

THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE

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December 11, 2000

Mr. Glenn Pasanen
Associate Director
City Project
350 Broadway
Suite 525
New York, NY 10013

Dear Mr. Pasanen:

This letter is in response to our meeting on November 16, including you, Victor Bach of the Community Service Society, Patrick Markee of Coalition for the Homeless, and Adrian DiLollo of ANHD, regarding the city's capital budget for housing.

In what follows, I refer to capital "commitments," which are not the same as capital "expenditures." Commitments essentially represent signed and registered contracts for a particular project or projects. Since a project may take place over several months or years, with payments scheduled at various milestones defined in the contract, the actual flow of cash disbursements lags (and often slightly differs from) commitments. All of the numbers herein are commitments. All years are city fiscal years (July 1 to June 30).

Figure 1 shows graphically the level of actual capital commitments for the city's Department of Housing Preservation and Development (HPD) between 1989 and 2000 (the city's capital subsidy to the New York City Housing Authority is excluded from this analysis). From 1992 to 1993 the city's commitment of its own capital funds (derived from issuance of general obligation debt) dropped by over half. Since then, the level of city-funded capital commitments continued to fall, until 1998, and then began to rise again. Total capital commitments for housing averaged \$285 million annually from 1993 to 2000. The city-funded share has averaged \$174 million annually; the balance—\$111 million—has been derived from federal aid (with a very small share from state aid).

Figure 2 shows capital commitments, in thousands of dollars, from 1995 through 2004, by broad programmatic category. The 1995 to 2000 figures are actual commitments; the 2001 to 2004 numbers are planned commitments from the city's September 2000 Capital Commitment Plan. The spending categories are:

- In Rem Renovation and Maintenance: Operation, maintenance, and renovation of city-owned (in rem) properties not yet slated for transfer to the private sector;

- In Rem Privatization (Occupied): Rehabilitation of occupied in rem properties in preparation for transfer to private sector ownership through one of HPD's Building Blocks! programs;
- In Rem Privatization (Vacant): Rehabilitation of vacant in rem properties in preparation for transfer to private sector ownership through HPD's Small Vacant Building or Neighborhood Homes privatization programs.
- Homeownership Programs: Construction of new homes principally through the New York City Partnership and Nehemiah programs.
- Neighborhood Development: Costs of acquisition, relocation, and demolition in Urban Renewal and UDAPP areas and costs associated with several of HPD's large scale development projects, including Averno, ANCHOR, Saratoga Square, Melrose Commons, and Bradhurst.
- Housing Preservation Programs: Various loan and grant programs for the upgrade and preservation of existing housing, including the Article 8A and Participation Loan Programs, Senior Citizen Home Assistance Program, Small Homes Reconstruction Loan Program, lead paint hazard reduction grants, and demolition of unsafe buildings.
- Supportive Housing: The Supportive Housing (formerly SRO) Loan program and other low-interest loan programs for homeless housing.
- All Other HPD: Principally reconstruction and rehabilitation of HPD office space and computer purchases.

The table shows, from top to bottom:

- Total commitments (all funds);
- City-funded commitments;
- Non-city funded commitments (i.e., the federal and state aid shares);
- The percent of each category funded by purely city funds; and
- Each category as a percent of total commitments.

For 2001 to 2004, the city's September 2000 Capital Commitment Plan projects average annual *planned* commitments of \$409 million; \$312 million from city funds. *Actual* commitments will be less than that, although it is conceivable that they could exceed the average levels of the past few years. "Planned" commitments almost invariably exceed "actual" commitments. Agencies typically plan for a level of capital commitments in excess of what the Mayor's Office of Management and Budget (OMB) actually expects the city to commit. OMB provides a target each year for that year's commitments that is a benchmark for agencies, below the plan amount. In recent years the target has typically been roughly 75 percent of planned commitments, and HPD has generally come close to the targeted amount.

HPD currently anticipates that the only source of federal funds for the capital plan will be the federal HOME program. Some prior-year funds from other programs, including Housing Opportunities for People with AIDS (HOPWA) and the federal Lead Paint Hazard Reduction grant program, are still being expended against prior-year commitments.

