GROWTH 04

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
2004 ANNUAL REPORT

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HOUSING DEVELOPMENT CORPORATION
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SUBMITTED TO

Honorable Michael R. Bloomberg, Mayor
Honorable William C. Thompson, Jr., Comptroller
Honorable Mark Page, Director of Management and Budget

SUBMITTED BY

The President, Chairperson and Members of the New York City Housing Development Corporation

(pictured on front cover)
UPPER EASTSIDE TOWERS
1766-70 First Avenue (and 408 92nd St.)
Manhattan, 261 Units (Tax Exempt 80/20)

NEW YORK IS A DYNAMIC CITY OF DISTINCT

NEIGHBORHOODS,

each with unique characteristics and

NEEDS

But whatever the differences, they all deserve equal access to

QUALITY HOUSING.

WE DEDICATE OURSELVES TO THIS MISSION.

WE STAND FOR | GROWTH

HDC is the nation's number one issuer of bonds for affordable housing. In 2004, we issued an unprecedented $1.1 billion in bonds.

For our City, this translates into the creation and preservation of affordable housing for thousands of New Yorkers. It's more than just housing though, these are homes where our city's children grow up, and these are homes that strengthen and stabilize communities. HDC's financing allows this to become reality across New York City, from lower Manhattan to the Bronx; from East New York, Brooklyn to Jamaica, Queens; to Staten Island. HDC is there making the City stronger by financing more housing opportunities.

Investment in affordable housing is the one true anchor for the City and ensures its long-term viability. Mayor Michael R. Bloomberg made an unparalleled commitment to affordable housing with *The New Housing Marketplace: Creating Housing for the Next Generation*. This past year marked the beginning of this initiative to create and preserve 65,000 apartments by 2008. Much of HDC's growth this past year can be attributed to our portion of fulfilling the administration's plan. As you read this year's annual report, a story will unfold revealing to you the ingredients that made HDC number one in the country for financing affordable housing. You will also see the other side of this story, the communities that are growing and thriving as a result of our commitment.

RIVERBEND
2289 Fifth Avenue
Manhattan, 622 Units (Mitchell-Lama Program)

GROWTH | 2004 AND BEYOND

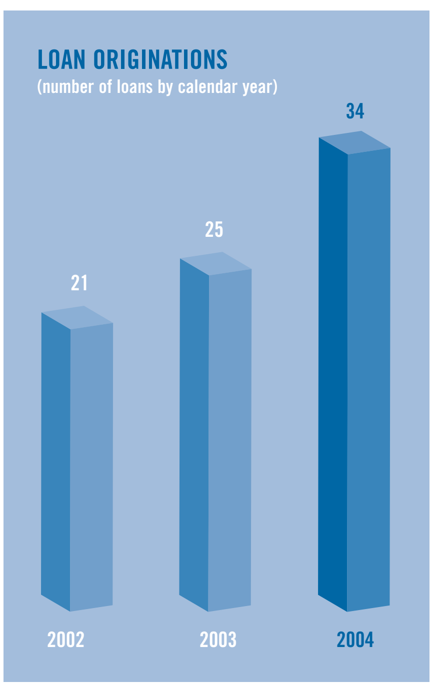
REPORT OF THE PRESIDENT AND CHAIRMAN EMILY A. YOUSSOUF AND SHAUN DONOVAN

On behalf of the Members of the New York City Housing Development Corporation, we are pleased to report fiscal year 2004 was the most successful year in the Corporation's history. At HDC, success is defined in many ways.

A YEAR OF NEW BEGINNINGS

Throughout the year HDC achieved targets that were unthinkable just three years ago, propelling the Corporation into a new and exciting era—an era that commenced when Mayor Michael R. Bloomberg released *The New Housing Marketplace: Creating Housing for the Next Generation*. This is a $3 billion plan that envisions the creation and preservation of 65,000 units of affordable housing over a five-year period, the most aggressive affordable housing commitment the City has made in two decades. HDC is a key component of this plan and we have extended our reach by expanding program offerings and applying our full range of talent and expertise toward creating innovative financing strategies to make the Mayor's plan a reality.

In July 2003, the plan officially kicked off. By the time HDC's 2004 fiscal year started, we were just getting into the throes of carrying out our commitment of financing 17,000 apartments. At the same time, the Corporation was still going through a period of transition. A new president was appointed, and in the following weeks other vacant senior management positions were filled. A Chief Financial Officer, General Counsel, and Chief of Staff were among the new executives joining the HDC team. Almost immediately, the Corporation's experienced staff merged with this new leadership and together established new standards for financing affordable housing. By the end of the year, our expansion into new areas resulted in our financial assets and transaction volume growing to unprecedented levels. We also find ourselves well along the path toward exceeding our original target; over 8,000 apartments have already been created or preserved.



A YEAR OF NEW CHALLENGES

Over the past several years we have built a tremendous record of success. Our programs, coupled with the City's plan to transfer vacant land and buildings to affordable housing developers, has begun to alleviate the prevailing housing shortage.

The success of these efforts has altered the challenges facing the construction of affordable housing. Disinvestment that once plagued production has been replaced with robust investment, citywide. Now we are combating the high cost of land, the general lack of available land, and the escalating cost of construction. These elements have forced HDC to be more innovative in finding market-based solutions.

A YEAR OF FIRSTS

In 2004, we faced these new challenges head-on and as a result, some very notable accomplishments emerged. Throughout the year we embraced new opportunities and launched new financing programs:

- Mitchell-Lama Preservation Program
- Cooperative Homeownership Program

We also have several developments representing a series of firsts for the City:

- 50/30/20 Mixed-income development
- 80/20 development in Brooklyn
- 50/30/20 Mixed-income development in Brooklyn
- Military Housing development

Each of these new programs and initiatives were developed in response to marketplace demands. The Mitchell-Lama Preservation program evolved from the realization that the best way to ensure that affordable housing remains a resource in the future is by guaranteeing its existence today.

The Mitchell-Lama program was legislated in 1950 by the State as a means to create affordable housing. Today, the buildings located throughout the City are physically aging, and as the law was written, the statute protecting the affordable rents is expiring. Given the tight housing market, the potential of losing tens of thousands of units would be detrimental. The affordability of this housing, as well as its physical preservation, was made a priority in the Mayor's housing plan.

Through the plan, HDC originally made a $50 million commitment to provide repair loans to owners of developments in the most need of capital improvements. This financing would be able to fund repairs for approximately 7,000 apartments. During 2004, HDC was able to create a more comprehensive preservation program worth $400 million, with the potential to preserve a majority of the 27,000 apartments in our portfolio. This initiative includes a repair loan program, as well as a mortgage restructuring program to lower existing interest rates and level monthly payments. The owners that choose to opt-in to either of these programs are required to keep the apartments affordable. By the end of the year, more than 8,000 apartments were preserved through these initiatives.

The Cooperative Homeownership Program was developed as we explored new financing avenues that would require less of our limited corporate reserves while constructing more of these developments. After much deliberation with commercial lenders, a new program was created from collaboration with the Bank of America (BOA). Through this partnership, BOA is providing a $100 million revolving commitment to be used as a forward purchase of our taxable bonds. This offers a more attractive financing package to developers, while significantly decreasing the amount needed from our corporate reserves. Additionally, with the start of this program we substituted bonds for corporate reserve financing previously provided for other such developments. This allowed us to recapture $10 million which we will re-lend for new developments.

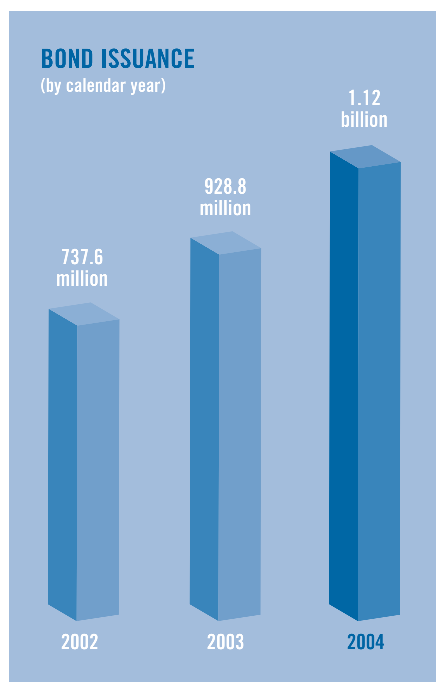
In addition to these new offerings, our existing programs also reached new achievements. We celebrated the opening of the City's first 50/30/20 development financed through our Mixed-Income Program, which combines the use of tax-exempt bonds with corporate reserves. The Aspen, located at 1955 First Avenue in East Harlem, opened its 234 apartments to economically diverse residents. Developments created through this program mix market-rate apartments with those reserved for low and middle-income tenants. Since the program's inception 24 months ago, three other developments were financed.

In the first quarter of the fiscal year, we provided $92.7 million in tax-exempt bond financing for the Court House, which is the first 80/20 development to be constructed in Brooklyn. This investment then paved the way for the first mixed-income development in Brooklyn, State Renaissance, located just a few blocks away.

Another new opportunity came about to creatively use HDC's financing. Recent changes made by the federal government allow private funds to be used to pay for military housing. The Corporation's ability to access the private market made us a strong candidate to team up with the Department of Defense to finance new housing for the servicemen and women stationed at Fort Hamilton in Bay Ridge, Brooklyn. We issued $47.5 million in taxable bonds to finance a loan for the new construction and partial rehabilitation of 228 apartments. As the only active military base in the New York metropolitan area, we are hopeful, based in part on our financial commitment, Fort Hamilton will remain an active base for the foreseeable future.

A YEAR OF ACHIEVEMENT

Our growth and achievement has been notable for the Corporation, and nationally, our efforts have been recognized to be used as a standard for housing organizations



across the country. This past year, our Mixed-Income Program received accolades from the National Council of State Housing Agencies (NCSHA) by being presented with the Award of Excellence for creating an innovative way to encourage new affordable housing construction.

Beyond our peers, HDC-financing also continues to be endorsed by investors. In 2004, we issued over $1.1 billion for affordable housing. As a result, one of the most significant accomplishments for the year was being ranked the nation's number one issuer of bonds for affordable, multifamily housing. In other words, we issued more bonds for housing initiatives in the five boroughs alone, than any state in the country. The market continues to have confidence in our financial strength and capacity to handle this amount of issuance; HDC remains the only local housing finance agency with a AA-rating.

A YEAR OF FINANCIAL GROWTH

Fiscally, HDC experienced a year of unparalleled growth. Aside from issuing the largest amount of bonds in its history, HDC had an increase in bonding authority. Since 2000, the amount of bonds we were allowed to have outstanding has doubled. We were authorized to have just over $2 billion outstanding but, with the increased interest in our programs and the confidence the market has in purchasing our bonds, we are now authorized to have $4.8 billion outstanding and we will be asking for even more this year.

Following provides financial highlights:

- $1.15 billion in bonds issued
- $899 million issued for new mortgages
- Total assets reached $5.3 billion
- Cash and investments total $1.51 billion
- Mortgages and notes total $3.74 billion

PREPARING FOR FUTURE GROWTH

The unprecedented growth HDC experienced this year goes beyond assets, it also grew in responsibility and workload. To better position the organization for the future and to adequately handle the new workload, our number of employees has grown.

We have also made several other internal adjustments. Nowhere is this better seen than in our MIS department. There was concern about how processes within this area functioned and we wanted to ensure our systems were efficient to grow with us into the future. An in-depth review was conducted, with consultation from Profit Solutions Associates, Inc., and our auditor, Ernst & Young. The findings suggested new ways to improve functionality, security, and data integrity.

A new plan of upgrades and enhancements were put into place based on the findings, which we are now in the process of implementing. Some improvements include an automated corporate history so management in the future will have a better sense of what has gone on in the corporation. All data will be centralized, organized and managed within one system. This eliminates duplicate efforts and erroneous data, while fostering a process that allows for consistent reporting, risk control, information availability and accountability.

New internal oversight protections were implemented, beginning with the creation of a Credit Risk department headed by a Chief Credit Officer. This department reviews the feasibility of each loan prior to financing. Additionally, it is responsible for monitoring the investment portfolio of the Corporation, providing an ongoing analysis of its overall credit risk. In conjunction with this department was the creation of an internal credit committee. This committee is made up of senior management, and approves all transactions at both the initial feasibility stage and then final sign-off prior to their presentation to the Members for approval. The Credit Risk department also monitors counterparty credit risks and concentration criteria.

The Asset Management department made significant changes to provide more oversight of our new, growing portfolio, as well as putting in place protections to monitor our aging portfolio. A Problem Projects Committee was formed by senior management to facilitate early intervention of projects with potential problems. Additionally, an assessment of the financial health of each property is also performed, including a thorough roof-to-boiler inspection conducted annually by HDC engineers.

A NEW ERA OF GROWTH

This era of unprecedented growth for the Corporation is poised to continue for some time. Our mission of providing viable financing options to the marketplace for the construction and preservation of affordable housing has never been more clear. Given our strong balance sheet, efficient access to the capital market, our dedicated staff and wide variety of financing alternatives within HDC, there is every reason to believe the coming year will be equally as productive. We are proud of our accomplishments in leading the nation in many different categories, but, we know there is still much more to be done. We strive to meet every challenge that presents itself, and never waver in our mission of creating or preserving affordable housing in New York City.

63 WALL STREET
Manhattan, 476 Units
(Liberty Bond Program)


CREST
CRESTRENTALS.COM
LUXURY RENTALS
WALL

COURTHOUSE
125 Court Street
Brooklyn, 326 units (80/20 Program)

HDC CONTINUES ITS COMMITMENT TO

DEVELOP

creative & innovative

means to preserve and enhance

QUALITY

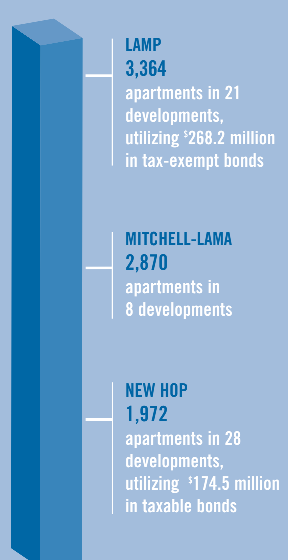
and affordable housing

FOR THE CITIZENS OF NEW YORK CITY

GROWTH | BUILDING COMMUNITIES

FOCUS ON COMMUNITY DEVELOPMENT

NUMBER OF APARTMENTS FINANCED
(Since the start of the Plan through 2004)



GROWING COMMUNITIES THROUGH NEW CONSTRUCTION.

Affordable quality housing brings to neighborhoods more than just the brick and mortar. These developments are the catalyst to even greater development, further strengthening and growing communities. For every individual and family moving into new housing, an inherent demand for basic services is generated, attracting new businesses to the area as well.

All of this is taken into consideration when new development is conceived. Many HDC-financed developments include retail and community space. Some of our developments include supermarkets, pharmacies, video rental stores, dry cleaners, coffee shops, and even a baseball field. This is a powerful combination that enhances development and allows communities to prosper.

In 2004, the new developments completing construction also opened up many retail stores. The Aspen, the City's first 50/30/20 mixed-income development, is a mixed-use building which includes both retail and community areas. A clothing store and pharmacy have opened in the retail space, with Harlem RBI, a non-profit inner-city baseball organization, occupying the community space. In addition, the City and developers worked with Harlem RBI to construct a new state-of-the-art baseball field, known as "Field of Dreams." Located behind the Aspen, the activity on the field can actually be enjoyed by tenants from the building's second floor exterior courtyard.

In Central Harlem, a bustling community has taken shape between West 120th and West 116th Streets on Frederick Douglass Boulevard. Now a distant memory, this area had more abandoned buildings and vacant land than it did functional developments. Over the past few years steady investment replaced this derelict area with new buildings, bringing many new people to the area. HDC alone has provided financing in this corridor for over 1,000 apartments. With all of these new residents, new stores began opening up as well. A Rite Aid is now occupying groundfloor space of The Douglass at 279 West 117th Street. Diagonally across Frederick Douglass Boulevard is The Larkspur, which is opening up to residents this coming fall, and will also open an organic grocery store.

Over the past two years 200 newapartments have opened up in the Bradhurst Section of Harlem, on West 145th Street spanning between Edgecombe and Bradhurst Avenues. These developments have brought many new residents to the area, with even more development currently underway. The lack of establishments located near here to buy groceries provided the perfect opportunity to plan the construction of a PathMark supermarket in conjunction with one of the HDC-financed developments, Bradhurst Court.

A YMCA is also planned and under construction in downtown Brooklyn in the Court House, an HDC-financed 80/20 development, located at 125 Court Street. Residents of this 324-unit building will enjoy a free membership to this recreational facility. This space encompasses 40,000 square feet with a 6-lane swimming pool, full-size basketball court, health and fitness center, childcare, and youth and senior programs, all of which will be open to the public.

YORKSIDE TOWERS II
89-44 162nd Street
Queens, 90 Units (New Hop)

"At the end of 2004, only 18 months into this 5-year plan, we were already well on our way to meeting our commitment— more than 8,000 apartments have been financed."

PALACIO DEL SOL
760 Melrose Avenue & East 156th Street
Bronx, 110 Units (LAMP)

962 ALDUS STREET
Bronx, 164 Units (LAMP)

THE NEW HOUSING MARKETPLACE: CREATING HOUSING FOR THE NEXT GENERATION

New York City continues to be the world's second home and a magnet for people wanting a better life with more opportunities for themselves and their children. This contributes to the one constant characteristic of its marketplace — the steady rise in population that ultimately adds to the City's persistent housing shortage.

Historically, the City has endured a tight housing market. In fact, in 1949 a popular author, E.B. White, wrote about New York's affordable housing and said, "thousands of new units are still needed and will eventually be built." These words echoed the sentiments and demands of New York City residents. Now, more than half a century later, this notion still applies. The difference today, is that the positive changes occurring in the marketplace are bringing about a new host of challenges. The biggest factor shaping this new world of affordable housing is that the amount of available land to build on has decrease dramatically. Nowhere is this better illustrated than with the City's current stock of in-rem inventory. Twenty-five years ago, the City held over 100,000 apartments, and now it's down to just 3,000.

