



NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Marc Jahr
President

Date: June 4, 2012

Re: Report Regarding Request for Proposals for Bond Underwriters

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 November 21, 2011 (attached) and discussed in the Member's Meeting of November 30, 2011. At that time it was clear that the Corporation should periodically reassess the composition of our bond underwriter group and the services they provide. The Corporation issued the RFP in December 2011, and created a review committee (the "Committee") which read 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. The RFP was publicly advertised in "The Bond Buyer," and the Corporation received 29 written responses by the deadline of January 11, 2012. Of these responses, 23 firms sought a role as Senior Manager, while the remaining firms proposed to be Co-Manager 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 and Chief of Staff, Senior Vice President for Development, Senior Vice President for Debt Issuance and Finance, 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, twelve firms, including three MWBE firms, were invited to make oral presentations to the Corporation on March 29th and 30th. 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 the marketing of New York 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 multi-family housing transactions directly relevant to the Corporation.
- B. Evaluation of the firm's analysis and recommendations with regard to the ability of the Corporation to structure its financings including obtaining credit enhancement for multi-family projects and how to most effectively utilize tax-exempt and taxable bonds to finance multi-family housing developments.
- C. Analysis of the firm's financial condition.
- D. Evaluation of the firm's experience as "book running" Senior Manager pertaining to multi-family housing transactions.
- E. Analysis of the firm's continued commitment to structuring and marketing municipal bonds, 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 availability of the personnel proposed to represent the Corporation.
- 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 many of 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") 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 was particularly focused on the appointment of MWBE firms to Senior Manager roles. Nine MWBE firms and one Service Disabled Veteran Owned firm ("Disabled Veteran") submitted RFPs. The Corporation recommends for the Member's approval, three MWBE firms in Senior Manager roles, four MWBE firms and one Disabled Veteran firm as co-managers. 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") and Goldman Sachs & Co. ("Goldman") are currently the Corporation's Senior Managers for the Open Resolution. Morgan Stanley & Co., LLC ("Morgan Stanley"), and Bank of America Merrill Lynch ("BAML"), currently serve as Co-Senior Managers. The Committee is recommending changes to the senior management team categories, as well as the composition of the Senior Manager and co-manager firms.

Senior Manager

The Committee would like to expand its senior management team from two to four firms, and to break the Senior Manager into two categories; Senior Manager and Rotating 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

The Review Committee is recommending 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 this new 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.

- Citigroup Global Markets, Inc. ("Citi")
- Morgan Stanley
- M.R. Beal and Company ("M.R. Beal") *

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. Morgan Stanley and Citi are among the leading housing bond underwriters in the country. M.R. Beal is one of the lead underwriters for New York City bond issues. 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. The Review Committee is recommending that the following firms be considered for Co-Senior Manager:

- BAML
- Goldman
- Siebert Brandford Shank & Co., LLC ("Siebert") *
- Wells Fargo Securities ("Wells Fargo")

These four firms made excellent proposals which were well presented and relevant to the needs of the Corporation. Wells Fargo demonstrated a comprehensive knowledge of the

* MWBE Firm

Corporation's financing needs. BAML has built a strong team, providing the Corporation with timely recommendations and has actively worked with us to implement them. Goldman has a thorough understanding of the Corporation's issues and has shown its ability to generate creative ideas for the Corporation. Seibert is one of the leading underwriters for marketing New York City bond issues. All four of these firms have housing expertise and the capacity to act as "book-running" Senior Manager. The Committee agreed unanimously that these four 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. An underwriting team specifically for the Mini-Open does not currently exist. 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 appointed Senior Managers for the Mini-Open Resolution.

- BAML
- Ramirez & Co., Inc. ("Ramirez") *
- Raymond James & Associates, Inc. ("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. Ramirez has performed well in selling HDC bonds and exhibited extensive knowledge of the Corporation's programs during the interviews. Raymond James is well known for its strength in marketing and pricing taxable municipal bonds and is in the process of growing its housing business through its recent acquisition of Morgan Keegan.

