CENTER *for*
COMMUNITY CHANGE

New York State Department of Budget
2008-2009 Housing Budget
December 18, 2007

Testimony submitted by
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on behalf of the
Empire State Housing Alliance

Background

Thank you for the opportunity to testify today on the Administration's 2008-2009 budget for housing. I am on the policy staff of the Center for Community Change, a national nonprofit organization that works to build the power and capacity of low income people, especially people of color, to organize and advocate for social change and economic justice. CCC helps establish and develop community organizations across the country, and through issue campaigns and technical assistance works to bring attention to major national issues related to poverty and insure that government programs are responsive to community needs. Since 1986, the Center's Housing Trust Fund Project ("Project") has operated as a clearinghouse of information on housing trust funds throughout the country, and it has become the single most reliable national resource on housing trust funds. In addition to providing technical assistance to housing trust fund campaigns, we periodically undertake a survey of the administrators of housing trust funds, the results of which are published in a composite report.

For the last two years, we have been working extensively with organizations from across New York that are focused on finding solutions to the state's affordable housing crisis. In April 2006 we convened approximately fifty representatives from grassroots organizing groups and community-based social service agencies, as well as housing advocates and developers, in Albany to identify the most critical housing issues facing their communities. A collaborative effort spawned by that meeting resulted in the creation of a coalition, the Empire State Housing Alliance ("Alliance"), and the production of a four part platform – created and endorsed by upstate and downstate groups that traditionally have been unconnected, even divided, based on regional differences – to address the housing needs in New York State. A copy of the platform is attached to my testimony.

Budget Priorities

One of the priorities included in the platform is an increase in funding of existing capital programs. We are pleased to hear that the Administration is considering allocating an additional $100 million to programs administered by DHCR, and fully support that step.

Another key element of the platform was the development of a true housing trust fund – that is, a program that receives significant dedicated public revenue to produce and/or preserve affordable housing. Our proposal calls for $250 million to be dedicated to an Empire State Housing Investment Fund ("HIF") from revenues from SONYMA and the Real Estate Transfer Tax. I am here today to present the Empire State Housing Alliance proposal, and to share with you the Center's experience in helping to develop, monitor, and evaluate housing trust funds across the country. If adopted, New York would join thirty-eight states, as well as the District of Columbia, that have created forty-nine housing trust funds (eight states have created more than one trust fund to achieve particular housing objectives). In a single year, these state housing trust funds collect in excess of $1.28 billion devoted to affordable housing.

Revenue

We understand that the Administration is considering permitting SONYMA to retain approximately $100 million in excess mortgage insurance fund reserves for a new housing initiative, and we support using that revenue stream as a first step toward the establishment of a robust housing trust fund.

As a threshold matter, I want to address the perception that it seems untimely – perhaps even quixotic – to be seeking funding for a new housing fund at a time when the state is projecting a budget shortfall of $4.3 billion. This proposal is justified in part because investments in affordable housing pay multiple returns and exemplify the kind of fiscally-responsible, forward-thinking strategies that New York needs.

First, housing trust funds leverage significant resources, providing a stimulus to local economies. Traditionally, because of their flexible use, housing trust fund dollars are used to provide critical "gap financing" – the last bit of funding necessary to make the financing of a housing development project work. For example, where one of the primary uses of the resources of a housing trust fund is production of new affordable housing units, housing trust fund dollars are generally packaged and distributed along with other sources of public financing, such as Low Income Housing Tax Credits (LIHTC) or Community Development Block Grant funds (CDBG). Because the availability of housing trust fund dollars enables a developer to draw down these other financing sources, as well as private funds, housing trust funds are described as "leveraging" non-state resources in order to produce affordable housing. On average, nearly $7.00 in public and private funds are leveraged for every state housing dollar invested in affordable housing. This dynamic is demonstrated by the recent awards from the newly-established Albany County Housing Trust Fund, where the County's $300,000 investment has leveraged over $7.8 million in other funding for the selected projects, a leverage of $26 for every public dollar invested.