Given that government resources are becoming more constrained, the need to increase the involvement of the private market is exceedingly important. Acknowledging these changes in the marketplace, Mayor Bloomberg initiated a very aggressive housing agenda encouraging the use of innovative strategies to produce and protect affordable housing throughout the five boroughs.

This makes HDC's financing strategies the perfect accessory to *The New Housing Marketplace* initiative. For HDC's 34-year history, we have relied solely on accessing the private market for financing affordable housing. Our programs have changed and evolved over time, but the foundation of issuing bonds to raise the funds to provide developers attractive financing options is always present.

INNOVATIVE FINANCING

HDC committed $500 million of corporate reserves to create and preserve 17,000 apartments under this plan. We are continuing the tradition of inventing new ways of combining tax-exempt and taxable bonds with our corporate reserves. This ensures that not only are we offering programs that developers want to use, but we are also providing a range of affordability for tenants. Our programs extend across a wide economic spectrum, covering a range that begins at approximately $20,000 and goes up to $125,000 for a family of four.

Under the Mayor's plan, HDC's Low-Income Affordable Marketplace Program (LAMP) and middle-income New Housing Opportunities Program (New HOP) is utilizing $450 million of corporate reserves to finance low and middle-income housing. The corporate reserves are used as second mortgage loans at 1% interest, leveraging the first mortgages made through the sale of bonds. The remaining $50 million is financing the Mitchell-Lama repair loan program.

At the end of 2004, only 18 months into the 5-year plan, we were already well on our way to meeting our commitment—more than 8,000 apartments have been financed. Following is the status of where we were by the end of 2004, with our commitment to *The New Housing Marketplace*.

PLAN UPDATE

Low-Income Affordable Marketplace Program

LAMP combines the use of tax-exempt bonds and corporate reserves to make a low-cost financing option to create and preserve low-income housing. At the end of 2004, HDC used its corporate reserves to leverage $268.2 million in tax-exempt bonds. Since the start of the plan, this was used to create 3,364 apartments in 21 developments.

New Housing Opportunities Program

Combining the use of taxable bonds and corporate reserves, New HOP finances middle-income housing. Since the start of the plan, this program has financed 1,972 apartments in 28 developments, leveraging $174.5 million in taxable bonds. Also included in this number is the units financed in mixed-income and cooperative developments.

Mitchell-Lama Repair Loan Program

Major capital improvements have been financed for developments demonstrating the greatest need. At the end of 2004, 2,870 apartments in eight developments have been structurally preserved, and the affordability maintained.

"FIELD OF DREAMS"
Located behind the Aspen (1955 First Avenue)
As part of this development, the City and developers worked with Harlem RBI to construct a new state-of-the-art baseball field, known as "Field of Dreams." Located behind The Aspen, the activity on the field can be enjoyed by tenants from the building's second floor exterior courtyard.

GROWTH | STRENGTHENING COMMUNITIES

FOCUS ON HOMEOWNERSHIP DEVELOPMENT

Homeownership plays a vital role in strengthening communities. It acts as an anchor and provides a level of security for the long-term economic outlook of a neighborhood. Above all, being able to own a home is the ultimate American Dream. In New York City, it is something that we strive to produce, even though it's not necessarily synonymous with affordable housing. This year, HDC set out to change that by initiating a program aimed at increasing the production of cooperative homeownership developments.

Although a formal program did not previously exist, HDC did finance a few cooperative developments, however, the financing used placed significant pressures on our limited corporate reserves. Typically, co-op developments require twice the amount of corporate reserves needed for a rental building.

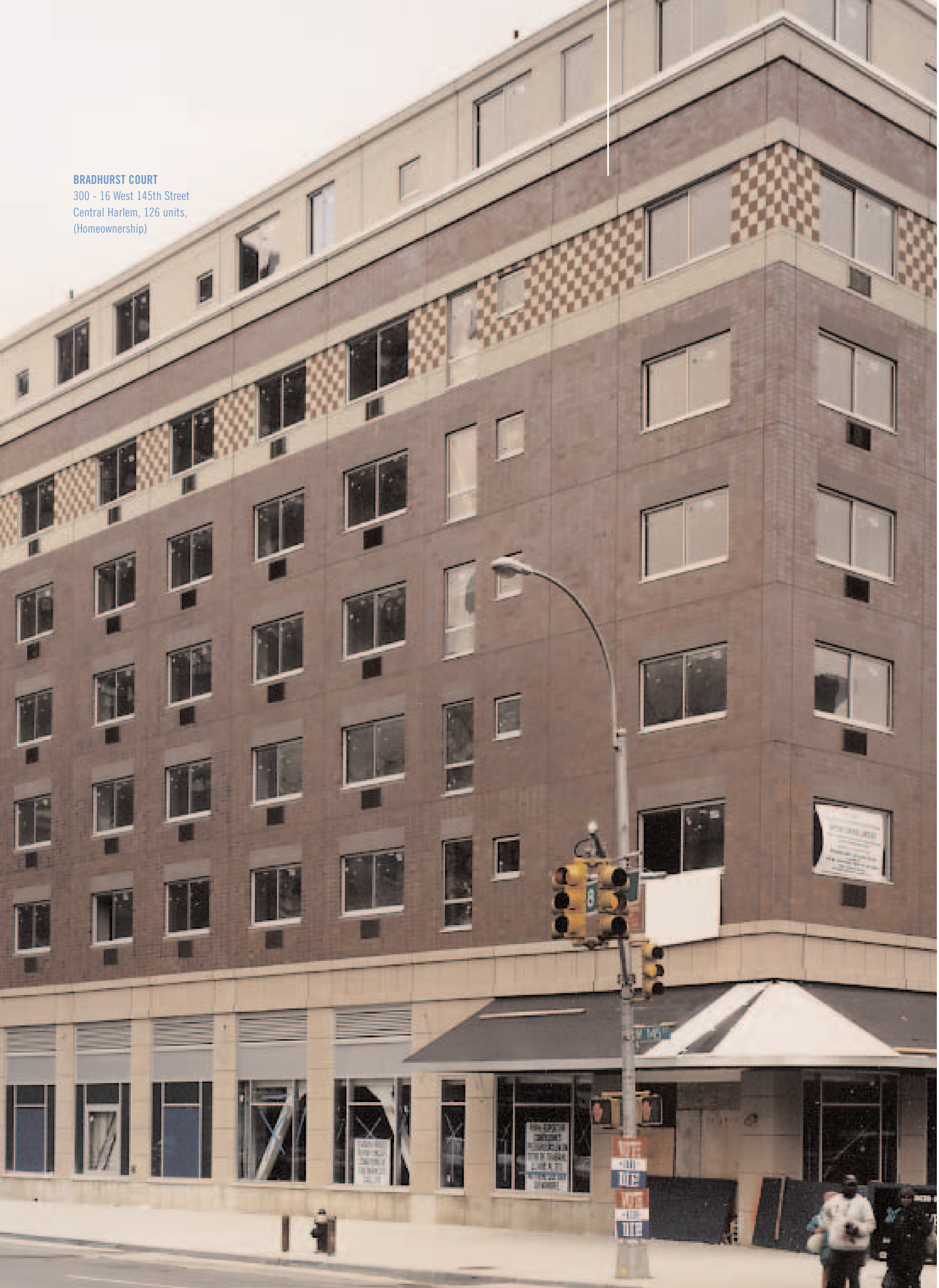
At the end of 2004, HDC launched a joint initiative with the Bank of America (BOA) for a program enabling our resources to go farther while offering an attractive financing option to developers. The Cooperative Homeownership Program includes a $100 million revolving commitment from the BOA which will be applied as a forward commitment to purchase taxable bonds from HDC at the point of construction.

Upon construction completion, HDC will finance the underlying mortgage from these fixed-rate bond proceeds, along with a 1% interest loan. The long-term nature of this loan allows developers to pay-off other costs and make a profit while keeping sales prices affordable.

We also used this financing to replace our corporate reserves used on existing co-op mortgages. This returned $10 million, giving us the flexibility to re-lend this money for other affordable housing developments.

By summer 2005, we expect to close on the first cooperative development utilizing this financing. The development, The Sutton, will be newly constructed in the Bradhurst Section of Harlem, around the corner from the Pathmark Supermarket. We have at least two others in the pipeline that are also expected to close.

PATHMARK AT BRADHURST COURT-HARLEM
New housing spurs other economic development in communities. In Bradhurst Court, an HDC-financed cooperative development, a new Pathmark opened for the residents in this up-and-coming Harlem neighborhood. This development and the Hamilton brought 200 new apartments to market over the past two years, with at least two more developments currently underway. This store is providing a fundamental service to this growing area.



BRADHURST COURT
300 - 16 West 145th Street
Central Harlem, 126 units,
(Homeownership)

GROWTH | PRESERVING COMMUNITIES

FOCUS ON PROTECTING HOUSING RESOURCES

TRI-FAITH APARTMENTS
1646 First Avenue
Manhattan, 147 Units (Mitchell-Lama Program)

MITCHELL-LAMA PRESERVATION PROGRAM

Preserving affordable housing that currently exists throughout the City is essential to ensuring it remains a resource for the next generation of New Yorkers. Preservation takes on many different roles. It can be anything from system upgrades and physical improvements, to new appliances and security systems for the tenants. It also means preserving affordability.

In 2004, HDC took unprecedented steps toward protecting the City's affordable housing that was created many decades ago through the State-enacted Mitchell-Lama program.

For many years policy-makers contemplated ways to protect the middle-income housing constructed through this state-wide program. In the City alone, more than 140,000 co-op and rental apartments were constructed.

The growing concern of protecting the affordability of this housing was heightened as the developments began nearing the end of the term precluding privatization. Under the Mitchell-Lama statute, owners are permitted to buy out of the program after 20 years by paying off their government mortgages. Owners can then increase rents to market levels if no other protections are in place. This is a very real threat confronting tens of thousands of hard-working New Yorkers with the possibility of being priced out of their homes.

$50 Million Repair Loan Program

As part of the overall preservation of this housing, HDC began offering owners and co-op boards repair loans in order to make needed capital improvements. For this program, $50 million of our corporate reserves are being used to make these loans. By the end of 2004, over 2,870 apartments were preserved through this effort. By utilizing this financing, owners agree to maintain the affordability for a minimum of 10 years.

Mortgage Refinancing Program

The second part of the preservation initiative is a restructuring of the first mortgages held by HDC and the second mortgages held by the Department of Housing Preservation and Development (HPD). Through this program, we purchase the second mortgages from HPD and refinance them with the first mortgage at a lower cost and for an extended period of time. The savings created through this transaction can be taken in the form of reduced debt service payments or as funds to repair the property. In return, owners that opt-in to this program are required to keep the buildings affordable for at least 15 years, however it is expected that they will remain in the program for the term of the new mortgage which is 30 years. Many of the properties that received a repair loan have also refinanced, thus furthering the term of affordability from 10 to 15 years. In total, the refinancing program and repair loan program have preserved more than 8,000 apartments.

MILITARY HOUSING

Fort Hamilton Military Base in Bay Ridge, Brooklyn, is one of the oldest army installations in the United States. The base is also the Army's primary presence and the only active military installation in the New York City metropolitan area. Since September 11th, Fort Hamilton has taken on a greater role in protecting both the City and homeland security.

Housing is considered to be one of the

FORT HAMILTON MILITARY HOUSING
(under construction)
Brooklyn, 228 Units (New HOP)

"Preservation comes in many shapes and sizes. Whether it's an individual development needing capital improvement or sustaining a community on the decline, it is vital that action is taken to save these communities."

primary ways to attract people to locate to new areas. This holds true for New York City and it holds equally true for the Military. In many ways the same concerns in providing this housing are contemplated by both. The army is experiencing its own shortage of affordable, quality housing available to service members and their families. This has a great impact on their ability to attract and retain experienced personnel. At Fort Hamilton, the base provides much more than just housing to servicemen and women. The base serves the region's largest retired and reserve communities and is headquarters to one of the Army's most active recruiting battalions.

The federal government has acknowledged the importance of supplying modern housing to the military and their families. As such in recent years legislation was adopted, allowing the Department of Defense (DoD) to privatize its military housing. This move allows the military to leverage the private sector approaches to build and renovate housing.

HDC's expertise in accessing the private market for the purpose of financing affordable housing made us the perfect partner to fund the renovation of existing, and the new construction, of military housing at Fort Hamilton. HDC provided the US Department of the Army and GMH Military Housing with a $47.5 million loan to begin a three-year construction project that will result in 228 modern, affordable town homes. Forty-three existing town homes will be renovated and 185 will be newly constructed.

This investment goes beyond ensuring the Army's ability to attract military personnel, but it will also help to ensure it is maintained as an active military base for the long-term. Intermittently, with Congressional approval, the Department of Defense initiates a process known as Base Realignment and Closure (BRAC). Through BRAC, DoD evaluates each base and determines if cost savings could be achieved by closing or realigning the installations. The recent investment made at Fort Hamilton hopefully diminishes the risk of it being considered during any future BRAC evaluations.

LIBERTY BOND PROGRAM

Preservation comes in many shapes and sizes. Whether it's an individual development needing capital improvement or sustaining a community on the decline, it is vital that action is taken to save these communities.

In 2001, lower Manhattan was well on its way to becoming the 24/7 community everyone was boasting about. A place where people worked, lived, went to school and entertained. Then, the tragic events on that September morning left everyone questioning — "Can we bounce back?" It was unclear whether or not lower Manhattan would ever regain its pre-9/11 occupancy and get back on track to becoming the City's fastest growing community.

Construction jobs were immediately abandoned with uncertainty that they would ever start again. Tenants were forced to evacuate, and others could not leave on their own fast enough. Residential occupancy rates were at 95%; following the terrorist attacks, it dropped to 65%.

To respond to these trying conditions, in the spring of 2002 Congress passed legislation for an economic revitalization package offering financial incentives for residential and commercial development in lower Manhattan. This legislation became known as the Liberty Bond Program.

HDC, because of our expertise in issuing bonds for housing development, was the designated issuer for the City's portion of $1.6 billion reserved for residential development. The City and State split this financing equally. The developments were required to be multi-family rental developments located within the Liberty Zone, which is the area between the

Hudson and East Rivers below Canal Street.

In 2004, we issued $233.5 million of Liberty Bonds for two developments, putting into production 886 new apartments in lower Manhattan.

63 Wall Street received a $132.5 million loan to convert the former Brown Brothers Harriman office building into a 476-unit residential building located in the heart of the financial district.

90 West Street, revered by most as the miracle building because it is located only 100 yards away from the World Trade Center site, and survived fires that burned internally for days after, received $101 million in Liberty Bonds. The new residential development will be a 410-unit building.

In total, since the program began, HDC has issued $478.6 million of the $800 million we have to allocate. Nearly 2,000 apartments have been constructed through this financing program. The other developments that have received financing are located at 2 Gold Street and 90 Washington Street.

This past year Congress approved legislation extending the time-frame to use the bonds from December 31, 2004 for another five years.

The $321.4 million remaining is designated for two more developments in our pipeline. One is 15 William Street which is expected to close in the second quarter of 2005. This development is the first City-sponsored Liberty Bond development to include on-site affordable housing.

Aimed at spurring residential construction in Lower Manhattan, the legislation authorizing the Liberty Bond program did not mandate the creation and preservation of affordable housing. However, HDC required developers to pay a 3% origination fee, on the total mortgage amount, which was then applied as 1% second mortgage loans for affordable housing located elsewhere. The four developments that received financing generated a total of $15.3 million, and were used to produce 394 apartments in five developments located throughout the City.

WALL STREET AREA

Transforming into the prosperous neighborhood it was destined to become prior to September 11th, lower Manhattan is recovering and the neighborhood is realizing its full potential. HDC has issued Liberty Bonds for more than 1,900 apartments that are bringing more people to the area to work, live and entertain.

