NYC  HDC

1998 Annual Report

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NYC HDC
New York City
Housing Development
Corporation

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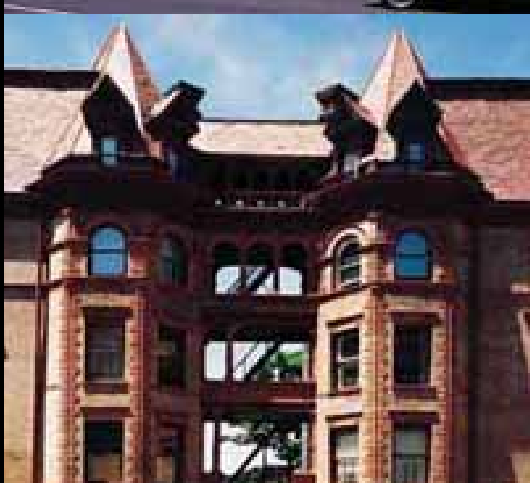

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Submitted to

Honorable Rudolph W. Giuliani, Mayor

Honorable Alan G. Hevesi, Comptroller

Honorable Robert M. Harding, Director of Management and Budget

Submitted by

The Chairman and Members of the New York City
Housing Development Corporation

Report of the Chairman & President

On behalf of the Members of the New York City Housing Development Corporation ("HDC" or "The Corporation") and its subsidiary corporations, including the New York City Residential Mortgage Insurance Corporation ("REMIC"), we are pleased to submit our 1998 Annual Report.

HDC continues to build on its distinguished and consistent record of accomplishments in financing affordable housing throughout New York City. As the first local housing finance agency in the country to achieve an investment grade credit rating on its obligations (AA from Standard & Poor's), HDC has proven its ability to combine innovative and resourceful program development with sound and prudent legal and financial structures. As we approach the millennium, we are committed to expanding our successful existing programs, and, at the same time, creatively addressing new and emerging market needs.

One major underserved new market that has received HDC's attention is the City's growing and diversified middle-income population. Under Mayor Rudolph Giuliani's leadership, New York City has undergone a renaissance, in economic terms, in overall public safety and in a variety of quality of life concerns. As New York City becomes a better, safer and more attractive place to live, it is increasingly important to ensure that there are places here for middle income New Yorkers, individuals and families, to call home. This segment of the City's

HDC is very proud of both its new middle income housing program and the assisted living initiatives, and equally proud that the Corporation simultaneously continues to build on its traditional base of housing development that is affordable to low and moderate income New Yorkers. In particular, HDC's 100% Low Income Tax-Exempt Program, in existence for only two years, has already financed the rehabilitation and new construction of 27 developments containing 1,285 units of housing for families earning less than 60% of the New York City median income. These projects, which would not have proceeded without HDC's program, are providing quality low income housing while also contributing to the revitalization of many New York City neighborhoods.

To support and enhance the Corporation's housing finance capabilities, and to further an entrepreneurial approach that keeps us responsive to our program users, this year HDC conducted a review and assessment of its overall organizational structure and its technological capacities. As a result of these efforts, there has been extensive streamlining and updating of diverse general corporate operations and procedures. We've even introduced a population contributes to the City's well being in a variety of ways, most significantly in adding stability to the neighborhoods in which they reside.

Last year, HDC initiated the New Housing Opportunities Program ("New HOP")—a program specifically designed to increase the supply of housing affordable to middle income New Yorkers, and the first such program to assist this market in more than twenty years.

The newly rehabilitated building at 421 DeGraw Street in the Gowanus/Carroll Gardens area of Brooklyn is among the first New HOP projects, and it is a fitting symbol of the program's impact and objectives. The former St. Agnes Parochial School, a building nearly a century old, had been vacant for more than ten years, and had a depressing impact on the South Brooklyn neighborhood. Through New HOP, HDC provided $9.4 million in first and second mortgage loans to fund 90 new units of affordable rental housing, complete with parking and beautifully landscaped gardens.

New HOP is an innovative and flexible program, allowing for new construction, substantial rehabilitation and conversion of formerly non-residential properties, and the program has been very well received both by housing developers and by tenants. In just one year, HDC has committed to finance fifteen projects that will add more than 1,000 new housing units to the City's inventory. Based on the success of this first phase, the Corporation has expanded New HOP, authorizing a second round that is expected to produce an additional 1,200 apartments.

This year, HDC financing made possible the first ever assisted living residence specifically for low income seniors in New York City.

new corporate logo to mark our readiness for new challenges. The restructuring included all areas of the Corporation, with particular attention to two key divisions—Compliance and MIS.

Before this year, HDC's compliance, physical inspections and project management functions operated independently from each other. Under the new restructuring, these groups have been combined into a unified, integrated Compliance Division to provide for comprehensive and accountable oversight on each project in the Corporation's portfolio.

The Corporation has also made a major commitment to create a technological environment with the capability and flexibility to support program and operations activities. This year, the MIS Division has begun development of a fully integrated and coordinated internal computer network that will include a comprehensive database for start-to-finish project tracking and a cutting edge platform for comprehensive financial reporting. The reorganization and redirection of both the MIS and Compliance Divisions are profiled in greater detail later in this report.

REMIC, HDC's mortgage insurance subsidiary, also enjoyed a successful year, achieving a AA rating from Standard & Poor's. The rating greatly enhances REMIC's utility as a loan guarantor and as a stimulus for investment in affordable housing. The S&P rating is in addition to the

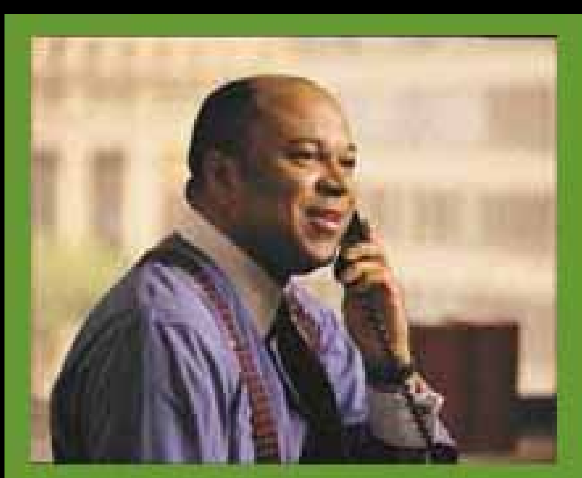
Located in East Harlem at the corner of Fifth Avenue and East 108th Street, the newly-constructed 127-unit deSales Residence will set aside a minimum of 90% of its studio apartments for tenants earning less than $20,000 yearly. Seniors are a growing segment of the New York City population, and affordable assisted living facilities are in short supply. As we go into the new year, the Corporation is seeking to encourage the development of similar projects in other parts of the City.

upgraded AA-designation REMIC received from Fitch Investors Service last year.

