



New York City
Housing Development
Corporation
1987 Annual Report

To Honorable Edward I. Koch, Mayor
Honorable Harrison J. Goldin, Comptroller
Honorable Paul Dickstein, Director of Management and Budget

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

The pictures chosen to illustrate these pages, taken by photographic master Andreas Feininger in the 1940's, provide an eloquent historical framework through which the City's current revitalization efforts can be viewed. Feininger's vivid urban images which capture the vitality of Little Italy, Chinatown, the Lower East Side, Central Park, and Times Square some forty years ago bear distinct resemblances to New York in 1987. No price can be put on the cultural riches deriving from New York's diversity. No other American city can parallel New York's magnetic role in attracting people rich in spirit, civic pride and ambition. HDC is proud to play a small role in this City's rich tradition of development and regeneration.

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Logan Plaza, as seen from Amsterdam Avenue and 131st Street, will provide 130 newly constructed apartments on the site of the former Logan Hospital. The project, financed under the Moderate Income Rental Housing or "MAC" Program exemplifies the City's efforts to assist private developers of affordable rental housing for low, moderate and middle income New Yorkers. A development of John Edmonds and Avery Seavey, Logan Plaza is the first new construction project to be developed in Harlem without a Federal subsidy in a generation.



Report of the Chairman and President

This year's Annual Report records a significant year in HDC's evolution. Our 1986 Annual Report discussed the crossroads facing the corporation. As we predicted, passage of the Tax Reform Act of 1986 created difficult barriers which impeded the Corporation's ability to issue tax-exempt bonds to finance rental housing. However, despite the many obstacles created by the inaptly named Tax Reform Act, HDC continues to achieve its mandate to provide affordable housing for New Yorkers.

Since its inception, HDC has been a primary source of mortgage financing for the City's rental housing programs, providing financing for 60,000 units of low, moderate and middle income housing. As discussed in last year's Annual Report, the Tax Reform Act of 1986 may be viewed as the most dramatically anti-urban and anti-rental housing legislation to emerge from Washington in a generation as it severely undermined the economic foundation of rental housing by eliminating most tax incentives for its production on a scale which most observers did not predict as the tax reform debate began in 1984. Until Congress recognizes that the radical changes in depreciation schedules and passive loss deduction provisions, together with equally dramatic changes in tax-exempt bond financing rules, have rendered most rental production programs infeasible, affordable housing construction throughout the nation seems destined to diminish despite the growing housing crisis and the increased commitment of local governments, such as New York's, to meet the needs of their citizens.

HDC is continuing to adapt to a hostile tax policy environment and has undertaken to expand and reshape our corporate programs. The Corporation and its subsidiaries have augmented our traditional financing activities with a wide variety of new endeavors, including the issuance of taxable and 501(c)3 tax-exempt bonds, the utilization of the recently created Low-Income Housing Tax Credit, the provision of secondary mortgage financing through the Housing Assistance Corporation, an HDC subsidiary, and the inauguration of the Development Services Program through which HDC is directly committing its own resources to assist the City in its efforts to produce low, moderate and middle income housing. As a public benefit corporation with significant resources and a highly skilled professional staff, HDC is uniquely situated to provide technical assistance, managerial flexibility and creative financing on behalf of vital City housing programs.

The Year's Accomplishments

The year has seen the commencement and the completion of projects and programs undertaken prior to the Tax Reform Act. Most significantly, the Corporation was able to close the \$158,466,700 construction loan for the long awaited Roosevelt Island, Northtown Phase II project after literally years of delay. Unfortunately, during this prolonged planning and predevelopment period, two events severely threatened the feasibility of this 1107 unit project. First, construction costs had escalated. Second, "tax reform" eliminated the tax benefits which were crucial to the ability of mixed-income developments to raise the equity necessary for a project such as Roosevelt Island, threatening the economic viability of this important rental mixed income development.

To close the mortgage financing gap caused by increased construction costs, HDC entered the bond market for the first time

since the passage of the Tax Reform Act in August 1987. However, as the project was unable to comply with the Act's onerous requirements, HDC issued its first federally taxable bond issue. Unfortunately, the cost of this capital was considerably more expensive than tax-exempt debt, burdening the project with higher debt service costs for forty years. However, given the strictures of the Tax Reform Act, a taxable debt issue was the only practical mechanism through which to raise the needed mortgage capital.

To help restore certain of the lost tax incentives, HDC allocated to the project Low-Income Housing Tax Credits, a newly created limited tax incentive established by the Tax Reform Act. HDC was granted a special allocation of Credit in lieu of transition rules which the Corporation had sought to protect its project pipeline from the ravages of tax reform. Thus, through a creative use of new and previously untried tools, HDC successfully nurtured this fragile project to the closing table in August.

In 1987, Carnegie Park, The Westmont, 600 Columbus Avenue, James Tower, The Key West, Columbus Green and The Ellington, which are the remaining 80/20 projects financed by the Corporation during 1984/5, were all completed on time and within budget, with all low-income units successfully marketed to a diverse cross-section of New Yorkers.

During the past year, construction commenced on the remaining Phase I Moderate Income Rental Housing Program projects, the City's innovative "MAC" program. In May, the construction loan for Logan Plaza, the first non-Federally subsidized new construction project in Harlem in a generation closed. In August, Self-Help Sheltered Extension, a unique project providing both housing and related facilities for the frail elderly, began construction.

The Corporation also was able to bring to fruition four Phase II Moderate Income Rental Housing Program projects. Three projects in Brooklyn, containing 135 units, completed financing arrangements and achieved construction loan closings in August and September. In lieu of annual rental subsidies which had been provided for the Phase I projects, the Housing Assistance Corporation provided nominal interest construction and permanent financing in conjunction with funds provided by the Community Preservation Corporation, a financing format modeled after the City's Participation Loan Program.

In August, the Corporation finalized financing for an additional Phase II Moderate Income Rental Housing Program project, 2051 Grand Concourse. Along with five other pre-war buildings on the Bronx's historic Boulevard financed in combination with funds from the Federal Housing Development Action Grant and City Participation Loan Programs, 2051 Grand Concourse will be restored to serve the housing needs of future generations of New Yorkers. To the extent that 1985's development program can be described as the "Year of Columbus Avenue," 1987 may be referred to with pride as the "Year of the Grand Concourse."

The Corporation financed the five Grand Concourse buildings and three other projects which were HoDAG recipients, including two rehabilitation projects in Brooklyn and one in East Harlem, through current refundings of a portion of HDC's December 1985, \$250,000,000 variable rate bond issue. By refunding pre-tax-reform bonds, the projects were not subject to the complex and burdensome provisions of the Tax Reform Act.

New Initiatives

The past year also saw HDC and its subsidiaries embark on several new ventures. The most significant was the inaugural financing of the Housing New York Corporation, an HDC subsidiary. The Housing New York Corporation was established in 1986 to implement the Housing New York Program, a unique urban development initiative which leverages surplus revenues of the Battery Park City Authority, to support low and moderate income housing. In October, the Housing New York Corporation issued nearly \$210,000,000 of tax-exempt bonds to provide financing for the City's Construction Management Program. Two sites were selected to initiate the Construction Management Program, one in Central Harlem, the other in the South Bronx. Each site contains approximately 925 units in vacant City-owned buildings which are to be substantially rehabilitated for a range of low-income families, including over 600 permanent apartments for the homeless. The two sites will be rehabilitated by private construction management firms while in City ownership. Following the completion of construction, the Harlem site will be conveyed to the Housing Authority; the Bronx site is expected to be conveyed to a not-for-profit housing entity.

The past year also saw the implementation of two components of the Corporation's Development Services Program. Designed to broaden HDC's involvement in the implementation of the City's housing initiatives, the Development Services Program has already begun to demonstrate its effectiveness.

Last year's report reviewed HDC's involvement in the troubled Charlotte Gardens project, which was a forerunner for the Development Services Program. We are pleased to report that, as a result of the Corporation's agreement to provide construction financing for this long delayed and troubled project, all but one of the remaining 58 homes were completed and sold on time and within the revised budget.

The first formal phase of the Development Services Program involved the Corporation's assumption of the role of Project Manager for the Tibbett Gardens development, a planned middle income condominium in the Kingsbridge section of the Bronx. As Project Manager, HDC has assisted the not-for-profit sponsor in the often complex pre-development phase. The Corporation provided Bridge Loan financing to fund the Environmental Impact Statement necessary to receive the required governmental approvals. HDC has also been working to obtain construction financing and commitments for end loans for prospective condominium owners in this important City initiative.

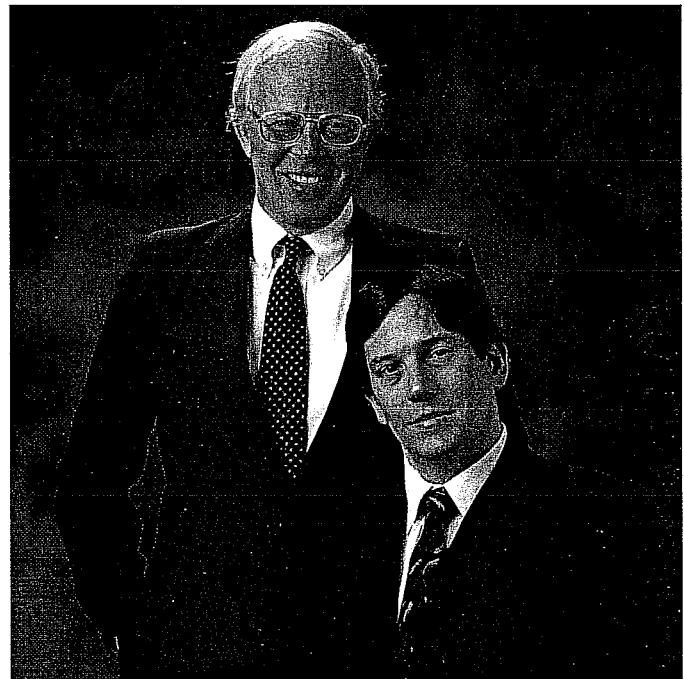
Working closely with HPD and the Mayor's Office of Housing Coordination, HDC and the Real Estate Board of New York, the project sponsor, were able to obtain all the necessary government approvals, including final Board of Estimate action, by November. When completed, Tibbett Gardens will contain 750 middle income condominium units for households earning up to \$48,000 annually. The residential project will be complemented by the construction of an adjacent 600-seat elementary school.

The project is the first to be developed under the auspices of the Real Estate Board of New York on a not-for-profit basis. The Real Estate Board has agreed to sponsor the development of 3,000 condominium units on City-owned sites. HDC looks forward to providing Project Manager services for future program efforts.

As part of the Development Services Program, HDC also inaugurated a Seed Money Loan Program in 1987 through which HDC expects to provide 18 not-for-profit sponsors of transitional and permanent housing for the homeless with up to \$3,000,000 in working capital to undertake the pre-development activities necessary to bring these vital projects to fruition. Upon completion, these developments will contain facilities for over 2700 homeless individuals, ranging from single adults to abused children.

The Future

The year's activities demonstrate HDC's resilience in the face of adversity. Confronted with a hostile Federal tax policy environment, the Corporation has continued to play a vital role in the City's extraordinary and diverse effort to stimulate the production of affordable housing for the City's low, moderate and middle income residents. From housing for the homeless to affordable condominiums for the neglected middle-class, HDC has begun to play a crucial role in the City's housing efforts. We look forward to expanding our efforts in 1988 to meet the growing housing challenges facing the City, tasks made more difficult given the Federal government's virtual total withdrawal from the effort to provide affordable housing. While we lament Washington's failure to respond to a growing national housing crisis, we are confident that the Corporation will continue to use its considerable resources and special expertise to make a significant contribution to the City's housing initiatives.



Paul A. Crotty

Paul A. Crotty
Chairman

James M. Yasser

James M. Yasser
President

The New York City Housing Development Corporation: Creating Affordable Housing for All New Yorkers

The New York City Housing Development Corporation was created to finance affordable housing where the ordinary operations of private enterprise do not so provide. In 1987, HDC's mandate expanded as the Corporation sought to address the plight of those whose housing needs went unfulfilled by the private sector, from those New Yorkers without shelter, to moderate and middle income families unable to afford their first home. During the year, the Corporation's activities were characterized by both the traditional finance functions performed by HDC over the past fifteen years and new and innovative roles assumed by both HDC and its subsidiaries, the Housing New York Corporation ("HNYC") and the Housing Assistance Corporation ("HAC").

During the past year, the Corporation's activities included its first issuance of taxable debt, the HNYC's initial issuance of \$210,000,000 in qualified 501(c)3 tax-exempt bonds to fund the City's

new Construction Management Program, HAC's provision of second mortgage loans to finance the substantial rehabilitation of vacant City-owned rental properties, HDC's establishment of a Seed Money Loan Program to assist not-for-profit sponsors of housing projects for the homeless, and HDC's oversight role in the development of Tibbett Gardens, a 750-unit moderate income condominium to be developed in the Kingsbridge section of the Bronx.

The latter two activities were undertaken pursuant to the Development Services Program formally established by HDC in 1987. They not only demonstrate the varying activities which will characterize the Corporation's future role, but also reflect the diversity of the City's housing efforts.

This year's report focuses on HDC's changing role in the ongoing effort to revitalize the City's neighborhoods.

Although HDC has historically served the City as its housing finance agency, the Corporation is now a more active participant in a broader range of City housing initiatives. This expanded role is the direct result of two major changes in Federal policy in this decade, both of which present unprecedented challenges to preserving, rehabilitating and creating low and moderate income housing.

During the 1980's, the City witnessed a dramatic disappearance of Federal funds for low-income housing. In less than a decade, the Section 8 and Public Housing Programs were virtually dismantled. As a result, New York City and other municipalities have been forced to allocate scarce local resources to housing production in order to partially fill the void created by the Federal government's abandonment of its traditional role.

As we predicted, the passage of the Tax Reform Act of 1986 crippled the ability of states and localities to raise below market rate mortgage capital for low-income rental housing through the issuance of tax-exempt debt. The Act also eliminated virtually all the incentives for ownership of low-income rental housing, making it extremely difficult for those interested in developing such housing to raise much needed equity.

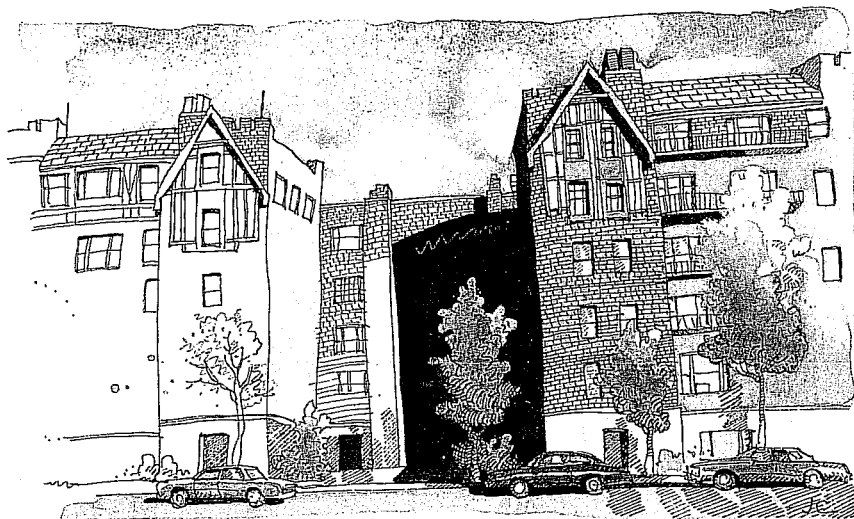
Despite these developments, 1987 was a year of significant achievement for the Corporation. The year's accomplishments affirm HDC's evolving role in assisting in the City's efforts to address the increasingly complex affordable housing crisis.

