

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

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OUR COVER Manhattan Park (formally known as Roosevelt Island-Northtown Phase II), a development of the Starrett Housing Corporation and Cohen Brothers Realty, is the largest project to be completed under HDC's 80/20 Program. Located directly across the river from Manhattan's upper East Side, Manhattan Park is nearing rent-up for over 1,100 new rental apartments, including 222 reserved for low income families.

TRIBUTE TO HDC EMPLOYEES This year's annual report is dedicated to the staff of HDC, through whose efforts the Corporation has achieved singular success in providing affordable housing for New Yorkers. Their hard work and financial expertise have established HDC as the preeminent multifamily housing finance agency in the nation. We are highlighting the contributions of six employees whose dedication exemplifies the high quality of HDC's staff.



Report of the Chairman and President



This year's Annual Report marks the completion of the Housing Development Corporation's evolution from its historic role as a primary provider of mortgage financing for mixed income multifamily rental housing to its new role as a partner with the City in the entire array of development activities under the Mayor's \$5.1 billion Ten Year Housing Plan. The Report also focuses on six staff members whose contributions have been essential to HDC's ability to meet its mandate to provide affordable housing.

Recent Annual Reports have chronicled the changing role of the Corporation, precipitated by the drastic curtailment imposed on state and local finance authorities by the Tax Reform Act of 1986. Fortunately, however, with the unprecedented commitment of City funds to the development of low, moderate and middle income housing, HDC, together with its subsidiaries, has been able to substantially broaden its role in housing production and apply its full range of talent, expertise and unrestricted corporate reserves to support the City's ambitious Ten Year Housing Plan.

Marking an official end to the pre-tax reform era, a "pipeline" of over 3,000 rental apartments was successfully completed this past year. At the same time, HDC witnessed a major expansion of its new role in furthering the production of affordable housing. This role encompasses diverse activities from the creative financing of thousands of apartments for homeless, low and moderate income households with Housing New York funds to the provision of critical seed money loans and low cost construction financing utilizing HDC's unrestricted corporate reserves. While we continue to lament the Federal government's withdrawal from its historic role in assisted housing, and its irresponsible attempts to restrict the ability of state and local governments to raise the necessary capital for housing development on their own, we are proud that HDC has found new and innovative ways to further the City's unprecedented housing goals.

THE YEAR'S ACCOMPLISHMENTS: By the end of 1988, virtually all of the housing projects financed under the pre-1986 tax law were completed, providing over 3,000 units of vitally needed rental housing throughout the five boroughs. The Housing New York Corporation ("HNVC"), an HDC subsidiary, funded construction starts on 59 vacant, abandoned buildings in the South Bronx and Harlem. Being rehabilitated under the City's Construction Management Program, these structures, when completed, will provide 1,600 apartments for homeless and other low and moderate income households. The City of New York, through HNVC, is subsidizing the *full* cost of development, demonstrating the depth of the City's commitment to tackle the affordable housing crisis. The City has not witnessed such an investment of capital in its housing stock since the Federal Section 8 Program over a decade ago. With the expected occupancy of the first units next fall, HNVC will bring the Ten Year Plan a step closer to its goal of rehabilitating every vacant City-owned building for low and moderate income New Yorkers.

Initiatives which utilize HDC's unrestricted reserves to augment the City's housing efforts were significantly expanded in 1988 as the Development Services Program moved into high gear. By year's end, the Corporation had executed Seed Money Loan Agreements with 18 not-for-profit sponsors to expedite the production of permanent and transitional shelter for 2,700 homeless

New Yorkers. In October, HDC dramatically expanded its funding commitment to the Program by authorizing \$6 million more in loans to the Archdiocese of New York and the Phipps Community Development Corporation to cover start-up costs for the rehabilitation of another 1,200 apartments under the Construction Management Program.

Under the Project Management Program, HDC worked with the Real Estate Board of New York ("REBNY"), the City and the financial community to bring the 750-unit Tibbett Gardens middle income condominium project closer to fruition. HDC also executed a second Bridge Loan Agreement for another REBNY affordable housing project in West Queens.

Finally, HDC formally initiated a third Development Services component, the Construction Loan Program, by providing interest free construction financing for 18 limited equity moderate income cooperatives which will be the prototype for an initiative that will result in the construction of over 1,000 such homes throughout the South Bronx.

The scope of HDC's activities is indicative not only of the Corporation's ability to successfully adapt to a changing environment, but perhaps, more importantly, of the City's extraordinary commitment to provide affordable housing for all New Yorkers. The reduction in Federal housing assistance by over 70 percent since 1980 has placed tremendous strains on the ability of local governments to fulfill their housing needs. In the face of this abdication by the Federal government, New York's commitment, particularly in light of competing municipal needs, is remarkable and certainly unprecedented.

Despite this commitment, however, we must continue to resist the Federal government's assault on the ability of local governments to raise low cost capital through the issuance of tax-exempt debt. This year the assault came in the form of an attack by Congress on 501(c)(3) tax-exempt bonds for rental housing. Fortunately, this attempt to impose the same restrictions on 501(c)(3) bonds which have crippled the use of "private purpose" bonds for the production of rental housing was defeated through a concerted lobbying effort led by the City, together with other concerned localities and not-for-profit organizations.

THE FUTURE: With the plague of homelessness reaching crisis proportions across the country, with countless working families doubled-up and with middle income families unable to afford homes in their own communities, the nation's housing shortage can no longer be ignored. Several members of Congress, including New York's Senator D'Amato, have launched a bipartisan effort to introduce legislation which may provide the first workable national housing policy in a decade. It will take time and considerable effort to mold the promise of these legislative initiatives into a reality. We look forward to that challenge in Washington, while we continue to meet those that face us here at home.



ABRAHAM BIDERMAN
Chairman



FELICE MICHETTI
President

1988 OVERVIEW 1988 was a year of continued accomplishment and evolution for the New York City Housing Development Corporation, witnessing both the successful completion of projects undertaken in the shadow of Tax Reform and the rapid growth of innovative programs initiated in 1987. In a move which began last year, HDC expanded its traditional role as the City's housing finance agency into a broader involvement with the City's housing initiatives. Along with its two subsidiaries, the Housing New York Corporation ("HNYC") and the Housing Assistance Corporation ("HAC"), HDC is proud to play a major role in Mayor Koch's ambitious \$5.1 billion Ten Year Housing Plan.

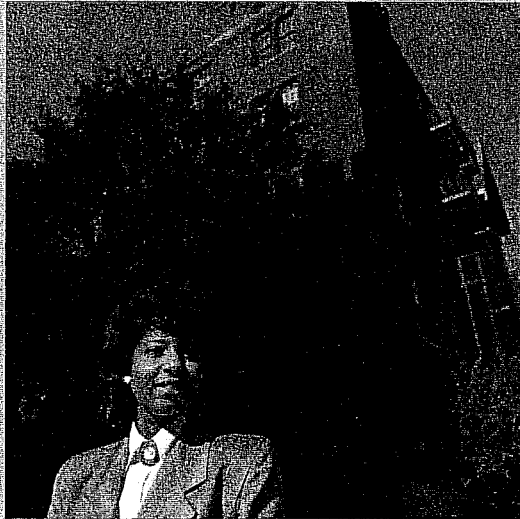


First and perhaps most significantly, through the HNYC, the City is committing an unprecedented level of funds to the Department of Housing Preservation and Development's ("HPD") Construction Management Program, a key component of the City's plan to rehabilitate every City-owned building for homeless, and other low and moderate income New Yorkers. Two projects, one in Harlem and the other in the South Bronx, commenced construction this past year. When complete, they will provide 1,600 units of critically needed housing and revitalize their surrounding communities.

