

NEW YORK HOUSING CONFERENCE

My name is Calvin Parker, I am testifying on behalf of the New York Housing Conference (NYHC). I would like to thank Chairperson Young, Chairperson Farrell, Chairperson Little, and Chairperson Wright as well as the other members here for giving me the opportunity to submit our comments on the 2016-2017 Housing Budget. NYHC is a nonprofit affordable housing policy and advocacy organization. NYHC's 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 analyze public policy, educate and convene stakeholders and raise public awareness regarding New York's need for affordable housing. We are a broad-based coalition comprised of a balanced mix of nonprofit and private developers, owners, managers, professionals, and funders of affordable housing.

As I am sure the committee members are aware, the State of New York faces critical housing needs - perhaps the most pressing needs we have seen in a generation. On any given night, more than 80,000 New Yorkers are homeless across the State. And while a host of issues are involved, including our mental health and social service support system, the homeless crisis is at its root a housing problem – there is simply not enough affordable housing for extremely low income households. And while homelessness represents the extreme end of the spectrum of unmet housing needs, the overarching problem is pervasive. In fact, hundreds of thousands of New Yorkers live in financially vulnerable situations. More than half of all households in New York devote more than 30% of their income for rent and more than 1.5 million families are severely rent burdened, paying more than 50% of their monthly income on housing. Low Income homeowners continue to face their own affordability crisis as defaults remain a persistent problem

in the wake of the great recession. And affordability is by no means the only urgent housing problem. Too many of our residents continue to live in communities characterized by a concentration of poverty and a lack of adequate services.

I want to begin by commending the Governor and his housing team for recognizing these daunting challenges and for taking action to confront them. In particular, the proposed budget provides unprecedented state support for homeless initiatives and, most importantly, it expressly makes the connection between homelessness and the overall need to produce more affordable permanent housing units, calling for 100,000 new affordable housing units over 5 years. We urge the members of the Senate and the Assembly to support the commitment to affordable housing outlined in the Budget proposal and we look forward to working with you and the executive branch to further shape this budget as it makes its way through the process and more detail is added.

As you know, the centerpiece of the Governor's proposed housing budget was the nearly \$2B allocation of 2017 Capital funds for a new state "Housing Program". And while the proposed budget did not provide detail on exactly how this appropriation would be put to use, we understand that the State will be issuing a new housing plan that will outline how this funding is to be made available. As some of you may be aware, the New York Housing Conference has consistently called for additional support for a range of housing initiatives to address the pressing unmet housing needs that we in the field have identified. Now that it appears that additional funding will, in fact, be made available, it is all the more critical to ensure that this funding addresses the five high priorities that have been outlined.

1. Build More Supportive Housing for Homeless People

As the governor has so passionately said in his State of the State Address, the State's first priority must be to support an array of initiatives for the homeless including the production of new affordable permanent housing units. The Governor has committed to providing 20,000 units. These badly needed units will complement the 15,000 units that are being proposed by New York City.

The City and the State have worked well in the past on this issue through "New York-New York Agreements" and moving forward we encourage them to again coordinate on how these units will be produced and how the critical services and operating supported will be made available. This level of collaboration is critical if we are to ensure that scarce resources are used in the most efficient and effective manner.

In the interest of improving the general understanding of this undeniably difficult problem, we call on the State to establish statewide and regional goals to reduce the ranks of the homeless and to issue periodic reports on what has been accomplished - highlighting the most successful models and calling out approaches that have not succeeded.

2. Preserve Public Housing

As the widespread shortage of affordable housing becomes more pronounced, the value of the many Public housing units we have in New York becomes more apparent. This is especially true in New York City where more than 179,000 units are owned and operated as by NYCHA, serving as home to more than 400,000 New Yorkers. And the demand for these units, all of which are affordable to low income households, is tremendous, with more than 270,000 families on the NYCHA waiting list alone. Unfortunately, federal operating do not cover the full cost of their operation, and as properties continue to deteriorate with age and the Federal funding to support them dramatically decreases, NYCHA and other Public Housing Authorities (PHAs) face critical financial deficits which jeopardize the livability of their units.

NYHC applauds state lawmakers for their support in the form of a \$100 million investment in NYCHA in the 2016 budget, matching the \$100M committed to these developments by the City of New York. And we urge you repeat this commitment in 2017 and each of the next four years going forward. For its part, NYCHA has developed a “Next Generation” Strategic Capital Plan identifying and prioritizing the Authority’s pressing capital repair needs and outlining portions of existing properties with potential for capital generating redevelopment. To ensure that this funding has the greatest possible impact, it is critical that the state’s legislative language for the new \$100M initiative make it clear that all state funds be dedicated to the most pressing, strategic capital needs (including roof replacement and mold remediation) as determined by a physical needs assessment of the properties.

