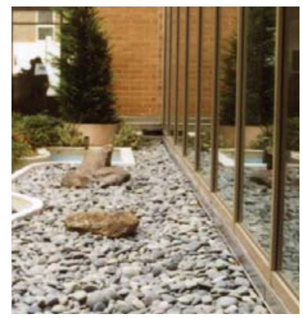
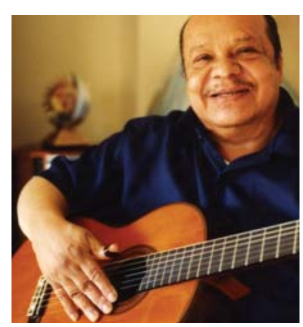
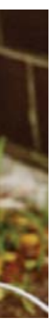
PRESERVING NYC

NEW YORK CITY HOUSING
DEVELOPMENT CORPORATION
ANNUAL REPORT
2005





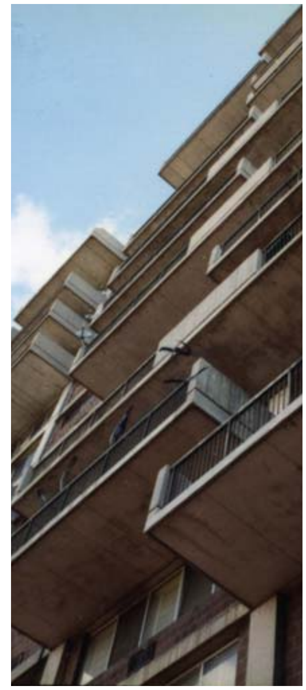
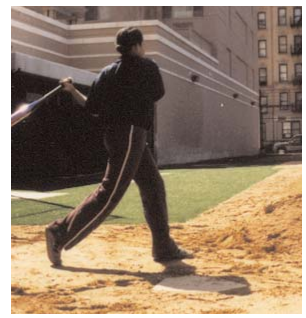


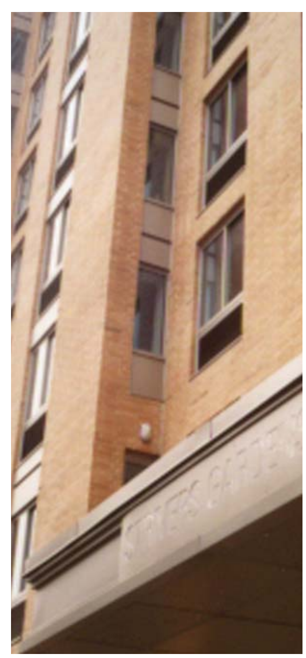



NEW YORK CITY HOUSING
DEVELOPMENT CORPORATION
ANNUAL REPORT
2005

Submitted to
Honorable Michael R. Bloomberg, Mayor
Honorable William C. Thompson, Jr., Comptroller
Honorable Mark Page, Director of Management and Budget

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



PRESERVING NYC

Preservation helps define the future of our city.

2005 was another year of phenomenal growth for New York City and for the Corporation in particular. Construction of new residential buildings is a ringing endorsement by the private sector that the City's long-term prospects couldn't be better. During this rapid build-up and expansion it is crucial that the City never forget that the total housing landscape includes apartments that are affordable for people of *all* income levels. HDC's preservation effort leads the affordable housing finance industry, and will help New Yorkers from many walks of life, from working families to senior citizens. Our efforts are described in the pages that follow.

Record results to report.

REPORT OF THE PRESIDENT, EMILY A. YOUSSOUF AND THE CHAIRMAN, SHAUN DONOVAN

On behalf of the Members and staff of the New York City Housing Development Corporation (HDC), we are pleased to report that fiscal year 2005 was the most productive year in the Corporation's history, with a record-breaking $1.4 billion worth of bonds issued.

Creating Affordable Housing Across the City

Fiscal year 2005 was another record year for the New York City Housing Development Corporation, in which HDC financed the construction or preservation of 9,200 new apartments by issuing $1.4 billion in bonds. Not only was this the highest annual volume of activity in our history, HDC remained the largest issuer of multi-family affordable housing bonds in the nation in 2005.

Across New York City, HDC has financed affordable housing development and preservation, reinvigorating many communities that persevered through many years of flight, abandonment and infrastructure decay. Memories of the arson-filled late 1970s and early 1980s are being erased with rehabilitated apartment buildings and new developments financed by HDC. On 170th Street and Shakespeare Avenue and around the corner on the 1400 block of Jesup Avenue in the Bronx, for example, nearly 300 apartments are being built in four multi-family buildings. Thanks in part to HDC's investments, countless neighborhoods are coming back from the brink, and people who stayed through the worst of days are being rewarded with access to improved housing. But the neighborhood resurgence isn't only helping those who stayed. Newcomers are also discovering these neighborhoods because HDC's diverse programs reach people with many income levels. Our financing helps New Yorkers who need housing, from low- to moderate-income residents, to young families and senior citizens.

Mayor Bloomberg's New Housing Marketplace Plan

HDC's innovative financing programs have helped create or preserve more affordable housing in 2005 than in any previous year. More than 9,000 apartments were financed through the issuance of $1.4 billion in bonds, along with more than $78 million in loans from our corporate reserves. While the bonds we issue are critical to affordable housing finance, they are often not enough. Our low-interest loans can close the critical gap in financing to create affordable housing in New York City, where high construction and acquisition costs make developing affordable housing a particular challenge.

On the State level, the New York State legislature has recognized our continuing innovation and has voted to increase the amount of bonds the Corporation is authorized to have outstanding, allowing us to continue our mission of financing affordable housing throughout the five boroughs. HDC's volume of outstanding bonds has grown by nearly 30% over the last two years, and we have maintained our leading position as the only local multi-family housing finance agency in the nation to receive Standard & Poor's high AA credit rating. Our exceptional credit rating, high volume of deals completed and increased bonding authority has continued HDC's successful trend over the past several years. Many factors have contributed to the Corporation's continued growth and success, beginning with Mayor Michael R. Bloomberg's commitment to increasing the supply of affordable housing through his *New Housing Marketplace* plan.

In December 2002, Mayor Bloomberg announced his *New Housing Marketplace* plan, which set an ambitious goal of building or preserving 65,000 units of affordable housing between 2003 and 2008. Under this five-year plan, HDC was charged with building or preserving 17,000 units. But by October 31, 2005, we had already produced 17,200 units, fulfilling our goal just halfway through the five-year plan. As a result of this successful milestone, the overall success of the plan, and the robust strength of New York City's housing market, Mayor Bloomberg pledged in October 2005 to significantly expand the *New Housing Marketplace* plan by extending it through 2013, and increasing the total to 165,000 units of affordable housing. Of that new total, HDC will be responsible for creating or preserving more than 25,000 affordable apartments. We are looking forward to the challenge that lies ahead—turning projected numbers into reality.

Innovation to Encourage Homeownership

Through the last five years, our bond issuance has been growing largely because of our continual pursuit of innovative ideas to finance affordable housing. The innovation continues today, as we search for the most effective ways to produce and preserve the largest number of affordable apartments possible. In early 2005, HDC recognized an increasing interest from developers in building homeownership opportunities. To encourage homeownership, and in response to interest from the development community, HDC created the Cooperative Homeownership Program, which provides substantial financial incentives for developers to build middle-income apartments and also requires that buyers participating in the program earn no more than $157,000 for a family of four. This innovative program specifically targets middle-income families who are often priced out of the market.

We have already begun to see the success of this program. Two buildings have already begun construction, including The Sutton, an 11-story building with 135 apartments on the burgeoning 145th Street corridor in Harlem, and Bushwick Gardens, two eight-story buildings with 88 apartments on Beaver Street in Bushwick, Brooklyn. As a result, two other key lending institutions, JPMorgan Chase and Citibank, have joined Bank of America to participate in the program.

Preserving Homes and Preserving Affordability

Many times, when people think about new housing development, the image they have is of construction sites with cranes, work crews, piles of dirt and cement mixers. Just as important is the less visible work that goes into preserving our city's affordable housing stock. This means maintaining the structural integrity of apartment buildings, and providing financial assurance that buildings that were built for low- and middle-income residents remain affordable to that population.

Notably, in 2005, HDC funded many preservation initiatives that will provide long-term affordable housing for residents of New York City. Our biggest single preservation investment, resulting from our partnership with the New York City Housing Authority, will have an impact across the whole city as $300 million in critical repair work is performed on buildings housing some 420,000 people. But many other preservation initiatives occurred this year. For example, in the first transactions of a program that is likely to remain active in the coming years, we financed the rehabilitation of several aging buildings for low-income senior citizens that were built under the U.S. Department of Housing and Urban Development (HUD). We lent money to reputable owners to buy and renovate five affordable buildings in the Bronx that had been designated as "financially distressed" by the HUD. Finally, we also began executing a new program that will ensure that buildings built under the Mitchell-Lama housing program remain affordable.

Housing Authority Rehabilitation Initiatives

In April, HDC issued tax-exempt bonds to finance $300 million worth of critical maintenance on properties owned by the New York City Housing Authority, which typically depends on capital funding from Washington for most of its expenditures. By issuing these bonds, HDC provided the Housing Authority with a large lump sum needed to finance large-scale rehabilitation projects that will ensure their usefulness for their foreseeable future.

Traditionally, the roles of HDC and the Housing Authority have been separate but related. HDC finances the construction of affordable apartments while the Housing Authority develops and administers existing affordable public housing. Given the complimentary nature of these two organizations, HDC saw that by partnering with the Housing Authority, we could work together to pursue our missions more effectively.

With 2,698 buildings under its management housing about 420,000 people in 179,397 apartments, the Housing Authority is the largest public housing provider in North America, but it has limited resources available to maintain these buildings. The Authority wanted to accelerate the modernization of its aging public housing stock and formulate a plan to coordinate building rehabilitation over the coming years. HDC entered into a loan and oversight agreement with the Housing Authority, agreeing to advance the proceeds from the sale of $300 million worth of tax-exempt, fixed-rate bonds. HDC and the Housing Authority are working together to ensure the long-term preservation of these buildings by funding brick work rehabilitation, caulking and roofing for 156 buildings in 129 of its 345 developments. The Housing Authority anticipates using a second allocation to address other critical physical plant improvements, including the computerization of heating systems in buildings that were built when the typewriter and slide rule were staples in every office. The second phase will help the Authority and HUD, which finances the Authority with annual capital appropriations, attain long-term operating savings. The end result of this work will be to ensure continued affordable housing for the low-income tenants of many Housing Authority buildings.

Section 202 Refinancing Program

Programs operated by private charities (nonprofits), supported by HDC can help ensure that low-income senior citizens have safe, secure and stable housing. HDC created another innovative program that helps preserve affordable housing for seniors, once again demonstrating how innovation is driving HDC's record growth. HDC started a Section 202 Refinancing Program in order to rehabilitate and upgrade housing for senior citizens financed through HUD's Section 202 Program. Since its inception in 1959, HUD's program has provided money for the construction, rehabilitation or acquisition of housing for the low-income elderly. In one of the first projects, HDC issued tax-exempt bonds to finance improvements and renovations in two buildings owned by nonprofit agencies: Wien House, a 16-year-old building with 127 apartments run by the YM&YWHA of Washington Heights & Inwood, and Phelps House, a 23-year-old building with 168 apartments on the Upper West Side operated by the Goddard Riverside Community Center. Our program allowed the owners of each of the properties to significantly reduce the amount of interest they pay each month, allowing them to provide greater social services to populations that are aging in place and the tax-exempt nature of the bonds also allows the developments to benefit from Federal low-income housing tax credits. Another transaction completed in December was the refinancing of more than 1,000 apartments in 10 properties in Brooklyn and Queens. In these buildings, controlled by Catholic Charities, we used single-pool financing, the first of its kind in the country.

Assistance to Distressed Properties

Our partners at Catholic Charities, the YM&YWHA of Washington Heights & Inwood and the Goddard Riverside Community Center, are well-known as responsible managers who take exceptional care of the properties they managed. However, affordable housing developments can fall into disrepair as the result of negligent building owners. In these cases, HDC can step in to help the tenants of such buildings. HDC is always looking for ways to combat deterioration of the city's affordable housing supply. This year, we teamed up with former New York Met Mo Vaughn and his company, Omni New York LLC, which purchased and renovated two developments comprised of five buildings in the Bronx. These developments had failed two consecutive inspections and were deemed "financially distressed" by HUD, which had received numerous tenant complaints about deplorable and unsafe conditions.

The purchase was made possible through a $28.6 million HDC loan of which $5 million was used to renovate Thessalonica Court, at 350 St. Ann's Avenue, and the Brookhaven I Apartments, at 197 and 205 Brook Avenue and 198 and 202 Brown Place. With the HDC financing, Omni was able to perform greatly needed rehabilitations, including new kitchen cabinets, apartment floors, tiles, tubs, toilets, boilers, security cameras, hot water heaters and electrical and plumbing upgrades. Because the loan financing was made through HDC's Low-Income Affordable Marketplace Program (LAMP), these apartments will remain affordable for the long term.

Maintaining the Mitchell-Lama Housing Supply

Just as HDC has financed the maintenance and rehabilitation for aging or neglected buildings, we have also financed the continued affordability of apartments that were in a good state of repair but at risk of being converted to market-rate units. Since 1955, the Mitchell-Lama program has been an enormously important component of New York City's affordable housing stock, creating tens of thousands of apartments throughout the five boroughs. However, the affordability of the apartments is limited by a sunset clause: building owners who participate are permitted to leave the program after 20 years, or when they pay off all their government debt, whichever comes later. At that point, an affordable apartment can be converted into market-rate housing, possibly leading to the displacement of low- to middle-income residents. In fact, some 18% of the city's original Mitchell-Lama housing, or about 27,000 units, has already left the program. HDC has been working on inventive ways to maintain the affordability of these apartments. In June 2004, HDC launched two programs designed to maintain the affordability of Mitchell-Lama housing: the Mitchell-Lama Repair Loan and Mortgage Restructuring Programs. Over the course of a year and a half, we preserved the affordability and physical structure of 12,000 apartments through these programs.

2006 and Beyond

In the 1970s and 1980s, HDC, along with the New York City Department of Housing Preservation and Development, numerous community development corporations and the intermediaries that serve them helped eliminate the problem of widespread property abandonment. Today, with abandonment thankfully a thing of the past, we are a key player in alleviating the city's current challenge: affordability. It's a role we expect to continue to occupy in the years ahead. Housing costs are rising for people at all income levels, but for low- to middle-income New Yorkers, those rising costs are especially difficult to afford. HDC's model for growth is built upon private market principles: leveraging the use of private investment to finance a public good. We are certain that this unique role in financing affordable housing will continue to grow in importance in the years ahead.

EMILY A. YOUSSOUF
PRESIDENT

SHAUN DONOVAN
CHAIRMAN

Hamilton House (176 units)
141 West 73rd Street, Manhattan
Completed in 1918
Renovated 2005-2006

A commitment to renewal.

Throughout Fiscal Year 2005, the New York City Housing Development Corporation pressed hard to finance new affordable housing throughout the city, and also to preserve existing apartments that were at risk of falling into disrepair or becoming unaffordable. These preservation efforts were greatly augmented this year, even as we were continuing our thriving efforts to finance new construction.

HDC started off the fiscal year with an enormous push in December 2004 to complete a number of financing transactions. In addition to financing the rehabilitation of three aging affordable housing buildings for seniors in Manhattan, we completed transactions on five developments in the Bronx under the Low-Income Affordable Marketplace Program (LAMP) that contained a total of 612 apartments. The popularity of the program remained strong throughout the calendar year, as the Corporation later financed 11 more LAMP developments in the Bronx alone. All 16 of these developments are being built in the resurging neighborhoods south of Fordham Road. From the White Plains Courtyard in Pelham Parkway, to a grand new building near Charlotte Street, to the two 8-story buildings rising near Morris Avenue and East 153rd Street, we are building upon many years of earlier work to revitalize neighborhoods that had been beset by abandonment and decay.

While our LAMP developments were the most numerous, we continued to see much interest in our middle-income programs, the New Housing Opportunities Program, or New HOP, and the Cooperative Housing Program. Those programs, which restricts occupancy to people earning no more than 175% to 200% of the area median income, were responsible for the financing of Ralph Avenue, Phase II, in Bedford-Stuyvesant, Brooklyn, the Cassiopeia Apartments and the Sutton in Harlem, and Bushwick Gardens in Bushwick, Brooklyn. Our Mixed-Income program continued to gain traction as we financed the construction of 33 West End Avenue at 61st Street, the State Renaissance Plaza in Downtown Brooklyn, and, after the end of the calendar year, 89 Murray Street in TriBeCa. This initiative is gaining in popularity as developers are increasingly attracted to the program's unique and innovative structure for encouraging the construction of buildings with apartments reserved for low-income, middle-income and market-rate tenants—and often along with it, retail space that helps create the type of dense mixed-use communities that account for much of New York's vibrancy as a fast-paced, active city.

These developments, and numerous others in Manhattan, Brooklyn and Staten Island, are the result of our continuing innovation and leadership in the field of affordable housing finance. Our 2005 volume of activity again placed HDC as the most active of the nation's multi-family affordable housing finance agencies. We were more active than the state agencies serving California, Texas and Florida combined, while local agencies in these states also finance affordable housing construction. All told, during the calendar year of 2005, we issued $1.5 billion in financing, an HDC record volume of activity, with the help of a $284 million boost to our Private Activity Volume Cap from the Empire State Development Corporation, the largest single-year allocation to HDC ever. The allocation allows HDC to issue tax-exempt bonds at a lower interest rate, and thereby is responsible for creating more low-income housing. Not only did we outpace other housing finance agencies, we outpaced ourselves. Two-thousand five was a year marked by record numbers on many fronts. For example, we originated 65 loans, up from 34 in 2004 and 25 in 2003. More loans lead to more apartments. HDC financed the construction or

Phelps House (168 units)
595 Columbus Avenue, Manhattan
Completed in 1983
Renovated 2005-2006

Preservation has several advantages over new construction. For example, cost.

preservation of 4,263 apartments during the calendar year 2005, nearly 100 more than the prior year. But our major burst of growth occurred in our programs to refinance and rehabilitate Mitchell-Lama buildings, as described below. This year we preserved 26 Mitchell-Lama developments, enthusiastically inaugurating a new program added to our list of preservation vehicles.

New and Growing Preservation Initiatives

Cranes, cement mixers and gleaming new buildings show growth in a dramatic, tangible way. Of course, we are very proud when we can cut ribbons and show off our new buildings. But this year we devoted a great deal of our energy to preservation of aging buildings. This allows us to pursue our mission of financing housing for low-income and middle-income New Yorkers through every innovative means we can—whether it's through high-profile new construction or behind-the-scenes rehabilitation of older buildings. For low-income and middle-income New Yorkers, an apartment preserved is as critical as one that is newly built.

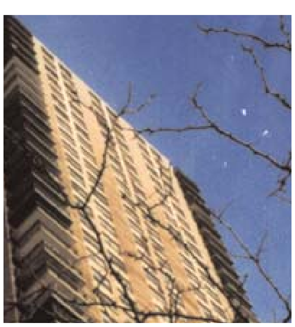
Besides being simply another way to fulfill our mission, preservation has several advantages over new construction. First, it is less expensive to repair a building than to tear it down and build new. Preservation capitalizes on previous investment. The work of generations of developers, finance agencies and public officials has given us a remarkable stock of affordable housing. Federal initiatives like the Section 202 housing program for very low-income seniors run by the U.S. Department of Housing and Urban Development, state programs like Mitchell-Lama, and city programs administered by the Department of Housing Preservation and Development have all contributed to the city's supply of affordable housing. The critically needed apartments built under these programs cannot last forever. In particular, many of the buildings that were constructed during the era of "cost containment" during the 1960s and 1970s, are showing signs of deterioration. Second, we want to capitalize on today's climate of low-interest rates to offer additional benefits. In many cases, it is possible to refinance a mortgage at the same time as we finance reha-

HDC**Preservation**@**work**

Mildred Miller, 89
resident of Phelps House

Mildred Miller, 89, moved into the Phelps House from Long Island to be closer to her son, who lives in the West Village. When she moved in seven years ago, she was caring for her ailing husband, Paul, who had Alzheimer's Disease. Sadly, he died a year after they moved into the Phelps. The couple, both from Brooklyn, met during World War II at a coffee shop in Miami Beach, when he and some Army buddies were on leave and she was vacationing with friends. She was attracted to his intellectualism. "One of them we sort of knew, so he came by and said hello. The other one, he was doing the *New York Times* crossword puzzle in ink," she recalled. "Eight months later, we were married, and we were married for sixty years."

Her apartment, like all of those in the Phelps House, received new cabinets and windows and was repainted. "The people that did this work, I must compliment them," she said. "They minded their own business and were very quiet and efficient." Ms. Miller said the new cabinets were the best improvement. "They were falling apart," she recalled. "It was awful." Now, she is more proud to welcome her four grandchildren and three great-grandchildren when they visit.



HDC uses its corporate reserves to provide low-interest loans to address repair and preservation needs of the Mitchell-Lama buildings.

These buildings are between 30 and 40 years old, with most of the properties' physical systems reaching the end of their useful life.

bilitation work. By doing so, HDC lowered the monthly payments for many nonprofit housing providers, allowing them to use the savings to strengthen their social services.

Mitchell-Lama Preservation Programs

In 1955, two New York state legislators, Senator MacNeil Mitchell, a Republican from the Upper East Side, and Assemblyman Alfred A. Lama, an architect and Democrat from Brownsville, Brooklyn, sponsored legislation that created nearly 150,000 apartments for middle-income New Yorkers between 1955 and 1978. "The Mitchell-Lama program," wrote Richard Plunz in *A History of Housing in New York City* (Columbia University Press, 1990), "was the first program to openly provide government philanthropy for the middle class. It was designed to promote construction of urban middle-income housing, which neither the public housing program nor unsubsidized private developers were producing."

Building owners who participated in the program received low-interest State or City construction loans and property tax abatements. In return, they promised to keep their buildings affordable to middle-income tenants for 20 years. After that period, developers were permitted to "buy out" of the program by paying off all their outstanding government debt and agreeing to forego their tax abatements. As those 20-year time periods have expired, pressure has grown on building owners to drop the middle-income restrictions in favor of charging market rates for the apartments. At least 24,000 apartments have left the program, causing upheaval in buildings where tenant turnover has occurred and forcing middle-income families to look for housing elsewhere.

In a city where property values and rents continue to soar, the loss of affordable housing has crippling results, displacing longtime neighborhood residents, altering a community's traditional character and exacerbating social tension between old time residents and area newcomers. Tenants of these properties are unsure about what will happen to them if their owners opt-out of the program. For years, policy makers have been searching for a way to encourage owners to remain in the program.

In response, HDC shaped an innovative solution to keep these apartments as an affordable housing resource for many years to come. Since 1977, HDC refinanced a portfolio of 28,000 Mitchell-Lama apartments. We launched two new programs in June 2004 that together have resulted in the rehabilitation and/or continued affordability of 13,000 apartments through the issuance of $481 million in new mortgage debt.

The Mitchell-Lama Mortgage Restructuring Program

This program refinances the existing debt on the properties. HDC purchases these mortgages and provides borrowers with new first and second mortgages financed through the sale of tax-exempt and taxable bonds. In many instances there is also a transaction that decouples the development from its Section 236 interest subsidy. The result is the stabilization of a development's cash flow without creating unmanageable debt in the future. HDC also provides participating owners with additional funds to finance capital repairs. This program requires owners or co-op boards to keep the developments affordable for at least the next 15 years, with an expectation they could stay affordable through the length of the new 30-year mortgage term.