Second, 1988 marked a major expansion of the Corporation's Development Services Program ("DSP"). Established in 1987 to enable HDC to apply its full range of talent, expertise and unrestricted reserves to support the City's Ten Year Housing Plan, the program has three components. The *Seed Money Loan Program* is designed to provide working capital to not-for-profit sponsors of homeless housing projects and is currently funding pre-development costs for 18 sponsors of projects which will house over 2,700 homeless New Yorkers. Through the *Project Management Program*, HDC assumed responsibility for overseeing the development of the 750-unit Tibbett Gardens complex in the Bronx and is further assisting the City's affordable homeownership efforts by participating with the Real Estate Board of New York ("REBNY") in the development of a second middle income condominium in Queens. Under the *Construction Loan Program*, the first interest free construction loan was issued this year in a joint effort with the City and State to provide financing for the development of 18 moderate income limited equity cooperatives sponsored by the Archdiocese of New York and the South East Bronx Community Organization. This first project will be the prototype for an initiative which will eventually result in the construction of more than 1,000 homes for moderate-income families throughout the Archdiocese.

1988 was also a year during which the Corporation thwarted the imposition by Congress of additional burdensome restrictions on tax-exempt financing. Once again, Washington attempted to impede the ability of localities to finance rental housing with tax-exempt bond proceeds, by proposing to impose the same income limits and annual recertification requirements

SHARRON P.A. LEVINE joined the Corporation in January, 1988 as Assistant General Counsel, and her experience in the real estate departments of two major law firms has proven to be an invaluable asset. Sharron plays an integral role in preparing and reviewing the complex legal documentation required in connection with HDC's bond issuances and mortgage loan closings and provides ongoing advice on legal issues facing the Corporation.



SHARRON P.A. LEVINE

on not-for-profit owned housing projects as those already required for for-profit developments. These restrictions, which have virtually eliminated the use of tax-exempt financing by for-profit developers, would have threatened many of the City's new housing initiatives. While such an amendment was approved by the Ways and Means Committee of the House of Representatives in a closed-door mark-up, an intensive lobbying effort, led by the City of New York and HDC, successfully limited the effects of the legislation. As a result, new construction and substantial rehabilitation projects, such as those financed by HNYC, will remain exempt from these onerous restrictions.

Finally, this year marked the completion of the more than 3,000 new and rehabilitated apartments which were financed by HDC and HAC in 1987, including the Roosevelt Island-Northtown Phase II development, the Phase I Moderate Income Rental Housing Program new construction projects and the Phase II Moderate Income, Housing Development Grant ("HODAG") and Participation Loan Program substantial and moderate rehabilitations. As the year ended, HDC was preparing to finance the remaining Phase II Moderate Income Rental Housing Program new construction projects.

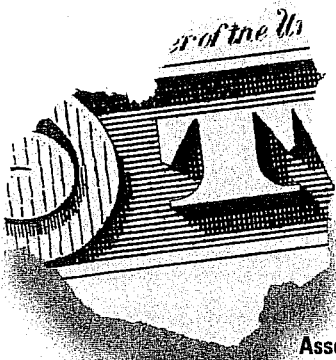
THE MODERATE INCOME RENTAL HOUSING PROGRAM The Moderate Income Rental Housing Program, a joint initiative by HPD and HDC to create affordable rental housing for low, moderate and middle income New Yorkers, celebrated the successful completion of over 800 newly constructed and substantially rehabilitated units. Financed with HDC tax-exempt bond funded mortgage loans coinsured by Puller Mortgage

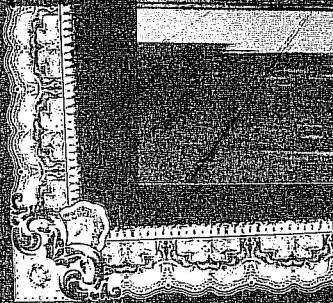
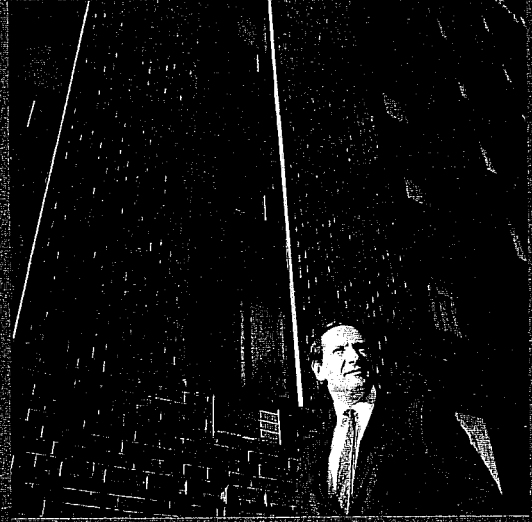
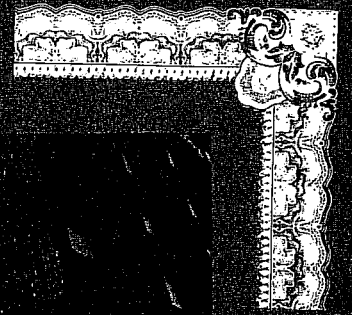
Associates, Inc. or with first mortgage loans from conventional lenders, the projects are receiving annual subsidies or low interest second mortgages from the Housing Assistance Corporation ("HAC") to ensure adequate cash flow for maintenance and operation while keeping rents affordable to the targeted income groups. HAC, an HDC subsidiary, was established in 1985 to channel \$100 million in surplus funds generated by the Municipal Assistance Corporation to affordable housing projects.

Among the three new construction projects completed this year was the 155-unit Self-Help Sheltered Extension. The first facility of its kind in the City, Self-Help provides the frail elderly, who require some support services but are generally able to live on their own, with an alternative to expensive nursing home facilities. While each apartment has its own kitchen, a communal dining room will offer at least one hot meal daily; on-site geriatric health care services will also be offered by the Cornell Medical Extension.

The second project, Logan Plaza, is the first newly constructed rental project to be developed in Harlem without Federal

DONALD RUBENSTEIN, Assistant Director of Development, joined HDC in May, 1977. Don is responsible for coordinating the pre-construction and construction phases of the affordable housing projects financed by the Corporation. On a day-to-day basis, he acts as the Corporation's liaison with project developers, mortgage bankers, and City, State and Federal agencies to expedite the approvals needed to bring the projects to completion.





assistance in over a generation. Completed in September, 26 of the project's 130 units are rented to very low income households. Harbour View Apartments, a 122-unit development in the St. George section of Staten Island, quickly rented its 25 low income apartments, and was nearing full occupancy by year's end.

