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What to Expect in the Budget: Housing Policy

What to watch for as legislators return to Albany and the housing crisis roars on

The fiscal year 2026 budget cycle is upon us and "affordability" is taking center stage. The mandate to address the rapidly rising cost-of-living in New York has never been more urgent, with consumer prices up about 20 percent since 2020.[1] The cost of housing, in particular, has skyrocketed in the years since the Covid-19 pandemic, with home prices up over 50 percent—making housing costs the number one priority for addressing affordability in New York.

While advocates, researchers, and policymakers until recently debated the merits of policies that increase the supply of housing, a consensus has emerged that under-supply of housing drives rent increases, housing insecurity, displacement, and homelessness.[2] Without reforms to land-use that allow for large increases in the overall supply of housing—on the order of 800,000 units statewide—New York's affordability problems will remain.[3]

Achieving housing affordability requires a three-pronged approach consisting of: (i) increasing the supply of housing; (ii) public financing of affordable housing; and (iii) tenant protections that stabilize the market for lower-income households and prevent evictions.

In recent years, both City and State legislative debates have focused on the housing crisis, without much to show for it. Two years ago Governor Hochul introduced the Housing Compact, a set of proposals estimated to generate 800,000 new units of housing over 10 years by enforcing housing production requirement on localities and implementing density requirements in Downstate transit centers. The proposal was rejected due to opposition from legislators representing the New York City suburbs, and the Hochul administration hasn't since revisited such bold attempts at reform.

Last year saw the long-awaited passage of "Good Cause Eviction" protections for rent stabilized tenants—an important victory in the tenant protection agenda—alongside modest regulatory reforms such as the legalization of Accessory Dwelling Units, but no serious progress on reducing housing cost pressures.

[1] https://fred.stlouisfed.org/series/NYSTHPI
[2] https://homelessnesshousingproblem.com/
[3] Marcel Negret and others, Meeting Housing Need and the Pace of Growth in New York State, (Regional Plan Association, December 19, 2022), https://rpa.org/latest/lab/meeting-housing-need-and-the-pace-of-growth-in-new-york-state.

Also in the last year, New York City recently passed the "City of Yes" legislation, which reforms zoning restrictions in order to produce an estimated 80,000 additional units of housing over the next decade—but still falls short of producing the more than 500,000 units that the metropolitan area needs.[4]

There are three major questions to keep in mind as this legislative session progresses:

1) Will policymakers enact legislation allowing the State to preempt local zoning laws in order to meaningfully increasing the supply of market rate housing?
2) Will the State invest in publicly-financed mixed-income housing that increases the supply of affordable housing more efficiently than the tax incentives used in the past?
3) Will the State fully fund a voucher program that prevents low-income tenants from ending up homeless?

At the moment, it looks like the answer to each of these questions will be "no," with the legislature preferring small, incremental actions rather than bold measures that would make housing affordable.

This brief will discuss (i) policies to achieve zoning reform; (ii) options for publicly financing affordable housing; (iii) policies to protect tenants; and (iv) risks to federal funding for housing under the new Trump administration.

Reforms to zoning and permitting that enable greater housing production.

Mounting evidence demonstrates that the overall availability of housing – the "housing supply" – drives the rates of eviction, homelessness, and gentrification-induced displacement. Zoning rules from the mid 20th century have limited housing growth regionally, driving up inequality, segregation, housing insecurity and dampening economic growth for all.

In the absence of more substantial proposals, the budget negotiations will likely revolve around modest land-use reforms. This year, the State should consider the following proposals:

Transit-Oriented Development (TOD)

Transit-Oriented Development (TOD) was included in Governor Hochul's FY 2023 Housing Compact proposal but was halted by suburban legislators committed to restricting housing growth. A TOD bill would rezone the area near rail stations to allow for multi-family housing. The program could additionally offer financial support in the form of low-interest rate loans or small grants, as in California's version of TOD.[5] Building more housing on commuting lines is both good for the New York economy and good for the climate, since it promotes the usage of public transit. Currently, many of the suburbs of New York City are zoned to prohibit such multi-family housing that could greatly benefit the City's workforce and economy. Though it is unlikely that TOD will be considered this year, it is imperative to the state economic growth and cost-of-living that it stay on the legislative agenda.

