

# Saving Homes: City Spending on Housing Preservation Grows

## **SUMMARY**

In 1996, the city made the preservation of existing private housing one of the primary strategies for ensuring the availability of affordable housing in New York. The emphasis on this strategy is reflected in the growth of spending by the Department of Housing Preservation and Development on preservation programs. Between fiscal years 1999 and 2002, housing department spending on preservation programs has grown at an annual average rate of 16 percent, while the agency's overall spending rise has averaged just 2.5 percent.

There are three major components to the preservation strategy:

- **Enforcement:** This includes enforcement of the housing code; emergency repairs performed by the city; the naming of court-appointed administrators for buildings in distress; and the transfer of dilapidated, tax-foreclosed buildings to new owners. Combined Expense and Capital Budget spending on these programs has grown from \$84.6 million in 1999 to a projected \$136.6 million in the current fiscal year.
- **Investment:** This includes loan programs to prevent abandonment of properties by landlords as well as low-interest loans for repairs. Capital Budget commitments for these loan programs have increased from \$33.5 million in 1999 to \$47.5 million budgeted for this fiscal year.
- **Education and Outreach:** This includes grants to neighborhood groups to help identify at-risk buildings, teaching owners and managers how to maintain their buildings, and working with landlords to enter repair agreements. This is a relatively small component of the preservation strategy in terms of spending, which has grown from \$4.1 million in 1999 to \$4.8 million budgeted for this year.

This background paper provides additional details on the outcomes of many of these programs in order to provide context for the larger debate on the overall effectiveness of the preservation strategy.

In the current tight fiscal climate, all city agencies have had to direct their limited resources to meet top policy priorities. The Department of Housing Preservation and Development (HPD) is no exception; according to HPD, one of the agency's primary concerns is to preserve existing private housing. In this report, IBO examines how HPD spending on housing preservation has changed and grown to reflect this priority.

## THE PRESERVATION STRATEGY

For two decades large swaths of the city's housing stock were abandoned by owners and landlords. The city's response at the time was to take ownership of abandoned properties through a legal process known as "*in rem*." At one point the city owned over 5,400 buildings. The Giuliani Administration reversed course, seeking to divest the city of the accumulated *in rem* stock, return it to private ownership, and develop a strategy to prevent abandonment in the future. In fiscal year 1996, the city launched a "new comprehensive anti-abandonment strategy." According to the Mayor's Management Report for that year, this strategy was intended to "maximize real estate tax revenues, as well as preserve affordable housing by providing the appropriate treatment for distressed buildings and maximizing private and not-for-profit ownership of residential properties." HPD's housing preservation strategy today has three prongs: *enforcement* of the housing maintenance code, *investment* in housing maintenance, and *education* for and *outreach* to landlords.

According to HPD, the most recent New York City Housing and Vacancy Survey demonstrates that the agency's emphasis on housing preservation has successfully upgraded the quality of residential units in New York. In the report "Reengineering Municipal Service Delivery: 1994-2001," published as a supplement to the 2001 Mayor's Management Report, the Housing Preservation chapter notes that "the 1999 Housing and Vacancy Survey (HVS) reported that housing and neighborhood physical conditions in the City were better than any other time in the 35-year history of the survey." HPD attributes this improvement in part to the city's housing

preservation programs.

Some advocacy groups have questioned HPD's interpretation of the HVS results. Neighborhood-level data on the percent of housing units with serious maintenance deficiencies in 1996 and 1999 were provided in the "State of New York City's Housing and Neighborhoods 2001," a report published by the New York University Center for Real Estate and Urban Policy. Using this information, the Association for Neighborhood and Housing Development noted that a number of low-income neighborhoods actually experienced an increase in maintenance deficiencies between the 1996 and 1999 surveys, and argued that overall improvement in housing conditions masked growing problems in these neighborhoods. Results of the 2002 HVS, due out next year, may help shed further light on this question.<sup>1</sup>

**Spending on preservation.** HPD's budget reflects the fact that housing preservation is one of the agency's top priorities. HPD spending on housing preservation has grown at a faster rate than the overall housing department budget: an average annual rate of almost 16 percent between 1999 and 2002, compared to 2.5 percent growth for total (expense and capital) agency spending. Housing preservation spending has grown from 19 percent of HPD's expense budget in 1999 to over 26 percent projected in 2003. Preservation was 15 percent of HPD's capital budget in 1999, 18 percent in 2000, and 25 percent in 2001 and 2002.

