

THE COUNCIL OF THE CITY OF NEW YORK

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Speaker of the Council

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Chair, Committee on Housing and Buildings



Report on the Fiscal 2017 Preliminary Budget and the Fiscal 2016 Preliminary Mayor's Management Report Department of Buildings

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Department of Buildings Overview

The Department of Buildings (DOB or the Department) ensures the safe and lawful use of more than one million buildings and properties by enforcing the City's Building Code, the City's Zoning Resolution, New York State Labor Law, and New York State Multiple Dwelling Law. The Department enforces compliance with these regulations through plan examinations, permitting, property inspections, and licensing functions. Anyone who intends to demolish, alter, or build an addition to an existing structure or erect a new structure must obtain a building permit from DOB to ensure that the resulting property structure complies with all applicable laws.

This report provides a review of DOB's Preliminary Budget for Fiscal 2017. In the first section, the highlights of the Fiscal 2017 Preliminary Budget are presented, followed by a summary of the Department's Contract Budget, Revenue and Construction Permit trends, and performance indicators. The report then discusses initiatives included in the November and Preliminary Financial Plans and reviews relevant sections of the Preliminary Mayor's Management Report (PMMR) for Fiscal 2016.

Fiscal 2017 Preliminary Budget Highlights & Summary

The Department's Fiscal 2017 Preliminary Budget totals \$155.4 million (comprised of all City funds); a less than one percent increase over the Fiscal 2016 Adopted Budget. By comparison, the City's total budget has seen an increase of 4.6 percent (to \$82.1 billion) in the same period.

While the agency's overall budget is flat, the agency headcount is forecast to be up by nearly 10 percent to 1,579 which in turn pushes its spending on Personal Services (PS) up by 12.2 percent. At the same time, the agency's OTPS spending declines by an almost equivalent amount as the PS increase, leading to the relatively flat spending.

| DOB Financial Summary | | | | | | |
|---------------------------------|-----------------|------------------|------------------|-------------------------|------------------|--------------------|
| <i>Dollars in Thousands</i> | | | | | | |
| | 2014 | 2015 | 2016 | Preliminary Plan | | *Difference |
| | Actual | Actual | Adopted | 2016 | 2017 | 2016 - 2017 |
| Spending | | | | | | |
| Personal Services | \$79,848 | \$88,164 | \$110,981 | \$111,646 | \$124,508 | \$13,528 |
| Other Than Personal Services | 18,831 | 20,509 | 43,439 | 43,600 | 30,912 | (12,527) |
| TOTAL | \$98,679 | \$108,673 | \$154,419 | \$155,246 | \$155,420 | \$1,001 |
| Funding | | | | | | |
| City Funds | \$98,679 | \$108,673 | \$154,419 | \$155,246 | \$155,420 | \$1,001 |
| Other Categorical | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital- IFA | 0 | 0 | 0 | 0 | 0 | 0 |
| State | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal - Community Development | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal - Other | 0 | 0 | 0 | 0 | 0 | 0 |
| Intra City | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | \$98,679 | \$108,673 | \$154,419 | \$155,246 | \$155,420 | \$1,001 |
| Budgeted Headcount | | | | | | |
| Full-Time Positions - Civilian | 1,037 | 1,099 | 1,438 | 1,450 | 1,579 | 141 |
| TOTAL | 1,037 | 1,099 | 1,438 | 1,450 | 1,579 | 141 |

*The difference of Fiscal 2016 Adopted Budget compared to Fiscal 2017 Preliminary Budget.

Changes in DOB's budget are primarily due to: prior year adjustments; new staffing needs associated with inspectors; the affordable housing unit; the Build it Back program; administrative support; and funding for collective bargaining agreements. The decrease in Other Than Personal Services (OTPS) is mostly due to DOB spending down \$7 million for the Fiscal 2015-2016 period for information technology upgrades and improvements to the Development Hub, the Department's online permit application system.

