NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Eric Enderlin
President

Date: March 8, 2022

Subject: Capital Fund Grant Program Revenue Bonds
(New York City Housing Authority Program), 2022 Series A

I am pleased to recommend that the Members approve the issuance of the Corporation's Capital Fund Grant Program Revenue Bonds (New York City Housing Authority Program), 2022 Series A (the "Bonds") in an amount not to exceed $450,000,000. The interest on the Bonds is not expected to be exempt from Federal income tax but is expected to be exempt from New York state and local income tax.

The proceeds of the Bonds will be loaned (the "Loan") to the New York City Housing Authority ("NYCHA") to advance refund the Corporation's Capital Fund Grant Program Revenue Bonds (New York City Housing Authority Program) Series 2013A, Series 2013B-1 and Series 2013B-2 maturing on and after July 1, 2023 (collectively, the "Refunded Series 2013 Bonds"). The Bonds will be secured by NYCHA's future annual allocation of public housing capital funds ("Capital Fund Grant Monies") provided by the U.S. Department of Housing and Urban Development ("HUD"), subject to annual appropriations by Congress.

This memorandum will provide a description of the transaction and NYCHA and a discussion of the structure and security for the Bonds.

Transaction Description

Consistent with the Corporation's Capital Fund Grant Program financings on behalf of NYCHA in 2005 and 2013, NYCHA has submitted a proposal to HUD for approval under HUD's Capital Fund Financing Program ("CFFP") under which a public housing authority ("PHA") may incur debt that is secured by a pledge of its future federal assistance under the HUD Capital Fund Grant Program. NYCHA has participated in the CFFP Program to accelerate the modernization of its aging public housing stock and improve existing public housing. The program has allowed NYCHA to plan and execute multi-year construction initiatives to address critical needs in a comprehensive manner. As part of HUD's approval of the transaction, HUD has authorized NYCHA to pledge and assign its

Capital Fund Grant Monies to the Corporation and bond trustee (the "Trustee"), to the extent necessary to pay Loan debt service, pursuant to a letter from HUD to NYCHA, dated March 3, 2022 (the "HUD Approval Letter").

The Bonds will be issued on a taxable basis both to allow the advance refunding of the Refunded Series 2013 Bonds for savings, as well as to give NYCHA the additional flexibility it needs to carry out its future plans for modernization and renovation.

Use of Bond Proceeds

The Bond proceeds are expected to be used to provide funds to defease and advance refund the Refunded Series 2013 Bonds, which are optionally redeemable on or after July 1, 2023. The refunding is expected to achieve present value debt service savings. The Corporation will establish an irrevocable escrow defeasance account with U.S. Bank Trust Company, National Association, as trustee for the Refunded Series 2013 Bonds, for the deposit of cash and/or non-callable direct obligations of the United States of America to pay interest when due and principal of the Refunded Series 2013 Bonds on the date of maturity or redemption. A verification report to be prepared by Causey Demgen & Moore P.C. will ensure the accuracy of the arithmetical computations and the sufficiency of the cash and/or securities deposited with the trustee. The Bonds will also fund the debt service reserve fund and pay costs of issuance.

Description of NYCHA

NYCHA was formally established by the City of New York (the "City") as a municipal housing authority on February 20, 1934. It was constituted and declared to be a body corporate and politic by the State on April 5, 1935, possessing all the powers, rights and duties set forth in Article Five of the State Housing Law. The general organization and operation of NYCHA is now governed by Chapter 44-A of the Consolidated Laws of New York.

NYCHA is principally involved in providing housing to persons and families of low income and very low income under a variety of HUD, State and City programs. NYCHA is the largest public housing authority in the nation. It is home to roughly 1 in 15 New Yorkers across over 177,000 apartments within 335 housing developments across all five boroughs. NYCHA serves 345,000 residents through the conventional public housing program (Section 9), over 20,000 residents at developments that have been converted to the Permanent Affordability Commitment Together/HUD Rental Assistance Demonstration (PACT/RAD) program, and over 88,000 families through federal rent subsidies (the Section 8 Leased Housing Program).

Debt service is paid by NYCHA (or by HUD on behalf of NYCHA pursuant to the ACC Financing Amendment) from its annual Capital Fund Grant subsidy from HUD, which serves as a pledged security for all principal and interest due on all bonds. In 2021, debt service represented 9.9% of the FY21 capital fund grant. NYCHA has never failed to pay in a timely manner the principal of or interest on any of its bonds, notes or other obligations.

