programs, also recognizes the professionals whose contributions to low income housing programs are often unappreciated. In this regard, we have elected to introduce some of the key development professionals without whose contributions, creativity and financial commitment, not a single HDC development would have been constructed.

THE 80/20 PROGRAM: CONSTRUCTION ACCELERATES

When HDC undertook the task of developing a financing program for the City's major urban renewal sites, only the most prescient of observers would have foreseen the great success of the program.

HDC's 80/20 program proved attractive to the development community and enabled the Corporation to become an active participant in real estate development without compromising the Corporation's desire to be fully insulated from real estate and credit market risks. The program was successful in attracting the participation of major developers and financial institutions with the sophistication and strength necessary to undertake economically fragile 80/20 developments. Their entrepreneurial spirit was evidenced by decisions to proceed to construction despite the great uncertainty presented by a Congressional tax revision

THE WESTMONT
Steven and Mirabel Castellano and their sons Robert, three, and infant Richard, were the first family to move into the Westmont, an 80/20 project developed by the Gotham Or-



ganization at Columbus Avenue and West 95th Street in Manhattan's West Side Urban Renewal Area. ■ The Westmont's 163 apartments include 32 units for low and moderate income families. ■ Mirabel Castellano rhapsodizes over the full service building which is her family's home, citing the "wonderful" environment of the Upper West Side—with its schools, shopping and parks—as a great benefit to her family. "We are excited that our two sons will be able to grow up in this neighborhood. For us, the Westmont is truly a fresh start and is much more than we ever expected in our long search for an apartment." ■



agenda which seemed unconcerned with the fate of rental housing in the Nation's urban centers and a turbulent real estate market. Participants in HDC's 80/20 program have included major real estate entities such as: Rose Associates, The LeFrak Organization, the Gotham Organization, the Related Companies, Starrett Housing Corporation, Cohen Brothers Realty Corporation and Jerome Kretchmer & Company.

HDC's 80/20 program was like few others. Unlike most market areas in which relatively modest development costs and high median income have produced comparable low income and market rate rents, New York City's high construction and land costs dictate market rate rents far in excess of low income rents. In a typical 80/20 new construction project financed by HDC, the market rate and low income rent differential often exceeds 300%, an economic feature unique to New York City projects. Few other jurisdictions have achieved the level of economic integration of HDC's 80/20 projects, which permit low income families to reside in a mixed income environment in full service buildings located within vibrant neighborhoods.

As the 1986 fiscal year began, HDC entered the capital markets in rapid succession, issuing bonds in the amount of \$97,000,000 to provide financing for three significant 80/20 projects located in Manhattan.

In December, HDC bond issues of \$49,000,000 and \$33,000,000 provided financing for Parkgate Tower and the Ellington developments, respectively. The Parkgate Tower project, located on the Columbus Avenue block front between West 96th and West 97th Streets, is one of the most eagerly awaited urban renewal sites to finally complete the complex designation and land use review process. Parkgate Tower will provide 207 rental units, including 41 low income units and will also contain a neighborhood health center operated by a not-for-profit organization. Parkgate Tower's principal developer and builder, the Gotham Organization, is also the developer/builder of the Westmont at Columbus Avenue and West 95th Street, financed by HDC in 1985. Parkgate Tower is expected to be completed by July 1987.

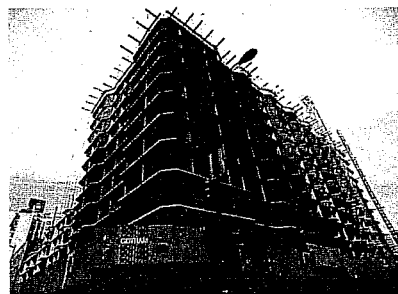
The Ellington's significance in HDC's 80/20 program is underscored by its status as the first 80/20 project to be developed on a privately owned site. The Ellington, located on Eighth Avenue and West 52nd Street, is a development of Rose Associates, a prominent New York City based real estate development firm, in partnership with the First Sterling Development Corporation. The project represents the Rose Organization's first publicly assisted housing development venture since the Mitchell-Lama program. The Ellington will contain 216 residential units, including 44 low income units.

In November, HDC's \$14,500,000 bond issue provided financing for Columbus Green, a development located on Columbus Avenue and West 87th Street. This urban renewal site will yield 96 residential units including 19 apartments for low and moderate income families. Columbus Green is a joint venture of the Related Companies and Kreisler, Borg, Florman, and represents the Related Companies' second 80/20 project involvement with HDC. Columbus Green is currently under construction with completion scheduled for July 1987.

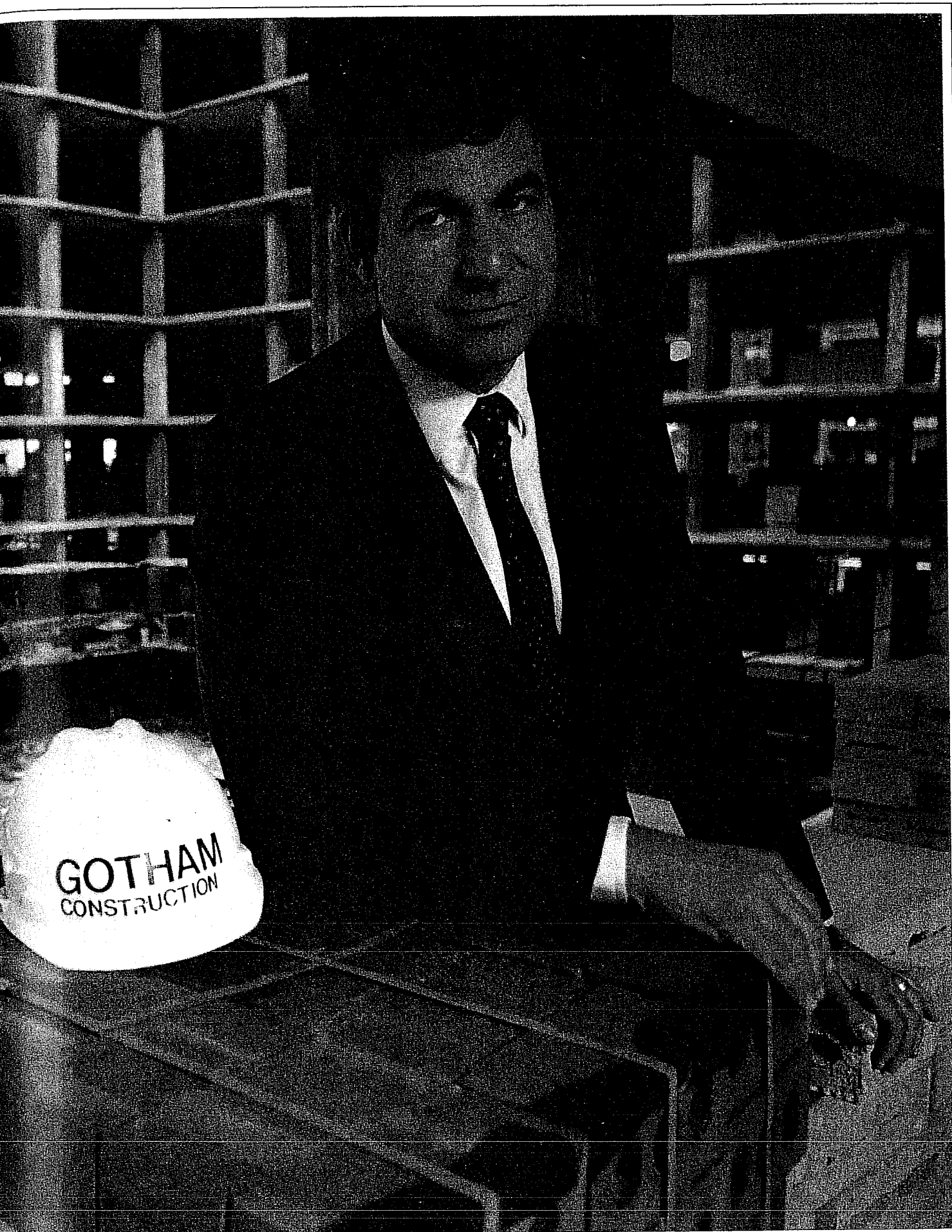
The Ellington, Columbus Green and Parkgate Tower project financings each utilized an internal subsidy mechanism to support the low and moderate income units.

PARKGATE TOWER

Joel I. Picket, President of Gotham Construction, at Parkgate Tower, a 207-unit 80/20 development. ■ During the past twenty years, he has guided Gotham through its evolution from a general contractor to a full-service construction and development organization. ■ In a business where competition is fierce and tensions between owners and builders seem inevitable, Mr. Picket has earned a reputation for ironclad integrity and candor. In its 75-year history Gotham has served as general contractor in a broad range of major projects, from housing developments to hospitals and educational institutions. ■ Under Joel Picket's direction, Gotham has had an increasing focus on development projects such as the Westmont, at Co-



lumbus Avenue and West 95th Street. ■ His duties as Chief Executive Officer have not prevented him from advising the City and non-profit organizations on construction and development issues and he is an active participant in the effort of the Real Estate Board to provide affordable housing for moderate income New Yorkers. He feels "appreciative for the opportunity to have participated in traditional housing programs; the federal abandonment of our cities and low income housing is a challenge to the City and our industry. We want to help." ■



The financings employed a variety of credit enhancements and bond underwriting techniques. Columbus Green and Parkgate Tower employed letters of credit issued by Bankers Trust Company and Citibank, N.A., respectively. In each transaction, the bonds were issued as seven day variable rate securities with the option of converting to other variable rate modes or to fixed rate securities.

Parkgate Tower was the third HDC 80/20 financing secured by a Citibank letter of credit, a certain indication of the bank's confidence in the 80/20 program.

The Ellington financing was the first 80/20 project in which Chase Manhattan Bank, N.A. provided a unique credit enhancement in the form of a mortgage purchase agreement which permitted the issuance of unrated bonds, insofar as the underlying loan was fully secured by the general credit of a banking institution.

BRINGING 80/20 PROJECTS TO FRUITION

Three other 80/20 projects financed during the previous fiscal year will produce an additional 500 units of rental housing including 106 low income units.

WESTMONT

Westmont, the first of HDC's West Side 80/20 project financings, began renting its low income units in August 1986, and completed the rental of its low income component in November 1986. A development of the Gotham Organization, in conjunction with Interstate Realty Management, the Westmont is situated at West 95th Street and Columbus Avenue and consists of 162 rental units including 32 units for low income families.

600 COLUMBUS

600 Columbus commenced rental of its low income units in December 1986. Occupying the Columbus Avenue block front between West 89th and West 90th Streets, the project contains 166 residential units, including 33 low and moderate income units. Unlike other 80/20 developments in which the low income component is internally subsidized, the low income component at 600 Columbus will receive assistance through a Section 8 Housing Assistance Payment Contract. The development of 600 Columbus is a joint venture of Jerome Kretchmer and Company and the real estate affiliate of First Nationwide Savings.

JAMES TOWER

A development of the Lefrak Organization, one of the nation's largest and most respected residential developers, James Tower is located on Columbus Avenue between West 90th Street and West 91st Street. Upon completion of construction, James Tower will provide 201 residential units including 41 units designated for low and moderate income households. Initial occupancy is expected by March 1987.

THE MODERATE INCOME RENTAL HOUSING PROGRAM: YEAR 2

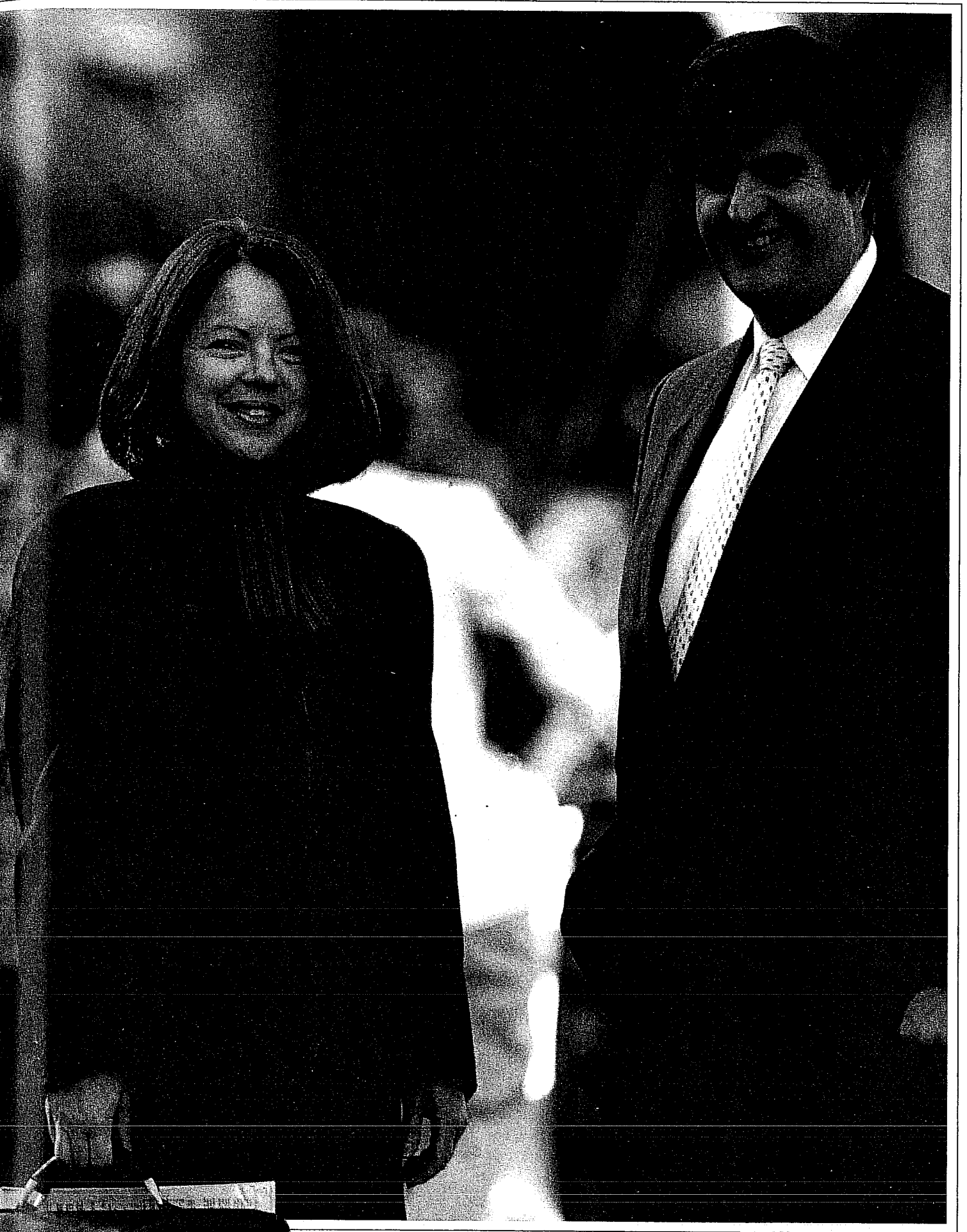
During 1985, HDC and the City's Department of Housing Preservation and Development, in recognition of the acute shortage of affordable rental housing, initiated the City's first non-Federally subsidized rental housing production program since the early 1970's. While the needs of

low income households were partially addressed through Section 8 and Public Housing Programs, and upper income demand was

JAMES TOWER
HDC's financing of James Tower, a 201-unit 80/20 development of the Lefrak Organization at Columbus Avenue and West 91st Street, was managed by a sophisticated and creative financing team. ■ Ann F. Kaplan, Vice President and Manager of the Housing Finance Group at Goldman, Sachs, has been intimately involved with HDC's financing programs since 1980. Her



intense loyalty to HDC reinforced a Goldman, Sach's/HDC relationship which commenced during the Corporation's embryonic stages. "No jokes, no cute gimmicks, let's close the deal," this serious banker's expertise has engendered deep respect from public sector participants, developers, colleagues and competitors while helping HDC achieve its housing finance goals. ■ Murray F. Mascis, Vice President of Citibank, has earned a reputation as a highly skilled real estate underwriter with a keen understanding of the public development process. His leadership and relationships with the development community have enabled Citibank to surpass their banking competitors in providing credit enhancements of bond financed residential real estate, including four important HDC financings. ■



addressed by the private sector, no program had emerged for almost twenty years to stimulate the production of housing affordable to the City's moderate and middle income residents.

