

NEW YORK CITY
HOUSING DEVELOPMENT CORPORATION
ANNUAL REPORT 1980

**New York City
Housing Development
Corporation**

Annual Report 1980

November 1, 1979 to October 31, 1980

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

New York City Housing Development Corporation

75 Maiden Lane Eighth Floor

New York, New York 10038

Cover

Artist's rendering of Academy Gardens,
financed under the New York City Housing
Development Corporation's 1979 Series A
Bond Issue.

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Executive Director
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Statement of Need

"1. There continues to exist in the city of New York a seriously inadequate supply of safe and sanitary dwelling accommodations within the financial reach of families and persons of low income. The ordinary operations of private enterprise cannot provide an adequate supply of such accommodations at rentals and carrying charges which families and persons of low income can afford. In order to encourage the investment of private capital and provide such dwelling accommodations, provision should be made for mortgage loans at low interest rates to housing companies which, subject to regulation as to rents, profits, dividends and disposition of their property, supply multiple dwelling accommodations, and other facilities incidental or appurtenant thereto, to such

families and persons. For that purpose there should be created a corporate governmental agency, to be known as the 'New York city housing development corporation,' which, through the issuance of its bonds, notes or other obligations to the private investing public, may attract a broad base of investment by the greatest number of the general public and obtain the funds necessary to make or finance the making of such mortgage loans.

2. There also exists in the city of New York a large number of multiple dwellings which are inadequate, unsafe or insanitary and which can be made adequate, safe and sanitary by rehabilitation or other improvement. Such rehabilitation or improvement cannot readily be provided by the ordinary operations of private enterprise without

public aid in the form of low interest loans to the owners of such multiple dwellings. In order to encourage the investment of private capital in such rehabilitation and improvement, the agency should also be empowered, through the issuance of its bonds, notes or other obligations to the private investing public, to obtain the funds necessary to make or finance the making of such low interest loans.

The necessity in the public interest for the provisions hereinafter enacted is hereby declared as a matter of legislative determination."

from the New York City Housing Development Corporation Act (Article XII of the Private Housing Finance Law of the State of New York)

Report of the Chairman and Executive Director

The New York City Housing Development Corporation, created in 1971, is now entering its 10th year of operations. It has issued 500 million dollars in obligations to finance the construction and rehabilitation of 12,100 units of housing for persons of low and moderate income in the City of New York. Additionally, it has issued a similar amount of obligations to refinance over 27,650 units of housing originally financed by the City of New York under its moderate income Mitchell-Lama program.

We look backward and forward with somewhat mixed emotions. The Corporation has had some success in marketing its obligations to provide funding for housing but the problem of providing housing for the residents of the City continues to be a difficult one. While not originally contemplated when the Corporation was established, it stepped in boldly during the City's fiscal crisis and its refinancing program enabled it to provide the City with almost a half billion dollars in cash during the City's difficult period. As of the end of the fiscal year, projects financed by

the Corporation or refinanced by it on behalf of the City are all current in their mortgage payments and continue to remain so. The Corporation's financial structure is sounder than ever and it has not needed to turn to either the City or State of New York for any financial assistance.

The newly constructed and substantially rehabilitated projects that were financed by the Corporation's October 1979 bond issue have all proceeded to mortgage closings and are either completed or nearing completion. These projects all receive the benefits of Federal Mortgage Insurance and Section 8 subsidies. In the Summer of 1980, the Corporation substantially completed its participation in the refinancing program by issuing \$108 million in obligations that were rated Triple A by Standard & Poor's and Double A by Moody's. In the Fall of 1980, it attempted to market \$70 million in obligations to provide funds for 1,145 units of Section 8 assisted housing. A combination of adverse market conditions and insufficient subsidy funds led to the temporary withdrawal of

this issue. However, many of the projects intended to be financed with the proceeds of this issue were financed by two issues of Construction Loan Notes issued in early 1981 in the total amount of \$122 million. The issuance of these notes imposes little risk on the Corporation since long-term financing will be provided at or prior to the maturity of the notes by Federal funds made available through the Government National Mortgage Association's Tandem program. The Corporation intends to market an issue of long-term obligations in the first half of 1981 to provide for construction and permanent financing for similar units to those that would have been financed pursuant to the withdrawn 1980 issue.

The Corporation's ability to meet its mandate by issuing obligations to finance housing in the City was initially affected by the City's financial crisis in 1975. That crisis has been largely alleviated but high interest rates and an erratic bond market have again created some difficulties. This erratic market, in conjunction with the process that the Corporation

must pursue in order to have its financings approved, creates timing problems and sometimes makes it difficult for the Corporation to find a "window" in the market. Since it is our belief that the trend in the near future will be for a reduction of Federal subsidies, the future ability of the Corporation to meet its mandate will depend largely on the creation of new tools and flexible programs that will enable it to meet the housing needs of the people of the City of New York. We are planning for the future by developing new programs and techniques to meet the challenges of the 1980's.

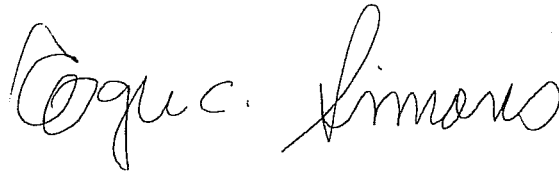
Chief among these is the financing of Multifamily projects in the City pursuant to a moderate rehabilitation program. Since this program costs less per unit than the substantial rehabilitation program, additional units of safe and sanitary housing can be provided for the same amount of dollars. Federal tax

legislation enacted in 1980, has had a serious effect on tax-exempt financing and is especially evident with relation to the moderate rehabilitation program. We are confident that these problems can be solved.

We look forward to dealing effectively with these and other challenges and expect that the Corporation will continue to be a viable financing vehicle in the City of New York.



Anthony Gliedman
Chairman



Roger C. Simons
Executive Director

March 16, 1981

Members and Principal Officers

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. There is one vacancy at present.



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. He also serves as Chairman of the New York City Rehabilitation Mortgage Insurance Corporation and as Chairman of the Mayor's Housing Policy Board. Mr. Gliedman has served the City as Commissioner of Ports and Terminals, Assistant to the 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.

