



**Written Testimony of Abby Jo Sigal, Vice President and New York Director and
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**For the New York State Department of the
Budget Hearings on Economic Development
Albany, New York
December 18, 2007**

Enterprise appreciates this opportunity to submit written testimony in connection with the above-referenced hearing on New York State's economic development budget, specifically as related to affordable housing.

Enterprise is a leading provider of development capital and expertise needed to create decent, affordable homes and rebuild communities. For 25 years, Enterprise has pioneered neighborhood solutions through public-private partnerships with financial institutions, governments, community organizations and others that share our vision. Enterprise has raised and invested \$8 billion in equity, grants and loans to help build or preserve 225,000 affordable rental and for-sale homes to create vital communities.

In the downstate region, Enterprise focuses its work in New York City and supports affordable housing development in surrounding communities such as Long Island, Newburg and Yonkers. In upstate New York, Enterprise concentrates its work in Rochester, Syracuse, Ithaca, Binghamton as well as many of the rural communities surrounding those cities as well as Hudson, Steuben, Wyoming and Livingston Counties. Throughout New York State, Enterprise has invested more than \$1.7 billion to create and preserve more than 24,000 affordable homes. In 2004, Enterprise launched its New York City Billion Dollar Promise, our commitment to invest \$1 billion to develop 15,000 affordable homes by 2009. By the end of 2007, we anticipate investing nearly \$700 million of the \$1 billion commitment.



New York's Critical Affordable Housing Needs

Having a place to live is the crucial first step out of poverty. But for many low-income people in New York City and the surrounding metropolitan area – one of the most expensive housing markets in the country – finding an affordable place to live is often impossible. Nearly 80 percent of low-income New Yorkers spend more than a third of their income on rent. Meanwhile, the number of units affordable to low-income households continues to fall as the number of affordable units available on the market diminishes. A report by New York University's Furman Center for Real Estate & Urban Policy found that 205,000 affordable units were lost between 2002 and 2005 in New York City. Should this trend continue, thousands of working New Yorkers – teachers, taxi-cab drivers, firefighters and others who are integral to New York City's livelihood – will be embroiled in a severe housing crisis.

Concentrated poverty in upstate New York's inner cities remains the most significant economic development issue. Cities like Rochester have seen a net loss of population in recent years. Rural areas face similar challenges in addressing rising rates of homelessness, constant economic pressures and unmet education needs. Rural communities also face complexities in deploying targeted resources to mitigate deteriorating community infrastructure and facilities, to remove obstacles to economic development and to ensure leadership development among a thinning population.



The State Housing Budget

We commend the State and the Spitzer Administration on the strides made to improve New York's affordable housing programs. The State's efforts to redirect the Housing Finance Agency's (HFA) pipeline of projects to prioritize affordable housing and preservation transactions has brought a tangible and positive impact for developers' abilities to build and preserve affordable housing. We are pleased that the HFA is committed to spending more of its own resources to subsidize affordable housing developments. Finally, the Division of Housing and Community Renewal's (DHCR) successful efforts to close the "unique and peculiar" loophole of the Mitchell-Lama program will help to ensure the long-term affordability of thousands of affordable housing units for middle-income New Yorkers. Particularly in downstate New York's tight housing market, preservation of Mitchell-Lama units remains absolutely critical. While the state has made tremendous progress, substantial resources are still needed to meet the diverse affordable housing and community development needs throughout the state.

As an organization dedicated to affordable housing and as a Housing First! member organization, Enterprise stands with Housing First! in advocating for \$13 billion over ten years to create and preserve at least 220,000 affordable homes. Specifically, Enterprise asks that the state consider \$200 million in additional funds from New York State's 2008-2009 budget to support affordable housing programs throughout the state.

Specifically, \$100 million in State of New York Mortgage Agency (SONYMA) and HFA reserves - funds currently in hand but not readily available – should be made accessible to the two agencies for allocation directly to affordable housing programs. In previous years, these funds have been redirected to address the



State's budget shortfalls in other areas. New York State's affordable housing budget has remained flat for several years. Access to reserve funds as well as allocation of an additional \$100 million to DHCR and HFA will help to remedy the previous shortfall in resources. We ask that the state provide authorization to SONYMA and HFA to retain their excess reserves and earnings and target these resources to produce and preserve affordable housing. The Division of Budget should end its practice of redirecting these resources to meet the needs of the State's general fund. This \$200 million investment by the state should be used for the following:

- **Development of a New York State Affordable Housing Trust Fund.** This trust fund should be a dedicated revenue source to provide gap financing for affordable housing projects. Across the country, Housing Trust Funds are proving powerful tools in building local support for affordable workforce housing and community revitalization. To further fund a state trust fund, we encourage the governor and state legislature to pass legislation approving a modest increase in mortgage recording fees and earmark that increase for housing trust funds.
- **Increasing Focus on Affordable Housing Preservation.** The expiration of subsidies and regulations on affordable housing projects developed 15 to 20 years ago are placing affordable housing developments at risk of losing their affordability. The commitment that New York State made to closing the loop hole in the Mitchell-Lama program was commendable and will result in saving many units from being lost. However, the \$200 million will help to provide much needed subsidy to reposition many expiring projects.
- **Support New York State's green affordable housing efforts.** DHCR, HRA and NYSERDA have all been supportive of adopting green criteria and working with Enterprise to develop and preserve



more green affordable housing. However, further support to encourage this type of development is needed. On average, the development of green affordable housing costs five percent more.

However, the long term savings to the developer, resident and the positive environmental impact make this investment well worth while. Enterprise estimates a cost savings of \$850 to \$1,200 for every green affordable unit preserved. These are funds, which in many instances, help to minimize building operating expenses over the long-run.

- **Support DHCR's NPC and RPC organizations.** Funding is necessary to meet the recommendations advanced in DHCR's *A Review of the New York State Neighborhood and Rural Preservation Programs*.
- **Implementation of the Statewide Smart Growth Strategy.** State resources should be targeted to older cities as well as town and village centers, rather than sprawl-inducing development with negative impacts on the environment and quality of life for New York residents.
- **Advancement of foreclosure prevention activities.** The sub prime crisis which is leading to a foreclosure crisis throughout the country threatens thousands of New York residents from losing their home. The Congressional Joint Economic Committee predicts that there could be an estimated 68,000 foreclosures in New York from 2007 to 2009. New York must participate in mitigating the current mortgage foreclosure crisis by prioritizing housing counseling and provision of resource fund support allowing for flexibility. The current program only assists those homeowners who are less than 60 days delinquent and have loan to values on their homes that do not exceed 100 percent. The maximum amount is \$417,000, which is highly problematic in New York City and other high cost areas.



Conclusion

New York must develop housing policies that encourage and incentivize mixed-income housing in healthy communities of choice. Enterprise remains committed to working with affordable housing developers; city, state and federal housing agencies; and elected officials to ensure that families of all incomes have the opportunity for housing that is fit and affordable with access to jobs, quality schools and services.