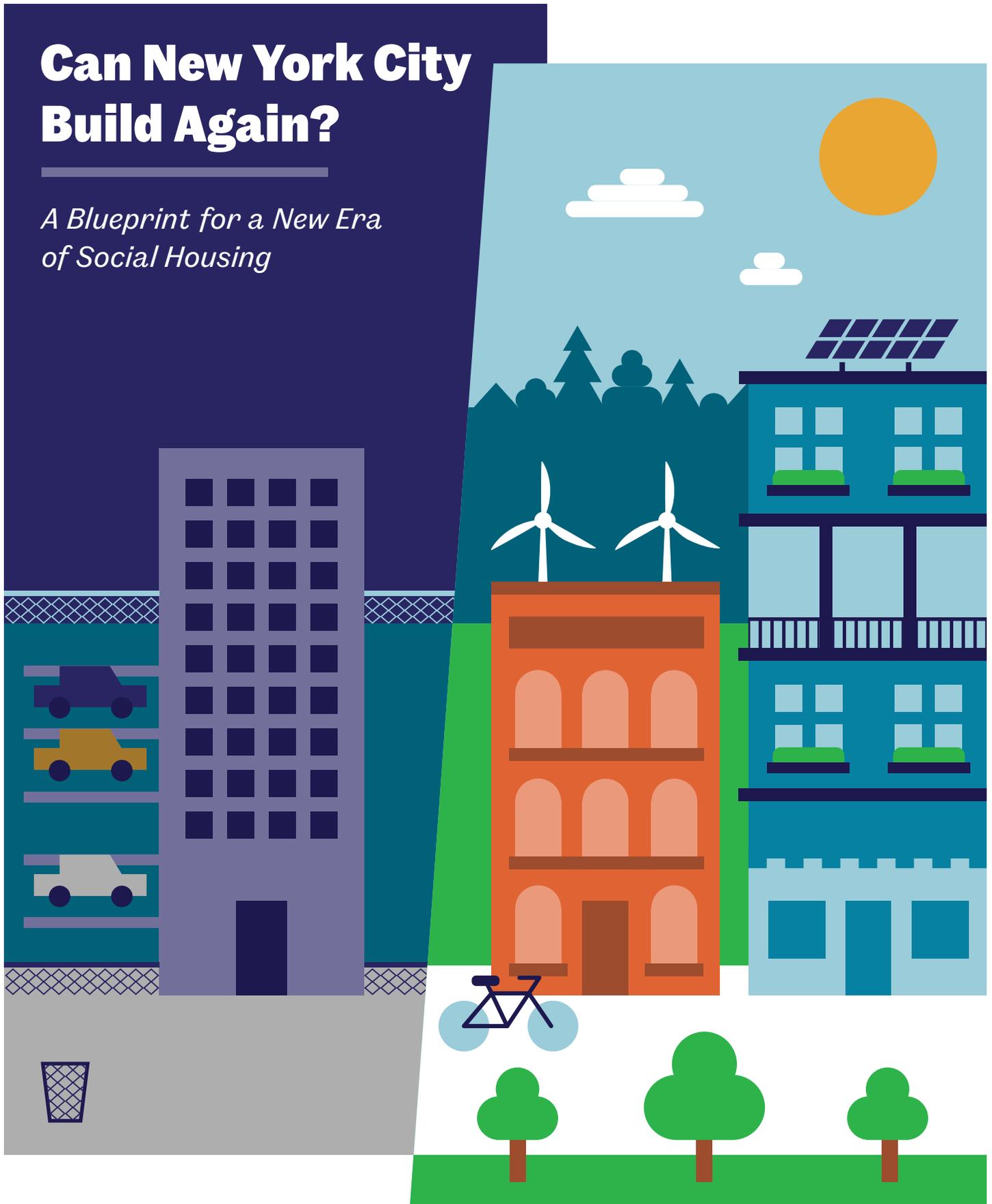


# Can New York City Build Again?

*A Blueprint for a New Era  
of Social Housing*



Iziah Thompson  
OCTOBER 2025

## ABOUT THE AUTHOR

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The Community Service Society of New York (CSS) has worked with and for New Yorkers since 1843 to promote economic opportunity and champion an equitable city and state. We power change through a strategic combination of research, services, and advocacy to make New York more livable for people facing economic insecurity. By expanding access to health care, affordable housing, employment, opportunities for individuals with conviction histories, debt assistance, and more, we make a tangible difference in the lives of millions.

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# Table of Contents

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SECTION	PAGE
<b>Executive Summary</b>	<b>3</b>
» Recommendations	
<b>Introduction</b>	<b>7</b>
<b>New Housing Development Finance Models</b>	<b>8</b>
» <b>CASE STUDY</b> Montgomery County’s Housing Opportunities Commission (HOC)	
<b>Why Social Housing?</b>	<b>15</b>
» <b>CASE STUDY</b> Jätkäsaari Helsinki’s Public-Led Housing Transformation	
» But That Won’t Work Here!	
<b>Recommendations for New York City’s Next Mayor</b>	<b>25</b>
» A New York City Revolving Housing Construction Fund & Three Model Projects	
» Realigning City Housing Agencies and Empowering NYCHA	
» Improve NYCHA’S Board Structure	
» Addressing Zoning Shortfalls	
<b>Conclusion</b>	<b>42</b>
<b>Glossary</b>	<b>43</b>
<b>Endnotes</b>	<b>47</b>

# Executive Summary

Seattle, Washington. Montgomery County, Maryland. Atlanta, Georgia. Chicago, Illinois. What do all of these places have in common? Since the pandemic, each has gone all in on the idea of government-built and managed housing. Social housing—as it’s known—has long flourished in European and Asian cities like Vienna, Helsinki, Singapore, and Shenzhen. But it is not only a foreign model. It’s being revived and reimaged right here in the United States.

New York City, too, once embraced this vision. Mitchell-Lama buildings like Co-op City in the Bronx and public housing communities like Marcy Houses in Brooklyn are monuments to a time when New York wasn’t afraid to build. Today, a new movement for public development is rising—and New York City could lead it once again.

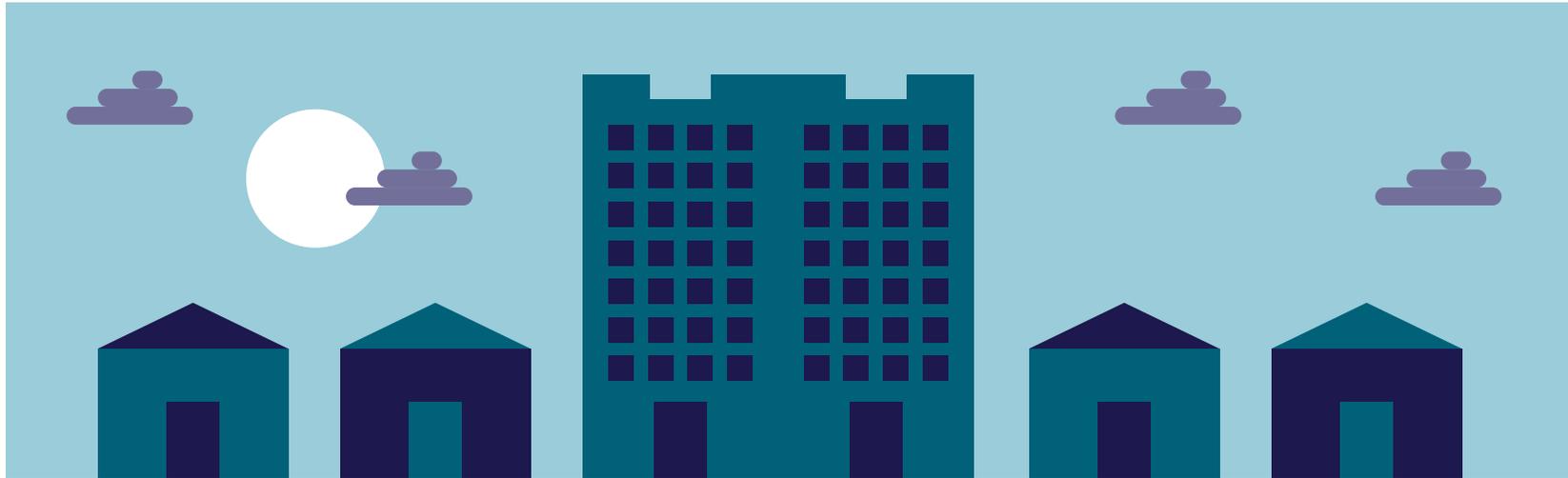
This report offers a blueprint for doing just that. With a new mayoral term on the horizon—and in the face of worsening climate risks and potential federal disinvestment—the moment is ripe for a bold shift in how the city builds and manages housing. The proposal is simple but would have a major impact:

- **Create a city-backed Revolving Housing Construction Fund (RHCF)** to replace speculative private equity with low-cost public capital, allowing social housing projects to pencil out quickly and permanently; and staff a new division at NYCHA to carry out this work.
- **Realign city housing agencies to increase efficiency**, organizing agencies by central tasks, with:

- » The New York City Housing Authority (NYCHA) as the integrated housing provider: NYCHA would provide all housing management services, administer all housing vouchers (including Section 8 and CityFHEPS), and lead all affordable housing development citywide (this includes related organizations like the Preservation Trust).
- » NYC Housing Development Corporation (HDC) as the centralized housing bank: HDC would be solely responsible for all financing, bond issuance, and financial oversight of affordable housing projects.
- » NYC Department of Housing Preservation and Development (HPD) as a housing regulator and tenant advocate: HPD would focus on housing code enforcement (for all housing including public housing), tenant protection, and strategic housing policy and planning under initiatives like the NYC Fair Housing Framework and future comprehensive zoning regimes.
- » NYC Human Rights Administration (HRA) as the emergency & social safety net: HRA would provide homelessness prevention, emergency financial aid, and make direct client referrals for rental assistance to NYCHA.

- **Over the next 10 years, fund 20,000 new, publicly owned units** that are energy efficient, permanently affordable, mixed-income, and deeply accountable to the public. This is in addition to the goal of financing 200,000 units over the next decade, meaning 10 percent of the new units would be social housing.

- **Improve NYCHA's board structure and add 12 members** to ensure more representation and relevant expertise. NYCHA's current seven-member board, with all appointments made by the mayor, includes three resident members but is often criticized for a disconnect between its administrative oversight and the lived experiences of hundreds of thousands of residents. To truly transform NYCHA into an accountable social housing developer that can also house new residents, a fundamental shift in its governance is essential. We propose a 19-member board that prioritizes broader representation: six members from NYCHA's public housing and voucher holding population (including those from RAD/PACT and Trust developments); four city residents (preferably who have experienced housing insecurity or are from future social housing) appointed by the mayor; two labor union members appointed by the mayor at the advice of NYCHA's union leadership; four City Council appointees with expertise in finance, urban planning, and non-profit development; and three mayoral appointees specializing in green development, financing, and environmental justice. This structure ensures diverse expertise and fosters a more responsive, equitable, and effective approach to housing.
- **Address zoning shortfalls**
  - » **Create a citywide NYCHA zoning overlay (or amend the zoning resolution for as-of-right development)**, allowing construction on NYCHA parcels within a predetermined envelope as-of-right, bypassing ULURP and density restrictions.
  - » **End single family zoning** in New York City by removing and replacing R1 and R2 (and adjusting R3A/R3X/R3-1) zones so that duplexes, townhouses, and small apartments are allowed by-right in every neighborhood. Social housing is one part of the broader solution to lowering housing costs that must include ending racist and classist zoning restrictions. New York City would be joining Minneapolis with their ending of single-family mandates statewide in 2019, with other cities like Sacramento and Seattle now exploring comparable reforms.



# NYCHA as a Modern Public Developer

The city's current affordable housing production model is overstretched. Unlike private developers operating under lightly enforced affordability agreements, NYCHA and the Trust have the systems, structure, and transparency to deliver long-term accountability. NYCHA already manages thousands of buildings with sophisticated work order systems, centralized maintenance operations, and established tenant governance. Despite its flaws, NYCHA provides a level of transparency, affordability, and stability far beyond what most renters experience in the private market. Advances in the last decade have brought the authority's stock to a point nearing stability—the constant string of emergencies that have characterized the housing stock have lessened and plans to clear the capital backlog are underway.

By giving NYCHA (and the Trust) responsibility for a new, modern housing stock, the city would not only improve resident outcomes but would also boost revenue collection, morale, and long-term financial stability across the entire portfolio. New, high-functioning buildings would provide cross-subsidies to aging developments and reinvigorate NYCHA's mission for the next generation.

Reorganizing and streamlining NYC's fragmented housing infrastructure would eliminate redundancy, speed up delivery, and align affordable housing development with long-term public ownership. Rather than layering multiple approvals, subsidies, and compliance frameworks, the city could streamline policy, planning, and production, and finally realize the long-sought goal of putting public housing at the heart of its affordable housing policy.

This model isn't theoretical. Cities across the country are showing how public financing and

public construction can work. Montgomery County's Housing Opportunities Commission, Seattle's Social Housing Authority, and Atlanta's Urban Development Corporation are all building without relying on tax credits and tax-exempt bonds. New York City, with its unmatched scale, credit capacity, and institutional expertise, is uniquely positioned not just to participate in this movement, but to lead it. To demonstrate how feasible it could be for New York City, this report includes financial modeling for three mock projects:

## **PROJECT 1: THE RESCUED BROOKLYN INFILL**

A development team and its investors ran into financial trouble while developing on a vacant lot in a Brooklyn neighborhood along the East River. NYCHA and the city's new Revolving Housing Construction Fund (RHCF) come in with a \$43.5 million investment and HDC helps secure a loan to construct a 100+-unit infill development. It provides long-term funding for NYCHA and the RHCF.

## **PROJECT 2: A SUSTAINABLE NYCHA TRANSFORMATION AND NEW PUBLIC HOUSING**

NYCHA residents at an almost 1,400-unit development meet with architects, engineers, and development experts to come up with a plan for the future of their homes. NYCHA holds an independently run vote, and residents choose an immediate rehab that deals with the environmental justice and health issues that have plagued them for years. They want NYCHA to remain their landlord and to add more units on an old lot that has been languishing, unused for decades. First, the NYC Public Housing Preservation Trust (the Trust) helps residents pick a design-build team with the skills to pull off the vision that residents put forth. Again, HDC secures financing for the project, anchored by a \$490 million loan from the RHCF over three years. Then, the two new, contextual buildings (bringing on more than 120 new units

together) are constructed, adding new units for public housing residents, units set aside for formerly homeless families, market rate and workforce units, as well as the first use of NYC’s Faircloth Authority in decades. Any residents that need to be moved to deal with asbestos and lead remediation (and those that would like to move into the new buildings) get a new home. Then new facade panels, efficient heating and cooling systems, renovated apartments and much more, transform the existing buildings, providing healthy homes to residents now and long into the future.

**PROJECT 3: PUBLIC LAND IN THE BRONX**

A plot of land owned by New York State has sat empty for too long, and the community wants deeply affordable housing. The rents will be so low that it’s not possible to get a loan; however, NYCHA and the RHCF can figure it out. Thanks to the revenues from the first two buildings,

and a \$56.5 million investment from the fund, NYCHA builds more than 100 units on the site, with almost 70 percent reserved for families with very low incomes (e.g., a family of three with less than \$58,320 in gross annual income).

These projects are feasible largely because of the financing and development ingenuity that exists in New York City. The resources are here. The agencies exist. The demand is urgent. What’s needed now is political leadership. This report outlines the concrete steps a new mayoral administration can take to launch a bold new era of public housing development for the public good.

