

# New York City Housing Development Corporation Annual Report 1979

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November 1, 1978 to October 31, 1979

*A Report to:*

Hon. Edward I. Koch

*Mayor*

Hon. Harrison J. Goldin

*Comptroller*

Hon. James R. Brigham, Jr.

*Director of Management and Budget*

*Submitted by*

The Chairman and Members of the

New York City

Housing Development Corporation

The New York City Housing Development Corporation

42 Broadway Tenth Floor

New York, New York 10004

*Cover photo*

Waterside, financed by New York City Housing  
Development Corporation and constructed on New  
York City's East River.

*Table of Contents*

- 1 Chairman's Report
- 2 Members and Executive Staff
- 5 HDC Housing Finance Program
- 8 HDC Accomplishments
- 12 Financial Statements and  
Report of Independent Auditors

Since the creation of the New York City Housing Development Corporation in 1971, it has financed the construction and rehabilitation of over eight thousand units of housing for persons and families of low and middle income in The City of New York. This has involved building eight new multi-family projects and rehabilitating a troubled garden apartment complex in the Borough of Queens, all without a charge against the City's credit or its operating capacity.

The Corporation's program to refinance Mitchell-Lama projects initially financed by The City of New York has provided more than \$300 million in cash to the City. This process is continuing and it is expected that an additional \$100 million will be provided to the City in the first quarter of 1980.

In October 1979, HDC issued \$49,620,000 in multi-family mortgage revenue bonds, entirely underwritten by Citibank, N.A., at a net interest cost of 7.45 percent, providing funds for the substantial rehabilitation of eight existing multi-family projects, totaling 1,024 dwelling units. One project will include 12 units of new construction. The projects are located in the Boroughs of the Bronx, Manhattan, and Brooklyn and will be occupied by tenants qualifying for the Section 8 Housing Assistance Payments program. Rehabilitation of the largest project, the 471-unit Academy Gardens complex in the Bronx, began in the first month of fiscal year 1980.

The 1979 Series A Bonds that financed the eight projects' rehabilitation were rated Aa by Moody's Investors Service, Inc., AA by Standard & Poor's Corporation. It is hoped that HDC's General Housing Bonds will soon be restored to their original rating level because of this demonstrated fiscal strength.

The financing was a major accomplishment on two counts. First, it indicated confidence on the part of the investment community in the financial competence and viability of the Corporation. Second, and even more importantly, it represented a significant contribution to the City's long-range goal of preserving and enhancing its established neighborhoods.

The Corporation's primary role is to provide funds for the financing of newly constructed and rehabilitated housing units for persons of low and middle income. In view of the unsettled conditions of the financial markets and the escalating costs of construction as well as the costs of operating housing projects, this can be accomplished only with the aid of Federal subsidies and mortgage insurance programs. The Corporation is continuing to devise strategies to undertake the financing of those units of Section 8 substantial rehabilitation awarded to New York City under the Neighborhood Strategy Area Program. Considerable ingenuity will be required to accomplish this in view of the current conditions in the financial markets.

In order to continue its role, HDC is seeking an increase in its bonding authority from the State Legislature in the amount of \$350 million, which would bring its total authority to one billion, three hundred million dollars. The Governor has included the request in his budget message.

During the year the Corporation also strengthened its credit position by liquidating a potential liability in connection with certain earlier bond issues and reduced its outstanding notes by more than \$1,000,000.

At a time when many other comparable agencies have suffered severe reverses, HDC has managed its affairs with prudence and resourcefulness. In the years ahead, it looks forward to making substantial contributions to the City and its neighborhoods.



Anthony Gliedman  
*Chairman*

January 15, 1980

# 2 Members and Executive Staff

The membership of the Corporation consists of the Commissioner of the Department of Housing Preservation and Development of The City of New York (who is designated by the New York City Housing Development Corporation Act as Chairman of the Corporation), the Director of the Office of Management and Budget of The City of New York, and the Finance Commissioner of The City of New York, serving *ex officio*, and four public members, two appointed by the Mayor and two appointed by the Governor. A minimum of four members is required to bind the Corporation.

Anthony Gliedman  
*Chairman and Member ex officio*

Mr. Gliedman, an attorney, was appointed to the position of Commissioner of the Department of Housing Preservation and Development of the City effective September 17, 1979. Mr. Gliedman has served the City as Commissioner of Ports and Terminals, Assistant to the Deputy Mayor for Labor Relations, Director of Agency Analysis for the Emergency Financial Control Board, Deputy General Counsel of the Housing and Development Administration (predecessor of the Department of Housing Preservation and Development), Housing Ombudsman to the Housing and Development Administration, and an Assistant Corporation Counsel in the City's Law Department.



Thomas E. Dewey, Jr.  
*Vice Chairman and Member*  
*(serving pursuant to law)*

Mr. Dewey is founder and President of Thomas E. Dewey, Jr. & Co., Inc., a firm specializing in financial advisory services. He is also a Trustee of Lenox Hill Hospital and of the Harlem Savings Bank. Formerly he was a General Partner in the investment banking firm of Kuhn, Loeb & Co.



James R. Brigham, Jr.  
*Member ex officio*

Mr. Brigham is Director of the Office of Management and Budget of The City of New York, to which he was appointed February 6, 1978. From 1969 to 1978 he was Vice President of Morgan Guaranty Trust Company. Mr. Brigham first entered City government on loan from Morgan to the Deputy Mayor for Finance, where he served as Special Advisor in 1976 and 1977.



Harry E. Gould, Jr.

*Member (term expires December 31, 1979; serving pursuant to law)*

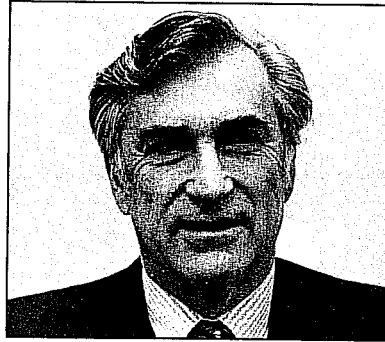
Mr. Gould is Chairman, President and Chief Executive Officer of Gould Paper Corporation. He is a member of the President's Export Council, serving as a member of its Executive Committee and Chairman of its Export Expansion Committee. He has also represented the President at the United Nations East-West Trade Development Commission and has served on the Governor's Task Force on New York State Cultural Life and Arts. A member of Colgate University's Board of Trustees, Mr. Gould is also a National Trustee of the National Symphony Orchestra, Washington, D.C. and serves as a member of its Executive Committee.



Harry S. Tishelman

*Member ex officio*

Mr. Tishelman is Commissioner of Finance of The City of New York. Previously he served the City's Finance Administration in several capacities, most recently as First Deputy Finance Administrator. Before entering public service, Mr. Tishelman was in private law practice. He is a member of the New York State Bar and a Registered Public Accountant of New York State.



Pazel G. Jackson, Jr.

*Member (term expires December 31, 1981)*

Mr. Jackson is a Senior Vice President of The Bowery Savings Bank of New York. He was formerly Assistant Commissioner of the City Department of Buildings and Chief of Design of the New York World's Fair Corporation.



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*Principal Officers***Roger C. Simons**  
*Executive Director*

Mr. Simons is an attorney and had previously been Deputy Executive Director and General Counsel of the Corporation. He is experienced in both the public and private sectors of the real estate and construction fields, as well as in public and private financing. Prior to his association with the Corporation, he was employed by the Housing and Development Administration of The City of New York and had also been Vice President and General Counsel of a major eastern developer prior to entering public service.

**Alice I. Baker**  
*General Counsel and Secretary*

Ms. Baker was appointed General Counsel and Secretary to the Corporation on September 24, 1979. She joined the Corporation in May 1978 as Assistant Counsel and served as Acting General Counsel from January 1979 until her appointment in September. Previously she worked as an attorney and consultant in the subsidized housing field and as an attorney with Pan American World Airways.