The Financing of Roosevelt Island

In August 1987, HDC successfully closed the \$158.5 million FHA-insured mortgage loan for the Roosevelt Island's Northtown Phase II project. This important urban renewal effort, the culmination of the 80/20 Program, will create 1,107 new rental housing units on the Island, including 222 units for low income families.

Roosevelt Island proved to be one of HDC's most difficult projects to close. The developer, Roosevelt Island Associates—a partnership of Starrett Housing Corporation and Sherman and Charles Cohen, principals in Cohen Brothers Realty Corporation—encountered numerous obstacles that prevented the start of construction, including construction cost increases that demanded additional mortgage financing. HDC responded by issuing \$12.9 million in federally taxable bonds, HDC's first taxable bond issue, on a parity basis with the \$161.8 million in outstanding tax-exempt debt issued in February 1985. During the tax reform debate, HDC unsuccessfully sought transition rules to protect economically fragile projects already in our pre-tax

Allerton Coops, a strategically important neighborhood preservation project in the Bronx's Pelham Parkway neighborhood, was financed under HDC's Moderate Rehabilitation Program. This historic complex which will provide 700 rehabilitated apartments, is a project of the Benjamin Development Company, Inc., the developer of the Cunningham Heights project illustrated on page 12.







reform pipeline. Instead, Congress granted HDC a special allocation of newly created Low Income Housing Tax Credits. By reserving \$6.2 million in Tax Credit authority to the Roosevelt Island project, HDC partly mitigated the damage wrought by tax reform on the project's economic foundation, enabling the developer to commence construction. The year saw completion of the remaining projects financed by HDC through the 80/20 program in 1984-85, all on time and substantially within budget. Low income units in these seven developments were successfully marketed to a diverse cross section of New Yorkers: Carnegie Park, The Westmont, 600 Columbus Avenue, James Tower, The Key West, Columbus Green, and The Ellington comprise a project pipeline of which the Corporation can indeed be proud.

The Moderate Income Rental Housing Program

This joint effort by the City and HDC to create affordable rental housing for low, moderate and middle income New Yorkers made continued progress in its third year.

Construction commenced in May 1987 on Logan Plaza, a 130-unit rental apartment building in central Harlem. This is the first newly constructed rental housing developed in Harlem without Federal assistance in more than a generation. Logan Plaza will contain 26 units for tenants who earn less than 50% of the area median income, with the remaining 94 units reserved for moderate and middle income households. HDC provided the first mortgage loan of \$10.3 million, FHA co-insured by Puller Mortgage Associates, Inc. ("Puller"); and HAC closed the financing gap caused by the FHA's inadequate statutory mortgage limits with a \$1.8 million second mortgage. Logan Plaza will also receive Low Income Housing Tax Credits.

The Self-Help Sheltered Extension in Flushing, Queens, financed by HDC in 1987 is designed to provide independent housing with certain limited services needed by frail elderly residents. The \$13.2 million project will provide 155 living units, of which 42 will be reserved for low income households, in addition to a dining hall, lounges, and space to be leased by Cornell Medical Extension for geriatric health services; occupancy is expected by the end of 1988.

Last year loans were closed for four substantial rehabilitation projects in Phase II of the Moderate Income Rental Housing Program. The first of the projects, 2051 Grand Concourse, a 63 unit apartment building located on the Bronx's major thoroughfare, was financed with the proceeds of a current refunding which were used to fund a \$4.5 million mortgage co-insured by Puller. HAC will provide annual subsidies to permit the establishment of rents affordable to low and moderate income tenants. HDC has allocated Low Income Housing Tax Credits that will enable the project sponsor to set aside 16 units for households earning less than 60% of area median income.

CPC/HAC Financing Model

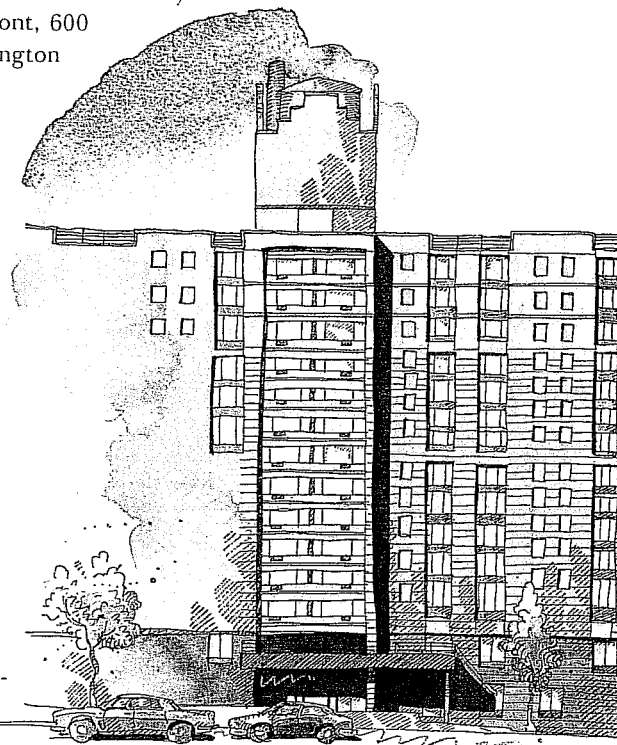
The balance of the Phase II rehabilitation pipeline is being financed pursuant to a different structure. HAC worked closely with the Community Preservation Corporation ("CPC") to develop an alternative financing structure modeled after the City's Participation Loan Program.

For these projects, HAC provided nominal interest rate construction and permanent loans to reduce total development costs and ongoing debt service requirements in an amount sufficient to produce rents affordable to the target income groups. During construction, HAC participates with CPC in a joint first position mortgage. Thus, HAC shares on a proportionate basis the risks of construction financing with CPC. Following construction, HAC's construction advances will be converted to a 32-year second mortgage loan at 1%.

Of the three projects financed in 1987 pursuant to this structure, 196 Rockaway Parkway and 405 East 94th/1072-74 Willmohr Streets received reservations of Low-Income Housing Tax Credits. Thus, 25% of each project's units will be set-aside for households earning less than 60% of area median income. The remaining project, 255 Ocean Avenue, will reserve 20% of its units for households at 80% of median income. This financing structure will permit the maximum market rents for any unit in these projects to be set at \$585 month, a level affordable to households earning \$23,400/year spending 30% of their income for rent. As a result, all the units in these projects will be affordable to households earning less than 80% of area median income.

HoDAG Projects

After several years of delay, HDC's Housing Development Action Grant ("HoDAG") Program



The Self-Help Sheltered Extension, located in Flushing, Queens, a Moderate Income Rental Housing Program New Construction Project, will provide 155 living units for the frail elderly. Forty-two of the units will be reserved for low income households. The project will also include facilities for geriatric health services.

made significant progress. During the year, the City and the U.S. Department of Housing and Urban Development ("HUD") successfully negotiated the terms under which HUD will advance funds to the City, enabling HDC to close 285 Development, a 58-unit substantial rehabilitation project in Crown Heights, Brooklyn.

In October 1987, HDC currently refunded \$9,430,000 of the Corporation's December 1985 variable rate bonds providing partial financing for six other HoDAG substantial rehabilitation projects which also received Participation Loan Program ("PLP") funds from the City of New York. HDC combined bond proceeds with PLP monies to reduce blended interest rates of approximately 5% - 7%, making these projects for low, moderate and middle income families economically feasible.

The rehabilitation of five vacant buildings on the Grand Concourse, together with 2051 Grand Concourse, will result in the restoration of all the remaining unutilized residential property on the Bronx's major thoroughfare and a total of 292 rental housing units for low and moderate income families. The rehabilitation of Willoughby/Wyckoff Apartments in Bushwick will restore these historic properties to their former grandeur. Upon completion, Woodruff Apartments will provide 84 low and moderate income units in Flatbush. Revive 103 North Apartments will contain 30 rehabilitated low and middle income apartments on East 103rd Street in Manhattan, completing the reconstruction of this East Harlem block. The HoDAG projects are expected to receive allocations of HDC's Low-Income Housing Tax Credit.

The Moderate Rehabilitation Program

Progress continued in the past year toward completion of the Corporation's moderate rehabilitation project pipeline. Over 1,500 units of low and moderate income housing were completely renovated in Queens. Cunningham Heights - Phases I and II reached final endorsement in December 1986 and April 1987 respectively. This 1,056 unit project was moderately rehabilitated with a combination of proceeds from HDC's Multi-Family Housing Bonds (FHA Insured Mortgage Loans), 1985 First Series and PLP funds. HDC provided 60% of the \$20,420,000 mortgage loan. The Corporation also closed the permanent loan for Metropolitan Houses III, a 468-unit project in the Sunnyside section of Queens. HDC's first mortgage loan is being insured by the State of New York Mortgage Agency. Proceeds for the Corporation's \$5,432,000 first mortgage were provided from the Insured Multi-Family Mortgage Revenue Bonds, 1985 First Series. As a result of HDC's ability to provide below market rate financing for the first mortgage, the City saved over \$1,000,000 in PLP funds. During the past year, construction neared completion on several other moderate rehabilitation projects including the Allerton Coops, a 698-unit garden apartment complex in the Pelham Parkway section of the Bronx.

Charlotte Gardens: A Forerunner of the Development Services Program

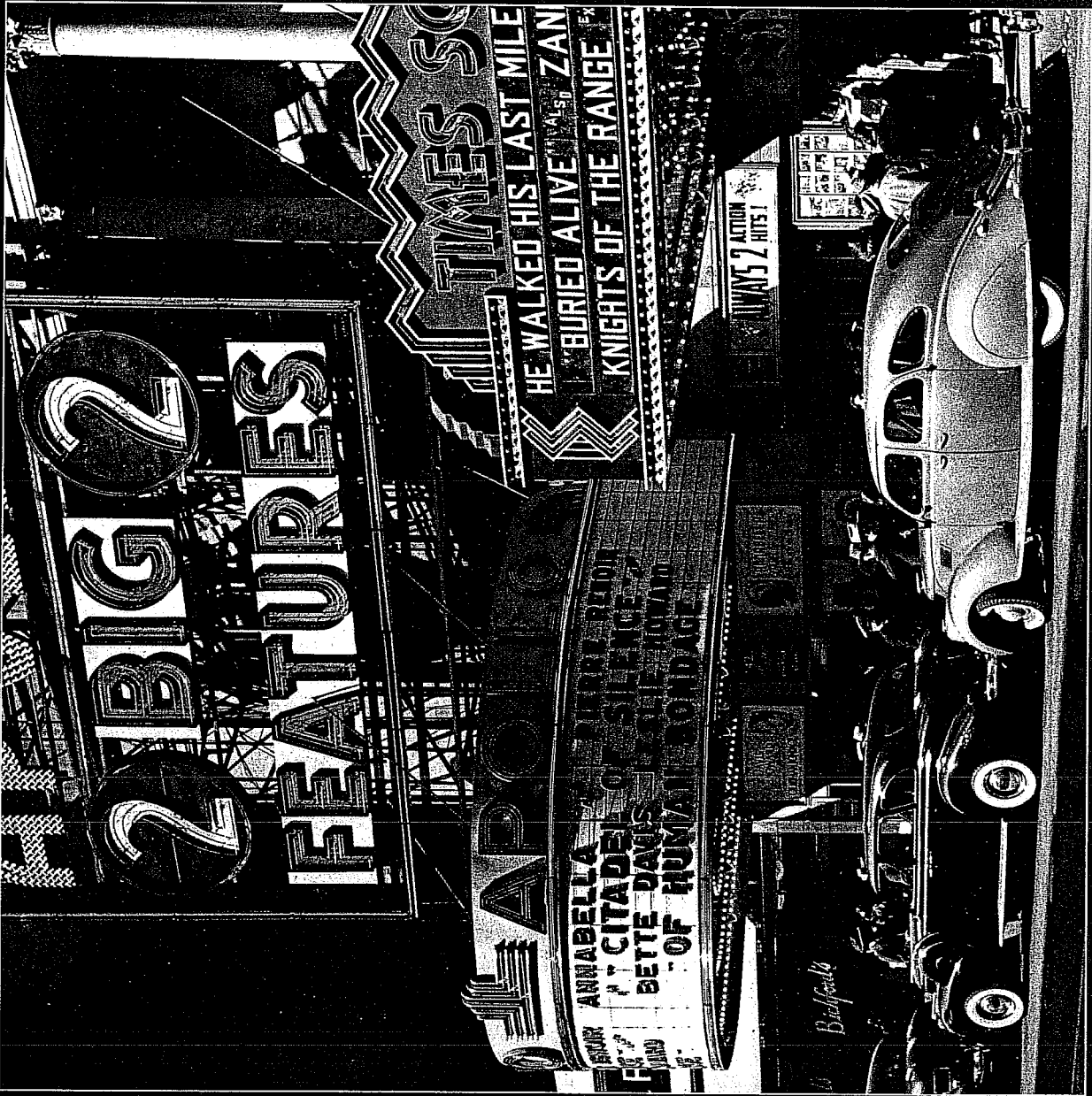
As reviewed in last year's Annual Report, HDC's involvement in the Charlotte Gardens development established the Corporation's ability to apply its managerial expertise, as well as its financial resources, to salvage a troubled project. Charlotte Gardens was begun ambitiously in 1982 in an effort to reverse the cycle of disinvestment and abandonment which had made Charlotte Street in the Bronx perhaps the nation's most visible symbol of the decline of its impoverished inner city.

As conceived by the South Bronx Development Organization ("SBDO"), the project's not-for-profit sponsor, Charlotte Gardens was to be a suburban style development of single-family, owner-occupied homes. All 90 of the planned homes were pre-sold in 1983 for only \$50,000/unit. Construction began shortly thereafter with only modest initial subsidies in the form of Urban Development Action and City Assistance Grants. However, nearly three years later only 48 of the homes had been completed, with only 30 actually conveyed to the purchasers. Two general contractors had defaulted on their obligations and construction had ceased. At this point, HDC was requested to provide assistance. Working closely with SBDO and the Division of Housing and Community Renewal, HDC devised a financing mechanism which successfully overcame the obstacles that had prevented the completion of Charlotte Gardens.

HDC was able to clear certain title problems, permitting the transference of title to purchasers of 18 completed homes, and also provide a \$3 million line of credit to ensure the availability of funds needed to complete construction of the project by Deluxe Homes, the newly selected gen-



A view of the waterfront will be enjoyed by the residents of Harbor View in the St. George section of Staten Island. Financed under the Moderate Income Rental Housing program, Harbor View, developed by Martin Weise, will provide 122 rental apartments; 80% of the units will be occupied by moderate and middle income families.



eral contractor. Within the year, all 40 of the unfinished homes were completed within budget and title on all but two of the 40 homes had been conveyed to the purchasers whose four year dream of home ownership was finally fulfilled.

The Development Services Program

HDC's broadening role in the City's housing development programs was formalized with the Corporation's implementation of the Development Services Program, a comprehensive initiative formally approved in September. The Program's three elements, the Project Management Program, the Seed Money Loan Program, and the Construction Loan Program are all funded from HDC's corporate reserves.

Through the Project Management Program, HDC's staff and financial resources are being utilized to expedite the pre-development process for major affordable housing projects. The Seed Money Loan Program, which received a Certificate of Merit from the Association of Local Housing Finance Agencies, will provide vital interim assistance in the form of interest free loans for working capital to not-for-profit sponsors of permanent and transitional homeless housing facilities. Through the Construction Loan Program, HDC intends to provide a source of nominal interest financing to reduce total development costs of affordable housing projects, lessening the level of permanent subsidies which the City must commit.