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The Corporation wishes to express its appreciation to Mr. Harry S. Tishelman for his valuable and concerned participation in the Corporation's activities since

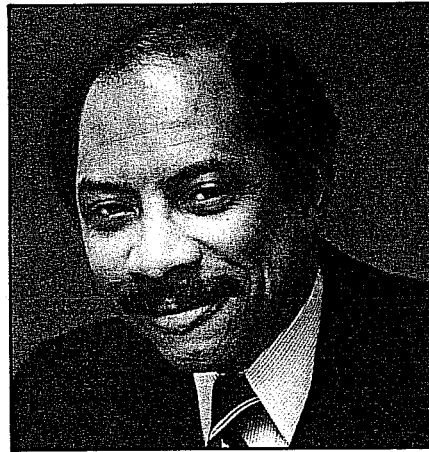
1977. Mr. Tishelman served the Corporation as an ex officio Member by virtue of his appointment as Finance Commissioner of the City of New York. In October, Mr.

Tishelman left that post to become New York District Director of the Small Business Administration. Mr. Philip R. Michael has replaced Mr. Tishelman in both capacities.



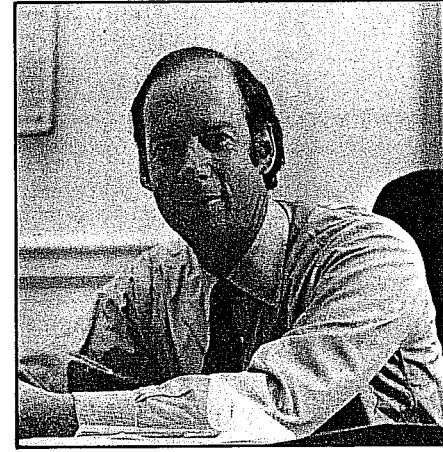
Harry E. Gould, Jr.
Member (term expires December 31, 1983)

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 Sub-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 and the Advisory Board of the Columbia University Graduate School of Business, Mr. Gould is also a National Trustee of the National Symphony Orchestra, Washington, D.C. and serves as a member of its Executive Committee.



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.



Philip R. Michael
Member ex officio

Mr. Michael became Commissioner of Finance of the City on November 3, 1980. He served as First Deputy Commissioner of the Department of Investigation from February 1978 until his appointment as Finance Commissioner. Mr. Michael began his service with New York City in 1972 as the Police Department Deputy Commissioner for Trials, and later served as Deputy Commissioner for Legal Matters. From 1965 to 1972, Mr. Michael was a Supervising Trial Attorney in the U.S. Department of Justice in its Organized Crime and Racketeering Section in Washington, D.C. and San Francisco, California. He has served since 1978 as Chairman of the New York City Board of Trustees Employees' Retirement System.



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.



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.



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.

The Corporation

Powers and Authorization

Under its enabling act, the Corporation has the following powers, among others:

- to issue bonds and notes for the purpose of making mortgage loans for new construction or rehabilitation of multi-family housing
- to make mortgage loans to eligible mortgagors in accordance with the provisions of Articles II, V, VIII, XII and XV of the Private Housing Finance Law of the State of New York
- to make mortgage loans insured or co-insured by the Federal government
- 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

- to sell, at public or private sale, any mortgage or other obligation securing a mortgage loan made by the Corporation.

In all cases, the loans made by the Corporation must serve the public purpose of providing financing for residential accommodations for persons and families of low and moderate income whose need for safe and sanitary housing is not being met in New York City. 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.

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, reserves 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.

The Corporation is authorized by the New York State Legislature to sell notes and bonds up to a total of \$1.3 billion, 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. As of October 31, 1980, the Corporation had bonds and notes outstanding in the aggregate principal amount of \$851 million, and the maximum Capital Reserve Fund requirement of the General Housing Bond program was then approximately \$19.3 million.

In addition to an increase in its bonding authority from \$950 million to \$1.3 billion, legislation was passed during the 1979-80 fiscal year to amend the Corporation's Act to include, among other things, the right to accept fees for administration of any Federal rental subsidy contract.

The term for which the Corporation may issue housing notes was extended from seven to nine years. During the last legislative session, the Corporation attempted to seek authority to enable it to finance single-unit housing but was not successful. It is hoped that the Corporation will be able to branch out in this new direction in the near future.

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.

The Corporation is also authorized to issue taxable bonds if such bonds are either guaranteed or subsidized by the Federal government.

HDC Housing Finance Programs

The General Housing Program

Since its inception in 1971 the Corporation has financed nine multifamily projects under this Program with the proceeds of General Housing Bonds or Notes.

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.

The Corporation maintains constant surveillance over its projects to insure that they are operating within realistic limits and will be able to make debt service payments on an on-going basis. All projects have obtained rent increases on an annual basis. When problems do arise, as they will in this time of rising fuel costs and general inflation, the Corporation has endeavored to be responsive and flexible in dealing with mortgagors while safeguarding its primary responsibility to the holders of its bonds and notes. In past years the Corporation has extended loans to Waterside,

Independence Plaza North and Yorkville Towers matched by loans or contributions from the owners. The liquidation of these loans was commenced during this past fiscal year. The Corporation was able to exhibit its abilities as a responsible mortgagee during the rent strike instituted at the Independence Plaza North project in December, 1979. The rent increase deemed necessary by the Corporation and the owners and the City's Department of Housing Preservation and Development was felt to be too high by the tenants of the project. The tenants put their rent payments in escrow, resulting in the housing company's inability to meet debt service payments for six months. However, the Corporation's reserves were sufficient to enable it to make timely payments to bondholders. One of the main issues of the strike was the Corporation's right and obligation to vary rents. The tenants feared that the rent increase promulgated by the City's Department of Housing Preservation and Development could be superseded by a rent

increase from the Corporation, and negotiated to preclude the Corporation from doing so as part of the settlement. The Corporation maintained that its obligation under the Bond Resolution might require it to raise the rents at any time and could not limit its right to do so in any way. On June 12, 1980, the strike was settled. The project was current in its debt service payments as of October 31, 1980, and remains so.

The Corporation's Series X Notes matured on November 14, 1980. They were renewed as Series XI Notes in the amount of \$36.2 million at an interest rate of 9¼% maturing on May 14, 1981.

The Section 8 Program

In October of 1979 the Corporation implemented its Section 8 Housing Program with the sale of its \$49,620,000 Multifamily Mortgage Revenue 1979 Series A Bonds. These Bonds are limited obligations of the Corporation payable from and secured solely by the cross-collateralized pool of FHA-insured mortgage loans and the funds established under the bond resolution.

Section 8 of the United States Housing Act of 1937 is a program of the U.S.

Department of Housing and Urban Development whereby rent subsidy payments are made to the owners of projects on behalf of eligible low-income tenants, who pay only 15 percent to 25 percent of their income for rent. The Section 8 funds make up the difference between the amount paid by tenants and the market rents. All of the units in each project financed under this program will be occupied by Section 8 tenants. HDC receives an administrative fee for each unit.