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**John L. Warren**  
*Treasurer*

Mr. Warren is a certified public accountant. He was formerly the Director of Finance for the City of New Rochelle, New York, Accounting Executive of the County of Nassau, New York, and Comptroller of the Incorporated Village of Rockville Centre, New York.



## *Need*

Since the enactment of New York State's Limited Profit Housing Companies Law in 1955, The City of New York has borrowed over one billion dollars from the public in order to finance limited-profit housing projects. This ambitious commitment strained the City's constitutional borrowing capacity, upon which there are many other claims in addition to housing. The Corporation was created as a supplementary and alternative vehicle for borrowing money for housing projects without directly encumbering the City's own credit. During the City's fiscal crisis the Corporation has aided the City in the refinancing of its limited-profit housing companies.

## *Powers and Authorization*

The Corporation is authorized by its enabling act to make loans for new construction or for rehabilitation of multi-family housing and to obtain the funds therefor by issuing its notes and bonds. It may make mortgage loans to eligible mortgagors in accordance with the provisions of Articles II, V, VIII, and XV of the State's Private Housing Finance Law (PHFL). The Corporation is empowered also to make loans where the mortgages securing such loans are insured or co-insured by the Federal government. In all cases, the loans must serve the public purpose of providing residential accommodations to persons and families whose need for safe and sanitary housing is not being met in New York City by unassisted private enterprise. The maximum income of persons and families occupying such housing, the rentals and carrying charges payable, and the profit of housing companies are determined by law and regulation.

The Corporation is also authorized to acquire certain mortgages which secure loans made by The City of New York under the Mitchell-Lama program, and which the City intends to sell or assign to the Corporation to enable it to raise cash on the City's behalf. Mortgages acquired from the City are to be insured by the Federal government and either sold or used as security for the sale of bonds. The net proceeds of the sale of the mortgages or the bonds will go to the City.

The Corporation is authorized by the New York State Legislature to sell notes and bonds up to a total of \$950,000,000, or such amount as shall not cause its maximum Capital Reserve Fund requirement (see below) to exceed \$85,000,000; however, the Corporation shall not issue bonds that would cause the maximum Capital Reserve Fund requirement to rise above \$30,000,000 without a concurrent resolution of the Legislature and the Governor's written agreement with such resolution. The Corporation is able to issue bonds for any corporate purpose without making a deposit into a Capital Reserve Fund. The Corporation also is authorized to issue taxable bonds if such bonds are either guaranteed or subsidized by the Federal government.

## *Existing Financing Programs*

Pursuant to the above powers and authorization, the Corporation has three operational programs covering obligations issued pursuant to: (a) the Multi-Family Mortgage Revenue Bonds 1979 Series A Bond Resolution, encompassing the financing of eight FHA-insured Section 8 mortgages, (b) two Multi-Family Housing Limited Obligation Bonds General Bond Resolutions encompassing the refinancing of mortgages acquired from the City of New York, and (c) the General Housing Bond Resolution.

(A) *Multi-family Mortgage Revenue Bonds (FHA-insured Mortgage Loans) 1979 Series A.* The 1979 Series A Bonds are limited obligations of the Corporation payable solely from and secured by a cross-collateralized pool of FHA-insured mortgage loans, the revenues received on account of such loans together with other assets pledged by the Bond Resolution adopted by the Corporation on September 28, 1979, and the Section 8 housing assistance payments. The Bonds are not secured by the Capital Reserve Fund or any of the funds or accounts established under the General Housing Bond Resolution.

(B) *Multi-family Housing Limited Obligation Bonds.* Bonds issued by the Corporation under its Multi-family Housing Limited Obligation Bonds General Bond Resolution of July 25, 1977 and Second General Bond Resolution of October 10, 1978, are primarily secured by the Federal mortgage insurance obtained at the time of the acquisition of a Mitchell-Lama mortgage from The City of New York. Debt service on any series of bonds is paid only from monies received on account of the insured mortgage securing that series, including payments made by, or on behalf of, the mortgagor or by the Federal insurer. Bonds under this Resolution are structured as modified pass-through obligations. The Bonds are not secured by the Capital Reserve Fund or any of the funds and accounts established under the General Housing Bond Resolution.

(C) *General Housing Bonds.* Funds for the payment of debt service on these bonds come primarily from the payments made by the mortgagors of the projects financed by the Corporation pursuant to the General Housing Bond Resolution. These payments include principal, interest, mortgage origination fees, and annual service charges. The funds required to be paid by the mortgagors may be derived in part from payments made by the U.S. Department of Housing and Urban Development under the terms of interest reduction subsidy contracts. Under the Resolution, deficiencies in such payments may be made up from monies on deposit in the General Reserve Fund.

Bonds issued by the Corporation pursuant to the General Housing Bond Resolution are secured by a pledge of all mortgages financed in whole or in part by the proceeds of the bonds and by various funds and accounts including the Capital Reserve Fund. The Capital Reserve Fund is made up of the maximum annual debt service for each issue of General Housing Bonds and must be funded from the proceeds of each bond issue, if not from another source. If, for any reason, this Fund should fall below its required level, then the Chairman of the Corporation must certify that fact to the Mayor and the Director of the Budget of The City of New York. If the City fails or is unable to restore the Capital Reserve Fund to the required minimum, either from budgetary funds or from borrowings as authorized by the Corporation's enabling Statute, then the Chairman must so certify to the State Comptroller, who is then required to pay to the Corporation the amount necessary to restore the Fund to its required level. The Comptroller is to make this payment out of the first monies available from the next payment of unallocated per capita State aid to the City (the only prior claimant to this money is the City University Construction Fund). Any such payment would be a non-interest-bearing loan from the City to the Corporation.

*Rent Variance Power*

To ensure the continued financial viability of the project mortgages it finances, the Corporation is empowered to vary the rentals charged. Whenever it finds that the maximum rentals being charged are not sufficient to meet the mortgagor's necessary payments of all expenses (including fixed charges, sinking funds, reserve, and dividends), the Corporation may request the mortgagor to apply to the New York City Department of Housing Preservation and Development (HPD), formerly the Housing and Development Administration, for permission to vary the rentals so as to obtain sufficient income. If the mortgagor does not do so within thirty days, the Corporation may request HPD to take action upon its own motion to vary the rental rate. If HPD fails to do so within sixty days, the Corporation may itself vary the rental rate. Pursuant to the General Housing Bond Resolution, the Corporation has covenanted to exercise such power for projects financed thereunder. However, in cases where projects benefit from any Federal housing program of financial assistance, such rental increases are subject to the approval of the U.S. Department of Housing and Urban Development.

*HDC Notes and Bonds as Legal Investments*

Under the provisions of Section 662 of the New York City Housing Development Corporation Act, the Corporation's notes and bonds are made securities in which all of the following may properly and legally invest funds, including capital in their control or belonging to them: all public officers and bodies of the State of New York and all municipalities and municipal subdivisions of the State; all insurance companies and associations and other persons carrying on an insurance business; all banks, bankers, trust companies,

savings and loan associations, building and loan associations, investment companies, and other persons carrying on a banking business; administrators, guardians, executors, other fiduciaries; and all other persons whatsoever who are now, or may hereafter be authorized to invest in bonds or in other obligations of the State. The notes and bonds are also securities which may be deposited with and may be received by all public officers and bodies of the State and municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

*Tax Exemption*

In the opinion of Bond Counsel to the Corporation, the interest on the Corporation's notes and bonds is exempt from (i) Federal income taxes under the existing statutes and rulings issued by the Internal Revenue Service and (ii) New York State and New York City income taxes; except that Bond Counsel expresses no opinion as to the exemption from Federal income taxes of such interest for any period during which any bond or note is held by a person who, within the meaning of Section 103(b)(8) of the Internal Revenue Code of 1954, as amended, is a substantial user of the facilities with respect to which proceeds of the notes or bonds were used or a related person.



