Getting the Basics Right:

Fiscal, Managerial, and Policy

Priorities for Recovery,

Stability and Prosperity

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INTRODUCTION

On January 1, 2022, amid New York City's somewhat sputtering recovery from the COVID-19 pandemic and recession, Eric Adams will be sworn in as New York City's 110th Mayor. To ensure that New York recovers, stabilizes, and ultimately thrives, the incoming Administration should set and implement fiscal, managerial, and policy priorities that will boost the city's economy and competitiveness, and provide the services and opportunities necessary for New Yorkers to flourish.

In some ways, prior recoveries provide limited guidance for the incoming Administration; this recession differs from those before, and the recovery is likely to be unique. For example, the collapse of the service sector led to the unprecedented decline in its employment; the city's recovery may bring in new structural changes in its economy with different work schedules, commuting patterns, commercial travel, and leisure tourism.

Given the uncertainty, in many respects, the path forward should focus on getting the basics right. The right set of focused fiscal, managerial, and policy priorities will help ensure that the City delivers high-quality services New Yorkers need now, promotes the city's long-run stability and competitiveness, and improves the quality of life and opportunity for all New Yorkers, especially those in need. These priorities encompass:

- Fiscal — Using federal aid wisely, achieving sustainable spending and workforce levels, and growing the Rainy-Day Fund (RDF);

- Managerial — Focusing on critical needs, delivering priority services efficiently and effectively, relentlessly managing performance, reporting data publicly, and working with municipal labor unions to effectuate change; and

- Policy — Reducing constraints to housing production, supporting New York City Housing Authority's (NYCHA's) proposed plans to ameliorate capital and operating needs, reforming the property tax, and rationalizing economic development incentives.

FISCAL PRIORITIES

Federal COVID-related aid and the higher-than-expected tax revenue in fiscal year 2021, improved the City's short-term fiscal condition. However, its long-term challenges and significant risks remain. Annual budget gaps beginning in fiscal year 2023 are currently estimated to be between $3.9 billion and $4.1 billion by the de Blasio Administration. These gaps are slightly lower than should be projected based on available information.

Pension contributions will be lower due to strong investment returns and tax revenues likely will be higher than currently projected, narrowing the gaps. These resources will be more than offset by some de Blasio Administration fiscal policies that exacerbate future fiscal stress. The budget includes about $1.3 billion in unspecified recurring labor and attrition savings, uses non-recurring federal revenues to fund significant recurring programs, and uses higher-than-expected fiscal year 2021 City revenues to fund recurring programs for only one year. Once those items are accounted for, the gaps are between $3.9 billion and $4.8 billion.

Most importantly for the incoming Administration, the next round of labor contracts will likely increase City costs significantly if the raises are not offset by productivity increases or other resources. To narrow these gaps, stabilize City finances, and prepare for a future economic downturn the City should use federal aid wisely, restrain spending and the workforce to fiscally sustainable levels, and make deposits into its Rainy-Day Fund.

Use Federal Aid Wisely

Multiple federal stimulus bills, the most recent being the $1.9 trillion American Rescue Plan (ARP), are supporting residents, businesses, and governments through the pandemic and recession. If used wisely, these one-time resources would allow the City to support relief for New Yorkers and businesses in need, bolster recovery, provide runway time to restructure government to be sustainable, and help the City fund reserves needed for the inevitable next recession. To use the federal aid wisely, the City should:

- Spread federal aid over multiple years to provide time to restructure spending to be sustainably supported with recurring revenues.

- Avert unnecessary service cuts.

- Support temporary, targeted programs that address hardships of the pandemic and recession and promote the city's recovery, focused on areas not supported by the federal and State programs to ensure maximum impact without duplication.[1]

[1] Andrew Perry, "Complement, Don't Duplicate: Targeting NYC Small Business Recovery Programs," Citizens Budget Commission Blog (June 21, 2021), https://cbcny.org/research/complement-dont-duplicate.

- Not fund recurring programs with these non-recurring revenues, since that creates the need to either identify recurring funding streams or eliminate services in the future.

- Publicly provide data on the use and impact of federal funds.

