

Mayor Eric Adams's \$4 Billion Housing Commitment



The need to double housing investment to fight the housing and homelessness crisis

February 2022

When candidate Eric Adams met with the United for Housing coalition in March of 2021, he made a bold promise to allocate \$4 billion in capital for affordable housing and public housing in New York City, calling it “a smart ask.” He also supported the principles we used to guide us in developing our recommendations, saying they were “extremely important” and similar to what he laid out in his campaign plan. Now that Eric Adams is mayor, it is time for him to honor his commitments.

In 2019, the New York Housing Conference convened United for Housing, a coalition of more than 90 organizations that came together and developed consensus recommendations for the next mayor to address the crisis. Our main recommendation was for the next administration to double housing capital funding to \$4 billion per year, including \$2.5 billion for affordable housing construction and preservation and \$1.5 billion for the New York City Housing Authority. In addition, we also agreed on over 30 other policy recommendations around affordable housing, homelessness, homeownership, and public housing. In this policy brief, we will show the benefits of affordable housing to the recipient and the community and why this investment is good fiscal policy.

New York City is facing an ongoing affordable housing and homelessness crisis. Last year 77,900 people experienced homelessness on a single night¹ while 51 percent of renter households earning less than \$50,000 are severely rent burdened.² In addition, there are unacceptable racial disparities in homeownership – 43 percent of white households own their homes, while only 27 percent of Black households and 17 percent Hispanic households own their homes.³

Residents of the city's public housing fare no better. They face more than 500,000 open work orders,⁴ and \$40 billion is needed to correct unsafe and unhealthy conditions⁵ by the housing authority, under the supervision of a federal monitor. While there was a promise of robust federal funding for public housing last year in President Joe Biden's Build Back Better legislation, its prospects now are dim; federal funding for repairs for NYCHA appears to be a longshot.

This glaring housing insecurity existed before the pandemic and is likely to be made worse as New York City has been slower to regain jobs lost during the Covid-caused recession than the rest of the nation.⁶ Hundreds of thousands of households are still behind on their rent in New York⁷ while federal resources are insufficient to meet the need and the state's eviction moratorium expired on January 15, 2022. The solution to this short- and long-term housing crisis is more affordable housing.

Affordable housing helps people thrive: Affordable housing is currently a scarce resource. The National Low Income Housing Coalition estimates that NY is short almost 650,000 homes affordable to households making \$50,000 or less.⁸ New affordable housing in New York City opens with 350 people or more applying for each low-income apartment,⁹ while federal programs like Section 8 rental assistance have enough funding to only support 25 percent of eligible households.¹⁰

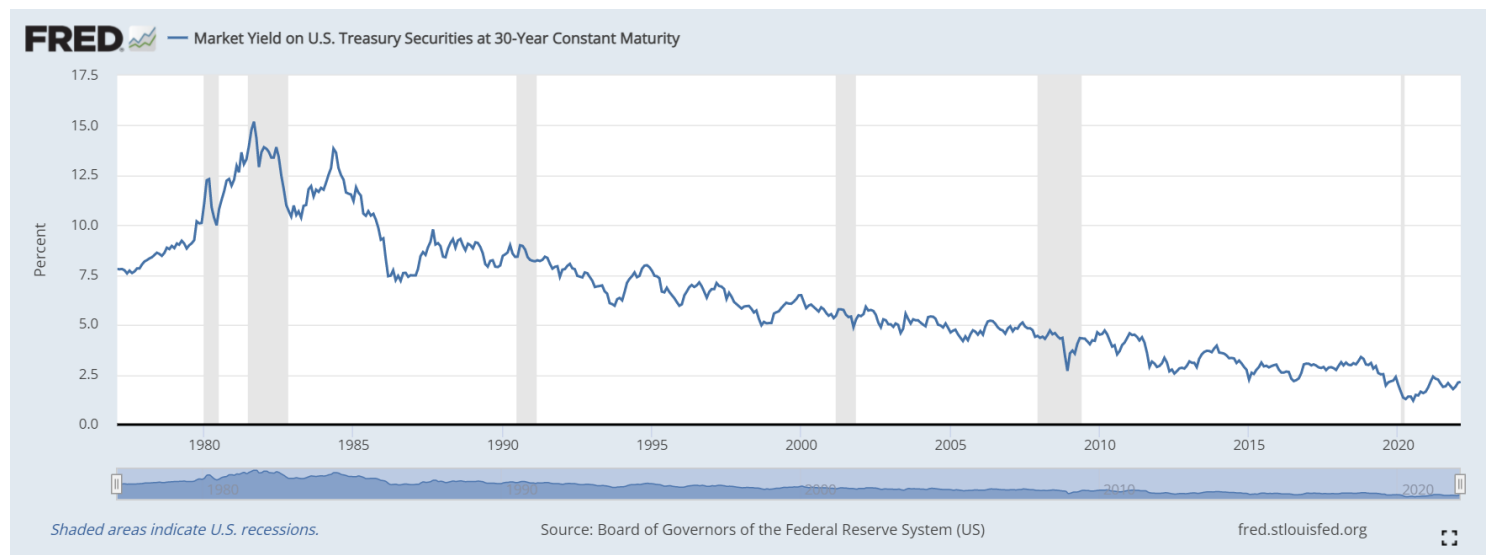
There is so much demand for the housing because it provides significant benefits to the people that live in the housing. Overall, investment in rental vouchers would reduce the number of people living in poverty.¹¹ Households in affordable housing see improved housing stability and decreased homelessness,¹² improved education outcomes,¹³ less stress and