The Mitchell-Lama Repair Loan Program

HDC uses its corporate reserves to provide low-interest loans to address repair and preservation needs of the Mitchell-Lama buildings. These buildings are between 30 and 40 years old, with most of the properties' physical systems reaching the end of their useful life. Loans may be used to fund systems modernization, capital improvements or repairs. Participation in this program prevents owners or co-op boards from buying out of the program for at least 10 years.

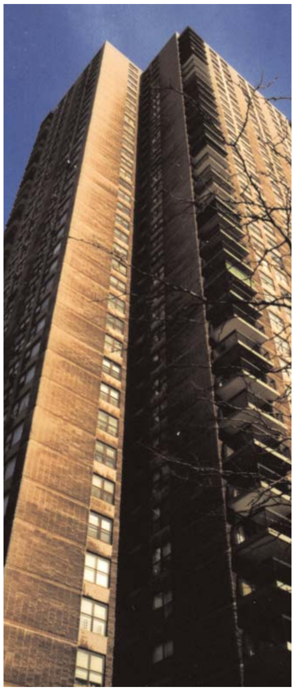
The innovative nature of these programs has been documented in numerous ways: recognition from elected officials, partnerships with other New York State agencies, and most important, high demand among borrowers

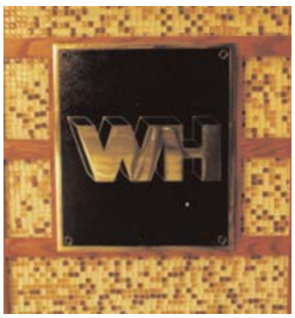
HDC**Preservation**@work

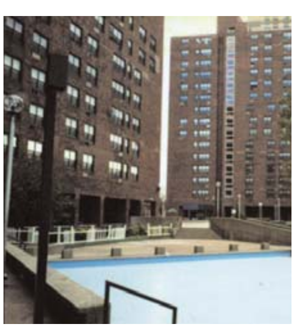
Denise Conyers, 52
resident of Phelps House

Denise Conyers, 52, has lived in the Phelps House since 1986, when she moved into the building with her two children, who were then 10 and 11 years old. She uses a wheelchair for mobility, a consequence of her multiple sclerosis, which was diagnosed five years before she moved in. Despite the difficulties this can create (for example, the Bronx building where she lived before she moved into Phelps had five stairs but no ramp), she enjoys traveling throughout the city. She once made it as far as downtown Brooklyn on city buses, and has traveled as far as 57th Street in her wheelchair.

Ms. Conyers was a data entry operator at Manufacturers Hanover Trust before her MS was diagnosed. Since moving into the Phelps House, she's earned a degree in sociology at City College, and has completed three New York City Marathons. She spends much of the day in her apartment, and said she was pleased with the results of the renovations, in particular, the upgraded windows that face the green canopy above the tree-filled rear yard, and brings light to her aloe and philodendron plants. "It just looks nice," she said. "It looks like you are looking at a picture in a museum."







For low-income and middle-income New Yorkers, an apartment preserved is as important as an apartment newly built.

citywide. One critical aspect of the program is its long-term impact; participating properties have agreed to stay in the Mitchell-Lama program for an additional 15 years.

Many building owners opted to participate in both programs, including Project FIND (for Friendless, Indigent, Needy and Disabled), an Upper West Side non-profit agency that provides human services to the home-less, elderly and poor. "We'd been looking for a long time to find a financing source," said Cynthia Dial, Project FIND's executive director. "We went to HDC a year ago, and their answer was "Yes! No problem!"

One of Project FIND's facilities is the Hamilton House, a 15-story, 176-unit Mitchell-Lama apartment building at 141 West 73rd Street, between Columbus Avenue and Verdi Square. The building was built in 1918 as a stately apartment house before falling on hard times in the 1960s, when it was turned into a welfare hotel. Project FIND bought the building and renovated it as senior housing in 1972 under the Mitchell-Lama program. It has held up well, but after 33 years was in need of significant repairs. Project FIND owed it to the building's 188 residents, who are on average 80 years old, to ensure that the building remained habitable in perpetuity. HDC issued a $4 million repair loan to Project FIND, which the agency used to repoint the bricks and rehabilitate stucco work, restore the lobby, install showerheads in the apartments, and install sprinklers and a generator that can power the elevators, lights, air conditioning and water pumps. But the top priority for the building, Ms. Dial said, was to fix the elevators. "The elevators were in such bad shape," she said. "HDC allowed us to get them done first. They were flexible, they were supportive, and they always said, 'Oh, we can do that.'"

The success of the Mortgage Restructuring and Repair Loan Programs led to 13,000 apartments being saved, but we wanted to preserve the affordability of even more of the 27,000 Mitchell-Lama apartments in our portfolio. At the end of fiscal 2005, we created the Mitchell-Lama Co-Op Conversion Program, which preserves affordability and promotes homeownership. We expect this program to generate significant activity during the upcoming year.

202 Preservation Program

The Mitchell-Lama buildings are not the only buildings that need preservation. Since 1959, the United States Department of Housing and Urban Development (HUD) has financed more than 15,000 apartments in 154 developments for very low-income senior citizens through its Section 202 program, which is conducted in conjunction with nonprofit organizations that own and operate each of the buildings. However, many of these properties have come to need upgrading and rehabilitation as they have aged. To allow for this much-needed work, HDC has launched a new program aimed at preserving this vital affordable housing resource. The program not only finances major rehabilitation work, but it allows for increased investment in social services. Under this new program, HDC pays off the HUD mortgage and then issues a new mortgage at a lower rate to help the nonprofit sponsors of this critical housing. With the savings produced through the new HDC financing and the equity generated through the sale of federal low-income housing tax credits, property owners can afford to do much-needed rehabilitation and increase social services to aging populations. As the occupants of this housing are well aware, an apartment preserved is just as important as an apartment newly built.

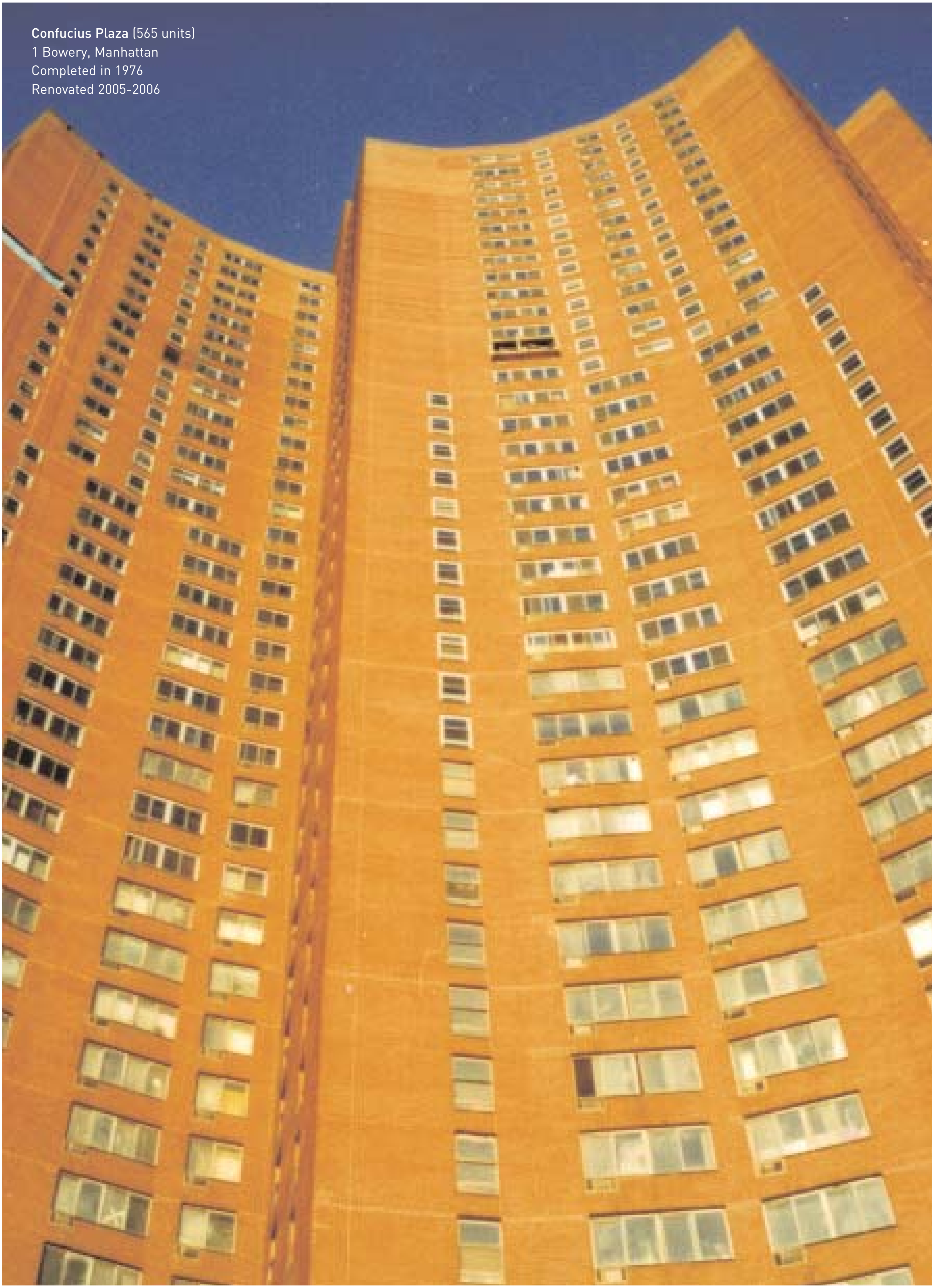
The 202 Refinancing Program allowed the YM&-YWHA of Washington Heights & Inwood to rehabilitate the Wien House, a 14-story apartment building with 127 senior residents that is connected to the Y in the Inwood neighborhood at the northern tip of Manhattan. The refinancing package allowed the Y to paint each of the 99 apartments in the building and to replace the kitchens and windows in each apartment. It also allowed the Y to rehabilitate the hallways with new fixtures, ceilings and wallpaper, to install a generator to be used in the event of a blackout, and to enclose a backyard terrace so that residents would have a place to eat breakfast in the mornings. It also allowed the Y to reduce its monthly mortgage

HDCPreservation@work

Mario Rosell, 79
resident of Wien House

Mario Rosell, 79, moved to New York from Cuba in 1960. In New York, he moved to Astoria, Queens, and worked all around the city over the years as an elevator repair man, plumber and an electrician who wired the city's street lights. He appreciates the quality of newness that has engulfed his living area now that the renovations are completed. "They put in a new stove, new cabinets, new fixtures, a new hallway with new wallpaper," he said. "Everything is new!"

Besides simply upgrading the apartments and corridors, the renovations and refinancing at Wien House led to the construction of two brand new computer rooms for the tenants. One floor up from his apartment, Mr. Rosell takes the stairs for a bit of exercise each morning and afternoon, then spends hours browsing the Internet and enjoying, among other programs, the computer's imaging software. It's possible that Mr. Rosell uses the computer room more than any other tenant. This is fantastic," he said, with a sweeping gesture that took in the entire 14th-floor computer room and library. The sun warmed him as he worked to create a digital photo album to e-mail to his children.



Confucius Plaza (565 units)
1 Bowery, Manhattan
Completed in 1976
Renovated 2005-2006

“This is all very cutting edge. Nobody has ever really done this type of transaction before.”

payment by 28%, allowing them to use the savings to hire a breakfast cook and a part-time building nurse, and made a part-time social worker full-time. And it began to foster a greater sense of community among the residents, according to Martin G. Englisher, the executive vice president of the Y. “Our residents who used to cook for themselves began taking breakfast downstairs while their kitchens were being renovated,” he explained. “They started getting to know one another. I saw a lot of friendships made.”

The age range of the tenants at the Wien house is 62 to 101. The average age has been creeping up as residents age in place. It is now 82. “This refinancing helps us with all of the back-of-the-house services that you don’t necessarily see,” Mr. Englisher said. “With all the new services, a person can stay in their apartment for as long as they live.”

“Working with HDC was great,” he said. “Every time, if there was an issue, they said, ’We’ll work it out.’ They were very creative and willing to help us.”

The Phelps House, on Columbus Avenue between 88th and 89th Streets on the Upper West Side, was refinanced through our 202 program as well. Phelps is run by Goddard Riverside Community Center, which is on site. Phelps House needed a new boiler, new elevators, new kitchens in each of the apartments. “We couldn’t have done this without HDC,” said Stephan Russo, Goddard Riverside’s executive director, listing the entities who had declined to assist them with their plans to refinance and rehabilitate their building and the specific difficulties that made it challenging. “This is all very cutting edge. Nobody has ever really done this type of transaction before. We are the pioneers.” Best of all, Goddard Riverside’s monthly interest rate dropped by three percentage points, freeing up money for an on-site social worker who helps coordinate care for the tenants. “This funding is critical,” Mr. Russo said. “Otherwise you end up having to rob Peter to pay Paul just to keep your social services going.”

New York City Housing Authority Capital Improvement Program

The New York City Housing Authority’s familiar brick

HDC**Preservation**@work

Cresencio Alejandro Mendoza, 62
resident of Logan Gardens

Years before his heart attack struck at age 39, Cresencio Alejandro Mendoza worked in the merchant marine service, transporting goods throughout the Caribbean Sea Latin America. It was a colorful but rough life that involved plenty of smoking and drinking. On shore leaves, Mr. Mendoza played guitar at bars, more for fun than tips.

Originally from Puerto Bolivar, Ecuador, he moved to Harlem in hopes of settling into a more stable life. He fell in love with a Dominican woman, whom he married. But the couple divorced, and less than a year later, he suffered a heart attack.

Thirty-seven hours later, he awoke to a new reality. Two nurses were talking quietly nearby. “They said, ’This man will never live another 10 years,’” he recalled. That was in 1982. Soon thereafter, with his health never far from the forefront of his mind, Mr. Mendoza settled into Logan Gardens, where he lives in a sunny one-bedroom apartment. He recently helped organize tenants to push for building improvements, which led to HDC’s involvement. Now he no longer smokes or drinks. “When I play guitar I feel like I can’t breathe,” he said. “My cardiologist said, ’Take it easy’!”

Innovative housing programs are reshaping the way that affordable housing is preserved.

towers are perhaps the most iconic symbol of affordable housing to many New Yorkers—and for good reason. With 2,698 buildings under its management, housing about 420,000 people in nearly 180,000 apartments, the Authority is the largest public housing provider in the world. But the Housing Authority is dependent on monies from Washington that fluctuate from year to year, and most important, are never large enough to allow the Housing Authority to embark on the kind of aggressive maintenance program it needs to pursue to allow for the upkeep of its aging properties. The Housing Authority needed a lump sum of money that it could use to plan for a multi-year rehabilitation effort and draw down on its own timetable.

"We had a tremendous need to maintain our aging buildings," said Tino Hernandez, the Chairman of the Housing Authority. "We're not a financial institution. HDC has that expertise. It was a perfect marriage."

In April, HDC assisted the Housing Authority by issuing $300 million in bonds, and lending the proceeds of the sale to the Housing Authority at a blended rate of about 5% interest, which the Housing Authority will repay with its stream of funding from Washington. "This gave us a reliable source of money that we could then plan projects around, as opposed to this year-to-year variable capital funding," Mr. Hernandez said.

The funding will allow the Housing Authority to perform much-needed maintenance on 156 buildings in 129 of its 345 housing developments. The work includes exterior brick work, caulking, major structural repairs and roofing work. "All the basics you need to have great housing," Mr. Hernandez said. The full list of maintenance projects can be found at the Housing Authority's website at www.nyc.gov/html/nycha/html/about/bond_issue.shtml. The first phase of the bond allocation focused on structural and exterior work. HDC plans a second bond issue in 2006, of an approximately equal dollar value, that will modernize many interiors of Housing Authority properties that date back to the 1940s, 1950s, and 1960s. Projects in this phase will include replacement of heating, plumbing, and elevator systems, installation of automated boilers, kitchen and bathroom upgrades, modernization of underground utility lines and modernization of intercom systems. "We're talking about buildings that are over 40 years old," Mr. Hernandez said. "Many of the major systems are at the end of their life cycles."

Besides simply allowing a vast amount of needed maintenance and modernization to occur, this new financial partnership allowed for a number of added benefits. The Housing Authority's greater financial stability will allow it to save money by realizing the economies of scale that come with large, multi-year rehabilitation project. The authority was able to bundle multiple projects together and solicit bids on the group, rather than bid out each of its 129 maintenance projects separately, with its associated costs and inefficiencies. And perhaps best of all, at least 300 permanent building maintenance jobs created by the Housing Authority's multi-year capital improvement program will be given to Housing Authority residents. These jobs will begin as union apprenticeships and will result in long-term union membership and permanent employment in the industry. "We think that we have accomplished many good things through this partnership," Mr. Hernandez said, "but it couldn't have happened without HDC's embrace of new ideas."

HUD Distressed Property Assistance

Over the past few years both the United States Department of Housing and Urban Development (HUD) and the City's housing agencies have become increasingly concerned with the growing deterioration of the properties in HUD's portfolio. As a result, HDC former New York Met Mo Vaughn along with his company Omni New York LLC pooled their dedication and resources to purchase and renovate two distressed apartment developments in the Mott Haven section of the Bronx.

The purchase was made possible through a $28.6 million HDC loan, of which $5 million was used to renovate the Thessalonica Court Apartments and Brookhaven I Apartments. Both properties had not been properly maintained by the previous owner according to Federal and local standards. Subsequently, the properties failed two consecutive physical inspections and HUD received numerous tenant complaints about the deplorable and unsafe conditions. HUD then insisted the owner sell the properties. At the same time, Omni New York LLC had approached HPD officials seeking to enter the New York City real estate market with the objective of preserving affordable housing. As the Section 8 contract administrator for HUD, HDC had a vested interest in preserving these properties. HDC's ability to issue tax-exempt bonds made for an attractive financing structure that also included the owner's eligibility to receive tax credits, which helped the owners to raise additional equity. The $28.6 million loan was secured with a letter of credit from Citibank and allowed Mo Vaughn and Omni New York LLC to purchase the two properties. Omni New York LLC earmarked nearly $5 million for rehabilitation of both developments and worked with HUD, HPD and HDC to ensure that rents for tenants remain affordable under the project-based Section 8 program which is administered by HUD.

With the HDC financing, Omni installed new kitchen cabinets and new floors in apartments, tiles, tubs and toilets in bathrooms, boilers, hot water heaters and security cameras, and made electrical and plumbing upgrades. In addition, the loan financing was made through HDC's Low-Income Affordable Marketplace Program (LAMP) in which tax-exempt bonds are sold and the proceeds made from the sale are used to finance a mortgage. The additional benefit to financing this transaction through LAMP is to ensure the long-term affordability of these developments.

Thessalonica Court Apartments at 350 St. Ann's Avenue, and Brookhaven I Apartments, which includes four buildings located at 197, 205 Brook Avenue, 198 and 202 Brown Place, were originally financed by HDC in 1983 with Federal project-based Section 8 HAP (Housing Assistance Program) contracts and insured by the Federal Housing Administration (FHA). Brookhaven contains 95 low-income units, and Thessalonica Court contains 191 low-income units. The project-based Section 8 contract was renewed for Brookhaven for an additional 20 years, and is expected to be renewed for Thessalonica Court in 2006. However, in the event this contract is no longer available, the developments will remain affordable according to the income guidelines given in LAMP, which requires that apartments are reserved for low-income families earning no more than $37,680 for a family of four. HPD extended the existing partial real estate tax exemptions to preserve affordability.

Furthermore, the successful rehabilitation and preservation of the HUD distressed properties have helped to identify additional buildings in need of rehabilitation that are to be transferred from HUD to responsible new owners with similar guarantees of infrastructure investment and affordability. This unique partnership among HUD, the City of New York and Omni New York LLC fulfills two of HUD's primary missions: preserving affordable housing and strengthening neighborhoods.

Another way that HDC assists properties classified as distressed by HUD is through HDC's subsidiary, the NYCHDC Real Estate Corporation, which buys HUD-owned distressed properties and sells them to local non-profit organizations that will improve the buildings and if necessary restore services to them. The subsidiary was created in September 2004. In 2005, it sold five previously HUD-owned properties containing 420 housing units to nonprofit organizations that are working to improve conditions in the buildings, including Logan Gardens, which we provided financing for in December 2005.

Sustaining New York's Economy Through Housing

Besides continuing with its aggressive pace of new construction by financing nearly 5,000 new apartments this year, HDC has contributed enormous resources to sustaining New York's economic growth and housing affordability, by creating innovative housing programs that are reshaping the way that affordable housing is preserved. In 2005, HDC began issuing refinancing and rehabilitation packages for Mitchell-Lama buildings and created a new program to convert Mitchell-Lama rental buildings into co-ops; we also refinanced buildings with affordable housing for low-income seniors built under HUD's Section 202 program, ensuring their continued affordability and structural soundness; and we turned around the declining fortunes of developments that were subject to neglect by their former landlords and contained some 700 apartments.