NYCHA currently has a total of approximately 12,700 employees across dozens of departments and units established to develop and manage low income and very low-income housing in the City.

Structure of the Bonds

It is anticipated that the Bonds, in an amount not expected to exceed $450,000,000, will be issued as fixed rate taxable bonds. The Members are asked to authorize a true interest cost that does not exceed 10% for the Bonds; however, it is expected that the Bonds will have a true interest cost that does not exceed 4%. The approximate final maturity of the Bonds is expected to be July 1, 2033.

Under the Master Trust Indenture (the "Indenture"), the Corporation will be required to maintain on deposit in the debt service reserve fund an amount expected to be equal to one half (1/2) of the maximum annual debt service requirements on all Capital Fund Grant Program Revenue Bonds outstanding and payable in any year. At the time of issuance of the Bonds, proceeds or the existing debt service reserves and revenues from the Refunded Series 2013 Bonds and the Corporation's Capital Fund Grant Program Revenue Bonds (New York City Housing Authority Program) Series 2013A, Series 2013B-1 and Series 2013B-2 maturing July 1, 2022 (the "Remaining Series 2013 Bonds"; together with the Refunded Series 2013 Bonds, the "Series 2013 Bonds") will be deposited with the Trustee in an amount sufficient (together with the Funding Agreement described below) to satisfy such debt service reserve requirement.

Security for the Bonds

Repayment of the Capital Fund Grant Program Revenue Bonds will be made from Capital Fund Grant Monies payable to NYCHA by HUD (subject to federal appropriation and certain other conditions) each year for its capital purposes and assigned to the Corporation by NYCHA, with the consent of HUD. Under the Indenture, the Corporation will assign to the Trustee, as security for the payment of the Capital Fund Grant Program Revenue Bonds, all of its right, title and interest in and to: (i) the Capital Fund Grant Monies delivered on behalf of NYCHA as to debt service on the Loan ("Loan Debt Service"), and (ii) all funds held in the accounts established under the Indenture, all investments derived therefrom, if any, and earnings thereon, if any.

Consistent with the Corporation's prior Capital Fund Grant Program financings, HUD has agreed under the HUD Approval Letter, subject to standard closing conditions, to forward Capital Fund Grant Monies directly to the Trustee to the extent necessary to pay Loan Debt Service. Therefore, subject to the availability of appropriations, with respect to the payment of Loan Debt Service, the Trustee will have a first priority claim against all Capital Fund Grant Monies to be made available to NYCHA in any fiscal year and no expenditures for other projects or purposes can be made by NYCHA that would reduce delivery of such moneys to the Trustee in less than the full amount of Loan Debt Service. Additionally, HUD has agreed under the HUD Approval Letter that no subsequent change in the permissible use of Capital Fund Grant Monies and no administrative sanction regarding NYCHA will affect the eligibility of expenditures for Loan Debt Service or reduce Capital Fund Grant Monies to NYCHA, except as required by law, below the levels needed to pay such Loan Debt Service.

HDC Funding Agreement

Because of the calculation of the funds required to be on hand for the debt service reserve fund in the initial year, a higher debt service reserve requirement is needed through July 1, 2022. HDC will use its general obligation pledge, via a debt service reserve fund funding agreement (the "Funding Agreement"), in an amount not expected to exceed $10,000,000, to satisfy the higher debt service reserve requirement in the initial year. In the event that other amounts in the debt service fund are insufficient to pay debt service on the Bonds and the Remaining Series 2013 Bonds, and other amounts on deposit in the debt service reserve fund are insufficient to pay such shortfall, the Funding Agreement will be drawn on to cover the shortfall. The debt service reserve requirement will decrease following July 1, 2022 and, if not drawn on, the Funding Agreement will be terminated.

