

New York City Acquisition Fund
New York City Housing Development Corporation
Special Achievement

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NEW YORK CITY ACQUISITION FUND (NYCAF)

Background

The **New York City Acquisition Fund (NYCAF)** was launched in 2006 as a first-of-its-kind structured fund with a social impact investment mission, to finance the acquisition of privately owned land and buildings to create or preserve affordable and supportive housing and is focused on enabling mission-oriented affordable and supportive housing developers to access critical early-stage financing and other support, including site acquisition and predevelopment support.

Further, NYCAF, in partnership with both the New York City Department of Housing Preservation and Development (HPD) and the New York City Housing Development Corporation (HDC), unites diverse expertise to build and sustain thriving communities. This unprecedented collaboration leverages the unique strengths of its founding members and fund manager:

Enterprise Community Partners (50% co-member) drives systemic change through community development, equitable housing policy, and addressing racial disparities;

Local Initiatives Support Corporation NY (50% co-member) invests strategically to foster an equitable and sustainable New York; Forsyth Street Asset Management (fund manager) manages NYCAF, enabling projects that revitalize communities and create affordable housing; HPD (municipal partner and fund investor) ensures safe and quality housing; and HDC (municipal partner and fund investor) finances affordable multi-family housing to stimulate economic growth. Other fund partners and investors include philanthropic organizations, which provide mezzanine capital, and a syndicate of commercial banks.

Representatives from both HPD and HDC are members of the Fund's Credit Committee, and both of their affirmative votes are required for a loan approval. This combined effort advances NYCAF's mission through financial expertise, policy advocacy, and community development.

NYCAF distinguishes itself from other affordable housing financing sources through several key advantages. Notably, its ability to lend up to 130% of collateral value empowers sponsors to secure funding for both acquisition and pre-development phases early in a project's lifecycle, often with a limited repayment guarantee and competitive pricing. Additionally, NYCAF can provide larger loan amounts than many market competitors. Furthermore, its nearly 20-year history and experience navigating diverse market conditions and mayoral administrations underscores its unique nimbleness. This adaptability allows the Fund to maintain stability while aligning its lending operations with the City's evolving affordable and supportive housing production priorities.

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In 2018, in support of the City's Housing New York 2.0 plan and its goal of significantly growing NYCAF's lending capacity to \$200 million and beyond while expanding its ability to serve MWBE and not-for-profit developers, HDC provided a \$15,000,000 5-year revolving loan which was later extended to a 7-year term. Subsequently, in 2024, with acquisition and construction costs rising, HDC provided an additional \$10,000,000 loan to NYCAF to help NYCAF meet ongoing demand, including increased requests for larger loans.

Following the slowdown in lending due to the pandemic, NYCAF was asked to support the City's efforts to achieve an equitable recovery for the communities most adversely affected. In February 2021, the Mayor announced that going forward, NYCAF would exclusively lend to projects that were led by either a not-for-profit or Minority and Women-Owned Businesses (MWBEs) developer (often groups that have historically lacked access to flexible and attractively priced capital). This is in keeping with the Fund's mission to better support these organizations in a crowded development field and work to advance racial and social justice within the real estate industry.

Current NYCAF Portfolio

The current NYCAF portfolio of \$159,000,000 comprises 14 active loans to 13 projects representing approximately 1,796 units. In 2024 alone, the Fund made 10 new loans totaling \$115,000,000, while 5 loans totaling \$61,000,000 were repaid.

Since inception, NYCAF has made more than 100 loans totaling approximately \$780,000,000 to affordable housing projects, enabling the construction or preservation of nearly 16,800 units. As NYCAF is a revolving fund, cash from repaid loans can be re-lent for new projects. The Fund's current lending capacity is approximately \$204,000,000.

Five loans in NYCAF's portfolio were repaid in 2024, through closing with a combination of capital from housing agencies and other funding sources, such as LIHTC. This means that these deals will now result in new housing production, with these projects to break ground on construction in locations across the city. This demonstrates the importance of bridge funding in creating and preserving affordable housing. One other loan had a construction closing and Fund repayment shortly after year end.

These six projects are associated with an existing tenanted building that will be preserved as affordable; an existing building that will undergo a retrofit and be operated as affordable/supportive housing, and four developments that will be newly built. Five of the lead sponsors are non-profit developers, and one is led by a Minority and Women-led developer. The projects will collectively result in an estimated 1,035 units of affordable and/or supportive housing, an estimated 672 of which

will be affordable for tenants earning at or below 50% AMI, and represent developments in Queens, the Bronx and Manhattan.

Benefits to the sponsors in the NYCAF program

NYCAF facilitates the growth of MWBEs and nonprofit developers by enabling them to independently participate in New York City's affordable housing market. By removing the barrier of required partnerships, these developers gain increased profitability and valuable recognition from successful projects. This enhanced reputation strengthens their competitive position and, for nonprofits, translates into greater resources to advance their core missions.

Benefits to the residents of New York City

NYCAF strengthens New York City communities by increasing the availability of high-quality affordable and supportive housing, enriched with vital amenities and social services. Not-for-profit sponsors are important drivers of permanently affordable housing and supportive housing and NYCAF is a critical source of funding for these hard-to-finance housing programs.

By empowering MWBEs and nonprofits, NYCAF broadens the range of developers, leading to more diverse and tailored solutions for the city's housing needs.

Ongoing Legacy

With a nearly 20-year track record of successful capital deployment, and adjustment and interactions along the way, NYCAF has demonstrated an approach to bringing diverse sources of capital, including critical funding from government stakeholders, to bear on a challenging issue confronting mission-focused developers, that of affordable early stage and high-advance rate capital. The model initiated in 2006, and which has counted on HDC's partnership as a key stakeholder since inception and a funder since 2019 has been replicated in other markets, with local adjustments as appropriate. In Los Angeles, the New Generation Fund has employed a similar approach to early-stage lending since 2008. Other more recent examples include the Catalyst Fund in Nashville, Tennessee and there are many others. As the country, including municipalities which are much smaller than New York City, consider approaches to mitigating housing unaffordability, the model is expected to be a useful source of inspiration for how blending private and public resources can enable a robust response to critical early-stage investments in a region's housing supply.

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NYCAF Production Since HDC Investment (2019 - 2024)