GOVERNING BOARD

1. **Shaun Donovan**
   Commissioner of the New York City Department of Housing Preservation and Development (ex-officio Chairman)

2. **Peter Madonia**
   Vice Chairman
   (Mayoral Appointee)

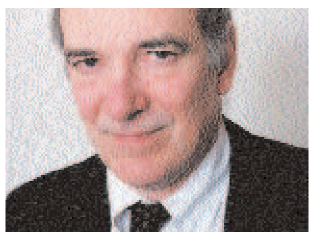
3. **Harry Gould**
   Member
   (Mayoral Appointee)

4. **Martha E. Stark**
   Commissioner of the New York City Department of Finance (ex-officio Member)

5. **Mark Page**
   Director of the Office of Management and Budget (ex-officio Member)

6. **Michael W. Kelly**
   Member
   (Gubernatorial Appointee)

7. **Charles O. Moerdler**
   Member
   (Gubernatorial Appointee)

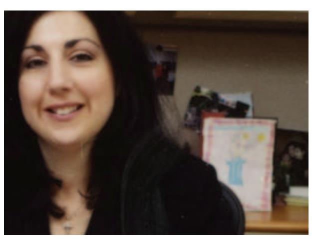


EXECUTIVE LEADERSHIP









1. **Emily A. Youssouf**
   President
2. **John A. Crotty**
   Executive Vice President
   and Chief of Staff
3. **Urmas Naeris**
   Senior Vice President
   and Chief Credit Officer
4. **Richard Froehlich**
   Senior Vice President
   and General Counsel
5. **Carol Kostik**
   Senior Vice President
   and Chief Financial Officer
6. **Rachel Grossman**
   Senior Vice President,
   Development
7. **Teresa Gigliello**
   Senior Vice President, Asset
   Management

DEDICATED STAFF

STACY-ANN BAILEY
MELISSA BARKAN
POLLY BASCOM
CATHLEEN A. BAUMANN
DENIS A. BELIC
MEGAN BLACK
HELEN BOJCENIUK
JULIET L. BOLDEN
GERALD BOONE
CLAUDINE BROWN
GERALDINE BROWN
CLYTIE BRUSCH
STACEY BURRESS
JOANNE B. CAMBRIDGE
MARIA L. CARPIO
MEI KIT CHAN
EVELYN S. CHEN
PING CHOI
FARINA COCKER
SAMANTHA COLEMAN
JOHN CROTTY
LETISHA DAY
KEITH M. DEALISSIA
RHODA DEANE-YHAP
LOUIS DELUCA
NICOLE DENOIA
JEFFREY R. DEVITO
JACQUELINE EDWARDS-LEWIS
ELAINE ELISSEOU SERRA
LOHARINA ESTRELLA
JOHN L. FAGAN
CLARISSA FILS-AIME
FAITH FLEESLER
CHRISTINA FLYNN
RICHARD M. FROEHLICH
SERENA FUNG
TERESA A. GIGLIELLO
YVONNE GLENN
LISA A. GOMEZ
RANDI GORDON
RACHEL T. GROSSMAN
ADAM HELLEGERS
MARY HOM
STEVEN IGNATIOU
SHIRLEY M. JARVIS
MARY C. JOHN
PEGGY F. JOSEPH
DARRYL KENDRICK
AARON KOFFMAN
ZUANETT KOONCE
CAROL KOSTIK
MADHAVI KULKARNI
ARMANDO C. LA TORRE
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CHARLENA LANCE
ISRAEL LASALLE
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JACKIE C. LAU
NANCY E. LAUCK
HEATHER A. LAUREL
DENISE LOIACONO
UYEN V. LUU
Z. PETER MALECKI
PELLEGRINO MARICONDA
SYLVIA MARTINEZ
MARY MCCONNELL
SONIA MEDINA
DEBBIE MERRITT-FORD
LUCILLE M. MESSINA
MICHELLE MOK
STEPHEN MONDELLI
KEVIN MOORE
ANA M. MORALES
RUTH A. MOREIRA
JOAN MORRISON
RAJMONDA MUCO
URMAS NAERIS
STEPHEN I. NAGY
YAFFA OLDAK
SUSAN M. O'NEILL
OMEGA ORTIZ
KADIRVELU PALANIAPPAN
SRINIVASA RAO PATIBANDLA
TRACY J. PAUROWSKI
PARIS A. PELHAM
DORIS PEREZ
JAMES D. PETRONE
VIRGINIA L. PHILPOTT
DIANE J. PUGACZ
JAMES P. QUINLIVAN
ROBERTO RAMIREZ
KARYN RAGUETTE
PERCIVAL RENNIE
JOHN RICHARDS
JUNE M. RICKETTS
CAROLYN RIGLER
JOSE RIVERA
VIOLINE ROBERTY
GARY RODNEY
STEPHANIE SADOWSKI
SITHICHAI SALACHEEP
KAREN A. SANTIAGO
SYLVIA SANTIAGO
BETTY SCARLETT
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KENTON STEWART
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CATHERINE VILLANUEVA
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MICAH J. WATTS
ELI WEISS
JOY F. WILLIG
NANCY E. WOLF
MARY WU
SIMON WU
HENRY YEE
ANNIE YIU
EMILY A. YOUSSOUF
CHEUK K. YU
YVETTE D. YUILLE

CURRENT DEVELOPMENTS

NEW HOUSING OPPORTUNITIES PROGRAM (NEW HOP) MIDDLE-INCOME MULTI-FAMILY RENTAL APARTMENTS

Project Name	Senior amount	Subordinate amount	# of units
BRONX			
1514 Sedgwick Avenue*	$10,185,000	$4,320,000	96
3815 Putnam Avenue	$8,290,000	$1,820,000	91
Beechwood at Needham	$4,400,000	$1,600,000	47
Orloff Avenue*	$10,740,000	$4,545,000	101
Palmer Avenue	$12,068,769	$3,034,170	135
Putnam Deegan II	$4,310,000	$1,430,000	44
Twin Pines Apartments*	$2,610,000	$1,260,000	28
BROOKLYN			
139 Emerson Place	$4,000,000	$1,250,000	50
167 Clermont Avenue Armory	$10,340,000	$2,200,000	111
221 Parkville Avenue	$4,550,000	$1,600,000	41
277 Gates Avenue	$2,500,000	$875,000	35
287 Prospect Avenue	$4,740,000	$886,000	52
421 Degraw Street	$7,713,000	$1,710,000	90
471 Vanderbilt Avenue	$2,330,000	$520,000	26
50 Greene Avenue	$3,619,000	$1,322,100	39
64 West 9th Street	$3,060,000	$725,000	26
79 Clifton Place	$3,800,000	$720,000	40
800 Bergen Street	$1,570,000	$1,280,000	32
893-895 Pacific Street	$1,490,000	$200,000	16
Ft. Hamilton Military Base*	$47,545,000		228
Knox Place	$3,617,000	$1,462,000	52
Ralph Avenue I	$9,190,000	$2,330,000	72
Ralph Avenue II*	$9,810,000	$2,952,000	72
MANHATTAN			
130-136 West 112th Street*	$5,450,000	$1,845,000	41
138 East 112th Street*	$6,210,000	$1,612,500	43
15-21 West 116th Street*	$5,850,000	$1,362,000	38
201 West 148th Street*	$1,785,000	$1,125,000	25
202-18 W 148 Street	$6,550,000	$3,300,000	100
210-214 East 118th Street*	$3,400,000	$1,012,500	27
2232 First Avenue	$1,910,000	$630,000	21
235-47 East 105th Street	$3,800,000	$1,800,000	48
351 East 4 Street	$3,460,000	$869,000	33
394 East 8 Street	$4,047,000	$950,000	38
Artimus Vacant Buildings*	$3,020,000	$1,470,000	41
Azure Holdings II	$5,820,000	$3,800,000	110
Bethany Place*	$2,435,000	$725,000	28
The Douglass	$18,770,000	$3,492,000	138
Triangle Court I	$3,820,000	$1,275,000	51
Harlem Gateway I	$4,570,000	$1,530,000	50
The Larkspur	$17,600,000	$3,720,000	93
Triangle Court II*	$3,440,000	$1,060,000	40
Triangle Court III*	$14,000,000	$3,152,500	97
W Guerrero and Associates	$1,530,000	$250,000	17
QUEENS			
136-14 Northern Boulevard	$7,000,000	$1,950,000	60
136-43 37 Avenue DC Colonade	$6,685,000	$480,000	60
137-02 Northern Boulevard	$7,200,000	$1,775,000	71
140-26 Franklin Avenue*	$5,451,000	$1,415,000	54
14-56 31st Drive	$7,400,000	$1,450,000	60
32-08 Union St	$2,770,000	$642,500	25
46-19 88th Street	$1,320,000	$475,000	17
58-12 Queens Boulevard*	$12,825,000	$2,250,000	122
84th Drive	$6,760,000	$1,470,000	49
Yorkside Towers I*	$9,100,000	$2,925,000	90
9501 Rockaway Boulevard*	$5,380,000	$2,880,000	72
99-22 67th Road	$3,390,000	$1,010,000	29
Austin Street	$12,000,000	$2,250,000	132
Bayside Gardens	$2,092,000	$500,000	26
Beach 94 St (Shoreview)	$7,640,000	$2,240,000	92
Yorkside Towers II*	$10,065,000	$3,375,000	90
TOTAL	**$396,962,769**	**$100,109,270**	**3,652**

MIXED INCOME PROGRAM

Project Name	1st loan amount	2nd loan amount	# of units
BROOKLYN			
State Renaissance Court*	$35,200,000	$3,510,000	158
MANHATTAN			
1955 First Avenue/The Aspen	$44,000,000	$2,750,000	231
Manhattan Court*	$17,500,000	$4,237,500	123
West 61st St Apartments*	$54,000,000		211
TOTAL	**150,700,000**	**10,497,500**	**723**

SECTION 8

Project Name	Bond issue	# of units
BRONX		
Clinton Arms	$4,962,700	86
Felisa Rincon	$7,420,400	109
McGee Hill	$3,677,200	59
Sebco Banana Kelly	$4,510,200	65
Target V	$5,552,100	83
Washington Plaza	$4,954,000	75
Woodycrest II	$3,199,800	58
BROOKLYN		
1650 President Street	$2,411,200	48
Borough Park Court	$8,459,100	131
Crown Heights I	$2,197,400	36
Crown Heights II	$1,744,700	32
Fulton Park 7&8	$13,780,700	209
La Cabana	$9,603,700	167
President Arms	$1,326,500	32
MANHATTAN		
Caparra La Nueva	$5,908,800	84
Charles Hill	$7,373,200	102
Cooper Square Site 1B	$10,678,100	146
Metro North Court	$6,063,300	91
Revive 103	$4,318,100	60
TOTAL	**$108,141,200**	**1,673**

MODERN REHAB PROGRAM

Project Name	1st loan amount	2nd loan amount	# of units
BRONX			
B&L Grand Concourse	$2,412,200	$1,267,800	102
Concourse Artist	$474,900	$440,500	23
Robin Houses	$1,883,100	$1,094,500	80
BROOKLYN			
285 Development	$1,800,000		58
Sheridan Manor	$8,310,000	$18,654,542	450
Willoughby Wyckoff	$2,243,939	$1,295,500	68
MANHATTAN			
Kamol Apart		$578,265	48
Revive 103 North	$978,600	$884,400	30
QUEENS			
Astoria Apart	$2,193,200	$3,951,500	62
TOTAL	**$20,295,939**	**$28,167,007**	**921**

CURRENT DEVELOPMENTS

MITCHELL-LAMA

Project Name	1st loan amount	2nd loan amount	# of units
BRONX			
Boulevard Towers 1	$3,299,300		330
Boulevard Towers II	$6,762,925	$7,615,313	355
Bruckner Tower	$2,656,500		208
Canadia House	$1,405,000		104
Corlear Gardens Coop	$972,100		118
Delos House	$1,555,400		188
Fordham Tower	$1,296,100		169
Janel Towers	$3,914,254	$2,551,365	230
Keith Plaza	$6,814,687	$7,981,000	310
Kelly Towers	$4,525,363	$5,438,100	302
Kingsbridge Apartments	$1,997,900	$1,040,645	91
Noble Mansion	$2,618,800		237
Robert Fulton Terrace	$2,357,900		320
University Riverview	$5,797,364	$2,741,900	227
BROOKLYN			
Atlantic Plaza	$5,375,400	$444,184	716
Brighton Houses Coop	$1,477,000		193
Cadman Tower Coop	$9,487,100		422
Contello Tower III	$1,277,900		161
Crown Gardens Coop	$5,882,600	$4,896,059	238
Essex Terrace Apartments	$1,749,100	$317,421	104
First Atlantic Terminal	$4,677,500	$4,119,398	201
Prospect Tower	$2,193,800		154
Second Atlantic Terminal	$6,949,400	$7,395,000	305
Tivoli Towers	$8,098,200	$5,040,111	314
MANHATTAN			
1199 Plaza	$39,920,500	$36,659,900	1,594
Beekman Staff Residence	$1,226,300		90
Bethune Tower	$1,518,400		135
Clinton Tower	$10,288,191	$6,837,787	396
Columbus House	$3,502,500		248
Columbus Manor	$2,500,000	$3,098,474	203
Columbus Park Tower	$1,467,900		163
Confucius Plaza Coop	$23,390,400	$13,077,200	762
Cooper Gramercy	$4,764,408		168
East Midtown	$17,157,400		746
Gouverneur Gardens	$5,993,600		782
Lincoln Amsterdam	$6,031,500	$3,763,500	186
Riverside Park	$26,021,800	$25,356,090	1,193
Rosalie Manning	$903,100		109
Ruppert House Coop	$16,778,000	$9,322,000	652
St Martins Tower	$2,865,500		179
Stryckers Bay	$1,794,000		234
Tower West	$3,996,100		217
Townhouse West	$1,100,000	$570,000	48
Trinity House	$2,540,500		200
Westside Manor	$3,147,200		246
Westview Apartments	$1,656,000		138
Westwood House	$1,498,800	$1,743,481	124
QUEENS			
Bay Towers	$5,475,544	$8,943,600	375
Bridgeview III	$1,950,900		171
Court Plaza	$5,368,893		247
Forest Park Crescent	$1,756,900		240
Goodwill Terrace	$3,606,100	$835,000	208
Seaview Towers	$13,264,700	$10,167,400	460
	$18,740,244	$19,111,000	835
TOTAL	**$323,366,973**	**$189,065,928**	**17,346**

MITCHELL-LAMA PRESERVATION PROGRAM

Project Name	Mortgage Restucturing	Repair Loan	# of units
BRONX			
Albert Einstein	$8,885,525		634
Carol Gardens*	$3,033,055	$3,564,000	314
Kingsbridge Arms	$778,959		105
Montefiore 2	$6,979,122		398
Scott Towers	$2,781,767		351
Woodstock Terrace	$2,240,028		319
Stevenson Commons*		$6,729,999	947
BROOKLYN			
Cadman Plaza North	$2,106,338		250
Atlantic Plaza*		$6,011,986	716
MANHATTAN			
Esplanade Gardens	$14,611,185		1,870
Goddard Riverside	$2,419,560		193
Jefferson Towers		$1,644,805	189
R.N.A. House	$1,863,755		207
Riverbend	$8,367,364		622
Tri Faith Apartments	$1,512,783		147
Village East Towers	$4,200,289		427
Washington Square S.E.*	$1,928,120	$1,320,000	174
Hamilton Houses*		$4,840,000	183
STATEN ISLAND			
Northshore Plaza*		$1,515,000	536
TOTAL	**$63,352,655**	**$23,980,985**	**8,582**

HOMEOWNERSHIP

Project Name	1st loan amount	2nd loan amount	# of units
BRONX			
Daly Avenue	$1,888,304	$160,000	32
Tremont-Vyse 1	$1,416,228	$120,000	24
Tremont Vyse II	$1,062,171	$90,000	18
Tremont Vyse III	$1,770,285	$150,000	30
BROOKLYN			
South Williamsburg		$6,645,000	105
MANHATTAN			
Bradhurst Court*	$28,613,627	$7,250,000	128
Central Harlem Plaza	$31,615,000	$6,935,000	241
East 119th Street Cooperative	$5,100,000	$4,995,000	111
Harriet Tubman Gardens	$19,500,000		74
Lenox (Shabazz) Gardens*		$2,295,000	
Madison Park Apartments	$7,500,000		129
Madison Plaza	$7,360,000		92
Maple Court	$11,863,627		135
Maple Plaza	$16,750,000	$2,260,000	155
Strivers Gardens*		$3,380,000	
The Hamilton	$6,080,000		77
The Washington	$6,760,000		104
1400 Fifth Avenue Condominium		$1,920,000	129
STATEN ISLAND			
Celebration Townhouses	$8,768,000	$1,030,000	74
TOTAL	**$127,433,615**	**$27,805,000**	**1,658**

AFFORDABLE HOUSING PERMANENT LOAN PROOGRAM

Project Name	1st loan amount	2nd loan amount	# of units
BRONX			
1002 Garrison Avenue	$487,000	$201,956	20
1038 Boston Road	$911,334	$6,407,467	149
1180 Anderson Avenue	$294,000	$593,500	41
1189 Sheridan Avenue	$455,000	$1,183,000	48
1203 Fulton Av & 575 E 168th St	$538,734	$1,610,556	37
1296 Sheridan Avenue	$2,537,000		59
1740 Grand Avenue	$1,107,738	$1,107,738	93
1985-1995 Creston Avenue	$987,383	$1,542,984	84
240 East 175 Street	$963,750	$2,891,530	120
302 Willis Avenue.	$373,000	$1,074,509	36
309 Alexander Avenue.	$222,000	$273,000	11
4673 Park Avenue	$185,000	$114,553	8
651 Southern Boulevard.	$167,250	$1,731,909	41
675 Coster Street		$297,823	
750 E 169 St, 1227 Boston Rd	$456,000	$2,164,000	40
865 East 167th Street	$903,652	$1,177,931	52
887 & 889 Hunts Point Avenue	$1,237,161	$1,129,654	46
889-903 Dawson Street	$1,120,000	$4,238,000	96
982 Prospect Avenue	$240,732	$1,158,839	21
988-992 Boston Road	$122,800	$1,175,432	30
Allerton Coops	$6,094,365	$4,337,000	698
Freeman Simpson	$1,230,000		67
Longfellow Hall	$915,000	$1,850,886	111
Morris Heights Cluster	$1,896,000	$3,171,000	203
Red Maple Court	$239,400	$444,600	30
Tremont-Anthony	$1,207,706	$175,000	32
BROOKLYN			
1037-39 Bergen Street	$654,949	$280,000	24
1409-1415 St. Johns Place	$690,000	$587,000	40
141-3 5 Avenue 5th Avenue Corridor	$631,000	$1,454,590	36
1544 Park Avenue Assoc	$460,000	$460,000	34
1615 St. Johns Place	$788,000		34
171 Rockaway Boulevard	$98,000	$1,699,808	44
201 Pulaski & 335 Franklin Avenue	$590,712	$144,000	13
218 St. James Place	$250,000	$232,306	12
236 Greene Avenue	$645,124	$417,280	16
243 & 249 13 Street	$749,771	$582,910	50
270 Rochester Avenue	$387,000	$124,089	16
340 South Third Street	$129,230	$543,932	40
36 Crooke Avenue	$1,108,869	$899,588	71
455 Decatur Street	$255,850	$227,000	8
480 Nostrand Avenue	$250,000	$1,042,075	25
5201 Synder Avenue.	$318,278	$1,347,969	33
530 Herzl Street	$120,931	$1,210,713	44
709-715 Lafayette Avenue	$815,000	$260,640	24
753 Greene Avenue	$164,000	$1,795,426	41
932 Eastern Parkway	$814,000	$422,000	24
Clarkson Gardens	$2,000,000	$1,625,000	105
Van Buren St Hope Equities	$502,500	$2,383,674	65
MANHATTAN			
1,5,7 & 9 W 137 St	$872,329	$2,418,798	68
110 W 111 Street Dev. Association	$550,080	$1,896,192	48
128-136 Edgecombe Avenue	$1,000,000	$2,680,114	68
1572 Lexington Avenue	$540,039	$540,039	13
160-66 Morningside Avenue	$694,871	$680,029	29
1860-62 Lexington Av	$475,000	$124,109	15
2006 Amsterdam Avenue.	$691,514	$358,000	21
201 West 146th Street	$133,650	$184,350	12
2038 5th Avenue	$195,000	$58,419	7
205-213 W 145 St	$1,512,431	$2,550,477	62
21-23 &29-31 East 104 Street	$1,144,000	$1,144,000	70
215 Audubon Avenue	$265,735	$363,943	47
2245 2259 2285 2289 A C Powell	$406,086	$1,288,704	27
229-31 E 105 St 307-9 Pleasant	$2,635,000	$1,175,000	54
2492-94 Frederick Douglass Boulevard	$152,000	$1,175,747	27
252 Wadsworth Avenue	$405,924	$254,454	26
270 St Nicholas Avenue	$369,950	$1,058,318	77
2733 Frederick Douglass Boulevard	$406,000	$515,000	12
301, 305-309 W 113 St	$952,000	$2,758,000	70
30-32 Bradhurst Avenue	$1,070,000	$1,700,000	25
328 & 340 Pleasant Avenue	$629,500	$354,900	10
36 West 131 Street	$430,885	$436,215	14
466-470 W 150 St	$760,314	$203,277	62
520 Audubon Avenue	$1,264,700	$471,300	46
530 Audubon Avenue	$757,800	$757,800	46
54 Vermilyea Avenue	$233,075	$79,911	20
540 Audubon Avenue	$859,300	$614,700	46
557 Academy Street	$549,147	$321,360	50
630 West 135 St	$234,262	$337,738	31
70 Post Avenue	$1,001,451	$371,676	4
80, 88-90 Edgecombe Avenue	$885,224	$1,251,832	66
83 Post Avenue	$142,915	$578,037	20
Broadway Terrace	$651,895	$100,000	51
Catch OTP Cluster			
234 Bradhurst, etc.	$959,444	$798,887	73
2445 Frederick Douglass Boulvevard	$1,677,000		39
Two Bridgeset	$7,541,997	$700,000	99
West 116 Street Assoc.	$2,537,000		81
West 148th St Cluster	$2,900,000	$5,156,775	86
QUEENS			
334 Beach 54th Street		$393,232	32
TOTAL	**$75,802,707**	**$93,644,200**	**4,626**