The Committee feels that these three 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.

* MWBE Firm

Stand-Alone Debt

JP Morgan, Goldman, BAML and Morgan Stanley currently serve as Senior Managers for the Corporation's stand-alone conduit debt, alternating responsibilities as lead manager for the firm's new issues and refundings.

Senior Managers:

The Corporation Review 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 RBC Capital Markets, LLC ("RBC") and Barclays Capital, Inc. ("Barclays") 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
- Citi
- Goldman
- JP Morgan
- Morgan Stanley
- M.R. Beal*
- Ramirez*
- Raymond James
- RBC
- Siebert*
- Wells Fargo

Co- Managers

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

- CastleOak Securities, L.P.*
- Drexel Hamilton, LLC (Disabled Veteran owned)
- Fifth Third Securities, Inc.
- Janney Montgomery Scott, LLC
- Lebenthal & Co., LLC *
- Loop Capital Markets, LLC*

- Merchant Capital, LLC
- M&T Securities, Inc.
- 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.

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 a 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 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 an authorizing resolution that provides for the adoption of the recommendations made by the Review Committee pertaining to the selection of Senior Managers, Rotating Senior Managers, Co-Senior Managers, and Co-Managers for the issuance of the Corporation's Open Resolution, Mini-Open, and Stand-Alone debt, and additional recommendations as set forth in this memorandum.

* MWBE Firm

| 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 HDC's programs, and provide innovative financing ideas. Will rotate books with one or more Rotating Senior Manager</p> <p><u>Recommended Firm</u> J.P. Morgan Securities, Inc.</p> | <p>Will periodically be appointed Senior or Co-Senior Manager and run books for certain financings. Must be able to Structure financing, run and analyze consolidated cashflows, provide innovative finance ideas and have extensive knowledge of HDC's programs</p> <p><u>Recommended Firms</u> Citigroup Global Markets, Inc. M.R. Beal & Company * Morgan Stanley & Co., LLC</p> | <p>Can be appointed Senior or Co-Senior Manager and run books if bring an innovative financing idea to the Corporation. Should strive to analyze consolidated cashflows, provide innovative finance ideas and have extensive knowledge of HDC's programs</p> <p><u>Recommended Firms</u> Bank of America Merrill Lynch Goldman Sachs & Co. Siebert Brandford Shank & Co., LLC* Wells Fargo Securities</p> |
| Senior Manager - Multi-Family Secured Mortgage Revenue Bonds ("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 and run books 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 HDC's programs.</p> <p><u>Recommended Firms</u> BofA/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. Citigroup Global Markets, Inc. Goldman Sachs & Co. J.P. Morgan Securities, Inc. Morgan Stanley & Co., LLC M.R. Beal & Company * 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. In addition the following firms will periodically be appointed as one of HDC's Co-Managers for any bond financing. 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> CastleOak Securities, L.P. * Drexel Hamilton, LLC ** Fifth Third Securities, Inc. Janney Montgomery Scott, LLC Lebenthal & Co., LLC * Loop Capital Markets, LLC* M & T Securities, Inc. Merchant Capital, LLC Roosevelt & Cross, Incorporated Stern Brothers & Co. * Stifel, Nicolaus & Company, Inc.</p> |

No Position Offered

BNY Mellon Capital Markets, LLC
Edward Jones
Estrada Hinojosa & Co., Inc.*
Jeffries & Company, Inc.
Morgan Keegan & Company, Inc. - (due to acquisition by Raymond James)
Rice Financial Products Company*

**Minority/Women Owned - 9 applied, 7 selected (3 in Senior Managed roles)*
***1 Disabled Veteran Firm applied, 1 Disabled Veteran Firm selected*
All Firms listed above can be a co-manager for any HDC bond issue