

Two Housing Crises—One Cause

ARISE NYS Housing Trust Fund Testimony

NYS Senate Housing Cmte Forum, May 30, 2007

Sen. Liz Krueger, Ranking Minority Member, presiding

Senator Krueger and committee members,

ARISE, A Regional Initiative Supporting Empowerment, is a congregation-based community organizing project in the Capital District. We have 35 member groups in three counties and a membership base of 12,000 people. As our name suggests, ARISE's mission is regional in scope—we believe that a key strategic part of revitalizing upstate will be promoting more unified regional planning in and around urban centers and curbing sprawl.

Cities, suburbs, and adjacent rural areas need to work together more coherently as regions in order to survive and prosper in a competitive global economy. Regions must become competitive with other regions around the world, rather than municipalities competing against each other within regions and losing out in the bigger context.

NYS has the opportunity not just to join the 38 other states with similar housing funds, but to take the lead nationally in designing a fund that will address long-term economic and housing needs. **It can do so by adding to the trust fund's structure some policy incentives for regions to apply for affordable housing money on a county-wide or regional basis.**

Patterns of housing development rank as one of the primary economic factors in a regional economy. For too long NYS has created "rules of the game" that create competition between local governments, leading to sprawl and fragmentation, weakening the state's economy and worsening shortages of affordable homes. **Only state policy can reverse this trend and move local governments toward cooperation and globally competitive economic development.**

Though more money is urgently needed, it will be the **POLICY** dimension of the trust fund that can generate substantial economic uplift for the state. WITHOUT a policy imperative to encourage regional planning, increasing state resources for housing will have a limited impact. It will not stop the internal bleeding and chronic shortages caused by internal competition between local governments for exclusive high-end development.

We are submitting the analysis of regionalism expert David Rusk as part of our testimony: as his data clearly demonstrates, both weak markets with relatively cheap housing and strong markets with sky-high property values are suffering from one problem: lack of coordinated regional planning to create mixed-income communities. When local governments are left to compete with each other without coherent state guidance on land use, it produces housing "destructibility" upstate, and runaway housing prices downstate.

Take a look at Table 1. Numbers over 100 mean that housing rates are relatively affordable—clearly the trouble upstate is not the price of real estate. The housing crisis upstate is highlighted by Table 2: wholesale abandonment of older housing stock in favor of unnecessary new construction in green fields. Buffalo has over 23,000 vacant or abandoned houses, and every older municipality upstate is facing similar trends. 56 out of 57 counties outside NYC have a shrinking municipality at their core.

Upstate housing problems are created by:

- Stagnant or shrinking economies leading to lack of good jobs and income.
- Deteriorating housing stock and absentee landlords with no incentive to upgrade their facilities
- Concentrated poverty leading to crime, low-performing schools, and very high demand for city and county social services.
- City and county tax bases so weakened that they cannot sustain let alone expand to meet the increasing need for services.

It is hard to overstate the social and psychological impact of these grinding conditions on children and communities. Upstate regions face three kinds of outmigration:

1. Youth are leaving. 25-35% of 18-35-year-olds are leaving NYS.
2. Seniors are leaving. Retirees take expensive state pensions to sunnier climes.
3. Homeowners leave population centers and cause racial and economic segregation.

Moving on to Table 3, we see what looks at first like another world. Downstate housing crises are crises created by housing costs that have spiraled out of control. Out of 151 markets tracked by the National Assoc. of Realtors—the three downstate markets noted here rank 120, 143, and 145, making it close to the least affordable housing in the country.

Table 4 shows the crisis on Long Island: inflation-adjusted prices have risen 225% since 1970. The result: in 2006, only 2% of new homes built were affordable to households earning \$100,000 or less. That is up from 60% just a few years back. Downstate housing crisis takes the form of pricing even middle class residents out of a home, as detailed in Table 5—some of the everyday professions excluded by this high-priced housing. When your workforce cannot afford to live where it works, the economy is threatened with collapse.

As Table 6 outlines, amazingly, there is one simple cause for these very different housing crises: state rules for development, which always pit one local government against its neighbors in the scramble for property tax income. In weak markets upstate, that means abandoning older stock and creating regions with crushing levels of poverty and segregation; in strong ones downstate, it means out-of-control high-end market development that price most people out of the market. Interestingly, it is young people and seniors who are hurt most by the downstate crisis just as they are by the upstate crisis.

Tables 7 and 8 detail the solution: a state development policy built into the Housing Trust Fund that mandates or at least incentivizes regional collaboration. Upstate that means regional land use and transportation planning that will begin to push development and homeowners back to the centers they have been leaving for 50 years, downstate it means inclusionary zoning which requires a certain percentage of affordable housing in every development.

With this kind of progressive policy framework, a housing trust fund could address the most fundamental problem in New York State: our need for an economy and for housing development that brings us together rather than pitting us against one another in vicious and draining competition.

As people of faith, the leaders of ARISE consider this need not only a critical economic one, but a moral and spiritual one. Thank you.