



**NOTE ON THE FISCAL 2021 EXECUTIVE BUDGET FOR THE
COMMITTEE ON HOUSING AND BUILDINGS
MAY 29, 2020**

New York City Council

Hon. Corey Johnson, Speaker

Hon. Daniel Dromm, Chair,
Finance Committee

Hon. Robert Cornegy, Jr., Chair,
Housing and Buildings

Finance Division

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Chima Obichere, Unit Head

On April 16, 2020, the Administration released the Executive Financial Plan for Fiscal 2020-2024 with a proposed budget for Fiscal 2021 of \$89.3 billion. This Note provides a summary of the changes in the Executive Budget for the Department of Housing Preservation and Development (HPD or the Department) introduced in the Financial Plan. Topics covered include changes to the Expense and Capital Budget, as well as the programmatic impacts of COVID-19.

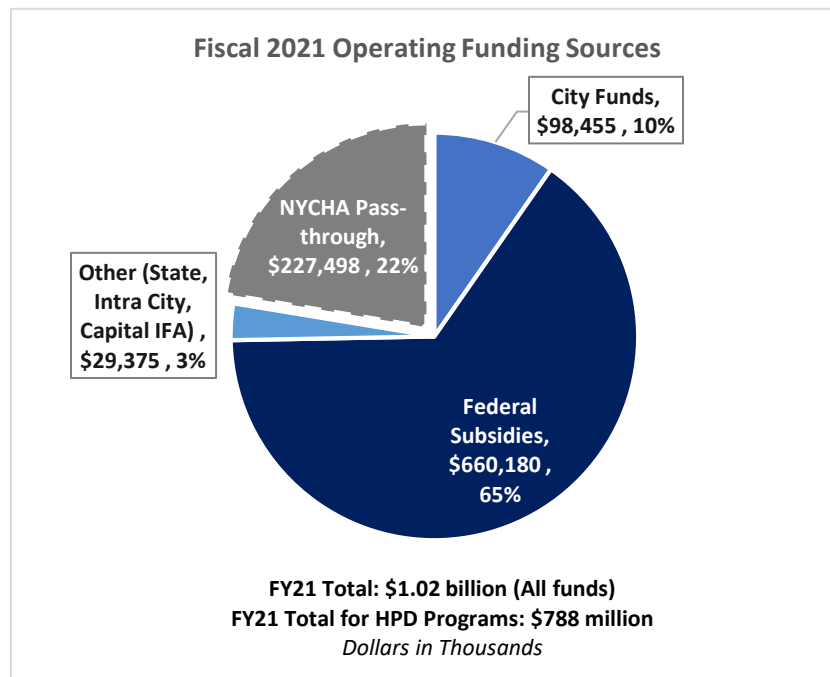
HPD Financial Summary						
<i>Dollars in Thousands</i>						
	FY18	FY19	FY20	Executive Plan		*Difference
	Actual	Actual	Adopted	FY20	FY21	FY20 - FY21
Spending						
Personal Services	\$164,251	\$175,804	\$190,270	\$ 193,196	\$ 191,569	\$1,299
Other Than Personal Services	836,523	914,645	830,782	1,119,799	823,938	(6,844)
TOTAL	\$1,000,774	\$1,090,449	\$1,021,051	\$1,312,995	\$1,015,507	(\$5,544)
Budget by Program Area						
Administration	\$46,085	\$51,434	\$48,888	\$51,571	\$49,696	\$808
Administration Program	35,180	162,573	241,822	441,759	244,173	2,351
Development	260,310	175,161	27,572	96,669	30,670	3,098
Housing Operations - Section 8 Programs	502,298	517,000	499,038	505,741	505,625	6,586
Housing Operations- Emergency Housing	31,129	44,512	30,414	35,375	28,953	(1,462)
Housing Operations- Mgmt & Disposition	25,290	30,969	31,950	34,183	31,013	(937)
Preservation - Anti-Abandonment	7,291	7,807	10,483	9,496	3,882	(6,600)
Preservation - Code Enforcement	32,446	34,487	36,830	37,676	36,883	54
Preservation - Emergency Repair	23,257	22,136	40,548	37,167	33,005	(7,543)
Preservation - Lead Paint	13,169	14,938	17,100	19,190	21,269	4,169
Preservation - Other Agency Services	24,319	29,432	36,407	44,167	30,339	(6,067)
TOTAL	\$1,000,774	\$1,090,449	\$1,021,051	\$1,312,995	\$1,015,507	(\$5,544)
Funding						
City Funds	\$66,469	\$236,684	\$291,227	\$294,206	\$270,622	(\$20,605)
Other Categorical	29,953	15,881	615	10,094	1,653	1,038
Capital- IFA	19,542	20,716	24,238	22,130	24,514	276
State	8,987	5,770	1,468	7,608	1,467	(1)
Federal - Community Development	358,903	277,073	197,229	447,889	204,993	7,764
Federal - Other	513,421	531,318	503,678	527,013	510,125	6,447
Intra City	3,499	3,007	2,597	4,055	2,133	(464)
TOTAL	\$1,000,774	\$1,090,449	\$1,021,051	\$1,312,995	\$1,015,507	(\$5,544)
Budgeted Headcount						
Full-Time Positions - Civilian	2,273	2,362	2,573	2,574	2,535	(38)
TOTAL	2,273	2,362	2,573	2,574	2,535	(38)

*The difference of Fiscal 2020 Adopted Budget compared to Fiscal 2021 Executive Budget.