The Department's Fiscal 2016 Executive Budget introduced the Building One City initiative, comprised of several significant initiatives and actions intended to streamline online operations and reduce processing times for construction applications, strengthen proactive enforcement tools, and expedite inspections to speed the review process for new affordable housing production. These actions provided about \$40 million in new funding for the Personal Services (PS) budget and the Other Than Personal Services (OTPS). In total, the Building One City initiative will provide DOB with approximately 320 new positions and \$120 million in new resources over the next four years. Comparatively, the Department has implemented marginal changes in the Fiscal 2017 Preliminary Plan. These actions include:

- **Administrative Support for DOB Affordable Housing Division.** A total of \$55,000 is added in Fiscal 2016 and \$110,000 in Fiscal 2017 for the hiring of two additional full-time administrative employees to support the Department's newly created Affordable Housing Unit. The unit is comprised of 15 employees, including five plan examiners, five inspectors and five support staff that coordinate with the Department of Housing Preservation and Development to prioritize plan review and development inspections

for affordable housing projects. The annualized cost of these 15 positions is \$1.3 million which is baselined through Fiscal 2020.

- **DOB Build it Back.** The Fiscal 2017 Preliminary Plan includes additions of \$368,000 in Fiscal Year 2016 and \$552,000 in Fiscal 2017 for the hiring of 9 positions over a two year period to support work related to the Build it Back program. This action restores funding for six inspector positions and supports the hiring of three project manager positions to simplify and accelerate the City's pre-construction process for Build it Back projects.
- **DOB Cooling Towers.** A total of \$28,000 is added in Fiscal 2016 and \$55,000 in Fiscal 2017 for the hiring of one administrative position to support work related to the registration of cooling towers. Under emergency health regulations adopted on August 18, 2015 (Local Law 77 of 2015), building owners and property managers of cooling towers are required to register cooling towers with DOB, inspect and test the cooling towers, and provide annual certification to DOB. The annualized cost of this position is \$55,000, which is baselined through Fiscal 2020.
- **Funding for Enforcement of Local Law 11 of 1998.** A total of \$685,000 is added in Fiscal 2017 to support 10 new positions in the Façades unit, including six inspectors, two administrative employees, and two plan examiners. Local Law 11 mandates that owners of buildings greater than six stories have their buildings' exterior walls inspected once every five years and file a technical report to the Department. The report details whether a certified architect or engineer found potentially dangerous deterioration on a building's exterior faces, and in the event deterioration is found, recommendations are outlined and building owners are required to schedule the necessary work in a timely manner. The current inspection cycle (Cycle 8) runs from February 21, 2015 through February 21, 2020. The annualized cost of these 10 positions is \$685,000, which is baselined through Fiscal 2020.
- **DOB Universal Pre-K.** A total of \$538,000 is added in Fiscal 2017 in order to baseline expenses for seven inspectors in connection with the Administration's universal pre-k initiative. The Department is providing oversight to the Department of Education during the expansion of this program by inspecting day care centers to ensure compliance with occupancy standards. The annualized cost of these seven positions is \$538,000, which is baselined through Fiscal 2020.
- **Collective Bargaining.** DOB's budget includes a funding increase of \$221,000 in Fiscal 2016 and \$274,000 in Fiscal 2017 as a result of collective bargaining labor agreements. This funding grows to \$349,000 by Fiscal 2019.
- **DOB Lease.** The Department is adding \$2 million in Fiscal 2018 through Fiscal 2020 to cover expenses related to the private leasing of a new space. DOB is currently in the process of identifying a building to move into and is expected to begin the move out of 280 Broadway in Fiscal 2018.
- **DOB Supplies.** The Department will allocate \$30,000 in Fiscal 2016 and \$40,000 in Fiscal 2017 for Other Than Personal Services related to the 12 positions added to the affordable housing unit, Build it Back program and Universal Pre-K inspection initiative.

- **Miscellaneous Revenue from Permit Penalties and Construction Permits.** DOB has estimated that the City will realize an additional \$10.3 million above the already budgeted \$22.7 million in Fiscal 2016 from the collection of fees resulting from late filings and no permit penalties. In addition, DOB has estimated that the City will realize marginal increases for the collection of fees from construction permits and building inspection fees. The DOB Development Hub, along with the use of e-filing, has accelerated the construction project approval process and this has resulted in revenue gains from licenses and permits, as well as charges for services, and fines.

