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Report to the Committee on Finance and the Committee on Housing and Buildings on the Fiscal 2018 Executive Budget for Department of Buildings

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Executive Budget Summary

- **Expense Budget Overview.** The Fiscal 2018 Executive Budget for the Department of Buildings (DOB or the Department) totals \$183.8 million (of which only \$1 million is comprised of federal funds). The DOB's Fiscal 2018 Executive Budget is \$11.7 million more than Department's Fiscal 2017 Adopted Budget of \$172.1 million.
- **Executive Budget Changes.** The Fiscal 2018 Executive Budget for the DOB includes \$14.8 million in new needs in Fiscal 2018 and a net decrease of \$11.3 million in Fiscal 2017 and an increase of \$26.1 million in Fiscal 2018 in other adjustments. Highlights of DOB's new needs are as follows:
 - \$10.3 million for DOB NOW information technology upgrades;
 - \$1.5 million for city-wide development inspections;
 - \$1.3 million for temporary staff related to the Build it Back program;
 - \$540,000 for city-wide inspections of demolitions; and
 - \$284,000 for the Office of Special Enforcement.
- **Headcount.** The Executive Budget for DOB supports a workforce of 1,664 positions (34 positions more than the Fiscal 2017 Adopted Budget). The Fiscal 2018 Executive Budget includes \$4.4 million for an additional 77 positions to support various divisions at DOB. Some notable staffing increases reflected in the Fiscal 2018 Executive Budget for the Department include:
 - The addition of 40 temporary positions, including 19 inspectors, 13 technical positions and eight administrative positions to support the Build it Back program;
 - The addition of 16 positions to support development inspections, including 15 inspectors and one administrative staff position;
 - The addition of eight inspectors to support city-wide demolition inspection; and
 - The addition of four building inspectors to support the functions of the Office of Special Enforcement.
- **Miscellaneous Revenue from Permit Penalties and Construction Permits.** DOB has estimated that the City will realize an additional \$12 million above the already budgeted \$56 million in Fiscal 2017 from the collection of fees resulting from late filings and no permit penalties. In addition, DOB has estimated that the City will realize an additional \$17 million in Fiscal 2016 from construction permits fees and an additional \$9.6 million from 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. In Fiscal 2018, the agency expects to generate \$282.5 million in revenue, while total expenditures are projected to be \$183.8 million.

DOB Overview

This report presents a review of DOB's Fiscal 2018 Executive Budget. The section below presents an overview of the Department's budget and how it has changed during the course of Fiscal 2017, followed by a review of the significant budget actions introduced in the Fiscal 2018 Executive Budget. Major issues related to the Department's budget are then discussed. Appendix 1 reports the changes made to the Fiscal 2017 and Fiscal 2018 Budgets since Adoption of the Fiscal 2017 Budget. For additional information on the Department's budget and its various programs, please refer to the Fiscal 2018 Preliminary Budget Report for the Department of Buildings at: <http://council.nyc.gov/budget/wp-content/uploads/sites/54/2017/03/810-DOB.pdf>

DOB Financial Summary						
<i>Dollars in Thousands</i>	2015	2016	2017	Executive Plan		*Difference
	Actual	Actual	Adopted	2017	2018	2017 - 2018
Spending						
Personal Services	\$88,164	\$97,392	\$126,837	\$124,380	\$132,244	\$5,407
Other Than Personal Services	20,509	37,332	45,235	34,535	51,532	6,297
TOTAL	\$108,673	\$134,725	\$172,072	\$158,915	\$183,776	\$11,704
Personal Services						
Additional Gross Pay	\$4,125	\$2,195	\$1,072	\$1,072	\$1,072	\$0
Additional Gross Pay - Labor Reserve	691	57	3,981	2,702	0	(3,981)
Amounts to be Scheduled	0	0	35	35	0	(35)
Fringe Benefits	30	35	3	3	3	0
Full-Time Salaried - Civilian	75,431	85,997	115,617	116,276	126,869	11,252
Full-Time Salaried - Holding Code	0	0	1,809	0	0	(1,809)
Overtime - Civilian	7,109	8,323	3,432	3,432	3,432	0
P.S. Other	9	4	0	0	0	0
Unsalaries	768	781	888	860	868	(20)
SUBTOTAL	\$88,164	\$97,392	\$126,837	\$124,380	\$132,244	\$5,407
Other Than Personal Services						
Contractual Services	\$7,521	\$8,985	\$12,399	\$7,631	\$13,014	\$615
Contractual Services - Professional Services	3,536	11,347	20,211	13,150	26,279	6,068
Fixed & Misc. Charges	0	130	0	170	0	0
Other Services & Charges	4,651	7,287	5,018	6,311	6,753	1,735
Property & Equipment	2,896	6,203	2,636	4,256	2,524	(112)
Supplies & Materials	1,906	3,381	4,972	3,016	2,963	(2,010)
SUBTOTAL	\$20,509	\$37,332	\$45,235	\$34,535	\$51,532	\$6,297
TOTAL	\$108,673	\$134,725	\$172,072	\$158,915	\$183,776	\$11,704
Funding						
City Funds	\$108,673	\$134,725	\$172,072	\$158,915	\$182,776	\$10,704
Federal - Community Development	0	0	0	0	1,000	1,000
TOTAL	\$108,673	\$134,725	\$172,072	\$158,915	\$183,776	\$11,704
Budgeted Headcount						
Full-Time Positions - Civilian	1,099	1,311	1,630	1,630	1,664	34
TOTAL	1,099	1,311	1,630	1,630	1,664	34