**[See comprehensive modeling here](#) to view details on the three projects and continued updates to their figures as the market changes, and we will add projects like a Mitchell-Lama in Queens, a tenant-purchased building in Manhattan, or a luxury building in New Jersey.**

**MOCK PROJECT DETAILS**

PROJECTS	UNITS			NET OPERATING INCOME (10Y)	DEBT SERVICE COVERAGE RATIO (DSCR)‡	RHCF REPAYMENT (FIRST 10 YEARS)
	NEW	PRESERVATION	% of UNITS <60%AMI*			
1-BROOKLYN INFILL	100	0	20%	\$31,996,234.00	1.4x	\$122,794,616.64
2-NYCHA RAD CONVERSION REHAB & INFILL	122	1390	94%	\$215,51,168.00	1.3x	\$867,75,775.74
3-BRONX PUBLIC LAND	110	0	66%	\$434,625.00	n/a	\$268,186.00

\*Most units below 60% of AMI target households at or below 40% AMI, or a family of 3 with an annual gross income of \$58,320.  
 ‡ This is the average DSCR for the first 10 years since stabilization. The first 5 years of debt service is interest only and capitalized in dev costs for projects 1 and 2. Project 2 also includes city subsidy which comes as in as an unpaid loan at construction and perm. Project 3 is fully financed by the RHCF and a small percentage of developer equity.

# Introduction

As in New York City, housing affordability has become an emergency for many U.S. regions. At the same time, the tools available to provide more housing that people can afford have proven inadequate. Affordable housing industry public-private partnerships (P3s) have seen some success in cobbling together government programs and subsidies through tax credits, private loans, zoning bonuses, affordability agreements, and other tactics before and after construction. But increased costs to build and maintain housing, along with widening income inequality, have left the industry with fewer resources to address greater need. In response to this competitive environment, cities have embraced creativity.

Local governments across the country are trying to figure out how to cover gaps in the multifamily construction “capital stack,” the sources used to finance housing construction. These capital stacks generally include:

1. private equity—cash from developers;
2. loan products from banks; and
3. subsidies (e.g., capital dollars from city budgets, revenues from tax credits or bond sales).

## THE AFFORDABLE HOUSING “CAPITAL STACK”

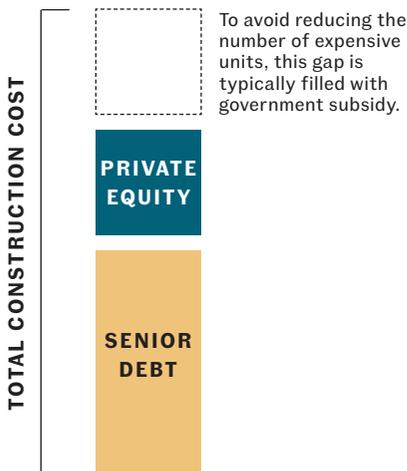


FIG. 1

Private equity is expensive—the more developers invest, the more profit they expect in return.

This creates a tension between the government’s goal of affordability and the developer’s goal of maximizing profits. The result is that governments—local, state, and federal—must contribute more and more subsidy both during and after construction. (Subsidy, of course, is hard to come by and a precious resource.) Aggregate this capital stack conundrum across thousands of projects and you get a housing delivery system like New York City’s that is overburdened. While the private affordable housing industry—anchored by tax credits and P3s—plays a critical role, it cannot meet the scale or speed of need on its own. Rising costs, limited subsidy, and bond cap constraints have left many almost-feasible and entitled projects stuck in limbo.

At the same time, New York’s public institutions—NYCHA, the Public Housing Preservation Trust, and HDC—are positioned to do more. With established infrastructure, decades of management expertise, and a mission to serve those most in need, they are uniquely equipped to complement the private market by developing and stewarding a new category of public, permanently affordable housing.

The next mayor has a rare opportunity to reshape how New York City produces and manages housing: by consolidating fragmented functions, creating a revolving loan fund, and empowering public developers to build again. In doing so, the city can expand—not replace—its housing system, complementing private development with a bold new public capacity to deliver affordability at scale. And New York wouldn’t be alone. Cities across the country have already begun charting this course—

designing new financial tools and equipping public agencies to build, own, and manage housing directly. Their experience offers a clear model for what’s possible when public leadership steps up.



## New Housing Development Finance Models

All levels of government are thinking creatively on how to close the gap to make projects “pencil”—that is, reach the point where the capital stack covers the project’s construction costs and the property can stabilize. Stabilization is the point at which the cost of operating the building and repaying loans can be covered by the rents and other income like vouchers or other rental assistance.

Here are a few examples of how governments are helping projects pencil out and stabilize while also replacing expensive private equity with alternative sources in the capital stack:

### A “CAPITAL STACK” WITH LESS PRIVATE EQUITY

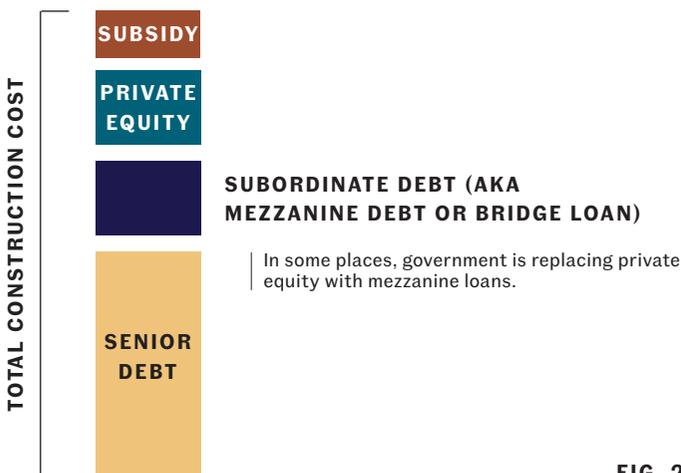


FIG. 2

- In 2025, Chicago’s City Council passed Mayor Johnson’s “Green Social Housing” plan, which establishes the city-run Residential Investment Corporation.<sup>1</sup> This initiative aims to create more affordable and environmentally friendly housing units, with at least 30 percent of units permanently designated as affordable. The plan is funded by a \$135 million revolving loan fund, approved in 2024, providing low-cost construction loans to developers who partner with the city-run non-profit, with the city retaining a majority ownership stake.<sup>2</sup>
- Massachusetts’ MassHousing has created Momentum Equity, a low-interest loan that blends with private equity and enables deeper levels of affordability.<sup>3</sup>
- In 2023, Seattle voters passed Initiative 135 (I-135), establishing the Seattle Social Housing (SSH).<sup>4</sup> SSH is funded to create affordable housing—without using tax credits or federal subsidies—that is under the control of residents and is healthier and more efficient than the existing options.<sup>5</sup> Seattle voters passed a subsequent ballot measure to fund the SSH with an employer-based millionaire tax.
- In 2022, Atlanta’s mayor launched the Urban Development Corporation<sup>6</sup> to develop publicly owned housing that mixes income-restricted

and market rate units—using cross subsidization to maintain affordability.<sup>7</sup>

■ Montgomery County’s Housing Opportunities Commission (HOC) created a revolving loan fund<sup>8</sup> to give loans that replace private equity and keep the units owned by the public. The loan fund is replenished at stabilization and then reused for the next project. In this model, the private developer exits once repaid—either directly with HOC-raised bond funds or by converting their equity into debt, which is then paid off using rents from the project.<sup>9, 10</sup>



#### CASE STUDY

# Maryland

## Montgomery County’s Housing Opportunities Commission (HOC)

Let’s take a more detailed look at Montgomery County, Maryland—the model that most recently sparked new interest in how to both replace private equity and retain public ownership of affordable housing. The county’s housing authority, the Housing Opportunities Commission (HOC), has created a viable social housing model right here in the United States. With a county budget of \$6.7 billion, Montgomery County is building, owning, and managing housing units at both affordable and market rate rents. HOC’s innovative finance approach includes several key steps.

#### STEP 1: ISSUING TAXABLE BONDS TO CAPITALIZE THE HOUSING PRODUCTION FUND

The HOC began by issuing taxable bonds to investors. The county promised to pay \$6 million per year in debt service on the bonds—meaning it would repay investors with interest over

time. The bond proceeds capitalized (or secured the funding for) \$100 million, all of which went into the revolving Housing Production Fund (HPF) to be invested directly into housing construction.

HOC intentionally chose taxable bonds over tax-exempt bonds. While the latter come with lower borrowing costs, they also impose restrictions: rules about who can live in the units, how the money can be spent, potential delays tied to the IRS’s capacity, and intense competition due to the federal volume cap on tax-exempt financing for affordable housing.

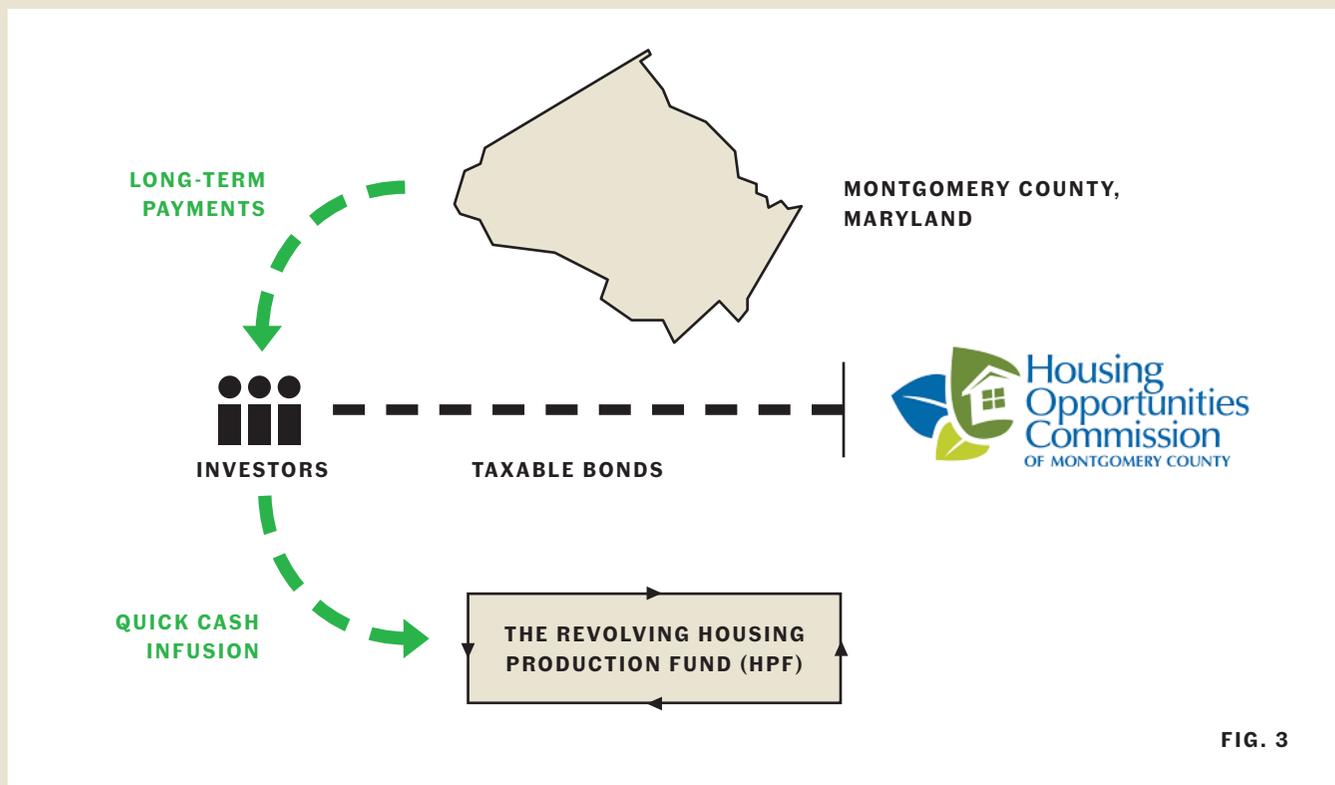


FIG. 3

## STEP 2: STACKING THE CAPITAL AND SECURING SENIOR FINANCING

HOC had a plan for a new development but needed to structure the capital stack carefully. They started with a repayable mezzanine loan from the revolving HPF. This loan replaced what would typically be a large equity investment from private investors. Next, HOC issued a new set of bonds. This time, they were tax-exempt and had support from the federal government. HOC utilized the U.S. Federal Housing Agency (FHA) Risk-Share program, administered through the Department of Housing and Urban Development (HUD).<sup>11</sup> Under this program, the federal government shares the risk of potential loan losses with participating housing finance agencies (HFAs) like HOC or the Housing Development Corporation (HDC) in New York City. This shared-risk structure allows HFAs to underwrite bigger loans than they otherwise could, allowing them to cover the cost of development.<sup>12</sup>

Another key federal partner was the U.S. Treasury’s Federal Financing Bank (FFB)—a public bank that previously only lent to federal agencies. It now participates in the FHA Risk Share Program through what’s known as the “FFB Option.” In this arrangement, the FFB pledges to purchase the loans issued by HFAs for construction, which dramatically reduces risk. This government guarantee gives banks an added green light, making the project much less scary for investors. It has the added benefit of simplifying paying off the construction debt with lower rates than usual.

HOC used this Risk Sharing and FFB option to issue a new set of bonds to finance the project’s senior loan. This made the bonds a much safer investment. These bonds are called pass-through bonds, wherein payments of principal and interest from the mortgage loan are passed through to bondholders. In this case, the bond is backed by a mortgage loan on a social housing project called the Laureate at Shady Grove. As HOC repays the loan (principal and interest), those payments flow through to the bondholders. The bondholders will receive monthly payments for the next thirty years. (Wells Fargo Securities served as Senior Manager on this project, for which they were paid for pricing and putting the bonds on the market and handling the transaction with investors.)

The bonds were designated as “Green Bonds,” a category reserved for environmentally sustainable projects. The Laureate at Shady Grove development was expected to meet the National Green Building Standards, with a silver certification. The green bond designation helped pull in nearly \$100 million and draw investor interest, including from one investor who placed a \$1.5 million order for its Environmental, Social, and Governance (ESG) fund,

**SECTION 542(C) OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT CREATED...**



Housing finance agencies like HDC in New York and HOC in Maryland underwrite and process loans insured by the Federal Housing Authority (FHA). Simply put, if the mortgage defaults, the risk is shared.

**LEVEL 1 RISK SHARE**

<b>50% or less</b>	
<b>50% + (in 10% increments)</b>	Housing Finance Agency

**LEVEL 2 RISK SHARE**

<b>75% or 90%</b>	
<b>25% or 10%</b>	Housing Finance Agency

**THE FFB OPTION**

Level 1 risk share users with good credit can also get a guarantee from the U.S. Treasury’s FFB to purchase their loans taken out for construction. This is amazing because...

1. Banks will lend more with this reassurance
2. Interest rates are simplified and lower
3. HFAs can even pursue additional subordinate financing to replace equity.

