This report was prepared by Masters students in Urban Planning at Hunter College in Fall 2023. The client for the studio project was the housing policy team at the Community Service Society, an organization that has worked with and for New Yorkers since 1843 to promote economic opportunity and champion an equitable city and state.

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The front cover graphic was compiled by Nina Young using photos of different housing typologies from municipalities across New York State. Photos used were taken in Arverne, Far Rockaway, and Williamsburg by Nina Young, in Yonkers by Katelin Penner, and in Allegany by Pat O’Hala.
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Studio class photograph

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Middle row (left to right): Laura Wolf-Powers, Taylor Abbruzzese, Brenda Lau, Tara Allentuck, Kelsey Kahn, Taylor Goldman, Arica McCarthy

Bottom row (left to right): Nina Young, Katelin Penner, Annie Carforo, Josephine Hill-James
# GLOSSARY

## Acronyms

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<td>CEQR</td>
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<td>City Fighting Homelessness and Eviction Prevention Supplement</td>
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<td>DCR</td>
<td>Debt Coverage Ratio</td>
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<td>EFC</td>
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<td>ELLA</td>
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<td>ERAP</td>
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<td>Empire State Supportive Housing Initiative</td>
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<td>Housing Access Voucher Program</td>
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<td>HOLC</td>
<td>Home Owners’ Loan Corporation</td>
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<td>HOPWA</td>
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<td>HPD</td>
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<td>LEED</td>
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<td>Uniform Land Use Review Procedure</td>
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**Definitions**

**American Community Survey (ACS)**

An annually administered survey by the U.S. Census Bureau that provides insights on the demographic, social, economic, and housing characteristics of the United States at a wide range of geographies.

**Area Median Income (AMI)**

An annually published statistic from HUD that identifies “Income Limits” for metropolitan areas based on median family incomes. With 100% AMI as a benchmark, each household in a metropolitan area can be assigned an AMI level based on their income and household size.

**Article 78**

A procedure used to bring a judicial challenge to an agency determination after the exhaustion of administrative remedies. Judicial review of agency action considers whether the agency failed to act, acted outside its grant of authority, failed to support a decision with substantial evidence, or made a determination that was arbitrary and capricious.

**Community Land Trust (CLT)**

Organizations that seek to acquire land and steward affordable housing by separating housing costs from the land that given units sit on and restricting the resale price of housing. When a new resident moves into a unit owned by a CLT, they only purchase or rent the physical structure (i.e., the house or apartment unit) sitting on a given piece of land, while the CLT retains ownership of the land. For areas where land value is high, CLTs can help reduce housing costs for its residents, as they are only purchasing or renting a house or apartment unit, and not the land.

**City Environmental Quality Review (CEQR)**

City-based environmental review process.

**City Fighting Homelessness and Eviction Prevention Supplement (CityFHEPS)**

A rental assistance voucher administered by NYC that helps families with an income below 200% of the federal poverty level find housing and avoid entering the shelter system.

**Closing**

The final step of the real estate transaction process in a real estate transaction including preparing and executing the documents, paying fees, and potentially transferring title.

**Debt Coverage Ratio (DCR)**

The cash flow needed to be able to cover debt obligations.
Department of Housing, Preservation, and Development (HPD)
A NYC municipal housing agency handling affordable housing finance, housing code maintenance, tax credit administration, and much more.

Division of Housing and Community Renewal (HCR)
A NYS agency responsible for administering housing and community development programs to promote affordable housing, community revitalization, and economic growth.

Emergency Fleet Corporation (EFC)
Created by President Woodrow Wilson in 1917 as a response to World War I. Initially intended to expand the capacity of the shipbuilding industry, the EFC quickly expanded its mission when research indicated labor shortages in wartime industries were driven by housing shortages; As a result, the EFC began providing worker housing by industrial centers.

Emergency Rental Assistance Program (ERAP)
A program created in response to the COVID-19 pandemic that provided financial assistance for tenants and landlords. The program provided tenants whose income was at or below 80% of AMI with up to 1 year of rental and utility assistance, and funds were administered directly to building owners and utility companies.

Emergency Tenant Protection Act (ETPA)
The primary piece of legislation regulating rent control and stabilization in NYS.

Empire State Supportive Housing Initiative (ESSHI)
A state program run by the NYS Office of Mental Health that subsidizes both building operations and rents for new supportive housing projects.

Extremely Low and Low Income Affordability (ELLA) A subsidy program administered by the NYC Department of Housing, Preservation, and Development and the NYC Housing Development Corporation which helps to fund the construction of housing accessible to those making between 40 and 80% of Area Median Income.

Fair Market Rent (FMR)
A measure used by HUD to determine moderately priced dwelling costs in a given housing market. They are most frequently used to determine rental payment standards for voucher holders.

Federal Housing Administration (FHA)
An agency that is part of HUD and is responsible for providing insurance for mortgages on single- and multi-family housing across the country, protecting lenders from losses.

HOME Investment Partnerships (HOME)
A federal block grant program that provides funding to municipalities for the construction, purchase, and rehabilitation of affordable housing.

Home Owners’ Loan Corporation (HOLC)
A government entity that helped to refinance mortgages currently in default to prevent foreclosure, while also expanding access to home ownership for middle-class, white Americans.

Housing Access Voucher Program (HAVP)
NYS version of the Federal Section 8 program.

Housing Development Corporation (HDC)
A public benefit corporation and the nation’s largest municipal Housing Finance Agency that supports construction and preservation of multi-family affordable housing in NYC.

Housing Development Corporation (HDC)
The NYC municipal housing finance agency. A public benefit corporation that issues tax credits and revenue bonds to finance affordable housing projects.

Housing Development Fund Corporation (HDFC)
Co-operatives that are a form of housing initially created when the City of New York acquired a substantial amount of distressed property during the 1970s and 1980s. The City worked with tenants to rehabilitate these properties, and converted them into limited equity co-ops, where the resale value of shares in a given building are restricted to keep the building affordable. HDFC co-ops also have income restrictions, allowing low and middle class New Yorkers to participate in affordable homeownership programs.
Housing Finance Agency (HFA)
A NYS public benefit corporation created by then Governor Nelson Rockefeller to finance privately developed housing. It is primarily funded by bonds, which are used to make mortgages for affordable housing developers.

Housing Opportunities for Persons With AIDS (HOPWA)
A federal initiative providing individuals living with AIDS with a variety of housing assistance options, including permanent supportive housing, rental assistance, and housing placement services.

Housing Stability and Tenant Protection Act of 2019
Modified the ETPA to expand rent stabilization across the State and close loopholes in the legislation.

Income Discrimination
When a landlord or real estate broker refuses to rent housing to an individual seeking to pay with governmental assistance, including housing vouchers.

Internal Revenue Service (IRS)
A federal agency responsible for administering and enforcing federal tax laws.

Land Bank
A public authority or non-profit intended to hold, acquire, hold, manage, and sometimes redevelop property in order to return the property to a use that meets community goals.

Low Income Housing Tax Credit (LIHTC)
A subsidy program supported through the tax code. Under this program, affordable housing developers “sell” awarded tax credits to private investors, using proceeds to cover acquisition, construction, and other development costs. LIHTC is not designed to produce housing for extremely low-income families, and projects financed by the credit are only required to remain affordable for 15 years.

Mandatory Inclusionary Housing (MIH)
A policy that requires developers to include affordable housing units in new residential developments in certain areas per zoning regulations.

National Environmental Policy Act (NEPA)
The federal environmental review process.

New York City Housing Authority (NYCHA)
The largest public housing authority in the United States. NYCHA uses various sources of federal funding to provide permanently affordable housing to low income New York City residents, ensuring that these individuals do not pay more than 30% of their income in rent.

Northwest Bronx Community and Clergy Coalition
A non-governmental organization working on housing and youth justice in the Bronx.

NYC 15/15
A NYC program that provides rental assistance for eligible families or individuals that are homeless or at risk of homelessness by providing an affordable apartment and supportive services aiming toward the goal of long-term stability.

NYC Fiscal Year
The year-long cycle the municipality uses for the purposes of budgeting and accounting. It runs from July 1st to June 30th.

“Other” Vacancy Units
The U.S. Census Bureau defines these units as year-round units vacant for the following reasons: foreclosure, personal/family reasons, legal proceedings, preparing to rent/sell, held for storage of household furniture, needs repairs, currently being repaired/renovated, specific use housing, extended absence, abandoned/possibly to be demolished/possibly condemned, and other write-in/don’t know.

Permanent Affordability Commitment Together (PACT)
A program launched in 2016, serving as a NYCHA-specific version of RAD to preserve affordable housing in the City and create better living conditions for its residents. Under PACT, NYCHA utilizes private management for the chosen property while maintaining land and building ownership and control over major decisions.
**Point-in-Time (PIT) Count**
A survey of sheltered and unsheltered people experiencing homelessness in the United States conducted on a single night in January. The PIT count is managed by HUD.

**Project Based Vouchers (PBV)**
A form of rental assistance where tenants receive support paying rent at a specific development.

**Public Housing Authorities (PHA)**
Public benefit corporations that manage, administer, and regulate public housing across the United States, and often are responsible for distributing housing vouchers.

**Public Housing Preservation Trust (the Trust)**
A public benefit corporation intended to assist with the rehabilitation, operation, and reconstruction of public housing in NYC.

**Real Estate Owned (REO)**
Buildings or lots that have come under the ownership of lenders or real estate speculators at the conclusion of the foreclosure process.

**Rental Assistance Demonstration (RAD)**
An Obama-era HUD initiative that allows public housing authorities to convert their Section 9 units into Section 8 funded units, while also transitioning these units towards private management.

**Resolution A funds**
City Council and Borough President Discretionary Funding that provides capital grants for housing development and preservation funding.

**Section 9**
A component of the Housing Act of 1937, establishing a federal funding stream for public housing authorities, essentially creating an operational public housing program in the United States.

**State Environmental Quality Review Act (SEQRA)**
State-based environmental review process.

**Subsidy**
A sum of money granted by the government or a public entity so the price of a service can remain low or competitive.

**Sweat Equity**
A person or company’s contribution toward a business venture or project that is typically not monetary and comes in the form of physical labor, mental effort, and time.

**Tenant Based Vouchers (TBV)**
A form of rental assistance where specific tenants receive support paying rent.

**The Housing Act of 1937**
The first piece of federal legislation establishing a national public housing program. The bill authorized the construction of 810,000 public housing units, while also setting sharp restrictions on construction costs.

**Uniform Land Use Review Procedure (ULURP)**
The standard NYC land use process that requires proposed developments for a zoning change to undergo.

**United States Department of Housing and Urban Development (HUD)**
A federal agency responsible for the administration of national housing policy in the United States and most of the nation’s housing programs.

**Urban Development Corporation (UDC)**
A NYS public benefit corporation that was responsible for developing over 30,000 units of low and middle income housing across the state between 1968 and 1975. The UDC had extraordinary potential as a developer of social housing, and was directly involved with the development of housing it finances, but it over stretched its financial resources, and defaulted in 1975.
The Studio course in Hunter College’s Master of Urban Planning program is a capstone group project that gives students the opportunity to engage in research, craft policy, and manage a community-based project at a professional level. The Fall 2023 Studio offered a unique opportunity to collaborate with our client, the housing policy team at the nonprofit Community Service Society of New York to develop a feasibility report for a proposed Social Housing Development Authority (SHDA), a mission-driven public benefit corporation chartered to construct and preserve long-term, affordable, decommmodified housing across New York State.

The participants in this Studio course have varied backgrounds and expertise within the affordable housing and economic development sectors. We concur that existing financing models and inclusionary zoning measures do not sufficiently address the availability and preservation of truly affordable housing for a wide range of low- to moderate-income households across New York State. In response to this, we have explored the essential components of an effective, accountable public authority and propose a Social Housing Development Authority (SHDA) that is dedicated to social housing through community involvement, and embodies a steadfast commitment to providing safe, quality, permanently affordable housing for all New Yorkers. Our objectives in the creation of this SHDA included delineating the historic context of the housing crisis in the state of New York; identifying key elements necessary for a public authority to execute its mission competently while remaining responsive to the diverse needs of its stakeholders; and creating scenarios that demonstrate how this public authority would work in practice around New York State through specific case studies.

The proposed SHDA aims to offer an alternative approach to housing development that insulates people’s homes from the pressures of market-driven demands. Successful implementation of this authority could charter a new path for government interventions in housing development - one that shifts away from the de-facto approach of private-public partnerships. In this vein, we believe the SHDA can act as a vessel to distill the demands of tenants’ rights and housing activists, progressive planners, and politicians and steward a more just future housing landscape. As American scholar Lauren Berlant writes, “The better power of the commons is to point to a way to view what’s broken in sociality, the difficulty of convening a world conjointly, although it is inconvenient and hard, and to offer incitements to imagining a livable provisional life.” By reframing the idea that the responsibility of the commons belongs to the collective instead of the individual, we believe that the creation of a Social Housing Development Authority can offer a pathway toward reparative structures and a more democratic and just society.

The Fall 2023 Hunter College Social Housing Development Authority Studio
Throughout New York State (NYS), years of profit-focused property development have led to a crisis marked by surging rents, widespread evictions, and escalating homelessness. The laws, policies, and programs in place enable this system to exist at the expense of low-income and working class New Yorkers who increasingly cannot afford to live here. There is consensus among activists, tenants, and progressive lawmakers that government intervention is needed to address a century-long crisis. One proposed solution is the establishment of a Social Housing Development Authority (SHDA), which would have the power to preserve and create affordable, democratically-controlled housing on a significant scale. However, designing such an entity raises crucial questions about its structure and governance, considering the history of public authorities in NYS that have struggled to stand the test of time and have been criticized for misuse of power, fiscal irresponsibility, and ties to influential interest groups.

The push for an SHDA comes amidst recognition that relying primarily on private intervention does not suffice to meet the housing needs of New Yorkers, and that public subsidies for private development consistently fail to achieve safe, decent, affordable housing for all income levels. An authority with broad powers could bridge the gaps left by existing agencies and authorities to support wide-scale preservation, rehabilitation, and creation of desperately needed social housing across NYS. The diversity of our state means that a one-size-fits-all model of intervention will not work; every location requires a unique building typology, design, target population, and financing strategy to meet needs and to align with local politics. For these reasons, we propose a flexible structure for the SHDA that enables it to respond to a variety of communities with different projects and initiatives.

This report starts with a historical overview of housing interventions in NYS to help contextualize this proposal and highlight the successes and challenges of past government-backed housing programs that offer important lessons for the SHDA. It then provides an overview of existing housing conditions in the State, the available mechanisms to produce affordable housing, and their inability to meet urgent housing needs. The next section introduces the SHDA as a new and powerful affordable housing production tool that is applied through three case studies based on real world conditions to exemplify its flexibility to intervene in the existing market. The report concludes with a series of policy recommendations intended to strengthen the SHDA and help cultivate a broader environment of housing affordability.
The 20th century saw the first substantial government intervention into the housing market in NYS. Shortly after the turn of the century, reformers and tenants’ unions fought and won regulations on rent and building conditions. It was not, however, until the New Deal era that federal, state, and city governments intervened into home building. What broadly emerged was a two tier intervention that prioritized the subsidy of suburban homeownership, exclusively accessible to white middle class families, over income restricted rentals available to people of color in cities. In recent decades, post-Reagan neoliberal governance and the aggressive financialization of the housing market has exacerbated a deepening affordability crisis and weakened the already tepid impact of state intervention into low income rental housing. While U.S. housing policy has entrenched race and class based segregation, there are many successful examples of publicly built social housing that lend lessons for a more equitable path forward.

The Early 20th Century

Housing in the early 1900s was deeply divided in New York. In New York City (NYC), wealthy residents lived in townhouses and early high rises while the majority of the working class resided in cramped, dark tenements. Buoyed by popular support, progressive reformers sought state legislation to curb destitute living conditions through the Tenement House Act of 1901, which successfully regulated new construction to ensure adequate access to light and air per unit. This legislation marked one of first substantial government interventions on housing conditions, but it had limited efficacy on existing units or overcrowded housing in upstate municipalities.

During World War I, tenants statewide endured further deterioration of living conditions coupled with aggressive rent hikes enabled by low wartime vacancy rates. In upstate cities like Rochester, 95 percent rent hikes were common. Tenant organizing and resistance against emboldened landlords proliferated across NYC, culminating in a string of legislation passed in the spring and fall of 1920. Known as the Emergency Rent Laws, the legislation applied new, stricter criteria that would make a tenant eligible for eviction and added a degree of judicial oversight of rent increases.

Figure 1.
Historic NYC Tenement Buildings
These groundbreaking laws laid the groundwork for later rent stabilization in NYS.\(^7\)

In response to the ongoing shortage of quality affordable housing following World War I, NYS took its first steps to intervene directly in the production of below-market housing. The Limited Dividend Housing Companies Act of 1926 empowered municipalities to condemn sites via eminent domain and transfer these parcels to private developers to initiate new construction. Developers received twenty years of tax exemptions in return for profit limits of 6% annually.\(^8\) The first and most prominent development produced under the legislation was Amalgamated Cooperative Apartments, which provided below-market units affordable to Amalgamated Clothing union workers. While other labor unions took advantage of the program to build high quality workforce housing, only a modest amount of units were actually produced.\(^9\)

A few years prior, in 1917, Treasury Secretary William Gibbs McAdoo created legislation for the first public authority to build a wartime fleet of merchant ships.\(^10\) The Emergency Fleet Corporation (EFC) was a new legal and administrative structure that could act as an autonomous and efficient arm of government under the direct control of the executive office. McAdoo envisioned the authority as, “the government doing directly for the people of this country what private capital cannot do.”\(^11\) Beyond its primary role of ship building, the EFC took on housing production in wartime shipbuilding centers.\(^12\) The EFC was the blueprint for future public authorities, a tool that would be used across the nation.