New York City currently is expecting $21.1 billion in COVID-related federal aid from fiscal year 2020 through fiscal year 2025. Some of this is reimbursement for pandemic-related expenses and support for specific recovery efforts. While these and some other funds are for specific purposes, such as emergency shelter grants and funding for elections held during the pandemic, the City has significant flexibility in allocating $5.9 billion in Local Recovery Funds from the ARP and flexibility within education to allocate $7.0 billion in aid for reopening schools and addressing learning loss in elementary and secondary schools (funding from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) and ARP). While the City's plan reversed $2.1 billion in planned budget reductions, in many ways it fails to follow CBC's guidelines.[2] Instead, it:

- Fails to leverage the aid to help restructure operations to be more fiscally sustainable.

- Lacks a clear strategy and sprinkles funds among many small, disparate recovery programs.

- Uses non-recurring federal aid to fund recurring and potentially recurring programs.[3] Fully $1.3 billion supports recurring programs, including expansion of education for 3-year olds and enhanced administrative reimbursements for nonprofits. Another $2.7 billion supports potentially recurring programs—those that will develop constituencies

[2] Ana Champeny, "To Cross the Bridge Wisely: Strategies for NYC's Fiscal Year 2022 Executive Budget," Citizens Budget Commission Blog (April 20, 2021), https://cbcny.org/research/cross-bridge-wisely.
[3] Ana Champeny, Federal Aid Now, Fiscal Cliffs Later: The Missed Opportunity for NYC Budget Stability (Citizens Budget Commission, May 24, 2021), https://cbcny.org/research/federal-aid-now-fiscal-cliffs-later.

and expectations the programs continue beyond the federal funding. This creates a $1.3 billion to $4.1 billion fiscal cliff in fiscal years 2025 and 2026.

- Uses federal funds for recovery programs that may duplicate or overlap with existing federal and State programs.[4]

- Does not transparently report COVID-related federal funding and expenditures. While the City posts financial data quarterly to Open Data, no programmatic outputs or outcomes are included, and the data posted require significant time and knowledge to analyze.

The incoming Mayor's ability to modify the current plan will be limited due to resources having been obligated and future expectations set. Nonetheless, to improve the impact of the federal aid, the incoming Administration should identify programs that are not sufficiently strategic and beneficial, end them and freeze associated hiring, and then reallocate those federal funds to more beneficial uses. It also should determine which recurring programs to phase out and which to shift to recurring funding. The current or next Administration also should make public detailed data on federal COVID revenues, expenditures, and program activities, including indicators of outputs and outcomes.

Achieve Sustainable Expenditure and Workforce Levels

Prior to the pandemic, during the historic economic expansion, City spending and headcount increased significantly. In fiscal years 2018 and 2019, City-funded spending grew more than 6 percent annually; fiscal year 2022 City-funded expenditures are expected to be $18 billion (34

[4] Andrew Perry, "Complement, Don't Duplicate: Targeting NYC Small Business Recovery Programs," Citizens Budget Commission Blog (June 21, 2021), https://cbcny.org/research/complement-dont-duplicate.

percent) higher than fiscal year 2014. Similarly, the workforce increased by nearly 30,000, or 10 percent, from fiscal year 2014 to its peak of 327,110 in September 2019. While some of the budget and headcount growth is due to new programs with likely demonstrable positive impacts, such as universal pre-kindergarten, the balance bolstered spending among many different areas without an effort to offset the headcount or fiscal growth by increasing efficiency.

To bring spending and the workforce to a sustainable level, the incoming Administration should deploy two strategies that the Mayor-elect embraced during the campaign: a regular, periodic Program to Eliminate the Gap (PEG) that identifies and implements recurring savings and continued, modest workforce reduction through attrition.[5] The PEG program should include all agencies and City-wide functions, and help the City:

- Redesign programs or services, or shrink or eliminate less cost-effective ones.
- Improve operations through use of technology or process redesign.
- Share resources across agencies or reduce/eliminate duplicative processes.
- Strengthen centralized management of cross-agency operations, such as those for vehicles, office space, and energy.[6]

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[5] Ana Champeny, "To Cross the Bridge Wisely: Strategies for NYC's Fiscal Year 2022 Executive Budget," Citizens Budget Commission Blog (April 20, 2021), https://cbcny.org/research/cross-bridge-wisely, and Hard Choices That Can Balance New York City's Budget (Citizens Budget Commission, June 10, 2020), https://cbcny.org/research/hard-choices-can-balance-new-york-citys-budget; and Eric Adams 2021, Eric Adams' 100+ Steps Forward for NYC, https://ericadams2021.net/wp-content/uploads/2021/06/EricAdams2021_100Step_Plan.pdf.

