

New York City Council

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Hearing on the Mayor's Fiscal Year 2012 Executive Budget

Department of Housing Preservation and Development

May 23, 2011

The Committee on Finance

Hon. Domenic M. Recchia, Jr., Chair

The Committee on Housing and Buildings

Hon. Erik Martin-Dilan, Chair

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Overview

The Department of Housing Preservation and Development (HPD) works to maximize the production of affordable housing in New York City by encouraging cost-effective development. The Department also promotes the preservation and improvement of existing housing stock by providing loan assistance, education, and code enforcement. In conjunction with these housing objectives, the Department supports a comprehensive community development agenda by conveying City-owned properties, both occupied and vacant, to responsible private owners, while promoting retail development, homeownership initiatives, and productive community partnerships.

Department of Housing Preservation and Development Financial Summary

Dollars in Thousands

	2009 Actual	2010 Actual	2011 Adopted	2011 Exec. Plan	2012 Exec. Plan	Difference* 2011–2012
Budget by Program Area						
Administration	\$34,951	\$34,186	\$32,148	\$32,579	\$31,776	(\$372)
Administration Program	14,173	13,349	14,118	23,649	12,441	(1,677)
Development	117,654	105,849	38,137	73,725	13,957	(24,180)
Housing Operations						
-Section 8 Programs	\$341,640	\$382,496	\$341,255	\$436,179	\$342,542	\$1,287
-Emergency Housing	16,785	20,280	17,204	22,036	17,477	273
-Management and Dispositions	51,924	49,907	53,158	69,325	43,248	(9,910)
Preservation						
-Anti Abandonment	\$11,289	\$12,372	\$6,628	\$8,350	\$5,054	(\$1,574)
-Code Enforcement	37,112	36,755	36,920	41,359	33,494	(3,426)
-Emergency Repair	31,491	28,200	29,115	41,295	28,802	(313)
-Lead Paint	20,670	21,173	18,967	20,134	18,285	(682)
-Other Agency Services	24,535	23,343	18,362	26,497	18,192	(170)
TOTAL	\$702,224	\$727,910	\$606,012	\$795,169	\$565,269	(\$40,743)
City Funds	NA	NA	\$64,469	\$68,271	\$57,189	(\$7,280)
Other Categorical	NA	NA	15,278	38,545	1,834	(13,443)
Capital-IFA	NA	NA	16,673	16,673	16,673	0
State	NA	NA	1,968	1,968	1,968	0
Federal – CD	NA	NA	140,864	172,487	130,905	(9,959)
Federal-Other	NA	NA	365,810	495,992	355,796	(10,014)
Intra City	NA	NA	951	1,234	904	(47)
TOTAL	\$702,224	\$727,910	\$606,012	\$795,169	\$565,269	(\$40,743)

* Difference refers to the variance between the Fiscal 2011 Adopted Budget and the Fiscal 2012 Executive Plan.

The Department of Housing Preservation and Development's (HPD) Fiscal 2012 Executive Budget is \$565.2 million which is \$40 million or seven percent less than the Fiscal 2011 Adopted Budget of \$606 million. Due to mandatory budgetary reductions, planned City spending will decrease by \$7.5 million from the expense and revenue actions detailed below. In addition, the \$6.4 million in funds secured by the Council in Fiscal 2011 for discretionary items and housing preservation initiatives was not baselined in the Fiscal 2012 Budget. The agency's overall headcount will decrease by 160 positions from 2,565 in Fiscal 2011 to 2,405 in Fiscal 2012. A total of 47 of these reductions are from attrition and layoffs in the Preliminary and Executive Plans. The remaining 113 positions are accrued layoffs or attrition from previous fiscal plans that will be realized in Fiscal 2012. Because the City's fiscal year and the State and federal fiscal years do not coincide, HPD reports only baseline funding and grants that it anticipates from the other two branches of government at the beginning of each year and makes adjustments throughout the year as additional funds are received. In Fiscal 2011, over \$160 million in State and federal funding was realized post adoption.

HPD's Fiscal 2012 Executive Plan includes a \$7.5 million reduction in Fiscal 2012 City funds and \$8.3 million in Fiscal 2013. The agency will achieve these reductions through a combination of cuts to its baseline budget along with realizing revenue from initiatives detailed in the Preliminary Plan.