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 as additional funds are received. Therefore, program areas that are primarily funded through non-City sources might align with amounts reflected in the Fiscal 2020 Adopted Budget once the agency can confirm these allocations.

Fiscal 2021 Funding Sources

HPD is primarily funded through federal grants and receives only about 27 percent of its total funding from City sources. This means that most of HPD’s funding comes with federal spending restrictions that limit the agency’s flexibility to make programmatic decisions and future funding levels are highly uncertain and dependent on the political climate in Washington. Federal subsidies, including federal rental assistance (Section 8 program) funds, at \$505.6 million comprise about half of HPD’s total expense budget in Fiscal 2021. The second largest funding source, federal Community Development Block Grant (CDBG) funds, are also federally sourced, and at \$154.5 million represents 20 percent of the agency’s budget for Fiscal 2021. Within HPD’s approximately \$1.02 billion Fiscal 2021 Executive Budget, about \$227.5 million, or 22 percent, is set aside for NYCHA. The allocation for NYCHA comes from several funding sources, including: \$172.2 million in City tax-levy; \$50.4 million in federal CDBG funds, \$4.5 million in CDBG Disaster Recovery (CDBG-DR) funds and \$392,000 in State funds. The remaining \$788 million is scheduled for HPD programs and operations, as demonstrated in the below chart.



New in the Executive Budget

The Fiscal 2021 Executive Budget includes \$13.6 million in Program to Eliminate the Gap (PEG) savings, introduces no new needs and includes a net increase of \$25.2 million in other adjustments, which includes \$7.1 million for collective bargaining agreements and other technical adjustments. Significant

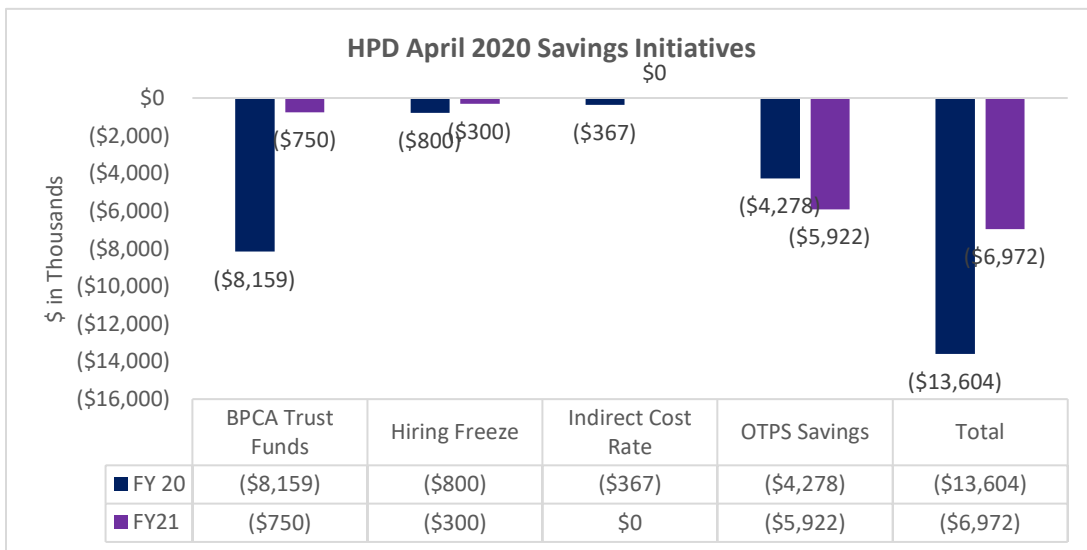
budget actions also include the reallocation of \$583.4 million in capital funds in Fiscal 2020 and \$457 million in Fiscal 2021 into Fiscal 2022-2024 in order to make resources available in the near term to address the COVID-19 crisis and more accurately reflect revised project timelines due to the pandemic.

COVID-19 Programmatic Impacts

The Executive Plan did not make changes to HPD’s budget to reflect COVID-19 related expenses or revenue despite the purchase of health, life and safety equipment for front-line staff, including masks and hand sanitizer, the purchase of equipment for essential operations to continue in a telework environment, and support for health and human services provider contracts. While the Department’s budget does not accurately reflect COVID-19 related expenditures in Fiscal 2020 or Fiscal 2021, it is anticipated that these expenses will be reflected in the Fiscal 2021 Adopted Budget.