[6] Riley Edwards, "PEGging It Right: Guidelines for the PEG Process," Citizens Budget Commission Blog (March 5, 2019), https://cbcny.org/research/pegging-it-right.

The associated attrition effort should ensure employees are hired only when there is a proven need for a function and the unit into which the staff is hired already operates efficiently. Furthermore, vacant positions should be reduced and redistributed across functions and agencies to provide the capacity needed to hire for high-quality, effective, high-priority services.

The City should also bring health and welfare benefit costs to sustainable levels, which requires negotiating changes with municipal labor unions.[7] Unlike most public and private sector employers, the City provides employee and retiree health benefits with no premium-sharing in most cases. The City's costs now total nearly $7.2 billion a year, having grown an average of 4.2 percent per year since fiscal year 2014.

Reasonable premium sharing at rates lower than those paid by New York State employees would reduce City costs significantly. The rates can be structured so that lower-compensated workers pay a smaller relative share of the premium and more highly-compensated employees pay a larger portion. This savings approach is preferable to reducing benefits or increasing co-payments, which would be less affordable for lower-salaried employees.

Additionally, the City's retiree health benefits are particularly generous - comprising about one-third of the City's health insurance spending and generating a $122 billion City long-term fiscal liability for other postemployment benefits (OPEB).[8] Reforms such as modest retiree health benefit cost sharing would substantially reduce the City's annual cost and long-term liability. The

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[7] Ana Champeny and Maria Doulis, How to Make $1 Billion in Labor Savings Real & Recurring (Citizens Budget Commission, September 2, 2020), https://cbcny.org/research/how-make-1-billion-labor-savings-real-recurring.

[8] Thad Calabrese, The Price of Promises Made: What New York City Should Do About Its $95 Billion OPEB Debt (Citizens Budget Commission, October 25, 2017), https://cbcny.org/research/price-promises-made; and Office of the New York City Comptroller, Annual Comprehensive Financial Report for the Fiscal Years Ending June 30, 2021 and 2020 (October 29, 2021), https://comptroller.nyc.gov/wp-content/uploads/documents/FY_2021_ACFR.pdf.

City recently agreed with the Municipal Labor Committee (MLC), a consortium of municipal labor unions, to shift retirees from a supplemental Medicare plan to a Medicare Advantage Plus plan with the option of paying the monthly cost to stay on the current plan.[9] This should lower City benefit costs and reduce the OPEB liability. However, the agreement stipulates that savings be deposited in the Health Insurance Premium Stabilization Fund that is co-managed by labor and the City, which in the past has been used to provide additional benefits, support wage increases, or "save" health care costs. Thus, while benefit costs will decrease, the City's spending will not. With the funds merely deposited into the Stabilization Fund, the agreement will not reduce future City budget gaps.

Finally, most employees and retirees also receive benefits from one of more than 100 separate welfare funds managed by various unions. Consolidating these funds could provide comparable or better benefits at lower costs, due to administrative economies of scale and group purchasing power.[10]

Contribute to the Rainy Day Fund

Even though New York City's recovery is nascent and precarious, the City should start building the reserves needed to weather the inevitable next recession, which may not be as far off as some may hope. Since 1975 the average length of a recovery in New York State has been just under six years.

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[9] City of New York, Office of the Mayor, "Mayor de Blasio, Commissioner Campion Announce New and Improved Health Benefits Program for City Retirees," (press release, July 14, 2021), https://www1.nyc.gov/office-of-the-mayor/news/497-21/mayor-de-blasio-commissioner-campion-new-improved-health-benefits-program-city.