Contract Budget

The New York City Charter mandates the preparation of a Contract Budget to identify expenditures for contractual services. Contractual services are defined as any technical, consultant, or personal service provided to the City by means of a contract. The Contract Budget is actually a subset of the OTPS portion of the City's expense budget. The Administration prepares a contract budget twice each fiscal year. In January, it is prepared with the Departmental Estimates and in late April it is submitted to the Council with the Executive Budget.

The City's Contract Budget totals \$13.17 billion in Fiscal 2017, a decrease of 0.5 percent when compared to the Fiscal 2016 Adopted Budget of \$13.24 billion. DOB's Fiscal 2017 Preliminary Budget includes 10 registered City contracts, at a total cost of \$23.3 million, which represents a \$2.1 million increase from the Fiscal 2016 Adopted Budget. Of these registered contracts, two are for general contract services, which include private elevator contracts.

| DOB Fiscal 2017 Preliminary Contract Budget | | | | |
|---|----------------------------|----------------------------|--------------------------------|----------------------------|
| <i>Dollars in Thousands</i> | | | | |
| Category | Fiscal 2016 Adopted | Number of Contracts | Fiscal 2017 Preliminary | Number of Contracts |
| Contractual Services - General | \$9,866,958 | 2 | \$11,946,958 | 2 |
| Data Processing Equipment Maintenance | 526,792 | 1 | 526,792 | 1 |
| Office Equipment Maintenance | 252,000 | 1 | 252,000 | 1 |
| Prof. Services - Computer Services | 6,633,000 | 1 | 7,610,000 | 1 |
| Prof. Services - Engineering and Architectural Services | 2,379,000 | 1 | 1,375,000 | 1 |
| Prof. Services - Other | 827,072 | 1 | 883,072 | 1 |
| Security Services | 185,000 | 1 | 185,000 | 1 |
| Temporary Services | 33,000 | 1 | 33,000 | 1 |
| Training Program for City Employees | 535,000 | 1 | 535,000 | 1 |
| TOTAL | \$21,237,822 | 10 | \$23,346,822 | 10 |

Revenue

DOB collects revenue from the issuance of licenses and permits, charges for services such as inspection fees, and fines for late filings. In recent years, DOB has implemented several revenue generating initiatives, including improved service delivery in enforcement and development areas and implementing an online inspection program. These actions have resulted in a significant increase in the Department's ability to collect revenue. In Fiscal 2017, the agency expects to generate \$220.2 million in revenue, while total expenditures are projected to be \$155.4 million. In the Fiscal 2017 Preliminary Budget, DOB expects to generate \$162.6 million from license, construction permit, and franchise fees, \$34.9 million from charges for services, and \$22.7 million from the collection of fines and forfeitures. Overall, construction permits are projected to account for 65 percent of the Department's total miscellaneous revenue generated in Fiscal 2017, totaling \$142.2 million. Of note is that revenue from fines is projected to be substantially lower than recent years. Fiscal 2017 fines are expected to be around or less than half of what was collected in 2014 and 2015.