better mental health,¹⁴ and more money to spend on necessities.^{15 16} The evidence is clear that affordable housing improves lives.

Affordable housing helps the economy grow: Affordable housing construction also helps grow the economy, creating new jobs and additional economic spending, something New York City desperately needs right now. A recent analysis shows that New York City has only gained back 60 percent of the jobs lost since the pandemic began, while the rest of the country has regained 90 percent of jobs lost.¹⁷ The housing market and the overall economy needs stimulus spending to fill in some of the gap in the economy and private real estate market from the pandemic-driven recession. During a recession, prudent macroeconomic theory says that government should spend money to provide stimulus, which can prevent the economy from contracting further and help it recover. The city's capital budget, which is funded through borrowing, is one of the city's only tools for stimulus.

An analysis by the New York State Association for Affordable Housing and HR&A Advisors found that 100 units of affordable housing construction leads to 120 construction jobs, and 112 related jobs and \$45.9 million in economic activity while in the long term it creates 37 permanent jobs and \$10 million in additional economic spending per year.¹⁸ The economic boost and fiscal stimulus of capital spending for affordable housing construction will be desperately needed by the city in the next few years.

Now is a good time to invest. Interest rates remain near historic lows, which means that borrowing is cheap.^{19 20} Although interest rates are starting to increase, the 30-year Treasury Rate is 2.23 percent, still close to the lowest rates in decades.²¹ The main reason for the investment is to provide desperately needed housing. But low interest rates add another reason to invest now. While inflation is increasing and the U.S. Federal Reserve has indicated that they will raise rates in the next year, rates are still low making capital investments an especially good option right now.



City's bond rating remains strong. New York City's bond ratings remain high investment grade even in the face of the pandemic-caused recession. New York City's General Obligation bonds have AA ratings from Fitch Ratings and Standard and Poor's and an Aa2 rating from Moody's Investors Service.²² The New York City Transitional Finance Authority has AAA ratings from Fitch and S&P²³ and Aa1 from Moody's.²⁴

\$4 billion is a powerful investment with small short-term costs: United for Housing is calling for the city to increase capital spending on housing. Currently, HPD spends roughly \$1.5 billion in capital on affordable housing construction and preservation and the city allocates roughly \$400 million per year for NYCHA in the capital budget.²⁵

The city's housing capital spending is funded with bonds, which are paid back in the operating budget through debt service payments over 30 years. Since the bonds are paid back over time, the capital costs are relatively small in the current budget. To increase capital spending to \$4 billion per year would mean adding roughly \$2.15 billion per year in capital spending. Four years of this additional spending – totaling \$8.6 billion in additional spending on housing – would increase the city's operating budget by only \$62 million in the first year and rising to \$514 million total in the fourth year.²⁶

The increase would be relatively modest compared to total city spending and would match the need to make housing one of the city's main priorities. Increasing housing capital spending from just over \$2 billion to \$4 billion would be an 8 percent increase on the city's total capital commitment plan of almost \$22 billion and would put housing as the second biggest capital expenditure, moving it ahead of environmental protection as well as bridges and highways but remaining less than the \$5.6 billion planned for education capital spending. Given the extent of the housing emergency, prioritizing housing spending so that it is the second biggest capital expenditure is the right move.

Conclusion

New York City is facing a housing and homelessness crisis and now is the time to invest more resources to address the problems. We know affordable housing improves lives. This may be our last chance to combat homelessness and housing instability before the problem grows to a point that it is too large to address. Fortunately, New York City has the capability to double housing investment through smaller operating budget debt service payments. Investing in housing infrastructure now will benefit the city in the years and decades to come. In addition, the city desperately needs fiscal stimulus, which affordable housing production provides, while interest rates remain low. Investing in affordable housing is desperately needed right now and given current conditions makes it a wise investment.

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² Universal Rental Assistance Economic and Fiscal Impact Study, HR&A Advisors for New York Housing Conference. Aug. 20, 2021. <https://thenyh.org/universal-rental-assistance/>

³ Snapshot of Homeownership in New York City. NYU Furman Center. Dec. 17, 2019.