PEG Associated Savings

In conjunction with the Fiscal 2021 Executive Plan, the Office of Management and Budget (OMB) released a Citywide Savings Program that outlined a plan to reduce City spending by \$2.7 billion in Fiscal 2020 and Fiscal 2021 combined. To develop the program, OMB asked all agencies to identify efficiencies, alternative funding sources and programmatic changes, including PEGs that would yield budgetary savings. HPD has identified savings totaling \$13.6 million in Fiscal 2020 and about \$7 million in Fiscal 2021, as demonstrated in the chart below.



- **Battery Park City Authority Trust Funds.** HPD anticipates to achieve savings of \$8.2 million in Fiscal 2020 and \$750,000 in Fiscal 2021 from the scheduling of Battery Park City Authority Housing Trust Fund dollars as supplementary funding for various housing programs.
- **Hiring Freeze Savings.** The Fiscal 2021 Executive Budget establishes a hiring freeze, resulting in \$800,000 in savings in Fiscal 2020 and \$300,000 in Fiscal 2021. As of March 2020, HPD has a vacancy rate of approximately six percent, far higher than the citywide average of approximately two percent.

- **Indirect Cost Rate.** HPD anticipates to achieve savings of \$367,000 in Fiscal 2020 from a re-estimate of indirect cost rates for human service provider contracts and expenses based on projected actual need. This action will have no impact on services or available funding for HPD’s human service providers.
- **OTPS Savings.** HPD anticipates to achieve savings of \$4.3 million in Fiscal 2020 and \$5.9 million in Fiscal 2021 resulting from OTPS underspending across various programs, including: a re-estimate of NYC 15/15 costs to reflect actual current need; a reduction in HPD’s administrative OTPS budget resulting from a reduction in travel and office expenses as a result of the current telework environment; a re-estimate of costs related to LeadFreeNYC, the Landlord Ambassadors program and the Basement Apartment pilot program.

Other Budget Considerations

In the Fiscal 2020 Adopted Budget, the Administration provided funding for one-year for the below program, which was not included as part of the Fiscal 2021 Executive Budget.

- **Alternative Enforcement Program.** The Fiscal 2021 Executive Budget does not include \$750,000 for emergency repairs under the Alternative Enforcement program (AEP), an enforcement program administered by HPD, which identifies the 250 most distressed multiple dwellings citywide each year. Under the program, landlords are billed for repairs, which helps residents from living in dire physical conditions while waiting for landlords to act. The baselined funding requested by the Council would provide emergency repairs for about two years for 50 buildings in the program.

Federal Stimulus Funding

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides approximately \$12 billion nationally to the U.S. Department of Housing and Urban Development (HUD) for community development and housing programs. The CARES Act gives HUD significant discretion over when to allocate much of the funding and what formulas to use to distribute the funding. For New York City, federal aid for community development and housing programs is estimated to total about \$972 million. It is anticipated that HPD will receive funding through two provisions of the CARES Act.

- **Community Development Block Grant (CDBG) Awards.** In April 2020, HUD allocated an initial \$102.1 million in emergency CDBG funds to the City based on the annual CDBG formula grant. The additional CDBG funding is relatively flexible in scope, with eligible uses that include: the construction of public facilities; economic development programs to create or preserve jobs; grants or loans to support nonprofits that are affected by the COVID-19 pandemic and are engaged in neighborhood revitalization or community economic development; and other uses. Additional CDBG funds will be awarded based on a formula that takes into account the impact of COVID-19 on specific localities. It is anticipated that HPD will receive additional CDBG funds in Fiscal 2020 and Fiscal 2021, though timing and amounts have not yet been disclosed.
- **Tenant-Based Rental Assistance.** The CARES Act provides additional funding for existing federal rental-assistance programs, including the Housing Choice Voucher program (Section 8 program). Low-income tenants in this program generally pay 30 percent of their income in rent to private property owners and the federal subsidy pays the balance. As tenants’ incomes decline during the COVID-19 pandemic and economic downturn, additional subsidy is needed to make up the difference. As of March 7, HPD administers 40,365 Section 8 vouchers and expects to receive

additional funding to help cover increased subsidy costs resulting from reductions in tenants' income, though timing and amounts have not yet been disclosed.

