MEMORANDUM

To: The Chairperson and Members

From: Eric Enderlin
President

Date: November 13, 2025

Re: Approval to Continue to Temporarily Fund NYC Housing Assistance Corporation (HAC) Ruppert/Yorkville Subsidy Program

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I am pleased to recommend the Members of the New York City Housing Development Corporation approve the transfer of a not to exceed amount of $2,200,000 of its corporate reserves to the New York City Housing Assistance Corporation ("HAC") to continue to provide subsidy to the residents of Ruppert Yorkville Towers in accordance with a 2003 agreement with the owner. In June 2024, the Members approved a similar transfer that was intended to be a temporary bridge until the City of New York (the "City") could identify a long-term source to fund its obligation. The City is expected to assume responsibility for its obligation in 2026, as described below.

Background

Ruppert Yorkville Towers is a former Mitchell-Lama rental complex located on the Upper East Side of Manhattan that bought out of the Mitchell-Lama program and converted into a condominium in 2002. At that time, litigation between the residents and the owner over the buyout resulted in a Court-supervised settlement. As part of the settlement, the City agreed to subsidize residents of Ruppert Yorkville Towers earning less than 80% of Area Median Income who could not afford to purchase their units for as long as the residents remained income eligible and continued to reside at Ruppert Yorkville Towers.

The City requested the Housing Assistance Corporation, an HDC subsidiary, to be the vehicle to provide the rental subsidy program ("City Subsidy Program"). In addition to having the authority to administer the City Subsidy Program, at the time HAC had sufficient resources from HAC corporate reserves and interest payments on loans HAC had made with earlier City contributions to temporarily fund the City's obligation under the program. The City Subsidy Program for Ruppert Yorkville Towers was thereby approved by HAC Board Members in July 2003 with the understanding that future payments would come from an appropriation by the City or other funding source.

Between 2004 and 2017, the Members of HDC authorized periodic transfers to HAC to cover payments under the City Subsidy Program in amounts not to exceed $10 million outstanding at any point to cover shortfalls in available resources at HAC with the understanding that HAC would reimburse the money to HDC as its loans were repaid. As HAC approached that $10 million cap in 2017, the Members of HAC approved the sale of HAC's remaining mortgage loans to HDC to securitize and pledge to the Open Resolution. The loan sale proceeds were used to repay HDC $9.05 million in unreimbursed transfers it had made to HAC between 2004 and 2017 and the remaining $14.75 million was held at HAC, invested and used to continue funding the City Subsidy Program.

In June 2024, because there were no longer assets or monies projected to be available in HAC to fund the City Subsidy Program for the rest of that year, the Members of HDC approved the transfer of $3,400,000 from HDC corporate reserves to temporarily fund, on a monthly basis, the City Subsidy Program through December 2025 while a long-term solution was sought. (See the attached 2024 Memorandum.)

Future Funding

Currently there are 52 households at Ruppert Yorkville Towers eligible for the City Subsidy Program at a current cost of approximately $2.2 million per year. As the payments are projected to continue for several decades, HDC staff has been working with the City to determine other potential resources to support the City Subsidy Program going forward and reimburse HDC for the funds deposited with HAC and not already reimbursed. The City recognizes that the City Subsidy Program is a City obligation and that HAC has no obligation to pay the subsidy once HAC funds run out, but has not yet settled on a long-term City source to fund the Program going forward.

The two main sources of City funding under consideration are a dedicated annual allocation of City tax levy dollars, which has the flexibility to fund rental assistance, or City Capital, which cannot be used to directly fund the rental subsidy cost and would therefore require a swap of funds with HDC on one or more future projects. Under the swap funding proposal, HDC would use its corporate reserves to pay the rental subsidy and HPD would grant City Capital funds to HDC pursuant to Section 661 of the Private Housing Finance Law to make an equal amount of subsidy loans. The Corporation regularly securitizes the cash flows from its subsidy loans made on new construction projects to augment HDC's future lending capacity, but the form of grant agreement required by OMB to grant funds precludes HDC subsidy loans funded by City Capital through a funding swap to be pledged to a bond indenture and securitized to raise proceeds. This is a limitation of the swap mechanism that is currently under discussion, including whether it is an appropriate long-term source of funding for the City Subsidy Program.—To date, and inclusive of the various swap initiatives, the Corporation has made such swap loans in a combined total of approximately $250,000,000.

As discussions around a long-term solution are ongoing, the Corporation proposes to again transfer the necessary amounts from its corporate reserves in an amount not to exceed $2,200,000 to continue to temporarily fund, on a monthly basis, the City Subsidy Program through December 2026. This will bring the total amount for reimbursement by the City to HDC to $5,600,000. In the interim, Corporation staff will continue to work with the City of New York to determine an appropriate funding source to support the City Subsidy Program going forward and to reimburse the Corporation for funds deposited with HAC and used to pay the subsidy.

Action by Members

The Members are requested to approve (i) the authorization to fund a not to exceed amount of $2,200,000 of corporate reserves to be transferred to HAC on a monthly basis to cover monthly payments under the City Subsidy Program expected through at least December 2026 and, (ii) the execution by an Authorized Officer of the Corporation to execute any documents necessary to effect such transfers.

Attachments

A. 2024 Memorandum