Six substantial rehabilitation projects were completed in 1988. These include St. Edmunds Court, a 111-unit joint venture by the not-for-profit Mount Hope Housing Company and Wilton Associates in the West Tremont section of the Bronx; 2051 Grand Concourse, a 63-unit building on the major Bronx thoroughfare; 196 Rockaway Parkway, the first Phase II rehabilitation to be completed in Brooklyn, containing 71 units; East 94th & Willmohr Streets, a 24-unit project in the East Flatbush section of Brooklyn; 255 Ocean Avenue, a 40-unit project fronting on Brooklyn's Prospect Park; and Golden Gates Apartments, an 85-unit development in Bushwick.

Up to twenty-five percent of the apartments in these projects are reserved for low income households. Moreover, rents for the "market rate" apartments do not exceed \$650 per month, making the balance of these apartments affordable to moderate income families earning approximately \$26,000 per year.

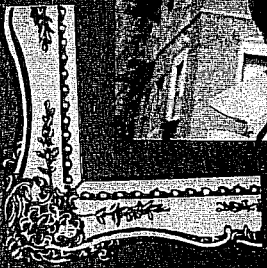
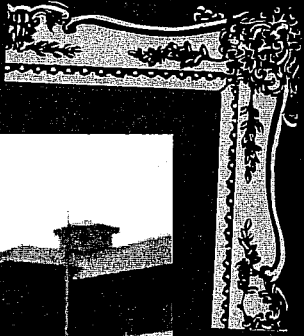
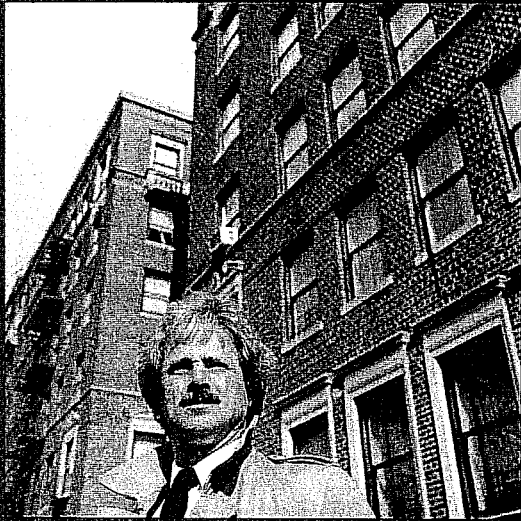
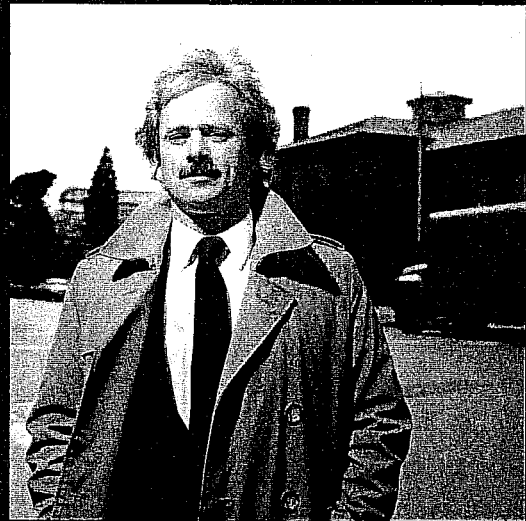
At year's end, HDC was preparing to finance the remaining Phase II new construction projects, including the 296-unit Queenswood Apartments and the 62-unit Astoria Apartments in the Corona section of Queens, and a 151-unit development on Fifth Avenue between 111th and 112th Streets in Harlem.

HOUSING DEVELOPMENT GRANT ("HODAG") PROGRAM In 1987, the Corporation, faced with the threat of Federal recapture of HODAG funds, worked tirelessly to arrange the financing for six projects. This year, faced with yet another Federal deadline to qualify the projects for Federal Low-Income Housing Tax Credits, HDC worked with the sponsors to ensure that all six projects were completed and placed in service by year's end, providing 410 affordable apartments for low and moderate income New Yorkers.

Included among these are five formerly vacant buildings along the Grand Concourse. Rehabilitated with a combination of HDC tax-exempt bond proceeds, HPD Participation Loan Program ("PLP") funds and Federal HODAG funds, they will yield 228 apartments for low and moderate income New Yorker's with 23 of these apartments reserved for eligible artists. Together with the completion of 2051 Grand Concourse with HAC funds, the buildings reflect the successful renovation of the last remaining vacant buildings along the Concourse and the fulfillment of a pledge by Mayor Koch to restore this great boulevard to its former grandeur.

Other HODAG projects rehabilitated this year include: Willoughby/Wyckoff Apartments with 68 renovated units in ten historic buildings in Bushwick; Woodruff Apartments, with 84 low and moderate income units in Flatbush; and Revive 103 North

DENNIS MOLAN, HDC's Mortgage Servicing Administrator, has been with the Corporation for eight years. Originally hired as Construction Loan Administrator, he now supervises a staff of four and is responsible for billing mortgage and escrow payments, reviewing insurance policies and monitoring the financial status of all projects in the Corporation's portfolio. Dennis also maintains letters of credit and is HDC's liaison with the City Collector.



which combined four abandoned tenements in East Harlem into one modern 30-unit apartment building.

ROOSEVELT ISLAND In 1987, HDC closed the construction loan for our largest 80/20 new construction project ever—Roosevelt Island-Northtown Phase II. In 1988, the developers, Roosevelt Island Associates, in order to qualify for Federal Low-Income Housing Tax Credits, compressed a two year construction period into 16 months, completing the project by the year's end. More than 1,100 newly constructed apartments are now available for rent-up, including 222 for very low-income households.

THE MODERATE REHABILITATION PROGRAM This past year witnessed the completion of the historic Allerton Apartments. Innovatively financed with an HDC first mortgage insured by the State of New York Mortgage Agency ("SONYMA") and a Participation Loan low interest second mortgage, the renovation of close to 700 apartments has helped stabilize this quiet Northeast Bronx neighborhood.

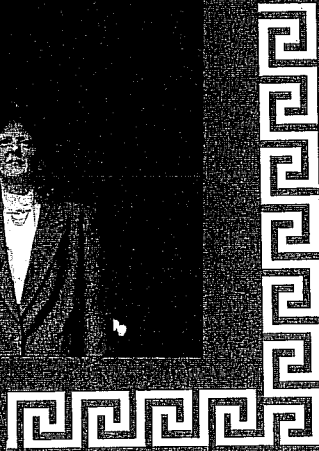
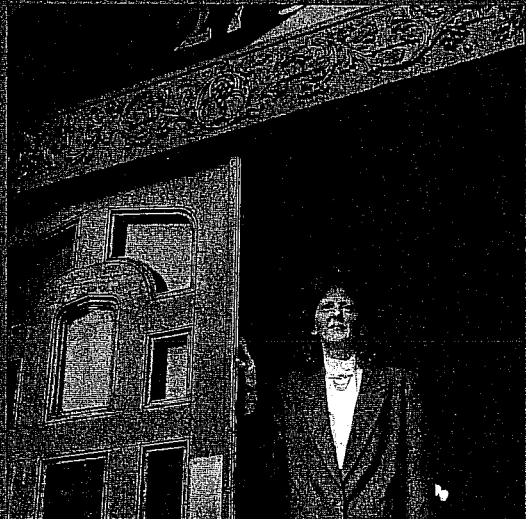
Familiarly known as the "Coops," the project was originally conceived and constructed in the 1920's as a worker-owned housing cooperative for immigrant working class families. During the Depression, the cooperative was unable to meet its debts and by the end of World War II ownership had fallen into private hands. Operating as a rental since that time, this multi-building complex gradually deteriorated until HDC was able to arrange a financing package which permitted the project's restoration.