HOME funds will be used to support seven major HPD capital programs (**Figure 3**). Four of these—Tenant Interim Lease (TIL) and TIL Pilot, the Neighborhood Entrepreneurs Program (NEP), and the Neighborhood Redevelopment Program (NRP)—constitute HPD's Building Blocks! program, which rehabilitates occupied city-owned (in rem) properties for transfer to private owners. HOME funds also provide a substantial share of the Supportive Housing Loan Program (formerly the SRO Loan Program), and the Small Homes Reconstruction Loan program. Finally, HOME funds also support two HPD loan programs for capital improvements to multi-family dwellings, the Article 8A program and the Participation Loan Program (PLP). All other capital projects are funded wholly by city funds.

I hope this is useful to you and your colleagues. I hope you will feel free to call me directly should you have any further questions on this or other topics.

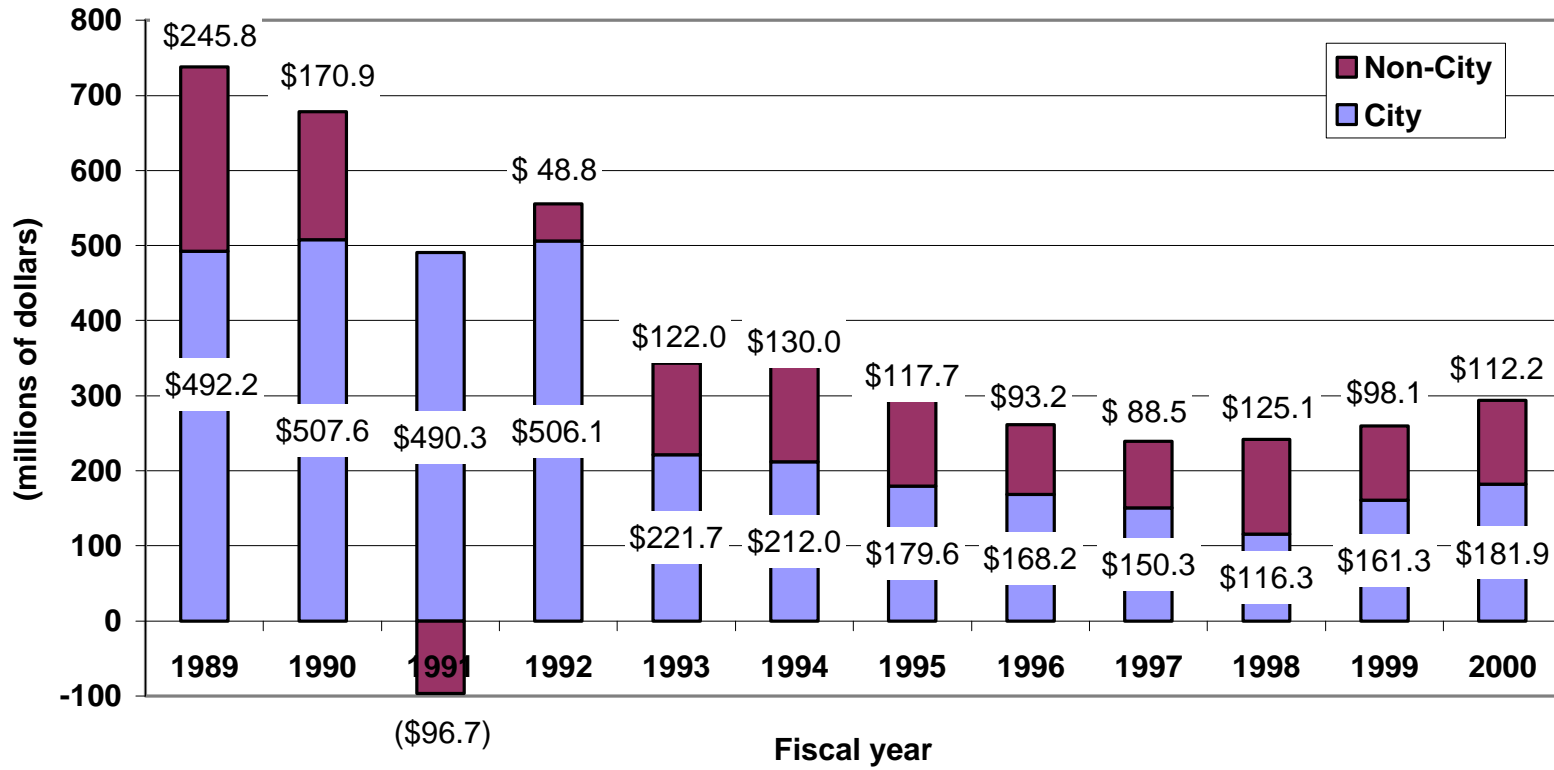
Sincerely,

Preston Niblack
Deputy Director (Infrastructure, Environment, and Uniformed Services)