The Section 8 subsidy makes possible a twofold realization of the Corporation's goals: to provide safe, sanitary dwelling accommodations within the financial reach of families and persons of low income and to insure adequate security for its obligations.

All of the project mortgages are insured under Section 221(d)4 of Title II of the National Housing Act, as amended, a program administered by HUD, acting through FHA. In the event of project default, an FHA-insured

mortgagee may elect to assign the mortgage to FHA or to acquire title to and convey the project property to FHA. The Corporation has covenanted in its Bond Resolution to assign defaulted mortgage loans. FHA insurance covers 99% of project mortgages. Therefore, the Corporation requires mortgagors to provide an unconditional and irrevocable letter of credit at initial endorsement of the mortgage loan to FHA to cover this 1% discrepancy, as well as any other loss associated with the default of the mortgage.

Since the sale of the 1979 Series A Bonds in October, all of the projects have reached initial endorsement and commenced construction. Academy Gardens, the largest project, was completed approximately one year early and is currently being occupied. The remainder of the projects contemplate completion within the time limit stated in the Building Loan Agreements entered into between HDC and the mortgagors.

Three of the projects, Crotona Avenue, Lenoxville and 1650 President Street have requested and received mortgage increases from the

Corporation prior to initial endorsement. The funds for the increases were made available from the Contingency Fund built into the 1979 Series A Bond Issue.

The projects financed by this issue are located in the Boroughs of the Bronx, Brooklyn and Manhattan.

Besides adding an essential security characteristic to the Corporation's 1979 Series A Bonds, the FHA insurance on the project mortgages necessitates a review of every aspect of the project by HUD. As the project goes through the various HUD processing stages, it is submitted for a review of project feasibility, site appraisal, marketability, cost analysis, character and financial stature of owner, environmental suitability, architectural drawings and management plan. The Corporation conducts its own review of documents submitted to and issued by HUD, as well as conducting its own site inspections, financial analysis and personal background and credit report on the prospective mortgagor and general contractor prior to acceptance of a project for financing. In addition, if a project is located on land owned

by the City of New York, it must undergo the Uniform Land Use Review Procedure which requires additional reviews by the City Planning Commission, Local Community Boards and Board of Estimate.

The Refinancing Program

In July of 1980 the Corporation issued \$108,975,000 in Multi-unit Mortgage Bonds (FHA-insured Mortgage Loans), 1980 Series A. The proceeds of the bonds were used to acquire eight multifamily project mortgages from the City's Mitchell-Lama portfolio which had obtained Federal mortgage insurance under Section 223(f) of the National Housing Act. Section 223(f) provides FHA mortgage insurance for the purchase or refinancing of existing multifamily housing projects and was created to deal particularly with the problem of the lack of long-term private capital for refinancing of outstanding debt. The original scope of Section 223(f) was expanded so that the mortgage insurance commitment could be converted into funds for the City. Since the City is not empowered to act as an FHA-insured mortgagee, the Corporation, which has been an

FHA-insured mortgagee since 1973, was able to perform an invaluable service to the City by obtaining the insurance on these projects and subsequently issuing obligations secured by the FHA-insured mortgages. Once acquired, the mortgages were modified, divided and recast into FHA-insured mortgages serviced by the Corporation, and non-insured second mortgages re-assigned to the City.

This ongoing program has enabled the Corporation to be of significant financial assistance to the City. Altering the terms and conditions of the mortgages under Section 223(f) has proved to be a most successful vehicle for generating funds from the Mitchell-Lama portfolio. Additionally, the Corporation has relieved the City of the costly burden of servicing the mortgage loans.

The first step in the Corporation's refinancing program was the sale of six mortgages to Unity Savings Association. Thereafter, the Corporation issued \$379,884,800 in Multifamily Housing Limited Obligation Bonds. With its most recent sale of Multi-unit Mortgage Bonds the Corporation has issued a total

of \$488,859,800 under this program. Total payments to the City amounted to almost 500 million dollars by the end of the 1980 fiscal year.

There are currently four outstanding commitments on projects to be refinanced in the approximate amount of \$35 million. It is hoped that the program will be concluded in the coming year.

Legislation

The Corporation and other State Housing Finance Agencies have been seriously affected by Federal tax legislation enacted in late 1980. The impact is not yet fully discernible but it is already evident that remedial legislation is necessary if our financing programs are to continue.

Locally, we are attempting to obtain legislation to enable the Corporation to broaden its powers and to participate in the State of New York Mortgage Agency insurance program.

Affiliations

The Corporation is a member of the Council of State Housing Agencies, a Washington, D.C. based organization created for the purpose of promoting "the

common interest of . . . state housing finance and development agencies and the private sector organizations who work with State housing finance agencies in providing housing for low and moderate income families" (Council of State Housing Agencies Annual Report). The Corporation was designated as a State Housing Finance Agency by the U.S. Department of Housing and Urban Development in January of 1975.

Conclusion

In spite of the uncertainties of the bond market during the past fiscal year, the Corporation was able to successfully market its \$108,975,000 Multi-unit Mortgage Bonds in July and further aid the City.

Throughout the year the staff of the Corporation has consistently been involved in realizing its primary goal of improving the housing stock of the City of New York for low and moderate income individuals and families. Toward this end, they have worked with underwriters, bond counsel and special counsel to structure additional financings.

The Corporation's day-to-day operations and procedures have been constantly reviewed and improved. New staff has been added to cope with the growing auditing, accounting and management duties accompanying the unfolding of the Section 8 and Refinancing Programs. The mortgage servicing computer system implemented last year is fully operational and highly effective.

As part of its plan to enhance its image in the marketplace,

the Corporation is working with a nationally known investment banker to restore its Moody's rating for the General Housing Bonds from the present Ba to an investment grade rating. The Bonds are rated A by Standard & Poor's.

The Corporation has emerged from a difficult year of rising inflation and uncertain market conditions, with a default-free mortgage portfolio and fulfillment of its obligations to the holders of its notes and bonds.

In planning for the future during the current Federal Administration, we must assume a curtailment of insurance and subsidy programs. The staff is endeavoring to structure programs with reduced dependence on Federal aid. Their success depends in large part on an improved credit market as well as revised legislation.

