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Mayor's Housing Plan: Progress to Date; Prospects for Completion

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The Mayor's New Housing Marketplace Plan: Progress to Date And Prospects for Completion

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IN FEBRUARY 2006 MAYOR MICHAEL BLOOMBERG more than doubled the goal initially set in 2003 for his New Housing Marketplace Plan. The Mayor now aims to create or preserve 165,000 units of affordable housing over 10 years and anticipates spending $7.5 billion to meet the production and preservation goals.

A review by IBO of the progress towards meeting the Mayor's goals for housing creation and preservation finds that after four years, nearly 40 percent of the plan's total 10-year target has been funded. But the progress is not spread evenly across the different components of the plan and there are financial risks to meeting the plan's overall targets, particularly its goals for the construction of new units. IBO undertook this review of the New Housing Marketplace Plan at the request of two organizations, the Women's City Club of New York and Housing First! This newsfax summarizes the full report, which is available here.

While the Mayor's plan did not set annual production goals against which to benchmark actual progress, IBO has found that considerably more progress has been made towards the 10-year goal of preserving 73,000 units of existing affordable housing than the goal of creating 92,000 new affordable housing units. By the end of fiscal year 2007, the city had financed 55 percent of its target for preservation and 26 percent of its new construction target. Of the $7.5 billion in funds projected for the plan over the 2004-2013 period, $2.5 billion had been spent through 2007.

To meet the Mayor's overall goal of creating and preserving 165,000 housing units by 2013, another 101,000 units will need to be funded over the next six years. This includes the creation of 67,000 new housing units and the preservation (through repairs or the extension of affordability agreements with owners) of an additional 34,000 units of already existing housing. IBO estimates that there is sufficient funding in the housing department's capital budget to complete about two-thirds of the units needed to meet the New Housing Marketplace Plan's goal, assuming construction costs remain relatively flat. The remainder of the plan is expected to be financed by sources that are less in the city's control and may be subject to greater elements of risk.

Preservation and New Construction. One of the reasons significant progress has been made towards reaching the plan's preservation goals has been the Mitchell-Lama Preservation Program. Under this program, the city's housing finance agency, the Housing Development Corporation, has helped keep affordable 13,800 units of housing in Mitchell-Lama projects for which the city holds the mortgage. Developers of these projects originally received low-interest loans and property-tax breaks in exchange for commitments to keep apartments within affordability guidelines over a period of time. With an increasing number of owners now able to opt out of these affordability requirements, the Housing Development Corporation has been providing favorable mortgage refinancing terms and offering grants and low-interest loans for building repairs in exchange for extending affordability commitments.

New Housing Marketplace Units Started, 2004-2007

Unit starts and percent of plan goal

	New Construction		Preservation		Total	
Homeownership	4,421	24.2%	15,943	53.4%	**20,364**	**42.3%**
Rental Units	19,294	26.3%	24,249	55.7%	**43,543**	**37.2%**
	23,715	**25.9%**	**40,192**	**54.8%**	**63,907**	**38.7%**

SOURCES: IBO; Department of Housing Preservation and Development.
NOTE: Figures do not include Downpayment Assistance (501 units).

Another source for meeting the preservation goals has been the remaining inventory of city-owned residential buildings. Buildings taken over because their former owners failed to pay property taxes have been the source of about 9,300 units preserved during the first four years of the plan. This has been accomplished through a variety of programs that provide funding for repairs and transfer the buildings to private ownership. In addition, 17,000 units of privately owned housing have been preserved through low-interest loans, the extension of affordability agreements, and other programs.

Over the plan's first four years, 23,715 units of newly built affordable housing have been financed. These units have been built through large-scale projects on city-owned land such as at Arverne in Queens as well as through tax abatement programs such as 421a.

The New Housing Marketplace Plan aims to have about 70 percent of the units created or preserved over 10 years as rental units and 30 percent owner occupied. So far nearly three-quarters of the 64,000 units financed have been rentals, including nearly 19,300 newly constructed units. A much smaller number of newly constructed units, about 4,400, were targeted for homeownership. Of the over 40,000 units that have been preserved under the plan through 2007, nearly 16,000 are homeowner units.

Affordability. Under the New Housing Marketplace Plan, 68 percent of the units created or preserved over 10 years are targeted for low-income households. Low income is defined under the programs in the plan as 80 percent or less of Area Median Income (an area that includes neighboring counties as well as the five boroughs of the city)—currently $39,700 for a single person or $56,700 for a family of four. Another 11 percent of the units are targeted for moderate-income households, which includes incomes between 80 percent and 120 percent of area median, or up to $85,080 for a family of four. The remaining 21 percent of the units in the housing plan are aimed at middle-income households, whose incomes can range from 120 percent of area median up to 250 percent of area median, or $177,000 for a family of four.