The Moderate Income Rental Housing Program initiative was primarily intended to stimulate the development of newly constructed and substantially rehabilitated rental housing affordable to moderate and middle income families earning between \$25,000-\$48,000 annually. Each development consists of 80% moderate and middle income families and 20% low income families.

The goal of the project is to reach the one and two worker households that cannot afford either high priced rentals or increasingly expensive ownership options available in the City. The program is funded with \$100,000,000 in surplus funds provided to HDC's subsidiary—the Housing Assistance Corporation, by the Municipal Assistance Corporation for the City of New York.

HDC worked closely with HPD to design a program which would most effectively leverage the available subsidy funds and produce the greatest number of new housing units, while attracting capable developers and feasible projects. HDC also sought to minimize the risks to the Corporation and the City associated with real estate development. HDC selected the FHA coinsurance program as the primary financing vehicle for projects selected in the initial phase of the program. Through the coinsurance program, FHA delegates to a coinsurer the responsibility for FHA underwriting functions, with the coinsurer sharing the risk of default with FHA. The coinsurance program was developed to achieve expedited project processing and enable developers to obtain financing commitments in a timely manner.

HDC is currently working with Puller Mortgage Associates, Inc., one of the first private mortgage banking entities designated as an FHA coinsurer. Two of the first projects selected for participation in the first phase of the program completed FHA processing and are now under construction.

The first project to commence construction in Phase I of the Moderate Income Rental Housing Program is located at 1010 Eastern Parkway in the Crown Heights Section of Brooklyn. This inaugural development, a substantial rehabilitation project consisting of 16 residential units in a 4-story elevator building, reinforced the City's effort to revitalize a strategic block front within the Crown Heights neighborhood preservation area. The rehabilitation of 1010 Eastern Parkway was completed on schedule, permitting the project to be fully occupied within six months of its construction loan closing.

The new construction phase of the Moderate Income Rental Housing Program formally commenced in September with the closing of a \$9,313,000 mortgage loan in connection with the development of Harbour View Apartments, a 122 unit building to be constructed on Richmond Terrace in Staten Island. The Harbour View project will contain 24 low income units. Construction is expected to be completed by November, 1987.

HDC is continuing efforts to bring other Phase I projects to fruition. The projects expected to commence construction by the spring of 1987 include Logan Plaza, a 130 unit project to be developed on Amsterdam Avenue and West 130th Street in Manhattan. Logan Plaza will constitute one of the first rental projects to be developed in Harlem without the aid of a deep Federal rent subsidy in nearly 30 years. The project has been enthusiastically received by community

THE ELLINGTON

"Master builder"—a fitting description of Frederick P. Rose, the Chairman of Rose Associates, the prominent New York City-based real estate development and management firm he directs in tandem with his brothers Daniel and Elihu. The Rose Organization's election to finance The Ellington, a 216-unit development nearing completion at 8th Avenue and 52nd Street, through HDC's 80/20 Program, was characteristic of its fifty-year commitment to New York City real estate. Rose Associates' significant contributions to our urban landscape include such distinguished residential structures as New York's Sheffield and Colonnade and Boston's One Financial Center. Today, Rose Associates owns and manages over 15,000 residential units and is proceeding with the development of At-



lantic Terminal, a cornerstone of the City's effort to revitalize downtown Brooklyn. The great respect accorded Fred Rose by his peers can best be understood by his leadership of the New York Real Estate Board's effort to assist the City in the development of affordable housing, demonstrable evidence of his belief that true civic responsibility can only be measured through tangible contributions and effective action.



representatives, evidence of the continuing renaissance of Harlem.

HDC is developing a financing program for additional projects selected for Phase II of the Moderate Income Rental Housing Program. After reviewing 150 responses to a Request for Proposals for the development of projects on City-owned sites, HPD selected 12 projects as Phase II participants. Eight of these developments will involve the substantial rehabilitation of 500 residential units in currently vacant buildings in Brooklyn and the Bronx. The remaining developments involve the new construction of projects on 4 vacant sites in Manhattan, Brooklyn and Queens and are expected to produce 600 rental units.

In connection with the second phase of the program, HDC is currently examining financing alternatives suitable for the projects. It is expected that certain Phase II projects will be financed pursuant to the FHA co-insurance program utilized in Phase I of the program, while other Phase II projects will be financed through a structure modeled after HDC's SONYMA/Bond Insurance initiative.

PROGRAM MODELS

HDC has developed two program models; each relies upon the utilization of HDC's tax-exempt bonds to provide insured first mortgages. However, in response to varying market conditions, the Corporation is prepared to structure the form of assistance to each project in the most cost effective manner.

For the first phase projects, the Corporation has relied on the utilization of annual rental subsidies to cover the shortfall between the costs of owning and operating rental housing, and the actual income from the project. Thus, HDC provided a first mortgage for up to 90% of cost, coinsured by the Federal Housing Administration and Puller Mortgage Associates, Inc. The coinsured mortgages are collateralized by Mortgage Backed Securities of the Government National Mortgage Association. As the project income from the tenant contribution is insufficient to sustain operating expenses and debt service and provide a reasonable rate of return to the owner, the Housing Assistance Corporation ("HAC") contracts with project owners to provide an annual rental subsidy on behalf of eligible tenants. HAC is able to provide this guaranteed subsidy by investing its funds in long term bonds.

In response to market conditions, in which yields on long term securities have declined, the Corporation has restructured its subsidy format for certain second phase projects, which will involve the substantial rehabilitation of vacant City-owned buildings. As an alternative to the provision of thirty year annual subsidies, it is expected that HAC will offer second mortgages at nominal interest rates; ensuring that project income will be sufficient to support debt service on an insured first mortgage held by HDC.

AN AWARD WINNING FINANCING: THE HDC/SONYMA INSURED MODERATE REHABILITATION PROGRAM

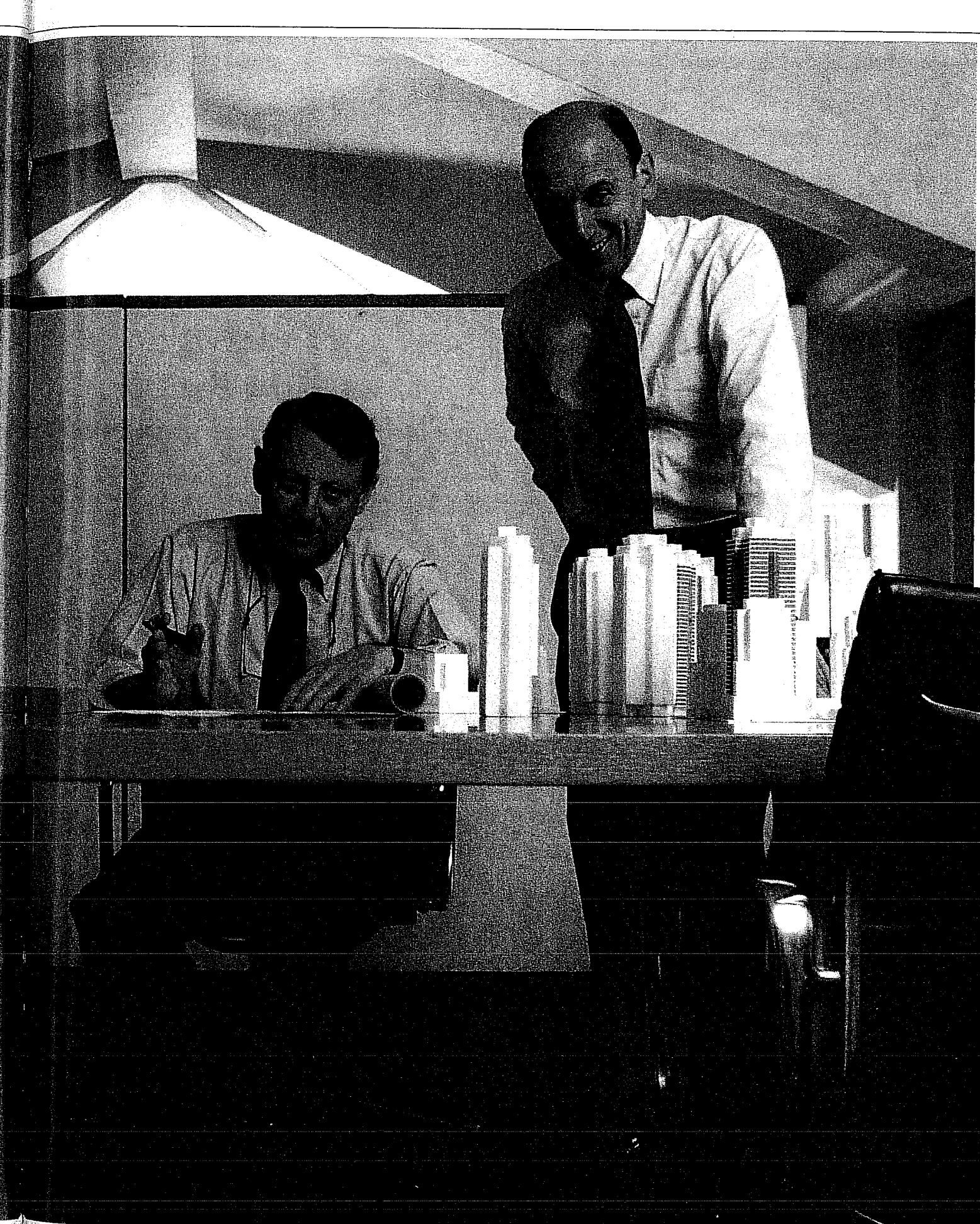
In 1986, concluding a two year effort, HDC implemented a unique financing program which will provide permanent financing for over 1500 units of moderately rehabilitated rental housing in apartment complexes throughout the City. This financing, the recipient of a "Certificate of Merit" for high public purpose from the Association of Local Housing Finance Agencies, can be viewed as one of the Corporation's most significant recent achievements. The implementation of the program

CARNEGIE PARK

It was HDC's good fortune that Carnegie Park, with its graceful and distinctive architectural features, inaugurated the Corporation's 80/20 program. The project, containing 462 rental apartments, was financed in October 1984 and is approaching full occupancy. Carnegie Park is yet another architecturally distinguished design from Lewis Davis and Samuel



Brody's award winning firm Davis, Brody and Associates. Since founding the firm in 1952, Lew Davis and Sam Brody, at right, have shared their vision with New Yorkers, enriching our City with designs intended to harmonize with the urban landscape. Their designs reflect a particular sensitivity to delicate neighborhood fabric, complementing the elements essential to continued urban vitality. Davis, Brody's portfolio includes such projects as East Midtown Plaza and Waterside, as well as new initiatives, such as One Irving Place (Union Square) and Battery Park City, which reflect their commitment to "fulfill the needs of the people who will use their buildings," and "to create environments which encourage the human spirit, while incorporating state of the art technology." New York is well served by this team.



culminated in HDC's efforts to structure a financing that would maximize the impact of the City of New York's limited housing resources. Importantly, the development of the financing model provides a foundation upon which the Corporation can build as it endeavors to assist the City in the development of new housing programs which rely exclusively on local and State subsidies.

THE GENESIS OF THE PROGRAM

During 1984 and 1985 HDC worked closely with City officials in an effort to develop a financing structure which would address the needs of the City's Participation Loan Program ("PLP") and act as a model for future financings. The City required a source of long term, fixed rate private mortgage capital which would effectively leverage PLP funds. Many of the City's construction lenders were reluctant to participate in the program, not because of an unwillingness to serve as construction lender, but rather as a result of the unavailability of long term, fixed rate mortgage financing to "take out" interim construction loans.

Therefore, the City asked HDC to develop a financing structure which would provide a dependable source of permanent fixed rate mortgage capital at attractive rates. HDC sought to ensure that the program be devoid of cumbersome application procedures and burdensome administrative requirements which have often discouraged both private sector construction lenders and small property owners from participating in City sponsored rehabilitation efforts.