80/20 PROGRAM

Project Name	1st loan amount	2nd loan amount	# of units
BROOKLYN			
CourtHouse	$92,700,000		320
MANHATTAN			
1 Columbus Place	$150,000,000		730
Carnegie Park	$66,800,000		460
Columbus Apartments	$22,570,000		166
Jane Street	$17,875,000		148
Manhattan West End Towers	$135,000,000		1000
Parkgate	$36,500,000		207
Columbus Green	$13,775,000		95
Monterey	$104,600,000		522
Related Tribecca Towers	$55,000,000		440
West 43 Street	$55,820,000		375
York Avenue Development	$57,000,000		272
Sagamore	$53,000,000		265
Westmont	$24,200,000		163
520 West 48th Street	$20,000,000		
The Lyric	$91,000,000		285
Westport	$124,000,000		
Chelsea Centro	$87,320,000		355
James Tower Refund	$22,200,000		201

YORKSIDE TOWERS I
90-05 161 Street
Queens, 90 Units (New HOP)

CURRENT DEVELOPMENTS

80/20 PROGRAM (continued)

The Foundry	$60,400,000		222
Gotham	$65,000,000		150
Sierra	$56,000,000		213
92nd & First Residential Tower	$57,300,000		196
Related Upper East	$70,000,000		261
Upper Fifth Avenue	$4,900,000	$9,245,100	151
QUEENS			
Barclay Avenue.	$5,620,000		66
Queenswood Apartments	$10,800,000	$17,929,100	296
TOTAL	**$1,559,380,000**	**$27,174,200**	**7,559**

LIBERTY BOND PROGRAM

Project Name	Loan amount	# of units
MANHATTAN		
90 Washington Street	$74,800,000	398
2 Gold Street	$170,300,000	650
63 Wall Street	$132,500,000	476
90 West Street	$101.000,000	400
TOTAL	**$478,600,000**	**1,924**

HOSPITAL STAFF HOUSING

Project Name	1st loan amount	2nd loan amount	# of units
BRONX			
Montefiore Medical Center	$8,400,000		116
MANHATTAN			
Beth Israel	$36,600,000		240
New York Hospital (Royal Charter)	$115,582,688		520
TOTAL	**$160,582,688**		**876**

GENERAL HOUSING

Project Name	Loan amount	# of units
BROOKLYN		
Linden Plaza	$50,345,450	1,527
MANHATTAN		
Knickerbocker Plaza	$24,232,719	578
TOTAL	**$74,578,169**	**2,105**

501c(3)

Project Name	Loan amount		# of units
BROOKLYN			
55 Pierrepont Street	$6,100,000		189
MANHATTAN			
de Sales	$20,665,000	$960,000	127
Animal Medical Center	$10,140,000		80
Marseilles Apartments	$13,625,000		134
TOTAL	**$50,530,000**		**530**

LAMP

Project Name	1st loan amount	2nd loan amount	# of units
BRONX			
1001 University*	$7,915,000	$3,960,000	89
1046-1050 Hoe Avenue	$900,000	$420,000	42
1240 Washington Avenue*	$5,025,000	$3,350,000	100

LAMP (continued)

1314 Nelson Avenue	$4,830,000		115
1434 Ogden Avenue*	$10,500,000		130
2035 Marmion Avenue	$3,300,000		90
Brook East	$1,000,000	$1,530,000	34
600 Concord Avenue*	$7,200,000	$3,630,000	83
678 (aka 638) Sagamore Street	$3,400,000		84
725 & 737 Fox Street	$3,000,000	$4,910,000	106
900 Ogden Avenue	$4,600,000		120
ABEKEN Apartments*	$12,500,000	$5,400,000	120
Aldus Street Apartments*	$14,200,000	$7,480,000	164
Brook Avenue Gardens	$2,750,000		79
Brookhavenuen Apartments*	$9,100,000		95
Claremont Park Apartments	$10,970,000	$5,390,000	98
Courtlandt Avenue Apartments*	$15,000,000	$7,480,000	167
East 165th St Development*	$13,800,000	$7,480,000	136
Freeman Gardens*	$4,225,000	$1,980,000	36
Hoe Avenue Apartments*	$11,900,000	$7,480,000	136
La Fontaine	$3,100,000		74
Louis Nine Boulevard Apartments*	$9,500,000	$4,180,000	95
Nelson Senior Houses	$3,380,000		82
Palacio del Sol*	$13,485,000	$3,150,000	124
Parkview Apartments*	$12,605,000	$6,050,000	110
Peter Cintron Apartments*	$14,400,000		165
Silverlea*	$12,675,000	$6,490,000	118
St. Ann's Apartments	$1,449,229	$2,468,000	58
Thessalonica Court Apartments*	$19,500,000		191
University Macombs Apartments*	$14,000,000		210
BROOKLYN			
1120-1122 Madison Street	$670,000	$349,000	16
1469-71 Bedford Avenue	$956,725	$1,080,000	27
219 Sackman Street	$939,000	$1,634,000	38
500 Nostrand Avenue	$3,212,000	$1,589,000	46
56 Sullivan Street	$626,418	$960,000	20
Dr. Betty Shabazz Houses*	$7,400,000		160
Linden Mews	$1,230,000		36
Medger Evers Houses*	$6,815,000		308
Spring Creek IV	$2,620,000		83
MANHATTAN			
144 St Malcolm X	$675,000	$426,000	16
203-15 W 148 Street	$3,440,000	$3,480,000	87
216 & 224 W 141 Street	$1,342,000	$626,000	31
228-238 Nagle Avenue*	$9,000,000		90
67 Macombs Place	$1,103,600	$2,784,000	58
349-359 Lenox Avenue	$761,000	$1,207,000	26
542-48 & 552-58 W 149 Street	$1,659,000	$732,000	36
55 E 130 Street	$968,000	$496,000	25
55 W 129 Street	$1,818,000	$811,000	40
70-74 East 116th Street	$712,532	$1,104,000	23
8th Avenue (Madame CJ Walker)	$3,200,000		41
Clinton Parkview*	$12,200,000		96
Harmony House	$2,200,000		55
Olga Mendez Apartments*	$8,100,000	$2,850,000	74
Phelps House*	$12,645,000		169
Tony Mendez Apartments	$6,890,000		130
QUEENS			
Wavenuecrest II	$5,600,000		123
TOTAL	**$337,542,504**	**$102,956,000**	**5,105**

* Developments financed through *The New Housing Marketplace*


90-05 161st STREET
RENTING
NOW REN

2004 FINANCIAL REVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED OCTOBER 31, 2004

INTRODUCTION

The New York City Housing Development Corporation ("HDC" or the "Corporation") is a State public benefit corporation that finances affordable housing in New York City. HDC issues tax-exempt and taxable debt and uses the proceeds to make mortgage loans for residential new construction and rehabilitation. HDC, which is financially self-supporting, also lends its own internally-generated funds for these purposes. In furtherance of its affordable housing mission, HDC also services construction and permanent loans on behalf of New York City's Department of Housing Preservation and Development ("HPD"). All of these activities are reported in the financial statements under the heading "Housing Development Corporation."

HDC has three subsidiaries that are discretely presented as component units in the financial statements, two of which are currently active. The Residential Mortgage Insurance Corporation ("REMIC") insures residential mortgages in New York City. The Housing Assistance Corporation ("HAC") made mortgage loans for affordable housing in the 1980s and provides rental subsidy assistance to a small number of residential developments. Prior to November 3, 2003, HDC had an additional active subsidiary, the Housing New York Corporation ("HNYC"). On that date, all obligations of HNYC were retired and HNYC became inactive. This is the final year it will continue to be presented as a component unit. In 2004, HDC created a fourth subsidiary, NYC HDC Real Estate Owned Corporation, to facilitate the transfer of distressed properties to not-for-profit owners to maintain and enhance affordable housing. This new subsidiary had no activity in 2004 and is not presented herein.

The Corporation's annual financial report consists of two parts: *management's discussion and analysis* (this section) and the *financial statements*, which include financial schedules and notes to the schedules.

This section of the Corporation's annual financial report presents our discussion and analysis of the Corporation's financial performance during the fiscal year that ended on October 31, 2004. This period is also referred to as Fiscal Year 2004. Data is presented on a combined basis including the primary governmental entity, HDC, and HDC's three component units: REMIC, HAC and HNYC.

FINANCIAL HIGHLIGHTS

- Total assets of $5.3 billion, an increase of $311.8 million or 6.2% from 2003
  - Cash and investments of $1.51 billion
  - Mortgages and notes receivable of $3.74 billion
  - Other assets totaling $93.3 million
- Total liabilities of $4.5 billion, an increase of $285.3 million or 6.7% from 2003
  - Bonds payable of $3.8 billion
  - Other liabilities of $738.8 million
- Total net assets of $804.1 million, an increase of $26.6 million or 3.4%
- Net income of $26.6 million, a decrease of $38.0 million from 2003 due to effects of the one-time HNYC transaction in 2003.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Corporation is a self-supporting entity and follows enterprise fund reporting. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the Corporation's activities. While detailed sub-fund information is not presented in the Corporation's financial statements, separate accounts are maintained for each bond issue and component unit, as well as the Corporation's general operating fund, known as the Corporate Services Fund. These sub-funds permit HDC to control and manage money for particular purposes and to demonstrate that the Corporation is properly using specific resources.

A one-time financial transaction, the refunding and retirement of $250,390,000 HNYC bonds by the Battery Park City Authority ("BPCA"), took place during the period October – November, 2003. Specifically, on October 16, 2003, BPCA furnished sufficient funds to HNYC to pay principal, interest and call premium to retire all HNYC bonds. The funds were expended on November 3, 2003 to fully retire all outstanding obligations of HNYC. Due to this timing, which spanned the end of HDC's Fiscal Year 2003 and the start of Fiscal Year 2004, the Corporation's financial statements for both fiscal years reflect substantial one-time transactions which affect certain aspects of the year-to-year comparisons presented below.

HDC's Assets and Liabilities

The combined balance sheet in the financial schedules presents the Corporation's assets, liabilities and net assets as of October 31, 2004.

INTRODUCTION

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Change in Net Assets, October 31, 2003 to October 31, 2004

$ in millions

	2004	2003	2002	% increase/(decrease) 2003–2004
Current Assets	$ 274.0	$ 622.3	$ 308.3	(56.0%)
Noncurrent Assets	5,075.0	4,414.9	4,226.8	15.0%
Total Assets	**5,349.0**	**5,037.2**	**4,535.1**	**6.2%**
Current Liabilities	231.5	437.8	182.2	(47.1%)
Noncurrent Liabilities	4,313.4	3,821.8	3,639.8	12.9%
Total Liabilities	**4,544.9**	**4,259.6**	**3,822.0**	**6.7%**
Net Assets				
Restricted	367.5	390.8	331.3	(6.0%)
Unrestricted	436.6	386.8	381.7	12.9%
Total Net Assets	**$ 804.1**	**$ 777.6**	**$ 713.0**	**3.4%**

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HDC's Assets and Liabilities

The combined balance sheet in the financial schedules presents the Corporation's assets, liabilities and net assets as of October 31, 2004.
Assets of the Corporation consist largely of mortgage loans; investments, including bond proceeds being held prior to disbursement, debt service and other reserves, funds designated for various housing programs, and working capital; Government National Mortgage Association ("GNMA") purpose investments; and other receivables, including housing-related notes. Total assets of the Corporation and its component units were $5,349,066,000 at October 31, 2004. Assets grew 6.2% or $311,821,000 from 2003, largely due to the Corporation's ongoing debt issuance and lending activities. Total assets increased $502.1 million or 11.1% from 2002 to 2003.

Liabilities of the Corporation can be grouped in to three main categories. By far the largest is bonds payable, representing the outstanding par amount of HDC bonds, which totaled $3,806,116,000 (net of deferred bond refunding costs, discount and premium) at October 31, 2004. The second largest category is funds which are held and administered by HDC but are the property of others, identified as payables in the financial statements. These monies include escrows held by HDC in the course of its loan servicing functions; construction loan funds administered on behalf of HPD; other funds which will ultimately revert to HPD or the City of New York under various loan participation and other agreements; and bond proceeds being held prior to disbursement to HDC's borrowers. A third major type of liability is deferred income: HDC receives certain mortgage- and bond-related fee income as cash but using the accrual method of accounting, only recognizes the income when earned over the appropriate time period. The unrecognized income is shown as a liability. Total liabilities of the Corporation and its component units were $4,544,953,000 at October 31, 2004. Liabilities grew 6.7% or $285,260,000 from the prior year, principally as a result of issuing twenty five new bond financings during Fiscal Year 2004, net of bond redemptions and retirements. Total liabilities increased $437.6 million or 11.4% from 2002 to 2003.

Change in Net Income, Fiscal Year 2003 to Fiscal Year 2004

	2004	2003	2002	$ in thousands % increase/(decrease) 2003–2004
Operating Revenue:				
Interest on Loans	$ 123,074	$ 124,507	$ 123,412	(1.2%)
Fees and Charges	30,812	20,164	17,029	52.8%
Other	25	30,942	14,280	(99.9%)
Total Operating Revenue	**153,911**	**175,613**	**154,721**	**(12.4%)**
Operating Expenses:				
Interest and Amortization of Bond Premium/Discount	104,654	112,090	115,931	(6.6%)
Salaries and Related	10,395	9,812	10,301	5.9%
Corporate	5,551	3,955	3,631	40.4%
Other	4,262	3,674	3,776	16.0%
Total Operating Expenses	**124,862**	**129,531**	**133.639**	**(3.6%)**
Operating Income	**29,049**	**46,082**	**21,082**	**(37.0%)**
Nonoperating Revenues (Expenses):				
Earnings on Investments	25,875	20,874	25,745	24.0%
Other	(4,232)	(2,426)	(1,417)	74.4%
Total Nonoperating Revenue	**21,643**	**18,448**	**24,328**	**17.3%**
Special Items, Extinquishment of Debt	(24,131)	–	–	–
Change in Net Assets	**$ 26,561**	**$ 64,530**	**$ 45,410**	**(58.8%)**

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HDC Bonds Payable

	2004	2003	2002	\$ in thousands % increase/(decrease) 2003–2004
Bonds Payable	\$3,823,329	\$3,595,975	\$3,214,235	6.3%

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OVERVIEW OF THE FINANCIAL STATEMENTS

The Corporation is a self-supporting entity and follows enterprise fund reporting. Accordingly, the financial statements are presented using the economic resources measurement

Report of Independent Auditors

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"), a component unit of the City of New York, as of October 31, 2004, and the related combined statements of revenues, expenses and changes in fund net assets, 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. The prior year summarized comparative information has been derived from the Corporation's 2003 financial statements and, in our report dated January 23, 2004, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and 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, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst + Young LLP

January 27, 2005

COMBINED BALANCE SHEET

At October 31, 2004 (with comparative summarized financial information as of October 31, 2003) (in thousands)

		Discretely Presented Component Units				
	Housing Development Corporation	Housing Assistance Corporation	Housing New York Corporation	Residential Mortgage Insurance Corporation	Total 2004	Total 2003
Assets						
Current Assets:						
Cash	$ 73	—	—	—	73	262,728
Investments	152,057	—	—	—	152,057	293,513
Receivables:						
Mortgage loans	108,041	—	—	—	108,041	53,641
Accrued interest	12,278	12	—	—	12,290	11,933
Other	1,145	—	—	—	1,145	405
Total Receivables	121,464	12	—	—	121,476	65,979
Other assets	380	—	—	11	391	77
Total Current Assets	**273,974**	**12**	**—**	**11**	**273,997**	**622,297**
Noncurrent Assets:						
Restricted cash	1,376	3	—	3	1,382	1,110
Restricted investments	1,098,132	28,244	607	44,261	1,171,244	859,958
GNMA securities held as purpose investment	189,672	**—**	**—**	**—**	**189,672**	**43,204**
Restricted receivables:						
Mortgage loan receivable	3,543,448	42,319	—	—	3,585,767	3,430,863
Accrued interest	—	2,321	—	—	2,321	2,169
Total restricted receivables	3,543,448	44,640	—	—	3,588,088	3,433,032
Sale of mortgages	—	—	—	—	—	150
Military housing notes receivable	47,545	—	—	—	47,545	—
Other receivables	14,908	—	—	—	14,908	9,381
Total Receivables	3,605,901	44,640	—	—	3,650,541	3,442,563
Unamortized issuance costs	24,321	—	—	—	24,321	22,895
Primary government/component unit receivable (payable)	(989)	952	—	37	—	—
Capital assets	3,372	—	—	—	3,372	4,264
Other assets	34,537	—	—	—	34,537	40,954
Total Noncurrent Assets	**4,956,322**	**73,839**	**607**	**44,301**	**5,075,069**	**4,414,948**
Total Assets	**$ 5,230,296**	**73,851**	**607**	**44,312**	**5,349,066**	**5,037,245**

See accompanying notes to the basic financial statements.

