NEW YORK HOUSING CONFERENCE

Testimony for Rachel Fee, New York Housing Conference
Joint Legislative Budget Hearing: Housing
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My name is Rachel Fee. I am Executive Director of the New York Housing Conference (NYHC). I would like to thank the Housing Committee Chairs Senator Brian Kavanagh, Assemblymember Linda Rosenthal and Senate Finance Committee Chair Liz Krueger and Assembly Ways and Means Committee Chair, Helene E. Weinstein as well as the other members of the Legislature for the opportunity to testify today.

NYHC is a nonprofit affordable housing policy and advocacy organization. As a broad-based coalition, our mission is to advance City, State and Federal policies and funding to support the development and preservation of decent and affordable housing for *all* New Yorkers

We are also a founding member of a new statewide pro-homes coalition – New York Neighbors – with other organizations such as Enterprise Community Partners, New York State Association for Affordable Housing, Open New York, Regional Plan Association (RPA), and Up for Growth. More than 40 additional organizations have joined in support of addressing land use barriers to increase housing supply.

First, we support the Housing Compact as a necessary long-term growth strategy that will complement the historic investment made last year in the new 5-Year Statewide Affordable Housing Plan. New York is suffering from a long-standing housing shortage that impacts every corner of our state. We created jobs at 3 times the rate of housing units in the past decade and need to build 800,000 housing units over the next decade to meet current needs and expected job growth, according to RPA. This is a 9.8% increase from the existing housing stock, an achievable goal for growth over 10 years.

The supply shortage is the driving force behind rising rent, escalating homelessness, and lack of homeownership opportunities for many working- and middle-class New Yorkers. Almost half of renters in the state are cost burdened and the lowest-income New Yorkers are disproportionately impacted. New York has a shortfall of 615,000 affordable rental units for extremely low-income renters. Homeownership is also increasingly out of reach. In 2022, New York's average home sales price was $523,111, a 46 percent increase from 2018. The scale of the problem is impacting an entire generation. Millennials have considerably lower homeownership rates than generations before them. Lack of affordable homeownership opportunities has also contributed to an exodus of Black families from historically Black neighborhoods in New York City. Research on county level migration patterns shows on average, annual mortgage costs for median-priced homes are $18,300 lower in destination counties — a savings of 34 percent — than in New York origin counties.

Much of our housing shortage can be attributed to overly restrictive local zoning including minimum lot size, parking requirements and single-family zoning. These restrictions, many of which were set in place decades ago, were intentionally crafted to exclude renters, low-income households and people of color from having access to communities. As a result, we have highly segregated communities throughout the state, especially the New York Metro region, which is the second most segregated metro in the country. In Long Island for example, 50 percent of the Black population lives in just 11 of its 291 communities and 90 percent lives in just 62. Just a few years ago, rampant housing discrimination was documented across Long Island, forcing the legislature to take action.

It is time to act again – this time to reverse exclusionary zoning and provide more housing options so that broader access is available to neighborhoods with the amenities, schools and proximity to high quality jobs that all of us need. Restrictive zoning also negatively impacts our economy by preventing localities from creating the diverse housing stock needed to respond to job growth and serve their residents at many different stages of life.

We believe the Compact appropriately tackles many of these barriers to building more housing while providing flexibility for localities to meet growth targets, incentivizing affordable housing and supporting our aggressive climate goals through increased density near public transit. We also strongly support the fast track and appeals processes for affordable housing in noncompliant localities.

We favor affordable units counting double towards growth targets as proposed and tax incentives to encourage affordable rental housing outside of NYC. We also expect the minimum density requirements in transit-oriented development (TOD) will produce new diverse housing stock across a range of lower price points in neighborhoods dominated by single family zoning, including adding duplexes, townhomes, rental apartments and co-ops/condos. The elderly will be able to downsize, young families will be able to buy starter homes, renters at all incomes will have access to new neighborhoods and professionals will have the opportunity to live in thriving walkable communities near their rail stations. However, we do believe there should be a greater emphasis on affordability. One way this can be achieved is by adding mandatory inclusionary housing (MIH) to the menu of preferred actions. This would pair well with new tax incentives and ensure affordable housing gets built in some of the most high-cost markets.

We are happy to see funding from the state to assist communities in meeting the Compact goals by investing in local infrastructure and providing planning assistance with a $250 million Infrastructure Fund and $20 million Planning Fund proposed in the Compact. However, we anticipate the needs will be much greater than what is proposed. We recommend $800 million per year for infrastructure funding and $30 million per year for planning assistance. With the recent passage of the historic $1.2 billion Infrastructure Investment and Jobs Act, we also have federal support to meet these needs for the first time in decades. The state must ensure complimentary investments in planning and infrastructure reflects the true cost of what it will take communities to participate in the Housing Compact.

