

# **Fiscal 2009 Executive Budget Hearings**

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**Department of Housing Preservation and  
Development (Capital)**

*May 2008*

*Hon. Christine C. Quinn  
Speaker of the Council*

*Hon. David I. Weprin, Chair  
Committee on Finance*

*Hon. Erik Martin-Dilan, Chair  
Committee on Housing and Buildings*

*Preston Niblack, Director  
Finance Division*

New York City Council Finance Division

Preston Niblack  
Director

Jeffrey Rodus  
Deputy Director

Jonathan Rosenberg  
Deputy Director

David Pechefsky  
Assistant Director

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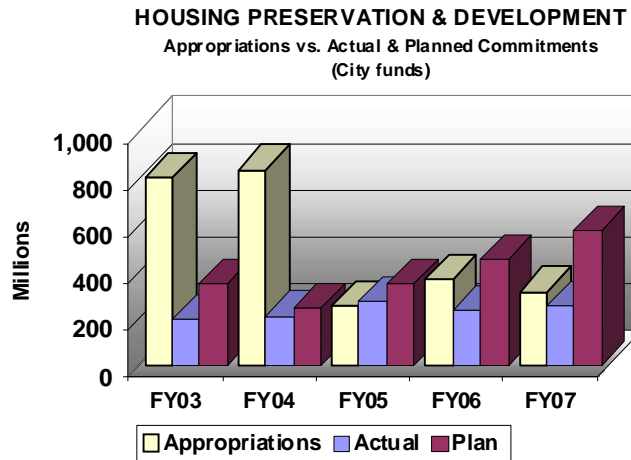
Department of Housing Preservation and Development (Capital)

Anthony Brito  
Analyst

## Agency Overview

The Department of Housing Preservation and Development (HPD) preserves, upgrades, and assists in the expansion of the City's affordable housing stock. Its primary goals are: to spur the preservation and development of affordable housing through direct investment, the provision of loans, and/or other financial assistance; to maximize neighborhood ownership and management of housing by generating local participation in disposition and development programs; and to enforce compliance with housing quality standards.

In its efforts to accomplish these goals, HPD implements a wide array of programs and initiatives, which in terms of its capital program generally fall into five categories. Assistance to private owners is provided through such programs as the Participation Loan Program, the Article 8A Loan Program, and the Small Homes Private Loan Program. A related, but distinct, housing preservation initiative is the Third Party Transfer Program where tax delinquent distressed properties are conveyed directly to new private owners and HPD provides low-interest rehabilitation loans. Rehabilitation and disposition of the City owned in-rem stock is accomplished primarily through the Tenant Interim Lease Program, the Neighborhood Entrepreneurs Program, and the Neighborhood Redevelopment Program. The construction of new housing as well as retail and commercial development is achieved through the Partnership Housing Program, the Nehemiah Program, the Anchor program, and large scale neighborhood initiatives. Finally, HPD assists in the development of housing for homeless families, supportive housing for homeless adults, the homeless mentally ill, and people suffering from AIDS through the Permanent Housing for Homeless Families, the Supportive Housing Loan Program, and the New York/New York III program.



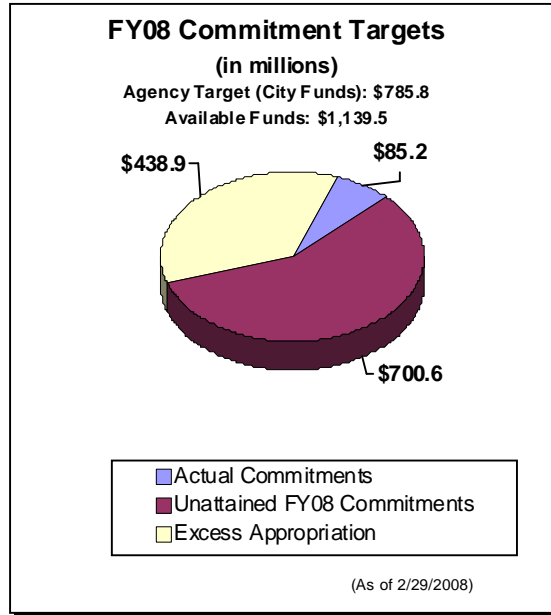
## Fiscal 2009 Executive Capital Budget

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### *Current Budget Summary*

The May 2008 Capital Commitment Plan includes \$1.97 billion in Fiscals 2009-2012 for the Department of Housing Preservation and Development (including City and Non-City funds). This represents 5 percent of the City's total \$43.1 billion May Plan for Fiscals 2009-2012. The agency's May Commitment Plan for Fiscals 2009-2012 is 19 percent more than the \$1.65 billion in the January Commitment Plan, a decrease of \$320.2 million.