With all that has been done in the past year, in terms of preservation and new construction, HDC is responsible for more than 17,000 affordable apartments. These apartments are more than just numbers in a ledger. They are homes for New Yorkers, who each contribute in their own way to the growth of our economy and the city's unique vitality.

governing board

1. **Shaun Donovan**
   Commissioner of the New York City Department of Housing Preservation and Development (ex-officio Chairman)

2. **Peter Madonia**
   Vice Chairman
   (Mayoral Appointee)

3. **Harry Gould**
   Member
   (Mayoral Appointee)

4. **Martha E. Stark**
   Commissioner of the New York City Department of Finance (ex-officio Member)

5. **Mark Page**
   Director of the Office of Management and Budget (ex-officio Member)

6. **Michael W. Kelly**
   Member
   (Gubernatorial Appointee)

7. **Charles O. Moerdler**
   Member
   (Gubernatorial Appointee)

executive leadership







1. **Emily A. Youssouf**
   President
2. **John A. Crotty**
   Executive Vice President and Chief of Staff
3. **Urmas Naeris**
   Senior Vice President and Chief Credit Officer
4. **Richard Froehlich**
   Senior Vice President and General Counsel
5. **Carol Kostik**
   Senior Vice President and Chief Financial Officer
6. **Rachel Grossman**
   Senior Vice President, Development
7. **Teresa Gigliello**
   Senior Vice President, Asset Management

dedicated staff

Desiree Andrepont
Stacy-Ann Bailey
Melissa Barkan
Polly Bascom
Cathleen A. Baumann
Denis A. Belic
Helen Bojceniuk
Juliet L. Bolden
Gerald Boone
Claudine R. Brown
Geraldine Brown
Clytie Brusch
Stacey Burress
Maria L. Carpio
Mei Kit Chan
Evelyn S. Chen
Ping Choi
Farina Cocker
Samantha Coleman
John Crotty
Keith M. Dealissia
Rhoda Deane-Yhap
Louis DeLuca
Nicole DeNoia
Jeffrey R. DeVito
Aaron Donovan
Jacqueline Edwards-Lewis
Elaine Elisseou Serra
Loharina Estrella
John L. Fagan
Clarissa Fils-Aime
Faith Fleesler
Christina Flynn
Richard M. Froehlich
Serena Fung
Norman Garcia
Keon Garraway
Teresa A. Gigliello
Yvonne Glenn
Rachel T. Grossman
Adam Hellegers
Mary Hom
Steven Ignatiou
Shirley M. Jarvis
Mary C. John
Peggy F. Joseph
Darryl Kendrick
Zuanett Koonce
Carol Kostik
Madhavi Kulkarni
Armando C. La Torre
Chiang Lam
Charlena Lance
Israel LaSalle
Delia L. Lau
Jackie C. Lau
Nancy E. Lauck
Heather A. Laurel
Denise Loiacono
Uyen V. Luu
Z. Peter Malecki
Pellegrino Mariconda
Sylvia Martinez
Mary McConnell
Sonia Medina
Debbie Merritt-Ford
Lucille M. Messina
Michelle Mok
Stephen Mondelli
Kevin Moore
Ana M. Morales
Ruth A. Moreira
Joan Morrison
Rajmonda Muco
Urmas Naeris
Stephen I. Nagy
Yaffa Oldak
Susan M. O'Neill
Omega Ortiz
Srinivasa Rao Patidandla
Paris A. Pelham
Doris Perez
James D. Petrone
Virginia L. Philpott
Diane J. Pugacz
James P. Quinlivan
Fabian Ramirez
Roberto Ramirez
Percival Rennie
John Richards
June M. Ricketts
Carolyn Rigler
Jose Rivera
Violine Roberty
Gary Rodney
Stephanie Sadowski
Sithichai Salacheep
Karen A. Santiago
Sylvia Santiago
Betty Scarlett
Frieda Schwartz
Bharat C. Shah
Adelina Shyti
John Simons
Karyn Spector
Bonnie Sprung
Kenton Stewart
Giacomo Tafuro
Joan Tallly
Irene Tang
Shirell Taylor
Sara Thomas
Paulette V. Todman
Mary Vargas
Mathew Varghese
Catherine Villanueva
Patricia Waller
Mei Ping Wang
Micah J. Watts
Eli Weiss
Joy F. Willig
Nancy E. Wolf
Simon Wu
Henry Yee
Annie Yiu
Emily A. Youssouf
Cheuk K. Yu
Yvette D. Yuille

current developments

501(C)(3)

Project Name	Senior Loan Amount	Subordinate Loan Amount	# of Units
BROOKLYN			
55 Pierrepont St.	$6,100,000		189
MANHATTAN			
Animal Medical Center	$10,140,000		80
Lotts Residence (de Sales)	$20,665,000	$960,000	127
Marseilles Apts.	$13,625,000		134
Village Care	$9,790,000	$2,000,000	85

80/20 PROGRAM

Project Name	1st Loan Amount	2nd Loan Amount	# of Units
BROOKLYN			
Atlantic Court Apts.	$104,500,000		320
MANHATTAN			
1 Columbus Pl. Dev.	$150,000,000		730
92nd & 1st Residential Tower	$57,300,000		196
155 W. 21st St.	$42,700,000		109
520 W. 48th St.	$20,000,000		109
Carnegie Park	$66,800,000		460
Chelsea Centro	$86,900,000	$1,420,000	355
Columbus Apts.	$22,570,000		166
James Tower	$22,200,000		201
Jane St.	$16,450,000		148
Parkgate	$36,500,000		207
Related Monterey E. 96 St.	$104,600,000		522
Related Sierra	$56,000,000		213
Related Tribeca Towers	$55,000,000		440
Related Upper East	$70,000,000		261
Related - The Lyric	$91,000,000		285
Related - Westport	$124,000,000		371
Sagamore - W. 89th St.	$53,000,000		265
The Foundry	$60,400,000		222
The Nicole	$65,000,000		150
Upper 5th Ave.	$4,900,000	$9,245,100	151
W. 43rd St.	$55,820,000		375
West End Towers	$135,000,000		1,000
Westmont	$24,200,000		163
York Ave. Development	$57,000,000		272
QUEENS			
Barclay Ave.	$5,620,000		66
Queenswood Apts.	$10,800,000	$17,929,100	296

AFFORDABLE HOUSING PERMANENT LOAN PROGRAM

Project Name	1st Loan Amount	2nd Loan Amount	# of Units
BRONX			
240 E. 175 St.	$963,750	$2,891,530	120
302 Willis Ave.	$373,000	$1,074,509	36
309 Alexander Ave.	$222,000	$273,000	11
651 Southern Blvd.	$167,250	$1,731,909	41
675 Coster St.	$297,823	$439,474	33
750 E. 169 St., 1227 Boston Rd.	$456,000	$2,164,000	40
865 E. 167th St.	$903,652	$1,177,931	52
887 & 889 Hunts Point Ave.	$1,237,161	$1,129,654	46
889-903 Dawson St.	$1,120,000	$4,238,000	96
982 Prospect Ave.	$240,732	$1,158,839	21
988-992 Boston Rd.	$122,800	$1,175,432	30
1002 Garrison Ave.	$487,000	$344,009	20
1038 Boston Rd.	$911,334	$6,407,467	149
1180 Anderson Ave.	$294,000	$593,500	41
1189 Sheridan Ave.	$455,000	$1,183,000	48
1203 Fulton Ave. & 575 E. 168 St.	$538,754	$1,610,556	37
1296 Sheridan Ave.		$2,537,000	59
1740 Grand Ave.	$1,107,738	$1,107,738	93
1985-1995 Creston Ave.	$987,383	$1,542,984	84
4673 Park Ave.	$185,000	$114,553	8
Freeman Simpson	$1,230,000		67
Longfellow Hall	$915,000	$1,850,886	111
Morris Heights Cluster	$1,896,000	$3,171,000	203
Tremont-Anthony	$1,207,706		32
BROOKLYN			
36 Crooke Ave.	$1,108,869	$899,588	71
141-3 5 Ave. 5th Ave. Corridor	$631,000	$1,454,590	36
171 Rockaway Blvd.	$98,000	$1,699,808	44
201 Pulaski & 335 Franklin Ave.	$590,712	$144,000	13
218 St. James Pl.	$250,000	$232,306	12
236 Greene Ave.	$645,124	$417,280	16
243 & 249 13 St.	$749,771	$582,910	50
270 Rochester Ave.	$387,000	$124,089	16
340 S. 3rd St.	$129,230	$543,932	40
455 Decatur St.	$255,850	$227,000	8
480 Nostrand Ave.	$250,000	$1,042,075	25
530 Herzl St.	$120,931	$1,210,713	44
709-715 Lafayette Ave.	$815,000	$260,640	24
753 Greene Ave.	$164,000	$1,795,426	41
932 Eastern Parkway	$814,000	$422,000	24
1037-39 Bergen St.	$654,949	$280,000	24
1544 Park Ave. Assoc.	$460,000	$460,000	34
1615 St. Johns Pl.	$788,000		34
5201 Synder Ave.	$318,278	$1,347,969	33
Clarkson Gardens	$2,000,000	$4,025,000	105
Van Buren St. Hope Equities	$502,500	$2,383,674	65
MANHATTAN			
1, 5, 7 & 9 W. 137 St.	$872,329	$2,418,798	68
21-23 & 29-31 E. 104 St.	$1,144,000	$1,144,000	70
30-32 Bradhurst Ave.	$1,070,000	$1,700,000	25
36 W. 131 St.	$430,885	$436,215	14
54 Vermilyea Ave.	$233,075	$200,000	20
70 Post Ave.	$1,001,451	$371,676	40
80, 88-90 Edgecombe Ave.	$885,224	$1,251,832	66
83 Post Ave.	$142,915	$578,037	20
110 W. 111 St. 111-13 Dev. Assoc.	$550,080	$1,896,192	48
128-136 Edgecombe Ave.	$1,000,000	$2,680,114	68
160-66 Morningside Ave.	$694,871	$680,029	29
201 W. 146th St.	$133,650	$184,350	12
205-213 W. 145 St.	$1,512,431	$2,550,477	62
215 Audubon Ave.	$265,735	$363,943	47
229-31 E. 105 St. 307-9 Pleasant Ave.	$2,635,000	$1,175,000	54
252 Wadsworth Ave.	$405,924	$254,454	26
270 St. Nicholas Ave.	$369,950	$1,058,318	77
301, 305-309 W. 113 St.	$952,000	$2,758,000	70
328 & 340 Pleasant Ave.	$629,500	$354,900	10
466-470 W. 150 St.	$760,314	$203,277	62
520 Audubon Ave.	$1,264,700	$471,300	46
530 Audubon Ave.	$757,800	$757,800	46
540 Audubon Ave.	$859,300	$614,700	46
557 Academy St.		$321,360	50
630 W. 135 St.	$234,262	$337,738	31
1572 Lexington Ave.	$540,039	$540,039	13
1860-62 Lexington Ave.	$475,000	$124,109	15
2006 Amsterdam Ave.	$691,514	$358,000	21
2038 5th Ave.	$195,000	$58,419	7
2245, 2259, 2285, 2289 A.C. Powell Jr. Blvd.	$406,086	$1,288,704	27

Strivers Gardens (170 Units)
300 West 135th Street, Manhattan
Completed in 2005

2492-94 & 2502 Frederick Douglass Blvd.	$152,000	$1,175,747	27
2733 Frederick Douglass Blvd.	$406,000	$515,000	12
Broadway Terrace	$651,895	$100,000	51
CATCH OTP Cluster - 234 Bradhurst Ave.	$959,444	$798,887	73
Two Bridgeset	$7,541,997	$15,302,980	99
W. 148th St. Cluster	$2,900,000	$5,156,775	86
QUEENS			
334 Beach 54th St.	$393,232		32

GENERAL HOUSING

Project Name	Loan Amount	# of Units
BROOKLYN		
Linden Plaza	$50,301,388	1,527
MANHATTAN		
Knickerbocker Plaza	$24,232,719	578

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

Project Name	Loan Amount	# of Units
BRONX		
Grand Concourse	$3,267,214	63
BROOKLYN		
Kings County Senior Residence	$1,214,359	173
MANHATTAN		
Carnegie East House	$29,584,862	104
Roosevelt Island a/k/a Manhattan Park	$143,874,228	1,107
Wien House	$8,878,775	100
QUEENS		
Scheur House of Flushing / United Self Help	$8,569,636	155

HOSPITAL STAFF HOUSING

Project Name	Loan Amount	# of Units
BRONX		
Montefiore Medical Center	$8,400,000	116
MANHATTAN		
E. 17th St. Beth Israel	$34,800,000	240
Royal Charter (NY Hospital)	$98,775,000	519

HOUSING ASSISTANCE CORPORATION LOANS

Project Name	Loan Amount	# of Units
BROOKLYN		
196 Rockaway	$2,617,000	71
255 Ocean Ave.	$1,808,000	40
Gates Ave.	$4,225,000	83
St. Edmonds Court	$5,550,000	111
MANHATTAN		
405 E. 94th St.	$945,000	24

LOW-INCOME AFFORDABLE MARKETPLACE PROGRAM (LAMP)

Project Name	1st Loan Amount	2nd Loan Amount	# of Units
BRONX			
15 East Clarke Pl.	$11,600,000	$5,610,000	102
1001 MLK Blvd. (a/k/a University Ave.)	$7,915,000	$3,960,000	89
450-2 E. 148 St. (Brook East)	$1,000,000	$1,530,000	34
600 Concord Ave.	$7,200,000	$3,630,000	83
678 (a/k/a 638) Sagamore St.	$3,400,000		84
725 & 737 Fox St.	$3,000,000	$4,910,000	106
810 E. 152nd St. (Bergstol Apts.)	$5,400,000		12
900 Ogden Ave.	$4,600,000		120
1046-1050 Hoe Ave.	$900,000	$420,000	42
1240 Washington Ave.	$5,025,000	$3,350,000	100
1314 Nelson Ave.	$4,830,000		115
1434 Ogden Ave.	$10,500,000		130
2007 LaFontaine Ave. Apts.	$8,500,000		88
2035 Marmion Ave.	$3,300,000		90
ABEKEN Apts.	$12,500,000	$5,400,000	120
Aldus St. Apts.	$14,200,000	$7,480,000	164
Brook Ave. Gardens	$2,750,000		79
Brookhaven Apts.	$9,100,000		95
Casa del Sol Apts.	$12,800,000	$9,245,091	114
Claremont Park Apts.	$10,970,000	$5,390,000	98
Courtlandt Ave. Apts.	$15,000,000	$7,480,000	167
E. 165th St. Development	$13,800,000	$7,480,000	136
Freeman Gardens	$4,225,000	$1,980,000	36
Highbridge Apts.	$32,500,000	$4,070,000	296
Hoe Ave. Apts.	$11,900,000	$7,480,000	136
Jacob's Pl.	$7,365,000	$3,835,000	63
La Fontaine	$3,100,000		74
Louis Nine Blvd. Apts.	$9,500,000	$4,180,000	95
Morris Ave. Apts.	$22,700,000	$385,000	209
Nelson Senior Houses	$3,380,000		82
Ogden Ave. Apts. II	$5,300,000		59
Palacio del Sol	$13,485,000	$3,150,000	124
Parkview Apts.	$12,605,000	$6,050,000	110
Peter Cintron Apts.	$14,400,000		165
Silverleaf	$12,675,000	$6,490,000	118
St. Ann's Apts.	$1,449,229	$2,468,000	58
Thessalonica Court Apts.	$19,500,000		191
University Macombs Apts.	$14,000,000		210
Vyse Ave. Apts.	$9,650,000		96
West Tremont Ave. Apts.	$8,450,000		84
Westchester Ave.	$9,650,000	$6,376,369	70
White Plains Courtyard	$9,900,000		100
BROOKLYN			
46-58 Sullivan St.	$626,418	$960,000	20
219 Sackman St.	$939,000	$1,634,000	38
500 Nostrand Ave. (The Alhambra)	$3,212,000	$1,589,000	46
1120-1122 Madison St.	$670,000	$349,000	16
1469-71 Bedford Ave. (Studebaker)	$956,725	$1,080,000	27
Dr. Betty Shabazz Houses	$7,400,000		160
Linden Mews	$1,230,000		36
Medger Evers Houses	$8,400,000		308
Spring Creek IV	$2,620,000		83
MANHATTAN			
55 E. 130 St.	$968,000	$496,000	25
55 W. 129 St.	$1,818,000	$811,000	40
70-74 E. 116 St.	$712,532	$1,104,000	23
144 W. 144 St. Malcolm X	$675,000	$426,000	16
8th Ave. (Madame CJ Walker)	$2,200,000		41
203-15 W. 148 St. - Site 15	$3,440,000	$3,480,000	87
216 & 224 W. 141 St.	$1,342,000	$626,000	31
228-238 Nagle Ave.	$9,000,000		90
229-31 E. 105 St. / 307-309 Pleasant Ave. / 117-199 E. 115 St.	$2,635,000		55
259 W. 152 St. / 67 Macombs Pl.	$1,103,600	$2,784,000	58
349-359 Lenox LLC	$761,000	$1,207,000	26
542-48 & 552-58 W. 149 St.	$1,659,000	$732,000	36
Clinton Parkview	$12,200,000		96

Wien House (99 units)
56 Nagle Avenue, Manhattan
Completed in 1990
Renovated 2005-2006

Harmony House	$2,200,000		55
Olga Mendez Apts.	$8,100,000	$2,850,000	74
Phelps House	$12,645,000		169
Tony Mendez Apts.	$6,890,000		130

QUEENS

Wavecrest	$5,600,000		123

LIBERTY BOND PROGRAM

Project Name	Loan Amount	# of Units
MANHATTAN		
2 Gold St.	$178,500,000	650
63 Wall St.	$143,800,000	476
90 Washington St.	$74,800,000	398
90 West St.	$106,500,000	410

HOMEOWNERSHIP

Project Name	1st Loan Amount	2nd Loan Amount	# of Units
BRONX			
Daly Ave.	$1,888,304	$160,000	32
Tremont Vyse I	$1,416,228	$120,000	24
Tremont Vyse II	$1,062,171	$90,000	18
Tremont Vyse III	$1,770,285	$150,000	30
BROOKLYN			
Bushwick Gardens Co-op Apts.		$3,960,000	88
South Williamsburg	$6,645,000		105
MANHATTAN			
102 Bradhurst Ave.		$802,879	135
1400 5th Ave. Condominium		$1,920,000	129
Bradhurst Court	$10,000,000		128
Central Harlem Plaza	$31,615,000	$6,935,000	241
E. 119 St. Co-op	$19,500,000	$4,995,000	111
Harriet Tubman Gardens	$5,920,000		74
Lenox (Shabazz) Gardens	$4,590,000		51
Madison Park Apts.	$7,500,000		129
Madison Plaza	$7,360,000		92
Maple Court	$11,863,627		135
Maple Plaza Co-op	$16,750,000	$2,260,000	155
Strivers Gardens		$3,380,000	170
The Hamilton (Site 7)	$6,080,000		77
The Sutton		6,075,000	135
The Washington (Site 14)	$6,760,000		104
STATEN ISLAND			
Celebration Townhouses	$8,768,000	$1,030,000	74

MITCHELL-LAMA

Project Name	1st Loan Amount	2nd Loan Amount	# of Units
BRONX			
Boulevard Towers 1	$3,299,300		330
Bruckner Tower	$2,656,500		208
Canadia House	$1,405,000		104
Corlear Gardens Co-op	$972,100		118
Delos House	$1,555,400		188
Fordham Tower	$1,296,100		169
Keith Plaza	$6,814,687	$7,981,000	310
Kelly Towers	$4,525,363	$5,438,100	302
Kingsbridge Apts.	$1,997,900	$1,040,645	91
Robert Fulton Terrace	$2,357,900		320
BROOKLYN			
Cadman Tower Co-op	$9,487,100		422
Contello Tower III	$1,277,900		161
Essex Terrace Apts.	$1,749,100	$317,421	104
First Atlantic Terminal	$4,677,500	$4,119,398	201
Prospect Tower	$2,193,800		154
Tivoli Towers	$8,098,200	$5,040,111	314
MANHATTAN			
Beekman Staff Residence	$1,226,300		90
Bethune Tower	$1,518,400		135
Columbus House	$3,502,500		248
Columbus Manor	$2,500,000	$3,098,474	203
Columbus Park Tower	$1,467,900		163
East Midtown	$17,157,400		746
Rosalie Manning	$903,100		109
Ruppert House Co-op	$16,778,000	$9,322,000	652
St. Martins Tower	$2,865,500		179
Tower West	$3,996,100		217
Townhouse West	$1,100,000	$570,000	48
Trinity House	$2,540,500		200
Westview Apts.	$1,656,000		138
Westwood House	$1,498,800	$1,743,481	124
QUEENS			
Bay Towers	$5,475,544	$8,943,600	375
Bridgeview III	$1,950,900		171
Court Plaza	$5,368,893		247
Forest Park Crescent	$1,756,900		240
Goodwill Terrace	$3,606,100	$835,000	208
Seaview Towers	$13,264,700	$10,167,400	460

MITCHELL-LAMA PRESERVATION PROGRAM

Project Name	Mortgage Restructuring	Subordinate Mortgage	Repair Loan	# of Units
BRONX				
Albert Einstein	$8,918,472	$35,121,202		635
Carol Gardens Apts.	$3,046,070	$3,720,562	$3,564,000	315
Kingsbridge Arms	$781,967	$1,547,621		105
Montefiore Hospital II	$7,007,537	$12,776,566		399
Scott Tower	$2,792,548	$5,098,129		352
Stevenson Commons	$29,012,737	$8,328,264	$11,229,999	947
Woodstock Terrace	$2,248,769	$4,546,700		319
BROOKLYN				
Atlantic Plaza	$5,930,232	$12,563,186	$6,011,986	716
Cadman Plaza N. Co-op	$2,114,473	$3,719,571		251
Brighton Houses Co-op	$1,499,656	$1,972,447		193
Crown Gardens Co-op	$8,241,952	$2,696,460	$252,320	238
Second Atlantic Terminal	$10,809,667	$5,164,401	$3,000,000	305
MANHATTAN				
1199 Plaza	$58,530,903	$25,326,809		1,594
Clinton Tower	$12,651,477	$3,415,846		396
Confucius Plaza Co-op	$28,663,900	$2,848,501		762
Esplanade Gardens	$14,668,007	$28,730,568		1,872
Goddard Riverside	$2,419,560	$3,097,903		194
Gouverneur Gardens	$6,085,757	$11,581,093		782
Hamilton House	$3,552,085	$2,599,800	$4,840,000	176
Jefferson Tower	$1,644,805	$2,482,118	$1,447,795	190
Lincoln Amsterdam	$7,490,187	$1,886,822		186
Riverbend Co-op	$8,399,679	$4,848,014		626
RNA House	$1,870,978	$3,047,286		208
Struckers Bay	$1,821,496	$2,999,156	$1,995,000	234
Tri Faith House	$1,518,666	$2,673,205		148
Village East	$4,219,371	$7,882,246		434
Washington Sq. SE	$1,935,618	$2,430,779	$1,320,000	175
STATEN ISLAND				
North Shore Plaza	$16,977,913	$1,967,776	$11,157,846	536

138 East 112th Street (43 units)
Manhattan
Completed in 2005

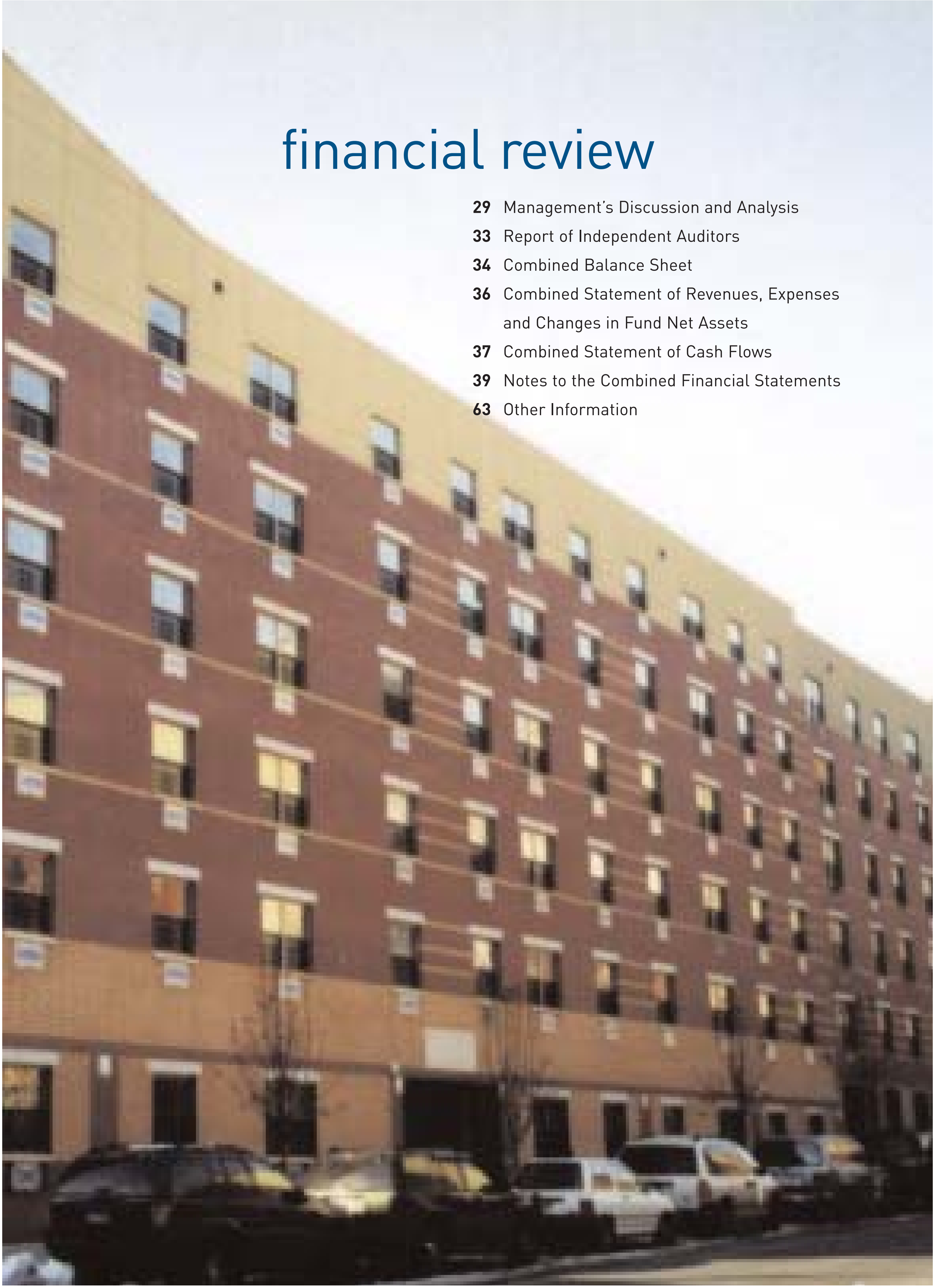
MIXED INCOME PROGRAM			
Project Name	1st Loan Amount	2nd Loan Amount	# of Units
BROOKLYN			
State Renaissance Court	$35,200,000	$3,510,000	158
MANHATTAN			
W. 61st St. Apts.	$54,000,000		211
Manhattan Court	$17,500,000	$4,237,500	123
The Aspen	$44,000,000	$2,750,000	231