Attachments as noted

Cc: Victor Bach
Patrick Markee
Adrian DiLollo

Figure 1. Actual Capital Commitments, City and Non-City Funds, 1989-2000



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Figure 2. HPD Capital Commitments by Programmatic Category
Thousands of Dollars

	Actuals						September 2000 Plan			
	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04
ALL FUNDS										
In-Rem Renovation & Maintenance	6,190	9,358	10,923	10,850	11,191	10,152	11,703	6,840	6,600	5,600
In-Rem Privatization (Occupied)	123,485	129,066	124,155	83,125	145,179	144,231	153,997	235,922	172,754	185,276
In-Rem Privatization (Vacant)	10,378	7,315	13,673	11,711	7,316	1,114	20,462	27,933	24,021	24,850
Homeownership Programs	43,986	25,027	19,415	30,531	11,709	18,865	38,340	23,642	31,686	12,588
Neighborhood Development	40,752	18,090	7,485	3,949	18,101	21,389	38,467	19,375	39,317	12,510
Housing Preservation Programs	48,021	52,565	36,323	54,459	52,872	49,874	101,963	84,198	81,572	76,699
Supportive Housing	24,523	14,867	20,691	49,131	7,058	44,189	67,064	31,714	24,047	14,147
All Other HPD	(131)	5,121	6,117	3,893	5,910	4,215	31,755	9,195	12,288	9,152
Total, All Funds	297,205	261,410	238,782	247,650	259,336	294,029	463,751	438,819	392,285	340,822
CITY FUNDS										
In-Rem Renovation & Maintenance	6,190	9,358	10,923	10,850	11,191	10,152	11,703	6,840	6,600	5,600
In-Rem Privatization (Occupied)	59,975	68,023	66,053	39,891	60,528	73,276	69,452	163,207	99,924	119,039
In-Rem Privatization (Vacant)	10,378	7,315	13,673	11,711	7,316	1,114	20,462	27,933	24,021	24,850
Homeownership Programs	38,986	25,027	19,283	19,710	11,709	18,865	42,019	23,642	31,686	12,588
Neighborhood Development	24,103	14,593	7,485	3,949	18,211	21,389	37,826	19,375	39,317	12,510
Housing Preservation Programs	38,049	27,731	29,594	32,542	45,790	44,455	79,826	77,298	68,420	62,790
Supportive Housing	2,002	11,055	(2,833)	53	622	8,402	43,018	25,871	22,047	9,673
All Other HPD	(131)	5,121	6,117	3,893	5,910	4,215	31,755	9,195	12,288	9,152
Total, City Funds	179,552	168,223	150,294	122,599	161,277	181,867	336,061	353,361	304,303	256,202
NON-CITY FUNDS										
In-Rem Renovation & Maintenance	-	-	-	-	-	-	-	-	-	-
In-Rem Privatization (Occupied)	63,510	61,043	58,102	43,234	84,652	70,955	84,545	72,715	72,830	66,237
In-Rem Privatization (Vacant)	-	-	-	-	-	-	-	-	-	-
Homeownership Programs	5,000	-	132	10,822	-	-	(3,679)	-	-	-
Neighborhood Development	16,649	3,497	-	0	(110)	-	641	-	-	-
Housing Preservation Programs	9,972	24,834	6,729	21,917	7,082	5,419	22,137	6,900	13,152	13,909
Supportive Housing	22,521	3,813	23,524	49,078	6,435	35,788	24,356	5,843	2,000	4,474
All Other HPD	-	-	-	-	-	-	-	-	-	-
Total, Non-City Funds	117,653	93,187	88,488	125,051	98,059	112,162	128,000	85,458	87,982	84,620

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Figure 2. HPD Capital Commitments by Programmatic Category, continued

