

March 2021

Preliminary Budget for 2022 Shifts More Affordable Housing Funding to Current Year

The release of the 2022 Preliminary Capital Commitment Plan this January reflects how Mayor de Blasio seeks to shape New York City’s spending on affordable housing in his last year in office. In May 2014, Mayor de Blasio proposed his marquee affordable housing program, Housing New York, to preserve or create 200,000 units of affordable housing over a 10-year period. In 2017, Mayor de Blasio expanded this pledge, increasing the goal for affordable units to 300,000 over a 12-year period. While the Housing New York program was always intended to continue past his time in office, the 2022 capital plan will be the last the de Blasio Administration will actually control before it hands the reins over to a new administration—which will almost assuredly have a housing plan of its own. (Unless otherwise noted, all years refer to city fiscal years.) In this brief, IBO examines how the Department of Housing Preservation and Development’s (HPD) capital funds have changed course over the past year and what the capital plan sets out for the future of Housing New York.

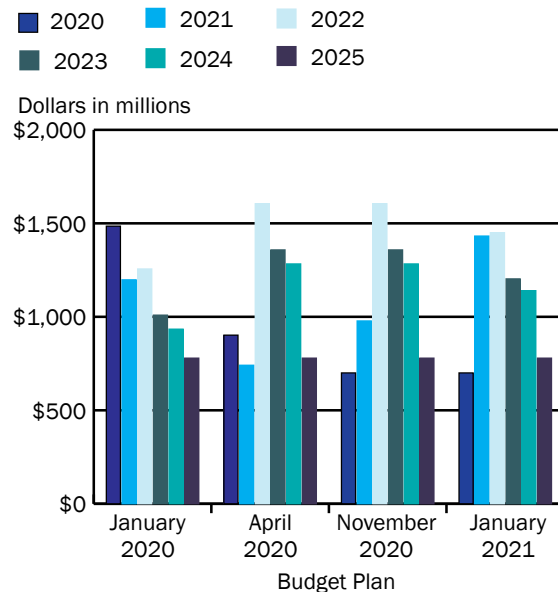
Before the pandemic, in January 2020, the Mayor’s Office of Management and Budget (OMB) set out a capital commitment plan that included \$1.5 billion in funding for HPD for 2020 and \$1.2 billion for 2021.¹ In April 2020, with the onset of pandemic shutdowns and substantial uncertainty surrounding the city’s finances, OMB made sweeping adjustments to HPD’s capital plan by shifting \$583 million from 2020 and \$457 million from 2021 into later years. Additionally, while cumulative funding in HPD’s capital program from 2020 through 2024 stayed about the same, individual programs—many of which focused on affordable housing preservation—were cut.

The delays and cuts provoked a backlash from housing advocates and elected officials, who argued that these actions would yield little in the way of immediate savings while slowing down the production of affordable housing.

Further changes to HPD’s capital plans were signaled in October 2020, when Mayor de Blasio announced that OMB would add \$466 million to HPD’s 2021 capital program as part of the forthcoming 2022 Preliminary Capital Commitment Plan, which was released in January.

Shifts in Planned Affordable Housing Funding. Due to the shifts last April, the amount budgeted in 2021 for affordable housing was less than for any other year in the capital commitment plan. At that time, \$457 million was shifted from HPD’s capital plan for 2021 into later years, leaving just \$741 million in the plan for 2021. But in November, buoyed by better-than-expected tax revenue

Preliminary Budget Shifts Affordable Housing Funds Back to Current Year



SOURCES: January 2020, April 2020, November 2020, and January 2021 Capital Commitment Plans, 2020-2029 10-Year Capital Strategy
 NOTES: Totals exclude intrafund agreements and contingency funds. 2020 funding in November 2020 and January 2021 plans reflect actual commitments while January 2020 and April 2020 plans reflect planned commitments.

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and low interest rates, the de Blasio Administration added funds for affordable housing when the Adopted Capital Commitment Plan was released. Most of this funding was added to 2022 and later years. Then this January's Preliminary Commitment Plan added more funding for 2021 while removing funding from 2022 through 2024.

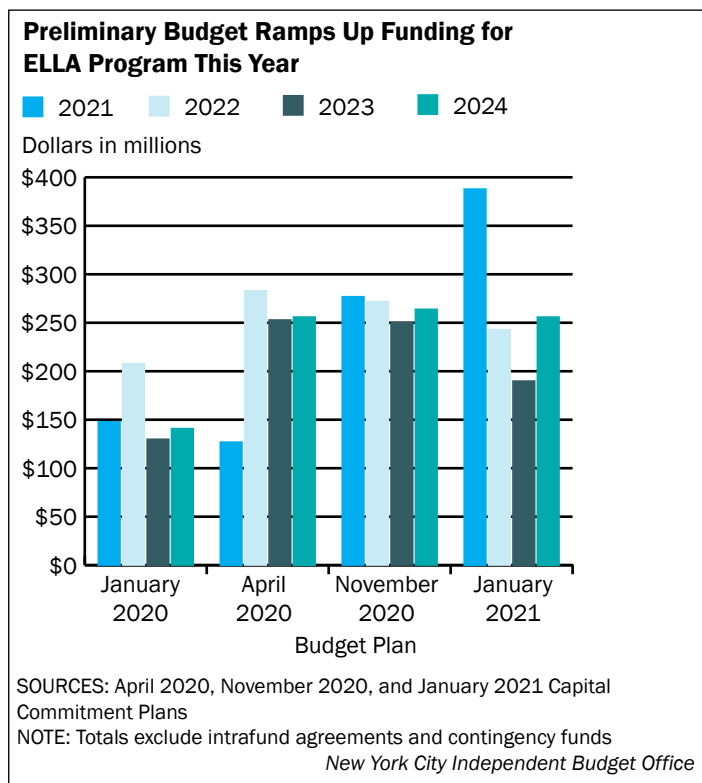
HPD's 2021 capital budget for affordable housing is now over \$1.4 billion, larger than before the pandemic and almost double what had been planned last April. Depending on the size and number of development and preservation deals the city is able to make, uncommitted funds may end up rolled over into future years, as has happened in the past. In January's Preliminary Capital Commitment Plan, funds budgeted for 2021 through 2024 plus actual commitments in 2020 totaled \$5.9 billion, which is \$42 million more than budgeted last January, before the onset of the pandemic.