*The difference of Fiscal 2017 Adopted Budget compared to Fiscal 2018 Executive Budget.

The City's Fiscal 2018 Executive Budget totals \$84.9 billion, \$2.8 billion more than the Fiscal 2017 Adopted Budget of \$82.1 billion. City funds (City tax-levy and non-tax revenues) total \$61.1 billion when compared to the Fiscal 2017 Adopted Budget amount of \$59.3 billion. In comparison, DOB's Fiscal 2018 Executive Budget of \$183.8 million represents an increase of \$11.7 million, or seven percent over its Fiscal 2017 Adopted Budget of \$172.1 million. This increase is largely due to an additional \$5.4 million in the Personal Services (PS) budget to support 77 additional positions, including 40 temporary positions for the Build it Back program, 27 inspectors, nine administrative support positions and one attorney and Other Than Personal

Services (OTPS) spending increases of \$6.3 million for various plan adjustments and expenses related to DOB NOW, a new electronic system designed to digitize job filings, building inspections and complaints.

New in the Executive Budget

The Department's Fiscal 2018 Executive Budget introduced several new actions intended to streamline core operations and reduce processing times for construction applications at DOB's Borough offices, facilitate sustainable development, and address safety concerns in Construction. The following are the key financial plan actions included in the Executive Budget for DOB.

- **DOBNOW IT Project.** The Fiscal 2018 Executive Plan includes \$10.8 million in Fiscal 2018, \$5.7 million in Fiscal 2019 and \$6.6 million in Fiscal 2020 for OTPS costs related to technology upgrades to DOBNOW, an electronic system launched by DOB in August 2016 designed to digitize job filings, building inspections and complaints. This new system will replace the existing Building Information System and interface with other technological initiatives at DOB. Once the transition is completed, DOBNOW will allow customers to conduct all transactions online, including file applications, make payments, check the status of a project, and virtually interact with DOB staff.
- **Development Inspections.** The Fiscal 2018 Executive Plan includes baseline funding to support citywide development inspections and improve service levels. The budget includes \$1.5 million (\$1.1 million in PS and \$450,000 in OTPS) and a headcount increase of 16 positions in Fiscal 2018, \$2.5 million in Fiscal 2019 and 33 positions, and \$3.5 million including 47 positions in Fiscal 2020 and in the outyears. Specifically, this funding would support the hiring of inspectors and administrative employees and the purchase of 15 vehicles. In 2016, the average time to complete construction inspections was 3.8 days. These additional resources are intended to improve performance of inspections and lower the average time to complete construction inspections to three days.
- **Build it Back Program.** A total of \$1.3 million is added in Fiscal 2018 only for costs related to plan review and inspections for the City's Build it Back Program. The Department is budgeting 40 temporary positions for Build it Back work, including 19 inspectors, 13 plan examiners, and eight administrative staff.
- **Demolition Inspections.** The Fiscal 2018 Executive Plan includes baseline funding of \$540,000 beginning in Fiscal 2018 for the hiring of eight inspectors to support city-wide demolition inspections and improve service levels. In 2016, the average time to complete the first plan review for major renovations and new buildings averaged 11 days. These additional resources are intended to improve performance of inspections and lower the average time to complete construction inspections to three days.
- **Office of Special Enforcement.** The Fiscal 2018 Executive Plan includes baseline funding of \$284,000 beginning in Fiscal 2018 for the hiring of four additional inspectors to enhance enforcement as part of the Mayor's Office of Special Enforcement (OSE). OSE maintains citywide jurisdiction to coordinate and enhance enforcement across City agencies concerning fire and building code violations. As of the Fiscal 2018 Executive Budget, the Office consists of 48 staff members deployed from the Mayor's Office of Criminal Justice (MOCJ), the New York Police Department (NYPD), the Law Department, DOB, the Fire Department (FDNY), and the Department of Finance (DOF). For DOB, the Fiscal 2018 Executive Budget adds four

inspectors, bringing the total headcount of inspectors to nine, at a total annual cost of \$639,000.