	Actuals						September 2000 Plan			
	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>
PERCENT CITY-FUNDED										
In-Rem Renovation & Maintenance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
In-Rem Privatization (Occupied)	49%	53%	53%	48%	42%	51%	45%	69%	58%	64%
In-Rem Privatization (Vacant)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Homeownership Programs	89%	100%	99%	65%	100%	100%	110%	100%	100%	100%
Neighborhood Development	59%	81%	100%	100%	101%	100%	98%	100%	100%	100%
Housing Preservation Programs	79%	53%	81%	60%	87%	89%	78%	92%	84%	82%
Supportive Housing	8%	74%	-14%	0%	9%	19%	64%	82%	92%	68%
All Other HPD	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total	60%	64%	63%	50%	62%	62%	72%	81%	78%	75%
CATEGORY AS PERCENT OF TOTAL CITY-FUNDED COMMITMENTS										
In-Rem Renovation & Maintenance	3%	6%	7%	9%	7%	6%	3%	2%	2%	2%
In-Rem Privatization (Occupied)	33%	40%	44%	33%	38%	40%	21%	46%	33%	46%
In-Rem Privatization (Vacant)	6%	4%	9%	10%	5%	1%	6%	8%	8%	10%
Homeownership Programs	22%	15%	13%	16%	7%	10%	13%	7%	10%	5%
Neighborhood Development	13%	9%	5%	3%	11%	12%	11%	5%	13%	5%
Housing Preservation Programs	21%	16%	20%	27%	28%	24%	24%	22%	22%	25%
Supportive Housing	1%	7%	-2%	0%	0%	5%	13%	7%	7%	4%
All Other HPD	0%	3%	4%	3%	4%	2%	9%	3%	4%	4%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

SOURCE:OMB, Monthly Transaction Analysis, Report 2 (various years) and September 2000 Capital Commitment Plan

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Figure 3. Federal HOME Funds Support 7 HPD Capital Programs					
<i>Thousands of dollars</i>					
	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>Total, 01-04</u>
Tenant Interim Lease/TIL Pilot					
City Funds	25,551	91,904	40,609	42,539	200,603
Federal Funds	<u>5,883</u>	<u>-</u>	<u>3,046</u>	<u>3,046</u>	<u>11,975</u>
	31,434	91,904	43,655	45,585	212,578
Neighborhood Entrepreneurs (NEP)					
City Funds	11,964	25,923	31,373	38,511	107,771
Federal Funds	<u>42,095</u>	<u>36,641</u>	<u>31,903</u>	<u>25,310</u>	<u>135,949</u>
	54,059	62,564	63,276	63,821	243,720
Neighborhood Opportunities (NRP)					
City Funds	31,937	45,380	27,942	37,989	143,248
Federal Funds	<u>36,567</u>	<u>36,074</u>	<u>37,881</u>	<u>37,881</u>	<u>148,403</u>
	68,504	81,454	65,823	75,870	291,651
Article 8A Loan Program					
City Funds	16,178	20,000	20,630	21,148	77,956
Federal Funds	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
	26,178	20,000	20,630	21,148	87,956
Participation Loan Program					
City Funds	22,280	25,700	18,088	19,437	85,505
Federal Funds	<u>8,737</u>	<u>4,300</u>	<u>7,752</u>	<u>8,330</u>	<u>29,119</u>
	31,017	30,000	25,840	27,767	114,624
Small Homes Reconstruction Loans					
City Funds	7,796	15,110	15,458	15,961	54,325
Federal Funds	<u>3,400</u>	<u>2,600</u>	<u>5,400</u>	<u>5,579</u>	<u>16,979</u>
	11,196	17,710	20,858	21,540	71,304
Supportive Housing Loan Program					
City Funds	42,280	25,871	22,047	9,673	99,871
Federal Funds	<u>24,046</u>	<u>5,843</u>	<u>2,000</u>	<u>4,474</u>	<u>36,363</u>
	66,326	31,714	24,047	14,147	136,234
Total, City Funds	157,986	249,888	176,147	185,258	769,279
Total, Federal Funds	<u>130,728</u>	<u>85,458</u>	<u>87,982</u>	<u>84,620</u>	<u>388,788</u>
Total, All Funds	288,714	335,346	264,129	269,878	1,158,067
Source: September 2000 Capital Commitment Plan					