Combined Balance Sheet (continued)

At October 31, 2004 (with comparative summarized financial information as of October 31, 2003) (in thousands)

	Housing Development Corporation	Discretely Presented Component Units: Housing Assistance Corporation	Housing New York Corporation	Residential Mortgage Insurance Corporation	Total 2004	Total 2003
Liabilities and Net Assets						
Current Liabilities:						
Bonds payable (net)	$ 108,730	—	—	—	108,730	306,982
Accrued interest payable	28,339	—	—	—	28,339	30,931
Payable to the City of New York	1,057	—	—	—	1,057	1,093
Payable to mortgagors	77,153	—	—	—	77,153	85,555
Restricted earnings on investments	2,167	—	—	—	2,167	2,589
Accounts and other payables	2,689	—	—	—	2,689	1,824
Deferred fee and mortgage income	4,554	—	—	—	4,554	7,797
Due to the United States Government	6,804	—	—	—	6,804	1,077
Total Current Liabilities	**231,493**	**—**	**—**	**—**	**231,493**	**437,848**
Noncurrent Liabilities:						
Bonds payable (net)	3,697,386	—	—	—	3,697,386	3,250,165
Payable to the City of New York	350,016	71,145	508	—	421,669	413,090
Payable to mortgagors	123,496	143	—	—	123,639	102,652
Deferred fee and mortgage income	69,955	—	—	—	69,955	55,307
Due to the United States Government	811	—	—	—	811	631
Total Noncurrent Liabilities	**4,241,664**	**71,288**	**508**	**—**	**4,313,460**	**3,821,845**
Total Liabilities	**4,473,157**	**71,288**	**508**	**—**	**4,544,953**	**4,259,693**
Net Assets:						
Restricted	334,706	2,563	—	30,265	367,534	390,761
Unrestricted	422,433	—	99	14,047	436,579	386,791
Total Net Assets	**757,139**	**2,563**	**99**	**44,312**	**804,113**	**777,552**
Commitments and Contingencies	—	—	—	—	—	—
Total Liabilities and Net Assets	**$ 5,230,296**	**73,851**	**607**	**44,312**	**5,349,066**	**5,037,245**

See accompanying notes to the basic financial statements.

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Year ended October 31, 2004 (with comparative summarized financial information for the year ended October 31, 2003) (in thousands)

	Housing Development Corporation	Discretely Presented Component Units			Total	
		Housing Assistance Corporation	Housing New York Corporation	Residential Mortgage Insurance Corporation	2004	2003
Operating Revenues						
Interest on loans	$ 123,074	—	—	—	123,074	124,507
Fees and charges	30,052	—	—	760	30,812	20,164
Other	11	—	—	14	25	30,942
Total Operating Revenues	**153,137**	**—**	**—**	**774**	**153,911**	**175,613**
Operating Expenses						
Interest and amortization	104,654	—	—	—	104,654	112,090
Salaries and related expenses	10,296	—	—	99	10,395	9,812
Services of New York City	167	—	—	—	167	167
Trustees' and other fees	1,339	—	—	20	1,359	1,441
Amortization of debt issuance costs	2,736	—	—	—	2,736	2,066
Corporate operating expenses	5,526	—	—	25	5,551	3,955
Total Operating Expenses	**124,718**	**—**	**—**	**144**	**124,862**	**129,531**
Operating Income (Loss)	**28,419**	**—**	**—**	**630**	**29,049**	**46,082**
Nonoperating Revenues (Expenses)						
Earnings on investments	22,612	1,365	—	1,898	25,875	20,874
Nonoperating expenses	(4,232)	—	—	—	(4,232)	(2,426)
Total Nonoperating Revenues (Expenses)	**18,380**	**1,365**	**—**	**1,898**	**21,643**	**18,448**
Income (Loss) before Transfers and Special Item	**46,799**	**1,365**	**—**	**2,528**	**50,692**	**64,530**
Operating transfers to Corporate Services Fund	150	—	—	(150)	—	—
Extinguishment of Debt	—	—	(24,131)	—	(24,131)	—
Change in Net Assets	**46,949**	**1,365**	**(24,131)**	**2,378**	**26,561**	**64,530**
Total net assets — beginning of year	710,190	1,198	24,230	41,934	777,552	713,022
Total Net Assets — End of Year	**$ 757,139**	**2,563**	**99**	**44,312**	**804,113**	**777,552**

See accompanying notes to the basic financial statements.

COMBINED STATEMENT OF CASH FLOWS

Year ended October 31, 2004 (with comparative summarized financial information for the year ended October 31, 2003) (in thousands)

	Housing Development Corporation	Discretely Presented Component Units: Housing Assistance Corporation	Discretely Presented Component Units: Housing New York Corporation	Discretely Presented Component Units: Residential Mortgage Insurance Corporation	Total 2004	Total 2003
Cash Flows From Operating Activities						
Mortgage loan repayments	$ 649,340	142	—	—	649,482	298,066
Receipts from fees and charges	10,699	—	—	275	10,974	6,550
Mortgage escrow receipts	63,533	—	—	—	63,533	63,422
Reserve for replacement receipts	30,346	—	—	—	30,346	30,869
Mortgage loan advances	(752,152)	—	—	—	(752,152)	(404,163)
Escrow disbursements	(58,637)	—	—	—	(58,637)	(60,213)
Reserve for replacement disbursements	(31,454)	—	—	—	(31,454)	(24,573)
Payments to employees	(10,332)	—	—	—	(10,332)	(9,905)
Payments to suppliers for corporate operating expenses	(4,225)	—	—	—	(4,225)	(3,454)
Project contributions and funds received from NYC	161,128	—	—	—	161,128	102,881
Advances and other payments for NYC	(111,694)	(5,313)	—	—	(117,007)	(83,213)
Bond cost of issuance	(370)	—	—	—	(370)	—
Other receipts (payments)	(43,177)	—	—	14	(43,163)	135,714
Net Cash Provided by (Used in) Operating Activities	**(96,995)**	**(5,171)**	**—**	**289**	**(101,877)**	**51,981**
Cash Flows From Non Capital Financing Activities						
Proceeds from sale of bonds	1,147,015	—	—	—	1,147,015	656,410
Retirement of bonds	(669,271)	—	(250,390)	—	(919,661)	(276,294)
Interest paid	(98,282)	—	(11,341)	—	(109,623)	(109,482)
Net cash transfers between programs	(3,161)	3,004	—	157	—	—
Net Cash Provided by (Used in) Non Capital Financing Activities	**376,301**	**3,004**	**(261,731)**	**157**	**117,731**	**270,634**
Cash Flows From Capital and Related Financing Activities						
Purchase of capital assets	(609)	—	—	—	(609)	(62)
Net Cash (Used in) Capital and Related Financing Activities	**(609)**	**—**	**—**	**—**	**(609)**	**(62)**
Cash Flows From Investing Activities						
Sale of investments	13,605,993	84,604	13,886	32,412	13,736,895	15,074,752
Purchase of investments	(13,916,444)	(82,479)	(13,892)	(35,454)	(14,048,269)	(15,174,506)
Interest and dividend collected	31,100	43	6	2,597	33,746	29,937
Net Cash Provided by (Used in) Investing Activities	**(279,351)**	**2,168**	**—**	**(445)**	**(277,628)**	**(69,817)**
Increase (decrease) in cash	(654)	1	(261,731)	1	(262,383)	252,736
Cash at beginning of year	2,103	2	261,731	2	263,838	11,102
Cash at End of Year	**$ 1,449**	**3**	**—**	**3**	**1,455**	**263,838**

See accompanying notes to the basic financial statements.

Combined Statement of Cash Flows (continued)

Year ended October 31, 2004 (with comparative summarized financial information for the year ended October 31, 2003) (in thousands)

		Housing Development Corporation	Discretely Presented Component Units: Housing Assistance Corporation	Discretely Presented Component Units: Housing New York Corporation	Discretely Presented Component Units: Residential Mortgage Insurance Corporation	Total 2004	Total 2003
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Operating Income (Loss)	**$**	**28,419**	**—**	**—**	**630**	**29,049**	**46,082**
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:							
Depreciation expenses		1,500	—	—	—	1,500	901
Amortization of bond discount and premium		337	—	—	—	337	597
Amortization of deferred bond refunding costs		837	—	—	—	837	3,298
Amortization of bond issuance costs		2,627	—	—	—	2,627	2,064
Net cash provided by nonoperating activities		98,282	—	11,341	—	109,623	109,482
Changes in Assets & Liabilities:							
Mortgage loans		(209,167)	—	—	—	(209,167)	(350,486)
Accrued interest receivable		(843)	(152)	—	—	(995)	(216)
Sale of mortgages receivable		105	—	—	—	105	605
Other receivables		(61,842)	—	—	—	(61,842)	196,643
Bond issuance costs		(7,465)	—	—	—	(7,465)	(7,611)
Primary government/component unit receivable (payable)		17,025	—	—	(361)	16,664	2,377
Other assets		3,431	—	—	20	3,451	1,786
Payable to the City of New York		10,941	(5,019)	—	—	5,922	35,538
Payable to mortgagors		11,743	—	—	—	11,743	2,556
Accounts and other payables		4,171	—	—	—	4,171	1,259
Due to the United States Government		(596)	—	—	—	(596)	—
Restricted earnings on investments		(2,852)	—	—	—	(2,852)	(1,577)
Deferred fee and mortgage income		2,437	—	(4,834)	—	(2,397)	11,888
Accrued interest payable		3,915	—	(6,507)	—	(2,592)	(3,205)
Net Cash Provided by (Used in) Operating Activities	**$**	**(96,995)**	**(5,171)**	**—**	**289**	**(101,877)**	**51,981**
Non Cash Investing Activities:							
Increase (decrease) in fair value of investments	$	(4,055)	1,365	—	(809)	(3,499)	(10,552)

See accompanying notes to the basic financial statements.

Note 1: Organization

The New York City Housing Development Corporation (the "Corporation" or "HDC") is a corporate governmental agency constituting a public benefit corporation organized and existing under the laws of the State of New York (the "State"). The Corporation is also a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, (the "Code"). The Corporation was established in 1971 under the provisions of Article XII of the Private Housing Finance Law (the "Act") of 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 in order to increase the supply of 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 housing through new construction or rehabilitation and to provide permanent financing for multi-family residential housing. The Corporation participates in the federal government's housing assistance programs, principally those established by Section 236 of the National Housing Act of 1934 (the "National Housing Act"), as amended, and Section 8 of the United States Housing Act of 1937, as amended. The Corporation finances significant amounts of its activities through the issuance of bonds and notes. The bonds and notes of the Corporation are not debts of either the State or The City of New York (the "City").

Pursuant to Governmental Accounting Standards Board Statement ("GASB") No. 14, "The Financial Reporting Entity", the Corporation's combined financial statements are included in the City's financial statements as a component unit for financial reporting purposes.

Primary Reporting Entity

Also pursuant to GASB No. 14, HDC is the primary government entity. Financial activity in HDC's bond and loan programs and in its Corporate Services Fund are aggregated and reported in the combined financial statements under Housing Development Corporation. The Corporation sells bonds, administers bond proceeds and manages bond revenues and repayments in accordance with bond resolutions adopted by its Members (see Note 7: "Bonds Payable"). Bond proceeds are used to make loans and provide for related costs and reserves, and loan repayments are applied to pay principal and interest on the related bonds (see Note 4: "Mortgage and Other Loans"). Corporation resources that are not pledged under or governed by a bond resolution are managed in the Corporate Services Fund. This fund accounts for (1) fees and earnings transferred from the bond and loan programs; (2) Section 8 administrative fees; (3) fees earned on loans serviced for HDC and for the City; (4) income from Corporate Services Fund investments; (5) payment of the Corporation's operating expenses; and (6) loan assets made with corporate funds.

The Corporation has several subsidiaries that are reported as Discretely Presented Component Units in the combined financial statements (see below).   In addition, on September 20, 2004, a new subsidiary, the NYC HDC Real Estate Owned Corporation ("REO Subsidiary Corporation"), was established under Section 654-a of the Act. The REO Subsidiary Corporation has the power to hold property whenever, in the sole discretion of the Corporation, it has become necessary to acquire a project in the case of sale under foreclosure or in lieu of foreclosure to effectuate the purposes of the Act. This subsidiary was inactive in the year ended October 31, 2004.

Discretely Presented Component Units

The Housing Assistance Corporation ("HAC"), the Housing New York Corporation ("HNYC") and the New York City Residential Mortgage Insurance Corporation ("REMIC") have been included in the Corporation's combined reporting entity as discretely presented component units of HDC. As of November 3, 2003, HNYC has become an inactive subsidiary of the Corporation (see *(B)* below).

(A) Housing Assistance Corporation

The Housing Assistance Corporation is a public benefit corporation established pursuant to Section 654-b of the Act as a subsidiary of the Corporation.

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 a subsidiary of HDC, HAC's functions are administered by the Corporation and its Members substantially overlap with HDC's Members, so it is presented as a component unit in HDC's financial statements.

(B) Housing New York Corporation

The Housing New York Corporation is a public benefit corporation established pursuant to Section 654-c of the Act as a subsidiary of the Corporation. Authorization for the funding of the Housing New York Program ended on July 1, 1995. Consequently, HNYC can no longer issue bonds or notes to fund the Housing New York Program.

HNYC was established in 1986 and first issued bonds in 1987, backed by revenues derived from Battery Park City Authority ("BPCA") assets. The proceeds of the HNYC bonds were used to finance affordable housing projects outside of Battery Park City, under the supervision of various New York City government agencies. In October 2003, in connection with a refinancing performed by BPCA and the prepayment by BPCA of its liability to HNYC, funds were made available to provide for the retirement of all of the outstanding HNYC bonds on November 3, 2003. Upon repayment of the obligations, HNYC has become an inactive subsidiary of the Corporation. These two transactions, the prepayment by BPCA of its liability to HNYC and the early retirement of its outstanding debt, occurred in different fiscal years and, accordingly, resulted in the significant change in HNYC net assets for the years ending October 31, 2003 and October 31, 2004.

(C) New York City Residential Mortgage Insurance Corporation

The New York City Residential Mortgage Insurance Corporation is a public benefit corporation established pursuant to Section 654-d of the Act as a subsidiary of HDC. REMIC is the successor entity to the New York City Rehabilitation Mortgage Insurance Corporation ("Old REMIC"), which was dissolved on January 27, 1993. REMIC has the authority to insure residential mortgage loans throughout the City in order to promote the preservation of neighborhoods which are blighted, are becoming blighted or may become blighted, to discourage divestment and encourage the investment of mortgage capital in such neighborhoods and to provide safe, sanitary and affordable housing accommodations to persons and families for whom the ordinary operations of private enterprise cannot supply such accommodations.

REMIC is required to maintain three reserves. The Housing Insurance Fund can be used as a revolving fund solely for the payment of liabilities arising from housing insurance contracts issued by REMIC. The Housing Insurance Fund requirement as of any particular date must be in an amount equal to the aggregate of (i) one hundred percent of the insured amounts due and payable pursuant to housing insurance contracts, plus (ii) twenty percent of the insured amounts under housing insurance contracts other than insured amounts which are due and payable pursuant to (i) above, plus (iii) twenty percent of the amounts to be insured under REMIC's commitments to insure. The Housing Insurance Fund requirement at October 31, 2004 is $26,929,000.

REMIC must also maintain a Mortgage Insurance Fund which shall be used solely for the payment of liabilities arising from mortgage insurance contracts of the Old REMIC. The Mortgage Insurance Fund requirement at October 31, 2004 is $1,747,000, which constitutes one hundred percent of the insured mortgage loans.

Any income or interest earned on these two reserves in excess of their respective requirements is transferred at least annually to the Premium Reserve Fund. The Premium Reserve Fund must also be maintained to provide for the payment of REMIC's liabilities arising from its operations, including liabilities arising from housing and mortgage insurance contracts. The balance of this fund at October 31, 2004 is $10,846,000. As a subsidiary of HDC, REMIC's functions are administered by the Corporation and its Members substantially overlap with HDC's Members, so it is presented as a component unit in HDC's financial statements.

Note 2: Summary of Significant Accounting Policies

The Corporation follows the principles of fund accounting, with a sub-fund for each bond series, for the Corporate Services Fund, and for each component unit. Each fund's assets, liabilities and net assets are accounted for as separate entities and follow enterprise fund reporting. Certain individual funds are aggregated into larger categories for the purpose of financial reporting. The accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred.

In its accounting and financial reporting, the Corporation follows the pronouncements of GASB. In addition, the Corporation follows the pronouncements of all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Other significant accounting policies are:

A. Revenue and Expense Recognition

The Corporation's operating revenue consists of earnings on mortgages and loans, fees and charges associated with both financing and servicing mortgages and loans, and other revenues that are received to cover the costs of raising capital. All other revenue, which is primarily investment income, is considered non-operating. Revenues are recognized when earned; commitment and financing fees are recognized over the life of the related mortgage.