More Funding for Extremely Low-Income Housing. In recent years, Housing New York has faced criticism for not creating enough affordable housing for households with the lowest incomes. The Extremely Low & Low Income Affordability Program (ELLA) is one of HPD's main programs for creating affordable housing for households at the lowest income levels. Near-term ELLA funding was relatively untouched by cuts made in last April's Executive Budget, and OMB added a total of \$313 million to 2022 through 2024 at that time. As part of changes made since

then, OMB moved \$103 million of ELLA funding into 2021 from later years while increasing funding by a further \$159 million, bringing ELLA funding for 2021 to \$388 million. Compared with last January, cumulative funding for the ELLA program from 2020 through 2024 has increased by \$428 million, or 55 percent.

Cuts to Supportive Housing Stay. While funding for the ELLA program has increased substantially in the Preliminary Capital Commitment Plan, OMB maintained the deep cuts made last April to the city's supportive housing construction program known as NYC 15/15. Last April, OMB cut \$79 million in funding for supportive housing construction from 2020 and a further \$101 million from 2021, bringing the 2021 total down by nearly half to just \$126 million. Since then, OMB added \$53 million into 2021, increasing it to \$179 million. HPD had partially offset the cuts made last April by adding \$58 million to the years 2022 through 2024. However, a total of \$161 million has since been removed from farther out in the plan. When compared with last January, funding for supportive housing construction has been reduced by a total of \$246 million from 2020 through 2024.

Some Preservation Programs Had Funding Restored, While Others Faced Further Cuts. Many of the affordable housing programs that bore the brunt of the funding cuts made in April's Executive Budget were preservation programs. The preservation program with the deepest cuts for 2020 and 2021 in absolute terms was the Year 15 Preservation Program. This program involves buildings that receive tax benefits in exchange for affordability agreements over a 15-year period; many of the buildings participating in the program are now nearing the end of their agreements with the city. With this program, the city provides adjustments to mortgages, further tax credits, and loans in exchange for extending affordability commitments. In April, the de Blasio Administration removed a total of \$152 million for the Year 15 program for 2020 and 2021, while adding \$44 million in 2023. Since last April, another \$1 million was removed from the program in 2021, with a cumulative \$15 million added across 2022 and the out-years of the financial plan. The program's funding from 2020 through 2024 is now \$100 million, 20 percent, less than budgeted at this time last year. Other preservation programs, like the HPD Green Program and the Housing Rehabilitation Loan Program (also known as Article 8A), both of which make loans to property owners for building upgrades in exchange for affordability agreements, had their funding cut last April. Funding for these programs has since remained largely unchanged; this January, the city



**Support for Affordable Housing Programs in January 2021
Preliminary Capital Commitment Plan**

Funding for Selected HPD Capital Programs in Preliminary Capital Commitment Plan, dollars in millions

Capital Program	Fiscal Year			
	2021	2022	2023	2024
Extremely Low- & Low-Income Affordability Program	\$388	\$243	\$190	\$256
Supportive Housing	179	195	57	135
Year 15 Preservation Program	21	108	127	139
Participation Loan Program	142	233	174	178
Section 202 Housing-Supplemental Funding	125	139	169	32

SOURCE: IBO Analysis of January 2021 Capital Commitment Plan
New York City Independent Budget Office

and the building becomes rent stabilized. Last April, OMB removed \$145 million from the Participation Loan Program across 2020 and 2021, while adding \$184 million to the years 2022 through 2024. Since last April, the city added \$89 million back for 2021 and a further \$38 million for 2022 through 2024; the net effect of these changes has been a \$151 million increase in funding for the program through 2024 compared with the last pre-pandemic capital commitment plan in January 2020.

Supplemental funding for Section 202 Housing—additional funding provided by the city toward buildings under a federal affordable housing program for seniors—was also cut substantially in April, with a total of \$114 million removed in 2020 and 2021 and just \$5 million shifted to later years. Since then, OMB has added \$26 million for 2021 and added \$102 million to later years. While this pushes funding for the program out to 2022 through 2024, cumulative funding across the plan is similar to pre-pandemic levels.

added only \$2 million to the HPD Green Program and \$3 million to the Article 8A program across the plan.

Some Preservation Programs Fared Better. With the Participation Loan Program, HPD gives loans and tax exemptions for the rehabilitation of existing housing. In exchange, limits are set on rents and incomes for tenants

Prepared by Alec Goodwin

Endnote

¹Capital funds for the New York City Housing Authority also pass through HPD’s capital plan but are not included in this analysis.

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