Over the years, HDC has proven to be a model of flexibility and resourcefulness, and has received the unwavering support of its Board of Directors. Going forward, the Corporation will be even stronger and more prepared to welcome and meet the challenges of a demanding marketplace.

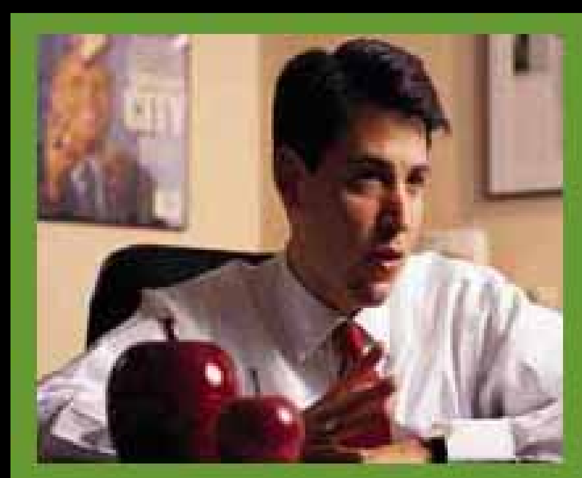
Richard T. Roberts
Chairman

Russell A. Harding
President



Richard T. Roberts—Chairman

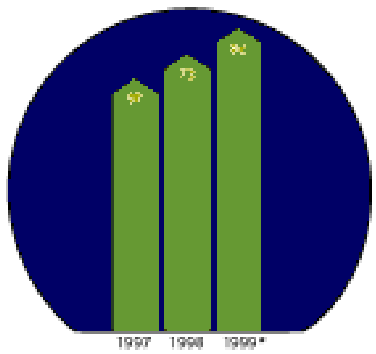
"As the Corporation's Chairman as well as NYC's Commissioner of Housing



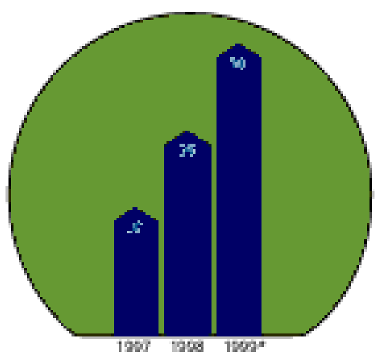
Russell A. Harding—President

"HDC continues to rebuild on a solid record of accomplishments. I am encouraging our staff to continue seeking

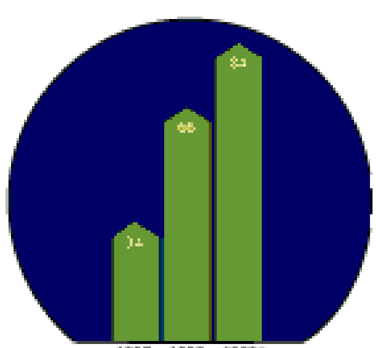
Facts & Figures for 1998



Number of Units Financed, Serviced, Administered
*(in thousands; *projected)*



Commitments
*(*projected)*



Closings
*(*projected)*

- HDC closed on the first loan under the New Housing Opportunities Program (New HOP). New HOP is the City's first effort to create housing for middle income New Yorkers in over 25 years. By year's end, the program had financed more than 1,000 new units.

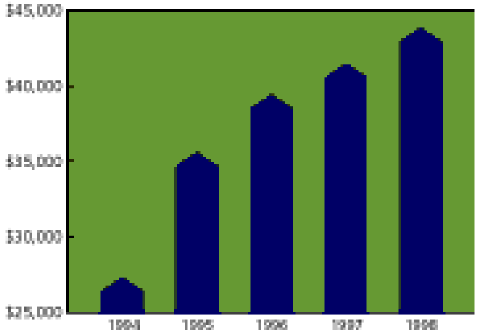
- Construction began on the deSales Residence, New York City's first assisted living facility affordable to low and moderate income seniors.

- HDC negotiated financing of the first ever 75/25 building in Manhattan south of 96th Street. The project utilizes all the benefits of the standard 80/20 Program, while yielding an additional 5% low income units.

- HDC's new 100% Low income Tax-Exempt Bond Program underwrote 10 projects this year, for a total of 427 new housing units.

- HDC's overall income in 1998 showed a total increase of 61% in the five years since 1994. During this same period, investment income rose by 70% and income from fees on loans increased 131%.

- HDC began a complete Corporation-wide MIS upgrade. Phase I established the first local area network (LAN), e-mail connection, and website for HDC. Phase II



Overall Income Increase by Year
(in thousands)

will initiate comprehensive and integrated software applications, enabling HDC for the first time to track all phases of program and financial activity.

New Housing Opportunities Program (New HOP)

For the past several decades there has been virtually no new rental and cooperative housing development in New York City that is affordable to middle income New Yorkers. New construction starts for all but the most deeply subsidized rental housing reached their lowest level in the early 1990's because of the City's economic downturn. Now, during Mayor Rudolph W. Giuliani's administration, a healthy economy and a dramatically improved quality of life are fueling the demand for new middle income housing. HDC designed its New Housing Opportunities Program (New HOP) to meet that demand.

New HOP operates at no direct cost to the City. Using proceeds from HDC taxable bonds, New HOP provides permanent financing for the development of rental and cooperative housing projects with 20 or more units—new construction, substantial rehabilitation or as-of-right conversions from vacant non-residential properties. Bond proceeds may also be used for construction with appropriate third party credit enhancement. HDC then combines its taxable bond proceeds with subordinate financing from corporate reserves in order to offer below market rate financing.

New HOP was announced by HDC at the end of last year, and the program's start was widely received with great enthusiasm by real estate lenders, financial managers, builders and contractors. "This new program will help to bring stability to many of New York's low and moderate income communities," remarked Contractors Association. "The Association applauds Mayor Giuliani's leadership in seeking programs that encourage middle income housing in New York City."

"This new program represents an important step toward stabilizing and renewing New York's neighborhoods," observed Frank Braconi, Executive Director of the Citizens Housing and Planning Council. "It will provide many middle income families who want to stay in the City an opportunity to find modern and affordable housing. There is much to like about this program," he continued. "It will utilize the private sector to the maximum extent possible, and it avoids the bureaucratic over-regulation that has often stifled past efforts to encourage housing development."

There are already fifteen projects in varying stages of development for the first round of New HOP financings; eight are new construction, three are rehabilitations of vacant residential buildings, and four are conversions of vacant non-residential buildings into affordable housing. These last four are all in Brooklyn. One will return a former school in Carroll Gardens and another, an old armory in Fort Greene, into viable neighborhood properties.

