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Testimony on
"Strengthening New York's Housing Programs"

Presented before the
NYS Senate Standing Committee on
Housing, Construction and Community Development

By
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1. Good Afternoon Senator Krueger and Members of the Legislature. Thank you for this opportunity to testify before you on the role of the New York State Division of Housing and Community Renewal in the preservation of affordable housing.

2. I am pleased to continue the conversation we began a few weeks ago in Albany when I testified before the Joint Fiscal Committees on the 2007-08 Executive Budget Proposal.

3. I would like to be able to say that we've had the luxury of planning our strategy to preserve and increase the State's affordable housing opportunities in the calm of an uneventful first few months, but as you know, nothing could be further from the truth.

4. We are in the heat of a struggle and as a result, have been simultaneously formulating and executing parts of our strategy.

5. In the span of less than three months, we have seen disturbing trends emerge in the housing market: we've witnessed the City's vacancy rate plummet to an all-time low; we've watched as the sub-prime mortgage lending market

has begun to collapse; and we've learned that the problem of homelessness is *as* bad, or perhaps worse than it has been in decades.

6. I've no doubt that you and other members of the Legislature have been watching the high drama at Starrett City with rapt attention. Each day more and more Mitchell Lama developments are reaching a point-of-no-return: the stakes continue to rise.

7. Dire as this all may seem, I have good news to report: We have not been idle. Our plan, as it currently exists, entails the preservation of the State's current affordable housing stock through a combination of regulatory enforcement, better use of existing resources, and better coordination with state agencies with the same or similar missions.

8. I would like to apprise you of how I see the plan unfolding under each of the Division's three primary functions: regulation, development and supervision. I also will share with you efforts we are undertaking in Washington to advance our preservation agenda.

Regulation – *Office of Rent Administration*

9. The Division of Housing and Community Renewal's Office of Rent Administration (ORA) administers the rent laws for approximately one million apartments in New York City as well as other jurisdictions.

10. In recent years, great concern has been expressed about a perceived posture taken by this agency toward the interests of landlords. As you know, Governor Spitzer has made the achievement of fairness in governing a lynchpin in his administration, and this area of our operation will be no exception.

11. With that in mind, I would like to introduce you to our newly-appointed Deputy Commissioner for Rent Administration, Leslie Torres, who is here with me today. Prior to joining DHCR, Ms. Torres was the Assistant Commissioner for Enforcement at the New York City Department of Buildings. There she managed enforcement units responsible for bringing NYC properties into compliance with the Building Code. Prior to that Leslie was the head of the NYC Loft Board, so she is very familiar with having to balance the interests of landlords and tenants.

12. I am confident that all of this experience will serve Deputy Commissioner Torres well and that she will lead this critical office into an era of transparency, efficiency, and renewed integrity.

Development – *Office of Community Development*

13. The Office of Community Development oversees all of DHCR's housing capital programs through which we create new affordable housing and preserve existing housing in the State. There is much work to be done in this area of our operations and I would like to point out two critical programs I am focused on where I believe reform is needed.

- Neighborhood and Rural Preservation Programs – The over 200 Neighborhood and Rural Preservation Companies funded under this program are an integral part of our preservation strategy. These not-for-profit organizations operate in every community in the State, and have perhaps the best understanding of the needs of local housing markets. We view them as our partners and view their role as key to our ability to serve markets throughout the State. This year's budget fully funded these programs while requiring DHCR to look closely at ways they can be reformed. We have asked the Coalitions which represent these groups to join with us in our review and revitalization effort.

- The Low Income Housing Credit Program – As the Lead Housing Agency for the LIHC program, DHCR has responsibility for issuing a Qualified Allocation Plan that sets forth New York State's priorities for the allocation of this precious housing resource. We have determined that it is time to review this document so that we can assess how to best target what has become the preeminent housing production and preservation program in the State. A focus of our review will be consideration of additional targeting of resources to preservation.