[10] Mariana Alexander, Union-Administered Benefit Funds: Getting More Out of a Billion Dollar Taxpayer Contribution (Citizens Budget Commission, February 8, 2018), https://cbcny.org/research/union-administered-benefit-funds.

For decades, New York City has not been able to have a true RDF due to legal constraints within the Financial Emergency Act for the City of New York enacted after the 1970's fiscal crisis.[11] This fiscal management shortcoming was rectified by a New York City Charter referendum in 2019 and State legislation in 2020.[12] The creation of the RDF unlocked the City's $488 million fund balance that previously had been legally inaccessible.[13] In fiscal years 2020 and 2021, the City's annual $5 million surplus was added to the balance, bringing the total to $498 million. The Fiscal Year 2022 Adopted Budget includes an additional $500 million deposit this year but no deposits in future years.[14]

The incoming Administration should deposit funds regularly into the RDF and improve its legal framework. The State's RDF enabling law inappropriately allows withdrawals when there is no

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[11] New York State Senate, New York State Financial Emergency Act for the City of New York 868/75, Unconsolidated Laws of New York (accessed July 29, 2021), www.nysenate.gov/legislation/laws/FEA/2.

[12] New York State, Chapter 118 of the Laws of 2020.

[13] Each year, NYC typically ends with a $5 million surplus. Because the City funded current year expenditures with current year revenues, under generally acceptable accounting principles, this surplus was reflected as nonspendable resource in the general fund. As of the end of fiscal year 2019, the total nonspendable general fund balance was $488 million. In the fiscal year 2021 audited financials, the City restated fiscal year 2019, moving the $488 million from nonspendable fund balance to committed fund balance, and adding the $5 million fiscal year 2020 surplus to bring the balance to $493 million. See Note A.20 in Office of the New York City Comptroller, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020 (October 30, 2020), https://comptroller.nyc.gov/wp-content/uploads/documents/CAFR2020.pdf.

[14] Office of the New York City Comptroller, *Annual Comprehensive Financial Report for the Fiscal Years Ending June 30, 2021 and 2020* (October 29, 2021), https://comptroller.nyc.gov/wp-content/uploads/documents/FY_2021_ACFR.pdf, and fiscal year 2020 edition.

recession or emergency.[15] The City should enact a local law to limit withdrawals to a recession or severe emergency, both of which should be legally defined. To bolster the fund over time, the new City law should mandate deposits when the economy is expanding. CBC recommends the City deposit 75 percent of the tax revenue growth in excess of three percent per year.[16] Resources also should be deposited when available due to other circumstances, such as the current massive influx of federal aid. Planned deposits should be reflected in the City's four-year financial plan.

MANAGERIAL PRIORITIES

Fiscal sustainability is critical but does not guarantee New York's competitiveness and quality of life. To deliver efficient and high-quality services to residents, businesses, and visitors, the City must be well managed and foster innovation. The Mayor will need a strong, competent team with management experience to oversee operations, ensure delivery of high-quality services, support and hold agencies accountable for results, and manage an enormous workforce. The Administration should articulate clear goals, prioritize core services, utilize a robust performance management system, and collaborate with labor for changes to enable the City to deliver quality services effectively and efficiently.

[15] "Provided that no more than fifty percent of the total amount of such fund may be withdrawn in any fiscal year unless the mayor has certified that there is a compelling fiscal need, which may be based on circumstances including, but not be limited to, a national or regional recession, a reduction in total revenues from the preceding fiscal year as projected in the financial plan of the city of New York, a natural or other disaster, or a declared state of emergency in the city of New York or the state of New York." New York State, Chapter 118 of the Laws of 2020.

[16] Charles Brecher, Thad Calabrese, and Ana Champeny, To Weather a Storm: Create an NYC Rainy Day Fund (Citizens Budget Commission, April 18, 2019), https://cbcny.org/research/weather-storm.

Deliver Priority Services Effectively and Efficiently

To get the basics right in this time of uncertainty the City should prioritize core services, especially education, public safety, sanitation, and public health. The following recommended improvements provide examples of steps that can and should be taken. But more is needed, and these are not intended to be comprehensive.

