



THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE

110 WILLIAM STREET, 14TH FLOOR
NEW YORK, NEW YORK 10038
(212) 442-0632 • FAX (212) 442-0350 • EMAIL: iboenews@ibo.nyc.ny.us
<http://www.ibo.nyc.ny.us>

Testimony of Sarah Stefanski
Housing Analyst, New York City Independent Budget Office
To the New York City Council Committee on Housing and Buildings
Regarding Intro 385-B
June 13, 2017

Good morning Chairman Williams and members of the Committee on Housing and Buildings. My name is Sarah Stefanski and I am the housing analyst at the New York City Independent Budget Office. Thank you for the opportunity to testify today regarding Intro 385-B that would set new rules for identifying and correcting instances of indoor asthma allergens—specifically mold and pests—in rental housing. In 2016, IBO prepared a [cost estimate](#) of Intro 385-B at the request of Council Member Mendez. While our analysis for the Council Member and my comments today focus on the potential cost to the city of implementing the Intro rather than potential benefits of reduced exposure to mold, pests, and other allergens, it does not imply that the costs outweigh the benefits or that costs are the most important factor to consider.

IBO estimates that passage of Intro 385-B would increase the expenses of the Department of Housing Preservation and Development (HPD) and the Department of Health and Mental Hygiene (DOHMH). I will first discuss the additional costs that we estimate would be incurred by HPD.

Fiscal Impact on the Department of Housing Preservation and Development. Intro 385-B would increase HPD's costs in two ways. First, the legislation would increase the agency's inspection and administrative costs. This is because going forward, all new indoor allergen violations would have to be reinspected to verify the violations have been corrected, and because the legislation classifies more violations as Class C violations compared with current rules. (Class C violations are the most serious violations and require more administrative oversight than Class A and B violations due to their emergency nature.)

Second, HPD is authorized to repair conditions causing Class C violations through its Emergency Repair Program if they remain unresolved by the building owners—although Intro 385-B does not require the city to do so. The extent to which Intro 385-B increases HPD's budget largely depends upon whether the agency chooses to make repairs for indoor allergen Class C violations that are not corrected by building owners.

The cost to HPD also depends on how much, if at all, the number of complaints, and therefore violations, rise as the Intro increases public awareness of indoor allergen hazards. Although it is likely that the number of complaints would increase, there is no relevant precedent on which to base an

estimate of how much of an increase would occur. Therefore, in addition to an estimate of cost at current violation levels, IBO conducted an incremental analysis that can be scaled up or down to model different scenarios of changes in the number of complaints.

Fiscal Impact of Intro 385-B at Current Violation Levels. To determine the baseline level of indoor allergen violations in the city, IBO reviewed data for all violations from 2011 through 2015 and then modeled how mold and pest-related violations would be reclassified under the new law. While IBO does not expect Intro 385-B to result in a dramatic shift in the way mold violations are classified, there would be a significant change in how pest violations are classified. Most pest violations are currently considered Class A or Class B, and the Intro would require all instances of pest infestations to be categorized as Class C.

Holding indoor allergen complaint and violation levels steady, IBO estimates that if HPD chooses not to make repairs for the newly classified Class C violations, the annual cost to HPD would be \$1.6 million in additional inspection and administrative expenses. In contrast, if HPD makes emergency repairs at the rate it currently does for other Class C violations, IBO estimates that the additional costs of repairs would be \$1.9 million, bringing the total expenditure to nearly \$3.5 million a year.

When the city corrects an emergency violation, the cost of the repair (with interest) is billed to the building owner, and if unpaid, may become a lien against the property. Through the lien process, part of the cost of the repairs is recouped by the city in subsequent years. Assuming the city spends \$1.9 million a year on repairs to remediate indoor allergens under Intro 385-B, IBO estimates that the city would recoup \$910,000 within two years and just over \$1.5 million within five years. This would bring the net annual cost of Intro 385-B, at current complaint levels and rates of repair, to about \$1.9 million after five years of emergency repair collections.

HPD would also experience a one-time upfront cost of \$100,000 to update its violation-tracking computer programs to reflect the classification and timeline changes created under Intro 385-B.

Fiscal Impact of Increased Complaints and Violations. In 2015, HPD received about 82,000 unique complaints about pests and mold. IBO estimates that 8,200 additional complaints, a 10 percent increase from current levels, would lead to an additional annual cost to HPD of about \$550,000 compared with the baseline complaint level, assuming no additional emergency repairs are made. If HPD makes additional emergency repairs, HPD's annual costs would rise by nearly \$900,000 compared with the baseline level. In the latter case, some of the costs will eventually be offset by payments from owners. IBO estimates that within two years \$170,000 would be collected by the city; within five years, an estimated \$280,000 would be collected. Therefore the net annual cost for each additional 8,200 complaints, assuming HPD makes emergency repairs, would be about \$620,000 after five years of collections.

Fiscal Impact on the Department of Health and Mental Hygiene. In addition to costs borne by HPD, DOHMH would incur expenses for preparing pamphlets and training materials; investigating the

presence of indoor allergen hazards in cases where the housing maintenance code enforced through HPD would not apply, such as mold hidden within wall cavities or construction dust; and implementing a referral system to allow physicians to arrange household inspections for patients with respiratory illnesses. IBO estimates a total of \$520,000 in upfront costs and \$430,000 annually thereafter for DOHMH, with an additional \$14,000 a year for an 8,200 increase in complaints.

Other Considerations. Two cost-related considerations were outside the scope of the IBO analysis. We did not estimate the costs associated with an increase in housing litigation; if this bill increases the number of violations, it may also increase the costs to HPD's Housing Litigation Division. We also did not estimate how this bill may impact housing code violations for residential units within the New York City Housing Authority, which HPD does not inspect.

Thank you for your time, and I would be happy to answer any questions.