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FOR REAL ESTATE & URBAN POLICY  
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**MOELIS INSTITUTE**  
FOR AFFORDABLE HOUSING POLICY  
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# 1

## **Should the next mayor commit to build or rehabilitate more units of affordable housing than the Bloomberg Administration has financed?**

Many of the mayoral candidates have proposed to address the city's critical shortage of affordable housing by increasing the city's financial commitment to creating and preserving affordable units. Such an expansion would require significant additional resources at a time of shrinking federal resources. The next administration will have to be creative if it seeks to increase funding for housing without taking away from other city priorities.



## THE BASICS

In 2002, Mayor Bloomberg announced the largest municipal affordable housing plan in U.S. history. In 2005, when the plan was expanded, the New Housing Marketplace Plan (NHMP) was projected to cost a total of \$7.5 billion dollars and to create and preserve 165,000 units of affordable housing in 10 years.<sup>1</sup> By the end of 2011, the city had financed the creation and preservation of 124,106 units of affordable housing across the five boroughs, as Table 1 shows.<sup>2</sup>

The price tag for these units was substantial. Between 2004 and 2011, a total of \$5.6 billion dollars in public resources were allocated to NHMP.<sup>3</sup> Eighty-four percent of

this money came from three sources: the city's capital budget (\$2.7 billion), HDC's corporate reserves (\$1.1 billion), and the city's expense budget (\$1.0 billion). The rest came from other city and federal sources.<sup>4</sup> Those figures don't cover the total development cost of NHMP, which depends upon significant private investment as well as use of the state's limited supply of tax-exempt bonds. According to the city's Department of Housing Preservation and Development, under NHMP, \$1 of narrow city subsidy (capital budget and HDC reserves) leverages in \$3.41 of private and other government dollars. The Independent Budget Office reports that the cost, again just in public monies, of all 165,000 units planned through 2014 is estimated to be \$8.3 billion.<sup>5</sup>

1 New York City Independent Budget Office. (2012, June). *The Mayor's New Housing Marketplace Plan: Recession, Funding Shifts, and Changing Goals Mean Fewer New Apartments Likely to be Built*, at 2. Retrieved from <http://www.ibo.nyc.ny.us/iboreports/nhmp2012.html> (hereinafter "IBO NHMP 2012 Report")

2 The numbers we report in Table 1 differ from those we report in our issue brief addressing housing preservation (#10 in this series). This is because the numbers that HPD reports for units financed under NHMP (reported here) are different from the numbers in the Furman Center's Subsidized Housing Information Project (SHIP) database (our free, searchable database of subsidized properties). The SHIP reports fewer preserved units than HPD because NHMP includes units that are not catalogued in the SHIP database (such as properties developed through the Housing Trust Fund or Housing Asset Renewal programs), as well as properties that left all SHIP programs but were preserved as affordable housing using city-funded programs not captured in the SHIP Database (such as the Preservation Loan Program or the Small Owner Repair Program). In our housing preservation brief, we report a higher number of new construction units because we are counting from the start of the decade (four years longer than the NHMP count) and include units financed by New York State or HUD that are not layered with city financing.

3 IBO NHMP 2012 Report at 6-7.

## CONSIDERATIONS & QUESTIONS

Expanding the creation and preservation of affordable housing could help to expand the supply and thereby alleviate the severe rent burdens faced by many New York City renters who are eligible for, but not receiving, subsidized housing or other housing assistance. It can also create jobs and help stabilize neighborhoods. However, some of the major sources currently used by the city to fund NHMP are under pressure and some are shrinking.

4 Other sources of funding between 2004 and 2011 included Low Income Housing Tax Credits (federal), the New York City Acquisition Fund, the New York City Housing Trust Fund, the Lower Manhattan Development Corporation, the 421-a Fund (city), the Tax Credit Assistance Program (federal), the Neighborhood Stabilization Program (federal), and the Weatherization Assistance Program (federal). IBO NHMP Report 2012 at 7, 10-12.

5 IBO NHMP 2012 Report at 6.



**TABLE 1: Housing Units Financed through the New Housing Marketplace Plan in New York City by Year,\* Fiscal Year 2004-2011**

	2004	2005	2006	2007	2008	2009	2010	2011	Total
New Construction	5,182	7,036	6,404	5,324	7,003	4,336	3,362	4,055	42,702
Preservation	5,025	11,296	10,921	13,084	9,953	8,108	11,337	11,680	81,404
Total	10,207	18,332	17,325	18,408	16,956	12,444	14,699	15,735	124,106

\* The years in this table represent the year that the deal closed.