James Riso, President of the Queens County Builders and

Two more will convert abandoned factories in Bedford-Stuyvesant into quality rental housing. These projects will add a total of more than 1,000 units to the City's middle income affordable housing stock. Because of the program's success, HDC has announced a second round of New HOP.

421 DeGraw Street in Gowanus/Carroll Gardens

Vacant since 1987, the St. Agnes Parochial School had become an eyesore. With a $7.7 million New HOP first mortgage loan and a $1.7 million second mortgage loan from HDC, the century-old building in the Gowanus/Carroll Gardens section of South Brooklyn is being reclaimed. While retaining much of the original architectural detailing, the school is being converted to 90 units of affordable rental housing. The six-story elevator building will have an adjoining 50-car parking area as well as attractive landscaped gardens. According to Buddy Scotto, founder of the Gowanus Canal Community Development Corporation, the redevelopment of the St. Agnes School was the latest of several indications that the area was enjoying a boom. "We don't have to leave this community to go to a better community," he said.

The New HOP projects, which are located in every borough of the City, are already having a positive impact on their neighborhoods. From long vacant schools to abandoned commercial sites to empty and litter-strewn lots, each New HOP project is replacing a vacant building or an empty lot with a vital and attractive addition to the neighborhood. New HOP is a tangible measure of the success of Mayor Giuliani's policies and objectives.

One of the first New HOP projects to be completed was constructed on a vacant and littered lot that once held a derelict warehouse. The brand new eight-story St. John's Apartments is now affordable housing for 52 New Yorkers and their families. St. John's is located in the South Park Slope area of Brooklyn, and is the first multifamily housing property

New HOP Summary Guidelines

- Eligible Projects: New Construction, substantial rehabilitation or as-of-right conversions to residential rentals or limited equity cooperative units. Minimum of twenty residential units.
- Eligible Areas: The Bronx, Brooklyn, Queens, Staten Island and designated areas of Manhattan.
- Allowable Monthly Rents/Carrying Charges: $500-$1,750 for studio to three-bedroom apartments. Rents are then subject to Rent Stabilization. Cooperatives will set their own carrying charges. There will be limits on the profits allowed when cooperative units are re-sold, and a portion of the profit on each unit must repay a portion of the City's subsidies.
- Maximum Income Limits: Up to 250% of the City's median income, or $133,500. Income eligibility will be established at the time of initial occupancy, and certified by HDC.

to be built in the neighborhood in over a decade. The project consists of 52 one- and two-bedroom apartments with monthly rents ranging from $900 to $1,400. According to John Scarpinito, one of the project's developers, "Prior to this program, new construction was just not economically feasible." HDC provided a $4,740,000 first mortgage and an $886,000 low interest second mortgage.

In addition to the Park Slope property, New HOP so far has financed two other already completed rental projects in Queens—a 26 unit project in Bayside, and a 60 unit property in Flushing. The remaining projects in this first round of New HOP financings are located in Staten Island, the Baychester and Kingsbridge sections of the Bronx, Central Harlem, and Woodside and Rego Park in Queens. They range from garden apartments to mid-rise buildings.

Annual recertification will not be required.

- Maximum First Mortgage: $10,000,000. Not to exceed 80% of value. Anticipated rates equal to approximately 150 basis points over 30-year U.S. Treasuries.

- Maximum Second Mortgage: $20,000 per unit; up to $30,000 per unit on a case-by-case basis. Combined loan to value not to exceed 95%. 1%-3% anticipated interest rate.

The deSales Residence

The deSales Residence will overlook Central Park, rising to 14 stories on Fifth Avenue where the main entrance is to be located, and nine stories on the East 108th Street side. The first two floors of the building will be made of light-colored granite and limestone, while the upper floors will be red brick with vertical bands of pink brick. The two wings of the building will enclose a private interior courtyard. A total of 10,000 square feet of common space will contain a number of special purpose areas, including a library and a lounge, as well as music and exercise rooms, some of which will open onto the courtyard. The dining room will be on the 14th floor, affording residents a view of Central Park with their meals, and, on the 9th floor, there will be a rooftop deck. The first residents are expected to move into their new homes in January 2000.

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Assisted Living for Seniors

The number of seniors in this country is both greater and older than ever before as a result, in part, of generally improved health care. Older Americans, defined by the U.S. Census as persons 65 years and older, currently comprise 13%, or one of every eight, of all Americans. The most rapid growth in the elderly population is expected to peak between 2010 and 2030 when the "baby boom" generation reaches age 65. There will be about 70 million seniors in the country by 2030, or more than twice as many as today.

Seniors in New York State currently number just over 2.4 million, or approximately 7% of the national total, and the percentage increases each year. Of this number, nearly 13% live at or below the poverty level. Not surprisingly, therefore, there is a great and growing demand for assisted living facilities in New York City, particularly for options that are affordable to low and moderate income seniors. These accommodations are planned for people 75 and older who require some level of help with everyday activities like shopping and dressing, for example, but who don't require the level of care provided by a nursing home. Assisted living is a much less expensive arrangement than a nursing home, and, more importantly, it allows the elderly residents to maintain a significant measure of independence in their day-to-day lives.

The first newly constructed assisted living from recreational programs to personal care assistance. At least ninety percent of the apartments will be reserved for Medicaid-eligible tenants, those earning less than $20,000 a year, including Social Security and pension. The rents for the low income seniors will be paid entirely by their Medicaid and Social Security benefit payments. The balance of the units will carry no income restrictions.

Until now, assisted living facilities anywhere in the greater New York City area were priced far beyond the means of low and moderate income seniors, charging monthly rents ranging from a low of $3,500 up to $6,000 and even higher in some cases. The affordable deSales Residence fills a critical need. HDC is providing the project's primary financing—$21 million of tax-exempt bond proceeds for the first mortgage, and a $960,000 low interest rate second mortgage loan. In addition, the City is providing a full property-tax exemption.

To stimulate the development of more of these important facilities, HDC has expanded its New Housing Opportunities Program (New HOP) by offering construction and/or permanent financing for affordable facility in New York City for low and moderate income seniors is coming to East Harlem. Financed by HDC, the deSales Residence, located at Fifth Avenue and East 108th Street, will contain 127 rental studio apartments, each with its own kitchen, dining area and bathroom. Monthly rents, which will range from $2,500 to $3,500, will include three meals a day as well as a broad range of services

assisted living housing facilities using either tax-exempt 501(c)(3) or taxable bond proceeds. HDC will also provide subsidies of up to $20,000 per unit or a maximum of $2,250,000 per project. The subsidies may be used for subordinate financing, or they may be combined with the bond proceeds to produce a below market rate first mortgage. Eligible projects should have a minimum of 50 units that are new construction, substantial rehabilitation, or as-of-right conversions. Most areas of the City are eligible for financing, with the exception of certain high cost sections of Manhattan, although mid-Manhattan projects with not-for-profit developers will be considered on a case-by-case basis.

