



ANDREW M. CUOMO
GOVERNOR

DARRYL C. TOWNS
COMMISSIONER/CEO

NEW YORK STATE
DIVISION OF HOUSING
& COMMUNITY
RENEWAL

November 25, 2014

HOUSING
TRUST FUND
CORPORATION

The Honorable Andrew M. Cuomo
Governor of the State of New York
The Capitol
Executive Chamber
Albany, NY 12224

STATE OF
NEW YORK MORTGAGE
AGENCY

NEW YORK STATE
HOUSING FINANCE
AGENCY

NEW YORK STATE
AFFORDABLE HOUSING
CORPORATION

Dear Governor Cuomo:

STATE OF
NEW YORK MUNICIPAL
BOND BANK AGENCY

Pursuant to Section 170 of the Executive Law, I write this letter in response to the Office of the State Comptroller's Report 2013-S-32, *Low Income Housing Trust Fund Program*, issued on August 25, 2014.

TOBACCO SETTLEMENT
FINANCING
CORPORATION

Homes and Community Renewal (HCR) agreed to take specific corrective action to address the issues and concerns identified in the audit report. Specifically, this response will describe what steps have been taken to implement the recommendations made by the Office of the State Comptroller ("OSC").

Recommendation 1:

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

HCR believes it is complying with program policies and procedures in awarding funds to low income housing projects. While HCR was pleased to work with OSC and benefited from the insights gained from the audit process, in some cases the audit report blurred the line between past and current practices and in other cases did not accurately describe HCR's policies.

For example, the final audit report found that in some instances preliminary underwriting determinations did not support award decisions. However, since 2011, preliminary underwriting determinations, such as the ones identified in the draft report, have been subject to subsequent review and final determination by a supervising underwriter. The result of this supervisory review has been to ensure greater consistency in the application of agency underwriting policies and to guard against any personal bias in the review process. OSC agrees "that this new process is an important internal control that can help ensure that management's award decisions are consistent with agency policy..."

Also, in an effort to better substantiate program compliance, HCR has already implemented procedures and dedicated resources to more rigorously document the agency's compliance with its own program policies. Many of these enhancements

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were put into place prior to the release of the draft audit report and were in use during the 2013 Unified Funding round.

Recommendation 2:

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

Prior to the audit, HCR had already implemented changes to improve the openness of the HTF award process and to better document its decisions. To ensure greater transparency, HCR posts Commissioner's Determinations on its web site to highlight the specific reasons why lower scoring projects are selected for funding. HCR will continue to use and refine this practice in future funding rounds. These Determinations can be accessed through the following links to the Agency's webpage:

<http://www.nysHCR.org/Funding/UnifiedFundingMaterials/2012/CommissionerDeterminations.htm>

<http://www.nyshcr.org/Funding/UnifiedFundingMaterials/2013/2013UFCommissionerDeterminations.htm>

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.

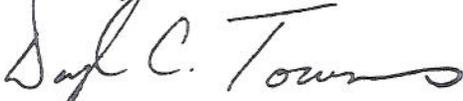
HCR already invests considerable time and staff resources to expedite the delivery of affordable housing. HCR does have a centralized reporting and monitoring system that is actively supplemented, verified, and updated using data provided through tracking spreadsheets and regular reports from project managers and development directors. Due to the complex nature of many HTF projects, delays occur that most often have nothing to do with the quality of HCR monitoring. The report's suggestion that deficiencies in project monitoring increase the likelihood of project delays is unsupported by evidence. In fact, the report itself acknowledges that, "projects incurring delays have unique reasons for the setbacks."

HCR shares OSC's concern about the timely production of affordable housing. As such, HCR will continue working to evaluate and further improve its project tracking capabilities in order to ensure that it can identify project delays earlier and address those delays more effectively. Consistent with that concern and the need for transparency in its operations, HCR has already implemented a reporting process that provides the HTFC Board of Directors with comprehensive information on the status of all prior awards on at least a quarterly basis. A copy of the most recent quarterly status report has been attached for your review. Moreover, in an effort to further strengthen Board oversight of awarded projects, all HTF award authorizations approved by the HTFC Board of Directors now lapse one year from the date of initial authorization if a project has not closed on all financing sources needed to complete the awarded project.

Also, it should be noted that in an effort to expedite award decisions and accelerate the delivery of housing units, HTFC has made significant technology investments and numerous organizational changes that have dramatically reduced application processing times. As a result of these actions, the average application processing time for the five funding rounds initiated since 2011 has been reduced to only 93 days. By comparison, the average application processing time for the three funding rounds initiated prior to 2011 was 175 days.

We hope that you find this response helpful and look forward to answering any questions you might have about HCR's administration of the Low-Income Housing Trust Fund Program.

Sincerely,

A handwritten signature in cursive script that reads "Darryl C. Towns". The signature is written in dark ink and is positioned above the printed name and title.

Darryl C. Towns
Commissioner/CEO

cc: Honorable Thomas P. DiNapoli, State Comptroller
Honorable Dean G. Skelos, NYS Senate Majority Leader
Honorable Andrea Stewart-Cousins, NYS Senate Minority Leader
Honorable John A. DeFrancisco, NYS Senate Chair, Finance Committee
Honorable Liz Krueger, NYS Senate Ranking Minority Member of Finance Committee
Honorable Sheldon Silver, NYS Assembly Speaker
Honorable Joseph Morelle, NYS Majority Leader
Honorable Brian M. Kolb, NYS Minority Leader
Honorable Herman Farrell Jr., NYS Assembly Chair Ways and Means Committee

Attachments: HTFC Quarterly Report for Period Ending 9/30/14

