




MEMORANDUM

To: The Chairperson and Members

From: Eric Enderlin 
President

Date: March 24, 2023

Re: Approval of Corporate Reserves to Fund HPD Capacity Accelerator Program

I am pleased to recommend that the Members approve the Corporation's use of unrestricted corporate reserves in an amount not expected to exceed \$12,800,000 for the purpose of participating in a funding swap with the New York City Department of Housing Preservation and Development ("HPD") relating to a new Capacity Accelerator Program ("CAP" or the "Program") to increase HPD's staff capacity and processes for all of its multi-family affordable housing transactions. The Program will further HDC's goals of creating and preserving affordable housing across New York City and advance a key pillar of Mayor Eric Adams' "Housing Our Neighbors: A Blueprint for Housing and Homelessness." The Program will be funded by the Corporation and in exchange the Corporation will receive an equal amount of City capital funds from HPD to be used for one or more HDC project loans to be subsequently approved by the Members.

Background

After the significant and prolonged upheaval of the COVID pandemic, New York City has witnessed remarkable signs of recovery in the last year. While the City's labor market has largely rebounded, the City continues to face a significant staffing challenge as hiring has yet to catch up with staff attrition. The Adams administration is prioritizing and deepening its efforts to help agencies fill more than 23,000 vacancies, including more than 400 vacant positions at HPD. As of February 2023, HPD's vacancy rate was 15%, with a significant share of vacancies in Offices key to affordable housing production. At the same time, the City has committed significant capital resources to housing in order to achieve the goals laid out in the Mayor's Housing Blueprint, with an increase of \$7.92 billion in the Ten-Year Capital Strategy. In order to ensure those capital funds are allocated to affordable housing projects efficiently and effectively, HPD needs sufficient staff capacity. HPD is working aggressively to hire staff and has made marked progress in recent months but has identified urgent capacity needs in the Offices of Development and Legal Affairs that must be addressed on an interim basis in order to meet the City's critical affordable housing goals.

To accelerate capacity at HPD, HDC is expected to enter into a Memorandum of Understanding (“MOU”) with HPD to establish a dedicated account (the “CAP Account”) from unrestricted corporate reserves to be used to fund the Capacity Accelerator Program. Through the CAP, HDC will pay for temporary staffing, outside counsel and consultants for development work, legal services and the training of HPD staff for multi-family affordable housing transactions or to review and recommend process improvements for multi-family housing transactions. The City is requesting that the Corporation help administer and finance the contracts pursuant to the funding swap described herein. HDC will provide the funds necessary to enter into the contracts for services that are critical to accelerate the City’s affordable housing goals.

Proposed Uses

The Corporation will finance the CAP pursuant to an interagency MOU with HPD for a period of three years, which may be extended upon mutual agreement by HPD and HDC. The MOU will provide that the Corporation will establish the CAP Account with an amount not expected to exceed \$12,800,000 from unrestricted corporate reserves to be used by HDC to enter into short-term contracts to improve capacity at HPD to accelerate the closing of multi-family affordable housing transactions in the pipeline. The funding amount is sized based on HPD’s estimate of temporary staffing and other services to manage the pipeline for New York City through Fiscal Year 2026. In the event funds in the CAP Account are not committed or expended within the three-year time frame and the Program is not extended, HPD and the Corporation are expected to execute a control agreement indicating that funds will be redirected towards other HPD programs that meet the Corporation’s statutory authority or future HPD/HDC affordable housing projects approved by OMB and HPD.

Through the CAP, HPD is expected to request HDC to issue request for proposals (“RFP”) and enter into contracts with temporary staffing companies, consultants and outside counsel to provide legal counsel; training and project management support to HPD’s development team as it rebuilds capacity in its loan programs; and recommendations to increase efficiency in development processes for multi-family affordable housing transactions or to use funds in the CAP Account to reimburse HPD for payments made under an existing contract with a temporary staffing company (“Eligible Use”). HPD and HDC will agree to a standard form of RFP and in the event HPD requests HDC to issue an RFP, HDC will confirm that the scope of work and use of funds is in accordance with the MOU and in compliance with HDC’s statutory authority. HDC retains sole discretion to determine if a particular contract and/or use of funds from the CAP Account is an Eligible Use. HDC will provide quarterly reporting to HPD of the amounts in the account.

In exchange for the Corporation providing funding for the CAP, HPD will grant funds to HDC for one or more new construction or preservation projects financed by the Corporation (“HDC Project Loan”) that will be presented to the Members at a future date, in an amount equal to the Corporation’s allocation to the CAP Account. HPD’s funding of the HDC Project loans will be in lieu of the Corporation using its own unrestricted reserves for such loans pursuant to HDC’s programs and term sheets. The HDC Project Loans will be made in the Corporation’s name and funded by an HPD grant to HDC pursuant to Section 661 of the Private Housing Finance Law.

Risks and Risk Mitigation

All risk associated with the Program and the CAP Account will be HPD's risk. HPD shall hold HDC harmless for any payments made in accordance with the MOU. HDC will not enter into any contracts unless the aggregate contract amount due under each individual contract is currently on deposit in the CAP Account. Upon execution of any contract, the aggregate contract amount will be committed, and funds shall be reserved for payment of such contract from the CAP Account. HDC shall be indemnified, defended and held harmless by HPD against all liabilities, damages, costs and/or expenses, or claims against HDC arising out of the operations of the CAP Account and any of the RFPs or contracts HDC issues or executes in connection with the CAP. Any risk to the Corporation related to the timing of receipt of City Capital funds from HPD to fund HDC Project Loans is mitigated by the requirement that HPD fund the grant to HDC before HDC makes any deposit to the CAP Account.

Fees

HDC will charge a \$25,000 annual administration cost to administer the Program pursuant to the MOU.

Action by the Members

The Members are requested to authorize (i) the use of up to \$12,800,000 of the Corporation's unrestricted reserves to fund the CAP Account to pay for temporary services to increase HPD's staff capacity; and (ii) the execution by an Authorized Officer of the Corporation of contracts that conform to the Eligible Uses and any other documents necessary to accomplish the Capacity Accelerator Program.