MODERN REHAB PROGRAM			
Project Name	1st Loan Amount	2nd Loan Amount	# of Units
BRONX			
B&L Grand Concourse	$2,412,200	$1,267,800	102
Concourse Artist	$474,900	$440,500	23
Robin Houses	$1,883,100	$1,094,500	80
BROOKLYN			
285 Development	$1,800,000		58
Sheridan Manor	$8,310,000	$18,654,542	450
Willoughby Wyckoff	$2,243,940	$1,295,500	68
MANHATTAN			
Kamol Apts.		$578,265	50
Revive 103 North	$978,600	$884,400	30
QUEENS			
Astoria Apts.	$2,193,200	$3,951,500	62

NEW HOUSING OPPORTUNITIES PROGRAM (NEW HOP)			
Project Name	Senior Amount	Subordinate Amount	# of Units
BRONX			
1514 Sedgwick Ave.	$10,185,000	$4,320,000	96
3815 Putnam Ave. W. 238 St.	$8,290,000	$1,820,000	91
Beechwood at Needham	$4,400,000	$1,600,000	47
Orloff Ave.	$10,740,000	$4,545,000	101
Palmer Ave.	$12,068,769	$3,034,170	135
Putnam Deegan II	$4,310,000	$1,430,000	44
Twin Pines Apts.	$2,965,000	$1,440,000	28
BROOKLYN			
50 Greene Ave.	$3,619,000	$1,322,100	39
64 W. 9 St.	$3,060,000	$725,000	26
79 Clifton Pl.	$3,800,000	$720,000	40
139 Emerson Pl.	$4,000,000	$1,250,000	50
167 Clermont Ave. Armory	$10,340,000	$2,200,000	111
221 Parkville Ave.	$4,550,000	$1,600,000	41
277 Gates Ave.	$2,500,000	$875,000	35
287 Prospect Ave.	$4,740,000	$886,000	52
421 Degraw St.	$7,713,000	$1,710,000	90
471 Vanderbilt Ave.	$2,330,000	$520,000	26
800 Bergen St.	$1,570,000	$1,280,000	32
893-895 Pacific St.	$1,490,000	$200,000	16
Ft. Hamilton Military Housing	$47,545,000		228
Knox Pl. (369 St. Marks Ave. / 597 Grand Ave.)	$3,617,000	$1,462,000	52
Ralph Ave.	$9,190,000	$2,330,000	72
Ralph Ave. II	$9,810,000	$2,952,000	72
MANHATTAN			
15-21 W. 116 St.	$5,850,000	$1,362,000	38
130-136 W. 112 St.	$5,450,000	$1,845,000	41
138 E. 112 St.	$6,210,000	$1,612,500	43
201 W. 148 St.	$1,785,000	$1,125,000	25
202-18 W. 148 St. - Site 13	$6,550,000	$3,300,000	100
210-214 E. 118 St.	$3,400,000	$1,012,500	27
235-47 E. 105 St.	$3,800,000	$1,800,000	48
351 E. 4 St.	$3,460,000	$869,000	33
394 E. 8 St.	$4,047,000	$950,000	38
2232 First Ave., et al.	$1,910,000	$630,000	21
Artimus Vacant Buildings	$3,020,000	$1,470,000	41
Azure Holdings II, LP	$5,820,000	$3,800,000	110
Bethany Pl.	$2,435,000	$725,000	28
Cassiopeia Apts.	$2,815,000	$1,440,000	32
Harlem Gateway I	$4,570,000	$1,530,000	50
Larkspur W. 117 St.	$17,600,000	$3,720,000	93
The Douglass	$18,770,000	$3,492,000	138
Triangle Court I	$3,820,000	$1,275,000	51
Triangle Court II	$3,440,000	$1,060,000	40
Triangle Court III	$14,000,000	$3,152,500	97
W. Guerrero and Assoc.	$1,530,000	$250,000	17
QUEENS			
14-56 31st Dr.	$7,400,000	$1,450,000	60
32-08 Union St.	$2,770,000	$642,500	25
46-19 88th St.	$1,320,000	$475,000	17
58-12 Queens Blvd.	$12,825,000	$2,250,000	122
84th Drive	$6,760,000	$1,470,000	49
90-05 161st St. (Yorkside I)	$9,100,000	$2,925,000	90
99-22 67th Rd.	$3,390,000	$1,010,000	29
136-14 Northern Blvd.	$7,000,000	$1,950,000	60
136-43 37 Ave. DC Colonade	$6,685,000	$480,000	60
137-02 Northern Blvd.	$7,200,000	$1,775,000	71
140-26 Franklin Ave.	$5,451,000	$1,415,000	54
9501 Rockaway Blvd.	$5,380,000	$2,880,000	72
Austin St.	$12,000,000	$2,250,000	132
Bayside Gardens	$2,092,000	$500,000	26
Beach 94th St. (Shoreview)	$7,640,000	$2,240,000	92
Yorkside Towers II	$10,065,000	$3,375,000	90

NEW VIP		
Project Name	Loan Amount	# of Units
BRONX		
457-499 E. 148 St.	$3,000,000	

SECTION 8		
Project Name	Bond Issue	# of Units
BRONX		
Clinton Arms	$4,962,700	86
Felisa Rincon	$7,420,400	109
McGee Hill	$3,677,200	59
James Alston Houses	$4,510,200	65
Target V	$5,552,100	83
Washington Plaza	$4,954,000	75
Woodycrest II	$3,199,800	58
BROOKLYN		
1650 President St.	$2,411,200	48
Borough Park Court	$8,459,100	131
Crown Heights I	$2,197,400	36
Crown Heights II	$1,744,700	32
Fulton Park 7&8	$13,780,700	209
La Cabana	$9,603,700	167
President Arms	$1,326,500	32
MANHATTAN		
Caparra La Nueva	$5,908,800	84
Cooper Square Site 1B	$10,678,100	146
Revive 103	$4,318,100	60



financial review

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended October 31, 2005

INTRODUCTION

The New York City Housing Development Corporation ("HDC" or the "Corporation") is a State public benefit corporation that finances affordable housing in New York City. HDC issues tax-exempt and taxable debt and uses the proceeds to make loans for residential new construction and rehabilitation. HDC, which is financially self-supporting, also lends its own internally generated funds for these purposes. In furtherance of its affordable housing mission, HDC also services construction and permanent loans on behalf of New York City's Department of Housing Preservation and Development ("HPD"). All of these activities are reported in the financial statements under the heading "Housing Development Corporation."

HDC has three subsidiaries that are discretely presented as component units in the financial statements, two of which are currently active. The Residential Mortgage Insurance Corporation ("REMIC") insures residential mortgages in New York City. The Housing Assistance Corporation ("HAC") made mortgage loans for affordable housing in the 1980s and provides rental subsidy assistance to a small number of residential developments. Prior to November 3, 2003, HDC had an additional active subsidiary, the Housing New York Corporation ("HNYC"). On that date, all obligations of HNYC were retired and HNYC became inactive. It is presented this year as a component unit to provide comparative data to the prior fiscal years. In 2004, HDC created a fourth subsidiary, NYCHDC Real Estate Corporation, to facilitate the transfer of distressed properties to not-for-profit owners to maintain and enhance affordable housing. Activities of this subsidiary have been limited to intraday title possession and it is presented as a blended component unit of HDC.

The Corporation's annual financial report consists of two parts: *management's discussion and analysis* (this section) and the basic *financial statements.*

This section of the Corporation's annual financial report presents our discussion and analysis of the Corporation's financial performance during the fiscal year that ended on October 31, 2005. This period is also referred to as Fiscal Year 2005. Data are presented on a combined basis, including the primary governmental entity, HDC, and HDC's three discretely presented component units: REMIC, HAC and HNYC. Figures have been rounded to facilitate reading.

FINANCIAL HIGHLIGHTS

- Significant growth in assets and liabilities due to ongoing financing activities and acquisition of loan assets.
- Forty-four bond series sold, totaling $1.4 billion, to create and preserve affordable housing. Of the total issued, $958.7 million was new money and $436.0 million was refinancing.
- Total assets of $6.75 billion, an increase of $1.40 billion or 26.3% from 2004.
  - Cash and investments of $1.65 billion.
  - Mortgages, notes and loan participation interests receivable and purpose investments of $4.98 billion.
  - Other assets totaling $120.6 million.
- Total liabilities of $5.90 billion, an increase of $1.36 billion or 29.9% from 2004.
  - Bonds payable of $4.60 billion.
  - Other liabilities of $1.30 billion.
- Total net assets of $850.0 million, an increase of $45.7 million or 5.7%.
- Change in net assets of $45.7 million, an increase of $19.2 million from 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Corporation is a self-supporting entity and follows enterprise fund reporting. An enterprise fund reports activity that is financed with debt that is secured solely by a pledge of the net revenue from that activity as well as activity that is not supported by taxes or similar revenues. HDC's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting matches revenues and expenses to the time period in which they are earned or attributable, respectively, which may differ from the period in which the associated cash is received or expended.

Enterprise fund statements offer short-term and long-term financial information about the Corporation's activities. While detailed sub-fund information is not presented in the Corporation's financial statements, separate accounts are maintained for each bond issue and component unit, as well as the Corporation's general operating fund, known as the Corporate Services Fund. These sub-funds permit HDC to control and manage money for particular purposes and to demonstrate that the Corporation is properly using specific resources.

A one-time HNYC transaction that spanned the end of Fiscal Year 2003 and beginning of Fiscal Year 2004 affected consolidated revenues and expenses in both years. The transaction caused revenues to be higher than otherwise in 2003 and expenses to be higher than otherwise in 2004. This transaction had no effect on HDC's Fiscal Year 2005 results but does affect year-to-year comparisons of income and expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

HDC's Assets and Liabilities

The Combined Balance Sheet in the financial statements presents the Corporation's assets, liabilities, and net assets as of October 31, 2005. The following table represents the changes in combined net assets between October 31, 2004, and 2005 and should be read in conjunction with the financial schedules. Dollars are in thousands.

	2005	2004	Change	Percent Change	2003
Assets					
Cash and Investments	$ 1,649,873	1,324,756	325,117	24.5%	1,417,309
Mortgage Loans	4,492,620	3,693,808	798,812	21.6%	3,484,504
Notes Receivable	61,376	47,545	13,831	29.1%	—
Loan Participation Interests Receivable	233,054	—	233,054	100.0%	—
Purpose Investments	196,284	189,672	6,612	3.5%	43,204
Other	120,682	93,285	27,397	29.4%	92,228
Total Assets	6,753,889	5,349,066	1,404,823	26.3%	5,037,245
Liabilities					
Bonds Payable (net)	4,607,370	3,806,116	801,254	21.1%	3,557,147
Payable to Mortgagors	231,310	200,792	30,518	15.2%	188,207
Payable to New York City	921,928	422,726	499,202	118.1%	414,183
Deferred Income	92,307	74,509	17,798	23.9%	63,104
Other	51,115	40,810	10,305	25.2%	37,052
Total Liabilities	5,904,030	4,544,953	1,359,077	29.9%	4,259,693
Net Assets					
Restricted	420,095	367,534	52,561	14.3%	390,761
Unrestricted	429,764	436,579	(6,815)	(1.6%)	386,791
Total Net Assets	$ 849,859	804,113	45,746	5.7%	777,552

Assets of the Corporation consist largely of mortgage loans; participation interests in cash flows from pools of mortgage loans; housing-related notes receivable and purpose investments; and cash and investments, including bond proceeds, debt service and other reserves, funds designated for various housing programs, and working capital. Total assets grew 26.3% or $1.4 billion from 2004. In the prior fiscal year, total assets increased $311.8 million or 6.2% mainly due to the Corporation's ongoing debt issuance and lending activities.

The growth in total assets in 2005 was also due primarily to the Corporation's ongoing debt issuance and lending activities. When HDC sells bonds, the bond proceeds are an investment asset until lent and then a loan asset. The asset value is generally offset by the related bond liability. The second significant source of Fiscal Year 2005 growth in assets, also arising from HDC's ongoing housing activities, was the origination or purchase of various loan interests that will transfer to New York City at a future date when the related HDC bonds are retired. These loan interests include a loan participation interest acquired in a prior period but not recognized as an asset of HDC until fiscal year 2005 due to its particular financial characteristics. Because the City holds a residual interest in these various loan interests, the asset value in excess of the related bonds is generally offset by a corresponding Payable to New York City liability.

Liabilities of the Corporation can be grouped into three main categories. By far the largest is HDC bonds outstanding, which totaled $4.6 billion at October 31, 2005. The second largest category is payables. This includes funds which are held and administered by HDC but are the property of others, such as escrows held by HDC in the course of its loan servicing functions, and construction loan funds administered on behalf of HPD. Payables also include other assets which will ultimately revert to HPD or The City of New York under various loan participation and other agreements, including loan assets which are currently held by HDC and pledged to pay HDC bonds, but transfer to New York City when the related bonds are retired. A third major type of liability is deferred income: HDC receives certain mortgage- and bond-related fee income as cash but using the accrual method of accounting only recognizes the income when earned over the appropriate time period. The unrecognized income is shown as a liability.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Total liabilities of the Corporation and its component units were $5.9 billion at October 31, 2005. Liabilities grew 29.9% or $1.36 billion from the prior year, principally as a result of HDC issuing 44 new bond series during Fiscal Year 2005, net of bond redemptions and retirements. The increase in Payable to New York City was also significant, accounting for $921.9 million of the total growth in liabilities in Fiscal Year 2005. The growth in this payable in 2005 is primarily due to the aforementioned origination or purchase of various loan interests that will transfer to New York City when related HDC bonds are retired. The Payable to New York City liability increased $8.5 million or 2.1% from 2003 to 2004.

Net assets of the Corporation are the excess of assets over liabilities, and totaled $850.0 million for the Corporation and its component units as of October 31, 2005. This represents an increase of $45.7 million or 5.7% over the prior year. In 2004 total net assets increased $26.6 million or 3.4%. This lower increase reflects the one-time HNYC transaction in 2003/2004. Growth in net assets results from revenues in excess of expenses and is discussed below.

Net assets are classified as restricted or unrestricted, with restricted assets being committed by law or contract to specific purposes. HDC's most significant restricted assets include debt service reserves for HDC bond issues; undisbursed bond proceeds held prior to construction advances; and REMIC insurance premium reserves. Unrestricted assets may be classified as designated or undesignated. Designated assets are those allocated by HDC Board action or policy for specific purposes, such as rating agency reserves (to support the Corporation's general obligation rating), specific housing loan programs to which the Corporation has committed resources under the Mayor's New Housing Marketplace Program, and working capital. Virtually all of the Corporation's net assets are either restricted or designated.

HDC's Revenues and Expenses

The Combined Statement of Revenues, Expenses and Changes in Fund Net Assets in the financial statements presents revenues recognized in and expenditures attributed to the period November 1, 2004, to October 31, 2005. The table below summarizes the Corporation's revenues and expenditures and presents comparative data. It should be read in conjunction with the financial statements. All amounts are in thousands of dollars.

	2005	2004	Change	Percent Change	2003
Revenues					
Interest on Loans and Participation Interests	$ 152,583	123,074	29,509	24.0%	124,507
Investment Earnings	43,389	25,875	17,514	67.7%	20,874
Fees and Charges	28,160	28,003	157	0.6%	20,164
Other Revenues and Transfers In	172	25	147	588.0%	30,942
Total Revenues	224,304	176,977	47,327	26.7%	196,487
Expenses					
Bond Interest	144,171	84,785	59,386	70.0%	108,792
Operating Expense	26,849	40,077	(13,228)	(33.0%)	20,739
Other Expenses and Transfers Out	7,538	1,423	6,115	429.7%	2,426
Total Expenses	178,558	126,285	52,273	41.4%	131,957
Extinguishment of Debt	—	(24,131)	24,131	—	—
Change in Net Assets	$ 45,746	26,561	19,185	72.2%	64,530

Revenues of the Corporation are classified as operating and non-operating. Interest income from mortgage and other loan-related interests represents the Corporation's major source of operating revenue, which also includes various loan and bond program fees such as commitment, financing, and mortgage insurance and servicing fees. The Corporation's non-operating revenues consist mostly of earnings on investments including purpose investments. Investment income accrues to the benefit of the program for which the underlying sources of funds are utilized.

HDC's expenses are also classified as operating and non-operating. Operating expenses are led by interest on bonds, which accounted for 87.0% of operating expense in Fiscal Year 2005. Other operating expenses include corporate operating expenses (salaries, overhead, and depreciation) and fees. Non-operating expenses are relatively minor and consist largely of amortization of the capitalized value of a purchased cash flow.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

HDC's net income for Fiscal Year 2005 was positively or negatively affected as described below:

- Interest on loans rose $29.5 million or 24.0% due to higher variable interest rates and loan balances. In 2004, interest on loans declined slightly by $1.4 million or 1.15% from the previous year, as some higher interest mortgage loans were prepaid.
- Earnings on investments grew by $17.5 million or 67.7% from Fiscal Year 2004 to Fiscal Year 2005 due to higher invested balances and higher short-term rates. In 2004, earnings on investments increased $5.0 million or 23.9% from the previous year for similar reasons.
- Interest expense grew from $104.6 million to $148.6 million between Fiscal Year 2004 and Fiscal Year 2005 mainly due to rising variable interest rates and HDC bond issuance. In 2004, interest expense dropped by $7.4 million or 6.6% from the previous year principally due to the 2003/2004 HNYC transaction.
- Other operating expenses increased $2.2 million due to higher operating costs related to the growth in HDC's volume of business. In 2004, other operating expenses increased $2.8 million or 15.8% from the previous year due to higher operating costs and accelerated depreciation of outdated computer software and hardware.
- Net non-operating expense rose by $6.1 million or 429.7% due to a write-off of a portion of the capitalized value of purchased loan spreads. This loan spread was foregone as part of a major housing preservation initiative.

As a result of these factors, the Corporation's combined increase in net assets in Fiscal Year 2005 was $45.7 million, an increase of $19.2 million from Fiscal Year 2004. This is consistent with HDC's five year average as shown in the table below. The swing in net income in 2003 and 2004 relates to the one-time HNYC transaction. Dollars are in thousands.

Fiscal Year	2005	2004	2003	2002	2001	Average
Change in Net Assets	$ 45,746	26,561	64,530	45,410	58,747	48,199

DEBT ADMINISTRATION

At year-end, the Corporation and its subsidiaries had $4.6 billion of bond principal outstanding, net of deferred bond refunding costs, discount and premium, an increase of 20.4% over the prior year. The following table summarizes the changes in bonds payable between October 31, 2004, and October 31, 2005, with October 31, 2003, data presented for additional comparison. Dollars are in thousands.

	2005	2004	2003	Percentage Increase FY 2004 to 2005
Bonds Payable	$ 4,604,436	3,823,329	3,595,975	20.4%

NEW BUSINESS

During Fiscal Year 2005, the Corporation issued 44 new taxable and tax-exempt bond series totaling $1.4 billion. Included in this total were seventeen series of Housing Revenue Bond Program bonds totaling $443.6 million, twenty-three series of Multi-Family Mortgage Revenue Bonds Rental Projects Program bonds amounting to $450.9 million, one series of Capital Fund Program Revenue bonds for New York City Housing Authority Program ("NYCHA") $281.6 million and three series of Liberty Bonds totaling $218.6 million. All of these funds are being used to provide mortgage and loan financing. In further support of its affordable housing mission, the Corporation also made low-interest loans from its net assets. Between the end of Fiscal Year 2005 and December 31, 2005, HDC issued 21 additional series of bonds in the aggregate amount of $527.3 million.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the resources at its disposal. If you have questions about this report or need additional financial information, contact the Public Information Officer, New York City Housing Development Corporation, 110 William Street, New York, NY 10038. The Corporation also maintains information at www.nychdc.com.

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying combined balance sheet of the New York City Housing Development Corporation (the "Corporation"), a component unit of the City of New York, as of October, 31, 2005, and the related combined statements of revenues, expenses and changes in fund net assets, and cash flows for the year then ended. These combined financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year summarized comparative information has been derived from the Corporation's 2004 financial statements and, in our report dated January 27, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designating audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of October 31, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst & Young LLP

January 31, 2006

COMBINED BALANCE SHEET

At October 31, 2005 (with comparative summarized financial information as of October 31, 2004) (in thousands)

	Housing Development Corporation	Discretely Presented Component Units: Housing Assistance Corporation	Housing New York Corporation	Residential Mortgage Insurance Corporation	Total 2005	Total 2004
Assets						
Current Assets:						
Cash and cash equivalents	$ 242,950	—	—	—	242,950	188,060
Investments	95,520	—	—	—	95,520	90,820
Receivables:						
Mortgage loans	67,606	—	—	—	67,606	108,041
Accrued interest	16,563	13	—	—	16,576	12,290
Other	1,299	—	—	12	1,311	1,145
Total Receivables	85,468	13	—	12	85,493	121,476
Other assets	270	—	—	14	284	391
Total Current Assets	**424,208**	**13**	**—**	**26**	**424,247**	**400,747**
Noncurrent Assets:						
Restricted cash and cash equivalents	325,054	2,308	—	3,193	330,555	261,452
Restricted investments	914,697	22,435	—	43,716	980,848	784,424
GNMA securities held as purpose investment	196,284	—	—	—	196,284	189,672
Restricted receivables:						
Mortgage loans	4,382,695	42,319	—	—	4,425,014	3,585,767
Accrued interest	35,174	2,472	—	—	37,646	2,321
Loan participation interests	233,054	—	—	—	233,054	—
Notes	61,376	—	—	—	61,376	47,545
Total restricted receivables	4,712,299	44,791	—	—	4,757,090	3,635,633
Other	8,100	—	—	—	8,100	14,908
Total Receivables	4,720,399	44,791	—	—	4,765,190	3,650,541
Unamortized issuance costs	32,835	—	—	—	32,835	24,321
Primary government/component unit receivable (payable)	498	(547)	—	49	—	—
Capital assets	2,136	—	—	—	2,136	3,372
Other assets	21,794	—	—	—	21,794	34,537
Total Noncurrent Assets	**6,213,697**	**68,987**	**—**	**46,958**	**6,329,642**	**4,948,319**
Total Assets	**$ 6,637,905**	**69,000**	**—**	**46,984**	**6,753,889**	**5,349,066**

See accompanying notes to the basic financial statements.