Budget Actions in the Executive Plan

<i>Dollars in Thousands</i>	FY 2011			FY 2012		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of February 2011 Plan	\$68,318	\$703,413	\$771,731	\$52,028	\$513,325	\$565,353
Program to Eliminate the Gap (PEGs)						
Code/HQS Integration	\$0	\$0	\$0	(\$51)	\$0	(\$51)
Creative Services Reduction	0	0	0	(190)	0	(190)
Elimination of Handypersons Contact	0	0	0	(265)	0	(265)
Intergovernmental Reorganization	0	0	0	(304)	0	(304)
Intracity with HPD	0	0	0	(19)	0	(19)
Personal Services	0	0	0	(807)	0	(807)
Reorganization of Mortgage Refinance Unit	0	0	0	(241)	0	(241)
Section 8 Admin. Staff Realignment	0	0	0	(247)	0	(247)
Section 8 OPTS Realignment	0	0	0	(228)	0	(228)
Total, PEGs	\$0	\$0	\$0	(\$2,352)	\$0	(\$2,352)
Other Adjustments						
Demolition Funds	\$0	\$0	\$0	\$5,000	\$0	\$5,000
Funds for Hudson Yards	0	1,000	1,000	0	0	0
CD Funding Adjustment	0	0	0	0	(6,057)	(6,057)
CDBG CBA Longevity	0	3	3	0	3	3
Code/HQS Integration	0	0	0	12	0	12
Creative Services Fringe	0	0	0	20	0	20
DEC Consent Order	0	0	0	(477)	0	(477)
Heat, Light, and Power	(93)	0	(93)	1,694	0	1,694
DOG Tracking	50	0	50	0	0	0
Intergovernmental Reorganization	0	0	0	46	0	46
Lease Adjustment	0	0	0	0	110	110
Personal Services Vacancies-Fringe	0	0	0	166	0	166
Reorganization of Mortgage Refinance Unit	0	0	0	53	0	53
Section 8 Admin. Staff Realignment Fringe	0	0	0	54	0	54
TL CBA for OSA Longevity	3	0	3	3	0	3
Technical Adjustment	(67)	0	(67)	(269)	0	(269)
Allocate Funds for BPCA	0	2,991	2,991	0	0	0
Allocate Funds for FSS	0	128	128	0	0	0
Allocate Funds for NH0005	0	10,169	10,169	0	0	0
Allocate Funds for S+C	0	1,626	1,626	0	0	0
Allocate Funds for Section 8	0	7,532	7,532	0	0	0
Allocate Fiscal 2012 FSS Funds	0	0	0	0	200	200
Reallocate Funds for HLD	0	2	2	0	96	96
Schedule Funds for Demo 10	0	13	13	0	692	692
Schedule NIH Funds	0	39	39	0	0	0
Window Guards Transfer to HPD	43	0	43	172	0	172
Total, Other Adjustments	(\$64)	\$23,502	\$23,438	\$6,475	(\$4,956)	\$1,519
New Needs						
Mortgage Foreclosure Assistance	\$0	\$0	\$0	\$750	\$0	\$750
Total, New Needs	\$0	\$0	\$0	\$0	\$0	\$750
Agency Budget as of Executive 2011 Plan	\$68,271	\$726,899	\$795,170	\$57,189	\$508,082	\$565,271

Fiscal 2012 Executive Budget Actions

Program to Eliminate the Gap (PEGs)