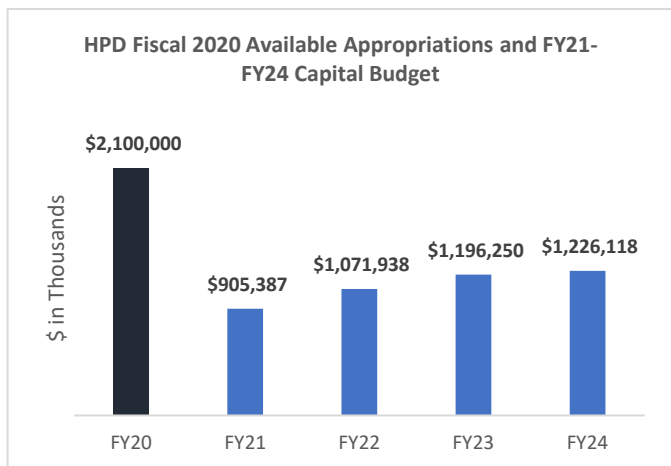
Capital Program

On April 16, 2020, Mayor Bill de Blasio released the Executive Capital Commitment Plan for Fiscal 2020-2024 (the Commitment Plan) and the Fiscal 2021-2024 Executive Capital Budget (the Capital Budget). As the City's Capital program was released during the COVID-19 pandemic, capital projects and processes were greatly impacted not only by a State ban on most construction projects, but also the City's own cashflow issues which established a temporary moratorium on all non COVID-19 health and safety related projects. As a result of these actions, it is anticipated that HPD's capital project pipeline will be impacted by widespread project delays in the short term.

The following section will provide an overview of the Executive Capital Commitment Plan and Executive Capital Budget for HPD and examine the extent of these delays and the overall feasibility of HPD's capital program.

Fiscal 2021 Executive Capital Budget and Capital Commitment Plan for Fiscal 2020-2024

The Capital Budget provides the estimated need for new appropriations for Fiscal 2021 along with projections for the subsequent three-year capital program. Appropriations represent the legal authority to spend capital dollars and are what the Council votes on at budget adoption. The Commitment Plan, which is a five-year spending plan, is the plan to spend those appropriations. The Capital Budget is significantly less than the Capital Commitment Plan because it does not include the current appropriations for Fiscal 2020 or the amount of funding that may be re-appropriated or rolled into Fiscal 2021 in the Adopted Budget. This section will provide an overview of the Capital Budget and Commitment Plan for HPD.

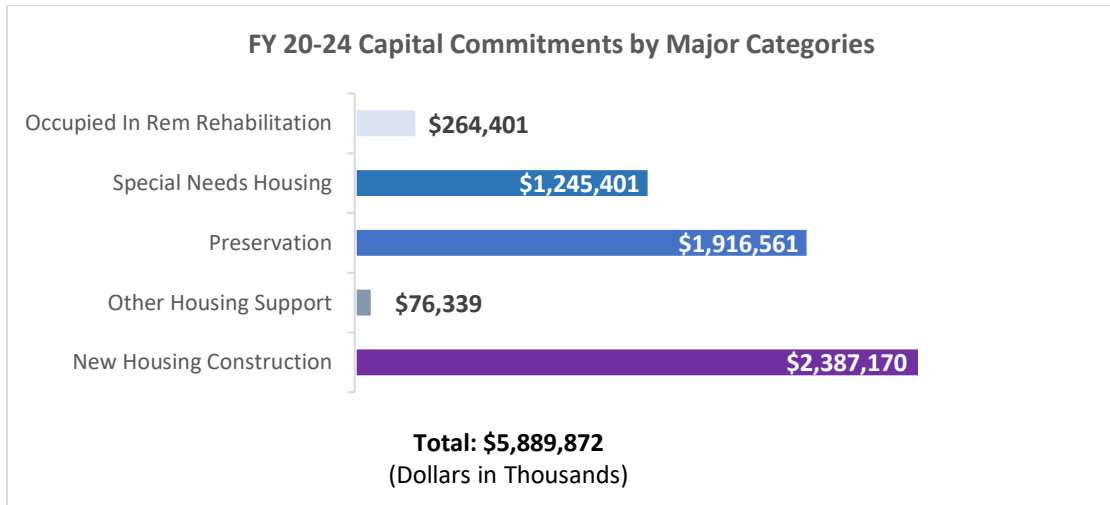


HPD's Fiscal 2021 Executive Capital Budget includes \$4.4 billion in Fiscal 2021-2024. This represents approximately eight percent of the City's total \$55.3 billion Capital Budget for 2021-2024. Available appropriations for Fiscal 2020 totaled \$2.1 billion as of February 29; this includes \$1.2 billion in reauthorized prior appropriations and \$1.6 billion in authorized Fiscal 2020 appropriations, less actual commitments in the current fiscal year of \$675 million.