### HPD Expense and Capital Budget Spending on Housing Preservation

Dollars in millions

	1999	2000	2001	2002	2003*
<b>Enforcement</b>					
Expense	\$ 62.69	\$ 75.95	\$ 89.39	\$ 87.11	\$ 95.26
Capital	21.9	10.1	14.4	55.6	41.3
Subtotal, Enforcement	\$ 84.59	\$ 86.01	\$ 103.82	\$ 142.69	\$ 136.56
<b>Investment</b>					
Expense	2.85	1.12	1.42	3.79	4.10
Capital	33.45	41.63	77.78	36.78	43.17
Subtotal, Investment	\$ 36.30	\$ 42.74	\$ 79.20	\$ 40.57	\$ 47.27
<b>Education</b>					
Expense	4.11	3.49	3.54	4.08	4.81
Capital	--	--	--	--	--
Subtotal, Education	\$ 4.11	\$ 3.49	\$ 3.54	\$ 4.08	\$ 4.81
<b>Subtotal, Expense</b>	69.64	80.56	94.35	94.97	104.17
<b>Subtotal, Capital</b>	55.35	51.69	92.22	92.36	84.47
<b>Total, Preservation</b>	<b>\$ 124.99</b>	<b>\$ 132.24</b>	<b>\$ 186.57</b>	<b>\$ 187.34</b>	<b>\$ 188.64</b>
<b>Total, HPD Expense</b>	\$ 356.4	\$ 353.1	\$ 390.1	\$ 371.2	\$ 393.8
<b>Total, HPD Capital</b>	\$ 365.1	\$ 289.8	\$ 413.9	\$ 380.4	\$ 346.5

SOURCE: IBO.

NOTE: \*2003 figures are budgeted.

Spending on enforcement activities—ranging from housing code inspectors to demolition to emergency repairs—accounts for over 90 percent of housing preservation expense budget spending each year, with relatively small amounts going to outreach and education programs, plus administrative expenses for investment programs. On the capital side, enforcement resources have grown substantially, mostly to reflect implementation of the Third Party Transfer program, which shifts rundown, tax-foreclosed buildings to new owners, as well as growing capital spending on lead-based paint remediation. Citywide, capital budgets were cut substantially in January 2003 in order to reduce future debt service payments, but the HPD capital budget for housing preservation is still substantially higher than it was a few years ago.

In the following sections IBO provides greater detail on HPD’s spending on housing preservation and the outcomes of some of these programs in order to provide context for the larger debate about the overall efficacy of HPD’s strategy. This analysis reflects HPD’s program categories: enforcement, investment, and education and outreach.<sup>2</sup>

## ENFORCEMENT

Enforcement is one of the most visible aspects of HPD’s housing preservation strategy and is certainly the largest and most costly component of the total anti-abandonment effort. The enforcement aspect of HPD’s housing preservation strategy encompasses a range of disparate programs, from housing code inspections to administrative takeover of troubled buildings to demolition of unsafe buildings.

### *Housing Code Enforcement*

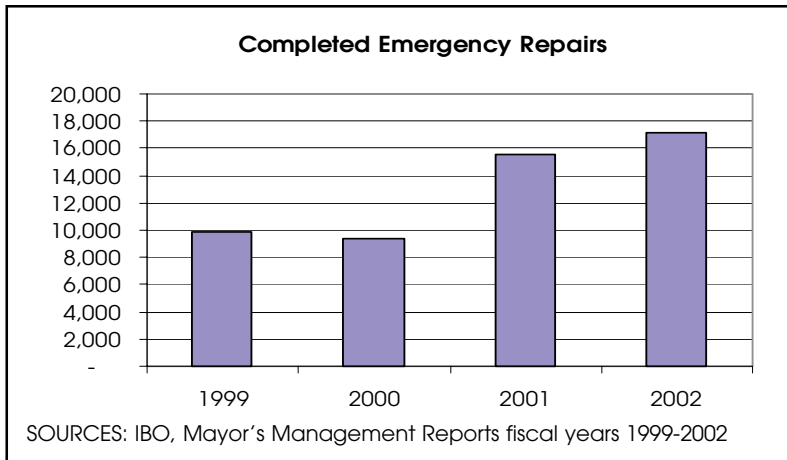
*Central Complaint Bureau.* HPD operates a Central Complaint Bureau, open 24 hours a day, seven days a week,