As of February 29, 2008 HPD has only committed \$85.1 million, 13 percent of its city funded \$675.5 million Fiscal 2008 Plan. Over the past five years, HPD has committed an average of 44 percent of its annual city funded capital plan. Therefore it is assumed that a portion of the agency's Fiscal 2008 capital plan will be rolled into Fiscal 2009 increasing the size of the Fiscal 2009-2012 capital plan.



Currently HPD's appropriations total \$1.13 billion in city-funds for Fiscal 2008. These funds are to be used to finance HPD's \$590.4 million city-funded capital commitment program. The agency has almost double the amount of funding it needs to meet its capital commitment program for the current fiscal year.

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The Housing Preservation & Development's capital commitments for the last five years are shown below:

<b>FIVE YEAR HISTORY - CAPITAL BUDGET</b> (\$ in millions)					
	FY03	FY04	FY05	FY06	FY07
CITY	203	214	275	260	237
NON-CITY	110	68	148	118	80.9
TOTAL	313	282	423	378	318

The Preliminary Four-Year Capital Plan is shown below:

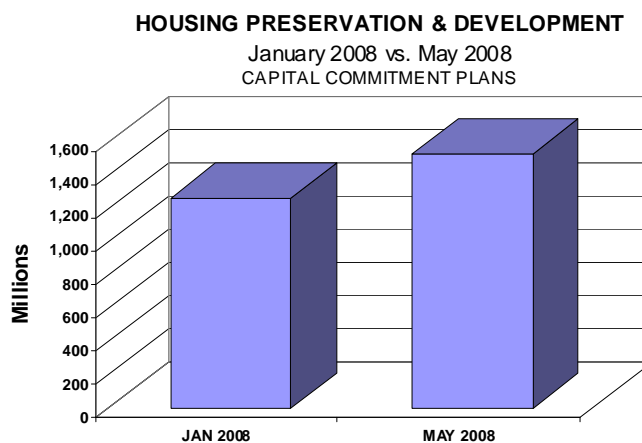
<b>PRELIMINARY CAPITAL BUDGET – JANUARY 2008</b> (\$ in millions)					
	FY09	FY10	FY11	FY12	FY's 09-12
CITY	323.2	257.6	320.8	357.9	1,259.6
NON-CITY	100.8	100.8	95.8	95.5	393.1
TOTAL	424.0	358.4	416.6	453.5	1,652.8

The Executive Four-Year Capital Plan is shown below:

<b>EXECUTIVE CAPITAL PLAN – MAY 2008</b> (\$ in millions)					
	FY09	FY10	FY11	FY12	FY's 09-12
CITY	416.8	404.0	336.0	369.1	1,526.0
NON-CITY	144.5	100.8	100.8	100.8	447.0
TOTAL	561.3	504.8	436.8	469.9	1,973.0

### EXECUTIVE BUDGET ISSUES:

**Overview:** HPD's Capital Commitment Plan should be assessed in the context of the Mayor's "New Marketplace" housing initiative which is a \$7.5 billion plan to create and preserve more than 165,000 homes citywide between Fiscal 2004 and Fiscal 2013. Funding for the plan comes from City capital funds, New York City Housing Development Corporation (HDC) reserves, Federal Home funds, Federal Community Development Block Grant funds (which appear in the City's expense budget), and off-budget Low Income Housing Tax Credit dollars.



### Update on the New Marketplace Plan

The New York City Independent Budget Office (IBO) released a report in November 2007 updating the progress achieved by the plan to date. The IBO report concluded that the City has financed 64,400 units or 39% of the overall goal of 165,000 units under the Plan. Of the 64,400 units funded thus far in the Plan, approximately 40,000 have been for preservation and 24,000 are for new construction.

	<b>New Construction Units</b>	<b>Preservation Units</b>	<b>Total Units</b>
Funded Units	24,000	40,000	64,000
Remaining units to be funded in the Plan by 2013	67,000	34,000	101,000
<b>Total</b>	<b>91,000</b>	<b>74,000</b>	<b>165,000</b>
<i>Source: Independent Budget Office</i>			

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Approximately \$2.5 billion or nearly one-third of the total \$7.5 billion in financing for the Plan has been spent thus far. The following chart summarizes the fund sources and spending through 2007 for the Plan.