Operating expenses include bonding costs, expenses for administering the various bond resolutions, personnel expenses, corporate operating expenses, amortization of capitalized issuance and financing costs, and depreciation expense. The Corporation reports all other expenses including distributions of first mortgage earnings to New York City in connection with loan participations as non-operating expense. Expenses are recognized as incurred.

B. Investments

All investments are carried at fair value, except for investment agreements and for Government National Mortgage Association ("GNMA") securities. The Corporation's GNMA securities are acquired program obligations as defined by the U.S. Treasury. Investment agreements and GNMAs are reported at an amount equal to principal and accrued interest. At October 31, 2004, the Corporation implemented the financial disclosure requirements of GASB No. 40, "Deposits and Investment Risk Disclosures". See Note 3: "Investments and Deposits".

C. Earnings on Investments

Earnings on investments include interest income and changes in fair value. Investment earnings on monies held for the City, project reserves for replacement and certain other project escrows are not reported as revenues; rather, they are reported as payable to the City or payable to mortgagors, respectively.

D. Debt Issuance Costs, Bond Discount and Other Bond Related Costs

Debt issuance costs and bond discount are amortized over the life of the related bond issues using the effective interest method. Premiums paid in connection with interest rate cap agreements are amortized and reported as interest expense over the life of the respective agreements.

E. Operating Transfers

Operating transfers are the reimbursement to the Corporation for REMIC operating expenses.

F. Allowance for Credit Losses

HDC's loans are underwritten according to standards the Corporation believes prudent and are closely monitored for payment and for management of the associated housing development. In addition, many of the Corporation's mortgages have credit enhancements through letters of credit, mortgage insurance and other supports. As such, HDC believes that the likelihood of experiencing material credit losses relating to its bonded mortgage programs is unlikely. Management has determined that current charges against income are not required.

G. Estimates and Assumptions

A number of estimates and assumptions relating to the reporting of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates.

H. Summarized Financial Information

The financial statements include summarized comparative information for the year ended October 31, 2003 in total but not by reporting unit. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended October 31, 2003.

Note 3: Investments and Deposits

The Corporation and its subsidiaries are authorized to engage in investment activity pursuant to the Act and the Corporation's respective bond resolutions. Investment policies are set for the Corporation and its subsidiaries by the Members of the Corporation on an annual basis, through the annual adoption of written Investment Guidelines. Investments are reviewed on a periodic basis by the Corporation's Audit Committee. Day-to-day investment decisions are made by the Corporation's Investment Committee, whose members include the Chief Financial Officer, the Controller, and the Vice President for Cash Management. The Corporation and its subsidiaries principally invest in securities of the United States and its agencies, highly rated commercial paper, open time deposits ("OTDs") in the form of investment agreements, money market accounts, and repurchase agreements. Neither HDC, HAC, HNYC nor REMIC entered into any reverse repurchase agreements during the year ended October 31, 2004. According to management, the Corporation and its subsidiaries are not in violation of any provisions of the foregoing policies.

All securities, other than securities held by the respective trustees for the benefit of the bondholders, are held by the Corporation or its agents in the Corporation's name. Bond program investments are held by the trustee of the applicable program. All investment transactions are recorded on a delivery basis. As of October 31, 2004 and October 31, 2003, the Corporation and its subsidiaries had the following investments. Investment maturities are shown for October 31, 2004 only.

	Fair Value		Investment Maturities at October 31, 2004 in Years			
Investment Type	2004	2003	Less than 1	1-5	6-10	More than 10
(in thousands)						
Open Time Deposits	$ 533,231	$ 444,013	55,507	425,953	3,801	47,970
Fixed Repurchase Agreements	214,142	190,395	214,142	—	—	—
GNMA	189,672	43,204	—	—	—	189,672
FHLB	145,525	137,433	31,202	102,369	5,001	6,953
U.S. Treasury	134,655	153,885	130,725	—	—	3,930
FHLMC	22,632	26,177	—	—	20,192	2,440
FNMA	84,093	28,023	49,990	—	792	33,311
Money Market and NOW Accounts	83,871	67,009	6,776	77,095	—	—
Term Repurchase Agreements	50,796	49,449	—	—	47,257	3,539
Commercial Paper	30,000	29,026	30,000	—	—	—
U.S. Treasury Strips	18,616	20,755	2,346	8,122	6,864	1,284
Federal Farm Credit Notes	—	3,367	—	—	—	—
RFCO Strips	3,780	2,833	—	1,260	2,520	—
AID-ISRAEL Bonds	1,960	1,106	—	—	1,260	700
Total	**$ 1,512,973**	**$ 1,196,675**	**520,688**	**614,799**	**87,687**	**289,799**

As part of its financing activities, HDC has made four housing development loans that are secured by GNMA certificates rather than mortgages on the properties. The GNMA certificates provide payments at such times and in such amounts as to fully repay the respective HDC loans, and are the only source of repayment for these loans. As such, the GNMA certificates are treated by the U.S. Treasury as acquired program obligations. The GNMA certificates are classified in the financial statements as restricted investments and identified separately from other investments and restricted investments in the combined financial statements.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Corporation's Investment Guidelines charge the Investment Committee with "…determining appropriate investment instruments…based on…length of time funds are available for investment purposes..." among other factors. Thus, maturities are matched to the Corporation's liquidity needs.

Credit Risk: The Corporation's investment guidelines and policies are designed to protect principal by limiting credit risk. This is accomplished through ratings, collateral, and diversification requirements that vary according to the type of investment. As of October 31, 2004, investments in Federal National Mortgage Association ("FNMA" or "Fannie Mae"), Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") and Federal Home Loan Bank ("FHLB") were rated in the highest long-term or short-term ratings category (as applicable) by Standard & Poor's and/or Moody's Investors Service. These ratings were AAA and A-1+ by Standard & Poor's and Aaa and P-1 by Moody's for long-term and short-term instruments, respectively. The majority of these investments were not rated by Fitch Ratings, but those that were carried its highest long-term or short-term ratings of AAA or F1+, respectively. Investments in commercial paper were rated in the highest short-term category by at least two major rating agencies (A-1+ by Standard & Poor's, P-1 by Moody's, and/or F1+ by Fitch Ratings.) Money market accounts, OTDs and Repurchase Agreements in the form of OTDs are not rated. Investment in AID-ISRAEL Bonds is guaranteed by the U. S. Treasury.

Custodial Credit Risk: For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Corporation, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of the Corporation.

The Corporation manages custodial credit risk by limiting its investments to highly rated institutions and/or requiring high quality collateral be held by the counterparty in the name of the Corporation. At October 31, 2004, OTDs in the amount of $533,231,000 and money market accounts in the amount of $22,503,000 were uninsured and uncollateralized.

HDC bank deposits are Federal Deposit Insurance Corporation ("FDIC") insured in an amount up to $100,000 per account. Uninsured cash deposits in demand accounts amounted to $1,038,000 at year end.

Concentration Credit Risk: The Corporation reviews its credit concentration monthly and under current policy limits exposure to any one commercial paper provider to $10 million. HDC does not place a formal limit on the amount that it may invest in any one issuer. At October 31, 2004, more than 5 percent of the Corporation's investments were in FHLB and FNMA, which investments comprise 9.6% and 5.5%, respectively, of total investments.

Note 4: Mortgage and Other Loans

(A) New York City Housing Development Corporation

The Corporation has outstanding, under various loan programs, mortgage loans of $3,693,808,000 and $3,484,504,000 as of October 31, 2004 and 2003, respectively. These amounts represent the portion of mortgage loans for which the Corporation has advanced monies. The portion of mortgage loans that has not yet been advanced is recorded in investments.

Mortgage loans outstanding at October 31, 2004 and 2003 by loan program were as follows:

Program	Total HDC	Total HAC	Total 2004	Total 2003
(in thousands)				
Section 223(f)	$ 213,186	—	213,186	251,380
Housing Revenue Bond	1,233,744	—	1,233,744	1,269,741
80/20	1,409,945	—	1,409,945	1,476,427
100% Low-Income Tax-Exempt	19,592	—	19,592	27,216
Hospital Residence	129,710	—	129,710	135,435
Residential Cooperative Housing	26,281	—	26,281	26,734
Corporate Services Fund	228,465	—	228,465	162,368
Senior Housing	5,400	—	5,400	5,500
Mixed-Income	44,021	—	44,021	11,931
Liberty Bonds	341,145	—	341,145	75,453
Other	—	42,319	42,319	42,319
Totals	**$3,651,489**	**42,319**	**3,693,808**	**3,484,504**

The mortgage loans listed above were originally repayable over terms of 4 to 49 years and bear interest at rates from .75% (variable rate) to 10.36% per annum. Almost all mortgage loans receivable are collateralized by first mortgages on the property of the housing sponsors and contain exculpatory clauses with respect to the liability of the principals of such housing sponsors. The table above does not include loans which are not secured by mortgages, which include a military housing loan secured by notes (see Note 5: "Other Receivables") and loans secured by GNMA certificates (see Note 3: "Investments and Deposits"). Of the total HDC mortgages held as of October 31, 2004, 83% are first mortgages and 17% are subordinate loans.

(B) Housing Assistance Corporation

The Housing Assistance Corporation financed construction and capitalized interest costs for eight affordable housing projects during the period of 1986 to 1990. These loans, funded by New York City, accrue interest at the rate of 0-1% per annum, and in most cases the interest is deferred until approximately twenty years after origination. None of the loans are amortizing. All funds received by HAC are applied to its corporate purpose.

Note 5: Other Receivables

Total Other Receivables amount to $63,598,000, of which $16,053,000 represents unamortized commitment and financing fees, servicing fees receivable, Reserve for Replacement loans and Corporate Services Fund loans not secured by mortgages on the properties.

The remaining amount is the Military Housing Notes Receivable of $47,545,000 received in connection with the 2004 Series A Class I & II Fort Hamilton Housing bond issuance. The Notes are secured by pledged revenues of the development under a Master Trust Indenture.

Note 6: Other Assets

Other current assets are prepaid fees and totaled $391,000 at October 31, 2004.

Other non-current assets totaled $34,537,000 at October 31, 2004, and consisted of two items: interest rate caps purchased by the Corporation in connection with the Corporation's issuance of its Multi-Family Housing Revenue Bonds, 2002 Series C, 2002 Series D and 2003 Series D; and the value of purchased cash flows related to the 223(f) Program and the 2001 Series B Multi-Family Housing Revenue Bonds (see Note 7: "Bonds Payable").

The interest rate caps were purchased from the New York City Transitional Finance Authority. The caps are carried at amortized value, which totaled $18,058,000 at October 31, 2004.

The purchased cash flows are revenue streams consisting of (a) the excess of mortgagors' payments over bond debt service payments, trustee fees and servicing fees to the Corporation and (b) the earnings on certain restricted funds (which earnings are excluded from the Combined Statement of Revenues and Expenses). These cash flows were purchased by the Corporation in fiscal year 1996. The purchase price amounts, representing the discounted value of future excess cash flows, were recorded as an asset and have been amortized over the remaining program life using the yield method. Amortization for fiscal year 2004 amounted to $3,314,000 and is reported as a non-operating expense. The unamortized value of these purchased cash flows is $16,479,000 at October 31, 2004. The cash flows and thus asset value relating to the 223(f) Bond Program were affected by the refinancing of certain of the related mortgage loans in December 2004. See Note 15: "Subsequent Events".

Note 7: Bonds Payable

The Corporation's authority to issue bonds and notes for any corporate purpose is limited by the Act to the extent that (i) the aggregate principal amount outstanding may not exceed $4.85 billion, exclusive of refunding bonds or notes, and (ii) the maximum Capital Reserve Fund requirement may not exceed $30 million. No bonds are currently subject to the Capital Reserve Fund requirement. These limits may be changed from time to time through State legislation. During the year ended October 31, 2004, the limit on aggregate principal amount outstanding was raised from $4.4 billion to $4.85 billion.

Bond Programs

The Corporation issues bonds and notes to fund mortgage loans for multi-family residential developments under the bond programs described below. As of October 31, 2004, the Corporation had bonds outstanding in the aggregate principal amount of $3,823,329,000. All of the bonds are separately secured, except for the bonds issued under the General Resolution which are equally and ratably secured by the assets pledged under the General Resolution (see "*B. Housing Revenue Bond Program*" below). None of the bonds under the bond programs described in "*A. Multi-Family Bond Program*", "*C. Liberty Bond Program*", and "*D. Section 223(f) Refinancing Bond Program*" provide security under the General Resolution, and none of the bonds under these programs is secured by the General Resolution.

A. Multi-Family Bond Program. The Corporation established its Multi-Family Bond Program to develop privately-owned multi-family rental housing, all or a portion of which is reserved for low-income tenants. The following describes the Corporation's activities under its Multi-Family Bond Program.

(1) Rental Projects; Fannie Mae or Freddie Mac Enhanced: The Corporation has issued tax-exempt and/or taxable bonds which either (i) are secured by mortgage loan payments, which payments are secured by obligations of Fannie Mae under various collateral agreements, (ii) are secured by a Direct Pay Credit Enhancement Instrument issued by Fannie Mae or (iii) are secured by a Direct Pay Credit Enhancement Agreement with Freddie Mac.

(2) Rental Projects; Letter of Credit Enhanced: The Corporation has issued tax-exempt and/or taxable bonds to finance a number of mixed income projects and entirely low-income projects, which bonds are secured by letters of credit issued by investment-grade rated commercial lending institutions.

(3) Rental Projects; FHA-Insured Mortgage Loan: The Corporation has issued bonds to finance a number of mixed income projects with mortgages insured by the Federal Housing Administration ("FHA").

(4) Hospital Staff Housing; Credit Enhanced: The Corporation has issued bonds to provide financing for residential facilities for hospital staff, which bonds are secured by bond insurance or letters of credit issued by investment-grade rated institutions.

(5) Cooperative Housing; SONYMA-Insured Mortgage Loan: The Corporation has issued tax-exempt obligations in order to fund underlying mortgage loans to cooperative housing developments. Each mortgage loan in this program is insured by the State of New York Mortgage Agency ("SONYMA").

(6) Rental Project; REMIC-Insured Mortgage Loan: The Corporation has issued tax-exempt bonds to finance a mortgage loan for a residential facility, which mortgage loan is insured by REMIC.

(7) Senior Housing; Letter of Credit Enhanced: The Corporation has issued tax-exempt obligations to finance a mortgage loan for low-income senior housing, which obligations are secured by letters of credit issued by investment-grade rated commercial lending institutions.

(8) Military Housing Revenue Bond Program: The Corporation has issued taxable bonds to fund development of housing for military personnel at a federal military base.

B. Housing Revenue Bond Program. Under its Housing Revenue Bond Program, the Corporation may issue bonds payable solely from and secured by the assets held under its General Resolution, adopted in 1993 and, as amended and supplemented, used for the ongoing issuance of bonds. Assets pledged to bondholders under the General Resolution include a pool of mortgage loans, some of which are construction loans (which pool contains FHA-insured mortgage loans, REMIC-insured mortgage loans, SONYMA-insured mortgage loans, GNMA mortgage-backed securities, other mortgage loans and participation interests in mortgage loans), the revenues received on account of all such loans and securities, and other assets pledged under such resolution and any supplemental resolution for a particular series of bonds. Certain of the projects, which secure a portion of the mortgage loans, receive the benefits of subsidy payments.

C. Liberty Bond Program. In accordance with Section 301 of the Job Creation and Worker Assistance Act of 2002, as amended, the Corporation has issued tax-exempt and taxable bonds, each secured by a letter of credit, to finance the development of multi-family housing within an area of lower Manhattan designated in such legislation as the "Liberty Zone."

D. Section 223(f) Refinancing Bond Program. Under this program, the Corporation acquires mortgages originally made by the City, obtains Federal insurance thereon and either sells such insured mortgages or issues its obligations secured by said insured mortgages and pays the net proceeds of the sale of such mortgages or issuance of obligations to the City. Each series of bonds issued under this program is secured by a mortgage loan insured by FHA pursuant to Section 223(f) of Title II of the National Housing Act of 1934. Debt service on each series of bonds is paid only from monies received on account of the applicable mortgage loan securing such series, including, with respect to certain projects, interest reduction subsidy payments received by the Corporation pursuant to Section 236 of the National Housing Act. Certain of these bonds were refinanced in December 2004 (see Note 15: "Subsequent Events").