THE FINANCING STRUCTURE

Responding to the City's needs, HDC developed a financing structure which utilized mortgage insurance provided by the State of New York Mortgage Agency ("SONYMA"). As a result of HDC's ability to receive SONYMA mortgage insurance, the Corporation was able to obtain bond insurance from the Financial Guaranty Insurance Company ("FGIC"). SONYMA, desiring to expand its mortgage insurance program and to respond to the City's growing housing crisis, agreed to certain significant modifications in its insurance provisions, revisions which facilitated HDC's bond financing and the FGIC guarantee. This multiple security structure enabled HDC to obtain the highest ratings on the program's bonds, providing permanent financing for seven projects, a portfolio which included the 700 unit Allerton "Coops"—an important neighborhood preservation project in the Bronx's Pelham Parkway neighborhood.

The financing structure met HDC's and the City's goals. It was cost effective; long term, fixed rate financing was provided at an all inclusive rate of 9½% during a period when conventional financing, if available at all, exceeded 12%. Equally important, the financing structure was accessible to a broad range of building owners, many of whom had never previously participated in a bond-financed housing program.

THE FUTURE

In the aftermath of Federal tax code revisions, the Corporation expects that the HDC/SONYMA insurance financing structure will be a valuable tool in assisting in the City's implementation of its ambitious 10 year housing plan.

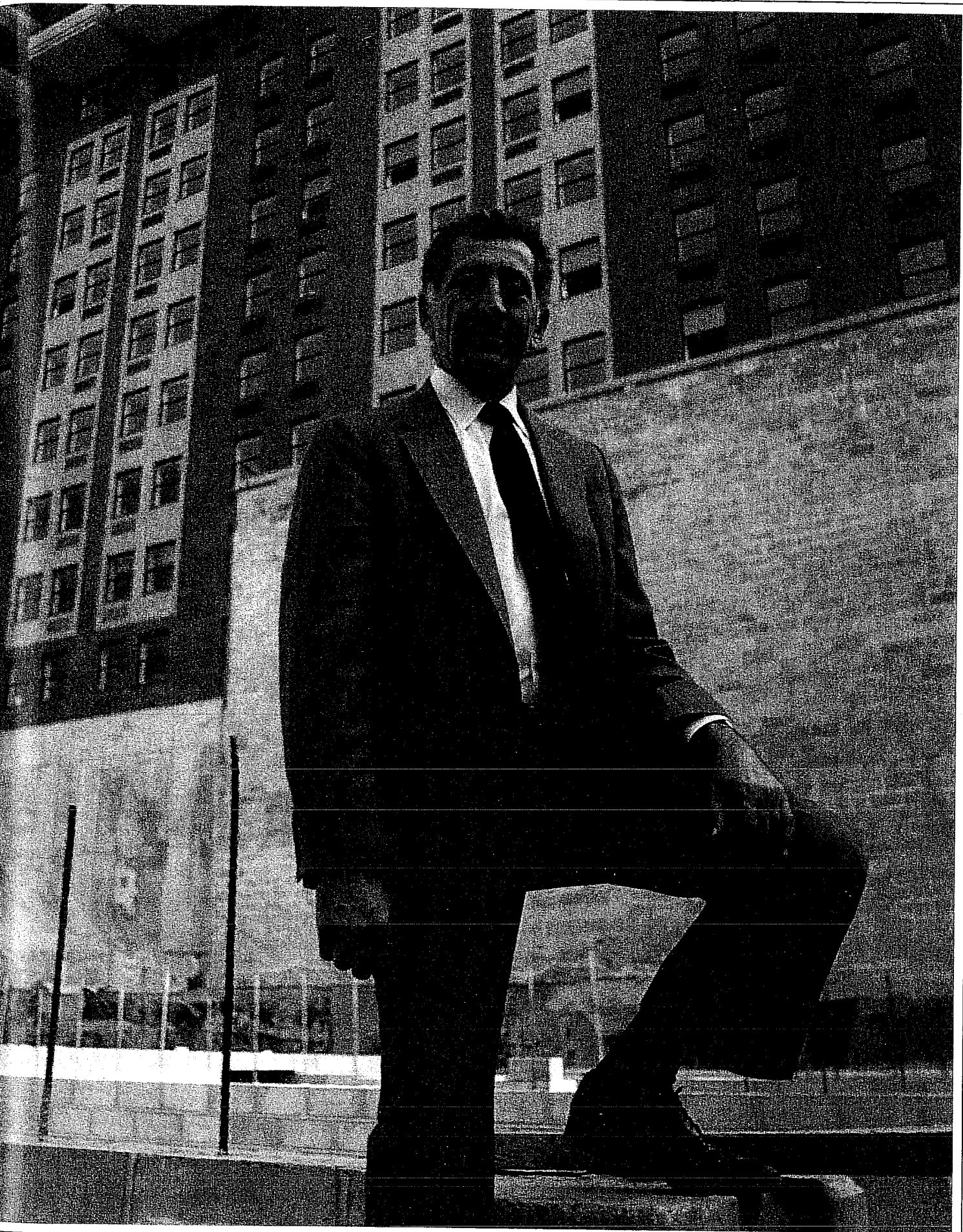
The ability of HDC to provide permanent financing in conjunction with the SONYMA mortgage insurance program has encouraged conventional lenders to provide construction financing for the

600 COLUMBUS

"The problem with Leon Marrano," complained one developer, "is that he can't fit my job into his schedule; everyone knows how reliable he is." ■ Marson Construction Corp., a family business founded in 1949 by Leon's father, is no longer one of those well kept construction industry "secrets." Leon Marrano, pictured in front of "600 Columbus," has acquired a reputation as one of the City's most competent general contractors, delivering major residential projects within budget and on schedule. ■ To Marrano, a "firm price and a guaranteed completion date was, and remains the backbone of my company, a principle which we have adhered to for forty years." ■ After a hectic decade emphasizing the construction of subsidized housing projects, Marson has become identified with a number



of high visibility developments, acting as general contractor for the architecturally distinguished Montana, HDC's Carnegie Park and two sites under construction at Battery Park City. ■ Real Estate observers predict a very busy future for Leon Marrano. ■



obstacles stood in the way of resumption of work. Over \$1.2 million in mechanics liens had been placed on the property by the previous contractors, preventing the conveyance of title to purchasers of 18 completed homes, and since DHCR had exhausted its line of credit, additional construction funds were not available.

Working closely with SBDO and DHCR, HDC successfully structured a construction loan and financing program which will enable the sponsors to convey title to the home purchasers on the 18 previously completed homes, and permit the new general contractor to complete the forty unfinished homes. Pursuant to HDC's agreement with DHCR, the Corporation is to be repaid on an absolute priority basis from the proceeds of home sales.

A MODEL FOR THE FUTURE

HDC was able to provide assistance to Charlotte Gardens from its corporate reserves as a result of expanded powers granted to the Corporation in the Housing New York Program Act. The Corporation expects to be able to offer similar interim forms of assistance to other worthwhile projects as the Corporation broadens its role in City housing development programs.

THE HOUSING NEW YORK PROGRAM: A DRAMATIC INITIATIVE UNDERWAY

The past year witnessed the beginning of a dramatic new initiative designed to create thousands of units of housing for low and moderate income New Yorkers. On April 10, 1986, the Housing New York Program Act was signed into law. The Act outlined the parameters of the Housing New York Program and created the Housing New York Corporation (the "HNY Corporation"). A subsidiary of HDC, the HNY Corporation has been charged with raising the capital necessary to construct and rehabilitate urgently needed low and moderate income dwelling accommodations.

BACKGROUND

The 1980's has seen the abrupt and calamitous withdrawal of the Federal government from its historic role in the provision of low and moderate income housing. While the City of New York had annually received federal grants and subsidies to produce thousands of low income units through the Section 8 and Public Housing Programs, the past six years have been a period in which the City experienced the virtual elimination of these cornerstone programs, the termination of which impaired the City's efforts to facilitate the creation and preservation of housing for its poorest residents.

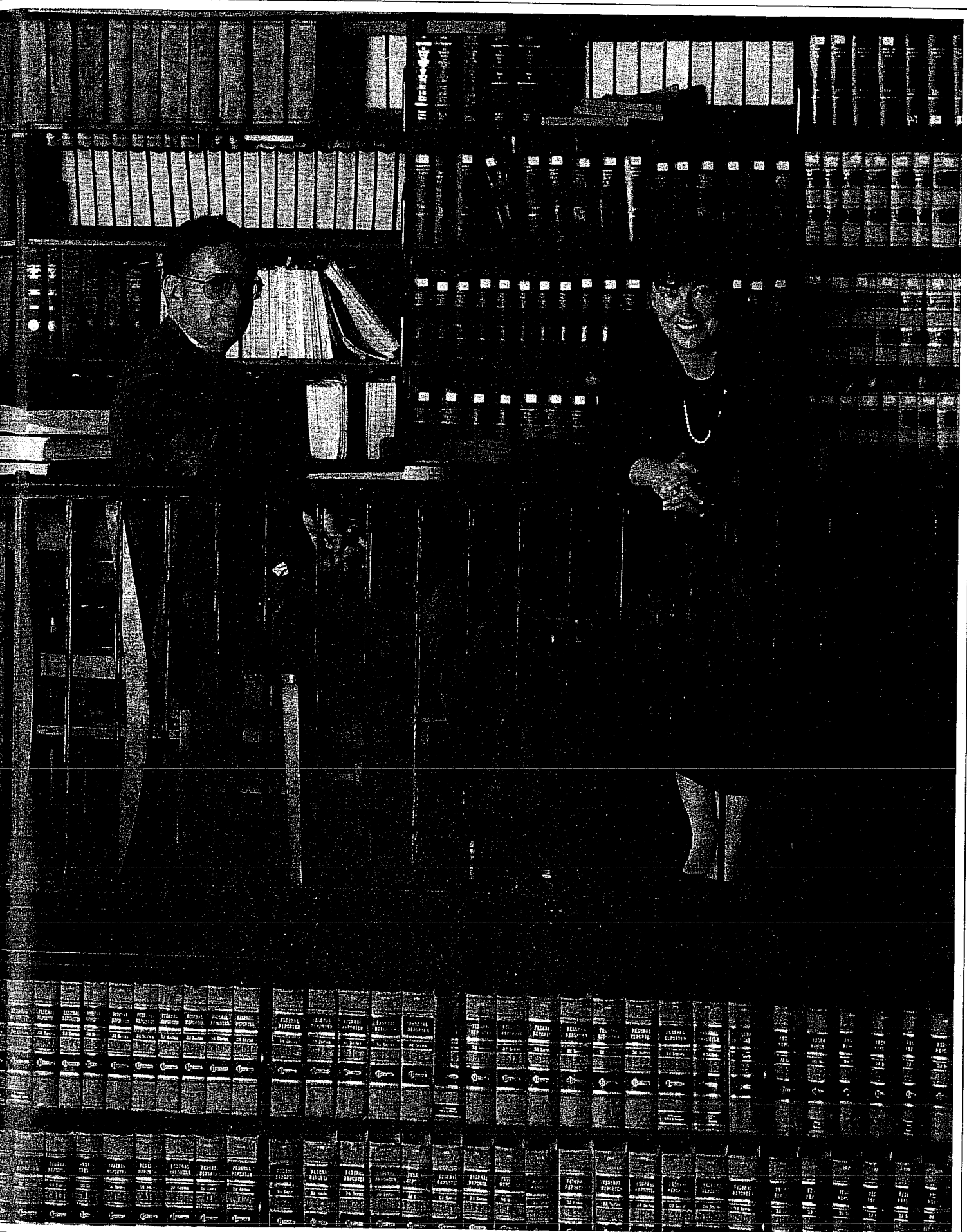
The failure of the Federal government to provide subsidies for the production of low income housing has manifested itself in numerous ways: an increased tightening of the housing market at all levels, more overcrowding in public housing and, most noticeably and poignantly, in the growing number of homeless New Yorkers whose only residences are welfare hotels, overcrowded shelters or the streets of the City.

The growing need for affordable shelter has compelled the City and State to accelerate the search for alternative sources of funding for housing programs. As part of this effort, Mayor Edward I. Koch and Governor Mario Cuomo have committed the City and State to dedicate excess revenues which are expected to be generated from the operations of the Battery Park City Authority ("BPCA") to sup-

ALLERTON COOPS Eighteen-hour workdays on behalf of HDC have not been unusual for John J. Keohane and Mi- chele P. Gover, the Haw- kins Delafield & Wood attorneys who comprise HDC's bond counsel



"team." Their legal skills and perseverance were vital to the Corporation's SONYMA Insured Moderate Rehabilitation Financing, which includes the Allerton Coops depicted above, a program which received an Award of Merit from the Association of Local Housing Finance Agencies. Michele, in her eighth year at Hawkins, and John, a partner whose twelve year tenure at the firm was preceded by his service as HDC's financial advisor, have a unique insight and professional commitment to HDC, having helped to shape the Corporation's dramatic growth during the past decade. HDC's resident constitutional scholar, John Keohane's consummate legal skills and penetrating analytical perspective is often punctuated by a rapier wit. While inexperienced observers may not comprehend a seemingly inscrutable exercise, his deft explorations of legal issues have consistently provided HDC with the desired solution. This inseparable and talented duo have helped make HDC a "user friendly" environment in which a wide variety of financing transactions have successfully germinated.



port the production of low and moderate income housing.

THE HOUSING NEW YORK PROGRAM

The joint Mayoral and Gubernatorial commitment led to the enactment of the Housing New York Program, an initiative in which a total of \$600,000,000 is anticipated to be generated for the production of housing for low and moderate income New Yorkers.

\$400,000,000 is expected to be raised by the HNY Corporation through the issuance of bonds which will be repaid from the excess revenues of BPCA. The successful development of the World Financial Center and upper income residential housing in Battery Park City have enabled the BPCA to pledge its surplus revenues to support critically needed low income housing programs. \$200,000,000 in Program funding is expected to be generated from increased payments in lieu of taxes to be made by the Port Authority from its operation of the World Trade Center.

ALLOCATION OF PROGRAM FUNDS

The Act establishes the following parameters:

■ At least 40% of the funds are to be expended for persons and families earning no more than 55% of area median income (i.e., \$15,000);

■ No more than 25% of the funds may be used to provide housing for persons and families earning between 90% and 175% of area median income (i.e., \$25,000-\$48,000);

■ No funds may be expended to provide housing for persons and families with incomes in excess of 175% of median.

Therefore, at least 75% of the projected funds will finance dwelling accommodations for low and moderate income families earning less than \$25,000/year.