- Department of Education (DOE): Despite spending more per student that most large urban school districts, NYC public schools vary in quality, and many students are not meeting desired performance levels. In fiscal year 2019, the most recent year with available data, less than 50 percent of third to eighth graders were meeting or exceeding standards in either math or English language arts.[17] The City should critically assess how resources—including federal aid for school reopening—are allocated across schools to maximize student achievement and reduce educational disparities. Providing every school its Fair Student Funding amount, a student need-based weighted funding formula, is an excellent first step. The City also should evaluate the allocation of resources within schools to determine if certain approaches improve school effectiveness, such as the allocation between the classroom and outside-of-class enrichment or remediation, the levels of extra-curricular or social and emotional support, among others. Since quality teachers are likely

[17] In fiscal year 2019, 47.4 percent of third to eighth graders were meeting or exceeding standards in English Language Art, and 45.6 percent of third to eighth graders were meeting or exceeding standards in math. City of New York, Mayor’s Office of Operations, Mayor’s Management Report (September 2021), https://www1.nyc.gov/assets/operations/downloads/pdf/mmr2021/doe.pdf. According to the National Center for Education Statistics, in 2017, NYC spent the most per student among the 100 largest districts, see: National Center for Education Statistics, “Revenues and Expenditures for Public Elementary and Secondary School Districts: FY 17” (Finance Tables, March 2020), https://nces.ed.gov/pubs2020/2020303.pdf. For trends in student outcomes in schools and inequities, see: The Research Alliance for New York City Schools¸ “How Have Key Student Outcomes Changed in NYC Schools?” https://steinhardt.nyu.edu/research-alliance/research/spotlight-nyc-schools/how-have-key-student-outcomes-changed-nyc-schools.

the most important school-based factor for student achievement, the City also should focus on how better to assess teacher performance and improve the system of accountability. Finally, DOE should determine if the funds allocated to central administration and district offices are the appropriate amount and spent on the appropriate functions to maximize educational outcomes.

- Department of Sanitation (DSNY): The City's cleanliness suffered during the pandemic due to budget reductions, staff shortages from COVID, and a significant shift in the locations where trash was being generated. Furthermore, DSNY's productivity, measured in tons collected per truck shift, had declined in recent years in part because labor contracts and administrative districts do not allow routes to be adjusted easily as needs change.[18] DSNY also has rarely deployed different equipment or policies that can increase efficiency and modify resident waste behavior.

  DSNY should work with labor to change work rules to optimize collection routes, increase flexibility in collection frequency to align with the amount of waste to be collected, and modernize labor differential payments to incentivize higher productivity under current collection procedures.[19] The City should also explore volume-based fees, which have been successful in reducing waste generation and increasing recycling in other cities by making

[18] Productivity did increase in in fiscal year 2021, likely due to New Yorkers staying and working from home. City of New York, Mayor's Office of Operations, Mayor's Management Report (September 2021), and September 2014 to 2020 editions, https://www1.nyc.gov/site/operations/performance/mmr.page. Testimony of Adrian Pietrzak, Research Associate, Citizens Budget Commission, before the New York City Council Committee on Sanitation and Solid Waste Management, Testimony on Getting to Zero Waste (April 21, 2021), https://cbcny.org/advocacy/testimony-getting-zero-waste.

[19] Tammy Gamerman, Getting the Fiscal Waste Out of Solid Waste Collection in New York City (Citizens Budget Commission, September 23, 2014), https://cbcny.org/research/getting-fiscal-waste-out-solid-waste-collection-new-york-city.

the cost of refuse disposal clearly visible to residents.[20] Furthermore, the City could increase containerized collection, for example by utilizing street furniture as a centralized collection point.