# 8 HDC Accomplishments

## *Multi-family Mortgage Revenue Bonds*

During 1979, the New York City Housing Development Corporation, in a period of severe fiscal stress for both the City and the country, was able to strengthen its financial position. Its principal accomplishment in pursuing the objective of providing decent housing for families of low and moderate income in The City of New York was achieved through the issuance of its multi-family mortgage revenue bonds in October of 1979. The \$49,620,000 bond issue, 1979 Series A, rated Aa by Moody's Investors Service, Inc., and AA by Standard & Poor's Corporation, sold at a net interest cost of 7.45 percent.

The proceeds from the sale of the 1979 Series A Bonds will enable HDC to make mortgage loans for the rehabilitation of eight multi-family housing projects containing over one thousand units. The bonds are secured by mortgages which are insured by an agency of the Federal government. In addition, a Federal Section 8 subsidy, which assists persons and families of low income, provides additional security. This subsidy is provided pursuant to the Housing and Community Development Act of 1974, which added to the United States Housing Act of 1937 a provision popularly known as Section 8. Pursuant to Section 8, the U.S. Department of Housing and Urban Development (HUD) enters into Annual Contributions Contracts with agencies such as HDC, which in turn form Agreements to Enter Into Housing Assistance Payments Contracts with owners of newly constructed and substantially rehabilitated projects containing dwelling units to be occupied by eligible low income families. HDC will enter into Housing Assistance Payments Contracts (HAP's) with the owners of all of the projects financed with the proceeds of the 1979 Series A Bonds.

Pursuant to Section 221(d)4 of the National Housing Act, HUD provides, through the Federal Housing Administration (FHA), a multi-family project mortgage insurance program. The Corporation, as an FHA-approved mortgagee, was able to obtain insurance under this program for both construction advances and the permanent mortgage loans for all eight of the projects.

Thus, HDC's 1979 Series A Bonds, which are limited obligations of the Corporation, are secured by (1) the revenues from the projects, (2) all accounts established by the Corporation's Bond Resolution, (3) all mortgage loans financed with the proceeds of the Bonds, and (4) payments received under the Section 8 Annual Contributions Contract, including the HAP payments. HDC will also receive payments from HUD for administering the HAP contracts. In the event of an owner's default under the mortgage, the FHA insurance on the mortgage loans provides that FHA will disburse insurance benefits in cash (less one percent of the outstanding principal balance of the mortgage) for the benefit of bondholders.

The eight projects to be rehabilitated, all owned by regulated entities, will provide improved housing for 1024 individuals or families in three boroughs of New York City. All will undergo substantial rehabilitation. In Manhattan, the projects are Lenoxville (118 units) and Lower East Side-Phase II (100 units); in Brooklyn, President Arms Apartments (32 units), 1650 President Street (48 units), and Prospect Arms Apartments (91 units); and in the Bronx, Academy Gardens (471 units), Miramar Court (90 units, 12 of which are new construction), and Nos. 2404, 2412 and 2416 Crotona Avenue (74 units). Mortgage closings for all projects were expected shortly after the end of the fiscal year, and rehabilitation was expected to commence in December 1979. The Academy, Prospect and President closings have already taken place.

HDC could not have effectuated such a bond issue in the present state of the financial markets without the efforts of several participants. The Corporation was greatly assisted by the cooperation of the Department of Housing and Urban Development, on both the national and local

levels, by the City's Department of Housing Preservation and Development, by Hawkins, Delafield & Wood, the Corporation's Bond Counsel, by its special consultant, Brownstein Zeidman and Schomer, and by Citibank, N.A., which underwrote the entire bond issue.

#### *The Refinancing Program*

In 1977, the Corporation initiated a program to aid the City in a period of severe fiscal difficulties. The program called for assignment by the City to HDC of certain existing Mitchell-Lama mortgages, which were then reconstituted into first mortgages insured by the Federal Housing Administration, and subordinate mortgages, assigned back to the City.

Since the program's inception, the Corporation has issued \$379,884,800 aggregate principal amount of bonds, in 73 series, under two Multi-family Housing Limited Obligation Bonds General Bond Resolutions adopted respectively in July 1977 and October 1978. Total payments to the City under the program had amounted to over \$300,000,000 by the end of the 1979 fiscal year. At that point, the Corporation still held approximately \$106 million in refinanced FHA-insured mortgages; it plans to issue bonds secured by these mortgages in the first quarter of calendar 1980 and provide the City with additional proceeds.

HDC's assistance to the City through this program was not limited to its contributions toward improving the City's cash position. The Corporation also took on the servicing of the refinanced mortgages, thus relieving the City of substantial administrative time and expense. As the year ended, HDC was about to install an automated accounting system to deal with this heavy addition to its administrative load, which now entails servicing 81 Mitchell-Lama project mortgages. Finally, by placing the refinanced projects on a firmer financial footing, the Corporation made a significant improvement in the City's stock of viable housing for low to middle-income tenants.

#### *The General Housing Program*

During the seven years since HDC was created, it has financed nine multi-family housing projects, eight of them newly constructed and one rehabilitated. As the projects' mortgagee, it has assisted them through the City's recent difficult years of shrinking tax base, inflation, and soaring fuel bills.

During the past fiscal year, rent increases were effectuated at Knickerbocker Plaza and Ocean Park, to keep up with the ever-rising costs of maintenance. A rent increase was instituted on December 1, 1979, at Independence Plaza North. The projects that had been hardest hit by inflation and high energy costs (Waterside, Independence Plaza North, and Yorkville) received loans in past years from the Corporation matched by loans and contributions from the owners, so that the necessary rent increases could be implemented gradually. It is expected that these loans will be liquidated commencing during fiscal 1980. A rent strike is in progress at the Independence Plaza North project, and the mortgagor's ability to meet its obligations is in part dependent on the termination of the strike.

#### *Projects in Processing*

Besides the projects financed by the 1979 Series A Bonds, there are a number of other projects under consideration by HDC that it could finance under its existing bonding authority. Substantial planning was accomplished during the year for the financing of Section 8-assisted projects. The current volatile condition of the financial markets has made such financing difficult. However, for the Corporation to be able to finance additional housing construction and rehabilitation, it will need an increase in its bonding authorization, at present limited to \$950,000,000. A bill requesting such an increase is at present before the New York State Legislature.

Other possible financing avenues are being explored, including the Federal co-insurance program, under which the mortgage insurance can be shared, 90 percent by HUD, 10 percent by a qualified state agency such as HDC. This program has been authorized by Congress, but final regulations have yet to be issued.

Another insurance program available to the Corporation is administered by New York City's Rehabilitation Mortgage Insurance Corporation (REMIC). This agency provides partial mortgage insurance in areas of the City in which private mortgage financing is not normally available. During the year, HDC entered into an agreement with REMIC that will permit HDC use of REMIC mortgage insurance.

#### *Series D and E Bonds*

HDC's Series D and E Bonds, in the aggregate principal amount of \$16,255,000 and \$11,255,000 respectively, were sold in 1975 to four commercial banks. The Corporation agreed at the time to retire or refund the two series as soon as market conditions permitted. It was further agreed that were the bonds to be sold at an aggregate net loss between August 15, 1978 and August 15, 1979, the Corporation would be responsible to the four banks in the amount of the loss. The banks disposed of approximately \$5 million dollars of the Series D & E bonds prior to August 15, 1978, reducing HDC's exposure.

In August 1979, a group of investment bankers purchased the bonds from the four banks, with a resulting loss to the Corporation of approximately \$550,000. This amount was absorbed by the Corporation from its reserves, and the liquidation of this potential liability contributed to the overall fiscal strength of the Corporation.