| DOB Miscellaneous Revenue Budget Overview | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|-----------------|
| <i>Dollars in Thousands</i> | | | | | | |
| Revenue Sources | 2014 | 2015 | 2016 | Preliminary Plan | | *Difference |
| | Actual | Actual | Adopted | 2016 | 2017 | 2016 - 2017 |
| Licenses, Permits & Franchises | | | | | | |
| Licenses for Tradesmen | \$2,431 | \$2,533 | \$2,940 | \$2,940 | \$2,140 | (\$800) |
| Building Permits | 24,174 | 28,369 | 15,085 | 15,085 | 16,000 | 915 |
| Illuminated Signs | 3,184 | 3,262 | 2,236 | 2,236 | 2,236 | 0 |
| Construction Permits | 134,009 | 163,460 | 139,000 | 139,578 | 142,240 | 3,240 |
| Subtotal, Licenses, Permits & Franchises | \$163,798 | \$197,624 | \$159,261 | \$159,839 | \$162,616 | \$3,355 |
| Charges for Services | | | | | | |
| Building Inspection Fees | \$12,386 | \$12,735 | \$11,880 | \$11,908 | \$12,620 | \$740 |
| Scaffold Notification Fees | 383 | 441 | 375 | 375 | 375 | 0 |
| Electrical Inspection Fees | 8,185 | 0 | 0 | 6,500 | 6,500 | 6,500 |
| Microfilm Fees | 11,002 | 11,718 | 7,871 | 7,871 | 9,118 | 1,247 |
| Reinspection Fees | 821 | 1,055 | 200 | 200 | 200 | 0 |
| Loft Board Fees | 1,487 | 1,428 | 595 | 595 | 595 | 0 |
| Elevator Inspection Fees | 5,468 | 5,503 | 5,490 | 5,490 | 5,490 | 0 |
| Unsafe Building Fees | 34 | 46 | 45 | 45 | 45 | 0 |
| Subtotal, Charges for Services | \$39,767 | \$32,925 | \$26,456 | \$32,984 | \$34,943 | \$8,487 |
| Fines & Forfeitures | | | | | | |
| Late Filing/No Permit Penalties | \$42,381 | \$52,053 | \$22,689 | \$33,000 | \$22,689 | \$0 |
| Subtotal, Fines & Forfeitures | \$42,381 | \$52,053 | \$22,689 | \$33,000 | \$22,689 | \$0 |
| TOTAL | \$245,946 | \$282,602 | \$208,406 | \$225,823 | \$220,248 | \$11,842 |

**The difference of Fiscal 2016 Adopted Budget compared to Fiscal 2017 Preliminary Budget.*

Construction Permits

DOB issued construction permits are classified into three major categories: New buildings, major renovation (Alterations 1, which include major renovations and demolitions), and minor renovation (Alterations 2 and 3, which include minor renovations such as façade repairs and home renovations). In Fall 2011, DOB launched the NYC Development Hub, an online system for reviewing and approving minor building alterations. This new system along with the use of e-filing, has accelerated the construction project approval process and has resulted in revenue gains from licenses and permits, charges for services and fines. As such, the number of building permits issued has steadily increased in recent years from a ten-year low of 74,280 in 2010 to a ten-year high of 104,087 in 2015. Similarly, revenue generated from construction permits has also increased during the same time period. In 2015, construction permits accounted for \$163.5 million in revenue for the agency.

| DOB Construction Permits | Actual | | | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Building permits issued - Initial | 81,194 | 85,742 | 84,983 | 86,845 | 78,742 | 74,280 | 83,151 | 87,190 | 88,290 | 98,302 | 104,087 |
| New buildings | 6,665 | 6,680 | 5,641 | 4,321 | 2,067 | 1,455 | 1,541 | 1,496 | 1,540 | 2,080 | 2,313 |
| Major renovation (Alteration I) | 6,550 | 7,014 | 5,830 | 4,582 | 3,624 | 2,937 | 3,005 | 3,190 | 3,072 | 3,082 | 3,111 |
| Minor renovation (Alterations II and III) | 67,979 | 72,048 | 73,512 | 77,942 | 73,051 | 69,888 | 78,605 | 82,504 | 83,678 | 93,140 | 98,663 |
| Construction Permit Revenue (in '000) | \$67,688 | \$78,213 | \$84,286 | \$89,688 | \$80,920 | \$70,403 | \$86,202 | \$105,172 | \$117,489 | \$134,009 | \$163,460 |

Performance Indicators

The Department's Fiscal 2016 Executive Budget introduced the Building One City initiative, comprised of several significant initiatives and actions intended to streamline online operations and reduce processing times for construction applications, strengthen proactive enforcement tools, and expedite the review process for new affordable housing production. Together these actions called for the addition of 320 new positions and an increase of \$120 million over four years at DOB. As of the Fiscal 2017 Preliminary Plan, DOB has hired 128 people and spent down \$11 million as part of the Building One City initiative. With these additional resources, DOB anticipates it will complete initial reviews on all filings within an average of ten days from initial submission, and reduce wait times for the most common inspection types to an average of five business days. These performance indicators are further detailed below.