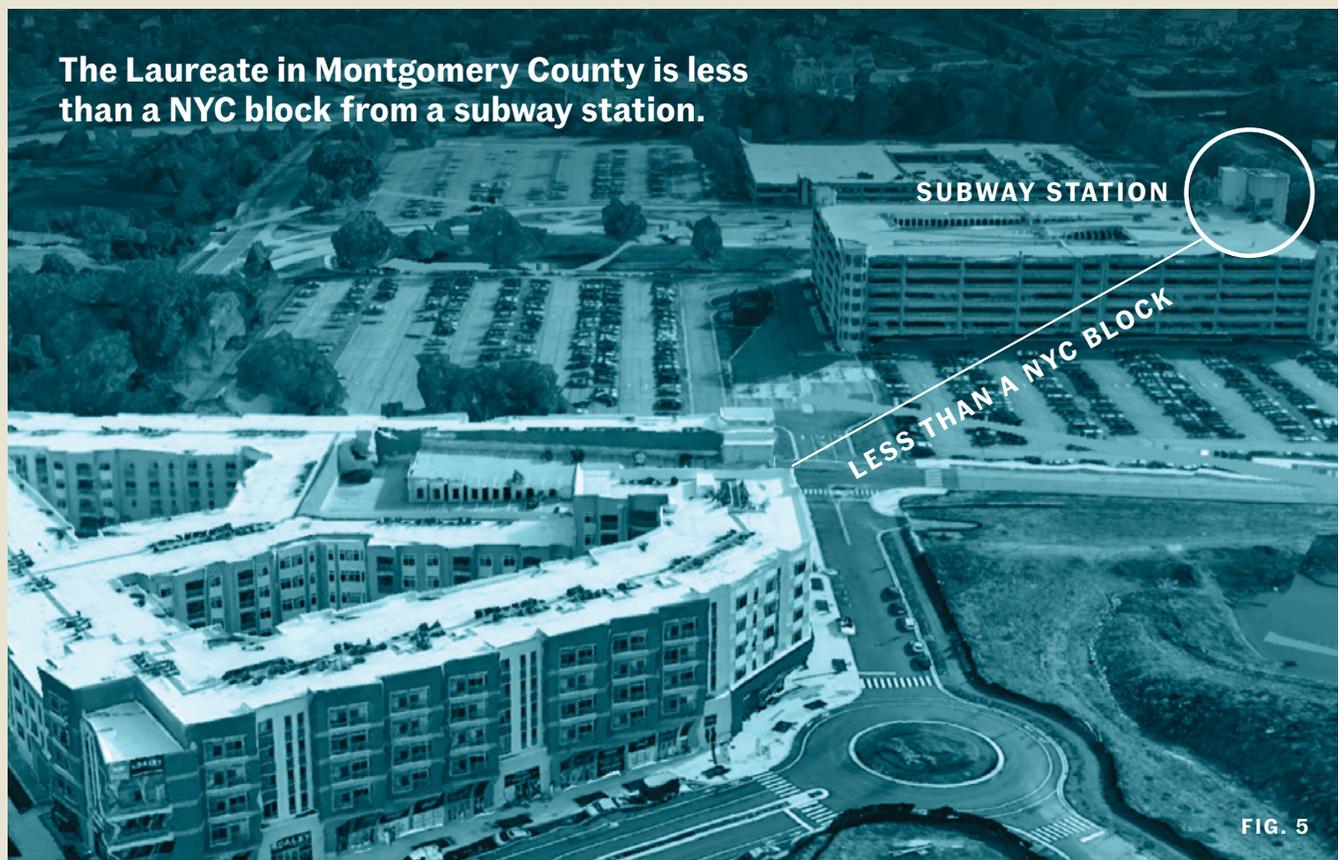
**FIG. 4**

recognizing the project’s alignment with ESG principles. The Green Bonds designation truly made it an attractive investment for funds that prioritize sustainability and social responsibility. By investing in the bonds, the ESG fund was able to support the development of environmentally friendly, energy-efficient affordable housing, while also benefiting from the financial returns of a stable, federally backed project.

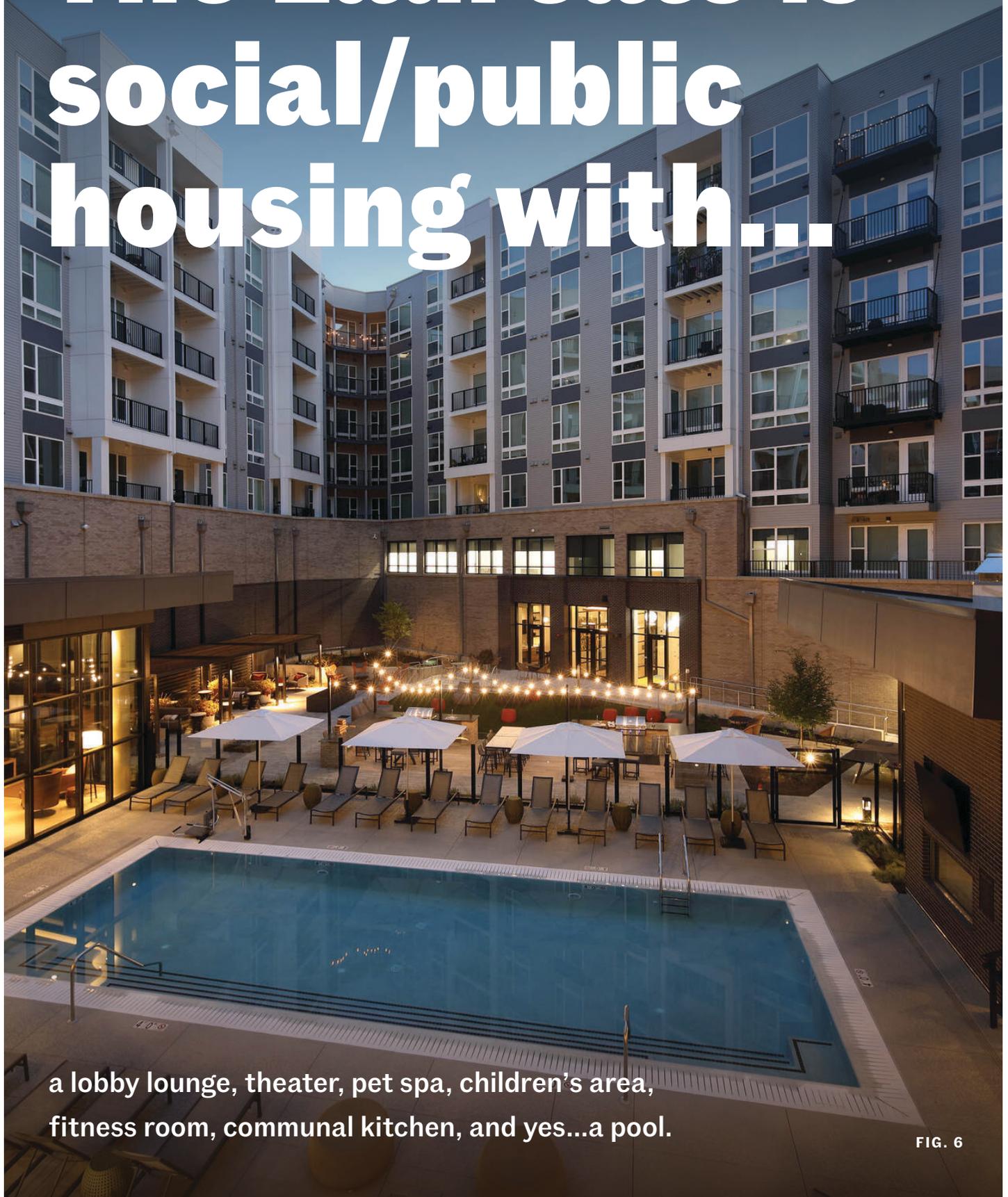
Finally, some private capital was used to round out the funding and launch construction. HOC partnered with developers Bozzuto Group and EYA, who subcontracted KTG Architects to design and build the Laureate.<sup>13</sup>

### STEP 3: CONSTRUCTION OF A BEAUTIFUL COMMUNITY

The first series of bond revenues funded the Laureate, and it is already completed and up and running. The 268-unit building includes 30 percent “affordable” units, defined as income-restricted and rent capped at 30 percent of income. Of the 268 units, 25 percent are designated as moderately priced dwelling units for residents earning 50 percent of the area median income (AMI), and an additional 5 percent are designated as workforce units for residents earning 65 percent of AMI. These units are indistinguishable from the market rate units with the same high-quality features and finishes, and all three-bedroom units are income-restricted. The Laureate also includes a dedicated parking garage, an HOC Service Center, and 23,000 SF of ground level retail including a CVS. The project was completed and opened in June 2023.<sup>14</sup>



# The Laureate is social/public housing with...



a lobby lounge, theater, pet spa, children's area, fitness room, communal kitchen, and yes...a pool.

FIG. 6

The seven-story building has a modern façade comprised of fiber cement panels, fiber cement siding, and masonry. The interior was designed by RD Jones, a firm whose work can be found in many of the fancy Washington, D.C. Hotels. They fit a service center on the second floor for those who need to reach out to the Housing Opportunity Commission (HOC). The seven-story building has a modern façade comprised of fiber cement panels, fiber cement siding, and masonry. The interior was designed by RD Jones, a firm whose work can be found in many of the fancy Washington, D.C. Hotels. They fit a service center on the second floor for those who need to reach out to the Housing Opportunity Commission (HOC) –their new government landlord—and on the first floor there is a CVS.

#### **STEP 4: STABILIZATION AND BEYOND**

Once the Laureate was fully leased, several key things happened. (1) The project’s construction loans were converted to permanent financing. This was done either by taking out a longer-term bank loan to replace the construction loan or by issuing a new long-term bond to serve the same purpose. (2) As promised, the FFB purchased the loan and the revolving HPF paid its investment back. (3) Once the property stabilized (i.e., the rents covered the operating costs), any private equity there was transformed into a loan, effectively making the HOC the sole owner of the building, securing long-term public control. And the HOC isn’t stopping there. It now has three additional projects in development and three more in predevelopment, all anchored by investments from the Revolving Production Fund, where the HOC remains in charge.



# Why Social Housing?

Since the launch of Montgomery County’s HPF and success of its model, cities like Seattle, Atlanta, and most recently Chicago have moved to replicate it. Even in New York, the state has created its own revolving loan fund aimed at boosting affordable housing production. And in mid-August 2025, NYCHA solicited a request for expressions of interest (RFEI) for potential real estate partners in new construction

and preservation projects on private land. It’s easy to see why replacing private equity with a public bridge loan makes financial and operational sense. It lowers costs, reduces risks, and helps get projects off the ground faster.

But it raises an important question: If public bridge loans work so well, why not just give them to private developers? Why social housing?

COMPARISON OF EXISTING AFFORDABLE HOUSING DEVELOPMENT TO SOCIAL HOUSING

	SYNDICATION FEES	FEDERAL PROGRAM COMPLIANCE COSTS	LEGAL FEES	ASSET MANAGEMENT RESIDENT GOVERNANCE	RESIDENT-MANAGEMENT FEES	MARKET-RATE-CONTROLLED BOARD	STOP BUILDING IN MORE HOUSING	UNION OR PREVAILING WAGE GUARANTEE
SOCIAL HOUSING DEVELOPMENT					✓	✓	✓	✓
EXISTING AFFORDABLE HOUSING DEVELOPMENT	✓	✓	✓	✓	✓		✓	✓

FIG. 7

If the existing housing finance and development regime was perfect, social housing wouldn’t be necessary. Private developers are constrained by the market: they are unleashed to build when conditions are profitable, not when need is greatest. Their business models depend on

high returns (sometimes taking losses along the way), complex fee structures, and rising rents. Ultimately, the goal is to build at the perfect time so that you can sell for a big windfall. Public developers, by contrast, can plan across economic cycles, build based on public need,

and reinvest every dollar into maintaining and expanding housing stock—rather than delivering returns to investors.

### THE SPECULATIVE HOUSING CYCLE

We've all seen the speculative housing cycle play out. Real estate investors, banks, and developers find themselves enjoying a seemingly endless party—while tenants find themselves competing for a shrinking number of units. Rents skyrocket, devastating families and forcing many to leave their communities. Then comes the lull. Investors and lenders start to wonder if they went too far. Was that last loan too risky? Waving off these concerning signals as a temporary lapse, they convince themselves that they are “investing for the long term.”

Next comes panic.

Some buildings struggle to lease because the rents are so high that no one can afford to live in them. Yet those high rents were baked into the financing. Developers sell or refinance to profit from their investment, and others who “missed the boat” are staring at loans only secured by projecting inflated returns. Now, despite sizable profits being made for some earlier in the cycle, others in the real estate community grow anxious. Investors begin to look elsewhere, shifting their focus to more reliable money-making avenues.

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### THE VICIOUS HOUSING INVESTMENT CYCLE

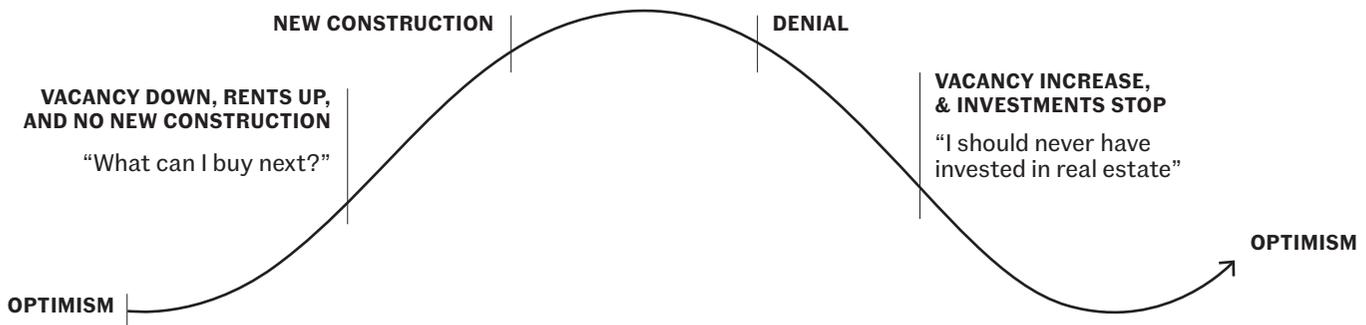


FIG. 8

At this stage, if the downturn in rents is too deep and continuous, many either have their properties taken by banks, or they look to even more expensive debt or sell for much less than they wanted to. Opportunistic landlords swoop in, buying at a discount and waiting for

the market to rise again so they can raise rents and evict existing tenants. This is the cycle of speculative housing investment.

This is a simplified story describing a process that occurs at various times across different geographies. But it's important to recognize that the housing supply chain is not an independent economic force; it is a derivative of the financial cycle. The flow of new housing units is governed less by the immediate demand for shelter or non-strictly financial supply constraints and more by the availability and cost of capital. The determinative signals for housing construction start and end with bank behavior in the United States. Private developers are entirely dependent on private finance, and the lending decisions of banks are, by their very nature, procyclical. Empirical evidence confirms this dynamic. Analysis of bank lending standards over the business cycle shows a clear and powerful pattern: standards ease during economic expansions and tighten dramatically during contractions. This tightening often begins prior to the official onset of a downturn, as banks react to weakening consumer demand and softening business activity. This is not irrational behavior; it is a logical response to changes in perceived risk and the economic outlook. In periods of growth and optimism, banks anticipate higher success rates for the projects they finance and thus ease lending standards. In downturns, the reverse is true. Private developers often lament that banks will not greenlight construction that risks oversupplying a specific market.

This behavior creates a powerful feedback loop known as the “financial accelerator.” In a boom, rising house prices increase the value of collateral, which enables households and developers to borrow more. This new credit then fuels further demand and construction, pushing prices even higher. In a bust, falling collateral values restrict credit, choking off demand and construction, which in turn deepens the downturn. This mechanism demonstrates that the financial system is not a neutral arbiter of supply and demand but an active amplifier of economic cycles. Risk itself is measured procyclically. Most importantly, it is systematically underestimated in booms,

leading to excessive credit growth and inflated asset values, and overestimated in recessions, leading to a credit crunch that exacerbates the slump.

The real-world consequences of this mechanism are profoundly inefficient and costly. The construction industry is locked into a hire-train-employ-retrench-rehire cycle that is destructive to both firms and workers. In other words, turning infrastructure and housing investment on and off, like a tap, is a highly inefficient process that ultimately makes housing more expensive to build in the long term. The real solution to this problem is filling the capital stack with sources that are ignorant of cyclicity. LIHTC equity, subsidy, and tax free bonds are the best of these sources, with federal lending and credit enhancement being a significant insulator; taxable bonds and private equity are not. Ultimately, affordable housing tools like the Low-Income Housing Tax Credit (LIHTC), Private Activity Bonds (PABs), and New York's 485x tax incentive can make housing development attractive enough to make up for the low points in the cycle, offering stability and affordability to a set of residents. However, the limited affordable supply produced using these tools is wholly inadequate—like life rafts dropped into a flood: essential for those who get one, but far too few for the scale of the crisis.

It is crucial to recognize that housing shortages and the affordability crises are not inevitable facts of life. While U.S. cities are only now beginning to realize that a mix of private and public housing production is key to solving these issues, cities abroad have known this for decades.

## **SOCIAL HOUSING IN OTHER COUNTRIES**

Imagine this: your current landlord calls you to let you know they won't be renewing your lease because they want to give the apartment to their child who just graduated college. Or let's say you and a partner are expecting a second

child while living in a one-bed apartment. In Helsinki, Finland these situations don't escalate into housing emergencies. In both scenarios, you are provided with a public housing unit within months—before your landlord evicts you or in time for you to set up what will be your two children's very own bedroom.



## CASE STUDY

# Jätkäsaari

## Helsinki's Public-Led Housing Transformation

In a transformation similar to what could be imagined for the once-industrial Bronx waterfront along the Harlem River, a former ferry and freight terminal just west of central Helsinki, Finland has become a powerful example of what a public-led housing development can achieve.

