New York State's Reserve Replenishment Program: Expedited Assistance for Distressed Properties

Category and Subcategory: Rental Housing: Encouraging New Construction and Promoting Preservation

Entry Summary:

Background

New York State Homes and Community Renewal (HCR) is New York State's affordable housing agency. We offer bonds, tax credits, and subsidies, and have a portfolio of 268K affordable units that we monitor and regulate. Given the size of our portfolio, we take a proactive approach to assisting properties in financial distress.

Recent reports[1] have demonstrated that operating costs have increased significantly since 2017. HCR's own data and conversations with owners confirm that properties in our portfolio are experiencing the same cost increases. As a result, many properties are experiencing financial challenges and have diminished reserves.

However, owners of affordable housing usually operate on extremely tight margins and have little financial cushion to address non-emergency issues. This results in issues becoming progressively worse and increasingly expensive to fix, eventually leading to dire physical and financial issues.

Overview

To fill this gap, HCR has dedicated $30 million to a new Reserve Replenishment Program (RRP). RRP provides funding to projects with regulatory agreements with HCR to replenish reserves when a demonstrated need exists between refinancing cycles. The program is designed to administer relatively small financial awards that can be deployed via a light-touch approval process. Projects requesting funding for their replacement reserves are eligible for $1,000 per unit plus $250 per unit for each year the project has been occupied. For awards into the operating reserves, projects are eligible for up to 3 months of debt service and 3 months of HCR-approved operating expenses. Projects can request funding to either or both of their reserve accounts, with the total award limited to $250,000 per

[1] Enterprise Community Partners, *Distress in New York's Affordable Housing Stock*

project. The specific uses of these funds would still be governed by the projects' existing regulatory and loan-document reserve-withdrawal language.

Eligible Applicants

Priority is given to projects that are owned and operated by nonprofit sponsors, experiencing financial distress, in the middle of their regulatory terms, in need of a light to moderate subsidy rather than more substantial intervention, and/or where the award would have the greatest potential impact on the project's future stability.

Depending on the property's needs, awards are structured as grants or 0% interest loans. The anticipated closing timeline is only three to six months.

Results

The popularity of RRP confirms just how much it was needed. RRP was launched as a $5 million pilot in Q2 of 2025, with a plan to award 20-30 projects. Within months, HCR received over 200 applications. Another $25 million was added in December 2025, and as of February 2026, we have already received about twice as many applications as current funding allows.

HCR is thrilled to ensure that building owners can keep up with their expenses, which, in turn, has benefited tenants across the state. Most HCR's programs provide capital for rehab and new construction; up to this point, the Agency had limited options in providing operating assistance, and RRP addresses this great need.

RRP also uses existing staff infrastructure to operate, which makes it highly efficient and easily replicable. We intend to share our model with other affordable housing agencies.

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