Second, affordable housing investments drive economic development. As evidenced across New York, affordable housing needs are not solely a by-product of a booming economy; while a strong real estate market indisputably creates pressures on the availability of low cost housing, economically stagnant areas suffer from a different array of housing issues, including vacant and abandoned properties that quickly become public nuisances and rising foreclosures of both single family and multifamily properties. In addition to addressing their affordable housing needs directly, a housing trust fund could serve as stimulus to economic development that would strengthen these communities, from jobs, sales, and municipal fees that result directly from housing construction and renovation, as well as through secondary and ongoing tax revenues generated from new residents and new properties. The National Association of Home Builders projects that

> Over a 10-year period, the local economic impact of building 100 single-family homes in a typical community is $41 million in local income. The construction of 100 multifamily homes generates $28 million in local income. New homes also generate substantial tax revenues for local governments. Production of 100 single-family homes, on average, raises local tax revenues by $6.6 million over the following 10 years, while construction of 100 multifamily units adds $4.7 million in 10-year local tax collections.[1]

A number of jurisdictions that have considered and adopted housing trust funds at the state and local level have conducted their own economic studies demonstrating these impacts. For example, Colorado determined that the investment of $26.5 million in its Housing Investment Fund would produce:

- More than 3,200 new jobs each year.
- More than $334 million of economic activity each year.
- Average annual savings of $2,460 for formerly rent-burdened households available for spending on other needs.
- More than $26 million of annual tax revenues generated through new economic activity – effectively a dollar-for-dollar offset of the public investment.

We have shared examples of these studies with Ms. Almodovar and her staff, and would be happy to provide you with copies as well.

Additionally, public investment in affordable housing promotes workforce retention and attracts prospective employers. When commercial developers conduct market studies or when businesses assess location options, a key factor is whether there is sufficient housing for consumers and adequate housing for their employees to sustain their investment. As we hear repeatedly in the context of Long Island and the Hudson Valley, high housing costs are rightly perceived by employers as a barrier to attracting and securing a stable workforce. To illustrate this point, in 2005, 89% of employers surveyed by the Vermont Housing Finance Agency contended that the high cost and unavailability of housing was a barrier to economic development that the state needed to address. 49% said housing costs had posed problems in their efforts to recruit employees.

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[1] American Bankers Association, America's Community Bankers, Mortgage Bankers Association, National Association of Home Builders, and National Association of Realtors. "Housing Policy for the 21st Century." September 2004.

An overwhelming number were aware of housing affordability problems for their employees, with 92% reporting a shortage of homes for sale and 88% reporting a shortage of rental housing as problematic (the report of the survey results is attached). So investing in affordable housing is absolutely vital to the state's economic growth.

Third, investments in affordable housing can reduce the demand for other costly government-funded supports, particularly public health and homelessness programs. When we don't have adequate safe, affordable housing, we pay a price, and the price is high. Asthma, lead-paint exposure (a particular problem in older upstate communities), the relatively exorbitant costs of emergency shelter and transitional housing are all exactions we and the state fisc bear because we haven't committed the resources we need to decent affordable housing. And access to quality, affordable housing enables families to devote resources that otherwise would have been spent on housing to meet other critical needs, like health care and child care, that also help to support local economies.

Finally, there are significant environmental and psychic benefits to the development of affordable housing. Increasing the availability of safe, affordable housing near employment centers can limit sprawl and the loss of open space, reduce home-to-work commuting to the benefit of the environment, and reduce the costs associated with infrastructure improvements. Just as importantly, investments in affordable housing can have a transformative effect on communities for non-economic reasons. Residents remaining in neighborhoods with large numbers of vacant and abandoned properties, including those in upstate cities that have experienced significant out-migration in recent years, would see re-investment in the form of housing development as a critical symbol of optimism in the economic recovery of the region, and a reflection of the commitment by the Administration to improve the well-being of the entire state. To lower income New Yorkers in high cost areas, including those who perform socially critical services in hospitals and schools and child care centers, these investments would acknowledge the vital role that they play in the functioning of our communities and local economies.

One final, critical revenue-related point: to be a true housing trust fund, a program must receive dedicated revenues. While I understand that budget officials are generally opposed to the concept of dedicating revenue streams – housing trust fund campaigns commonly encounter resistance to the principle – it is fundamental to the success of housing trust funds in building and sustaining a stock of affordable housing. Quite simply, knowing that funds will be available on an ongoing basis is critical to driving the interest and capacity of developers to invest in putting together a pipeline of affordable housing projects. And since a single project can take a few years to complete from site acquisition to the marketing of units, maintaining a regular process of funding awards is essential to ensuring an ongoing stream of housing units.