### The Great Depression & New Deal Era: The Age of Public Intervention

The Great Depression was an existential economic crisis that set the stage for a period of unprecedented public intervention in the housing market. In NYC, unemployment hit record highs as foreclosures and homelessness soared.\(^13\) Seeing an opportunity to boost employment and improve the chronically poor conditions of the city’s tenements, newly elected NYC Mayor Fiorello La Guardia allied with a progressive coalition that included socialists and housing reformers to advocate for state legislation that would give the government the means to build housing directly. Housing reformers like Catherine Bauer, were inspired by examples of social housing across Europe\(^14\) and pushed for a publicly-financed program with “universalist” aims that could compete directly with the private market.\(^15\)

Mayor La Guardia successfully passed legislation in 1934 to create the New York City Housing Authority (NYCHA),\(^16\) a new public benefit corporation with tax exempt status and the power to issue debt, condemn land through eminent domain, and build new below-market, publicly owned and operated housing.\(^17\) The early projects pursued by NYCHA, including First Houses, Williamsburg Houses, and the Harlem River Houses, are emblematic of the authority’s universalist impulse; construction costs were high enough to support the creation of quality, subsidized apartment buildings for moderate-income households.\(^18\)

The 1930s marked a key juncture in housing policy as the federal government grappled with its role in the housing market. President Roosevelt passed two major housing policy initiatives, the Home Owners’ Loan Corporation Act of 1933 and

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1. The Emergency Fleet Corporation (EFC) was created by President Woodrow Wilson in 1917 as a response to World War I. Initially intended to expand the capacity of the shipbuilding industry, the EFC quickly expanded its mission when research indicated labor shortages in wartime industries were driven by housing shortages; As a result, the EFC began providing worker housing by industrial centers.

2. The New York City Housing Authority (NYCHA) is the largest public housing authority in the United States. NYCHA uses various sources of federal funding to provide permanently affordable housing to low income New York City residents, ensuring that these individuals do not pay more than 30% of their income in rent.
the *Housing Act of 1934*, to both save middle-class homeowners from defaulting on their mortgages and expand access to homeownership by providing middle-class families with federally backed mortgages. These two acts created the Home Owners’ Loan Corporation (HOLC) to help homeowners refinance failing mortgages, and the Federal Housing Administration (FHA) to provide federal insurance for home rehabilitation loans and new mortgages. The legislation reflected the ideology of the federal government at the time, which saw public intervention as an opportunity to strengthen the private market.

The FHA in particular catalyzed the explosive growth of single-family homes and suburban towns. Between 1934 and 1972 the percentage of American families living in owner occupied dwellings rose from 44 to 63 percent. The FHA relied on a property appraisal method, originally pioneered by HOLC, to determine how much it was willing to insure mortgages – the lower the value, the less risk FHA would take. Reflective of deeply entrenched racism in American society, the FHA placed higher appraisals on segregated white neighborhoods deemed ‘economically stable’ and found neighborhoods home to ‘inharmonious racial or nationality groups,’ high risk. The appraisal methods favored single-family suburban homes, insuring them at a ratio of nearly four to one compared to multi-family homes, and excluded large urban areas home to minorities and immigrants from loan eligibility. The FHA enshrined discriminatory housing practices into public policy, and enabled the mass exodus of white middle- and upper-class city dwellers to segregated single-family home suburbs.

Pressure began to mount on the federal government in the late 1930s to address the housing needs of the lowest-income groups that could not afford to rent on the private market. New York reformers like Catherine Bauer pushed hard for the federal adoption of public housing. The *Housing Act of 1937* enabled the creation of public housing authorities (PHAs) across the nation, and Section 9 of the act created a federal funding system for local PHAs to operate and construct housing. However, the final bill was stripped of many key provisions. It prohibited implementation by nonprofits and cooperatives, kept construction costs minimal, excluded all but the lowest income groups, and mandated slum clearance in a quantity equal to the number of new units to be constructed. Despite these restrictions, New York was poised to harness the newly available federal funding to significantly expand its construction of public housing. In the following decades, NYCHA would build nearly 180,000 apartments using a combination of federal, state, and city funds, and to this day is the largest landlord and provider of deeply affordable housing in NYC.

NYS has 70 public housing authorities that were once authorized to build Section 9 housing. Many upstate cities were early adopters of public housing – Syracuse’s Pioneer Homes development was the first project in the state to be completed.
under the Housing Act of 1937, and Buffalo had completed four public housing developments by 1938. In the mid-20th century, upstate municipalities such as Albany, Syracuse, Buffalo, and Rochester took advantage of urban renewal funds to build modernist high rise public housing. In many cases, these PHAs successfully operated for decades, providing low-cost housing that was insulated from market pressures for thousands of families. Today, there are over 20,000 units of Section 9 housing in NYS outside of NYC.

Public housing was the first government run, large-scale home building program in the United States, and by many metrics, was considered a success. However, the amendments to the 1937 legislation under the Housing Act of 1937 were the first piece of federal legislation establishing a national public housing program. The bill authorized the construction of 810,000 public housing units, while also setting sharp restrictions on construction costs.

Systemic underfunding by the federal government has hindered Section 9 housing across the country, forcing PHAs to defer maintenance and necessary capital projects within their aging building portfolios. With limited options, many authorities turned to programs that infused private capital into public housing units. Between 1992 and 2010, cities like Rochester demolished Section 9 units and replaced them with mixed-income housing as part of the HOPE VI program. Troy demolished much of their public housing under the Department of Housing and Urban Development (HUD) Section 18 Demolition program and relocated their public housing residents to new housing through the distribution of vouchers. More recently, NYC, Albany, and Buffalo have converted Section 9 buildings to Section 8 with private management through HUD’s Rental Assistance Demonstration (RAD) program to access higher revenue streams. Outside of NYC, these programs have removed nearly 2,000 Section 9 housing units from the market over the past decade.

In 2022, NYC and NYCHA worked with the state legislature to create the Public Housing Preservation Trust (the Trust), a public benefit corporation intended to assist with the rehabilitation, operation, and reconstruction of public housing in NYC. The Trust allows NYCHA to use the Section 18 Disposition program to enter into a long-term ground lease while retaining permanent ownership and management responsibilities to its land and buildings. Through the Trust, traditional Section 9 public housing units are still converted to Section 8, and renovations to buildings are funded by Trust issued bonds backed by the guaranteed income stream of Section 8 funding. The Trust also provides an unprecedented “opt-in” provision that allows tenants to democratically decide if they want to remain in the Section 9 program, to renovate under PACT, or to rehabilitate under the Trust through a voting process.

vi The Housing Act of 1937 was the first piece of federal legislation establishing a national public housing program. The bill authorized the construction of 810,000 public housing units, while also setting sharp restrictions on construction costs.

vii The United States Department of Housing and Urban Development (HUD) is the federal agency responsible for the administration of national housing policy in the United States and most of the nation’s housing programs.

viii The Rental Assistance Demonstration program (RAD) is an Obama-era HUD initiative that allows public housing authorities to convert their Section 9 units into Section 8 funded units, while also transitioning these units towards private management.

ix The Permanent Affordability Commitment Together (PACT) program was launched in 2016, serving as a NYCHA-specific version of RAD to preserve affordable housing in the City and create better living conditions for its residents. Under PACT, NYCHA utilizes private management for the chosen property while maintaining land and building ownership and control over major decisions.
that put income limits on eligible families meant that PHA developments increasingly needed to rely on public subsidy to stay solvent. As political support for public housing declined in the 1960’s, particularly as white tenants moved out of their units to the suburbs, the fiscal health of many PHAs started to suffer. By the early 1970s, President Richard Nixon placed a moratorium on most subsidized housing, restricting PHAs’ access to funding. Between 1981 and 1987, the Reagan administration slashed federal funding for housing by 70 percent in spite of increasing poverty levels amongst public housing tenants. These sharp reductions forced many PHAs to operate at a deficit, making it challenging to keep up with growing maintenance and capital costs. These impacts are still felt today - NYCHA has an eight billion dollar capital budget allocation spread over five years, yet has declared a nearly $80 billion capital deficit.

Post-war Suburban Growth & the Emergence of Privately Developed Affordable Housing

The subsidization of middle-class, white homeowners by the FHA helped aid the explosion of single-family home suburbs surrounding urban centers, while disinvestment in urban communities of color accelerated the growing racial wealth gap. Zoning, originally designed as a tool to separate land uses, helped facilitate this geographical segregation, as affluent suburban municipalities imposed restrictions on multi-family housing, large lot zoning, and minimum house size requirements in an attempt to drive up housing costs and exclude lower-income households and people of color from accessing the suburbs.

In 1955, looking for solutions to stop the flow of middle class families to the suburbs, NYS passed the Limited-Profit Housing Companies Act, commonly known as Mitchell-Lama, to fund the creation of privately developed, income-restricted housing. Under this law, NYS provided loans to private sponsors backed by revenue bonds (local governments were also permitted to issue bonds and make loans to developers under Mitchell-Lama). State loans covered 90% of project costs at 3% interest and included a partial real estate tax exemption for property owners in exchange for a six percent limit on developer profits. Resident incomes were limited to six times the annual rent plus utilities, with rental surcharges for tenants that passed this limit. Few units were built until 1959, when the legislature amended the law allowing building owners to opt out of the program after 20 years. With this revision, Mitchell-Lama construction boomed, primarily downstate.

Mitchell-Lama is largely seen as a success in housing policy, in total, nearly 270 developments with over 105,000 apartments were built. However, projects faced both internal and external challenges. Undermined by inflation in the early 1970s, operating costs rose while rent collections failed to keep pace. Rents from low-income residents were reliant on a rental assistance program that was funded annually via state legislative appropriations and cut during the fiscal crisis of the early 1970s. Without assistance, low-income residents of Mitchell-Lama buildings could not pay the rent or operating charges. Further undermining the success of Mitchell Lama was the option to privatize. As the real estate market improved and subsidized mortgages and tax abatements expired in the 1980s, many complexes opted to 'buy out,' abandoning their limited-dividend and equity formats. Of the roughly 270 Mitchell Lama developments built,
around 90 developments with roughly 32,000 apartments voluntarily bought out.63

The Rise and Fall of the Urban Development Corporation

Around the same time in the 1960’s, Governor Nelson Rockefeller created the New York State Housing Finance Agency (HFA) x and the Urban Development Corporation (UDC) xi to both address urban housing woes and to burnish his humanitarian credentials before a presidential run.64 The HFA acted as a financer for private developers and foreshadowed the future of government intervention into the low-income housing market, while UDC represented the last vestige of large scale, direct government built housing in the State. Helmed by the hard-charging Ed Logue, UDC possessed the administrative capacity to design and build projects as well as the legal powers of eminent domain and zoning override.65 UDC financed its projects through a combination of federal Section 236 subsidies, which reduced interest on mortgages, 66 and newly created moral obligation bonds. Unlike general obligation bonds, which require voter approval and full legal backing from the state, moral obligation bonds are only backed by the moral obligation of the state.67 Despite the novelty of moral obligation bonds, financial institutions bought billions of dollars of UDC bond notes.68

Ed Logue implemented an aggressive ‘Fast Track’ policy meant to avoid delays by moving projects forward before funding, permitting, design, and contracting were fully in place.69 In an effort to avoid controversial politics of land clearance, the UDC primarily built on either open vacant land or languishing urban renewal sites.70 In its first seven years, UDC marshaled its powers to expeditiously produce housing, issuing roughly two billion dollars in bonds, and building roughly 33,000 homes for 100,000 people.71 While much of this took place in NYC, UDC developed two large-scale planned developments upstate on unoccupied land, one north of Syracuse and the other east of Buffalo.72

UDC carried out its mandate, primarily by building income restricted housing with roughly 70% of units set aside for moderate and middle income tenants and 30% for low income tenants, proactively seeking integration along racial and socioeconomic lines.73 In 1972, UDC began what was referred to as the Nine Towns plan, which aimed to build a modest amount of housing, roughly one hundred income restricted units per town, in nine predominantly white-middle- and upper-class towns across Westchester. The plan did not receive initial support from local towns, pushing UDC to utilize its zoning override powers.74 Despite support for the plan from civic groups and unions, the overwhelming reaction to the Nine Towns plan was one of outrage and accusations of state overreach. Notably, UDC committed unforced errors in the haste of its ‘Fast Track’ process and did not consult with local towns about the plan, especially regarding site locations, which were poorly chosen.75 Ultimately, the reaction was so potent that it culminated not only in the full defeat of the plan, but also stripped UDC of its zoning override powers in towns and villages.76
The Decentralized Housing Network

Starting in the 1970s, the federal government largely abdicated its responsibility to directly house low- and moderate-income tenants, and fully shifted focus to incentivizing the private market through tax credits and rental assistance programs. States and municipalities were forced to pick up the slack, which many were not prepared to do. Coinciding with this retrenchment was a time of significant economic and fiscal distress in NYC, when it saw a loss of 400,000 residents in large part to the surrounding suburbs and the abandonment of 11,000 units of housing in a seven-year period.

The City began to acquire and rehabilitate these buildings and converted nearly 1,100 of them from traditional rental buildings into limited-equity cooperatives organized as Housing Development Fund Corporation cooperatives (HDFC co-ops). The formation of HDFC’s was made possible by the enactment of Article 11 of the Private Housing Finance Law. Passed in 1966, the Law provided financial and technical assistance to charitable and nonprofit organizations that wanted to help residents in neighborhoods facing abandonment and disinvestment build or rehabilitate housing. Many residents that were already managing their buildings in the face of landlord abandonment now had the ability to become legal owners and shareholders of their homes alongside their neighbors.

Before the default, Governor Wilson had called for a commission to make recommendations about UDC’s future. The Moreland Commission, as it would come to be known under Governor Hugh Carey, conducted what in essence was a postmortem of UDC. Though the Moreland Commission recognized UDC’s unique innovations and rapid production, it focused on its shortcomings, noting that moral obligation bonds were deeply flawed and that the authority sorely lacked financial oversight, allowing Logue far too much power. Ultimately, the Moreland Commission concluded that UDC’s downfall could be attributed mostly to the underlying contradiction between its social mandate to build for low- and moderate-income tenants and its fiscal mandate to do it at no cost to taxpayers.
8 of the bill created a housing voucher program for qualifying low-income tenants to use in the private market.\textsuperscript{82}

The 1980’s onward saw a shift from direct, large scale government intervention in the production of affordable housing to a system that relied on city and state tax incentives and subsidies to support private development.\textsuperscript{83} In 1977, the newly created Department of Housing Preservation and Development (HPD),\textsuperscript{xiii} became the chief public partner for housing finance with nonprofits and community development corporations within NYC.\textsuperscript{84} Chief among the federal programs administered by HPD was the ability to award low-income Housing Tax Credits (LIHTC),\textsuperscript{xiv} created by Congress in 1986.\textsuperscript{85} LIHTC has produced tens of thousands of units and because it is operated through the Internal Revenue Service (IRS),\textsuperscript{xv} rather than through HUD, the tax credits have remained relatively insulated from partisan cuts.\textsuperscript{86} LIHTC and Section 8 vouchers represent the core of the new generation of publicly funded housing interventions.

At the same time, economic deregulations, the expansion of financial services, and the rapid growth of the private real estate industry began to change housing dynamics across NYS.\textsuperscript{87} Financial actors like investment banks, private equity firms, and opaque limited liability corporations (LLCs) have become powerful actors in real estate markets across the State, speculating on multifamily rental buildings, single-family homes, and even mobile home parks by raising rents far beyond the means of tenants.\textsuperscript{88} Ultimately, the growing role of the financial sector in the housing market has had devastating implications for tenants, as corporate landlords are more likely to raise rents, evict tenants, and defer maintenance on their properties.\textsuperscript{89}

\textsuperscript{xiii} The Department of Housing, Preservation, and Development (HPD) is the municipal housing agency in New York City, handling affordable housing finance, housing code maintenance, tax credit administration, and much more.

\textsuperscript{xiv} The Low Income Housing Tax Credit (LIHTC) is a subsidy program supported through the tax code. Under this program, affordable housing developers “sell” awarded tax credits to private investors, using proceeds to cover acquisition, construction, and other development costs. LIHTC is not designed to produce housing for extremely low-income families, and projects financed by the credit are only required to remain affordable for 15 years.

\textsuperscript{xv} The Internal Revenue Service (IRS) is a federal agency responsible for administering and enforcing federal tax laws.
Dear Speaker Heastie,

Please stand in support of legislation that will protect thousands of people that could potentially be displaced due to private developers and speculative landlords. Please fight for us.

-Woodside on the Move
Chapter 2

WHY NEW YORK NEEDS THE SHDA

The previous section provided context for the dire housing conditions in present day NYS. By every measure, the State is in a housing crisis - marked by an increased number of households facing severe rent burden, rising homelessness, and low vacancy rates. The number of existing affordable housing units has continued to decline over the last three decades, in part due to restrictive zoning, the timed phase-out of regulatory agreements on affordable units, and a lack of comprehensive rent control.

Severe Rent Burdens

In a Fall 2023 survey of NYS voters, more than eight in ten respondents agreed with the statement that, “the cost of buying or renting a home in New York has gotten too high, and we need to do something about it.” The National Low Income Housing Coalition estimates that the State is short over 650,000 new rental homes affordable enough for extremely low-income renters. Furthermore, 53% of renters in NYS are considered cost burdened, meaning they spend more than 30% of their income on rent and utilities. While only 26% of renters within 80-100% of the area’s median income (AMI) are cost burdened, 87% of renters making below 30% AMI are considered as such. There is a public debate between how to confront this crisis - some believe the solution lies in easing the barriers to housing supply, while others insist that more targeted interventions are needed at the bottom of the market. The reality is that neither is happening fast enough to meet New York’s urgent need. Affordable housing for the lowest income renters is extremely difficult to find - in 2021, there were only 32 affordable homes per 100 renters for households at or below 30% AMI. Concurrently, worker compensation has failed to keep pace with average rents and living costs, forcing more people to look for affordable or subsidized housing options that essentially do not exist.

Homelessness Crisis

There is a correlation between the lack of affordable housing and increases in evictions and
homelessness. In 2019 alone, there were 262,217 eviction filings across the State. There was a short lived decrease in evictions between 2020 and 2021 due to a statewide eviction moratorium in response to the COVID-19 pandemic and the distribution of the Emergency Rental Assistance Program (ERAP). However, as of November of 2023, evictions throughout the State are on track to match if not exceed 2022, with the highest rates in the Bronx, Brooklyn, Manhattan, Queens, Westchester, Erie, and Monroe counties. In NYS, homelessness has hit record numbers not seen since the Great Depression. The last statewide Point-in-Time (PIT) homeless count conducted by HUD in January 2022 revealed 74,178 people were experiencing homelessness in NYS - 61,840 in NYC and 12,338 in the rest of the State. A lack of affordable housing was cited as the primary reason for shelter stays.

Since then, over 101,200 migrants fleeing political, climate, and economic instability have arrived in NYC, many of which are turning to homeless shelters and pushing the system to the brink. In October 2023, over 140,000 people slept in city shelters — a 138% increase from January 2022.