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100% Low Income Tax-Exempt Bond Program

HDC's 100% Low Income Tax-Exempt Bond Program is a model for bridging private and public sector development objectives. The Program expands funding opportunities for the production of low income housing in traditionally underserved neighborhoods of the City.

Combining tax-exempt bonds with other subsidy programs available in New York City for financing affordable rental housing, HDC enables developers to qualify for as-of-right 4% Federal Low Income Housing Tax Credits. This HDC program fills a vital need since New York City developers have been unable to obtain 9% tax credits from the State because of recent intense statewide competition for the scarce allocation of these credits.

To qualify for the as-of-right tax credits, at least half of a project's total cost needs to be covered by tax-exempt financing. In New York City, costly substantial rehabilitation projects could not be expected to carry a long-term mortgage equal to half the cost of the rehabilitation, even at below market rates, because median income is relatively low, and construction costs and operating expenses are very high.

A recent ruling from the IRS affirms that tax-exempt bonds may be retired as soon as the properties they finance are placed in service, and those properties qualify for the 4% credits. Consequently, HDC has dealt with the 50% problem by utilizing tax-exempt bonds to provide only construction financing equal to New York City's §421-a Negotiable Certificate Program ("§421-a") through which the tax credits generated by the low income project are linked to the demand for tax credits from market rate housing projects in high cost areas of Manhattan. By selling their earned real estate tax benefits to developers of market rate Manhattan developers, low income builders are able to prepay the tax-exempt bond funded construction loans.

HDC tax-exempt construction loans are also being prepaid by permanent conventional and subsidized loans. New York City's Department of Housing Preservation and Development has committed to providing the permanent financing for three projects receiving HDC construction financing. Late this year, HDC provided tax-exempt construction financing for the first joint public/private project of the New York City Housing Authority ("NYCHA"). The 44 unit substantial rehabilitation will be the first public housing development to be privately owned and managed. NYCHA subsidies will prepay the HDC construction loan.

This flexible and innovative program is producing a mix of housing types, slightly more than half of each project's cost.

HDC's tax-exempt construction loans are being repaid, for the most part, from a variety of local subsidy programs. The most commonly utilized subsidy has been

based on neighborhood needs and opportunities, from the new construction of 108 one- and two-bedroom garden apartments in Staten Island to the conversion of a long-vacant school in Brooklyn into new rental units. Since 1997, the Program has financed the rehabilitation and new construction of 27 100% low income projects, providing a total of 1,285 apartments affordable to families earning less than $32,000 for a family of four, and less than $22,400 for an individual.

By creating a financing mechanism that does not rely on the receipt of scarce 9% credits, HDC helps ensure the continuation of incentives for the development of low income housing.

The Dumont at Vermont Ave./Dumont Ave.

HDC provided $5 million of the $8.7 million in total costs for the conversion of a former elementary school, abandoned 13 years ago in the East New York section of Brooklyn. The largest residential conversion ever in East New York, the Dumont offers 74 residential units that are affordable to a range of low incomes, with monthly rents from $282 for a studio to $519 for a two-bedroom unit. One-month-old Justin Robles and his family were the first residents of the reclaimed building. “It’s beautiful, and it’s brand new,” said Justin’s proud father, describing equally well the new addition to his family and the beautifully restored school. The final financing package earned 377 tax-exemption certificates through HPD’s §421-a Negotiable Certificate Program, the most commonly used subsidy with the 100% Low Income Tax-Exempt Bond Program. The certificates were sold for $5.7 million which went into equity to reduce the project’s debt.

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The success of any company is determined by strong leadership. Leadership with a vision and the experience to make it come to fruition

HDC Executive Staff

(left to right)

Charles A. Brass, *First Senior Vice President for Development and Policy*

Teresa Gigliello, *Senior Vice President for Asset Management and Budget*

David S. Boccio, *Senior Vice President and General Counsel*

Luke Cusack, *Senior Vice President for Administration*

Russell A. Harding, *President*

Eva M. Dowdell, *Chief of Staff*

Harry I. Fried, *Senior Vice President and Chief Finanical Officer*

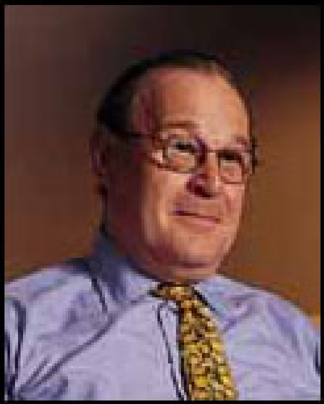
Directors

Richard T. Roberts
Chairman

Harry E. Gould, Jr.

Joseph J. Lhota

The New York City Housing Development Corporation is a public benefit corporation with a seven member Board of Directors that is comprised of the Commissioner of the Department of Housing Preservation and Development, Richard T. Roberts, who serves as the Chairman; the Commissioner of Finance, Joseph J. Lhota (Acting Commissioner); the Director of Management and Budget, Robert M. Harding (not pictured); two public members appointed by the Mayor: Bill Green, serving pursuant to law, and Harry E. Gould, Jr., whose term expires 12/31/99; and two public members appointed by the Governor: Charles G. Moerdler, serving pursuant to law; and Michael W. Kelly, whose term expires 1/1/01.



Charles G. Moerdler

Bill Green
Vice Chairman

Michael W. Kelly

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Independent Auditors' Report

To the Members of the New York City Housing Development Corporation:

We have audited the accompanying combined balance sheet of the New York City Housing Development Corporation (the Corporation), as of October 31, 1998, and the related combined statements of revenues and expenses, changes in fund balances, and cash flows for the year then ended. These combined financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of October 31, 1998, and the results of its operations, the changes in its fund balances and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As described in note 2 to the combined financial statements, the Corporation adopted GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Pools."