Also completed in 1988 under the Moderate Rehabilitation Program was 217 Ocean Avenue, a 50-unit rehabilitation project in Brooklyn.

THE DEVELOPMENT SERVICES PROGRAM In 1988, HDC further broadened its ambitious role in the City's Ten Year Housing Plan, as the three Development Services Program ("DSP") components—the Seed Money Loan, Construction Loan and Project Management Programs—went into full operation. These three components reflect the basic goals of the Development Services Program: 1) to provide risk capital to not-for-profit organizations without such resources; 2) to attract private sector long-term equity investment in limited profit large scale affordable housing projects by mitigating up-front expenses during the lengthy public approval process; and 3) to leverage City financial assistance.

THE SEED MONEY LOAN PROGRAM By year's end, the Corporation had executed Seed Money Loan Agreements with 18 not-for-profit sponsors of homeless housing projects ranging in size from the United Jewish Council's 18-unit project for mentally disabled adults to a 101-unit transitional family center in Brownsville being developed by Settlement Housing Fund. This assistance will expedite the production of permanent and transitional housing for 2,700 homeless New Yorkers including such special needs groups as substance abusers, battered women and the mentally disabled.

ANN MARIE SWEENEY, the Assistant to the Treasurer for Cash Management, joined HDC in July, 1980. Currently a member of HDC's Investment Committee, she assists the Executive Vice President in developing and implementing investment policies and plans, solicits investment contracts and trustee bidding and is the Corporation's chief liaison with the trustees regarding bond deals. She also prepares various reports including the Annual Investment Report.



Ann Marie Sweeney

In October 1988, the Corporation dramatically expanded its funding commitment to the program by authorizing an additional \$6 million in loans to two Citywide not-for-profit sponsors—Phipps Community Development Corporation and the Housing Development Institute of the Archdiocese of New York—who are participating in the City's Construction Management Program. These loans will fund the preparation of architectural drawings, site surveys, insurance premiums, legal fees and other expenses incurred by the groups to accomplish the substantial rehabilitation of over 1,200 South Bronx apartments located adjacent to the Cross Bronx Expressway. HDC Seed Money funds will permit these pre-development activities to occur while the properties are still in City ownership, thereby enabling the sponsors to accelerate the rehabilitation process.

CONSTRUCTION LOAN PROGRAM Following the successful completion of Charlotte Gardens, HDC formally inaugurated the Construction Loan Program in 1988. Together with the Archdiocese of New York, the South East Bronx Community Organization, and the City and State of New York, the Corporation provided \$1.4 million in interest free construction financing for 18 limited equity moderate income cooperatives. This first project, located in the Tiffany/Beck area of the South Bronx, will be the prototype for a broad initiative that will result in the construction of over 1,000 homes throughout the borough. Purchasers' incomes will be limited to between \$25,000 and \$35,000 yearly. HDC's interest free financing, together with City and State subsidies, will make it feasible to develop homes which are affordable to this income group.



PROJECT MANAGEMENT PROGRAM During the past year, the Corporation also expanded its Project Management Program. As the year ended, architectural plans were nearly complete for the planned 750-unit Tibbett Gardens condominium project. HDC continued to work with a not-for-profit subsidiary of the Real Estate Board of New York ("REBNY") and potential lenders to arrange a financing package for the development. Elsewhere under the program, the Corporation executed a second Bridge Loan Agreement to fund pre-development costs for a REBNY affordable housing project in West Queens.

At year's end, HDC prepared to assume a significant role in the financing and development of 1,200 apartments in the Seward Park Urban Renewal Area on Manhattan's Lower East Side. The LeFrak Organization will construct 400 market rate condominiums and utilize the profits from their sale to subsidize the development of 800 low, moderate and middle income rental apartments. Since the site will be developed on a limited profit basis, HDC will provide a recoverable Bridge Loan to fund the developer's pre-development costs while the project undergoes the public review and approval process.

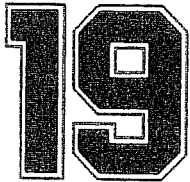
A second such "cross-subsidy" project, to be developed by the Milstein Organization, has been proposed by the City for the Clinton area of Manhattan.

PEGGY JOSEPH, HDC's Director of Asset Management, joined the Corporation in March, 1983. Hired as an Administrative Secretary, she went on to serve as Mortgage Servicing Administrator before assuming her current position. Peggy now supervises a staff of seventeen, administers over \$50 million in housing assistance payment contracts, and is responsible for resolving problems among owners, managing agents, HUD and over 20,000 tenants.



PEGGY JOSEPH

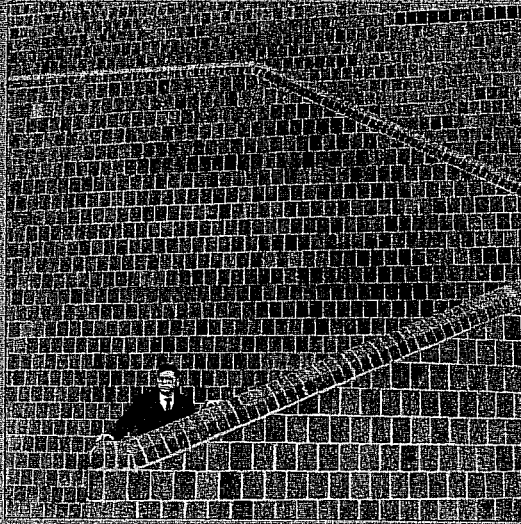
THE HOUSING NEW YORK PROGRAM In 1987, the Housing New York Corporation ("HNYC") issued nearly \$210,000,000 in tax-exempt bonds, leveraging surplus revenues generated by the Battery Park City Authority. Excess revenues generated by the Authority over the next 30 years will be dedicated to enable HNYC to raise an additional \$400 million in capital prior to the end of this decade. This past year, this innovative financing approach culminated in construction starts on 59 vacant, abandoned buildings in the South Bronx and Central Harlem. These projects, developed jointly by the staffs of HDC and HPD under the City's Construction Management Program, will provide 1,600 fully renovated apartments for homeless and other low and moderate income households. The City of New York, through HNYC, is subsidizing the full cost of development, demonstrating the depth of the Mayor's commitment to tackle the affordable housing crisis. These projects which represent some of the most concentrated and heavily subsidized reconstruction activity in the nation, rival the level of redevelopment undertaken over a decade ago under the Federal Section 8 program. With the expected occupancy of the first apartments next fall, HNYC will bring the Ten Year Plan a step closer to its ambitious goal of rehabilitating every vacant City-owned building for low and moderate income New Yorkers.



89 AND BEYOND As we approach 1989, the Corporation looks forward to the continuing evolution of its critical role in assisting the development and reconstruction of affordable housing for low, moderate and middle income New Yorkers. Financing will remain an essential part of this role. In 1989, the Corporation expects to provide \$200 million in mortgage financing for 1,500 apartments in Manhattan and Staten Island and another \$85 million in construction financing for the 750-unit Bronx Tibbett Gardens project. At the same time, the Housing New York Corporation intends to reenter the credit markets next spring to raise the necessary capital to finance additional Construction Management projects. These activities will reestablish the Corporation as the preeminent multifamily housing finance agency in the nation. The Corporation's new functions will continue to expand in 1989. With the acceleration of production under the City's Ten Year Plan, HDC's innovative Seed Money, Construction Loan and Project Management Programs will be evident in construction projects across the City. By applying its full range of talent, technical expertise and unrestricted reserves, the Corporation will help ensure the successful implementation of the City's unprecedented housing goals.