### Housing Supply Failing to Meet Demand

The population of NYS grew to over 20.2 million people in 2020, up 823,000, or 4.1%, since 2010. Most of this increase occurred in downstate regions, in and adjacent to NYC, as described in Table A. Within the downstate area, Mount Vernon experienced the largest population growth in NYS at nearly 10 percent, while Yonkers, now the third largest city in the State, increased in population by eight percent. Meanwhile, upstate regions saw their populations decline, except in the Capital District, Finger Lakes, and Western New York. Of the upstate regions, Buffalo experienced the most population gains of any other city, adding 17,039 new residents since 2010, after losing more than half its population in the past 60 years.

### Vacancy Levels

While the upstate and downstate regions are experiencing divergent levels of population growth, both are struggling to maintain a healthy housing stock. A healthy vacancy rate typically ranges between seven to eight percent for rental units and around two percent for units on sale for purchase. According to Table A, every region throughout NYS except NYC have both rental and for-sale vacancy rates at or below two percent.

While low vacancy rates have historically been an issue in New York City, several upstate cities, like Albany, Syracuse, and Rochester, have experienced a rapid decline in their vacancy rates over the past decade as well. Between 2017 and 2022, the rental vacancy rate fell from 7.8% to 2.4% in Albany, from 9.1% to 3.0% in Syracuse, and from 6.3% to 3.9% in Rochester. While the recent decline in vacancy rates puts more pressure on low-income families to find suitable housing, upstate cities like Rochester and Utica...
have trouble attracting residential development due to low regional incomes and comparatively inexpensive median rents in the region.\textsuperscript{22} Additionally, while deeply affordable housing exists in cities like Utica, where it is possible to find apartments renting for $900 a month, these low-rent apartments often have significant issues, like major code violations, infrastructural deficiencies, or health hazards (e.g., lead, mold, or pests).\textsuperscript{23} For example, in Utica’s lowest income neighborhoods, 37% of housing units have code violations, while 13.5% of housing units are chronically vacant, categorized as “other” vacant units,\textsuperscript{iv} due to abandonment or inhabitability, steeply limiting the supply of safe housing in these neighborhoods.\textsuperscript{24} With the cost of rehabilitating an aging housing stock potentially being prohibitively expensive, cities like Buffalo have invested in property demolition programs, which do little to increase housing opportunities for low-income New Yorkers.\textsuperscript{25}

In the upstate cities of Albany, Buffalo, Rochester, and Syracuse, “other” vacant units make up more than half of the vacant housing stock in these municipalities. As a result, there is very little housing that exists on the private market in upstate cities that is both deeply affordable and also safe for habitation, creating an affordability crisis that looks slightly different than downstate.

\textsuperscript{iv} The U.S. Census Bureau defines “Other” vacant units as year-round units vacant for the following reasons: foreclosure, personal/family reasons, legal proceedings, preparing to rent/sell, held for storage of household furniture, needs repairs, currently being repaired/renovated, specific use housing, extended absence, abandoned/possibly to be demolished/possibly condemned, and other write-in/don’t know.

Recent Proposals & Failures

In an attempt to boost the development of housing throughout the State, in Spring 2023, Governor Hochul proposed legislation that required every city, town, and village in New York to expand its housing stock every three years by set percentages depending on location — 3 percent downstate and 1 percent upstate. Hochul’s \textit{Housing Compact} contained built-in safeguards that would override local opposition if the growth targets were not met.\textsuperscript{26} The legislation encountered fierce opposition, particularly from suburban legislators, and ultimately failed to make it to a vote.\textsuperscript{27}

The \textit{Housing Compact} showed that the State’s response to the housing crisis relies solely on incentivizing private developers to build more, whether by liberalizing zoning, providing...
subsidies, or both. Polling data shows that only a small portion of voters support strategies that make it easier for developers to build, and a plurality hold an unfavorable view of real estate developers.\textsuperscript{28} Real estate firms spend millions of dollars annually on lobbying\textsuperscript{29} and campaign donations,\textsuperscript{30} to oppose basic tenant protections like the “Good Cause Eviction” bill,\textsuperscript{31} and renew politically unpopular tax incentives like the 421-a program to subsidize luxury housing.\textsuperscript{32} It is an insider political strategy that relies on financial leverage over a small number of politicians rather than popular political support.

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<th>Region</th>
<th>2010</th>
<th>2020</th>
<th>Population Change</th>
<th>Total Available Housing Units</th>
<th>Rental Vacancy Rate*</th>
<th>For Sale Vacancy Rate*</th>
<th>“Other” Vacancy Rate**</th>
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<td></td>
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</tr>
<tr>
<td>New York City</td>
<td>8,175,133</td>
<td>8,804,190</td>
<td>7.7%</td>
<td>3,590,995</td>
<td>2.16%</td>
<td>0.68%</td>
<td>3.18%</td>
</tr>
<tr>
<td>Mid-Hudson</td>
<td>2,290,851</td>
<td>2,398,150</td>
<td>4.7%</td>
<td>935,096</td>
<td>0.98%</td>
<td>0.79%</td>
<td>3.78%</td>
</tr>
<tr>
<td>Long Island</td>
<td>2,831,896</td>
<td>2,920,439</td>
<td>3.1%</td>
<td>1,054,073</td>
<td>0.69%</td>
<td>0.71%</td>
<td>2.02%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td>5,580,164</td>
<td>1.28%</td>
<td>0.73%</td>
<td>2.99%</td>
</tr>
</tbody>
</table>

Table A. NYS regional population change and vacancy rates

* Rental and For Sale vacancy rate calculation divided all available “For Rent” vacant units and all available “For Sale” vacant units by the total number of county units. Regional vacancy rates equate to an average of each county’s percentages as relevant.

** “Other” vacancy rate calculation divided all “other” vacant units by the total number of county units. Regional “other” vacancy rate equates to an average of each county’s percentages as relevant.
For the last 50 years, the 421-a property tax exemption program spurred new construction of multi-family housing, namely in NYC where the housing crisis is particularly acute. The 421-a program, which expired in June 2022, has become one of the largest housing expenditures in the State, costing the City $22 billion in uncollected tax revenue since 1990. The shortcomings of 421-a as an affordable housing program can be traced back to its inception in 1971 - it was created to stimulate private investment in new development, not to build deeply affordable units. Revisions to the program in 2017 lengthened lucrative tax breaks for developers up to 35 years, and allowed affordability requirements in rental properties to target households as high as 130% of the AMI. The 421-a program contributed to the dearth of affordable apartments and a glut of higher rent apartments that exists in NYC.

In 2022, vacancy rates for NYC apartments over $2,300 were at 12.3%, while vacancy rates for units under $1,499 and $900 were at 0.93% and 0.86%, respectively. For municipalities outside of NYC, the 485-a tax exemption program is still active, however there are no affordability requirements for new developments.
Rental vacancy rate in 2021

Table B.
Rental vacancy rate in 2021

NYS City Vacancy Rate

<table>
<thead>
<tr>
<th>City</th>
<th>Total Housing Units</th>
<th>Vacant Housing Units</th>
<th>Number of “Other Vacant” Units</th>
<th>“Other Vacant” Unit % of Total Housing Units</th>
<th>“Other Vacant” Unit % of Vacant Housing Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albany</td>
<td>50,529</td>
<td>7,350</td>
<td>3,732</td>
<td>7.39%</td>
<td>50.78%</td>
</tr>
<tr>
<td>Buffalo</td>
<td>139,156</td>
<td>16,578</td>
<td>10,607</td>
<td>7.62%</td>
<td>63.98%</td>
</tr>
<tr>
<td>New York City</td>
<td>3,679,063</td>
<td>306,024</td>
<td>112,987</td>
<td>3.07%</td>
<td>36.92%</td>
</tr>
<tr>
<td>Rochester</td>
<td>103,260</td>
<td>10,845</td>
<td>5,671</td>
<td>5.49%</td>
<td>52.29%</td>
</tr>
<tr>
<td>Syracuse</td>
<td>66,350</td>
<td>6,272</td>
<td>3,820</td>
<td>5.76%</td>
<td>60.91%</td>
</tr>
<tr>
<td>Yonkers</td>
<td>81,651</td>
<td>2,476</td>
<td>919</td>
<td>1.13%</td>
<td>37.12%</td>
</tr>
</tbody>
</table>
The Current Affordable Housing System

Despite its unpopularity, the real estate industry’s fingerprints are all over existing programs and tools available to build below-market housing in NYS. Actions taken by the State can generally be categorized as either preserving existing affordable housing or producing new affordable units. These endeavors are riddled with shortcomings and prioritize incentives for developers over deep affordability, creating a lucrative affordable housing industry that uses public subsidies to build income-restricted housing that meets only a fraction of the need.

Preservation Tools

Deregulation: Increasing Density to Stabilize Increases Costs

As noted above, many state officials, including Governor Hochul, maintain that removing restrictions on the supply of market-rate housing can unlock a resolution to the housing crisis. Indeed, loosening zoning restrictions to promote greater density is an indirect strategy that municipalities have used to keep rent costs stable. The City of New Rochelle rezoned its downtown to allow for more density in 2015, while the City of White Plains gradually loosened development restrictions in their Central Parking Area (CPA) district from 1988 to, most recently, 2021 and encouraged more adaptive reuse and conversion of underutilized sites for mixed-use development within the last decade. Between 2017 and 2023, both cities increased their combined housing stock by approximately 11% and median rent grew by only 8% for New Rochelle and 5% for White Plains. Comparatively, Suffolk County and Monroe County each increased housing units by an average of 1% and experienced rent increases of 37% and 45%, respectively.

Advocates counter that while they are not opposed to lifting density and bulk regulations, especially near transit, new market-rate housing development alone is insufficient to meet the moment. Further, it is important to anticipate and mitigate gentrification dynamics where new market-rate units are being added to areas with significant stocks of low- and moderate-income units (such as is the case in New Rochelle). If communities want to prevent eviction and help stabilize prices, officials should instead be concerned with ensuring that new development and accompanying amenities does not incentivize the owners of existing properties to raise rents and push out low-income tenants.

Inclusionary Zoning

Often, the loosening of zoning restrictions is accompanied by inclusionary housing mandates. It is notable that in both New Rochelle and White Plains, rezonings included affordable housing targets (10% affordable units in New Rochelle and between 8 and 12% for rentals and 10% for purchase in White Plains). In 2016, NYC adopted a Mandatory Inclusionary Housing (MIH) policy as part of Mayor de Blasio’s Housing New York strategy. MIH is a policy that requires developers to include affordable housing units in new residential developments in certain areas as part of the city’s zoning regulations typically introduced through City-led, area-wide
rezonings. MIH requires permanently affordable housing within new residential developments in designated MIH areas, and how this looks depends on the size of the building. For buildings less than 10 units and less than 12,500 square feet (sf) in an MIH area, there is no requirement to provide permanently affordable housing units. For buildings between 10-25 units, and not exceeding 25,000 sf, developers have the option to either provide the required maximum of 30 percent residential floor area as permanently affordable housing units or to pay into an Affordable Housing Fund. For any developments that are over 25 units, developers may choose from at least two, and at most four, MIH Options. HPD and DCP are responsible for the administration of the MIH Program.

When it was passed, MIH was lauded as the most ambitious affordable housing program in the country. However, as of January 2020, only 2,065 MIH affordable units had been approved. One of the primary shortcomings of NYC’s MIH program is that the City focused its rezonings largely on low-income communities where current residents are still unable to afford rents set through MIH affordability levels. This is partially attributed to well-organized opposition in affluent areas of the City and City Council member deference on rezonings.

Regulation: Rent Stabilization

NYC has a long history of Rent Stabilization. The Emergency Tenant Protection Act of 1974 (ETPA) was enacted in response to the ongoing housing emergency where vacancy rates were under 5 percent. The rule was put into place to balance the scales between landlords and tenants. In a market with a low vacancy rate, landlords are able to demand higher rents because the overall number of available apartments is low and

**Figure 21.** HPD Inclusionary Housing Sites
every apartment is in high demand. The ETPA has inadvertently also become the most extensive tool for preserving affordable housing in NYC - where half of all rental units are rent regulated. In addition to stabilized rents, these tenants are also afforded protections such as succession rights and automatic lease renewal. Before the Housing Stability and Tenant Protection Act (HSTPA) of 2019, rent stabilization only covered NYC and select adjacent counties. The HSTPA expanded the protections afforded by the rent stabilization law, removing loopholes that were added by real estate interests over time and opening up the opportunity for other municipalities across NYS to opt into the program. Since then, several communities in the Hudson Valley have joined the program, thereby offering incumbent tenants protection against excessive rent hikes at a time when areas outside of NYC are grappling with mounting housing costs and low vacancy rates.

Production Subsidies

Tax-Exempt Bonds

Housing bonds are typically used to finance low-interest mortgages for moderate and low-income homebuyers, as well as for the acquisition, construction, and rehabilitation of multi-family housing for low-income renters. Investors purchase housing bonds at low interest rates because the income from them is tax-free. The interest savings made possible by the tax exemption is then passed on to homebuyers and renters in reduced housing costs. The two primary types of housing bonds are Mortgage Revenue Bonds (MRBs) and Multi-Family Housing Bonds. By lowering mortgage interest rates, MRBs make homeownership affordable for families who would not be able to qualify for market rate loans. HFAs often combine MRBs with down payment assistance that allow home purchases by families and individuals who would not otherwise be able to buy homes.

Multi-Family Housing Bonds finance the acquisition, construction, and rehabilitation of multi-family developments for income restricted renters in the market. Multi-family housing developments with bond financing usually set aside at least 40 percent of their apartments for families with income at 60 percent of AMI or less, or 20 percent for families with income at 50 percent of AMI or less. The income restricted apartments financed by those bonds must remain affordable for 30 years.

The current system of bond-financed housing production is not meeting the affordability needs in the housing market. States increasingly combine multi-family bonds with other resources—including LIHTC and HOME Investment Partnerships (HOME)—to serve even lower income families for longer periods of time than the law requires. Furthermore, many multi-family bonds finance special needs housing, such as housing for the formerly homeless, veterans housing, transitional housing, senior housing, assisted living housing, housing for persons with disabilities, workforce housing, housing for persons with AIDS, migrant worker housing, and rural housing.

Low Income Housing Tax Credits (LIHTC)

The bulk of below-market development statewide relies on the LIHTC program. LIHTC, established by the Tax Reform Act of 1986, provides financial incentives to developers to invest in low-income housing.
bonds, as discussed. The programs that guide these subsidies have requirements that include specified levels of affordability; units set aside for formerly homeless individuals; and supportive units for populations, such as people with severe mental illness or substance abuse issues.

On the state level, HCR will often provide subsidies to projects that are primarily funded by tax-exempt bonds and federal and state tax credits. In this case, the tax-exempt bonds and tax credits are issued by the state HFA. Similarly, on the city level, HPD subsidy is often used on tax-credit projects financed with HDC bonds. HDC is, in many ways, a city version of HFA, in that it is a public benefit corporation that issues tax credits and revenue bonds to finance affordable housing projects.

Projects can also be built with a mix of city and state sources. For example, a project whose financing sources include HFA tax-exempt bonds and LIHTC equity may get two capital subsidies: one from HCR and one from HPD.

In addition to subsidy programs that provide gap financing to tax credit projects, HPD and HCR offer other subsidies and low-interest loans to smaller projects, including cooperatives and homeownership. These funds typically pay for acquisition, construction, and rehab costs.

In all cases, whether for tax credit developments with 500 units, or small co-ops with 10 units, the current city and state subsidy programs do not provide a deep enough level of affordability on a broad enough scale. Many of these subsidy programs can be recaptured. Following this period, there is no formal mechanism the IRS uses to enforce the regulations of the program. While a significant majority of LIHTC-financed developments maintain affordability after the 15-year compliance period ends, affordability requirements are eliminated entirely after an additional 15 years. Essentially, the most significant source of affordable housing in the United States sees an affordability requirement of only 30 years before it can fully transition to market-rate housing.

Moreover, LIHTC only constitutes a portion of a particular development project’s funding sources, sometimes referred to as “capital stack.” These elements are typically layers of complex and convoluted combinations of financing and subsidy programs. Often, these programs are rife with elaborate regulations and elevated financing fees, which contribute to substantially higher development costs due to increased staff, accounting and legal time on compliance, and wait times on project approval.

**Capital Subsidy from Housing Agencies**

NYS, through its Department of Homes and Community Renewal (HCR), provides capital subsidies to affordable housing developers, typically to fill gaps in tax credit projects. NYC also provides capital subsidy through HPD and its Housing Development Corporation (HDC). Often, these subsidies are paired with revenue bonds, as discussed. Projects that receive NYC and NYS subsidies in addition to LIHTC are typically kept affordable over a longer time through loan covenants imposed by state and city agencies.
programs have been in place for a decade or more, and they have not been sufficient to address the housing crisis.

**Demand-Side Subsidies**

**Tenant Based Vouchers**

Tenant based vouchers (TBVs)\(^{xi}\) are vouchers attached to a person. Since tenant based vouchers are tied to the person not the unit, the assistance is portable; voucher-holders can move with the subsidy. However, because tenant based vouchers are not tied to a unit, households to whom they are allocated must rely on finding housing in the private sector.\(^{61}\) Families with tenant based vouchers pay 30% of their rent directly to the landlord with the remaining rent paid from the sponsoring agency.\(^{62}\)

NYS relies on rental assistance vouchers granted directly to households as the primary mechanism to help low-income and extremely low-income New Yorkers find housing on the private market. There are 239,463 households utilizing federal Section 8 housing choice vouchers in New York State. There are also 3,780 New York State households receiving vouchers through the Housing Opportunities for Persons With AIDS (HOPWA)\(^{xiii}\) Program, and an additional 26,000 households in NYC leasing through the City Fighting Homelessness and Eviction Prevention Supplement (CityFHEPS)\(^{xiii}\) voucher.\(^{63,64,65}\) In Fiscal Year (FY) 2022,\(^{66}\) 76% of housing placements from the NYC shelter system occurred via the mechanism of rental assistance vouchers.\(^{66}\)

While vouchers are an important piece of the State’s housing strategy to help extremely low-income households find stable housing, an over-reliance on them as the primary tool exposes their inefficiencies. Households using vouchers face many barriers to permanent housing, namely rampant source-of-income discrimination\(^{xv}\) that locks thousands out of the private market, despite robust discrimination laws at the city and state level.\(^{67,68}\) Additionally, because voucher holders are competing in a speculative market in which rents have increased faster than incomes, federal, state, and city budget allocations for voucher programs have increased dramatically and are continuing to rise annually.\(^{69}\) Every year, the government spends more money on vouchers without adequately addressing the need. In 2019, 64% of HUD’s budget was allocated to Section 8 project-based and tenant-based vouchers, up from just 45% in 2002.\(^{70}\)

Section 8 project-based vouchers (PBVs),\(^{xvi}\) similar to TBVs discussed above, pay landlords the difference between 30% of tenant income and the “fair market rent” (as determined by HUD) of the unit they are renting. As with TBVs, tenants must earn 50 percent of AMI or below to be eligible.\(^{73}\)

Unlike TBVs, PBVs are tied to the unit, not to the tenant. This means that when a tenant moves out of a PBV unit, the new tenant that moves into the same unit will be covered by the PBV and pay 30% of their income toward rent.

