




NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Gary Rodney 
President

Date: November 24, 2015

Re: Approval of the Corporation's Underwriters for Debt Issuances

As the Members are aware, the Corporation issued a Request for Proposal ("RFP") for managing underwriters, details of which were outlined in my memo of July 22, 2015 (attached). The Corporation periodically reassesses the composition of our bond underwriter group and the services they provide. The Corporation issued the RFP in July 2015, and created a review committee (the "Committee") which reviewed and analyzed the written responses and selected the firms to be invited for an interview. The Committee then evaluated the oral presentations of those firms selected to be interviewed, and, after much discussion, came to a recommendation for underwriters. This report describes the RFP process and presents the findings and recommendations of the Committee.

The Process

The Corporation's Request for Proposal for Managing Underwriters was broadly distributed to the leading investment banking firms in housing finance, including minority and women-owned firms ("MWBE"), and firms that had previously expressed an interest in becoming a managing underwriter. Additionally, the Corporation posted the availability of the RFP on the New York State Contract Reporter (<https://www.nyscr.ny.gov/>) and NYCHDC's website. The Corporation received 29 written responses by the deadline of August 14, 2015. Of these responses, 21 firms sought a role as Senior Manager, while the remaining firms proposed to serve as a Co-Manager or Selling Group member for the Corporation's debt issuance.

The Committee, comprised of executive staff of the Corporation (including the President, Chief Operating Officer and General Counsel, EVP for Real Estate, Senior Vice President for Debt Issuance and Finance, Senior Vice President for Development, Senior Vice President and Treasurer, and Deputy General Counsel), reviewed the written responses. The Committee met as a group to discuss the proposals, and to select firms to be interviewed to act as Senior Manager.

Based upon this review, thirteen (13) firms, including three (3) MWBE firms, were invited to make oral presentations to the Corporation on October 19th, 23rd and 26th. The firms were each given approximately 15 minutes to make an oral presentation describing the firm's credentials and their best recommendations for the Corporation. The presentations were followed by an additional 20 minutes for questions and discussion.

The Criteria

The Committee evaluated all written material and oral presentations and prepared recommendations to the Members for selection of underwriters based on the following criteria:

- A. Evaluation of experience with marketing New York City municipal securities including an analysis of the amount and frequency of issues and the role of the firm in such issues with particular emphasis on any transactions directly relevant to the Corporation.
- B. Evaluation of the firm's analysis and recommendations with regard to the ability of the firm to structure the Corporation's financings including recommendations as to how to enhance the Corporation's current structure to appeal to a wider range of investors, and how to most effectively use various structures to finance multi-family housing developments.
- C. Analysis of the firm's financial condition.
- D. Evaluation of experience with "book running" senior manager pertaining to multi-family housing transactions.
- E. Analysis of the firm's continued commitment to structuring and marketing municipal and multi-family housing finance issues.
- F. Evaluation of the firm's relevant experience serving as senior or co-senior manager for housing finance transactions.
- G. Analysis of the firm's commitment to New York City.
- H. Analysis of the firm's proposed commitment to the Corporation's financings including the number, experience and ability of the personnel proposed to represent the Corporation and the availability of the firm's personnel.
- I. Strength, clarity and effectiveness of the firm's presentation.
- J. The degree to which the firm encourages equal employment opportunity.
- K. Other relevant factors.

Recommendations

It is the consensus of the Committee that the investment banking firms offered outstanding written proposals and oral presentations. In making recommendations for selection to the Members, the Committee considered the Corporation's likely financing needs over the next several years and concluded that there are three distinct categories of financing for which the Corporation would need the services of a Senior Manager: (1) the Corporation's Multi-Family Housing Revenue Bond Resolution (the "Open Resolution") issuances; (2) the Corporation's Multi-Family Secured Mortgage Revenue Bond Resolution ("Mini-Open Resolution") issuances, and (3) stand-alone conduit ("Stand-Alone") issuances. We have prepared recommendations for underwriters based on these three categories. In making these recommendations, we considered the firms' strengths and abilities as presented in their written proposals, interviews, and through additional research.

In its assessment process, the Corporation also focused on the appointment of MWBE firms to Senior Manager roles. Seven (7) MWBE firms and two (2) Service Disabled Veteran Owned firm ("Disabled Veteran") submitted RFPs. The Corporation recommends for the Member's approval, three (3) MWBE firms serve as Senior Manager, two (2) MWBE firms and two (2) Disabled Veteran firms serve as co-manager, as well as two (2) MWBE firms in the proposed Selling Group. A summary chart of the Committee's recommendations for each of the services is provided in Appendix A.