Bonds Payable

Changes in HDC bonds payable and HNYC bonds payable for the year ended October 31, 2004 were as follows:

Description of Bonds as Issued	Balance at Oct. 31, 2003	Issued	Retired	Balance at Oct. 31, 2004	Amount Due Within 1 Year
(in thousands)					
(variable rates cover fiscal year 2004)					
MULTI-FAMILY BOND PROGRAM:					
Multi-Family Rental Housing Revenue Bonds—Rental Projects; Fannie Mae or Freddie Mac Enhanced					
1997 Series A Related-Columbus Green Project—.83% to 1.74% Variable Rate Bonds due upon demand through 2019	$ 13,775	—	—	13,775	—
1997 Series A Related-Carnegie Park Project—.83% to 1.74% Variable Rate Bonds due upon demand through 2019	66,800	—	—	66,800	—
1997 Series A Related-Monterey Project—.83% to 1.74% Variable Rate Bonds due upon demand through 2019	104,600	—	—	104,600	—
1997 Series A Related-Tribeca Tower Project—.88% to 1.76% Variable Rate Bonds due upon demand through 2019	55,000	—	—	55,000	—

Description of Bonds as Issued	Balance at Oct. 31, 2003	Issued	Retired	Balance at Oct. 31, 2004	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2004)*					
1998 Series A & B Jane Street Development—.87% to 1.85% Variable Rate Bonds due upon demand through 2028	16,775	—	(200)	16,575	125
1998 Series A Parkgate Development Project—.80% to 1.70% Variable Rate Bonds due upon demand through 2028	36,500	—	—	36,500	—
1998 Series A & B One Columbus Place Project—.87% to 1.85% Variable Rate Bonds due upon demand through 2028	144,100	—	(1,600)	142,500	200
1999 Series A & B West 43rd Street Project—.87% to 1.85% Variable Rate Bonds due upon demand through 2029	53,920	—	(600)	53,320	600
1999 Series A Brittany Development Project—.87% to 1.78% Variable Rate Bonds due upon demand through 2029	57,000	—	—	57,000	—
2000 Series A Related West 89th Street Development—.88% to 1.76% Variable Rate Bonds due upon demand through 2029	53,000	—	—	53,000	—
2000 Series A Westmont Apartments—.88% to 1.73% Variable Rate Bonds due upon demand through 2030	24,200	—	—	24,200	—
2001 Series A Queenswood Refunding—.81% to 1.70% Variable Rate Bonds due upon demand through 2031	10,800	—	—	10,800	—
2001 Series A & B (Federally Taxable) Related Lyric Development—.87% to 1.85% Variable Rate Bonds due upon demand through 2031	90,700	—	(300)	90,400	400
2002 Series A James Tower Development—.80% to 1.69% Variable Rate Bonds due upon demand through 2032	22,060	—	(165)	21,895	180
2002 Series A & B (Federally Taxable) The Foundry—.87% to 1.87% Variable Rate Bonds due upon demand through 2032	60,100	—	(500)	59,600	2,600
2003 Series A Related-Sierra Development—.87% to 1.77% Variable Rate Bonds due upon demand through 2033	56,000	—	—	56,000	—
2004 Series A West End Towers—1.01% to 1.77% Variable Rate Bonds due upon demand through 2034	—	135,000	—	135,000	—
2004 Series A & B (Federally Taxable) Related-Westport Development—1.10% to 1.85% Variable Rate Bonds due upon demand through 2034	—	124,000	—	124,000	—
Multi-Family Mortgage Revenue Bonds – Rental Projects; Fannie Mae or Freddie Mac Enhanced					
1995 Series A Columbus Apartments Development—.83% to 1.74% Variable Rate Bonds maturing in varying installments through 2025	21,870	—	—	21,870	—
2001 Series A & B West 48th Street—.87% to 1.78% Variable Rate Bonds due upon demand through 2034	22,500	—	(2,500)	20,000	—

Description of Bonds as Issued	Balance at Oct. 31, 2003	Issued	Retired	Balance at Oct. 31, 2004	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2004)*					
2001 Series A Fox Street—.88% to 1.22% Variable Rate Bonds due upon demand through 2033	7,000	—	(7,000)	—	—
2002 Series A First Ave Development —.87% to 1.77% Variable Rate Bonds due upon demand through 2035	44,000	—	—	44,000	—
Multi-Family Mortgage Revenue Bonds – Rental Projects; Letter of Credit Enhanced					
2001 Series A Fountains at Spring Creek Project—.88% to 1.78% Variable Rate Bonds due upon demand through 2033	7,500	—	—	7,500	—
2001 Series A The Lafayette Project—.88% to 1.78% Variable Rate Bonds due upon demand through 2033	3,700	—	—	3,700	—
2001 Series A & B (Federally Taxable) Related West 55th Street Development—.92% to 1.28% Variable Rate Bonds due upon demand through 2034	130,000	—	(130,000)	—	—
2002 Series A (Federally Taxable) Ninth Avenue Development—1.07% to 1.56% Variable Rate Bonds due upon demand through 2034	44,000	—	(44,000)	—	—
2002 Series A Nelson Avenue Apartments—.90% to 1.22% Variable Rate Bonds due upon demand through 2035	9,200	—	(9,200)	—	—
2002 Series A & B (Federally Taxable) 400 West 55th Street Development—.92% to 1.94% Variable Rate Bonds due upon demand through 2035	65,000	—	—	65,000	—
2003 Series A Atlantic Court Apartments—.85% to 1.78% Variable Rate Bonds due upon demand through 2036	—	92,700	—	92,700	—
2003 Series A (AMT) & B (Federally Taxable) 92nd & First Residential Tower—.90% to 1.95% Variable Rate Bonds due upon demand through 2036	—	57,300	—	57,300	—
2003 Series A (AMT) & B (Federally Taxable) Related-Upper East—.85% to 1.87% Variable Rate Bonds due upon demand through 2036	—	70,000	—	70,000	—
2004 Series A Manhattan Court Development—1.02% to 1.80% Variable Rate Bonds due upon demand through 2036	—	17,500	—	17,500	—
2004 Series A East 165th Street Development—1.02% to 1.80% Variable Rate Bonds due upon demand through 2036	—	13,800	—	13,800	—
2004 Series A Aldus Street Apartments—1.02% to 1.81% Variable Rate Bonds due upon demand through 2037	—	14,200	—	14,200	—
2004 Series A 941 Hoe Avenue Apartments—1.02% to 1.81% Variable Rate Bonds due upon demand through 2037	—	11,900	—	11,900	—
2004 Series A Peter Cintron Apartments—1.02% to 1.81% Variable Rate Bonds due upon demand through 2037	—	14,400	—	14,400	—

Description of Bonds as Issued	Balance at Oct. 31, 2003	Issued	Retired	Balance at Oct. 31, 2004	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2004)*					
Multi-Family Mortgage Revenue Bonds – Rental Projects; FHA Enhanced					
1993 Series A & B and 1995 Series A Manhattan Park—6.25% to 8% Term Bonds maturing in varying installments through 2030	150,915	—	(150,915)	—	—
1993 Series A Manhattan West Development—5.7% Term Bonds maturing in varying installments through 2036	141,735	—	(141,735)	—	—
Multi-Family Rental Housing Revenue Bonds – Rental Projects; Letter of Credit Enhanced					
2002 Series A (Federally Taxable) Chelsea Centro—1.07% to 1.88% Variable Rate Bonds due upon demand through 2033	85,500	—	(1,300)	84,200	—
MBIA Insured Residential Revenue Refunding Bonds – Hospital Staff Housing					
1998 Series 1 MBIA Insured Residential Revenue Refunding Bonds—.75% to 1.55% Periodic Auction Reset Securities maturing in varying installments through 2017	93,925	—	(4,725)	89,200	5,000
Residential Revenue Bonds – Hospital Staff Housing; Letter of Credit Enhanced					
1993 Series A East 17th Street Properties—.75% to 1.75% Variable Rate Bonds maturing in varying installments through 2023	31,800	—	(900)	30,900	900
1993 Series A Montefiore Medical Center—.84% to 1.70% Variable Rate Term Bonds maturing in varying installments through 2030	8,300	—	(100)	8,200	100
2003 Series A The Animal Medical Center—4.25% to 5.50% Serial and Term Bonds maturing in varying installments through 2033	10,140	—	—	10,140	—
Mortgage Revenue Bonds – Cooperative Housing; SONYMA-Insured Mortgage Loan					
1994 Series A Maple Court Cooperative—6.22% Term Bonds maturing in varying installments through 2027	11,370	—	(200)	11,170	210
1996 Series A Maple Plaza Cooperative—6.08% Term Bonds maturing in varying installments through 2029	15,990	—	(245)	15,745	265
Multi-Family Mortgage Revenue Bonds – Rental Project; REMIC-Insured Mortgage Loan					
1996 Series A Barclay Avenue Development—5.75% to 6.60% Term Bonds maturing in varying installments through 2033	5,335	—	(60)	5,275	70
Multi-Family Mortgage Revenue Bonds – Senior Housing; Letter of Credit Enhanced					
2000 Series A 55 Pierrepont Development—.85% to 1.75% Variable Rate Bonds due upon demand through 2031	5,500	—	(100)	5,400	100

Description of Bonds as Issued	Balance at Oct. 31, 2003	Issued	Retired	Balance at Oct. 31, 2004	Amount Due Within 1 Year
(in thousands)					
(variable rates cover fiscal year 2004)					
Multi-Family Mortgage Revenue Bonds – Military Housing Revenue Bond Program					
2004 Series A Class I & II Fort Hamilton Housing LLC Project—5.60% to 6.72% Term Bonds maturing in varying installments through 2049	—	47,545	—	47,545	—
Total Multi-Family Bond Program	**1,780,610**	**598,345**	**(496,345)**	**1,882,610**	**10,750**
HOUSING REVENUE BOND PROGRAM:					
Multi-Family Housing Revenue Bonds					
1994 Series A PLP Bond Program—8.40% and 8.95% Term Bonds maturing in varying installments through 2025	4,660	—	(355)	4,305	380
1995 Series A Multi-Family Housing Revenue Bond Program—3.50% to 5.60% Serial Bonds maturing in varying installments through 2007	5,955	—	(3,325)	2,630	965
1996 Series A Multi-Family Housing Revenue Bond Program—3.60% to 5.625% Serial and Term Bonds maturing in varying installments through 2012	62,795	—	(34,175)	28,620	2,960
1997 Series A & B Multi-Family Housing Revenue Bond Program—3.70% to 5.875% Serial and Term Bonds maturing in varying installments through 2018	20,760	—	(2,060)	18,700	1,020
1997 Series C Multi-Family Housing Revenue Bond Program—6.73% Term Bonds maturing in varying installments through 2011	22,250	—	(2,185)	20,065	2,330
1998 Series A Multi-Family Housing Revenue Bond Program—6.84% Term Bonds maturing in varying installments through 2030	56,000	—	(800)	55,200	900
1998 Series B Multi-Family Housing Revenue Bond Program—3.75% to 5.25% Serial and Term Bonds maturing in varying installments through 2031	20,895	—	(335)	20,560	345
1999 Series A-1 & A-2 Multi-Family Housing Revenue Bond Program—5.83% to 6.06% Term Bonds maturing in varying installments through 2022 and 1.35% to 1.919% Variable Rate Bonds due upon demand through 2037	58,800	—	(2,500)	56,300	2,700
1999 Series B-1 & B-2 Multi-Family Housing Revenue Bond Program—6.83% to 7.32% Term Bonds maturing in varying installments through 2022 and 1.35% to 1.919% Variable Rate Bonds due upon demand through 2031	38,700	—	(800)	37,900	900
1999 Series C Multi-Family Housing Revenue Bond Program—4.40% to 5.70% Serial and Term Bonds maturing in varying installments through 2031	5,485	—	—	5,485	195
1999 Series D Multi-Family Housing Revenue Bond Program—3.75% to 5.50% Serial and Term Bonds maturing in varying installments through 2019	7,345	—	(280)	7,065	290

Description of Bonds as Issued	Balance at Oct. 31, 2003	Issued	Retired	Balance at Oct. 31, 2004	Amount Due Within 1 Year

(in thousands)
(variable rates cover fiscal year 2004)

Note 1: Organization

The New York City Housing Development Corporation (the "Corporation" or "HDC") is a corporate governmental agency constituting a public benefit corporation organized and existing under the laws of the State of New York (the "State"). The Corporation is also a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, (the "Code"). The Corporation was established in 1971 under the provisions of Article XII of the Private Housing Finance Law (the "Act") of 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 in order to increase the supply of 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 housing through new construction or rehabilitation and to provide permanent financing for multi-family residential housing. The Corporation participates in the federal government's housing assistance programs, principally those established by Section 236 of the National Housing Act of 1934 (the "National Housing Act"), as amended, and Section 8 of the United States Housing Act of 1937, as amended. The Corporation finances significant amounts of its activities through the issuance of bonds and notes. The bonds and notes of the Corporation are not debts of either the State or The City of New York (the "City").

Pursuant to Governmental Accounting Standards Board Statement ("GASB") No. 14, "The Financial Reporting Entity", the Corporation's combined financial statements are included in the City's financial statements as a component unit for financial reporting purposes.

Primary Reporting Entity

Also pursuant to GASB No. 14, HDC is the primary government entity. Financial activity in HDC's bond and loan programs and in its Corporate Services Fund are aggregated and reported in the combined financial statements under Housing Development Corporation. The Corporation sells bonds, administers bond proceeds and manages bond revenues and repayments in accordance with bond resolutions adopted by its Members (see Note 7: "Bonds Payable"). Bond proceeds are used to make loans and provide for related costs and reserves, and loan repayments are applied to pay principal and interest on the related bonds (see Note 4: "Mortgage and Other Loans"). Corporation resources that are not pledged under or governed by a bond resolution are managed in the Corporate Services Fund. This fund accounts for (1) fees and earnings transferred from the bond and loan programs; (2) Section 8 administrative fees; (3) fees earned on loans serviced for HDC and for the City; (4) income from Corporate Services Fund investments; (5) payment of the Corporation's operating expenses; and (6) loan assets made with corporate funds.

The Corporation has several subsidiaries that are reported as Discretely Presented Component Units in the combined financial statements (see below). In addition, on September 20, 2004, a new subsidiary, the NYC HDC Real Estate Owned Corporation ("REO Subsidiary Corporation"), was established under Section 654-a of the Act. The REO Subsidiary Corporation has the power to hold property whenever, in the sole discretion of the Corporation, it has become necessary to acquire a project in the case of sale under foreclosure or in lieu of foreclosure to effectuate the purposes of the Act. This subsidiary was inactive in the year ended October 31, 2004.

Discretely Presented Component Units

The Housing Assistance Corporation ("HAC"), the Housing New York Corporation ("HNYC") and the New York City Residential Mortgage Insurance Corporation ("REMIC") have been included in the Corporation's combined reporting entity as discretely presented component units of HDC. As of November 3, 2003, HNYC has become an inactive subsidiary of the Corporation (see *(B)* below).

(A) Housing Assistance Corporation

The Housing Assistance Corporation is a public benefit corporation established pursuant to Section 654-b of the Act as a subsidiary of the Corporation.

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 a subsidiary of HDC, HAC's functions are administered by the Corporation and its Members substantially overlap with HDC's Members, so it is presented as a component unit in HDC's financial statements.

Description of Bonds as Issued	Balance at Oct. 31, 2003	Issued	Retired	Balance at Oct. 31, 2004	Amount Due Within 1 Year

(in thousands)
(variable rates cover fiscal year 2004)

(B) Housing New York Corporation

The Housing New York Corporation is a public benefit corporation established pursuant to Section 654-c of the Act as a subsidiary of the Corporation. Authorization for the funding of the Housing New York Program ended on July 1, 1995. Consequently, HNYC can no longer issue bonds or notes to fund the Housing New York Program.
HNYC was established in 1986 and first issued bonds in 1987, backed by revenues derived from Battery Park City Authority ("BPCA") assets. The proceeds of the HNYC bonds were used to finance affordable housing projects outside of Battery Park City, under the supervision of various New York City government agencies. In October 2003, in connection with a refinancing performed by BPCA and the prepayment by BPCA of its liability to HNYC, funds were made available to provide for the retirement of all of the outstanding HNYC bonds on November 3, 2003. Upon repayment of the obligations, HNYC has become an inactive subsidiary of the Corporation. These two transactions, the prepayment by BPCA of its liability to HNYC and the early retirement of its outstanding debt, occurred in different fiscal years and, accordingly, resulted in the significant change in HNYC net assets for the years ending October 31, 2003 and October 31, 2004.

(C) New York City Residential Mortgage Insurance Corporation

The New York City Residential Mortgage Insurance Corporation is a public benefit corporation established pursuant to Section 654-d of the Act as a subsidiary of HDC. REMIC is the successor entity to the New York City Rehabilitation Mortgage Insurance Corporation ("Old REMIC"), which was dissolved on January 27, 1993. REMIC has the authority to insure residential mortgage loans throughout the City in order to promote the preservation of neighborhoods which are blighted, are becoming blighted or may become blighted, to discourage divestment and encourage the investment of mortgage capital in such neighborhoods and to provide safe, sanitary and affordable housing accommodations to persons and families for whom the ordinary operations of private enterprise cannot supply such accommodations.

REMIC is required to maintain three reserves. The Housing Insurance Fund can be used as a revolving fund solely for the payment of liabilities arising from housing insurance contracts issued by REMIC. The Housing Insurance Fund requirement as of any particular date must be in an amount equal to the aggregate of (i) one hundred percent of the insured amounts due and payable pursuant to housing insurance contracts, plus (ii) twenty percent of the insured amounts under housing insurance contracts other than insured amounts which are due and payable pursuant to (i) above, plus (iii) twenty percent of the amounts to be insured under REMIC's commitments to insure. The Housing Insurance Fund requirement at October 31, 2004 is $26,929,000.

REMIC must also maintain a Mortgage Insurance Fund which shall be used solely for the payment of liabilities arising from mortgage insurance contracts of the Old REMIC. The Mortgage Insurance Fund requirement at October 31, 2004 is $1,747,000, which constitutes one hundred percent of the insured mortgage loans.

Any income or interest earned on these two reserves in excess of their respective requirements is transferred at least annually to the Premium Reserve Fund. The Premium Reserve Fund must also be maintained to provide for the payment of REMIC's liabilities arising from its operations, including liabilities arising from housing and mortgage insurance contracts. The balance of this fund at October 31, 2004 is $10,846,000. As a subsidiary of HDC, REMIC's functions are administered by the Corporation and its Members substantially overlap with HDC's Members, so it is presented as a component unit in HDC's financial statements.

Note 2: Summary of Significant Accounting Policies

The Corporation follows the principles of fund accounting, with a sub-fund for each bond series, for the Corporate Services Fund, and for each component unit. Each fund's assets, liabilities and net assets are accounted for as separate entities and follow enterprise fund reporting. Certain individual funds are aggregated into larger categories for the purpose of financial reporting. The accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred.

In its accounting and financial reporting, the Corporation follows the pronouncements of GASB. In addition, the Corporation follows the pronouncements of all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Other significant accounting policies are:

Description of Bonds as Issued	Balance at Oct. 31, 2003	Issued	Retired	Balance at Oct. 31, 2004	Amount Due Within 1 Year

(in thousands)
(variable rates cover fiscal year 2004)

Note 1: Organization

The New York City Housing Development Corporation (the "Corporation" or "HDC") is a corporate governmental agency constituting a public benefit corporation organized and existing under the laws of the State of New York (the "State"). The Corporation is also a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, (the "Code"). The Corporation was established in 1971 under the provisions of Article XII of the Private Housing Finance Law (the "Act") of 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 in order to increase the supply of 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 housing through new construction or rehabilitation and to provide permanent financing for multi-family residential housing. The Corporation participates in the federal government's housing assistance programs, principally those established by Section 236 of the National Housing Act of 1934 (the "National Housing Act"), as amended, and Section 8 of the United States Housing Act of 1937, as amended. The Corporation finances significant amounts of its activities through the issuance of bonds and notes. The bonds and notes of the Corporation are not debts of either the State or The City of New York (the "City").

