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TESTIMONY OF
DAVID B. HANZEL, POLICY DIRECTOR BEFORE
THE NEW YORK STATE SENATE
STANDING COMMITTEE ON HOUSING, CONSTRUCTION & COMMUNITY
DEVELOPMENT

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Good Afternoon. Thank you, Senator Krueger and committee members, for this opportunity to testify about the need for creating a true New York State Housing Trust Fund.

My name is David Hanzel and I am the Policy Director at the Association for Neighborhood and Housing Development (ANHD).

Some Committee Members here may be familiar with ANHD, and many certainly know our member groups.

ANHD is a membership organization of NYC-neighborhood based housing groups including CDCs, affordable homeownership groups, supportive housing providers and community organizers. Our mission is to ensure flourishing neighborhoods and decent, affordable housing for all New Yorkers. We have over 90 members throughout the five boroughs who directly operate over 30,000 units, providing housing for 100,000 people.

Empire State Housing Alliance

We are excited to be here today as part of the Empire State Housing Alliance. Residents across the State are struggling to find, maintain and keep their affordable homes. While the factors contributing to the State's current housing crisis may be varied, one critical step will allow Cities across the State to more effectively respond to the housing needs of their residents: the creation of a true Affordable Housing Trust Fund. We are here today – groups from both upstate and down – to urge Albany to make this investment of dedicated revenue.

The Need is Great

Every part of New York State has critical affordable housing needs that could be addressed by the Affordable Housing Trust Fund. Currently, New York City faces a crisis as we are losing thousands of affordable homes every year due to High Rent Vacancy Decontrol, rising housing costs coupled with falling incomes, and Mitchell-Lama and Project-based Section 8 properties opting- or failing-out of the programs. While much has been made of the City's housing boom, what is being produced is mostly luxury housing that is too costly for the overwhelming majority of New Yorkers, is not centrally located which leads to greater economic segregation, and is not

permanently affordable. Indeed, Mayor Bloomberg's New Housing Marketplace Plan is an unprecedented commitment to build and preserve over 165,000 units of housing, but has adhered to a less rigorous definition of affordability, has concentrated the majority of its new units in outer boroughs and has required only short term affordability.

Preservation

Between 2002 and 2005, New York City lost roughly 260,000 affordable units or over 85,000 a year. Over 205,000 units that were affordable to households earning 80 percent of Area Median Income were lost due to rising rents and stagnant incomes; more than 44,000 units left rent regulation; and almost 10,000 units were lost when they left the Mitchell-Lama and Project-based Section 8 housing programs.

Increasing Cost of Housing

New Yorkers are spending more on housing. Rents increased by more than 8 percent between 2002 and 2005 at the same time as incomes fell by more than 6 percent. It is no surprise then that the median share of income New York City renters spent on rent in 2005 rose to 31.2 percent—a 2.6 percent increase from 2002. Opportunities for city residents to become homeowners are also slipping away. According to New York University's Furman Center, from 2000 to 2005, the share of City home sales that were affordable to people earning the median income dropped from 11 percent to less than 5 percent.

Often households are paying more for lower quality housing. Although housing quality is improving overall, in certain low-income neighborhoods it is actually worsening. New York City tenants lodge almost 600,000 complaints about maintenance conditions in their apartments each year, but there remain 2.8 million open code violations known to the City's Department of Housing Preservation and Development.

Mitchell-Lama and Project-based Section 8

In New York City, there are 114,000 Mitchell-Lama units and 77,000 HUD-assisted apartments. These properties, which are located in every borough, often anchor entire neighborhoods and provide security for tenants who would otherwise be pushed out due to gentrification. As mentioned above, over 40,000 units have left these subsidy programs since 2002 and the losses are accelerating. Indeed, 18 percent (21,561 units) of the City's subsidized units are now threatened with subsidy loss. Additionally, the geographic pattern of subsidized housing losses has expanded to include more neighborhoods across the City. In fact, in 2006, the Bronx was hit the hardest of any borough...something few could have predicted just a few short years ago.

Residents of rent regulated, Mitchell-Lama and PBS8 housing often make much less than 80 percent of Area Median Income, which makes re-location or finding replacement housing incredibly difficult. In fact, the median household income for Mitchell-Lama and Project-based Section 8 residents is about \$22,500 and \$11,500 respectively. Also, roughly 40 percent of units are occupied by seniors and people living with disabilities who would have few alternative housing options if displaced.

While the political opposition to the sale of Starrett City has been encouraging, 3,691 other Mitchell-Lama apartments left the program in 2006 alone. These losses significantly undermine the State and City's efforts to build and preserve more affordable housing.

Production

New York City currently faces a housing shortage of over 100,000 units. The Department of City Planning estimates that a million more residents will call the City home by 2030, which means 265,000 additional homes are needed. New York City's economy is robust and is driven by an extremely hot real estate market. In fact, 2005 and 2006 saw record numbers of building permits issued. However, as is often the case, the boom—characterized by huge profits for market rate developers—is not reaching everyone and has actually displaced thousands of residents and endangered the economic diversity of the City.

Additionally, the high demand for materials, labor, and contractors has led to soaring construction costs. Since 2003, the price of concrete has jumped 33 percent, steel rebar's cost has risen 48 percent and the price of copper has soared 133 percent. Incredibly, some experts project that costs are increasing by one percent every month. Rising construction costs coupled with higher operating costs and an inadequate supply of land, may make it impossible for the City to reach its initial 165,000 unit goal...nevermind the 365,000 additional units the City needs to keep up with demand.

Moreover, affordable housing developers are being asked to do more with less and some developers have abandoned low-cost housing altogether. Those who are building affordable units are finding it difficult to target New Yorkers greatest in need. Thus, additional resources are critical to ensure every resident has access to safe, quality, and affordable housing.

What a Trust Fund Can Do

We need a true Affordable Housing Trust Fund that:

- Provides dedicated, flexible funding that would meet a range of housing needs—from new construction to preservation, from rural to suburban to urban housing, from very low-income to affordable homeownership; and
- Creates long-term affordability

We urge the state to create a true Affordable Housing Trust Fund that dedicates \$500 million annually for housing preservation and production. The Trust Fund can provide deeper subsidies to offset construction costs, create a statewide rehabilitation program, help acquire private land, and provide down payment assistance for new homeowners. This money would come from mortgage recording taxes and surcharges and real estate transfer taxes. We were encouraged by Ms. Almodovar's recent announcement that the State Housing Finance Agency would be returning to its statutory mandate of meeting the housing needs of its low-income residents. One critical step to making this a reality would be the creation of a dedicated revenue stream in the form of a true State Affordable Housing Trust Fund. We urge you to make this investment.

Thank you for your time.