The Empire State Housing Alliance Proposal

Just as important as identifying and securing a revenue source is specifying how those revenues will be used. It is crucial both politically and programmatically to spell out -- as we have in our proposal -- the principles that will govern a new Housing Investment Fund, both to secure buy-in on the part of state and local legislators and the community at large for the use of public resources and to help ensure that the identified funds are actually directed to serve agreed-upon affordable housing needs. Both of these purposes are essential to the long term sustainability of the Fund.

Attached to my testimony is an outline of our proposal that covers all of the key components of the HIF. In the interest of time, my testimony highlights the most distinctive and substantive issues from the proposal: income targeting and preferences for funding; how the funds should be distributed; the key uses of the fund and who is eligible to receive them; and monitoring and oversight of the fund.

One of the hallmarks of housing trust funds, and a key to their popularity at the state, county, and city levels, is their inherent flexibility. Housing Trust Funds can be designed to meet a variety of housing needs – from assisting low income renters to first time homebuyers to the elderly or others who have special needs – in numerous ways, including operating and maintenance subsidies, no or low interest mortgage programs, rental vouchers, to "bricks and mortar" hard costs to support new production and rehabilitation. When we survey housing trust fund administrators, the single most popular response to why they like the housing trust fund is its flexibility. So in developing the outline of a legislative proposal to establish the HIF, the Alliance was mindful of preserving flexibility to meet the spectrum of diverse housing needs across the state while establishing a core set of principles to govern the use of HIF funds.

Income Targeting and Other Preferences

First, because our goal was to provide resources to serve needs that are not being addressed by existing programs, funds would be targeted to serve households earning up to 80% of the Area Median Income ("AMI"), with preference for funding to projects serving households at or below 50% of AMI. This is consistent with national practice: serving the housing needs of the lowest income families is one of the primary goals of a majority of housing trust funds; more than half of the trust funds we surveyed target some degree of resources on households with incomes at or below sixty percent (60%) of the Area Median Income (AMI), with many reaching even deeper levels of affordability. Another third of housing trust funds responding to the survey report that they set aside a portion of trust fund revenues to target extremely low income (30% of AMI) or very low income (50% of AMI) households, with thirty-seven percent (37%) of funds also giving priority in making awards to projects that serve the lowest income households. It is important to note that while housing trust funds often seek to serve a spectrum of housing needs, none in country have established "workforce housing" limits as high as 150% to 250% of the AMI, which has been alternately proposed in New York.

Revitalizing neighborhoods to become vibrant, mixed-income, accessible communities is a goal for every member of the Alliance. Accordingly, in addition to prioritizing projects serving those with the lowest incomes, HIF funds should be prioritized to projects serving mixed-income and/or mixed population communities and projects that exceed the minimum accessibility requirements of Section 504 of the Rehab Act. Additionally, to help attract households back to central cities and establish mixed-income neighborhoods, funds could be used to support up to 20% of the units affordable to households with incomes up to 120% of the AMI in a mixed-income project that is located in a low income census tract covered by a local redevelopment plan.

Distribution of Funds

One of the Alliance's objectives was to use the HIF to encourage local investment in affordable housing and the development of local housing trust funds, particularly those that reflect regional or multi-municipal coordination and planning. We at the Housing Trust Fund Project have been working with groups in at least five local jurisdictions that are keenly interested in creating local housing trust funds. To promote their development, the Alliance proposes that funds be distributed on a competitive basis through essentially two tracks:

(1) Up to 60% of funds would be allocated to Local Housing Trust Funds (LHTF), with preference to multi-municipal LHTFs that are dedicated to fair share principles and the creation of mixed-income and accessible communities and to LHTFs that receive dedicated local resources. A broad range of resources, including but not limited to public property, infrastructure, and public or private funding, should qualify as a local investment for the purposes of preferential status. While some state housing trust funds distribute resources to local housing trust funds on a matching basis, we are mindful of the fiscal challenges facing a number of upstate jurisdictions, and the difficulty they would have in meeting matching requirements. Accordingly, our proposal is structured to give preference to those jurisdictions that commit local resources, but not to require it as a condition of receiving state funding for their LHTFs.

To be eligible to receive funding, a LHTF would first be required to submit and have approved by the state administering agency an affordable housing plan that would include a needs assessment and a "fair share" affordable housing distribution plan throughout the local jurisdiction, and would establish a local governance board.