Jätkäsaari, a peninsula on Helsinki's edge, has been reimagined not by speculative developers, but by the City of Helsinki itself. This ambitious project uses public investment, land acquisition, and long-term housing stewardship as its primary tools to create a new mixed-income, environmentally sustainable neighborhood.

In the early 2000s, Helsinki's municipal government acquired the land and undertook a comprehensive plan to transform Jätkäsaari into a new urban district with 6,000 new jobs and housing for 21,000 residents. Rather than relying just on zoning changes and private market signals, the city created a master plan that prioritized public goals: affordability, environmental standards, and income integration.

To achieve this transformation, Helsinki committed over €275 million in upfront infrastructure investment, with an additional €240 million earmarked for future development. These public funds covered roads, utilities, transit access, green space, and other core infrastructure. Once that groundwork was in place, Helsinki split the development rights: approximately 45 percent of the land was sold to private builders under strict

affordability and sustainability mandates, while the remaining 55 percent was reserved for public use: municipally funded rental housing, shared-equity co-ops, and community uses. The resulting housing stock is remarkably mixed in both ownership structure and income levels. A significant share of units are subsidized municipal rentals; others are shared-equity co-ops that remain permanently affordable, and the remainder are privately-built units that are price-regulated or sold at market rate—but within a broader housing ecosystem shaped by public ownership.

Even within the rental stock alone, income mixing is intentionally built in:

- The bottom 40th percentile of earners occupy 36 percent of rental units;
- The middle 40th percentile occupy 43 percent
- The top 20th percentile account for 23 percent.



This means low-, middle-, and upper-income households live side by side, in buildings that are physically indistinguishable, designed to the same architectural and environmental standards, and maintained by the city. Jätkäsaari’s most important innovation is not just the delivery of affordable housing—it’s how the scale and permanence of public involvement reshape the entire housing market.

By controlling land and leading infrastructure development, Helsinki sets the terms. Developers don’t dictate project size or financing models; they build within a municipal framework that balances affordability, sustainability, and integration.

The result? Lower construction costs due to standardization and downward pressure on rents and home prices citywide. Even private housing becomes more affordable than it would be in a purely speculative system because it’s embedded in a broader system oriented around public value, not private profit.

In effect, Helsinki has achieved what New York City often struggles to do: plan neighborhoods, not parcels, and deliver equity through scale, not exception.

# Jätkäsaari, Helsinki, Finland

-  PRIVATE
-  PUBLIC (RENTAL)
-  PUBLIC (OWNED)



**1** RUOHOлахDEN NUORISOTALO (YOUTH CENTER) PROVIDES FREE VIDEO GAMING, CRAFTS, MUSIC LESSONS, SPORTS, AND OTHER ACTIVITIES

**2** SCHOOLS AND COMMERCIAL COMPLEXES

**3** SUPERCCELL CORP. (MAKERS OF CLASH OF CLANS)

**4** BUILT IN 2025, TAHITINKATU 1 IS OWNED AND OPERATED BY HEKA, FINLAND'S STATE SOCIAL HOUSING DEVELOPER.

- 76 UNITS
  - » 22 3-BEDROOMS
  - » 11 4-BEDROOMS
- 100% ELECTRIC, POWERED BY SOLAR PANELS
- GEOTHERMAL HEATING
- CLUB ROOM
- LAUNDRY
- AND 2 ROOF SAUNAS

**5** PPJ INDOOR FOOTBALL DOME

FIG. 9

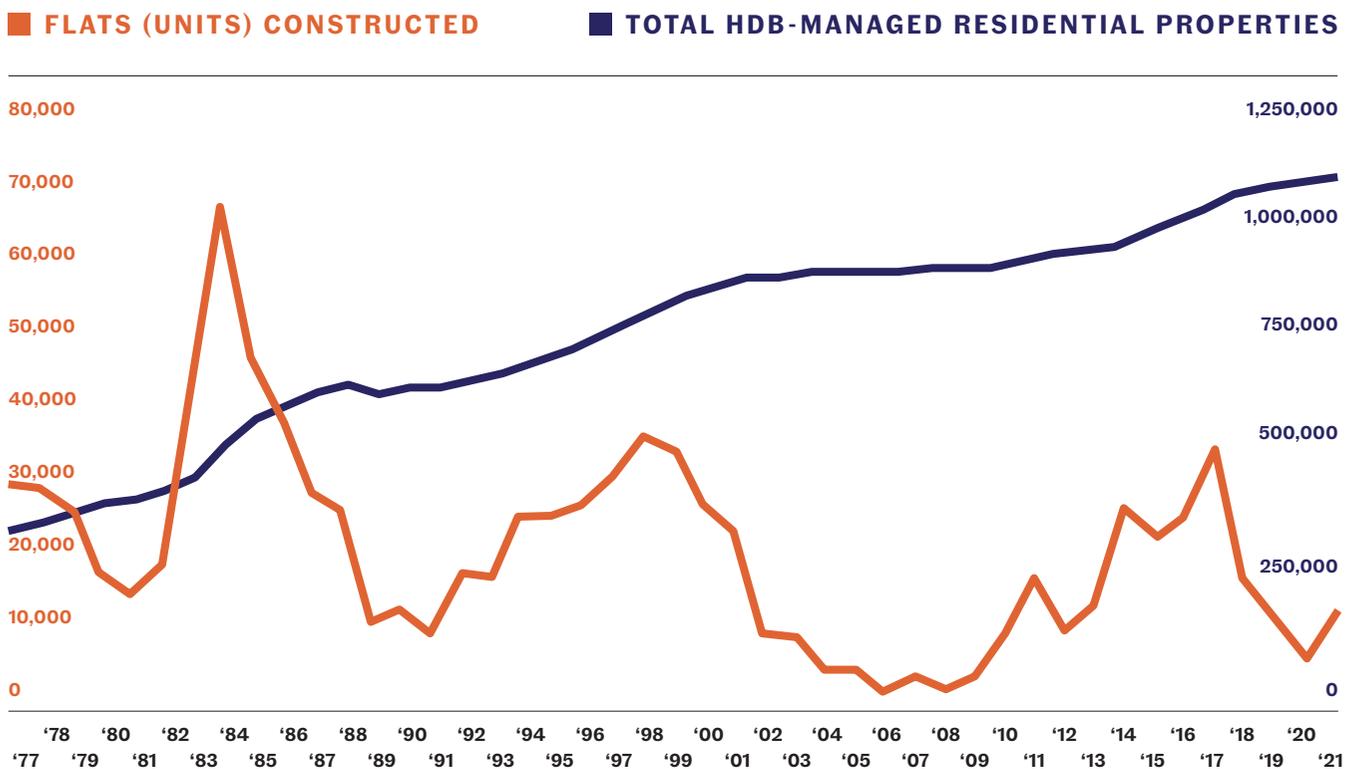
## But that won't work here!

There are plenty of reasons as to why social housing development is easier to carry out in some political, social, and economic contexts. Often, a retort as to why social housing development models abroad cannot work in New York City is due to the aspects of our city that make it atypical. For instance, comparing New York City to a much smaller but economically powerful city-state like Singapore, are there any lessons to be learned?"

Let's start with an additional renter story, this time from Singapore. Imagine browsing online rental listings, reaching out to a broker or landlord, only to have them try to convince you to lease the unit. This scenario isn't a fantasy but instead a real example of how things work in Singapore. Singapore houses

80 percent of its population in public housing built and managed by the state. Using a 99-year leasehold model, the government acquires land, plans neighborhoods, and delivers high-quality housing that is sold or rented directly to residents—no private developers, no speculation. This model has helped eradicate homelessness, ensure affordability across income levels, and build shared equity without the destabilizing effects of market volatility. While Singapore's success reflects a highly centralized government and a labor market structure that differs significantly from New York City—including low-cost, often unprotected migrant labor—its core achievement is undeniable: consistent, long-term planning that aligns housing supply with social needs. As a result of this abundance, newcomers to the city never wait in line to see apartments; landlords are more likely to offer deals to entice tenants.

### SOCIAL HOUSING PRODUCTION IN SINGAPORE (1977 - 2021)



Source: singapore management and housing development board

Despite its troubled social policy and past filled with authoritarian governance, Singapore has been able to build itself into a future where “supply shortage” and housing can’t be used in the same sentence. Using a leasehold housing model, the island country has proven that a population can be adequately and safely housed and homelessness can be eradicated by government. Specifically, the model has a number of requirements for eligibility, including: 1) a married couple must be at least 21 years old while the minimum age for a single person is 35 years old; 2) income limits apply to people purchasing a new HDB home. Although top income earners are excluded from the new construction program, there are no income restrictions on the secondary resale market; and 3) there is an “Ethnic Integration Policy,” which sets quotas for HDB blocks and neighborhoods for the city’s major ethnic groups: Malay, Chinese, and Indian/Others. The racial quotas are updated periodically to ensure they continue to reflect Singapore’s demographics. For example, in 1989 the permissible proportion of HDB apartments for Malays was up to 22 percent in any given neighborhood and 25 percent within an HDB block. These ethnic quotas also apply to the secondary resale market. Ultimately, Singapore acquires land and produces new HDB flats as needed, and it is their ability to construct new units at scale that allows the government to make a housing guarantee that every citizen can buy into one a reality.

There are obvious aspects of Singapore’s governing structure and economic reality that differentiate it from the New York City. Firstly, Singapore has a highly centralized government with incontrovertible land use authority. The local battles and dispersed power to control land use decisions found in New York City (and more broadly across the U.S.) would certainly be unfamiliar to the planners in Singapore. HDB’s projects require minimal resident input or oversight procedurally. Singapore’s government—led by one political party for more than 30 years—has not seen much

political disagreement and resounding wins in reelections due to a number of social-political aspects. These include suppression of dissent via the legal system, weak party structures in lieu of apolitical committees that coopt community leaders, and economic prosperity that is associated with the ruling party. Singapore is also one of a few nations without Freedom of Information Laws.

Comparatively, the multitude of citizen-involved steps and checks in New York City’s land-use process make Singapore wildly distinct. However, these considerations do not speak to the effectiveness of any particular policy in ending the housing shortage. Furthermore, centralizing land use authority as California has done in lieu of locality opposition to addressing the need for housing, is simply a necessary policy change in any plan to deal with the shortage. Similar policy like the Fair Housing Framework has been passed by the NYC Council, and land use fast-tracking is present in state social housing development legislation, mayoral candidate platforms, and are the main thrust of a set of ballot measures NYC voters are considering this November.

Arguably the most distinct and intrusive of Singapore’s housing planning policy is its diversity quota. In response to its racially divisive past, the city-state requires that a certain percentage of housing is filled by a minimum of the main ethnic groups in the city in order to prevent segregation. While intrusive, it has been argued by some that it takes at the least this type of bold admittance of the racialized past of housing in the U.S. within a policy context to actually deal with segregation. Richard Rothstein, author of *The Color of Law*, argues that righting the wrongs of a racist housing policy and real estate market is as easy as gearing LIHTC towards higher-income markets and providing subsidies to Black families to integrate into suburbs (especially those who were denied access to housing in the past).

From an economic perspective, Singapore’s

construction costs vary widely from those found in New York City development. Mid- to high-rise condos in Singapore cost an average of \$125-\$150/sf compared to \$260-\$330/sf in New York City. This can be attributed mostly to labor costs. The influx of non-union immigrant labor in Singapore's infrastructure and housing labor market amounts to construction costs that differ from those in New York City. Singapore has had a strong and consistent influx of migrant labor from Malaysia, Bangladesh, China, Nepal, India, and elsewhere at the high-, mid-, and low-skill labor levels. These construction laborers have been the backbone of its housing program and are unable to unionize legally and have long faced poor living and working conditions. Pushback and protests led to the passage of a law in 2007 mandating that employers provide adequate housing for workers, followed by a 2015 set of regulations on the safety and quality of that housing and continued inspections and fines levied by the government's Ministry of Manpower. While conditions have much improved, the country is far from providing these workers that are in large part the reason for its economic growth and stability a fair stake in that growth— many find themselves in debt just so they can afford the trip and training to work in Singapore. Given the commitment to the provision of good paying jobs and unionization, it is highly unlikely that cost-savings will come from de-unionizing its workforce. However, this doesn't mean that cost reductions can't be had that somewhat make up for this difference; modular construction, aggressive overrides to things like parking, setbacks, environmental review, and density requirements can decrease costs in a way that doesn't cede worker's rights. The construction industry has a reputation for being not just change-averse, but hostile to new technology and improvements to productivity. While manufacturing, logistics, and even finance have seen massive productivity gains over the past 50 years due to technology, the construction industry's productivity has been famously stagnant or has even declined in some countries.

From a financing and affordability perspective, Singapore is also very different than New York City. Mortgage subsidies in Singapore provide a level of affordability unheard of in the United States (with a number of temporary exceptions), wherein low-income families monthly costs are reduced to 20-25 percent of their incomes. So, a person with an income of \$2,000/month pays \$450 a month, but a person earning \$4,000/month pays \$900 for the same home. Furthermore, down payment and low interest (2.6%) loans are also noted subsidies (though the down payment assistance comes partially from the government-run savings plan). There is no private financing of HDB's projects. On the demand side, Singapore also has a mandatory savings trust program (much like our social security). The retirement fund expanded to allow residents to take out funds to purchase housing; this finances down payments as mentioned earlier. In Singapore, employees contribute 20 percent per paycheck and the employer contributes 17 percent. The total 37 percent goes into the Central Provident Fund. This payroll tax is three times the U.S. Social Security tax of 12.4 percent (with 6.2 percent from employees and 6.2 percent from employers). Approximately 62 percent of Central Provident Fund savings is set aside for down payments or educational or other personal investments. According to HDB program documents, it takes the average worker three years to accumulate mandatory savings sufficient for a down payment.

In conclusion, there are apparent reasons for New York City to learn from social housing development abroad, despite significantly different contexts. The reasons to use the revolving fund for social housing development in New York City can be encapsulated by the fact that it:

- **Counteracts Market Cyclicity:** By operating independently of the private finance and speculative markets, a public developer can maintain a steady pipeline of construction. This lessens the impact

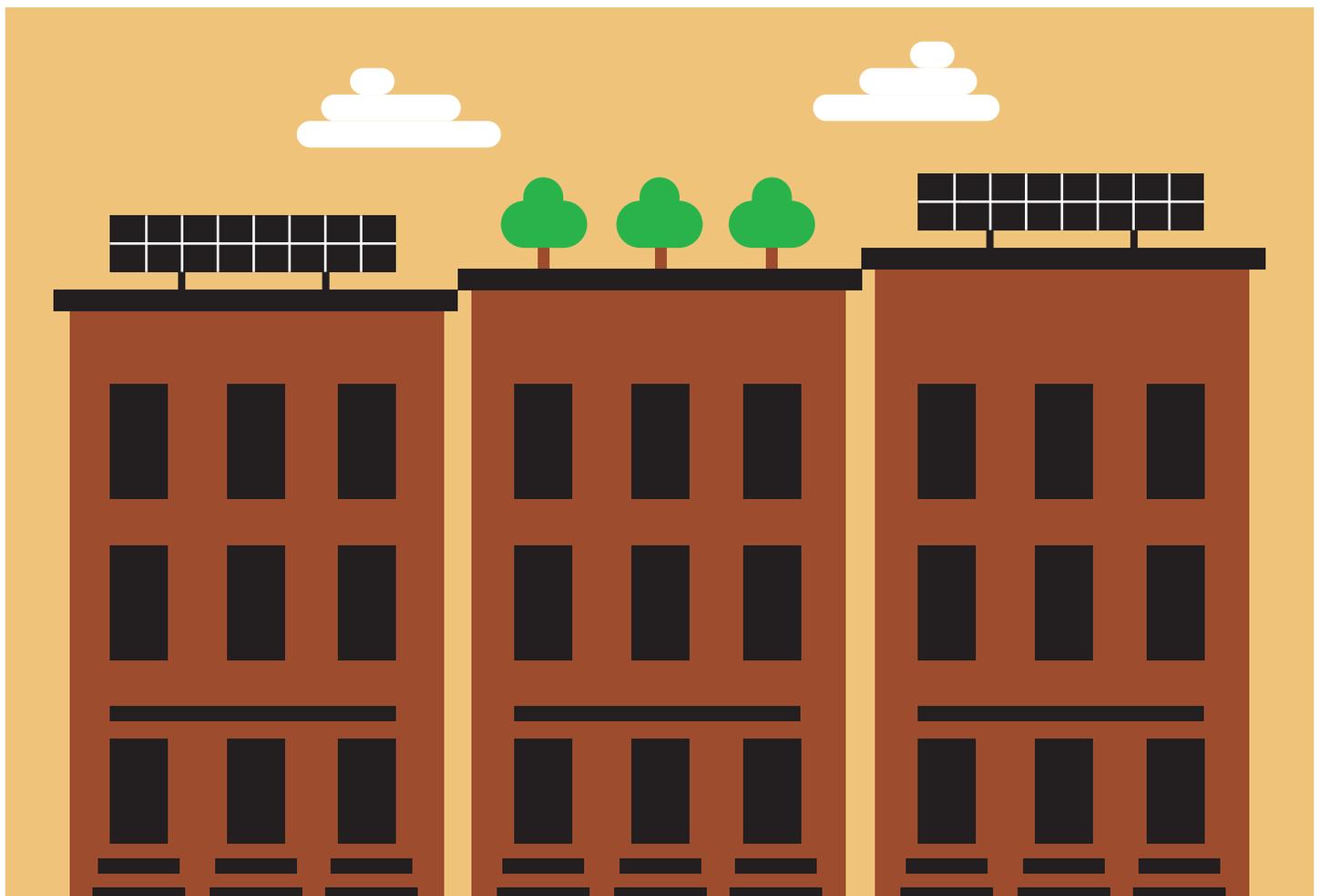
of the inefficient boom-bust cycles that lead to layoffs and higher costs, stabilizing the construction industry and ensuring a consistent increase in housing supply.

