New York City Independent Budget Office

Focus On:
The Executive Budget

June 2020

Housing New York:
Capital Budget Suggests Delays in Affordable Housing Financing

Throughout his mayoralty, affordable housing has been a signature issue of the de Blasio Administration. With the announcement of the Housing New York plan in 2014, the mayor pledged to finance the construction or preservation of 200,000 affordable units over 10 years. Mayor de Blasio expanded this goal in 2017 to financing 300,000 units over 12 years. With the severe budgetary challenges that the city is now facing due to the coronavirus pandemic and the temporary shuttering of the economy, however, the April 2020 Capital Commitment Plan now includes substantial decreases and delays in funding for affordable housing.

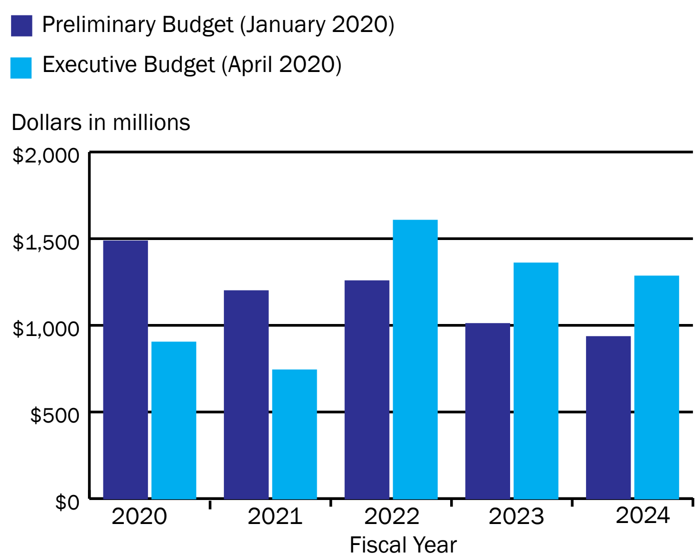
A total of $583 million was removed from the Department of Housing Preservation and Development's (HPD) capital commitment plan for 2020 and an additional $457 million was cut from 2021.[1] (All years hereafter refer to city fiscal years). Much—but not all—of the capital funding taken from 2020 and 2021 was shifted into 2022 and 2023.

While the overall HPD capital budget across the 10-year capital plan has not been cut, some affordable housing financing programs have had their 10-year funding totals reduced. HPD commits much of its financing late in the fiscal year, which means that the agency still has many projects to finalize for its 2020 planned commitments. This decrease in capital funding for 2020 indicates that HPD expects to make smaller capital investments for financing affordable housing projects this year than previously planned.

Financing for Preservation Programs Reduced, Delayed. Funding for several housing preservation programs was reduced in the April 2020 Capital Commitment Plan, without shifting the funding to later years. These funds were planned for specific financing programs but have not yet been assigned to a particular development. Preservation of affordable housing includes extending time-limited affordability requirements that are nearing expiration, or entering into new agreements to ensure continued affordability, often in conjunction with the financing of building improvements or rehabilitation. Several programs that help multifamily building owners finance rehabilitation to address high utility bills and necessary heating, mechanical, lead paint, and structural improvements all saw decreases for 2020 and 2021.

For the Article 8A, Multifamily Preservation, and federal Section 202 programs, the net changes made in the Executive Budget across the five-year capital commitment plan were declines of $31 million, $136 million, and $109

Executive Budget Pushes Housing Preservation and Development Funding Further Out in Capital Commitment Plan



SOURCE: January 2020 and April 2020 Capital Commitment Plans
NOTE: Totals exclude intrafund agreements and contingency funds.
New York City Independent Budget Office

IBO
New York City
Independent Budget Office
Ronnie Lowenstein, Director
110 William St., 14th floor
New York, NY 10038
Tel. (212) 442-0632
Fax (212) 442-0350
iboenews@ibo.nyc.ny.us
www.ibo.nyc.ny.us

Decreases to Funding for Preservation Programs in Near Term *Change in Capital Commitment Plan from Preliminary to Executive Budget, Executive Budget Total, dollars in thousands*										
	Fiscal Year									
	2020		2021		2022		2023		2024	
	Change	Executive Budget	Change	Executive Budget	Change	Executive Budget	Change	Executive Budget	Change	Executive Budget
Article 8A Loan Program	($3,807)	$4,463	($26,217)	$14,049	($811)	$39,851	$0	$20,588	$0	$17,838
Multifamily Preservation	(73,999)	0	(62,358)	0	0	63,546	0	64,758	0	25,226
Section 202 Housing-Supplemental Funding	(87,220)	46,912	(26,355)	98,645	1,335	89,935	3,201	115,201	0	32,360
HPD Green Programs	(27,330)	11,953	18,025	21,086	0	0	0	0	0	0
Participation Loan Program	(65,664)	19,494	(79,507)	53,586	74,713	235,122	43,907	173,643	65,251	137,252
Low Income Housing Tax Credit Year 15 Preservation Program	(55,561)	20,303	(96,215)	22,128	0	114,059	43,912	146,649	0	98,712

SOURCE: IBO analysis of January 2020 (Preliminary Budget) and April 2020 (Executive Budget) Capital Commitment Plans

New York City Independent Budget Office

million, respectively. Section 202 Housing is a preservation program for federally developed supportive senior housing in need of repairs and upgrades. Taking down funds for preservation of this type of affordable housing will make meeting the de Blasio Administration's 2017 Seniors First pledge—to serve 30,000 senior households under the Housing New York plan—a heavier lift.