- Health + Hospitals (H+H): The pandemic highlighted H+H's crucial role in the City's safety net. The incoming Administration should continue efforts to improve its quality and efficiency, but also improve its fiscal stability and sustainability.[21] If City subsidies that now total $2 billion annually continue to increase, they will challenge both the City's and H+H's fiscal sustainability.[22] The City should benchmark H+H's unit costs and revenue recovery ratios against nonprofit safety net providers in the city to improve H+H's efficiency and guide the City subsidy level. Furthermore, H+H's scope of services should be examined in the context of its share of citywide services, given other safety net and academic medical centers. Finally, the City should work with the State to implement Medicaid reforms that would more equitably distribute State Medicaid support.

Expand Performance Management and Reporting

Managing the City's ongoing operations and ensuring initiatives are successfully implemented requires both a management accountability process and the right performance measures. The City has many management processes and produces extensive data, but it lacks a universal

[20] Tammy Gamerman, A Better Way to Pay for Solid Waste Management (Citizens Budget Commission, February 5, 2015), https://cbcny.org/research/better-way-pay-solid-waste-management.
[21] Patrick Orecki and Charles Brecher, A New Approach to Funding New York City Health + Hospitals (Citizens Budget Commission, December 16, 2019), https://cbcny.org/research/new-approach-funding-new-york-city-health-hospitals.
[22] Office of the New York State Comptroller, NYC Health + Hospital Check-Up: The Impact of COVID-19 (September 2021), https://www.osc.state.ny.us/files/reports/osdc/pdf/report-9-2022.pdf.

and comprehensive performance management system to hold agencies accountable for delivering high-quality, cost-effective services.

The incoming Administration should champion comprehensive performance management as a tool to improve operations rather than merely as a release of data to the public, another campaign theme of the Mayor-elect.[23] Cascading from City Hall to and within agencies, the City should establish a performance management framework that should be adapted to agencies given their operations and culture. The system also should drive decisions to prioritize, expand, contract, or eliminate programs; it also should be tied to and inform the City's budget allocations and PEG program.

City agencies produce and use many performance measures, and the Mayor's Management Report (MMR) presents the City's core metrics. The MMR, however, currently falls short due to its focus on inputs and outputs and its apparent disconnect from City priorities. It does not include sufficient data on efficiency (including unit costs), effectiveness, quality, or outcomes. The City should establish and leverage a portfolio of metrics across these categories for each significant program and initiative. A core subset of these should be available to the public. The City also should ensure the MMR's identified priorities and data reflect the Administration's priorities.

Performance measurement without a management review and accountability process does not improve or ensure high-quality, efficient services. Successful performance management requires participation throughout the administrative hierarchy—from the Mayor and Deputy Mayors through agency heads, managers, and line staff. Managers and their supervisors should review the performance measures together regularly to identify shortcomings and successes, enhancements to improve performance, and solutions to performance deficiencies. Corrective

[23] Eric Adams 2021, "Eric's Government Plan" (accessed October 26, 2021), https://ericadams2021.com/erics-government-plan/.

actions identified in the process require consistent follow-up to ensure implementation, evaluate the effect of identified solutions, and adjust the actions as needed to address changing conditions.

Work with Labor Unions to Effectuate Change

The City can implement many operational improvements using its managerial prerogative; however, many others require cooperation from labor. The Adams Administration should pursue a collaborative relationship with labor that recognizes the shared interest in a thriving city and sustainable, effective, and efficient municipal government that provides good jobs and career paths for its employees. Gainsharing fiscal benefits, including to fund raises otherwise not affordable, may be an important component of an agreement; care should be taken to structure the gainsharing to provide significant enough recurring fiscal benefits to the City. Two areas for negotiation include:

- Work Rules: Many work rules in collective bargaining agreements (CBAs) date back decades and some limit the City's ability to operate efficiently. City managers and labor should identify and work to change work rules that constrain operations. For example, set shift-lengths and inflexible sanitation routes hamper DSNY's ability to optimize curbside refuse and recycling collection, which would increase productivity and reduce costs.[24] While some of the savings would accrue from needing fewer routes and sanitation workers, savings could be shared with workers or used to fund raises.

[24] Tammy Gamerman, Getting the Fiscal Waste Out of Solid Waste Collection in New York City (Citizens Budget Commission, September 23, 2014), https://cbcny.org/research/getting-fiscal-waste-out-solid-waste-collection-new-york-city.