Tibbett Gardens: A Model Affordable Housing Initiative

Following the successful completion of Charlotte Gardens, the Corporation was requested by the City to act as Project Manager for Tibbett Gardens, a 750 unit condominium complex to be developed in the Kingsbridge section of the Northwest Bronx. The not-for-profit sponsor of Tibbett Gardens was formed under the auspices of the Real Estate Board of New York ("REBNY"). Their proposal to develop 3,000 units of owner-occupied housing on a not-for-profit basis came in response to Mayor Koch's December 1985 request to leaders of the development community to propose new methods through which the City could stimulate the private sector to produce affordable housing for moderate and middle income New Yorkers earning from \$25,000 to \$48,000 annually. REBNY's offer to build such projects was predicated upon the City's ability to make suitable City-owned sites available at a nominal cost. After reviewing its inventory of vacant buildable property, the City selected the 10-acre Tibbett Gardens site, inaugurating this private/public partnership to build affordable owner-occupied housing.

The Tibbett Gardens project is as complex as it is imaginative. The creative design of the project calls for a series of midrise interconnected buildings. In addition to the residential units, a 600-seat elementary school, neighborhood commercial and community space, and a 629 vehicle parking garage will be provided.

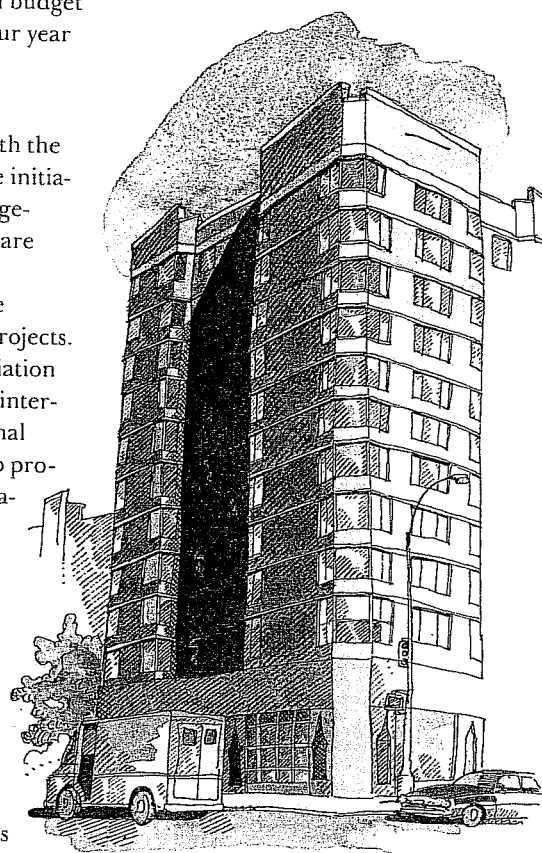
The City of New York, acting through its Department of Housing Preservation and Development ("HPD"), designated HDC as Project Manager. As Project Manager, HDC has worked closely with REBNY, HPD and the Mayor's Office of Housing Coordination to ensure the smooth and timely submission of all materials necessary to propel Tibbett Gardens through the public approval process.

HDC is working with the project's not-for-profit sponsor to develop a cost efficient financing structure which would include the issuance of qualified 501(c)3 tax-exempt notes. As Project Manager, the Corporation is also working to ensure the availability of affordable fixed rate financing for the condominium purchasers and expects to participate in the project's construction financing. As a construction start approaches, we hope to finalize arrangements for end loans for a substantial portion of the units at Tibbett Gardens. HDC looks forward to contributing to the development's momentum, continuing in its Project Manager role during the coming year, one which is expected to culminate in a construction start.

Seed Money Loan Program

As the second component of the Development Services Program, HDC inaugurated its Seed Money Loan Program in 1987. The Program is intended to provide not-for-profit sponsors of low-income housing with sufficient working capital to permit them to undertake the pre-development activities essential to allow the expeditious commencement of rehabilitation or construction in connection with governmentally assisted housing programs.

The Seed Money Loan Program is necessitated by the City's increasing reliance on not-for-profit sponsors. The elimination of Federal tax incentives for the development of low income



The Key West, a West Side Urban Renewal Area development, symbolizes the City's effort to stimulate economically integrated redevelopment. The Key West, developed by the Gotham Organization is located on Columbus Avenue and West 97th Street. Financed under HDC's 80/20 Program, the Key West is providing rental apartments for a diverse cross section of New Yorkers.

rental housing has substantially discouraged the participation of for-profit sponsors, and many of the City's new initiatives which utilize its supply of In Rem properties, a housing stock increasingly comprised of smaller, geographically dispersed buildings, are likely to be attractive only to not-for-profit sponsors. As HPD was unable to advance funds to its not-for-profit sponsors for architectural and other essential pre-construction services until the Board of Estimate formally approved the disposition of project sites to the selected sponsors, HPD turned to HDC to implement its Seed Money Loan Program in connection with 18 homeless housing projects. In September 1987, HDC authorized the Seed Money Loan Program, appropriating \$3,000,000 of the Corporation's reserves for such purposes.

HDC is expected to make Seed Money Loans to the 18 not-for-profit homeless housing project sponsors, in addition to one sponsor of a Section 202 project for the mentally disabled. Through the Program, HDC will make interest free loans up to \$300,000 with a maximum term of 18 months. HDC's Seed Money Loans are to be repaid from the proceeds of construction loans made by the City of New York. Upon completion, the 18 projects will contain facilities to house over 2,700 homeless individuals and their dependents.

The Housing New York Program: A Vision Becomes Reality

In October 1987, the Housing New York Corporation ("HNYC") issued nearly \$210,000,000 in tax-exempt bonds providing capital to finance the rehabilitation of the first 1,850 apartments to be produced under the Housing New York Program ("HNY Program"). The bond issue was the culmination of over a year's work designed to make the vision of the 1986 HNY Program Act ("the Act") a reality.

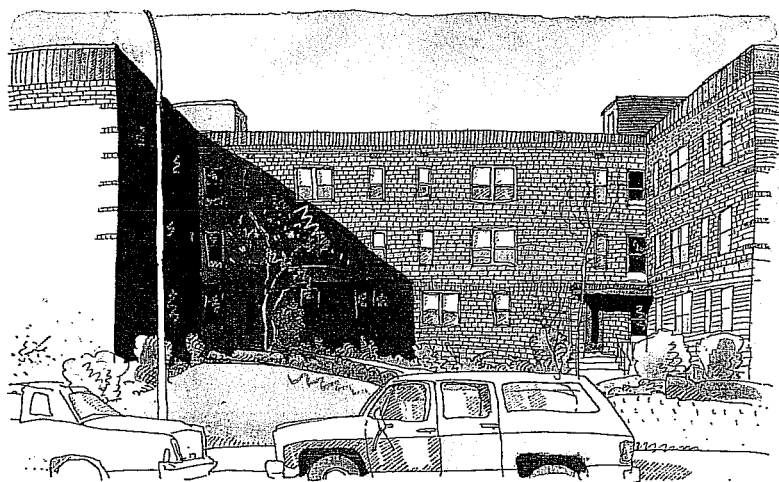
The Act created the HNYC, a subsidiary of HDC, and charged it with the responsibility of raising the capital necessary to construct and rehabilitate urgently needed low, moderate and middle income housing. With the withdrawal of the Federal government from its half-century commitment to provide such housing, the need for City and State governments to find their own alternative sources of funding became imperative. This is particularly true in New York where the chronic housing shortage has become more acute since the beginning of the decade, mani-

festing itself in a tightening of the housing market at all levels, greater overcrowding in public housing, and in the still growing number of homeless who increasingly rely upon the City to find shelter on a temporary or permanent basis.

The HNY Program was conceived in this environment. It is aptly named insofar as it relies solely upon revenues generated by New York City and State resources. In response to an innovative concept advanced by Meyer S. Frucher, President of the Battery Park City Authority ("BPCA"), Mayor Edward I. Koch and Governor Mario M. Cuomo have agreed to dedicate the excess revenues expected to be generated by the BPCA over the next 30 years to enable HNYC to raise \$400 million in capital prior to the end of this decade. The monies generated will be utilized by the City to fund the Construction Management Program, a new initiative which will provide housing for persons of low, moderate and middle income.

To inaugurate the Construction Management Program, HPD selected two target areas containing clusters of vacant buildings of similar types; one in central Harlem, the other in the South Bronx. In both neighborhoods vacant City-owned buildings will be rehabilitated for a range of low and moderate income families. Following rehabilitation, 30% of the units will be reserved for homeless families, 45% of the units will be rented to households earning up to \$16,000/year, with the remaining 25% to be rented to families with annual incomes of less than \$24,000. The mix of income groups will provide the projects with a greater degree of economic and social stability. To expedite the development of the sites, the City will maintain ownership during rehabilitation, contracting renovation to construction management firms capable of undertaking projects of this scope. Tishman Construction Co. was selected by HPD to manage the Harlem site, Lehrer McGovern Boris, Inc. has been chosen as construction manager for the Bronx project.

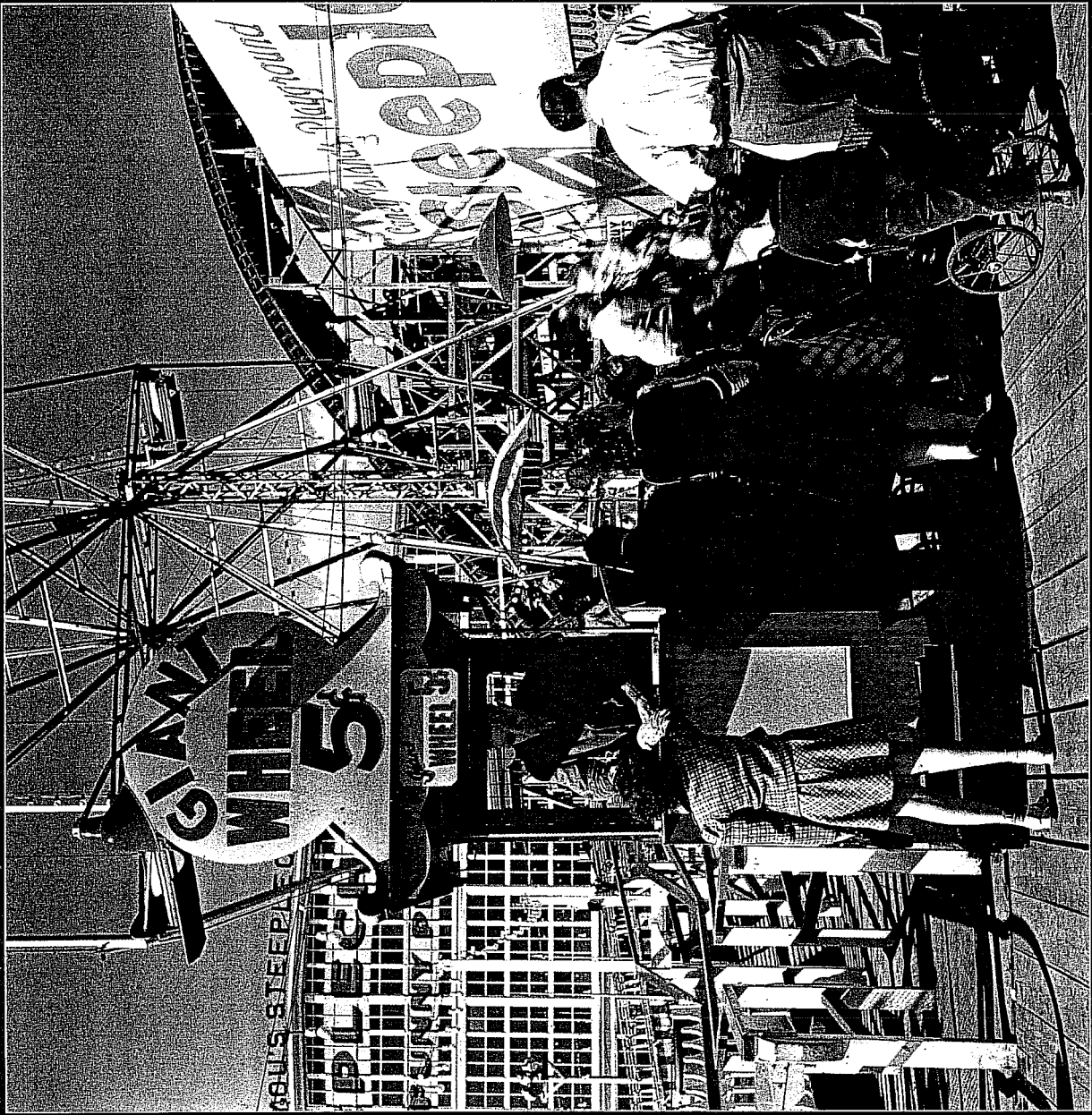
While the City is to maintain ownership of the projects during their rehabilitation, it does not wish to own and operate them following renovation. However, passage of the Tax Reform Act severely restricted the City's ability to sell the rehabilitated properties to the private sector. Even



The charm of the Cunningham Heights garden apartments was preserved through HDC's Moderate Rehabilitation Program. Financed in connection with the City's Participation Loan Program, the rehabilitation of this 1,100 rental unit complex has contributed to the resurgence of its Hollis, Queens neighborhood.

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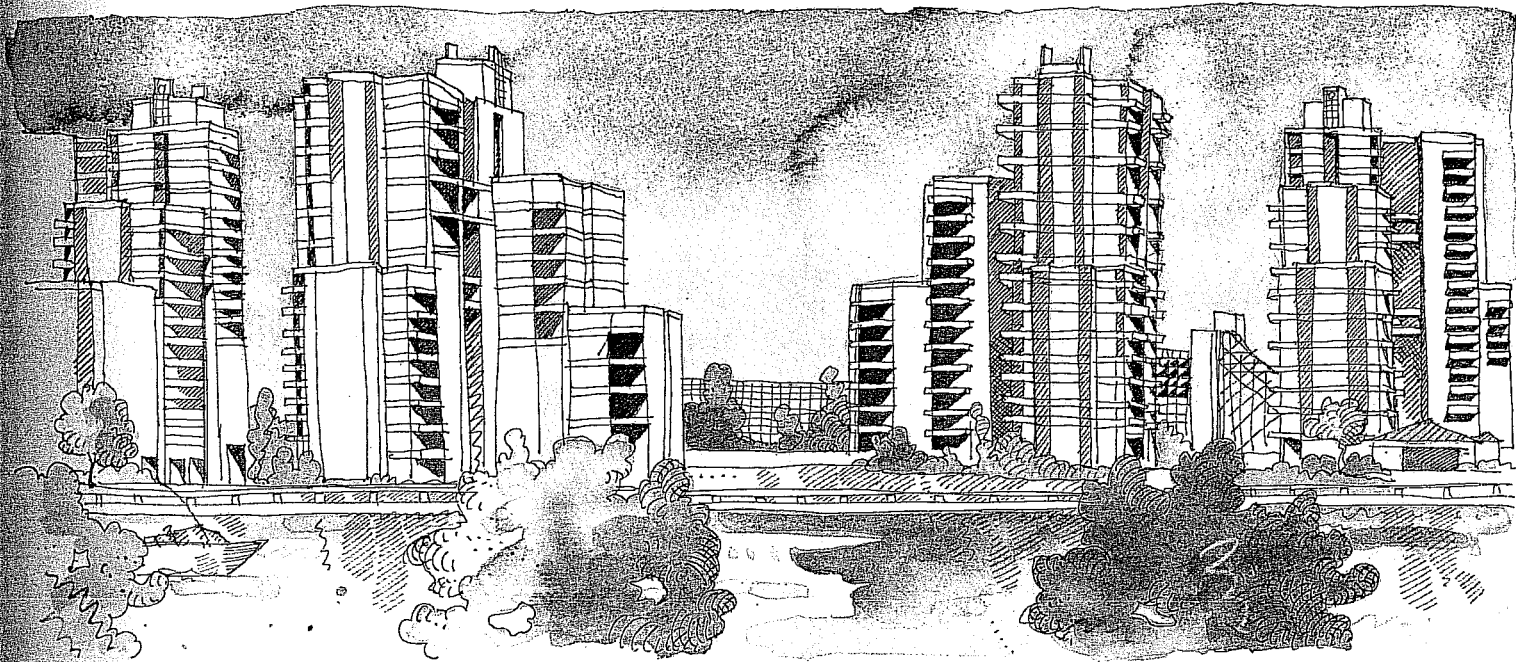
though the projects initially will far exceed the minimum low-income requirements imposed on developments financed with private activity bonds, continuing compliance over the 30 year life of the bonds would have been an overwhelming burden for a for-profit developer.

