

Mayor Elect Mamdani Can Reduce Red Tape in Housing Plan with HPD Budget Autonomy

NYC's Office of Management and Budget (OMB) plays an important role in planning and overseeing the three parts of the City's \$115.9 billion budget: expense, capital, and revenue. Yet, in its role overseeing the budget of nearly 90 City agencies and entities, OMB is too often duplicating efforts of the Department of Housing Preservation & Development (HPD), undermining their expertise and unnecessarily delaying operations and affordable housing production.

Background

HPD manages a \$1.6 billion expense budget and a \$3.3 billion capital budget to help finance the Mayor's affordable housing plan, conduct code enforcement, and run the nation's fourth largest rental assistance program. HPD has 2,433 staff across 12 departmental units, including an Office of Finance and Administration which manages the agency's resources – financial, human capital, and physical infrastructure – through five divisions including the Office of Budget, Office of Capital Planning, and the Division of Human Resources.

HPD's Office of Development leads the City's affordable housing production initiative through its housing finance programs. Utilizing federal low-income housing tax credits and working with private developers and lenders, this office manages a pipeline of affordable housing projects slated for capital subsidies and/or tax incentives to create and preserve affordable housing opportunities for New Yorkers. Each project is stewarded through a multistep review process that includes underwriting approval at a project level, program level (compliance with term sheets), and by an agency Credit Committee.

OMB Oversight

As required by the City Charter, HPD submits an agency budget plan to OMB for annual approval. In addition, OMB approves HPD's housing finance term sheets in a rigorous process. There are currently four new construction programs and 11 preservation programs with published term sheets. These term sheets set the programmatic requirements of the housing development and preservation programs – including income limits and rents, subsidy levels, and other financial parameters. However, OMB does not allow the agency to independently manage its budget or fund projects in the programs following approved term sheets. Below are examples of heavy-handed and redundant reviews which undermine agency experts and drag out development timelines and drive-up costs, while wasting staff time.

Duplicative Underwriting: Even if projects comply with the term sheets approved by OMB, OMB conducts their own underwriting review of each project receiving capital funding with a 40+ question document. This is known as the Certificate to Proceed (CP) review and is required before a project can close on financing. At this stage, the project has likely been in the agency's pipeline for multiple years, and it has gone through HPD underwriting (and commercial lender underwriting), construction review and sponsor review. It is also separately reviewed by HPD's legal department and their Credit Committee, which ensures projects receiving public funds are scrutinized by a panel of experts and financed within industry norms and agency standards by conducting a thorough and detailed evaluation of the project's financial terms. For projects receiving HPD subsidy and bond financing, a similar process occurs at the Housing Development Corporation, which also includes board approval. Yet, OMB conducts its own review that can take several months to scrutinize budget lines and request detailed information on the project and supplemental material. HPD project managers may have several rounds of questions and document requests from OMB for each CP, lasting weeks or months, and costing numerous staff hours. For example, OMB may ask for justification in a narrative response for any specific project financial terms, budget lines, rents, and site conditions or require copies of documents referred to in the CP, such as building appraisals or ground leases.

This level of detailed scrutiny is far beyond the role of agency budget oversight. It undermines underwriting and legal review of individual projects by experts at the housing agency. Typically, CP review does not lead to meaningful project changes or savings. However, delays are increasing project costs.

NYHC's recent survey on the [High Cost of Housing Delays](#) shows that HPD's average loan processing time is 47 months and the average added costs due to lengthy processing is \$1.2 million per project. OMB's duplicative reviews contribute to this lengthy processing time.

OMB Mission Creep: *When the City faced fiscal pressures due to the COVID-19 pandemic, OMB began imposing limitations and project level reviews on discretionary authority. A new process for Article XI tax abatement determination was established requiring OMB review and approval. What had been one of the fastest closing timeframes became one of the slowest, even when buildings had urgent preservation scopes. HPD's standard processing went from a few months to over a year in some cases. This contributed to HPD's lengthy preservation pipeline (estimated at 250 projects currently) and impacts their ability to clear it.*

Perhaps in recognition of the backlog caused by redundant reviews, OMB recently stopped requiring their approval of standalone Article XI abatements, which do not receive subsidy from a housing finance program. Instead, they installed an annual cap on Article XI tax expenditures. The cap is insufficient to meet current demand. This effort to achieve "savings" may result in more costly problems for buildings with preservation needs stemming from deferred maintenance and insufficient cashflow. Any limits on discretionary abatements should be established in partnership with the housing agency and be part of a broader preservation strategy.

Personnel Approvals: *HPD includes its personnel spending plans in its annual budget submission to OMB for approval. However, in none of HPD's 12 offices can managers hire or promote staff on their own. Instead, OMB must review and approve each new staff hire, raise, and promotion. HPD currently has 405 vacancies, and OMB will approve each hire and any subsequent promotions or raises.*

This duplicates, delays, and undermines the work of HPD managers, who have already coordinated with their own budget office and have vetted the new hire with HPD's human resources department to ensure compliance with all hiring requirements. OMB approval can add months – even a full year – to the hiring process. HPD's inability to fill vacancies in a timely manner also makes the agency less efficient in its service delivery and contributes to costly delays in the affordable housing development process.

This dysfunctional oversight is an unnecessary hindrance to HPD's personnel management. HPD has lost qualified applicants who could not wait months for OMB hiring approval. It also severely undermines managers' ability to reward and retain staff, contributing to high turnover rates from project managers and negatively impacts staff morale. This comes at a cost to the agency's development pipeline. According to recent survey results, [62%](#) of affordable developers identified staffing issues as a top reason for their project delays.

How to Fix It

The NYC Charter Chapter 10 Section 225 gives the Director of the Office of Management and Budget the power to require any agency, or any officer or employee, to furnish data and information and to answer inquiries pertinent to the exercise of any of the director's duties in regard to the budget and related matters. While the budget director has the power to ask for the resume of a new hire or about line-by-line spending for an affordable housing building, it doesn't mean they should.

Mayor Elect Mamdani should limit OMB's role to approving HPD's annual budget and programs with significant budget implications, such as the housing finance program term sheets. *There is no reasonable role for OMB in personnel approvals. There are areas, however, that will benefit from HPD/OMB collaboration. OMB and HPD should work together to keep term sheets up-to-date and responsive to market conditions. With growing preservation needs, OMB should work with HPD on realistic caps on discretionary tax expenditures, with regard to pipeline needs to protect buildings and their tenants from the negative consequences of financial and physical distress.*