#### *Series IX Notes*

The Corporation's Series IX Housing Notes, in the amount of \$37,610,000, matured on August 15, 1979. The four New York City Pension Funds holding the notes authorized their renewal as Series X, in an aggregate principal amount of \$36,670,000, with interest payable at a rate of 9 percent per annum. An amortization payment of \$940,000 was made on August 15, 1979. The Series X notes will mature on November 14, 1980. The cooperation of the Pension Funds is acknowledged by the Corporation with appreciation.

#### *Legislation*

During the year, the Corporation drafted various legislative proposals to widen its financing program and increase its ability to serve the City's low-income families. Among these were proposals to enable the Corporation to finance the construction and rehabilitation of one-to-four-family homes, and to increase the Corporation's bonding authority to \$1.3 billion. A proposal to extend the Corporation's maximum note period from seven to ten years is being prepared for future submission.

Federal legislation was introduced in 1979 to limit the ability of State housing finance agencies to issue tax-exempt obligations to finance housing for low and moderate income families. The Corporation has participated actively in attempts to maintain the present tax-exempt method of financing multi-family construction and rehabilitation and to limit the restrictions on small home financing. It has acted in concert with the Council of State Housing Agencies in such efforts. HDC has secured the support of the Council and many Federal legislators in its endeavors to have the State agency financing exemptions extended to HDC.

#### *Outside Activities*

Through the year, HDC staff participated in meetings with their colleagues in housing and government in order to interact with the Federal government, cope with problems arising from the

state of the economy, and meet the energy shortage in creative ways. The Corporation, which remains fiscally sound, has been creative in a period when other such agencies have foundered, and has been consulted by other agencies as a source of information and counsel.

#### *The Credit Climate*

The Corporation has substantially improved its fiscal position during the year. As noted above, it removed the potential liability connected with the Series D and E Bonds and reduced the number of notes outstanding. The loans outstanding to Waterside, Independence Plaza North, and Yorkville Towers are expected to be repaid commencing in fiscal year 1980. All mortgagors were current in their payments at the end of the fiscal year. The above-mentioned rent strike at Independence Plaza North will have some bearing on this mortgagor's continuing ability to meet its obligations. In view of the over-all improvement, the Corporation is hopeful that the ratings of its General Housing bonds will be restored.

#### *Members and Staff Changes*

Anthony Gliedman, an attorney with long and varied experience in New York City's government, was appointed on September 17, 1979, to the post of Commissioner of the City's Department of Housing Preservation and Development and thus became, ex officio, Chairman of the Corporation. In both roles he replaced Nathan Leventhal, who had served the Corporation with a skill and concern that are gratefully acknowledged.

During 1979, Frances Levenson, Director of Urban Housing and Vice President of The New York Bank for Savings, completed her term of service as a Member. Ms. Levenson was an invaluable participant in all the Corporation's activities, and the Corporation thanks her warmly for her help. To replace Ms. Levenson, G. Lynn Shostack, a Vice President at Citibank, was appointed a

Member by the Governor. She accepted, and served from April to September, when she resigned for personal reasons.

In January 1979, Harold Kuplesky, who had served the Corporation with distinction since its inception, announced his resignation as Executive Director. Mr. Kuplesky, who had been the chief author of the Corporation's innovative refinancing program, was praised by the Members for his loyal and effective service.

The Members appointed Roger C. Simons, then Deputy Executive Director/General Counsel and Secretary, to the post of Acting Executive Director. Subsequently, he was appointed Executive Director. Mr. Simons has been with the Corporation since it was established.

In September 1979, Alice I. Baker was appointed General Counsel and Secretary to the Corporation. Ms. Baker joined HDC as Assistant Counsel in May of 1978 and had been designated Acting General Counsel in January of 1979.

The independent auditing firm of Coopers & Lybrand was appointed for a term of three years.

#### *Conclusion*

The New York City Housing Development Corporation is one of the nation's largest FHA mortgagees and servicers, through its roles in providing new financing and in refinancing City mortgages.

During this past fiscal year, in spite of the still severe inflation rate and fluctuating bond market, it reduced its potential liability, undertook a bond issue to finance more than one thousand rehabilitation units, further aided the City's cash position, and devised further methods for improving the City's existing housing stock. In the next year, it hopes to continue this expansion and meet its main objective, financing housing for the City's low to moderate income families.

# 12 Financial Statements

## Balance Sheets

October 31, 1979

	General Housing Bond Program	Multifamily Housing Bond Program— Section 223(f)	1979 Housing Bond Program	Corporate Services Fund	Combined Total (Memorandum Only)
<i>Assets:</i>					
Cash and investments (Note 4):					
Held for designated purposes	\$ 23,444,322	\$ 82,147,314	\$48,651,779		\$154,243,415
Held for operations	8,379,032			\$ 567,636	8,946,668
Segregated for November debt service	9,266,228				9,266,228
	41,089,582	82,147,314	48,651,779	567,636	172,456,311
Receivables from mortgagors:					
Mortgage loans (Note 3)	301,202,976	484,521,536			785,724,512
Mortgage billings, including accrued interest		3,189,704			3,189,704
Other	30,390	1,333,307	1,561,721	411	2,925,829
	301,233,366	489,044,547	1,561,721	411	791,840,045
Interest receivable from U.S. Department of Housing and Urban Development	729,408	29,196			758,604
Other assets	6,575	36,458	3,000		46,033
Due from (to) other funds	180,272	(821,490)		641,218	
	\$343,239,203	\$570,436,025	\$50,216,500	\$1,209,265	\$965,100,993
<i>Liabilities and Fund Balances:</i>					
Bonds payable (Note 5)	\$281,195,000	\$377,947,849	\$49,620,000		\$708,762,849
Notes payable (Note 5)	36,670,000				36,670,000
Payable to The City of New York (Note 6)		122,681,333			122,681,333
Accrued interest payable	9,682,890	1,044,399	299,555		11,026,844
Accrued earnings of reserve for replacement accounts (Note 2)		1,857,834			1,857,834
Accounts payable and accrued expenses	1,725,268		348,379		2,073,647
Received in advance from mortgagors (Note 3)	657,806				657,806
Deferred income		265,040			265,040
Total liabilities	329,930,964	503,796,455	50,267,934		883,995,353
Commitments and contingencies (Notes 3 and 8)					
Fund balances (Notes 2 and 7):					
Restricted	3,934,436	66,639,570	(51,434)		70,522,572
Unrestricted	9,373,803			1,209,265	10,583,068
Total fund balances	13,308,239	66,639,570	(51,434)	1,209,265	81,105,640
	\$343,239,203	\$570,436,025	\$50,216,500	\$1,209,265	\$965,100,993

The accompanying notes are an integral part of the financial statements.

# Statements of Revenues and Expenses

For the year ended  
October 31, 1979

13

	General Housing Bond Program	Multifamily Housing Bond Program – Section 223(f)	1979 Housing Bond Program	Corporate Services Fund	Combined Total (Memorandum Only)
<i>Revenues:</i>					
<i>Interest income:</i>					
Mortgage loans (Note 3)	\$21,596,464	\$27,983,192			\$49,579,656
Investments	3,123,233	6,262,173	\$193,333		9,578,739
Other	90,201			\$412	90,613
Fees and charges	755,442	453,590	669,309		1,878,341
	25,565,340	34,698,955	862,642	412	61,127,349
<i>Expenses:</i>					
<i>Interest:</i>					
Bonds (Note 5)	17,981,694	23,251,583	139,792		41,373,069
Notes (Note 5)	3,389,873				3,389,873
Other (Note 3)	318,100				318,100
Salaries and related expenses	396,841				396,841
Services of New York City Department of Housing Preservation and Development	377,721				377,721
Trustees' fees	66,405	121,140	22,090		209,635
Rent	31,755				31,755
Loss on refunding of bonds (Note 5)	549,306				549,306
Cost of issuing bonds			423,277		423,277
Other	260,473	93,297			353,770
	23,372,168	23,466,020	585,159		47,423,347
Excess of revenues over expenses	\$ 2,193,172	\$11,232,935	\$277,483	\$412	\$13,704,002
Excess of revenues over expenses is allocated as follows:					
Restricted funds	\$ 2,862,252	\$10,761,375	\$277,483		\$13,901,110
Unrestricted funds	(669,080)	471,560		\$412	(197,108)
	\$ 2,193,172	\$11,232,935	\$277,483	\$412	\$13,704,002

The accompanying notes are an integral part of the financial statements.