The allocation of funds to Local Housing Trust Funds is defined as a ceiling, based on our understanding that it will take some time for localities to craft their local housing trust funds and have them certified by the state; under our proposal, the administering agency could award limited funds to support technical assistance to LHTFs to promote their development. In the meantime, any funds available but not distributed to Local Housing Trust Funds (up to the 60% ceiling) would be distributed through the second track: a Project Based Program.

(2) Project Based Program: The remaining funds – at least 40% of ESHIF resources annually as well as any unspent LHTF funds – would be distributed directly from the state administering agency to eligible projects throughout the state, again on a competitive basis.

Additionally, in distributing HIF resources through both funding tracks, the state administering agency would be guided by the following requirements:

- No more than 50% of total funds could be allocated to any one municipality annually;
- Funds would be distributed equitably among four general geographic categories:
  - Long Island and Hudson Valley Counties
  - Rural Areas
  - Upstate Cities
  - New York City.

Eligible Uses and Applicants

Again, to provide for flexibility in meeting affordable housing needs across the range of housing markets that exist throughout the state, and consistent with national practice, our proposal permits a wide array of permissible uses of HIF funds, including:

- Acquisition;
- Site preparation, including demolition of vacant and blighted properties;
- New Construction;
- Preservation; and
- Rehabilitation

In addition, many housing trust funds seek to make the housing units in projects receiving trust fund resources more affordable, and thus more accessible to lower income households, by covering operating and maintenance costs in addition to capital investments. To balance the Alliance's goal of serving households with the lowest incomes with our desire to maximize the impact of the funds, our proposal would support operating and maintenance expenses as a permissible use for up to 5% of total HIF funds available each year when needed to make units affordable to extremely low income households.

Just as we want to support a wide array of housing activities, the Alliance proposal would define broadly the category of developers who are eligible to receive HIF resources. For profit and not-for-profit developers, and local housing authorities, along with municipalities and consortia of community-based organizations that have established Local Housing Trust Funds would all be eligible to compete for funding. These elements would reinforce a culture of partnership in addressing New York's affordable housing needs – partnership between the state and localities, between municipalities within the same region, and between the public and private sectors.

Monitoring and Oversight

The success and sustainability of housing trust funds across the country is due in no small part to the inclusion of strong monitoring and oversight mechanisms contained in the programs' authorization to ensure transparency and accountability. Thirty three state housing trust funds report having a board or commission that has some responsibility for overseeing the housing trust fund. Our proposal creates a broadly representative independent board to advise the state administering agency on HIF policies, oversee the administration of the fund to assure compliance with prescribed guidelines, and serve as a champion of the HIF in public advocacy to publicize the benefits that have accrued to the state and to secure additional resources.

The state administering agency would also be required to report to the public annually on the use of the HIF as well as on its progress in meeting affordable housing needs throughout the state. Housing Trust Fund campaigns across the country have found that these reports are vital not just to tracking the operation of a housing trust fund, but also to documenting its impact on community and economic development and using its successes to strengthen political and community support for the fund.

Members of the Empire State Housing Alliance would be happy to meet with you to discuss our proposal in more detail, and to work with you to establish a Housing Investment Fund that serves the needs of low income New Yorkers across the state. We strongly believe that dedicating state resources to a true housing trust fund is exactly the kind of investment the state needs at this moment, and that that investment will pay multiple rewards to strengthen our economy and the well-being of our residents, both immediately and into the future. Thank you again for the opportunity to share our proposal.

EMPIRE STATE HOUSING ALLIANCE
Upstate-Downstate Planning Together

Empire State Housing Investment Fund Proposal

Goals:

- To expand the resources dedicated to addressing the affordable housing needs of low income New Yorkers;
- To establish a fund flexible enough to be responsive to, acknowledge and serve the diverse housing markets in the state;
- To encourage local investment in affordable housing and the development of local housing trust funds, particularly those that reflect regional or multi-municipal coordination and planning;
- To promote the creation and revitalization of vibrant, mixed-income, accessible communities.