We also recommend an additional \$75 million annually to support new Rental Assistance Demonstration (RAD) projects in public housing authorities across New York State so that projects with extraordinary needs can take advantage of scarce Federal resources in order to undergo substantial redevelopment. While this program does not directly increase Federal support for the Public Housing units enrolled in the program, it does convert the Public Housing subsidies into project based Section 8 rental assistance contracts, which potentially enables the project to leverage other housing subsidies (e.g. LIHTC) and private investment capital.

3. Launch a New Senior Housing Program to Address this Rapidly Growing Need

While the need for affordable housing assistance cuts across all New Yorkers, some groups are especially vulnerable. Many elderly residents face increasing housing costs and are limited to fixed incomes - creating ever widening rent gaps. According to a recent survey of HUD 202 waitlists by LiveOn New York, nearly 200,000 seniors are waiting an average of 7 years for affordable housing. Even senior households living under the protections afforded through rent

stabilization face tough times. In fact, fully 65% of senior in rent stabilized units pay more than half of their income in rent. In response, the Housing Conference joins our colleagues at Leading Age New York, LiveOn New York, Enterprise Communities, New York State Association for Affordable Housing (NYSFAFH) and others in urging the State to support “aging in place” of New York’s rapidly growing low-income elder population through the creation of a new New York Senior Affordable Housing Program.

Specifically, we are requesting that, beginning in 2016-2017, the State budget include at least \$50M annually (A total of \$250M) to provide development subsidies averaging \$100,000 per unit in order to create up to 500 new Senior Housing units. While the Governor’s initial budget request did not contain a set aside for such a program, the significant increase in overall housing funding called for by the governor provides room to carve out this kind of initiative from within the State’s larger “Housing Program” without jeopardizing other ongoing efforts.

The new program must be fashioned to provide an appropriate service component that emphasizes wellness and healthy aging, and enables seniors to avoid premature entry into more intensively supervised settings. As such, the proposal has the potential to generate tremendous overall savings including reductions in Medicaid and Medicare expenditures associated with seniors living in assisted living and nursing home facilities. We are eager to work with you and the Governor’s staff to ensure that the final budget sets aside funding for this high priority need.

4. Assist Homeowners and Preserve Neighborhoods through Foreclosure Prevention

As some households struggle to find affordable housing in tight rental markets with rapidly increasing rates, other New Yorkers that have managed to own their own home face foreclosure. In some communities across the State where a substantial number of properties have deteriorated in a concentrated area, and private financing is either unavailable or unaffordable, communities are severely impacted. As localities struggle to preserve and revitalize these areas,

the NYHC calls on the State to provide a range of services and subsidies to support homeownership for LMI households.

The Conference recommends that the State budget for 2017-2021 include a total of \$250M for Neighborhood Preservation and affordable Homeowner assistance, with \$50M budgeted each year. Specifically, the State should support:

- **Housing Counseling and Legal Services** for prospective home-buyers and existing homeowners including pre-purchase housing counseling and guidance, and foreclosure prevention assistance.
- **The NYS Mortgage Assistance Program** which provides 30 year zero% “foreclosure prevention” loans to pay down principal on first or 2nd liens, delinquent property taxes or other debt.
- **The NYS Community Restoration Fund** which provides up to \$60,000 per unit to support property acquisition or resolution of distressed liens for homeowner retention when possible.
- **Single-Family Home Repair Fund** which provides funding for a “loan loss reserve” to spur lending to LMI homeowners with property maintenance needs related to foreclosure or delinquency.
- **NYS Down-payment Assistance Funding** for high value markets, to augment local resources that have income restrictions - subsidy geared to gaps between median income & median price.
- **New Homeownership Incentives** through increased support for successful SONYMA products and increased AHC & HTF homeownership funding with higher per unit caps in high-cost markets.

Again, we look forward to working with the legislature and the Governor’s office to ensure full funding for these initiatives as the State’s new Housing Plan takes shape and allocations for individual programs are established.

5. Support Mixed Income Housing thru the State Low-Income Housing Credit (SLIHC)

Since its creation 10 years ago, the State Low Income Housing Credit (SLIHC), has provided a vital source of gap funding for affordable housing projects throughout New York State, which otherwise would not have been financially viable. As the committee members know, the SLIHC is modeled on the federal low income tax credit program, with an important difference in income eligible households – SLIHC units can serve households with incomes at or below 90% of the area median income, versus the 60% AMI standard of the federal program. This allows New York to offer affordable housing options to working families, who otherwise would be earning just enough to disqualify them from Federal assistance.

While the Governor’s budget proposal calls for a continuation of this vital tool at the existing level, we believe the current housing shortage and this program’s special utility in supporting mixed income developments merit a significant increase in support from last year’s \$8M up to a total of \$25M in 2017 and 2018, moving to \$30M in 2019, 2020, and 2021. It is important to note that this program does not involve a direct capital expenditure and instead supports housing through the issuance of credits to NY State tax payers that provide equity investments in qualified projects. Moreover, because of the program’s flexibility, it has the potential to be used in conjunction with a wide variety of other housing initiatives, further leveraging its cost effectiveness.