Source: New York City Department of Housing Preservation and Development

### Capital Budget

The city's capital budget is, by far, the largest source of public funding for NHMP. The capital budget is primarily funded by city debt (General Obligation and other types of bonds), the debt service for which is primarily paid out of the city's expense budget.<sup>6</sup> Over the past decade, the city's total debt (the majority of which, but not all, goes toward the capital budget) has grown by 86 percent, and now exceeds \$100 billion, illustrated in Figure 1.<sup>7</sup> To finance additional affordable housing construction or rehabilitation out of the capital budget likely would require that the city either take on additional debt or limit the availability of capital dollars for projects by other city agencies like sanitation, parks, education, and transportation.<sup>8</sup> The

annual cost of debt service on additional debt would impose additional burdens on taxpayers either directly through taxes or indirectly through fees such as those for water and sewer.<sup>9</sup> In addition, constraints set by the state, fiscal prudence, and the market's assessment of the city's finances may limit the city's ability to increase its debt. Accordingly, spending more capital budget dollars on housing will involve difficult tradeoffs.

The federal HOME Investment Partnership program is the other major source of capital budget dollars that have gone toward NHMP. In fiscal years 2004 through 2011, HOME funds made up 30 percent of HPD's capital spending on NHMP.<sup>10</sup> But in fiscal year 2012, the federal government cut the city's allocation of HOME funds by 45 percent.<sup>11</sup>

6 New York City Independent Budget Office. (2013, June). *A Guide to the Capital Budget*. Retrieved from <http://www.ibo.nyc.ny.us/iboreports/IBOCBG.pdf>

7 Citizens Budget Commission. *NYC Debt Outstanding*. Retrieved from <http://www.cbcny.org/sites/default/files/NYCDebt.html#>

8 New York City Independent Budget Office (2013).

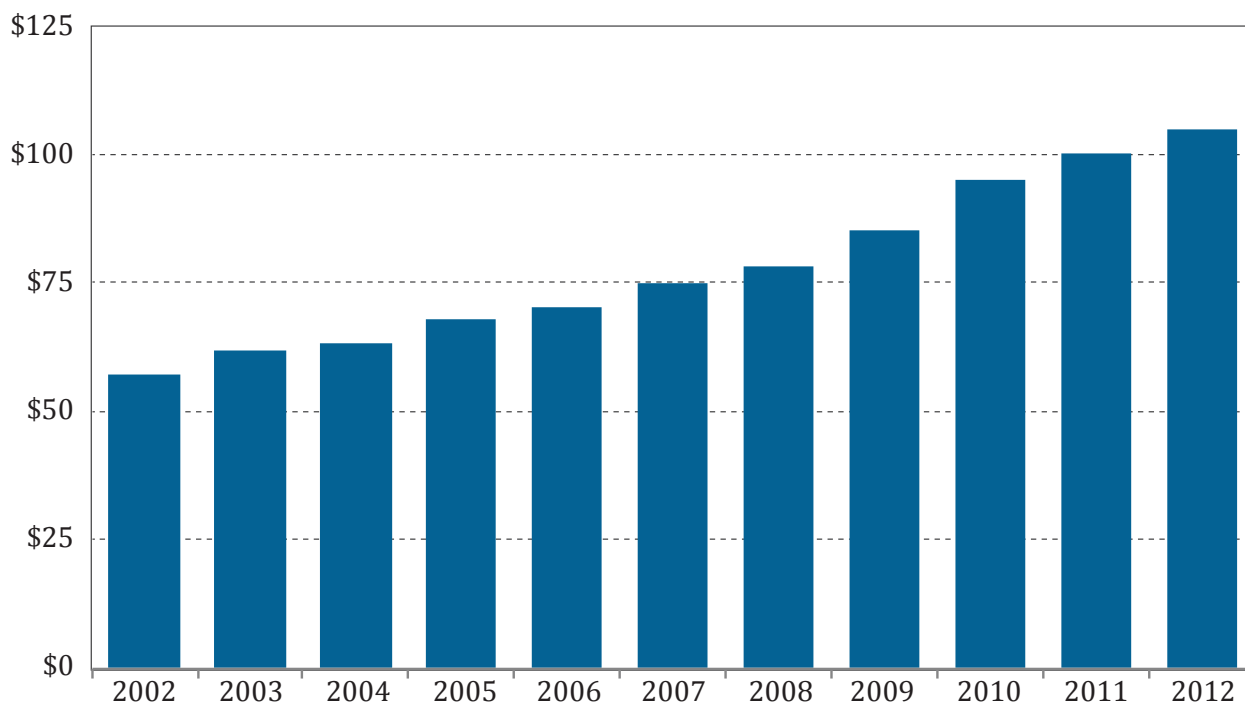
9 Citizens Budget Commission. *NYC Debt Outstanding*. Retrieved from <http://www.cbcny.org/sites/default/files/NYCDebt.html#>