Fiscal 2021 Executive Capital Commitment Plan Highlights

The Fiscal 2021 Executive Capital Commitment Plan for HPD is comprised of 608 projects across 128 budget lines, which reflects an increase of 27 additional projects when compared to the Preliminary Commitment Plan. In addition to these funds, HPD leverages City capital resources to generate substantial private equity that does not flow through the City's capital budget as part of the

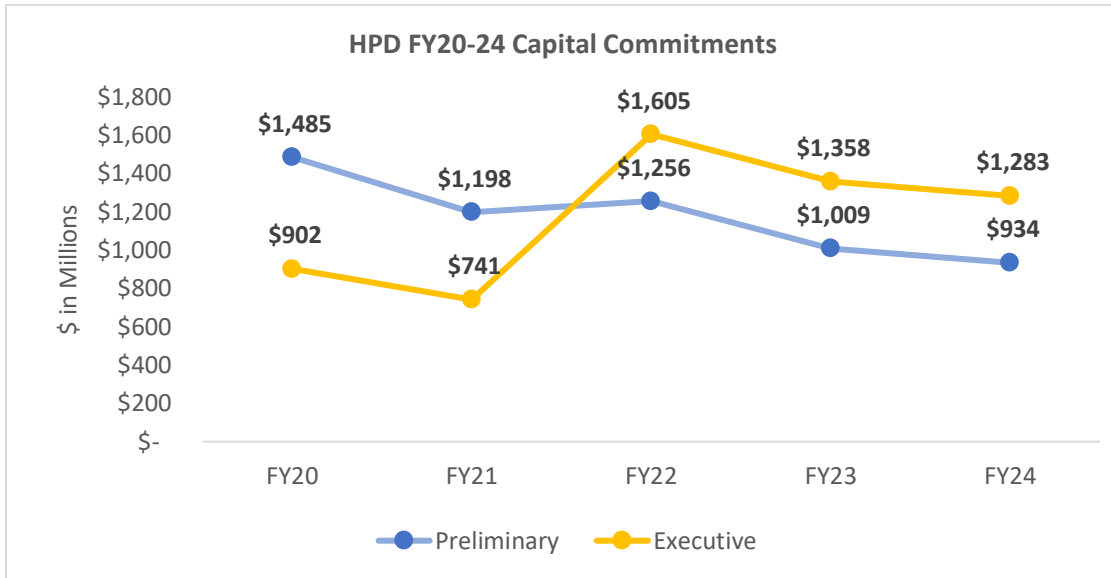
Department’s commitment to create and preserve 300,000 units of affordable housing by 2026 under the Housing New York plan. HPD’s Capital Commitment Plan is entirely dedicated to achieving the unit production goals of Housing New York and is divided into five major program areas as outlined in the chart below.



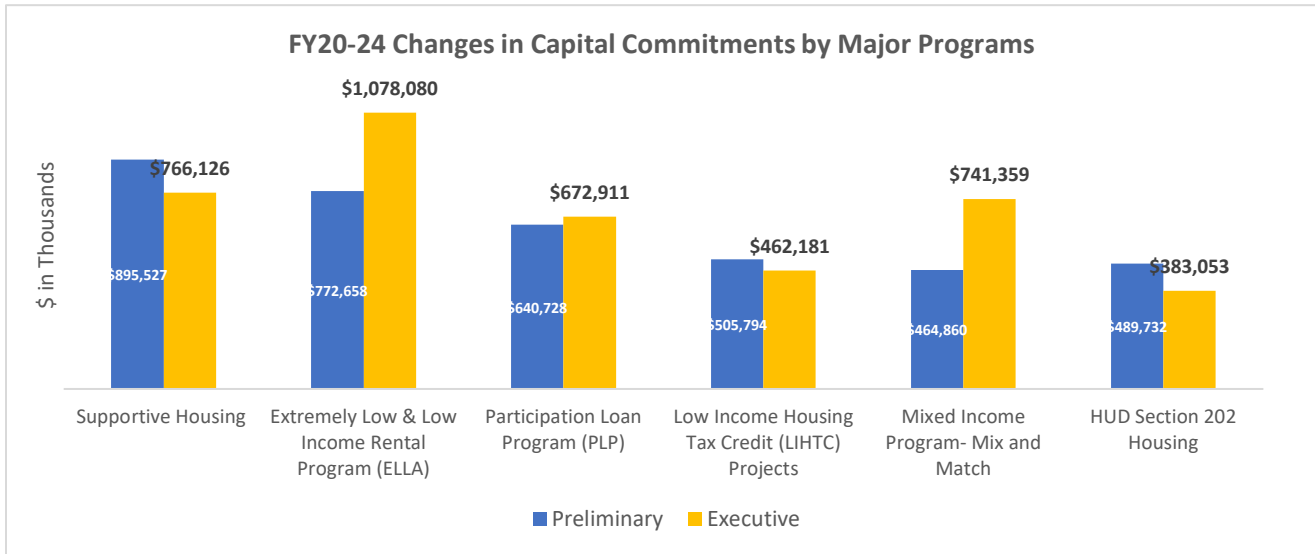
As of December 31, 2019, the City financed the creation and preservation of 147,933 affordable housing units across New York City, including 49,169 newly constructed units and the preservation of over 98,764 units. Of the 147,933 affordable housing units preserved or constructed to date, about 40 percent were financed in the two most recent fiscal years, Fiscal 2018 and Fiscal 2019, setting new high-water marks for affordable housing production in New York City. However, due to the impact of COVID-19 and the resulting economic downturn, it is anticipated that HPD will not meet its annual target of 25,000 housing starts in Fiscal 2020 and Fiscal 2021 under Housing New York.