Since the 1970s, HUD has awarded (PBV) contracts to private owners of multi-family

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\(^{xi}\) Tenant Based Vouchers (TBVs) are a form of rental assistance where specific tenants receive support paying rent.

\(^{xii}\) The Housing Opportunities for Persons with AIDS (HOPWA) Program is a federal initiative providing individuals living with AIDS with a variety of housing assistance options, including permanent supportive housing, rental assistance, and housing placement services.

\(^{xiii}\) The City Fighting Homelessness and Eviction Prevention Supplement (CityFHEPS) voucher is a rental assistance program administered by NYC that helps families with an income below 200% of the federal poverty level find housing and avoid entering the shelter system.

\(^{xiv}\) The New York City Fiscal Year is the year-long cycle the municipality uses for the purposes of budgeting and accounting. It runs from July 1st to June 30th.

\(^{xv}\) Income discrimination is when a landlord or real estate broker refuses to rent housing to an individual seeking to pay with governmental assistance, including housing vouchers.

\(^{xvi}\) The Housing Choice Voucher (HCV) waitlist was reopened for ACS and DHS referrals only, not for the general public. Only about 1/3 of counties in NYS have open waitlists for Section 8 vouchers. For more information, visit: https://affordablehousingonline.com/open-section-8-waiting-lists/New-York.

\(^{xvii}\) Project-Based Vouchers (PBVs) are a form of federal rental assistance where tenants receive support paying rent at a specific development.

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buildings. From the perspective of building owners, PBVs are a better financing source than TBVs. Because they are tied to units via a long-term (typically 30-year) regulatory agreement, PBVs are considered by lenders to be guaranteed rental income. Since PBV rents are higher than tax credit rents, they also allow building owners to leverage higher loans for construction or rehab.

The biggest challenge of Section 8 PBVs is preserving affordability. Since rental subsidies tied to units are provided on a contractual basis, owners of so-called Project-Based Rental Assistance developments (PBRAs) can choose whether to renew their regulatory agreements or exit them when their 30-year contracts expire. If a development is in an area where market rents are higher than contract rents, the owner, if they are not a mission-driven housing provider, often chooses to exit. Several hundred thousand project-based Section 8 units across the country have reverted to market rate in the past two decades. A 2016 publication by the NYU Furman Center identified 147 PBRA Properties in NYC whose regulatory agreements were due to expire by 2020, and an additional 158 properties whose agreements were set to expire between 2020 and 2030.

In conclusion, the current housing landscape in New York State is characterized by a patchwork of regulations and subsidies designed either to stimulate the production of new affordable homes or to make existing ones accessible to households unable to pay market rent. But despite costing billions of dollars of foregone government revenue annually (tax credits and abatements), and despite consuming hundreds of millions of dollars in direct annual subsidy to tenants and developers, this system is doing an extremely poor job of lowering cost burdens, incentivizing decent quality units at reasonable prices, or keeping people out of shelters. In part, this is because the affordability of government-supported, privately built, income-restricted housing typically expires after 30 years. So even as new affordable units are being built, the pipeline is leaking at the other end as income restrictions are lifted from existing developments. Additionally, a large majority of newly constructed, income-restricted housing typically expires after 30 years. So even as new affordable units are being built, the pipeline is leaking at the other end as income restrictions are lifted from existing developments. Additionally, a large majority of newly constructed, income-restricted housing – particularly that created through tax credits and inclusionary zoning programs – is pitched at households earning $80,000 per year or more. Affordable housing has become an asset class, and it has generated a burgeoning private industry whose players are devoted to maintaining their places within it. The multi-billion-dollar-system is deeply wasteful and inefficient – to some extent because large segments of it are built around guaranteed profits for development companies, landlords, and financial and legal intermediaries.

**What’s Next**

The SHDA draws from past and existing public housing interventions that have produced hundreds of thousands of homes for New Yorkers, yet failed to sustain political shifts. The Authority would grant the State the capacity to directly build and finance affordable, democratically controlled housing at a high volume. The existence of a public developer would not change the fact that, given the high costs of land and labor, building housing in New York remains particularly difficult. The administrative advantages of the SHDA are that it would be freed from costly developers fees, granted an inside track with other government agencies, and operate at a high enough volume so as to achieve economies of scale. For these reasons, the SHDA has the potential to be more efficient than the current system. In the political arena, the SHDA would also act as a vehicle for the State to respond to the popular sentiment among New York voters that housing is too expensive, convincing them that it is in their interest to oppose exclusionary zoning and support new forms of affordable housing production. Were NYS to pursue another Housing Compact, the existence of the SHDA would mean the State could guarantee tens of thousands of affordable units and neutralize the political liability of the public aversion to profit-seeking developers. Building decommodified housing is not a mere matter of ideology; it is a practical route forward at a moment of political impasse.
The New York Social Housing Development Authority (SHDA) is a proposed public benefit corporation\(^1\) and would have the power to issue its own debt to acquire property, rehabilitate homes, and construct new residential buildings. Property acquired by the Authority on behalf of existing tenants could be managed by the SHDA or transferred to tenant or nonprofit ownership. The SHDA will encourage the formation of housing that centers resident decision-making and governance structures such as limited equity cooperatives and land trusts. It will promote sustainable and environmentally-conscious development and design, and enhance the state’s role in urban planning and housing development.

Housing constructed or preserved through the SHDA would not be subject to speculative exchange or assetization and would be characterized by permanent affordability. It is important to acknowledge that housing of this kind already exists. Public housing in New York provides below-market, permanently affordable homes to at least 395,000 people across the State,\(^2,3\) and has done so for decades. While there are key differences between the proposed SHDA and traditional public housing (particularly related to funding sources, income levels, ownership structures, topologies, and governance structures), the new Authority will need to figure out how to work in coordination with PHAs to support their continued existence.

The introduction of a high-capacity public alternative can add thousands of units of social housing to New York’s housing market. This has the potential to transform current housing conditions for all residents. We define social housing as government-backed housing that prioritizes the highest attainable levels of quality, permanent affordability, and resident decision-making. The development of social housing is focused on achieving these outcomes rather than prescribing a set form. Every project, in design and implementation, will respond contextually to its geographic location. Social housing’s ability to meet a variety of housing needs throughout the State expands the number of stakeholders benefiting from its existence, and as a result, ensures its long term viability.
Tenants must be able to vote for representation on the SHDA board, whether that be by electing a fellow tenant to represent them or by bringing on an aligned representative. Additionally, to be accountable to tenants, the SHDA must be deeply responsive to their needs. Through an Office of Resident Resources, the SHDA could work directly with tenants to address challenges they are facing in their buildings, whether they live in SHDA managed buildings or not.

Additionally, with the understanding that the SHDA is a statewide body, it is vital to ensure that the SHDA’s board members are geographically representative of the State. To ensure that resident board seats are equitably distributed, it is recommended that no more than three resident board members at any given time may live in NYC, and at least two members must live north of the downstate regions.

**Recommendations**

The current proposal does not outline the interim mechanism for filling the resident board seats before the SHDA acquires or builds properties. It is our recommendation that, to stay in line with the purpose of the SHDA, those members be elected by current residents of other public housing authorities across the State.

Eventually, the SHDA should offer tenants choices in selecting both board members.

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i This professional and technical expertise shall be in the fields of architecture, affordable housing construction and financing, or engineering.

ii Community Land Trusts (CLTs) are organizations that seek to acquire land and steward affordable housing by separating housing costs from the land that given units sit on and restricting the resale price of housing. When a new resident moves into a unit owned by a CLT, they only purchase or rent the physical structure (i.e., the house or apartment unit) sitting on a given piece of land, while the CLT retains ownership of the land. For areas where land value is high, CLTs can help reduce housing costs for its residents, as they are only purchasing or renting a house or apartment unit, and not the land.

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**Board Structure**

As proposed, the SHDA has an innovative board structure that will insulate it from gubernatorial overreach, an issue that arose in authorities with similar powers, such as Empire State Development (ESD). While ESD has a nine-member board, with two ex-officio members and seven gubernatorial appointees — the SHDA would have a 19-member board with only three members directly appointed by the governor.

The SHDA’s board structure limits elected officials’ jurisdiction in selecting board members by requiring that appointees have experience in a specified, technical field. The Governor’s appointees shall have relevant professional or technical expertise. The Senate’s appointees shall represent the interest of affordable housing advocates, Community Land Trusts (CLTs), and homeless New Yorkers in the State. The Assembly’s appointees shall represent the interests of NYS employee organizations. Of the 19 members, eight members will be elected by SHDA residents. Resident elected members of the board will help to maintain democratic control of the authority, preserving this pillar of social housing for residents of properties where direct control of the building is not feasible.

Eventually, the SHDA should offer tenants choices in selecting both board members.

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**Land Powers**

Housing authorities are granted broad powers including the ability to “construct, clear, own, hold, or improve property which may be acquired through purchase, grant, or condemnation (eminent domain).” The SHDA is specifically tasked with exercising its powers based on a rubric that will consider:

1. studies performed by the SHDA or other entities determining the housing needs of the community where property is being acquired;
2. the development opportunities; and
3. the feasibility of the proposed site.
Additionally, the SHDA is granted the power to act as a Land Bank and has priority to acquire properties from existing land banks for the purpose of rehabilitation or development.

As a state authority, the SHDA will also have the power to override local zoning. This along with its ability to acquire property would allow the SHDA to maximize its capacity and lower development costs in areas of the State with restrictive zoning like suburban and rural towns where virtually no affordable rental or homeownership opportunities exist. The SHDA could purchase parcels of land that have little value due to uneconomical zoning restrictions and redevelop them via a zoning override.

**Recommendations**

The SHDA’s ability to perform as-of-right zoning overrides is a contentious power that the general public may view unfavorably. Other authorities that are not required to follow local land use processes, such as the Port Authority of New York and New Jersey, occasionally submit to those processes (like the Uniform Land Use Review Procedure (ULURP)** within NYC) to appease municipalities and avoid the risk of an Article 78 lawsuit against a proposed project. However, if the SHDA chose to comply with local land use processes throughout the State, it could face costly and time-consuming delays and may fail to successfully provide housing efficiently.

Because the SHDA has the power to acquire land, its powers are similar to municipal land banks, or entities responsible for stewarding and developing vacant, underutilized, and abandoned properties for the public good. In municipalities that already have land banks, like Albany, Binghamton, and Rochester, the SHDA could help these land banks acquire Real Estate Owned (REO) properties. REO properties, or real estate that has come under the ownership of speculators at the conclusion of the foreclosure process, have serious, negative implications on neighborhoods, potentially driving widespread property abandonment and elevated crime rates. Since property acquisition by land banks is only becoming more challenging, and property acquisitions by municipalities are cost-prohibitive, the SHDA could step in, working with both municipalities like Albany and local land banks to acquire these properties. This strategy would both directly combat property abandonment and create new opportunities for deeply affordable housing, benefitting municipalities across the State.

Additionally, not all municipalities in NYS have access to a land bank. For example, NYC does not currently have a land bank, making property acquisition challenging for low-income city residents and existing social housing.
have their own operations, staff, and sometimes sources of revenue, but ultimately are governed by and answer to the public authority that creates them.

The SHDA would also be required to create an advisory board to provide assistance to tenants looking to purchase their homes. The advisory board would be a department or subsidiary of the SHDA consisting of external and internal experts and advocates who work with other forms of social housing like cooperatives and CLTs throughout the State.

Recommendations

Initially, the SHDA should contract property management of multi-family rental buildings to private companies with experience managing affordable housing via a competitive bidding process (with preference to companies that have a unionized maintenance staff). The advantage of hiring a third-party company in the beginning is that the SHDA will have access to experienced staff and established processes for managing multi-family buildings, rather than starting from scratch. The private management company will receive an annual fee of 6% of effective residential income (this is the affordable housing industry standard). For projects that create multi-family cooperatives, either through new construction or preservation, cooperative boards may hire a property management company of their choosing.

Once the SHDA has become established with a portfolio totaling approximately 5,000 rental units, we recommend the transition to internal
management via a subsidiary entity (SHDA supported cooperatives are also eligible to choose the SHDA subsidiary management company). Instead of outsourcing services to a private management company, this subsidiary will receive an annual fee of 6% of effective residential income at each property that would pay for management staffing and overhead expenses. This subsidiary could have a central office and regional offices throughout the State.

Internal management is more efficient than third-party management once there are several thousand units under ownership. Consolidating management into one central organization within the SHDA will streamline and standardize communication, processes, and staffing. Having property reports such as rent rolls, tenant files, income statements, and ledgers will allow both property management subsidiary staff and SHDA development staff to access the files all through one central system. A subsidiary will also create stable government-funded jobs throughout the State and poses an opportunity to extend the de-commodified ethos of the SHDA. Having a publicly-owned property management option available will help smaller buildings that the SHDA converts to ownership cooperatives. Due to the upfront cost of managing smaller buildings, management companies will typically charge higher rates, ranging from a seven to eight percent of the effective residential income. However, through a streamlined and established onboarding procedures, the SHDA subsidiary can offer these buildings management services at the standard 6% rate.

The private managing agents and the SHDA subsidiary may enter into contracts with third parties for any other necessary services, including but not limited to plumbing, electrical, extermination, and security. The SHDA subsidiary may create a new department to provide any of these services if it manages more than 20,000 rental units, or if it becomes more efficient and cost-effective to provide these services internally.

The SHDA should require tenants and buyers to meet an income threshold at initial lease up or purchase, but not in the years following. This will both reduce the administrative burden on SHDA and property managers, and facilitate its mission of providing permanent affordable housing to a range of income levels. For example, if a tenant initially qualifies for an 80% AMI unit, but then gets a new higher paying job two years later, putting them at 130% AMI or above, the tenant should still be able to continue to live in their unit at the 80% AMI rent.iii The stability created when residents are able to stay in their home in perpetuity allows people to see renting as a long term viable option, build generational wealth, and strengthen community bonds.

**Financing & Bond Structure**

The proposed legislation suggests a $5 billion capital budget for the SHDA, with the expectation of annual state appropriations.13 This capital budget will pay for project costs, primarily construction and acquisition. The SHDA’s own capital expenditures into projects will take the form of either equity or subsidy. Equity will get paid back from project revenues, thus returning to SHDA’s capital budget within 15-30 years (accounting for inflation), while subsidy will not be paid back.

To expand its project pipeline, the SHDA will also have the power to issue its own debt in the form of revenue-backed bonds. The SHDA would issue a traditional bond certificate that includes a principal value, interest rate, and a term by which repayment must be completed. Since these bonds are funding mortgages, the repayment term may be up to 40 years. The bond can be issued to both retail and institutional investors.

By purchasing the bonds, investors are essentially lending money to the SHDA. In return for buying the bonds, investors will earn interest and be paid back in full by the end of the term. The bonds are backed by the revenues generated by the project, either home sale revenues or rental revenues. Bond buyers will look closely at the debt that projects can support based on projected income and expenses. The minimum industry standard is a debt service coverage ratio of 1.15. This means that project income is projected to cover more than 115% of operating expenses and debt payments (total expenses). Anything less would be a problem for an authority dependent on bond buyers looking for a safe, long-term investment.

The SHDA will also be authorized to distribute...
projects. For example, developer fees will not be included in SHDA-led projects. These fees are a large expense in private affordable housing projects that can be as high as 10-15% of the total development cost. These fees pay the developer’s staff salaries and make these projects profitable. Instead, the SHDA development staff will be paid out of the staffing budget allocated by the State, and by nature of its mission and design, is not intended to maximize profits.

The exception will be projects where nonprofit organizations are involved as co-developers. These projects will be structured so that nonprofits receive developer fees.

State owned land in New York is not subject to property taxes so long as it is used for the stated public purpose of the agency or authority that owns the land. Therefore, properties developed by the SHDA would be tax exempt, which will help lower operating costs and in turn, rents. If the SHDA transfers ownership of property to nonprofit entities such as a CLT, they would also be exempt from property taxes. The Real Property Tax Law may require an amendment to ensure property owned by nonprofits or residents under the oversight of the SHDA will always be exempt. This general exception would alleviate the administrative burden of applying for the nonprofit property tax exemption, and allow the SHDA to facilitate the creation of the greatest variety of housing. A similar specific exemption is given to multiple dwellings financed by the NYS HFA.

Finally, the state legislature may decide to appropriate regular capital dollars to the SHDA above and beyond the initial allocation of $5 billion. The more successful the SHDA is at gaining a reputation as a responsive institution that tames an unwieldy housing market and delivers direct and indirect benefits to a broad-based group of New Yorkers, the more likely it is that the Governor and legislature will view the Authority as a worthy recipient of state capital investment.

From a development cost standpoint, SHDA projects will have some advantages over private

Figure 29.
SHDA Financing Structure

Housing Access Voucher Program Bill

state-funded tenant- and project-based vouchers. If NYS passes the Housing Access Voucher Program (HAVP), a state version of Section 8, the SHDA will have the power to issue those vouchers. These vouchers can be a source of income that enables projects to recapitalize the authority’s budget. Projects serving low income residents and initially financed with SHDA capital will generate voucher income and, over time, produce revenue that the Authority can reinvest in new projects. This is what we mean by “SHDA equity.”
Recommendations

The SHDA will have options on how it wants to approach financing projects. It can rely on bonds, provide subsidies to projects, invest equity (which it will repay over some time period), or issue vouchers. Ideally, once in operation, SHDA will use a combination of tactics based on the financial needs of different projects.

When structuring rents, we recommend both preservation and new construction projects include a mix of different rent levels so that developments, once operational, are financially self-sufficient without direct operating subsidy. This structure requires SHDA buildings to generate revenues high enough to cover operating expenses and debt service, and in some cases, generate enough revenue to invest back into the capital budget for future projects. For homeownership projects, each unit can be sold roughly at cost to get prices as low as possible while covering all construction costs. The financing of every project will be slightly different, and the SHDA will have the flexibility to structure rents and sale prices at each project depending on local conditions.

It is important to note that the deeper the level of capital subsidy the SHDA can provide in the construction phase, the less debt the project will carry and the lower the rents can be when a building is operating (or the lower the mortgage subsidy will need to be for home buyers). The SHDA’s ability to acquire land at low cost or make use of public property will also help keep the cost of development as low as possible.