<b>Funding Sources</b>	<b>Funding spent from 2004-07</b>	<b>Funding Plan from 2004-13</b>
City Capital Budget	\$1.2 billion	\$4.5 billion
City Expense Budget	\$521 million	\$1.2 billion
Citywide Affordable Housing Fund	\$0	\$50 million
Housing Development Corporation	\$493 million	\$548 million
Non-City Sources	\$213 million	\$1.1 billion
<b>Total</b>	<b>\$2.5 billion</b>	<b>\$7.5 billion</b>
<i>Sources: Independent Budget Office</i>		

### Update on the State Budget

The enacted State Fiscal 2008-2009 budget includes significant additional funding for housing development and preservation above the previous year's budget. Overall the State budget includes approximately \$300 million for a variety of housing programs statewide, which is \$200 million more than prior year allocations. This is exclusive of funding for housing for individuals with mental health conditions or with developmental disabilities. The following are some of the highlights in the State's budget for housing. State funding that goes for housing projects in New York City is not included in the City's budget since these funds are not administered by the City.

- **Housing Trust Fund (HTF).** HTF provides funding to construct low-income housing, rehabilitate vacant or under-utilized residential property, and to convert vacant property to residential use for occupancy by low-income homesteaders, tenants, tenant-cooperators or condominium owners. The State Capital budget includes an additional \$31 million for a total \$60 million in Fiscal 2009.
- **Affordable Housing Corporation (AHC).** AHC creates homeownership opportunities for low- and moderate-income families by providing grants to governmental, not-for-profit and charitable organizations to help subsidize the cost of newly constructed houses and the renovation of existing housing. The State Capital budget includes an additional \$20 million for AHC for a total of \$45 million in Fiscal 2009.

- **Homeless Housing and Assistance Program (HHAP).** HHAP provides capital grants and loans to not-for-profit corporations, charitable and religious organizations, municipalities and public corporations to acquire, construct or rehabilitate housing for persons who are homeless and are unable to secure adequate housing without special assistance. The State Capital budget includes an additional \$6.5 million for a total of \$36.5 million in Fiscal 2009.
- **Housing Finance Agency (HFA) Mitchell Lama Preservation.** The State HFA's Mitchell Lama Rehabilitation and Preservation (RAP) Program offers flexible, low-cost financing to help lower debt service payments for Mitchell Lama owners. This financing is aimed at freeing up resources for capital improvements and building renovations. In exchange, owners are required to keep rents affordable for an additional forty years. The State Capital budget includes \$54 million in Fiscal 2009 for Mitchell Lama preservation.

**City Capital Commitment Plan:** The May 2008 Capital Commitment Plan reflects increases and re-allocations in funding as anticipated to be necessary to achieve the production targets in the Mayor's plan and to provide subsidies for selected programs to increase affordability. Some of the programs with the highest level of planned commitments are summarized below.

- **Middle Income Housing Development at Queens West in long Island City:** The May Plan includes funding for a mixed-use, middle-income housing development in Long Island City, Queens. This new project will consist of approximately 5,000 units of housing designed to be affordable to families earning from \$60,000 to \$145,000 for a family of four. 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 May Plan for this project includes \$182.2 million in Fiscal 2008 and \$42 million in Fiscal 2009-2012.
- **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 are reaching the end of their 15-year compliance period within the next year. In order to preserve affordability and maintain these properties in good condition the May Plan includes \$85.5 million between Fiscals 2009-2012 to fund the preservation of affordable housing developments that were financed through LIHTC.
- **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 May Plan

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includes \$224.9 million in City funds and \$28.4 million in non-City funds between Fiscals 2009-2012 for this program.

- **Tenant Interim Lease Program:** Under this program, HPD provides assistance and training to organized tenant associations in occupied City-owned buildings of three or more dwelling units to develop economically self-sufficient, low-income tenant-owned cooperatives. Tenant associations enter into a lease with the City to maintain and manage the buildings; HPD funds the buildings rehabilitation while under City ownership. The May Plan includes \$209.2 million between Fiscals 2009-2012 for this program.
- **Article 8a Loan Program:** This program provides rehabilitation loans to correct substandard or unsanitary conditions and to prolong the useful life of multiple dwellings in New York City. The May Plan includes \$139 million in city funds and \$7 million in non-city funds between Fiscals 2009-2012 for this program.
- **Low-Income Rental Programs:** Under this budget line, HPD funds its 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% of the Area Median Income (AMI). The May Plan includes \$117.2 million in city funds and \$171.7 million in non-city funds between Fiscals 2009-2012 for such programs.
- **Multifamily Moderate/Middle Income Rental Programs:** Under this budget line, HPD funds its initiatives to construct and rehabilitate rental housing for moderate and middle income families with incomes ranging from 80% to 175% of AMI. The May Plan includes \$111.2 million in city funds and \$2.3 million in non-city funds between Fiscals 2009-2012 for these programs.
- **Supportive Housing Program:** This program provides funding to develop the 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 May Plan includes \$80 million in city funds and \$216.6 million in non-city funds between Fiscals 2009-2012 for this program
- **Multifamily Homeownership Programs:** Under this budget line, 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% of AMI. The May Plan includes \$70.7 million between Fiscals 2009-2012 for these programs.