- ☑ **Personal Services Vacancies.** During the course of Fiscal 2011, HPD identified nine vacant positions that could be eliminated for a savings of \$807,000 in Fiscal 2012, increasing to \$3.2 million by Fiscal 2015. The vacant positions were largely concentrated in the agency's Division of Management and Disposition.
- ☑ **Reorganization of Intergovernmental Staff.** HPD's intergovernmental division works with advocates, the Council and other City agencies to help meet the objectives of HPD. The Executive Plan includes a reorganization of this division which includes consolidating and integrating workload with existing staff. Two employees within this Division will now be funded with Community Development Block Grant funding, thereby saving \$304,000 in City tax levy funds in Fiscal 2012 increasing to \$1.2 million.
- ☑ **Consolidation of Section 8 and Code Enforcement Inspections.** Beginning in May, 2011, HPD will integrate the services conducted by the Division of Tenant Resources and the Division of Code Enforcement in order to achieve programmatic efficiencies and cost savings. Specifically, Code Enforcement inspectors will perform annual Housing Quality Standards (HQS) inspections for approximately 10,300 dwelling units receiving federal rental subsidy administered by HPD. These Section 8 units are inspected by HPD prior to the lease expiration and re-inspected on an annual basis to ensure compliance with federal housing quality standards. These standards establish a minimum basis for habitability and must be maintained in order for the owner of a Section 8 unit to receive monthly housing assistance payments. Under this consolidation of services, five employees from the Division of Tenant Resources will be laid off, one of whom was funded by City tax levy and four who were funded by Community Development Block Grant (CDBG) funds. This will reduce the total number of HQS inspectors from 15 to 10, while the number of code enforcement inspectors will remain at 290. This action will save the agency \$51,000 in Fiscal 2012, and \$218,000 in Fiscal 2013.
- ☑ **Reorganization of Mortgage Refinance Unit.** HPD's Homeowner Mortgage Serving Unit oversees the agency's mortgage servicing requirements for owners that purchased a home through a City program. One of the functions of this unit is to work with homeowners who are refinancing, selling, or transferring the property or wishing to pay off a subsidy balance. The agency identified programmatic inefficiencies particularly with the amount of time it took to process refinancing applications. As a result, HPD will streamline the application process by establishing an on-line application and reassigning employees to other functions within the agency. This action will save the agency \$241,000 in Fiscal 2012 and \$244,000 in Fiscal 2013.
- ☑ **Realignment of Section 8 Administrative Costs.** Approximately 14 percent of the agency's 2,530 employees work on the Section 8 program. In order to achieve cost savings of City tax levy dollars, HPD will realign other than personal services (OTPS) costs to match 14 percent of the Section 8 Budget. This involves switching tax levy funds with Section 8 funds, thereby saving the City \$228,000 in Fiscal 2012 and the outyears.

- ☑ **Elimination of Maintenance Contract.** HPD will eliminate a contract for 29 handypersons who provided maintenance on City properties. These services will instead be conducted by existing staff in the agency's Division of Maintenance who will conduct minor maintenance work related to the Emergency Repair Program. This action will save the agency \$265,000 in Fiscal 2012 and in the outyears.
- ☑ **Elimination of Graphic Artists.** HPD will layoff three graphic design artists who designed brochures and other graphic designs for agency publications. These services will instead be done with existing staff who have the expertise and abilities to carry out these functions. This action will save the agency \$190,000 in Fiscal 2012 and \$225,000 in Fiscal 2013.

Programmatic Funding Reductions

- ☑ **Neighborhood Preservation Consultants (NPC).** HPD provides 3-year contracts of approximately \$40,000 each to 21 community based organizations (CBO's) which help carry out the goals of the agency's Division of Neighborhood Preservation. The NPC's in particular provide early intervention and anti-abandonment services to privately-owned buildings throughout the City. This program was funded at approximately \$1.08 million in Fiscal 2011 and will now be reduced to \$580,000 in Fiscal 2012, a reduction of 46 percent. The funding for the program comes from federal CDBG funds and therefore will not be counted towards the agency's PEG target. This reduction in funding is due to a reorganization of the program which is still being formulated by the agency. The exact number of contracts or funding the amount per contract in Fiscal 2012 is yet to be determined.
- ☑ **Emergency Shelter Program.** HPD's Emergency Shelter Program provides emergency shelter and housing relocation services to residential tenants displaced as a result of fires or vacate orders issued by the Department of Buildings, the Fire Department, Department of Health or HPD. HPD has a contract with the American Red Cross which provides emergency response and sheltering services for displaced households. The program originally only helped residential tenants displaced as a result of emergency situations such as fires; however, a 2009 court case mandated the City to provide shelter for tenants who were also vacated from their apartments due to violations from the property owner, which may include illegal conversion of units. By including those who have been displaced due to vacate orders the total number of individuals and families in these shelters has nearly doubled to approximately 1,600. Most of these individuals and families leave the shelters within a year, however, approximately 100-200 stay longer than a year. This has led to the program, which is almost entirely funded by CDBG, to increase expenditures from approximately \$13 million in Fiscal 2011 million to \$20 million in Fiscal 2012. Due to recent cuts in CDBG at the federal level, HPD is looking to cap the amount of time individuals and families can stay at the shelters for 1-year. According to the agency the population that will be impacted by this change will be mostly individuals who are low income and on public assistance. Upon vacancy from the HPD shelters, the agency will attempt to transfer these individuals to vacated units in public housing, supportive housing, or Department of Homeless Service shelters.