Financial Statements

Balance Sheets

October 31, 1980

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	General Housing Bond Program	Multifamily Housing Bond Program— Section 223(f)	Multi-Unit Housing Bond Program— Section 223(f)	1979 Housing Bond Program	Corporate Services Fund	Combined Total (Memorandum Only) (Notes 2 and 13)	
						1980	1979
<i>Assets:</i>							
Cash and investments							
(Note 5):							
Held for designated purposes	\$ 29,643,827	\$ 70,867,661	\$ 18,667,294	\$ 26,937,691		\$146,116,473	\$154,243,415
Held for operations	7,419,473				\$3,383,355	10,802,828	8,946,668
Segregated for November debt service	9,238,642					9,238,642	9,266,228
	46,301,942	70,867,661	18,667,294	26,937,691	3,383,355	166,157,943	172,456,311
Receivables from mortgagors:							
Mortgage loans (Note 4)	300,052,162	376,151,633	96,924,594	25,452,815		798,581,204	785,724,512
Mortgage billings, including accrued interest		3,626,260	993,880	198,160		4,818,300	4,523,011
Deferred interest (Note 4)	1,839,688					1,839,688	1,965,874
Other	18,536			43,319		61,855	1,592,522
	301,910,386	379,777,893	97,918,474	25,694,294		805,301,047	793,805,919
Interest receivable from U.S. Department of Housing and Urban Development							
		43,925			244,690	288,615	758,604
Other assets					(19,284)		46,033
Due from (to) other funds	(138,299)	(5,591,414)	5,675,567	73,430			
	(138,299)	(5,547,489)	5,675,567	73,430	225,406	288,615	804,637
	\$348,074,029	\$445,098,065	\$122,261,335	\$52,705,415	\$3,608,761	\$971,747,605	\$967,066,867
<i>Liabilities and Fund Balances:</i>							
Bonds payable (Note 6)	\$279,810,000	\$376,287,434	\$108,975,000	\$49,620,000		\$814,692,434	\$708,762,849
Notes payable (Note 6)	36,670,000					36,670,000	36,670,000
Payable to the City of New York (Note 7)		11,264,334				11,264,334	122,681,333
Accrued interest payable	13,032,279	1,039,822	3,231,362	1,797,342		19,100,805	11,026,844
Accrued earnings of reserve for replacement accounts (Note 3)		297,906	205,816			503,722	1,857,834
Account payable, accrued expenses and other liabilities			39,963	160,507	\$ 821,003	1,021,473	2,073,647
Received in advance from mortgagors (Note 4)	695,306					695,306	657,806
Deferred income					250,486	250,486	265,040
Deferred interest (Note 4)	1,839,688					1,839,688	1,965,874
Total liabilities	332,047,273	388,889,496	112,452,141	51,577,849	1,071,489	886,038,248	885,961,227
Commitments (Notes 4, 9 and 12)							
Fund balances (Notes 3 and 8):							
Restricted	6,859,510	56,208,569	9,809,194	1,127,566		74,004,839	70,522,572
Unrestricted	9,167,246				2,537,272	11,704,518	10,583,068
Total fund balances	16,026,756	56,208,569	9,809,194	1,127,566	2,537,272	85,709,357	81,105,640
	\$348,074,029	\$445,098,065	\$122,261,335	\$52,705,415	\$3,608,761	\$971,747,605	\$967,066,867

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

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Statements of Revenues and Expenses

For the year ended October 31, 1980

	General Housing Bond Program	Multifamily Housing Bond Program— Section 223(f)	Multi-Unit Housing Bond Program— Section 223(f)	1979 Housing Bond Program	Corporate Services Fund	Combined Total (Memorandum Only) (Notes 2 and 13)	
						1980	1979
<i>Revenues:</i>							
Interest income:							
Mortgage loans (Note 4)	\$21,709,706	\$29,146,616	\$3,096,670	\$1,152,595		\$55,105,587	\$50,033,246
Investments	3,128,523	10,385,193	831,387	3,711,774	\$ 399,472	18,456,349	9,578,739
Deferred interest (Note 4)	241,153					241,153	
Other	2,778					2,778	90,613
Section 8 administrative fees					41,195	41,195	
Fees and charges	766,275		443,991		14,554	1,224,820	1,424,751
	25,848,435	39,531,809	4,372,048	4,864,369	455,221	75,071,882	61,127,349
<i>Expenses:</i>							
Interest:							
Bonds (Note 6)	17,904,599	25,011,350	2,423,509	3,594,666		48,934,124	41,373,069
Notes (Note 6)	3,391,975					3,391,975	3,389,873
Other (Note 4)	323,100					323,100	318,100
Salaries and related expenses					530,060	530,060	396,841
Services of New York City Department of Housing Preservation and Development	383,138					383,138	377,721
Trustees' fees	55,887	103,678	5,650	22,386		187,601	209,635
Rent					31,469	31,469	31,755
Loss on refunding of bonds							549,306
Cost of issuing bonds			236,964	44,921		281,885	423,277
Operating expenses					474,781	474,781	353,770
	22,058,699	25,115,028	2,666,123	3,661,973	1,036,310	54,538,133	47,423,347
Excess (deficiency) of revenues over expenses	\$ 3,789,736	\$14,416,781	\$1,705,925	\$1,202,396	(\$ 581,089)	\$20,533,749	\$13,704,002
Excess (deficiency) of revenues over expenses is allocated as follows:							
Restricted funds	\$ 2,552,685	\$14,416,781	\$1,705,925	\$1,202,396		\$19,877,787	\$13,901,110
Unrestricted funds	1,237,051				(\$ 581,089)	655,962	(197,108)
	\$ 3,789,736	\$14,416,781	\$1,705,925	\$1,202,396	(\$ 581,089)	\$20,533,749	\$13,704,002

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

Statements of Sources and Uses of Cash

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For the year ended October 31, 1980