[4] Marcel Negret and others, The Affordability Squeeze (Regional Plan Association, May 2024), https://rpa.org/work/reports/impacts-ny-housing-crisis.
[5] https://www.hcd.ca.gov/grants-and-funding/programs-archived/transit-oriented-development-housing

Promote the State's role in establishing housing production targets and preempting local zoning authority

Though not part of last year's budget proposals, Governor Hochul did include local housing production mandates in her fiscal year 2024 Executive Budget proposal. Reviving those proposals would be an essential part of any budget deal that wants to truly address the cost-of-living in New York. While it is unlikely that any similar proposal will be a focus in this year's budget negotiations, there are more modest proposals that could be adopted, and would build out the State's capacity for increasing housing supply in the State. For example, one proposal would require localities to report housing production information to the Department of State (2023-S688). This proposal would ultimately help the State track where housing is being built and where roadblocks are put up. Another proposal from a few years ago would limit the power of localities to impose strict zoning regulation (S7574). Though it is unlikely that these proposals will be passed this year, they are important to follow as the State's housing policy discussion evolves.

Faith-Based Affordable Housing Act (S7791/A8386)

The Faith-Based affordable housing act would permit faith-based organizations to build affordable housing on their premises. The specifics of what construction would be allowed vary by municipality size. In New York City, faith-based organizations would be permitted to build up to a height of 55 feet, or the height of the tallest building already on the premises (or higher, depending on the local zoning). Notably, permitting housing on the premises on faith-based organizations, which are tax-exempt, would increase the property tax base in New York, as the newly built housing would not be exempt from taxation. This could significantly increase revenue to municipalities around the State.

Reforms to New York's State Environmental Quality Review Act (SEQR)

Discussion about reforming the State Environmental Quality Review Act (SEQR) has been ongoing for a few years. The fiscal year 2024 State of the State opened a review process internal to the Department of Environmental Conservation. Additionally, legislative proposals, such as one that would streamline the regulatory process for multifamily affordable buildings (2023-S925C), have been introduced.

Public financing for new housing development

Public investment in housing production is an important tool for building low-cost, affordable housing. Without public subsidy, most market rate housing will be out of reach for those who have the lowest incomes, creating the need for some subsidy either in the form of a robust long-term voucher program, or subsidized housing units with restricted rents. Additionally, the State may use public investment to promote housing production when costs of development are high or the market is not producing enough left to its own devices.

Typically, New York has used tax credits as the primary tool used to subsidize affordable housing development. Particularly in recent years, tax benefits have been employed by the State to incentivize new housing developments that include at least some units with restricted rents. However, there are many other tools that the State could be using to invest public dollars in growing the stock of sub-market housing. For example, direct capital investment and government lending at low interest rates can and should play a role in funding additional housing development.

This year, multiple proposals to channel state funds into affordable housing development will be center stage. Here's what to look for.

A revolving loan fund to increase housing production (2023-S9958)

The Governor's State of the State address proposed the creation of a revolving loan fund that would provide low-interest rate loans to mixed-income housing development projects, making them cheaper to finance and thus better able to deliver long-term affordability. Particularly in a relatively high-interest rate economy, a revolving loan fund could help stimulate the production of mixed-income multifamily housing. A similar model has been used in Montgomery County, Maryland and gained attention for its success. In Maryland, the revolving loan fund produces one housing unit for approximately $9,000 in public funds. Because they use a mixed-income model, cross-subsidizing 30 percent of the units that are set at affordable rents with 70 percent set at market rate, the cost equates to $30,000 for each permanently affordable unit and zero cost for the market rate units.[6] While New York may not be able to achieve quite the same cost breakdown as Maryland, public investment in new mixed-income multi-family housing can be relatively cost effective. In Montgomery County, their revolving loan fund was capitalized with $100 million and could reportedly produce 1,500 units every 5 years. New York is 20 times the size of Montgomery County, Maryland and should thus capitalize with at least $2 billion.

State Low Income Housing Tax Credit (SLIHC)

The State Low Income Housing Tax Credit (SLIHC) is modeled after the federal Low Income Housing Tax Credit (LIHTC), providing tax credits to developers of affordable housing. In her State of the State, the Governor has proposed to double the available tax credits this year, which would generate new private investment in affordable housing, thus boosting production.

Increased State funding for NYCHA and other public housing authorities

In the last budget, New York State contributed $135 million to the New York City Housing Authority (NYCHA). Over recent years, NYCHA has been predominantly funded by City and Federal funds. With federal funding at risk over the next few years, New York State should focus on securing stable funding for NYCHA operations. Further, NYCHA continues to need over $30 billion in capital funds to repair apartments that are currently in poor condition. Stable funding from the State could dramatically improve the conditions and expand access for NYCHA residents, predominantly very low-income New Yorkers.