Risks and Risk Mitigation

The main risks associated with this bond issuance are annual appropriations risk and allocation reduction risk as follows:

Annual appropriations risk

The source of repayment of the debt is the Capital Fund Grant Monies which are subject to annual appropriations from the Federal Government. Subsequent to defeasance of the Refunded Series 2013 Bonds, the estimated debt service on the $405.1 million of anticipated Bond proceeds is expected to range between a high of up to $59.1 million to a low of $38.4 million. The annual capital fund allocation/debt service coverage ratio will continue to be well above the HUD-required 3-to-l minimum requirement for the amount to be borrowed. Lastly, a debt service reserve fund equal to one-half (1/2) of the maximum annual debt service, in an expected amount of $29.55 million (following the defeasance of the Refunded Series 2013 Bonds and the payment of the Remaining 2013 Bonds at their July 1, 2022 maturity), will be funded by Bond proceeds or the existing debt service reserves and revenues from the Series 2013 Bonds.

Allocation reduction risk

HUD allocates amounts to PHAs under the Capital Fund Grant Program on the basis of a formula authorized by law (the "Capital Fund Allocation Formula"). Under the PACT program, NYCHA expects to convert at least 62,000 public housing units pursuant to the HUD programs to Section 8 assisted housing by the end of 2028 to address the capital needs and preserve long-term affordability. The first such conversion took place in 2016. To date, NYCHA has converted more than 15,400 units across 58 developments pursuant to the HUD Programs. Any change in the status of NYCHA's inventory of public housing units considered for purposes of the current or any future Capital Fund Allocation Formula would decrease the amount of such funds allocated by HUD to NYCHA. Anticipated future conversions through the HUD programs have been assumed as part of the HUD approval of proposed debt service relating to the Bonds, and the "Stabilized Base Unit Count" (which is the number of public housing units subject to NYCHA's Annual Contributions Contract with HUD) reflects such anticipated conversions as well as prior conversions.

Fees

NYCHA will be obligated to pay the Corporation a fee equal to all of the Corporation's costs of issuance in connection with the Bonds plus an up-front fee equal to 0.08% of the Bonds. HDC will also receive an annual servicing fee of 0.04% of the outstanding Bonds. In addition, HDC expects to receive a credit enhancement fee of 0.5% of the Funding Agreement amount for the use of its general obligation pledge to satisfy the higher debt service reserve fund requirement in the initial year through July 1, 2022.

The underwriters will earn an up-front underwriters' fee collectively not to exceed 1.75% of the Bonds including expenses.

Rating

It is expected that the Bonds will be rated "AA-" by Standard and Poor's Ratings Services.

Pricing Advisor

Caine Mitter & Associates Incorporated will provide the Corporation with an opinion attesting that the terms and conditions of the Bonds are reasonable given current market conditions with respect to such matters as interest rate, fees, costs of issuance, call provisions and reserve fund requirements.

Trustee

U.S. Bank Trust Company, National Association

Senior Managers

J.P. Morgan Securities LLC
Jefferies LLC
Ramirez & Co., Inc.

Co-Managers

Bancroft Capital, LLC
Barclays Capital Inc.
BofA Securities, Inc.
Citigroup Global Markets Inc.
Loop Capital Markets LLC
Morgan Stanley & Co. LLC
Raymond James & Associates, Inc.
RBC Capital Markets, LLC
Roosevelt and Cross, Incorporated
UBS Securities LLC
Wells Fargo Securities

Selling Group:
Academy Securities, Inc.
American Veteran's Group, PBC
AmeriVet Securities LLC
Drexel Hamilton, LLC
Multi-Bank Securities, Inc.

Oppenheimer & Co. Inc.
Rice Securities, LLC
Rockfleet Financial Services, Inc.
TD Securities (USA) LLC

Bond Counsel

Hawkins Delafield & Wood LLP

Underwriter's Counsel

Orrick, Herrington & Sutcliffe LLP

Action By Members

The Members are requested to approve an authorizing resolution which provides for (i) the execution of the Bond Purchase Agreement regarding the sale of the Bonds, (ii) the distribution of the Preliminary Official Statement and the Official Statement in connection with the financing, (iii) execution of the Third Supplemental Trust Indenture, (iv) execution of the Loan Agreement, (v) execution of a defeasance escrow agreement, and (vi) execution of any other documents necessary to accomplish the issuance of the Bonds and the financing of the loan.

The Members are requested to authorize i) the use of the Corporation's general obligation in an amount not expected to exceed $10,000,000, or such greater amount as may be required by the rating agencies, in the form of the Funding Agreement, and ii) the execution by the President or any authorized officer of the Corporation of any and all documents necessary to enter into the Funding Agreement.