	General Housing Bond Program	Multifamily Housing Bond Program— Section 223(f)	Multi-Unit Housing Bond Program— Section 223(f)	1979 Housing Bond Program	Corporate Services Fund	Combined Total (Memorandum Only) (Notes 2 and 13)	
						1980	1979
<i>Sources:</i>							
Proceeds from sale of bonds			\$106,960,400			\$ 106,960,400	\$ 129,777,863
Proceeds from the sale of notes							36,670,000
Investment activity:							
Proceeds from sales:							
Cost to the Corporation	\$245,645,527	\$992,426,427	254,223,259	\$105,608,332	\$21,098,446	1,619,001,991	1,233,251,573
Earnings	3,117,660	11,282,327	544,871	2,275,757	338,763	17,559,378	10,382,682
Purchases	(251,461,669)	(989,651,258)	(266,082,824)	(82,747,094)	(22,422,386)	(1,612,365,231)	(1,282,725,776)
Receipts from mortgagors:							
Interest and principal payments on mortgages	23,519,014	37,085,706	3,135,384	954,435		64,694,539	58,968,341
Fees and charges	801,933					801,933	719,785
Reimbursement of expenses		21,728				21,728	56,979
Reserve for replacement funds		3,235,708	183,598			3,419,306	3,209,551
Escrow funds		12,379,327	1,032,306		459,943	13,871,576	13,168,442
Interfund transfers	360,522	2,251,239			1,765,952	4,377,713	656,512
Other			34,584	2,000		36,584	
Total sources	21,982,987	69,031,204	100,031,578	26,093,430	1,240,718	218,379,917	204,135,952
<i>Uses:</i>							
Interest and principal payments on bonds and notes	19,302,765	26,689,883		2,096,879		48,089,527	46,512,736
Retirement of notes							37,703,000
Distributions and advances to mortgagors	698,893	8,825,978		23,934,413		33,459,284	12,191,061
Fees related to mortgage and bond closings		9,617				9,617	3,058,584
Escrow payments	60,000	11,547,430	1,541,613			13,149,043	12,354,618
Paid to the City of New York	1,877,418	22,257,699	94,004,860			118,139,977	88,990,106
Operating expenses	630,414	26,737			1,193,123	1,850,274	888,549
Loss on refunding of bonds							549,306
Interfund transfers			4,370,225	7,488		4,377,713	656,512
Other		21,604				21,604	
Total uses	22,569,490	69,378,948	99,916,698	26,038,780	1,193,123	219,097,039	202,904,472
Excess of sources over uses (uses over sources)	(586,503)	(347,744)	114,880	54,650	47,595	(717,122)	1,231,480
Cash, beginning of year	601,316	2,065,821		3,324	1,732	2,672,193	1,440,713
Cash, end of year	\$ 14,813	\$ 1,718,077	\$ 114,880	\$ 57,974	\$ 49,327	\$ 1,955,071	\$ 2,672,193
Cash comprises the following (Note 5):							
Held for designated purposes	\$ 11,209	\$ 1,718,077	\$ 114,880	\$ 57,974		\$ 1,902,140	\$ 2,548,024
Held for operations	3,604				\$ 49,327	52,931	124,169
	\$ 14,813	\$ 1,718,077	\$ 114,880	\$ 57,974	\$ 49,327	\$ 1,955,071	\$ 2,672,193

The accompanying notes are an integral part of the financial statements

Statements of Changes in Fund Balances

For the year ended October 31, 1980

	General Housing Bond Program	Multifamily Housing Bond Program— Section 223(f)	Multi-Unit Housing Bond Program— Section 223(f)	1979 Housing Bond Program	Corporate Services Fund	Combined Total (Memorandum Only) (Notes 2 and 13)	
						1980	1979
<i>Unrestricted Funds:</i>							
Unrestricted fund balance, beginning of year	\$9,373,803				\$1,209,265	\$10,583,068	\$ 7,514,984
Excess (deficiency) of revenues over expenses	1,237,051				(581,089)	655,962	(197,108)
Transfers from other programs (Note 8)					1,909,096	1,909,096	567,635
Transfers from (to) restricted funds (Note 8)	(1,443,608)					(1,443,608)	2,697,557
Unrestricted fund balances, end of year (Note 8)	9,167,246				2,537,272	11,704,518	10,583,068
<i>Restricted Funds:</i>							
Restricted fund balance (deficit), beginning of year	3,934,436	\$66,639,570		(\$ 51,434)		70,522,572	59,483,234
Excess of revenues over expenses	2,552,685	14,416,781	\$1,705,925	1,202,396		19,877,787	13,901,110
Deposits to escrow funds and reserves		14,983,895	1,358,560			16,342,455	28,504,340
Distributions to mortgagors (Note 3)	(688,081)	(6,584,723)	(236,816)			(7,509,620)	(8,973,913)
Distributions on behalf of mortgagors (Note 3)		(11,505,345)	(1,510,612)			(13,015,957)	(11,549,243)
Transfers to payable to the City of New York (Note 7)		(11,438,045)	(308,865)			(11,746,910)	(7,577,764)
Transfers to Multi-Unit Housing Bond Program (Note 4)		(8,868,838)	8,868,838			—	
Transfers (to) from unrestricted funds (Note 8)	1,443,608					1,443,608	(2,697,557)
Transfers to Corporate Services Fund (Note 8)	(383,138)	(1,434,726)	(67,836)	(23,396)		(1,909,096)	(567,635)
Restricted fund balances, end of year (Note 8)	6,859,510	56,208,569	9,809,194	1,127,566		74,004,839	70,522,572
Total fund balances, end of year	\$16,026,756	\$56,208,569	\$9,809,194	\$1,127,566	\$2,537,272	\$85,709,357	\$81,105,640

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

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) and is not subject to taxation. The Corporation is to be continued 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 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 four separate programs under their respective bond resolutions:

- General Housing Bond Program ("General Housing Program") under the General Housing Bond Resolution,
- Multifamily Housing Bond Program — Section 223(f) ("Multifamily Program") under the Multifamily Housing Limited Obligation General Bond Resolutions,

- Multi-Unit Housing Bond Program — Section 223(f) ("Multi-Unit Program") under the Multi-Unit Mortgage Bond (FHA-Insured Mortgage Loans) 1980 Series A Bond Resolution, and
- 1979 Housing Bond Program ("1979 Housing 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 fund (the Corporate Services Fund) for the recording of transactions not subject to the above-mentioned bond resolutions.

2. Summary of Significant Accounting Policies:

The financial statements present the combined accounts of the programs operated by the Corporation and also include a memorandum combined amount for all such programs. The combined column "Combined Total (Memorandum Only)" is not necessary for a fair presentation

of the financial statements of each of the programs of the Corporation and does not present consolidated financial information.

The following comprise the significant accounting policies of the Corporation:

Investments

Investments are carried at cost and include accrued interest.

Mortgage Loans

Mortgage loans in the General Housing Program, Multifamily Program and the 1979 Housing Program are stated at the unpaid principal balance. Mortgage loans in the Multi-Unit Program are stated at their unpaid principal balance less unearned discount. Unearned discount on mortgage loans is amortized to earnings over the remaining lives of the mortgages.

Bond Issuance Costs

Bond issuance costs in the General Housing and 1979 Housing programs are included in mortgage loans. In the Multifamily and Multi-Unit programs, bond issuance costs reduced bond proceeds payable to the City of New York (the City).