Supervision – *Office of Housing Operations*

14. I have saved perhaps the most urgent part of any affordable housing plan for last because it merits the most discussion: I am speaking here of the Office of Housing Operations which supervises the State's affordable housing portfolio, including all of our Mitchell Lama assets.

15. The Mitchell Lama program has provided hundreds of thousands of middle-income families with a degree of opportunity that they might not have enjoyed otherwise.

16. From the original portfolio of 270 State-financed Mitchell-Lama developments 190 remain under DHCR's supervision. Many of these Mitchell-Lama developments have reached an age when it's time to replace and update critical building systems like heating, windows, roofs, elevators and facades.

17. Some are sited on what is now prime real estate where values have risen geometrically – especially here in New York City – while others in upstate New York exist in soft markets where they compete with low cost private housing. Buyouts are not the only problem the State's portfolio is facing – but it does affect a great number of projects. I know you can appreciate that there is no silver bullet, no one-size-fits-all solution.

18. But here's what we've been doing:

- Scrubbing the portfolio – DHCR staff has been working closely with HFA to conduct an assessment of the State's Mitchell-Lama portfolio encompassing those properties whose mortgages are held by HFA, ESDC and the Comptroller's office. Information has been gathered on the condition of the buildings, ownership, regulatory structure and subsidies, and based upon this analysis several buildings have been targeted for preservation efforts.

- Collaboration and Coordination – DHCR, HFA, and ESDC have had a continuing dialogue on this effort. Staff are working to determine the most effective preservation tools that can be utilized to encourage owners to remain in the program. You will hear more about these efforts from my counterpart and the next witness in this hearing, HFA/SONYMA President and CEO Priscilla Almodovar. She and I have been making good on the promise I made to you and the members of the Joint Fiscal Committees in early February.

19. We have met and continue to meet on a regular basis to **collaborate** and **coordinate** our activities in order to leave no stone unturned in pursuit of the answers to the challenges we face. Among the most important is the preservation of the Mitchell Lama housing portfolio.

20. Another portfolio we are closely examining is those developments financed with Low Income Housing Tax Credits in the early years of the program. As you know, these projects initially had a 15 year mandatory compliance period; early on that was extended to 30 years.

21. However, the investors who financed these projects are only required to remain involved for the first 15 years. We now have over 2,000 units that are beyond their first 15 years of occupancy and another 15,000 which will pass that 15-year mark in the next five years. We are also looking closely at this portfolio to determine which of these properties may need rehabilitation or are candidates for other preservation efforts.

Federal Efforts

22. We have been working aggressively in Washington alongside our colleagues in New York City government and our Congressional delegation to promote federal funding and legislation which will aid in our preservation efforts. One legislative initiative we are supporting is an effort led by Senator Schumer to allow the conversion of Rent Supplement and Rental Assistance Payments to Section 8. There are many buildings in NYS that still have these older forms of HUD assistance, allowing them to convert to project-based Section 8 would aid in our preservation efforts since the Section 8 program has more flexibility and more long-term funding.

23. Another piece of legislation we are supporting is the Public Housing Equal Treatment Act of 2007 sponsored by Senator Schumer and Congresswoman Velazquez which would permit the "federalization" of State and City assisted public housing. As you know, much of the public housing in NYS is directly subsidized by HUD, but there are a few developments still under the auspices of NYC or NYS that would benefit from being included in HUD's funding formulas.

Conclusion

24. I think that we have at least three reasons to be extremely hopeful that we can together effectively strengthen New York State's affordable housing programs:

    - First, we have a new Governor who understands that in order for New York to remain competitive and retain its unique economic and ethnic diversity, we must create AND preserve affordable housing for low- and moderate-income families, seniors, and the disabled;

    - Second, we have witnessed an unprecedented political realignment in Washington that has strengthened the position of New York State and New York City to help advance these critical goals; and

- Third, and perhaps most important, we have the human assets and infrastructure that are indispensable for us to achieve our mutual goals – and in that number I would include members of the Legislature, like yourself, Senator Krueger, who understand that the future of New York State and the future of affordable housing are inextricably linked.

Again, thank you for listening and for your keen interest in these matters.