# 14 Statements of Changes in Fund Balances

For the year ended  
October 31, 1979

	General Housing Bond Program	Multifamily Housing Bond Program— Section 223(f)	1979 Housing Bond Program	Corporate Services Fund	Combined Total (Memorandum Only)
<i>Unrestricted Funds:</i>					
Unrestricted fund balance, beginning of year	\$ 7,345,326	\$ 169,658			\$ 7,514,984
Excess of revenues over expenses (expenses over revenues)	(669,080)	471,560		\$ 412	(197,108)
Transfers from (to) other programs (Note 7)		(641,218)		1,208,853	567,635
Transfers from restricted funds (Note 7)	2,697,557				2,697,557
Unrestricted fund balances, end of year (Note 7)	9,373,803	—		1,209,265	10,583,068
<i>Restricted Funds:</i>					
Restricted fund balance, beginning of year	6,804,794	52,678,440			59,483,234
Excess of revenues over expenses	2,862,252	10,761,375	\$277,483		13,901,110
Initial deposits to establish reserves		28,504,340			28,504,340
Distributions to mortgagors (Note 2)	(3,035,053)	(5,938,860)			(8,973,913)
Distributions on behalf of mortgagors (Note 2)		(11,549,243)			(11,549,243)
Distribution of excess funds to New York City (Note 6)		(7,577,764)			(7,577,764)
Transfers to unrestricted funds (Note 7)	(2,697,557)				(2,697,557)
Transfers to Corporate Services Fund (Note 7)		(238,718)	(328,917)		(567,635)
Restricted fund balances, end of year (Note 7)	3,934,436	66,639,570	(51,434)		70,522,572
Total fund balances, end of year	\$13,308,239	\$66,639,570	(\$ 51,434)	\$1,209,265	\$81,105,640

The accompanying notes are an integral part of the financial statements.

# Statements of Sources and Uses of Cash

For the year ended  
October 31, 1979

15

	General Housing Bond Program	Multifamily Housing Bond Program— Section 223(f)	1979 Housing Bond Program	Corporate Services Fund	Combined Total (Memorandum Only)
<i>Sources:</i>					
Proceeds from sale of bonds		\$ 79,998,100	\$49,779,763		\$129,777,863
Proceeds from sale of notes	\$ 36,670,000				36,670,000
<i>Investment activity:</i>					
<i>Proceeds from sales:</i>					
Cost to the Corporation	178,479,418	1,053,273,774	1,498,381		1,233,251,573
Earnings	2,884,624	7,491,066	6,992		10,382,682
Purchases	(176,279,460)	(1,055,919,917)	(49,890,648)	(\$635,751)	(1,282,725,776)
<i>Receipts from mortgagors:</i>					
<i>Interest and principal</i>					
payments on mortgages	21,861,572	37,106,769			58,968,341
Fees and charges	719,785				719,785
Reimbursement of expenses		56,979			56,979
Reserve for replacement funds		3,209,551			3,209,551
Escrow funds		13,168,442			13,168,442
Interfund transfers	19,029			637,483	656,512
<b>Total sources</b>	<b>64,354,968</b>	<b>138,384,764</b>	<b>1,394,488</b>	<b>1,732</b>	<b>204,135,952</b>
<i>Uses:</i>					
<i>Interest and principal payments</i>					
on bonds	19,201,694	24,486,444			43,688,138
Interest on notes	2,824,598				2,824,598
Retirement of notes	37,703,000				37,703,000
<i>Distributions and advances to</i>					
mortgagors	3,236,565	8,954,496			12,191,061
<i>Purchase and extension fees paid</i>					
to bondholders		799,981	992,400		1,792,381
Placement fees		399,991			399,991
<i>Fees related to mortgage and</i>					
bond closings		610,601			610,601
<i>Financial fees</i>					
Escrow payments		255,611			255,611
Paid to The City of New York		12,354,618			12,354,618
Operating expenses	854,438	88,990,106			88,990,106
Loss on refunding of bonds	549,306	34,111			888,549
Interfund transfers		257,748	398,764		549,306
<b>Total uses</b>	<b>64,369,601</b>	<b>137,143,707</b>	<b>1,391,164</b>		<b>202,904,472</b>
Excess of sources over uses (uses over sources)	(14,633)	1,241,057	3,324	1,732	1,231,480
Cash, beginning of year	615,949	824,764			1,440,713
<b>Cash, end of year</b>	<b>\$ 601,316</b>	<b>\$ 2,065,821</b>	<b>\$ 3,324</b>	<b>\$ 1,732</b>	<b>\$ 2,672,193</b>
<i>Cash comprises the following:</i>					
Held for designated purposes					
(Note 4)	\$ 478,879	\$ 2,065,821	\$ 3,324		\$ 2,548,024
Held for operations (Note 4)	122,437			\$ 1,732	124,169
	<b>\$ 601,316</b>	<b>\$ 2,065,821</b>	<b>\$ 3,324</b>	<b>\$ 1,732</b>	<b>\$ 2,672,193</b>

The accompanying notes are an integral part of the financial statements.



# 16 Notes to Financial Statements

## 1. Organization:

New York City Housing Development Corporation is a corporate governmental agency constituting a public benefit corporation of the State of New York, established under the provisions of Article XII of the Private Housing Finance Law (the Act). The Corporation and its corporate existence are to be continued at least as long as bonds, notes or other obligations of the Corporation shall be outstanding.

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

The Corporation operates three separate programs under its respective bond resolutions: the General Housing Bond Program (under the General Housing Bond Resolution), the Multifamily Housing Bond Program—Section 223(f) (under the Multifamily Housing Limited Obligation Bonds General Bond Resolutions) and the 1979 Housing Bond Program (under the Multifamily Mortgage Revenue Bonds [FHA Insured Mortgage Loans] 1979 Series A Bond Resolution). Each of the resolutions requires the establishment of segregated funds and accounts as further described below. In addition, the Corporation has established a corporate account (the Corporate Services Fund) for the recording of transactions not subject to the above-mentioned bond resolutions.

## 2. Summary of Accounts and Funds:

*General Housing Bond Program* The following are the principal funds and accounts established by the Corporation pursuant to the General Housing Bond Resolution:

**PROJECT MORTGAGE LOAN ACCOUNTS:** Project Mortgage Loan Accounts have been established for each project for which bonds and notes have been sold. The allocated proceeds of bonds or notes sold for each project were deposited in the respective Project Mortgage Loan Account, from which advances were made to mortgagors. The funds remaining in the accounts represent earnings on investments that will be paid to the mortgagors.

**REVENUE FUND:** All cash received is recorded in the Revenue Fund and transferred to other funds in the order specified by the General Housing Bond Resolution.

**OPERATING FUND:** The Operating Fund is used for the payment of operating expenses. Cash is provided by other funds in accordance with the General Housing Bond Resolution.

**DEBT SERVICE FUND:** The Debt Service Fund is used to pay the principal or redemption price of and interest on the Corporation's bonds.

**CAPITAL RESERVE FUND:** The Capital Reserve Fund was established as additional security for bondholders in accordance with the requirements of the Act. The Act provides that the Corporation will maintain the Capital Reserve Fund at an amount equal to the largest annual debt service requirement for any fiscal year.

At October 31, 1979, the cash and investments in the Capital Reserve Fund, exclusive of accrued interest, were in excess of its maximum requirements by approximately \$39,000.