Notes to Financial Statements Continued

Administrative Expenses

The administrative expenses of the Corporation are accounted for in the Corporate Services Fund. Transfers are made from other programs to the Corporate Services Fund based upon fees earned by the Corporation for servicing the respective programs and for excess interest earnings of escrow funds not required by the programs.

Recognition of Mortgage Interest Income

Except for interest deferred (Note 4) which is recognized as income when received, mortgage interest income is recognized on an accrual basis.

3. Summary of Accounts and Funds:

General Housing Program

The following are the principal funds and accounts established by the Corporation pursuant to the General Housing Bond Resolution and currently in use:

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:

Prior to fiscal 1980, the Operating Fund was used for the payment of general and administrative expenses allocated to the General Housing Program. On November 1, 1979, the Corporation began to charge such expenses entirely to the Corporate Services Fund (see Note 11). To fund such expenses, the Corporation also transferred amounts equal to service fees of the General Housing Program to the Corporate Services Fund. Of the remaining fund balance at October 31, 1980, \$1,000,000 was transferred to the Note Debt Service Fund in January 1981.

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 cash and investments in the Capital Reserve Fund at an amount equal to the largest annual debt service requirement for any fiscal year.

At October 31, 1980, the cash and investments in the Capital Reserve Fund, exclusive of accrued interest, were in excess of its maximum requirements by approximately \$36,000.

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. If the City fails, 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 non-interest-

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, 1980, the cash and investments in the General Reserve Fund were below the 2% limitation by approximately \$86,000.

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 Program

The following are the principal funds and accounts established by the Corporation pursuant to the Multifamily Housing Limited Obligation General Bond Resolutions, as amended, and currently in use:

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 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 replacements 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 per cent of the original principal amount of the mortgages securing the obligations 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.

Prior to fiscal 1980, pursuant to an agreement with the City, the Corporation was permitted to hold \$1,500,000 of the amount otherwise payable to the City. The balance of such funds not used for contingencies will be paid to the City at the conclusion of the Multifamily Program.

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.

Notes to Financial Statements Continued

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.

Multi-Unit Program

The following funds and accounts have been established by the Corporation under the Multi-Unit Mortgage Bonds (FHA-Insured Mortgage Loans) Bond Resolution and are currently in use:

Revenue Account:

All receipts from mortgage loans are deposited in the Revenue Account and pledged for payment of debt service on the bonds. The Corporation is entitled to a fee of $\frac{1}{8}$ of 1% of the original principal amount of the mortgage loans. Any remaining funds may be paid to the Corporation.

Mortgage Reserve Account:

This account was established from bond proceeds to pay bond debt service and related expenses resulting from possible future defaults on mortgage loans. Cash and investments are to be maintained at an amount at least equal to \$1,597,157, representing 1½% of the principal amount of the mortgage loans outstanding as of June 30, 1980.

Debt Service Reserve Account:

This account was established to provide, to the extent no other funds are available, debt service on the bonds. Cash and investments are to be maintained at an amount equal to the debt service for the current or any future fiscal year, whichever is greater.

In addition to the above accounts, the Corporation has established an Escrow Fund, a Claim Payment Fund, a Reserve for Replacement Fund, and a Minimum Property Standards Fund in the Multi-Unit Program, which are similar to those in the Multifamily Program.

1979 Housing 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 and are currently in use:

Bond Proceeds Account:

Other than amounts deposited in the Debt Service Reserve Account, the Mortgage Reserve Account, the Contingency Account, and the Revenue Account, the proceeds from the issuance of bonds have been deposited in the Bond Proceeds Account. Disbursements from this account are made to finance insured mortgage loans as required by the bond resolution.

Contingency Account:

The Contingency Account has been established from bond proceeds for the purpose of providing additional mortgage loans not anticipated at the time of closing of sale of bonds. Any unreserved 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 are deposited in the Revenue Account and used to pay the debt service on the bonds. The Corporation is entitled to a semiannual service fee of $\frac{1}{16}$ of 1% of the mortgage loans prior to the expiration date of the related Housing Assistance Payments contracts for the projects financed by such

mortgage loans and 1/8 of 1% of such amount thereafter. Any remaining funds may be paid to the Corporate Services Fund.

Mortgage Reserve Account:

This account was established from bond proceeds 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 from bond proceeds for the

purpose of providing, to the extent no other funds are available, funds to pay bond debt service.

4. Mortgage Loans:

The General Housing Program mortgage loans comprise the following at October 31, 1980:

	Interest Rates	Balance	Current Annual Mortgage Payments
Pledged as collateral to General Housing Bonds:			
Washington Plaza Towers, Inc. (Independence Plaza North)	7.05 — 9.97%	\$ 62,543,114	\$ 4,958,670
Waterside Housing Co., Inc.	7.05 — 8.005%	60,465,029	4,626,532
Linden Plaza Housing Co., Inc.	6.002 — 6.34%	48,627,424	3,199,429
Yorkville Towers Housing Co., Inc.	6.313 — 8.205%	34,778,950	2,432,340
Yorkville Towers Housing Co., Inc. (Ruppert Towers Project)	6.31 — 8.205%	26,603,112	1,846,594
Ocean Park Housing Co., Inc.	7.001%	17,767,648	1,327,967
Carlton Gardens Housing Co., Inc.	8.293%	10,232,899	946,759
		261,018,176	19,338,291
Pledged as collateral to General Housing Notes:			
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
Mortgage advance by the Corporation to Washington Plaza Towers, Inc.	7.6%	942,035	75,200
		299,570,211	\$22,892,416
Prepaid principal payments		481,951	
		\$300,052,162	

Notes to Financial Statements Continued

Except as noted below, all mortgages are current. 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. All of the projects experienced increased operating costs and have obtained rent increases or are in the process of obtaining rent increases.

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 may be made first from the General Reserve Fund to the extent available and then from the Capital Reserve Fund.

In 1977, due to certain housing companies being unable to obtain sufficient rent increases to offset working capital deficits and operating costs, additional loans were made by housing project owners which were matched by the Corporation through a deferral of mortgage interest payments in amount of \$1,850,000. The deferred interest, including accrued interest on the amounts deferred, will be recognized as income as received over a ten-year period which commenced in 1980.

As part of agreements entered into in prior years, in 1980 the Corporation granted credits of \$323,100 against mortgage payments due from certain mortgagors. These credits have been included in interest income on mortgage loans and in other interest expense in the accompanying financial statements.