Even so, the cost of maintaining housing in good condition exceeds what many households are able to pay, causing a gap between what low-income households living in SHDA-built stock will be able to afford and what is required to maintain the housing. Both TBVs and PBVs can act as an operating subsidy that will allow low-income households to pay rent on a unit proportional to their income, while the voucher covers up to a fair market rent (FMR). FMR is typically above the operating cost of a unit, enabling the SHDA to cross subsidize units without vouchers to bring down their operating costs. However, there are some caveats to relying too heavily on vouchers. First, there will not be a voucher available for every tenant in the State that needs one. It is also important to remember that state and local voucher programs have been cut in the past during times of fiscal crisis, and if the SHDA is over-reliant on vouchers, their buildings could be at risk were they to experience such cuts. If the SHDA is successful in creating a truly mixed-income program, it could open up the possibility of cross-subsidizing lower-rent units using income from higher-rent or higher-priced projects. The decision calculus will be different for every project, depending on market conditions and local needs.

 ix  Fair market rents (FMRs) are a measure used by HUD to determine moderately priced dwelling costs in a given housing market. They are most frequently used to determine rental payment standards for voucher holders. Tenants with rental assistance vouchers pay 30% of their income towards rent, and their voucher covers the additional rent up to that area’s payment standard, which is typically between 90 and 110% of a region’s FMR.

We have concerns that any reliance on state subsidy for building operations will jeopardize the long term quality and affordability of the housing the SHDA builds. State funding allocations are subject to the political preference of the sitting administration, and a history of fiscal conservatism and austerity runs deep. In addition, the State has a constitutional borrowing limit, so any “new need” for housing will be competing with capital expenditures in other sectors. If the SHDA is targeted by political opponents and sees its budget slashed, buildings that rely on operating subsidies are at risk of failing or falling into disrepair. The ability to construct projects that once constructed or rehabilitated are financially independent of state subsidy will put SHDA housing on a more secure footing than the housing built by public housing authorities in the State between the 1920s.

Figure 31.
SHDA Fee Demonstration Cartoon, Arica McCarthy
and the 1970s. Mixed-income projects will also increase the political popularity of the SHDA over time, as a larger portion of the population will directly benefit from its continued success.

The SHDA’s state-allocated funding should go towards the capital stack of a project as both equity and subsidy to help simplify the funding streams, reduce the reliance on private investment and bonds which accrue interest, lower the debt a project must hold, and ultimately reduce operating costs. For new construction, the SHDA will be the lead developer on each project and should have its own internal development team and general counsel (see the ‘Recommendations’ section herein for more details). It will control project design and select a general contractor via a competitive bidding process. For buildings at risk of foreclosure or a tax lien sale, the SHDA could buy the debt or use the power of eminent domain to take ownership of the property or building before an auction is necessary. Once in the SHDA’s portfolio, the building could be sold to the tenants for a nominal fee, oftentimes for $1. These powers are outlined in a case study based on a current property in East Tremont where tenants are working towards the purchase of their building.

Green Social Housing

In 2019, NYS passed the Climate Leadership and Community Protection Act (CLCPA) which mandates a 40 percent reduction in greenhouse gas emissions by 2030 and 80 percent reduction by 2050 from 1990 levels. Buildings are responsible for approximately one third of the state’s overall greenhouse gas emissions, which means that decarbonization, or the shift from fossil-fuel powered to zero-emission electric appliances for heating and cooking, is an essential part of achieving our ambitious climate goals. Homes with appliances that burn methane (e.g., gas boilers, water heaters, and gas stoves) have negative impacts on indoor air quality and contribute to higher rates of asthma and other respiratory illnesses for their residents. A recent study found that 18.8% of childhood asthma cases in NYS are attributable to the use of a gas stove inside of the home. In 2023, the State passed the All-Electric Buildings Act which prohibits fossil fuel equipment and building systems in most new construction starting in 2026 for buildings up to seven stories tall and 2029 for buildings over seven stories.

While ending the use of gas in new construction is an important first step, the State must also consider the more challenging problem of decarbonizing existing buildings. Many homes in NYS are older and need major capital repairs before they can consider transitioning to electric appliances. This includes the remediation of all environmental hazards like mold, lead, asbestos, and pests, followed by weatherization improvements to lower energy waste. This work can be prohibitively expensive and requires access to capital funding. Landlords that are not required to make these upgrades may choose not to because of the associated costs.

There are several state programs to help lower the costs associated with decarbonization projects in existing buildings. Current programs have no guidance to prevent cost shifting to tenants or to protect tenants from price gouging and rent increases after the completion of retrofit work. Additionally, these programs are piecemeal and do not cover the full cost of the renovation, requiring buildings to seek out additional forms of financing.

Notable Programs

FlexTech

Before a building can undertake energy efficiency upgrades (or qualify for existing programs), they must conduct an energy study to understand where energy costs can be reduced and how to incorporate work into capital planning. NYS subsidizes the cost of this technical assistance for eligible buildings.
As established in the ‘Historic Context’ section, a perpetual lack of funding for existing PHAs has required the establishment of different tools to preserve their existing housing stock. Within NYC, the newly created Public Housing Preservation Trust (the Trust) is tasked with repairing, modernizing, and improving buildings owned and operated by NYCHA.

It is the most similar existing authority to the SHDA. The Public Housing Preservation Trust is an intervention in public housing policy that allows NYCHA to lease their buildings to the Trust in exchange for

Recommendations

For new construction, the SHDA can be a model for the feasibility of all-electric residential buildings statewide by complying with the All-Electric Buildings Act on or before the implementation date of 2026 and 2029.

For preservation projects, the SHDA can play a larger role. The SHDA should require full electrification, where feasible, when financing capital repairs in existing buildings. The SHDA’s ability to help buildings access capital can bridge the financial gap that exists for those looking to take advantage of state weatherization or decarbonization programs. Fully electrified buildings have both health and cost savings for residents. Typically, operating costs for electric buildings save money long term. And as more renewable energy sources come online, energy prices will be more stable and less volatile than gas prices.

Relationship to Public Housing Authorities

Powers granted to the SHDA would build on existing powers granted to other authorities and agencies through NYS. Close coordination with these agencies and authorities is critical to the success of the SHDA to ensure the Authority is not overly duplicative or siphoning resources.

In addition, the federal government offers funding for weatherization work in income-eligible buildings through the Weatherization Assistance Program (WAP). The program’s primary goal is to reduce energy costs for low-income families while ensuring their health and safety. In NYS, households with incomes at or below 60% of state median income are eligible for assistance. All services are provided without cost to the occupant of the home, however, owners of rental buildings must invest funds toward the cost of weatherization services performed on their property.

NYS Affordable Multifamily Energy Efficiency Program (AMEEP)

This program targets multi-family buildings only and offers a suite of energy efficiency upgrades to help lower energy costs by lowering upfront costs between $1,500 - $2,000 per unit. Upfront costs are frequently cited as a barrier for use of existing rebate programs like AMEEP, even though a majority of the costs are covered on the backend by the program.

New York Clean Heat Program

Offers rebates and financing options to lower the cost of switching from gas powered heating to heat pumps that provide both heating and cooling. Despite the financial support offered by this program, the switch to heat pumps remains prohibitively expensive.

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both entities are public benefit corporations that retain the power to issue bonds and debt, develop, repair and maintain housing, and acquire private property. To ensure the success of both the Trust and the SHDA, it is important that these two authorities remain distinct, with clear responsibilities.

An entity like the Trust is a tool that is unique to NYCHA and NYC who still own and operate a majority of their Section 9 housing stock. Without access to the Trust, opportunities available to both public housing authorities and tenants in these municipalities throughout the State are limited, oftentimes resulting in the conversion to private management, or demolition.27

Recommendations

The SHDA is flexible enough to assist the variety of PHAs across the State that each have their own unique needs and challenges.

Relationship to NYCHA and the Preservation Trust

In NYS, tools like RAD/PACT and the Trust already exist to help NYCHA preserve their aging housing stock. The SHDA should not be a partner with NYCHA on RAD/PACT transactions. Introducing a new preservation option like the SHDA into the resident voting process would be duplicative and confusing for NYCHA residents, and could ultimately hurt their understanding and support of the Trust. Additionally, the SHDA should not attempt to partner with NYCHA on any infill development that is proposed as this is a capability and an explicit interest of the Trust. Finally, with 91% of NYCHA’s capital budget coming from federal capital grants and the city of New York,28 the SHDA should seek out and utilize funding sources that are not widely used by NYCHA, specifically state subsidies.29

Relationship with Other PHAs

For other PHAs throughout the State, the SHDA would be able to serve as a partner for disposition of land through Section 18 and RAD. Similar to the Trust in NYC, it can act as a public entity that supports the conversion from Section 9 to Section 8 units to provide funding for capital repairs. This would be helpful for PHAs in cities such as Syracuse that still operate traditional Section 9 public housing units but do not have the ability to borrow money for capital repairs.

These funding sources are occasionally used by NYCHA but are a small portion of their budget.
Figure 35.
Proposed SHDA Trust: Syracuse, NY

Figure 36.
NYS PHA Faircloth Availability

The Faircloth Amendment caps the number of public housing units an individual PHA can administer, ultimately prohibiting the new construction of Section 9. Many authorities have dipped below their Faircloth cap, but due to a lack of funding, cannot construct new Section 9 units. A diverse range of municipalities, including Yonkers, Buffalo, New Rochelle, Albany, Greenburgh, and Glens Falls, could build at least 100 units of new public housing each. As the housing crisis continues to worsen across the State, these new public housing units could help thousands of New Yorkers access safe, decommodified, dignified, and permanently affordable homes.

Throughout the State, the SHDA could offer set-asides in newly completed buildings to current public housing residents, whether for residents who are temporarily vacating their units for repairs, residents whose public housing units are insufficient, or potential public housing residents that are on the waitlist for a Section 9 unit.

Relationships with Municipal Housing Agencies

Municipal housing agencies that provide subsidies to build affordable housing rely heavily on private developers to bring projects from inception to completion. These agencies often lack staff, which leads to project delays and potential loss of knowledge because of perpetually high turnover. Municipal housing agencies are subject to political pressures, budget cuts, potential hiring freezes, and are frequently in flux, undermining their ability...
to take on new projects and support existing ones. In small to midsize municipalities upstate, such as Kingston and Newburgh, capacity issues are exacerbated. In some cases, a single person in a local government is responsible for addressing housing and community development issues that range from rezonings to housing code violations. In both larger and smaller municipalities, the SHDA can play a key technical assistance role (see “Organizational Structure” subsection in the ‘Recommendations’ section).

For municipal housing agencies across the State, property acquisition can be a major risk – since private property cannot be acquired without just compensation, it is often prohibitively expensive to obtain land. Furthermore, property acquisition is often politically controversial, as this power has historically been abused in low-income communities that lacked the political capital to resist. It can also lead to litigation, something many smaller municipalities do not have the capacity to take on alone. As a result, many housing agencies are reluctant to acquire public property, even when it is necessary for a development project. One of the most important ways the SHDA could work in coordination with municipal housing agencies is by taking on the responsibility of property acquisition for local governments when necessary for the completion of public projects. Since the SHDA both has greater legal and financial resources than municipal housing agencies, it will be easier for the Authority to take on this responsibility.
Chapter 4

CASE STUDIES

The following case studies attempt to take the SHDA as described in this report and apply its powers in the existing housing market. They exemplify the range of potential roles the SHDA could play to address various housing needs across the State. Each project would require both a different architectural design and a different form of project planning for political viability and civic engagement. By approaching each project contextually, the SHDA can build meaningful, long-term relationships in each municipality - with elected officials, government line staff, residents of SHDA-built or SHDA-preserved housing, and the general public.

The first case study is a preservation project focusing on a building in the South Bronx. The existing building offers naturally occurring affordable housing to 19 households, but mismanagement and poor government oversight have driven the building into financial crisis. This report experiments with how the SHDA could intervene to help stabilize the building and facilitate the transfer to a democratic ownership model.

The second case study will take us out of NYC to Rhinebeck, NY, where a 23 acre plot is poised for redevelopment by a private developer using LIHTC. Modeled are two different scenarios where the SHDA could intervene to build more housing than the current proposal with deeper, permanent, affordability, and homeownership opportunities for working class families.

The last case study looks at an abandoned state-owned building in Brooklyn, NY in a neighborhood that has been experiencing extreme gentrification leading to significant displacement, high rent burdens, and a lot of new housing that is beyond reach of longtime residents. Different financing options for a proposed mixed-income development are provided to demonstrate how an SHDA-led project could improve on existing options.
785 East Tremont Avenue

Context

Built in 1910, the five-story, 19-unit building at 785 East Tremont Avenue in the Bronx, New York, underwent periods of public and private disinvestment, as did numerous similar buildings in the 1960s and 1970s that led to deteriorating living conditions for New Yorkers habitation in these developments. Organizations, especially in the Bronx, initiated sweat equity rehabilitation projects and looked to the City for help. Among these was a nonprofit known as South Bronx 2000, which formed the Hillcrest Housing Development Finance Corporation (Hillcrest HDFC) in 1990 and purchased the 785 East Tremont building and land from the City of New York for the nominal amount of one dollar.

Instead of representing one of the 1,100 HDFC limited equity cooperative success stories of the 1980s and 1990s, the planned conversion to a tenant-owned cooperative was never completed. While Hillcrest HDFC sponsored the conversion and issued an offering plan, long-term residents recounted that on initial lease signing, they never were given share certificates for their $1,000 payments. They underwent training for what they thought was a co-op board, but turned out to be a tenant-association with no decision-making power. Ultimately, the property was never transferred to the 785 East Tremont Housing Development Fund Corporation that had been formed and was supposed to assume ownership once the process of converting to a co-op was completed. By default, 785 East Tremont became a rental building and a form of naturally occurring affordable housing. In 2015, the building manager was made a nominal president of the Hillcrest HDFC, but he was unaccountable to the residents and behaved more like their landlord. Seven years later, in the summer of 2022, the 785 East Tremont residents discovered that building management had neglected to renew its tax-exempt status and that the City had sold the unpaid debt of $267,000 to a tax lien trust. At any

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i Sweat equity refers to a person or company’s contribution toward a business venture or project that is typically not monetary and comes in the form of physical labor, mental effort, and time.

ii An offering plan is a document that details important information regarding a co-op to a potential buyer.
Years of deferred maintenance at 785 East Tremont has caused the building to accumulate 80 violations, including a leaky roof, peeling paint, lack of heat, pests, and collapsing ceilings. Residents noted that the former manager prioritized quick fixes over long-term solutions. One resident reported that when their fridge broke, they received a second hand fridge that stopped working just a few months later, while another resident paid for replacement appliances and tried to get reimbursed. The building is in need of a substantial rehabilitation estimated to be about $125,000 per unit, totaling $2.6 million building wide, equating to an estimated redevelopment project total of $4 million after additional soft costs and financing fees. The following financing scenarios show the outcomes for 785 East Tremont within the current housing landscape, followed by how the SHDA can improve the situation by providing cross subsidy from other projects or through the use of vouchers and invested equity.

**Current Scenario**

Using existing tools, 785 East Tremont would participate in HPD’s Participation Loan Program (PLP) to finance capital repairs, combining bank and low-interest city loans to rehabilitate low- and moderate-income households. Due to a backlog of projects and limited staff capacity, HPD takes approximately one year to assign a project manager once the preliminary application is submitted. Once appointed, it takes roughly another year in the pre-development stage to conduct environmental testing and secure

The story of 785 East Tremont is not unique. Hundreds of limited equity cooperatives across the states have slipped through the cracks either from speculation or from lack of oversight. The existence of the SHDA could simplify many of the obstacles on the road to establishing a limited equity cooperative if it, or a similar authority or agency existed today. What follows is an explanation of how the SHDA could finance a preservation project while effectively supporting residents and community partners in this process.

Despite a set of stressful circumstances, the tenants of 785 East Tremont prevailed and have reason to be optimistic. When the Bronx Supreme Court issued a judgment for foreclosure and brought the building to auction in October 2022, the residents organized with help from both the Northwest Bronx Community and Clergy Coalition (NWBCCC) and Take Root Justice, and intervened to stop the sale. In August of 2023, the NYS Supreme Court ordered the tax lien trust to void the winning bid and stop the transfer of the building. In the fall of 2023, the residents were able to elect a new board and adopted new by-laws as well as discharge the property manager and president, who accepted the letter of dismissal without objection. The new board now legally represents the Hillcrest HDFC and has decision-making powers. They can now confidently engage in a process with HPD to preserve the building as a limited-equity cooperative, should they choose that path.

The trust could call for an auction, potentially landing the building in the hands of a speculative purchaser, and indeed, that is what occurred. Despite a set of stressful circumstances, the tenants of 785 East Tremont prevailed and have reason to be optimistic. When the Bronx Supreme Court issued a judgment for foreclosure and brought the building to auction in October 2022, the residents organized with help from both the Northwest Bronx Community and Clergy Coalition (NWBCCC) and Take Root Justice, and intervened to stop the sale. In August of 2023, the NYS Supreme Court ordered the tax lien trust to void the winning bid and stop the transfer of the building. In the fall of 2023, the residents were able to elect a new board and adopted new by-laws as well as discharge the property manager and president, who accepted the letter of dismissal without objection. The new board now legally represents the Hillcrest HDFC and has decision-making powers. They can now confidently engage in a process with HPD to preserve the building as a limited-equity cooperative, should they choose that path.
financing.iii In the current housing landscape, 785 East Tremont’s capital stack would be a combination of different programs. At an interest rate of 6.75%, 785 East Tremont could afford a private construction loan of $1.68 million, see Table C for financial breakdown. The private construction loan is sized based on the net operating income of the building. Through the PLP program, HPD would provide $90,000 in subsidy per unit, totaling approximately $1.71 million.iv However, this still leaves a gap of half a million dollars. Therefore, to fully finance the renovation, additional funding sources are needed from other entities such as the HCR’s Affordable Housing Corporation (AHC), which provides low-interest grants for preserving limited equity cooperatives. Each subsidy program has different requirements, fees, and applications, adding regulations, time, and money to projects. The remaining funds are from equity provided by NWBCCC with a portion of the developer fee deferred. HPD has access to Section 8 PBVs that can be applied to the project. At closing, eleven tenants will receive vouchers, paying 30% of their income towards rent while the voucher pays the remaining up to FMR (currently $2,693 for a two bedroom). The higher rents more than cover the operating costs of one unit and help cross-subsidize the remaining tenants that did not receive a voucher to cap rents at $700 per month.