A study by the Department of Housing Preservation and Development of the incomes of households occupying units completed in 2006 found that many have incomes below the maximum allowed. While 47 percent of the units completed in 2006 are restricted to low-income households, 75 percent were actually occupied by low-income households. A key reason for this is the Mitchell-Lama Preservation Program, which served a large number of households that are defined as low-income.

As the plan goes forward, more of the units are likely to target moderate and especially middle-income households. This is because programs such as Mitchell-Lama preservation, which in practice serve low-income households, will be less of a factor in the next stages of the plan. Programs aimed at producing middle-income housing have yet to begin production in any significant way.

Spending to Date. To facilitate the 10-year plan, the Mayor projected spending $7.5 billion, including $4.5 billion in capital funds and $1.3 billion in expense budget funds by the city's Department of Housing Preservation and Development, $548 million by the Housing Development Corporation, and $1.1 billion by other funding sources.

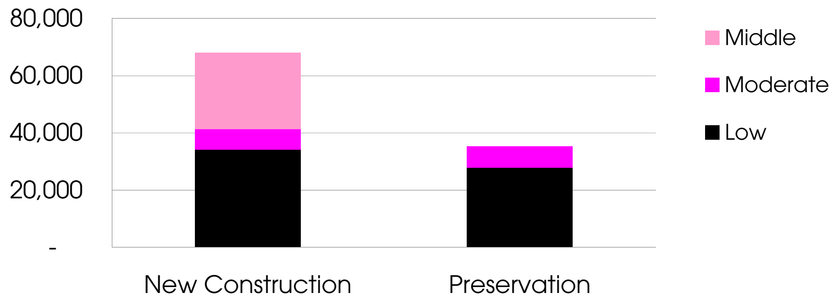
City capital and expense budget spending has totaled $1.8 billion for the New Housing Marketplace Plan through 2007. This is 31 percent of the spending projected from these sources over the course of the 10-year plan. In contrast, the Housing Development Corporation has spent the bulk of its planned funding—$493 million of the projected $548 million.

Much of the funds expected from non-city sources to support the plan, such as federal Low Income Housing Tax Credits, Battery Park City surplus revenue, and the New York City Acquisition Fund to buy privately owned land, have yet to be spent. From 2004 through 2007, $213 million has been spent out of the $1.1 billion projected from these sources over 10 years.

Risks to Meeting Goals. Over the plan's remaining six years and with over 100,000 units still to go—two-thirds of which will have to be new construction in order to achieve the plan's goals—the city faces some potential challenges to building on the progress to date. The bulk of the funding will come from the city's capital budget, but other sources will be especially important to reaching the new construction goals, and these sources are less certain.

Based on the city's most recent Capital Commitment Plan, capital funding for the remainder of the New Housing Marketplace Plan will total $3.0 billion, including the use of

101,000 Units Needed to Complete Goal



SOURCES: IBO; Department of Housing Preservation and Development.

some federal and other funds. IBO considers the city's capital budget to be the least risky funding source for the plan, although it is not immune to budget reductions driven by economic considerations or changes in political priorities.

Assuming the 2004-2007 average per unit costs under the plan's programs remain the same through 2013, we estimate this city capital funding is enough to complete about 66,000 units—nearly two-thirds of the number necessary to meet the 10-year goal. Under this assumption, about 92 percent of the plan's preservation goal would be met but only 49 percent of the new construction goal.

The expenditure of most of the funds expected from the Housing Development Corporation over the plan's first four years presents a more immediate hurdle to meeting the Mayor's housing goals, particularly for new construction. These funds provide low-interest second mortgages for new construction projects and help maintain affordability targets. IBO estimates that the Housing Development Corporation would need to provide an additional $130 million in corporate reserves in order to produce the number of units expected with the agency's assistance, along with ability to issue enough tax-exempt private activity bonds.

Market conditions and the willingness of building owners to participate in programs that extend affordability agreements could also affect reaching the New Housing Marketplace Plan's production goals. While the plan projects that the 421a tax abatement program and inclusionary zoning requirements in recently rezoned areas such as Hudson Yards and Williamsburg and Greenpoint will lead to the construction of about 7,000 new affordable units, a slowdown in the housing market could mean less market-rate development and therefore subsidize fewer affordable housing units. The extension of affordability agreements through mortgage refinancing, tax breaks, and debt forgiveness led to the preservation of a significant number of low-income units during the plan's first four years. Meeting the goal of preserving an additional 11,000 units through these efforts will be largely dependent on owners' willingness to participate.

As with any long-term plan, changing circumstances and priorities will require adaptation. As the mid-way point approaches for the New Housing Marketplace Plan, a reassessment of the its goals and assumptions may be necessary to help ensure that the plan carefully balances its ambitions with the means available to achieve them.

This report prepared by Brendan Cheney

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