

# **Fiscal 2009 Preliminary Budget Hearings**

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

*March 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*

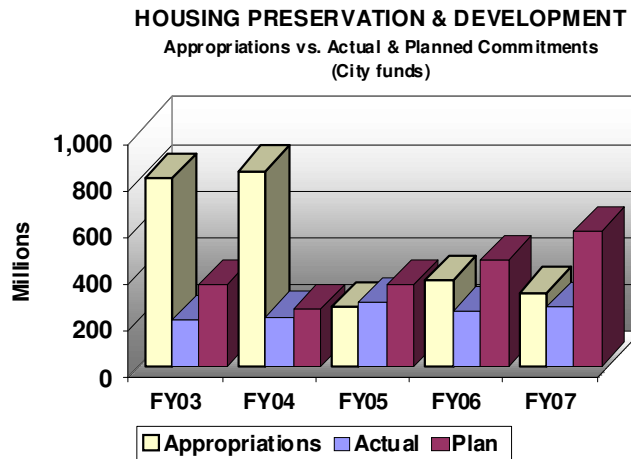
*James Caras, Acting Director  
Finance Division*

# Fiscal 2009 Preliminary Capital Budget Report

## 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.



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### ***Current Budget Summary***

The January 2008 Capital Commitment Plan includes \$2.2 billion in Fiscals 2008-2011 for the Department of Housing Preservation and Development (including City and Non-City funds). This represents 4 percent of the City's total \$52.5 billion January Plan for Fiscals 2008-2011. The agency's January Commitment Plan for Fiscals 2008-2011 is 2.7 percent less than the \$2.2 billion in the September Commitment Plan, a decrease of \$60 million.

Over the past five years, HPD has committed an average of 59.9 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. Since adoption last June, the Capital Commitment Plan for Fiscal 2008 has decreased from \$785.8 million to \$775.7 million, a decrease of \$10 million or approximately 1 percent.

Currently HPD's appropriations total \$1.18 billion in city-funds for Fiscal 2008. These funds are to be used to finance HPD's \$739.6 million city-funded capital commitment program. The agency has over 59 percent more 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> <b>(\$ in millions)</b>					
	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 Adopted Four-Year Capital Plan is shown below:

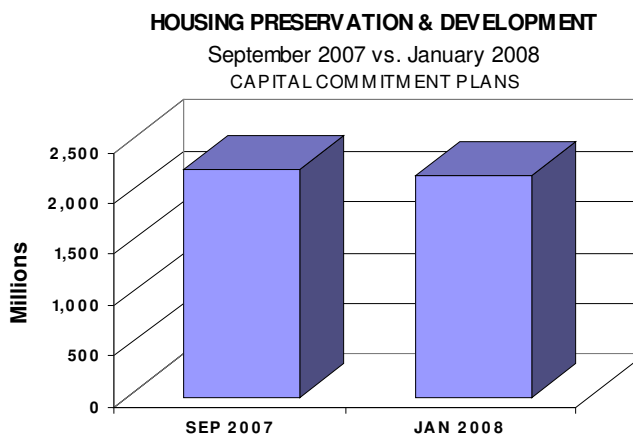
<b>ADOPTED CAPITAL BUDGET – SEPTEMBER 2007</b> <b>(\$ in millions)</b>					
	FY08	FY09	FY10	FY11	FY's 08-11
CITY	785.8	342.4	281.8	331.7	1,741.8
NON-CITY	202.4	100.8	100.8	95.8	499.8
TOTAL	988.2	443.2	382.6	427.5	2,241

The Preliminary Four-Year Capital Plan is shown below:

<b>PRELIMINARY CAPITAL PLAN – JANUARY 2008</b> <b>(\$ in millions)</b>					
	FY08	FY09	FY10	FY11	FY's 08-11
CITY	775.7	323.2	257.6	320.8	1,677.3
NON-CITY	206.3	100.8	100.8	95.8	503.7
TOTAL	982.0	424.0	358.4	416.6	2,181.0

**PRELIMINARY 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 New Marketplace Plan**

The New York City Independent Budget Office (IBO) recently released a report 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>		

**Capital Commitment Plan:** The January 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 January 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, which is approximately \$46 million. The budget for this project is \$182 million in Fiscal 2009.

**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 January Plan includes \$36 million in Fiscal 2009 for this program.

**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 January Plan includes \$54.6 million in Fiscal 2009 for this program.

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**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 January Plan includes \$20.6 million in Fiscal 2009 for this program.

**Multifamily New Construction:** Under this budget line, HPD funds its various initiatives to construct multifamily new construction such as the Cornerstone Program and the Mixed Income Rental Program. The January Plan includes \$31.1 million in Fiscal 2009 for these programs.

**NYCHA Program:** Under this program, HPD works jointly with NYCHA to develop affordable units on NYCHA property or City-owned land that is currently vacant or underutilized and is eligible for disposition. HPD is the lead agency in facilitating the development process by preparing and issuing Requests for Proposals, reviewing the qualifications of applicants and working with developers through the development process. The January Plan includes funding for this program in Fiscal 2009 in the amount of \$26.4 million.

**HUD Multi-Family Program:** This program addresses the needs of HUD multifamily projects that face foreclosure proceedings because many of these properties have fallen into disrepair due to neglectful owners. In lieu of foreclosure, HUD, HPD, and HDC work jointly together to find suitable management teams to improve the physical and financial conditions of the buildings. The January Plan includes funding for this program in Fiscal 2008 in the amount of \$17.7 million and \$3.75 million in both Fiscal 2009 and Fiscal 2010.