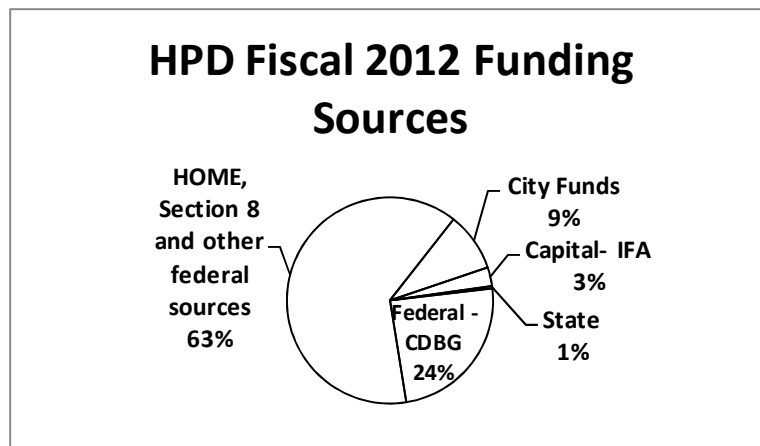
Fiscal 2012 New Need

☑ **Mortgage Foreclosure Assistance.** The Administration will provide a total of \$750,000 in Fiscal 2012 to the Center for New York City Neighborhoods (CNYCN), an organization that specializes in mortgage foreclosure prevention services by providing legal services, housing counseling, and consumer education. In Fiscal 2010, the Administration allocated \$2 million to the CNYCN to be spent over two consecutive fiscal years which amounted to \$1 million in Fiscal 2010 and \$1 million in Fiscal 2011. With the \$500,000 secured by the Council, the CNYCN had a total of \$1.5 million in City funds in Fiscal 2011. This \$750,000 represents a \$250,000 reduction of City funds to the CNYCN, excluding any funding the Council may secure at adoption. As a condition to this funding by the Administration, the focus of CNYCN may change to incorporate foreclosure intervention services as well prevention services. In addition to a reduction in City funds, the State also cut funding for the Center in the amount of \$350,000 which will have an adverse impact to the call centers that provide immediate help to those who seek foreclosure prevention services.

Federal Budget Impacts

Of the agency’s total \$565 million expense budget, approximately \$491.6 million or 87 percent is funded by the federal government. The federal sources HPD depends on consist of Section 8 rental subsidy, Home Investment Partnership funds, stimulus funds, grants for lead hazard reduction, and neighborhood stabilization funds. Chart 1 below illustrates the overall distribution of funding for the agency in Fiscal 2012 and its reliance on federal sources.

Chart 1



The single largest federal funding source for the agency, with the exception of the Section 8 Program, is the Community Development Block Grant (CDBG) which accounts for \$130 million or 24 percent of the agency's total expense budget in Fiscal 2012. Since Fiscal 2009, when the City started to experience structural deficits and agencies had to reduce tax levy expenditures, HPD along with other agencies dependent upon CDBG started to transfer expenditures that were funded by City tax dollars to the CDBG, as long as it met federal eligibility criteria. This has meant a growing reliance on the CDBG funding to help meet the mandated budget reductions that are imposed by the Administration.

The federal allocation of CDBG funds to the City from the Department of Housing and Urban Development (HUD) is \$163.3 million in Fiscal 2012, which represents a 16 percent reduction from the \$195.2 million allocated the previous fiscal year. For Fiscal 2012, however, these cuts will be offset by the expected infusion of revenues from the sale of liens under HPD's Emergency Repair Program (ERP). The City's authority to sell liens related to ERP was established in March of 2011 and will thus provide the City a new revenue source that will help alleviate the loss of federal CDBG fund which agencies such as HPD are heavily dependent upon.

Council Funding

In Fiscal 2011 City Council funding provided approximately \$6.4 million or 10 percent of HPD's annual City-funds operating budget. Most of this funding (\$5.3 million) is allocated to local community-based organizations which are tasked with carrying out the goals of six Council initiatives which are to provide advocacy and education on issues related to housing preservation. The remaining \$1.1 million is allocated towards Council discretionary funds.

FY 2011 Council Funded Initiatives	
<i>Dollars in Thousands</i>	
City-Wide Taskforce on Housing Court	\$500
Community Consultant Contracts	415
Housing Preservation Initiative	1,500
Center for New York City Neighborhoods	500
Anti-Eviction Legal Services	2,000
Pilot Weatherization Program	400
Local Initiatives	1,100
TOTAL	\$6,469

Capital Program

Capital Budget Summary

The May 2011 Capital Commitment Plan includes \$1.392 billion in Fiscal 2012-2015 for the Department of Housing Preservation and Development (including City and Non-City funds). This represents less than 5 percent of the City’s total \$28.1 billion Executive Plan for Fiscal 2011-2014. The agency’s Executive Commitment Plan for Fiscal 2011-2015 is 1 percent more than the \$1.374 billion scheduled in the February Commitment Plan, an increase of \$18.1 million.