### Bring in the SHDA

With the SHDA, existing residents could more easily obtain property titles and access simplified financing, reducing the time it takes to make critical repairs. If the SHDA existed today, it could take over ownership of the building via eminent domain or make an agreement with the owner and dismiss the tax lien. Then, the SHDA could sell the building back to tenants for the nominal fee of $1, or sell it to a CLT that could then offer the residents a 99 year-ground lease. It would

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iii Closing is the final step of the real estate transaction process in a real estate transaction including preparing and executing the documents, paying fees, and potentially transferring title.

iv A subsidy is a sum of money granted by the government or a public entity so the price of a service can remain low or competitive.

<table>
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<td>$ 90,000</td>
<td>42%</td>
<td></td>
</tr>
<tr>
<td>Equity*</td>
<td>$ 71,298</td>
<td>$ 3,753</td>
<td>2%</td>
<td></td>
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<tr>
<td>Deferred Dev Fee*</td>
<td>$ 64,347</td>
<td>$ 3,387</td>
<td>2%</td>
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<tr>
<td>AHC LOAN</td>
<td>$ 567,558</td>
<td>$ 29,871</td>
<td>14%</td>
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</tr>
<tr>
<td>Total Sources</td>
<td>$ 4,100,544</td>
<td>$ 215,818</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses</th>
<th>Acquistion</th>
<th>Total</th>
<th>PDU</th>
<th>% of Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>$ 0</td>
<td>$ 0</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Hard Cost</td>
<td>$ 2,612,500</td>
<td>$ 137,500</td>
<td>64%</td>
<td></td>
</tr>
<tr>
<td>Soft Cost</td>
<td>$ 605,769</td>
<td>$ 31,883</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>Financing Fees</td>
<td>$ 301,297</td>
<td>$ 15,858</td>
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<td></td>
</tr>
<tr>
<td>Developer Fee</td>
<td>$ 261,298</td>
<td>$ 13,753</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Reserves</td>
<td>$ 319,680</td>
<td>$ 16,825</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Funding Gap</td>
<td>$ 0</td>
<td>$ 0</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Total Uses</td>
<td>$ 4,100,544</td>
<td>$ 215,818</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
be at the discretion of the residents to choose. The SHDA along with the NWBCCC could collaborate with the residents to hire architects and contractors and perform environmental inspections. With the SHDA providing 100% of the financing for the building, residents have access to a more simplified capital stack that removes unnecessary fees, and requires less debt. For example, bond issuers on the private market typically add on an additional 2% fee, increasing interest rates and thus, acquired debt. The SHDA would remove that third-party fee, saving 785 East Tremont a significant amount of interest that would need to be paid back. Due to the SHDA’s tax exempt status, the building would no longer be liable for property taxes after converting to a tenant-owned limited equity cooperative or nonprofit ownership.

Additionally, the SHDA could remove financial barriers that often prevent small community-based organizations or CLTs from participating in development projects. Typically, a sponsor of a project needs to invest 2% equity upfront, which would be hard for a group like NWBCCC to produce. The SHDA could require smaller investments - in the following scenarios NWBCCC provides only 1% equity to the project. They are also paid a developer fee at the end. Developer fees are essential for small nonprofits to cover their operating costs, including staffing. Both financing scenarios with the SHDA include a developer’s fee for NWBCCC. In exchange for financing, the resident board would sign an agreement with the SHDA to ensure the building remains permanently affordable.

### Scenario One Sources & Uses

**Sources**

<table>
<thead>
<tr>
<th>Construction</th>
<th>Total</th>
<th>Per Unit</th>
<th>% of Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Exempt Bonds</td>
<td>$1,961,347</td>
<td>$103,229</td>
<td>49%</td>
</tr>
<tr>
<td>Subsidy (SHDA)</td>
<td>$2,011,710</td>
<td>$105,879</td>
<td>50%</td>
</tr>
<tr>
<td>Equity (Bx CC)</td>
<td>$34,674</td>
<td>$1,825</td>
<td>1%</td>
</tr>
<tr>
<td>Funding Gap</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td><strong>$4,007,731</strong></td>
<td><strong>$210,933</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Uses**

<table>
<thead>
<tr>
<th>Acquisition</th>
<th>Total</th>
<th>Per Unit</th>
<th>% of Source</th>
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<tbody>
<tr>
<td>Acquisition</td>
<td>$1</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>Hard Cost</td>
<td>$2,612,500</td>
<td>$137,500</td>
<td>65%</td>
</tr>
<tr>
<td>Soft Cost</td>
<td>$605,769</td>
<td>$31,883</td>
<td>15%</td>
</tr>
<tr>
<td>Financing Fees</td>
<td>$208,393</td>
<td>$10,968</td>
<td>5%</td>
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<tr>
<td>Developer Fee</td>
<td>$277,390</td>
<td>$14,599</td>
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<tr>
<td>Reserves</td>
<td>$303,678</td>
<td>$15,983</td>
<td>8%</td>
</tr>
<tr>
<td>Funding Gap</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td><strong>$4,007,731</strong></td>
<td><strong>$210,933</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Table D.**

**Scenario One Sources & Uses**

The following two scenarios show different approaches to how the SHDA can stabilize 785 East Tremont’s finances.

**SHDA Scenario One: Cross-Subsidy**

As buildings take on additional debt to finance capital repairs, revenues need to increase to cover the debt. Some naturally occurring affordable housing buildings already have high levels of existing debt because the revenue of the building is less than the cost of operations and maintenance (as is the case with 785 East Tremont). Typically, additional revenue is generated by raising rents. However, increasing rents at 785 East Tremont would lead to the displacement of a majority of the residents who would no longer be able to afford to live there.
paid back over time. In this scenario, tenants that do not receive PBVs would pay only $650 per month in rent. The SHDA would pay for this one-time infusion of cash into the project from its $5 billion capital budget.

In this scenario, the eight vouchers would generate a small return of approximately $150,000 over a 30 year period back to the SHDA, see Table D for the financial breakdown.

SHDA Scenario Two: Vouchers Boost Cash Flow & Repaid SHDA Equity

A scenario that includes more vouchers means that there is greater cash flow. The building can support more tax-exempt bonds and the SHDA would need to invest less from its own capital budget. Scenario Two shows the financing outcomes with five additional vouchers (13 total), which would have two major impacts. First, it would nearly double the amount of bond financing available to the building, from $1.96 million to $3.7 million. With the additional debt, the SHDA only needs to invest approximately $500,000 in the form of equity that gets paid back to the SHDA over 25 years. The remaining six tenants without vouchers would still pay $650 per month in rent, see Table E for the financial breakdown.

Financial Realities

Both scenarios rely on the issuance of state-funded vouchers. There are risks to relying on vouchers to cover operating costs as outlined in the “Financing” subsection of “How the SHDA Will

---

**Scenario Two | Sources & Uses**

<table>
<thead>
<tr>
<th>Sources</th>
<th>Total</th>
<th>Per Unit</th>
<th>% of Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Exempt Bonds</td>
<td>$3,701,763</td>
<td>$194,830</td>
<td>87%</td>
</tr>
<tr>
<td>Subsidy (SHDA)</td>
<td>$538,149</td>
<td>$28,324</td>
<td>13%</td>
</tr>
<tr>
<td>Equity (Bx CC)</td>
<td>$36,615</td>
<td>$1,927</td>
<td>1%</td>
</tr>
<tr>
<td>Funding Gap</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td><strong>$4,276,527</strong></td>
<td><strong>$225,080</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses</th>
<th>Total</th>
<th>Per Unit</th>
<th>% of Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>$1</td>
<td>$0.05</td>
<td>0%</td>
</tr>
<tr>
<td>Hard Cost</td>
<td>$2,612,500</td>
<td>$137,500</td>
<td>61%</td>
</tr>
<tr>
<td>Soft Cost</td>
<td>$605,769</td>
<td>$31,883</td>
<td>14%</td>
</tr>
<tr>
<td>Financing Fees</td>
<td>$393,312</td>
<td>$20,701</td>
<td>9%</td>
</tr>
<tr>
<td>Developer Fee</td>
<td>$292,923</td>
<td>$15,417</td>
<td>7%</td>
</tr>
<tr>
<td>Reserves</td>
<td>$372,022</td>
<td>$19,580</td>
<td>9%</td>
</tr>
<tr>
<td>Funding Gap</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td><strong>$4,276,527</strong></td>
<td><strong>$225,080</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Table E.**

Scenario Two Source and Uses

Similar to the current scenario that relies on Section 8 PBVs, the SHDA could administer state-funded PVBs to act as an operating subsidy to help keep rents low while increasing the building’s net operating income (NOI). However, vouchers are limited, so shown are different scenarios based on the number of vouchers the SHDA can administer to provide alternative pathways to covering the financing gap. Scenario one accounts for eight PBVs, which is the lowest number of vouchers required to cover operating costs and the additional acquired debt. The cash flow generated from eight vouchers could raise approximately $1.96 million in bonds at a debt coverage ratio (DCR) of 1.2.\(^\text{v}\) Therefore, the SHDA would need to invest approximately $2 million of subsidy into the capital stack that would not get paid back over time.
Figure 41.

Housing stabilization roadmap for tenant-ownership/interactions with SHDA
Work section. In addition, vouchers typically have strict qualifications which can make it difficult for tenants to qualify and stay eligible. They are not nearly as flexible as SHDA financing would be. That being said, they are an important and useful tool the SHDA will need to consider using to help finance deeply affordable projects such as 785 East Tremont. As mentioned earlier, the SHDA needs to make sure that their portfolio of projects is diverse - while some projects like 785 East Tremont will require more financial commitments from the Authority to pencil out, other projects can and should be financially profitable to help stabilize the inflow and outflow of cash to the SHDA. Our next case study based in Rhinebeck, New York will showcase what a more financially independent project could look like.

Another Benefit of the SHDA

As outlined in the “Organizational Structure” subsection in the “Recommendations” section, the SHDA plays a key role in expanding and supporting tenant-ownership through its Office of Resident Services. This well-staffed office would establish a long-term relationship with tenants, providing them with legal support at the beginning of projects, and continuing with the necessary technical training for them to manage and maintain their buildings. The SHDA would recognize that not all tenant-run projects would be fully self-managing, requiring the Authority to provide reputable, local vendors when needed. In the case of 785 East Tremont, having a responsive, on-call resource would be invaluable. The Office of Resident Services would also liaise with community partners, such as NWBCCC, whose role is essential in preserving housing stock for long-term residents of a community. Their pre-existing relationships within communities would help the SHDA find buildings at risk of speculative activity if placed in the open real estate market and establish trust with residents and other members of the community to help preserve these buildings. Overall, this case study shows how a high-capacity organization can assist and finance a distressed tenant-owned building and expand tenant-ownership and democratically controlled housing in NYS. The story of 785 East Tremont may be unique, but there are affordable housing buildings all over the State in need of the SHDA.

785 East Tremont is home to upwards of 30 people, many of whom have resided there since 1991. They have a deep understanding of the capital needs of their building. They know when the heat is not working, whether or not the roof is leaking, and if the paint is chipped. Additionally, this is the residents’ home and they should have a say on the cabinets in their apartments, the color of the walls, and fixtures in their apartments. The greater the level of resident ownership over the project, the greater the resident buy-in. The end result is a better project with residents enjoying their homes for years to come. Current residents could age in place and another generation of families could live in a home that is safe, comfortable, and affordable.

### Table F.

<table>
<thead>
<tr>
<th>Vouchers</th>
<th>Current Scenario</th>
<th>Scenario 1</th>
<th>Scenario 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Section 8 Vouchers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td># of Section 8 Vouchers</td>
<td>9</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td>Section 8 Rents</td>
<td>$2,554</td>
<td>$2,554</td>
<td>$2,554</td>
</tr>
<tr>
<td>Income</td>
<td>$22,986</td>
<td>$20,432</td>
<td>$33,202</td>
</tr>
<tr>
<td><strong>Non-Section 8 Vouchers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td># of Non-section 8 Rents</td>
<td>10</td>
<td>11</td>
<td>6</td>
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<tr>
<td>Non-section 8 Rents</td>
<td>$700</td>
<td>$650</td>
<td>$650</td>
</tr>
<tr>
<td>Income</td>
<td>$7,000</td>
<td>$7,150</td>
<td>$3,900</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>$29,986</td>
<td>$27,582</td>
<td>$37,102</td>
</tr>
</tbody>
</table>

Voucher Comparison across all three Scenarios
Rhinebeck

The following case study, inspired by developments through the Mitchell-Lama program, would bring workforce housing upstate, where home prices have skyrocketed and a severe shortage of affordable rental options persists. The case study further shows how the use of the powers of the SHDA could result in more residential units than would be allowed as of right in municipalities that have restrictive zoning codes. The case shows how the SHDA would have the capacity to acquire cheap land that cannot be developed under current market conditions due to existing zoning, purchase the land, and then bypass the zoning ordinance to build up to 140 housing units without subsidy.

Context

The Town of Rhinebeck is a semi-rural small Hudson Valley community about 100 miles north of NYC. It encompasses the walkable Village of Rhinebeck where most housing types are detached single-family or two-family homes with an average minimum of an acre of yard space.

There is a severe lack of rental housing in Rhinebeck, similar to other towns and villages in New York suburbs. According to various rental listing sites, very few rental units are available in Rhinebeck. People working in the area struggle to afford the few rentals that are available and either do not want to buy a single-family home in Rhinebeck or are immediately out of buyer range. Therefore, workers often have to resort to living in nearby cities, such as Kingston or Poughkeepsie, that have a larger rental housing stock. Because workers have little to no access to affordable housing in the communities they work in, this results in longer commutes from neighboring towns and villages, adding to congestion and vehicle emissions.

As per ACS 5-year data, Dutchess County, home to both the Village and Town of Rhinebeck, has a vacancy rate of 1.37% for rentals and 0.73% for units for purchase. A rate below 2% has been maintained for numerous years in the County, resulting in housing prices increasing in this region. In 2022, Dutchess County commissioned a report to study housing needs within the County. It found that:

Figure 42.
Rhinebeck background information
“Break even rents for newly constructed market-rate units are usually between $1,500 and $2,000 per month and this range is not affordable until annual household income reaches $60,000. Even older rental units are difficult to maintain for much less than $1,000 per month, affordable only at an income of $40,000. It is virtually impossible for the private sector to provide a unit for $500 per month, which defines affordability for more than 7,000 county renter households with incomes below $20,000” (2022). 7

The need for new housing, particularly below-market housing, would increase living options for a broader diversity of people. There are currently plans to construct an 80-unit development on an undeveloped, wooded 23.3-acre parcel in the Town of Rhinebeck just west of the Village of Rhinebeck’s municipal border. From the development, future residents could walk approximately 15 minutes to the village center, where there are many shops and restaurants.

Current Scenario

The current private proposal being considered in Rhinebeck is a workforce housing project with rents set between 60% and 90% of AMI, utilizing LIHTC. 8 The project is estimated to cost around $30 million and is supported by Northern Dutchess Hospital, whose board has pledged $6.2 million in grant funding for the project. The project would be developed by a joint venture between Kearney Realty and Development Group, a local private developer, and the Housing Partnership, a NYC-based nonprofit. The site is currently owned by an HDFC subsidiary of the Housing Partnership. With the tools available for the current proposal, the site would be redeveloped at a low density with no options for homeownership, and any income restrictions that would be applied to units developed through the proposed development would eventually expire.

Proposed Program: Suburban Workforce Housing through SHDA

The SHDA would have the opportunity to adapt the current private proposal and build it at a much lower cost, modeled on a publicly owned variant of Mitchell-Lama. The involvement of the SHDA would ensure that the development remains permanently below-market, where if the project only relied on private developers in the proposed scenario, rents could eventually be deregulated. The SHDA would also leverage cross-subsidy to build lower-rent units than would be possible in existing private developer-led models.

Table G.

Scenario One Unit Mix

<table>
<thead>
<tr>
<th>Scenario One</th>
<th>Unit Mix</th>
<th>40% AMI</th>
<th>80% AMI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td># of Units</td>
<td>Monthly Rent</td>
</tr>
<tr>
<td>Studio</td>
<td>0</td>
<td>$632</td>
<td>0</td>
</tr>
<tr>
<td>One Bedroom</td>
<td>2</td>
<td>$799</td>
<td>16</td>
</tr>
<tr>
<td>Two Bedroom</td>
<td>5</td>
<td>$948</td>
<td>38</td>
</tr>
<tr>
<td>Three Bedroom</td>
<td>2</td>
<td>$1,083</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9</strong></td>
<td><strong>70</strong></td>
<td></td>
</tr>
</tbody>
</table>

Table G.

Scenario One Unit Mix

The following two scenarios propose alternative development plans by the SHDA for the land parcel in the Town of Rhinebeck. Most of the units would serve moderate- to middle-income households, with the balance reserved for very low-income households.
### Scenario One | Sources & Uses

#### Sources

<table>
<thead>
<tr>
<th>Construction</th>
<th>Total</th>
<th>Per Unit</th>
<th>% of Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax-Exempt Bonds</td>
<td>$16,048,400</td>
<td>$200,605</td>
<td>62%</td>
</tr>
<tr>
<td>SHDA Equity</td>
<td>$3,787,618</td>
<td>$47,345</td>
<td>15%</td>
</tr>
<tr>
<td>Northern Dutchess Hospital Grant</td>
<td>$6,200,000</td>
<td>$77,500</td>
<td>24%</td>
</tr>
<tr>
<td>Deferred Developer Fee</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td><strong>$26,036,018</strong></td>
<td><strong>$325,450</strong></td>
<td></td>
</tr>
</tbody>
</table>

#### Permanent

<table>
<thead>
<tr>
<th>Permanent</th>
<th>Total</th>
<th>Per Unit</th>
<th>% of Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Mortgage</td>
<td>$16,048,400</td>
<td>$200,605</td>
<td>62%</td>
</tr>
<tr>
<td>SHDA Equity</td>
<td>$3,787,618</td>
<td>$47,345</td>
<td>15%</td>
</tr>
<tr>
<td>Northern Dutchess Hospital Grant</td>
<td>$6,200,000</td>
<td>$77,500</td>
<td>24%</td>
</tr>
<tr>
<td>Deferred Developer's Fee</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Gap</strong></td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td><strong>$26,036,018</strong></td>
<td><strong>$325,450</strong></td>
<td></td>
</tr>
</tbody>
</table>

#### Uses

<table>
<thead>
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<th>Uses</th>
<th>Total</th>
<th>Per Unit</th>
<th>% of Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
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<td></td>
</tr>
<tr>
<td>Acquisition Cost</td>
<td>$288,000</td>
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<td>1%</td>
</tr>
<tr>
<td>Construction Cost</td>
<td>$21,105,000</td>
<td>$263,813</td>
<td>81%</td>
</tr>
<tr>
<td>Soft Cost</td>
<td>$4,643,018</td>
<td>$58,038</td>
<td>18%</td>
</tr>
<tr>
<td>Developer Fee</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td><strong>$26,036,018</strong></td>
<td><strong>$325,450</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Table H.**

Scenario One Sources and Uses

---

**Figure 44.**
80-Unit development rendering

---

**Figure 45.**
80-Unit Development Site Plan
Scenario One: 80 Rental Units

The first scenario would result in the development of 80 rental units, ranging from one to three bedrooms in size. This scenario is an adaptation of the existing proposal for a privately sponsored LIHTC development on the subject parcel. The rents for 70 of the units would be set at 80% AMI, with the remaining units set at 40% AMI, as shown in Table G, with one non-revenue apartment set aside for a superintendent. These 80% AMI units are a market proxy, resembling what new multi-family construction rents would likely be set at. The 80% AMI units could be rented to voucher holders as well.