Establish a Social Housing Development Authority (S.8494/A.9088)

A social housing development authority (SHDA) would serve as a public developer within a division of the government that could authorize bond issuance to fund and build mixed-income multifamily housing around New York. The authority would maintain ownership rights over the housing it produces so that the State benefits from the success of projects. By building mixed-income housing, the SHDA would cross-subsidize affordable apartments with market-rate apartments and would target maximizing

[6] These cost calculations do not take into account any property tax relief that Montgomery County may be giving the new buildings, nor does it consider whether the buildings are produced using publicly owned land.

affordability while minimizing public costs. Importantly, the SHDA would have the ability to override local zoning rules, allowing it to build multifamily housing in areas currently not zoned to permit such housing.

Protect New Yorkers' Housing Security

With homelessness up 53.1% in 2024 compared to 2023, support for those who are homeless or on the verge of homeless is urgent.[7] Without a doubt the most cost-effective and humane way to support those facing housing insecurity is to prioritize keeping them in their homes. Tenant protections that mitigate eviction risk, rent regulation, and voucher programs all contribute to protecting New Yorkers. In recent years, New York's rent regulation laws have been expanded and in the last budget session, New York adopted Good Cause Eviction to protect tenants from wrongful eviction and price gouging. This year, the focus will be on a state voucher program that could help provide stable housing for low-income New Yorkers.

Housing Access Voucher Program (2025-S72)

The Housing Access Voucher Program (HAVP) would establish funding to be distributed to families or individuals who are either homeless or at risk of losing their homes imminently. The program would be administered by the Division of Housing and Community Renewal (HCR). Last legislative session, both the State Assembly and State Legislature included HAVP in their One-House proposals, funded at $250 million. The Child Poverty Reduction Advisory Council's 2024 Recommendations and Progress Report emphasizes the role of a housing choice voucher program modeled after the federal section 8 housing choice vouchers as a key tool for the State to use to reduce child poverty.[8]

Threats to federal funding in New York housing policy

The federal government funds housing policy in New York State through three main mechanisms: 1) allocating Low Income Housing Tax Credits (LIHTC) that support building affordable housing, 2) Housing Choice Vouchers (i.e. Section 8 funding), and 3) direct grants that support affordable housing, including public housing (i.e. Section 9 funding). Each of these program areas face different threats from the incoming administration.

Low-Income Housing Tax Credit

The Low-Income Housing Tax Credit (LIHTC) has had generally bi-partisan support at the federal level. However, the allocation of LIHTC credits to New York dropped significantly during the previous Trump administration, from a high of $171 million in 2017 to a low of $60 million in 2019. The value of these credits is further threatened by decreases to corporate tax liability, limiting the demand for the credits. The appropriation amount is decided annually by Congress.

[7] https://www.crainsnewyork.com/real-estate/gov-hochul-unveils-2025-housing-agenda?utm-content=article1-headline&utm_source=Sailthru&utm_medium=email&utm_campaign=Newsletter-RealEstateDaily-20250109
[8] https://otda.ny.gov/news/meetings/CPRAC/2024-12-18/attachments/2024-12-18-CPRAC-2024-Recommendations-and-Progress-Report.pdf

Section 8 Housing Choice Vouchers

Section 8 vouchers provide subsidies to low-income renters around the country. The program is administered by public housing authorities throughout the state, including the New York City Housing Authority, which distributes approximately $2 billion in Section 8 vouchers to low-income residents of the city. The conservative policy agenda “Project 2025” discusses imposing stronger work requirements on Section 8 benefits and limiting the amount of time an individual or household can access the benefit.

Section 9 and Other Grants

Public housing funded under Section 9 has decreased precipitously across the country in recent decades, but still plays a large role in New York City’s low-income housing landscape. As of fiscal year 2024, the New York City Housing Authority (NYCHA) received $1.3 billion from the federal government in operating support and projected another $4.5 billion in capital support over the years 2024-2028. Reductions in this funding would result in major fiscal challenges for the Authority. The New York City Department of Housing Preservation and Development (HPD) also receives approximately $180 million in Community Development Block Grant (CDBG) funding that could be at risk. At the State level, Homes and Community Renewal receives additional CDBG funding from the federal government.

Conclusion

Ultimately, this year’s budget negotiation will fall short of achieving the Governor’s affordability goals if housing policy does not play a central role. New York policymakers must take seriously the need for significant zoning reform in the state, including State preemption of local zoning rules and density requirements, particularly in the New York City metropolitan area. In parallel, policymakers should deepen public investment in mixed-income and affordable housing and should build a robust state voucher program that can aid in protecting at-risk residents.

The incoming federal administration will almost certainly weaken New York’s capacity for providing affordable housing and vouchers to low-income residents. With this context, New York policymakers must take decisive action to increase housing around the State and build robust affordability tools that keep low-income New Yorkers in their homes.