If, for any reason, the Capital Reserve Fund should fall below its requirement, the Chairman of the Corporation must certify that fact to the Mayor and Director of the Budget of The City of New York (City). If the City fails to or is unable to restore the Capital Reserve Fund to the minimum requirement, then the Chairman must so certify to the State Comptroller, who must pay the Corporation the necessary amount out of the first monies available from the next payment of Unallocated per Capita State Aid to the City. (The only prior claimant to this money is the City University Construction Fund.) Any such payment would be considered a noninterest-bearing loan from the City to the Corporation.

**GENERAL RESERVE FUND:** A General Reserve Fund may be maintained by the Corporation and is available for any corporate purpose as provided in the General Housing Bond Resolution. The cash and investments of this fund, excluding accrued interest, may not exceed 2% of outstanding bonds. Any excess must be

transferred to the Debt Service Fund and used to redeem outstanding bonds. At October 31, 1979, the 2% limitation was exceeded by approximately \$189,000.

Accounts and funds similar to Project Mortgage Loan Accounts, Revenue Fund, and Debt Service Fund have been established for mortgage loans pledged as collateral for notes payable.

*Multifamily Housing Bond Program – Section 223(f)*  
The following are the principal funds and accounts established by the Corporation pursuant to the Multifamily Housing Limited Obligation Bonds General Bond Resolutions, as amended:

**BOND PROCEEDS ACCOUNT:** All proceeds from the sales of bonds are deposited in the Bond Proceeds Account. All costs in connection with insuring the mortgages and issuing the related bonds, including making the initial deposits in the accounts required under the bond resolutions and by the Federal insurer, are funded from the proceeds which, net of the above costs, are payable to the City.

**REVENUE FUND:** Payments of principal and interest on the mortgages are deposited in the individual project revenue accounts and are pledged for the payment of principal of and interest on the related bonds. After payments on the related bonds are made, the remaining money, including earnings from investments, is disbursed to the Corporate Requirement Account (see below).

**ESCROW FUND:** A separate escrow account within the Escrow Fund is established for each project for which bonds are sold. Payments for mortgage insurance premiums, taxes, fire insurance premiums and other similar charges are deposited in the respective escrow accounts.

**RESERVE FOR REPLACEMENT FUND:** A separate reserve for replacement account within the Reserve for Replacement Fund is established for each project as required by the Federal Housing Administration (FHA). Monthly deposits, as determined by FHA, are made by the mortgagors. The funds will be used to pay for replacements of property, fixtures and other necessary expenses as approved by the federal insurer. Earnings on investments of these funds are required to be distributed to mortgagors and, accordingly, have been reflected as liabilities in the balance sheet.

In addition to the above accounts the Corporation has established the following accounts and funds:

**CORPORATE REQUIREMENT ACCOUNT:** Funds are transferred to this account from the Revenue Fund. From these funds the Corporation receives an annual fee equal to  $\frac{1}{8}$  of one percent of the original principal amount of the mortgages securing the obligations for servicing of the mortgages and to pay administrative costs. In addition, the Corporation receives an amount required to pay the annual fees of the trustee. The remaining balance is payable to the City less a maximum of \$1,500,000 which is to be held pursuant to an agreement with the City.

**CLAIM PAYMENT FUND:** Individual accounts have been established for each project for the purpose of co-insuring with FHA. The deposits required by the Federal insurer represent 5% of the face amount of the insured mortgages.

**MINIMUM PROPERTY STANDARDS FUND:** In order to obtain federal insurance, certain property improvements were required within one year. The funds to meet these requirements were deposited into the Minimum Property Standards accounts. Upon the mortgagor's completing the improvements and obtaining approval from the City's Department of Housing Preservation and Development (HPD), the mortgagor will be reimbursed for the improvements, and the remaining money, if any, including earnings, is payable to the City.

The Corporation has established additional Escrow Funds, Claim Payment Funds, Minimum Property Standard Funds and Reserve for Replacement Funds in connection with mortgages which have not yet been pledged as collateral for bonds, as the respective bonds have not yet been issued.

# 18 Notes to Financial Statements Continued

*1979 Housing Bond Program* The following funds and accounts have been established by the Corporation under the Multifamily Mortgage Revenue Bonds (FHA Insured Mortgage Loans) 1979 Series A Bond Resolution:

**BOND PROCEEDS ACCOUNT:** The proceeds from the issuance of bonds have been deposited in the Bond Proceeds Account (other than amounts deposited in the Debt Service Reserve Account, the Mortgage Reserve Account, the Contingency Account, and the Revenue Account). Disbursements from this account will be made to mortgagors as required by the bond resolution.

**CONTINGENCY ACCOUNT:** The Contingency Account has been established for the purpose of providing additional mortgage loans not anticipated at

the time of closing of sale of bonds. Any funds remaining in this account at October 1, 1982 must be used to redeem bonds.

**REVENUE ACCOUNT:** All proceeds from mortgage loans financed by the bonds will be deposited in the Revenue Account and will be used to pay the debt service on the bonds. Any remaining funds will be paid to the Corporate Services Fund.

**MORTGAGE RESERVE ACCOUNT:** This account was established for the purpose of paying expenses of the Corporation resulting from possible future defaults on mortgage loans.

**DEBT SERVICE RESERVE ACCOUNT:** This account was established for the purpose of providing, to the extent no other funds are available, funds to pay bonds as they mature.

### 3. Mortgage Loans:

The General Housing Bond Program mortgage loans comprise the following at October 31, 1979:

	<i>Interest Rates</i>	<i>Balance</i>	<i>Current Annual Mortgage Payments</i>
<b>Pledged as collateral to General Housing Bonds:</b>			
Washington Plaza Towers, Inc. (Independence Plaza North)	7.05 — 9.97%	\$ 62,778,457	\$ 4,958,670
Waterside Housing Co., Inc.	7.05 — 8.005%	60,704,911	4,627,548
Linden Plaza Housing Co., Inc.	6.002 — 6.34%	48,886,922	3,199,429
Yorkville Towers Housing Co., Inc.	6.313 — 8.205%	34,937,178	2,431,634
Yorkville Towers Housing Co., Inc. (Ruppert Towers Project)	6.31 — 8.205%	26,725,761	1,845,948
Ocean Park Housing Co., Inc.	7.001%	17,840,635	1,327,967
Carlton Gardens Housing Co., Inc.	8.293%	10,324,619	947,925
		262,198,483	19,339,121
<b>Pledged as collateral to General Housing Notes:</b>			
Knickerbocker Plaza Housing Co., Inc.	9.25%	24,782,719	2,292,401
North Waterside Redevelopment Co.	9.25%	12,827,281	1,186,524
		37,610,000	3,478,925
<b>Mortgage advance by the Corporation to Washington Plaza Towers, Inc.</b>			
	7.6%	945,386	75,200
		300,753,869	\$22,893,246
<b>Prepaid principal payments</b>		449,107	
		\$301,202,976	

Final maturity dates on the above mortgage loans range from 2009 to 2023.

All of the above mortgages are first liens on the respective properties and, except for the mortgage loans receivable from Waterside Housing Co., Inc., Yorkville Towers Housing Co., Inc. and Carlton Gardens Housing Co., Inc., the projects receive interest subsidies under Section 236 of the National Housing Act from the U.S. Department of Housing and Urban Development (HUD).

The realization of the above mortgage loans depends on the ability of each of the housing companies to generate sufficient funds to service its debt which, in turn, is predicated on its maintaining sufficient occupancy levels and obtaining rent increases to offset escalating operating costs. Such rent increases are subject to the approval of HPD. In the event the housing company or HPD does not institute proceedings to implement a rent increase deemed necessary by the Corporation, or HPD, after conducting a hearing, fails to grant such necessary increase, the Corporation can, pursuant to law, order such increase and must do so pursuant to the General Housing Bond Resolution.