While it is critical to increase financial support for each of the priority issues outlined above, it is also essential that resources continue to be allocated effectively to the State’s existing housing finance programs as well. It is also essential that, whenever possible, the State work

cooperatively with its major municipalities, who are on the front lines of the housing crisis and (as the Governor has pointed out) are directly responsible for housing the homeless. Nowhere is the need for cooperation more critical than between the State and New York City, which is in the midst of its own major affordable housing plan.

Taking the City's 200,000 unit plan together with the State's 100,000 unit initiative announced earlier this month, it is clear that we are on the cusp of real change in the housing landscape with the promise of dramatic improvements in the quality of life for New Yorkers. But with the increases in capital spending for housing called for by the Governor, aggressive steps must also be taken to ensure that we secure and maximize the existing sources of leveraged funding that have traditionally been used in conjunction with our capital spending. For instance, the ability to issue private activity tax exempt bonds (aka Volume Cap) to support qualified housing developments has been a critical tool for both the State, through its Housing Finance Agency (HFA), and the City, through its financing arm the Housing Development Corporation (HDC). Because the State can only receive an overall increase in volume cap if its population increases, it is essential that we wisely manage the "cap" that we do have if we are to achieve these aggressive plans.

The Governor's budget will have a tremendous impact on increasing the supply of affordable housing in New York State as long as New York City's production pipeline continues to receive the same or greater level of volume cap as in the past. With the Governor's new 100,000 unit housing initiative, it is expected that HFA will consume a larger portion of volume cap for affordable housing, which the New York Housing Conference supports. At the same time, it is important that this increased use is not at the expense of New York City's typical annual

allocation which includes the significant reallocation of unused volume cap to HDC. This should and need not be a zero sum game between the State and City.

With that goal in mind, we recommend the following, three point strategy to support affordable housing production and preservation in a time of record homelessness and an unprecedented demand for affordable housing:

1. Prioritize volume cap for affordable housing. The State should aim to maximize the use of tax-exempt private activity bonds for affordable housing in both the State and local programs. This will generate more as-of-right Federal Low Income Housing Tax Credits which will raise additional private capital for a desperately needed public good. In fact, every dollar of volume cap used to finance new and rehabilitated housing directly generates at least one additional dollar of construction activity in New York State, a powerful form of economic development. Use of volume cap for non-housing economic development fails to leverage tax credit investments on the part of banks and corporation, therefore allocation to housing is a substantially more efficient use of tax-exempt bonds.

2. Reallocate volume cap unused by IDAs to affordable housing with regularity. A new process should be established to redirect unused volume cap to affordable housing. This new allocation process should provide consistent levels of volume cap to NYC's Housing Development Corporation in line with historic levels, as they are a reliable consumer of volume cap, easily utilizing 35-45% of the State's allocation.

3. Increase transparency for volume cap allocation through new reporting requirements not new approval processes. The Executive Budget includes a new process requiring as of right volume cap allocation received by local issuers to be subject to approval by the Public Authorities Control Board "(PACB)" at the project level. In addition the Empire State Development

Corporation Commissioner is given authority to sign off on the reallocation of what has historically been as-of-right volume cap.

As an aside, it is worthwhile noting that the original impetus for the creation of the PACB was to mitigate the risks to the State's credit from state-wide public authorities after the Urban Development Corporation ("UDC" now known as "ESDC") defaulted on its bonds. The PACB has oversight responsibility for 11 state-wide public authorities financings, including ESDC, DASNY, and HFA. Since the State has no credit risk from local issuances, it has never needed nor had the authority which it seeks now to review local agency actions.

These approvals will inject a high degree of uncertainty into the development process and will inevitably cause costly delays for affordable housing development, especially in New York City. They will undermine local housing priorities and approval processes. And, the uncertainty and increased risk they'll impose upon affordable housing investors will impact pricing for low income housing tax credits as well as make it difficult for non-profits and small developers to undertake projects, including many women and minority owned businesses.

In place of these proposals, a new reporting requirement should be adopted as part of this budget. NYS should be required to regularly report on the approximately \$2 billion in annual volume cap allocation and inform the public on how it was used and how much was allocated to affordable housing. Each issuing body should also report on its allocation to projects on a quarterly basis and clearly post these reports on their websites. State and local issuers for housing projects should be required to report on the following: amount of tax-exempt bonds, other public subsidies in the project, developer, contractor, number of units, number of bedrooms, affordability levels, duration of regulatory period, project location and projected completion date. These reporting requirements will provide to both elected officials and the general public the level of transparency they all seek from government.

Thank you again for offering us this opportunity to testify. As we have noted earlier, we commend the State for the actions it is taking to address the critical shortage of affordable housing and we look forward to any questions you may have.