- **DOB Code Revision.** A total of \$185,000 is added in Fiscal 2018 for two technical positions that grows to \$1.4 million and 14 position by Fiscal 2020 and in the outyears to support revisions to the New York City Construction Code. DOB is mandated to keep the New York City Construction Codes up to date with the latest version of the International Code Council (ICC) I-Codes. To this end, the Department is adding resources to help draft revisions to the New York City Construction Codes. All revisions to the Construction Codes must be incorporated into a local law that is approved by the New York City Council and signed into law by the Mayor. The Department anticipates that it will begin to submit proposed revisions to the City Council beginning in 2018.
- **One City Built to Last.** The Fiscal 2018 Executive Plan includes \$85,000 in Fiscal 2018, \$570,000 in Fiscal 2019 and \$655,000 and a headcount increase of seven positions in Fiscal 2021 to support work energy code compliance in connection to the One City Built to Last initiative. The Department's Fiscal 2016 Executive Budget introduced the One City Built to Last initiative, comprised of several strategic 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 2018 Executive Budget, DOB has hired 288 people and spent down \$26.7 million (\$19.7 million in PS and \$7 million in OTPS) for the One City Built to Last initiative.
- **Federally funded Wind Study.** The Fiscal 2018 Preliminary Budget included \$500,000 in federal Community Development Block Grant (CDBG) funding to study the effects of wind on New York City buildings. The study will examine the impact of wind in urban areas and assess damage to structural components of buildings due to high winds on existing buildings, buildings under construction, and buildings that were raised in coastal areas due to flooding. Due to a delay in the contracting process, this funding was rolled into Fiscal 2018.
- **Citywide Savings Program.** Along with the Fiscal 2018 Executive Plan, the Office of Management and Budget (OMB) released a Citywide Savings Program that outlines plans to reduce City spending by \$330 million in Fiscal 2017 and \$370 million in Fiscal 2018. To develop the program, OMB asked all agencies to identify efficiencies, alternative funding sources and programmatic changes that would yield budgetary savings without reducing service levels. DOB has proposed savings totaling \$3.2 million in Fiscal 2017 and \$3.3 million in Fiscal 2018 and in the outyears resulting through accruals from unanticipated hiring delays.

Preliminary Budget Highlights

The Department's Fiscal 2018 Preliminary Budget introduced several significant new initiatives and actions intended to reduce processing times for affordable housing construction applications and strengthen enforcement tools. The key actions in the Preliminary Budget include:

- **One City Built to Last.** The Fiscal 2018 Preliminary Budget added \$1.3 million in City baseline funding for an additional 15 positions to support work related to the One City Built to Last initiative, including 11 technical positions, two inspectors and two administrative employees.

- **Gas and Plumbing.** The Fiscal 2018 Preliminary Budget included \$420,000 in City baseline funding for six positions, including five inspectors and one administrative employee to support work related to the inspection and certification of gas and plumbing systems. As of the Fiscal 2018 Executive Budget, there are 28 inspectors assigned to conduct gas related inspections and 70 inspectors assigned to plumbing inspections citywide, which includes gas work.
- **Wind Study.** The Fiscal 2018 Preliminary Budget included a total of \$500,000 in federal Community Development Block Grant (CDBG) to study the effects of wind on New York City buildings. The study will examine the impact of wind in urban areas and assess damage to structural components of buildings due to high winds on existing buildings, buildings under construction, and buildings that were raised in coastal areas due to flooding.

Revenue Budget Highlights

DOB collects revenue from the issuance of licenses and permits, charges for services such as inspection fees, and fines for late filings. The Department's online application system, the DOB Development Hub, along with the Department's 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 related fines.

In Fiscal 2018, the Department expects to generate \$282.5 million in revenue, while total expenditures are projected to be \$183.8 million. In the Fiscal 2018 Executive Budget, DOB expects to generate \$189.8 million from license, construction permit, and franchise fees, \$39.3 million from charges for services, and \$53.4 million from the collection of fines and forfeitures. Overall, construction permits are projected to account for 54 percent of the Department's total miscellaneous revenue generated in Fiscal 2018, totaling \$152.4 million.

