

# REAL ESTATE WEEKLY

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## *de Blasio gets real with his first capital budget*

Mayor Bill de Blasio's Fiscal Year 2015 Capital Budget proposes spending \$36 billion over the next four years, which signals the administration's commitment to investments in key areas like schools, housing, environmental infrastructure and transportation, according to the New York Building Congress.

Highlights of the Mayor's budget plan for the next four years include:

Approximately \$10 billion in commitments will go to the public school system, evenly divided each year.

Transportation will see a large increase in commitments over recent budgets, receiving \$4.7 billion, compared to \$3.3 billion in the previous four years, a 40% increase. Much of the new funding will go toward repair-

ing 1000 lane miles of City streets per year.

The Mayor's signature affordable housing initiative significantly boosts the housing budget, with \$2.5 billion in commitments over four years, compared to \$1.6 billion over the preceding four years.

Commitments to parks decline from \$2.7 billion to \$1.1 billion, tapering off to a marginal \$79 million by 2018, the final year of the plan.

In sum, many of the City's core capital programs will remain stable or increase, including those noted above, as well as environmental protection, economic development, and hospitals, particularly in the coming 2015 fiscal year. However, some categories — particularly parks, mass

transit, and higher education — all see notable declines in commitments in the budget's forecast for 2017 and 2018, and will require continued scrutiny to ensure adequate funding as those years approach.

Also of note, the de Blasio administration has said it structured the capital budget to more accurately show capital spending in the year in which it will actually occur — which will help the building industry predict actual spending from year to year. Recent budgets have front-loaded expenditure numbers, which are then revised downward.

For example, Mayor Bloomberg's final Executive Budget (May 2013) showed the City would close out fiscal 2013 spending at \$9.3 billion, and then spend \$10.2 billion in fiscal 2014. In fact, the City will not have achieved either of those numbers. Actual spending in 2013 turned out to be \$8.4 billion; spending in fiscal 2014 is expected now to be closer to \$9.2 billion, a forecast off by nearly \$2 billion combining this year and last.

The de Blasio spending forecast is fairly level from year to year: \$9 billion in 2015, \$9.3 billion in 2016, \$9.2 billion in 2017, and \$8.8 billion in 2018.

Almost all of the City's capital outlays rely on borrowing. In a likely environment of rising interest rates, the administration plans to issue \$26 billion in new city-related debt between fiscal years 2015-2018. Debt service is forecast now to remain below \$7 billion annually, or less than 14% of tax receipts, below the threshold considered risky by bond rating agencies.

Building Congress President Richard T. Anderson said, "Mayor Bill de Blasio's inaugural capital budget is realistic and shows a commitment to the City's core infrastructure. It also demonstrates that this administration understands that the quality of the City's infrastructure — its schools, housing, roads, and sewers — is directly linked to the quality of life and economic well-being of its citizens, throughout the five boroughs."