

Testimony of Brendan Cheney, New York Housing Conference

**New York City Council Finance Committee and Capital Budget Subcommittee
Hearing on FY2021 Executive Capital Budget**

May 21, 2020

Good afternoon Chair Dromm, Chair Gibson, and members of the finance committee and capital budget subcommittee. Thank you for the opportunity to testify about Mayor Bill de Blasio's fiscal year 2021 capital budget. I am Brendan Cheney, Director of Policy and Communications at the New York Housing Conference. 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.

Mayor de Blasio's executive budget proposes 40 percent cuts to the HPD capital budget in the current fiscal year and in the coming fiscal year 2021. We oppose these cuts and we hope the City Council will help reverse those cuts. Cutting the capital budget for affordable housing production at this moment is shortsighted. Such a drastic cut will mean far less affordable housing will be produced precisely at a moment when housing is needed more than ever. It also misses an opportunity to help the city recover from this economic and health crisis.

The serious health and economic impacts of coronavirus on our city are profound. There are 198,000 sick, 20,298 dead and 900,000 are expected to be unemployed. Of course none of this harm is distributed equally, the burden has disproportionately fallen on minority working class neighborhoods where data shows have twice the death rate as wealthy neighborhoods. The federal lifeline of unemployment insurance will expire in July. Some small businesses will prevail with the aid of federal loans but many will not. For hundreds of businesses that normally thrive on tourism and a commuting workforce, a viable future is not in clear view. A tragedy of massive unemployment and housing insecurity is facing our city.

Prior this health pandemic, NYC was already facing a dire shortage of affordable housing. Two thirds of low-income renters were paying more than half their income towards housing. We reached record levels of homelessness in recent years and housing discrimination and segregation continue to contribute to significant zip-code based disparities relating to health, wealth and education.

In January, Mayor de Blasio committed to improve his housing plan by deepening affordability. That was the right decision before the pandemic and is still the right decision. Now is the time to stay the course and build on the progress already made under this ambitious housing plan. Mayor de Blasio's housing plan is the cornerstone of his fight against inequality because affordable housing is also central to creating opportunity for families. Housing is the launching pad for success and is needed now more than ever.

Affordable housing production is also a powerful and efficient economic engine. Each dollar of city capital leverages four additional dollars of private, state and federal spending. Annually about 20,000 jobs are created. Spending on each development is keeping plumbers, electricians, masons and laborers employed. It is also keeping affordable housing suppliers and subcontractors in business. After the foreclosure crisis in 2008, the construction cranes dotting the NYC

skyline were mostly on affordable housing development sites. When private capital retreats from housing construction as experts are predicting, public spending must fill the gap to keep people working while providing affordable housing. With tax exempt rates so low, the cost of government borrowing is too. The housing budget must be protected as affordable housing investment is the counter-cyclical tool that can jumpstart jobs, spending and the local economy.

Cuts to the housing budget will also impact affordable housing in the pipeline. With more than 20,000 units being developed and preserved each year in the Mayor's housing plan, stalling financing on needed affordable housing is impacting projects that are ready to close. This will certainly be a costly burden on those developers- both for-project and non-profit organizations. The Administration claims that this funding will be restored in future years but it is required now. We can't afford to wait.

We have also seen more clearly during the current pandemic that housing is health. The importance of housing is evident in the safety of isolation it provides, slowing the spread of the virus. Every one of us needs a home right now and that home cannot be a cardboard box on a formerly crowded midtown sidewalk, it cannot be the A train needed to transport essential workers and it cannot be an 851-bed shelter. We need the housing plan to continue as before to protect individuals, families and the community.

Currently DHS is housing 8,000 homeless adults in hotels, but this is only a temporary solution. Instead of housing the homeless in hotels to social distance, NYC should think bigger about solving homelessness during this pandemic and convert those hotels, which are most likely to be in financial distress, to permanent affordable housing.

With the economy on pause, real estate prices are sure to drop and overleveraged rent stabilized multifamily buildings will come on the market. NYC's housing plan will need adequate funding to adapt quickly to take advantage of these opportunities to preserve this important housing stock. Good stewards of these buildings are needed to preserve them for another generation of New Yorkers and there is no shortage of experienced and reputable housing operators among NYC's affordable housing community. The city should bring back the Neighborhood Pillars program, which was established for the acquisition and rehabilitation of rent stabilized housing prior to major reforms in the rent laws last year. This is the time to act before another wave of unsavory investors extracts value through repositioning of these assets.

We also want to be on the record opposing one expense budget cut at HPD. In the executive budget, Mayor de Blasio proposed cutting \$1 million from the basement apartment pilot program. This would essentially gut this essential program. The pilot program creates safe housing for low income tenants and can bring steady income to low and middle income homeowners. Safe and legal basement apartments are critical to creating healthy and affordable environments, particularly for low-income and immigrant New Yorkers.

Coronavirus is loosening its grip on New York City, but it has squeezed a lot of life out of us. The vibrancy of the neighborhoods we love, the hustle and bustle of our daily commutes, the noise of our busy lives. As we restart our city, investing in affordable housing must be part of our recovery – to bring back jobs, to stimulate the economy and most importantly to keep us safe and healthy.

Thank you for hearing our testimony. I am happy to take any questions.