NEW YORK HOUSINGCONFERENCE

Testimony of Brendan Cheney, New York Housing Conference

New York City Council Committee on Housing and Buildings and Committee on Governmental Operations

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Good afternoon. My name is Brendan Cheney. I am Director of Policy and Operations at the New York Housing Conference (NYHC). I would like to thank Committee Chairs Sanchez and Ung as well as the other members of the City Council Committees on Housing and Buildings and Governmental Operations for the opportunity to testify.

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 testifying today in support of Reso. 563, which calls upon the State Legislature to pass, and the Governor to sign, S.2985 - the "Housing Affordability, Resiliency, and Energy Efficiency Investment Act of 2023 (HAREEIA). This state legislation will update HPD's loan authority in important ways. While this sounds technical, it will have a large impact on HPD's ability to support affordable housing and without it we will lose out on the opportunity to produce thousands of affordable units each year and hinder HPD's goals around preservation, homeownership, and climate change.

HPD's current loan authority has not been updated for 50 years, leaving the agency struggling to use outdated strategies and insufficient loan caps to produce affordable housing. Existing loan authority is placing significant limitations on HPD's ability to support a wide range of housing needs and limiting its ability to make programs more economically efficient.

For example, HPD may only offer 30-year loans under their current lending authority. This legislation would allow HPD to offer a 40-year term, which would lengthen affordability and lower costs for borrowers. This is especially important as rising interest rates have made projects more expensive requiring more city capital. Capital needs can be reduced by lengthening amortization schedules from 30 to 40 years, which also match state and federal loan terms.

HPD estimates that 40-year loan terms could allow them to preserve an additional 500-1,000 units per year (5,000-10,000 units over a decade) and save between $47- $110 million depending on interest rates.

Existing state caps on loan amounts also prevent HPD from helping many nonprofit and for-profit building owners invest in needed repairs and building system upgrades. Currently HPD cannot loan more than $35,000 per unit for moderate rehabilitation, and $60,000 per unit for 1-4 unit homes.

This is inadequate and not in line with construction costs, which have increased 25% over the past 2 years. Increasing loan caps would especially benefit low- and moderate-income homeowners in lower-density neighborhoods, where homeownership rates are significantly higher than the rest of the city at 54 percent, and almost half of Black homeowners reside.

In addition, current loan authority prevents HPD from making loans for downpayment assistance to help homeowners acquire 1-4 family homes, condos or coops. HPD can currently only use limited federal dollars for this purpose. This prevents opportunities for first-time homebuyers and denies an important wealth-building strategy.

HPD is also limited in the ownership structures it can lend to. For example, there are almost 20 Community Land Trust (CLT) initiatives throughout the city - nonprofit organizations that maintain ownership of land in perpetuity and ensure it serves a community purpose like providing affordable housing. However, the City does not have authority to lend to owners on a ground lease, which is fundamental to the structure of CLTs and necessary for any tax advantages, making this innovative affordable homeownership option difficult to implement in New York City.

Finally, many of HPD's authorities only permit the agency to lend for housing improvements. They cannot, for example, address the needs of a nonresidential facility such as an existing Mitchell Lama garage that is part of a redevelopment plan or finance improvements that are solely for climate resilience, which are necessary to reach the City's sustainability goals.

State bill S. 2985 (HAREEIA) would address all of these issues. It would allow HPD to make loans for 40 years, increase loan caps to meet growing costs, make loans for downpayment assistance for 1-4 family homes, coops and condos, lend to owners on a ground lease and loan for nonresidential and climate improvements. It would mean HPD can better preserve existing affordable housing through refinancing, expand homeownership and community land trusts and meet climate goals.

It is long overdue for the state to update HPD's loan authority. We encourage all Councilmembers to support S. 2985 by supporting Reso. 563. Thank you for your time and we are available to answer any questions.