- **Creates a Path to Addressing Climate**

**Change:** Buildings contribute a significant portion of total carbon emissions. However, the construction industry has been sluggish to innovate and is incredibly risk averse. This has been worse when it comes to rehabs which will continue to be problematic under the status quo, despite the more aggressive standards for new construction. In New York, social housing has advanced sustainable rehab the most, with NYCHA being the most innovative large landlord of low income individuals on this front in the United States. Social housing developers like NYCHA have the scale to take risks and move the industry towards climate-friendly housing for all.

- **Offers a Scalable, Financially Sustainable Model:** A well-designed social housing system, as seen in Singapore, can be financially self-sufficient. By incorporating rentals for a mix of incomes and leveraging tools like value capture, a public housing authority can generate revenue to maintain existing stock and fund new construction, allowing the system to scale without being entirely dependent on annual government appropriations and tax incentives.

- **Provides a Real Solution to Homelessness:** When not tied to existing affordable housing regulations, social housing authorities can model a program that doesn't create endless hoops to jump through, filtering households so strictly that they leave units sitting empty while those in need of units remain unhoused. The lack of a need to produce large returns also allows for serving those with the lowest incomes.



# Recommendations for New York City's Next Mayor

## A New York City Revolving Housing Construction Fund & Three Model Projects

We've explored what social housing looks like across the United States and around the world. Now it's time to get specific about what these models have to offer New York City.

This section includes three hypothetical projects, each modeled as if they were financed through an NYC Revolving Housing Construction Fund (RHCF) instead of traditional tax credits and large amounts of private equity. Each

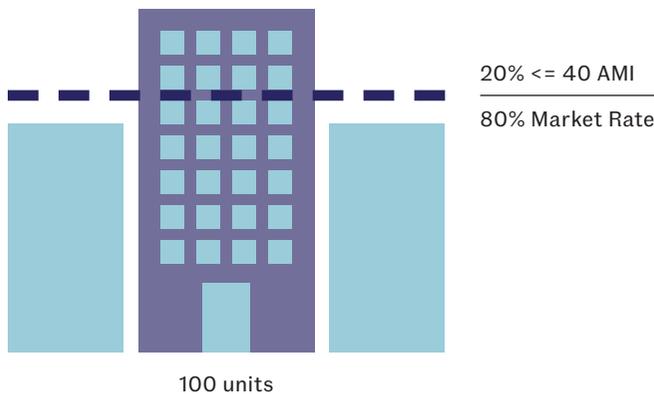
project tells a different story about need, intervention, and possibility, but all of them point in the same direction: toward a housing system built for stability not speculation.

### PROJECT 1: PUBLIC COMPLETION OF A MARKET RATE INFILL PROJECT

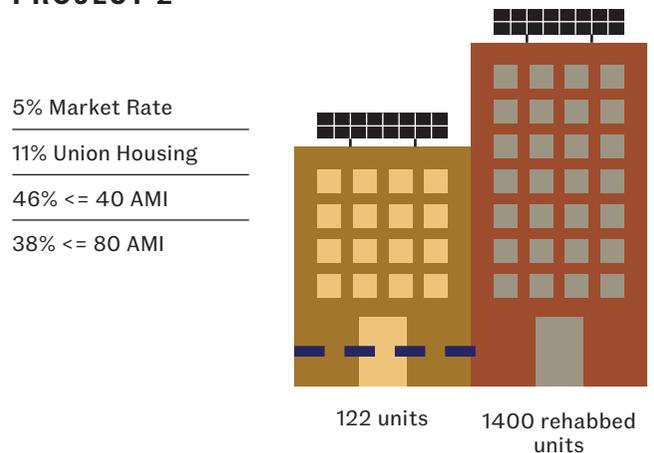
The first project in the proposed RHCF portfolio is a 100-unit infill development in a high-rent Brooklyn neighborhood—precisely the kind of project that often unravels in today's market. In this scenario, a private developer might have already secured entitlements and begun site work, only to see their project stall when the financing falls apart due to rising interest rates or cost escalations. With a modest injection of public capital and public stewardship of the site,

## IMAGINE, THE FIRST THREE PROJECTS WITH NYC REVOLVING HOUSING CONSTRUCTION FUND (RHCF) INVESTMENTS...

### PROJECT 1



### PROJECT 2



### PROJECT 3

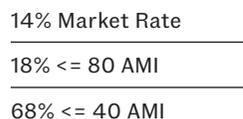


FIG. 10

New York City steps in, restarts construction, and finishes what the private market couldn't. This is not a bailout—it's a buy-in to long-term affordability, with a portion of units that are voucher-supported and deeply affordable, while the majority are market rate, allowing for an easy first project with a strong cash flow. A public bridge loan gets the project to completion, public ownership locks in the benefit.

The project takes advantage of a loan, which is backed by HDC general revenues and/or reserves. Due to only using HDC's loan product and a draw from the NYC RHCF to cover construction costs, NYCHA only has to pay interest for the first five years of debt repayment. After the five-year period, the loan is refinanced (paid back by another loan) via a permanent Fannie Mae loan product—a simple

flat rate repaid over the next 35 years. The revolving fund continues to receive cash flows from the project for years to come, providing capital for other projects.

Developments like this, where 80 percent of units are market rate, are crucial to include in the broader social housing portfolio. They are an easy way for the housing agencies to quickly build a strong balance sheet, the deals are simple, and they provide a cross subsidy for reaching truly deep levels of affordability (as seen later in Project 3). Ultimately, the universality of social housing development—the ability of the projects to serve everyone from the wealthy to those with low incomes, from the young working-class to seniors on Social Security—is an added buffer from changing political winds.

**When everyone benefits from a program, it becomes extremely difficult for elected officials to take it away or limit it. Universality also makes it so that even in the face of budget cuts, projects are financially sustainable.**

## **PROJECT 2: RESIDENT-LED PRESERVATION AND INFILL AT NYCHA**

Project 2 flips the lens from a small, high-rent project to large-scale, deeply affordable preservation. It centers on a NYCHA site and families that have been neglected for decades—surrounded by opportunity but burdened by disinvestment. Residents in the NYCHA development are paired with planning and

design experts who walk them through what is possible for their homes: what the costs of inaction are from health issues to the climate impact and how similar buildings are being rehabilitated around the world.

Led by their resident association, a plan is born, created away from the eyes of city and housing agency officials. After 80 percent of residents choose the plan in an independently held vote,

NYCHA and the Preservation Trust begin a comprehensive, sustainability-focused rehab and infill effort that follows what the residents wanted: an underutilized lot becomes the site of more than 100 units, including the first use of Faircloth Authority in New York in decades.<sup>21</sup> The contextual infill provides units for many residents who wish to move out of their homes immediately. After the new building is constructed, the existing buildings are fit with new mechanicals, deep energy retrofits, and a unified development scope that marks the grandest transformation of an income restricted housing development in New York's history. The Trust leads the implementation, creating the first-ever passive public housing development in the United States.

The financing is the most complicated of the three RHCF projects, but it is no problem for the real estate finance professionals in downtown Manhattan. Initially, the project requires a joint loan shared by HDC and a major bank (like Wells Fargo or JP Morgan Chase) and a large investment from the revolving fund. Upon stabilization, HDC and the bank are paid back with interest and the revolving fund receives the difference between the rents and voucher payments and the cost of running the development for years to come.

Almost half of the new building is set aside for residents that fit the incomes of existing NYCHA tenants. A small number (5%) are market rate units, and a little less than a quarter are set aside for New Yorkers coming out of shelter and union workforce members who earn too much to qualify for traditional affordable housing but are still rent burdened.

### **PROJECT 3: DEEP AFFORDABILITY WITHOUT DEBT**

Project 3 takes a different tack altogether. It's a new construction development built for deep affordability, without enough projected income to support conventional debt. But that's the point. By using NYC RHCF dollars in lieu of

private equity or other sources, this 100 plus-unit building located in an area like the South Bronx can deliver long-term social returns. The units don't generate traditional cash flow, but they don't need to: there is no debt service, and the operating budget is matched to fixed, stable subsidy streams. Meanwhile, cash flows from the first two RHCF projects ensure that the revolving loan fund and NYCHA have funds for the construction of more units and stable operating sources. As a result, almost 70 percent of the third development is reserved for those making 40 percent of AMI or less (that's a maximum of \$58,320 for a family of three). Using income-averaging, this building will serve a diversity of incomes, even those with little or no income. This project would be enhanced by including retail space, which could provide employment, improve the community, and increase rent revenue. Retail and manufacturing space should be considered in every social housing project, granted that the community it is in has adequate demand.

All three projects were modeled using prevailing wage labor and were projected to move from pre-construction to stabilization within an eight-year period, altogether. The revolving fund was initially capitalized with a \$500 million investment, with a \$100 million infusion of funds every three years. More units could have been funded and various tactics could have been taken to replenish the RHCF faster. Overall, if the next mayor sets a goal of financing 200,000 units over the next decade, this exercise shows the viability of a significant portion of those units being social housing funded via a revolving fund. We propose a goal of 10 percent of the units is reachable.

This exercise shows the real power of having such a city-controlled fund, underscoring the fiscal sustainability and scalability of the model. It can support mixed-income, preservation, and deeply affordable new construction—all at once. But what if we didn't use the NYC RHCF for these projects?

[See comprehensive modeling here](#) to view details on the three projects and continued updates to their figures as the market changes, and we will add projects like a Mitchell-Lama in Queens, a tenant-purchased building in Manhattan, or a luxury building in New Jersey. Beyond the goal of providing a blueprint for NYC social housing, this report—especially this modeling—is above all meant to introduce affordable and social housing finance to those who may be unfamiliar with its inner workings. Housing finance is often jargon-filled and shrouded in complexity, keeping stakeholders and those who are impacted the most by it out of the conversation. For a plan like the one proposed here to be successful, public housing tenants, elected officials, housing advocates, and organizers must be armed with the language and techniques to scrutinize project financials, understand the trade-offs inherent in any deal, and advocate effectively for solutions to the housing crisis.



Replacing the revolving fund with private equity (which demands an implicit return on investment) would require fundamental changes to both financing and unit mix. Specifically, we would expect: a reduction in deeply affordable units and increased emphasis on market-rate units and higher AMI targets—eliminating or severely limiting units for formerly homeless households, those earning below 40 percent of AMI, or voucher-dependent tenants; greater payment of intermediary fees instead of capital going directly into housing production; investor exit strategies that can threaten long-term stability; a loss of community control, as decision-making becomes tethered to investor returns rather than community needs. The modeling of these projects demonstrates that social housing can achieve deeper affordability while eliminating the substantial transaction costs that make traditional affordable housing development expensive and complex.

## Limitations

In our analysis, one of the most significant limitations for a social developer is the difficulty in securing favorable lending rates. A key part of this challenge is obtaining a letter of credit, which is essentially a guarantee from a bank that helps reduce the lender's risk. Without this guarantee, the authority is often seen as a riskier investment, leading to higher interest rates. This is one reason why the city's Housing Finance Agency could be reluctant to lend to these projects through their general obligations bond, as they may perceive it as too risky and potentially harmful to their own credit standing. This can be prohibitive for getting these projects off the ground. Additionally, labor costs, especially with prevailing wage requirements and long-time union workforces, tend to be higher for government projects than for private ones. This makes it crucial for the government to

find ways to be more efficient with labor and explore cost-saving construction methods, like modular development, to lower expenses.

For example, in our current scenario, Projects 1 and 2 benefit from favorable lending rates, the assumption being that either a performance bond or letter of credit is secured and capitalized in the development budget for the construction loan. For the first 20 years of Projects 1 and 2 being leased up, the average loan to value ratio—a key measure of risk and long-term financial health—are 43 and 76, respectively. And both improve over the loan period. Furthermore, in year 20, Project 1 had a potential sales price of ~\$83,960,100 and in the case of a refinance of its loans would have ~\$35,114,751 in proceeds. For Project 2, the sale would be ~\$493,972,340 and refinance proceeds would be ~\$81,283,722. The projects would never be sold, but these are measures used by investors to determine the financial health of a project.<sup>24</sup>

However, if NYCHA or the Trust were unable to back the loans with HDC’s general bond revenues for instance or had trouble securing rates as favorable as what we modeled, the projects would suffer from higher debt service. We would expect an increase of 150-250 basis points from the interest rates we used. Another issue stems from the cost of labor. Building staff salaries for most—union-worked—new affordable housing projects cost approximately \$2,600/unit, which is what we assumed in our model. If labor costs for NYCHA staff at Trust/RAD-converted developments were higher, say \$5,000/unit, we’d see major change in net operating income (NOI). Looking at Project 2, which has the most complicated financing, changes to the model like those mentioned lead to an increase in the average LTV over the first 20 years to 86.4 percent<sup>25</sup> and the sale proceed estimate drops by more than \$72 million. The project would fail to pencil without some additional source of subsidy or loan modification. This exercise makes it even more apparent that investments

from the revolving loan fund are crucial for making financing manageable where generally government development bodies can have serious issues securing financing without having an already solid balance sheet and/or credit rating. Lenders and underwriters are adding hefty risk premiums to financing that involves government developers and managers, highlighting the importance of loan funds and tools like the Risk Share program. But it’s also important that efficiency and a zero tolerance for corruption and fraud be central themes as social housing development moves forward.



## **Realigning City Housing Agencies and Empowering NYCHA**

To meet the scale of the housing crisis, New York City needs to reduce redundancies and reign in scattered programs and levers across its various agencies. Tenants and landlords face different rules across rental assistance programs. Developers and lenders have to communicate with multiple agencies and teams. We recommend realigning city housing agencies to increase efficiency, organizing agencies by central tasks.

Under this new system:

- New York City Housing Authority (NYCHA) serves as the integrated housing provider, developer & single point for rental assistance.
- NYC Housing Development Corporation (HDC) serves as the centralized housing bank, the financial engine for all city-supported affordable housing development and preservation, ensuring efficient and

strategic capital deployment across the city.

- NYC Department of Housing Preservation & Development (HPD) serves as the housing regulator and tenant advocate, safeguarding the quality and safety of the city's housing stock, rigorously enforcing housing laws, and leading strategic housing policy and planning for the broader market.
- NYC Human Rights Administration (HRA) as the emergency & social safety net: HRA would provide homelessness prevention, emergency financial aid, and make direct client referrals for rental assistance to NYCHA.