COVID-19 Related Impacts on the Executive Capital Commitment Plan for Fiscal 2020-2024

HPD’s Executive Capital Commitment Plan includes \$5.89 billion in Fiscal 2020-2024, including \$5.73 billion in City funds and \$158 million in federal HOME funds. This represents approximately eight percent of the City’s total \$83.2 billion Executive Capital Commitment Plan for 2020-2024. The Department’s \$5.89 billion Executive Capital Commitment Plan for Fiscal 2020-2024 reflects a small increase of \$7.6 million compared to the \$5.88 billion scheduled in the Preliminary Commitment Plan. However, due to the unprecedented economic crisis surrounding the ongoing COVID-19 pandemic, about \$583.4 million was re-allocated from Fiscal 2020 and about \$457 million was reallocated from Fiscal 2021 into Fiscal 2022-2024 in order to make resources available in the near term to address the immediate crisis and more accurately reflect revised project timelines due to the pandemic. Despite this reallocation of about \$1 billion into the outyears, HPD reports that the overall commitment of preserving and creating 300,000 units of affordable housing by 2026 remains unchanged. These funding shifts are further outlined in the chart below.



HPD administers various financing programs in order to facilitate preservation, new construction, congregate units of supportive housing, and the disposition of in rem housing stock. The Fiscal 2021 Executive Capital Commitment Plan includes various funding shifts to several major financing programs, when compared to the Preliminary Commitment Plan. These changes are further outlined below.



Major Preservation Programs

- \$672.9 million for the Participation Loan Program (PLP), which reflects an increase of \$32.2 million compared to the Preliminary Capital Commitment Plan; and
- \$462.2 million for the Low-Income Housing Tax Credit (LIHTC) Projects- LIHTC Year 15 Preservation Program, which reflects a decrease of \$43.6 million compared to the Preliminary Capital Commitment Plan.

Major New Construction Programs

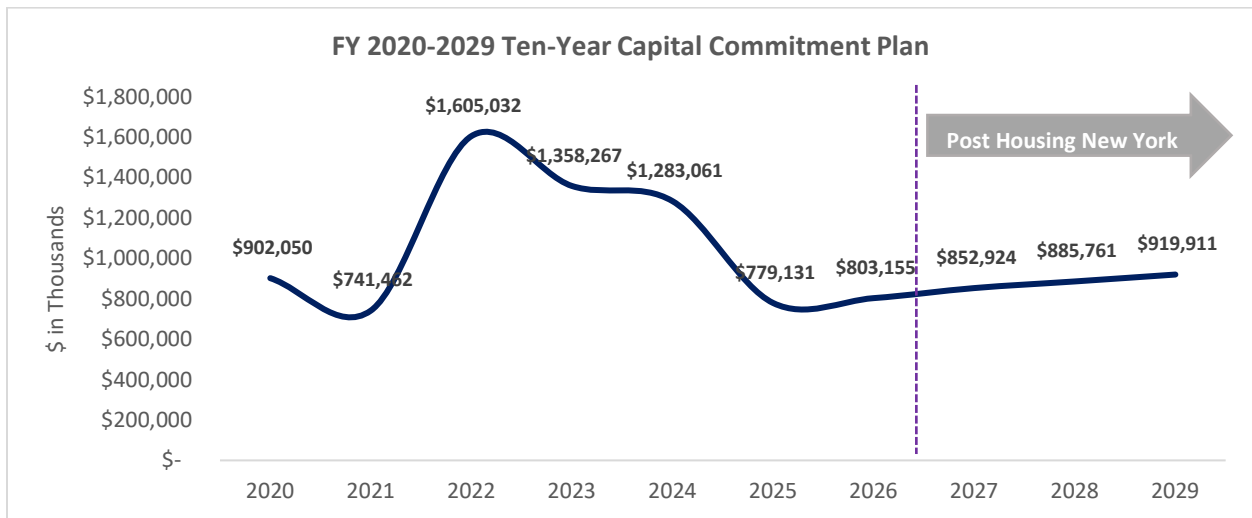
- \$1.1 billion for the Extremely Low- & Low-Income Affordability (ELLA) Program, which reflects an increase of \$305.4 million compared to the Preliminary Capital Commitment Plan; and
- \$741.4 million for the Mixed Income Program- Mix and Match, which reflects an increase of \$276.5 million compared to the Preliminary Capital Commitment Plan.