Open Resolution

J.P. Morgan Securities, Inc. ("JP Morgan") currently serves as the Corporation's Senior Manager for the Open Resolution. Morgan Stanley & Co. LLC ("Morgan Stanley"), Citigroup Global Markets ("Citi") and Blaylock Beal Van LLC (formerly known as M.R. Beal & Co.) ("Blaylock") are currently Rotating Senior Managers for the Open Resolution. Bank of America Merrill Lynch ("BAML"), Goldman Sachs & Co ("Goldman"), Wells Fargo Securities ("Wells Fargo") and Siebert Brandford Shank & Co., LLC ("Siebert") currently serve as Co-Senior Managers. The Committee is recommending changes to the composition of the Senior Manager, Co-Senior Manager and co-manager firms, as well as changes to the junior management roles.

Senior Manager

The Committee recommends reappointing JP Morgan as the Senior Manager. The responsibilities of the Senior Manager are described as follows:

The Senior Manager will be the book-running underwriter, structuring financings and providing consolidated cash flow analysis. The Senior Manager has extensive knowledge of HDC's programs and will continue to provide the Corporation with innovative financings ideas. The Senior Manager will rotate the books with one or more Rotating Senior Managers.

JP Morgan has provided superior service in its role as Senior Manager for many years. They continue to invest resources in their municipal finance housing group to ensure a high level of service and performance for the Corporation. JP Morgan is one of the leading

housing bond underwriters in the country and has exhibited substantial insight into the Corporation's financing needs. Their comprehensive understanding of the issues affecting the Open Resolution led the Committee to unanimously recommend the reappointment of JP Morgan as Senior Manager.

Rotating Senior Manager

In 2012, the Committee recommended that the Board approve a new senior management category called Rotating Senior Manager. The responsibilities of the Rotating Senior Manager will be as follows:

The Rotating Senior Manager will periodically be appointed Senior or Co-Senior Manager and will run the books for certain financings. They must be able to structure financings, run and analyze consolidated cashflows, provide innovative financing ideas and have extensive knowledge of HDC's programs.

The Committee is recommending the continued use of this Rotating Senior Manager category because of the importance to the Corporation that the knowledge of, and ability to run the Open Resolution cash flows does not remain with one firm. Based on a combination of the outstanding written presentations, strong performance at the interviews, and clearly demonstrated knowledge of the Corporation and the issues it faces, the Committee recommends the following firms for the position of Rotating Senior Manager for the Open Resolution:

- Citi
- Morgan Stanley
- Ramirez & Co., LLC ("Ramirez") *
- Wells Fargo

These firms have an in-depth understanding of the Corporation, especially given their experience with the Corporation in the past, and have exhibited substantial insight into our financing needs going forward. These firms spent considerable effort to research the Corporation's financing needs and capabilities, and made practical suggestions as to how the Corporation's bond issues should be structured and marketed. Citi, Morgan Stanley, Ramirez and Wells Fargo are among the leading housing bond underwriters in the country. The firms have the technical capacity to act as "book-running" Senior Manager for Open Resolution bond issues. In view of their comprehensive understanding of the issues affecting the Open Resolution, the Committee agreed unanimously that these firms are the best candidates for Rotating Senior Manager.

Co-Senior Manager

The Co-Senior Manager position will maintain its current role, in which a firm can be appointed as Senior or Co-Senior Manager when it takes an active stance in bringing projects to the Corporation's pipeline or innovative financing structures to the Corporation.

*MWBE Firm

The Committee is recommending that the following firms be considered for Co-Senior Manager:

- BAML
- Barclays Capital Inc. (“Barclays”)
- Blaylock*
- Raymond James & Associates, Inc. (“Raymond James”)
- RBC Capital (“RBC”)
- Siebert*

These six (6) firms made excellent proposals which were well presented and relevant to the needs of the Corporation. Each firm has demonstrated a comprehensive knowledge of the Corporation’s financing needs, provided the Corporation with timely recommendations and has actively worked with us to implement them. Blaylock and Siebert are leading underwriters for marketing New York City bond issues. All of these firms have housing expertise and the capacity to act as "book-running" Senior Manager. The Committee agreed unanimously that these six (6) firms be recommended as Co-Senior Manager for the Open Resolution.

Mini-Open Resolution

The Mini-Open Resolution was established in 2005 to finance certain taxable loans, but it can finance any type of loan as long as the loan is enhanced with a form of supplemental security permitted under the resolution. The Corporation plans on issuing bonds under this resolution on a periodic basis. The Committee recommends that on future Mini-Open issuances, the book-running Senior Manager will rotate between three firms, as described below:

Senior Manager

Based on the combination of the thoroughly researched written presentations, strong performance at the interviews, and clearly demonstrated knowledge of the Corporation and the issues it faces; the Committee recommends that the following firms be re-appointed as Senior Manager for the Mini-Open Resolution.