COMBINED BALANCE SHEET
(Continued)

At October 31, 2005 (with comparative summarized financial information as of October 31, 2004) (in thousands)

	Housing Development Corporation	Discretely Presented Component Units: Housing Assistance Corporation	Housing New York Corporation	Residential Mortgage Insurance Corporation	Total 2005	Total 2004
Liabilities and Net Assets						
Current Liabilities:						
Bonds payable (net)	$ 55,352	—	—	—	55,352	108,730
Accrued interest payable	42,070	—	—	—	42,070	28,339
Payable to The City of New York	2,403	—	—	—	2,403	1,057
Payable to mortgagors	55,027	—	—	—	55,027	63,491
Restricted earnings on investments	2,163	—	—	—	2,163	2,167
Accounts and other payables	3,528	—	—	—	3,528	2,689
Deferred fee and mortgage income	1,031	—	—	—	1,031	4,554
Due to the United States Government	2,675	—	—	—	2,675	6,804
Total Current Liabilities	**164,249**	**—**	**—**	**—**	**164,249**	**217,831**
Noncurrent Liabilities:						
Bonds payable (net)	4,552,018	—	—	—	4,552,018	3,697,386
Payable to The City of New York	851,936	67,589	—	—	919,525	421,669
Payable to mortgagors	176,140	143	—	—	176,283	137,301
Deferred fee and mortgage income	91,276	—	—	—	91,276	69,955
Due to the United States Government	679	—	—	—	679	811
Total Noncurrent Liabilities	**5,672,049**	**67,732**	**—**	**—**	**5,739,781**	**4,327,122**
Total Liabilities	**5,836,298**	**67,732**	**—**	**—**	**5,904,030**	**4,544,953**
Net Assets:						
Restricted	388,148	1,268	—	30,679	420,095	367,534
Unrestricted	413,459	—	—	16,305	429,764	436,579
Total Net Assets	**801,607**	**1,268**	**—**	**46,984**	**849,859**	**804,113**
Commitments and Contingencies	—	—	—	—	—	—
Total Liabilities and Net Assets	**$ 6,637,905**	**69,000**	**—**	**46,984**	**6,753,889**	**5,349,066**

See accompanying notes to the basic financial statements.

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Year ended October 31, 2005 (with comparative summarized financial information for the year ended October 31, 2004) (in thousands)

			Discretely Presented Component Units			Total	
		Housing Development Corporation	Housing Assistance Corporation	Housing New York Corporation	Residential Mortgage Insurance Corporation	2005	2004
Operating Revenues							
Interest on loans	$	148,421	—	—	—	148,421	123,074
Fees and charges		27,361	—	—	799	28,160	28,003
Income on loan participation interests		4,162	—	—	—	4,162	—
Other		172	—	—	—	172	25
Total Operating Revenues		**180,116**	**—**	**—**	**799**	**180,915**	**151,102**
Operating Expenses							
Interest and amortization of bond premium and discount		144,171	—	—	—	144,171	84,785
Salaries and related expenses		11,958	—	—	—	11,958	10,395
Trustees' and other fees		1,725	—	—	22	1,747	1,526
Amortization of debt issuance costs		7,293	—	—	—	7,293	22,605
Corporate operating expenses		5,851	—	—	—	5,851	5,551
Total Operating Expenses		**170,998**	**—**	**—**	**22**	**171,020**	**124,862**
Operating Income (Loss)		**9,118**	**—**	**—**	**777**	**9,895**	**26,240**
Non-operating Revenues (Expenses)							
Earnings on investments		42,639	(1,295)		2,045	43,389	25,875
Non-operating expenses, net		(7,538)	—	—	—	(7,538)	(1,423)
Total Non-operating Revenues (Expenses)		**35,101**	**(1,295)**	**—**	**2,045**	**35,851**	**24,452**
Income (Loss) before Transfers and Special Item		**44,219**	**(1,295)**	**—**	**2,822**	**45,746**	**50,692**
Operating transfers to Corporate Services Fund		150	—	—	(150)	—	—
Capital transfers		99	—	(99)	—	—	—
Extinguishment of Debt		—	—	—	—	—	(24,131)
Change in Net Assets		**44,468**	**(1,295)**	**(99)**	**2,672**	**45,746**	**26,561**
Total net assets—beginning of year		757,139	2,563	99	44,312	804,113	777,552
Total Net Assets - End of Year	**$**	**801,607**	**1,268**	**—**	**46,984**	**849,859**	**804,113**

See accompanying notes to the basic financial statements.

COMBINED STATEMENT OF CASH FLOWS

Year ended October 31, 2005 (with comparative summarized financial information for the year ended October 31, 2004) (in thousands)

	Housing Development Corporation	Discretely Presented Component Units: Housing Assistance Corporation	Discretely Presented Component Units: Housing New York Corporation	Discretely Presented Component Units: Residential Mortgage Insurance Corporation	Total 2005	Total 2004
Cash Flows From Operating Activities						
Mortgage loan repayments	$ 626,596	143	—	—	626,739	649,482
Receipts from fees and charges	10,222	—	—	758	10,980	10,974
Mortgage escrow receipts	53,273	—	—	—	53,273	63,533
Reserve for replacement receipts	50,485	—	—	—	50,485	30,346
Mortgage loan advances	(969,460)	—	—	—	(969,460)	(752,152)
Escrow disbursements	(59,177)	—	—	—	(59,177)	(58,637)
Reserve for replacement disbursements	(38,280)	—	—	—	(38,280)	(31,454)
Payments to employees	(11,896)	—	—	—	(11,896)	(10,332)
Payments to suppliers for corporate operating expenses	(4,242)	—	—	—	(4,242)	(4,225)
Project contributions and funds received from NYC	127,993	—	—	—	127,993	161,128
Advances and other payments for NYC	(143,318)	(5,041)	—	—	(148,359)	(117,007)
Bond cost of issuance	(5,705)	—	—	—	(5,705)	(370)
Other receipts (payments)	(21,074)	—	—	—	(21,074)	(43,163)
Net Cash Provided by (Used in) Operating Activities	**(384,583)**	**(4,898)**	**—**	**758**	**(388,723)**	**(101,877)**
Cash Flows From Non Capital Financing Activities						
Proceeds from sale of bonds	1,413,103	—	—	—	1,413,103	1,147,015
Retirement of bonds	(613,608)	—	—	—	(613,608)	(919,661)
Interest paid	(129,053)	—	—	—	(129,053)	(109,623)
Net cash transfers between programs	(801)	1,500	(624)	(75)	—	—
Net Cash Provided by (Used in) Non Capital Financing Activities	**669,641**	**1,500**	**(624)**	**(75)**	**670,442**	**117,731**
Cash Flows From Capital and Related Financing Activities						
Purchase of capital assets	(282)	—	—	—	(282)	(609)
Net Cash (Used in) Capital and Related Financing Activities	**(282)**	**—**	**—**	**—**	**(282)**	**(609)**
Cash Flows From Investing Activities						
Sale of investments	22,192,882	56,358	12,890	89,196	22,351,326	13,736,895
Purchase of investments	(22,397,894)	(53,839)	(12,890)	(91,091)	(22,555,714)	(13,895,798)
Interest and dividend collected	43,993	87	17	2,847	46,944	33,746
Net Cash Provided by (Used in) Investing Activities	**(161,019)**	**2,606**	**17**	**952**	**(157,444)**	**(125,157)**
Increase (decrease) in cash and cash equivalents	123,757	(792)	(607)	1,635	123,993	(109,912)
Cash and cash equivalents at beginning of year	444,247	3,100	607	1,558	449,512	559,424
Cash and cash equivalents at End of Year	**$ 568,004**	**2,308**	**—**	**3,193**	**573,505**	**449,512**

See accompanying notes to the basic financial statements.

COMBINED STATEMENT OF CASH FLOWS
(Continued)

Year ended October 31, 2005 (with comparative summarized financial information for the year ended October 31, 2004) (in thousands)

			Discretely Presented Component Units			Total	
		Housing Development Corporation	Housing Assistance Corporation	Housing New York Corporation	Residential Mortgage Insurance Corporation	2005	2004
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Operating Income (Loss)	**$**	**9,118**	**—**	**—**	**777**	**9,895**	**26,240**
Adjustments to reconcile operating income to net cash provided by (used in) operating activities							
Depreciation expenses		1,518	—	—	—	1,518	1,500
Amortization of bond discount and premium		(521)	—	—	—	(521)	337
Amortization of deferred bond refunding costs		4,106	—	—	—	4,106	837
Amortization of bond issuance costs		2,654	—	—	—	2,654	2,627
Net cash provided by nonoperating activities		129,053	—	—	—	129,053	109,623
Changes in Assets & Liabilities							
Mortgage loans		(980,652)	—	—	—	(980,652)	(209,167)
Accrued interest receivable		(39,488)	(152)	—	—	(39,640)	(995)
Sale of mortgages receivable		—	—	—	—	—	105
Other receivables		(241,607)	—	—	(12)	(241,619)	(61,842)
Bond issuance costs		(13,062)	—	—	—	(13,062)	(7,465)
Primary government/component unit receivable (payable)		251,766	—	—	(4)	251,762	16,664
Other assets		2,061	—	—	(3)	2,058	3,451
Payable to The City of New York		476,085	(4,746)	—	—	471,339	8,731
Payable to mortgagors		(14,126)	—	—	—	(14,126)	11,743
Accounts and other payables		428	—	—	—	428	4,171
Due to the United States Government		(196)	—	—	—	(196)	(596)
Restricted earnings on investments		(1,575)	—	—	—	(1,575)	(2,852)
Deferred fee and mortgage income		16,124	—	—	—	16,124	(2,397)
Accrued interest payable		13,731	—	—	—	13,731	(2,592)
Net Cash Provided by (Used in) Operating Activities	**$**	**(384,583)**	**(4,898)**	**—**	**758**	**(388,723)**	**(101,877)**
Non Cash Investing Activities							
Increase (decrease) in fair value of investments	$	(888)	(1,295)	—	(534)	(2,717)	(3,499)

See accompanying notes to the basic financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

October 31, 2005

Note 1: Organization

The New York City Housing Development Corporation (the "Corporation" or "HDC") is a corporate governmental agency constituting a public benefit corporation organized and existing under the laws of the State of New York (the "State"). The Corporation is also a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, (the "Code"). 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 in order to increase the supply of 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 housing through new construction or rehabilitation and to provide permanent financing for multi-family residential housing. The Corporation participates in the federal government's housing assistance programs, principally those established by Section 236 of the National Housing Act of 1934 (the "National Housing Act"), as amended, and Section 8 of the United States Housing Act of 1937, as amended. The Corporation finances significant amounts of its activities through the issuance of bonds and notes. The bonds and notes of the Corporation are not debts of either the State or The City of New York (the "City").

Pursuant to Governmental Accounting Standards Board Statement ("GASB") No. 14, "The Financial Reporting Entity," the Corporation's combined financial statements are included in the City's financial statements as a component unit for financial reporting purposes.

Primary Reporting Entity

The Corporation is the primary government entity. Financial activity in HDC's bond and loan programs and in its Corporate Services Fund are aggregated and reported in the combined financial statements under Housing Development Corporation. The Corporation sells bonds, administers bond proceeds and manages bond revenues and repayments in accordance with bond resolutions adopted by its Members (see Note 9: "Bonds Payable"). Bond proceeds are used to make loans and provide for related costs and reserves, and loan repayments are applied to pay principal and interest on the related bonds (see Note 4: "Mortgage Loans"; Note 5: "Notes Receivable"; and Note 6: "Loan Participation Interests Receivable"). Corporation resources that are not pledged under or governed by a bond resolution are managed in the Corporate Services Fund. This fund accounts for (1) fees and earnings transferred from the bond and loan programs; (2) Section 8 administrative fees; (3) fees earned on loans serviced for HDC and for the City; (4) income from Corporate Services Fund investments; (5) payment of the Corporation's operating expenses; and (6) loan assets made with corporate funds.

The Corporation has several subsidiaries that are reported as Discretely Presented Component Units in the combined financial statements (see below). In addition, on September 20, 2004, the NYCHDC Real Estate Corporation ("REO Subsidiary Corporation"), was established under Section 654-a of the Act. The REO Subsidiary Corporation has the power to hold property whenever, in the sole discretion of the Corporation, it has become necessary to acquire a project in the case of sale under foreclosure or in lieu of foreclosure to effectuate the purposes of the Act. Activity of this subsidiary has been limited to intraday title possession of several properties and has not given rise to any reportable financial events. It is treated as a blended component of HDC.

Discretely Presented Component Units

The Housing Assistance Corporation ("HAC"), the Housing New York Corporation ("HNYC") and the New York City Residential Mortgage Insurance Corporation ("REMIC") have been included in the Corporation's combined reporting entity as discretely presented component units of HDC. As of November 3, 2003, HNYC became an inactive subsidiary of the Corporation (see *(B)* below).

(A) Housing Assistance Corporation

The Housing Assistance Corporation is a public benefit corporation established pursuant to Section 654-b of the Act as a subsidiary of the Corporation.

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. As a subsidiary of HDC, HAC's functions are administered by the Corporation and its Members substantially overlap with HDC's Members, so it is reported as a discretely presented component unit in HDC's financial statements.

(B) Housing New York Corporation

The Housing New York Corporation is a public benefit corporation established pursuant to Section 654-c of the Act as a subsidiary of the Corporation. Authorization for the funding of the Housing New York Program ended on July 1, 1995. Consequently, HNYC can no longer issue bonds or notes to fund the Housing New York Program.

HNYC was established in 1986 and first issued bonds in 1987, backed by revenues derived from Battery Park City Authority ("BPCA") assets. The proceeds of the HNYC bonds were used to finance affordable housing projects outside of Battery Park City, under the supervision of various New York City government agencies. In October 2003, in connection with a refinancing performed by BPCA and the prepayment by BPCA of its liability to HNYC, funds were made available to provide for the retirement of all of the outstanding HNYC bonds on November 3, 2003. Upon repayment of the obligations, HNYC became an inactive subsidiary of the Corporation and its remaining funds were transferred out of HNYC. After October 31, 2005, HNYC will no longer be reported in the Corporation's combined financial statements. However, HNYC is not expected to be dissolved.

(C) New York City Residential Mortgage Insurance Corporation

The New York City Residential Mortgage Insurance Corporation is a public benefit corporation established pursuant to Section 654-d of the Act as a subsidiary of HDC. REMIC is the successor entity to the New York City Rehabilitation Mortgage Insurance Corporation ("Old REMIC"), which was dissolved on January 27, 1993. REMIC has the authority to insure residential mortgage loans throughout the City in order to promote the preservation of neighborhoods which are blighted, are becoming blighted or may become blighted, to discourage divestment and encourage the investment of mortgage capital in such neighborhoods and to provide safe, sanitary and affordable housing accommodations to persons and families for whom the ordinary operations of private enterprise cannot supply such accommodations.

REMIC is required to maintain three reserves. The Housing Insurance Fund can be used as a revolving fund solely for the payment of liabilities arising from housing insurance contracts issued by REMIC. The Housing Insurance Fund requirement as of any particular date is established by statute and must be in an amount equal to the aggregate of (i) one hundred percent of the insured amounts due and payable pursuant to housing insurance contracts, plus (ii) twenty percent of the insured amounts under housing insurance contracts other than insured amounts which are due and payable pursuant to (i) above, plus (iii) twenty percent of the amounts to be insured under REMIC's commitments to insure. The Housing Insurance Fund requirement at October 31, 2005, is $28,062,000.

REMIC must also maintain a Mortgage Insurance Fund which shall be used solely for the payment of liabilities arising from mortgage insurance contracts of the Old REMIC. The Mortgage Insurance Fund requirement at October 31, 2005, is $1,561,000, which constitutes one hundred percent of Old REMIC's insured mortgage loans.

Any income or interest earned on these two reserves in excess of their respective requirements is transferred at least annually to the Premium Reserve Fund. The Premium Reserve Fund must also be maintained to provide for the payment of REMIC's liabilities arising from its operations, including liabilities arising from housing and mortgage insurance contracts. The balance of this fund at October 31, 2005, is $11,122,000. As a subsidiary of HDC, REMIC's functions are administered by the Corporation and its Members substantially overlap with HDC's Members, so it is reported as a discretely presented component unit in HDC's financial statements.

Note 2: Summary of Significant Accounting Policies

The Corporation follows the principles of fund accounting, with a sub-fund for each bond series, for the Corporate Services Fund, and for each component unit. Each fund's assets, liabilities and net assets are accounted for as separate entities and follow enterprise fund reporting. Certain individual funds are aggregated into larger categories for the purpose of financial reporting. The accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred.

In its accounting and financial reporting, the Corporation follows the pronouncements of GASB. In addition, the Corporation follows the pronouncements of all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

Other significant accounting policies are:

A. Revenue and Expense Recognition

The Corporation's operating revenue consists of earnings on loans and loan participation interests, fees and charges associated with both financing and servicing mortgages and loans, and other revenues that are received to cover the costs of raising capital. All other revenue, which is primarily investment income, is considered non-operating. Revenues are recognized when earned; commitment and financing fees are recognized over the life of the related mortgage.

Operating expenses include bonding costs, expenses for administering the various bond resolutions, personnel expenses, corporate operating expenses, amortization of capitalized issuance and financing costs, and depreciation expense. The Corporation reports all other expenses, including distributions of first mortgage earnings to New York City in connection with loan participations and the expenditure if necessary of loan principal payments on bond interest payments, as non-operating expense. Expenses are recognized as incurred.

B. Cash Equivalents and Investments

Short-term bank deposits and investments with stated maturities of 90 days or less are reported as Cash and Cash Equivalents and recorded at cost. All investments with maturities longer than 90 days are reported as investments and are carried at fair value, except for investment agreements and for Government National Mortgage Association ("GNMA") securities. The Corporation's GNMA securities are acquired program obligations as defined by U.S. Treasury regulations, and secure housing loans made by the Corporation. GNMAs and investment agreements, which can take the form of open time deposits or fixed repurchase agreements, are reported at an amount equal to principal and accrued interest.

Generally Accepted Accounting Principles ("GAAP") generally requires that restricted assets be reported as non-current assets. In the case of cash equivalents and investments, this treatment generally causes restricted investments with maturities less than one year to be reported as non-current. However, to more accurately report the alignment of HDC's current liability for payment of bond principal and interest with funds available to satisfy these liabilities, HDC has included in Current Assets the cash, cash equivalents and investments held as of October 31, 2005, for payment of bond principal and interest due in the following year.

C. Earnings on Investments

Earnings on investments include interest income and changes in fair value. Investment earnings on monies held for the City, project reserves for replacement and certain other project escrows are not reported as revenues; rather, they are reported as payable to the City or payable to mortgagors, respectively.

D. Debt Issuance Costs, Bond Discount and Other Bond Related Costs

Debt issuance costs and bond discount and premium are amortized over the life of the related bond issues using the effective interest method. Premiums paid in connection with interest rate cap agreements are amortized and reported as interest expense over the life of the respective agreements. Deferred Bond Refunding Costs are amortized to expenses over the shorter of the life of the refunding bonds or the refunded bonds.

E. Operating Transfers

Operating transfers are the reimbursement to the Corporation for REMIC operating expenses.

F. Allowance for Credit Losses

HDC's loans are underwritten according to standards the Corporation believes prudent and are closely monitored for payment and for management of the associated housing development. In addition, many of the Corporation's mortgages have credit enhancements through letters of credit, mortgage insurance and other supports. As such, HDC believes that the likelihood of experiencing material credit losses relating to its bonded mortgage programs is unlikely. Management has determined that current charges against income are not required.

G. Estimates and Assumptions

A number of estimates and assumptions relating to the reporting of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates.

H. Summarized Financial Information

The financial statements include summarized comparative information for the year ended October 31, 2004, in total but not by reporting unit. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended October 31, 2004.

I. Reclassifications

Certain fiscal year 2004 balances have been reclassified in order to conform to the current year presentation.

Note 3: Investments and Deposits

The Corporation and its subsidiaries are authorized to engage in investment activity pursuant to the Act and the Corporation's respective bond resolutions. Investment policies are set for the Corporation and its subsidiaries by the Members of the Corporation on an annual basis, through the annual adoption of written Investment Guidelines. Investments are reviewed on a periodic basis by the Corporation's Audit Committee. Day-to-day investment decisions are made by the Corporation's Investment Committee, whose members include the Chief Financial Officer, the Deputy Chief Financial Officer, the Controller, and the Vice President for Cash Management. The Corporation and its subsidiaries principally invest in securities of the United States and its agencies, highly rated commercial paper, open time deposits ("OTDs") in the form of investment agreements, demand accounts, and repurchase agreements. Neither HDC, HAC, nor REMIC entered into any reverse repurchase agreements during the year ended October 31, 2005. According to management, the Corporation and its subsidiaries are not in violation of any provisions of the foregoing policies.

All securities, other than securities held by the respective trustees for the benefit of the bondholders, are held by the Corporation or its agents in the Corporation's name. Bond program investments are held by the trustee of the applicable program. All investment transactions are recorded on a delivery basis. As of October 31, 2005, and October 31, 2004, the Corporation and its subsidiaries had the following investments. Investment maturities are shown for October 31, 2005 only.

	Fair Value		Investment Maturities at October 31, 2005 in Years			
Investment Type	**2005**	**2004**	**Less than 1**	**1-5**	**6-10**	**More than 10**
(in thousands)						
Open Time Deposits	$ 715,688	533,231	85,189	573,541	17,629	39,329
U.S. Treasury	256,394	134,655	252,532	—	—	3,862
Fixed Repurchase Agreements	222,431	214,142	222,431	—	—	—
GNMA	196,284	189,672	—	1,218	8,621	186,445
Demand Accounts	128,808	83,871	128,808	—	—	—
FHLB	118,017	145,525	—	97,684	11,349	8,984
Commercial Paper	80,000	30,000	80,000	—	—	—
Term Repurchase Agreements	39,336	50,796	—	—	37,236	2,100
FHLMC	37,727	22,632	20,087	—	15,199	2,441
FNMA	21,999	84,093	—	4,965	13,184	3,850
U.S. Treasury Strips	15,845	18,616	2,027	9,768	3,633	417
Federal Farm Credit Notes	4,758	—	—	—	4,758	—
RFCO Strips	3,780	3,780	1,260	1,260	1,260	—
AID-ISRAEL Bonds	1,960	1,960	—	—	1,960	—
Total	$1,843,027	1,512,973	792,334	688,436	114,829	247,428

In addition to the investments identified above, as of October 31, 2005, the Corporation held $3,130,000 uninvested as cash in various trust and escrow accounts. As of October 31, 2004, this amounted to $1,455,000.