Element	ESHA Proposal
Revenue Source	Our goal is to create a $250 million Empire State Housing Investment Fund, with dedicated financing from the following resources: ▪ SONYMA excess reserves (est. $100-125M) ▪ Real estate transfer tax revenue not already dedicated to the Environmental Protection Fund or to service the debt on the Clean Water/Clean Air funds. Legislation establishing the ESHIF should also enable local governments to increase existing taxes or fees where the increase is dedicated to a local housing trust fund.
Primary Administrator	The decision about which agency ultimately administers the ESHIF should be guided by a determination of which entity has (1) experience with housing development markets across the state; (2) a strong connection to upstate locales as well as those downstate; (3) a strong monitoring and oversight infrastructure that is not overly burdensome for developers to negotiate; and (4) is subject to public oversight and accountability.
Distribution of Funds	Up to 60% of funds should be allocated to Local Housing Trust Funds on a competitive basis, with preference to multi-municipal LHTFs that are dedicated to fair share principles and the creation of mixed-income and accessible communities and LHTFs that receive dedicated local resources. A broad range of resources, including but not limited to public property, infrastructure, and public or private funding, should qualify as a local investment for the purposes of preferential status. To be eligible to receive funding, a LHTF must first submit and have approved by the administering agency an affordable housing plan that includes a needs assessment and a "fair share" affordable housing distribution plan, and establishes a local governance board. The administering agency may award limited funds to support technical assistance to LHTFs to promote their development. The remaining funds – at least 40% of ESHIF resources annually as well as any unspent LHTF funds – shall be distributed to eligible projects throughout the state on a competitive basis. Additional distribution requirements: ▪ No more than 50% of total funds shall be allocated to any one municipality

	annually; ▪ No more than 30% of funds shall be awarded to for-profit developers annually; ▪ Funds shall be distributed equitably among four general geographic categories: • Long Island and Hudson Valley Counties • Rural Areas • Upstate Cities • New York City
Funding Process	ESHIF resources allocated to LHTFs shall be awarded on a competitive basis annually. ESHIF project-based resources shall be awarded based on a competitive RFP process to occur no less than twice each year using a combined application that includes other NYS housing programs. The administering agency may also award limited resources on an emergency basis where necessary to preserve existing affordable housing.
Income Targeting	ESHIF funds may be used to support units affordable to households making no more than 80% of the AMI. First preference for funding shall go to projects serving households with incomes at or below 50% AMI. Funding received through the Local Housing Trust Fund program may be used to support up to 20% of the units affordable to households with incomes up to 120% of the AMI in a mixed-income project that is located in a low income census tract covered by a local redevelopment plan.
Additional Preference Criteria	Whether awarded directly through the project-based program or passed through the LIHTF program, ESHIF funds should be prioritized to: • Projects that serve households with the lowest incomes; • Projects serving mixed-income and/or mixed population communities • Projects that exceed the minimum accessibility requirements of Section 504 of the Rehab Act.
Eligible Activities	Acquisition Site preparation, including demolition of vacant and blighted properties New Construction Preservation Rehabilitation Operating and Maintenance expenses, up to 5% of total ESHIF funds available annually to make units affordable to extremely low income households. All multi-family new construction projects shall meet universal adaptability standards. All new construction of single family homes shall meet universal visitability standards.
Eligible Applicants	Local housing trust funds established by counties, individual municipalities, multiple local governments through inter-local agreements, and consortia of community-based organizations. Project funding: Non-profit and for-profit developers, local housing authorities.
Form of Funding	Non-profit developers shall be eligible to receive grants or loans; for-profit developers shall be eligible to receive loans.
Length of Affordability	99 years, with equity sharing formulas for LHTF to be determined locally that preserve affordability for households at the original income targeting level and provide a reasonable return on investment for homeowners.