<b>Preservation Enforcement Expenditures</b>					
<i>Dollars in millions</i>					
<b>EXPENSE BUDGET</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003*</b>
<b>Code Enforcement</b>					
Central Complaint Bureau	\$ 2.36	\$ 2.41	\$ 2.76	\$ 2.77	\$ 1.99
Housing Inspections	15.07	15.27	18.44	21.09	21.29
Emergency Repair Bureau	14.68	15.70	23.47	20.89	29.13
Housing Litigation	3.83	4.33	4.18	4.14	5.74
Subtotal	<u>\$ 35.94</u>	<u>\$ 37.71</u>	<u>\$ 48.85</u>	<u>\$ 48.89</u>	<u>\$ 58.15</u>
<b>Emergency Assistance</b>					
Demolition	1.88	5.02	9.78	5.50	8.01
Emergency Housing	19.50	25.51	22.20	23.13	20.22
Subtotal	<u>\$ 21.38</u>	<u>\$ 30.54</u>	<u>\$ 31.98</u>	<u>\$ 28.63</u>	<u>\$ 28.23</u>
<b>Building Management</b>					
7A Financial Assistance	3.73	4.45	4.73	3.44	2.33
Third Party Transfer	0.00	0.00	0.00	1.94	2.02
Subtotal	<u>\$ 3.73</u>	<u>\$ 4.45</u>	<u>\$ 4.73</u>	<u>\$ 5.38</u>	<u>\$ 4.35</u>
<b>Other</b>					
Anti-Abandonment Division	1.63	3.26	3.83	4.21	4.54
Subtotal	<u>\$ 1.63</u>	<u>\$ 3.26</u>	<u>\$ 3.83</u>	<u>\$ 4.21</u>	<u>\$ 4.54</u>
<i>Expense Budget Subtotal</i>	<u><u>\$ 62.69</u></u>	<u><u>\$ 75.95</u></u>	<u><u>\$ 89.39</u></u>	<u><u>\$ 87.11</u></u>	<u><u>\$ 95.27</u></u>
<b>CAPITAL BUDGET</b>					
Demolition of Unsafe Buildings	\$ 14.55	\$ 6.78	\$ 8.94	\$(0.30)*	\$(1.62)**
7A Financial Assistance	7.35	3.28	5.50	4.46	(1.08)**
Third Party Transfer	0.00	0.00	0.00	51.42	44.00
<i>Capital Budget Subtotal</i>	<u>\$ 21.90</u>	<u>\$ 10.06</u>	<u>\$ 14.44</u>	<u>\$ 55.58</u>	<u>\$ 47.32</u>
<b>TOTAL</b>	<b><u>\$ 84.59</u></b>	<b><u>\$ 86.01</u></b>	<b><u>\$ 103.82</u></b>	<b><u>\$ 142.69</u></b>	<b><u>\$ 136.56</u></b>

SOURCE: IBO.  
NOTES: \*Negative amount represents rescindment of prior contract commitments. \*\*2003 budgeted.

where code violation complaints are received.<sup>3</sup> The Central Complaint Bureau classifies complaints as Class A, B, or C, where Class C violations are considered “immediately hazardous.” This ranking system is used to prioritize complaints and determine whether the city will correct the violation if the landlord fails to do so.

*Housing Inspection.* HPD code inspectors follow up on complaints made through the Central Complaint Bureau, as well as problems reported through elected officials, housing court, and Community Boards. An inspector issues a violation when finding a condition that violates the New York City Housing Maintenance Code or the New York State Multiple Dwelling Law. Landlords are given the opportunity to correct violations; when a landlord certifies that a class C *emergency* violation has been corrected, the inspector will return to verify the repair. The City Comptroller audited HPD’s inspection procedures in 1995, and found that not all Class C violations were re-inspected, nor did the agency report what proportion is re-inspected. In a follow-up audit in 2001, however, the Comptroller’s office found that the number of re-inspections rose 46 percent between fiscal years 1996 and 2001.<sup>4</sup>



Emergency Repair Program will make the necessary repairs.

