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Executive Capital Plan Builds on Existing Funding for Affordable Housing

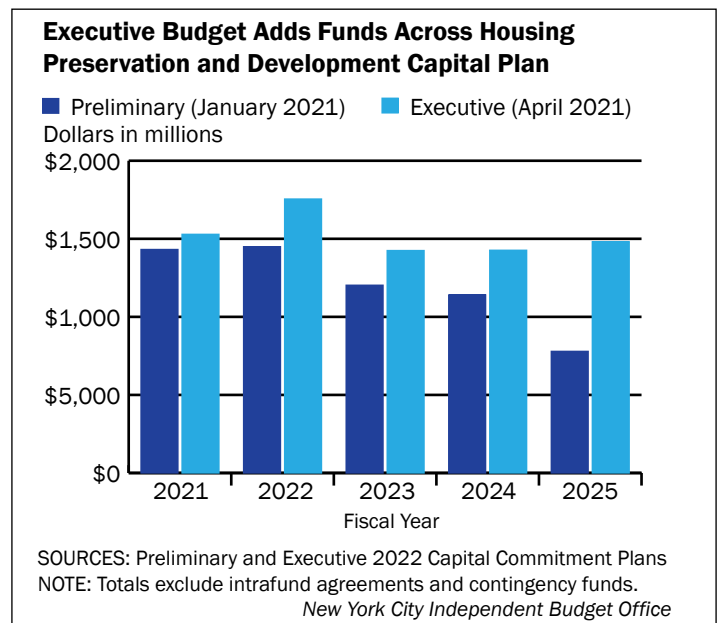
As the pandemic recedes in New York City, the housing landscape it leaves behind is very different from when it began in March 2020. Although New York City remains an expensive city to live in and housing remains unaffordable for many households, rental housing in many parts of the city has become less expensive. In addition to pandemic-related shifts in the housing market, the city will now receive \$5.9 billion in federal stimulus funding through the American Rescue Plan Act (ARPA), enacted this March. The fiscal relief provided through ARPA combined with extremely low interest rates expanded how much the city could borrow for capital projects. In the context of this new housing and budget landscape, this brief examines the changes made in the 2022 Executive Capital Commitment Plan for the Department of Housing Preservation and Development (HPD). The capital plan adds funding to develop and preserve affordable housing over the next five years; much of this development and preservation will be overseen by the next mayoral administration.

Overall Increase in Affordable Housing Funding, Mainly in Later Years. In the Executive Budget, the Mayor’s Office of Management and Budget (OMB) has increased funding for HPD’s capital budget across all five years of the capital commitment plan when compared to this January’s Preliminary Capital Commitment Plan. HPD’s capital plan for 2021 through 2025 has grown by \$1.6 billion since January and now totals \$7.6 billion as of the Executive Budget, an increase of 27 percent. (All years refer to city fiscal years.)

While shown in the budget as additional HPD capital allocations, little of the overall increase in capital funding for 2022 is slated for affordable housing. Most of the \$305 million added to the budget for next fiscal year will actually be used by HPD on behalf of the New York City Housing

Authority (NYCHA) as part of deals with private developers to raise funds for capital repairs under NYCHA’s Permanent Affordability Commitment Together (PACT) program. (For more information on PACT conversions, see IBO’s [April 2021 report](#) on NYCHA.) Only \$5.3 million of the increase in HPD capital funding over January will be used to build or preserve affordable housing projects in 2022.

OMB now plans to commit \$97 million more for affordable housing in 2021 than in January, \$222 million more in 2023, and \$286 million more in 2024. (See IBO’s [March 2021 report](#) for details on previous changes to HPD’s capital budget, which included shifts in affordable housing funding into 2021 and 2022 from later years.) In 2025, the last year of the plan, OMB has added \$702 million in funding. While this is a substantial increase, OMB usually under-budgets what it will commit in the final year of a plan.



This increase brings 2025 funding up to a level similar to 2023 and 2024.

Supportive Housing Funding Grew in Most Years of Plan.