The year 2000 supplementary information is not a required part of the combined financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the Corporation is or will become year 2000 compliant, that the Corporation's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Corporation does business are or will become year 2000 compliant.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

KPMG LLP

January 29, 1999

NYC Housing Development Corporation

Notes to the Combined Financial Statements

October 31, 1998 (Continued)

Description	Balance at Oct. 31, 1997	Issued	Retired	Balance at Oct. 31, 1998	AnnualDebt Service
(in thousands)					
(variable rates cover fiscal year 1998)					
Hospital Residence:					
1988 Series 1 MBIA Insured—5.6% to 7.5% Serial, Term and Capital Appreciation Bonds maturing in varying installments through 2017	$87,898	—	(87,898)	—	—
1993 Series A East 17th Street Properties—1.4% to 4.95% Variable Rate Term Bonds maturing in varying installments through 2023	36,000	—	(600)	35,400	1,893
1993 Series A Montefiore Medical Center—2.45% to4.2% Variable Rate Term Bonds maturing in varying installments through 2030	8,400	—	—	8,400	235
1998 Series 1 MBIA Insured Residential Revenue Refunding Bonds—2.51% to 4% Periodic Auction Reset Securities maturing in varying installments through 2017	—	103,300	—	103,300	3,247
Total Hospital Residence	$132,298	103,300	(88,498)	147,100	5,375
Residential Cooperative Housing:					
1990 Series A South Williamsburg Cooperative—7.9% Term Bonds maturing in varying installments through 2023	$ 6,655	—	(80)	6,575	608
1990 Series A South Bronx Cooperative—8.1% Term Bonds maturing in varying installments through 2023	6,405	—	(70)	6,335	587
1994 Series A Maple Court Cooperative—6.22% Term Bonds maturing in varying installments through 2027	12,330	—	(135)	12,195	901
1996 Series A Maple Plaza Cooperative—6.08%Term Bonds maturing in varying installments through 2029	16,750	—	—	16,750	1,018
Total Residential Cooperative Housing	$42,140	—	(285)	41,855	3,114
Total Bonds Payable Housing					

NYC Housing Development Corporation

Combined Balance Sheet

October 31, 1998 (with comparative combined totals as of October 31, 1998)
(in thousands)

	Housing Development Corporation Programs	Housing Assistance Corporation Programs	Housing New York Corporation Programs	Residential Mortgage Insurance Corporation Programs	Combined Total 1998	Combined Total 1997
ASSETS						
Cash	$ 5,177	1	4	2	5,184	246,273
Investments *(note 4)*	775,948	30,444	43,098	30,858	880,348	763,101
Total Cash and Investments	781,125	30,445	43,102	30,860	885,532	1,009,374
Receivables:						
Mortgage loans *(note 5)*	2,123,077	44,165	—	—	2,167,242	2,119,941
Accrued interest	12,355	1,624	—	—	13,979	15,146
Sale of mortgages	2,893	—	—	—	2,893	3,921
Other *(note 6)*	12,305	—	195,169	—	207,474	217,791
Total Receivables	2,150,630	45,789	195,169	—	2,391,588	2,356,799
Unamortized issuance costs	14,952	—	2,169	—	17,121	16,125
Due from (to) other funds	(3,384)	3,951	(8)	(559)	—	—
Fixed assets	658	—	—	79	737	359
Other assets *(note 5)*	26,805	—	—	5	26,810	28,082
Total Assets	$2,970,786	80,185	240,432	30,385	3,321,788	3,410,739
LIABILITIES AND FUND BALANCES						
Liabilities:						
Bonds payable *(note 7)*	$2,156,933	—	232,890	—	2,389,823	2,507,686
Net discount on bonds payable	(1,211)	—	(9,119)	—	(10,330)	(11,403)
Accrued interest payable	26,415	—	6,710	—	33,125	49,272
Payable to the City of New York *(note 9)*	121,797	76,969	822	—	199,588	205,297
Payable to mortgagors	126,089	—	—	—	126,089	128,439
Restricted earnings on investments	2,151	—	—	—	2,151	1,585
Accounts and other payables	1,397	—	—	196	1,593	1,307
Deferred fee and mortgage income	40,156	—	—	—	40,156	37,247
Due to the United States Government *(note 11)*	3,745	—	—	—	3,745	4,481
Total Liabilities	2,477,472	76,969	231,303	196	2,785,940	2,923,911
Fund balances:						
Restricted	342,000	3,216	8,032	30,189	383,437	383,328
Unrestricted	151,314	—	1,097	—	152,411	103,500
Total Fund Balances	493,314	3,216	9,129	30,189	535,848	486,828
Commitments and Contingencies *(notes 12 & 13)*						

(notes 12 & 13)						
Total Liabilities and Fund Balances	$2,970,786	80,185	240,432	30,385	3,321,788	3,410,739

See accompanying notes to the combined financial statements.

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NYC Housing Development Corporation

Combined Statement of Revenues and Expenses

October 31, 1998 (with comparative combined totals as of October 31, 1998)
(in thousands)

	Housing Development Corporation Programs	Housing Assistance Corporation Programs	Housing New York Corporation Programs	Residential Mortgage Insurance Corporation Programs	Combined 1998	Total 1997
REVENUES						
Interest on loans *(note 5)*	$128,231	—	—	—	128,231	130,243
Earnings on investments *(note 4)*	28,882	2,077	4,346	1,967	37,272	43,119
Fees and charges *(note 11)*	9,143	—	—	242	9,385	7,282
Other *(note 6)*	6	—	14,240	—	14,246	14,353
Total Revenues	166,262	2,077	18,586	2,209	189,134	194,997
EXPENSES						
Interest and amortization *(note 7)*	109,590	—	16,112	—	125,702	125,128
Salaries and related expenses	6,835	—	—	825	7,660	5,944
Services of New York City	335	—	—	—	335	335
Trustees' and other fees	2,003	—	77	30	2,110	1,408
Amortization of debt issuance costs	1,019	—	150	—	1,169	1,077
Corporate operating expenses (note 8)	1,626	—	—	102	1,728	1,319
Non-operating expenses *(note 9)*	1,410	—	—	—	1,410	1,195
Total Expenses	122,818	—	16,339	957	140,114	136,406
Excess of Revenues Over Expenses	43,444	2,077	2,247	1,252	49,020	58,591
Operating Transfers to Corporate Services Fund	177	—	—	(177)	—	—
Excess of Revenues Over Expenses after Operating Transfers	$43,621	2,077	2,247	1,075	49,020	58,591
Allocation of Excess of Revenues Over Expenses:						
Restricted fund balance	22,948	2,077	2,193	1,075	28,293	39,920
Unrestricted fund balance	20,673	—	54	—	20,727	18,671
Excess of Revenues Over Expenses	$43,621	2,077	2,247	1,075	49,020	58,591

Total Residential Cooperative Housing	$42,140	—	(285)	41,855	3,114
Total Bonds Payable Housing Development Corporation	$2,288,522	298,670	(414,423)	2,172,769	296,577

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NYC Housing Development Corporation

Combined Statement of Changes in Fund Balances

October 31, 1998 (with comparative combined totals as of October 31, 1998)
(in thousands)

	Housing Development Corporation Programs	Housing Assistance Corporation Programs	Housing New York Corporation Programs	Residential Mortgage Insurance Corporation Programs	Combined Total 1998	1997
RESTRICTED						
Balance at beginning of year	$347,236	1,139	5,839	29,114	383,328	330,355
Excess of revenues over expenses after Operating Transfers	22,948	2,077	2,193	1,075	28,293	39,920
Net transfers from (to) unrestricted fund balances	(28,184)	—	—	—	(28,184)	13,053
Balance at End of Year	342,000	3,216	8,032	30,189	383,437	383,328
UNRESTRICTED						
Balance at beginning of year	102,457	—	1,043	—	103,500	98,007
Excess of revenues over expenses after Operating Transfers	20,673	—	54	—	20,727	18,671
Distributions to New York City	—	—	—	—	—	(125)
Net transfers from (to) restricted fund balances	28,184	—	—	—	28,184	(13,053)
Balance at End of Year	151,314	—	1,097	—	152,411	103,500
Total Fund Balances at End of Year	$493,314	3,216	9,129	30,189	535,848	486,828

See accompanying notes to the combined financial statements.