The number of emergency repairs jumped in 2001. According to the city, the increasing number of housing code inspectors led to more work orders, and hence more repairs. The weather also has likely contributed to this pattern; HPD only makes emergency repairs for "Class C" violations, which include restoring heat and hot water, and correcting lead-paint hazards. The winter of fiscal year 2001 was particularly cold, driving up the number of heat and hot water repairs done by HPD. Fiscal year

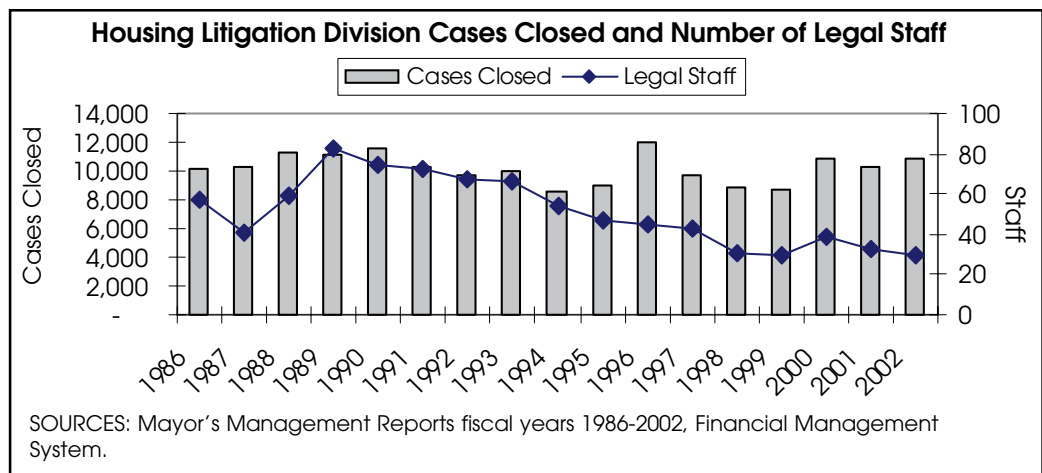
2001 was also the first full year of enforcement of Local Law 38 of 1999, which changed the way the city handles lead paint hazards, and likely contributed to the number of emergency repairs.

According to HPD, a "substantial" number of Class C violations, such as illegal security bars on windows, are not considered emergency violations, and are therefore not subject to re-inspection or to repair by HPD if the owner fails to do so.

Expenditures for the Emergency Repair Program generally reflect the number of repairs made; spending went from \$15.7 million in 2000 to \$23.5 million in 2001. The budget for 2002 was \$33.9 million, but actual spending was about \$20 million, largely due to the much milder winter weather than in 2001.

The Emergency Services Bureau (ESB; included in the "housing inspections" line in the expenditure table) is responsible for identifying and contacting the owners of buildings in which there is a Class C violation. ESB staff also are liaisons between the city and tenants living in buildings with Class C violations.

Expenditures for the Emergency Repair Program generally reflect the number of repairs made; spending went from \$15.7 million in 2000 to \$23.5 million in 2001. The budget for 2002 was \$33.9 million, but actual spending was about \$20 million, largely due to the much milder winter weather than in 2001.



In low income and/or deteriorated neighborhoods, the city uses federal Community Development Block Grant (CDBG) funds to pay for housing code inspections. In practice, this means that more than 70 percent of code enforcement functions are funded through CDBG.

The number of housing inspectors fell sharply in the early 1990s, but has more recently risen again. In 1990, there were close to 500 housing code inspectors. In 1991, the state stopped providing funds to the city for code inspectors. As a result, the number of code inspectors dropped sharply, hitting a low of 181 in 1995. At the end of fiscal year 2002 there were 303 housing code inspectors.

*Emergency Repair Program.* In cases where a code inspector issues an emergency Class C violation and the landlord fails to certify that the violation has been corrected, the HPD

*Housing Litigation.* The housing department's Housing Litigation Division (HLD) initiates actions against private landlords who have failed to maintain their buildings in accordance with city and state law. Most cases that the HLD initiates are against owners whose buildings have multiple code violations. The litigation division also prosecutes owners who fail to provide access to Emergency Repair Bureau staff correcting lead paint violations, and owners who falsely certify that violations have been corrected.

number of cases closed rose to 10,817 in 2002.

The litigation division periodically initiates campaigns to close outstanding cases, which typically leads to an increase in the number of cases closed. For example, according to the Mayor's Management Report, the HLD placed particular emphasis on back cases in 1996, leading to the spike in cases closed in that year. Similar efforts were underway in 2002.

The litigation division also has increased its use of temporary and seasonal workers—including some lawyers—in recent years, to help it sustain a steady workload despite a decline in full-time staff. Use of these contracted services allowed the agency to close more cases in 2002 as in 2001, despite a lower headcount in 2002.

