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City's New Plan on Affordable Housing: Build Less, Preserve More

By CARA BUCKLEY

Mayor Michael R. Bloomberg has changed the blueprint of his affordable housing plan to preserve more such homes but build fewer of them, a shift that nonetheless will still cost the city $1 billion more than originally anticipated.

The revamped New Housing Marketplace Plan, as the initiative is called, will now cost $8.5 billion to create or preserve 165,000 affordable homes by 2014, city officials said. Most of the extra funds will come from the city's Housing Development Corporation, which issues bonds for the housing.

The city plans to ensure that an additional 32,000 units stay affordable for the next 30 years or so, protecting vulnerable lower-income New Yorkers from the next housing boom. In 2005, the city said it would build 92,000 units and preserve 73,000 by 2014. Now, it expects to build 60,000 and preserve 105,000.

The city's definition of preserving affordable apartments means that its housing agencies refinance and renovate buildings in return for keeping rents locked in for long periods, usually decades, as opposed to letting the units rent or sell at market rates.

Most of the affordable units that the city plans to concentrate on will be occupied by New Yorkers who earn less than 80 percent of the area's median income. Affordability means that 30 percent or less of their wages would go to rent. Rafael E. Cestero, the city's housing commissioner, said that mortgages of many of the affordable rental buildings built in the 1980s were coming due, giving the city a chance to issue new ones with long-term affordability as a condition.

Mr. Bloomberg plans to formally announce the shift and the funding increase in a speech on Monday at the Furman Center for Real Estate and Urban Policy at New York University.

The housing crash and the freeze in credit markets helped prompt the shift in policy, city officials said. Banks are still slow to pay for new construction or write mortgages, and many higher-priced affordable homes that the city helped finance during the boom years continue to sit unsold. The city will still build new homes, but the cost of doing so has risen, meaning that their investment will yield fewer units, a spokesman said.

City officials said the soft market made preservation more viable. During the real estate boom, many affordable apartments were lost, often after speculators bought buildings, raised rents and drove longtime tenants out, undercutting headway the city had made toward its 165,000-unit goal. (It is nearly at the 100,000-unit mark.) Landlords and potential new owners have fewer financing options now compared with the days of the housing boom, when private equity investors were clamoring to enter the real estate market. This gives the city a window of opportunity, officials said.

“The extra money will go toward allowing us to save projects that otherwise would’ve gone to market rates, and keeping rents low, and locking that in 30 or 40 years,” Mr. Cestero said. “We have the opportunity right now to step in at a way that we weren’t able to before.”

Housing advocates praised the plan. The loss of existing affordable homes throughout the city has long been one of their prime concerns, not least for the negative effects that displacement has on families and communities.

“We’ve always advocated for more preservation because it costs less, and because preserving apartments typically makes them more available to lower-income households than new construction,” said Tom Waters, a housing policy analyst at the Community Service Society of New York, an advocacy group for the poor.

The Housing Development Corporation has stayed financially healthy despite the economic crash. It has received strong credit ratings and was the second biggest affordable-housing lender in 2009, according to the trade magazine Affordable Housing Finance.