This change would see NYCHA taking a larger role than it currently has. Many may find the idea of NYCHA taking on greater responsibility to be laughable, given its history of mismanagement and neglect. But that narrative ignores a deeper truth: NYCHA's shortcomings are not intrinsic, they are the result of a deliberate hollowing-out of the administrative state, fueled by decades of disinvestment and political neglect. But NYCHA is more than its flaws. It is home to hundreds of thousands of New Yorkers, many of whom are engaged in resident democracy on a massive scale. It is also the most innovative landlord when it comes to tackling the climate crisis in affordable housing.

The existing affordable housing production regime has been overstretched. Unlike private developers operating under lightly enforced affordability agreements with limited oversight, NYCHA and the Trust have the systems, structure, and transparency to deliver long-term accountability. NYCHA already manages thousands of buildings with sophisticated work order systems, centralized maintenance operations, and established tenant governance. Despite its flaws, NYCHA offers a level of transparency, affordability,

and stability that is the exception, not the rule, in the private rental market. By giving NYCHA and the Trust responsibility for new housing stock built to modern standards, the city would not only improve conditions for residents, but also boost revenue collection, morale, and long-term financial stability across the entire portfolio. New, high-functioning buildings would provide cross-subsidies to aging developments and reinforce NYCHA's mission for the next generation.

Moreover, reorganizing the city's fragmented housing infrastructure would eliminate redundancy, speed up execution, and align affordable housing development with long-term public ownership. Rather than layering multiple approvals, subsidies, and compliance frameworks, New York City could streamline policy, planning, and production, actually accomplishing the long-sought goal of centering public housing in the city's affordable housing policy.

While it's true that NYCHA hasn't built new towers in decades, it doesn't take much to get back into the game. We know this because another public agency, the NYC School Construction Authority, has been designing, constructing, and renovating at scale for decades. Their 2015-2019 capital plan had \$13.5 billion in new commitments, with many of their projects financed through New York City Transitional Finance Authority (TFA) bonds.<sup>22</sup> That plan created 32,600 new classroom seats across 18 new schools and additions, and awarded contracts for 30 new school projects. The expertise within the School Construction Authority's deep design, engineering, and procurement expertise is now even being tapped to help stand up the newly formed Public Housing Preservation Trust.

And New York isn't alone. We can already see, in real time, how a public housing agency can easily launch a new social housing development arm. In Atlanta, the Urban Development

Corporation (AUD) was formed in 2022. It's now preparing for its first project: the 36-acre Thomasville Heights site. Formerly a 350-unit Atlanta public housing development built in 1967, the site has sat empty since 2010 when the public housing development was demolished. Atlanta Housing, the Public Housing Authority in Atlanta, will dispose (sell) the vacant land to the AUD.

This Thomasville Heights project will include owned and rented market rate and affordable units—with 20 percent of units at 50 percent of AMI and 10 percent of units at 80 percent of AMI—similar to Maryland's HOC.<sup>23</sup> But that's just where the similarities to the HOC project begins. The AUD development is also being financed with a revolving loan fund and avoiding use of Low-Income Housing Tax Credits. AUD will also keep a majority ownership stake (>50%), ensuring long-term public control. See Fig. 12 and 13 for details on the AUD capital stack.

## Funding the RHCF

Given recent capital funding allocations for NYCHA and the broader affordable housing program in New York City, it is within reason for the city's capital budget to cover the initial capitalization of the RHCF and ongoing investments. However, the growth of social housing and revolving loan funds in the U.S. has highlighted varying sources of funding and financing approaches that ensure long-term viability. Dedicated, external capital streams that can systematically replenish the fund provide security that make the fund resilient. These types of sources allow the agency to weather economic cycles and consistently support the development of social housing without annual budget fights.

Here we look to successful initiatives in other U.S. cities can provide inspiration for a robust RHCF capital strategy. First, a Progressive

### ATLANTA URBAN DEVELOPMENT CORP (AUD)'S 1ST CAPITAL STACK (CONSTRUCTION)

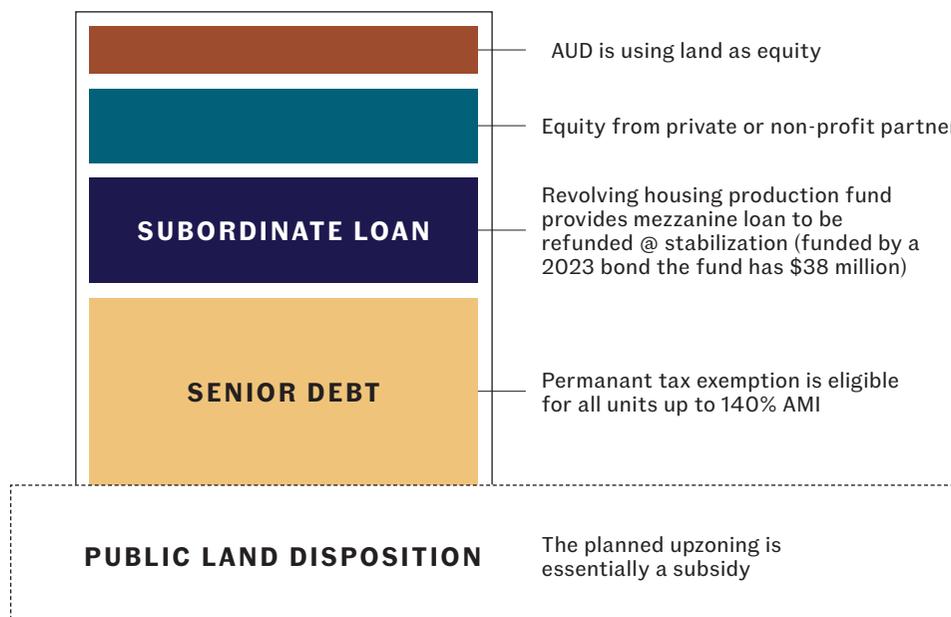
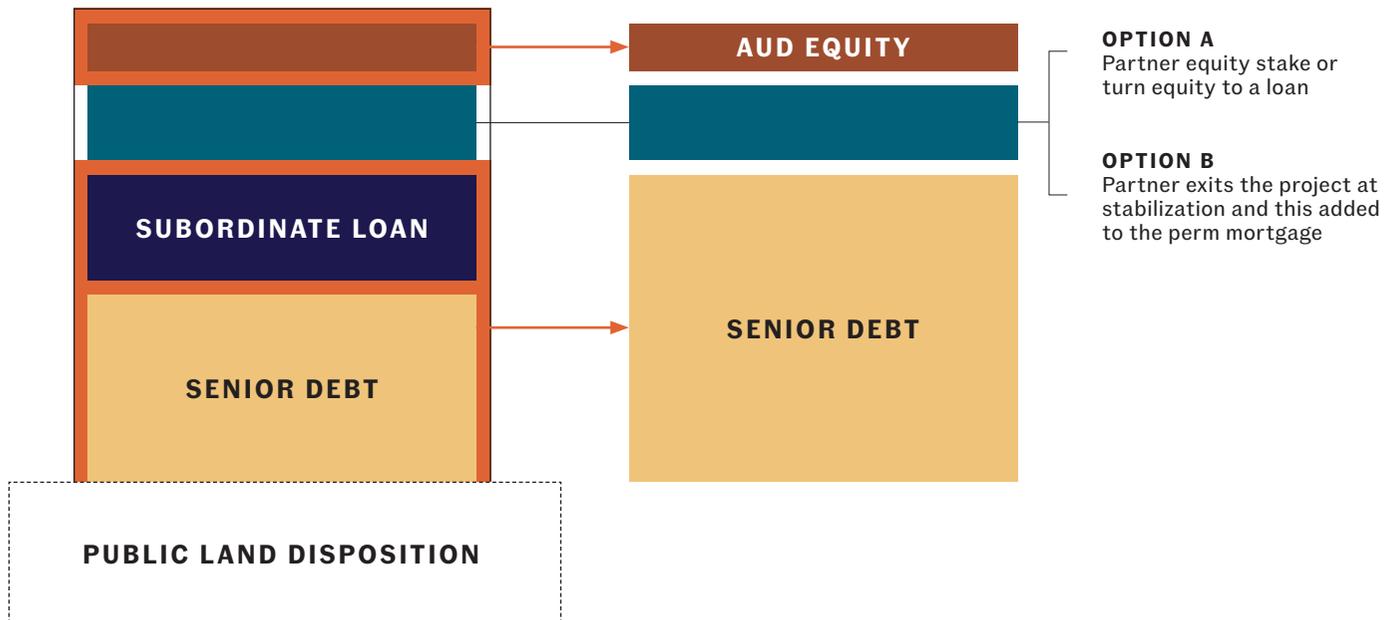


FIG. 12

**ATLANTA URBAN DEVELOPMENT CORP  
(AUD)'S 1ST CAPITAL STACK (PERM)**



**FIG. 13**

Real Estate Transfer Tax (RETT) on high-value property sales (e.g., over \$5 million) could capture a portion of the wealth generated by the city’s speculative market. Modeled on programs in Los Angeles and Montgomery County, this is a politically feasible approach that could generate over \$200 million annually, with a reserve fund to smooth revenues across real estate cycles.<sup>26</sup>

New York City currently has a Real Property Transfer Tax (RPTT), and New York State imposes an additional “mansion tax” on residential sales of \$1 million or more. However, these existing taxes are not sufficiently progressive at the highest end of the market, and their revenues are directed to the city’s general fund or the Metropolitan Transportation Authority, not to a dedicated housing fund. For the calendar year 2023, the existing NYC RPTT generated approximately \$1.43 billion.<sup>27</sup> The proposed RETT would function as a supplemental tax, adding new marginal rates only on the highest-value

transactions.

Drawing inspiration from policies enacted elsewhere, the proposed structure would apply progressive rates to both residential and commercial property sales above a high-value threshold, ensuring both sectors of the market contribute. A potential structure could be:

This tiered structure, which exempts the vast majority of property sales, is critical for both political and economic viability. It focuses the tax burden on a narrow slice of the market—transactions involving large commercial buildings, luxury residential towers, and high-end condominium sales—that has the capacity to absorb the cost. This targeted approach has proven effective in other cities at raising substantial revenue without chilling the overall real estate market.

Second, a Social Housing Tax Increment Financing (TIF) model, similar to strategies used in Chicago to fund its social housing development, would capture the increase in

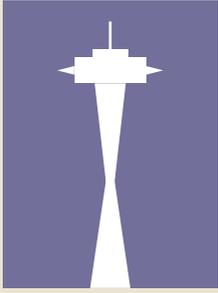
property tax revenue created by RHCF-funded projects or other public investments. This captured “increment” would flow directly back to the RHCF, creating a place-based, self-sustaining replenishment cycle that could return over \$15 million annually from a single large project.<sup>28, 29</sup> The mechanics of TIF are straightforward. When a district is created, the total assessed value of the properties within it is recorded as the “base” value. As public investments spur new private development, rehabilitation, and general economic uplift, the assessed value of these properties rises. The property tax revenue generated by this growth above the base value—the “tax increment”—is captured and diverted to a special fund for a legally defined period, often 20 to 25 years.<sup>30</sup>

- 
- **NO NEW TAX ON TRANSACTIONS BELOW \$5 MILLION.**
  - **A 1.0% TAX ON THE PORTION OF TRANSACTION VALUE BETWEEN \$5 MILLION AND \$10 MILLION.**
  - **A 2.0% TAX ON THE PORTION OF TRANSACTION VALUE BETWEEN \$10 MILLION AND \$25 MILLION.**
  - **A 2.5% TAX ON THE PORTION OF TRANSACTION VALUE EXCEEDING \$25 MILLION.**

New York City’s experience with TIF, notably the Hudson Yards project, provides crucial lessons.<sup>31</sup> The financing for the Number 7 subway extension relied on a TIF-like structure where bonds were issued against projected future revenues from new office towers. When the Great Recession delayed development and those revenues failed to materialize on schedule, the city’s general fund was forced to cover hundreds of millions of dollars in

interest payments, undermining the “self-financing” narrative. This experience highlights the significant risk of issuing debt backed by speculative future growth.

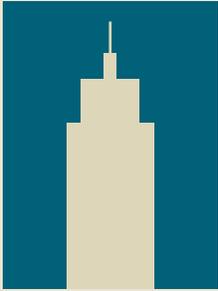
Third, a Dedicated Employer Payroll Tax, modeled on Seattle’s successful initiative, would levy a small tax (e.g., 1.5%) on employers for individual employee compensation over \$1 million.<sup>32</sup> This highly stable mechanism is insulated from real estate volatility and could provide a bedrock of over \$450 million in predictable annual funding. While the RETT and TIF models are intrinsically linked to property market performance, a payroll tax is anchored to the broader, more resilient base of the New York City economy. High-wage employment in sectors like finance, law, technology, and medicine provides a deep and durable tax base. This mechanism would furnish the RHCF with a reliable, predictable “bedrock” of annual funding, allowing for consistent long-term planning and investment, regardless of the boom-and-bust cycles of real estate. Learning from the precedent set in Seattle is key to designing an effective and politically viable tax for New York City.



#### **THE SEATTLE MODEL:**

In 2023, Seattle voters approved a measure to fund their Social Housing Developer via a 5% payroll expense tax on employers for each employee’s annual compensation over \$1 million.<sup>21</sup>

The tax is explicitly employer-paid and cannot be deducted from employee wages, and it is projected to raise approximately \$53 million per year.<sup>21</sup> This tax is in addition to the city’s existing “JumpStart” payroll tax on lower compensation thresholds.



#### **PROPOSED NYC STRUCTURE:**

To ensure a successful launch in New York’s unique political and economic environment, a more modest initial structure is proposed. This structure would target a very narrow, high-capacity base, making it highly progressive and politically defensible. A 1.5% tax levied on the portion of an individual employee’s annual compensation that exceeds \$1,000,000. The tax would be levied on and paid by the employer. “Compensation” would be broadly defined to include salary, bonuses, stock options, and other forms of remuneration to prevent avoidance.

Additionally, another model could be the issuance of Social Housing Bonds secured by a dedicated external revenue stream. This approach directly addresses the critical goal of capitalizing the RHCF at scale without relying on project-level revenues to secure debt. Traditionally, project bonds are backed by rental income, and their size is limited by the project’s ability to cover debt service, but there are other ways to back bonds. The city could dedicate a portion of a broad and stable tax, such as the proposed Employer Payroll Tax mentioned earlier, to bond repayment. This is the strategy utilized successfully by the public housing finance agencies like Montgomery County’s Housing Opportunities Commission (HOC), which leverages its overall financial strength and diverse revenue sources to issue bonds at favorable rates, rather than relying solely on individual project mortgages. This de-risks the financing for investors, which dramatically lowers interest costs and, most importantly, frees 100 percent of the net operating income from the resulting housing portfolio to be reinvested in deeper affordability, robust maintenance, and resident services.

Various revenue-raising mechanisms including those mentioned earlier can be used to create a secure, investment-grade financial instrument that can generate billions of dollars in upfront capital for the RHCF. The city can legally dedicate a fixed portion of the annual revenue from the stable source to a new, legally-separate “Social Housing Bond Repayment Fund.” This fund’s sole purpose is to pay principal and interest to bondholders. HDC could issue Social Housing Bonds on the municipal bond market, where the proceeds from the bond sale—potentially billions of dollars—are deposited directly into the RHCF’s capital budget. This provides a massive, immediate infusion of funds to acquire sites and finance the construction of multiple large-scale social housing projects simultaneously. Over the life of the bonds (e.g., 30 years), the dedicated tax revenue automatically flows into the Bond Repayment Fund and is used to make scheduled debt service payments. This process occurs entirely outside of the RHCF’s project operating budgets. Additionally, any of the tax revenue collected beyond the amount needed for debt service can flow to the RHCF for “pay-as-you-go” grant funding.

We estimated that the new Employer Payroll Tax as described earlier could generate an estimated \$450 million in its first year. Let's say that \$250 million of it is legally dedicated to the Social Housing Bond Repayment Fund annually. If HDC issued 30-year bonds at a favorable municipal bond interest rate of 4.0 percent, this could raise ~4.32 billion in upfront capital.<sup>34</sup>

Each of these funding mechanisms have their own advantages. The payroll tax provides a stable, counter-cyclical funding floor, enabling consistent long-term planning and the financing of deeply affordable projects that cannot support debt. The RETT acts as a powerful value-capture tool during real estate booms, while the TIF creates a direct feedback loop where successful public development organically replenishes the fund for future use. Bonds are a vital tool to leverage private investment, stretching public dollars to create a more immediate impact. Whether attempted alone or together, this diversified portfolio creates a resilient and permanent financial architecture, ensuring the RHCF can operate as a powerful, self-perpetuating engine for building social housing for generations to come.