### *Emergency Assistance*

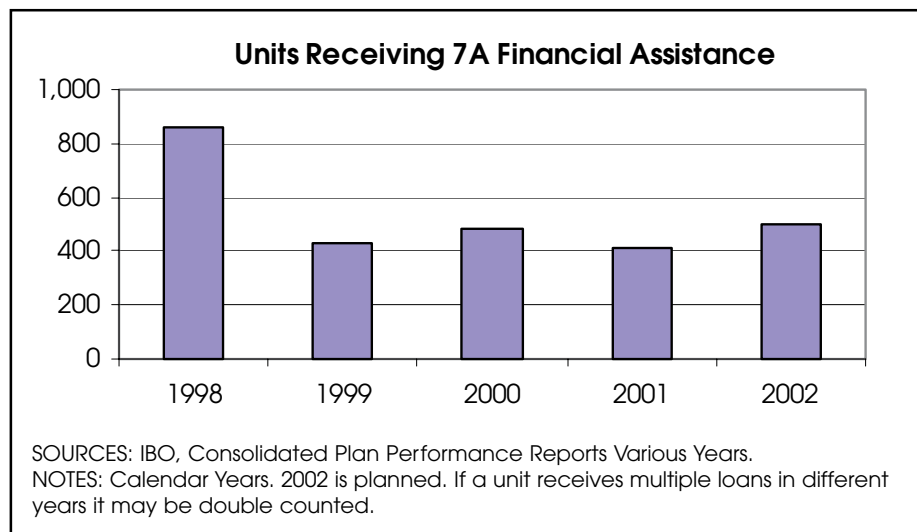
*Demolition and Emergency Housing.* When necessary, HPD will demolish or seal structurally unsound or vacant buildings. The agency will provide emergency housing assistance to any tenants displaced as a result of such demolitions, or because of fires or Department of Buildings vacate orders. HPD lists these functions as part of its anti-abandonment strategy. HPD spends an average of \$30 million or more annually on demolition and emergency shelter. Both demolition and emergency housing are effectively demand-driven programs—HPD has to provide the services when faced with need. Over the last several years, there has been considerable fluctuation in HPD's demolition spending—both in the total amount, and between the Expense and Capital Budget shares.

Much of the Expense Budget demolition work is funded with CDBG money. Between 1999 and 2002, the amount of CDBG money spent on demolition has risen steadily, from \$600,000 in 1999 to \$4.5 million in 2002. In the budget for 2003, CDBG funds for demolition rise again to \$6.2 million. Federal rule changes have made it easier to use CDBG funds for demolition, and the city has relied increasingly on CDBG rather than tax-levy dollars, to help close budget gaps.

Spending on emergency housing has been more stable than demolition spending: about \$20 million to \$25 million annually. These emergency services are provided in conjunction with the Department of Homeless Services (DHS) and in 2002 just over one-third of the funding for emergency housing came from DHS.<sup>6</sup> This is a drop from past years, when about two-thirds of the funding for HPD emergency shelter came from DHS. DHS reimburses HPD for households that are receiving public assistance, and the proportion of clients on public assistance has been falling. As a result, HPD has had to pay for a larger portion of the emergency housing.

### *Building Management*

*Article 7A Program.* HPD's enforcement strategy includes the Article 7A Program, which allows Housing Court to appoint an administrator to operate privately owned, occupied buildings that have been effectively abandoned by their owners. In some cases, the administrator may receive some capital funding to make necessary repairs to the building.



HPD provides loans that pay for both emergency work and longer term repairs and building system upgrades. Some emergency work on 7A buildings also is done through the Emergency Repair Program. The 7A financial assistance packages are funded through both CDBG dollars in the Expense Budget, and city money in the Capital Budget.

According to HPD, the agency has little discretion as to which buildings participate in Article 7A. Housing Court judges make the ultimate decision to appoint a 7A administrator,

and even after an administrator is appointed, buildings can be sold and judges often allow new owners to manage the buildings. The number of units aided by 7A has been declining. The reduction reflects the decisions of Housing

Between 1999 and 2001, some demolition expenses were shifted from the Capital Budget to the Expense Budget as the result of a city comptroller ruling that the city could no longer use capital funds to eliminate assets.<sup>5</sup>

and even after an administrator is appointed, buildings can be sold and judges often allow new owners to manage the buildings. The number of units aided by 7A has been declining. The reduction reflects the decisions of Housing

Court judges and a competitive real estate market, rather than an active change in policy.