The mortgage loans of the Multifamily and Multi-Unit Programs comprise the following at October 31, 1980:

	Balance	Interest Rates	Current Annual Mortgage Payment
Multifamily Program—pledged as collateral to Multifamily Program bonds	\$376,151,633	7.25 to 8.5%	\$30,818,5
Multi-Unit Program—pledged as collateral to Multi-Unit Program bonds	\$106,357,207	8.5%	9,406,
Less, Unamortized discount	(9,432,613)		
	\$ 96,924,594		

The mortgages are first liens on the properties and are insured by FHA. Final maturity dates range principally from 2017 to 2019. At October 31, 1980, all mortgages were current.

Prior to fiscal 1980, the Corporation was assigned mortgages of Mitchell-Lama housing companies, as selected and approved by HPD, from the City. The mortgages were modified and recast into (1)

federally insured first mortgages, which were either sold on behalf of the City or assigned as collateral for the Multifamily Program bonds payable or held to be assigned as collateral for bonds to be issued, and (2) non-insured second mortgages, which were reassigned to the City.

In fiscal 1980, the Corporation purchased \$106,477,061 of the federally insured first

mortgages at a discount and assigned them as collateral for the Multi-Unit Program bonds issued. Certain related escrow and reserve funds of the Multifamily Program were transferred to the Multi-Unit Program.

The excess of debt service payments from mortgagors over debt service payments to bondholders in the Multifamily Program is payable to the City.

The 1979 Housing Program mortgage loan advances, all made during fiscal 1980, and remaining commitments comprise the following at October 31, 1980:

	<i>Total Mortgage Commitments</i>	<i>Mortgage Loan Advances</i>	<i>Remaining Mortgage Commitments</i>
Pledged as collateral to bonds:			
Academy Gardens Associates	\$18,120,300	\$15,796,879	\$ 2,323,421
2404, 2412, 2416 Crotona Avenue	3,410,300	1,708,952	1,701,348
Lenoxville	5,426,500	641,748	4,784,752
Lower East Side Phase II	4,854,300	1,010,265	3,844,390
Miramar Court	4,328,100	1,773,710	2,554,390
President Arms	1,326,500	1,021,286	305,214
1650 President Street	2,411,200	963,112	1,448,088
Prospect Arms	3,505,700	2,536,863	968,837
	<u>\$43,382,900</u>	<u>\$25,452,815</u>	<u>\$17,930,085</u>

The mortgage loan advances are FHA-insured and include amounts disbursed to projects for various construction costs, each project's proportionate share of the 1979 Housing

Program bond issue costs and accrued interest. During construction, the loan advances bear interest at 9½%. When construction is complete,

permanent financing is arranged, and debt service payments commence, the interest rate will be reduced to 7½%.

Notes to Financial Statements Continued

5. Cash and Investments Held for Designated Purposes and Operations:

At October 31, 1980, 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 Program:</i>					
Held for designated purposes, including amounts segregated for November debt service	\$ 11,209	\$26,775,983	\$ 9,349,223	\$ 2,746,054	\$38,882,469
Held for operations	3,604	1,894,003	2,462,179	3,059,687	7,419,473
Market value of investments, including accrued interest		25,322,500	11,373,586	5,594,706	
<i>Multifamily Program:</i>					
Held for designated purposes	1,718,077	2,015,213	40,513,952	26,620,419	70,867,661
Market value of investments, including accrued interest		2,015,213	39,553,434	25,125,933	
<i>Multi-Unit Program:</i>					
Held for designated purposes	114,880		7,874,857	10,677,557	18,667,294
Market value of investments, including accrued interest			7,494,560	9,012,364	
<i>1979 Housing Program:</i>					
Held for designated purposes	57,974		21,953,102	4,926,615	26,937,691
Market value of investments, including accrued interest			20,566,477	3,852,448	
<i>Corporate Services Fund:</i>					
Held for operations	49,327	1,812,605	1,521,423		3,383,355
Market value of investments, including accrued interest		1,812,605	1,515,479		

6. Bonds and Notes Payable:

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 \$1,300,000,000 or such amount which would not cause the maximum Capital Reserve

Fund requirement to exceed \$85,000,000; however, the Corporation cannot 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).

Bonds and notes payable comprise the following at October 31, 1980:

	<i>Balance, October 31, 1980</i>	<i>Current Annual Debt Service</i>
<i>General Housing Program:</i>		
3.75% to 6.50% Bonds, 1972 Series A, maturing in varying annual instalments on May 1 to 2022	\$129,990,000	\$ 9,091,620
3.50% to 7.00% Bonds, 1972 Series B, maturing in varying annual instalments on November 1 to 2022	49,845,000	3,076,148
5.70% to 7.00% Bonds, 1973 Series C, maturing in varying annual instalments on May 1 to 2023	61,540,000	3,925,798
7.50% Bonds, 1975 Series D, maturing in varying annual instalments on May 1 to 2023	16,065,000	1,259,875
9.00% Bonds, 1975 Series E, maturing in varying annual instalments on May 1 to 2022	11,165,000	1,029,850
7 $\frac{3}{8}$ % Bonds, 1976 Series F, maturing in varying annual instalments on May 1 to 2009	10,100,000	854,875
7 $\frac{3}{8}$ % Bonds, 1978 Series G, maturing in varying annual instalments on May 1 to 2009	1,105,000	96,494
	<u>\$279,810,000</u>	<u>\$19,334,660</u>
9.25% Notes, Series X, maturing November 14, 1980	\$ 36,670,000	

The General Housing Program bonds and notes are general obligations of the Corporation. Substantially all General Housing 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 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 noteholders 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 45 years. The notes may be redeemed at par by the Corporation, at its option.

On November 14, 1980, a payment of \$470,000 was made by the Corporation to amortize the principal of the 9.25% Notes, Series X, and on that date the Notes were rolled over into Series XI Housing Notes, at the same annual interest rate, maturing on May 14, 1981.

Notes to Financial Statements Continued

	Balance, October 31, 1980	Current Annual Debt Service
<i>Multifamily Program:</i>		
6.50%, maturing in instalments through June 2018	\$296,841,655	\$20,681,005
7%, maturing in instalments through December 2018	25,579,454	1,915,334
7.25%, maturing in instalments through November 2018	25,867,872	1,965,871
7.034%, maturing in instalments through February 2019	16,154,374	1,214,700
7.25%, maturing in instalments through February 2019	11,844,079	899,812
	<u>\$376,287,434</u>	<u>\$26,676,722</u>

Bonds issued by the Corporation under its Multifamily Housing Limited Obligation 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.