As part of its financing activities, HDC has made six housing development loans that are secured by GNMA certificates rather than mortgages on the properties. The GNMA certificates provide payments at such times and in such amounts as to fully repay the respective HDC loans, and are the only source of repayment for these loans. As such, the GNMA certificates are treated under U.S. Treasury regulations as acquired program obligations. The GNMA certificates are classified in the financial statements as purpose investments and identified separately from other investments and restricted investments in the combined financial statements. However, interest earned on the GNMA certificate is included in investment income.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Corporation's Investment Guidelines charge the Investment Committee with "...determining appropriate investment instruments...based on...length of time funds are available for investment purposes..." among other factors. Thus, maturities are matched to the Corporation's liquidity needs.

Credit Risk: The Corporation's investment guidelines and policies are designed to protect principal by limiting credit risk. This is accomplished through ratings, collateral, and diversification requirements that vary according to the type of investment. As of October 31, 2005, investments in Federal National Mortgage Association ("FNMA" or "Fannie Mae"), Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") and Federal Home Loan Bank ("FHLB") were rated in the highest long-term or short-term ratings category (as applicable) by Standard & Poor's and/or Moody's Investors Service. These ratings were AAA and A-1+ by Standard & Poor's and Aaa and P-1 by Moody's for long-term and short-term instruments, respectively. The majority of these investments were not rated by Fitch Ratings, but those that were carried its highest long-term or short-term ratings of AAA or F1+, respectively. Investments in commercial paper were rated in the highest short-term category by at least two major rating agencies (A-1+ by Standard & Poor's, P-1 by Moody's, and/or F1+ by Fitch Ratings). Demand accounts, OTDs and Repurchase Agreements in the form of OTDs are not rated. Investments in RFCO and AID-ISRAEL Bonds are guaranteed by the U. S. Treasury.

Custodial Credit Risk: For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Corporation, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of the Corporation.

The Corporation manages custodial credit risk by limiting its investments to highly rated institutions and/or requiring high quality collateral be held by the counterparty in the name of the Corporation. At October 31, 2005, OTDs in the amount of $424,517,000 and demand accounts in the amount of $2,675,000 were uninsured and uncollateralized.

HDC bank deposits are Federal Deposit Insurance Corporation ("FDIC") insured in an amount up to $100,000 per each component unit. Uninsured cash deposits in demand accounts amounted to $2,716,000 at year end.

Concentration Credit Risk: The Corporation reviews its credit concentration monthly and under current policy limits exposure to any one commercial paper provider to $10 million. HDC does not place a formal limit on the amount that it may invest in any one issuer. At October 31, 2005, 6.4% percent of the Corporation's investments were in FHLB.

Note 4: Mortgage Loans

The Corporation has outstanding, under various loan programs, mortgage loans of $4,492,620,000 and $3,693,808,000 as of October 31, 2005, and 2004, respectively. These amounts represent the portion of mortgage loans for which the Corporation has advanced monies. The portion of mortgage loans that has not yet been advanced is recorded in investments. See also Note 14: "Commitments".

Changes in Mortgage Loans

The changes in Mortgage Loans are as follows:

Mortgage loans outstanding at October 31, 2003	$3,484,504,000
Mortgage Advances	897,353,000
Principal Collections	(688,411,000)
Discount/Premium Amortized	362,000
Mortgage loans outstanding at October 31, 2004	3,693,808,000
Mortgage Advances	1,545,096,000
Principal Collections	(748,188,000)
Discount/Premium Amortized	1,904,000
Mortgage loans outstanding at October 31, 2005	$4,492,620,000

(A) New York City Housing Development Corporation

The HDC mortgage loans listed above were originally repayable over terms of 4 to 49 years and bear interest at rates from 1% to 10.36% per annum. Almost all mortgage loans receivable are collateralized by first or second mortgages on the property of the housing sponsors and contain exculpatory clauses with respect to the liability of the principals of such housing sponsors. The table above does not include loans which are not secured by mortgages, which include a military housing loan and a loan to the New York City Housing Authority ("NYCHA"), each secured by notes (see Note 5: "Notes Receivable") and loans secured by GNMA certificates (see Note 3: "Investments and Deposits"). Of the total HDC mortgages held as of October 31, 2005, 79% are first mortgages and 21% are subordinate loans.

(B) Housing Assistance Corporation

The Housing Assistance Corporation financed construction and capitalized interest costs for eight affordable housing projects during the period of 1986 to 1990. These loans, funded by New York City, accrue interest at the rate of 0-1% per annum, and in most cases the interest is deferred until approximately twenty years after origination. None of the loans are amortizing. All funds received by HAC are applied to its corporate purpose.

Note 5: Notes Receivable

HDC has made two significant loans that are secured by notes and pledged revenues. Military Housing Notes Receivable of $47,545,000 were received in connection with the 2004 Series A Class I & II Military Housing Revenue Bond (Fort Hamilton LLC Project) issuance. The notes are secured by pledged revenues of the development under a Master Trust Indenture.

In addition, notes receivable in an amount of $13,831,000 represent advances as of October 31, 2005, to the New York City Housing Authority ("NYCHA") in connection with the Corporation's 2005 Series A Capital Fund Program Revenue Bond issuance. This note is secured under a Master Trust Indenture by NYCHA's pledge of HUD's annual appropriation of public housing capital funds to NYCHA.

Note 6: Loan Participation Interests Receivable

The Corporation has acquired interests in two real estate mortgage investment trusts in connection with its housing activities.

First, in each of fiscal years 2002 and 2003, HDC used bond proceeds to purchase a subordinate position 100% participation interest in a portion of the cash flows from a pool of mortgage loans the City had previously securitized in 1996. This pool is known as the Sheridan Trust II and HDC's purchased asset as the Class B Certificate. Upon completion of the 2003 transaction, HDC's participation interest covered all the cash flows of the Sheridan Trust II, subject to the prior lien of the senior interest holder. Because HDC's ownership interest in the asset was subordinate to that of another owner, with no rights to revenues from the asset until the senior holder was retired, the related loan asset was not recorded when purchased. In September 2005, the senior lien interests were satisfied and HDC became the primary beneficiary of the Trust. At that time, therefore, the loan asset was added to HDC's balance sheet and is valued at its principal amount. At October 31, 2005, this principal amount is $220,791,000.

Second, in fiscal year 2005, HDC used bond proceeds to acquire from New York City a 100% participation interest in the cash flows payable to the City as owner of the Class B Certificate of the NYC Mortgage Loan Trust, also created by the City in 1996. Class A Certificates of this trust remain outstanding and HDC's interest is subordinate to scheduled and make-whole payments to the Class A Certificate holders, but it does receive unscheduled revenue from this participation interest. The Class B Certificate does not have a stated principal amount and is valued at its purchase price, as adjusted for the return of capital. At October 31, 2005, this amount is $12,263,000.

In each case, the loan participation interests are pledged to the associated bonds but revert to New York City when such bonds are retired. See Note 11: "Payable to The City of New York".

Note 7: Other Receivables

Other Receivables of $9,411,000 represent unamortized commitment and financing fees, servicing fees receivable, Reserve for Replacement loans and Corporate Services Fund loans not secured by mortgages on the properties, and interest receivable on HPD loans serviced (but not owned) by HDC.

Note 8: Other Current and Non-Current Assets

Other current assets are prepaid fees and totaled $284,000 at October 31, 2005.

Other non-current assets totaled $21,794,000 at October 31, 2005, and consisted of (a) various interest rate caps purchased by the Corporation in connection with certain bond issuances; and (b) the value of purchased cash flows related to the 223(f) Program and the 2001 Series B Multi-Family Housing Revenue Bonds.

Three interest rate caps were purchased from the New York City Transitional Finance Authority ("TFA") in connection with the Corporation's issuance of its Multi-Family Housing Revenue Bonds, Series 2002C and 2002D. The caps are carried at the amortized value, which totaled $16,219,000 at October 31, 2005. These interest rate caps were terminated December 2, 2005, upon delivery by TFA of three new interest rate caps with substantially the same terms from Goldman Sachs Mitsui Marine Derivative Products. See Note 17: "Subsequent Events".

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Continued)

On May 25, 2005, two interest rate caps were purchased from Goldman Sachs Mitsui Marine Derivative Products in connection with the Corporation's issuance of its Multi-Family Housing Revenue Bonds, 2005 Series A-2 and 2005 Series B. As of October 31, 2005, the asset amounts were $31,000 and $249,000, respectively.

The purchased cash flows are revenue streams consisting of (a) the excess of mortgagors' payments over bond debt service payments, trustee fees and servicing fees to the Corporation and (b) the earnings on certain restricted funds (which earnings are excluded from the Combined Statement of Revenues and Expenses). These cash flows were purchased by the Corporation in fiscal year 1996. The purchase price amounts, representing the discounted value of the future cash flows, were recorded as an asset and have been amortized over the remaining program life using the yield method. Amortization for fiscal year 2005 amounted to $11,184,000 and is reported as a non-operating expense. Of this amount, $3,032,000 is attributable to regular amortization and owner prepayments and $8,152,000 resulted from the refinancing of the underlying loans pursuant to Corporation housing programs. The unamortized value of these purchased cash flows is $5,295,000 at October 31, 2005.

Note 9: Bonds Payable

The Corporation's authority to issue bonds and notes for any corporate purpose is limited by the Act to the extent that (i) the aggregate principal amount outstanding may not exceed $5.65 billion, exclusive of refunding bonds or notes, and (ii) the maximum Capital Reserve Fund requirement may not exceed $30 million. No bonds are currently subject to the Capital Reserve Fund requirement. These limits may be changed from time to time through State legislation. During the year ended October 31, 2005, the limit on aggregate principal amount outstanding was raised from $4.85 billion to $5.65 billion.

Bond Programs

The Corporation issues bonds and notes to fund mortgage loans for multi-family residential developments under the bond programs described below. As of October 31, 2005, the Corporation had bonds outstanding in the aggregate principal amount of $4,604,436,000. All of the bonds are separately secured, except for the bonds issued under the General Resolution which are equally and ratably secured by the assets pledged under the General Resolution (see "*B. Housing Revenue Bond Program*" below). None of the bonds under the bond programs described in "*A. Multi-Family Bond Program*", "*C. Liberty Bond Program*", and "*D. Section 223(f) Refinancing Bond Program*" provide security under the General Resolution, and none of the bonds under these programs is secured by the General Resolution.

A. Multi-Family Bond Program. The Corporation established its Multi-Family Bond Program to develop privately owned multi-family housing, all or a portion of which is reserved for low-income tenants. The following describes the Corporation's activities under its Multi-Family Bond Program.

(1) Rental Projects; Fannie Mae or Freddie Mac Enhanced: The Corporation has issued tax-exempt and/or taxable bonds which either (i) are secured by mortgage loan payments, which payments are secured by obligations of Fannie Mae under various collateral agreements, (ii) are secured by a Direct Pay Credit Enhancement Instrument issued by Fannie Mae or (iii) are secured by a Direct Pay Credit Enhancement Agreement with Freddie Mac.

(2) Rental Projects; Letter of Credit Enhanced: The Corporation has issued tax-exempt and/or taxable bonds to finance a number of mixed-income projects and entirely low-income projects, which bonds are secured by letters of credit issued by investment-grade rated commercial lending institutions.

(3) Rental Projects; FHA-Insured Mortgage Loan: The Corporation has issued bonds to finance a number of mixed-income projects with mortgages insured by the Federal Housing Administration ("FHA").

(4) Hospital Staff Housing; Credit Enhanced: The Corporation has issued bonds to provide financing for residential facilities for hospital staff, which bonds are secured by bond insurance or letters of credit issued by investment-grade rated institutions.

(5) Cooperative Housing; SONYMA-Insured Mortgage Loan: The Corporation has issued tax-exempt obligations in order to fund underlying mortgage loans to cooperative housing developments. Each mortgage loan in this program is insured by the State of New York Mortgage Agency ("SONYMA").

(6) Rental Project; REMIC-Insured Mortgage Loan: The Corporation has issued tax-exempt bonds to finance a mortgage loan for a residential facility, which mortgage loan is insured by REMIC.

(7) Senior Housing; Letter of Credit Enhanced: The Corporation has issued tax-exempt obligations to finance a mortgage loan for low-income senior housing, which obligations are secured by letters of credit issued by investment-grade rated commercial lending institutions.

(8) Military Housing Revenue Bond Program: The Corporation has issued taxable bonds to fund a loan for the development of housing for military personnel at a federal military base.

(9) Capital Fund Revenue Bond Program; FGIC-Insured Bonds: The Corporation has issued tax-exempt obligations in order to fund a loan to NYCHA to provide funds for modernization and to make improvements to numerous public housing projects owned by NYCHA. Scheduled payment of bond principal and interest is guaranteed by a municipal bond insurance policy issued by Financial Guaranty Insurance Company ("FGIC").

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

B. Housing Revenue Bond Program. Under its Housing Revenue Bond Program, the Corporation may issue bonds payable solely from and secured by the assets held under its General Resolution, adopted in 1993 and, as amended and supplemented, used for the ongoing issuance of bonds. Assets pledged to bondholders under the General Resolution include a pool of mortgage loans, some of which are construction loans (which pool contains FHA-insured mortgage loans, REMIC-insured mortgage loans, securities, other mortgage loans and participation interests in mortgage loans), the revenues received on account of all such loans and securities; and other assets pledged under such resolution and any supplemental resolution for a particular series of bonds. Certain of the projects, which secure a portion of the mortgage loans, receive the benefits of subsidy payments.

C. Liberty Bond Program. In accordance with Section 301 of the Job Creation and Worker Assistance Act of 2002, as amended, the Corporation has issued tax-exempt and taxable bonds, each secured by a letter of credit, to finance the development of multi-family housing within an area of lower Manhattan designated in such legislation as the "Liberty Zone".

D. Section 223(f) Refinancing Bond Program. Under this program, the Corporation acquired mortgages originally made by the City, obtained Federal insurance thereon and either sold such insured mortgages or issued its obligations secured by said insured mortgages and paid the net proceeds of the sale of such mortgages or issuance of obligations to the City. Each series of bonds issued under this program is secured by a mortgage loan insured by FHA pursuant to Section 223(f) of Title II of the National Housing Act of 1934. Debt service on each series of bonds is paid only from monies received on account of the applicable mortgage loan securing such series, including, with respect to certain projects, interest reduction subsidy payments received by the Corporation pursuant to Section 236 of the National Housing Act. A number of these bonds were retired during the year, and additional mortgage loans were refinanced in December 2005 for which the related bonds will be retired in February 2006 (see Note 17: "Subsequent Events").

Bonds Payable

Changes in HDC bonds payable for the year ended October 31, 2005, were as follows:

Description of Bonds as Issued	Balance at Oct. 31, 2004	Issued	Retired	Balance at Oct. 31, 2005	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2005)*					
MULTI-FAMILY BOND PROGRAM					
Multi-Family Rental Housing Revenue Bonds – Rental Projects; Fannie Mae or Freddie Mac Enhanced					
1997 Series A Related-Columbus Green Project—1.40% to 3.02% Variable Rate Bonds due upon demand through 2019	$13,775	—	(13,775)	—	—
1997 Series A Related-Carnegie Park Project—1.40% to 3.02% Variable Rate Bonds due upon demand through 2019	66,800	—	—	66,800	—
1997 Series A Related-Monterey Project—1.40% to 3.02% Variable Rate Bonds due upon demand through 2019	104,600	—	—	104,600	—
1997 Series A Related-Tribeca Tower Project—1.43% to 3.07% Variable Rate Bonds due upon demand through 2019	55,000	—	—	55,000	—
1998 Series A & B Jane Street Development—1.42% to 3.01% Variable Rate Bonds due upon demand through 2028	16,575	—	(125)	16,450	—
1998 Series A Parkgate Development Project—1.38% to 2.94% Variable Rate Bonds due upon demand through 2028	36,500	—	—	36,500	—
1998 Series A & B One Columbus Place Project—1.43% to 3.01% Variable Rate Bonds due upon demand through 2028	142,500	—	(200)	142,300	—
1999 Series A & B West 43rd Street Project—1.42% to 3.97% Variable Rate Bonds due upon demand through 2029	53,320	—	(600)	52,720	600

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

Description of Bonds as Issued	Balance at Oct. 31, 2004	Issued	Retired	Balance at Oct. 31, 2005	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2005)*					
1999 Series A Brittany Development Project—1.45% to 3.01% Variable Rate Bonds due upon demand through 2029	57,000	—	—	57,000	—
2000 Series A Related West 89th Street Development—1.43% to 3.07% Variable Rate Bonds due upon demand through 2029	53,000	—	—	53,000	—
2000 Series A Westmont Apartments—1.41% to 2.97% Variable Rate Bonds due upon demand through 2030	24,200	—	—	24,200	—
2001 Series A Queenswood Refunding—1.38% to 2.94% Variable Rate Bonds due upon demand through 2031	10,800	—	—	10,800	—
2001 Series A & 2001 Series B (Federally Taxable) Related Lyric Development—1.43% to 3.97% Variable Rate Bonds due upon demand through 2031	90,400	—	(400)	90,000	400
2002 Series A James Tower Development—1.38% to 2.95% Variable Rate Bonds due upon demand through 2032	21,895	—	(180)	21,715	195
2002 Series A & 2002 Series B (Federally Taxable) The Foundry—1.42% to 3.97% Variable Rate Bonds due upon demand through 2032	59,600	—	(2,600)	57,000	500
2003 Series A Related-Sierra Development—1.43% to 3.01% Variable Rate Bonds due upon demand through 2033	56,000	—	—	56,000	—
2004 Series A West End Towers—1.45% to 3.01% Variable Rate Bonds due upon demand through 2034	135,000	—	—	135,000	—
2004 Series A & 2004 Series B (Federally Taxable) Related-Westport Development—1.55% to 3.97% Variable Rate Bonds due upon demand through 2034	124,000	—	—	124,000	—
Multi-Family Mortgage Revenue Bonds – Rental Projects; Fannie Mae or Freddie Mac Enhanced					
1995 Series A Columbus Apartments Development—1.40% to 3.02% Variable Rate Bonds maturing in varying installments through 2025	21,870	—	—	21,870	—
2001 Series A West 48th Street—1.42% to 3.01% Variable Rate Bonds due upon demand through 2034	20,000	—	—	20,000	—
2002 Series A First Ave Development—1.42% to 3.01% Variable Rate Bonds due upon demand through 2035	44,000	—	—	44,000	—
2004 Series A State Renaissance Court—1.45% to 3.00% Variable Rate Bonds due upon demand through 2037	—	35,200	—	35,200	—
Multi-Family Mortgage Revenue Bonds – Rental Projects; Letter of Credit Enhanced					
2001 Series A Fountains at Spring Creek Project—1.43% to 1.78% Variable Rate Bonds due upon demand through 2033	7,500	—	(7,500)	—	—
2001 Series A The Lafayette Project—1.43% to 1.94% Variable Rate Bonds due upon demand through 2033	3,700	—	(3,700)	—	—
2002 Series A & 2002 Series B (Federally Taxable) 400 West 55th Street Development—1.51% to 4.12% Variable Rate Bonds due upon demand through 2035	65,000	—	—	65,000	—

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Continued)

Description of Bonds as Issued	Balance at Oct. 31, 2004	Issued	Retired	Balance at Oct. 31, 2005	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2005)*					
2003 Series A Atlantic Court Apartments—1.43% to 3.02% Variable Rate Bonds due upon demand through 2036	92,700	—	—	92,700	—
2003 Series A (AMT) & 2003 Series B (Federally Taxable) 92nd & First Residential Tower—1.50% to 4.05% Variable Rate Bonds due upon demand through 2036	57,300	—	—	57,300	—
2003 Series A (AMT) & 2003 Series B (Federally Taxable) Related-Upper East—1.47% to 4.00% Variable Rate Bonds due upon demand through 2036	70,000	—	—	70,000	—
2004 Series A Manhattan Court Development—1.49% to 3.00% Variable Rate Bonds due upon demand through 2036	17,500	—	—	17,500	—
2004 Series A East 165th Street Development—1.49% to 3.00% Variable Rate Bonds due upon demand through 2036	13,800	—	—	13,800	—
2004 Series A Aldus Street Apartments—1.50% to 3.03% Variable Rate Bonds due upon demand through 2037	14,200	—	—	14,200	—
2004 Series A 941 Hoe Avenue Apartments—1.50% to 3.03% Variable Rate Bonds due upon demand through 2037	11,900	—	—	11,900	—
2004 Series A Peter Cintron Apartments—1.50% to 3.03% Variable Rate Bonds due upon demand through 2037	14,400	—	—	14,400	—
2004 Series A Parkview Apartments—1.50% to 3.03% Variable Rate Bonds due upon demand through 2036	—	12,605	—	12,605	—
2004 Series A Louis Nine Boulevard Apartments—1.50% to 3.03% Variable Rate Bonds due upon demand through 2037	—	9,500	—	9,500	—
2004 Series A Courtlandt Avenue Apartments—1.52% to 3.03% Variable Rate Bonds due upon demand through 2037	—	15,000	—	15,000	—
2004 Series A Ogden Avenue Apartments—1.51% to 3.03% Variable Rate Bonds due upon demand through 2037	—	10,500	—	10,500	—
2004 Series A Nagle Courtyard Apartments—1.51% to 3.03% Variable Rate Bonds due upon demand through 2037	—	9,000	—	9,000	—
2004 Series A Thessalonica Court Apartments—1.47% to 3.04% Variable Rate Bonds due upon demand through 2036	—	19,500	—	19,500	—
2004 Series A Brookhaven Apartments—1.47% to 3.04% Variable Rate Bonds due upon demand through 2036	—	9,100	—	9,100	—
2004 Series A Marseilles Apartments—1.42% to 2.99% Variable Rate Bonds due upon demand through 2034	—	13,625	(100)	13,525	200
2004 Series A West 61st Street Apartments—1.50% to 3.03% Variable Rate Bonds due upon demand through 2038	—	54,000	—	54,000	—
2005 Series A Morris Avenue Apartments—1.91% to 3.00% Variable Rate Bonds due upon demand through 2038	—	22,700	—	22,700	—
2005 Series A Vyse Avenue Apartments—1.91% to 3.00% Variable Rate Bonds due upon demand through 2038	—	9,650	—	9,650	—