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NYC Housing Development Corporation

Combined Statement of Cash Flows

October 31, 1998 (with comparative combined totals as of October 31, 1998)
(in thousands)

	Housing Development Corporation Programs	Housing Assistance Corporation Programs	Housing New York Corporation Programs	Residential Mortgage Insurance Corporation Programs	Combined 1998	Total 1997
Cash Flows From Operating Activitie						
Excess of revenues over expenses after operating transfers	$43,621	2,077	2,247	1,075	49,020	58,591
Net adjustments to reconcile excess of revenues over expenses to net cash provided by(used in) operating activities (note 2)	829	(3,743)	676	130	(2,108)	(11,041)
Changes in assets and liabilities:						
Net change in accrued bond interest payable	(16,147)	—	—	—	(16,147)	6,058
Net change in investment interest receivable	(100)	(1)	(205)	(908)	(1,214)	(1,769)
Net change in accrued earnings payable to mortgagors	1,410	—	—	—	1,410	1,003
Net change in accrued earnings payable to the City of New York	7,558	1,895	48	—	9,501	8,988
Net change in other assets	(42)	—	—	(4)	(46)	(23)
Net change in accounts and other payables	(323)	—	—	33	(290)	449
Net change in accrued mortgage and loan interest receivable	942	(170)	—	—	772	(839)
Net change in other receivables	900	—	—	—	900	415
Net change in receivable from Battery Park City	—	—	2,819	—	2,819	(8,608)
Net change in servicing fee receivable	(49)	—	—	—	(49)	19
Net transfers between programs	(277)	—	—	277	—	—
Net change in deferred bond refunding costs	(2,881)	—	—	—	(2,881)	(302)

refunding costs	(2,881)	—	—	—	(2,881)	(302)
Net change in due to the United States Government	453	—	—	—	453	382
Total Changes in Assets and Liabilities	(8,556)	1,724	2,662	(602)	(4,772)	5,773
Restricted earnings on investments	1,134	—	—	—	1,134	363
Loan principal payments received	48,293	—	—	—	48,293	32,364

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NYC Housing Development Corporation

Combined Statement of Cash Flows

October 31, 1998 (with comparative combined totals as of October 31, 1998)
(in thousands)

	Housing Development Corporation Programs	Housing Assistance Corporation Programs	Housing New York Corporation Programs	Residential Mortgage Insurance Corporation Programs	Combined 1998	Total 1997
Mortgage and loan advances	$(89,157)	—	—	—	(89,157)	(160,483)
Receipt of mortgagor and other escrows	183,120	—	—	—	183,120	225,753
Deferred commitment and financing fees	6,753	—	—	—	6,753	3,047
Disbursements of mortgagor escrows	(104,716)	—	—	—	(104,716)	(89,837)
Disbursements to the City of New York	(98,970)	(2,600)	—	—	(101,570)	(84,199)
Issuance costs	(4,561)	—	—	—	(4,561)	(1,904)
Other (Net)	(142)	—	—	—	(142)	(142)
Total Adjustments to Reconcile Excess of Revenues Over Expenses	(65,973)	(4,619)	3,338	(472)	(67,726)	(80,306)
Net Cash Provided by (Used In) Operating Activities	$(22,352)	(2,542)	5,585	603	(18,706)	(21,715)
Cash Flows From Non-Capital financing Activities						
Proceeds from sale of bonds	298,670	—	—	—	298,670	433,460
Retirement of bonds	(414,423)	—	—	—	(414,423)	(55,092)
Net Cash Provided by (Used In) Non-Capital Financing Activities	$(115,753)	—	—	—	(115,753)	378,368
Cash Flows From capital Financing Activities						
Purchase of fixed assets	(485)	—	—	(14)	(499)	(330)
Sale of fixed assets	4	—	—	—	4	—
Net Cash Provided by (Used In) Capital Financing Activities	$(481)	—	—	(14)	(495)	(330)
Cash Flows From Investing Activities						
Sale of investments, at cost	12,592,109	82,433	100,227	52,653	12,827,422	10,561,559
Purchase of investments	(12,694,609)	(79,890)	(105,812)	(53,246)	(12,933,557)	(10,672,223)
Net Cash Provided by (Used						

Net Cash Provided by (Used In) Investing Activities	$(102,500)	2,543	(5,585)	(593)	(106,135)	(110,664)
Increase (decrease) in cash	(241,086)	1	—	(4)	(241,089)	245,659
Cash at beginning of year	246,263	—	4	6	246,273	614
Cash at End of Year	$5,177	1	4	2	5,184	246,273

See accompanying notes to the combined financial statements.

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NYC Housing Development Corporation

Notes to the Combined Financial Statements

October 31, 1998 (Continued)

Description	Balance at Oct. 31, 1997	Issued	Retired	Balance at Oct. 31, 1998	Annual Debt Service
(in thousands)					
(variable rates cover fiscal year 1998)					
80/20:					
1984 Series A Carnegie Park Project—4.2% to 4.4% Variable Rate Bonds due upon demand through 2016	$ 64,800	—	(64,800)	—	—
1985 Series A Columbus Green Project—4.2% to 4.4% Variable Rate Bonds due upon demand through 2009	13,775	—	(13,775)	—	—
1985 Resolution 1 Parkgate Tower—2.75% to 4.3% Variable Rate Bonds due upon demand through 2007	39,065	—	(39,065)	—	—
1988 Series A Carnegie Park Project—4.25% to 4.45% Variable Rate Bonds due upon demand through 2016	2,000	—	(2,000)	—	—
1989 Series A Upper Fifth Avenue Project—2.45% to 4.25% Variable Rate Bonds due upon demand through 2016	10,000	—	—	10,000	314
1989 Series A Queenswood Apartments—2.45% to 4.9% Variable Rate Bonds due upon demand through 2017	11,600	—	—	11,600	325
1989 Series A Sheridan Manor Apartments—7.2% and 7.45% Term Bonds maturing in varying installments through 2008	9,445	—	(540)	8,905	1,232
1990 Series A Related-East 96th Street Project—3.6% Variable Rate Bonds due upon demand through 2015	104,600	—	(104,600)	—	—
1993 Series A Columbus Gardens Project—2.45% to 4.2% Variable Rate Bonds due upon demand through 2007	24,600	—	(400)	24,200	678
1993 Series A & B and 1995 Series A Manhattan Park—6.25% to 8% Term Bonds maturing in varying installments through 2030	160,225	—	(1,255)	158,970	11,801
1993 Series A Manhattan West Development—5.7% Term Bonds maturing in varying installments through 2036	141,735	—	—	141,735	8,079
1994 Series A James Tower Development—2.7% to 4.3% Variable Rate Bonds maturing in varying					