We are hopeful that 1989 will also mark the beginning of a new era in Washington. For the first time in nearly a decade there is renewed hope that the Federal government will refocus its priorities toward addressing the nation's housing shortage. HDC and the City are making impressive inroads into New York City's affordable housing needs; with Federal support, we can, once again, work together towards solving the housing crisis.

BERNARD HECHT, Director of Financial Analysis, has been with the Corporation for five years. During that time, he has prepared and analyzed cash flows and evaluated financial scenarios for over \$2 billion in HDC bond financings. In addition, he is the Corporation's liaison with the rating agencies for credit evaluations of outstanding bond issues, prepares the Five-Year Financial Plan and assists in the preparation of the Annual Investment Report.



BERNARD HECHT

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

5 ABRAHAM BIDERMAN, *Chairman and Member ex-officio* Mr. Biderman was appointed to the position of Commissioner of HPD, effective January 19, 1988. He also serves as Chairman of the New York City Rehabilitation Mortgage Insurance Corporation, the Housing New York Corporation and the Housing Assistance Corporation. In addition to his responsibilities as Commissioner of HPD, he acts as Special Advisor to the Mayor. Prior to his appointment as Commissioner of HPD, Mr. Biderman served as the City's Commissioner of Finance. Prior to that he held several government positions including Special Assistant to the Mayor, assistant to the Deputy Mayor for Finance and Economic Development and Assistant Deputy State Comptroller in the Office of the Special Deputy Comptroller, the State agency established to monitor the City's financial operations for the Financial Control Board and the Municipal Assistance Corporation for the City.

8 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.

PAUL DICKSTEIN, *Member ex-officio* (not pictured) 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.

6 STANLEY E. GRAYSON, *Member, ex-officio* Mr. Grayson is the Commissioner of Finance of the City of New York. He was appointed as Finance Commissioner by the Mayor in January, 1988. Mr. Grayson was formerly Commissioner of the Office of Financial Services of the City and Chairman of The New York City Industrial Development Agency. Prior to entering government service, Mr. Grayson was a member of the law department of the Metropolitan Life Insurance Company. Mr. Grayson is a member of the Board of Directors of the Green Chimneys School and the Board of the Lower Manhattan Cultural Council. He is also a member of the American Bar, New York State Bar, and District of Columbia Bar Associations.

2 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 Stuyvesant Restoration Corporation for nine years.

3 HARRY E. 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.

9 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

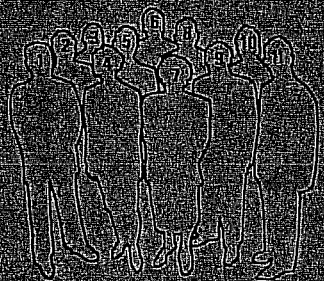
7 FELICE MICHETTI, *President* Ms. Michetti was appointed President of the Corporation effective September 1, 1988. She is concurrently the First Deputy Commissioner for Policy, Planning and Production of HPD. Prior to her appointment as First Deputy Commissioner, Ms. Michetti served as Deputy Commissioner of HPD's office of Property Management. Before that she was an Assistant Commissioner for Rehabilitation Finance at HPD. Ms. Michetti began her public service career with the Department of City Planning in 1973 and went on to HPD in 1979. Ms. Michetti is a graduate of Fordham Law School and a member of the New York Bar.

11 ABRAHAM J. GREENSTEIN, *Executive Vice President* Mr. Greenstein was appointed Executive Vice President on September 1, 1988. Mr. Greenstein joined the Corporation in January, 1983, and was appointed Vice President-Treasurer of the Corporation in April, 1983, and Senior Vice President for Finance in February, 1985. Prior to joining the Corporation, Mr. Greenstein served in the New York State Comptroller's Office for 10 years where he was responsible for the development of financial analysis for the Office of the Special Deputy Comptroller, the State agency established to monitor the City's financial operations for the Financial Control Board and the Municipal Assistance Corporation for the City.

4 JONI L. BROOKS, *Vice President-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 Urban Land Interest, Inc., a real estate development firm, and the Wisconsin Housing Finance Authority.

1 MARTIN I. SIROKA, *Vice President and General Counsel* Mr. Siroka, an attorney and member of the New York Bar, assumed the role of Vice President and General Counsel in January, 1987. Prior to joining the Corporation, he was associated with a real estate law firm in Washington, D.C. He is a member of the New York, Maryland and District of Columbia Bars.

10 DAVID S. BOCCIO, *Deputy General Counsel and Secretary* Mr. Boccio joined the Corporation in December, 1986, and was appointed Deputy General Counsel and Secretary in January, 1987. Prior to joining the Corporation, he was associated with a real estate law firm in Washington, D.C. 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	4,636	
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)

PROJECT NAME	ORIGINAL MORTGAGE	NUMBER OF UNITS	
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	\$87,850,000	8,170	

*Section 236 Subsidized Projects

All of the above are rental projects, with the exception of cooperatives which are designated with a "C".

N=New Construction R=Rehabilitation

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	
Gouverneur 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	14,875	
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 (228) FINANCINGS	\$486,362,810	28,037	

Section B Financings

FHA-Insured/Sec. 8/235 Section 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. 8/235 Section A Bonds

BRONX			
Alexander A. Corprew	\$4,380,500	78	R
Faille 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 Court I	6,531,800	115	R
TOTAL	\$57,708,200	1,007	

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	\$59,007,800	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. 8/235 Section 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

PROJECT NAME	ORIGINAL MORTGAGE	NUMBER OF UNITS	
BRONX			
Clinton Arms	\$4,962,700	86	R
McGee Hill Apartments	3,677,200	59	R
McKinley Manor	3,738,100	60	R
Sebco-Banana 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	

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 1	James Tower Development	30,000,000	201	90th & Columbus Ave.	Completed
MBIA Insured/1985 Series 1	New York Hospital Royal Charter Properties East, Inc.	96,021,640	520	71st & York Ave.	Completed
Variable Rate Demand Bonds/1985 Resolution 1	Key West	49,000,000	207	96th & Columbus Ave.	Completed
Multi-Family Development Bonds/1985 Issue 1	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.	Completed
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	Completed
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.	1/89
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	Completed
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	Completed
QUEENS					
1985 Series A	Self-Help Sheltered Extension	13,229,700	155	137-47 45th Ave.	12/88
STATEN ISLAND					
1985 Series A	Harbor View	9,313,500	122	Richmond Terrace & St. Peter's Place	Completed
SUB-TOTAL		\$38,203,200	486		

HAC & CPC Financing

BRONX	St. Edmond Court	5,550,000	111	105 Mt. Hope Ave./ 1886-92 Morris Ave.	12/88
BROOKLYN					
	196 Rockaway Pkwy.	2,617,000	71	196 Rockaway Pkwy.	Completed
	255 Ocean Avenue	1,816,000	40	255 Ocean Ave.	12/88
	405 E. 94th/1072 Willmohr	945,000	24	405 E. 94th/1072 Willmohr	12/88
	Golden Gates Apartments	4,175,000	85	1091-1103 Gates Avenue	12/88
SUB-TOTAL		\$15,103,000	331		
TOTAL MODERATE INCOME RENTAL HOUSING PROGRAM		\$54,306,200	817		