	Interest Rates	Balance Outstanding	Current Annual Debt Service (Interest Only)
<i>Multi-Unit Program:</i>			
Serial bonds due in increasing annual amounts beginning in 1982 through 1995	5% to 8¼%	\$ 10,130,000	\$ 700,912
Term bonds due in varying annual instalments beginning in 1996 through 2004	9%	15,360,000	1,382,400
Term bonds due in increasing annual instalments beginning in 2005 through 2012	9.10%	28,355,000	2,580,305
Term bonds due in varying instalments beginning in 2013 through 2021	9½%	55,130,000	5,030,613
		<u>\$108,975,000</u>	<u>\$9,694,230</u>

The Multi-Unit Program mortgage bonds, issued in fiscal 1980, are special revenue obligations of the Corporation collateralized by substantially all the assets of the program. The

bonds may be redeemed at the option of the Corporation beginning in 1990 at 103% of par, decreasing in biennial decrements of 1% until 1996. Thereafter, the bonds can be

redeemed at par. The bonds are also subject to redemption at any time at the option of the Corporation at par from any recoveries of mortgage loan principal.

	<i>Interest Rates</i>	<i>Balance Outstanding</i>	<i>Current Annual Debt Service (Interest Only)</i>
<i>1979 Housing Program:</i>			
Serial bonds due in increasing annual amounts beginning in 1983 through 1999	6% to 7%	\$11,875,000	\$ 777,500
Term bonds due in varying annual instalments beginning in 2000 through 2009	7¾%	10,970,000	809,038
Term bonds due in increasing annual instalments beginning in 2010 through 2021	7½%	26,775,000	2,008,125
		\$49,620,000	\$3,594,663

The 1979 Housing Program 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 on November 1, 1999.

7. Payable to the City of New York:

In accordance with an

assignment agreement of the Multifamily Program, the Corporation has agreed to remit to the City, among other things, 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, 1980, the amount payable to the City was determined as follows:

Payable to the City, beginning of year	\$122,681,333
Additions:	
Excess funds not required by Multifamily Program	11,438,045
Principal and interest received on mortgages prior to bonding	6,036,926
	17,474,971
Deductions:	
Purchase of assigned mortgages under the Multi-Unit Program	106,477,061
Administrative and operating expenses	157,210
Payments to the City	22,257,699
	128,891,970
Payable to the City, end of year	\$ 11,264,334

The Multi-Unit Program remitted \$308,865 to the City for investment income earned on bond proceeds prior to the date the assigned mortgages were purchased.

Notes to Financial Statements Continued

8. Fund Balances:

Fund balances comprise the following at October 31, 1980:

	Restricted Funds	Unrestricted Funds
<i>General Housing Program:</i>		
Note Debt Service Fund	\$ 3,465,950	
Project Mortgage Loan Accounts	1,681,328	
Capital Reserve Fund	1,712,232	
General Reserve Fund		\$8,076,404
Operating Fund (Note 3)		1,090,842
	\$ 6,859,510	\$9,167,246
<i>Multifamily Program:</i>		
Claim Payment Fund	\$19,887,817	
Reserve for Replacement Fund	25,410,354	
Minimum Property Standards Fund	1,069,267	
Revenue Fund	3,776,765	
Escrow Fund	4,564,366	
Corporate Requirement Account	1,500,000	
	\$56,208,569	
<i>Multi-Unit Program:</i>		
Revenue Account	\$ 991,081	
Debt Service Reserve Account	261,058	
Escrow Fund	826,833	
Claim Payment Fund	5,322,369	
Reserve for Replacement Fund	2,243,053	
Minimum Property Standards Fund	164,800	
	\$9,809,194	
<i>1979 Housing Program:</i>		
Debt Service Reserve Account	\$ 436,123	
Revenue Account	691,443	
	\$1,127,566	
Transfers to the Corporate Services Fund consist of the following:		
Transfers from the General Housing Program:		
Service fees		\$ 383,138
Transfers from the Multifamily Program:		
Earnings of escrow and other funds		959,870
Service fees		474,850
Transfers from the Multi-Unit Program:		
Earnings of escrow funds		23,280
Service fees		44,550
Transfers from 1979 Housing Program:		
Service fees		23,390
		\$1,909,090

The transfer in the General Housing Program from unrestricted funds to restricted funds consists of amounts transferred to the Note Debt Service Fund from the General Reserve Fund, net of investment earnings transferred from the Capital Reserve Fund to the General Reserve Fund.

9. Commitments:

See Note 4 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 (\$63,527 in fiscal 1980).

The Corporation is committed under a lease for office space for an annual rental of \$92,029 through October 31, 1985 and for \$98,290 from November 1, 1985 through October 31, 1990 when the lease expires.

10. Amounts Held Under HUD Contracts:

The Corporation has entered into Annual Contributions Contracts with HUD to administer housing assistance payment contracts with housing projects occupied or to be occupied by tenants qualifying for Section 8 assistance.

Pursuant to the contracts, HUD makes annual contributions to the Corporation in an amount equal to the annual assistance payments plus an administrative fee for the Corporation. Funds held by the Corporation on behalf of HUD for housing assistance payments, which are not reflected in the accompanying balance sheets, amounted to \$1,188,478 at October 31, 1980. Related fees earned during fiscal 1980 amounted to \$41,195 and are included in the Corporate Services Fund.

11. General and Administrative Expenses:

Prior to November 1, 1979, the Corporation allocated general and administrative expenses among the programs administered and, with the exception of General Housing Program, unrestricted income of the programs was transferred to the Corporate Services Fund. To better match all unrestricted funds earned with general and administrative expenses, on November 1, 1979 the Corporation began to allocate such expenses entirely to the Corporate Services Fund to be offset by revenues of that fund and all unrestricted income of the programs, including the General Housing Program, transferred to that fund.

12. Subsequent Events:

On January 7, 1981, the Corporation approved the sale of \$75,775,000 principal amount of Construction Loan Notes (1981 Issue A) to be used to make FHA-insured mortgage loans for the construction or rehabilitation of eleven multi-unit housing developments. On March 4, 1981, the Corporation approved the sale of \$47,000,000 principal amount of Construction Loan Notes (1981 Issue B), the proceeds of which will be used to make FHA-insured mortgage loans for the construction or rehabilitation of multi-unit housing developments.

13. Reclassifications:

Certain amounts in the 1979 Combined Total (Memorandum Only) columns have been reclassified to conform with the 1980 presentation.

Report of Coopers & Lybrand Independent Auditors

To the Members of
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, 1980, 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, 1980, and the results of their operations, changes in fund balances and sources and uses of cash for the year then ended, and, with respect to funds existing at October 31, 1979, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers + Lybrand

1251 Avenue of the Americas
New York, New York
March 13, 1981