Mamdani's affordable housing plans on a collision course with industry headwinds

The mayor-elect has promised to build 200,000 new units in New York City.

On the campaign trail, New York City Mayor-elect Zohran Mamdani had an audacious promise for the voters: elect him, and his administration would build more housing and bring down the cost of rent.

Making good on that promise to build over 200,000 affordable units in America's densest city will come with many obstacles, but among the most difficult to navigate may well be insurance, which has stalled or reshaped projects across the city for years.

Sources said that Mamdani's plans will encounter difficult market conditions that have already sparked rising premiums and carrier retreats in the city, and the new mayor's ability to navigate that problem could make or break his signature proposal.

"The industry faces a variety of headwinds in New York – and across the country – and the Mamdani administration will necessarily need to confront those headwinds to meet his housing goals," said Bob Hartwig, a professor at the University of South Carolina and a former insurance policy adviser for the Federal Reserve.

Hartwig added that he's "confident that the industry will work with the admin and the State of New York to help achieve the goals in a way that endures".

Spending $100bn and building 200,000 new units

Mamdani's rise to power comes on the heels of a severe affordability crisis in the nation's largest city, driven in large part by a long-term shortage of affordable units and high demand from a crowded population.

The Big Apple's over eight million residents make up roughly 1.2 million households, and an estimated 55% of those households were considered rent burdened, meaning they pay 30%-49% of their income on rent. A third of households are considered severely burdened and pay over 50% of their income rent.

Rent burdens by federal poverty levels

	0-100% FPL	100-200% FPL	200-300% FPL	300-400% FPL	400%+ FPL	NYC as a whole
Severe Burden (50%+ of income)	84%	57%	27%	14%	4%	34%
Moderate Burden (30-49% of income)	7%	25%	41%	40%	15%	21%
Not Burdened (0-29% of income)	9%	18%	31%	46%	81%	45%

Source: CSS (Community Service Society), cssny.org

To combat that dearth in availability, Mamdani has promised to triple the city's production of publicly subsidized and permanently affordable housing by constructing 200,000 units over 10 years.

He has promised to commit $100bn in public funds to help make that happen, largely through issuing city bonds.

Rachel Fee, executive director of the non-profit New York Housing Conference, said that there are numerous challenges for building affordable housing in the city, but liability insurance for building owners of the affordable properties can make the process especially tricky.

A recent report from New York Housing Conference found that insurance costs are the fastest-growing category of expenses for affordable housing operators in NYC, up 103% in four years to $1,770 per unit from $869.

That places an especially large strain on building owners whose revenues are constrained, and increased costs and instability can make it more difficult for operators to obtain private capital to develop projects and insurance to back those loans.

“The building operations piece in affordable housing is really significant,” she said.

City-controlled projects may deter insurers

Many insurance companies are hesitant or unwilling to insure affordable housing buildings that contain a majority of subsidized units, wholesale broking sources told this publication.

Rent-subsidized units deter insurers due to their association with higher crime, poor maintenance, and disrepair especially in large complexes like New York City Housing Authority (NYCHA) buildings.

NY-based carriers are also skeptical about writing business in Brooklyn and the Bronx, due to their reputation of having claimant-friendly courts and issuing high awards against insurers.

"Certain insurance companies won't write subsidized housing,” a wholesale broker said.

“They want to write a nice condo building in Midtown, … they don't want to write something that might be affordable housing in the South Bronx by Yankee Stadium. “

Mixed-income buildings, where only a portion of units are subsidized, are much easier for insurers to cover than all-subsidized developments, the broker said. Highly controlled city-run projects may discourage participation due to burdensome government requirements and limited financial upside.

Those costly added requirements could include higher labor standards and green materials that increase development – and replacement – costs, executives said.

“The developers that are building these buildings out of speculation for market rates are probably going to take their money and go elsewhere outside the city,” a wholesale broker said.

However, increasing the overall supply of housing units in New York City and expediting their construction would be an effective way to make housing in the city more affordable, executives agreed.

The potential insurance challenges come at a time of already strained markets for public entities, according to Amwins. The wholesale broker wrote recently that underwriting in the public entities market remains “firm”.

“For clean accounts, average increases are typically 4% to 6%, but accounts with losses often face much higher jumps, sometimes more than 20%, depending on the jurisdiction and claims history."

Higher retentions and increased self-insured layers are also becoming more common "as entities balance limited market capacity with shrinking budgets", with some choosing to self-insure.

Market Overview

Underwriting in the public entity space remains selective and highly dependent on jurisdiction, with many long-standing markets holding firm despite growing competition. While some newer players are taking a more aggressive approach, established carriers continue to be selective, especially on higher-exposure accounts.

Capacity is tightening and $10M limits are becoming increasingly rare outside of legacy placements. For new business, most carriers now cap their participation at $5M or less, and several have signaled plans to phase out existing $10M commitments. As a result, buyers looking for larger towers often need to spread coverage across more markets or take on higher retentions to reach the same overall limits.

Regional and exposure-specific challenges

Geography continues to heavily influence underwriting decisions. California remains one of the most challenging environments, driven by rising claims cost, social inflation and ongoing impacts from AB 218 and other reviver statutes expanding the window for sexual abuse and molestation (SAM) claims. New Jersey and select Northeastern states are experienc[illegible] nilar pressures, with carriers particularly cautious on K-12 school exposures. On the West Coast, [illegible] e to the absence of meaningful tort caps, resulting in claim costs often several multiples higher [illegible] Oregon, where strong, inflation-adjusted tort caps provide more stability.

Mamdani will need Albany's help

As with much of his agenda, Mamdani will almost certainly need help from state lawmakers in Albany, as well as the governor's office.

But there are already signs that the help may come.

Just a day after his electoral victory on November 4, the State Senate scheduled a hearing to analyze the challenges facing New York's residential property insurance market.

A listing for the hearing said that both homeowners and multifamily property operators face "unprecedented challenges" from climate change, increased reinsurance costs and inflation.

All of that has "fundamentally altered the risk landscape for both single-family homeowners and multifamily operators", the hearing post said.

Insurance has also been the focus of at least three bills that were introduced in the state assembly, including those that require reports on affordability and a task to analyze the marketplace with the help of all sorts of stakeholders.

A third bill would also create a liability insurance relief fund, which sponsor Assemblyperson Emerita Torres said would help to offset rising insurance costs for affordable housing property managers and owners.

Torres said that as many as one in five affordable housing developers have previously been forced to pull back or cancel building plans due to insurance concerns. Torres said that insurance challenges put all projects at risk, and noted that NYC and the state both have major plans to build housing that could be derailed by the stress.

"If we can't get the situation under control, then I do think it's going to be a problem," she said.

The Mamdani campaign was contacted for comment for this article.

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