- BAML
- Ramirez*
- Raymond James

BAML has an in-depth understanding of the Corporation, especially given their experience with the Corporation in the past, and have exhibited insight into our financing needs going forward. Furthermore, BAML helped develop and structure the Mini-Open and was the Senior Manager on its first issuance. Both Ramirez and Raymond James also have shown strong capabilities in their experiences with the Corporation as book-running Senior Manager. In addition, these firms have performed well in selling HDC bonds and exhibited extensive knowledge of the Corporation’s programs during the interviews.

*MWBE Firm

The Committee feels that these three (3) firms are among the leading housing bond underwriters in the country and have the technical expertise to structure and senior manage bond issues for the Mini-Open Resolution. In view of their excellent and comprehensive understanding of the issues affecting the Mini-Open Resolution, the Committee agreed unanimously that BAML, Ramirez and Raymond James are the best candidates for Senior Managers.

Stand-Alone Debt

In 2012, the Committee recommended that firms listed as a Senior Manager (including Senior Manager, Rotating Senior Manager, and Co-Senior Manager) would be eligible to be a Senior Manager on Stand-Alone issuances. A Senior Manager for Stand-Alone issuances can be appointed Senior Manager if the firm brings an innovative financing idea or Stand-Alone bond issue to the Corporation. The firm can also be appointed Co-Manager for any bond issue.

Senior Manager:

The Committee recommends that any of the firms that are listed as a Senior Manager (including Senior Manager, Rotating Senior Manager, and Co-Senior Manager) are eligible to be a Senior Manager on Stand-Alone issuances. Additionally, the Committee is recommending Goldman be added to the Senior Manager pool for the Stand-Alone deals. The complete group of firms recommended for Senior Manager of Stand-Alone issuances includes:

- BAML
- Barclays
- Blaylock*
- Citi
- Goldman
- JP Morgan
- Morgan Stanley
- Ramirez*
- Raymond James
- RBC
- Siebert*
- Wells Fargo

Co- Manager

The Corporation typically issues large fixed rate bond issues that require a broader distribution to investors. For most issuances, the Corporation will need a management group comprised of a variety of firms to serve as Co-Manager, including those with a retail client base, an institutional client base, a local presence and/or national scope. The Committee agreed that the

*MWBE Firm

recommendations for firms to serve as Co-Manager apply to the Open Resolution, Mini-Open Resolution and Stand-Alone deals. In addition to the firms recommended for Senior Manager, Rotating Senior Manager and Co-Senior Manager, the following firms are recommended for Co-Manager:

- Academy Securities, Inc.* (Disabled Veteran owned)
- Drexel Hamilton, LLC* (Disabled Veteran owned)
- George K. Baum & Company
- Janney Montgomery Scott, LLC
- Jeffries LLC
- Loop Capital Markets, LLC*
- Roosevelt and Cross, Incorporated
- Stern Brothers & Co*
- Stifel, Nicolaus & Company, Inc.

While it is not likely that the Corporation would require the inclusion of all Co-Managers, Co-Senior Managers, Rotating Senior Managers and Senior Managers for a particular issuance, we would recommend a management group from the managers approved to underwrite the Corporation's debt.

Selling Group

The Committee recommends the Board approve a new management category called the Selling Group. The responsibilities of the Selling Group will be as follows:

Selling Group members will be periodically appointed as a selling group member for any bond financing to broaden the scope of retail investors. Members have the potential to be elevated to Co-Manager if the firm consistently shows it can sell the Corporation's bond issues.

Selling Group members will have the opportunity to sell HDC bonds but will not have any underwriter liability for unsold maturities. The Committee believes this group to be an important addition to the issuance process by expanding the Corporation's profile in the municipal securities market and increasing the retail sales profile of the Corporation's bonds. The following firms are recommended for the Selling Group:

- BNY Mellon Capital Markets, LLC
- Bonwick Capital Partners, LLC*
- Mesirow Financial, Inc.
- M&T Securities, Inc.
- Rice Financial Products Company *
- Robert W. Baird & Co.
- Rockfleet Financial Services, Inc.
- Ross Sinclair & Associates

*MWBE Firm

Additional Recommendations

The Committee recommends that we continue our practice of encouraging our Co-Senior Managers and Co-Managers to take an active stance in assisting the Corporation to structure financings for projects in our pipeline. Should any Co-Senior or Co-Manager generate a unique and innovative financing structure that results in significant savings for HDC, bring a potential project to the Corporation (not currently in the pipeline) that is ultimately financed through the Corporation, or be solely responsible for the attainment of credit enhancement for a given project, that firm should have the opportunity to be promoted to Senior Manager or Co-Senior Manager for that particular offering.