1994 Series A James Tower Development—2.7% to 4.3% Variable Rate Bonds maturing in varying installments through 2005	25,500	—	(700)	24,800	1,388
1994 Series A York Avenue Development—2.75% to 4.45% Variable Rate Bonds due upon demand through 2024	57,000	—	—	57,000	1,710
1994 Series A Tribeca Towers Development—3.6% to 3.95% Variable Rate Bonds maturing in varying installments through 2024	55,000	—	(55,000)	—	—

NYC Housing Development Corporation

Notes to the Combined Financial Statements

October 31, 1998 (Continued)

Description	Balance at Oct. 31, 1997	Issued	Retired	Balance at Oct. 31, 1998	Annual Debt Service
(in thousands)					
(variable rates cover fiscal year 1998)					
Housing Development Corporation					
Multi-Family Bond Programs:					
Section 223(f):					
Multi-Family Housing Bond Program—6.5% to 7.25% Bonds maturing in varying installments through 2019	$ 313,094	—	(6,530)	306,564	27,184
1991 Multi-Unit Mortgage Refunding Bond Program—4.4% to 7.35% Serial and Term Bonds maturing in varying installments through 2019	94,285	—	(1,820)	92,465	8,615
Total Section 223(f)	$ 407,379	—	(8,350)	399,029	35,799
Housing Revenue Bond Program:					
1993 Series A & B Bond Program—2.75% to 5.85% Serial and Term Bonds maturing in varying installments through 2026	$ 123,980	—	(2,125)	121,855	9,112
1994 Series A PLP Bond Program—8.4% and 8.95% Term Bonds maturing in varying installments through 2025	6,265	—	(215)	6,050	761
1995 Series A Multi-family Housing Revenue Bond Program—3.5% to 5.6% Serial Bonds maturing in varying installments through 2007	43,775	—	(3,565)	40,210	15,728
1996 Series A Multi-family Housing Revenue Bond Program—3.6% to 5.625% Serial and Term Bonds maturing in varying installments through 2012	212,465	—	(9,970)	202,495	20,721
1997 Series A & B Multi-Family Housing Revenue Bond Program—3.7% to 5.875% Serial and Term Bonds maturing in varying installments through 2018	25,265	—	(385)	24,880	1,887
1997 Series C Multi-family Housing Revenue Bond Program—6.73% Term Bonds maturing in varying installments through 2011	30,000	—	—	30,000	2,724
1998 Series A Multi-family Housing Revenue Bond Program—6.84% Term Bonds maturing in varying installments through 2030	—	57,800	—	57,800	3,734
1998 Series B Multi-family Housing Revenue Bond Program—3.75% to 5.25% Serial and Term Bonds					

1998 Series B Multi-Family Housing Revenue Bond Program—3.75% to 5.25% Serial and Term Bonds maturing in varying installments through 2031	—	21,380	—	21,380	720
Total Housing Revenue Bond Program	$ 441,750	79,180	(16,260)	504,670	55,387

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NYC Housing Development Corporation

Notes to the Combined Financial Statements

October 31, 1998 (Continued)

Description	Balance at Oct. 31, 1997	Issued	Retired	Balance at Oct. 31, 1998	Annual Debt Service
(in thousands)					
(variable rates cover fiscal year 1998)					
80/20:					
1984 Series A Carnegie Park Project—4.2% to 4.4% Variable Rate Bonds due upon demand through 2016	$ 64,800	—	(64,800)	—	—
1985 Series A Columbus Green Project—4.2% to 4.4% Variable Rate Bonds due upon demand through 2009	13,775	—	(13,775)	—	—
1985 Resolution 1 Parkgate Tower—2.75% to 4.3% Variable Rate Bonds due upon demand through 2007	39,065	—	(39,065)	—	—
1988 Series A Carnegie Park Project—4.25% to 4.45% Variable Rate Bonds due upon demand through 2016	2,000	—	(2,000)	—	—
1989 Series A Upper Fifth Avenue Project—2.45% to 4.25% Variable Rate Bonds due upon demand through 2016	10,000	—	—	10,000	314
1989 Series A Queenswood Apartments—2.45% to 4.9% Variable Rate Bonds due upon demand through 2017	11,600	—	—	11,600	325
1989 Series A Sheridan Manor Apartments—7.2% and 7.45% Term Bonds maturing in varying installments through 2008	9,445	—	(540)	8,905	1,232
1990 Series A Related-East 96th Street Project—3.6% Variable Rate Bonds due upon demand through 2015	104,600	—	(104,600)	—	—
1993 Series A Columbus Gardens Project—2.45% to 4.2% Variable Rate Bonds due upon demand through 2007	24,600	—	(400)	24,200	678
1993 Series A & B and 1995 Series A Manhattan Park—6.25% to 8% Term Bonds maturing in varying installments through 2030	160,225	—	(1,255)	158,970	11,801
1993 Series A Manhattan West Development—5.7%Term Bonds maturing in varying installments through 2036	141,735	—	—	141,735	8,079
1994 Series A James Tower Development—2.7% to 4.3% Variable Rate Bonds maturing in varying installments through 2005	25,500	—	(700)	24,800	1,388
1994 Series A York Avenue Development—2.75% to4.45% Variable Rate Bonds due upon demand through 2024	57,000	—	—	57,000	1,710
1994 Series A Tribeca Towers Development—3.6% to 3.95% Variable Rate Bonds maturing in varying installments through 2024	55,000	—	(55,000)	—	—

varying installments through 2024	55,000	—	(55,000)	—	—

NYC Housing Development Corporation

Notes to the Combined Financial Statements

October 31, 1998 (Continued)