Over the past five years (2006-2010), HPD has only committed an average of 42 percent of its annual capital plan. Therefore, it is assumed that a portion of the agency’s Fiscal 2011 Capital Plan will be rolled into Fiscal 2012, thus increasing the size of the Fiscal 2012-2015 Capital Plan. Since adoption last June, the Capital Commitment Plan for Fiscal 2011 has decreased from \$822.9 million to \$547.4 million, a reduction of \$ 275.4 million or 50 percent.

Currently the HPD’s appropriations total \$1.123 billion in City-funds for Fiscal 2011. These appropriations are to be used to finance the remaining portion of the agency’s \$547.4 million City-funded Fiscal 2011 Capital Commitment Program. The agency has \$576,139 billion, or approximately 51 percent, more funding than it needs to meet its entire Capital Commitment Program for the current fiscal year.

2012-2015 Commitment Plan: Adopted and Executive Budgets

Thousands of Dollars

	FY11	FY12	FY13	FY14	FY15	Total FY12-FY15
Adopted						
Total Capital Plan	\$822,936	\$313,228	\$389,491	\$376,699	\$294,696	\$1,374,114
Executive						
Total Capital Plan	\$547,437	\$340,289	\$392,692	\$364,583	\$294,696	\$1,392,260
Change						
Level	(\$275,499)	\$27,061	\$3,201	(\$12,116)	\$-	\$18,146
Percentage	-50%	8%	1%	-3%	0%	1%

Executive Capital Commitment Plan Highlights and Issues

- New Housing Market Place Plan.** When it was originally implemented in 2003, the New Housing Market Place Plan’s (NHMP) goal was to create and preserve 165,000 units of affordable housing. Since its launch, NHMP has financed the preservation and development of approximately 125,000 units of affordable housing, which has been largely dependent on leveraging private financing. The original NHMP gave priority to the construction of new units rather than the preservation of units in order to take advantage of the booming real estate market that existed in the mid-2000’s. Due to the faltering economy and its impact on the lending market, HPD has had to revise the timeline and projection of how many units can be created and preserved. Specifically, it expects that the plan’s goals will not be realized

until 2014 rather than by 2013, as originally planned. In addition, the focus has shifted away from new construction as 64 percent of all the units in the NHMP are to be preserved while 36 percent will be new construction units. Greater emphasis has been given to rental units rather than homeownership units, while the affordability levels have shifted more towards lower income units rather than moderate or middle income units.

- 10 Percent Capital Budget Reduction.** For the Fiscal 2012 Preliminary Capital Plan, City agencies were required to reduce their capital program by 20 percent in order to relieve the City’s debt service costs. These cuts initially included projects secured by the Council in the Fiscal 2011 Adopted Budget; however those cuts were restored resulting in an actual reduction of approximately ten percent for HPD. In total, the agency’s capital budget reduction for Fiscal 2011-2014 is \$270 million in City funds. The areas that were substantially cut include a \$75.8 million reduction for supportive housing programs, \$40 million less for new construction programs, and a \$114 million cut for the Tenant Interim Lease Program (TIL). It should be noted however, that the reduction to supportive housing programs was offset by the addition of \$53 million from federal HOME funds, which effectively reduced the cuts to special needs programs to approximately \$22 million.
- 421-A Trust Fund.** The 421-A Trust Fund was established from the reform of the 421-A tax benefit program in 2006. The Fund, in particular, was established in a three-way Memo of Understanding (MOU) signed on March 29, 2010 by the Mayor, the New York City Comptroller and the President of the Battery Park City Authority (BPCA). The fund which totals \$200 million must be utilized pursuant to the income guidelines established in the MOU and specifically must be used to finance projects in the fifteen sub-borough areas with the highest percentage of households below the poverty line according to the most recent United States census bureau data. The Fiscal 2012 Preliminary Plan established a new dedicated budget line for the Trust Fund, although HPD has been earmarking funds to certain projects over the past three fiscal years in anticipation of these funds being realized in the Capital Plan. Although the \$200 million is now reflected in HPD’s Capital Plan and the Administration did not apply any direct cuts to the Trust Fund, the Office of Management and Budget in consultation with HPD did apply a 20 percent reduction from a base of \$200 million in the amount of \$39.6 million from other programmatic areas within the Capital Plan. The areas that were impacted by these funding reductions included the following:

HPD Programs	Funding Reductions
Third Party Transfer Program	\$9 million
8A Loan Program	\$8 million
Participation Loan Program	\$3 million
Low Income Rental Program (LIRP)	\$6.6 million
Multifamily Rental programs	\$1.5 million
Multifamily Homeownership Programs	\$11.5 million
Total	\$39.6 million

- ☑ **Tenant Interim Lease (TIL) Program.** The TIL program, which creates affordable cooperative homeownership for low-income tenants in City-owned in-rem stock, was substantially cut by approximately \$114 million due to new programmatic objectives and reforms the agency is currently undertaking for this program. In 2007, the agency identified a potential budget shortfall for the completion of the TIL pipeline. At the start of Fiscal 2011 the projected costs for this program was \$630 million, with only \$355 million allocated in the ten-year capital commitment plan. The 20 percent mandated capital budget reduction presented HPD with an opportunity to reform the TIL program and reform its model. In the traditional TIL model the rehabilitation of the buildings occur while these properties are still in City ownership and funded by the agency's capital budget. The new model that HPD is currently collaborating with the Council on would mirror standard disposition programs which utilize sponsors and private developments. Under this model, properties will be transferred to a third party intermediary which would oversee the properties for 12 to 24 months for predevelopment activities. A new sponsor or developer would be selected through Request for Qualification (RFQ) process and the intermediary and the sponsor would then work to have construction completed outside of the public domain. The model is based on the sponsor or developer being responsible for the entire development process, which would in turn make this program less costly to the City.

Capital Program Areas for Fiscal 2011-2014

The revision of the NHMP is reflected in HPD's Fiscal 2012 Capital Plan where overall funding for new construction programs has decreased while funding for preservation programs has increased. The following are the major changes in HPD's capital plan since the Fiscal 2011 Adopted Budget.

New Construction

- ☑ **Low-Income Rental Programs:** HPD funds various initiatives for the construction and rehabilitation of low-income rental projects such as the Low-Income Affordable Marketplace Program in which incomes must be less than 60 percent of the Area Median Income (AMI). The Fiscal 2012 Executive Plan includes \$204.4 million in City and Non-City funds between Fiscal 2011-2014 for these programs, a decrease of \$66.4 million since Adoption.
- ☑ **Mixed Income Rental Programs:** HPD funds various programs for the new construction of multi-family rental projects affordable to households earning up to 130 percent of Area Median Income. The Executive Plan includes \$100 million, which is a \$67 million increase from Adoption. This increase is due to HPD's ability to cross-subsidize these projects with other market rate units which in turn make projects funded through these programs more financially viable.
- ☑ **Moderate/Middle Income Rental Programs:** HPD funds initiatives to construct and rehabilitate rental housing for moderate and middle income families with incomes ranging from 80 to 175 percent of AMI. The Executive Plan for Fiscal 2011-2014 is \$2.9 million, which is \$63.2 million less than what was adopted in Fiscal 2011.
- ☑ **Homeownership Programs:** HPD funds initiatives such as the Cornerstone Program to construct and rehabilitate housing for moderate and middle income families with incomes ranging from 80 to 175 percent of AMI. The Executive Plan for 2011-2014 is \$7.8 million, which is \$25 million less than what was allocated at adoption last year.

Preservation

- ☑ **Article 8a Loan Program:** The Article 8A program provides rehabilitation loans to correct substandard or unsanitary conditions and to prolong the useful life of multiple dwellings in New York City. The Executive Plan includes \$141.3 million in City and Non-City funds for this program, which is \$25 million greater than the \$116.3 million allocated at adoption last year.
- ☑ **Participation Loan Program:** This program provides low-interest loans to private residential building owners for the moderate-to-gut rehabilitation of housing for low to moderate income households. City capital funds, loaned at below-market interest with a thirty-year term, and/or Federal HOME Grant funds are combined with bank financing to produce a below market interest rate loan. Funds may also be used for refinancing or acquisition in conjunction with rehabilitation. A small percentage of the loan may be for payment of property tax arrears. The Executive Plan includes \$98.4 million or \$26 million more for Fiscal 2011-2014 than what was allocated at adoption last year.
- ☑ **Third Party Transfer Program (TPT):** Under this program, HPD transfers tax-delinquent distressed properties to new private for-profit and not-for-profit owners rather than taking them into City ownership. HPD provides low-interest rehabilitation loans to the new owners by blending capital dollars with private financing. The Executive Plan funding for these programs is \$158.3 million in City and Non-City funds, which is \$32 million less than the \$190 million that was allocated at adoption.
- ☑ **Alternative Management Programs:** HPD targets clusters of occupied and vacant City-owned buildings for renovation and disposition to community-based owners. Buildings are owned and managed by local entrepreneurs, neighborhood not-for-profit housing organizations, or qualified groups of tenants. This is a neighborhood redevelopment initiative designed to stimulate community economic renewal by utilizing several HPD programs including the Neighborhood Entrepreneurs Program, Neighborhood Redevelopment Program, 7A Financial Assistance Program, and the Tenant Interim Lease Program. In total the Executive Plan includes \$165 million for these initiatives, although as noted earlier the TIL program will be cut by approximately \$114 million to reflect a model that will be similar to HPD's standard disposition programs such as TPT.