Major Special Needs/Supportive Housing Programs

- \$766.1 million for Supportive Housing, which reflects a decrease of \$129.4 million compared to the Preliminary Capital Commitment Plan; and
- \$383.1 million for the HUD Section 202 funding, which reflects a decrease of \$106.7 million compared to the Preliminary Capital Commitment Plan.

Fiscal 2020-2029 Ten-Year Capital Commitment Plan

The Fiscal 2020-2029 Executive Capital Commitment Plan presented as part of the Fiscal 2021 Executive Capital Budget demonstrates planned spending totaling \$10.1 billion for HPD over the ten-year period, which includes \$9.8 billion in City funds and \$318 million in federal funds. The Department’s \$10.1 billion Executive Capital Commitment Plan for Fiscal 2020-2029 reflects a small increase of \$7.6 million compared to the amount scheduled in the Preliminary Commitment Plan for Fiscal 2020-2029. Although the Housing New York Plan aims to build or preserve 300,000 units of affordable housing by 2026, HPD’s Ten-Year Capital Commitment Plan reflects the continuation of funding past that target date. The chart below demonstrates how planned capital commitments are distributed by Fiscal Year among the five major program areas that support the Department’s programmatic housing initiatives.



Appendix 1: Fiscal 2021 Budget Actions since Fiscal 2020 Adoption

<i>Dollars in Thousands</i>	FY 20			FY 21		
	City	Non-City	Total	City	Non-City	Total
HPD Budget as of the Adopted FY20 Budget	\$291,227	\$729,825	\$1,021,052	\$266,475	\$724,755	\$991,230
New Needs- Prelim. 2021						
Indirect Cost Rate	\$979	\$0	\$979	\$979	\$0	\$979
Build It Back Single Family HPD	7,425	0	7,425	0	0	0
Subtotal, New Needs	\$8,404	\$0	\$8,404	\$979	\$0	\$979
Other Adjustments- Prelim. 2021						
2524-26 ACP Jr Blvd (PLP)	\$0	\$1,436	\$1,436	\$0	\$0	\$0
Agency Phone Plan Review	(6)	(4)	(11)	(12)	(9)	(21)
CAMBA Consolidated	0	24	24	0	24	24
CCM Consolidated	0	63	63	0	63	63
Collective Barg CSBA Attorneys & IBT L237	133	339	473	146	375	521
CUCS KINGSBRIDGE HEIGHTS	0	629	629	0	629	629
DR Rebuild	0	47	47	0	0	0
Homeland Security - UASI 2016	0	1	1	0	0	0
HPD MF & HDC/CPC Staffing Need	0	1,018	1,018	0	0	0
HPD Requisitions Fund Request	0	3,065	3,065	0	0	0
HPD SF Rebuild/URA Funding & Payment	0	1,756	1,756	0	0	0
IAEM Conference Approval	0	8	8	0	0	0
L246 Collective Bargaining (IC)	2	0	2	2	0	2
Language line contract	0	225	225	0	150	150
Lead Demo 2017	0	78	78	0	0	0
Mobility Budget Code	0	104	104	0	0	0
NCS Consolidated	0	16	16	0	16	16
NYCHA Labor Funding Estimates	956	0	956	994	0	994
NYCHA: DOI, PS	0	11,297	11,297	0	0	0
Project Renewal Consolidated	0	194	194	0	194	194
PUT UP FUNDS FOR CPC ADMIN	0	222	222	0	0	0
PUT UP FUNDS FOR DR URA	0	63	63	0	0	0
PUT UP FUNDS FOR MF	0	3,005	3,005	0	0	0
PUT UP FUNDS FOR MF TEMP	0	6	6	0	0	0
PUT UP FUNDS FOR REBUILD	0	194	194	0	0	0
Reallocate funds for NYCHA	0	8,140	8,140	0	0	0
Reallocate Funds MOPD	0	385	385	0	0	0
ROLLOVER BC 7653	0	2	2	0	0	0
RUSTIN HOUSES CONSOLIDATION	0	306	306	0	306	306
S8 ITCS ASSIGNMENT REQUEST	0	1,596	1,596	0	0	0
SCHEDULE FUNDS FOR SECURITY	0	1,109	1,109	0	0	0
Schedule funds from Grant 17	0	180	180	0	182	182
Section 8 Mainstream Program	0	1,030	1,030	0	1,051	1,051
SOBRO Consolidated	0	510	510	0	510	510
To bring up SPC funds	0	117	117	0	185	185
TO REALLOCATE FUNDS FOR NYCHA	0	185,627	185,627	0	0	0
To roll FY19 funds for Demo 17	0	415	415	0	0	0
To take down OC funds for EDC	0	(134)	(134)	0	(134)	(134)
Vanguard Digital Transfer	0	3,100	3,100	0	0	0
Zombie Homes Initiative	0	78	78	0	0	0
BIB MF Program	0	13,400	13,400	0	0	0
BIB SF HPD	0	10,600	10,600	0	0	0
City Council Member Item Reallocations	(612)	0	(612)	0	0	0
DEP/ HPD-Gowanus (PS & OTPS portion)	0	1,427	1,427	0	0	0
Funding for capitolly ineligible expenses at NYCHA	1,000	0	1,000	0	0	0
HPD MF Requisition & Immediate Need	0	1,768	1,768	0	0	0
LeadFree CD from OTPS to PS	0	(162)	(162)	0	0	0