These rents and low construction costs of $250,000 per unit allow this project to be financially self-sustaining, provided there is an initial upfront equity investment from SHDA. This source is equity, which is different from subsidy, since it would be fully paid back in fewer than 15 years. That money could then return to SHDA’s capital account to be reinvested in other projects, see Table H for scenario one sources. An important caveat of this scenario is that it assumes the Northern Dutchess Hospital grant remains as a source.

Scenario Two: Rental Units and Home Ownership

Scenario two would develop the same 80 rental units (identified in Table G in Scenario One) plus 60 additional units intended for home ownership, see Table I for the homeownership finances. These 60 units would be a mix of townhouses and one- and two-family detached homes ranging from 1,200 to 1,500 square feet. These smaller home sizes permit lower construction costs of $180 per square foot. The homes will then be sold to moderate- and middle-income buyers at prices ranging from $300,000 to $350,000, significantly below-market. Similarly sized homes in Rhinebeck range from $420,000 to $600,000 on real estate listing sites.

Table I.
Scenario Two Sale Prices

<table>
<thead>
<tr>
<th># of Units</th>
<th>Sale Price / Unit</th>
<th>Total Sale Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-Family Detached</td>
<td>9</td>
<td>$350,000</td>
</tr>
<tr>
<td>Duplex</td>
<td>24</td>
<td>$325,000</td>
</tr>
<tr>
<td>Townhome</td>
<td>27</td>
<td>$300,000</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td></td>
</tr>
</tbody>
</table>

vi Inclusive of one non-revenue superintendent unit.
local context. The scenarios also include surface parking for every resident. Rhinebeck’s village center is walkable, but residents need a car to get to most destinations.

### Financing Sources

Bonds are the largest financing source for both Rhinebeck development scenarios. The financial models for both scenarios currently have the bond rate at 5%.\(^\text{vii}\) However, bonds are unlikely to cover the full cost of a project since bondholders would not underwrite this scenario without a significant increase to interest rates. Instead, SHDA capital funds function here as a gap filler. In these scenarios, SHDA capital from the initial appropriation of $5 billion from the bill is used as equity that will get paid back approximately 15 years after conversion to permanent financing, unlike subsidy, which would never be paid back.

The rents and home prices in both scenarios are high enough to cover operating costs and pay back the bonds. The SHDA is unlikely to develop financially healthy projects with average rents much below $1,500, because cash flow will trend negatively and projects will be unable to access financing. However, the project can still serve low-income households in Rhinebeck that need rents below $1,500 by using higher rents to cross-subsidize lower rents. The SHDA should also welcome tenants with vouchers, who could move into units underwritten for market rate rents.

### Table J

Scenario Two Sources and Uses

<table>
<thead>
<tr>
<th>Sources</th>
<th>Construction</th>
<th>Total</th>
<th>Per Unit</th>
<th>% of Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax-Exempt Bonds</td>
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<td>$250,703</td>
<td>77%</td>
<td></td>
</tr>
<tr>
<td>SHDA Equity</td>
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<td>$32,378</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Northern Dutchess Hospital Grant</td>
<td>$6,200,000</td>
<td>$44,286</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>Deferred Developer Fee</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td><strong>$45,831,337</strong></td>
<td><strong>$327,367</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Permanent</th>
<th>Total</th>
<th>Per Unit</th>
<th>% of Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Mortgage</td>
<td>$16,048,400</td>
<td>$114,631</td>
<td>35%</td>
</tr>
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<td>Home Sales</td>
<td>$19,050,000</td>
<td>$136,071</td>
<td>42%</td>
</tr>
<tr>
<td>SHDA Equity</td>
<td>$4,532,937</td>
<td>$32,378</td>
<td>10%</td>
</tr>
<tr>
<td>Northern Dutchess Hospital Grant</td>
<td>$6,200,000</td>
<td>$44,286</td>
<td>14%</td>
</tr>
<tr>
<td>Deferred Developer’s Fee</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>Gap</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td><strong>$45,831,337</strong></td>
<td><strong>$327,367</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses</th>
<th>Total</th>
<th>Per Unit</th>
<th>% of Source</th>
</tr>
</thead>
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<tr>
<td>Acquisition</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition Cost</td>
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<td>$2,057</td>
<td>1%</td>
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<tr>
<td>Construction Cost</td>
<td>$36,510,495</td>
<td>$260,789</td>
<td>80%</td>
</tr>
<tr>
<td>Soft Cost</td>
<td>$9,032,842</td>
<td>$64,520</td>
<td>20%</td>
</tr>
<tr>
<td>Developer Fee</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td><strong>$45,831,337</strong></td>
<td><strong>$327,367</strong></td>
<td></td>
</tr>
</tbody>
</table>

\(^\text{vii}\) This is a fictional placeholder. It is not clear yet what rate bondholders would accept compared to other New York State bond-issuing authorities.
When building homes for sale, the SHDA should price units roughly at cost of construction. By pricing units near cost, the SHDA can eliminate the need for subsidy on ownership units, perhaps even cross-subsidizing low rent units. Buyer incomes should be limited to approximately 80% to 140% AMI to ensure that homes do not go to households who could buy in the private market. Partial property tax exemptions or abatements will further contribute to the affordability. Resale prices will be restricted to guard against speculation. The prospect of below-market homeownership opportunities for moderate- and middle-income residents will likely appeal to suburban constituents whose support will be needed to make the SHDA a reality.

Role of SHDA

The SHDA’s acquisition powers, as described in the ‘How the SHDA Will Work’ section, allow the Authority to acquire land that is cheap due to existing zoning restrictions or lack of market demand. This land banking strategy could allow the SHDA to decrease overall development costs by keeping acquisition prices down. Parcels with restrictive zoning that would otherwise be redeveloped by private buyers could be built on via a zoning override.

The Rhinebeck scenarios assume that the land would be bought at its taxable assessed value of $288,000, based on 2023 land valuation. This value is low because the existing zoning does not permit enough density for development to be financially viable. The SHDA could buy the land at this artificially cheap price and bypass the zoning to build more units than would be permitted.

In Rhinebeck, local government officials and Northern Dutchess Hospital both strongly support building below-market rental housing. This local support will be needed in order to build on the subject parcel, which is currently not zoned to permit either scenario.

A key advantage of the SHDA is that it cuts out financial intermediaries and their associated fees. In Rhinebeck, the 80-unit project proposed by Kearney relies on tax credit equity from private investors. The LIHTC program places restrictions on the income levels served and does not guarantee permanent affordability. Additionally, tax credit deals require additional financing from entities that charge fees that the project must pay, such as bond fees, letter of credit fees, additional interest charges from private lenders, and developer fees. The only other financial party involved in the SHDA scenarios is the bondholders. Fewer parties in the transaction means fewer requirements and more control for the developer. Since it will issue bonds to fund its own activities, the SHDA will be able to work directly with local stakeholders without catering to lender and investor requirements.

The people who could eventually live in Rhinebeck workforce housing include hospital workers, educators, and retail workers that cannot afford buying a home in the Town. Nurses, for example, who may have to drive from Poughkeepsie or further, could now afford to live close to their job. The average salary for nurses in Kingston, the closest metro area for which data is available, is $87,000. While $87,000 is a higher than average salary, it is not enough to purchase a home in Rhinebeck, but is enough to afford the 80% AMI market proxy rents. An $87,000 salary would also be enough to purchase a townhouse in the 140-unit scenario if interest rates were below 5%. Unlike today, first-time homebuyers, such as young families that want access to Dutchess County schools but cannot currently afford to buy a house, would be able to raise children and put down roots in Rhinebeck.

Another group that could benefit from these housing options – not just in this case study but from the SHDA generally – would be seniors. In the Rhinebeck scenarios, seniors who may not want the responsibility of maintaining a large house would now have the option of renting a comfortable, modern apartment without sacrificing their desired suburban lifestyle. Rhinebeck has an aging community, since nearly 30% of the population is 65 and older. None of these potential beneficiaries is being served by the existing housing market in Rhinebeck. For all of these groups, Rhinebeck is a desirable place to live, work, and raise a family, but housing is too scarce and expensive. The variety of housing types that SHDA could provide at below-market costs would finally provide the options that groups such as these are looking for.
1024 Fulton Street

The following case study of 1024 Fulton Street, Brooklyn, is an example of how the SHDA might streamline the development process by simplifying a project’s capital stack and removing high soft costs incurred by private developers constructing income-restricted housing, especially when tax credit equity would otherwise be required. By reducing or eliminating financing fees, the SHDA can reduce the per-unit cost of development. Furthermore, zoning override powers would permit the SHDA to build more dwellings than are currently possible.

Context

1024 Fulton Street was originally built in 1912 by Brooklyn Union Gas as a showroom for new gas appliances. Brooklyn Union Gas eventually needed a larger facility for their showroom and transferred the building to Goodwill in 1934. Goodwill operated the space as a warehouse and quasi-community center for over thirty years, teaching classes in sewing and electronics. In 1967, the building was sold to Siloam Presbyterian Church which still operates in Central Brooklyn today, and later sold the property to Opportunities Industrialization Center, which provided unemployed New Yorkers with job training. The Center lost possession to the City in the 1980s due to unpaid tax bills.

The State purchased the property from the City for $330,000 over a decade later in 1996 with the intention to turn the building into a community space. However, the idea was abandoned after serious structural issues were uncovered, leaving the state-owned building vacant. Nearly 15 years later, a private nursing home, the Center for Nursing Rehabilitation, obtained the right to develop the site for $9 million, but when the group lost their federal funding in the early 2010s, development plans fell through. Due to the abundance of failed development deals, the property had become an increasingly controversial topic at the city and state levels, pushing then-Governor Andrew Cuomo to propose auctioning off the site in 2014.

Local elected officials, such as Assemblymember Walter Mosley, fought back against the proposed auction, arguing it would prevent the community from taking full advantage of its resources, especially in a community experiencing such rapid gentrification. Mosley, along with other Central
Brooklyn leaders, began pressing for senior and veteran centers to be placed on the site, at one point pressing the city to move the Fort Greene Senior Council’s offices to 1024 Fulton. As a result of the Assemblymember’s advocacy, the site was removed from the auction block, and Mosley brought in a development partnership between a nonprofit and private developer.

The project ran into a number of challenges. During negotiations the city identified a deed restriction on the property, which limited uses on the site to community facilities. Additionally, the partnership between Mosley’s handpicked nonprofit developer and a private firm raised eyebrows, as the development team was unsupportive of a 100% affordable housing project. Mosley was unsuccessful in advancing the project, and lost his re-election campaign in 2020 to Phara Souffrant-Forrest, a union nurse and tenant organizer, who began to bring attention to the site once again.

### Downside of LIHTC

Within the current housing finance system, the development of 1024 Fulton Street would fail to provide permanently affordable housing. As outlined in the ‘Why New York Needs the SHDA’ section, a project financed by bonds and LIHTC would not meaningfully reach income levels below 60% AMI and would stay affordable for only a limited period of time. SHDA-backed projects would simplify a project’s capital stack, lowering overall development costs. Furthermore, by surpassing the current bond issuance procedure, the capital sourcing process would be simplified, reducing soft costs and financing fees. Lower development costs would in turn allow for a greater number of units to be constructed at lower AMI levels, and most importantly, SHDA properties would be subject to permanent affordability provisions, eliminating the 30-year cap on income restrictions.

### Financial Roadmap for SHDA-Involved Development

1024 Fulton Street sits on an approximately 12,810 square foot (sf) lot and the proposed development would consist of ground floor retail space (8,925 sf) and a second floor community space (8,925 sf). Commercial rents would provide a significant source of income for the development while simultaneously allowing for smaller local businesses to afford to occupy the space. Under current zoning, the remaining buildable floor area is 41,076 sf, for a total of 58,926 sf for the entire building. This would allow for a maximum of 60 residential units to be built due to existing zoning constraints. However, should the SHDA implement its zoning override capability, a greater number of residential units would be permitted. The proposed development at 1024 Fulton Street assumes an upzoning which would allow for a maximum buildable area of 92,232 sf, including 74,382 sf for residential uses, resulting in a maximum of 109 residential units, including one superintendent unit, for this space.

The constants across all three development scenarios are the number of residential units (the maximum defined above), the amount of commercial space (and associated rents), and the...
hard construction costs of $375 per sf (exclusive of contingencies, contractor payments, and other associated development costs). In addition, each scenario assumes demolition costs of $750,000 as the course of preserving the existing building would be cost-prohibitive. Operating expenses are equal between scenarios. The first two include the use of rental assistance: Scenario One uses the Empire State Supportive Housing Initiative (ESSHI), and Scenarios Two uses the more generous NYC 15/15 rental assistance program. Each of these development scenarios assumes no property taxes due to developments under the SHDA being tax-exempt as described above in the ‘How the SHDA Will Work’ section.

Current Scenario

For this scenario, the SHDA would not be involved in the development of 1024 Fulton Street. The development proposed in this scenario is characterized as the typical NYC bond- and subsidy-based development. The proposed unit distribution can be seen in Table K.

The retail space occupying the ground floor of this development would be rented at $35 per sf. The second floor community facility would be rented at $20 per sf. With rents at these levels, the project can make it feasible for smaller local businesses to rent the space while still generating a small revenue for the building to go back into operating costs.

The development, undertaken by a private developer, would use Extremely Low and Low Income Affordability (ELLA) Program subsidy from both HPD and NYC Housing Development Corporation (HDC) in the construction and permanent phases, and will rely on construction financing provided by the sale of HFA bonds, and LIHTC equity.

<table>
<thead>
<tr>
<th>AMI Tier</th>
<th># of Units</th>
<th>Average Rent</th>
</tr>
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<tbody>
<tr>
<td>30%</td>
<td>30</td>
<td>$1,487</td>
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<tr>
<td>50%</td>
<td>26</td>
<td>$1,342</td>
</tr>
<tr>
<td>60%</td>
<td>24</td>
<td>$1,626</td>
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<tr>
<td>80%</td>
<td>24</td>
<td>$2,111</td>
</tr>
<tr>
<td>Total</td>
<td>108</td>
<td>$1,566</td>
</tr>
</tbody>
</table>

Note the inefficiency of the financing system in this instance: the development sources have essentially exhausted all non-competitive forms of financing. Numerous sources are required to bring the project to life, thus complicating and lengthening the development process. Moreover,
in order to achieve a building of this size, the developer would be forced to undertake a ULURP process, further delaying the operation of the development. Also worth noting are the substantial soft costs: all told, approximately 35% of the project’s hard costs. The soft costs are substantial, largely due to LIHTC monitoring requirements, the outsourcing of professional services (such as accounting, geotechnical work, and engineering), and bond-related fees (including interest paid during construction and closing and issuing fees imposed by HFA). In all, the development cost per unit is approximately $605,000 in this scenario.

SHDA Scenario One: Bond Issuer & Equity Provider

A potential scenario for the SHDA to develop 1024 Fulton is to be both bond issuer and subsidy provider. In this scenario, the SHDA’s internal development team will take lead on the development of the project. The proposed unit distribution for this scenario is shown in Table N.

Notably, the unit distribution in this model reflects a mixed-income development, catering to formerly homeless households, low-income, possibly part-time workers, as well as young families and/or public sector employees early in their careers. This model provides respite for the most vulnerable groups of the population in addition to stable and sturdy workforce housing for a community in which rental prices are rapidly climbing. Slightly more than 20% of the units in this development will be market rate.

### Current Scenario Sources & Uses

<table>
<thead>
<tr>
<th>Sources</th>
<th>Total</th>
<th>Per Unit</th>
<th>% of Source</th>
</tr>
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<tr>
<td><strong>Construction</strong></td>
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</tr>
<tr>
<td>HDC First Mortgage</td>
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<td>15%</td>
</tr>
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<td>HDC Short-Term Const. Loan</td>
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<td>Interest during Const.</td>
<td>$2,107,613</td>
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<td>3%</td>
</tr>
<tr>
<td>Federal LIHTC</td>
<td>$5,831,958</td>
<td>$53,504</td>
<td>9%</td>
</tr>
<tr>
<td>HDC ELLA</td>
<td>$6,720,000</td>
<td>$61,651</td>
<td>10%</td>
</tr>
<tr>
<td>HPD ELLA</td>
<td>$13,352,500</td>
<td>$122,500</td>
<td>20%</td>
</tr>
<tr>
<td>Reso A</td>
<td>$500,000</td>
<td>$4,587</td>
<td>1%</td>
</tr>
<tr>
<td>HCR CEI</td>
<td>$299,750</td>
<td>$2,750</td>
<td>0%</td>
</tr>
<tr>
<td>Deferred Op. Reserve</td>
<td>$556,679</td>
<td>$5,107</td>
<td>1%</td>
</tr>
<tr>
<td>Deferred Developer Fee</td>
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</tr>
<tr>
<td><strong>Total Sources</strong></td>
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</table>

<table>
<thead>
<tr>
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<th>Total</th>
<th>Per Unit</th>
<th>% of Source</th>
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<tr>
<td>HDC First Mortgage</td>
<td>$10,100,000</td>
<td>$92,661</td>
<td>15%</td>
</tr>
<tr>
<td>Accrued Interest during Construction</td>
<td>$2,107,613</td>
<td>$19,336</td>
<td>3%</td>
</tr>
<tr>
<td>Federal LIHTC</td>
<td>$29,159,795</td>
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</tr>
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<td>HDC ELLA</td>
<td>$6,720,000</td>
<td>$61,651</td>
<td>10%</td>
</tr>
<tr>
<td>HPD ELLA</td>
<td>$13,352,500</td>
<td>$122,500</td>
<td>20%</td>
</tr>
<tr>
<td>Reso A</td>
<td>$500,000</td>
<td>$4,587</td>
<td>1%</td>
</tr>
<tr>
<td>HCR CEI</td>
<td>$299,750</td>
<td>$2,750</td>
<td>0%</td>
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<tr>
<td>Developer-Funded Operating Reserve</td>
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<td>$5,107</td>
<td>1%</td>
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<td>Deferred Developer Fee</td>
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<td><strong>Total Sources</strong></td>
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<table>
<thead>
<tr>
<th>Uses</th>
<th>Total</th>
<th>Per Unit</th>
<th>% of Source</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td>Site Preparation Costs</td>
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<td>$6,881</td>
<td>1%</td>
</tr>
<tr>
<td>Hard Construction Costs</td>
<td>$42,254,400</td>
<td>$387,655</td>
<td>64%</td>
</tr>
<tr>
<td>Soft Costs</td>
<td>$16,058,404</td>
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</tr>
<tr>
<td>Reserves and Escrows</td>
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<td>$5,107</td>
<td>1%</td>
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<tr>
<td>Developer Fee</td>
<td>$6,413,160</td>
<td>$58,836</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td>$66,032,644</td>
<td>$605,804</td>
<td></td>
</tr>
</tbody>
</table>

Table L.
Current Scenario Sources and Uses
This scenario sees financing from two sources: SHDA bonds (comprising 54% of the financing) and SHDA subsidy – see sources and uses in Table M. The model assumes a bond interest rate of 5%, which is admitted lower than interest rates on typical housing bonds. The assumption here is that confidence in the return on these bonds is high, allowing for a lower interest rate. The subsidy is taken directly from the SHDA development fund, and will be repaid to the SHDA via the project’s net cash flow until the original subsidy amount has been recovered.