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

Description of Bonds as Issued	Balance at Oct. 31, 2004	Issued	Retired	Balance at Oct. 31, 2005	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2005)*					
2005 Series A 33 West Tremont Avenue Apartments—1.91% to 3.00% Variable Rate Bonds due upon demand through 2038	—	8,450	—	8,450	—
2005 Series A (AMT) & 2005 Series B (Federally Taxable) 155 West 21 Street Apartments—2.05% to 3.95% Variable Rate Bonds due upon demand through 2038	—	42,700	—	42,700	—
2005 Series A 2007 LaFontaine Avenue Apartments—1.91% to 2.76% Variable Rate Bonds due upon demand through 2037	—	8,500	—	8,500	—
2005 Series A La Casa del Sol Apartments—1.95% to 2.76% Variable Rate Bonds due upon demand through 2037	—	12,800	—	12,800	—
2005 Series A 15 East Clarke Place Apartments—1.99% to 2.81% Variable Rate Bonds due upon demand through 2037	—	11,600	—	11,600	—
2005 Series A Ogden Avenue Apartments II—2.40% to 2.76% Variable Rate Bonds due upon demand through 2038	—	5,300	—	5,300	—
2005 Series A White Plains Courtyard Apartments—2.40% to 2.76% Variable Rate Bonds due upon demand through 2038	—	9,900	—	9,900	—
2005 Series A Highbridge Apartments —2.70% Variable Rate Bonds due upon demand through 2009	—	32,500	—	32,500	—
Multi-Family Rental Housing Revenue Bonds—Rental Projects; Letter of Credit Enhanced					
2002 Series A (Federally Taxable) Chelsea Centro—1.88% to 3.95% Variable Rate Bonds due upon demand through 2033	84,200	—	(1,400)	82,800	—
MBIA Insured Residential Revenue Refunding Bonds – Hospital Staff Housing					
1998 Series 1 MBIA Insured Residential Revenue Refunding Bonds—1.20% to 2.65% Periodic Auction Reset Securities maturing in varying installments through 2017	89,200	—	(89,200)	—	—
Residential Revenue Bonds – Hospital Staff Housing; Letter of Credit Enhanced					
1993 Series A East 17th Street Properties—1.04% to 3.03% Variable Rate Bonds maturing in varying installments through 2023	30,900	—	(900)	30,000	1,000
1993 Series A Montefiore Medical Center—1.38% to 3.00% Variable Rate Term Bonds maturing in varying installments through 2030	8,200	—	(100)	8,100	100
2003 Series A The Animal Medical Center—4.25% to 5.50% Serial and Term Bonds maturing in varying installments through 2033	10,140	—	—	10,140	—
2005 Series A & 2005 Series B (Federally Taxable) Royal Charter Properties—2.15% to 3.95% Serial and Term Bonds maturing in varying installments through 2035	—	98,775	(500)	98,275	—
Mortgage Revenue Bonds – Cooperative Housing; SONYMA-Insured Mortgage Loan					
1994 Series A Maple Court Cooperative—6.22% Term Bonds maturing in varying installments through 2027	11,170	—	(210)	10,960	225

Description of Bonds as Issued	Balance at Oct. 31, 2004	Issued	Retired	Balance at Oct. 31, 2005	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2005)*					
1996 Series A Maple Plaza Cooperative—6.08% Term Bonds maturing in varying installments through 2029	15,745	—	(265)	15,480	285
Multi-Family Mortgage Revenue Bonds – Rental Project; REMIC-Insured Mortgage Loan					
1996 Series A Barclay Avenue Development—5.75% to 6.60% Term Bonds maturing in varying installments through 2033	5,275	—	(70)	5,205	70
Multi-Family Mortgage Revenue Bonds – Senior Housing; Letter of Credit Enhanced					
2000 Series A 55 Pierrepont Development—1.42% to 3.00% Variable Rate Bonds due upon demand through 2031	5,400	—	(100)	5,300	—
Subtotal Multi-Family Bond Program	1,835,065	450,905	(121,925)	2,164,045	3,575
MILITARY HOUSING REVENUE BOND PROGRAM					
2004 Series A Class I & II Fort Hamilton Housing LLC Project—5.60% to 6.72% Term Bonds maturing in varying installments through 2049	47,545	—	—	47,545	—
Total Multi-Family Bond Program	1,882,610	450,905	(121,925)	2,211,590	3,575
HOUSING REVENUE BOND PROGRAM					
Multi-Family Housing Revenue Bonds					
1994 Series A PLP Bond Program—8.40% and 8.95% Term Bonds maturing in varying installments through 2025	4,305	—	(4,305)	—	—
1995 Series A Multi-Family Housing Revenue Bond Program—3.50% to 5.60% Serial Bonds maturing in varying installments through 2007	2,630	—	(2,085)	545	280
1996 Series A Multi-Family Housing Revenue Bond Program—3.60% to 5.625% Serial and Term Bonds maturing in varying installments through 2012	28,620	—	(15,250)	13,370	1,615
1997 Series A & B Multi-Family Housing Revenue Bond Program—3.70% to 5.875% Serial and Term Bonds maturing in varying installments through 2018	18,700	—	(18,700)	—	—
1997 Series C (Federally Taxable) Multi-Family Housing Revenue Bond Program—6.73% Term Bonds maturing in varying installments through 2011	20,065	—	(2,330)	17,735	2,485
1998 Series A (Federally Taxable) Multi-Family Housing Revenue Bond Program—6.84% Term Bonds maturing in varying installments through 2030	55,200	—	(900)	54,300	1,000
1998 Series B Multi-Family Housing Revenue Bond Program—3.75% to 5.25% Serial and Term Bonds maturing in varying installments through 2031	20,560	—	(345)	20,215	365
1999 Series A-1 & A-2 (Federally Taxable) Multi-Family Housing Revenue Bond Program—5.83% to 6.06% Term Bonds maturing in varying installments through 2022 and 2.369% to 3.89% Variable Rate Bonds due upon demand through 2037	56,300	—	(2,700)	53,600	2,800

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

Description of Bonds as Issued	Balance at Oct. 31, 2004	Issued	Retired	Balance at Oct. 31, 2005	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2005)*					
1999 Series B-1 & B-2 (Federally Taxable) Multi-Family Housing Revenue Bond Program—6.83% to 7.32% Term Bonds maturing in varying installments through 2022 and 2.369% to 3.89% Variable Rate Bonds due upon demand through 2031	37,900	—	(900)	37,000	1,000
1999 Series C Multi-Family Housing Revenue Bond Program—4.40% to 5.70% Serial and Term Bonds maturing in varying installments through 2031	5,485	—	(2,075)	3,410	90
1999 Series D Multi-Family Housing Revenue Bond Program—3.75% to 5.50% Serial and Term Bonds maturing in varying installments through 2019	7,065	—	(290)	6,775	305
1999 Series E Multi-Family Housing Revenue Bond Program—4.40% to 6.25% Serial and Term Bonds maturing in varying installments through 2036	9,925	—	(100)	9,825	105
2000 Series A & B (Federally Taxable) Multi-Family Housing Revenue Bond Program—4.65% to 7.79% Serial and Term Bonds maturing in varying installments through 2032	31,170	—	(6,970)	24,200	300
2001 Series A Multi-Family Housing Revenue Bond Program—3.70% to 5.60% Serial and Term Bonds maturing in varying installments through 2042	29,890	—	(235)	29,655	245
2001 Series B Multi-Family Housing Revenue Bond Program—3.05% to 5.25% Serial Bonds maturing in varying installments through 2016.	74,610	—	(69,680)	4,930	2,280
2001 Series C-2 Multi-Family Housing Revenue Bond Program—2.85% to 5.40% Serial and Term Bonds maturing in varying installments through 2033	17,515	—	(275)	17,240	275
2002 Series A (AMT) Multi-Family Housing Revenue Bond Program—2.20% to 5.50% Serial and Term Bonds maturing in varying installments through 2034	35,845	—	(540)	35,305	560
2002 Series B (AMT) Multi-Family Housing Revenue Bond Program—2.20% to 5.50% Serial and Term Bonds maturing in varying installments through 2032	7,040	—	(125)	6,915	125
2002 Series C (Federally Taxable) Multi-Family Housing Revenue Bond Program—2.369% to 3.890% Variable Rate Term Bonds maturing in varying installments through 2034	49,285	—	(470)	48,815	500
2002 Series D (Federally Taxable) Multi-Family Housing Revenue Bond Program—2.369% to 3.89% Variable Rate Term Bonds maturing in varying installments through 2032	237,100	—	(15,700)	221,400	4,600
2002 Series E-1 & E-2 (AMT) Multi-Family Housing Revenue Bond Program—2% to 5.20% Serial and Term Bonds maturing in varying installments through 2034 and 1.91% to 3.42% Variable Rate Term Bonds maturing in 2006	20,300	—	(1,310)	18,990	315
Revenue Bond Program—2% to 5.20% Serial and Term Bonds maturing in varying installments through 2032	4,600	—	(80)	4,520	85
2003 Series A (Auction Rate) Multi-Family Housing Revenue Bond Program—1.60% to 2.99% Variable Rate Term Bonds maturing in varying installments through 2025	51,570	—	(16,725)	34,845	925
2003 Series B-1 & B-2 (AMT) Multi-Family Housing Revenue Bond Program—2% to 4.6% Serial and Term Bonds maturing in varying installments through 2036	36,500	—	(3,475)	33,025	340

Description of Bonds as Issued	Balance at Oct. 31, 2004	Issued	Retired	Balance at Oct. 31, 2005	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2005)*					
2003 Series C (Non-AMT) Multi-Family Housing Revenue Bond Program—1.10% to 4% Serial and Term Bonds maturing in varying installments through 2016	4,655	—	(320)	4,335	320
2003 Series D (Federally Taxable) Multi-Family Housing Revenue Bond Program—2.369% to 3.89% Variable Rate Term Bonds maturing in varying installments through 2033	50,900	—	(8,400)	42,500	1,100
2003 Series E-1 & E-2 (AMT) Multi-Family Housing Revenue Bond Program—2.25% to 5.05% Serial and Term Bonds maturing in varying installments through 2036	45,530	—	—	45,530	—
2004 Series A Multi-Family Housing Revenue Bond Program—1.85% to 5.25% Serial and Term Bonds maturing in varying installments through 2030	147,150	—	(1,530)	145,620	3,130
2004 Series B-1 & B-2 (AMT) Multi-Family Housing Revenue Bond Program—2% to 5.30% Serial and Term Bonds maturing in varying installments through 2036	43,370	—	(50)	43,320	110
2004 Series C-1 & C-2 (Federally Taxable) Multi-Family Housing Revenue Bond Program—3.90% to 6.34% Serial and Term Bonds maturing in varying installments through 2036	62,320	—	—	62,320	10
2004 Series D (Federally Taxable) Multi-Family Housing Revenue Bond Program—5.55% Term Bonds maturing in 2020	—	18,000	—	18,000	—
2004 Series E-1 (Non-AMT) Multi-Family Housing Revenue Bond Program—4.95% Term Bonds maturing in 2033	—	39,595	—	39,595	—
2004 Series E-2 (Federally Taxable) Multi-Family Housing Revenue Bond Program—5.75% Term Bonds maturing in 2024	—	28,700	—	28,700	—
2004 Series F (Federally Taxable) Multi-Family Housing Revenue Bond Program—3.68% to 5.70% Serial and Term Bonds maturing in varying installments through 2035	—	33,970	—	33,970	—
2004 Series G (Federally Taxable) Multi-Family Housing Revenue Bond Program—5.63% Term Bonds maturing in 2029	—	10,680	(70)	10,610	50
2004 Series H (AMT) Multi-Family Housing Revenue Bond Program—2.70% to 5.25% Serial and Term Bonds maturing in varying installments through 2046	—	9,395	—	9,395	35
2004 Series I-1 & I-2 (AMT) Multi-Family Housing Revenue Bond Program—2.50% to 5.20% Serial and Term Bonds maturing in varying installments through 2038	—	26,645	—	26,645	205
2004 Series J (Federally Taxable) Multi-Family Housing Revenue Bond Program—2.95% to 5.70% Serial and Term Bonds maturing in varying installments through 2038	—	27,900	(240)	27,660	765
2005 Series A-1 (Non-AMT) Multi-Family Housing Revenue Bond Program—4.50% to 4.60% Term Bonds maturing in 2027 and 2035 respectively	—	9,735	—	9,735	—
2005 Series A-2 (Federally Taxable) (Auction Rate) Multi-Family Housing Revenue Bond Program—3.05% to 3.78% Variable Rate Bonds due upon demand through 2034	—	6,825	(675)	6,150	75

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Continued)

Description of Bonds as Issued	Balance at Oct. 31, 2004	Issued	Retired	Balance at Oct. 31, 2005	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2005)*					
2005 Series B (Federally Taxable) (Auction Rate) Multi-Family Housing Revenue Bond Program—3.05% to 3.78% Variable Rate Bonds due upon demand through 2037	—	51,750	(500)	51,250	150
2005 Series C & D (AMT) Multi-Family Housing Revenue Bond Program—3.10% to 4.80% Serial and Term Bonds maturing in varying installments through 2047	—	30,160	—	30,160	—
2005 Series E (AMT) Multi-Family Housing Revenue Bond Program—2.90% to 4.75% Serial and Term Bonds maturing in varying installments through 2035	—	3,900	—	3,900	—
2005 Series F-1 (Non-AMT) Multi-Family Housing Revenue Bond Program—4.65% to 4.75% Term Bonds maturing in 2025 and 2035, respectively	—	65,410	—	65,410	—
2005 Series F-2 (Federally Taxable) Multi-Family Housing Revenue Bond Program—4.66% to 5.43% Term Bonds maturing in 2010 and 2017, respectively	—	80,935	—	80,935	2,205
Total Housing Revenue Bond Program	1,216,105	443,600	(177,350)	1,482,355	28,750
LIBERTY BOND PROGRAM					
Multi-Family Mortgage Revenue Bonds					
2003 Series A & B (Federally Taxable) 90 Washington Street—1.46% to 2.47% Variable Rate Bonds due upon demand through 2035	82,000	—	(82,000)	—	—
2003 Series A & B (Federally Taxable) 2 Gold Street—1.45% to 3.95% Variable Rate Bonds due upon demand through 2037	178,500	—	—	178,500	—
2003 Series A & B (Federally Taxable) 63 Wall Street—1.39% to 3.31% Variable Rate Bonds due upon demand through 2036	143,800	—	(143,800)	—	—
2004 Series A & B (Federally Taxable) 90 West Street—1.45% to 3.95% Variable Rate Bonds due upon demand through 2036	106,500	—	—	106,500	—
2005 Series A 90 Washington Street—1.72% to 3.05% Variable Rate Bonds due upon demand through 2035	—	74,800	—	74,800	—
2005 Series A & B (Federally Taxable) The Crest—2.25% to 3.97% Variable Rate Bonds due upon demand through 2036	—	143,800	—	143,800	—
Total Liberty Bond Program	510,800	218,600	(225,800)	503,600	—
SECTION 223(f) REFINANCING BOND PROGRAM					
Multi-Family Housing Bond Program—6.50% to 7.25% Bonds maturing in varying installments through 2019	213,814	—	(88,533)	125,281	16,212
Total Section 223(f) Refinancing Bond Program	213,814	—	(88,533)	125,281	16,121
CAPITAL FUND PROGRAM REVENUE BOND					
2005 Series A NYCHA—3.00% to 5.00% Serial and Term Bonds maturing in varying installments through 2025	—	281,610	—	281,610	6,815
Total Capital Fund Program Revenue Bonds	—	281,610	—	281,610	6,815

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

Description of Bonds as Issued	Balance at Oct. 31, 2004	Issued	Retired	Balance at Oct. 31, 2005	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2005)*					
Total Bonds Payable Prior to Net Premium (Discount) on Bonds Payable and Deferred Bond Refunding Costs	$3,823,329	1,394,715	(613,608)	4,604,436	55,352
Net Premium (Discount) on Bonds Payable	(231)	—	—	17,636	—
Deferred Bond Refunding Costs	(16,982)	—	—	(14,702)	—
Total Bonds Payable (Net)	$3,806,116	1,394,715	(613,608)	4,607,370	55,352

Bonds issued in Fiscal Year 2005

(A) New York City Housing Development Corporation

On December 7, 2004, the variable rate 2004 Series A Multi-Family Mortgage Revenue Bonds (State Renaissance Court Apartments) were issued in the amount of $35,200,000 to finance a mortgage loan for the purposes of paying a portion of the costs of acquiring, constructing and equipping a multi-family rental housing facility to be located at 65-71 Hoyt Street (also known as 200 Schermerhorn Street) in the Borough of Brooklyn, New York, and certain other related costs.

On December 8, 2004, the variable rate 2004 Series A Multi-Family Mortgage Revenue Bonds (Parkview Apartments) were issued in the amount of $12,605,000 to finance a mortgage loan for the purposes of paying a portion of the costs of acquiring, constructing and equipping a multi-family rental housing facility to be located at Elton Avenue and East 161st Street in the Borough of the Bronx, New York, and certain other related costs.

On December 10, 2004, the variable rate 2004 Series A Multi-Family Mortgage Revenue Bonds (Louis Nine Boulevard Apartments) were issued in the amount of $9,500,000 in order to finance a mortgage loan and pay a portion of the costs of acquiring, constructing and equipping a multi-family rental housing facility to be located at 1490 Boston Road between Louis Nine Boulevard and Stebbins Avenue in the Borough of the Bronx, New York and certain other related costs.

On December 10, 2004, the variable rate 2004 Series A Multi-Family Mortgage Revenue Bonds (Courtlandt Avenue Apartments) were issued in the amount of $15,000,000 in order to finance a mortgage loan and pay a portion of the costs of acquiring, constructing and equipping a multi-family rental housing facility to be located at 303 East 158th and 320 East 159th Streets between Courtlandt and Park Avenues in the Borough of the Bronx, New York, and certain other related costs.

On December 21, 2004, the variable rate 2004 Series A Multi-Family Mortgage Revenue Bonds (Marseilles Apartments) were issued in the amount of $13,625,000 for the purposes of paying the cost of acquiring a multi-family rental housing facility located at 230 West 103rd Street in the Borough of Manhattan, New York, and certain other related costs.

On December 22, 2004, two separate issues of 2004 Series A Multi-Family Mortgage Revenue Bonds were issued. The variable rate 2004 Series A (Ogden Avenue Apartments) bonds and 2004 Series A (Nagle Courtyard Apartments bonds) were issued in the amounts of $10,500,000 and $9,000,000, respectively. Each issue of the 2004 Bonds relates to a project located in The Borough of the Bronx, New York, and is being issued to finance a mortgage loan to the respective mortgagor in order to finance the project and pay certain other related costs. The developments are located at 1434 Ogden Avenue and 228-238 Nagle Avenue, respectively.

On December 23, 2004, the variable rate 2004 Series A Multi-Family Mortgage Revenue Bonds (West 61st Street Apartments) were issued in the amount of $54,000,000 in order to finance a mortgage loan and pay a portion of the costs of acquiring, constructing and equipping a multi-family rental housing facility to be located at West 61st Street between West End Avenue and the West Side Highway in the Borough of Manhattan, New York, and certain other related costs.

On December 29, 2004, three Multi-Family Housing Revenue Bonds series were issued in an amount totaling $86,295,000. The 2004 Series D (Federally Taxable) bonds in the amount of $18,000,000, 2004 Series E-1 (Non-AMT) bonds in the amount of $39,595,000 and the 2004 Series E-2 (Federally Taxable) bonds in the amount of $28,700,000 were issued (i) to finance the acquisition by the Corporation of a participation interest in

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

the cash flows from a real estate mortgage investment trust including cash flow from certain federal subsidy contracts related to permanent mortgage loans for certain existing developments (see Note 6: "Loan Participation Interests Receivable"), and (ii) to refinance and restructure permanent mortgage loans for certain existing developments.

On December 29, 2004, six Multi-Family Housing Revenue Bonds series were issued in an amount totaling $108,590,000. The 2004 Series F bonds in the amount of $33,970,000, the 2004 Series G bonds in the amount of $10,680,000 and the 2004 Series J bonds in the amount of $27,900,000 were all Federally Taxable. The 2004 Series H bonds in the amount of $9,395,000, the 2004 Series I-1 bonds in the amount of $325,000 and the 2004 Series I-2 bonds in the amount of $26,320,000 were AMT bonds. The 2004 Series F/G/H/I/J bonds are being issued to acquire or finance construction and/or permanent mortgage loans for certain newly constructed, rehabilitated or existing developments.

On December 30, 2004, the variable rate 2004 Series A Multi-Family Mortgage Revenue Bonds (Thessalonica Court Apartments) were issued in the amount of $19,500,000 to finance a mortgage loan for the purposes of paying a portion of the costs of acquiring and renovating a multi-family rental housing facility located at 350 St. Ann's Avenue in the Borough of the Bronx, New York, and certain other related costs.

On December 30, 2004, the variable rate 2004 Series A Multi-Family Mortgage Revenue Bonds (Brookhaven Apartments) were issued in the amount of $9,100,000 to finance a mortgage loan for the purposes of paying a portion of the costs of acquiring and renovating a multi-family rental housing facility located at 198-204 Brown Place and 205-211 Brook Avenue in the Borough of the Bronx, New York, and certain other related costs.

On January 31, 2005, the variable rate 2005 Series A Multi-Family Rental Housing Revenue Bonds (90 Washington Street) were issued in the amount of $74,800,000 to finance a mortgage loan to the mortgagor in order to refinance the project that was originally financed with bonds issued by the Corporation and to pay certain other related costs.

On March 30, 2005, the variable rate 2005 Series A & B (Federally Taxable) Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties – East, Inc. Project) were issued in the amount of $98,775,000 to finance a mortgage loan to the mortgagor in order to refinance the project that was originally financed with bonds issued by the Corporation and to pay certain other related costs.

On April 22, 2005, two separate issues of 2005 Series A Multi-Family Mortgage Revenue Bonds were issued. The variable rate 2005 Series A (Morris Avenue Apartments) bonds and the 2005 Series A (Vyse Avenue Apartments) bonds were issued in the amounts of $22,700,000 and $9,650,000, respectively. Each issue of the 2005 Bonds relates to a project located in the Borough of the Bronx, New York, and is being issued to finance a mortgage loan to the respective mortgagor in order to finance the project owned by such mortgagor and pay certain other related costs. The developments are located at 675 Morris Avenue and 1904 Vyse Avenue, respectively.

On May 5, 2005, the variable rate 2005 Series A Multi-Family Mortgage Revenue Bonds (33 West Tremont Avenue Apartments) were issued in the amount of $8,450,000 to finance a mortgage loan to the mortgagor for the purposes of paying a portion of the costs of constructing and equipping a multi-family rental housing development to be located at 33 West Tremont Avenue, between Harrison and Grand Avenues in the Borough of the Bronx, New York, and certain other related costs.

On May 10, 2005, the 2005 Series A Capital Fund Program Revenue Bonds were issued in the amount of $281,610,000. The proceeds of the 2005 Series A Bonds will be used to finance a loan by the Corporation to the New York City Housing Authority ("NYCHA"). NYCHA is to utilize such funds for modernization and to make certain improvements to numerous various existing public housing projects in The City of New York.

On May 24, 2005, the variable rate 2005 Series A (AMT) & B (Federally Taxable) Multi-Family Mortgage Revenue Bonds (155 West 21st Street Development) were issued in the amount of $42,700,000 to finance a mortgage loan to the mortgagor for the purposes of paying a portion of the costs of acquiring, constructing and equipping a multi-family rental housing facility to be located at 155 West 21st Street in the Borough of Manhattan, New York, and certain other related costs.

On May 25, 2005, three Multi-Family Housing Revenue Bonds series were issued in the amount totaling $68,310,000. The 2005 Series A-1 (Non-AMT) bonds in the amount of $9,735,000 and the 2005 Series A-2 (Federally Taxable, Auction Rate) bonds in the amount of $6,825,000 were issued to refinance and restructure permanent mortgage loans for certain existing developments. The 2005 Series B (Federally Taxable, Auction Rate) bonds in the amount of $51,750,000 were issued to acquire permanent mortgage loans previously made by the Corporation from corporate funds for certain existing developments.