Special Needs Housing

- ☑ **Supportive Housing Program-New Construction & Rehabilitation:** This program provides funding for new construction and rehabilitation of supportive housing for homeless single adults, including people suffering from disabilities such as mental illness and AIDS, families with special needs and youth aging out of foster care. The Executive Plan includes \$302.4 million for these programs in City and Non-City funds, which is \$22 million less than what was allocated at adoption.
- ☑ **HUD Section 202 Program:** Under the Section 202 Supportive Housing Program for the Elderly, not-for-profit sponsors selected by HUD purchase land from the City or from private owners and construct residential buildings (or rehabilitate existing vacant buildings). The completed buildings provide rental housing for low-income elderly persons receiving operating subsidies from HUD through a project rental assistance contract. For several years HUD has been providing capital subsidies of approximately \$130,000 per unit, however the

actual cost per unit in New York City is roughly \$250,000. The funding gap has been filled in previous years with discretionary funds from the Council, and the Administration has made it a priority to avoid funding cuts for the Section 202 Program. The Executive Plan includes an increase of \$426,000 in City and Non-City funds from the \$46.3 million allocated at adoption.

Other Projects & Initiatives

- ☑ **Hunters Point South in Long Island City:** The Preliminary Plan includes funding for a mixed-use, middle-income housing development in Long Island City, Queens. This project will consist of approximately 5,000 units of housing designed to be affordable to families earning from \$60,000 to \$145,000. The City purchased the rights to the land to build the project from the Port Authority for \$100 million. In addition, the City will fund the Port Authority's remaining obligations for infrastructure and related costs at the site. The Executive Plan includes \$79.6 million in Fiscal 2011-2014 for this project.
- ☑ **Low-Income Housing Tax Credit 15-Year Preservation Program:** The Federal Low-Income Housing Tax Credit (LIHTC) program provides funding for affordable housing units throughout New York City by offering investors a tax credit for ten years in return for providing equity to affordable housing developments. Thousands of affordable housing developments in New York City that were financed with LIHTC will reach the end of their 15-year compliance period within the next year. The Executive Plan includes \$5 million less between Fiscal 2011-2014 for a total of \$73.8 million to fund the preservation of affordable housing developments that were financed through LIHTC.
- ☑ **The Housing Asset Renewal Program (HARP):** In April of 2008, City Council Speaker Christine Quinn established an affordable housing task force comprised of affordable housing advocates with the goal of creating a new middle income housing program. The taskforce produced a plan that would offer developers of unsold condominiums and cooperatives, the opportunity to sell their units at prices substantially reduced from their original anticipated sales prices. The program would offer subsidies that will make the new sales prices affordable to middle income New Yorkers with incomes ranging from 100 percent to 150 percent of median income. The Council and the Administration worked closely together to include \$20 million in Fiscal 2011-2014 for this initiative. The program is currently being implemented with the first funding allocation provided to a 46-unit property in Brooklyn.
- ☑ **Distressed Multifamily Housing:** HPD has begun a serious effort to address the issue of overleveraged multifamily buildings that were purchased at inflated values and now carry an unsustainable level of debt. Specifically, HPD will provide \$750 million to responsible owners to purchase overleveraged properties. The sources of financing for these properties include \$500 million in HDC bonds, \$150 million from the New York City Acquisition Fund, and \$100 million in City capital funding utilizing existing HPD programs such as the Article 8A Loan Program and the Participation Loan Program. HPD will specifically target buildings that have severe physical and financial distress, buildings that were formerly part of publicly assisted stock, and rent stabilized buildings with financial risks.