Pursuant to Governmental Accounting Standards Board Statement ("GASB") No. 14, "The Financial Reporting Entity", the Corporation's combined financial statements are included in the City's financial statements as a component unit for financial reporting purposes.

Primary Reporting Entity

Also pursuant to GASB No. 14, HDC is the primary government entity. Financial activity in HDC's bond and loan programs and in its Corporate Services Fund are aggregated and reported in the combined financial statements under Housing Development Corporation. The Corporation sells bonds, administers bond proceeds and manages bond revenues and repayments in accordance with bond resolutions adopted by its Members (see Note 7: "Bonds Payable"). Bond proceeds are used to make loans and provide for related costs and reserves, and loan repayments are applied to pay principal and interest on the related bonds (see Note 4: "Mortgage and Other Loans"). Corporation resources that are not pledged under or governed by a bond resolution are managed in the Corporate Services Fund. This fund accounts for (1) fees and earnings transferred from the bond and loan programs; (2) Section 8 administrative fees; (3) fees earned on loans serviced for HDC and for the City; (4) income from Corporate Services Fund investments; (5) payment of the Corporation's operating expenses; and (6) loan assets made with corporate funds.

The Corporation has several subsidiaries that are reported as Discretely Presented Component Units in the combined financial statements (see below). In addition, on September 20, 2004, a new subsidiary, the NYC HDC Real Estate Owned Corporation ("REO Subsidiary Corporation"), was established under Section 654-a of the Act. The REO Subsidiary Corporation has the power to hold property whenever, in the sole discretion of the Corporation, it has become necessary to acquire a project in the case of sale under foreclosure or in lieu of foreclosure to effectuate the purposes of the Act. This subsidiary was inactive in the year ended October 31, 2004.

Discretely Presented Component Units

The Housing Assistance Corporation ("HAC"), the Housing New York Corporation ("HNYC") and the New York City Residential Mortgage Insurance Corporation ("REMIC") have been included in the Corporation's combined reporting entity as discretely presented component units of HDC. As of November 3, 2003, HNYC has become an inactive subsidiary of the Corporation (see *(B)* below).

(A) Housing Assistance Corporation

The Housing Assistance Corporation is a public benefit corporation established pursuant to Section 654-b of the Act as a subsidiary of the Corporation.

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 a subsidiary of HDC, HAC's functions are administered by the Corporation and its Members substantially overlap with HDC's Members, so it is presented as a component unit in HDC's financial statements.

(B) Housing New York Corporation

The Housing New York Corporation is a public benefit corporation established pursuant to Section 654-c of the Act as a subsidiary of the Corporation. Authorization for the funding of the Housing New York Program ended on July 1, 1995. Consequently, HNYC can no longer issue bonds or notes to fund the Housing New York Program.

HNYC was established in 1986 and first issued bonds in 1987, backed by revenues derived from Battery Park City Authority ("BPCA") assets. The proceeds of the HNYC bonds were used to finance affordable housing projects outside of Battery Park City, under the supervision of various New York City government agencies. In October 2003, in connection with a refinancing performed by BPCA and the prepayment by BPCA of its liability to HNYC, funds were made available to provide for the retirement of all of the outstanding HNYC bonds on November 3, 2003. Upon repayment of the obligations, HNYC has become an inactive subsidiary of the Corporation. These two transactions, the prepayment by BPCA of its liability to HNYC and the early retirement of its outstanding debt, occurred in different fiscal years and, accordingly, resulted in the significant change in HNYC net assets for the years ending October 31, 2003 and October 31, 2004.

(C) New York City Residential Mortgage Insurance Corporation

The New York City Residential Mortgage Insurance Corporation is a public benefit corporation established pursuant to Section 654-d of the Act as a subsidiary of HDC. REMIC is the successor entity to the New York City Rehabilitation Mortgage Insurance Corporation ("Old REMIC"), which was dissolved on January 27, 1993. REMIC has the authority to insure residential mortgage loans throughout the City in order to promote the preservation of neighborhoods which are blighted, are becoming blighted or may become blighted, to discourage divestment and encourage the investment of mortgage capital in such neighborhoods and to provide safe, sanitary and affordable housing accommodations to persons and families for whom the ordinary operations of private enterprise cannot supply such accommodations.

REMIC is required to maintain three reserves. The Housing Insurance Fund can be used as a revolving fund solely for the payment of liabilities arising from housing insurance contracts issued by REMIC. The Housing Insurance Fund requirement as of any particular date must be in an amount equal to the aggregate of (i) one hundred percent of the insured amounts due and payable pursuant to housing insurance contracts, plus (ii) twenty percent of the insured amounts under housing insurance contracts other than insured amounts which are due and payable pursuant to (i) above, plus (iii) twenty percent of the amounts to be insured under REMIC's commitments to insure. The Housing Insurance Fund requirement at October 31, 2004 is $26,929,000.

REMIC must also maintain a Mortgage Insurance Fund which shall be used solely for the payment of liabilities arising from mortgage insurance contracts of the Old REMIC. The Mortgage Insurance Fund requirement at October 31, 2004 is $1,747,000, which constitutes one hundred percent of the insured mortgage loans.

Any income or interest earned on these two reserves in excess of their respective requirements is transferred at least annually to the Premium Reserve Fund. The Premium Reserve Fund must also be maintained to provide for the payment of REMIC's liabilities arising from its operations, including liabilities arising from housing and mortgage insurance contracts. The balance of this fund at October 31, 2004 is $10,846,000. As a subsidiary of HDC, REMIC's functions are administered by the Corporation and its Members substantially overlap with HDC's Members, so it is presented as a component unit in HDC's financial statements.

Note 2: Summary of Significant Accounting Policies

The Corporation follows the principles of fund accounting, with a sub-fund for each bond series, for the Corporate Services Fund, and for each component unit. Each fund's assets, liabilities and net assets are accounted for as separate entities and follow enterprise fund reporting. Certain individual funds are aggregated into larger categories for the purpose of financial reporting. The accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting wherein rev-

Note 1: Organization

The New York City Housing Development Corporation (the "Corporation" or "HDC") is a corporate governmental agency constituting a public benefit corporation organized and existing under the laws of the State of New York (the "State"). The Corporation is also a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, (the "Code"). The Corporation was established in 1971 under the provisions of Article XII of the Private Housing Finance Law (the "Act") of 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 in order to increase the supply of 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 housing through new construction or rehabilitation and to provide permanent financing for multi-family residential housing. The Corporation participates in the federal government's housing assistance programs, principally those established by Section 236 of the National Housing Act of 1934 (the "National Housing Act"), as amended, and Section 8 of the United States Housing Act of 1937, as amended. The Corporation finances significant amounts of its activities through the issuance of bonds and notes. The bonds and notes of the Corporation are not debts of either the State or The City of New York (the "City").

Pursuant to Governmental Accounting Standards Board Statement ("GASB") No. 14, "The Financial Reporting Entity", the Corporation's combined financial statements are included in the City's financial statements as a component unit for financial reporting purposes.

Primary Reporting Entity

Also pursuant to GASB No. 14, HDC is the primary government entity. Financial activity in HDC's bond and loan programs and in its Corporate Services Fund are aggregated and reported in the combined financial statements under Housing Development Corporation. The Corporation sells bonds, administers bond proceeds and manages bond revenues and repayments in accordance with bond resolutions adopted by its Members (see Note 7: "Bonds Payable"). Bond proceeds are used to make loans and provide for related costs and reserves, and loan repayments are applied to pay principal and interest on the related bonds (see Note 4: "Mortgage and Other Loans"). Corporation resources that are not pledged under or governed by a bond resolution are managed in the Corporate Services Fund. This fund accounts for (1) fees and earnings transferred from the bond and loan programs; (2) Section 8 administrative fees; (3) fees earned on loans serviced for HDC and for the City; (4) income from Corporate Services Fund investments; (5) payment of the Corporation's operating expenses; and (6) loan assets made with corporate funds.

The Corporation has several subsidiaries that are reported as Discretely Presented Component Units in the combined financial statements (see below). In addition, on September 20, 2004, a new subsidiary, the NYC HDC Real Estate Owned Corporation ("REO Subsidiary Corporation"), was established under Section 654-a of the Act. The REO Subsidiary Corporation has the power to hold property whenever, in the sole discretion of the Corporation, it has become necessary to acquire a project in the case of sale under foreclosure or in lieu of foreclosure to effectuate the purposes of the Act. This subsidiary was inactive in the year ended October 31, 2004.

Discretely Presented Component Units

The Housing Assistance Corporation ("HAC"), the Housing New York Corporation ("HNYC") and the New York City Residential Mortgage Insurance Corporation ("REMIC") have been included in the Corporation's combined reporting entity as discretely presented component units of HDC. As of November 3, 2003, HNYC has become an inactive subsidiary of the Corporation (see *(B)* below).

(A) Housing Assistance Corporation

The Housing Assistance Corporation is a public benefit corporation established pursuant to Section 654-b of the Act as a subsidiary of the Corporation.

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 a subsidiary of HDC, HAC's functions are administered by the Corporation and its Members substantially overlap with HDC's Members, so it is presented as a component unit in HDC's financial statements.

(B) Housing New York Corporation

The Housing New York Corporation is a public benefit corporation established pursuant to Section 654-c of the Act as a subsidiary of the Corporation. Authorization for the funding of the Housing New York Program ended on July 1, 1995. Consequently, HNYC can no longer issue bonds or notes to fund the Housing New York Program.
HNYC was established in 1986 and first issued bonds in 1987, backed by revenues derived from Battery Park City Authority ("BPCA") assets. The proceeds of the HNYC bonds were used to finance affordable housing projects outside of Battery Park City, under the supervision of various New York City government agencies. In October 2003, in connection with a refinancing performed by BPCA and the prepayment by BPCA of its liability to HNYC, funds were made available to provide for the retirement of all of the outstanding HNYC bonds on November 3, 2003. Upon repayment of the obligations, HNYC has become an inactive subsidiary of the Corporation. These two transactions, the prepayment by BPCA of its liability to HNYC and the early retirement of its outstanding debt, occurred in different fiscal years and, accordingly, resulted in the significant change in HNYC net assets for the years ending October 31, 2003 and October 31, 2004.

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Note 2: Summary of Significant Accounting Policies

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In its accounting and financial reporting, the Corporation follows the pronouncements of GASB. In addition, the Corporation follows the pronouncements of all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Other significant accounting policies are:

A. Revenue and Expense Recognition

The Corporation's operating revenue consists of earnings on mortgages and loans, fees and charges associated with both financing and servicing mortgages and loans, and other

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In its accounting and financial reporting, the Corporation follows the pronouncements of GASB. In addition, the Corporation follows the pronouncements of all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Other significant accounting policies are:

A. Revenue and Expense Recognition

The Corporation's operating revenue consists of earnings on mortgages and loans, fees and charges associated with both financing and servicing mortgages and loans, and other revenues that are received to cover the costs of raising capital. All other revenue, which is primarily investment income, is considered non-operating. Revenues are recognized when earned; commitment and financing fees are recognized over the life of the related mortgage.

Operating expenses include bonding costs, expenses for administering the various bond resolutions, personnel expenses, corporate operating expenses, amortization of capitalized issuance and financing costs, and depreciation expense. The Corporation reports all other expenses including distributions of first mortgage earnings to New York City in connection with loan participations as non-operating expense. Expenses are recognized as incurred.

B. Investments

All investments are carried at fair value, except for investment agreements and for Government National Mortgage Association ("GNMA") securities. The Corporation's GNMA securities are acquired program obligations as defined by the U.S. Treasury. Investment agreements and GNMAs are reported at an amount equal to principal and accrued interest. At October 31, 2004, the Corporation implemented the financial disclosure requirements of GASB No. 40, "Deposits and Investment Risk Disclosures". See Note 3: "Investments and Deposits".

C. Earnings on Investments

Earnings on investments include interest income and changes in fair value. Investment earnings on monies held for the City, project reserves for replacement and certain other project escrows are not reported as revenues; rather, they are reported as payable to the City or payable to mortgagors, respectively.

D. Debt Issuance Costs, Bond Discount and Other Bond Related Costs

Debt issuance costs and bond discount are amortized over the life of the related bond issues using the effective interest method. Premiums paid in connection with interest rate cap agreements are amortized and reported as interest expense over the life of the respective agreements.

E. Operating Transfers

Operating transfers are the reimbursement to the Corporation for REMIC operating expenses.

F. Allowance for Credit Losses

HDC's loans are underwritten according to standards the Corporation believes prudent and are closely monitored for payment and for management of the associated housing development. In addition, many of the Corporation's mortgages have credit enhancements through letters of credit, mortgage insurance and other supports. As such, HDC believes that the likelihood of experiencing material credit losses relating to its bonded mortgage programs is unlikely. Management has determined that current charges against income are not required.

G. Estimates and Assumptions

A number of estimates and assumptions relating to the reporting of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates.

H. Summarized Financial Information

The financial statements include summarized comparative information for the year ended October 31, 2003 in total but not by reporting unit. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended October 31, 2003.

Note 3: Investments and Deposits

The Corporation and its subsidiaries are authorized to engage in investment activity pursuant to the Act and the Corporation's respective bond resolutions. Investment policies are set for the Corporation and its subsidiaries by the Members of the Corporation on an annual basis, through the annual adoption of written Investment Guidelines. Investments are reviewed on a periodic basis by the Corporation's Audit Committee. Day-to-day investment decisions are made by the Corporation's Investment Committee, whose members include the Chief Financial Officer, the Controller, and the Vice President for Cash Management. The Corporation and its subsidiaries principally invest in securities of the United States and its agencies, highly rated commercial paper, open time deposits ("OTDs") in the form of investment agreements, money market accounts, and repurchase agreements. Neither HDC, HAC, HNYC nor REMIC entered into any reverse repurchase agreements during the year ended October 31, 2004. According to management, the Corporation and its subsidiaries are not in violation of any provisions of the foregoing policies.

OTHER INFORMATION

All securities, other than securities held by the respective trustees for the benefit of the bondholders, are held by the Corporation or its agents in the Corporation's name. Bond program investments are held by the trustee of the applicable program. All investment transactions are recorded on a delivery basis. As of October 31, 2004 and October 31, 2003, the Corporation and its subsidiaries had the following investments. Investment maturities are shown for October 31, 2004 only.

	Fair Value		Investment Maturities at October 31, 2004 in Years			
Investment Type	2004	2003	Less than 1	1-5	6-10	More than 10

	2004	2003
Assets		
Current Assets:		
Cash and investments	$ 8,141	10,869
Mortgage loan receivable	44,016	19,146
Accrued interest receivable	5,027	5,802
Other receivables	726	124
Other assets	5	7
Total Current Assets	**$ 57,915**	**35,948**
Noncurrent Assets:		
Restricted cash and investments	$ 342,272	263,650
GNMA Securities held as purpose investment	189,672	43,204
Mortgage loan receivable	1,189,728	1,250,595
Unamortized issuance costs	11,287	9,920
Primary government/component unit receivable (payable)	(17,656)	(16,509)
Other assets	18,057	20,762
Total Noncurrent Assets	**$ 1,733,360**	**1,571,622**
Total Assets	**$ 1,791,275**	**1,607,570**
Liabilities		
Current Liabilities:		
Bonds payable	$ 46,335	42,375
Accrued interest payable	21,200	16,165
Payable to mortgagors	4,178	2,225
Deferred fee and mortgage income	309	37
Due to the United States Government	6,772	1,045
Total Current Liabilities	**$ 78,794**	**61,847**
Noncurrent Liabilities:		
Bonds payable (net)	$ 1,162,523	997,686
Payable to the City of New York	237,561	241,364
Payable to mortgagors	5,452	3,437
Deferred fee and mortgage income	19,031	16,120
Due to the United States Government	811	631
Total Noncurrent Liabilities	**$ 1,425,378**	**1,259,238**
Total Liabilities	**$ 1,504,172**	**1,321,085**
Net Assets:		
Restricted	$ 287,103	286,485
Total Net Assets	**$ 287,103**	**286,485**
Total Liabilities and Net Assets	**$ 1,791,275**	**1,607,570**

Schedule 1 (cont'd):

Housing Revenue Bond Program
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Fiscal Years ended October 31, 2004 and 2003 (in thousands)

	2004	2003
Operating Revenues:		
Interest on loans	$ 64,376	65,022
Fees and charges	12,863	9,108
Other	—	6
Total Operating Revenues	**$ 77,239**	**74,136**
Operating Expenses:		
Interest and amortization	46,679	42,201
Services of New York City	—	167
Trustees' and other fees	180	170
Amortization of debt issuance costs	1,163	912
Total Operating Expenses	**$ 48,022**	**43,450**
Operating Income	**$ 29,217**	**30,686**
Non-Operating Revenues (Expenses):		
Earnings on investments	11,779	10,437
Non-operating expenses	(919)	(1,010)
Total Non-operating Revenues (Expenses)	**$ 10,860**	**9,427**
Income before Distributions and Transfers	**$ 40,077**	**40,113**
Operating transfers to Corporate Services Fund	(9,510)	(8,544)
Capital transfers	(29,949)	(16,194)
Change in Net Assets	**$ 618**	**15,375**
Total net assets - beginning of year	$ 286,485	271,110
Total Net Assets - End of Year	**$ 287,103**	**286,485**

HDC | ONLINE

Visit www.nychdc.com for more information on the New York City Housing Development Corporation.

Visit www.nychdc.com/annualreport2004 for a downloadable PDF of this annual report.

DESIGNED BY KELLYCO MARKETING (www.kellycomarkeitng.com)
PHOTOGRAPHY BY LARRY RACIOPPO

GROWTH

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