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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

April 2, 2020

Ms. RuthAnne Visnauskas
Commissioner/Chief Executive Officer
Homes and Community Renewal
Hampton Plaza
38-40 State Street
Albany, NY 12207

Re: Low-Income Housing Trust Fund
Program
Report 2019-F-44

Dear Commissioner Visnauskas:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of Homes and Community Renewal to implement the recommendations contained in our audit report *Low-Income Housing Trust Fund Program* (Report [2013-S-32](#)).

Background, Scope, and Objective

Established as a public benefit corporation in 1985 under Section 45-a of the Private Housing Finance Law, the Housing Trust Fund Corporation (Corporation) administers the Low-Income Housing Trust Fund Program (Program). The Corporation's mission is to further community development through the construction, development, revitalization, and preservation of low-income housing; the development and preservation of businesses; the creation of job opportunities; and the development of public infrastructure and facilities. The Program provides funding to eligible applicants to construct low-income housing; rehabilitate vacant, distressed, or underutilized residential property; or convert vacant or underutilized non-residential property to low-income housing. The Program received annual appropriations totaling \$44.2 million for 2017 through 2019 and generally provides up to \$125,000 per housing unit or a total of up to \$2.4 million per project selected to receive funding.

Program funds are awarded through a Unified Funding Process, wherein applicants apply for housing resources through Unified Funding Multi-Family Program Requests for Proposals (RFPs). According to a Homes and Community Renewal (HCR) report, for 2014 through 2018, Program awards totaled about \$218 million for 91 housing projects, developing 4,775 housing units across the State.

Our initial report, issued on August 25, 2014, examined whether Program funds were being awarded and disbursed in an efficient manner to help meet the State's critical low-income housing needs. The audit covered the period April 1, 2008 through December 11, 2013.

During the initial audit, we found that a significant number of projects were being delayed by at least six months, due to, among other issues: questionable award decisions, lax monitoring or enforcement of expectations, and delays in key approvals. We also found that the Program did not consistently adhere to its own policies regarding the project award process. Moreover, the Program did not adequately document management decisions to award funding to projects that scored lower than others based on criteria such as community impact/revitalization, financial leveraging, and project readiness. The lack of compliance with policies and transparency regarding awards challenges the integrity of the Program.

The objective of our follow-up review was to assess the extent of implementation, as of February 6, 2020, of the three recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

HCR officials made some progress in addressing the problems we identified in the initial audit report. Of the initial report's three audit recommendations, one was implemented, one was partially implemented, and one was not implemented.

Follow-Up Observations

Recommendation 1

Adhere more closely to the policies and procedures in place for awarding low-income housing projects.

Status – Not Implemented

Agency Action – Program policies and procedures are primarily documented in HCR's RFPs. According to the policies, consideration is given based on funding availability; feasibility; site suitability; application competitiveness; applicant's ability to meet HCR criteria for funding described in the RFP; applicant's ability to advance State housing goals; and HCR's assessment of cost reasonableness, geographic targeting, environmental review, and design guidelines. While HCR does not exclusively rely on one specific scoring criterion when making award recommendations, a successful application must receive favorable underwriting, and architectural and engineering assessments. When projects with less favorable assessments are funded (those with significant underwriting, or architectural and engineering issues), HCR officials issue a Commissioner's Determination or maintain other documentation to justify the deviation from established criteria in selecting those projects.

We reviewed a judgmental sample of ten projects funded in 2014 through 2018

and found that four were funded based on established criteria and the remaining six were assessed less favorably or had deviated from some other criteria.

Recommendation 2

Document the reasons for any management decisions to fund projects that do not adhere to the established criteria.

Status – Implemented

Agency Action – We reviewed a judgmental sample of ten projects awarded funding and found that four adhered to established criteria and six did not. We also found that HCR officials documented the reasons for their management decisions to fund the six projects that did not adhere to established criteria.

Projects are scored through the Unified Funding Process using criteria from the funding source offering the greatest financial benefit to the project. Three of the six projects that did not adhere to established Program criteria also received Low-Income Housing Credit (LIHC) funding and were scored using LIHC program criteria. According to LIHC program criteria, HCR may not fund a project that significantly exceeds the costs of other proposed projects submitted in the same funding round, unless that project furthers State housing goals. While these three projects did not adhere to Program criteria, Commissioner's Determinations were posted on HCR's website because the projects were also awarded LIHC program funding. For the remaining three projects, HCR officials provided internal memorandums, project summaries, and review documents to support decisions that deviated from established Program criteria. Unlike the Commissioner's Determinations, these documents were not posted on HCR's website.

Recommendation 3

Develop a more formalized monitoring system that produces routine internal management reports, to monitor all aspects of the program – including the pre-construction phase – to ensure low-income housing units are produced more timely.

Status – Partially Implemented

Agency Action – HCR officials provided a weekly report they use to monitor project status. This report tracks various stages – pre-construction, construction, and post-construction – of the project. The report also tracks projected, revised, and actual dates per project development letters and other agreements and contracts, along with other key dates. Additionally, officials provided quarterly reports that include a list of all Corporation projects and their statuses and the amount of funding awarded. The five status categories are: withdrawn, pre-construction, under construction, substantially complete, and complete. According to HCR officials, these reports are shared with the Corporation's Board of Directors quarterly. Although these reports can be used to monitor the current status of Program projects, they do not track performance related to critical milestones such as the time from application

to award date and award date to the funding commitment letter. We maintain that these performance measures warrant routine monitoring by Program management.

Major contributors to this report were Diane Gustard, Ryan Wendolowski, and Leanna Dillon.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We thank the management and staff of HCR for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Aida Solomon
Audit Manager

cc: Ronald Dickens, HCR