<i>Dollars in Thousands</i>	FY 20			FY 21		
	City	Non-City	Total	City	Non-City	Total
LeadFree TL from OTPS to PS	0	0	0	0	(162)	(162)
NYCHA Baruch HMGP & DOI	0	0	0	0	4,500	4,500
NYCHA YMI Funding Adjustment	60	0	60	0	0	0
NYCHA: Baruch & DOI	0	5,097	5,097	0	0	0
Pb200i with internal reader	0	224	224	0	0	0
Reallocate funds for CONH	0	138	138	0	0	0
Rollover 8161/600	0	575	575	0	0	0
RP3 Costs from BIB SF	0	2,200	2,200	0	0	0
Schedule funds for NYCHA	0	675	675	0	0	0
Security Services funds for S8	0	45	45	0	0	0
Subtotal, Other Adjustments	\$1,533	\$262,230	\$263,764	\$1,130	\$7,880	\$9,010
TOTAL, All Changes Prelim. 2021	\$9,937	\$262,230	\$272,168	\$2,109	\$7,880	\$9,989
HPD Budget as of the Preliminary FY21 Budget	\$301,164	\$992,055	\$1,293,220	\$268,584	\$732,635	\$1,001,219
PEGs/Savings Program- Exec. 2021						
Hiring Freeze	(800)	0	(800)	(300)	0	(300)
Indirect Cost Rate	(367)	0	(367)	0	0	0
OTPS Savings	(4,278)	0	(4,278)	(5,922)	0	(5,922)
Subtotal, Savings	(5,445)	0	(5,445)	(6,222)	0	(6,222)
Other Adjustments- Exec. 2021						
Bring up CDBG Funds	0	8,763	8,763	0	0	0
Bring up Federal Funds	0	1,400	1,400	0	0	0
CDBG Demolition Program	0	0	0	0	3,069	3,069
CoC Mod SRO Program	0	169	169	0	0	0
Collective Bargaining Agreement	383	420	803	603	634	1,236
DTR Budget Mod - 7654	0	59	59	0	0	0
DTR Budget Mod for COVID19	0	372	372	0	0	0
FSS Program DCA	0	98	98	0	0	0
Laptops	0	4	4	0	0	0
Lead Demo 2017	0	0	0	0	579	579
NYCHA Workforce FY20	0	714	714	0	0	0
OC Grant Housing Ambassador Program	0	231	231	0	0	0
Re-estimate in various Budget Codes	0	(899)	(899)	0	(899)	(899)
Reallocate funds for NYCHA	0	5,263	5,263	0	0	0
Schedule CDBG Funds for Intro 464B LeadFreeNYC	0	0	0	0	2,118	2,118
Section 8 Administrative Funds	0	0	0	0	5,000	5,000
Security	0	220	220	0	0	0
Seminar	0	1	1	0	0	0
SPC Program	0	423	423	0	0	0
To bring up NYCHA HQS funds	0	226	226	0	115	115
To bring up NYCHA PACT funds	0	69	69	0	212	212
To bring up S8 Funds for FY20	0	3,125	3,125	0	0	0
Zombie Homes Initiative	0	52	52	0	96	96
City Council Member Items Reallocation	53	0	53	0	0	0
FY20 IFA Surplus Adjustment	(2,200)	0	(2,200)	0	0	0
Heat, Light and Power	(27)	0	(27)	(90)	0	(90)
I/C mod with NYC HPD	10	0	10	0	0	0
Lease Adjustment	0	0	0	7	490	496
NYCHA Collective Bargaining	6,291	0	6,291	8,715	0	8,715
Silver Stars	0	0	0	(137)	0	(137)
Subtotal, Other Adjustments	4,510	20,711	25,221	9,097	11,413	20,511
TOTAL, All Changes Exec. 2021	(935)	20,711	19,776	2,876	11,413	14,289
HPD Budget as of the Fiscal 2021 Executive Plan	\$300,230	\$1,012,766	\$1,312,995	\$271,460	\$744,048	\$1,015,507