Housing Development 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 GRANT PROGRAM		\$17,241,400	466		

Combined Balance Sheet

October 31, 1988
(with comparative combined total as of October 31, 1987)

<i>(in thousands)</i>	HOUSING DEVELOPMENT CORPORATION PROGRAMS	HOUSING ASSISTANCE CORPORATION PROGRAM	HOUSING NEW YORK CORPORATION PROGRAM	COMBINED TOTAL	
				1988	1987
Assets:					
Cash	\$ 1,932	18	4	1,954	388
Investments (note 4)	783,747	68,714	210,159	1,062,620	1,290,433
Total cash and investments	785,679	68,732	210,163	1,064,574	1,290,821
Receivables:					
Mortgage loans (note 5)	1,463,672	13,526	—	1,477,198	1,339,029
Accrued interest	13,030	43	—	13,073	9,383
Sale of mortgages	6,896	—	—	6,896	7,101
Other	4,876	—	5,231	10,107	4,421
Total receivables	1,488,474	13,569	5,231	1,507,274	1,359,934
Unamortized issuance costs	16,628	—	4,168	20,796	25,542
Due from (to) other funds	231	(226)	(5)	—	—
Fixed assets	752	—	—	752	810
Other assets	722	—	—	722	502
Total assets	\$2,292,486	82,075	219,557	2,594,118	2,677,609
Liabilities and Fund Balances:					
Bonds and notes payable (note 6)	\$ 1,854,298	—	209,996	2,064,294	2,208,159
Discount on bonds payable	(3,336)	—	(213)	(3,549)	(3,619)
Accrued interest payable	58,206	—	9,619	67,825	59,670
Payable to the City of New York (note 9)	51,411	82,060	—	133,471	98,591
Payable to mortgagors	53,235	—	—	53,235	48,067
Restricted earnings on investments	4,091	—	—	4,091	4,350
Accounts and other payables	13,279	—	13	13,292	2,198
Deferred fee and mortgage income	26,131	15	—	26,146	28,488
Due to HUD (note 11)	5,156	—	—	5,156	5,298
Total liabilities	2,062,471	82,075	219,415	2,363,961	2,451,202
Fund balances:					
Restricted	130,212	—	142	130,354	132,322
Unrestricted	99,803	—	—	99,803	94,085
Total fund balances	230,015	—	142	230,157	226,407
Commitments and contingencies (notes 8 & 12)					
Total liabilities and fund balances	\$2,292,486	82,075	219,557	2,594,118	2,677,609

See accompanying notes to the combined financial statements.

Combined Statement of Changes in Fund Balances

October 31, 1988
(with comparative combined total as of October 31, 1987)

<i>(in thousands)</i>	HOUSING	HOUSING	HOUSING	COMBINED TOTAL	
	DEVELOPMENT CORPORATION PROGRAMS	ASSISTANCE CORPORATION PROGRAM	NEW YORK CORPORATION PROGRAM	1988	1987
Restricted:					
Balance at beginning of year	\$ 132,292	—	30	132,322	130,386
Excess of revenues over expenses after operating transfers	1	—	112	113	21,918
Net transfers from (to) unrestricted fund balances	(2,081)	—	—	(2,081)	(19,982)
Balance at end of year	<u>130,212</u>	<u>—</u>	<u>142</u>	<u>130,354</u>	<u>132,322</u>
Unrestricted:					
Balance at beginning of year	94,085	—	—	94,085	69,077
Excess of revenues over expenses after operating transfers	3,637	—	—	3,637	5,026
Net transfers from (to) restricted fund balances	2,081	—	—	2,081	19,982
Balance at end of year	<u>99,803</u>	<u>—</u>	<u>—</u>	<u>99,803</u>	<u>94,085</u>
Total fund balances at end of year	<u>\$230,015</u>	<u>—</u>	<u>142</u>	<u>230,157</u>	<u>226,407</u>

See accompanying notes to the combined financial statements.

Combined Statement of Changes in Financial Position

October 31, 1988
(with comparative combined total as of October 31, 1987)

(in thousands)	HOUSING	HOUSING	HOUSING	COMBINED TOTAL	
	DEVELOPMENT CORPORATION PROGRAMS	ASSISTANCE CORPORATION PROGRAM	NEW YORK CORPORATION PROGRAM	1988	1987
Funds Provided:					
From operations:					
Excess of revenues over expenses after operating transfers	\$ 3,638	—	112	3,750	26,944
Add (deduct), net adjustment for noncash items	19,529	4,318	7,862	31,709	17,838
Funds provided from operations	23,167	4,318	7,974	35,459	44,782
Sale of investments, at cost	5,697,492	2,860,845	19,464	8,577,801	14,573,548
Sale of mortgage loans	—	—	—	—	48,087
Proceeds from sale of bonds and notes	11,430	—	—	11,430	227,311
Loan principal payments received	7,829	—	—	7,829	49,815
Restricted earnings on investments	1,274	—	—	1,274	1,734
Receipt of mortgagor and other escrows	54,150	20,000	—	74,150	33,517
Transfers between programs	25,515	—	—	25,515	22,013
Sale of fixed assets	—	—	—	—	2
Deferred commitment and financing fees	2,497	15	—	2,512	6,803
Other (net)	—	2	—	2	—
Total funds provided	5,823,354	2,885,180	27,438	8,735,972	15,007,612
Funds Applied:					
Retirement of bonds and notes	155,295	—	—	155,295	267,230
Purchase of investments	5,455,207	2,873,163	21,861	8,350,231	14,566,079
Mortgage and loan advances	136,681	11,319	—	148,000	104,678
Disbursement of escrows to mortgagors	35,449	—	—	35,449	34,950
Disbursements to the City of New York	13,400	125	5,231	18,756	8,094
Transfers between programs	24,941	557	17	25,515	22,012
Issuance costs	540	—	375	915	4,545
Purchase of fixed assets	245	—	—	245	339
Other (net)	—	—	—	—	2
Total funds applied	5,821,758	2,885,164	27,484	8,734,406	15,007,929
Increase (decrease) in cash	1,596	16	(46)	1,566	(317)
Cash at beginning of year	336	2	50	388	705
Cash at end of year	\$ 1,932	18	4	1,954	388

See accompanying notes to the combined financial statements.

Notes to the Combined Financial Statements

October 31, 1988

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 amortized cost, which approximates market, plus accrued interest. (see note 4) 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 & 1988 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) MBI 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 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, 1987 Series A (FHA Insured Mortgage Loan) Multi-Family Mortgage Revenue Bonds and 1987 Series A (FHA Insured Mortgage Loans) Multi-Family Housing Bonds.

F Amortization of Leasehold Improvements

Leasehold improvements, included as other assets of the Corporate Services Fund, are amortized over the life of the operating 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 B*

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) Multi-family 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
1987 Series A (FHA Insured Mortgage Loans) Multi-Family Housing Bond Program
1988 Series A (Carnegie Park) Variable Rate Demand Bond Program

5. *Hospital Residence*

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

b 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.