On June 3, 2005, the variable rate 2005 Series A Multi-Family Mortgage Revenue Bonds (2007 LaFontaine Avenue Apartments) were issued in the amount of $8,500,000 to finance a mortgage loan for the purposes of paying a portion of the costs of acquiring, constructing and equipping a multi-family rental housing development to be located at 2007 LaFontaine Avenue between East 178th Street and East 179th Street in the Borough of the Bronx, New York, and certain other related costs.

On June 23, 2005, the variable rate 2005 Series A Multi-Family Mortgage Revenue Bonds (La Casa del Sol Apartments) were issued in the amount of $12,800,000 to finance a mortgage loan for the purposes of paying a portion of the costs of acquiring, constructing and equipping a multi-family rental housing development to be located at Third Avenue and East 167th Street in the Borough of the Bronx, New York, and certain other related costs.

On June 29, 2005, the variable rate 2005 Series A Multi-Family Mortgage Revenue Bonds (15 East Clarke Place Apartments) were issued in the amount of $11,600,000 to finance a mortgage loan for the purposes of paying a portion of the costs of acquiring, constructing and equipping a multi-family rental housing facility to be located at 15 East Clarke Place between Jerome Avenue and Walton Avenue in the Borough of the Bronx, New York, and certain other related costs.

On June 30, 2005, two Multi-Family Housing Revenue Bonds series were issued in the amount totaling $30,160,000. The 2005 Series C (AMT) bonds in the amount of $17,015,000 and the 2005 Series D (AMT) bonds in the amount of $13,145,000 were issued to acquire or finance construction and/or permanent mortgage loans for certain newly constructed developments.

On July 12, 2005, the variable rate 2005 Series A & B (Federally Taxable) Multi-Family Mortgage Revenue Bonds (The Crest) were issued in the amount of $143,800,000 to finance a mortgage loan to the mortgagor in order to refinance the project that was originally financed with bonds issued by the Corporation and to pay certain other related costs.

On August 26, 2005, two separate issues of 2005 Series A Multi-Family Mortgage Revenue Bonds were issued. The variable rate 2005 Series A (Ogden Avenue Apartments II) bonds and 2005 Series A (White Plains Courtyard Apartments) bonds were issued in the amounts of $5,300,000 and $9,900,000, respectively. Each issue of the 2005 Bonds relates to a project located in The City of New York and is being issued to finance a mortgage loan to the respective mortgagor in order to finance the project owned by such mortgagor and pay certain other related costs.

On September 23, 2005, three Multi-Family Housing Revenue Bonds series were issued in the amount totaling $150,245,000. The 2005 Series E (Non-AMT) bonds in the amount of $3,900,000, the 2005 Series F-1 (Non-AMT) bonds in the amount of $65,410,000 and the 2005 Series F-2 bonds in the amount of $80,935,000 were issued to refinance and restructure permanent mortgage loans for certain existing developments. The 2005 Series F-2 bonds are also being issued to finance the acquisition by the Corporation of a participation interest in certain permanent mortgage loans for certain existing developments.

On October 26, 2005, the variable rate 2005 Series A Multi-Family Mortgage Revenue Bonds (Highbridge Apartments) were issued in the amount of $32,500,000 to finance a mortgage loan for the purpose of paying a portion of the costs of constructing and equipping a multi-family rental housing development to be located at 1345 Shakespeare Avenue and 1401, 1404 and 1450 Jesup Avenue in the Borough of the Bronx, New York, and pay certain other related costs.

All the bonds of the programs listed above 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.

In addition to bonds issued in fiscal year 2005, the Corporation sold several series of bonds for future delivery. These bonds are not legally issued until the delivery date. The $6,185,000 Multi-Family Secured Mortgage Revenue Bonds, 2005 Series A-1, were contracted to be delivered on December 1, 2005, and were so delivered. The $4,505,000 Multi-Family Secured Mortgage Revenue Bonds, 2005 Series A-2, are contracted to be delivered on August 1, 2007, and the $3,465,000 Multi-Family Secured Mortgage Revenue Bonds, 2005 Series B, are contracted to be delivered on January 14, 2008. Under certain limited circumstances, if the Corporation fails to make such deliveries, financial penalties may be incurred.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

Future Debt Service

Required debt payments by the Corporation for the next five years and thereafter are as follows:

Year Ending October 31, *(in thousands)*		Principal	Interest	Total
2006	$	55,352	168,478	223,830
2007		83,446	167,700	251,146
2008		65,918	164,102	230,020
2009		72,560	161,264	233,824
2010		55,384	158,021	213,405
2011 – 2015		338,108	742,544	1,080,652
2016 – 2020		634,333	641,303	1,275,636
2021 – 2025		456,750	515,097	971,847
2026 – 2030		656,615	408,866	1,065,481
2031 – 2035		772,205	276,430	1,048,635
2036 – 2040		1,382,135	59,044	1,441,179
2041 – 2045		18,905	6,884	25,789
2046 – 2050		12,725	1,791	14,516
Total	$	4,604,436	3,471,524	8,075,960

Note 10: Consultant's Fees

The fees paid by the Corporation for legal and consulting services in fiscal year 2005 for HDC include $35,724 to Hawkins, Delafield & Wood LLP and $44 to the Law Offices of Epstein, Becker & Green, PC for legal services. Auditing fees of $145,000 were paid to Ernst & Young LLP. The Corporation paid consulting fees in the amount of $76,470 to Ramesh Sreedhar; $64,007 to Hessel and Aluise; $51,321 to Michelle Antao; $42,250 to R.D. Geronimo; $30,360 to Raju Thomas; $27,274 to Carlton Architecture PC; $27,000 to KellyCo Marketing; $26,760 to Irene Yau; $25,000 to Cristo Rey New York High School; $24,570 to City Lights Technologies Inc.; $23,220 to Steve Yu; $16,000 to Leitner Group; $14,150 to Hillman Environmental Group; $13,725 to Joan Tally; $10,080 to Quest America Inc.; $9,587 to Larry Raccioppo; $8,739 to Kenneth Mertz; $8,500 to Insurance Advisors, LLC; $6,750 to KTR Newmark Real Estate; $5,500 to Nancy Goldstein Projects, Inc.; $3,000 to Pearson Realty; $3,000 to 170 Systems, Inc.; $2,900 to Strategy Studio; $2,500 to Metropolitan Valuation Services; $850 to Petroleum Tank Cleaners; $822 to Accurint; $650 to Padilla Speer Beardsley, Inc.; and $50 to Manhattan Surveying.

In addition, the Corporation paid legal and consulting fees for services provided in connection with bond financings of $1,862,641 to Hawkins Delafield & Wood LLP; $59,500 to Emmet, Marvin & Martin LLP; $36,000 to Ernst & Young LLP; and $8,000 to LeBoeuf, Lamb, Greene & MacRae. The Corporation has been reimbursed for these expenses either from bond proceeds or from project developers.

Note 11: Payable to The City of New York

(A) New York City Housing Development Corporation

In fiscal years 2002, 2003 and 2005, the Corporation entered into various agreements with the City whereby HDC sold bonds and used the bond proceeds to purchase from the City interests in various mortgage loans and pools of mortgage loans, and, in fiscal year 2005, to originate second mortgage loans in which it sold a residual interest to the City. Cash flow derived from these loan interests is pledged to the repayment of the related HDC bonds. At such time as these HDC bonds are retired, ownership of the associated loan interests transfers to the City. Therefore, to the extent to which such interests exceed the amount of the related bonds, the excess is reported as payable to New York City.

In fiscal years 2002 and 2003, Corporation issued its 2002 Series D Multi-Family Mortgage Revenue Bonds and 2003 Series D Multi-Family Mortgage Revenue Bonds, respectively. In each case, HDC used the bond proceeds to purchase from the City a 100% participation interest in the cash flow of a portfolio of mortgage loans and a 100% participation interest in the cash flows of a loan pool securitized by the City in 1996 and known as the Sheridan Trust II. The Sheridan Trust II asset was initially recorded in Fiscal Year 2005. See Note 6: "Loan Participation Interests Receivable". At October 31, 2005, the Corporation's payable to the City under these two bond programs was $390,023,000 and $63,640,000, respectively. The Sheridan Trust II portion of this payable totals $220,791,000, with the payable allocated between the two bond programs at $217,578,000 and $3,213,000 respectively.

In fiscal year 2005, the Corporation completed numerous transactions as part of its Mitchell-Lama Restructuring Program, an affordable housing preservation program. Through its issuance of Multi-Family Housing Revenue Bonds, 2004 Series D, 2004 Series E-1, 2004 Series E-2, 2005 Series A-1, 2005 Series A-2, 2005 Series F-1 and 2005 Series F-2 (collectively, "Mitchell-Lama Restructuring Bonds"), HDC funded, in addition to various new first and second mortgage loans, the acquisition of participation interests in City-owned second mortgages and associated cash flows. As long as any Mitchell-Lama Restructuring Bonds are outstanding, all cash flows from the purchased interests must be applied to debt service on such bonds. Once all such bonds are retired, HDC's participation interests revert to New York City. HDC also sold to the City a residual interest in the second mortgage loans the Corporation originated. These loans also transfer to the City when the bonds are retired. At October 31, 2005, the Corporation's payable to New York City under the Mitchell-Lama Restructuring Bonds program was $282,374,000.

The City's Department of Housing Preservation and Development ("HPD") acts as the regulatory agency for the 1996 Series A Housing Revenue Bond Program mortgages, and as such, receives servicing fees from HDC. At October 31, 2005, the 1996 Series A Housing Revenue Bond Program servicing fees payable to HPD were $28,000.

The Corporation also administers construction loans on behalf of HPD, using funds provided by HPD. All such funds are the property of HPD and are thus reported as due to New York City in the Corporation's financial statements. At October 31, 2005, the related payable to the City was $118,274,000.

(B) Housing Assistance Corporation

Funding for HAC was received through the City in 1985. In addition, in 2004 and 2005, HDC advanced a total of $4,500,000 to HAC to assist an additional development to maintain affordable rentals. All of HAC's assets, after repayment of HDC advances to HAC and if unused for HAC purposes, will revert back to the City. At October 31, 2005, total resources payable to the City amounted to $67,589,000. The resources held for the City are primarily the mortgage loans described in Note 4, "Mortgage Loans", and the investments held to fund tenant assistance payments included in Note 3: "Investments and Deposits", net of the HDC advances.

(C) Housing New York Corporation

On November 3, 2003, HNYC became an inactive subsidiary of the Corporation (see Note 1: Organization). After October 31, 2005, the HNYC will no longer be reported in the Corporation's combined financial statements. Accrued servicing fees due to HDC of $99,360 and funds payable to the City of $524,154 were transferred to the Corporation.

Note 12: Retirement System

The Corporation is a participating employer in the New York City Employees' Retirement System ("NYCERS") of which 54 employees of the Corporation are members. Prior to October 31, 2004, the Corporation and REMIC had not been billed for contributions for several prior periods. During fiscal year 2005 the Corporation paid NYCERS a total of $377,110 for fiscal year 2005 and these prior periods. Of this total, $245,393 related to fiscal year 2005 for the Corporation. Copies of NYCERS' financial statements can be obtained by writing to 335 Adams Street, Suite 2300, Brooklyn, NY 11201-3751.

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 or supplemental 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.

In June 2004, GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The Statement establishes guidance for the financial reporting of other postemployment benefits ("OPEB") cost over a period that approximates employees' years of service and provides information about actuarially calculated liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. This Statement is effective for financial statements for periods beginning after December 15, 2006. The Corporation is currently evaluating the impact of implementing GASB No. 45.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

Note 13: Due to the United States Government

The amount reported in this classification is made up of two major components.

A. Due to HUD

The Corporation has entered into contracts with the United States Department of Housing and Urban Development ("HUD") to administer housing assistance payment contracts with housing projects 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.

The Corporation receives the annual contract contributions periodically during the year and disburses funds monthly for the benefit of the covered projects. As of October 31, 2005, the Corporation held $2,675,000 in prefunded annual contributions. Related fees earned during fiscal year 2005 amounted to $2,400,000 and are included in operating income. The Corporation also holds $31,000 which represents excess 236 interest reduction subsidies.

B. Rebate Fund

In order to maintain the exemption from federal income tax of interest on bonds issued subsequent to January 1, 1986, the Corporation established a separate fund, the Rebate Fund, into which amounts required to be rebated to the Federal Government pursuant to Section 148 of the Code are deposited. In general, the Code requires the payment to the U. S. Treasury of the excess of the amount earned on all non-purpose obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on the issue. Project or construction funds, debt service funds or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds are subject to this requirement. Issues with respect to which all gross proceeds are expended for the governmental purpose of the issue within the required time period after the date of issue and debt service funds with annual gross earnings of less than $100,000 are exempt from this requirement. Payment is to be made after the end of the fifth bond year and after every fifth bond year thereafter, and within 60 days after retirement of the bonds. At October 31, 2005, HDC had set aside $648,000 to make future rebate payments when due.

Note 14: Commitments

(A) New York City Housing Development Corporation

The Corporation is committed under one operating lease for office space for minimum annual rentals for the next five years and thereafter as follows:

Year Ending October 31,		
2006	$	1,301,000
2007		1,301,000
2008		1,301,000
2009		1,301,000
2010		1,409,000
2011 – 2015		6,144,000
Total	$	12,757,000

For fiscal year 2005, the Corporation's rental expense amounted to $1,690,000.

HDC's practice is to close loans only when all the funds committed to be advanced have been made available through bonds proceeds or a reservation of corporate funds. Funds are invested prior to being advanced as described in Note 3: "Investments and Deposits" and are restricted assets. The portion of closed construction loans that had not yet been advanced is as follows at October 31, 2005:

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

Program:		
Multi-Family Bond Programs		
Housing Revenue	$	91,374,000
80/20		71,205,000
Mixed-Income Rental Program (MIRP)		9,007,000
Liberty Bond		19,445,000
New Housing Opportunity Program (NEW HOP)		71,170,000
Low-Income Affordable		150,459,000
Mitchell-Lama Repair Loans		11,537,000
NYCHA		267,780,000
Corporate Services Fund Loans		44,178,000
Unadvanced Construction Loans (closed loans)	$	736,155,000

As of October 31, 2005, the Corporation had executed commitment letters for several loans that had not yet closed. Ultimate funding of these loans is conditioned on various factors.

Mitchell-Lama Repair Loans	$	15,500,000
Corporate Services Fund Loans		4,455,000
Affordable Housing Participation Loan Program		19,111,000
Total Signed Commitments	$	39,066,000

The Corporation has made two programmatic funding commitments in support of the City's housing initiatives. HDC has reserved funds to fulfill these commitments, but the timing and amount of remaining loan closings cannot be determined. The two programmatic commitments are as follows:

- The Corporation has agreed to make loans under the New Ventures Incentives Program ("New VIP") program on a revolving fund basis up to $8,000,000 outstanding. On October 31, 2005, loans totaling $3,000,000 were outstanding.
- The Corporation has entered into a Memorandum of Understanding ("MOU") with HPD that outlines the Corporation's obligations to purchase participations totaling up to $55,632,000 in affordable housing loans for various HPD programs in the period 2004-2006, and HPD's commitment to purchase these loans back with accrued interest in 2007 ($46,170,000) and 2008 ($15,471,000). At October 31, 2005, loans totaling $11,394,000 had been closed and $2,387,000 had been advanced. The $9,007,000 unadvanced portion of the closed loans is included in the chart above.

(B) New York City Residential Mortgage Insurance Corporation

As of October 31, 2005, REMIC insured loans with coverage totaling $83,202,000 and had outstanding commitments to insure loans with a maximum insurance coverage of $58,666,000.

Note 15: Contingencies

In the normal conduct of the Corporation's business, it is involved in litigation matters. In the opinion of management and the Corporation's legal counsel, the ultimate disposition of such litigation should not have a material adverse effect on the combined financial position of the Corporation.

Note 16: Net Assets

The Corporation's Net Assets represent the excess of assets over liabilities and consist largely of mortgage loans and investments. HDC's net assets are categorized as follows:

- **Restricted Net Assets** are net assets that have been restricted in use in accordance with the terms of an award, agreement or by State law. This includes loan assets, bond proceeds and reserve funds that are pledged to bondholders, funds held pursuant to contractual obligations with HPD and HUD, and REMIC reserves that are required by statute, among other items (see chart below).

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

- **Unrestricted Net Assets** are the remaining net assets, which can be further categorized as Designated or Undesignated. Designated Assets are not governed by statute or contract but are committed for specific purposes pursuant to HDC policy and/or Board directives. Designated Assets include funds and assets committed to various housing initiatives, reserves to maintain HDC's credit ratings, and working capital.

Changes in Net Assets

The changes in Net Assets are as follows:

	Restricted	Unrestricted	Total
Net assets at October 31, 2003	$ 390,761,000	386,791,000	777,552,000
Income	12,756,000	13,805,000	26,561,000
Transfers	(35,983,000)	35,983,000	—
Net assets at October 31, 2004	367,534,000	436,579,000	804,113,000
Income	33,646,000	12,100,000	45,746,000
Transfers	18,915,000	(18,915,000)	—
Net assets at October 31, 2005	$ 420,095,000	429,764,000	849,859,000

Summary of Restricted Net Assets	2005	2004
Multi-Family Bond Programs	$ 357,277,000	294,542,000
Corporate Debt Service Reserve for HPD Loan Purchase Bonds	19,793,000	22,895,000
Claim Payment Fund for 223(f) Program	11,078,000	17,269,000
HAC cumulative unrealized gains (losses)	1,268,000	2,563,000
REMIC reserves and cumulative unrealized gains (losses)	30,679,000	30,265,000
Total Restricted Net Assets	$ 420,095,000	367,534,000

Of the total Unrestricted Net Assets listed below, $173,121,000 is existing mortgages and other loans. An additional $187,406,000 has been designated by the Members of the Corporation for future mortgage advances pursuant to housing programs established by the Corporation. The Corporation also has $2,136,000 in capital assets.

Summary of Unrestricted Net Assets	2005	2004
Designated Assets:		
Housing Programs	$ 187,406,000	127,077,000
Existing Mortgages	173,121,000	229,116,000
Working Capital	7,000,000	7,000,000
Rating Agency Reserve Requirement	40,000,000	40,000,000
HDC cumulative unrealized gains (losses)	(1,499,000)	(611,000)
Total Designated Assets	406,028,000	402,582,000
Undesignated Assets:		
Loan spread purchased from New York City	5,295,000	16,479,000
Capital Assets	2,136,000	3,372,000
Subtotal, HDC	7,431,000	19,851,000
REMIC	16,305,000	14,047,000
Housing New York Corporation	—	99,000
Total Undesignated Assets	23,736,000	33,997,000
Total Unrestricted Net Assets	$ 429,764,000	436,579,000

Note 17: Subsequent Events

On December 2, 2005, by mutual agreement, the Corporation and the TFA cancelled three interest rate caps that HDC had purchased from TFA in 2002 (see Note 8: "Other Current and Non-Current Assets"). As a condition of cancellation, TFA delivered, at its expense, three new interest caps from Goldman Sachs Mitsui Marine Derivative Products with substantially the same terms and conditions.

Subsequent to October 31, 2005, and through December 31, 2005, twenty one new bond series totaling $527,280,000 were issued in the course of the Corporation's normal business activities.

On December 28, 2005, the Corporation issued its 2005 Series J-1 Multi-Family Housing Revenue Bonds and 2005 Series J-2 Multi-Family Housing Revenue Bonds in the amounts of $20,495,000 and $18,640,000, respectively, to refinance and restructure permanent mortgage loans for two existing housing developments originally funded from the 223(f) Multi-Family Housing Program (Mitchell-Lama). The prior bonds for the two developments will be retired on February 15, 2006. A portion of the asset representing the purchase price of future cash flows associated with certain of the 223(f) loans, as more fully described in Note 8, "Other Current and Non-Current Assets", will be written off as a non-operating expense in connection with this transaction.

OTHER INFORMATION

Schedule 1:

The following schedule is being presented to provide detail information on a program basis for the owners of the Housing Revenue Bond program's obligations.

Housing Revenue Bond Program
Schedule of Balance Sheet Information
October 31, 2005 and 2004 (in thousands)

		2005	2004
Assets			
Current Assets:			
Cash, cash equivalents and investments	$	156,699	128,799
Mortgage loan receivable		33,921	44,016
Accrued interest receivable		7,355	5,027
Other receivables		340	726
Other assets		14	5
Total Current Assets	**$**	**198,329**	**178,573**
Noncurrent Assets:			
Restricted cash and investments		172,387	221,614
GNMA Securities held as purpose investment		196,284	189,672
Mortgage loan receivable		1,774,633	1,189,728
Accrued interest receivable		35,174	—
Loan participation interest receivable		233,054	—
Unamortized issuance costs		9,869	11,287
Primary government/component unit receivable (payable)		(5,098)	(17,656)
Other assets		16,499	18,057
Total Noncurrent Assets	**$**	**2,432,802**	**1,612,702**
Total Assets	**$**	**2,631,131**	**1,791,275**
Liabilities			
Current Liabilities:			
Bonds payable (net)		28,750	46,335
Accrued interest payable		27,712	21,200
Due to mortgagors		2,421	4,629
Deferred fee and mortgage income		205	309
Due to the United States		2,675	6,772
Total Current Liabilities	**$**	**61,763**	**79,245**
Noncurrent Liabilities:			
Bonds payable (net)		1,448,734	1,162,523
Payable to The City of New York		736,065	237,561
Due to mortgagors		16,211	5,001
Deferred fee and mortgage income		17,993	19,031
Due to the United States		643	811
Total Noncurrent Liabilities	**$**	**2,219,646**	**1,424,927**
Total Liabilities	**$**	**2,281,409**	**1,504,172**
Net Assets			
Restricted		349,722	287,103
Total Net Assets	**$**	**349,722**	**287,103**
Total Liabilities and Net Assets	**$**	**2,631,131**	**1,791,275**

OTHER INFORMATION
(Continued)

Housing Revenue Bond Program
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Fiscal Years ended October 31, 2005 and 2004 (in thousands)

		2005	2004
Operating Revenues			
Interest on loans	$	71,846	64,376
Fees and charges		12,456	12,863
Income on loan participation interests		3,387	—
Other		129	—
Total Operating Revenues	**$**	**87,818**	**77,239**
Operating Expenses			
Interest and amortization of bond premium and discount		65,265	45,769
Trustees' and other fees		211	180
Amortization of debt issuance costs		3,921	2,073
Total Operating Expenses	**$**	**69,397**	**48,022**
Operating Income	**$**	**18,421**	**29,217**
Non-operating Revenues (Expenses)			
Earnings on investments		21,318	11,779
Non-operating expenses, net		3,646	(919)
Total Non-operating Revenues (Expenses)	**$**	**24,964**	**10,860**
Income before Distributions and Transfers	**$**	**43,385**	**40,077**
Operating transfers to Corporate Services Fund		(8,027)	(9,510)
Capital transfers		27,261	(29,949)
Change in Net Assets	**$**	**62,619**	**618**
Total net assets—beginning of year		287,103	286,485
Total Net Assets—End of Year	**$**	**349,722**	**287,103**

DESIGNED BY KELLYCO MARKETING (www.kellycomarkeitng.com) PHOTOGRAPHY BY LARRY RACIOPPO

Visit www.nychdc.com for more information
on the New York City Housing Development Corporation

Visit www.nychdc.com/annualreport2005
for a downloadable PDF of this annual report.

HDCONLINE




NYC HDC
NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

New York City Housing Development Corporation
110 William Street, New York, NY 10038
www.nychdc.com