There is also a slate of tax incentives to encourage multifamily rental housing upstate and provide an exemption for new ADUs, which we support. We also support a tax incentive to facilitate commercial conversions, however we recommend that the affordability levels at least match the city's Mandatory Inclusionary Housing program given the depth of the affordability crisis. Several provisions address NYC specific needs to eliminate the maximum density of 12 FAR, expand the number of commercial buildings eligible for conversion and allow for the legalization of existing basement units that meet health and safety standards. We believe these are necessary changes to expand supply in the city and protect as many as 300,000 to 500,000 tenants in illegal basement apartments.

Further, we support extending the deadline for 421a projects already in the pipeline to complete construction to 2030 to ensure that affordable housing promised to communities is delivered. The most-recent 421a program required that developers build foundations by June 30, 2022 and complete construction by 2026 in order to qualify for the program. However, projects are facing delays and many -

meant to deliver affordable housing in recent rezonings, including in Gowanus - will not be able to complete construction by 2026.

Looking forward, two major tax incentives to support construction and preservation in NYC have expired - the 421a program and the J-51 program. As replacements for these programs are being considered, we believe any new tax incentive for rental housing construction should be as-of-right, be financially feasible, incentivize affordable housing in high-cost neighborhoods, and complement NYC's Mandatory Inclusionary Housing Program. A tax incentive for housing preservation should be as-of-right, incentivize investment in the city's housing stock, especially low-cost housing that does not currently have a regulatory agreement, allow for maintenance of housing quality standards, and encourage sustainability upgrades. We also support affordability plus – legislation to update NYC Housing Preservation and Development's (HPD) loan authority. Some of these authorizations are expired or outdated and limit the City's ability to pursue new tools to support affordable housing. This is crucial to financing many of our shared housing priorities such as preservation, basement apartment legalization, community land trusts and supporting low-income homeowners.

We are at a point where we can no longer deny the need for greater supply. We've seen record levels of investment in affordable housing from both the state and New York City in recent years. Every year we use all of our private activity bond resources towards affordable housing, and yet we haven't come close to meeting the supply needs. Unfortunately, as a state, New York has fallen behind on this issue. We have seen statewide efforts to increase supply by tackling exclusionary zoning across the country in California, Utah and Oregon and from our neighbors in Massachusetts, New Jersey and Connecticut. This is our chance to make sure we have enough housing choice for all New Yorkers in the years to come.

As we address the supply shortage, however, we must also address the reality that many low-income families need assistance to pay their rent now. We saw 200,000 eviction filings in New York last year and over 74,000 New Yorkers experiencing homelessness - 20,000 of them children. It is our lowest income families who are most at risk of spiraling into homelessness. Over 85 percent of extremely low-income households are cost burdened and 70 percent pay more than half their income on rent. We urge the Legislature to provide $250 million for the Housing Access Voucher Program (HAVP), which will provide rental assistance to families and individuals who are at risk of or are already experiencing homelessness. Funding HAVP will provide stability to tens of thousands of low-income renters and put New York on track to end the homelessness crisis in our state.

There is also currently a great need to address mounting arrears in affordable and public housing. The state Emergency Rental Assistance Program provided vital support to households experiencing economic instability during Covid but there are still almost 180,000 applicants who haven't received support. NYCHA alone has over $450 million in rent arrears. This has created an arrears crisis across New York's affordable housing stock, which already operates on razor thin margins. This must be addressed in the budget. We cannot allow a wave of evictions of public and affordable housing tenants. The state should create a $2 billion Tenant Fund for Affordable Housing (TFAH), which would prioritize affordable and public housing. Given the regulatory limitations on both income and borrowing, public housing and private affordable housing and their tenants are especially at risk – state action is needed.

The state must also maintain strong funding levels for existing HCR programs. As communities look at ways to meet supply goals, we must continue to support the programs that protect homeowners and make affordable housing production and preservation across the state possible. We are looking for:

$4 million for Access to Home
$36 million for Affordable Housing Corporation (AHC)
$40 million for the Homeowner Protection Program
$10 million for the Mainstreet Program
$20 million for the Small Rental Development Initiative
$17.75 million for the Neighborhood Preservation Program
$7.75 million for the Rural Preservation Program

State support for affordable homeownership is critical. It is imperative that HOPP is fully funded to maintain counseling services for homeowners facing foreclosure. According to U.S. Census Household Pulse Survey data, an average of 7.4% of New York homeowners with mortgages continued to be delinquent in 2022 - almost 290,000 New York families. This is well over the high of 3.8% in January 2009, during the height of the financial crisis and Great Recession.

Further, legislation increasing the AHC subsidy for affordable homeownership developments was just signed at the end of 2021 – meaning more funding is needed, not less. This program is crucial to keeping homeownership accessible to lower income households.

Thank you for this opportunity to testify.