

Mamdani's Affordability Promise Meets Fiscal Reality

The largest budget in city history, closed with borrowed time · William Harrison, Founder & Chief Investment Officer · September 10, 2026

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WHY WE ARE WRITING THIS AT ALL

At Sirmium, our job is to make money for clients, not to score political points. So this is deliberately bipartisan: we are not evaluating Mayor Mamdani's politics, we are evaluating the numbers, because the numbers are what determine whether capital deployed in and around New York City is well positioned or exposed. Whatever one thinks of the policy goals, the fiscal mechanics are what matter to an investor.

Zohran Mamdani won the mayoralty on a single word: affordability. Free buses, universal childcare, city run grocery stores, a rent freeze, all funded, in the pitch, by making the wealthiest New Yorkers and corporations pay their share. A year into his term, the affordability promise and the fiscal reality are pulling in different directions, and the gap between them is the real story of his first budget.

THE BUDGET, BY THE NUMBERS

Mamdani inherited what he called an "Adams Budget Crisis," a \$12 billion two-year shortfall he attributed to years of underbudgeting essential services like shelter, rental assistance and special education under the previous administration. Whatever its origin, the number was real and closing it fell to him.

In May 2026 he proposed a \$124.7 billion Executive Budget. The City Council adopted a larger \$125.8 billion budget on June 30, the largest in city history, up from roughly \$70 billion under Mayor Bloomberg a little over a decade ago. On paper it closed the gap without raising property taxes, touching the rainy-day reserves or cutting social services.

In practice the package Albany delivered was smaller and more mixed than the headline suggests. The Mayor's own release breaks it into \$352 million in direct aid, \$3.2 billion in state authorizations, including the pension liability restructuring and class size flexibility, and \$500 million in new annual revenue through a pied-a-terre tax on ultra-wealthy second homes. The larger "\$8 billion" figure in circulation covers two fiscal years and is mostly permission for the city to do its own financial engineering rather than money arriving from Albany.

That distinction matters, because two of the three pieces are not recurring revenue. A pension restructuring moves money between years. An authorization is not a payment. Only the pied-a-terre tax is a new, ongoing source, and at roughly \$500 million a year it is a fraction of a \$12 billion gap.

Notably absent: the corporate and personal income tax increases on high earners that Mamdani actually campaigned on. Albany rejected them outright. The revenue that was supposed to permanently fund universal childcare, free buses and city run groceries never materialized, so the money came from one-time and borrowed sources instead.

ON THE PENSION LINE SPECIFICALLY

What the city did was re-amortize the unfunded liability of its pension systems. That is an employer contribution schedule, not a benefit: no retiree's check is delayed and no active member's accrual changes. Four of the five systems elected in. The New York City Police Pension Fund did not. If you are an NYPD member, read what the re-amortization did to your pension for the detail.

THE GAPS THAT ARE ALREADY ON THE BOOKS

The consequence shows up immediately in the city's own projections. Even after this "balanced" budget, the May financial plan carries out-year gaps of \$7.07 billion in FY2028, \$9.08 billion in FY2029 and \$9.75 billion in FY2030. The city's own plan describes gaps averaging \$8.6 billion across those three years. The State Comptroller's restated figures put the average nearer \$9.9 billion.

Comptroller Mark Levine, a fellow Democrat and not a political opponent, has flagged the pension re-amortization as a maneuver that pushes today's obligations onto tomorrow's taxpayers. The city's underlying operating deficit in FY2026 was \$1.8 billion, the fourth consecutive deficit year and the largest since 2020.

None of that is a prediction of crisis. It is the city's own arithmetic, published by the city, and it says the same thing three years running: the structural gap was not closed, it was deferred.

THE AFFORDABILITY MATH

Mamdani ran on a mandate to make the city affordable and then produced a budget that is, by the numbers, the opposite. For perspective, \$125.8 billion is comparable to the entire annual budget of a midsized nation like Greece or Thailand, spent governing a single city. The city's last budget under Bloomberg, adopted for fiscal 2014, was about \$70 billion. In little more than a decade the budget has grown by nearly 80%, outpacing both inflation and the city's own economic growth.