The City worked closely with the HNYC to develop a disposition strategy enabling the HNYC to structure a tax-exempt issue which most effectively leverages the BPCA excess revenues. HNYC determined that it could issue tax-exempt qualified 501(c)3 bonds and preserve the City's ability to convey the rehabilitated properties to either a not-for-profit corporation or a governmental agency such as the New York City Housing Authority (the "NYCHA") which has agreed to own and operate the Harlem site following its rehabilitation; Settlement Housing Fund has been selected for the Bronx site.

In October 1987, the HNYC issued \$209,995,000 in tax-exempt bonds to raise capital for the rehabilitation of the two sites. The HNYC bonds were rated A by Standard and Poor's and Moody's Investor Service. In addition, the Municipal Bond Investors Assurance Corporation insured nearly \$57,000,000 of the issue, enabling that portion to receive a AAA rating.

1988 and Beyond

The activities of the past year demonstrated the resilience of HDC and its subsidiaries. The Corporation continued to meet its mandate and oversee the buildout of its various pre-tax reform pipelines. We anticipate that 1988 will witness the culmination of the Moderate Income Rental Housing Program as Phase II new construction projects receive their final government approvals and achieve construction starts with HAC's assistance. The partnership between HDC and the City of New York has been formalized during the past year with the initiation of the Development Services Program. During the next year, HDC and its subsidiaries expect to expand our



role in the City's housing initiatives. We look forward to continuing in our role of Project Manager for Tibbett Gardens and other joint City/REBNY developments. As the City attempts to assemble additional sites for the second phase of the Construction Management Program, the HNYC will work to raise additional capital to facilitate the rehabilitation of much needed low-income housing. The coming year is also one in which we will continue the struggle in Washington to restore a National low and moderate housing production program. As significant as the City and HDC's efforts to meet the housing needs of our residents are, the full support of the Federal Government is essential to the resolution of the persistent housing crisis afflicting the Nation's cities. As the effects of the Tax Reform Act become more apparent, we hope that the Congress will restore the ability of state and local governments to finance low, moderate and middle income housing. The City and HDC will join with our fellow municipalities and agencies across the country to assure that the urban voice is heard in Washington.

The long awaited Roosevelt Island Northside Development is depicted as it will be viewed from Manhattan's East side. The five building waterfront complex, a development of the Starrett Housing Corporation and Cohen Brothers Realty Corporation will provide 1,107 rental housing units, including 222 units for low and moderate income families.



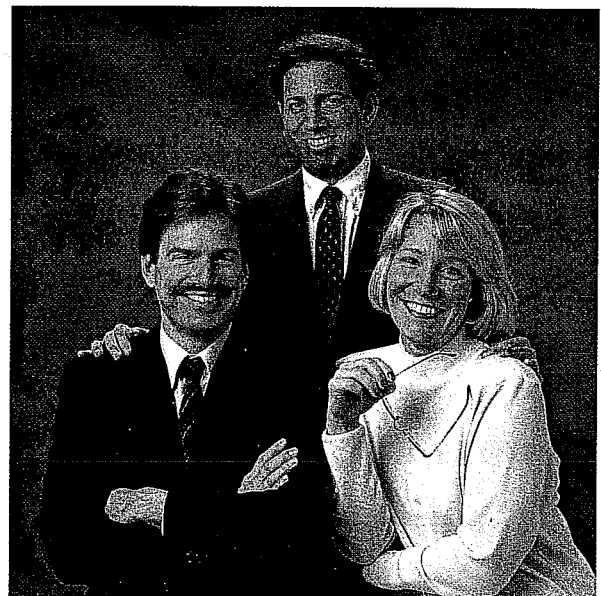
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1.
Standing:
 James M. Yasser
Seated:
 Thomas E. Dewey, Jr.
 Paul A. Crotty

3.
Standing:
 Harry E. Gould, Jr.
Seated:
 George Glee, Jr.
 Abraham J. Greenstein

2.
Standing:
 Pazel G. Jackson, Jr.
Seated:
 Abraham Biderman

4.
Standing:
 Martin I. Siroka
Seated:
 David S. Boccio
 Joni L. Brooks

Not Present:
 Paul Dickstein

Members and Officers

The Members of the New York City Housing Development Corporation, by law, consist of the Commissioner of the Department of Housing Preservation and Development of the City of New York, who is designated by the Corporation's enabling legislation as its Chairman ex-officio; the Director of Management and Budget of the City of New York, serving ex-officio; the Finance Commissioner of the City of New York, serving ex-officio; and four public members, two appointed by the City's Mayor and two appointed by the Governor of the State of New York. The action of a minimum of four Members is required to exercise the Corporation's powers.

Members

Paul A. Crotty, Chairman and Member ex-officio. Mr. Crotty, an attorney and member of the New York Bar, was appointed to the position of Commissioner of the Department of Housing Preservation and Development of the City in April of 1986. He also serves as Chairman of the New York City Rehabilitation Mortgage Insurance Corporation. Mr. Crotty has previously served as the City's Commissioner of Finance, serving in this position until his appointment as Housing Commissioner. Prior to serving as Commissioner of Finance, Mr. Crotty was Commissioner of the Office of Financial Services of the City. From 1976 until entering government service in February 1984, Mr. Crotty was a partner in the law firm of Donoyan, Leisure, Newton and Irvine.

Thomas E. Dewey, Jr., Vice Chairman and Member, serving pursuant to law. Mr. Dewey is President of Thomas E. Dewey Jr. & Co., Inc., a firm specializing in financial advisory services. He is also Chairman of the Board of Lenox Hill Hospital, Director and Chairman of the Investment and Loan Committee of Apple Bank for Savings and Director of GULL, Inc. and Northwest Natural Gas Company. Mr. Dewey was a General Partner in the investment banking firm of Kuhn, Loeb & Co.

Abraham Biderman, Member ex-officio. Mr. Biderman is Commissioner of Finance of the City of New York. In addition to his responsibilities as Commissioner of Finance, he acts as a Special Advisor to the Mayor. He previously was Special Assistant to the Mayor, a position he assumed in February 1985. Prior to this, Mr. Biderman served as an assistant to the Deputy Mayor for Finance and Economic Development and was Assistant Deputy State Comptroller in the Office of the Special Deputy Comptroller.

Paul Dickstein, Member ex-officio. Mr. Dickstein is Director of Management and Budget of The City of New York, to which office he was appointed on February 16, 1985. He was formerly Deputy Director of the Office of Management and Budget of the City of New York and Deputy Commissioner of the New York City Police Department.

George Glee, Jr., Member, term expires January 1, 1989. Mr. Glee is Executive Director of the Vanguard Urban Improvement Assn., Inc., a Brooklyn, New York based not-for-profit corporation that administers a wide range of economic development, commercial and residential rehabilitation and youth programs. Prior to that Mr. Glee served as consultant to the John Hay Whitney Foundation and was Vice President for Economic Development with the Bedford Squasnet Restoration Corporation for nine years.

Harry F. Gould, Jr., Member, serving pursuant to law. Mr. Gould is Chairman, President and Chief Executive Officer of Gould Paper Corporation. He was Chairman and President of Cinema Group, Inc., a major independent film financing company from 1982 to

May 1986, and is currently Chairman and President of Signature Communications Ltd., a new company that is active in the same field. Mr. Gould was a member of the Board of Trustees of Colgate University from 1976 to 1982. He is a National Trustee of the National Symphony Orchestra, Washington, D.C., also serving as a member of its Executive Committee. He is also a member of the Board of Directors of U S O of Metropolitan New York, United Cerebral Palsy Research and Educational Foundation, and the National Multiple Sclerosis Society of New York.

Pazel G. Jackson, Jr., Member, serving pursuant to law. Mr. Jackson is Senior Vice President of Chemical Bank. He also serves as a director of the National Corporation of Housing Partnerships. Mr. Jackson was formerly Assistant Commissioner of the City Department of Buildings and Chief of Design of the New York World's Fair Corporation.

Officers

James M. Yasser, President. Mr. Yasser, an attorney and member of the New York Bar, joined the Corporation in November 1982 and assumed the Presidency in April of 1986. Prior to joining the Corporation, he was an independent real estate consultant and was associated with the Kalikow Realty and Construction Corp. and the Carlin-Atlas Construction Corp. He has also served as an investment banker specializing in housing finance with Matthews & Wright, Inc.

Abraham J. Greenstein, Senior Vice President for Finance. Mr. Greenstein joined the Corporation in January 1983 and was appointed Vice President-Treasurer of the Corporation in April 1983 and appointed Senior Vice President for Finance in February 1985. Mr. Greenstein, an accountant, served in the New York State Comptroller's Office for 10 years reviewing New York City's fiscal operations. Prior to joining the Corporation, Mr. Greenstein was in charge of financial analysis for the Office of the Special Deputy New York State Comptroller.

Joni L. Brooks, Vice President for Development. Ms. Brooks joined the Corporation in June 1986. Prior to this, she was the Director of Housing Finance for the New York State Housing Finance Agency. Previously, Ms. Brooks was with the Urban Land Interests, Inc., a real estate development firm, and the Wisconsin Housing Finance Authority in Madison, Wisconsin.

Martin I. Siroka, Vice President/General Counsel. Mr. Siroka, an attorney and member of the New York Bar, was appointed Vice President/General Counsel in January 1987. He joined the Corporation in November 1982 as Deputy General Counsel. Prior to joining the Corporation, Mr. Siroka held various legal positions with the New York City Department of Housing Preservation and Development.

David S. Boccio, Deputy General Counsel and Secretary. Mr. Boccio joined the Corporation on December 1, 1986 and was appointed Deputy General Counsel and Secretary in January, 1987. Prior to joining the Corporation, he was associated with a law firm in Washington, DC. He is a member of the New York, Maryland and District of Columbia Bars.

Projects Financed by the Corporation

General Housing Program

PROJECT NAME	ORIGINAL MORTGAGE	NUMBER OF UNITS
BROOKLYN		
Linden Plaza	\$50,351,000	1,527 N
TOTAL	\$50,351,000	1,527
MANHATTAN		
Yorkville Towers	\$62,712,000	1,258 N
Independence Plaza North	64,595,000	1,332 N
Waterside	61,577,000	1,100 N
Knickerbocker Plaza*	24,844,000	578 N
North Waterside*	12,859,000	370 N
TOTAL	\$226,587,000	4,638
QUEENS		
Kew Gardens Hills	10,367,000	1,269 R
Ocean Park	18,266,000	602 N
TOTAL	\$28,633,000	1,871
TOTAL GENERAL HOUSING PROGRAM	\$305,571,000	8,036

*Financed by Multi-Family Housing Bonds issued in October, 1982.

223(f) Refinancings (Multi-Family Housing Limited Obligation Bonds/Multi-Unit Mortgage Bonds 1980 Series A)

BRONX		
Albert Einstein Staff Housing	\$8,779,982	634
Allerville Arms	2,251,100	212
Boulevard Towers I	3,299,300	329
Boulevard Towers II*	6,762,925	356
Bruckner Towers	2,656,500	208
Candia House	1,405,093	103
Carol Gardens	3,330,000	314
Delos House	1,555,431	124
Fordham Towers	1,296,100	168
Janel Towers*	3,914,254	229
Keith Plaza*	6,816,400	301
Kelly Towers*	4,526,500	301
Kingsbridge Apartments*	1,997,998	90
Kingsbridge Arms	769,700	105 C
Montefiore Hospital Housing Section II	7,662,400	398
Noble Mansion	2,618,800	236
Robert Fulton Terrace	2,357,900	320
Scott Towers	2,748,700	351 C
Stevenson Commons*	25,000,000	947
University River View*	5,797,364	225
Woodstock Terrace	2,213,400	319 C
TOTAL	\$97,759,847	6,270
BROOKLYN		
Atlantic Plaza Towers	\$5,375,400	716
Atlantic Terminal 2C*	4,666,776	200 C

Atlantic Terminal 4A*	6,933,501	304 C
Brighton House	1,477,000	191 C
Cadman Plaza North	2,081,300	250 C
Cadman Towers	9,487,100	421 C
Contello III	1,277,900	160 C
Crown Gardens*	5,882,600	238 C
Essex Terrace*	1,749,130	104
Middagh Street Studio Apartments	1,008,800	43
Prospect Towers	2,193,800	153
Tivoli Towers*	8,098,200	302
TOTAL	\$50,231,507	3,082
MANHATTAN		
Beekman Staff Residence	\$1,226,300	90
Bethune Towers	1,518,400	135
Clinton Towers	10,288,191	396
Columbus House*	3,502,500	248
Columbus Manor*	2,500,000	202
Columbus Park	1,467,900	162 C
Confucius Plaza*	23,266,433	760 C
Cooper-Gramercy	4,764,408	167
Corlear Gardens	972,100	117 C
East Midtown Plaza	17,157,400	746 C
Esplanade Gardens	14,457,500	1,870 C
Glenn Gardens*	8,196,000	266
Goddard Towers	2,381,600	193 C
Goodwill Terrace*	3,596,881	207
Gouveneur Gardens	5,993,881	778 C
Heywood Towers*	5,396,763	188
Hudsonview Terrace*	11,546,500	395
Jefferson Towers	1,619,000	189 C
Lands End I*	7,206,404	250
Leader House*	6,267,800	279
Lincoln-Amsterdam*	6,028,500	186 C
New Amsterdam House*	6,459,700	228
1199 Plaza*	59,708,979	1,586 C
Polyclinic Apartments	1,525,100	159
Riverbend	8,267,900	622 C
Riverside Park	26,021,800	1,190
RNA House	1,841,600	207 C
Rosalie Manning Apts.	905,100	108 C
Ruppert House*	16,778,000	632 C
St. Martin's Tower	2,863,300	179 C
Strycker's Bay	1,792,700	233 C
Tower West*	3,985,859	216
Town House West*	1,100,000	47
Tri-Faith House	1,494,800	147 C
Trinity House	2,540,500	199
Washington Sq. Southeast	1,905,200	174 C
West Side Manor	3,147,200	245
Westview Apartments	1,656,000	137
West Village	12,034,500	420
Westwood House*	1,498,878	124
TOTAL	\$274,659,496	14,675

QUEENS		
Bay Towers*	\$5,475,544	374
Bridgeview III	1,950,907	170
Court Plaza	5,368,893	246
Dayton Towers	14,871,800	1,752 C
Forest Park Crescent	1,756,976	240 C
Seaview Towers*	13,264,700	461
Sky View Towers	3,910,900	252
TOTAL	\$46,599,720	3,475
STATEN ISLAND		
North Shore Plaza	\$17,112,240	535
TOTAL	\$17,112,240	535
TOTAL 223(f)		
Refinancings	\$486,362,810	28,037

Section 8 Financings

FHA Insured/Sec. 8/1979 Series A Bonds

BRONX		
Academy Gardens	\$18,120,300	471 R
Crotona Ave.	3,222,800	74 R
Miramar Court	4,895,900	90 R&N
TOTAL	\$26,239,000	635
BROOKLYN		
President Arms Apts.	\$1,326,500	32 R
Prospect Arms Apts.	3,505,700	91 R
1650 President Street	2,411,200	48 R
TOTAL	\$7,243,400	171
MANHATTAN		
Lenoxville	\$5,584,700	118 R
Lower East Side Phase II	5,665,000	100 R
TOTAL	\$11,249,700	218
TOTAL	\$44,732,100	1,024

