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NEW YORK HOUSING CONFERENCE

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TESTIMONY OF THE NEW YORK HOUSING CONFERENCE BEFORE THE NEW YORK STATE SENATE STANDING COMMITTEE ON HOUSING, CONSTRUCTION & COMMUNITY DEVELOPMENT NEW YORK, NY, APRIL 27, 2007

Thank you for convening this hearing and for inviting us to testify.

The New York Housing Conference is a broad-based coalition of the major not-for-profit and private developers, owners, and managers in the affordable housing industry. Since its founding in 1973, the Conference has aggressively advocated the production and preservation of affordable housing.

We urge the State to reassert the leadership in affordable housing that it displayed in the fifties, sixties and seventies. We encourage the State to explore every means possible to preserve existing publicly-assisted and public housing for low-, moderate- and middle-income New Yorkers.

For the past several years, the Conference has been developing model legislation to <u>fill critical gaps in the state's existing capital investment programs for the production and preservation</u> of affordable housing in the state's diverse rural, suburban, and urban communities.

<u>This model legislation -- the proposed Affordable Workforce Housing Trust Act of 2007 -- offers answers to several of the questions posed in the invitation to this hearing.</u> It draws on the collective experience and wisdom of the Conference's board of directors who represent a broad coalition of major not-for-profits, private developers, investors, bankers, and specialists in affordable housing and community development.

As originally drafted in 2004, it received statewide support from the New York State AFL-CIO, Associated Builders and Owners of Greater New York, the Long Island Housing Partnership, the AIA New York State Chapter, the New York State Neighborhood Preservation Coalition, the New York State Rural Housing Coalition, and the New York State Rural Advocates.

The legislation would authorize the state's Housing Finance Agency to use its own funds, including its annual excess debt service reserves, to finance new affordable housing and to maintain the affordability of existing units. It would authorize the Agency to retain these excess reserves, which are estimated to be between $25-to-$35 million annually, rather than transferring them to the state's general fund.

The legislation would establish a new Affordable Housing Trust Fund with $450 million in dedicated annual revenue. $350 million would be deposited from the state's real estate transfer tax revenues and $100 million would be received from the State of New York Mortgage Agency's annual excess revenues. These transfers can be made without either impinging upon the annual statutory set-asides for the environmental protection fund and the clean water/clean air fund or damaging the Mortgage Insurance Fund's bond rating.

The Affordable Housing Trust Fund would distribute its $450 million among three new capital programs established by the bill:

- $300 million would be transferred to the Housing Finance Agency to fund a new statewide housing production program for multi-family developments providing moderate and middle income working families and the elderly in all 62 counties with affordable rental, coop- and condo- ownership opportunities

- $75 million would be transferred to HFA to expand the infrastructure development program and provide local communities with grants for demolition, infrastructure costs and incentives such as matching grants for local housing trust funds and community land trusts to facilitate local development and preservation of affordable housing; and

- $75 million would be transferred to the Division of Housing and Community Renewal (DHCR) and the Governor's Office of Small Cities to fund new statewide programs to preserve and rehabilitate 1-3 family owner-occupied houses, multi-family buildings, deteriorated mixed-use properties, and distressed "main streets" as well as to fund Access to Home

The legislation's proposed new affordable multi-family development program will address the needs of hundreds of thousands of moderate- and middle-income working families who are both ineligible for low-income housing trust fund projects and low-income housing tax credit developments and also unqualified for mortgages to purchase "affordable" homes. It will be especially helpful to the more than 300,000 downstate young adults who are prevented by the shortage of affordable rental apartments from moving out of their parents' home and forming their own household.

The legislation's proposed new state-funded preservation and rehabilitation grant programs will replace the unfunded local option programs in the Private Housing Finance Law's Article 8-A (moderate rehabilitation loans for multi-family housing), Article 8-B (moderate rehabilitation loans for owner-occupied, 1-4 family housing), and Article 15 (substantial rehabilitation participation loans by municipalities using federal funds).

These existing rehabilitation programs are anachronisms. They are dependent on limited municipal resources and shrinking federal grants. They cannot meet the needs of communities, especially those upstate, with declining populations, increasing vacancies and abandonment, and shrinking tax bases.

The new state-funded rehabilitation and preservation programs would be established at DHCR and the Governor's Office of Small Cities. These agencies would make grants to municipalities, community development organizations, and other "qualified entities" which establish grant and loan programs for housing preservation, improvement and rehabilitation.

Hence, these new programs will have the local administrative flexibility to address the needs of renters, homeowners, distressed main streets, the elderly and the physically-disabled in the state's diverse communities. They would include under-utilized, non-residential property being converted to residential or mixed-use as well as adaptive improvements and retrofits of homes and apartments to accommodate those with mobility disabilities.

In the aggregate, the Conference's model legislation would provide more than $500 million annually in new capital investment in affordable housing production and preservation -- by establishing the Affordable Housing Trust Fund, by having HFA retain and use its annual excess debt service reserves, by increasing the state's annual low-income housing tax credit, and by exempting affordable housing construction from the state's sales tax.

Investing $500 million annually in the production and preservation of affordable housing is both fair and equitable as well as sound economic and fiscal policy.

Fair and equitable because housing and real estate transactions now generate well over $1 billion annually in tax revenues for the state government.

Sound economic and fiscal policy because the new capital investment will create private-sector jobs, strengthen the competitiveness of the state's businesses, facilitate recruitment and retention of essential workers, foster stable families and communities, and more than pay for itself over time.

It is estimated that HFA's investment of the $300 million it would receive from the Affordable Housing Trust Fund annually for multi-family workforce housing developments would produce 6,000 rental, coop- and condo- apartments each year. Based on national averages, during the year of construction, this investment and production would create an estimated 6,700 local jobs, generate $318 million in local wages and business income, and produce $18 million for local governments (and $24 million for New York State government in the absence of sales and use tax exemptions). It is also estimated that, during the thirty years of financing, spending by residents of these apartments would be responsible for sustaining 84,600 local jobs, generating $3.9 billion in local wages and business income, and producing $491 million for local governments and $664 million for the state government. Thus, the State would recoup its $300 million investment in the Affordable Housing Trust Fund in13.6 years at a rate of $22.1 million a year; over the remaining 16.4 years of the financing, the State would realize a net gain of $363 million; and, concurrently, HFA would be repaid the $300 million it lent out to finance the developments.

In sum, establishing dedicated sources of revenues for investment through the Affordable Housing Trust Fund can strengthen the state's economy and make it more competitive. During an economic slow-down, this dedicated investment can prime the state's economic pump and create jobs. And, it can provide a constant stabilizer for the state's economy during the ups and downs of business cycles.

Finally, the $350-million designation of real estate transfer tax revenues to the Affordable Housing Trust Fund also establishes parity in the use of real estate transfer revenues for environmental and affordable housing purposes. As such, it lays the financial keystone for a balanced, smart growth policy that equally values the complementary goals of affordable housing and environmental conservation.

Such a policy conserves families and human resources as well as natural resources. It fosters sustainable, multi-generation communities by providing affordable homes and apartments for young adult families, seniors and special needs populations, making it easier for local employers to retain and recruit teachers, nurses, and other skilled and talented workers. Such a policy encourages affordable, mixed-use and multi-family housing in village downtowns and at mass transit hubs to revive tired main streets, use land, sewers, and utilities more efficiently, and alleviate traffic congestion, pollution and sprawl.