It is anticipated that the funds will be utilized to augment many of the City's existing housing programs, as well as to permit the creation of new initiatives designed to partially compensate for the terminated Federal programs which served the City's lowest income families.

THE HOUSING NEW YORK CORPORATION

The HNY Corporation was created in order to raise capital for projects to be funded through the Housing New York Program. Funds raised by the HNY Corporation are expected to be allocated to the Department of Housing Preservation and Development ("HPD") or HDC, for program implementation.

A subsidiary of HDC, the HNY Corporation consists of seven members, including five HDC Members and two Members appointed by the Governor. The Commissioner of HPD is designated as the Corporation's Chairperson.

THE FIRST ASSIGNMENT

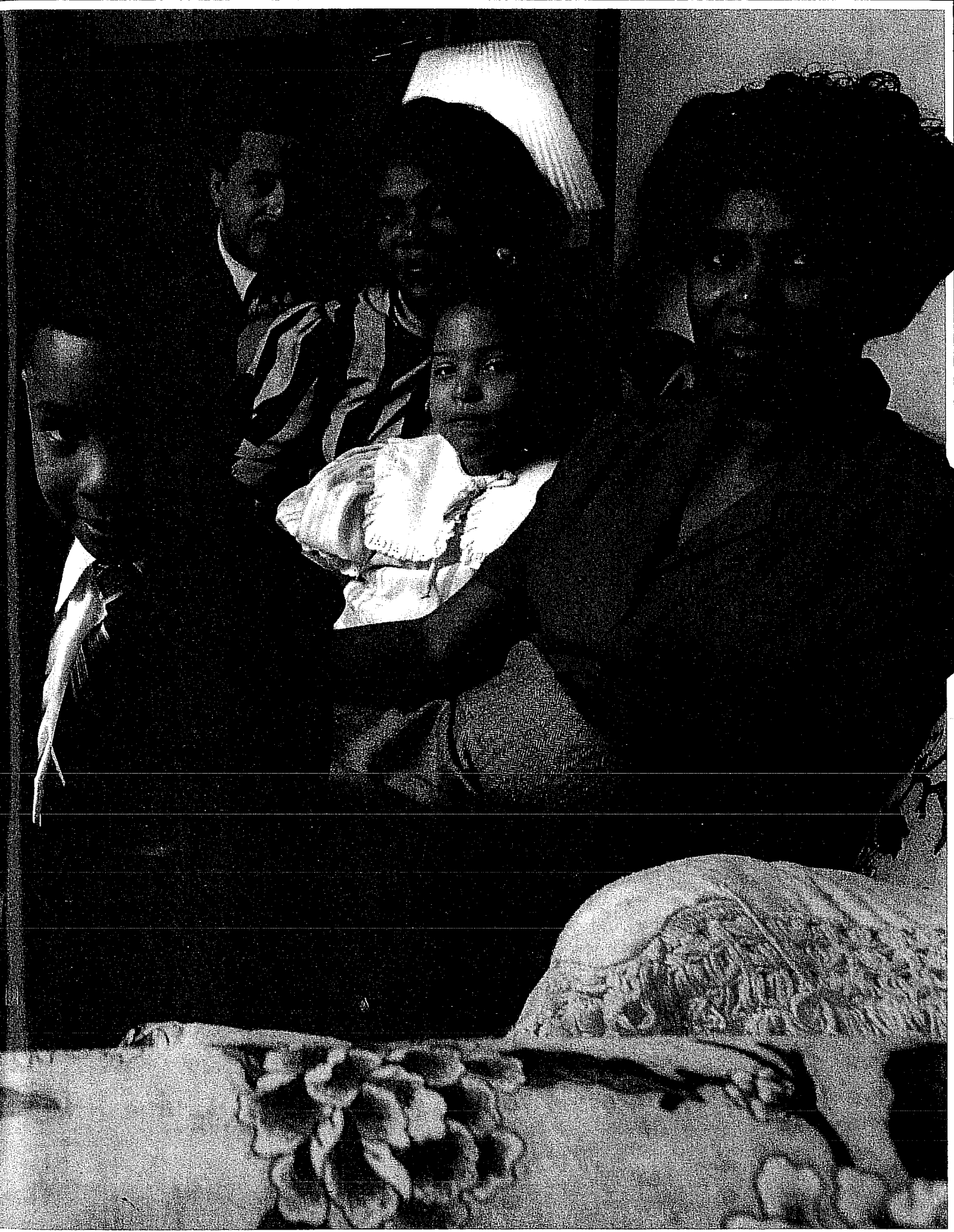
In conjunction with HPD, the HNY Corporation is currently planning its initial entry into the capital markets in order to raise funds for the substantial rehabilitation of 2,000 units of vacant City-owned buildings in Harlem and the South Bronx. It is anticipated that these buildings, when renovated, will be occupied by a range of homeless, low income and working poor families who have been most severely affected by the shortage of affordable housing. Construction is anticipated to begin in the summer of 1987.

NEWPORT GARDENS

The Bell Family is one of 240 families at Newport Gardens, a Section 8 assisted development in Brooklyn's Brownsville neighborhood. Newport Gardens, a development of the Starrett Housing Corporation, was completed in 1985. ■ The design of Newport Gardens, with its 12 three-



story buildings and complex of community and recreational facilities, recognized the needs of families with young children. Georgia and Roosevelt Bell are pleased with the layout and features of their apartment and with the family orientation of the development. Georgia Bell describes the amenities and central location of Newport Gardens as "... ideal... our family feels that Newport Gardens, with a school across the street and enough space for my son to have his own room is a very comfortable home." ■



MEMBERS AND OFFICERS

The Members of the New York City Housing Development Corporation, by law, consist of the Commissioner of the Department of Housing Preservation and Development of the City of New York, who is designated by the Corporation's enabling legislation as its Chairman ex-officio; the Director of Management and Budget of the City of New York, serving ex-officio; the Finance Commissioner of the City of New York, serving ex-officio; and four public members, two appointed by the City's Mayor and two appointed by the Governor of the State of New York. The action of a minimum of four Members is required to exercise the Corporation's powers.

MEMBERS

PAUL A. CROTTY, Chairman and Member ex-officio. Mr. Crotty, an attorney and member of the New York Bar, was appointed to the position of Commissioner of the Department of Housing Preservation and Development of the City in April of 1986. He also serves as Chairman of the New York City Rehabilitation Mortgage Insurance Corporation. Mr. Crotty has previously served as the City's Commissioner of Finance, serving in this position until his appointment as Housing Commissioner. Prior to serving as Commissioner of Finance, Mr. Crotty was Commissioner of the Office of Financial Services of the City. From 1976 until entering government service in February 1984, Mr. Crotty was a partner in the law firm of Donovan, Leisure, Newton and Irvine.

THOMAS E. DEWEY, JR., Vice Chairman and Member, serving pursuant to law. Mr. Dewey is President of Thomas E. Dewey Jr. & Co., Inc., a firm specializing in financial advisory services. He is also Chairman of the Board of Lenox Hill Hospital, Director and Chairman of the Investment and Loan Committee of Apple Bank for Savings and Director of GULL, Inc. and Northwest Natural Gas Company. Mr. Dewey was a General Partner in the investment banking firm of Kuhn, Loeb & Co.

ABRAHAM BIDERMAN, Member ex-officio. Mr. Biderman is Commissioner of Finance of the City of New York. In addition to his responsibilities as Commissioner of Finance, he acts as a Special Advisor to the Mayor. He previously was Special Assistant to the Mayor, a position he assumed in February 1985. Prior to this, Mr. Biderman served as an assistant to the Deputy Mayor for Finance and Economic Development and was Assistant Deputy State Comptroller in the Office of the Special Deputy Comptroller.

PAUL DICKSTEIN, Member ex-officio. Mr. Dickstein is Director of Management and Budget of The City of New York, to which office he was appointed on February 16, 1985. He was formerly Deputy Director of the Office of Management and Budget of the City of New York and Deputy Commissioner of the New York City Police Department.

GEORGE GLEE, JR., Member, term expires January 1, 1989. Mr. Glee is Executive Director of the Vanguard Urban Improvement Assn., Inc., a Brooklyn, New York based not-for-profit corporation that administers a wide range of economic development, commercial and residential rehabilitation and youth programs. Prior to that Mr. Glee served as consultant to the John Hay Whitney Foundation and was

Vice President for Economic Development with the Bedford Stuyvesant Restoration Corporation for nine years.

HARRY E. GOULD, JR., Member, serving pursuant to law. Mr. Gould is Chairman, President and Chief Executive Officer of Gould Paper Corporation. He was Chairman and President of Cinema Group, Inc., a major independent film financing company from 1982 to May 1986, and is currently Chairman and President of Signature Communications Ltd., a new company that is active in the same field. Mr. Gould was a member of the Board of Trustees of Colgate University from 1976 to 1982. He is a National Trustee of the National Symphony Orchestra, Washington, DC, also serving as a member of its Executive Committee. He is also a member of the Board of Directors of U S O of Metropolitan New York, United Cerebral Palsy Research and Educational Foundation, and the National Multiple Sclerosis Society of New York.

PAZEL G. JACKSON, JR., Member, serving pursuant to law. Mr. Jackson is Senior Vice President of Chemical Bank. He also serves as a director of the National Corporation of Housing Partnerships. Mr. Jackson was formerly Assistant Commissioner of the City Department of Buildings and Chief of Design of the New York World's Fair Corporation.

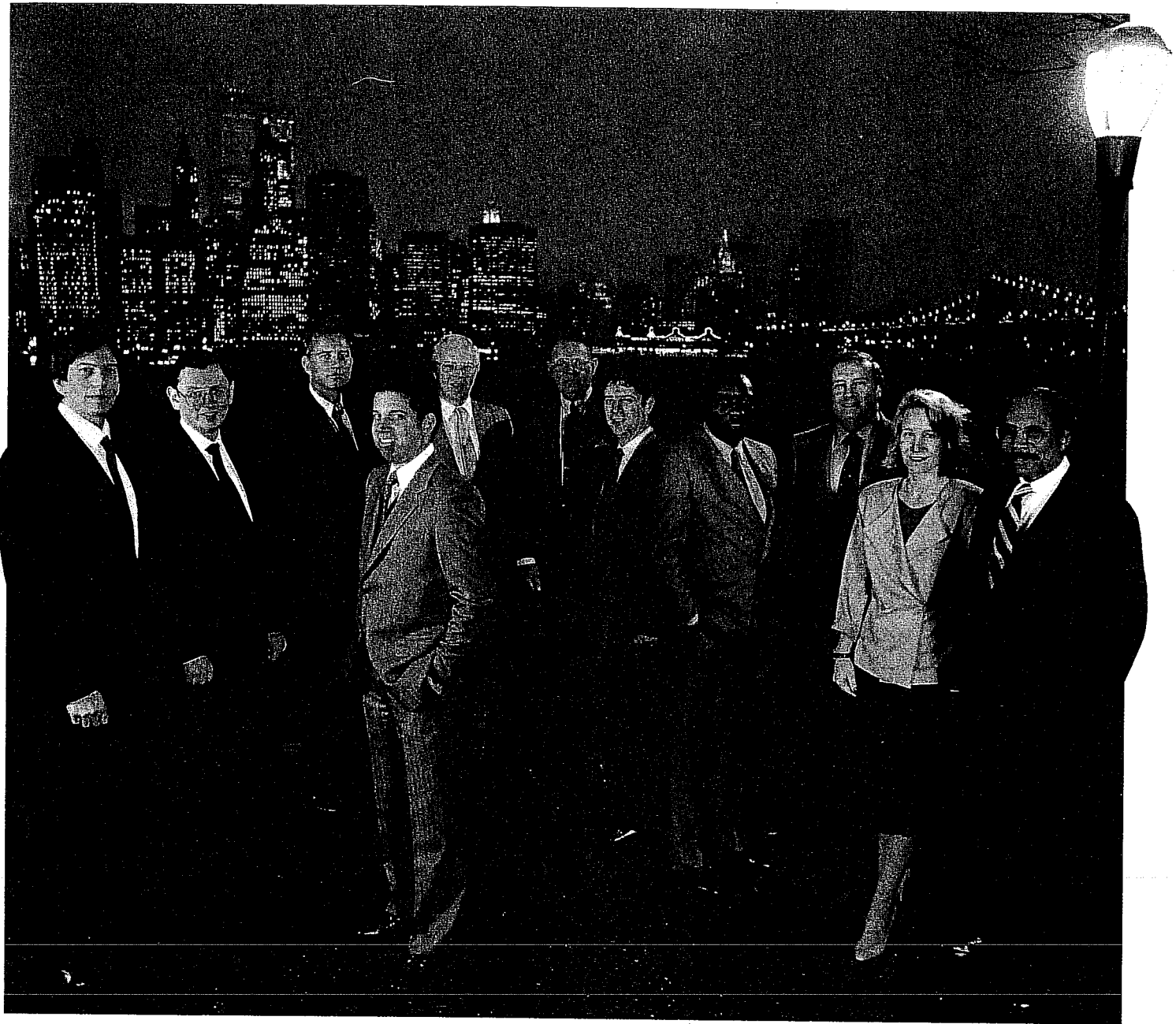
OFFICERS

JAMES M. YASSER, President. Mr. Yasser, an attorney and member of the New York Bar, joined the Corporation in November 1982 and assumed the Presidency in April of 1986. Prior to joining the Corporation, he was an independent real estate consultant and was associated with the Kalikow Realty and Construction Corp. and the Carlin-Atlas Construction Corp. He has also served as an investment banker specializing in housing finance with Matthews & Wright, Inc.

ABRAHAM J. GREENSTEIN, Senior Vice President for Finance. Mr. Greenstein joined the Corporation in January 1983 and was appointed Vice President - Treasurer of the Corporation in April 1983 and appointed Senior Vice President for Finance in February 1985. Mr. Greenstein, an accountant, served in the New York State Comptroller's Office for 10 years reviewing New York City's fiscal operations. Prior to joining the Corporation, Mr. Greenstein was in charge of financial analysis for the Office of the Special Deputy New York State Comptroller.

JONIL BROOKS, Vice President for Development. Ms. Brooks joined the Corporation in June 1986. Prior to this, she was the Director of Housing Finance for the New York State Housing Finance Agency. Previously, Ms. Brooks was with the Urban Land Interests, Inc. a real estate development firm, and the Wisconsin Housing Finance Authority in Madison, Wisconsin.