After deep cuts to supportive housing at the outset of the pandemic in the April 2020 Executive Budget, funding for the program was expanded across the capital plan this April. Supportive housing—affordable housing accompanied by supportive services—helps people with mental illness, substance abuse issues, and individuals transitioning out of homelessness. The de Blasio Administration’s supportive housing development program, known as NYC 15/15, has a goal to create 15,000 units of supportive housing over 15 years. In the remainder of 2021, the city plans to commit \$245 million for supportive housing development and rehabilitation, an increase of \$49 million from January. While there has been a slight decrease of \$7 million in funds planned for 2022—now budgeted at \$188 million—OMB has increased funding for supportive housing by a total of \$215 million across the remaining years of the plan. Planned funding for supportive housing rose by a total of \$257 million from 2021 through 2025, an increase of 34 percent.

Funds for Low-Income and Mixed-Income Affordable Housing Reduced in Near-Term, Increased Later.

The Extremely Low & Low Income Affordability Program (ELLA) is one of HPD’s major tools for creating affordable housing for households at the lowest income levels. In the Executive Budget, OMB reduced ELLA funding by a total of \$39 million in 2021 and 2022 while adding far more in later years of the plan, including \$304 million in 2025. In total, ELLA funding in the plan grew by \$424 million, or 35 percent. Mixed-income affordable housing programs, which combine affordable housing for low-income households with rent-stabilized units for middle-income households, also saw increased funding. Funding for HPD’s Mix & Match and Mixed Middle programs grew by \$97 million and \$42 million, (19 percent and 22 percent), respectively, across the plan, which includes \$61 million for the Mix & Match program removed from 2021 and pushed into the plan’s later years. Other affordable housing programs that saw increases include the Participation Loan Program, Third Party Transfer Program, Open Door Homeownership Program, Article 8A Program, and the HPD Green Program. Few of HPD’s capital programs saw overall decreases; the program with the largest dollar decrease, the HUD Multifamily Program, had funding reduced by \$22 million over the years of the plan.

Most Additional Funding in 2022 Is for NYCHA. The Executive Capital Commitment Plan contains \$305

million in additional funding for HPD in 2022 over January’s Preliminary Budget. While funding under HPD’s capital budget is usually reserved for financing privately owned affordable housing projects, HPD will use \$300 million in new funding to provide financing for real estate deals related to NYCHA’s PACT program, which addresses capital needs of NYCHA developments. The PACT program leverages the federal Rental Assistance Demonstration program, under which NYCHA leases some of its developments to public-private partnerships it forms with developers and transfers the associated federal subsidy income to the partnerships. The public-private partnership then borrows against the developments’ income streams, comprised of federal subsidies and rent revenue, to address capital needs—a strategy NYCHA cannot pursue on its own under federal rules. The \$300 million allocated for HPD will be used to provide low-interest loans to public-private partnerships to pay for capital needs in PACT deals where the income streams generated by the developments alone will not support enough debt to address all of the capital needs of the developments. While this funding is in HPD’s capital budget, HPD will provide this financing at NYCHA’s direction, so the funds are effectively under NYCHA’s control.

Federal Stimulus Largely Ignores NYCHA Capital Needs.

While the \$1.9 trillion American Rescue Plan Act passed by Congress in March provided funding for states, municipalities, industries, and transit authorities, the bill did not provide any direct aid to public housing authorities. Despite receiving \$5.9 billion in stimulus funding for general government expenses from the bill, New York City has provided little in further subsidies for NYCHA since this January. In the most recent capital commitment plan, OMB added only \$11 million in direct funding to NYCHA for capital projects in 2021 and \$850,000 in 2022; NYCHA’s share of the city’s capital commitment plan from 2021 through 2025 remains at \$3.0 billion. The city also subsidizes NYCHA capital projects through HPD’s expense budget; while the Executive Budget allocated an additional \$26 million in subsidies for NYCHA in HPD’s expense budget from 2021 through 2024, most of this funding was for the City Cleanup Corps program and there were no increases to capital-related subsidies. In the future, it is possible that NYCHA will receive new federal funding through President Biden’s American Jobs Plan infrastructure bill. In its proposed form, the legislation would fund \$40 billion in capital repairs for public housing authorities nationwide, but the bill has yet to make it through Congress.

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