FHA Insured/Sec. 8/GNMA/1981 Issue A Notes

BRONX		
Jerome Terrace Apartments	\$3,875,400	79 R
Kingsbridge-Decatur I	4,290,300	80 R
Morrisania IV	10,932,900	211 R
Pueblo de Mayaguez Section I	4,103,700	76 R
TOTAL	\$23,202,300	446
BROOKLYN		
80-86 Houses	\$5,153,600	97 N
Norgate Plaza	10,608,500	214 R
TOTAL	\$15,762,100	311
MANHATTAN		
IMPAC Houses	\$6,808,400	120 N
ETRA	9,475,200	152 N
Nueva Era Apartments	1,761,400	34 R
St. Nicholas Manor Apartments	5,680,400	112 R
Valley Apartments a.k.a. Roberto Clemente Houses	6,470,700	126 R
TOTAL	\$30,196,100	544
TOTAL	\$69,160,500	1,301

FHA Insured/Sec. 8/GNMA/1981 Issue B Notes

BRONX		
Highbridge Concourse—Phase II	\$9,403,700	173 N
Morris Heights Mews	6,146,500	110 R
1988 Davidson Avenue	2,606,400	48 R
TOTAL	\$18,156,600	331
BROOKLYN		
Prospect Heights Rehab	\$3,469,000	63 R
St. Johns Phase I	9,134,400	192 N
Union Gardens I	3,335,500	61 R
TOTAL	\$15,938,900	316
MANHATTAN		
Audubon Apartments	\$4,773,000	88 R
Site A-Washington Heights	6,598,800	110 N
TOTAL	\$11,371,800	198
TOTAL	\$45,467,300	845

FHA Insured/Sec. 8/GNMA/1982 Issue 1 Notes

BRONX		
Beck Street Rehab	\$4,361,000	81 R
TOTAL	\$4,361,000	81
BROOKLYN		
Prospect Heights 510—Phase I	\$1,709,100	32 R
Sunset Park NSA Group II	6,920,800	148 R&N
TOTAL	\$8,629,900	180
MANHATTAN		
Harlem Gateway II	\$5,229,700	91 R
Hudson Piers II	4,333,000	83 R
Icarus	2,125,600	41 R
Malcolm X-II Phase B	2,710,100	47 R
Manhattan Avenue	4,124,900	81 R
MS Houses	7,714,400	131 N
North Park	6,856,300	123 R
West 107th Street	3,194,900	61 R
TOTAL	\$36,288,900	658
TOTAL	\$49,279,800	919

FHA Insured/Sec. 8/1982 Series A Bonds

BRONX		
Alexander A. Corprew	\$4,380,500	78 R
Faile Street Rehab, Aldus I	5,240,600	95 R
Fairmont Place	1,586,400	28 R
Hunts Point I	7,769,000	125 R
Macombs Village	10,075,600	172 R
Mid-Bronx Development II	8,833,500	159 R
Mid-Bronx Development III	4,215,000	75 R
Sebco IV	4,077,600	71 R
Southern Boulevard IV	4,999,200	89 R
Woodycrest Courts I	6,531,800	115 R
TOTAL	\$57,709,200	1007

PROJECT NAME	ORIGINAL MORTGAGE	NUMBER OF UNITS
BROOKLYN		
Ambassador Terrace	\$2,990,100	66 R
1596 Development	843,700	17 R
1451 Development	1,830,400	34 R
Penn Gardens I	4,183,300	90 R
Pulaski Manor	3,319,400	65 R
Rose Gardens	6,855,300	135 N
Sallie Mathis Gardens	10,788,900	162 N
Sunset Park NSA-I	9,582,900	187 N
Sutter Gardens	13,800,500	258 N
TriBlock	4,813,100	96 N
TOTAL	\$59,007,600	1,100
MANHATTAN		
Malcolm X-II Phase A	\$4,938,600	91 R
McKenna Square Houses	5,817,300	104 R
Paul Robeson Houses	4,603,000	81 R
Renaissance Courts	2,568,400	49 R
Mother Zion McMurray	4,631,200	76 N
Pueblo Nuevo	9,940,300	172 N
TOTAL	\$32,498,800	573
STATEN ISLAND		
Richmond Gardens	\$7,357,000	141 R
TOTAL	\$7,357,000	141
TOTAL	\$156,572,600	2,831

FHA-Insured/Sec. 8/1983 Series A Bonds

BRONX		
Brookhaven I	\$5,673,500	95 R
Villa Alejandrina	4,084,600	71 R
Woodycrest Court II	3,199,800	58 R
Lewis Morris Apartments	10,098,700	271 R
Thessalonica Court	14,018,900	192 N
TOTAL	\$37,075,500	687
BROOKLYN		
Boro Park Courts	\$8,459,100	131 R
Fulton Park Site 7 & 8	13,780,700	209 N
La Cabana	9,603,700	167 N
TOTAL	\$31,843,500	507
MANHATTAN		
Caparra La Nueva	\$5,956,600	84 N
Cooper Square	10,726,100	146 N
Ennis Francis	16,794,100	230 N
Hamilton Heights Terrace	8,654,300	132 N
Lexington Gardens	7,786,900	108 N
TOTAL	\$49,918,000	700
TOTAL	\$118,837,000	1,894

FHA-Insured/Sec. 8/1983 Series B Bonds

BRONX		
Clinton Arms	\$4,962,700	86 R
McGee Hill Apartments	3,677,200	59 R

McKinley Manor	3,738,100	60 R
Sebcos-Ba...ana Kelly	4,510,200	65 R
Target V-Phase I	5,026,000	83 R
Washington Plaza	4,954,000	75 R
Felisa Rincon de Gautier Houses	7,420,400	109 N
Rainbow Plaza	9,221,700	127 N
TOTAL	\$43,510,300	664
BROOKLYN		
Crown Heights #1	\$2,197,400	36 R
Crown Heights #2	1,744,700	32 R
TOTAL	\$3,942,100	68
MANHATTAN		
Revive 103	\$4,318,000	60 R
Will A View Apartments	3,777,300	55 R
Charles Hill Towers	7,373,200	101 N
Metro North Court	6,063,300	91 N
TOTAL	\$21,531,800	307
TOTAL	\$68,984,200	1,039

FHA-Insured/Sec. 8/GNMA/1984 Issue I Notes

BROOKLYN		
Newport Gardens	\$17,893,300	240 N
TOTAL	\$17,893,300	240
TOTAL SECTION 8 PROGRAM	\$570,926,800	10,093

Public Housing Turnkey Programs

Loan-to-Lender Construction Loan Revenue Notes 1983 Series A

BRONX		
University Avenue	\$13,000,000	230 R
Macombs Road Project	8,950,000	156 R
Claremont II Group A	7,924,000	150 R
Harrison Avenue	10,432,000	189 R
Claremont Pkwy.	10,184,000	188 N
West Farms Road	12,355,000	208 R
TOTAL	\$62,845,000	1,867
BROOKLYN		
Lenox Road	\$3,915,000	80 R
Rockaway Pkwy.	7,000,000	134 R
Park Rock	4,400,000	55 R
Belmont Ave.—Sutter Ave.	8,575,000	155 R
Tapscott Street	17,634,000	300 N
Bushwick II CDA, Group E	5,890,000	121 R
TOTAL	\$47,414,000	845
MANHATTAN		
UPACA Site 6	\$8,679,290	150 N
UPACA Site 5	11,200,000	200 N
Washington Heights URA/B	10,200,000	180 N
Lower East Side Group 5	3,400,000	55 R
P.S. 139	6,570,000	125 R
TOTAL	\$40,049,290	710
TOTAL	\$150,308,290	3,422

Turnkey Construction Loan Revenue Notes 1984 Series A

PROJECT NAME	ORIGINAL MORTGAGE	NUMBER OF UNITS
BRONX		
E. 173rd St./Vyse Ave.	\$10,372,500	168 N
South Bronx MCA Site 402	6,970,500	114 N
E. 165th St./Bryant Ave.	6,745,500	111 N
Morris Heights	15,500,000	315 R
Stebbins Ave./Hewitt Pl.	7,452,261	120 N
TOTAL	\$47,040,761	828

BROOKLYN

Howard Ave.	\$8,538,750	150 N
TOTAL	\$8,538,750	150

MANHATTAN

Lower East Side Infill	\$11,538,000	180 N
TOTAL	\$11,538,000	180
TOTAL	\$67,117,511	1,158

TOTAL TURNKEY PUBLIC HOUSING PROGRAM

\$217,425,801 4,580

80/20 New Construction Program

BOND SERIES	PROJECT NAME	AMOUNT OF MORTGAGE	NUMBER OF UNITS	LOCATION	COMPLETION DATE
Variable Rate Demand Bonds/ 1984 Series A	Carnegie Park	\$68,000,000	462	93rd & 3rd	Completed
First Nationwide Savings/ 1985 Issue A	600 Columbus	24,600,000	166	89th & Columbus Ave.	Completed
FHA Insured/1985 Series A	Westmont	32,500,000	162	95th & Columbus Ave.	Completed
Variable Rate Demand Bonds/ 1985 Series A	Columbus Green	14,500,000	95	87th & Columbus Ave.	Completed
Multi-Family Development Bonds/ 1985 Issue I	James Tower Development	30,000,000	201	90th & Columbus Ave.	Completed
MBIA Insured/1985 Series I	New York Hospital Royal Charter Properties East, Inc.	96,021,640	520	71st & York Ave.	Completed
Variable Rate Demand Bonds/ 1985 Resolution I	Key West	49,000,000	207	96th & Columbus Ave.	Completed
Multi-Family Development Bonds - 1985 Issue I	The Ellington Development	33,910,000	216	52nd & 8th Ave.	Completed
Multi-Family Mortgage Revenue Bonds/1985 Series A and 1987 Series A	Roosevelt Island Northtown Phase II	158,466,700	1,107	Main St./Roosevelt Island	12/88
TOTAL 80/20 PROGRAM		\$506,998,340	3,136		

Moderate Rehabilitation Program

FHA-Insured Mortgage Loans 1985 First Series

FGIC Insured Multi-Family Revenue Bonds 1985 First Series

BRONX					
FGIC Insured	Allerton Coops	\$6,094,365	698	2700-2870 Bronx Park East 2701-2859 Barker Ave.	5/88
BROOKLYN					
FHA Insured	Ditmas Arms	2,235,000	66	585-99 E. 21st St.	Completed
FGIC Insured	Ocean Avenue	499,765	49	217 Ocean Avenue	2/88
FGIC Insured	Washington Avenue	1,186,609	102	901 Washington Avenue	Completed
FGIC Insured	Linden Blvd.	1,047,161	101	275 Linden Blvd.	Completed
MANHATTAN					
FGIC Insured	Kamol Apts.	995,736	48	509 W. 179th St. 416 Audubon Ave.	11/88
FGIC Insured	White Star Houses	549,147	52	557, 561 Academy St.	Completed
QUEENS					
FHA Insured	Cunningham Heights Phase I & II	20,370,000	1,056	Francis Lewis Blvd./ Grand Central Pkwy.	Completed
FGIC Insured	Met Houses III	5,432,051	468	48-05 to 48-55 46th St. 48-08 to 48-56 57th St.	Completed
TOTAL MODERATE REHABILITATION PROGRAM		\$38,409,834	2,640		

Moderate Income Rental Housing Program
GNMA Mortgage Backed Securities
1985 Series A And 1987 Series A

BOND SERIES	PROJECT NAME	AMOUNT OF MORTGAGE	NUMBER OF UNITS	LOCATION	COMPLETION DATE
BRONX					
1987 Series A	2051 Grand Concourse	\$4,450,000	63	2051 Grand Concourse	8/88
BROOKLYN					
1985 Series A	1010 Development	919,000	16	1010 Eastern Parkway	Completed
MANHATTAN					
1985 Series A	Logan Plaza	11,291,000	130	130th & Amsterdam Avenue	11/88
QUEENS					
1985 Series A	Self-Help Sheltered Extension	13,229,700	155	137-47 45th Ave.	11/88
STATEN ISLAND					
1985 Series A	Harbor View	9,313,500	122	Richmond Terrace & St. Peter's Place	8/88
TOTAL		\$39,203,200	486		

HAC & CPC Financing

BROOKLYN					
	196 Rockaway Pkwy.	2,617,000	71	196 Rockaway Pkwy.	8/88
	255 Ocean Avenue	1,816,000	40	255 Ocean Ave.	8/88
	405 E. 94th/ 1072 Willmohr	945,000	24	405 E. 94th/ 1072 Willmohr	8/88
TOTAL		\$5,378,000	135		
TOTAL MODERATE INCOME RENTAL HOUSING PROGRAM		44,581,200	621		

Housing Development Action Grant Program

1985 First Series FHA Insured

1987 Series A FHA Insured

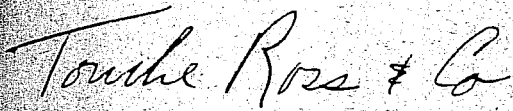
BRONX					
1987 Series A	1290 & 1326 Grand Concourse	3,680,000	104	1290 & 1326 Grand Concourse	12/88
1987 Series A	Robin Housing	2,977,600	101	1197 & 1250 Grand Concourse	12/88
1987 Series A	Artist's Housing	915,400	23	1220 Grand Concourse	12/88
BROOKLYN					
1985 First Series	285 Development	1,800,000	58	285 Schenectady Ave. 1646 Union St.	12/87
1987 Series A	Willoughby/Wyckoff Apts.	2,755,400	68	Willoughby Avenue Wyckoff Avenue	12/88
1987 Series A	Woodruff Apartments	3,250,000	84	79 Woodruff Avenue	12/88
MANHATTAN					
1987 Series A	Revive 103 North	1,863,000	30	155-161 E. 103rd St.	12/88
TOTAL HOUSING DEVELOPMENT ACTION GRANT PROGRAM		\$17,241,400	468		

Report of Touche Ross & Co., Independent Certified Public Accountants

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

We have examined the combined balance sheet of the New York City Housing Development Corporation as of October 31, 1987 and the related combined statements of revenues and expenses, changes in fund balances and changes in financial position 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. The financial statements of the New York City Housing Development Corporation for the year ended October 31, 1986 were examined by other auditors whose report dated January 30, 1987 expressed an unqualified opinion on those statements.

In our opinion, the 1987 combined financial statements referred to above present fairly the financial position of the New York City Housing Development Corporation at October 31, 1987 and the results of its operations, the changes in its fund balances and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Certified Public Accountants

New York, New York
January 29, 1988

Combined Balance Sheet

October 31, 1987

(with comparative combined total as of October 31, 1986)

(in thousands)	Housing Development Corporation Programs	Housing Assistance Corporation Program	Housing New York Corporation Program	Combined Total	
				1987	1986
Assets:					
Cash	\$ 336	2	50	388	705
Investments	1,026,004	56,234	208,195	1,290,433	1,306,426
Total cash and investments	1,026,340	56,236	208,245	1,290,821	1,307,131
Receivables:					
Mortgage loans (note 4)	1,336,822	2,207	—	1,339,029	1,252,856
Loans to lenders (note 4)	—	—	—	—	79,078
Accrued interest	7,807	9	—	7,816	9,690
Deferred mortgage income	8,668	—	—	8,668	8,898
Other	4,421	—	—	4,421	8,384
Total receivables	1,357,718	2,216	—	1,359,934	1,358,906
Unamortized issuance costs	21,532	—	4,010	25,542	23,186
Due from (to) other funds	805	(782)	(23)	—	—
Fixed assets	810	—	—	810	769
Other assets	501	1	—	502	339
Total assets	\$2,407,706	57,671	212,232	2,677,609	2,690,331
Liabilities and Fund Balances:					
Bonds and notes payable (note 5)	\$1,998,163	—	209,996	2,208,159	2,248,078
Discount on bonds payable	(3,399)	—	(220)	(3,619)	(3,431)
Accrued interest payable	57,467	—	2,203	59,670	55,385
Payable to the City of New York (note 7)	40,920	57,671	—	98,591	96,700
Payable to mortgagors	48,067	—	—	48,067	46,672
Restricted earnings on investments	4,350	—	—	4,350	2,908
Accounts and other payables	1,975	—	223	2,198	2,085
Deferred fee and mortgage income	28,488	—	—	28,488	28,165
Due to HUD (note 9)	5,298	—	—	5,298	14,306
Total liabilities	2,181,329	57,671	212,202	2,451,202	2,490,868
Fund balances:					
Restricted (note 9)	132,292	—	30	132,322	130,386
Unrestricted	94,085	—	—	94,085	69,077
Total fund balances	226,377	—	30	226,407	199,463
Commitments and Contingencies (note 10)					
Total liabilities and fund balances	\$2,407,706	57,671	212,232	2,677,609	2,690,331

See accompanying notes to the combined financial statements.

