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**Testimony for
The New York State Joint Budget Committee on Housing
February 5, 2015**

Thank you Chairwoman Young, Chairman Wright, Chairman DeFrancisco, Chairman Farrell and the Housing, Finance and Ways & Means committee members for the opportunity to participate in today's hearing related to the Executive Budget. My name is Jolie Milstein, President and CEO of the New York State Association for Affordable Housing (NYSFAH).

NYSFAH is the trade association for New York's affordable housing industry statewide. Our 350 members include for-profit and nonprofit developers, lenders, investors, attorneys, architects and others active in the financing, construction, and operation of affordable housing. Together, NYSAFAH's members are responsible for most of the housing built in New York State with federal, state or local subsidies.

The stark situation for affordable housing is this:

- There is a fundamental and growing lack of affordable housing in New York State as evidenced by the vacancy rates of 4.6 percent for rental housing and 1.9 percent for owner-occupied housing, both of which are below the 5 percent threshold at which a municipality may declare a housing emergency.¹
- There are more than 3 million households that exceed the "affordability threshold" for housing: that is, they paid 30 percent or more of their household income for housing costs.²
- Of this population, more than 1.5 million households paid 50 percent or more of their income for housing, following a trend in which an estimated 50.6 percent of rental households in 2012 have rents above the affordability threshold compared to 40.5 percent in 2000.³

¹ Office of the New York State Comptroller, *Housing Affordability in New York State* (March 2014), at 16.

² *Id.*, at 1.

³ *Id.*

- The New York Times just highlighted the staggering dimensions of the problem when it reported that in 2014 the tenant lottery for 2,500 subsidized apartments in New York City drew a total of 1.5 million applications – a 600 applicant to unit ratio.⁴

The 2015-16 State budget provides a unique, once-in-a-generation opportunity to address the growing need and demand for affordable housing through a significant, one-time appropriation of funds, available in part from the recent bank monetary settlements with the State, estimated at more than \$5 billion. It is important to note that the overwhelming balance of those funds resulted from enforcement of bad acts associated with mortgage foreclosures, and we believe that a substantial portion of those settlements should be invested in affordable housing programs, where there is a clear nexus with those harmed by the bad acts and the beneficiaries of the appropriation.

We applaud Governor Andrew Cuomo's proposed housing budget, especially his commitment to use a portion of the settlement funds for affordable housing programs which have -and will - create thousands of new, critically-needed affordable housing units as well as promote economic development in New York State.

We are especially supportive of the Governor's proposed \$50 million for low and moderate income housing construction and rehabilitation, and believe his proposed appropriation is an important commitment. We would like to see this new mixed-income housing program encourage buildings to serve families with a range of incomes, contributing to the financial health of buildings over time as higher rents for moderate and middle income units help cross-subsidize rents for very low income households. Because existing housing incentives are so restrictive, there is a significant need for rentals at lower and higher Area Median Incomes (AMI), and the new program should serve hard-to-reach moderate, middle, and very low income households.

Mixed income housing can also be a powerful driver of revitalization and economic diversity within neighborhoods. The 131 unit Erie Harbor development was instrumental in revitalizing the blighted riverfront in the South Wedge community in Rochester. Developed by NYSAFAH member Conifer Realty, 20% of the units are available to households at Tax Credit levels of up to 60% AMI, while the remaining 80% market units achieve some of the highest rents in the City. Erie Harbor stands directly adjacent to the Hamilton, a 100% affordable building serving very low income families through Project Based Section 8. The 123 unit Artimus Construction development at 444 Manhattan Avenue in Harlem similarly serves a range of incomes, with units 40%, 50%, and 195% of AMI, as well as 6 market rate units. Despite their many benefits, developments such as these are difficult to realize because of inadequate resources in the face of overwhelming need for mixed income affordable housing.

We believe that there is unprecedented demand for low and moderate income housing, and this demand requires a greater level of funding. We have consistently advocated for a **\$500 million**

⁴ Mireya Navarro, NY Times, *Long Lines, and Odds, for New York's Subsidized Housing Lotteries* (Jan. 29, 2015). See <http://www.nytimes.com/2015/01/30/nyregion/long-lines-and-low-odds-for-new-yorks-subsidized-housing-lotteries.html?ref=nyregion>.

program, and we urge the Legislature to work with the Governor to achieve this level of funding in the 2015-16 State budget.

NYSAFAH commends the Governor for the \$183 million appropriation of settlement monies to fund 5,000 new supportive housing units across the state through a NY/NY IV program. These funds are an important first step to meeting the housing needs of New York's most vulnerable residents as the NY/NY III development pipeline comes to an end. Today there are over 60,000 people in homeless shelters in New York City and an additional 20,000 individuals in shelter across the rest of the state. In order to address the growing need for supportive housing, NYSAFAH supports an expansion of the NY/NY IV commitment to 30,000 units of supportive housing – including 15,000 units of new construction – over the next 10 years.

NYSAFAH supports proposed funding for several key existing housing programs, including the Homes for Working Families program, the Rural and Urban Communities Investment Fund, and the Low Income Housing Trust Fund. The Governor would fund these and many programs through Mortgage Insurance Fund reserves. Given the availability of the mortgage foreclosure settlement funds, we would urge the following programs be supplemented on a one-time basis:

- The Governor has proposed \$8.5 million for the Homes for Working Families program, which provides gap financing through low-interest loans for new construction or rehabilitation of affordable housing. It is designed to leverage federal resources, by supporting projects financed through tax-exempt bonds and 4% Low-Income Housing Tax Credits. NYSAFAH urges the appropriation be supplemented by \$35.5 million.
- Urban and Rural Community Investment Fund, a program championed by NYSAFAH two years ago, would enhance support for mixed-use development in urban areas and rural affordable housing projects built to the scale of smaller communities. A \$17 million appropriation is proposed and we urge the appropriation be supplemented by \$3 million.

NYSAFAH further urges amending the cap for the State Low Income Housing Tax Credit, which is currently oversubscribed four-to-one, to enable the Division of Homes and Community Renewal to offer an additional \$150 million in tax credits over five years.

Each of us know and appreciate the importance of affordable housing in terms of providing safe and stable housing for all New Yorkers. Beyond this most fundamental of needs, however, affordable housing is also a significant economic driver. On average, annually, New York State's affordable housing industry generates:

- 18,490 affordable housing units, including new construction, rehabilitated and preservation units.
- 31,800 jobs during construction, and sustains 5,650 permanent jobs to support resident spending and building maintenance.
- \$1.8 billion in wage compensation during construction, and \$230 million in wages annually thereafter.

- \$2.6 billion during construction in economic spinoff activity, including spending on materials and services, while thereafter sustaining \$650 million in annual economic spending on local goods and services, and building maintenance.⁵

Accepting and enhancing the Governor's commitment of funding for housing programs would represent a landmark achievement in the State's goal of building and preserving affordable housing for our neediest citizens. It is also an investment that will create jobs and provide an economic rate of return that further benefits our local communities.

Thank you for the opportunity to testify today and for your consideration of NYSFAFH's comments and 2015 priorities, and we welcome any questions or comments you may have.

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⁵ New York State Association for Affordable Housing, *Economic Impacts of Affordable Housing on New York State's Economy* (May 2012). http://nysafah.org/cmsBuilder/uploads/HR&A-Economic-Impact-Report_002.pdf.