Here, the per unit cost of the development is approximately $491,000 – over $100,000 less than the Current Scenario. While construction interest is still a significant portion of the development budget, this scenario eliminates a substantial piece of the soft costs due to the absence of any LIHTC equity, and state agency bond issuance fees are eliminated.

**SHDA Scenario Two: Subsidy Provider**

The final scenario to be explored positions the SHDA as a provider of complete subsidy for a development project. Like in Scenario One, the SHDA is assumed to be the developer in this situation. No rental assistance is used in this model. The proposed unit distribution is shown in Table P.

This development scenario reflects a truly mixed-income development offering rent stabilized leases to not only formerly homeless households, but also to households placed in the very low-
income, low-income, and moderate-income income bands. Unlike the previous scenario, the development would not offer any market rate units. But, similar to Scenario One, the development would cater to providing shelter to a vulnerable group while also offering early-career professionals a sense of security in their living arrangements.

Financing comes from a single source: the SHDA injecting subsidy directly into the project. The subsidy is repaid over the course of 30 years, much like a traditional mortgage, albeit without any interest. Cash flow can be kept within the property as a reserve or diverted back to SHDA’s development fund, see Table O for financial breakdown.

The per-unit development cost is lowest in this model at $437,000. Like in Scenario One, the removal of LIHTC and state bond issuances fees reduces soft costs by a significant degree. Eliminating construction loan interest payments further lowers the project’s development costs.

After 25 years and many failed proposals, the building at 1024 Fulton Street remains neglected, undeveloped, and underutilized. The recent attention brought to the site by Souffrant-Forrest, as well as by the Atlantic Avenue Mixed-Use Plan, has repositioned the property as an optimal site for development in Clinton Hill, a neighborhood that has undergone significant demographic shifts over the past two decades. The area, which saw an influx of black residents in the late 1970s and early 1980s, began to attract interest by a wealthier, whiter population in the

### Scenario Two Sources & Uses

<table>
<thead>
<tr>
<th>Sources</th>
<th>Total</th>
<th>Per Unit</th>
<th>% of Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHDA Equity</td>
<td>$47,637,087</td>
<td>$437,037</td>
<td>100%</td>
</tr>
<tr>
<td>Total Sources</td>
<td>$47,637,087</td>
<td>$437,037</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses</th>
<th>Total</th>
<th>Per Unit</th>
<th>% of Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site Preparation Costs</td>
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</tr>
<tr>
<td>Hard Construction Costs</td>
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<td>$387,655</td>
<td>89%</td>
</tr>
<tr>
<td>Soft Costs</td>
<td>$3,921,710</td>
<td>$35,979</td>
<td>8%</td>
</tr>
<tr>
<td>Reserves and Escrows</td>
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<td>$6,523</td>
<td>1%</td>
</tr>
<tr>
<td>Developer Fee</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>Total Uses</td>
<td>$47,637,087</td>
<td>$437,037</td>
<td></td>
</tr>
</tbody>
</table>

Table O.
Scenario Two Sources and Uses

<table>
<thead>
<tr>
<th>AMI Tier</th>
<th>Scenario 2</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Units</td>
<td>Average Rent</td>
</tr>
<tr>
<td>30%</td>
<td>20</td>
</tr>
<tr>
<td>50%</td>
<td>19</td>
</tr>
<tr>
<td>60%</td>
<td>18</td>
</tr>
<tr>
<td>80%</td>
<td>16</td>
</tr>
<tr>
<td>100%</td>
<td>21</td>
</tr>
<tr>
<td>120%</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>108</td>
</tr>
</tbody>
</table>

Figure 53.
Scenario Two AMI tier illustration
early 21st century after experiencing economic growth fostered by the local black community.\textsuperscript{21} As demand for the neighborhood escalated, so too did real estate prices and predatory tactics aimed at removing the low-income, black population from the neighborhood. As a result, the black population of Clinton Hill has decreased by 44% between 1980 and 2020, replaced by a population both wealthier and whiter than the neighborhood’s historic makeup.\textsuperscript{22} Developing 1024 Fulton Street under the SHDA would allow for a mixed-income development, preserving space for the historic black population, low-income blue-collar workers, and young working families, in a neighborhood which otherwise caters only to an upper-class community.

\textbf{Figure 54.}
Rendering of Proposed 1024 Fulton Street Redevelopment
Chapter 5

RECOMMENDATIONS

Legislation that Supports the SHDA

For the SHDA to operate as successfully as possible, a suite of legislation at the municipal, state, and federal level would need to pass. We recommend the passage of the following bills, which support the goals and aspirations of the SHDA.

Municipal Bills

The Community Opportunity to Purchase Act (COPA), is a bill in NYC which would grant CLTs, nonprofit affordable housing developers, and other approved organizations a right of first refusal whenever landlords decide to sell apartment buildings or certain properties. This would help communities and nonprofit developers gain ownership over both land and property, potentially expanding the SHDA’s property acquisition pipeline.

In municipalities outside of NYC, legislation reforming the in-rem tax foreclosure process will be necessary to ensure that land banks can maintain a sustainable property acquisition pipeline. Because land banks in NYS have a right of first refusal to properties in tax foreclosure, legal experts are concerned that this pathway to property acquisition prevents a homeowner from claiming their surplus equity. Implementing similar tax foreclosure laws to those presently existing in NYC, will allow land banks to continue operating successfully in municipalities throughout the State that the SHDA would then be able to either acquire or dispose of land to.

In NYC, the tax lien sale, a Giuliani-era program, allows unpaid debts like property taxes and water bills to be sold to a private trust made up of real estate investors at a discount. These real estate investors then seek to make profits off of the tax liens, charging hefty, unjust interest rates of up to 18% on these unpaid debts. This practice disproportionately harms black and brown New Yorkers, and often pushes families into foreclosure. The City must abolish this discriminatory, harmful practice and instead replace it with a public debt collection system. Furthermore, we recommend the adoption of a debt collection system that would allow homeowners to transfer the land beneath their homes to a CLT in exchange for debt forgiveness. This system, which allows homeowners to retain possession of all built improvements on the land, has been promoted by social housing organizations like the East New York CLT because it creates a new property acquisition pipeline for CLTs, while also keeping vulnerable owners in their homes.

State Bills

The Tenant Opportunity to Purchase Act (TOPA) would give tenants the opportunity to intervene in the sale of their buildings if their landlords decide to sell or default on their loans. The proposed legislation would give tenants the right
to purchase their building, the right to select a developer to buy the building, a process to come to an agreement on sale price, and funding programs for tenants to be able to successfully purchase their building. TOPA represents an important step towards democratic governance of housing, and also creates a pipeline to property acquisition for both individual tenants and the SHDA.

The Housing Access Voucher Program (HAVP) is a bill to create a statewide Section 8 program which would be a vital resource for the SHDA. This voucher program would target 50% of subsidies to those currently experiencing homelessness, allowing the Authority to consistently provide housing at the deepest possible affordability levels. Furthermore, this program would provide a consistent revenue stream for the SHDA, helping to keep the authority financially solvent.

The LLC Transparency Act, which has been passed by the state legislature, but still requires the signature of Governor Kathy Hochul, would require the disclosure of the identities of beneficial owners of limited liability companies. The bill would also create a public database of this information, making it easier for tenants to access information about their landlords, who hide from accountability through anonymous shell companies.

Passing Good Cause Eviction, a long-standing tenants rights bill in the state legislature, would prevent arbitrary or retaliatory evictions in buildings with four or more units by requiring landlords to have an actual reason to terminate a tenancy, such as breaches of a lease. Furthermore, landlords would have to justify rent increases larger than either 3% or 150% of the consumer price index, whichever is larger. Since the SHDA aims to remove housing from the speculative, profit-seeking market, this legislation is aligned with the Authority’s goals.

Passing the New York Public Banking Act, a bill authorizing the State Department of Financial Services to issue public bank charters, would create a regulatory framework for municipalities, counties, and regions hoping to establish public banks in New York. This would allow localities to leverage public money in support of community needs, like infrastructure improvement and social housing.

Passing the Community Protection Act has potential to serve as both a bulwark against speculation and a revenue source for the SHDA, making it an exciting opportunity for the expansion of social housing in the State. The CPA essentially creates a new tax on property owners who transfer the ownership of their 1-3 unit building worth $750,000 or more to an owner outside of their family within 2 years. Under the new CPA tax, property owners who “flip” their property within one year will have to pay a tax rate of 65% of the difference between the price at which they purchased the home and the price at which they are selling the home. Revenues from this “flip tax” could be tied to social homeownership programs run by the SHDA.

Single Room Occupancy (SRO) development is usually targeted towards those with low or minimal incomes or those who are at risk of homelessness. During New York’s early history, housing was provided in shared accommodations that would probably be described as SROs today. The number of SRO units increased a great deal during the Great Depression, but with the deinstitutionalization of mentally ill people, SRO units became filled with tenants with mental health diagnoses. This led to bans on the building of new SRO units in the 1950s and taxation benefits for landlords to convert SROs into regular apartments. In the 1980s, however, City Officials began to realize the potential SROs had in housing homeless people and started to encourage the preservation of SROs.

These policies that intended to preserve SRO units were ultimately hampered by an appeals court decision which struck down these policies. There is, however, potential for the SHDA to step in and serve an at-risk population of folks who are at risk of homelessness or who are currently homeless.

Federal Legislation

The SHDA should push for the repeal of the Faircloth Amendment, which capped public housing construction, limiting PHAs from building more Section 9 units than they administered on October 1st, 1999.

The SHDA should actively support legislation, such as the Public Housing Emergency Act and the Green New Deal for Public Housing, that fully funds Section 9 public housing, as PHAs across the State need more financial resources to revitalize their aging housing stock.
Organizational Structure

To ensure that the SHDA is able to operate successfully, it is vital that the authority retains a well-trained, capable, and justly compensated staff. With the understanding that municipal housing agencies across the State are struggling to retain staff due to low salaries, fair pay will be vital in scaling up this Authority. To achieve this goal, it is recommended that the initial appropriation for staffing is increased from $60 million to $100 million, to both address the need for fair salaries and expansive capacity. It is also recommended that staffing is fully funded by state appropriations for the first five years of the SHDA’s operation, to allow the Authority to build stability. Additionally, after the initial appropriation, it is recommended that staff is funded with a mixture of state appropriations and SHDA revenues, similar to the financing structure for the ESD Corporation. 75% of staff salaries...
should come from SHDA revenues and 25% should come from state appropriations to ensure that the Authority is mostly self-financing.

Furthermore, the Authority must have a clear organizational structure that addresses the wide range of responsibilities it will have. While the SHDA will have typical departments seen throughout other authorities and agencies (such as a Legal and General Counsel, Human Resources, Procurement, Finance, and Communications), we suggest unique departments to ensure that the SHDA can best serve residents throughout the State and create social housing at scale.

The first unique department would be the Department of External Affairs. This Department will be responsible for managing the SHDA’s relationship with federal, state, and local actors who have an explicit stake in the Authority’s work. Within this department, individual offices or divisions, such as Intergovernmental Affairs and Municipal Coordination, should be established to foster successful and productive relationships with other federal, state, and municipal entities with which the SHDA will coordinate on a regular basis.

Other divisions that would be important to the success for the SHDA and centered around the Authority and the residents would be a Division of Resident Workforce Development and Office of Resident Resources. The Division of Resident Workforce Development would be responsible for recruiting SHDA residents to work for the Authority, while providing residents with necessary training they may need to gain employment with the Authority. The Office of Resident Resources would be responsible for supporting all residents of SHDA housing across areas, from legal to technical support. This office could also provide training and programs for residents to ensure that tenants, shareholders, and homeowners are provided with the necessary skills and information to successfully maintain their homes.

One of the most important departments within SHDA would be a Department of Policy, Research, and Strategy. This department would be responsible for developing the rubric as required by legislation to help the SHDA identify and prioritize new projects. This department would work across the agency to ensure that any proposed housing that is to be constructed would be appropriate for the location, and to identify innovative housing policies to further the SHDA’s mission.

Recommendations Supporting Municipal Housing Agencies

As a statewide Authority, the SHDA would also interact with municipal housing agencies, which manage neighborhood planning, housing finance, building code maintenance, and other affordable housing programs across the State. We recommend that SHDA staff members serve as champions and important stakeholders to ensure a successful relationship between the Authority and municipal housing agencies.

Reforms passed to the Emergency Tenant Protection Act (ETPA) in 2019 allow municipalities across the State to opt into rent stabilization if they prove they have a vacancy rate below 5%, creating new opportunities for the regulation of privately operated housing. However, producing a viable vacancy study has been a challenge for many municipalities; Kingston paid a nonprofit more than 10% of its City Planning budget to produce an unsuccessful vacancy study in 2019. While Kingston was able to opt into rent stabilization in 2022, completing two vacancy studies drained the City’s small planning department of both capacity and financial resources. The SHDA could use its capacity to provide funding or conduct vacancy studies and assist municipalities in opting into rent stabilization, if requested.
Office Conversions

SHDA should take advantage of the sharp decline in office space usage and seek to convert high vacancy office buildings into residential homes. Currently, office conversions are happening in the private market, but without any serious government intervention, current conversions will only be available to the luxury market. The SHDA can prevent this by stepping in and providing subsidies and other financial incentives to make this type of conversion more affordable and readily accessible. NYC is currently pushing for sweeping regulatory reforms to make this easier.

Authority Name Change

While building social housing across the State is imperative to addressing the housing crisis in New York, it is also important to understand that this legislative proposal may be challenging to pass. As a result, it will be particularly important to build a coalition with legislators outside of NYC, who may be wary that this program will only benefit major urban areas. Furthermore, since the word “social” is politically charged, its presence in the Authority’s title may detract legislators, community groups, and other organizations from supporting the legislation. As a result, it is recommended that the authority is renamed the “State Housing Development Authority,” as this title is more neutral and points to the work the Authority would do across New York.
At this time of cultural divisiveness and economic stagnancy, the formation of the SHDA is just one approach that creatively harnesses the lessons from the past, draws upon ongoing political momentum, and addresses ongoing political setbacks by proposing contemporary solutions at the State’s helm. By tailoring different development typologies, governance models, and income mixes, buildings chartered under the SHDA will be able to achieve the highest levels of quality, affordability, and democratic control possible.

The recommendations within the case studies present innovative perspectives on how to maximize the potential powers of the SHDA and the availability of their uses, from a fully controlled and owned tenant apartment building in the city to single-family homeownership upstate, from projects specifically targeting a population, to a development intended for a mixed of incomes.

This focus on desired outcomes rather than prescribed form will allow the Authority to wield its massive power while still actively engaging in advocacy and social welfare, as well as reshaping public perception towards government intervention in housing development. By doing so, the SHDA positions itself to be responsive and accountable to the burgeoning mass movement of New Yorkers dedicated to the production and preservation of housing for all.

In the face of precarity, NYS residents and their housing needs cannot be fulfilled by the piecemeal status-quo attempts that continue to further delay truly equitable and achievable development outcomes. There is no better timing for the SHDA than the present.
Letter from the Studio

ENDNOTES

Chapter 1 Endnotes

12. Radford, Modern Housing in America, 16.
15. Radford, Modern Housing in America, 201.
17. Bloom, Public Housing That Worked, 27.
22. Kenneth Jackson, Crabgrass Frontier, 207.
23. Kenneth Jackson, Crabgrass Frontier, 208.
24. Kenneth Jackson, Crabgrass Frontier, 207, 213.
27. Section 9 is a component of the Housing Act of 1937, establishing a federal funding stream for public housing authorities, essentially creating an operational public housing program in the United States.
34. Bloom, Public Housing That Worked, 4-6.
38. Bloom, Public Housing That Worked, 4-5.
40. Bloom, Public Housing That Worked, 252.
Chapter 2 Endnotes


9 The 2022 Annual Homeless Assessment Report


19 DiNapoli, 2020 Census, 3.

20 DiNapoli, 2020 Census, 2.


24 "Utica Housing Study," 2022, 18.


34 Stein and Chatterjee. “421-A at 50”, 22.


Chapter 3 Endnotes


5. McKinney’s Public Housing Law § 37


Chapter 4 Endnotes

1. Harry DeRienzo, “The Concept of Community: Lessons from the Bronx” (Milano, Italy: IPOC, 2008), 47
4. Personal Correspondence with Edward Garcia, Co-Organizing Director, Northwest Bronx Community and Clergy Coalition, Fall 2023.
5. The Northwest Bronx Community and Clergy Coalition is a non-governmental organization working on housing and youth justice in the Bronx.
Chapter 5 Endnotes


20. Personal Correspondence with Wilson Kimball, President of the Municipal Housing Authority of the City of Yonkers, Fall 2023.