Description	Balance at Oct. 31, 1997	Issued	Retired	Balance at Oct. 31, 1998	Debt Service
(in thousands)					
(variable rates cover fiscal year 1998)					
1995 Series A Columbus Apartments Development—2.45% to 4.25% Variable Rate Bonds maturing in varying installments through 2025	$ 23,070	—	(200)	22,870	928
1995 Series A & B Jane Street Development—2.7% to 6% Variable Rate Bonds maturing in varying installments through 2030	18,675	—	(18,675)	—	—
1995 Series A-1, A-2 & B 400 West 59th Street Development—2.5% to 5.95% Variable Rate Bonds due upon demand through 2030	136,800	—	—	136,800	137,376
1996 Series A Barclay Avenue Development—5.75% to 6.6% Term Bonds maturing in varying installments through 2033	5,620	—	(20)	5,600	413
1996 Series A & B West 43rd Street Development—2.5% to 5.9% Variable Rate Bonds due upon demand through 2029	55,070	—	—	55,070	1,701
1996 Series A West 89th Street Development—2.55%to 4.35% Variable Rate Bonds due upon demand through 2029	53,000	—	—	53,000	1,510
1996 Series A 400 West 59th Street Development—2.7% to 4.3% Variable Rate Bonds due upon demand through 2030	13,200	—	—	13,200	13,252
1997 Series A Related-Columbus Green Project—2.45% to 4.25% Variable Rate Bonds due upon demand through 2019	13,775	—	—	13,775	379
1997 Series A Related-Carnegie Park Project—2.45% to 4.25% Variable Rate Bonds due upon demand through 2019	66,800	—	—	66,800	1,904
1997 Series A Related-Monterey Project—2.45% to 4.25% Variable Rate Bonds due upon demand through 2019	104,600	—	—	104,600	2,877
1997 Series A Related-Tribeca Tower Project—2.5% to 4.3% Variable Rate Bonds due upon demand through 2019	55,000	—	—	55,000	1,540
1997 Series A Hughes Avenue Project—2.7% to 4.45% Variable Rate Bonds due upon demand through 2029	—	4,900	—	4,900	4,945
1997 Series A Vermont School Project—2.5% to 4.3% Variable Rate Bonds due upon demand through 2029	—	5,000	—	5,000	155
1997 Series A West 115th Street Project—2.7% to 4.45% Variable Rate Bonds due upon demand through 2029	—	600	—	600	604

1997 Series A West 115th Street Project—2.7% to 4.45% Variable Rate Bonds due upon demand through 2029	—	600	—	600	604

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NYC Housing Development Corporation
Notes to the Combined Financial Statements
October 31, 1998 (Continued)

Description	Balance at Oct. 31, 1997	Issued	Retired	Balance at Oct. 31, 1998	Annual Debt Service
(in thousands)					
(variable rates cover fiscal year 1998)					
1997 Series A Frederick Douglass Project—2.7% to 4.45% Variable Rate Bonds due upon demand through 2029	$ —	600	—	600	604
1997 Series A Third Avenue Project—2.7% to 4.45% Variable Rate Bonds due upon demand through 2029	—	2,500	—	2,500	78
1997 Series A Lenox Avenue Project—2.7% to 4.45% Variable Rate Bonds due upon demand through 2029	—	1,700	—	1,700	53
1997 Series A Tompkins Court Project—2.5% to 4.3% Variable Rate Bonds due upon demand through 2029	—	7,100	—	7,100	213
1997 Series A Gerard Court Project—2.5% to4.3% Variable Rate Bonds due upon demand through 2029	—	8,100	—	8,100	243
1997 Series A River Court Project—2.5% to 4.3% Variable Rate Bonds due upon demand through 2029	—	8,100	—	8,100	243
1998 Series A & B Jane Street Development—3% to 5.5% Variable Rate Bonds due upon demand through 2028	—	17,875	—	17,875	568
1998 Series A Crotona Avenue Project—3% to 4.1% Variable Rate Bonds due upon demand through 2030	—	6,200	—	6,200	186
1998 Series A Related-Second Avenue Project—3.1% to 4.1% Variable Rate Bonds due upon demand through 2030	—	3,800	—	3,800	118
1998 Series A Hoe Avenue Project—3.1% to 3.35% Variable Rate Bonds due upon demand through 2030	—	2,200	—	2,200	67
1998 Series A Vyse Avenue Project—3.1% to 3.35% Variable Rate Bonds due upon demand through 2030	—	900	—	900	27
1998 Series A Macombs Place Project—3% to 3.5% Variable Rate Bonds due upon demand through 2030	—	3,300	—	3,300	100
1998 Series A & B Parkgate Development Project—2.95% to 5.2% Variable Rate Bonds due upon demand through 2028	—	37,315	—	37,315	1,119

2.[illegible]% to 3.2% Variable Rate Bonds due upon demand through 2028	—	37,315	—	37,315	1,119
1998 Series A Jennings Street Project—3.1% Variable Rate Bonds due upon demand through 2030	—	6,000	—	6,000	172
Total 80/20	$1,264,955	116,190	(301,030)	1,080,115	196,902

NYC Housing Development Corporation

Notes to the Combined Financial Statements

October 31, 1998 (Continued)

Housing Revenue Bond Program
Schedule of Balance Sheet Information
October 31, 1998 and 1997

(in thousands)	1998	1997
ASSETS		
Cash and investments	$211,756	130,326
Mortgage loan receivable	486,482	492,606
Accrued interest receivable	1,929	1,944
Other receivables	2	—
Unamortized issuance cost	4,029	3,786
Due (to) from other funds	(6,489)	(1,230)
Other assets	24	19
Total Assets	$697,733	627,451
LIABILITIES		
Bonds payable (including deferred bond refunding cost)	497,120	433,219
Discount on bonds payable	(1,211)	(1,349)
Accrued interest payable	13,606	10,976
Payable to New York City	6,032	11,703
Deferred fee and mortgage income	9,869	9,200
Due to the United States	3,654	4,334
Due to mortgagors	1,847	1,717
Total Liabilities	$530,917	469,800
FUND BALANCES		
Restricted	166,816	157,651
Total Fund Balances	$166,816	157,651
Total Liabilities and Fund Balances	$697,733	627,451

Housing Revenue Bond Program
Schedule of Revenues and Expenses
October 31, 1998 and 1997

(in thousands)	1998	1997
REVENUES		
Interest on loans	$ 39,982	39,284
Earnings on investments	9,715	5,269
Fees and charges	1,712	843
Total Revenues	$ 51,409	45,396
EXPENSES		
Interest and amortization	26,505	22,528
Services of New York City	335	335
Trustee and other fees	74	117
Amortization of debt issuance costs	392	381
Non-operating expenses	93	83
Total Expenses	$ 27,399	23,444
Excess of Revenues Over Expenses Before Operating Transfers	$ 24,010	21,952
Operating transfers	(939)	(502)
Excess of Revenues Over Expenses After Operating Transfers	$ 23,071	21,450
Fund Balance at Beginning of Year	$157,651	148,587

Excess of Revenues Over Expenses After Operating Transfers	$ 23,071	21,450
Fund Balance at Beginning of Year	$157,651	148,587
Net fund balance transfers between programs	(13,906)	(12,386)
Fund Balance at End of Year	$166,816	157,651

See accompanying independent auditors' report.

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