*Third Party Transfer Program.* HPD’s program of last resort is the Third Party Transfer program. In cases where a building has significant tax arrears and maintenance deficiencies, the city can foreclose on the building. In the past, when the city foreclosed on a building, it entered the city-owned housing stock. After accumulating thousands of units during the 1970s and 1980s, the city changed its policy to avoid adding to the *in rem* stock. Local Law 37 of 1996 allows the city to transfer properties directly to a qualified third party.

When HPD forecloses on a building, the owner has four months to redeem their property. If the owner fails to do so, HPD has four months to transfer the property. Because of this short time frame, HPD transfers all buildings to a nonprofit holding company, Neighborhood Restore, in the short term. HPD has prequalified a pool of potential long-term building owners, both nonprofit and for-profit, which can eventually take over long-term ownership.

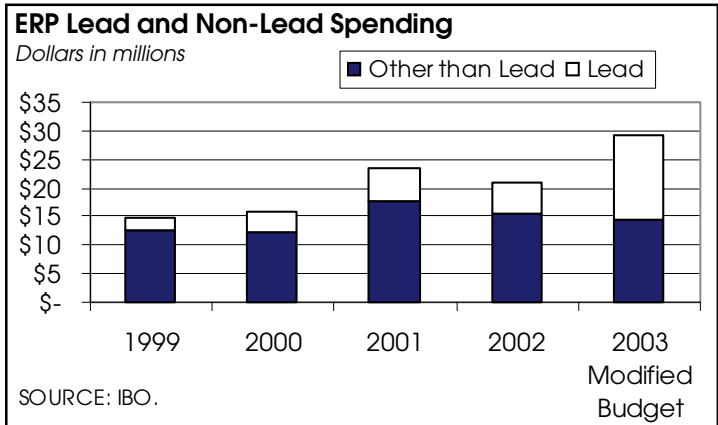
The properties included in the Third Party Transfer Program generally have significant maintenance deficiencies. In order to correct these deficiencies, HPD uses both Expense and Capital Budget resources. Two “rounds” of transfers of building ownership under this program have been completed, and two more are planned. According to HPD, in Round One, the rehabilitation cost averaged about \$55,000 per unit. In Round Two, the cost was somewhat higher, about \$70,000 per unit.<sup>7</sup>

Third Party Transfer Properties and Units		
	Properties	Units
<b>Completed Rounds</b>		
Round One (2000)	48	318
Round Two (2001)	86	1,466
Completed Sub-Total	134	1,784
<b>Pending Rounds</b>		
Round Three (2002)	75	828
Round Four (2002)	253	NA

SOURCES: IBO; City Council Hearing March 5, 2002; Presentation by Aileen Gribben, Assistant Commissioner at HPD, at the Neighborhood Preservation Coalition of New York State Conference, October 21, 2002; [www.nyc.gov/html/hpd](http://www.nyc.gov/html/hpd).  
 NOTE: The number of properties in the pending rounds will almost certainly decrease before completion. Round Three pending totals as of 10/15/02, Round Four pending totals as of 7/8/02.

**Other Enforcement Programs**

*Lead Paint.* Since the passage of Local Law 38 in 1999, considerable agency resources are devoted to the reduction of lead-based paint hazards in addition to the federally supported Primary Prevention Program (discussed under the “Investment” section of this report).



Emergency Repair Program spending has grown in part due to the Local Law 38 requirement that HPD repair lead-paint hazard conditions when the landlord does not; HPD subsequently bills the landlord for the cost of the repairs. Spending on the emergency correction of lead-paint violations has been lower than originally projected, however.

Local Law 38 also has resulted in somewhat higher spending for lead-paint testing, code inspections, and other functions. Spending for lead-related activities was \$2.6 million in 2001 and \$2.9 million in 2002, and is projected at \$2.5 million in 2003. These amounts are captured in the “Code Enforcement” spending figures in the table on preservation enforcement expenditures.

**INVESTMENT**

HPD’s investment strategy consists of a variety of below-market loan programs designed to assist owners in maintaining their buildings. These programs are funded through the Capital Budget (there are some associated administrative costs in the Expense Budget). The two largest programs are the Participation Loan Program (PLP) and Article 8A Loan Program.