MARTIN I. SIROKA, Vice President/General Counsel. Mr. Siroka, an attorney and member of the New York Bar, was appointed Vice President/General Counsel in January 1987. He joined the Corporation in November 1982 as Deputy General Counsel. Prior to joining the Corporation, Mr. Siroka held various legal positions with the New York City Department of Housing Preservation and Development.



JAMES M. YASSER

ABRAHAM BIDERMAN

PAUL DICKSTEIN

MARTIN I. SIROKA

PAUL A. CROTTY

THOMAS E. DEWEY

ABRAHAM J. GREENSTEIN

GEORGE GLEE, JR.

HARRY E. GOULD, JR.

JONI L. BROOKS

PAZEL G. JACKSON, JR.

PROJECTS FINANCED BY THE CORPORATION

NAME MORTGAGE # UNITS TYPE

GENERAL HOUSING PROGRAM

BROOKLYN

Linden Plaza \$50,351,000 1,527 N
 TOTAL \$50,351,000 1,527

MANHATTAN

Yorkville Towers \$62,712,000 1,258 N
 Independence Plaza North 64,595,000 1,332 N
 Waterside 61,577,000 1,100 N
 Knickerbocker Plaza* 24,844,000 578 N
 North Waterside* 12,859,000 370 N
 TOTAL \$226,587,000 4,638

QUEENS

Kew Gardens Hills \$10,367,000 1,269 R
 Ocean Park 18,266,000 602 N
 TOTAL \$28,633,000 1,871

TOTAL

GENERAL HOUSING PROGRAM \$305,571,000 8,036

FINANCED BY MULTI-FAMILY HOUSING BONDS ISSUED IN OCTOBER, 1982.

223(f) REFINANCINGS (MULTI-FAMILY HOUSING LIMITED OBLIGATION BONDS/MULTI-UNIT MORTGAGE BONDS 1980 SERIES A)

BRONX

Albert Einstein Staff Housing \$8,779,982 634 Rental
 Allerville Arms 2,251,100 212 Rental
 Boulevard Towers I 5,299,500 529 Rental
 Boulevard Towers II* 6,762,925 556 Rental
 Candia House 1,405,093 103 Rental
 Carol Gardens 3,330,000 314 Rental
 Delos House 1,555,431 124 Rental
 Fordham Towers 1,296,100 168 Rental
 Gabel Towers* 3,914,254 229 Rental
 Keith Plaza* 6,816,400 301 Rental
 Kelly Towers* 4,526,500 301 Rental
 Kingsbridge Apartments* 1,997,998 90 Rental
 Kingsbridge Arms 769,700 105 Cooperative
 Montefiore Hospital Housing Section II 7,662,400 398 Rental
 Noble Mansion 2,618,800 236 Rental
 Robert Fulton Terrace 2,357,900 320 Rental
 Scott Towers 2,748,700 351 Cooperative
 Stevenson Commons* 25,000,000 947 Rental
 University River View* 5,797,364 225 Rental
 Woodstock Terrace 2,213,400 319 Cooperative
 TOTAL \$97,759,847 6,270

BROOKLYN

Atlantic Plaza Towers \$5,375,400 716 Rental
 Atlantic Terminal 2C* 4,666,776 200 Cooperative
 Atlantic Terminal 4A* 6,933,501 304 Cooperative

* NEW CONSTRUCTION R = REHABILITATION *SECTION 236 SUBSIDIZED PROJECTS

Brighton House 1,477,000 191 Cooperative
 Cadman Plaza North 2,081,300 250 Cooperative
 Cadman Towers 9,487,100 421 Cooperative
 Contello III 1,277,900 160 Cooperative
 Crown Gardens* 5,882,600 238 Cooperative
 Essex Terrace* 1,749,130 104 Rental
 Middagh Street Studio Apts. 1,008,800 43 Rental
 Prospect Towers 2,193,800 153 Rental
 Tivoli Towers* 8,098,200 302 Rental
 TOTAL \$50,231,507 3,082

MANHATTAN

Beekman Staff Residence \$1,226,300 90 Rental
 Bethune Towers 1,518,400 135 Rental
 Clinton Towers 10,288,191 396 Rental
 Columbus House* 3,502,500 248 Rental
 Columbus Manor* 2,500,000 202 Rental
 Columbus Park 1,467,900 162 Cooperative
 Confucius Plaza* 23,266,433 760 Cooperative
 Cooper-Gramercy 4,764,408 167 Rental
 Corlear Gardens 972,100 117 Cooperative
 East Midtown Plaza 17,157,400 746 Cooperative
 Esplanade Gardens 14,457,500 1,870 Cooperative
 Glenn Gardens* 8,196,000 266 Rental
 Goddard Towers 2,381,600 193 Cooperative
 Goodwill Terrace* 3,596,881 207 Rental
 Gouverneur Gardens 5,993,881 778 Cooperative
 Heywood Towers* 5,396,763 188 Rental
 Hudsonview Terrace* 11,546,500 395 Rental
 Jefferson Towers 1,619,000 189 Cooperative
 Lands End I* 7,206,404 250 Rental
 Leader House* 6,267,800 279 Rental
 Lincoln-Amsterdam* 6,028,500 186 Cooperative
 New Amsterdam House* 6,459,700 228 Rental
 1199 Plaza* 59,708,979 1,586 Cooperative
 Polyclinic Apartments 1,525,100 159 Rental
 Riverbend 8,267,900 622 Cooperative
 Riverside Park 26,021,800 1,190 Rental
 RNA House 1,841,600 207 Cooperative
 Rosalie Manning Apts. 905,100 108 Cooperative
 Ruppert House* 16,778,000 632 Cooperative
 St. Martin's Tower 2,863,300 179 Cooperative
 Strycker's Bay \$1,792,700 233 Cooperative
 Tower West* 3,985,859 216 Rental
 Town House West* 1,100,000 47 Rental
 Tri-Faith House 1,494,800 147 Cooperative
 Trinity House 2,540,500 199 Rental
 Washington Sq. Southeast 1,905,200 174 Cooperative
 West Side Manor 3,147,200 245 Rental
 Westview Apartments 1,656,000 137 Rental
 West Village 12,034,500 420 Rental
 Westwood House* 1,498,878 124 Rental
 TOTAL \$274,659,496 14,675

QUEENS

Bay Towers* \$5,475,544 374 Rental
 Bridgeview III 1,950,907 170 Rental
 Court Plaza 5,368,893 246 Rental

Dayton Towers	14,871,800	1,752	Cooperative
Forest Park Crescent	1,756,976	240	Cooperative
Seaview Towers*	13,264,700	461	Rental
Sky View Towers	3,910,900	252	Rental
TOTAL	\$46,599,720	3,475	

STATEN ISLAND

North Shore Plaza	\$17,112,240	333	Rental
TOTAL	\$17,112,240	535	
TOTAL	\$486,362,810	28,037	

SECTION 8 FINANCINGS

FHA INSURED/Sec. 8/1979 SERIES A BONDS

BRONX

Academy Gardens	\$18,120,300	471	R
Crotona Ave.	3,222,800	74	R
Miramar Court	4,895,900	90	R&N
TOTAL	\$26,239,000	635	

BROOKLYN

President Arms Apts.	\$1,326,500	32	R
Prospect Arms Apts.	3,505,700	91	R
1650 President Street	2,411,200	48	R
TOTAL	\$7,243,400	171	

MANHATTAN

Lenoxville	\$5,584,700	118	R
Lower East Side Phase II	5,665,000	100	R
TOTAL	\$11,249,700	218	
TOTAL	\$44,732,100	1,024	

FHA-INSURED/Sec. 8/GNMA/1981 ISSUE A NOTES

BRONX

Jerome Terrace Apartments	\$3,875,400	79	R
Kingbridge-Decatur I	4,290,300	80	R
Morrisania IV	10,932,900	211	R
Pueblo de Mayaguez Section I	4,103,700	76	R
TOTAL	\$23,202,300	446	

BROOKLYN

80-86 Houses	\$5,153,600	97	N
Norgate Plaza	10,608,500	214	R
TOTAL	\$15,762,100	311	

MANHATTAN

IMPAC Houses	\$6,808,400	120	N
L.I.R.A.	9,475,200	152	N
Nueva Era Apartments	1,761,400	34	R
St. Nicholas Manor	5,680,400	112	R
Valley Apartments a.k.a. Roberto Clemente Houses	6,470,700	126	R
TOTAL	\$30,196,100	544	
TOTAL	\$69,160,500	1,301	

FHA-INSURED/Sec. 8/GNMA/1981 ISSUE B NOTES

BRONX

Highbridge Concourse Phase II	\$9,403,700	173	N
Morris Heights Mews	6,146,500	110	R
1988 Davidson Avenue	2,606,400	48	R
TOTAL	\$18,156,600	331	

BROOKLYN

Prospect Heights Rehab	\$3,469,000	63	R
St. Johns Phase I	9,134,400	192	N
Union Gardens I	3,335,500	61	R
TOTAL	\$15,938,900	316	

MANHATTAN

Audubon Apartments	\$4,773,000	88	R
Site A-Washington Heights	6,598,800	110	N
TOTAL	\$11,371,800	198	

TOTAL \$45,467,300 845

FHA-INSURED/Sec. 8/1982 SERIES A BONDS

BRONX

Beck Street Rehab	\$4,361,000	81	R
TOTAL	\$4,361,000	81	

BROOKLYN

Prospect Heights 510 Phase I	\$1,709,100	32	R
Sunset Park NSA Group II	6,920,800	148	R&N
TOTAL	\$8,629,900	180	

MANHATTAN

Harlem Gateway II	\$5,229,700	91	R
Hudson Piers II	4,333,000	83	R
Icarus	2,125,600	41	R
Malcolm X-II Phase B	2,710,100	47	R
Manhattan Avenue	4,124,900	81	R
MS Houses	7,714,400	131	N
North Park	6,856,300	123	R
West 107th Street	3,194,900	61	R
TOTAL	\$36,288,900	658	
TOTAL	\$49,279,800	919	

FHA-INSURED/Sec. 8/1982 SERIES A BONDS

BRONX

Alexander A. Corprew	\$4,380,500	78	R
Faile Street Rehab, Aldus I	5,240,600	95	R
Fairmont Place	1,586,400	28	R
Hunts Point I	7,769,000	125	R
Macombs Village	10,075,600	172	R
Mid-Bronx Development II	8,833,500	159	R
Mid-Bronx Development III	4,215,000	75	R
Sebco IV	4,077,600	71	R
Southern Boulevard IV	4,999,200	89	R
Woodycrest Courts I	6,531,800	115	R
TOTAL	\$57,709,200	1,007	

BROOKLYN

Ambassador Terrace	\$2,990,100	66	R
1596 Development	843,700	17	R
1451 Development	1,830,400	34	R
Penn Gardens I	4,183,300	90	R
Pulaski Manor	3,319,400	65	R
Rose Gardens	6,855,300	135	N
Sallie Mathis Gardens	10,788,900	162	N
Sunset Park NSA I	9,582,900	187	N
Sutter Gardens	13,800,500	258	N
TriBlock	4,813,100	96	N
TOTAL	\$59,007,600	1,100	

NAME MORTGAGE # UNITS TYPE

FHA-INSURED/Sec. 8/1982 SERIES A BONDS

MANHATTAN

Malcolm X-II Phase A	\$4,938,600	91	R
McKenna Square Houses	5,817,300	104	R
Paul Robeson Houses	4,603,000	81	R
Renaissance Courts	2,568,400	49	R
Mother Zion McMurray	4,631,200	76	N
Pueblo Nuevo	9,940,300	172	N
TOTAL	\$32,498,800	573	

STATEN ISLAND

Richmond Gardens	\$7,357,000	141	R
TOTAL	\$7,357,000	141	
TOTAL	\$156,572,600	2,831	

FHA-INSURED/Sec. 8/1983 SERIES A BONDS

BRONX

Brookhaven I	\$5,673,500	95	R
Villa Alejandrina	4,084,600	71	R
Woodycrest Court II	3,199,800	58	R
Lewis Morris Apartments	10,098,700	271	R
Thessalonica Court	14,018,900	192	N
TOTAL	\$37,075,500	687	

BROOKLYN

Boro Park Courts	\$8,459,100	131	R
Fulton Park Site 7 & 8	13,780,700	209	N
La Cabana	9,603,700	167	N
TOTAL	\$31,843,500	507	

MANHATTAN

Caparra La Nueva	\$5,956,600	84	N
Cooper Square	10,726,100	146	N
Ennis Francis	16,794,100	230	N
Hamilton Heights Terrace	8,654,300	132	N
Lexington Gardens	7,786,900	108	N
TOTAL	\$49,918,000	700	
TOTAL	\$118,837,000	1,894	

FHA-INSURED/Sec. 8/1983 SERIES B BONDS

BRONX

Clinton Arms	\$4,962,700	86	R
McGee Hill Apartments	3,677,200	59	R
McKinley Manor	3,738,100	60	R
Sebco-Banana Kelly	4,510,200	66	R
Target V-Phase I	5,026,000	83	R
Washington Plaza	4,954,000	75	R
Felisa Rincon de Gautier Houses	7,420,400	109	N
Rainbow Plaza	9,221,700	127	N
TOTAL	\$43,510,300	664	

BROOKLYN

Crown Heights #1	\$2,197,400	36	R
Crown Heights #2	1,744,700	32	R
TOTAL	\$3,942,100	68	

MANHATTAN

Revive 103	\$4,318,000	60	R
Will A View Apartments	3,777,300	55	R
Charles Hill Towers	7,373,200	101	N

Metro North Court	6,063,300	91	N
TOTAL	\$21,531,800	307	
TOTAL	\$68,984,200	1,039	

FHA-INSURED/Sec. 8/GHMA/1984 ISSUE I NOTES

BROOKLYN

Newport Gardens	\$17,893,300	240	N
TOTAL	\$17,893,300	240	

TOTAL SECTION 8 PROGRAM \$570,926,800 10,093

PUBLIC HOUSING TURNKEY PROGRAMS

LOAN-TO-LENDER CONSTRUCTION LOAN REVENUE NOTES 1983 SERIES A

BRONX

University Avenue	\$13,000,000	230	R
Macombs Road Project	8,950,000	156	R
Claremont II Group A	7,924,000	150	R
Harrison Avenue	10,432,000	189	R
Claremont Pkwy	10,184,000	188	N
West Farms Road	\$12,355,000	208	R
TOTAL	\$62,845,000	1,867	