Oversight Mechanisms	There shall be established an ESHIF Advisory Commission, composed of eight (8) public officials and thirteen (13) representatives of various constituencies, as follows: ▪ Head or designee of HFA ▪ Head or designee of DHCR ▪ Head or designee of OTDA ▪ An Assemblyperson ▪ A State Senator ▪ A Town Supervisor ▪ A County Executive ▪ A Mayor ▪ One for-profit developer ▪ One not-for-profit developer ▪ Two organizers, one from New York City and one from Upstate ▪ A housing authority representative ▪ A tenants' rights representative ▪ A representative of the supportive housing community ▪ A disability rights representative ▪ A representative of the homeless community ▪ A representative from the rural housing community ▪ A banking or financial services industry representative ▪ A representative of homeownership interests ▪ An academic or policy expert who focuses on affordable housing issues Seats on the Advisory Commission should be allocated based on the following guidelines: ▪ 4-7 members from New York City ▪ 3-6 members from Upstate Cities ▪ 3-6 members from Long Island/Hudson River Counties ▪ 2-3 members from rural counties The Governor shall appoint five (5) of the thirteen (13) constituency representatives; the Speaker and Senate Majority Leader shall each appoint four (4) of the constituency representatives. The Advisory Commission shall: ▪ Encourage collaboration between federal and state agencies, local governments, and the private and not-for-profit sectors in the planning, development, and operation of affordable housing and local housing trust funds; ▪ Develop, propose, review and comment on priorities, policies, and procedures relating to the ESHIF, including new and expanded revenue sources; ▪ Review funding awards for compliance with program priorities ▪ Monitor and evaluate the funding process and compliance with reporting requirements. ▪ Make recommendations to Legislature regarding programmatic changes and revenue enhancements
Reporting Requirements	The administering agency shall issue an annual report detailing (1) The amount of money expended from the Fund during the fiscal year;

	(2) The number of loans and grants made during the fiscal year; (3) The number of low-income, very low-income, and extremely low-income households and individuals assisted through Fund expenditures; (4) A list of each project on which funds from the Fund were expended, including, for each project: (A) A brief description of the project, including the name of the project sponsor; (B) The amount of money expended on the project; (C) Whether the money expended was in the form of a loan or a grant; (D) The general terms of the loan or grant; (E) Total development costs, including the amount leveraged by ESHIF funding. (5) The amount and percentage of funds expended on homeownership projects; (6) The amount and percentage of funds expended on rental housing projects; (7) The amount and percentage of funds expended on rental housing or homeownership opportunities for households with incomes at or below 30% of the area median income; (8) The amount and percentage of funds expended on rental housing or homeownership opportunities for households with incomes at or below 50% of the area median income; (9) The amount and percentage of funds expended on rental housing or homeownership opportunities for households with incomes at or below 80% of the area median income; (10) The amount and percentage of funds expended on accessible and adaptable units, and the number of such units produced. (11) The number of housing units assisted, including the number of rental housing units assisted and the number of homeownership units assisted; and (12) The amount expended on administrative costs during the fiscal year. The agency shall also evaluate, on a periodic basis, the economic impact of the ESHIF on the state and local economies.
Administrative Costs	Administrative costs shall be covered by dedicated revenue, but capped at 10%.

Endorsed By (Working list):

Affordable Housing Partnership of the Capital Region

ARISE (Albany)

ARISE Centers for Independent Living (Syracuse)

Better Neighborhoods, Inc of Schnectady

Capital District Community Loan Fund

Cayuga County Habitat for Humanity

Center for Independence of the Disabled

Community Realty

Empire Housing and Development Corporation (Syracuse)

Group 14621 (Rochester)

Habitat for Humanity of New York City

Habitat for Humanity of New York State

Habitat for Humanity of Seneca County

Habitat for Humanity of Wayne County

Habitat for Humanity of Wyoming Cty NY, Inc.

Interfaith Action (Rochester)

Jubilee Homes of Syracuse

Neighborhood Preservation Coalition of NYS

Northwest Bronx Community and Clergy Coalition

Pratt Center for Community Development

PUSH Buffalo (People United for Sustainable Housing)

Resource Center for Accessible Living (Kingston)

Rob Davies, Housing Consultant for people with disabilities

Schenectady Inner City Ministry

Southeast Steuben County Habitat for Humanity

Syracuse Habitat for Humanity

Tompkins-Cortland Habitat for Humanity

Westchester Disabled on the Move

Westchester Putnam Working Families Party

EMPIRE STATE HOUSING ALLIANCE

Upstate-Downstate Planning Together

NEW YORKERS ACROSS THE STATE CALL ON OUR NEXT GOVERNOR TO:

1 Develop a housing plan and appoint key personnel with the authority, expertise, and resources to coordinate the activities of all the agencies involved in housing in NYS and to ensure that programs are transparent, accountable, and efficient.