And it has happened while the city has been losing the one resource that makes big government affordable: people. New York's population fell sharply during the pandemic, down 5% from April 2020 to July 2022, and while it has since rebounded it remained below its 2020 baseline. A bigger bill split among fewer taxpayers is simple arithmetic. By the Lincoln Institute's fiscally standardized measure, New York's per capita general spending in 2023, the most recent data available, ran more than 30% higher than Los Angeles and more than double Houston's.

What that spending buys is genuinely mixed. Take the city's schools, the largest district in the country. The Department of Education's adopted budget went from \$25.6 billion in fiscal 2019 to \$34.997 billion in fiscal 2026, with per student spending projected to approach \$35,000, among the highest of any district in the

nation, even as enrollment has shrunk. Graduation rates, test scores and reading levels remain middling, often comparable to districts spending a fraction of that per student.

WHO PAYS, AND WHAT THAT MEANS IF YOU ARE THE ONE PAYING

Every political argument eventually ends up at the same question. New York already sits at the extreme end of the American tax spectrum. Combined state and city income tax for top earners reaches 14.77%; layer on federal taxes and the marginal rate can exceed 50%, running close to 55% on certain investment income. On business taxes, the city's combined corporate rate of 17.44%, once state, city and regional layers are stacked, is the highest in the country according to the Citizens Budget Commission.

The 9.5% property tax increase floated as a fallback did not survive. The State Comptroller refers to "the elimination of a 9.5 percent property tax hike," and Council leadership had called it a nonstarter well before that. It is worth knowing it was on the table, and worth being accurate that it came off.

The more durable point about New York property tax is not the rate, it is who carries it. City homeowners are lightly taxed on rate, about 0.7% effective on one-to-three family homes, and rank 23rd of 53 large cities unadjusted. What is unusual is the apartment-to-homestead ratio, the highest in the country at 5.669: renters and apartment owners subsidize homeowners. If you own multifamily property in the city, that ratio is your exposure, and it is the lever with the least political cost to pull.

New Yorkers are paying rates that approach European countries providing universal healthcare, free college and sound infrastructure. What New Yorkers get, in the most visible instance, is roughly 300 miles of sidewalk sheds.

WHAT THE UNDERLYING ECONOMY LOOKS LIKE

Set the budget fight aside and the ground-level numbers are not encouraging either, though the headline job figure deserves more care than it usually gets.

The 2025 job count is genuinely disputed, because roughly 43,000 home-care jobs were reallocated out of the city in April 2025. Benchmarked Department of Labor data shows the city losing about 20,000 jobs on the year; the Center for New York City Affairs puts it at a gain of about 22,400 once that reallocation is adjusted for. Both readings agree on the part that matters: outside healthcare, private sector job growth was close to zero.

Inflation in the city is running hotter than the national rate, 4% versus 3.3% as of March 2026, and regional prices sit roughly 9% above the national average. By the mayor's own account, one in four New Yorkers live in poverty, even as the city sits atop what he calls the wealthiest economy in the wealthiest country in the world.

That last point is worth sitting with. It is Mamdani's own diagnosis of the problem he was elected to solve, and more than a year in, the affordability crisis he ran on has not meaningfully eased. Rent is frozen for stabilized tenants, but for the roughly three quarters of New Yorkers not in stabilized units, the labor market and inflation numbers matter far more, and both are moving the wrong way.

ON HOUSING, THE CRITIQUE LANDS CLOSEST TO HOME

Mamdani's instinct to prioritize affordability, especially housing, is correct. Subsidies are the wrong tool, because they tend to push rents up rather than down. New York's rental assistance spending rose from \$263 million in fiscal 2020 to \$1.34 billion in the most recent reported year, a fivefold increase, over a period in which housing costs got worse, not better.

Echoing the economics writer Matthew Yglesias, the more durable alternative is simpler and less politically satisfying: build more market rate housing, which expands the tax base, fills the schools and grows the local economy enough to make the rest of the budget sustainable on its own.