BROOKLYN

Lenox Road Rockaway Pkwy	\$3,915,000	80	R
Park Rock	7,000,000	134	R
Belmont Ave./Sutter Ave.	4,400,000	55	R
Tapscott Street	8,575,000	155	R
Bushwick II CDA, Group E	17,634,000	300	N
Crown Heights	5,890,000	121	R
TOTAL	\$47,414,000	845	

MANHATTAN

UPACA Site 6	\$8,679,290	150	N
UPACA Site 5	11,200,000	200	N
Washington Heights URA/B	10,200,000	180	N
Lower East Side Group 5	3,400,000	55	R
PS. 139	6,570,000	125	R
TOTAL	\$40,049,290	710	

TOTAL \$150,308,290 3,422

TURNKEY CONSTRUCTION LOAN REVENUE NOTES 1984 SERIES A

BRONX

E.173rd St. Vyse Ave.	\$10,372,500	168	N
South Bronx MCA Site 402	6,970,500	114	N
E.165th St. Bryant Ave.	6,745,500	111	N
Morris Heights	15,500,000	315	R
Stebbins Ave./Hewitt Pl.	7,452,261	120	N
TOTAL	\$47,040,761	828	

BROOKLYN

Howard Ave.	\$8,538,750	150	N
TOTAL	\$8,538,750	150	

MANHATTAN

Lower East Side Infill	\$11,538,000	180	N
TOTAL	\$11,538,000	180	

TOTAL 1984 SERIES A 67,117,511 1,158

TOTAL TURNKEY PUBLIC HOUSING PROGRAM \$217,425,801 4,580

COMBINED BALANCE SHEET

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

OCTOBER 31, 1986
(WITH COMPARATIVE COMBINED TOTAL AS OF OCTOBER 31, 1985)

(IN THOUSANDS)	MULTI-FAMILY BOND PROGRAMS	CONSTRUCTION LOAN NOTE PROGRAMS	CORPORATE SERVICES FUND	COMBINED TOTAL	
				1986	1985
ASSETS:					
Cash	\$ 255	35	415	705	1,311
Investments	1,059,148	191,358	55,920	1,306,426	1,000,631
TOTAL Cash and Investments	1,059,403	191,393	56,335	1,307,131	1,001,942
Receivables:					
Mortgage loans (note 4)	1,252,856	—	—	1,252,856	1,255,234
Loans to lenders (note 4)	—	79,078	—	79,078	127,679
Accrued interest	6,683	3,007	—	9,690	12,684
Deferred mortgage income	8,898	—	—	8,898	1,632
Other	8,384	—	—	8,384	8,735
TOTAL Receivables	1,276,821	82,085	—	1,358,906	1,405,964
Unamortized issuance costs	22,263	923	—	23,186	22,051
Due from (to) other funds	(317)	(641)	958	—	—
Fixed assets	—	—	769	769	675
Other assets	241	51	47	339	499
TOTAL ASSETS	\$2,358,411	273,811	58,109	2,690,331	2,431,131
LIABILITIES and FUND BALANCES:					
Bonds and notes payable (note 5)	\$1,995,743	252,335	—	2,248,078	2,077,239
Discount on bonds payable	(3,431)	—	—	(3,431)	(3,459)
Accrued interest payable	50,200	5,185	—	55,385	61,527
Payable to the City of New York (note 7)	96,697	—	3	96,700	83,466
Payable to mortgagors	46,671	—	1	46,672	47,103
Restricted earnings on investments	2,908	—	—	2,908	2,264
Accounts and other payables	703	—	1,382	2,085	1,038
Deferred fee and mortgage income	28,165	—	—	28,165	27,520
Due to HUD (note 9)	14,306	—	—	14,306	9,524
TOTAL Liabilities	2,231,962	257,520	1,386	2,490,868	2,306,222
Fund balances:					
Restricted (note 9)	114,095	16,291	—	130,386	66,906
Unrestricted	12,354	—	56,723	69,077	58,003
Total fund balances	126,449	16,291	56,723	199,463	124,909
Commitments and Contingencies (note 12)					
TOTAL LIABILITIES AND FUND BALANCES	\$2,358,411	273,811	58,109	2,690,331	2,431,131

SEE ACCOMPANYING NOTES TO THE COMBINED FINANCIAL STATEMENTS.

COMBINED STATEMENT OF REVENUES AND EXPENSES

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

OCTOBER 31, 1986
(WITH COMPARATIVE COMBINED TOTALS OF OCTOBER 31, 1985)

(IN THOUSANDS)	MULTI-FAMILY BOND PROGRAMS	CONSTRUCTION LOAN NOTE PROGRAMS	CORPORATE SERVICES FUND	COMBINED TOTAL	
				1986	1985
REVENUES:					
Interest on loans	\$106,737	10,997	—	117,734	116,125
Earnings on investments	88,061	16,634	6,660	111,355	70,386
Fees and charges	3,184	27	1,183	4,394	5,107
Gain on early retirement of debt	101	—	—	101	59
Gain on sale of mortgage loans (note 4)	27,052	—	—	27,052	—
Other	—	—	1	1	6
TOTAL Revenues	225,135	27,658	7,844	260,637	191,683
EXPENSES:					
Interest and amortization	154,345	18,409	—	172,754	146,656
Salaries and related expenses	—	—	3,067	3,067	2,303
Services of New York City Department of Housing Preservation and Development	335	97	—	432	413
Trustees' and other fees	1,531	284	—	1,815	1,040
Debt issuance costs	1,218	1,644	—	2,862	2,419
Corporate operating expenses	—	—	1,628	1,628	984
Non-operating expenses (note 7)	3,525	—	—	3,525	3,539
TOTAL Expenses	160,954	20,434	4,695	186,083	157,354
EXCESS OF REVENUES OVER EXPENSES BEFORE OPERATING TRANSFERS					
	64,181	7,224	3,149	74,554	34,329
Operating transfers to Corporate Services Fund	(3,823)	(27)	3,850	—	—
EXCESS OF REVENUES OVER EXPENSES AFTER OPERATING TRANSFERS					
	\$ 60,358	7,197	6,999	74,554	34,329
ALLOCATION OF EXCESS OF REVENUES OVER EXPENSES AFTER OPERATING TRANSFERS:					
Restricted fund balance	\$ 59,390	7,197	—	66,587	26,823
Unrestricted fund balance	968	—	6,999	7,967	7,506
	\$ 60,358	7,197	6,999	74,554	34,329

SEE ACCOMPANYING NOTES TO THE COMBINED FINANCIAL STATEMENTS.

COMBINED STATEMENT OF CHANGES IN FUND BALANCES

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

OCTOBER 31, 1986
(WITH COMPARATIVE COMBINED TOTAL AS OF OCTOBER 31, 1985)

(IN THOUSANDS)	MULTI-FAMILY BOND PROGRAMS	CONSTRUCTION LOAN NOTE PROGRAMS	CORPORATE SERVICES FUND	COMBINED TOTAL	
				1986	1985
RESTRICTED:					
Balance at beginning of year	\$ 57,812	9,094	—	66,906	51,442
Excess of revenues over expenses after operating transfers	59,390	7,197	—	66,587	26,823
Net transfers from (to) unrestricted fund balances	(3,107)	—	—	(3,107)	(11,359)
BALANCE at End of Year	114,095	16,291	—	130,386	66,906
UNRESTRICTED:					
Balance at beginning of year	6,468	—	51,535	58,003	39,138
Excess of revenues over expenses after operating transfers	968	—	6,999	7,967	7,506
Net transfers from (to) restricted fund balances	4,918	—	(1,811)	3,107	11,359
BALANCE at End of Year	12,354	—	56,723	69,077	58,003
TOTAL FUND BALANCES AT END OF YEAR	\$126,449	16,291	56,723	199,463	124,909

SEE ACCOMPANYING NOTES TO THE COMBINED FINANCIAL STATEMENTS.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

OCTOBER 31, 1986

(1) ORGANIZATION

The New York City Housing Development Corporation (the "Corporation") is a corporate governmental agency constituted as a public benefit corporation. The Corporation was established in 1971 under the provisions of Article XII of the Private Housing Finance Law (the "Act") of the State of New York (the "State") and is to continue in existence for at least as long as bonds, notes or other obligations of the Corporation are outstanding.

The Corporation was created to encourage the investment of private capital through low-interest mortgage loans and to provide safe and sanitary dwelling accommodations for families and persons whose need for housing accommodations cannot be provided by unassisted private enterprise.

To accomplish its objectives, the Corporation is empowered to finance new construction and housing rehabilitation, to provide construction financing for multifamily projects to be permanently financed by others, and to provide permanent financing for multifamily residential housing. The Corporation participates in the federal government's housing assistance programs, principally those established by Sections 223(f) and 236 of the National Housing Act of 1934, as amended, and Section 8 of the United States Housing Act of 1937, as amended.

The Corporation finances most of its activities through the issuance of bonds and notes.

Pursuant to section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards, the financial activities of the Housing Assistance Corporation ("HAC") and the Housing New York Corporation ("HNYC") have been included in the Corporation's combined financial statements (see notes 10 and 11). Additionally pursuant to the same section, the Corporation's combined financial statements are included in the City of New York's (the "City") financial statements as a component unit for financial reporting purposes. The Corporation is included within the City's Housing and Economic Development Enterprise Funds.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Corporation follows the principles of fund accounting in that each program's assets, liabilities and fund balances are accounted for as a separate entity. The Corporate Services Fund accounts for the financial and administrative transactions of the Corporation's programs and activities. Each program and the Corporate Services Fund utilize the accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred. Other significant accounting policies are:

(a) INVESTMENTS

Investments, which consist principally of securities of the United States and its agencies, certificates of deposit and open time deposits, are carried at cost, which approximates market, plus

accrued interest. Investment earnings on monies held for the City, HAC investments, and reserves for replacement are not included in the Corporation's revenues rather they are reported in the balance sheet as payable to the City or payable to mortgagors.

(b) EARNINGS ON INVESTMENTS

Earnings on investments include interest income, gains/losses on sales and amortization of premium and discount on investments.

(c) DEBT ISSUANCE COSTS AND BOND DISCOUNT

Debt issuance costs and bond discount are amortized over the life of the related bond and note issues using the effective yield method. For debt issued prior to 1983, the issuance costs and discount were recognized as expenses when the related bonds or notes were issued.

(d) OPERATING TRANSFERS

Transfers from the various programs to the Corporate Services Fund represent (i) fees earned by the Corporation for administering the respective programs and (ii) escrow funds and excess investment earnings neither required by the programs nor returnable to the mortgagors.

(e) MORTGAGE LOAN AND LOANS TO LENDERS INTEREST INCOME

Mortgage loan and loans to lenders interest are recognized on the accrual basis. Deferred interest attributable to the loans made in 1977, discussed in note 4, including interest on the amounts deferred, is recognized as income as cash is received.

(f) RESTRICTED EARNINGS ON INVESTMENTS

Restricted earnings on investments represent the cumulative amount by which pass-through program revenues exceeded expenses. Such amount is recorded as a restricted liability since it represents accumulated excess investment earnings that, under the terms of the bond resolutions and mortgage loan documents, is expected to be credited to the mortgagor. This occurs in the following programs: 1984 Series A (Carnegie Park) Variable Rate Demand Bonds, 1985 Series A (Columbus Gardens Project) Multi-Family Development Bonds, 1985 Series 1 (Royal Charter Properties-East, Inc. Project) MBIA Insured Residential Revenue Bonds, 1985 Issue A (First Nationwide Savings-Columbus Apartments Project) Multifamily Mortgage Revenue Bonds, 1985 Issue 1 (James Tower Development) Multi-Family Development Bonds, 1985 Series A Multi-Family Mortgage Revenue Bonds, 1985 Resolution 3 Multi-Family Mortgage Revenue Bonds, 1985 Issue 1 (Ellington Development) Multi-Family Development Bonds, 1985 Series A (Columbus Green) Variable Rate Demand Bonds, and 1985 Resolution 1 (Parkgate Tower) Variable Rate Demand Bonds.

(g) AMORTIZATION OF LEASEHOLD IMPROVEMENTS

Leasehold improvements, included as other assets of the Corporate Services Fund, are amortized over the life of the lease, using the straight-line method.

(h) FEES AND CHARGES

Commitment and financing fees are recognized on the accrual basis over the life of the related mortgage. Programs commencing prior to 1983 recognized these fees as collected through the final endorsement date of the respective mortgages.

① COMBINED FINANCIAL PRESENTATION

For purposes of financial statement presentation, the accounts of certain programs have been combined as follows:

(1) Multi-Family Bond Programs:

- General Housing Bond Program,
- 1982 Multi-Family Housing Bond Program,
- Section 223(f) Multifamily Housing Bond Program,
- Section 223(f) Multi-Unit Housing Bond Program,
- 1979 Series A, 1982 Series A, 1983 Series A, B, and C, 1985 Series A, and 1985 Resolution 3 Multi-Family Mortgage Revenue Bond Programs,
- 1984 Series A (Carnegie Park) Variable Rate Demand Bond Program,
- 1985 Series A (Columbus Gardens Project) Multi-Family Development Bond Program,
- 1985 Series 1 (Royal Charter Properties-East, Inc. Project) MBIA Insured Residential Revenue Bond Program,
- 1985 First Series Multi-Family Housing Bond Program,
- 1985 Issue A (First Nationwide Savings-Columbus Apartments Project) Multifamily Mortgage Revenue Bond Program,
- 1985 Issue 1 (James Tower Development) Multi-Family Development Bond Program,
- 1985 Series A (GNMA Mortgage-Backed Securities) Multi-Family Mortgage Revenue Bond Program,
- 1985 First Series Insured Multi-Family Revenue Bonds,
- 1985 Series A (Columbus Green Project) Variable Rate Demand Bonds,
- 1985 Resolution 1 (Parkgate Tower) Variable Rate Demand Bonds,
- 1985 Issue 1 (Ellington Development) Multi-Family Development Bonds,
- 1985 Resolution A Housing Development Bonds, and
- The Housing Assistance Corporation.