Should any of the housing companies be unable to meet its debt service obligations, the Corporation can commence foreclosure proceedings and operate the

project or sell it to a third party. To the extent that the project does not generate sufficient funds to meet the annual debt service requirements of the Corporation, payments would be made first from the General Reserve Fund to the extent available and then from the Capital Reserve Fund.

All of the projects experienced increased operating costs and have obtained rent increases or are in the process of obtaining rent increases.

As of October 31, 1979, all mortgages were current. As of January 11, 1980, the Independence Plaza mortgage is in arrears two monthly payments of \$141,376 each. The mortgagor's inability to meet its obligation is due to a rent strike currently under way at the development to protest recent rent increases. The Corporation is, however, receiving monthly subsidy payments from HUD that cover approximately  $\frac{2}{3}$  of the mortgage's debt service requirement. The Corporation is participating in negotiations to arrive at an equitable settlement of the situation and expects to incur no loss at the present time.

As part of an agreement entered into in prior years, the Corporation has granted an annual credit of \$318,100 against mortgage payments due from certain mortgagors. These credits have been included in interest expense in the accompanying financial statements.

The Multifamily Housing Bond Program - Section 223(f) mortgage loans comprise the following at October 31, 1979:

	<i>Balance</i>	<i>Interest Rates</i>	<i>Current Annual Mortgage Payments</i>
Pledged as collateral to bonds	\$377,814,788	7.25 to 8.5%	\$30,818,588
To be pledged as collateral to additional bonds, when issued	106,706,748	8.5%	9,466,158
	<u>\$484,521,536</u>		<u>\$40,284,746</u>

The mortgages are first liens on the properties and are insured by FHA. Final maturity dates range from 2017 to 2018.

The Corporation was assigned mortgages of Mitchell-Lama housing companies, as selected and approved by HPD, from the City. Some of the housing companies receive subsidies from HUD under Section 236 of the National Housing Act. The mortgages were modified and recast into federally insured first mortgages and noninsured second mortgages. The Corporation retained the federally insured portion and either sold the mortgages or assigned them as collateral for Multifamily Housing Limited Obligation General Bonds. The net proceeds from the sales of the mortgages or obligations collateralized by mortgages

are payable to the City. The noninsured mortgages are reassigned to the City (see Note 6).

The interest and principal on the mortgages collateralizing the bonds are paid to a trustee, to whom the mortgages were assigned, who in turn makes debt service payments to the Corporation's bondholders. The payments received from the mortgagors exceed the amounts payable to the bondholders because the interest on the mortgages exceeds the interest on the bonds.

At October 31, 1979, all mortgages were current.

Under the terms of the 1979 Housing Bond Resolution and related agreements, the Corporation is committed to make mortgage loans aggregating approximately \$42,400,000.

# 20 Notes to Financial Statements Continued

#### 4. Cash and Investments Held for Designated Purposes and Operations:

At October 31, 1979, cash and investments, which are carried at cost (including accrued interest on securities) consisted of the following:

	Cash	United States Agency Securities	Security Repurchase Agreements	Obligations of U.S. Treasury	Total
<i>General Housing Bond Program:</i>					
Held for designated purposes:					
Project Mortgage Loan Accounts	\$ 332		\$ 2,133,670		\$ 2,134,002
Capital Reserve Fund	3,234	\$16,877,965		\$ 2,836,691	19,717,890
Debt Service Fund	475,268	9,351,839			9,827,107
Note Interest Payment Fund	45	319,149	712,357		1,031,551
	478,879	26,548,953	2,846,027	2,836,691	32,710,550
Held for operations:					
Operating Fund	122,319	1,683,800		592,722	2,398,841
General Reserve Fund	118	1,736,331		4,243,742	5,980,191
	122,437	3,420,131		4,836,464	8,379,032
	\$ 601,316	\$29,969,084	\$ 2,846,027	\$ 7,673,155	\$41,089,582
Market value of investments, including accrued interest					
		\$27,037,986	\$ 2,846,027	\$ 6,989,917	

#### *Multifamily Housing Bond Program – Section 223(f):*

Held for designated purposes:					
Bond Proceeds Account	\$ 817,083	\$ 6,907,037	\$ 4,946,966		\$12,671,086
Claim Payment Accounts	6,448			\$25,801,552	25,808,000
Minimum Property Standards Accounts	158,568		6,006,752		6,165,320
Reserve for Replacement Accounts	241,543		1,486,352	26,045,642	27,773,537
Debt Service Accounts	109,564	525,250	2,743,704		3,378,518
Escrow Accounts	729,163	1,257,411	2,466,561	302,758	4,755,893
Corporate Requirement Account	3,452	1,591,508			1,594,960
	\$2,065,821	\$10,281,206	\$17,650,335	\$52,149,952	\$82,147,314
Market value of investments, including accrued interest					
		\$10,416,030	\$17,410,833	\$52,888,698	

#### *1979 Housing Bond Program:*

Held for designated purposes:					
Bond Proceeds Account			\$41,014,287		\$41,014,287
Contingency Account			2,215,023		2,215,023
Mortgage Reserve Account	\$ 32		672,643		672,675
Revenue Account	8		504,073		504,081
Debt Service Reserve Account	3,284			\$ 4,242,429	4,245,713
	\$ 3,324		\$44,406,026	\$ 4,242,429	\$48,651,779
Market value of investments, including accrued interest					
			\$43,901,949	\$ 3,865,628	

5. Bonds and Notes Payable:

Bonds and notes payable comprise the following at October 31, 1979:

	<i>Balance October 31, 1979</i>	<i>Current Annual Debt Service</i>
<i>General Housing Bond Program:</i>		
3.75% to 6.50% Bonds, 1972 Series A, maturing in varying annual instalments on May 1 to 2022	\$130,615,000	\$9,093,495
3.50% to 7.00% Bonds, 1972 Series B, maturing in varying annual instalments on November 1 to 2022	50,135,000	3,075,858
5.70% to 7.00% Bonds, 1973 Series C, maturing in varying annual instalments on May 1 to 2023	61,820,000	3,920,397
7.50% Bonds, 1975 Series D, maturing in varying annual instalments on May 1 to 2023	16,120,000	1,264,000
9.00% Bonds, 1975 Series E, maturing in varying annual instalments on May 1 to 2022	11,190,000	1,032,100
7 $\frac{3}{8}$ % Bonds, 1976 Series F, maturing in varying annual instalments on May 1 to 2009	10,200,000	852,250
7 $\frac{3}{8}$ % Bonds, 1978 Series G, maturing in varying annual instalments on May 1 to 2009	1,115,000	92,231
	<u>\$281,195,000</u>	<u>\$19,330,331</u>
9.25% Notes, Series X, maturing November 14, 1980	\$ 36,670,000	

The General Housing Bonds and Notes are general obligations of the Corporation. Substantially all General Housing Bond Program assets are pledged as collateral for the payment of principal and interest on its bonds, other than those pledged as collateral for the payment of principal and interest on its notes.

The 7 $\frac{1}{2}$ % Series D and 9% Series E Bonds, both originally sold on a private basis in 1975 to four commercial banks, bore supplemental interest of 2 $\frac{1}{2}$ % and 1%, respectively, through August 15, 1978. Upon issuance of the bonds, \$518,700 was transferred from the General Reserve Fund to the Capital Reserve Fund, which amount approximated the annual debt service on the supplemental interest. During fiscal 1979, the original banks sold these bonds and the Corporation, in accordance with its commitment, reimbursed such banks for the loss the banks incurred on the sale (\$549,306). In addition, the \$518,700 referred to above was transferred back to the General Reserve Fund.