Combined Statement of Revenues and Expenses

October 31, 1987

(with comparative combined total as of October 31, 1986)

(in thousands)	Housing Development Corporation Programs	Housing Assistance Corporation Program	Housing New York Corporation Program	Combined Total	
				1987	1986
Revenues:					
Interest on loans	\$107,073	—	—	107,073	117,734
Earnings on investments	82,277	41	510	82,828	111,355
Fees and charges	3,771	—	—	3,771	4,394
Gain on early retirement of debt	77	—	—	77	101
Gain on sale of mortgage loans	—	—	—	—	27,052
Other	12	—	—	12	1
Total revenues	193,210	41	510	193,761	260,637
Expenses:					
Interest and amortization	151,898	—	452	152,350	172,754
Salaries and related expenses	3,359	—	—	3,359	3,067
Services of New York City	635	—	—	635	432
Trustees' and other fees	3,053	—	1	3,054	1,815
Debt issuance costs	2,162	—	27	2,189	2,862
Corporate operating expenses	1,733	—	—	1,733	1,628
Non-operating expenses (note 7)	3,497	—	—	3,497	3,525
Total expenses	166,337	—	480	166,817	186,083
Excess of revenues over expenses before operating transfers	26,873	41	30	26,944	74,554
Operating transfers to Corporate Services Fund	41	(41)	—	—	—
Excess of revenues over expenses after operating transfers	\$ 26,914	—	30	26,944	74,554
Allocation of excess of revenues over expenses after operating transfers:					
Restricted fund balance	\$ 21,888	—	30	21,918	66,587
Unrestricted fund balance	5,026	—	—	5,026	7,967
	\$ 26,914	—	30	26,944	74,554

See accompanying notes to the combined financial statements.

Combined Statement of Changes in Fund Balances

October 31, 1987

(with comparative combined total as of October 31, 1986)

(in thousands)	Housing Development Corporation Programs	Housing Assistance Corporation Program	Housing New York Corporation Program	Combined Total	
				1987	1986
Restricted:					
Balance at beginning of year	\$130,386	—	—	130,386	66,906
Excess of revenues over expenses after operating transfers	21,888	—	30	21,918	66,587
Net transfers from (to) unrestricted fund balances	(19,982)	—	—	(19,982)	(3,107)
Balance at end of year	132,292	—	30	132,322	130,386
Unrestricted:					
Balance at beginning of year	69,077	—	—	69,077	58,003
Excess of revenues over expenses after operating transfers	5,026	—	—	5,026	7,967
Net transfers from (to) restricted fund balances	19,982	—	—	19,982	3,107
Balance at end of year	94,085	—	—	94,085	69,077
Total fund balances at end of year	\$226,377	—	30	226,407	199,463

See accompanying notes to the combined financial statements.

Combined Statement of Changes in Financial Position

October 31, 1987

(with comparative combined total as of October 31, 1986)

(in thousands)	Housing Development Corporation Programs	Housing Assistance Corporation Program	Housing New York Corporation Program	Combined Total	
				1987	1986
Funds Provided:					
From operations:					
Excess of revenues over expenses after operating transfers	\$ 26,914	—	30	26,944	74,554
Add (deduct), net adjustment for noncash items	13,417	2,698	1,723	17,838	11,025
Funds provided from operations	40,331	2,698	1,753	44,782	85,579
Sale of investments, at cost	10,814,102	3,759,446	—	14,573,548	8,091,693
Sale of mortgage loans	48,087	—	—	48,087	174,234
Proceeds from sale of bonds and notes	17,315	—	209,996	227,311	365,085
Loan principal payments received	49,815	—	—	49,815	62,239
Restricted earnings on investments	1,734	—	—	1,734	1,099
Receipt of mortgagor and other escrows	33,517	—	—	33,517	43,502
Transfers between programs	21,680	310	23	22,013	3,756
Sale of fixed assets	2	—	—	2	—
Deferred commitment and financing fees	6,803	—	—	6,803	2,085
Total funds provided	11,033,386	3,762,454	211,772	15,007,612	8,829,272
Funds Applied:					
Retirement of bonds and notes	267,230	—	—	267,230	194,246
Purchase of investments	10,598,557	3,759,837	207,685	14,566,079	8,399,315
Mortgage and loan advances	102,471	2,207	—	104,678	185,288
Disbursement of escrows to mortgagors	34,624	326	—	34,950	36,237
Disbursements to the City of New York	8,012	82	—	8,094	6,694
Transfers between programs	22,012	—	—	22,012	3,756
Issuance costs	508	—	4,037	4,545	3,998
Purchase of fixed assets	339	—	—	339	338
Other	—	2	—	2	6
Total funds applied	11,033,753	3,762,454	211,722	15,007,929	8,829,878
Increase (decrease) in cash	(367)	—	50	(317)	(606)
Cash at beginning of year	703	2	—	705	1,311
Cash at end of year	\$ 336	2	50	388	705

See accompanying notes to the combined financial statements.

Notes to the Combined Financial Statements

October 31, 1987

1. Organization

The New York City Housing Development Corporation (the "Corporation") is a corporate governmental agency constituting a public benefit corporation of the State of New York (the "State"). The Corporation was established in 1971 under the provisions of Article XII of the Private Housing Finance Law (the "Act") of the State and is to continue in existence for at least as long as bonds, notes or other obligations of the Corporation are outstanding.

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

To accomplish its objectives, the Corporation is empowered to finance new construction and housing rehabilitation; to provide construction financing for multifamily projects to be permanently financed by others, and to provide permanent financing for multifamily residential housing. The Corporation participates in the federal government's housing assistance programs, principally those established by Sections 223(f) and 236 of the National Housing Act of 1934, as amended, and Section 8 of the United States Housing Act of 1937, as amended.

The Corporation finances most of its activities through the issuance of bonds and notes.

Pursuant to section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards, the financial activities of the Housing Assistance Corporation ("HAC") and the Housing New York Corporation ("HNYC") have been included in the Corporation's combined financial statements (see notes 3 B and C). Additionally, pursuant to the same section, the Corporation's combined financial statements are included in the City of New York's (the "City") financial statements as a component unit for financial reporting purposes. The Corporation is included within the City's Housing and Economic Development Enterprise Funds.

2. Summary of Significant Accounting Policies

The Corporation follows the principles of fund accounting in that each program's assets, liabilities and fund balances are accounted for as separate entities. The Corporate Services Fund accounts for the financial and administrative transactions of the Corporation's programs and activities. Each program and the Corporate Services Fund utilize the accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred. Other significant accounting policies are:

A. Investments

Investments, which consist principally of securities of the United States and its agencies, certificates of deposit and open time deposits, are carried at cost, which approximates market, plus accrued interest. Investment earnings on monies held for the City, HAC investments, and reserves for replacement are not included in the Corporation's revenues rather they are reported in the balance sheet as payable to the City or payable to mortgagors.

B. Earnings On Investments

Earnings on investments include interest income, gains and losses on investment sales, and amortization of investment discount and premium.

C. Debt Issuance Costs and Bond Discount

Debt issuance costs and bond discount are amortized over the life of the related bond and note issues using the effective yield method. For debt issued prior to 1983, the issuance costs and discount were recognized as expenses when the related bonds or notes were issued. These costs were matched by fees and charges that were taken into revenue at that time.

D. Operating Transfers

Transfers from the various programs to the Corporate Services Fund represent (i) fees earned by the Corporation for administering the respective programs and (ii) escrow funds and excess investment earnings neither required by the programs nor returnable to the mortgagors.

E. Restricted Earnings on Investments

Restricted earnings on investments represent the cumulative amount by which pass-through program revenues exceeded expenses. Such amounts are recorded as restricted liabilities since they represent accumulated excess investment earnings that, under the terms of the bond resolutions and mortgage loan documents, are expected to be credited to the mortgagors. This occurs in the following programs: 1984 Series A (Carnegie Park) Variable Rate Demand Bonds, 1985 Series A (Columbus Gardens Project) Multi-Family Development Bonds, 1985 Series 1 (Royal Charter Properties-East, Inc. Project) MBIA Insured Residential Revenue Bonds, 1985 Issue A (First Nationwide Savings-Columbus Apartments Project) Multifamily Mortgage Revenue Bonds, 1985 Issue 1 (James Tower Development) Multi-Family Development Bonds, 1985 Series A (FHA Insured Mortgage Loan) Multi-Family Mortgage Revenue Bonds, 1985 Resolution 3 (FHA Insured Mortgage Loan) Multi-Family Mortgage Revenue Bonds, 1985 Issue 1 (Roslingate Development) Multi-Family Development Bonds, 1985 Series A (Columbus Green) Variable Rate Demand Bonds, 1985 Resolution 1 (Parkgate Tower) Variable Rate Demand Bonds, and 1987 Series A (FHA Insured Mortgage Loan) Multi-Family Mortgage Revenue Bonds.

F. Amortization of Leasehold Improvements

Leasehold improvements, included as other assets of the Corporate Services Fund, are amortized over the life of the lease, using the straight-line method.

G. Fees and Charges

Commitment and financing fees are recognized on the accrual basis over the life of the related mortgage. Programs commencing prior to 1983 recognized these fees as collected through the final endorsement date of the respective mortgages which offset issuance costs expensed at that time.

H. Non Cash Items

The net adjustment for non cash items appearing on the Combined Statement of Changes in Financial Position is composed

principally of the change in accrued bond interest payable, change in accrued mortgage interest receivable and investment interest receivable, premium and discount amortized on investments, amortization of cost of issuance and bond discount, amortization of commitment and financing fees, investment interest income payable to mortgagors and the City excluded from earnings on investments on the Combined Statement of Revenue and Expenses, amortization of leasehold improvements, depreciation expense and change in prepaid assets.

I. Combined Financial Presentation

For purposes of financial statement presentation, the accounts of certain programs have been combined as follows:

i. HOUSING DEVELOPMENT CORPORATION

a. Multi-Family Bond Programs:

1. General Housing

General Housing Bond Program

1982 Multi-Family Housing Bond Program

2. Section 223(f)

Multifamily Housing Bond Program

Multi-Unit Housing Bond Program

3. Section 8

1979 Series A Multi-Family Mortgage Revenue Bond Program

1982 Series A Multi-Family Mortgage Revenue Bond Program

1983 Series A Multi-Family Mortgage Revenue Bond Program

1983 Series B Multi-Family Mortgage Revenue Bond Program

1983 Series C Multi-Family Mortgage Revenue Bond Program

4. 80/20

1984 Series A (Carnegie Park) Variable Rate Demand Bond Program

1985 Series A (Columbus Gardens Project) Multi-Family Development Bond Program

1985 First Series (FHA Insured Mortgage Loans) Multi-Family Housing Bond Program

1985 Issue A (First Nationwide Savings-Columbus Apartments Project) Multifamily Mortgage Revenue Bond Program

1985 Issue 1 (James Tower Development) Multi-Family Development Bond Program

1985 Series A (GNMA Mortgage-Backed Securities) Multi-Family Mortgage Revenue Bond Program

1985 First Series Insured Multi-Family Revenue Bond Program

1985 Series A (Columbus Green Project) Variable Rate Demand Bond Program

1985 Resolution 1 (Parkgate Tower) Variable Rate Demand Bond Program

1985 Issue 1 (Roslingate Development) Multi-Family Development Bond Program

1985 Resolution A Housing Development Bond Program

1985 Series A (FHA Insured Mortgage Loan) Multi-Family Mortgage Revenue Bond Program

1985 Resolution 3 (FHA Insured Mortgage Loan) Multi-Family Mortgage Revenue Bond Program

1987 Series A (FHA Insured Mortgage Loan) Multi-Family Mortgage Revenue Bond Program

1987 Series A (GNMA Mortgage Backed Securities) Multi-Family Mortgage Revenue Bond Program

5. Hospital Residence

1985 Series 1 (Royal Charter Properties-East, Inc. Project) MBIA Insured Residential Revenue Bond Program

b. Construction Loan Note Programs:

1. Loan Notes

Construction Loan Note 1984 Issue 1 Program

2. Loan to Lenders

Loan to Lender Construction Loan Note 1983 Series A Program

Turnkey Construction Loan Note 1984 Series A Program

c. Corporate Services Fund

ii. HOUSING ASSISTANCE CORPORATION

iii. HOUSING NEW YORK CORPORATION

a. Revenue Bond Program:

1987 Series A Revenue Bond Program

J. Combined Total

The combined total data is the aggregate of the Corporation and its subsidiaries. No consolidations or other eliminations were made in arriving at the totals; thus, they do not present consolidated information.

3. Description of Programs and Corporate Services Fund

A. HOUSING DEVELOPMENT CORPORATION

The Corporation operates three separate major programs, of which two are governed by their respective bond and note resolutions. A description of the programs follows:

i. Multi-Family Bond Programs:

a. General Housing

The General Housing Bond Program was established when the Corporation was created and accounts for the construction and permanent financing of six multifamily projects.

The 1982 Multi-Family Housing Bond Program was established in fiscal year 1983 in connection with the refinancing of the Multi-Family Variable Rate Bonds which financed two projects. Upon refinancing, the mortgages were transferred to this program from the Multi-Family Variable Rate Program, which then ceased to exist.

A capital reserve fund for these programs was established as additional security for the bondholders. The capital reserve fund is required to maintain cash and investments in an amount as defined in the Act and by the respective bond resolutions.

Should the fund fall below the required amount, the City has a moral obligation to restore the fund to the minimum requirement. These monies would constitute interest free loans and would then be repaid to the City from future collections. To date, revenues have been sufficient to cover expenses. At this time, the Corporation does not anticipate that the reserves will be utilized to cover program expenses.

b. Section 223(f)

The Multifamily and Multi-Unit Housing Bond Programs were established in 1977 and 1980 respectively, in connection with the refinancing of 81 existing multifamily housing projects which were Mitchell-Lama mortgage loans payable to the City.

c. Section 8

The bonds under these programs were issued to provide funds for the construction and permanent financing of 35 multifamily housing projects. These projects are occupied by tenants who qualify for Section 8 housing assistance payments made pursuant to the United States Housing Act of 1937, as amended.

d. 80/20

The bonds under these programs were issued to provide the funds for the construction and permanent financing for multifamily housing projects. The projects will provide a mixture of market rate apartments (80 percent) and apartments for low and moderate income tenants (20 percent) as required by Section 103(b)(4)(A) of the Internal Revenue Code of 1954, as amended, and as authorized by Section 654(23-c) of the New York State Private Housing Finance Law.

e. Hospital Residence

The bonds under this program were issued to provide funds for the construction and permanent financing of a multi-purpose residential facility for the benefit and utilization of The Society of the New York Hospital.