(2) Construction Loan Note Programs:

- Loan to Lender Construction Loan Note 1983 Series A Program,
- Construction Loan Note 1984 Issue I Program, and
- Turnkey Construction Loan Note 1984 Series A Program.

(3) COMBINED TOTAL

The combined total data is the aggregate of the programs and the Corporate Services Fund. No consolidations or other eliminations were made in arriving at the totals; thus, they do not present consolidated information.

(3) DESCRIPTION OF PROGRAMS AND CORPORATE SERVICES FUND

The Corporation operates three separate major programs which are governed by their respective bond and note resolutions. A description of the programs follows:

(a) MULTI-FAMILY BOND PROGRAMS:

(i) General Housing

The General Housing Bond Program was established when the Corporation was created and accounts for the construction and permanent financing of six multifamily projects.

The 1982 Multi-Family Housing Bond Program was established in fiscal year 1983 in connection with the refinancing of the Multi-Family Variable Rate Bonds which financed two projects. Upon refinancing, the mortgages were transferred to this program from the Multi-Family Variable Rate Program, which then ceased to exist.

A capital reserve fund for these programs was established as additional security for the bondholders. The capital reserve fund is required to maintain cash and investments in an amount as defined in the Act and by the respective bond resolutions. Should the fund fall below the required amount, the City has a moral obligation to restore the fund to the minimum requirement. These monies would constitute interest free loans and would then be repaid to the City from future collections.

(ii) Section 223(f)

The Multifamily and Multi-Unit Housing Bond Programs were established in 1977 and 1980 respectively, in connection with the refinancing of 81 existing multifamily housing projects which were Mitchell-Lama mortgage loans payable to the City.

(iii) Section 8

The 1979 Series A, 1982 Series A, 1983 Series A, 1983 Series B, and 1983 Series C Bonds were issued to provide funds for the construction and permanent financing of 62 multifamily housing projects. These projects are to be occupied by tenants who qualify for Section 8 housing assistance payments made pursuant to the United States Housing Act of 1937, as amended.

(iv) 80/20

The 1984 Series A (Carnegie Park) Variable Rate Demand Bonds, 1985 Series A (Columbus Gardens Project) Multi-Family Development Bonds, 1985 Series A Multi-Family Mortgage Revenue Bonds, 1985 First Series Multi-Family Housing Bonds, 1985 Issue A (First Nationwide Savings-Columbus Apartments Project) Multifamily Mortgage Revenue Bonds, 1985 Resolution 3 Multi-Family Mortgage Revenue Bonds, 1985 Issue 1 (James Tower Development) Multi-Family Development Bonds, 1985 Series A (GNMA Mortgage-Backed Securities) Mortgage Revenue Bonds, 1985 Issue 1 (Ellington Development) Multi-Family Development Bonds, 1985 Series A (Columbus Green Project) Variable Rate Demand Bonds, 1985 Resolution 1 (Parkgate Tower) Variable Rate Demand Bonds, 1985 First Series Insured Multi-Family Revenue Bonds, and the 1985 Resolution A Housing Development Bonds were issued to provide the funds for the construction and permanent financing for multifamily housing projects. The projects will provide a mixture of market rate apartments (80 percent) and apartments for low and moderate income tenants (20 percent) as required by Section 103(b)(4)(A) of the Internal Revenue Code of 1954, as amended, and as authorized by Section 654(23-c) of the New York State Private Housing Finance Law.

(v) Hospital Residence

The 1985 Series 1 (Royal Charter Properties-East, Inc. Project) MBIA Residential Revenue Bonds were issued to provide funds for the construction and permanent financing of a multi-purpose residential facility for the benefit and utilization of The Society of the New York Hospital.

All Multi-Family Bonds are secured through one or more of the fol-

lowing mechanisms: pledged receipts of the scheduled mortgage payments and investments, letters of credit from national banking associations, Federal Housing Administration ("FHA") mortgage insurance, bond insurance, GNMA mortgage-backed securities, or a mortgage purchase agreement, each as specified in the bond resolutions.

(b) CONSTRUCTION LOAN NOTE PROGRAMS

(i) Loan Notes

The 1984 Issue 1 note was issued to provide funds for the new construction of Newport Gardens.

(ii) Loans to Lenders

The 1983 Series A notes were issued to provide a loan to Citicorp Real Estate, Inc. ("CREI"), enabling CREI to finance the construction of seventeen multifamily housing projects.

The 1984 Series A notes were issued to provide monies for the construction or substantial rehabilitation of seven multifamily projects. The monies were distributed to Chemical Bank (the underwriter and servicer of the construction loans), solely for the purpose of providing loans to selected developers.

(c) CORPORATE SERVICES FUND

This fund accounts for (i) fees and earnings transferred from the programs described above; (ii) Section 8 administrative fees (see note 9); (iii) income from Corporate Services Fund investments; and (iv) the payment of the Corporation's operating expenses.

(4) MORTGAGE LOANS

A general description of the mortgages in each of the programs follows:

(a) MULTI-FAMILY BOND PROGRAMS:

(i) General Housing

The mortgages are first liens on the respective properties. Five of the eight projects receive interest subsidies under Section 236 of the National Housing Act of 1934, as amended, from the U.S. Department of Housing and Urban Development ("HUD"). To the extent that the projects do not generate sufficient funds to meet the annual debt service requirements, payments may be made first from the general reserve fund to the extent available, and then from the capital reserve fund. Except as noted below, all mortgage principal and interest payments are current.

In 1977, certain housing companies were unable to obtain sufficient rent increases to offset working capital deficits and increasing operating costs. Loans were made to the housing companies by their owners and were matched by the Corporation through a deferral of mortgage interest payments amounting to \$1,850,000. Repayment of the deferred interest is required over a ten year period which commenced in 1980. The outstanding balance at October 31, 1986, for these deferrals is \$546,000.

(ii) Section 223(f)

The mortgages, when assigned to the Corporation by the City were modified, divided and recast into (a) FHA-insured first mortgages, to be serviced by the Corporation, and (b) subordinate non-insured second mortgages which were reassigned to the City. The mortgages

are first liens on the respective properties. Thirty-two of the eighty-one projects receive interest subsidies under Section 236 from HUD.

In 1981, the City assigned a Mitchell-Lama mortgage loan in the amount of \$3,560,600 to the Corporation. This mortgage was modified in the manner noted above. The insured first mortgage will either be sold on behalf of the City or held to be assigned as collateral for bonds to be issued.

With respect to the Multifamily Program (a) excess of mortgagors' payments over bond debt service payments and servicing fees to the Corporation and (b) the earnings on certain restricted funds, which are excluded from the revenue statement, are payable to the City. With respect to the Multi-Unit Program, the earnings on certain restricted funds, also excluded from revenues, are payable to the City.

(iii) Section 8

The mortgage loan advances made to the projects under the five Section 8 bond programs are FHA-insured, and include various construction costs, bond issue costs, and capitalized accrued interest. Upon completion, the projects will receive housing assistance payments on behalf of the tenants pursuant to Section 8.

While the project is under construction, loan advances bear interest at the construction rate. This rate is then reduced to the permanent rate when construction is completed and the project has been finally endorsed by HUD. Both of these rates are dictated by the individual programs. The programs and their interest rates are:

PROGRAM	CONSTRUCTION RATE	PERMANENT RATE
1979 Series A	—	7.5%
1983 Series A	14.0%	9.7-9.9%
1983 Series B	12.5%	10.3%
1983 Series C	1.0%	1.0%

The 1979 Series A projects have all completed construction and have received final endorsement from HUD. The 1983 Series A, B & C projects have all completed construction and most have received final endorsement from HUD.

On May 1, 1986 the Corporation sold the mortgage loans for the projects financed by the 1982 Series A Bond Issue and applied a portion of the proceeds to redeem the 1982 Series A Bonds. (see note 12b).

(iv) 80/20

The mortgage loan advances made to the projects include various construction costs, bond issue costs, and capitalized accrued interest.

Of the thirteen programs, the Corporation is required under six to have the projects provide a letter of credit delivered to the trustee from a national banking association, under one by a banking institution and under another a municipal bond insurance policy to secure the payment of bond debt service. Four programs have FHA-insured or FHA-coinsured mortgages, except for a portion of one mortgage that will be financed through funds received under the Housing Development Grant Program pursuant to Section 17(d) of the United

States Housing Act of 1937, as amended. The remaining program is secured by a mortgage purchase agreement with a commercial bank.

Certain projects will receive subsidies on behalf of the eligible tenants through Section 8 housing assistance payments or HAC funds.

The Corporation has escrowed approximately \$528,000, all of which is invested in U.S. Treasury Notes, on behalf of Puller Mortgage Association, Inc. ("Puller") pursuant to a deposit agreement between the Government National Mortgage Association ("GNMA") and Puller for the purpose of satisfying GNMA requirements for the project financings which utilize mortgage backed securities. The bond proceeds of the 1985 Series A (GNMA Mortgage Backed Securities) Multi-Family Mortgage Revenue Bond Issue and certain monies held by HAC are to be used to acquire construction loan certificates pursuant to certain financing agreements between HDC, Puller, the bond trustee and the applicable developer (see note 12a).

(v) Hospital Residence

The mortgage loan advances made to the project include various construction costs, bond issue costs, and capitalized accrued interest. The mortgagor provided to the trustee a non-cancellable policy of insurance from the Municipal Bond Insurance Association ("MBIA") which guarantees the payment of bond debt service.

(b) CONSTRUCTION LOAN NOTE PROGRAMS:

(i) Loan Note

The mortgage loan advance, which is FHA-insured, includes various construction costs and capitalized accrued interest. During construction the 1984 Issue 1 loan advance bore interest at a rate of 10.0%. Upon completion of construction and final endorsement from HUD, the mortgage was purchased by GNMA on August 28, 1986.

(ii) Loans to Lenders

The loans to the banks bear interest at a rate dictated by the respective programs as follows: 1983 Series A - 8.06%; and 1984 Series A - 9.60%. It is expected that the mortgages will be purchased by the New York City Housing Authority upon completion of construction and final endorsement.

For both the Loan Note and Loans to Lenders the proceeds from the sale of the mortgage loans will be used to redeem the notes payable.

(c) OTHER LOANS:

On October 24, 1986, the Corporation entered into a loan agreement with Charlotte Gardens Housing Development Company, Inc. ("CGHDC") to provide financing for the construction of forty single-family homes in the Bronx. The amount of the loan may not exceed \$3 million. For six months commencing on the date of the first advance, the loan will be interest free. The interest rate thereafter will be based on the rate of 1-year U.S. Treasury obligations, as announced from time to time. As part of this financing, the Corporation also agreed, if necessary, to undertake to hold harmless the TICOR Title Guaranty Company, with respect to certain mechanics liens filed against the project financed by this loan. The Corporation's maximum liability is approximately \$1.3 million. Any funds expended to hold harmless TICOR are to be repaid to the Corporation through the above mentioned loan agreement. As of October 31, 1986 the monies for this loan have not been released.

(5) BONDS AND NOTES PAYABLE

The Corporation's authority to issue bonds and notes for any corporate purpose is limited to the extent that (i) the aggregate principal amount outstanding may not exceed \$2.8 billion, exclusive of refunding bonds or notes, and (ii) the maximum capital reserve fund requirement may not currently exceed \$30 million.

(a) MORTGAGE LOAN BOND PROGRAMS:

(i) General Housing

The bonds of the General Housing and 1982 Multi-Family Housing Bond Programs are general obligations of the Corporation. Substantially all of the programs' assets are pledged as collateral for the bonds.

(ii) Section 223(f)

The bonds of the Multifamily Housing Bond Program are special limited obligations of the Corporation. The primary security for the bonds is the federal mortgage insurance obtained at the time the mortgages were assigned from the City. Principal and interest are paid only from the money received for the account of the insured mortgage securing that series, including payments made by, or on behalf of, the mortgagor or HUD.

The bonds of the Multi-Unit Housing Bond Program are special revenue obligations of the Corporation secured solely by a pledge of the FHA-insured mortgage loans and the program's assets, as well as the revenues derived from these loans and assets.

(iii) Section 8

The bonds of the 1979 Series A Bond Program are limited obligations of the Corporation. Substantially all of the program's assets are pledged as collateral for the bonds.

On May 1, 1986 the entire 1982 Series A Bond Issue was redeemed with a portion of the proceeds realized from the sale of the underlying mortgages. (see note 12b)

The remaining three bond programs are special revenue obligations of the Corporation secured solely by a pledge of the FHA-insured mortgage loans and the programs' assets, as well as the revenues derived from these loans and assets.

The bonds of the 1983 Series C Bond Program were privately placed at an interest rate of 1% with the City, and are not expected to be reissued to the public.

The bonds under the two remaining headings, 80/20 and Hospital Residence, are special revenue obligations of the Corporation secured by a pledge of the mortgage loans and the programs' assets as well as the revenues derived from these loans and assets. In addition, the aforementioned bonds are secured by either a letter of credit, FHA mortgage insurance, bond insurance, GNMA mortgage-backed securities, or a mortgage purchase agreement.

All of the bonds under the Multi-Family Bond Programs are subject to optional redemption by the Corporation. The bonds under the headings, 80/20 and Hospital Residence, are also subject to mandatory redemption. Certain issues are also subject to special redemption provisions. The parameters under which the optional, mandatory and special redemptions may occur are set forth in the bond resolutions.

(b) CONSTRUCTION LOAN NOTE PROGRAMS:

The notes under each of the programs are special revenue obligations of the Corporation collateralized by substantially all of the assets of the programs. Additionally, the Loans to Lenders notes are secured by the banks through either an unconditional guarantee (1983 Series A) or a letter of credit (1984 Series A).

The 1983 Series A Notes mature on December 1, 1986. The 1984 Series A Notes are subject to call on March 1, 1987 and the 1984 Issue 1 Notes on May 1, 1987.