The broader pattern extends beyond New York, to blue cities as a category, where governments tend to promise more, spend more, deliver less and defer the reckoning. Los Angeles runs about \$950 million a year on homelessness while homelessness rose roughly 9% countywide and 10% in the city in 2023 alone, and a city audit of \$2.4 billion in homelessness funding could not reliably determine where the money went. Chicago tells a similar story, with pension obligations large enough to threaten insolvency on their own. The pattern across all three is not ideology, it is a theory of government that equates progress with adding programs, which produces exactly the unaffordability those programs were meant to solve.

WHAT THIS MEANS FOR YOUR MONEY

Here is the part that changes what you actually do, and it is deliberately unglamorous.

First, treat New York fiscal risk as a concentration question, not a headline. If your salary, your home, your rental property and your business all sit inside the same city tax base, you are not diversified against a jurisdiction, however diversified your portfolio looks. That is a common shape for a successful New Yorker and it is worth naming before it is worth acting on.

Second, the deferral is the signal. When a gap is closed with authorizations and a re-amortization rather than recurring revenue, the bill arrives in a later year, and the tools available to a future administration are the ones with the least political cost. Historically in New York that has meant property and business taxes ahead of income taxes, and terms for future hires ahead of terms for current ones. If you hold multifamily property, that is a planning input now, not in 2030.

Third, and most practically: the value of tax-deferred and tax-exempt space goes up in a jurisdiction with the highest combined rates in the country. Deferred compensation, a 457(b) for public employees, municipal bond positioning and the sequencing of Roth conversions are all worth more here than they would be in a low-tax state, and they are levers you control regardless of what Albany does next.

This is general educational information and not legal or tax advice. What a change in city or state tax law means for your own return is a question for your tax professional, and questions about the statutes themselves belong with your attorney. What we can do is the money side, once the policy dust settles.

WHERE HE NEEDS TO IMPROVE

The honest critique is not that Mamdani is a radical remaking the city overnight. The numbers do not support that. It is narrower and, in some ways, more damning: the gap between what he promised and what

he is actually able to fund is being bridged with borrowed time, not new revenue.

A structural funding plan, not one-time patches. Pension deferrals and state authorizations are not renewable. Without a real revenue source, the FY2028 through FY2030 gaps are not hypothetical, they are already on the books.

A credible jobs strategy. Near-zero private sector job growth outside healthcare is a serious warning for a city whose entire tax base depends on a thriving private economy, and a population below its 2020 baseline makes every existing obligation more expensive per remaining taxpayer.

Spending that tracks results, not just intentions. The education budget is the case study: enrollment down, per pupil spending among the highest in the nation, outcomes that do not reflect it. The same test, dollars in versus results out, should apply to every line item, not just the politically convenient ones.

Housing supply over housing subsidy, for the reasons above. And honesty about tradeoffs with Albany: if the income tax path is dead, the administration needs a plan B that does not quietly become spend now, bill later, which is the exact pattern that produced the hole in the first place.

The affordability promise was the right diagnosis. The fix is not to announce more programs. For the fundamentals to work, we need fewer promises and more permits.

Sources. NYS Financial Control Board, staff report on the FY2027 Adopted Budget, August 6, 2026. NYC Comptroller, Comments on New York City's Fiscal Year 2027 Adopted Budget, August 12, 2026. NYS Comptroller, Review of the Financial Plan of the City of New York, Report 4-2027, June 2026. Office of the Mayor and Governor Hochul, joint release on the state budget agreement, May 12, 2026. Citizens Budget Commission, combined corporate tax rate comparison. NYU Furman Center, State of the City 2025. Lincoln Institute of Land Policy and MCFE, 50-State Property Tax Comparison Study for Taxes Paid in 2025. Center for New York City Affairs, "Officially, NYC Lost 20k Jobs During 2025. Actually, We Gained Just About That Many.". NYC Department of Education adopted budgets, fiscal 2019 and fiscal 2026.

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