All Multi-Family bonds are secured through one or more of the following mechanism: pledged receipts of the scheduled mortgage payments and investments, letters of credit from national banking associations, Federal Housing Administration ("FHA") mortgage insurance, bond insurance, GNMA mortgage-backed securities, or a mortgage purchase agreement, each as specified in the respective bond resolutions.

ii. Construction Loan Note Programs:

a. Loan Notes

The notes under this program were issued to provide funds for the construction of Newport Gardens.

b. Loans to Lenders

The 1983 Series A Notes were issued to provide a loan to Citicorp Real Estate, Inc. ("CREI"), enabling CREI to finance the construction of seventeen multifamily housing projects.

The 1984 Series A Notes were issued to provide monies for the construction or substantial rehabilitation of seven multifamily

projects. The monies were distributed to Chemical Bank (the underwriter and servicer of the construction loans), solely for the purpose of providing loans to selected developers.

As of October 31, 1987, all of the Construction Loan Notes issued by the Corporation had been retired.

iii. Corporate Services Fund:

This fund accounts for (i) fees and earnings transferred from the programs described above; (ii) Section 8 administrative fees (see note 9); (iii) income from Corporate Services Fund investments; (iv) the payment of the Corporation's operating expenses; and (v) the Dedicated Account (see note 4A).

B. HOUSING ASSISTANCE CORPORATION

The Housing Assistance Corporation is a public benefit corporation of the State established pursuant to Section 654-b of the New York State Private Housing Finance Law as a subsidiary of the Corporation. HAC is to continue in existence for at least as long as its obligations remains outstanding. Upon termination of the subsidiary all of its rights and properties shall pass and be vested in the City.

HAC is empowered to receive monies from any source, including but not limited to the Corporation, the City or the State, for the purpose of assisting rental developments to maintain rentals affordable to low and moderate income persons for whom the ordinary operation of private enterprise cannot supply safe, sanitary and affordable housing accommodations. In order to accomplish this objective, HAC may transfer, lend, pledge or assign these monies to any rental development or assist the Corporation in financing such developments.

C. HOUSING NEW YORK CORPORATION

The Housing New York Corporation is a public benefit corporation of the State established pursuant to Section 654-c of the New York State Private Housing Finance Law as a subsidiary of the Corporation. HNYC shall remain in existence until terminated by law; provided, however, that no obligations of HNYC remain outstanding, unless adequate provision has been made for the payment of the outstanding obligations. Upon termination of the existence of HNYC all of its rights and properties shall pass to and be vested in the City.

HNYC is authorized to issue bonds and notes in an aggregate principal amount not exceeding \$400 million plus an additional principal amount for the purposes of (1) funding any related debt service reserve, (2) providing capitalized interest and (3) providing certain fees, charges and expenses. The bonds and notes are neither debts of the State, the Battery Park City Authority ("BPCA"), the City nor the Corporation.

The proceeds of the obligations of HNYC are to be used to finance the Housing New York Program, a joint effort of the City and the State, created for the purpose of providing residential housing facilities for low and moderate income persons for whom the ordinary operation of private enterprise cannot supply safe, sanitary and affordable housing accommodations. In order to accomplish this objective, HNYC may grant monies to the City, and any agency or instrumentality of the City or to the Corporation to finance the aforementioned residential housing

facilities. The obligations of HNYC will be repaid out of assigned excess revenues generated by development at Battery Park City. These revenues consist of excess cash flow to the BPCA resulting from rental and other payments under leases with private developers.

HNYC is also authorized and empowered to receive monies from the Corporation, the BPCA, any other public benefit corporation, the federal government or any other source.

i. Revenue Bond Program:

The proceeds of the Bonds are to be used to finance the initial phase of the Housing New York Program. The Corporation anticipates that the City will use these monies to substantially rehabilitate and/or construct approximately 1800 units of residential housing and related facilities in the boroughs of Manhattan and the Bronx. The City currently owns the buildings which are to be rehabilitated.

4. Mortgage and Other Loans

A general description of the mortgages and other loans in each of the programs follows:

A. HOUSING DEVELOPMENT CORPORATION

i. Multi-Family Bond Programs:

a. General Housing

The mortgages are first liens on the respective properties. Five of the eight projects receive interest subsidies under Section 236 of the National Housing Act of 1934, as amended, from the U.S. Department of Housing and Urban Development ("HUD"). To the extent that the projects do not generate sufficient funds to meet the annual debt service requirements, payments may be made first from the general reserve fund to the extent available, and then from the capital reserve fund.

b. Section 223(f)

The mortgages were assigned to the Corporation by the City and subsequently modified, divided and recast into (a) FHA-insured first mortgages, to be serviced by the Corporation; and (b) subordinate non-insured second mortgages which were re-assigned to the City. The mortgages are first liens on the respective properties. Thirty-two of the eighty-one projects receive interest subsidies under Section 236 from HUD.

In 1981, the City assigned a Mitchell-Lama mortgage loan in the amount of \$3,560,600 to the Corporation. This mortgage was modified in the manner noted above. The insured first mortgage will either be sold on behalf of the City or held to be assigned as collateral for bonds to be issued.

With respect to the 223 (f) Program (a) excess of mortgagors' payments over bond debt service payments and servicing fees to the Corporation and (b) the earnings on certain restricted funds, which are excluded from the revenue statement, are payable to the City. With respect to the Multi-Unit Program, the earnings on certain restricted funds, also excluded from revenues, are payable to the City.

c. Section 8

The mortgage loan advances made to the projects financed under the four Section 8 bond programs are FHA-insured, and include various construction costs, bond issue costs, and capitalized accrued interest. The projects receive housing assistance payments on behalf of the tenants pursuant to Section 8.

While the projects were under construction, loan advances bore interest at the construction rate. This rate was reduced to the permanent rate upon completion of construction and final endorsement by HUD. The interest rates are dictated by the individual programs. The programs and their interest rates are:

Program	Construction Rate	Permanent Rate
1979 Series A	—	7.5%
1983 Series A	14.0%	9.7%–9.9%
1983 Series B	12.5%	10.3%
1983 Series C	1.0%	1.0%

All projects have completed construction and have received final endorsement from HUD.

d. 80/20

The mortgage loan advances made to the projects include various construction costs, bond issue costs, and capitalized accrued interest.

Six of the fifteen programs consist of FHA-insured or FHA-coinsured mortgage loans. Additionally, under six programs the applicable trustee has received a letter of credit from a national banking association, under one by a banking institution and under another a municipal bond insurance policy to secure the payment of bond debt service. The remaining program is secured by a mortgage purchase agreement with a commercial bank.

Certain projects will receive subsidies on behalf of the eligible tenants through either Section 8 housing assistance payments or HAC funds.

The Corporation has escrowed approximately \$1,276,000 in U.S. Treasury Notes, on behalf of Puller Mortgage Association, Inc. ("Puller") pursuant to a deposit agreement between the Government National Mortgage Association ("GNMA") and Puller for the purpose of satisfying GNMA requirements for the project financings which utilize mortgage backed securities. The bond proceeds of the 1985 and 1987 Series A (GNMA Mortgage Backed Securities) Multi-Family Mortgage Revenue Bond Issues and certain monies held by HAC (see note 4 B) are to be used to acquire construction and permanent loan certificates pursuant to certain financing agreements between HDC, HAC, Puller, the bond trustee and the applicable developer (see note 10A).

e. Hospital Residence

The mortgage loan advances made to the project include various construction costs, bond issue costs, and capitalized accrued interest. The mortgagor provided the bond trustee a non-

cancellable policy of insurance from the Municipal Bond Insurance Association which guarantees the payment of bond debt service.

ii. Construction Loan Note Programs:

a. *Loan Note*

The FHA insured mortgage loan advance included various construction costs and capitalized accrued interest. During construction the loan advance bore interest at a rate of 10.0%. The mortgage was purchased by GNMA upon completion of construction and final endorsement from HUD.

b. *Loans to Lenders*

The loans to the banks bore interest at a rate prescribed by the respective programs as follows: 1983 Series A-8.06% and 1984 Series A-9.60%. The mortgages were purchased by the New York City Housing Authority upon completion of construction.

Both the Loan Note and Loans to Lenders' Notes were retired during Fiscal Year 1987.

iii. Other Loans:

a. *Charlotte Gardens*

On October 24, 1986, the Corporation entered into a loan agreement with Charlotte Gardens Housing Development Company, Inc. to provide financing for the construction of forty single family homes in the Bronx. The total amount of the loan did not exceed \$3 million. As part of this financing, the Corporation also agreed, if necessary, to undertake to hold harmless the TICOR Title Guaranty Company ("TICOR") with the respect to certain mechanics liens filed against the project financed by this loan. Any funds expended to hold harmless TICOR were to be repaid to the Corporation through the above mentioned loan agreement. As of October 31, 1987, all monies had been advanced, the loan repaid and the above referenced mechanics liens had been discharged.

b. *Development Services Program*

During 1987, the Development Services Program ("DSP") was created to assist the City in implementing its many housing programs for low, moderate and middle income residents through the establishment of three subprograms. The source of funding for DSP is certain corporate reserves which have been set aside in a separate account, the Dedicated Account, which is included in the Corporate Services Fund. The subprograms are distinguished by HDC's role with respect to the expenditure of the funds on deposit in the Dedicated Account. The subprograms are as follows:

1. *Project Management Program ("Program")*

Under the Program, the City has requested that the Corporation serve as project manager in connection with housing projects designated by the City's Department of Housing, Preservation and Development. The Corporation shall undertake activities and/or supervise the actual pre-development stages of a project. The Corporation may provide bridge loans to selected sponsors under the Program. The Corporation expects to be reimbursed for any funds expended in providing its services as project manager directly attributable to the project.

On April 1, 1987, the Corporation's Members approved the Program and authorized initial funding of \$1 million.

i. *Tibbett Gardens:*

Tibbett Gardens is a proposed 750 unit affordable condominium project located in the Bronx to be developed by a not-for-profit housing corporation. \$410,000 has been authorized to fund various pre-construction activities.

A bridge loan agreement for \$206,000 was entered into to cover the costs of the environmental impact studies. The amounts will be repaid only if and when adequate construction financing is secured and the project proceeds. The loan shall bear interest at the rate of 1% per annum. As of the Balance Sheet date approximately \$199,000 had been advanced.

2. *Seed Money Loan Program*

This program is based on a revolving loan fund established by segregation of reserves within the Dedicated Account. Such loans will be made to finance pre-development activities of not-for-profit and profit motivated sponsors of governmentally assisted low and moderate income housing. The maximum amount of an individual loan has been set at \$300,000 with an interest rate from 0-3% and terms of twelve to twenty-four months. \$3 million has been approved to be expended. As of October 31, 1987, no monies had been expended for this program.

3. *Construction Loan Program*

Under this program the Corporation will consider the establishment of a revolving construction loan fund to enhance the affordability of special projects. Each loan will be considered individually. As of the Balance Sheet date, no funds have been appropriated or expended under this program.

B. HOUSING ASSISTANCE CORPORATION

i. *Construction Loans:*

The mortgage loan advances made to the projects include various construction costs and capitalized accrued interest. During construction the loan advances bear interest at a rate of 1%. The mortgages are second liens on the vacant buildings which are currently being rehabilitated. The Corporation has agreed to provide partial permanent financing for these projects upon completion of construction.

ii. *Subsidy:*

Certain projects receive tenant assistance payments on behalf of the eligible tenants.

iii. *GNMA Mortgage Backed Securities:*

Certain monies are used to acquire construction loan certificates pursuant to financing agreements between HDC, HAC, Puller and the applicable developer (see note 4A).

5. **Bonds and Notes Payable**

A. HOUSING DEVELOPMENT CORPORATION

The Corporation's authority to issue bonds and notes for any corporate purpose is limited to the extent that (i) the aggregate principal amount outstanding may not exceed \$2.8 billion, exclusive of refunding bonds or notes, and (ii) the maximum capital reserve fund requirement may not currently exceed \$30 million.

i. Multi-Family Bond Programs:

a. General Housing

The bonds of the General Housing and 1982 Multi-Family Housing Bond Programs are general obligations of the Corporation. Substantially all of the programs' assets are pledged as collateral for the bonds.

b. Section 223(f)

The bonds of the Multifamily Housing Bond Program are special limited obligations of the Corporation. The primary security for the bonds is the federal mortgage insurance obtained at the time the mortgages were assigned from the City. Principal and interest are paid only from the money received for the account of the insured mortgage securing that series, including payments made by, or on behalf of, the mortgagor or HUD.

The bonds of the Multi-Unit Housing Bond Program are special revenue obligations of the Corporation secured solely by a pledge of the FHA-insured mortgage loans and the program's assets, as well as the revenues derived from these loans and assets.

c. Section 8

The bonds of the 1979 Series A Bond Program are limited obligations of the Corporation. Substantially all of the program's assets are pledged as collateral for the bonds.

The bonds of the 1983 Series A and B programs are special revenue obligations of the Corporation secured solely by a pledge of the FHA-insured mortgage loans and the programs' assets, as well as the revenues derived from these loans and assets.

The bonds of the 1983 Series C Bond Program were privately placed at an interest rate of 1% with the City, and are not expected to be reissued to the public.

d. Other Programs

The bonds under the two remaining headings, 80/20 and Hospital Residence, are also special revenue obligations of the Corporation secured by a pledge of the mortgage loans and the programs' assets as well as the revenues derived from these loans and assets. In addition, the aforementioned bonds are secured by either a letter of credit, FHA mortgage insurance, bond insurance, GNMA mortgage-backed securities, or a mortgage purchase agreement.

The 1987 Series A (FHA Insured Mortgage Loan) Multi-Family Mortgage Revenue Bonds are the first bonds to be issued by the Corporation whose interest is not excludable from gross income for Federal Tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended.

All of the bonds under the Multi-Family Bond Programs are subject to optional redemption by the Corporation. The bonds under the headings, 80/20 and Hospital Residence, are also subject to mandatory redemption. Certain issues are also subject to special redemption provisions. The parameters under which the

optional, mandatory and special redemptions may occur are set forth in the respective bond resolutions.

ii. Construction Loan Note Programs:

The notes under each of the programs are special revenue obligations of the Corporation collateralized by substantially all of the assets of the programs. Additionally, the Loans to Lenders notes were secured by the banks through either an unconditional guarantee (1983 Series A) or a letter of credit (1984 Series A).

The 1983 Series A Notes matured on December 1, 1986. The 1984 Series A Notes were called on March 1, 1987 and the 1984 Issue 1 Notes on May 1, 1987.

B. HOUSING ASSISTANCE CORPORATION
HAC is not authorized to issue any bonds or notes.

C. HOUSING NEW YORK CORPORATION

HNYC is authorized to issue bonds in an aggregate principal amount not to exceed \$400 million plus an additional principal amount for certain purposes (see note 3C). The bonds and notes are neither debts of the State, BPCA, the City nor the Corporation.

i. Revenue Bond Program:

The 1987 Series A Bonds are special revenue obligations of HNYC secured by a pledge of excess revenues from leases executed by the BPCA on or before January 1, 1987 which are in excess of amounts necessary to (1) satisfy BPCA bond and note covenants (2) fulfill all BPCA legal and financial commitments and (3) pay BPCA operating and maintenance expenses. The Bonds are also secured by monies and securities in the Accounts held by the Trustee under and pursuant to the resolution, including the debt service reserve account. The Bonds are not secured by any mortgages, leases or other interests in any of the residential housing facilities to be built with the proceeds of the Bonds.

The timely payment of the scheduled principal of and interest on the 1987 Bonds maturing on November 1, 1997, 1998 and 2006 is guaranteed by a municipal bond insurance policy issued by the Municipal Bond Investors Assurance Corporation.

At the present time, the Corporation cannot estimate the principal amount of bonds that will be issued during Fiscal Year 1988.