The Corporation's Series X Housing Notes are collateralized by the mortgages and the related HUD interest reduction payment contracts of the Knickerbocker Plaza and North Waterside mortgages. If the Corporation does not pay the principal and interest at maturity, the note holders are entitled to assignment of the collateral. In the event they elect not to accept such collateral, the noteholders may receive 8% bonds maturing in approximately 46 years. The notes may be redeemed at par by the Corporation, at its option.

# 22 Notes to Financial Statements Continued

	<i>Balance October 31, 1979</i>	<i>Current Annual Debt Service</i>		<i>Interest Rate</i>	<i>Balance Outstanding</i>
<i>Multifamily Housing Bond Program – Section 223(f):</i>			<i>1979 Housing Bond Program:</i>		
6.50%, maturing in instalments through June 2018	\$298,178,642	\$20,679,765	Serial bonds due in increasing annual amounts, ranging from \$415,000 in 1983 to \$1,105,000 in 1999, the final maturity	6% to 7%	\$11,875,000
7%, maturing in instalments through December 2018	25,954,787	1,915,310	Term bonds due in annual instalments beginning in November 2000, ranging from \$890,000 in 2001 to \$1,340,000 in 2009, the final maturity	7¾%	10,970,000
7.25%, maturing in instalments through November 2018	25,700,976	1,965,784	Term bonds due in annual instalments, increasing from \$1,440,000 in 2010 to \$3,840,000 in 2021, the final maturity	7½%	26,775,000
7.034%, maturing in instalments through February 2019	16,229,856	1,214,687			
7.25%, maturing in instalments through February 2019	11,883,588	899,772			
	<u>\$377,947,849</u>	<u>\$26,675,318</u>			<u>\$49,620,000</u>

Bonds issued by the Corporation under its Multifamily Housing Limited Obligation Bonds General Bond Resolutions are not collateralized by the Capital Reserve Fund or any of the funds and accounts established under the General Housing Bond Resolution. The primary security for these bonds is the Federal mortgage insurance obtained at the time the mortgages were assigned from the City. Principal and interest are paid only from money received for the account of the insured mortgage securing that series, including payments made by, or on behalf of, the mortgagor or by the Federal insurer.

The Corporation may redeem the bonds at any time at an amount equal to the unpaid principal plus accrued interest if the funds are from condemnation awards, casualty insurance proceeds or a prepayment of a related mortgage required by the Federal insurer. Otherwise, a redemption premium of three percent reduced by one-eighth of one percent, for each elapsed year of the mortgage, is required. After July 1, 1997 under the first bond resolution, and November 15, 1998 under the second bond resolution, the City may require the redemption of bonds prior to maturity at 105% of the unpaid principal plus accrued interest.

The 1979 Housing Bonds are limited obligation bonds collateralized by substantially all the assets of the program. The bonds may be redeemed at the option of the Corporation beginning in 1989 at 103% of par, decreasing in annual decrements of ½% until 1995. Thereafter, the bonds can be redeemed at par. The City may redeem the bonds at 105% of par beginning November 1, 1999.

Costs of issuing and selling the bonds have been charged to expenses.

The Corporation is authorized to issue bonds and notes for its housing programs in an aggregate principal amount outstanding, exclusive of refunding bonds or notes, not to exceed \$950,000,000 or such amount which would not cause the maximum Capital Reserve Fund requirement to exceed \$85,000,000; however, the Corporation shall not issue bonds that would cause the maximum Capital Reserve Fund requirement to rise above \$30,000,000 without a concurrent resolution of the Legislature and the Governor's written agreement with such resolution. The Corporation is able to issue bonds for any corporate purpose without making a deposit into a Capital Reserve Fund (except as required by the General Housing Bond Resolution).

*Payable to The City of New York:*

in accordance with the assignment agreement of the Multifamily Housing Bond Program – Section 223(f), the Corporation has agreed to remit to the City the proceeds from the sales of assigned mortgages or sales of the limited obligation bonds secured by assigned mortgages, net of certain costs.

At October 31, 1979, the amount payable to the City was determined as follows:

Payable to the City, beginning of year	\$133,433,971
<b>Additions:</b>	
Mortgages assigned by the City	80,509,048
Excess funds not required by Multifamily Housing Bond Program – Section 223(f)	7,577,764
Principal and interest received on mortgages prior to bonding	7,096,736
Earnings on investments of unrestricted funds	2,388,184
	<u>97,571,732</u>
<b>Deductions:</b>	
Advances of final mortgage commitments	4,869,702
<b>Transfers to Restricted Funds:</b>	
Escrow Accounts	317,958
Claim Payment Fund	4,045,725
Minimum Property Standards Fund	1,658,877
Reserve for Replacement Fund	5,900,197
Payment of mortgage insurance premiums	796,891
<b>Administrative and operating expenses:</b>	
Purchase and extension fees paid to bond purchasers	799,981
Placement fees	399,991
Financial consulting fees	247,493
Legal fees	250,928
Other	46,521
Payment to the City	88,990,106
	<u>108,324,370</u>
Payable to the City, end of year	<u>\$122,681,333</u>

*7. Fund Balances:*

Fund balances comprise the following at October 31, 1979:

	<i>Restricted Funds</i>	<i>Unrestricted Funds</i>
<i>General Housing Bond Program:</i>		
Project Mortgage Loan Accounts	\$ 2,467,049	
Capital Reserve Fund	1,467,387	
General Reserve Fund		\$8,496,961
Operating Fund		876,842
	<u>\$3,934,436</u>	<u>\$9,373,803</u>

*Multifamily Housing Bond Program – Section 223(f):*

Claim Payment Funds	\$25,308,768	
Reserve for Replacement Funds	26,547,174	
Minimum Property Standards Funds	4,302,950	
Debt Service Funds	4,477,271	
Escrow Funds	4,503,407	
Corporate Requirement Fund	1,500,000	
	<u>\$66,639,570</u>	

*1979 Housing Bond Program:*

Debt Service Reserve Account	\$ 15,599	
Revenue Account	(67,033)	
	<u>(\$ 51,434)</u>	

Transfers between programs consist of the following transfers to the Corporate Services Fund:

<i>Transfers from Multifamily Housing Bond Program – Section 223(f):</i>		
Earnings of Escrow Funds		\$ 238,718
Fees earned for servicing the mortgages		641,218
<i>Transfer from 1979 Housing Bond Program for fees earned in connection with the issuance of bonds, net of related expenses</i>		
		<u>328,917</u>
		<u>\$1,208,853</u>



# 24 Notes to Financial Statements Continued

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Transfers from the General Housing Bond Restricted Funds to the General Housing Bond Unrestricted Funds consist of transfers of fees and charges collected from mortgagors in the Revenue Fund, earnings of investments of the Capital Reserve Fund and \$518,700 previously transferred to the Capital Reserve Fund from the General Reserve Fund as described in Note 5.

8. *Commitments:*

See Note 3 for details of mortgage loans and commitments.

The Corporation is a participating employer in the New York City Employees' Retirement System, of which substantially all of the employees of the Corporation are members. The Corporation pays its proportionate share of the System's cost (\$49,000 in 1979).

The Corporation is committed under a lease for office space to pay minimum annual rentals of \$30,000. The lease expires in 1983 and is subject to escalations due to increases in certain operating expenses of the landlord. The lessor is the City.

# Report of Coopers & Lybrand Independent Auditors

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To the Members of the  
New York City  
Housing Development Corporation

We have examined the balance sheets of the various funds of *New York City Housing Development Corporation* as of October 31, 1979, and the related statements of revenues and expenses, changes in fund balances, and sources and uses of cash for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the various funds of New York City Housing Development Corporation at October 31, 1979, and the results of their operations, changes in fund balances and sources and uses of cash for the year then ended, in conformity with generally accepted accounting principles, and with respect to the General Housing Bond Program and the Multifamily Housing Bond Program – Section 223(f), applied on a basis consistent with that of the preceding year.

*Coopers & Lybrand*

251 Avenue of the Americas  
New York, New York  
January 11, 1980