| DOB Performance Indicators | Actual | | | Target | | 4-Month Actual | |
|--|--------|------|------|--------|------|----------------|------|
| | FY12 | FY13 | FY14 | FY15 | FY16 | FY15 | FY16 |
| Average days to complete first plan review (days) | | | | | | | |
| New buildings | 11.6 | 12.7 | 17.9 | * | * | 11.9 | 11.4 |
| Major renovation (Alteration I applications) | 12 | 11.3 | 15.2 | 10 | 10 | 12.4 | 17 |
| Minor renovation (Alterations II and III applications) | 4.2 | 3.8 | 4.1 | 4 | 4 | 3.7 | 4.6 |
| Average days to complete inspections (days) | | | | | | | |
| Construction inspection | 4.7 | 3.4 | 3.6 | 4.5 | 4.5 | 3.5 | 4.2 |
| Plumbing inspection | 5.1 | 4.5 | 4.5 | 5 | 5 | 4.3 | 3.8 |
| Electrical inspection | 6.3 | 6.1 | 5.2 | 6 | 6 | 4.7 | 4.4 |
| Construction Safety | | | | | | | |
| Construction-related incidents | 403 | 459 | 736 | * | * | 219 | 365 |
| Construction-related accidents | 173 | 207 | 314 | * | * | 86 | 181 |
| Construction-related injuries | 187 | 212 | 324 | DOWN | DOWN | 93 | 203 |
| Construction-related fatalities | 5 | 6 | 10 | DOWN | DOWN | 1 | 4 |

Areas of Below Target

- Construction related incidents.** DOB has seen a large increase in the number of construction-related incidents. During the Fiscal 2016 reporting period, DOB reported 203 construction-related injuries and 181 construction-related accidents, an increase of 91 percent and 84 percent, respectively, over the same period in Fiscal 2015. In February 2016, in response to an incident related to a collapsed crane, the Administration announced new measures to strengthen safety requirements, including the doubling of fines for failure to safeguard equipment, increased enforcement of pedestrian safety near crane work and more notification to nearby residents and building operators when cranes are in use. These actions are expected to be reflected in a future financial plan.
- Plan Reviews.** The number of initial construction plan reviews completed by DOB increased by about 5 percent to 31,057 in the first four months of Fiscal 2016, up from 29,660 during the same period in Fiscal 2015. At DOB borough offices, the average time to complete plan reviews decreased to 11.4 days for new buildings and rose to 4.6 days for minor renovations and 17 days for major alterations. Review times for both were longer than during the same period last year and higher than their respective targets of 10 days for major renovations and 4 days for minor renovations.

Appendix A: Budget Actions in the November and the Preliminary Plans

| <i>Dollars in Thousands</i> | FY 2016 | | | FY 2017 | | |
|--|------------------|------------|------------------|------------------|------------|------------------|
| | City | Non-City | Total | City | Non-City | Total |
| DOB Budget as of the Adopted 2016 Budget | \$154,420 | \$0 | \$154,420 | \$153,166 | \$0 | \$153,166 |
| New Needs | | | | | | |
| Administrative Support for DOB Affordable Housing Division | \$55 | \$0 | \$55 | \$110 | \$0 | \$110 |
| DOB Build it Back | 368 | 0 | 368 | 552 | 0 | 552 |
| DOB Cooling Towers | 28 | 0 | 28 | 55 | 0 | 55 |
| DOB Lease | 0 | 0 | 0 | 0 | 0 | 0 |
| DOB Supplies | 30 | 0 | 30 | 40 | 0 | 40 |
| DOB Universal Pre-K | 0 | 0 | 0 | 538 | 0 | 538 |
| Funding for Enforcement of Local Law 11 | 0 | 0 | 0 | 685 | 0 | 685 |
| Subtotal, New Needs | \$481 | \$0 | \$481 | \$1,980 | \$0 | \$1,980 |
| Other Adjustments | | | | | | |
| OSA Collective Bargaining | \$221 | \$0 | \$221 | \$274 | \$0 | \$274 |
| DOB Study | 125 | 0 | 125 | 0 | 0 | 0 |
| Subtotal, Other Adjustments | \$346 | \$0 | \$346 | \$274 | \$0 | \$274 |
| TOTAL, All Changes | \$827 | \$0 | \$827 | \$2,254 | \$0 | \$2,254 |
| DOB Budget as of the Preliminary 2017 Budget | \$155,247 | \$0 | \$155,247 | \$155,420 | \$0 | \$155,420 |