- Raises: Ideally, City workers should receive regular raises both to keep up with the cost of living and keep City employment an attractive career option. Especially in light of the City's fiscal stress, raises should be funded through savings from productivity gains rather than increasing City expenditures. Streamlining and improving operations through redesigning processes and leveraging technology can help increase productivity as needed.

POLICY PRIORITIES

The City's economy and many residents and businesses were battered by the pandemic and recession. Commuters and residents have worked from home, draining central business districts of the foot traffic that supported retail and food service businesses. Tourism largely stopped during the pandemic's peak and is slowly starting to come back. Hotels shuttered their doors, and Broadway did not resume performances until September 2021. Furthermore, the pandemic laid bare the inequities within our health systems that led some communities to bear disproportionately the pandemic's toll.

To facilitate a robust and diverse recovery, create jobs, and improve housing affordability, the incoming Administration should prioritize policies that increase housing production, ensure the fiscal viability and quality management of the New York City Housing Authority (NYCHA), reform the City's unfair and opaque property tax system, and rationalize economic development incentives. While other policy areas also are important, focusing on these would help New York's recovery be broad and sustainable.

- Housing Production: The failure to produce sufficient housing to keep up with demand has contributed to the housing affordability crisis and hampered the city's competitiveness. City policy should focus on more than just increasing affordable housing; increasing the supply of diverse housing types across the city is an important pathway to decreasing costs for lower income New Yorkers. CBC identified four impediments to housing production: zoning constraints, limited capacity for new development, high construction costs, and inequitable and relatively high property taxes.[25] To boost housing production the next Administration should: plan for growth and set ambitious but achievable production goals across the city; rezone to increase density appropriately and allow more as of right development when aligned with City plans; modernize the City's building code to decrease costs; support reform of laws that disincentivize development such as the New York State's Scaffold Law, the Multiple Dwelling Law, and rent stabilization; and reform the property tax system to increase equity.[26]

- Capital and Operating Needs of NYCHA: Capital needs at NYCHA exceed $40 billion due to years of underinvestment, cost inflation, and costs for lead abatement.[27] NYCHA's operating costs are high relative to privately managed property and its budget has been supported by growing City subsidies that are unsustainable.[28] NYCHA has embarked on several initiatives to address these challenges. It has started to convert public housing properties from the

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[25] Sean Campion, Strategies to Boost Housing Production in the New York City Metropolitan Area (Citizens Budget Commission, August 26, 2020), https://cbcny.org/research/strategies-boost-housing-production-new-york-city-metropolitan-area; and Ana Champeny, New York City Property Taxes: 3 Things Owners and Renters Should Know (Citizens Budget Commission, December 22, 2016), https://cbcny.org/research/new-york-city-property-taxes.

[26] Testimony of Ana Champeny, Director of City Studies, Citizens Budget Commission, to the New York City Advisory Commission on Property Tax Reform, New York City Property Tax Reform (November 17, 2018), https://cbcny.org/advocacy/new-york-city-property-tax-reform.

[27] Sean Campion, Stabilizing the Foundation: Transforming NYCHA to Address Its Capital Needs (Citizens Budget Commission, July 3, 2018), https://cbcny.org/research/stabilizing-foundation.

[28] Sean Campion, "NYCHA's 2020 Operating Budget: Inefficiencies Challenge the Fiscal Outlook," Citizens Commission Blog (March 12, 2020), https://cbcny.org/research/nychas-2020-operating-budget; and Maria Doulis, Cleaning House: How to Close the New York City Housing Authority's Operating Gaps (Citizens Budget Commission, April 2019, 2015), https://cbcny.org/research/cleaning-house.

traditional federal Section 9 capital and operating subsidy programs to more lucrative and flexible alternatives under the federal Rental Assistance Demonstration (RAD) program (known locally as Permanent Affordability Commitment Together, or PACT).[29] It also has proposed creating a Preservation Trust (Trust) that like RAD/PACT would allow NYCHA to raise revenue for repairs, partner with private construction management firms as beneficial, and allow for reinvestment to avoid future funding crises, all while maintaining affordability, residents' rights, and public control.[30] Unlike RAD/PACT, the Trust would rely on more lucrative Tenant Protection Vouchers and NYCHA staff would continue to manage properties after renovations are complete. NYCHA's operational Transformation Plan would reorganize the authority to modernize its property management divisions and adopt best practices. The Administration should support these efforts, advocate for State legislation to improve operations and reform procurement rules, and lobby for federal funding and authorization to implement the plan.

