

***MINUTES OF THE MEETING OF
THE NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
AUDIT COMMITTEE***

November 30th, 2022

A meeting of the Members of the Audit Committee of the New York City Housing Development Corporation (the “Corporation”) was held virtually on WebEx on Wednesday, November 30th, 2022.

The meeting was called to order at 10:00 a.m. by Mr. Harry Gould, Board Member, who noted the presence of a quorum. Mr. Gould called for approval of the minutes from the October 28th, 2022 meeting. The minutes were approved.

Mr. Gould then turned to Ms. Cathy Baumann, Executive Vice President and Chief Financial Officer, to provide an overview of the agenda. Ms. Baumann then briefly provided an overview of the agenda.

Mr. Gould then recognized Ms. Ellen Duffy, Executive Vice President of Capital Markets and Investments, to provide the Debt Report. The Corporation’s Debt Report is as of October 31, 2022. The last debt report presented to the Audit Committee was as of September 30, 2022. Ms. Duffy noted that during this time, the Corporation did not issue or redeem any bonds. The Corporation’s debt outstanding as of October 31, 2022 is approximately \$14.7 billion. The Corporation’s statutory debt capacity stands at \$18 billion. Mr. Gould posed a question about whether next year the Corporation would request an increase in the statutory debt ceiling. Mr. Eric Enderlin, President, noted that this has been the Corporation’s pattern and is based on forward planning, while also noting that there is currently room under the capacity ceiling. Mr. Enderlin stated that, over time, the Corporation will likely continue to request an average of about \$1 billion a year.

Mr. Gould again turned to Ms. Duffy to present the Investment Report. The Corporation’s Investment Report is as of November 14, 2022. Funds under management totaled approximately \$4.8 billion. This report reflects routine investment activity. Ms. Duffy noted that the percentage and amount of the Bond Reserve is required to be reviewed annually and reported to the Audit Committee. The Bond Reserve required amount was revised to be 1.50%-2% of the Open Resolution long term bonds outstanding and approved by the Audit Committee on November 30, 2021. After debt service on the bonds was paid on November 1, 2022, and certain redemptions made, the amount of long-term bonds outstanding in the Open Resolution is approximately \$8.5 billion. Based on this balance, a 1.50% Reserve would equal \$127 million, and a 2% Reserve would equal \$169 million. During fiscal year 2022, the Reserve was funded at \$150 million (1.87%). Due to the higher amount of bonds outstanding, the strong, diversified cash flow in the Open Resolution, and the \$49 million of guaranty and working capital reserves currently cash-funded, HDC staff recommends that the Reserve should be increased from \$150 million to \$160 million (1.88%) at this time.

Mr. Gould then recognized Ms. Mary Hom, Chief Risk Officer, for the Counterparty Credit Risk Exposure Report. The Corporation’s Counterparty Credit Risk Exposure Report is

dated as of October 31, 2022, and the previous report to the Audit Committee was dated September 30, 2022. There were no rating agency actions of note, and there were no new approved counterparties. Ms. Hom concluded her report by noting that diversification and large exposures were unchanged since the last report.

Mr. Gould then called on Ms. Hom to present the Internal Audit plan for first quarter 2023. Ms. Hom reminded the Committee that at the previous Audit Committee meeting on October 28, 2022 she reported that Internal Audit will move from an annual audit plan to a quarterly audit plan. Internal Audit believes this more frequent assessment and review of projects will allow Internal Audit to prioritize and focus on key risks as they arise. Based on recent feedback from management and risk assessment discussions, the proposed projects for the first quarter of 2023 include two advisory assignments, an internal audit, and continuous monitoring of the investment portfolio. Ms. Hom reported that a new staff auditor is expected to begin before the end of December, and the first quarter will also be busy with training this new team member. Ms. Hom then requested approval of the first quarter 2023 audit plan, and the plan was approved by the Members.

Ms. Denise Scott, Board Member, posed a question to Mr. Enderlin on inflation impacts. Mr. Enderlin noted that the Corporation feels it is managing well and that further discussion would be welcome at the board meeting. Ms. Baumann noted that the Corporation's investment income is increasing because the rates are increasing.

Ms. Scott also posed a question regarding concerns many participants in the housing community are having about the capacity at HPD at the staff level and the impact that this is having on the flow and timing of projects. Mr. Enderlin noted that HPD has been making significant progress in the last couple of weeks to mitigate the issue. Mr. Enderlin further noted that the Corporation has strengthened itself within in order to be as flexible as possible to make up for some of HPD's staffing issues by successfully attracting and retaining talent. Mr. Enderlin reiterated that the capacity issues at HPD are gradually improving.

Referring back to the question on inflation, Ms. Duffy remarked on the investment portfolio noting that because of the shape of the yield curve where short-term rates are higher than long-term rates, this is a very good investment opportunity for the Corporation on the short-term side. Ms. Duffy further noted that the Corporation is keeping a lot of money liquid and the banks are raising their rates. Ms. Duffy also highlighted the increase in the repo rate. The Corporation's investments are likely to cover a good portion if not all of the Corporation's bond costs, and the Corporation is reinvesting funds in higher amounts where possible. Ms. Ruth Moreira, First Executive Vice President of Development, noted that the portfolio is noticing the impact of inflation particularly on the insurance side and that high level discussions are ongoing to determine new approaches to help projects in this area. Ms. Moreira noted however that the overall debt service coverage of the Corporation's portfolio is healthy and that projects have been able to absorb some of the inflationary costs. Ms. Moreira added that the Asset Management, Credit Risk, and Development teams all meet annually to reset the Maintenance & Operating Standards and noted that these standards have been increased in the last few years to take into account the current environment. This ensures that the Corporation underwrites to realistic amounts and sizes deals and their subsidy appropriately. Mr. Enderlin noted that the Corporation

participates in the High-Cost Housing Cities Forum to discuss what other cities are experiencing and noted that all parties are anticipating gaps in projects. Mr. Enderlin noted that the M&O and construction costs are increasing significantly nationally and pointed to the supply chain issues and future concerns surrounding uncertain geopolitical events. Mr. Enderlin noted that the Corporation is deepening and strengthening the Asset Management team to better deal with these challenges.

Ms. Scott posed a question as to whether the Corporation was looking at the Greenhouse Gas Reduction Fund as a possible source for capital. Mr. Enderlin noted that the Corporation is still digesting information. Mr. Enderlin stated that the Corporation is enhancing the Asset Management department on both the regulatory and compliance side as well as Engineering to research this and take advantage of whatever is available.

At 10:22 a.m., with no further business, the meeting was adjourned.

Respectfully submitted,

Austin Chin

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ATTENDANCE LIST (VIRTUAL MEETING)

NAME

AFFILIATION

Harry Gould	Audit Committee Member
Denise Scott	Audit Committee Member
Danielle Hurlburt	Ernst & Young
Cathy Baumann	NYC Housing Development Corp.
Jeremy Boyer	NYC Housing Development Corp.
Paul Cackler	NYC Housing Development Corp.
Austin Chin	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Eric Enderlin	NYC Housing Development Corp.
Terry Gigliello	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Ruth Moreira	NYC Housing Development Corp.
Trisha Ostergaard	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Elizabeth Strojan	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.