



NEW YORK STATE ASSOCIATION FOR AFFORDABLE HOUSING

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**STATE SENATE PUBLIC FORUM ON CREATING AND IMPLEMENTING A
TRUE
NEW YORK STATE HOUSING TRUST FUND**

Legislative Office Building

Hearing Room A

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Albany, NY

Good morning Senator Krueger and members of the Senate Standing Committee on Housing, Construction and Community Development. My name is Curt Tucker and I am the Senior Legislative Analyst for the New York State Association for Affordable Housing (NYSFAH). Since 1998, NYSFAH has represented the interests of the private sector in affordable housing and worked with government, non-profits and for-profit organizations throughout the affordable housing community. Our nearly 300 members are responsible for most of the affordable housing built with government subsidies in the city and state in recent years.

As you are no doubt aware, across the state, New Yorkers are facing a serious and growing shortage of affordable housing. From the Tug Hill Plateau to the Bronx, from downtown Buffalo to the Long Island suburbs, housing costs continue to rise while incomes lag behind. Solving this crisis in the long run will require a major commitment of additional federal, state and local resources. However, much can be done in the short run to make a real difference through the better use of existing resources.

The lack of affordable housing is an economic development issue as well. According to the National Governors Association, the “availability and affordability of housing is central to the health of a state’s economy.” Growing companies are reluctant to locate or expand in New York if workers can’t find affordable places to live. A survey of the largest employers in the New York area conducted in 1999 by the New York State Comptroller reported that 86% of respondents cited housing costs as a serious deterrent to doing business in New York. Affordable housing development is also a major source of jobs: nationwide, housing construction accounts for approximately 5% of the total economy and 27% of investment spending.

My testimony today will focus on one of our recommendations for addressing the affordable housing crisis: increasing the access to capital.

Clearly, one of the most significant ways to increase access to capital for affordable housing would be the creation of a true Housing Trust Fund with a dedicated revenue stream. Affordable housing developments require long term planning and the commitment of significant pre-development expenditures. By guaranteeing an increased source of state resources, dedicated to affordable housing, a true Housing Trust Fund would not only lead to the production and preservation of more affordable housing but also enable developers to better plan developments with the certainty that sufficient state resources would be available in the future.

We believe that excess reserves of the SONYMA Mortgage Insurance Fund would be the best and most appropriate source of dedicated revenues for a true Housing Trust Fund. Through a surcharge on the state mortgage recording tax, SONYMA annually collects substantially more than is required to fund the reserves for its mortgage insurance program. We urge that these resources, rather than being returned to the state's general fund as required under current law, be dedicated to affordable housing programs. The Fund also offers a creative solution to the growing demand for next generation housing for young adults who wish to live in the increasingly expensive communities in which they grew up. In addition to transferring the excess reserves annually, the state can safely reinvest 25% to 50% of the approximately \$1 billion of the Fund's current cash reserves into second mortgages that will be held by the Fund. By investing these assets in a pool of new loans, a vast new source of funds—between \$250 and \$500 million, according to our estimates—would be made available to provide vitally needed subsidies for affordable housing at no cost to the state.

In short, there are a number of creative ways that the Fund can be utilized for affordable housing while maintaining its high rating. We recommend that HFA immediately begin working with the investment banking community to achieve this goal.

We also recommend that several additional actions be taken to increase access to capital.

Expand DHCR capital budget programs: Over the past twelve years, the executive budget appropriations for the state's housing capital programs have remained basically level, with the result that, adjusted for inflation, the funding for these programs has eroded significantly. In fact, without legislative add-ons in 2006 and 2007, the state's capital investment in housing would have actually declined 13% since 1995.

Over the past thirty years, the *Affordable Housing Corporation (AHC)* and the *Housing Trust Fund (HTF)* have been the cornerstones of our affordable housing efforts across the state. However, inflation has seriously eroded the value of these programs. At a minimum, funding should be increased to offset the effect of inflation. Additional changes to the programs could make them more cost effective while at the same time addressing new housing needs.

We urge the expansion of the award-winning *Homes for Working Families program (HWF)* which uses a creative combination of tax exempt bonding, federal tax credits, and low interest loans to finance the rehabilitation and construction of affordable rental

housing for seniors and low income families. HWF provides 1% loans which are then matched with tax-exempt bonds issued by a public authority and allocated from the state's private activity bond volume cap. Each dollar of HWF funding leverages about three additional dollars of federal subsidy.

Further, the *State Low Income Housing Credit (SLIHC)* program should be expanded and made permanent. With a limit of up to 90% of area median income (as opposed to the federal level of 60%), SLIHC helps the low-income elderly and working households who cannot afford market rents. Given both the need and the limited resources available for those in that income range, we urge that the amount of the annual SLIHC allocation be increased to \$10 million and that it be targeted to families with incomes above 60% of AMI.

Allocate sufficient private activity bond volume cap to affordable housing: Since affordable housing is so important for economic development, the state must be sure to set aside, in advance, a sufficient amount of private activity bond volume cap each year for affordable housing projects.

Mobilize the resources of the NYS Housing Finance Agency for affordable housing: In recent years, HFA has not met its potential to serve as an effective engine for affordable housing development. For example, in 2004 only half of the units financed with bonds by HFA were affordable and less than one quarter of total HFA bond proceeds went for affordable housing. We believe that as a public benefit corporation the vast majority of HFA's resources should be devoted to affordable housing. We are gratified and extremely encouraged by HFA's recent announcement that it will focus more of its resources on affordable housing and look forward to working with them to achieve this goal. In many areas of the state, however, tax-exempt financing alone is not sufficient to fund affordable housing development. For that reason, as part of an overall strategy, we believe HFA will also need the ability to access additional subsidies, such as the Homes for Working Families program. This is just one example of the need for greater coordination between state housing agencies and funding sources.

We trust that these recommendations will prove helpful to you in your deliberations.

Thank you for the opportunity to testify here today