❖ Reform the Property Tax: Experts and residents alike agree that NYC's byzantine property tax system is broken. Property tax burdens are unfairly and inequitably distributed.[31] Released just before the pandemic, the NYC Advisory Commission on Property Tax Reform's Preliminary Report made ten recommendations that substantially would address

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[29] Sean Campion, NYCHA 2.0: Progress at Risk (Citizens Budget Commission, September 17, 2019), https://cbcny.org/research/nycha-20-progress-risk.

[30] Testimony of Sean Campion, Senior Research Associate, Citizens Budget Commission, before the New York State Assembly Standing Committee on Housing, Testimony on New York City Housing Authority's Blueprint for Change (December 8, 2020), https://cbcny.org/advocacy/testimony-new-york-city-housing-authoritys-blueprint-change.

[31] Ana Champeny, New York City Property Taxes: 3 Things Owners and Renters Should Know (Citizens Budget Commission, December 22, 2016), https://cbcny.org/research/new-york-city-property-taxes; and Jenna Davis and Ana Champeny, "New York City Homeowners: Who's Got the Unfairest Tax Burden of Them All?," Citizens Budget Commission Blog (September 12, 2018), https://cbcny.org/research/new-york-city-homeowners.

some of the system's shortcomings; the final report is expected sometime later this year.[32] Building on the good work on the Advisory Commission, the incoming Administration should finalize a reform proposal, build a supporting coalition, develop legislative language in cooperation with State legislature, advocate for passage, and implement the reforms.

- Rationalize economic development tax incentives: The incoming Administration should clearly articulate economic development priorities and strategies and focus on how performance-based as-of-right incentives can help drive a broad, sustained recovery. The City's as-of-right and discretionary economic development incentives are ripe for reform.[33] The Administration should assess the impact and return on investment of as-of-right programs, including the Industrial and Commercial Abatement Program (ICAP), the Relocation and Employment Assistance Program (REAP), and Lower Manhattan incentives enacted after the terrorist attack of September 11, 2001. This analysis should identify lessons learned, account for the impact of COVID on the city's economy, and propose modifications to as-of-right programs to maximize the benefit.

  The City should also focus the Economic Development Corporation (EDC) on its core economic development mission rather than ferry operation or capital procurement. Lastly, the incoming Administration should increase transparency by publishing a comprehensive database of economic development incentives, including benefits paid, jobs created, and economic impact.

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[32] New York City Advisory Commission on Property Tax Reform, Preliminary Report (January 31, 2020), https://www1.nyc.gov/assets/propertytaxreform/downloads/pdf/NYC-AdvCommission-Prelim.pdf; and Testimony of Ana Champeny, Director of City Studies, Citizens Budget Commission, to the New York City Advisory Commission on Property Tax Reform, New York City Property Tax Reform (November 17, 2018), https://cbcny.org/advocacy/new-york-city-property-tax-reform.

[33] Riley Edwards, Managing Economic Development Programs in New York City: An Assessment of Progress (Citizens Budget Commission, January 2, 2018), https://cbcny.org/research/managing-economic-development-programs-new-york-city.

CONCLUSION

Mayor-elect Adams will have the incredible opportunity to lead the recovery, improve the city's quality of life, and promote greater opportunity and equity, competitiveness, and stability. While New York City has proven amazingly resilient throughout its history, the choices the incoming Administration makes will affect both the speed of the recovery and how it affects various New Yorkers. The Mayor should articulate a clear set of priorities and goals so that the City's financial and human resources are directed to where they will have the greatest impact. Priorities should be conjoined with a focus on efficient and effective execution. Combining priorities with execution will help City to recover equitably, maintain its competitive position, and improve New Yorkers' lives and prospects.