The Committee also recommends the continued flexibility to add any firm not currently selected as underwriter to participate in a financing if that firm brings a project to the Corporation that was not in the current pipeline.

Action by the Members

The Members are requested to approve the selection of Underwriters recommended by the Committee pertaining to Senior Managers, Rotating Senior Managers, Co-Senior Managers, Co-Managers and Selling Group members for the issuance of the Corporation's Open Resolution, Mini-Open Resolution, and Stand-Alone debt, and additional recommendations as set forth in this memorandum.

Senior Manager - Open Resolution	Rotating Senior Managers - Open Resolution	Co-Senior Managers - Open Resolution
<p>Book-running underwriter, structure financings, responsible for cash flow analysis, have extensive knowledge of the Corporation's programs, and provide innovative financing ideas. Will rotate books with one or more Rotating Senior Managers.</p> <p><u>Recommended Firm</u> J.P. Morgan Securities, Inc.</p>	<p>Will periodically be appointed Senior or Co-Senior Manager. Must be able to structure financing, run and analyze consolidated cashflows, provide innovative finance ideas and have extensive knowledge of the Corporation's programs.</p> <p><u>Recommended Firms</u> Citigroup Global Markets Inc. Morgan Stanley & Co. LLC Ramirez & Co., Inc. * Wells Fargo Securities</p>	<p>Can be appointed Senior Manager or Co-Senior Manager. Should strive to analyze consolidated cashflows, provide innovative finance ideas and have extensive knowledge of the Corporation's programs.</p> <p><u>Recommended Firms</u> Bank of America Merrill Lynch Barclays Capital Inc. Raymond James & Associates, Inc. RBC Capital Markets, LLC Blaylock Beal Van LLC Siebert Brandford Shank & Co., LLC*</p>
Senior Manager - Mini-Open Resolution	Senior Managers – Stand-Alone Bond Issues	Co-Managers - For any HDC Bond Issues
<p>Will periodically be appointed Senior or Co-Senior Manager for certain Mini-Open financings. Must be able to structure financing, run and analyze consolidated cashflows, provide innovative finance ideas and have extensive knowledge of the Corporation's programs.</p> <p><u>Recommended Firms</u> Bank of America Merrill Lynch Ramirez & Co., Inc.* Raymond James & Associates Inc.</p>	<p>Can be appointed Senior Manager if they bring an innovative financing idea or Stand-Alone bond issue to the Corporation.</p> <p><u>Recommended Firms</u> Bank of America Merrill Lynch Barclays Capital Inc. Blaylock Beal Van LLC Citigroup Global Markets Inc. Goldman Sachs & Co. J.P. Morgan Securities, Inc. Morgan Stanley & Co. LLC Ramirez & Co., Inc.* Raymond James & Associates, Inc. RBC Capital Markets, LLC Siebert Brandford Shank & Co., LLC* Wells Fargo Securities</p>	<p>Any of the 12 firms recommended for a Senior Manager role can act as Co-Manager for any Corporation bond issuance. These firms may also be elevated to Senior Manager if they bring an innovative financing structure to the Corporation.</p> <p><u>Recommended Firms</u> Academy Securities, Inc.** Drexel Hamilton, LLC** George K. Baum & Company Janney Montgomery Scott, LLC Jeffries LLC Loop Capital Markets, LLC* Roosevelt and Cross, Incorporated Stern Brothers & Co.* Stifel, Nicolaus & Company, Inc.</p>
Selling Group- For any HDC Bond Issues		
<p>Will Periodically be appointed as a Selling Group member for any bond financing to broaden scope of retail investors. Could be elevated to Co-Manager if firm consistently shows ability to sell the Corporation's bonds.</p> <p><u>Recommended Firms</u> BNY Mellon Capital Markets, LLC Bonwick Capital Partners, LLC * Mesirow Financial, Inc. M&T Securities, Inc. Rice Financial Products Company* Robert W Baird & Co., Inc. Rockfleet Financial Services Inc. Ross Sinclair & Associates, LLC</p>		

*Minority/Women Owned - 7 applied, 3 selected in Senior Managed roles

**2 Disabled Veteran Firm applied, 2 Disabled Veteran Firm selected