The HPD Green Program had some of its funding pushed off to next year for a net loss of $9 million, while the Participation Loan Program had a cumulative decrease of $145 million this year and next. This cut in the Participation Loan Program is offset by funds newly added for 2022 through 2024, a three-year total increase of $184 million. The largest near-term decline in funding, $152 million for this year and next year, is for the Low Income Tax Credit Year 15 Preservation Program. This program serves housing originally developed using federal tax credits that is nearing the end of the 15-year regulatory period. Just $44 million of this funding is restored later in the budget, in 2023.

The Housing New York plan targets 60 percent of the plan's total 300,000 units as preservation units, with the remaining 40 percent produced through new construction, although these shares are not set in stone. Even before the latest fiscal retrenchment stemming from the coronavirus pandemic, the Housing New York plan more heavily skewed towards preservation units than in the announced plan. Through the end of March 2020, the city had financed 164,204 affordable housing units, of which 114,386 were preservation units, or 70 percent.

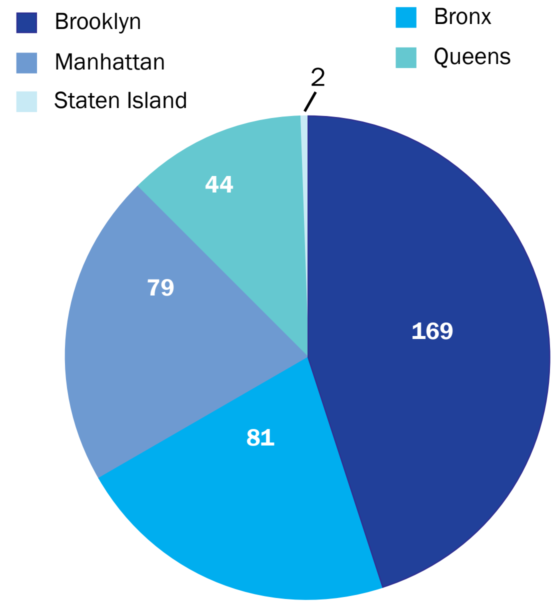
Preservation projects generally have faster construction timelines and a lower cost-per-unit to finance, which could prompt a shift to greater reliance on preservation to meet the program's overall goal if the combined impacts of the recession and the pandemic force cutbacks in funding. For example, former Mayor Bloomberg's housing plan, New Housing Marketplace, shifted towards greater reliance on preservation in response to the nationwide housing market crash that was one of the causes of the Great Recession. With the changes proposed in the April 2020 Capital Commitment Plan, however, the de Blasio Administration seems to be cutting more deeply on the preservation side of the capital plan than the new construction side, at least for the near term.

More Funds for New Construction in 2022 and Beyond. In his State of the City speech this past January, the Mayor announced a shift in Housing New York's focus to do more to serve households in the lowest income tiers. The plan now calls for 50 percent of new rental units to be reserved for families earning less than $50,000 a year, with at least half of those units serving households earning less than $30,000.

One of the main financing programs to create new apartments for these lowest income tiers is the Extremely Low and Low Income Affordability (ELLA) Program. While the initial changes for ELLA are relatively minor—a net decrease of $7 million across 2020 and 2021 and a cut of $100 million in ELLA-related contingency funding in 2020—new funding for the program is added in 2022 and beyond. A total of $313 million was added to the capital commitment plan for the years spanning from 2022 through 2024.

Funding for supportive housing construction was reduced by a total of $180 million in 2020 and 2021 combined, and then will see an increase of $58 million from 2022 through 2024—a net loss of $122 million across the next five years of the capital plan. Back in 2015, the Mayor pledged to create 15,000 new supportive housing units by 2030, a plan known as NYC 15/15. Although that goal had always extended past his mayoral term, the funding shift for supportive housing suggests that the next mayor will be left to see a larger piece of the pledged total through to completion.

Nearly Half of Active Affordable Housing Construction Sites Are in Brooklyn
Active Construction Sites as of May 22, 2020



SOURCE: IBO analysis of Department of Buildings data
New York City Independent Budget Office

Little "Pause" on Affordable Housing. Given the considerable time it takes for a project to move from financing to construction to occupancy, delays in funding for the construction of affordable housing mean that apartments are that much further from being available for occupancy. On the other hand, construction has continued for those developments that had financing in place and work already under way because affordable housing was deemed essential under the New York State On Pause order. As of late May, the Department of Buildings reported 375 active work permits for affordable housing allowed to continue construction, with the largest share of projects located in Brooklyn, followed by the Bronx and Manhattan. Any project with at least 20 percent of the units planned for affordable housing was considered essential and allowed to continue construction under the pause order. Prior to mid-April, the Department of Buildings required at least 30 percent affordability to be considered essential, but then revised its guidance down to 20 percent to match state rules. This change allowed buildings participating in the 80/20 Program, where 80 percent of a building is market rate and 20 percent is reserved as affordable, to continue construction.

Prepared by Sarah Stefanski

ENDNOTE

[1]All budget amounts in this brief do not include changes made to interfund agreements or contingency funds. Contingency funds are to cover unexpected costs. Interfund agreement funds are transferred from the city's capital fund to the general fund to reimburse costs related to any capital planning, design, and supervision performed by city employees.