Required principal payments for all programs for the next five years are as follows:

YEAR ENDING OCTOBER 31	MULTI-FAMILY BOND PROGRAMS	CONSTRUCTION LOAN NOTE PROGRAMS
(IN THOUSANDS)		
1987	\$13,335	233,125
1988	14,676	19,210
1989	19,930	—
1990	23,853	—
1991	26,862	—

Bonds and notes payable comprise the following for the year ended October 31, 1986:

DESCRIPTION	BALANCE AT OCT. 31, 1985	ISSUED	RETIRED	BALANCE AT OCT. 31, 1986	ANNUAL DEBT SERVICE
MULTI-FAMILY BOND PROGRAMS:					
GENERAL HOUSING					
General Housing Bond Program— 3.75% to 9% Bonds maturing in varying installments through 2023.	\$270,985	—	2,775	268,210	19,338
1982 Multifamily Bond Program— 6% to 11.25% Serial and Term Bonds maturing in varying installments through 2012.	34,510	—	460	34,050	3,814
TOTAL General Housing	305,495	—	3,235	302,260	23,152
SECTION 223(f):					
Multifamily Housing Bond Program— 6.5% to 7.25% Bonds maturing in varying installments through 2019.	365,789	—	2,626	363,163	26,837
Multi-Unit Housing Bond Program— 5% to 9.125% Serial and Term Bonds maturing in varying installments through 2021.	106,905	—	590	106,315	10,172
TOTAL Section 223(f)	472,694	—	3,216	469,478	37,009
SECTION 8:					
1979 Series A Bond Program— 6% to 7.5% Serial and Term Bonds maturing in varying installments through 2021.	48,630	—	465	48,165	3,985
1982 Series A Bond Program— 8.25% to 12.75% Serial and Term Bonds redeemed on May 1, 1986.	163,005	—	163,005	—	—
1983 Series A Bond Program— 5.75% to 8.875% Serial, Term and Capital Appreciation Bonds maturing in varying installments through 2025.	138,600	—	1,470	137,130	12,681
1983 Series B Bond Program— 6% to 9.5% Serial, Term and Capital Appreciation Bonds maturing in varying installments through 2026.	79,140	—	—	79,140	7,711
1983 Series C Bond Program— 1% Term Bonds maturing in increasing installments through 2015.	2,500	—	55	2,445	99
TOTAL Section 8	431,875	—	164,995	266,880	24,476

DESCRIPTION	BALANCE AT OCT. 31, 1985	ISSUED	RETIRED	BALANCE AT OCT. 31, 1986	ANNUAL DEBT SERVICE
80/20:					
1984 Series A Variable Rate Bond Program-- Variable Rate Bonds due upon demand through 2016.	68,000	—	—	68,000	3,371
1985 Series A Development Bond Program--5.4% to 9.125% Serial, Term and Capital Appreciation Bonds maturing in varying installments through 2007.	32,128	—	1,005	31,123	2,988
1985 Series A Bond Program--5% to 10% Serial, Term and Capital Appreciation Bonds maturing in varying installments through 2030.	162,793	—	680	162,113	15,645
1985 First Series Bond Program-- 6.75% to 9.875% Serial and Term Bonds maturing in varying installments through 2017.	17,425	—	—	17,425	1,724
1985 Issue A Bond Program--6.75% to 8.5% Serial and Term Bonds maturing in varying installments through 2015.	24,600	—	—	24,600	2,082
1985 Resolution 3 Bond Program--5.1% to 9.625% Serial and Term Bonds and Gains Securities maturing in varying installments through 2015.	124,999	—	1,840	123,159	11,281
1985 Issue 1 Development Bond Program--4.75% to 8.625% Serial, Term and Capital Appreciation Bonds maturing in varying installments through 2005.	29,998	—	400	29,598	2,436
1985 Series A GNMA Mortgage-Backed Securities Bond Program-- 5.9% to 8.75% Serial and Term Bonds maturing in varying installments through 2016.	40,000	—	—	40,000	3,406
1985 Series A Variable Rate Bond Program-- Variable Rate Bonds due upon demand through 2009.	—	14,500	—	14,500	719
1985 Issue 1 Development Bond Program-- 8.12% Term Bonds maturing in varying installments through 2007.	—	33,910	—	33,910	3,078
1985 First Series Insured Bond Program-- 5% to 8.5% Term and Serial Bonds maturing in varying installments until 2007.	—	17,675	—	17,675	1,444
1985 Resolution 1 Variable Rate Bond Program-- Variable Rate Bonds due upon demand through 2007.	—	49,000	—	49,000	2,372
1985 Resolution A Development Bond Program-- 8% Term Bonds until 1/7/86, variable rate thereafter, matur- ing in varying installments through 2019.	—	250,000	—	250,000	11,638
TOTAL 80/20	499,943	365,085	3,925	861,103	62,184
HOSPITAL RESIDENCE:					
1985 Series 1 MBLA Insured Bond Program--6.6% to 10.25% Serial, Term and Capital Appreciation Bonds and Gains Securities maturing in varying installments through 2017.	96,022	—	—	96,022	6,760
TOTAL Hospital Residence	96,022	—	—	96,022	6,760
TOTAL BONDS PAYABLE	\$1,806,029	365,085	175,371	1,995,743	153,581
CONSTRUCTION LOAN NOTE PROGRAMS:					
LOAN NOTES:					
1984 Issue I--7.5%, due November 1, 1987	\$19,210	—	—	19,210	1,441
TOTAL Loan Notes	19,210	—	—	19,210	1,441
LOANS TO LENDERS:					
1983 Series A--6.625%, due December 1, 1986	125,000	—	18,875	106,125	109,640
1984 Series A--7.25%, due September 1, 1987	127,000	—	—	127,000	131,604
TOTAL Loans to Lenders	252,000	—	18,875	233,125	241,244
TOTAL NOTES PAYABLE	\$ 271,210	—	18,875	252,335	242,685
TOTAL DEBT PAYABLE	\$2,077,239	365,085	194,246	2,248,078	396,266

(6) CONSULTANT'S FEES

The fees paid by the Corporation for financial and legal consultants in fiscal 1986 include: \$104,459 to Brownstein Zeidman and Schomer, \$110,053 to Skadden, Arps, Slate, Meagher & Flom, \$1,790 to Demov, Morris & Hammerling for legal services; and \$9,321 to Peat, Marwick, Mitchell & Co. for other consulting services.

In addition, the following legal and consulting fees were paid: \$321,882 to Hawkins, Delafield & Wood, \$143,167 to Paul, Weiss, Rifkind, Wharton & Garrison, \$85,000 to Phillips, Nizer, Benjamin, Krim & Ballon, \$78,364 to Freeman, Freeman & Salzman, P.C., and \$58,349 to Brownstein Zeidman and Schomer for legal services. Financial and other consulting fees paid: \$250,000 to Kidder Peabody & Company, \$110,000 to Goldman, Sachs & Co., \$11,790 to Horace Ginsbern & Associates and \$1,000 to one other firm. These expenses were related to bond and mortgage closings and the 1982 Series A Bond redemption. The Corporation has collected fees and charges from the respective mortgagors to offset the expenses relating to the bond and mortgage closings.

(7) PAYABLE TO THE CITY OF NEW YORK

Mortgages in the Section 223(f) Housing Programs were assigned to the Corporation by the City in order to generate monies for the City. The Corporation remits to the City any excess of mortgage interest income and investment earnings over related debt expense, trustee fees and servicing fees. These expenses are considered non-operating and amounted to approximately \$3,451,000 for fiscal 1986.

As of October 31, 1986, all mortgages assigned by the City to the Corporation have been sold or used as security for debt financing, except the assigned mortgage loan of Village East Towers. That mortgage is being held by the Corporation for possible future sale or bonding.

The funds received from the City for HAC as well as any earnings on the funds (see note 10) are also included in this reporting classification.

(8) RETIREMENT SYSTEM

The Corporation is a participating employer in the New York City Employee's Retirement System (the "System") of which some of the employees of the Corporation are members. The Corporation pays its proportionate share of the System's cost as actuarially computed.

The Corporation offers its employees the option of participating in a Tax Sheltered Annuity Plan managed by The Equitable Life Assurance Society of the United States as an alternate retirement plan under Section 403(b) of the Internal Revenue Code. The Internal Revenue has approved the Corporation as an entity which can provide this type of plan to its employees. The majority of the Corporation's employees participate in this plan.

(9) DUE TO HUD

The Corporation has entered into contracts with HUD to administer housing assistance payment contracts with housing projects occupied or to be occupied by tenants qualifying for Section 8 housing assistance payments. Pursuant to the contracts, HUD makes annual contributions to the Corporation in an amount equal to the annual assistance payments plus an administrative fee, if applicable, for the

Corporation. HDC receives the annual contract contributions quarterly and disburses funds monthly for the benefit of the covered projects. At the balance sheet date the Corporation held \$14,306,000 in prefunded annual contributions. Related fees earned during fiscal 1986 amounting to \$1,183,000 and are included in the Corporate Services Fund.

Under a letter agreement between the Corporation and HUD, the Corporation agreed, upon request from HUD, to use its best efforts to advance refund or refund, when callable, bonds issued to finance mortgage loans for Section 8 projects, processed under HUD's financial adjustment factor procedures. A refunding in compliance with this agreement could result in a reduction of Section 8 assistance for such projects. Certain proceeds from the Restricted Fund Balance may be used, in part, to meet this requirement.

(10) HOUSING ASSISTANCE CORPORATION (HAC)

The Housing Assistance Corporation is a public benefit corporation established as a wholly-owned subsidiary of the Corporation in 1985 under an amendment to the Private Housing Finance Law. HAC is to continue in existence at least as long as its obligations remain outstanding. Upon termination of HAC all of its rights and properties shall pass and be vested in the City of New York.

HAC is empowered to receive monies from any source, including but not limited to the Corporation, the City or the State, for the purpose of assisting rental developments to maintain rentals affordable to low and moderate income persons for whom the ordinary operation of private enterprise cannot supply safe, sanitary and affordable housing accommodations. In order to accomplish this objective, HAC may transfer, lend, pledge or assign these monies to any rental development or assist the Corporation in financing such developments.

As of October 31, 1986 HAC has received \$50 million from the City and \$9,313,000 is committed to one project. As of October 31, 1986 none of these monies have been advanced. This contribution plus accrued interest is reported as cash and investments and payable to the City of New York on the accompanying combined balance sheet.

The following is a condensed summary of HAC's financial data for the fiscal year ended October 31, 1986:

Assets:	
Cash and Investments	\$54,945,000
TOTAL ASSETS	\$54,945,000
Liabilities:	
Payable to the City of New York	\$54,146,000
Other Liabilities	799,000
TOTAL LIABILITIES	\$54,945,000

(11) HOUSING NEW YORK CORPORATION (HNYC)

During Fiscal Year 1986, the Housing New York Corporation was established pursuant to Article XII Section 654-c of the New York State Private Housing Finance Law as a wholly-owned subsidiary of the Corporation. HNYC shall remain in existence until terminated by law, provided, however, that no obligations of HNYC remain outstanding, unless adequate provision has been made for the pay-

ment of the outstanding obligations. Upon termination of the existence of HNYC all of its rights and properties shall pass to and be vested in the City of New York.

HNYC is authorized and empowered to receive monies from the Corporation, the Battery Park City Authority (the "Authority"), any other public benefit corporation, the federal government or any other source for the purpose of providing residential housing facilities to low and moderate income persons for whom the ordinary operation of private enterprise cannot supply safe, sanitary and affordable housing accommodations. In order to accomplish this objective, HNYC may grant monies to the City, and any agency or instrumentality of the City or to the Corporation to finance the aforementioned residential housing facilities.

HNYC is authorized to issue bonds in an aggregate principal amount not exceeding \$400 million. The bonds or notes are neither debts of the State, the Authority, the City nor the Corporation. The obligations of HNYC will be repaid out of assigned excess revenues generated by development at Battery Park City. These revenues consist of excess cash flow to the Authority resulting from rental and other payments under leases with private developers.

As of October 31, 1986, the Housing New York Corporation has not received any funds or issued any obligations.

(12) COMMITMENTS AND CONTINGENCIES

(a) COMMITMENTS

The Corporation is committed under three operating leases for office space for minimum annual rentals as follows:

YEAR ENDING OCTOBER 31	
1987	\$ 347,000
1988	348,000
1989	358,000
1990	358,000
TOTAL FUTURE RENTS	\$1,411,000

Remaining mortgage commitments at October 31, 1986 are as follows:

Multi-Family Bond Programs:	
Section 8	\$ 2,146,000
80/20	355,641,000
Hospital Residence	20,670,000
Construction Loan Notes:	
Loan Notes	—
Loans to Lenders	18,329,000
TOTAL COMMITMENTS	\$396,786,000

Remaining investment commitments for the purchase of mortgage backed securities at October 31, 1986 are as follows:

80/20 Multi-Family Bond Program	\$ 127,000
Housing Assistance Corporation	9,313,000
TOTAL COMMITMENTS	\$9,440,000

(b) CONTINGENCIES

On May 1, 1986 the Corporation sold the mortgage loans for the twenty-seven multi-family housing developments financed by the 1982 Series A Bond issue and applied a portion of the proceeds to redeem the 1982 Series A Bonds. As a result of this redemption, the Corporation is presently a defendant in five legal actions. Four of the actions are pending in the United States District Court for the Southern District of New York and one was filed in New York State Supreme Court. Each of the federal actions alleges that federal securities laws were violated at the time of issuance of the 1982 Series A Bonds; two of the federal actions also allege that the redemption of the 1982 Series A Bonds violated federal securities laws; and three of the federal actions and the state action allege that the redemption of the 1982 Series A Bonds was not permissible under the terms of the governing bond resolutions. These actions seek declaratory judgments, injunctive relief and monetary damages. In addition, one of the actions seeks a declaration that the Corporation lacks the authority under certain circumstances to redeem the 1983 Series Bonds through the sale of the underlying mortgage loans. HDC has filed answers denying all substantive allegations in all of the cases and intends to defend these cases vigorously. The management of the Corporation after consultation with counsel, does not believe the eventual outcome of the litigation is likely to have a material effect on the Corporation.

(13) SUBSEQUENT EVENTS

On December 1, 1986, the 1983 Series A Loan to Lender Construction Loan Notes, \$106.125 million, matured and were fully redeemed.

**REPORT OF PEAT, MARWICK,
MITCHELL & CO.**

**INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS**

**TO THE MEMBERS OF THE
NEW YORK CITY
HOUSING DEVELOPMENT CORPORATION:**

We have examined the combined balance sheet of the New York City Housing Development Corporation as of October 31, 1986 and the related combined statements of revenues and expenses, changes in fund balances and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned combined financial statements present fairly the financial position of the New York City Housing Development Corporation at October 31, 1986 and the results of its operations, the changes in its fund balances and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co

New York, New York
January 30, 1987