Appendix A: Budget Actions in the November and February Plans

<i>Dollars in Thousands</i>	FY 2011			FY 2012		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of June 2010 Plan	\$64,469	\$541,544	\$606,013	\$54,808	\$510,897	\$565,705
Program to Eliminate the Gap (PEGs)						
OTPS Reduction	\$0	\$0	\$0	(\$354)	\$0	(\$354)
Code inspection realignment	(296)	0	(296)	(1197)	0	(\$1,197)
Housing Supervision	0	0	0	(289)	0	(\$289)
Intra city with HPD	(\$28)	0	(28)	(\$28)	0	(\$28)
Paid Overtime	(50)	0	(50)	(50)	0	(50)
Parking lot maintenance	0	0	0	(23)	0	(23)
Reduce City Council funds	(276)	0	(276)	0	0	0
Tax Levy vacancies	(1,028)	0	(1,028)	(1,037)	0	(1,037)
Waterside Offset	(694)	0	(694)	(863)	0	(863)
Window guard inspections	(67)	0	(67)	(269)	0	(269)
Restore Council funds	276	0	276	0	0	0
Total, PEGs	(\$2,163)	\$0	(\$2,163)	(\$4,110)	\$0	(\$4,110)
Other Adjustments						
2065 Morris Avenue-HOME funds	\$0	\$1,280	\$1,280	\$0	\$0	\$0
McKinney Grant Funds	0	798	798	0	0	0
Allocate BRA Funds	0	9,000	9,000	0	0	0
Funds for FY11 Stimulus	0	6,616	6,616	0	0	0
Bring up funds for FY11	0	9,557	9,557	0	0	0
Bring up fund HY Demo	0	9,000	9,000	0	0	0
Bring up funds in FY11	0	6,783	6,783	0	0	0
FY11 Budget Modification	15	0	15	0	0	0
Admin. Fees	0	120	120	0	0	0
Housing Supervision	0	0	0	(29)	0	(\$29)
Increased code enforcement in CD areas	60	0	60	252	0	\$252
Intracity with HPD	150	0	150	0	0	0
Scheduling Section 8 Funds	0	4,500	4,500	0	0	0
Tax levy vacancies	207	0	207	216	0	\$216
Allocate funds for FSS	0	68	68	0	0	0
Allocate funds for HCV	0	67,706	67,706	0	0	0
Allocate funds for Lead	0	1,067	1,067	0	0	0
Allocate funds for Mod. Rehab	0	68	68	0	0	0
Allocate funds for Section 8	0	414	414	0	0	0
Allocate SC Funds	0	25	25	0	0	0
Allocate Section 8 Admin Funds	0	1,094	1,094	0	0	0
To bring up funds	0	\$32	32	0	0	0
To realing AEP funds	0	3,700	3,700	0	0	0
Reallocate funds for SC	0	1,399	1,399	0	0	0
To roll funds for NYCHA	0	163	163	0	0	0
Schedule CD funds	0	370	370	0	445	\$445
Schedule NSP Grant	0	97	97	0	0	0
Schedule NYCHA HQS	0	125	125	0	0	0
NYCHA HQS-OTPS	0	80	80	0	0	0
Shelter Plus Care	0	183	183	0	0	0

<i>Dollars in Thousands</i>	2011			2012		
	City	Non-City	Total	City	Non-City	Total
University Settlement Society of NY	\$4	\$0	\$4	\$0	\$0	\$0
Waterside Offset	694	0	694	863	0	863
West Bronx Housing	20	0	20	0	0	0
Window guard transfer to HPD	0	67	67	269	0	269
Bring up funds in FY11	0	0	0	0	0	0
CD Rollover	0	4,431	4,431	0	0	0
Demolition funding	0	5,000	5,000	0	0	0
HOME First	0	500	500	0	0	0
Contractual Workers	0	96	96	0	0	0
Allocate funds for BPCA	0	10,000	10,000	0	0	0
Allocate funds for FSS	0	68	68	0	0	0
Allocate funds for NSP2	0	19,359	19,359	0	0	0
Allocate funds for SC	0	713	713	0	1,492	1,492
Allocate funds for SORP	0	2,000	2,000	0	0	0
Schedule NSP2 Admin. Funds	0	250	250	0	250	\$250
Total, Other Adjustments	\$1,149	\$166,728	\$167,878	\$1,571	\$2,187	\$3,758
Agency Budget as of February 2011 Plan	\$68,318	\$703,413	\$771,731	\$52,028	\$513,325	\$565,353

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