Alternatively, the funding mechanisms abroad for funding both capital and operations should also be considered, including:

- Singapore (Housing & Development Board - HDB) Mandatory Savings through the Central Provident Fund (CPF), a national mandatory savings plan. Citizens use their own CPF savings for down payments and mortgage payments on HDB flats, creating a closed-loop system where national savings directly finance housing.
- Vienna, Austria's dedicated public revenue, generated from a dedicated portion of national income and corporate taxes that are specifically earmarked for housing,

providing a consistent and predictable budget for new construction and maintenance.

- Finland funding stemming from the profits of Finland's state-owned gambling company.



## New Construction Staff at NYCHA

To carry out new social housing development, NYCHA needs more capacity. A Social Housing Development Department at NYCHA or an expansion of their existing capital planning team could be structured to mirror the integrated, nimble teams of private affordable housing developers. It would operate as a professionalized, in-house developer with end-to-end responsibility, enabling it to act as a single point of contact for city agencies like the Housing Development Corporation (HDC) and the Department of Housing Preservation and Development (HPD); move projects swiftly from pre-development and feasibility analysis to securing financing and breaking ground; proactively identify and develop available land; ensure seamless transition from construction completion to property management and long-term compliance. At less than \$3 million, an expense budget covering 11 full-time personnel would make this report's recommendations possible.

## NEW DIVISION EXPENSE BUDGET

EXPENSE CATEGORY	COUNT	AMOUNT	CALCULATION	TOTAL
SVP, OF DEVELOPMENT	1	\$ 220,000.00		\$ 220,000.00
DIRECTOR OF DEVELOPMENT & FINANCE	1	\$ 185,000.00		\$ 185,000.00
SENIOR PROJECT MANAGER	1	\$ 150,000.00		\$ 150,000.00
PROJECT MANAGER	2	\$ 115,000.00		\$ 230,000.00
SENIOR FINANCIAL ANALYST	1	\$ 130,000.00		\$ 130,000.00
FINANCIAL ANALYST	1	\$ 95,000.00		\$ 95,000.00
CONTRACT MANAGER	1	\$ 110,000.00		\$ 110,000.00
COMPLIANCE OFFICER	1	\$ 90,000.00		\$ 90,000.00
ADMINISTRATIVE ASSISTANT	1	\$ 65,000.00		\$ 65,000.00
CAD/BIM SPECIALIST	1	\$ 80,000.00		\$ 80,000.00
PROJECT ARCHITECT	2	\$ 120,000.00		\$ 240,000.00
PROJECT ENGINEER	2	\$ 125,000.00		\$ 250,000.00
<b>TOTAL SALARIES</b>				<b>\$ 1,845,000.00</b>
FRINGE BENEFITS & PAYROLL TAXES			35% OF SALARIES	\$ 645,750.00
<b>TOTAL PERSONNEL COSTS</b>				<b>\$ 2,490,750.00</b>
OVERHEAD (OFFICE, IT, ETC.)			15% OF PERSONNEL COSTS	\$ 373,612.50
<b>ESTIMATED ANNUAL BUDGET</b>				<b>\$2,864,363</b>

## Improve NYCHA'S Board Structure

NYCHA currently is governed by a seven-member board, with all seven (7) members appointed by the mayor of New York City.<sup>35</sup> Specifically, the composition is: Three (3) members are required to be current NYCHA residents. These resident members are appointed by the mayor and serve three-year terms. The chair of the NYCHA Board is appointed by the mayor. As of recent changes, the chair no longer necessarily serves as the Chief Executive Officer (CEO) of NYCHA, a separation of roles implemented to enhance governance. The remaining three (3) members are appointed by the mayor and typically comprise professionals with expertise in areas such as finance, real estate, law, or public

administration. While the exact composition can vary based on specific legislation or mayoral directives, a common characteristic has been a board primarily composed of individuals lacking significant representation from the residents it serves. This model, while designed for administrative oversight, has often been criticized for contributing to a disconnect between the authority's decision-making and the lived experiences and needs of its hundreds of thousands of residents. This structure can lead to a less responsive organization and may not fully leverage the invaluable insights of those directly impacted by NYCHA's policies and operations. Furthermore, if NYCHA is to address not just the needs of its current residents, but work to house new residents in its social housing developments, broader representation and expertise are necessary.

To truly transform NYCHA into a social housing developer that is deeply accountable to the public and its residents, a fundamental shift in its governance structure is essential. A proposed board structure for NYCHA, with a maximum of nineteen members, could look like this:

- Six (6) members from **NYCHA's public housing and voucher-holding population**, ensuring direct representation from the communities served. These members should be selected through a transparent and democratic process involving resident associations, with:
  - » at least two (2) members being a resident of a RAD/PACT development, and at least one (1) member being a resident of a Public Housing Preservation Trust development.
- Four (4) **NYC residents**, with a preference for someone who has experienced housing insecurity, and once it is possible, a resident of newly-constructed NYCHA-owned social housing.
- Two (2) **labor union members**, representing the workforce involved in the construction, maintenance, and operation of social housing, appointed by the mayor at the advice of union leadership.
- Four (4) members **appointed by the New York City Council**, ensuring legislative oversight and alignment with broader city goals. Of these appointments, there must be members with expertise in public housing finance, urban planning, and non-profit housing development.
- Three (3) members shall be **appointed by the mayor**, who should possess significant expertise in housing policy and analysis.

This proposed structure ensures that the board has a diverse range of expertise—from the lived experience of residents to technical knowledge in finance, urban planning, and sustainable development—while also promoting accountability and a deep understanding of the communities NYCHA serves. It moves beyond a purely administrative oversight model to one that actively incorporates the voices of those for whom social housing is a vital lifeline.

## Addressing Zoning Shortfalls

New York City's current zoning framework was largely drafted in the mid-20th century to control density and protect single-family neighborhoods—objectives that now inhibit our ability to meet an unprecedented housing crisis. Rigid use-restrictions, arbitrary lot-size minimums, and steep parking requirements suppress the natural growth of supply,

drive up land values, and push low- and moderate-income households to the margins. Moreover, by focusing development in only a handful of “growth” districts, the city perpetuates patterns of segregation and underutilizes existing infrastructure in stable neighborhoods. Updating the zoning code—through as-of-right allowances for public and social housing, plus ending single-family mandates—will unlock new sites for homes, lower construction timelines and costs, and foster more equitable, climate-resilient communities across all five boroughs.

- **Create a Citywide NYCHA Zoning Overlay (or Amend the Zoning Resolution for As-of-Right Development):** Under this approach, the city would adopt either a new overlay district or targeted amendments to the Zoning Resolution that automatically apply to any site owned or acquired by NYCHA. Rather than mapping the overlay to specific neighborhoods, it would be a “floating” overlay keyed to parcel ownership: whenever NYCHA has a site under control, it instantly qualifies. Within the overlay, NYCHA could build at prescribed densities and heights—and include mixed-income, mixed-use, and deeper affordability levels—without any discretionary ULURP, variance, or special permit review. All standard zoning standards that slow down development (setbacks, parking minimums, density caps) would be replaced by a clear “as-of-right” envelope calibrated for social housing, with public-benefit conditions (e.g., prevailing wage, green building). This streamlines approvals, cuts months (or years) off the pre-development timeline, and ensures predictability for public-financed projects.
- **End Single-Family Zoning Citywide:** This reform would eliminate and replace districts that currently permit only single-family detached or semidetached residences with zones that permit

duplexes, triplexes, townhouses, and small apartment buildings “as-of-right.” Under Zoning Resolution (ZR) §21-11, districts R1-1, R1-2, R1-2A, R2, R2A, and R2X bar any housing except one-family detached homes. These would need to be replaced along with a reclassification of the low-density contextual sub-districts that limit development to detached/semi-detached houses (R3A, R3X per ZR §21-12; R3-1 per ZR §21-13) so they too permit small multi-family buildings as-of-right that today allow only detached, single-family homes. By legalizing missing-middle housing across the five boroughs, the city multiplies supply in stable neighborhoods without wholesale upzoning. It also makes land more valuable for housing providers—allowing infill on smaller sites in areas formerly off-limits to multifamily. Moreover, this type of reform is one of the most aggressive advances of racial and economic integration, specifically targeting exclusionary zoning laws that were born out of proponents of racist segregation. New York City would not be alone, as similar policies have already been enacted elsewhere:

- » *Minneapolis (2018–2020):* Its Minneapolis 2040 plan abolished single-family zoning by ending the “one dwelling unit per lot” rule in former SF5000/SF3000 districts, replacing them with 15 new multi-family districts allowing duplexes, triplexes, and clear form-based standards as-of-right.<sup>37</sup>
- » *Oregon (2019–2020):* House Bill 2001 required cities over 10,000 residents to strip out exclusive single-family use tables (commonly “R-1” zones) and allow duplexes, triplexes, fourplexes, and cottage clusters on any lot formerly limited to detached homes, via straightforward amendments to each city’s land-use tables.<sup>38</sup>

» *Washington State / Seattle (2023–2025):* HB 1110 mandated that all cities permit duplexes through sixplexes in NR and RSL districts. Seattle responded by eliminating those exclusive-use tables in its zoning code and consolidating into “middle housing” zones with objective height, setback, and unit-count standards.<sup>39</sup>

» *Berkeley (June 2025):* Berkeley’s City Council amended BMC Title 23 to remove R-1, R-1A, R-2, and R-2A restrictions and consolidate them into a unified middle-housing zone allowing up to eight units in three-story buildings, with defined height, density, and lot-coverage limits.<sup>40</sup>



# Conclusion

For almost half a decade, the need for emergency shelters has continued to increase. Vacancy rates in lower rent units remain extremely high, while luxury units are still overproduced. The climate crisis is here, yet our housing system largely ignores the targets we've set to confront it.

Meanwhile, the city and state continue to pour resources into housing production that consistently fails to meet the needs of those with the lowest incomes.

## "AFFORDABLE HOUSING" BREAKDOWN

These are the income levels targeted in NYC's affordable housing industry since 2016

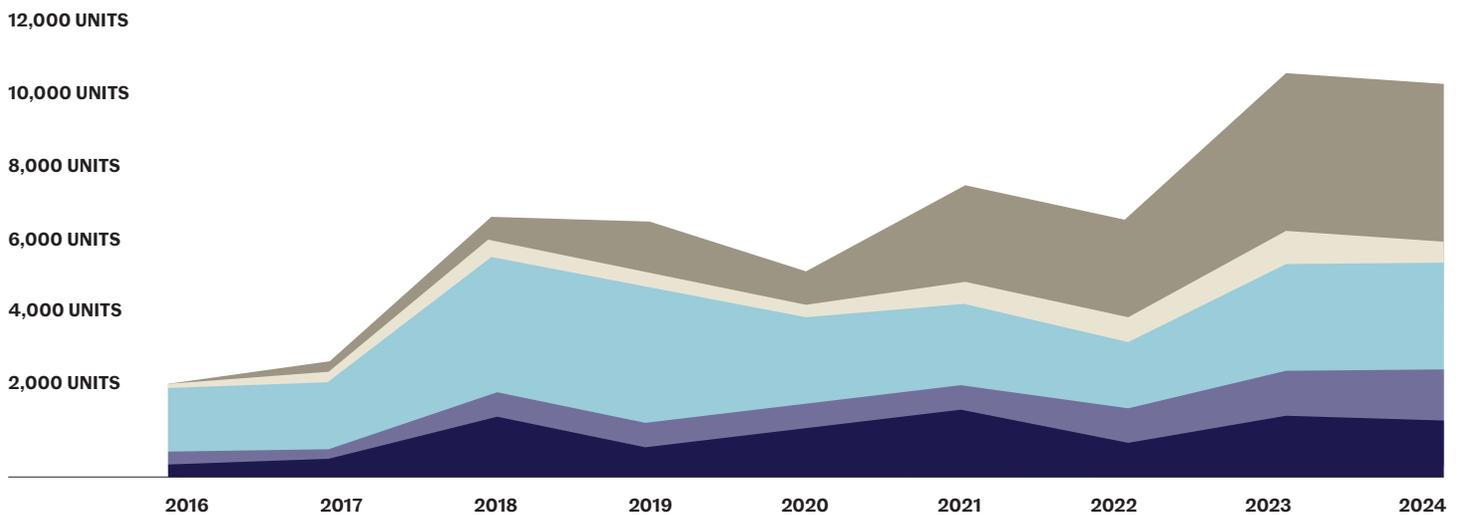


FIG. 15

## But it doesn't have to be this way.

By embracing the social housing movement now gaining momentum across the United States, New York City can reclaim control over how we respond to these overlapping crises. A Revolving Housing Construction Fund, public-led development, and the setting up of agencies for success aren't abstract reforms—they're practical tools for building more, faster, and for the public good.

For far too long, we've watched as the capacity and the ability of public institutions to innovate have been depleted. This is what it looks like to rebuild them.

# Glossary

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**AMI (Area Median Income):** The midpoint of a region's income distribution. AMI is used by housing programs to determine eligibility for affordable housing. For example, to be eligible for the Low-Income Housing Tax Credit, tenants must earn below a set percentage of AMI to qualify.

**Bond:** A debt instrument—essentially a loan—where an investor loans money to a government or corporation for a defined period at a fixed interest rate. The issuer of the bond (such as a county or housing authority) uses the funds to finance projects like housing, repaying the investors over time with interest. There are many different types of bonds with different rules and

**Bonds (Tax-Exempt):** Tax-Exempt Bonds are the most important tool for affordable housing currently. When an investor buys a tax-exempt bond, the interest they earn is exempt from federal, and often state and local, income taxes. Because the investor's profit isn't taxed, they are willing to accept a lower interest rate (a lower coupon). This allows the issuer (let's say HDC) to borrow money very cheaply. This cheap debt is then passed on to the affordable housing project in the form of a lower-cost mortgage, which is critical for keeping rents low.

**Bonds (Taxable):** The opposite of tax-exempt bonds, interest earned by the investor in taxable bonds is subject to federal, state, and local income taxes. To make up for the fact that their profits will be taxed, investors demand a higher interest rate. This makes taxable bonds a more expensive way for an agency like HDC to borrow money. They are often used for projects or parts of projects that don't meet the strict government requirements for tax-exempt financing. For example, they might be used to finance the ground-floor retail space in a mixed-use affordable housing building or for middle-income housing that serves families with incomes too high to qualify for traditional subsidies.

**Bondholder/Investor:** The person or institution that buys the bond, effectively lending money to the issuer. Investors can be individuals, pension funds, insurance companies, or mutual funds.

**Capital/Capital Stack:** The money and financial resources used to acquire, build, improve, or preserve a physical asset—in this case, a housing development. It is distinct from the day-to-day money used for operating expenses (OpEx) like utilities or janitorial salaries. When considered in combination, the capital "stack" refers to the mix of different financing sources used to fund a real estate project, ranked by risk and repayment priority. It typically includes equity (most risky), mezzanine/bridge loans, and senior loans/mortgages (least risky).

**Capitalization Rate (Cap Rate):** A ratio that represents the potential rate of return on a real estate investment, assuming it was purchased with all cash. It measures the relationship between the property's income (its NOI) and its market value. The specific calculation is Net Operating Income (NOI) divided by Property Value (or Purchase Price). If you know the typical Cap Rate for similar buildings in a neighborhood, you can estimate a property's value by rearranging the formula:  $\text{NOI} / \text{Cap Rate} = \text{Value}$ . This is the most common method for valuing income-producing real estate. The Cap Rate allows investors to quickly compare the relative value and potential return of different properties. It is also an indicator of perceived risk and growth. A low Cap Rate (e.g., 4%) means investors are willing to pay a high price for each dollar of income. This implies the asset is seen as very safe and desirable, with potential for future growth (e.g., a building in prime Manhattan). A high Cap Rate (e.g., 8%) means investors are paying a lower price for each dollar of income. This implies the asset is seen as having higher risk or less potential for future growth. For example, if a building with an NOI of \$300,000 is sold for \$6,000,000. The formula is:  $\$300,000 / \$6,000,000 = 0.05$  and the Cap Rate is 5.0%. Conversely, if you knew the building's NOI was \$300,000 and that similar local properties were selling at a 5% Cap Rate, you could confidently value the building at \$6,000,000 ( $\$300,000 / 0.05$ ).