<https://furmancenter.org/thestoop/entry/snapshot-of-homeownership-in-new-york-city>

⁴ NYCHA Metrics, Public Housing Charts, Open Work Orders. Website: <https://eapps.nycha.info/NychaMetrics> Accessed Jan. 27, 2022.

⁵ NYCHA head: Agency now needs \$40B in repairs. Kathryn Brenzel, The Real Deal. Jan. 14, 2020.

<https://therealdeal.com/2020/01/14/nycha-head-agency-now-needs-40b-in-repairs/>

⁶ The 'Double Whammy' That Is Slowing New York City's Job Growth, By Matthew Haag and Patrick McGeehan. New York Times, Dec. 14, 2021. <https://www.nytimes.com/2021/12/14/nyregion/nyc-economy-jobless.html>

⁷ Rent Debt in America: Stabilizing Renters is Key to Equitable Recovery. National Equity Atlas. Retrieved Dec. 20, 2021

<https://nationalequityatlas.org/rent-debt>

⁸ The Gap: A Shortage of Affordable Rental Homes. National Low Income Housing Coalition. <https://reports.nlihc.org/gap>

⁹ Affordable Housing Lottery Odds Worst for Those Who Can Afford the Least, by Rachel Holliday Smith, Ann Choi and Will Welch. The City, June 28, 2020. <https://www.thecity.nyc/2020/6/28/21306383/affordable-housing-lottery-chances-worst-low-income>

¹⁰ 3 in 4 Low-Income Renters Needing Rental Assistance Do Not Receive It, Center on Budget and Policy Priorities, July, 2021.

<https://www.cbpp.org/three-out-of-four-low-income-at-risk-renters-do-not-receive-federal-rental-assistance>

¹¹ Collyer, Sophie, et al. 2020. Housing Vouchers and Tax Credits: Pairing the Proposal to Transform Section 8 with Expansions to the EITC and the Child Tax Credit Could Cut the National Poverty Rate by Half. Poverty and Social Policy Brief.

<https://static1.squarespace.com/static/5743308460b5e922a25a6dc7/t/5f7dd00e12dfe51e169a7e83/1602080783936/Housing-Vouchers-Proposal-Poverty-Impacts-CPSP-2020.pdf>

¹² Shinn, Marybeth, et al. Predictors of Homelessness Among Families in New York City. November 1998. American Journal of Public Health.

¹³ Brennan, Maya, et al. The Impacts of Affordable Housing on Education: A Research Summary. Center for Housing Policy. November 2014.

¹⁴ Liu Y, Njai et al. Relationships Between Housing and Food Insecurity, Frequent Mental Distress, and Insufficient Sleep Among Adults in 12 US States, 2009. Preventing Chronic Disease 2014

¹⁵ Universal Rental Assistance Economic and Fiscal Impact Study, New York Housing Conference and HR&A Advisors. Aug, 20, 2021. <https://thenyh.org/universal-rental-assistance/>

¹⁶ The State of the Nation's Housing 2013. Joint Center for Housing Studies of Harvard University

¹⁷ The 'Double Whammy' That Is Slowing New York City's Job Growth, By Matthew Haag and Patrick McGeehan. New York Times, Dec. 14, 2021. <https://www.nytimes.com/2021/12/14/nyregion/nyc-economy-jobless.html>

¹⁸ Economic Impacts of Affordable Housing on New York State's Economy. By HR&A Advisors, for NYSFAFH. Feb. 10, 2017.

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¹⁹ 10-Year Treasury Constant Maturity Rate, Federal Reserve Bank of St. Louis. <https://fred.stlouisfed.org/series/DGS10>. Retrieved Dec. 17, 2021.

²⁰ 30-Year Treasury Constant Maturity Rate, Federal Reserve Bank of St. Louis. <https://fred.stlouisfed.org/series/DGS30>. Retrieved Dec. 17, 2021.

²¹ Daily Treasury Yield Curve Rates, U.S. Department of the Treasury. <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/pages/TextView.aspx?data=yield> Retrieved on Feb. 7, 2021.

²² Ratings Reports, New York City Comptroller Scott Stringer. <https://comptroller.nyc.gov/services/financial-matters/nyc-bonds/new-york-city-debt/ratings-reports/> Retrieved Dec. 20, 2021.

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²⁴ TFA Ratings, NYC Office of Management and Budget, Investor Relations. <https://www1.nyc.gov/site/investorrelations/tfa/tfa-ratings.page>. Accessed Dec. 20, 2020.

²⁵ NYHC Analysis of New York City's capital commitment plan

²⁶ New York Housing Conference analysis in consultation with the New York City Independent Budget Office.