Participation Loan Program commitments have fluctuated over the last several years. Beginning in 2002, the Third Party Transfer program was budgeted separately from PLP (and classified as an enforcement program), which contributed to the drop in PLP commitments. HPD also reports that applications for PLP loans fell in 2002, and as a result, the

<b>HPD Anti-Abandonment Loan Programs</b>			
<b>Program</b>	<b>Loan Size (max.)</b>	<b>Interest Rate</b>	<b>Eligibility</b>
Participation Loan Program	\$48,000 per unit	1% combined with market rate	Moderate to gut rehab of buildings with more than 20 units
Article 8A Loan Program	\$25,000 per unit	3%	Rehab or upgrades of major building systems in multiple dwellings
Code Compliance Loan Program	\$7,500 per unit	1%	Replacement of one building system, or removal of limited code violations.
Small Homes Private Loan Program	\$55,000 per unit	1% combined with market rate	Moderate to gut rehab of buildings with 1 to 20 units
Senior Citizen Home Assistance Program	\$25,000 per unit (2-4 family) \$30,100 (1 family)	0-3%	Low and moderate income seniors, living in 1-4 family homes
Home Improvement Program	\$20,000	2.5 or 5%	Owners/occupants of 1-4 family homes. Interest rate depends on income.

SOURCES: HPD, IBO.

operating system or to remove existing code violations. In practice, according to HPD, applicants have virtually always had rent revenues sufficient to support private financing. As a result, HPD has not made any loans through the Code Compliance Loan Program in recent years.

Loan commitments in the Small Homes Private Loan Program appear to have fluctuated significantly. In reality, commitments were more regular than it appears: When a borrower fails to spend the loan funds, the money may be recaptured by HPD and reissued as a new loan—although it is still recorded as having occurred in the original year the loan was made. In 2002, HPD reissued \$4.7 million in recaptured Small Homes Private loans originally issued between 1999 and 2001.

agency distributed less money. Finally, the Mayor's February 2002 capital plan cut \$16.1 million from PLP for fiscal year 2002 as part of citywide cutbacks to the capital program.

HPD also has a loan program specifically designed to address lead-paint hazards. HPD, in collaboration with Department of Public Health and Mental Hygiene, uses federal Lead-Based

<b>Investment Capital Commitments</b>					
<i>Dollars in millions</i>					
	1999	2000	2001	2002	2003*
Participation Loan Program	\$18.53	\$18.21	\$32.62	\$9.14	\$14.30
Article 8A Loan Program	9.22	17.94	32.8	23.63	19.54
Small Homes Private Loan Program	5.7	4.76	10.96	3.46	5.42
Primary Prevention Program	--	0.72	1.39	0.55	3.91
<b>TOTAL</b>	<b>\$33.45</b>	<b>\$41.63</b>	<b>\$77.78</b>	<b>\$36.78</b>	<b>\$47.49</b>

SOURCE: IBO.  
NOTE: \*2003 figures are budgeted. The Small Homes Private Loan program line includes funding for 3 other programs: the Neighborhood Homes disposition program, the Senior Citizen Assistance Program, and the Home Improvement Program.

Paint Hazard Reduction Grant funds for its Primary Prevention Program, which targets buildings in geographic areas considered at-risk for lead poisoning, such as East New York in Brooklyn and Washington Heights in Manhattan. Grant funds are used for remediation work in privately owned housing units occupied by low-income families with a

Buildings that are in need of major rehabilitation of multiple building systems (window, boiler, or roof replacement), and that are unable to qualify for bank loans, are eligible for the Article 8A Loan Program. Article 8A loan commitments have grown in recent years (the particularly large jump in 2001 occurred because HPD provided \$10 million in 8A loans to Mitchell-Lama buildings).

pregnant mother or child under the age of 6 months. The money is given to building owners as a forgivable loan, and may be used for a variety of treatment measures to ensure that lead dust is not spread when lead-based paint is removed.

**EDUCATION AND OUTREACH**

Like the Article 8A Loan Program, the Code Compliance Loan Program provides financing to building owners who are unable to get loans in the private market. Code Compliance Loans, however, are only available to replace a single major

HPD's education and outreach initiatives cover a wide range of programs, including hands-on-training in building maintenance, financial advice and referrals for building owners, lead education in conjunction with the Department of Public Health and Mental Hygiene, and early intervention



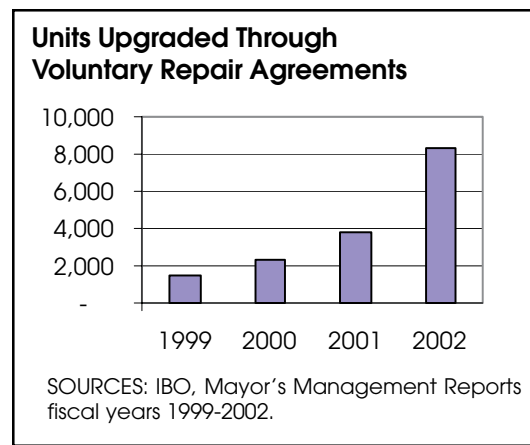
services for at-risk buildings. Three education and outreach programs are described below; in 2002, HPD spent about \$4.1 million on all preservation-related education and outreach.