**Capitalizes:** The act of providing initial funding to a project, investment, or fund. In real estate, this often involves securing and using financial resources—such as issuing bonds or raising equity—to build housing.

**Cash Flow:** The net amount of cash moving into and out of an investment. In real estate, it's what's left for the owner after collecting all income and paying all expenses and obligations, including the mortgage. It is the truest measure of the profit an owner can put in their pocket at the end of the day. Its calculated by subtracting the Debt Service (Mortgage Payments) and Capital Expenditures (CapEx) (e.g., replacing a boiler, lobby renovation) from the Net Operating Income (NOI). While NOI tells you if the property is profitable, Cash Flow tells you if the investment is profitable for the owner. A property can have a positive NOI but a negative cash flow if its mortgage is too large. For an investor, positive cash flow is the ultimate goal—it's the money used to pay distributions to

partners and represents the tangible return on their investment. Take a building that has an NOI of \$300,000. If its annual mortgage payment (Debt Service) is \$220,000 and this year, the owner spent \$30,000 on a planned elevator modernization (a Capital Expenditure). The formula is: \$300,000 (NOI) - \$220,000 (Debt Service) - \$30,000 (CapEx) = \$50,000. The annual Cash Flow for the owner is \$50,000.

**Credit Rating / Creditworthiness:** A lender's assessment of a borrower's ability and willingness to meet its debt obligations in full and on time. For bonds, this is a formal grade (e.g., AAA, AA+, Baa1) assigned by a rating agency (like Moody's or S&P) to the bond issuer (e.g., HDC). It reflects the financial strength and stability of the entire agency and its portfolio. A high credit rating allows the agency to issue bonds at a lower interest rate, benefiting every project it finances. In other loans, creditworthiness applies to the specific borrower (the development entity or individual) and the property. Banks perform their own underwriting to assess the borrower's financial history, liquidity, and real estate track record, as well as the viability of the property itself (its location, condition, and projected income). While not a public letter grade, a strong assessment of creditworthiness results in better loan terms (a lower interest rate, a higher loan amount, or more flexible conditions).

**Debt Service:** The total amount of cash required during a given period (usually monthly or annually) to cover the repayment of both principal and interest on a debt. For a bond, this refers to the annual payments a specific housing development must make to cover its share of the principal and interest owed on the bonds that financed its construction. This is a primary expense in the property's operating budget. Debt service can also refer to a property's total mortgage payment to the lender (e.g., a bank).

**Debt Service Coverage Ratio (DSCR):** All lenders, whether bond trustees or banks, look at the Debt Service Coverage Ratio (DSCR). This is the property's Net Operating Income (NOI) divided by its annual debt service. A lender will require the DSCR to be above a certain threshold (e.g., 1.25x), meaning the property generates 25% more cash than is needed to pay the mortgage, providing a crucial safety cushion.

**Decarbonization:** Reducing or eliminating carbon dioxide emissions from a building or energy system, often using renewable energy, energy efficiency upgrades, and electric heating and cooling.

**Disposition/Dispose:** When a public housing authority sells or transfers units under HUD's Section 18 program, often to redevelop the property or convert it into other uses while ensuring tenants retain housing assistance (e.g., through vouchers).

**Eligible Uses:** The specific, contractually-defined purposes for which a borrower can spend the proceeds of a loan. For tax-exempt housing bonds, eligible uses are strictly defined by federal law to ensure a public benefit is being served. Funds are restricted to project-related "hard costs" (construction, materials) and "soft costs" (architect fees, financing fees, legal counsel). Using bond proceeds for ineligible purposes (e.g., funding a separate, unrelated project) can have severe penalties, including the loss of tax-exempt status. A construction loan from a bank will also have clearly defined eligible uses, and the bank will only release funds after verifying invoices and construction progress through a formal draw process. However, for a "cash-out" refinance loan, the owner might have much broader discretion to use the loan proceeds for any business purpose, such as acquiring another building or funding capital reserves.

**Energy Savings Performance Contract (ESPC):** A financial mechanism where energy service companies provide upfront capital for energy-saving improvements to buildings. The building owner repays the investment using savings generated from lower energy use.

**Entitled:** A real estate project is "entitled" when it has received the necessary approvals and permits (e.g., zoning, environmental clearance) from local authorities to proceed with development.

**Equity:** The amount of capital contributed by investors or developers that is not borrowed. In real estate, equity is typically the first money in a project and takes on the most risk because it's only repaid after debt obligations are satisfied. In return, equity investors usually get a higher potential return.

**ESG (Environmental, Social, Governance):** Investment criteria evaluating a project's sustainability and ethical impact. Environmental factors consider a project's impact on nature (e.g., energy efficiency, waste reduction). Social factors look at the project's effect on society (e.g., affordable housing). Governance factors examine the project's management practices (e.g., transparency, ethical oversight). ESG funds prioritize projects that align with these values.

**Faircloth Authority:** A federal limit on the number of public housing units a housing authority can develop using federal funds. Public housing authorities can use Faircloth-to-RAD conversions to build new units while converting them to Section 8 funding.

**Faircloth to RAD:** A process allowing housing authorities to use their Faircloth Authority (unused capacity to develop new public housing) to build new units and convert them to RAD (Rental Assistance Demonstration), providing them with more stable Section 8 funding.

**FHA (Federal Housing Administration):** A division of the U.S. Department of Housing and Urban Development (HUD) that provides mortgage insurance on loans made by FHA-approved lenders. Under the FHA Risk-Share Program, the FHA and housing finance agencies (HFAs) share the risk of potential loan losses, allowing agencies to underwrite larger loans for affordable housing developments with more favorable terms.

**FFB (Federal Financing Bank):** A government-owned bank under the U.S. Treasury that provides financing to federal agencies and certain federally-backed programs. Through the FFB Option of the FHA Risk-Share Program, the FFB purchases loans from housing finance agencies at conversion, providing low-cost, stable financing for affordable housing projects.

**HAP (Housing Assistance Payment):** A monthly payment made by a public housing authority to a landlord on behalf of a tenant in a voucher program like Section 8. The payment helps cover the gap between what the tenant can afford and the market rent.

**HFA (Housing Finance Agency):** A state or local agency responsible for providing affordable housing financing, often by issuing bonds or administering loan programs. HFAs often participate in federal programs like FHA Risk-Share to mitigate risks and provide funding for housing developments.

**Heat Pump:** An energy-efficient device used to both heat and cool a building by transferring heat between the inside and outside air, ground, or water sources.

**Issuer:** The entity that borrows the money by selling bonds. In our context, the most important issuer is the NYC Housing Development Corporation (HDC).

**LIHTC (Low-Income Housing Tax Credit):** A federal tax credit program designed to incentivize private investment in affordable housing. Developers receive tax credits in exchange for building or rehabbing affordable rental housing units. These credits can be sold to investors to raise equity for the project.

**Maturity:** The date on which the final payment of a loan is due, and the principal loan amount must be repaid in full. For a conventional bank loan, the maturity date marks the end of the loan term. Commercial real estate loans often have shorter terms (e.g., 5, 7, or 10 years) than their amortization schedule. This results in a large balloon payment on the maturity date, where the borrower must pay off the remaining loan balance, typically by refinancing the property. For bonds, this is the date the bond issuer (e.g., HDC) must repay the principal to the investors who bought the bonds. For new construction housing, bonds are often structured with very long maturities (30-40 years) to align with the building's long-term operating pro-forma, creating a stable, predictable mortgage.

**Mezzanine/Bridge Loan:** A type of loan that typically comes between senior debt (the primary mortgage) and equity in the capital stack. It is higher risk than senior debt but lower risk than equity. A bridge loan is a short-term loan used to "bridge the gap" until longer-term financing can be secured or a project is completed and generating income.

**Net Operating Income (NOI):** The total income a property generates from its normal operations after paying for all necessary operating expenses. Crucially, it is calculated before accounting for mortgage payments (debt service) or income taxes. NOI is the purest measure of a single building's profitability. NOI calculated by subtracting Operating Expenses (OpEx) from Effective Gross Income (EGI). (Effective Gross Income (EGI) is the total potential rent plus any other income (laundry, parking fees), minus an allowance for vacancy and non-paying tenants.) NOI is the figure lenders use to determine how much debt a property can support. It is the numerator in the Debt Service Coverage Ratio ( $DSCR = NOI / Debt\ Service$ ) that we discussed earlier. For example, if a building collects \$500,000 in rent for the year. Its operating expenses (taxes, insurance, repairs, etc.) are \$200,000. Its NOI is \$300,000. This \$300,000 is the amount of cash available to pay the annual mortgage and provide a return to the owners.

**Operating Expenses (OpEx):** These are the routine, day-to-day costs required to run the building. Examples include electricity and water bills, staff salaries (property manager, maintenance), minor repairs (fixing a lock, patching drywall). These are paid from the operating budget, which is funded by the monthly rents collected from tenants.

**Permanent Loan:** A long-term loan that replaces a short-term construction loan once a project is complete and generating enough income to cover operating expenses and debt service.

**Private Activity Bond (PAB):** A specific type of tax-exempt bond used to finance projects built by private or non-profit developers for a public purpose. If over 25% of a project's cost is financed with these tax-exempt PABs, the project automatically qualifies for the 4% Low-Income Housing Tax Credit (LIHTC), which is a massive source of funding (equity) for affordable housing.

**RAD (Rental Assistance Demonstration):** A HUD program that lets public housing authorities convert public housing units to project-based Section 8. This provides more stable and flexible funding for maintenance and improvements.

**Section 18 Tenant Protection Vouchers:** Vouchers provided to tenants displaced by public housing demolition or disposition under Section 18, allowing them to rent in the private market with continued assistance. They have been used heavily in RAD conversions, and are valued because they provide more in rental subsidy than typical vouchers.

**Senior Debt/ Loan/Mortgage:** The primary loan secured by a property, typically a mortgage, which has the first claim on the property's cash flow or sale proceeds. Senior loans are the least risky part of the capital stack and therefore come with the lowest interest rate. All other financing (like mezzanine loans or equity) gets paid after the senior loan is satisfied.

**Stabilize:** The point when a new or redeveloped property reaches consistent occupancy and generates enough rental income to cover operating expenses and debt service.

**Subsidy:** A financial contribution or benefit provided by the government to make housing more affordable. Subsidies can take various forms, such as grants, tax credits (like LIHTC), or reduced interest rates on loans. These reduce the cost of development or the rental price for tenants.

**Thermal Bridging:** Occurs when heat flows through highly conductive materials (like steel or concrete), reducing a building's energy efficiency.

**Time Value of Money (TVM):** A fundamental financial principle stating that a dollar today is worth more than a dollar in the future. Money available at the present time is worth more than the identical sum in the future due to its potential earning capacity. There are a number of reasons for why this is true, including: opportunity cost—you can invest a dollar today and earn interest, making it grow to more than a dollar in the future and a dollar received in the future represents a missed earning opportunity; inflation—the purchasing power of money tends to decrease over time. A dollar will buy you less in the future than it does today; and risk—a promise to receive a dollar in the future carries uncertainty, while a dollar in your hand today is certain. TVM is the foundation of all modern financial valuation. It is used in a method called Discounted Cash Flow (DCF) Analysis. They project a property's future cash flows for many years and then "discount" them back to what they are worth in today's dollars to determine a fair purchase price. TVM is used to calculate sophisticated return metrics like Internal Rate of Return (IRR) and Net Present Value (NPV), which help investors compare different projects with different cash flow patterns and timelines. For example, if offered \$100 today or \$100 in one year, you'd choose today. If you invest that \$100 at a 5% interest rate, you'll have \$105 in a year. Therefore, the "Present Value" of receiving \$105 one year from now is \$100 today (assuming a 5% "discount rate"). A developer uses this exact logic on a larger scale. They analyze a potential acquisition by calculating the present value of all the future cash flows they expect it to generate. If the total present value of those future cash flows is greater than the current purchase price, it's a good investment for them.

**Underwrite:** The process of evaluating the financial risk involved in a loan or investment. In real estate, underwriters assess the property, borrower, and financials to determine the terms of financing. It ensures that the loan or investment is sound and will likely be repaid.



# Endnotes

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<sup>24</sup> Sales prices were calculated by dividing Net Operating Income (NOI) by a cap rate of 5%. Cash out refinance proceeds were calculated by determining the maximum loan amount, which was the sales price multiplied by a refi loan LTV of 75%. Then outstanding debt was subtracted from the maximum loan amount to calculate the proceeds. Outstanding Debt is subtracted from the new maximum loan amount. Proceeds=\$62,970,075-\$27,855,323.09=\$35,114,751.91

<sup>25</sup> All loan to value calculations in this report include city subsidy, which is not paid back but is typically structured as a loan with a balloon payment at the end of the loan term.

<sup>26</sup> This model proposes a new tax on high-value property sales with a baseline of ~\$280 million in gross annual revenue, providing a stable \$150 million infusion to the RHCF each year. The first step was to figure out the total dollar value of property sales that would be subject to the tax. Based on recent market data for commercial and luxury residential sales, the model uses a conservative estimate of \$20 billion in annual transactions valued over the \$5 million threshold. The proposal uses a tiered tax structure (1.0% on value from \$5M-\$10M, 2.0% from \$10M-\$25M, etc.). Instead of calculating each tier, the model applies an estimated "blended" or effective tax rate across the entire \$20 billion base. The calculation is: \$20 billion (Taxable Base) \* 1.4% (Blended Rate) = \$280 million (Gross Revenue). Then, because real estate sales are volatile, the model doesn't send all the revenue to the RHCF at once. It establishes a predictable \$150 million annual transfer. The surplus revenue in good years goes into a reserve fund to cover shortfalls in bad years. \$280 million (Gross Revenue) - \$150 million (Transfer to RHCF) = \$130 million (Deposit to Reserve Fund)

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<sup>28</sup> See the Lincoln Institute's paper, The Hidden Cost of TIF for an explainer and considerations of the positives and negatives of tax increment financing: <https://www.lincolnst.edu/publications/articles/hidden-costs-tif/>.

<sup>29</sup> This model doesn't raise new city-wide revenue but recaptures the property tax growth created by a specific RHCF project to replenish the fund. Before the project, the hypothetical site has a low assessed value for tax purposes, estimated at \$50 million. After the RHCF invests and redevelops the site, its assessed value increases dramatically. By 2035, the model projects the new value to be \$551.3 million. The TIF captures the growth in value. \$551.3 million (New Value) - \$50 million (Base Value) = \$501.3 million (Captured Value Increment) This captured value is then taxed at the city's effective property tax rate. The model assumes a 3% effective rate. So, \$501.3 million (Captured Value) \* 3% (Tax Rate) = \$15.0 million (Annual TIF Revenue to RHCF)

<sup>30</sup> National Housing Conference. "How TIFs Can Be Used for Affordable Housing." Accessed 2024. <https://nhc.org/policy-guide/tax-increment-financing-the-basics/how-tifs-can-be-used-for-affordable-housing/>.

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<sup>33</sup> This model proposes a small tax on employers for the portion of any employee's salary that exceeds \$1 million. Based on IRS and city tax data, the model uses a conservative estimate of 60,000 employees in NYC earning over \$1 million. The tax only applies to the amount over \$1 million. The model assumes the average compensation for this group is \$1.5 million, so the taxable portion per employee is \$500,000. 60,000 (Employees) \* \$500,000 (Taxable Amount per Employee) = \$30 billion (Total Taxable Payroll Base) The proposal uses a low 1.5% tax rate on this base. \$30 billion (Taxable Base) \* 1.5% (Tax Rate) = \$450 million (Annual Revenue to RHCF)

<sup>34</sup> Bond Proceeds are calculated here as Annual Debt Service / [Annuity Factor]. In this example, \$250,000,000 is multiplied by 17.292, which is PV annuity factor for 30 years at 4.0%. This equals = \$4.32 Billion.

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