DOB Miscellaneous Revenue Budget Overview						
<i>Dollars in Thousands</i>						
Revenue Sources	2015	2016	2017	Executive Plan		*Difference
	Actual	Actual	Adopted	2017	2018	2017 - 2018
Licenses, Permits & Franchises						
Licenses for Tradesmen	\$2,533	\$3,068	\$2,140	\$2,735	\$2,140	\$-
Building Permits	28,369	33,152	19,952	33,000	33,000	13,048
Illuminated Signs	3,262	2,687	2,236	3,000	2,236	0
Construction Permits	163,460	159,665	139,000	156,225	152,446	13,446
Subtotal, Licenses, Permits & Franchises	\$197,624	\$198,573	\$163,328	\$194,960	\$189,822	\$26,494
Charges for Services						
Building Inspection Fees	\$12,735	\$12,235	\$12,620	\$11,900	\$12,620	\$-
Scaffold Notification Fees	441	298	375	375	375	0
Electrical Inspection Fees	0	9,938	6,500	9,900	9,000	2,500
Microfilm Fees	11,718	12,009	9,118	11,800	11,000	1,882
Re-inspection Fees	1,055	1,004	200	1,000	200	0
Loft Board Fees	1,428	1,776	595	1,400	595	0
Elevator Inspection Fees	5,503	5,018	5,490	5,490	5,490	0
Unsafe Building Fees	46	30	45	45	45	0
Subtotal, Charges for Services	\$32,925	\$42,308	\$34,943	\$41,910	\$39,325	\$4,382
Fines & Forfeitures						
Late Filing/No Permit Penalties	\$52,053	\$60,403	\$43,400	\$56,060	\$53,360	\$9,960
Subtotal, Fines & Forfeitures	\$52,053	\$60,403	\$43,400	\$56,060	\$53,360	\$9,960
TOTAL	\$282,602	\$301,283	\$241,671	\$292,930	\$282,507	\$40,836

*The difference of Fiscal 2017 Adopted Budget compared to Fiscal 2018 Executive Budget.

Appendix 1: Fiscal 2018 Budget Actions since Fiscal 2017 Adoption

<i>Dollars in Thousands</i>	FY 2017			FY 2018		
	City	Non-City	Total	City	Non-City	Total
DOB Budget as of the Adopted 2017 Plan	\$172,072	\$0	\$172,072	\$155,363	\$0	\$155,363
New Needs - Prelim. 2018						
Built to Last	\$0	\$0	\$0	\$1,255	\$0	\$1,255
Gas and Plumbing	0	0	0	420	0	420
Subtotal, New Needs	\$0	\$0	\$0	\$1,255	\$0	\$1,675
Other Adjustments - Prelim. 2018						
L1180 Admin CBA	\$72	\$0	\$72	\$87	\$0	\$87
Wind Study	0	500	500	0	500	500
Citywide Savings	(2,500)	0	(2,500)	0	0	0
Lease Adjustment	59	0	59	0	0	0
Subtotal, Other Adjustments	(\$2,369)	\$500	(\$1,869)	\$87	\$500	\$587
TOTAL, All Changes Prelim. 2018	(\$2,369)	\$500	(\$1,869)	\$1,342	\$500	\$2,262
DOB Budget as of the Preliminary 2018 Plan	\$169,703	\$500	\$170,203	\$156,705	\$500	\$157,625
New Needs - Exec. 2017						
DOB Administrative Enforcement	\$0	\$0	\$0	\$65	\$0	\$65
DOB AOTPS	0	0	0	153	0	153
DOB Build it Back	0	0	0	1,300	0	1,300
DOB Built to Last	0	0	0	85	0	85
DOB Case Managers	0	0	0	225	0	225
DOB Code Revision	0	0	0	185	0	185
DOB Demolition Inspections	0	0	0	540	0	540
DOB Development Inspections	0	0	0	1,515	0	1,515
DOB Flood Plain	0	0	0	85	0	85
DOB Waterfront Code	0	0	0	110	0	110
DOBNOW IT Project	0	0	0	10,280	0	10,280
Office of Special Enforcement	0	0	0	284	0	284
Subtotal, New Needs	\$0	\$0	\$0	\$14,827	\$0	\$14,827
Other Adjustments - Exec. 2018						
Citywide Fleet Reduction	\$0	\$0	0	(\$121)	\$0	(\$121)
DOB Funding Reallocations	(10,759)	0	(10,759)	10,759	0	10,759
Heat, Light and Power	(29)	0	(29)	34	0	34
Lease Adjustment	0	0	0	150	0	150
Realign DOB Funding	0	(500)	(500)	0	500	500
Subtotal, Other Adjustments	(\$10,788)	(\$500)	(\$11,288)	\$10,822	\$500	\$11,322
TOTAL, All Changes - Exec. 2018	(\$10,788)	(\$500)	(\$11,288)	\$25,648	\$500	\$26,148
DOB Budget as of the Fiscal 2018 Executive Plan	\$158,915	\$0	\$158,915	\$182,353	\$1,000	\$183,776