Required principal payments for the Corporation and HNYC for the next five years are as follows:

Year Ending October 31	Housing Development Corporation	Housing New York Corporation
	(in thousands)	
1988	\$25,101	—
1989	18,765	—
1990	22,663	—
1991	26,287	—
1992	29,124	4,035

Bonds and notes payable comprise the following for the year ended October 31, 1987:

Description	Balance at Oct. 31, 1986	Issued	Retired	Balance at Oct. 31, 1987	Annual Debt Service
(in thousands)					
Housing Development Corporation					
Multi-Family Bond Programs:					
General Housing:					
General Housing Bond Program—3.75% to 9% Bonds maturing in varying installments through 2023.	\$268,210	—	3,700	264,510	19,279
1982 Multifamily Bond Program—6% to 11.125% Serial and Term Bonds maturing in varying installments through 2012.	34,050	—	460	33,590	3,817
Total General Housing	302,260	—	4,160	298,100	23,096
Section 223(f):					
Multifamily Housing Bond Program—6.5% to 7.25% Bonds maturing in varying installments through 2019.	363,163	—	2,835	360,328	26,869
Multi-Unit Housing Bond Program—5% to 9.125% Serial and Term Bonds maturing in varying installments through 2021.	106,315	—	625	105,690	10,173
Total Section 223(f)	469,478	—	3,460	466,018	37,042
Section 8:					
1979 Series A Bond Program—6% to 7.5% Serial and Term Bonds maturing in varying installments through 2021.	48,165	—	495	47,670	3,980
1983 Series A Bond Program—5.75% to 8.875% Serial, Term and Capital Appreciation Bonds maturing in varying installments through 2025.	137,130	—	1,555	135,575	18,191
1983 Series B Bond Program—6% to 9.5% Serial, Term and Capital Appreciation Bonds maturing in varying installments through 2026.	79,140	—	1,200	77,940	8,298
1983 Series C Bond Program—1% Term Bonds maturing in increasing installments through 2015.	2,445	—	75	2,370	99
Total Section 8	266,880	—	3,325	263,555	30,568
80/20:					
1984 Series A Variable Rate Bond Program—Variable Rate Bonds due upon demand through 2016.	68,000	—	—	68,000	3,263
1985 Series A Development Bond Program—5.4% to 9.125% Serial, Term and Capital Appreciation Bonds maturing in varying installments through 2007.	31,123	—	1,200	29,923	3,121
1985 Series A Bond Program—5% to 10% Serial, Term and Capital Appreciation Bonds maturing in varying installments through 2030.	162,113	—	715	161,398	15,645
1985 First Series Bond Program—6.75% to 9.875% Serial and Term Bonds maturing in varying installments through 2017.	17,425	—	55	17,370	1,848
1985 Issue A Bond Program—6.75% to 8.5% Serial and Term Bonds maturing in varying installments through 2015.	24,600	—	—	24,600	2,082
1985 Resolution 3 Bond Program—5.1% to 9.625% Serial and Term Bonds and Gains Securities maturing in varying installments through 2015.	123,159	—	1,490	121,669	11,475
1985 Issue 1 Development Bond Program—4.75% to 8.625% Serial, Term and Capital Appreciation Bonds maturing in varying installments through 2005.	29,598	—	420	29,178	2,438
1985 Series A GNMA Mortgage-Backed Securities Bond Program—5.9% to 8.75% Serial and Term Bonds maturing in varying installments through 2016.	40,000	—	—	40,000	3,406
1985 Series A Variable Rate Bond Program—Variable Rate Bonds due upon demand through 2009.	14,500	—	—	14,500	655
1985 Issue 1 Development Bond Program—9.12% Term Bonds maturing in varying installments through 2007.	33,910	—	—	33,910	3,136
1985 First Series Insured Bond Program—5% to 8.5% Term and Serial Bonds maturing in varying installments until 2007.	17,675	—	70	17,605	1,628
1985 Resolution 1 Variable Rate Bond Program—Variable Rate Bonds due upon demand through 2007.	49,000	—	—	49,000	2,132

Description	Balance at Oct. 31, 1986	Issued	Retired	Balance at Oct. 31, 1987	Annual Debt Service
1985 Resolution A Development Bond Program—8% Term Bonds until 1/7/86, variable rate thereafter, maturing in varying installments through 2019.	250,000	—	—	250,000	15,385
1987 Series A GNMA Mortgage-Backed Securities Bond Program—8.125% Term Bonds maturing in varying installments through 2019.	—	4,450	—	4,450	331
1987 Series A Bond Program—10.625% Term Bonds maturing in varying installments through 2030.	—	12,865	—	12,865	1,420
Total 80/20	861,103	17,315	3,950	874,468	67,965
Hospital Residence:					
1985 Series I MBIA Insured Bond Program—6.6% to 10.25% Serial, Term and Capital Appreciation Bonds and Gains Securities maturing in varying installments through 2017.	96,022	—	—	96,022	6,760
Total Hospital Residence	96,022	—	—	96,022	6,760
Total Bonds Payable Housing Development Corporation	\$1,995,743	17,315	14,895	1,998,163	165,431
Construction Loan Note Programs:					
Loan Notes:					
1984 Issue I—7.5%, due November 1, 1987	19,210	—	19,210	—	—
Total Loan Notes	19,210	—	19,210	—	—
Loans to Lenders:					
1983 Series A—6.625%, due December 1, 1986	106,125	—	106,125	—	—
1984 Series A—7.25%, due September 1, 1987	127,000	—	127,000	—	—
Total Loans to Lenders	233,125	—	233,125	—	—
Total Notes Payable Housing Development Corporation	\$ 252,335	—	252,335	—	—
Total Debt Payable Housing Development Corporation	\$2,248,078	17,315	267,230	1,998,163	165,431
Housing New York Corporation Revenue Bond Program:					
1987 Series A Bonds—6.80% to 9.50% Serial, Term and Capital Appreciation Bonds maturing in varying installments through 2017.	—	209,996	—	209,996	10,695
Total Bonds Payable Housing New York Corporation	\$ —	209,996	—	209,996	10,695
Total Debt Payable	\$2,248,078	227,311	267,230	2,208,159	176,126

6. Consultant's Fees

The fees paid by the Corporation for legal and consulting services in fiscal 1987 include: \$100,256 to Brownstein, Zeidman and Schomer and \$939 to Skadden, Arps, Slate, Meagher & Flom for legal services; \$6,257 to Peat, Marwick, Mitchell & Co. and \$6,000 to Collins, Medina & Haggerty for other consulting services.

In addition, the following legal fees were paid: \$356,245 to Hawkins, Delafield & Wood, \$675,060 to Paul, Weiss, Rifkind, Wharton & Garrison, and \$15,993 to Brownstein, Zeidman and Schomer. Consulting fees paid: \$1,384 to Horace Ginsbern & Assoc. These expenses were related to bond issuances, mortgage closings and the 1982 Series A Bond redemption. The Corporation has collected fees and charges from the respective mortgagors to offset the expenses relating to the bond issuances and mortgage closings.

7. Payable to the City of New York

A. HOUSING DEVELOPMENT CORPORATION

Mortgages in the Section 223(f) Housing Programs were assigned to the Corporation by the City in order to generate monies for the City. The Corporation remits to the City any

excess of mortgage interest income and investment earnings over related debt expense, trustee fees and servicing fees. These expenses are considered non-operating and amounted to approximately \$3,405,000 for fiscal 1987.

As of October 31, 1987, all mortgages assigned by the City to the Corporation have been sold or used as security for debt financing, except the assigned mortgage loan of Village East Towers. This mortgage is being held by the Corporation for possible future sale or bonding.

B. HOUSING ASSISTANCE CORPORATION

The funds received from the City for HAC as well as any earnings on the funds (see note 3B) are also included in this reporting classification on the balance sheet.

8. Retirement System

The Corporation is a participating employer in the New York City Employee's Retirement System (the "System") of which some of the employees of the Corporation are members. The Corpo-

ration pays its proportionate share of the System's cost as actuarially computed.

The Corporation offers its employees the option of participating in a Tax Sheltered Annuity Plan managed by The Equitable Life Assurance Society of the United States as an alternate retirement plan under Section 403(b) of the Internal Revenue Code. The Internal Revenue Service has approved the Corporation as an entity which can provide this type of plan to its employees. The majority of the Corporation's employees participate in this plan.

9. Due to HUD

The Corporation has entered into contracts with HUD to administer housing assistance payment contracts with housing projects occupied or to be occupied by tenants qualifying for Section 8 housing assistance payments. Pursuant to the contracts, HUD makes annual contributions to the Corporation in an amount equal to the annual assistance payments plus an administrative fee, if applicable, for the Corporation. HDC receives the annual contract contributions quarterly and disburses funds monthly for the benefit of the covered projects. At the balance sheet date the Corporation held \$5,298,000 in pre-funded annual contributions. Related fees earned during fiscal 1987 amounting to \$1,204,000 and are included in the Corporate Services Fund.

Under a letter agreement between the Corporation and HUD, the Corporation agreed, upon request from HUD, to use its best efforts to advance refund or refund, when callable, bonds issued to finance mortgage loans for Section 8 projects processed under HUD's financial adjustment factor procedures. A refunding in compliance with this agreement could result in a reduction of Section 8 assistance for such projects. Certain proceeds in the Restricted Fund Balance may be used, in part, to meet this requirement.

10. Commitments and Contingencies

A. Commitments

The Corporation is committed under three operating leases for office space for minimum annual rentals as follows:

Year Ending October 31	
1988	\$ 348,000
1989	358,000
1990	358,000
Total future rents \$1,064,000	

Remaining mortgage commitments at October 31, 1987 are as follows:

HOUSING DEVELOPMENT CORPORATION	
Multi-Family Bond Programs:	
80/20	\$291,883,000
Hospital Residence	9,930,000
HOUSING ASSISTANCE CORPORATION	
	5,009,000
Total commitments \$306,822,000	

Remaining investment commitments for the purchase of mortgage backed securities at October 31, 1987 are as follows:

HOUSING DEVELOPMENT CORPORATION	\$15,665,000
HOUSING ASSISTANCE CORPORATION	11,210,000
Total commitments \$26,875,000	

B. Contingencies

On May 1, 1986 the Corporation sold the mortgage loans for the twenty-seven multi-family housing developments financed by the 1982 Series A Bond issue and applied a portion of the proceeds to redeem the 1982 Series A Bonds. As a result of this redemption, the Corporation is presently a defendant in six legal actions. Five of the actions are pending in the United States District Court for the Southern District of New York and one was filed in New York State Supreme Court. Each of the federal actions alleges that the Corporation violated federal securities laws at the time of issuance of the 1982 Series A Bonds and at the time of their redemption. Each of the federal actions and the state action alleges that the redemption of the 1982 Series A Bonds was not permissible under the terms of the governing bond resolutions. The federal actions allege in the alternative that the governing bond resolutions should be reformed to state that the redemption was not permissible. These actions seek declaratory judgements, injunctive relief and monetary damages. In addition, one of the actions seeks a declaration that the Corporation lacks the authority under certain circumstances to redeem the 1983 Series Bonds through the sale of the underlying mortgage loans. HDC has filed answers denying all substantive allegations and intends to defend these cases vigorously. If the plaintiffs in these actions were to prevail, the plaintiffs contend their damages would range from \$39 million to \$53 million exclusive of prejudgment interest; the Corporation contends that damages in such event should not exceed approximately \$43 million plus prejudgment interest.

11. Subsequent Events

A. On November 1, 1987, the Corporation redeemed \$6,050,000 aggregate principal amount of 1983 Series A 8% Term Bonds due May 1, 2013 and \$650,000 aggregate principal amount of 1983 Series B 9% Term Bonds due May 1, 2009 through the operation of the Special Redemption provisions.

B. On November 4, 1987, the Corporation sold \$9.4 million aggregate principal amount of 1987 Series A (FHA Insured Mortgage Loans) Multi-Family Housing Bonds. The bond proceeds will be used to provide construction and permanent financing for several multi-family rental housing projects.

C. On November 16, 1987, the Corporation redeemed \$4,450,000 aggregate principal amount of 1985 Resolution A Housing Development Rate Bonds, variable rate term bonds, due January 1, 2019 which were refunded as fixed rate bonds under the Corporation's 1987 Series A (GNMA Mortgage Backed Securities) Multi-Family Mortgage Revenue Bond Program.

D. During December, 1987 and January, 1988, the Corporation entered into five loan agreements under the Seed Money Loan Program with not-for-profit developers. The agreements total \$943,903, all loans will be interest free and have a term of eighteen months. No disbursements have been made to date.

The Corporation's Staff

James M. Yasser
President

Maria Arroyo
Virginia Rodriguez
*Administrative Assistants
to the President*

Joni L. Brooks
*Vice President-
Director of Development*

Angela O'Byrne
*Director of
Project Management*

Martin I. Siroka
*Vice President and
General Counsel*

Charlena Lance
Director

Charles Brass
*Deputy Director of
Development*

Bernard Hecht
*Director of
Financial Analysis*

David S. Boccio
*Deputy General Counsel
and Secretary*

Mary McConnell
Assistant Director

Judith R. Blaylock
Donald Rubenstein
*Assistant Directors of
Development*

Anthony Biondo
Financial Analyst

Sharron Levine
Assistant General Counsel

Blanche Hodges
Office Manager

June Ricketts
Betty Scarlett
Administration

Michelle Abbott
Yvonne Glenn
Paralegals

Rosemary Baptiste
Lamont Boney
Ellie Candelario
Teresa Youngs

Abraham J. Greenstein
*Senior Vice President-
Finance*

Financial Management

Frederick S. Dombek
Assistant Treasurer

Construction Loan Administration and Billing

Dennis Nolan
*Construction Loan
Administrator*

We wish to extend our gratitude to Paul A. Crotty who resigned as Chairman of the Corporation and Commissioner of the City's Department of Housing Preservation and Development in January 1988. Mr. Crotty's skillful and innovative management of The City of New York's housing programs has immeasurably helped to advance the effort to provide affordable housing for low, moderate and middle income New Yorkers.

Teresa Gigliello
Internal Auditor

Cash Management

Ann Marie Sweeney
Assistant to the Treasurer

Peggy Joseph
*Mortgage Servicing
Administrator*

Mr. Crotty was succeeded as HDC Chairman, by Abraham Biderman who was appointed Commissioner of the New York City Department of Housing Preservation and Development, effective January, 1988.

Helen Hirst
*Secretary to the Senior
Vice President-Finance*

Theresa Calarco
Phyllis Cregg
Diane Denis
Harry Fried
Rosa Palma
Karyn Raquette
Richard Shammas
Renee Shepperson

Mei H. Chan
Karen Mattics

Asset Management

Gail Badger
Director

The Corporation was deeply saddened by the death of Daniel Katz, a member of the Housing New York Corporation, an HDC subsidiary. Mr. Katz's commitment to affordable housing and charitable programs was pursued with the same vigor as he applied to his many successful business endeavors. His contributions to the public sector will be missed by his public and private sector colleagues.

Management Information and Financial Analysis

Michael Hirst
Director

Accounting

Kenneth Mertz
Controller

Ali Karbo
Assistant Director

Edward Donahue
Assistant Director

Lucille Tufano
Chief Accountant

Betty Davis
*Asset Management
Administrator*

Juan Colon
Jeffrey DeVito
Irene Yau

Judith Clark
Rhoda Dean-Yhap
Shirley Jarvis
Mary John
Cherrill McPhoy
Omotayo Mebude
Frieda Schwartz
Himanshu Shah
Barbara Vacca

Geraldine Brown
Sarah Condon
Giusseppe D'Agosto
Telverre deBasher
Wendy Lui
John Martiniello
Josefa Matarazzo
Giacomo Tafuro
Robert Ramirez
Mary Saunders
Sylvia Santiago
Shirell Taylor
Stefania Williams
Kim Zinke

Computer Operations

Joan Berkeley
Supervisor

Kevin Moore
Sandra Thorpe

Design:

Anthony Russell, Inc.

BIW Photography:

Andreas Feininger

Color Photography:

Gloria Baker

Illustration:

Joe Ciardiello