Capital Spending & Neighborhood Rezoning:
More Than $1.6 Billion Planned for New Infrastructure Funds

The city plans to commit more than $1.6 billion in capital spending over the next 10 years through four new, broadly defined infrastructure funds included in the Mayor’s Executive Ten-Year Capital Strategy for 2016-2025 (all years refer to fiscal years). The majority of the funding is planned to improve infrastructure in neighborhoods that are expected to be rezoned by the city, while some of the capital spending is planned for residential areas that will not undergo zoning changes but have high infrastructure needs. While the creation of these funds suggest a comprehensive approach to neighborhood planning, the structure of these funds may limit accountability and oversight.

Three of the funds will be controlled by the city’s Economic Development Corporation (EDC), with capital dollars passing through to EDC from the capital budget of the Department of Small Business Services. The fourth will be administered by the Department of Environmental Protection (DEP). The city has yet to identify specific neighborhoods or projects where these funds will be spent, though it is likely that they will be committed for needs ranging from land acquisition and demolition, to water and sewer infrastructure, streets, and open space. There appears to be no provisions for new schools or new school additions.

Each of the funds included in the 10-year strategy will be structured differently and finance a different set of capital needs. The largest is simply called the Neighborhood Fund in city budget documents. Through it the city expects to commit $703 million from 2016 through 2025 for projects that are identified as priorities in the neighborhood rezoning plans produced by the Department of City Planning. (Neighborhood rezonings to increase residential density are key to the Mayor’s affordable housing plan.) Planned work to be financed through the Neighborhood Fund includes parks, playgrounds, pedestrian plazas, and street improvements. Although the capital projects to be paid for through the Neighborhood Fund will be managed by EDC, the city anticipates that input from city planning, as well as community stakeholders, will play a role in how funds are allocated.

In addition to the Neighborhood Fund, the city has also proposed a Rezoning Fund to be managed by DEP, which operates the city’s water supply system. Through this fund, the city plans to commit $329 million from 2017 through 2025 to pay specifically for water and sewer infrastructure projects in neighborhoods rezoned by city planning.

Another $512 million is planned to be committed through a Housing Fund from 2016 through 2025. The Housing Fund will provide capital resources for improvements in areas of the city that are currently zoned for residential uses, but lack the infrastructure necessary to accommodate dense residential development. This fund is planned to help pay for site preparation costs (including relocation and demolition expenses), public open space, and infrastructure such as water and sewer lines and streets.

Lastly, the city has created a $75 million Acquisition Fund it will use to purchase private land, which it will then convey to developers at little or no cost. In exchange, the developers will be required to build affordable housing. Capital dollars from the Acquisition Fund are planned to be committed from 2016 through 2018. According to the Mayor’s Office of Management and Budget, the city anticipates that the $75 million will be used to acquire five parcels, although none have been identified to date.

While it is good practice for the city to proactively address infrastructure needs as part of its comprehensive community planning process, the creation of the citywide funds raises a number of issues. One concern is that the use of lump-sum funds could make it difficult to

Focus On:
The Executive Budget

May 2015

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determine how resources are allocated to specific projects or neighborhoods. In the past, other city agencies have used lump-sum capital funds to limit transparency and public accountability. The School Construction Authority, for example, commits capital proceeds for expanding school capacity through highly aggregated units of appropriations that offer little information about the individual projects that are benefiting. Unless the funding is broken out by project level in future capital commitment plans, the new infrastructure funds could be used in a similar fashion. Without this detail, it would be difficult to track whether the city keeps the promises it makes during the community planning process.

Another concern is that the city continues to consolidate the design, procurement, and management of neighborhood development capital projects within EDC, which is a not-for-profit corporation under contract with the city, not a city agency. This could duplicate many functions that are currently filled by on-budget city agencies. The Department of Design and Construction, for example, was created to manage capital projects similar to those in the infrastructure funds, while the parks department, Department of Transportation, Department of Housing Preservation and Development, and DEP all have their own capital planning groups. This is especially meaningful because EDC, as a separate corporation, does not follow the same procurement rules used by city agencies. Additionally, the city’s financial management systems offer limited access to data on EDC’s capital budget and spending, undermining budget oversight by the City Council and fiscal monitors.

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