

Testimony of Brendan Cheney, New York Housing Conference

**New York City Council Committee on Housing and Buildings
Hearing on FY2024 Preliminary Budget**

March 15, 2023

Good afternoon. My name is Brendan Cheney. I am Director of Policy and Operations at the New York Housing Conference (NYHC). I would like to thank Chair Sanchez as well as the other members of the City Council Committee on Housing and Buildings for the opportunity to testify about the preliminary 2024 budget.

NYHC is a nonprofit affordable housing policy and advocacy organization. As a broad-based coalition, our mission is to advance City, State and Federal policies and funding to support the development and preservation of decent and affordable housing for all New Yorkers.

As you know, New York City has an affordable housing crisis that continues to get worse. There is a record number of people staying in New York City shelters – more than 71,000 a couple nights ago while at least 3,400 were unsheltered at one point last year. And more than half of New York City renter households earning less than \$50,000 are severely rent burdened (paying more than 50% of their income on rent). We will also discuss a growing crisis of rent arrears in affordable and public housing, threatening mass evictions and the stability of our affordable housing stock.

We remain concerned therefore about continuing staff shortages at HPD and other housing-related agencies. We also believe HPD needs to add funding to its capital budget to meet rising costs.

As of January, HPD, DHS and HRA remained in a staffing crisis. HPD had 400 vacancies in January and 177 fewer people on staff than before the pandemic. We have seen some progress – HPD’s headcount increased 1% from October to January. We hope progress around hiring will continue and accelerate. And while HPD was spared significant staffing cuts in the preliminary budget, other housing-related agencies like DHS, HRA, and DOB saw significant proposed staff cuts.

Staffing Shortage and Cuts at Housing Agencies				
Agency	FY 2024	Actual	Current	Prelim Budget
	Appropriation (Prelim)	Headcount Jan 2023		
Department of Housing Preservation and Development	2,638	2,233	-405	-37
Department of Homeless Services	1,920	1,804	-116	-107
Human Resources Administration	12,127	10,401	-1,726	-773
Department of Buildings	1,833	1,546	-287	-94
Department of City Planning	341	274	-67	-6
Source: NYHC Analysis of OMB data				

We are pleased to see that the Mayor recently [announced changes to improve hiring](#), including increasing salaries by 15 percent for high-attribution jobs and the Office of Management and Budget committing to responding faster to hiring requests. These are good steps but more is necessary to speed hiring and improve retention. Last May we released a [report with detailed recommendations](#) that should be considered including finding flexibility in the civil service system, increased work flexibility, more discretion on salaries and reduced OMB oversight.

Make no mistake, understaffing is affecting services. At HRA, the staffing shortage means slower processing of one-shot assistance, City FHEPS packets, and other public assistance benefits. This leaves people at risk of homelessness, rent arrears piling up, and staying in shelter longer than necessary.

Due to understaffing HPD is producing less affordable housing – building less new housing and preserving less affordable housing. According to new data, HPD produced just 13,990 units of affordable housing in calendar year 2022, the first full year of Mayor Eric Adams’s administration, 51 percent less than the average over the previous five years. This includes financing 8,159 units of new construction of affordable housing, 15 percent less than the recent average. And it includes just 5,831 units preserving existing housing, 69 percent less than the recent average.

HPD Affordable Housing Production			
	New Construction	Preservation	Total
Previous 5 Year Average	9,586	18,780	28,366
CY 2022	8,159	5,831	13,990
Change	-15%	-69%	-51%

Both new construction and preservation are vital to the city’s affordable housing goals. It is therefore distressing that HPD is falling short on building new desperately needed affordable housing. And it is also very distressing that HPD is falling very short on preserving existing affordable housing. This means that thousands of units of housing did not receive the HPD subsidy needed to make repairs or refinance and preserve housing. And so thousands of tenants are living in housing that could not be made improved and protected.

Without significant increases in staffing, it is likely the agency will once again fall short on housing production this fiscal year, which ends in June.

The loss of staffing has meant that HPD did not spend all of its capital budget last year – leaving \$600 million unspent as housing production decreased. While understaffing remains, housing costs are growing. Construction costs increased 25 percent over the past two years and interest rates are the highest they’ve been in 20 years.

We are concerned that HPD will not have sufficient capital funding, even with reduced staff, to cover rapidly growing costs. The city has moved the unspent money from last year, as well as the bulk of the \$5 billion in new funding, far into the future – five years from now. The city should move some of that funding in the current years to meet rising costs.

We are also alarmed about a growing rental arrears crisis that threatens massive evictions and the financial stability of affordable and public housing. In a [recent report](#), we gathered and analyzed data from nearly 50,000 units of private affordable housing (government subsidized) and found that 31 percent of tenants owe more than two months of rent, owing on average \$9,565. In addition, 10 percent of households owe more than \$10,000, owing on average \$22,000.

This level of arrears leaves affordable housing buildings, operated by nonprofit and for-profit providers, with significant financial risk. Our analysis showed that individual buildings with this level of arrears, on top of growing costs and flat revenue, are facing negative net operating income and difficulty paying of their loans. It also means that thousands of tenants are at risk of eviction. Financial assistance from multiple levels of government will be desperately needed.

Finally, we are concerned about the prospect of deteriorating housing conditions and the need for greater code enforcement as signs of financially distressed housing begin to emerge. The Sugar Hill Capital portfolio underwritten by Signature Bank before the 2019 HSTPA is an example of a overleveraged multifamily housing portfolio, with significant code violations. Monitoring the housing stock and protecting existing housing through code enforcement will be crucial. We were pleased to see that code enforcement activity, including the number of inspections, was able to increase in FY 2022 and only a slight 4% decrease in the first 4 months of FY 2023, despite staffing shortages at the agency. We encourage HPD to increase enforcement capacity in expectation of coming challenges.

We are facing significant crises right now. But the good news is that if we invest now – invest in staffing, in building housing, and preserving housing and keeping tenants in their homes, we can make real progress towards ensuring everyone has safe and decent housing.

Thank you for your time. I'm happy to answer any questions.