K Reclassifications

Certain reclassifications have been made to the prior year's balances to conform to the current year's classification.

3 Description of Programs and Corporate Services Fund

A HOUSING DEVELOPMENT CORPORATION

The Corporation operates two separate major programs, of which one is governed by its respective bond resolution. 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 of \$19,337,900 and \$4,780,000. 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. Most of the projects in this program provide or 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. In certain projects, all of the apartments are set aside for low and moderate middle income tenants.

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 mechanisms: 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, as specified in the respective bond resolutions.

ii 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 5A).

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 remain 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 all of 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 Investments

The Corporation is authorized to engage in investment activity pursuant to Article XII of the Housing Finance Law, and its respective bond resolutions. The Corporation principally invests in securities of the United States and its agencies, certificates of deposit, open time deposits and repurchase agreements. All funds invested in repurchase agreements are held pursuant to written master agreements. Margin requirements range from 101% to 106%. All securities are held by the Corporation or its agents in the Corporation's name. Bond program's investments are held by the trustee of the applicable program. All investment transactions are on a delivery versus receipt basis.

Investments held in the Corporation's name by the Corporation, its agents and bond trustees at October 31, 1988:

SECURITY	TOTAL COST 10/31/88	CURRENT MARKET VALUE PLUS ACCRUED INTEREST 10/31/88	EXCESS OF COST OVER MARKET VALUE 10/31/88
<i>(in thousands)</i>			
U.S. Treasury Bonds	\$ 129,888	\$ 133,893	\$ 4,005
U.S. Treasury Bills	37,699	37,275	(424)
U.S. Treasury Notes	110,937	110,675	(262)
U.S. Treasury Strips	45,509	36,043	(9,466)
Federal Home Loan Banks	10,066	10,044	(22)
Fixed Repurchase Agreements	110,144	110,144	—
G.N.M.A.	34,295	34,524	229
Open Time Deposits	38,147	38,147	—
Term Repurchase Agreements	487,425	487,425	—
Certificates of Deposit	49,963	49,963	—
Merchant Marine Bonds	3,290	3,488	198
Money Market & NOW Accounts	5,257	5,257	—
TOTALS	\$1,062,620	\$1,056,878	\$ (5,742)

5 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 reassigned 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.

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 loans 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.

d *80/20*

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

Seven of the seventeen programs consist of FHA-insured or FHA-coinsured mortgage loans. Additionally, under seven 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 \$878,000 in U.S. Treasury Notes, on behalf of Puller Mortgage Associates, 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 5 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 12)

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 Other Loans:

a 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 ("HPD"). 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.

As of October 31, 1988, two bridge loans had been made to developers in amounts not to exceed \$2,910,000 and \$2,925,000. The Board also approved an additional bridge loan in the amount of \$2,315,000. The bridge loans bear interest at 1% per annum and are due and payable upon construction loan closing. The Corporation had also entered into two consultant contracts in the approximate aggregate amount of \$165,000. A description of the projects receiving bridge loans is as follows:

i Tibbett Gardens

Tibbett Gardens is a 750 unit affordable condominium project located in the Bronx to be developed by a not-for-profit housing corporation. A \$2,910,000 bridge loan has been made to fund various pre-construction activities. As of October 31, 1988, approximately \$1,177,000 had been advanced.

ii Astoria

Astoria is an 800 unit residential condominium together with a parking garage and community center, to be developed in Astoria, Queens. A \$2,925,000 bridge loan has been made to fund various pre-construction activities. As of October 31, 1988, approximately \$272,000 had been advanced.

iii East Harlem Project

East Harlem is a 500-600 unit condominium project to be constructed in East Harlem. A \$2,315,000 bridge loan has been approved to fund various pre-construction activities. As of October 31, 1988, no monies had been advanced.

2. Seed Money Loan Program

The Corporation and the City, acting through HPD, agreed to provide interim assistance in the form of unsecured, interest-free loans for working capital to not-for-profit sponsors of permanent and transitional homeless and low income housing projects. The Corporation has agreed to provide up to \$9 million to fund these loans. The maximum term of an interest free individual loan has been set at twenty-four months. As of October 31, 1988, eighteen seed money loans had been made in the aggregate face amount of \$2,923,260, of which approximately \$764,000 had been advanced.

As part of this program, the Corporation expects to make two seed money loans to fund miscellaneous pre-development expenses to be incurred in connection with the second phase of the City's Construction Management Program. The Construction Management Program is designed to facilitate the rehabilitation of vacant City owned housing stock which will be conveyed to not-for-profit sponsors.

3. Construction Loan Program

Under this program, the Corporation provides a source of nominal interest financing to reduce total development costs for affordable housing in the City. As of October 31, 1988, two projects, Charlotte Gardens and Tiffany-Beck, had received assistance under this program. In connection with Charlotte Gardens, the Corporation provided a \$3 million line of credit to ensure the availability of funds needed to complete the construction of 90 single-family owner-occupied homes in that Bronx neighborhood. All 90 homes have now been completed and all monies advanced by the Corporation have been repaid. With respect to the Tiffany-Beck project, the Corporation in participation with several other lenders, made a mortgage loan to construct an 18 unit cooperative development in the Bronx. The Corporation's share of this loan is \$435,000. As of October 31, 1988, none of the Corporation's share had been advanced.

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 5A).

6 Bonds 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 sold 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, as the case may be.

The 1987 Series A (FHA Insured Mortgage Loan) Multi-Family Mortgage Revenue Bonds are the first and only bonds to be issued by the Corporation whose interest is not excludable from gross income for Federal Income Tax purposes.

All of the bonds are subject to redemption. Certain issues are also subject to special redemption provisions. The parameters under which the redemptions may occur are set forth in the respective bond resolutions.

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 1989.

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

YEAR ENDING OCTOBER 31	HOUSING DEVELOPMENT CORPORATION	HOUSING NEW YORK CORPORATION
<i>(in thousands)</i>		
1989	\$346,026	—
1990	15,898	—
1991	18,327	—
1992	19,809	4,035
1993	21,221	4,310

Bonds payable comprise the following for the year ended October 31, 1988:

DESCRIPTION	BALANCE AT OCT 31, 1987	ISSUED	RETIRED	BALANCE AT OCT 31, 1988	ANNUAL DEBT SERVICE
<i>(in thousands)</i>					
Housing Development Corporation					
MULTI-FAMILY BOND PROGRAMS:					
General Housing:					
General Housing Bond Program—3.75% to 9% Bonds maturing in varying installments through 2023.	\$264,510	—	1,920	262,590	18,001
1982 Multifamily Bond Program—6% to 11.125% Serial and Term Bonds maturing in varying installments through 2012.	33,590	—	505	33,085	3,811
Total General Housing	298,100	—	2,425	295,675	21,812
Section 223(f):					
Multifamily Housing Bond Program—6.5% to 7.25% Bonds maturing in varying installments through 2019.	360,328	—	3,061	357,267	26,902
Multi-Unit Housing Bond Program—5% to 9.125% Serial and Term Bonds maturing in varying installments through 2021.	105,690	—	665	105,025	10,175
Total Section 223(f)	466,018	—	3,726	462,292	37,077
Section 8:					
1979 Series A Bond Program—6% to 7.5% Serial and Term Bonds maturing in varying installments through 2021.	47,670	—	520	47,150	3,977
1983 Series A Bond Program—5.75% to 8.875% Serial, Term and Capital Appreciation Bonds maturing in varying installments through 2025.	135,575	—	7,695	127,880	12,144
1983 Series B Bond Program—6% to 9.5% Serial, Term and Capital Appreciation Bonds maturing in varying installments through 2026.	77,940	—	1,920	76,020	7,651
1983 Series C Bond Program—1% Term Bonds maturing in increasing installments through 2015.	2,370	—	75	2,295	98
Total Section 8	263,555	—	10,210	253,345	23,870
80/20:					
1984 Series A Variable Rate Bond Program—Variable Rate Bonds due upon demand through 2016.	68,000	—	200	67,800	3,770
1985 Series A Development Bond Program—5.4% to 9.125% Serial, Term and Capital Appreciation Bonds maturing in varying installments through 2007.	29,923	—	1,415	28,508	3,120
1985 Series A Bond Program—5% to 10% Serial, Term and Capital Appreciation Bonds maturing in varying installments through 2030.	161,398	—	760	160,638	15,644
1985 First Series Bond Program—6.75% to 9.875% Serial and Term Bonds maturing in varying installments through 2017.	17,370	—	185	17,185	1,845
1985 Issue A Bond Program—6.75% to 8.5% Serial and Term Bonds maturing in varying installments through 2015.	24,600	—	—	24,600	2,218
1985 Resolution 3 Bond Program—5.1% to 9.625% Serial and Term Bonds and Gains Securities maturing in varying installments through 2015.	121,669	—	121,669	—	—
1985 Issue 1 Development Bond Program—4.75% to 8.625% Serial, Term and Capital Appreciation bonds maturing in varying installments through 2005.	29,178	—	445	28,733	2,557
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	3,761

DESCRIPTION	BALANCE AT OCT 31, 1987	ISSUED	RETIRED	BALANCE AT OCT 31, 1988	ANNUAL DEBT SERVICE
1985 Series A Variable Rate Bond Program—Variable Rate Bonds due upon demand through 2009.	14,500	—	—	14,500	840
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.	17,605	—	260	17,345	1,811
1985 Resolution 1 Variable Rate Bond Program—Variable Rate Bonds due upon demand through 2007.	49,000	—	—	49,000	2,328
1985 Resolution A Development Bond Program—8% Term Bonds until 1/7/86, variable rate thereafter, maturing in varying installments through 2019.	250,000	—	14,000	236,000	237,328
1987 Series A GNMA Mortgage-Backed Securities Bond Program—8.125% Term Bonds maturing in varying installments through 2019.	4,450	—	—	4,450	362
1987 Series A Mortgage Revenue Bond Program—10.625% Term Bonds maturing in varying installments through 2030.	12,865	—	—	12,865	1,367
1987 Series A Multi-Family Housing Bond Program—8.625% to 9.625% Term Bonds maturing in varying installments through 2019.	—	9,430	—	9,430	898
1988 Series A Variable Rate Demand Bond Program—Variable Rate Bonds due upon demand through 2016.	—	2,000	—	2,000	110
Total 80/20	874,468	11,430	138,934	746,964	281,095
Hospital Residence:					
1985 Series 1 MBI 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	104,794
Total Hospital Residence	96,022	—	—	96,022	104,794
Total Bonds Payable Housing Development Corp.	\$1,998,163	\$11,430	\$155,295	\$1,854,298	\$468,648

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	17,037
Total Bonds Payable Housing New York Corp.	\$209,996	—	—	\$209,996	\$17,037
Total Debt Payable	\$2,208,159	\$11,430	\$155,295	\$2,064,294	\$485,685

7 Consultant's Fees

The fees paid by the Corporation for legal and consulting services in fiscal 1988 include: \$97,615 to Brownstein, Zeidman and Schomer for legal services; \$18,000 to Caine Gressel Midgley Slater, Inc., \$6,250 to Touche Ross & Co. and \$4,020 to Sussman Markowitz Assoc. for other consulting services.

In addition, the following legal fees were paid: \$369,056 to Hawkins, Delafield & Wood, and \$1,404,603 to Paul, Weiss, Rifkind, Wharton & Garrison. Consulting fees paid: \$7,049 to Greenhouse Consultants, Inc., an environmental testing firm. 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.

8 Litigation

During 1988, 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 was a defendant in six legal actions.

Settlements of approximately \$12.5 million have been accrued or paid with respect to five of the aforementioned legal actions. In addition, the Corporation has entered into a settlement agreement in connection with the remaining action and has accrued approximately \$5.5 million.

The Corporation has also accrued approximately \$3 million relating to an unrelated judgment against the Corporation.

To date the Corporation has been involved in other litigation during the normal course of operations. In the opinion of Corporation management and legal counsel, the outcome of such litigation is not expected to have a material adverse impact upon the Corporation's financial position.

9 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 \$3,374,000 for fiscal 1988.

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.

10 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 Corporation 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.

11 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. HOC receives the annual contract contributions periodically during the year and disburses funds monthly for the benefit of the covered

projects. At the balance sheet date the Corporation held \$5,156,000 in prefunded annual contributions. Related fees earned during fiscal 1988 amounting to \$1,493,000 and are included in the Corporate Services Fund.

12 Commitments

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

Year Ending October 31	
1989	358,000
1990	358,000
TOTAL FUTURE RENTS	\$716,000

Remaining mortgage commitments at October 31, 1988 are as follows:

HOUSING DEVELOPMENT CORPORATION:	
Multi-Family Bond Programs:	
80/20	\$64,691,000
Hospital Residence	4,133,000
HOUSING ASSISTANCE CORPORATION	3,415,000
TOTAL COMMITMENTS	\$72,239,000

Remaining investment commitments for the purchase of mortgage backed securities at October 31, 1988 are as follows:

Housing Development Corporation	\$3,610,000
Housing Assistance Corporation	1,865,000
TOTAL COMMITMENTS	\$5,475,000

13 Subsequent Events

A On November 22, 1988, the Corporation sold \$115.6 million aggregate principal amount of 1988 Series 1, MBIA Insured Residential Revenue Refunding Bonds (Royal Charter Properties—East, Inc. Project). The bonds were issued to refund the 1985 Series 1 Bonds and thereby to refinance the mortgage loan for the project, a mixed-use facility for the benefit of The Society of New York Hospital.

B On December 22, 1988, the Corporation sold \$236 million aggregate principal amount of 1988 Resolution A Housing Development Refunding Bonds. The bonds were issued to provide monies to refund the Corporation's outstanding 1985 Resolution A Bonds in order to provide funds to finance mortgage loans for multi-family rental housing. The 1985 Bonds were redeemed on December 30, 1988.

C On January 17, 1989, the Corporation redeemed \$2.1 million aggregate principal amount of the Multifamily Housing Limited Obligation Bonds (Allerville Arms) as a result of Allerville Arms' prepayment of their outstanding mortgage loan balance.

D On January 20, 1989, the Corporation sold \$10 million aggregate principal amount of 1989 Series A Variable Rate Bonds (Upper Fifth Avenue Project). The bonds were issued to provide monies to refund \$10 million of the 1988 Resolution A Housing Development Bonds in order to provide funds to finance the mortgage loan for a multi-family rental housing project.

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