*Neighborhood Preservation Consultants Program.* Through the Neighborhood Preservation Consultants Program, HPD contracts with nonprofit organizations that help the agency identify at-risk buildings, as well as provide early intervention services. HPD currently holds 45 neighborhood consultant contracts with nonprofits around the city. Each contract is worth approximately \$40,000. In past years, and again in 2003, the contracts have been enhanced by about \$9,000 each, through funds added to the program by the City Council. Total expenditures for the program were \$2.45 million in fiscal year 2001, and \$2.43 million in 2002.

Most of the funding for neighborhood consultants contracts is federal CDBG money, which partially insulates the program from budget cuts. However, the City Council enhancements are paid for with about \$400,000 in tax-levy money, as are eight contracts in non-CDBG eligible areas, worth \$461,000. Funding for the Council enhancements and some non-CDBG contracts would be eliminated in the cuts proposed by the Mayor in November 2002 and January 2003.

*Housing Education Program.* HPD runs the Housing Education Program to teach building owners and managers how to operate and maintain residential property. This is a relatively inexpensive program; HPD has never spent more than a few hundred thousand dollars on the education program, although it is growing. In fiscal year 1999 the agency offered 52 classes with a total enrollment of 1,825 people. Total enrollment in 2002 was 2,950. The Owner Services Program, which provides financial management and referral assistance to building owners, is included in the Housing Education Program funding stream.

*Voluntary Repair Agreements.* The HPD Division of Anti-Abandonment enters into Voluntary Repair Agreements with landlords, working with them to correct maintenance problems in their buildings. An outreach program, the Voluntary Repair Agreement initiative provides a way for HPD to work with landlords without offering financial assistance or wielding the threat of fines and penalties (although landlords that fail to comply with Voluntary Repair Agreements may eventually face sanctions, as described in the section on enforcement.)



Over the last several years, HPD has increased outreach to building owners and strengthened the monitoring of Voluntary Repair Agreements. As a result, the number of agreements successfully completed has increased.

*Written by Molly Wasow Park*

## END NOTES

<sup>1</sup> In almost all cases, however, these changes were based on a small number of observations in at least one of the years. In addition, if the number of vacant buildings in a neighborhood declines, it could be the case that the overall housing stock has improved, despite the increase in maintenance deficiencies.

<sup>2</sup> IBO has categorized specific programs into these three broad areas based on the description of HPD's housing preservation programs found on the agency's website: <[www.nyc.gov/html/hpd/html/neighborhood-redev/anti-abandonment.html](http://www.nyc.gov/html/hpd/html/neighborhood-redev/anti-abandonment.html)>.

<sup>3</sup> The CCB will be incorporated into the city's 311 Call Center program, which is planned to be in operation early in 2003.

<sup>4</sup> Office of the Comptroller, the City of New York. "Follow-up Audit Report on the Enforcement of the Housing Maintenance Code by the Department of Housing Preservation and Development", June 27, 2002.

<sup>5</sup> HPD spent almost \$9 million in capital funds in 2001 for demolition at the Schaefer Brewery site in Brooklyn, which is slated to be turned into a 350-unit housing development. Capital funds could be used for this demolition project because it was considered site-clearing for a future development—a capital-eligible activity.

<sup>6</sup> These "intra-city" payments are included in the table detailing spending on emergency housing.

<sup>7</sup> The Third Party Transfer Program first appeared in budget documents as a distinct program in fiscal year 2002. Prior to 2002, the program was funded through the Participation Loan and the Small Homes Private Loan Programs in the Capital Budget. There was no dedicated funding for the Third Party Transfer Program in the Expense Budget prior to 2002; because the program was operating at a relatively small scale, HPD was able to fund the program's operating expenses through existing funding streams. As the program grew and was formalized, it was given its own budget line and dedicated operating funds.