10 IBO NHMP 2012 Report at 13.

11 IBO NHMP 2012 Report at 14.



**FIGURE 1: Total New York City Debt Outstanding (\$ billions), Fiscal Year 2002-2012**



Source: Citizens Budget Commission of New York (using data from the New York City Office of the Comptroller, Comprehensive Annual Financial Report for the City of New York, Fiscal Years 2002-2012)

### HDC Corporate Reserves

NHMP has also relied heavily on funding from HDC, the city's housing financing agency. By the end of 2011, HDC's corporate reserves had contributed the second-largest pool of public funds (\$1.1 billion) to NHMP, which is almost double what was originally budgeted.<sup>12</sup> HDC's ability to contribute to the plan at this level resulted from higher than expected revenues.<sup>13</sup> However, HDC's ability to spend its reserves is not unlimited, and its excess reserve levels are hard to predict. Still, HDC reserves are likely to continue to be an important source of funding for affordable housing going forward.

<sup>12</sup> IBO NHMP 2012 Report at 8-9.

<sup>13</sup> IBO NHMP 2012 Report at 8-9.

### Expense Budget

Money from the city's expense budget has been the third largest source of public funds for NHMP (\$1.0 billion by the end of 2011).<sup>14</sup> Most of the expense budget funding—71 percent—has come from federal Community Development Block Grant (CDBG) dollars.<sup>15</sup> Like the federal HOME dollars, the federal government cut the city's allocation of CDBG dollars (unrelated to hurricane Sandy) in recent years. In

<sup>14</sup> While HPD includes expense budget funds in the NHMP budget, most of those funds do not go directly toward building or preserving units. Instead, they are used to pay HPD personnel costs and to fund code enforcement and maintenance and repair programs. IBO NHMP Report 2012 at 12-13.

<sup>15</sup> IBO NHMP 2012 Report at 13.



fiscal year 2011, the city's allocation was cut by 16 percent. In fiscal year 2012, the city's allocation was cut by another eight percent.<sup>16</sup>

Further, the recent federal sequestration will likely result in further cuts to HOME and CDBG, as well as to the federal Section 8 program—another program that helps to address the affordability gap in NYC by offsetting part of households' rent bills and thereby making projects financially viable.

### Other Funding Sources

Finally, there are a number of sources in the NHMP budget that will not be available to the next administration, including the Neighborhood Stabilization Program (which has ended), the Tax Credit Assistance Program (which also has ended), the 421-a Fund (which will have been largely

spent down by the end of NHMP), the NYC Housing Trust Fund (which also will have been spent down), among others.<sup>17</sup>

In this challenging funding environment, the next administration must continue to seek creative ways to use resources more efficiently. But if the next administration seeks to expand the city's commitment to affordable housing, that may also mean spending less on other important city priorities. Candidates should explain not only how many units they will produce or preserve and how much they will spend on housing, but also where those funds will come from, what tradeoffs will be made in order to meet those goals, and how they will stretch limited dollars farther.

<sup>16</sup> IBO NHMP 2012 Report at 14.

<sup>17</sup> IBO NHMP 2012 Report at 7-12.

About the Furman Center and the Moelis Institute for Affordable Housing Policy  
The Furman Center for Real Estate and Urban Policy is a joint center of the New York University School of Law and the Robert F. Wagner Graduate School of Public Service at NYU. Since its founding in 1995, the Furman Center has become a leading academic research center devoted to the public policy aspects of land use, real estate development, and housing. The Furman Center launched the Moelis Institute for Affordable Housing Policy to improve the effectiveness of affordable housing policies and programs by providing housing practitioners and policymakers with information about what is and is not working, and about promising new ideas and innovative practices.

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