The lack of affordable housing in NYS has reached the level of crisis, impacting every region from Long Island to New York City to the reaches of the western tier. **Our state, especially our most vulnerable and economically challenged residents, needs our next governor to take immediate action that is decisive and comprehensive to develop a fundamental strategy to provide safe, affordable, accessible and decent housing for all.** We call on the incoming governor to produce the following:

- A written **strategic ten-year action plan** developed with public input, to be published by December 2007. The plan should address the full scope of housing needs in the state and define specific objectives, goals, and measurable outcomes for all housing programs and activities, and adequate funding targets to meet them.
- A mechanism to **implement the state's plan in coordination with new regional planning and improved local land use and housing policies.**
- A comprehensive fiscal analysis and reforms for fundamental, **long-term solutions to the chronic pressures on local property taxes in NYS.**

The next governor should convene a New York State Housing Summit involving key stakeholders during the transition phase between Election Day and submission of the governor's first budget. This meeting should produce the elements and design the process for creation of a diverse, inclusive, and well-informed state commission or working group to produce the state housing plan within a year.

2 Increase the financial investment – capital and operating – for existing housing programs, refining the purpose and administration of those programs to reduce and/or eliminate barriers to accessing funds for certain types of development and ensuring that funding includes adequate resources to support the capacity of nonprofits.

While restructuring existing agencies may achieve economic as well as administrative efficiencies, the savings realized will not be sufficient to produce and preserve an adequate supply of affordable housing. Affordable housing practitioners across the state need access to resources flexible enough to respond to a range of local market conditions. The resources need to preserve existing affordable housing include:

- Grants and low-interest loans supporting the acquisition and rehabilitation of existing properties;
- Capital, in the form of tax credit equity; and
- Operating subsidies to maintain affordability in projects where existing public subsidies expire.

At the same time, a base level of new housing production is needed to keep pace with the growing demand for housing in general, and for affordable housing in particular. **To meet these needs, the next governor's comprehensive housing plan must include increasing financial resources for affordable housing.**

The next governor should also focus on the following reforms to make state agencies more effective:

- Establish Repair Enforcement Boards
- Fuller mobilization of the New York State Housing Finance Agency's resources.
- Deeper and More Extensive Affordability within HFA and other State programs.
- Fairer allocation of Federal Low Income Housing Tax Credits.
- Reform of Tax Incentives to Promote Affordable Housing.

3 Dedicate a source of revenue to support additional investment in affordable and accessible housing production and preservation (a 'true' housing trust fund) particularly for housing sectors that are currently unserved.

New York is one of the few states that do not dedicate revenue to affordable housing programs. Capital funding for existing programs, most established more than 20 years ago, has failed to keep pace with rising development costs. One way to ensure adequate resources for affordable housing activities and to enhance coordination of program activities is to establish a true housing trust fund, which would serve as a repository for dedicated revenue that could be used to support both existing programs and initiatives serving currently unmet needs.

In particular, two existing revenue streams—both of which directly reflect the escalation of the real estate market and its effects on the availability and affordability of housing—could provide dedicated funding for a housing trust fund in NYS: 1) Excess mortgage recording tax revenues; and 2) Real estate transfer taxes.

4 Promote regional planning initiatives that support sustainable, affordable neighborhoods.

The principal goal of regional planning should be the creation of stable mixed-income communities throughout every region, with more equitable and effective school systems, sustainable economies in rural areas, greater affordable housing opportunities in suburbs and new incentives for middle-class homeownership in cities.

56 of 57 NYS counties outside of NYC have a shrinking municipality at their core, and the outmigration of residents from the central city leads to racial and economic segregation, wasteful duplication of infrastructure, environmental destruction, concentration of poverty, and crises in the availability of affordable housing.

In this context, we call for the creation of state enabling legislation and incentives for regional compacts as a new paradigm for housing and economic development in NYS. Compacts create an accountable, decisive forum for local governments to create a regional plan to remedy these serious and growing problems. The compact plan should include:

- Regional housing plans aimed at creating mixed-income communities and de-concentrating poverty
- Coordination of local economic development with regional land use and housing plans
- Better integration of state housing, environmental and economic development programs and approvals with local land use decisions.
- Transit- and pedestrian-oriented development. The governor must coordinate programs of NYSDOT, DHCR, and ESDC to promote development designed around transit corridors that supports walkable, mixed-use communities and effective workforce transportation.

FOR MORE INFORMATION

Contact Mary Dailey, Center for Community Change, (212) 643-3464 or mdailey@communitychange.org.

EMPIRE STATE HOUSING ALLIANCE

Upstate-Downstate Planning Together

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Develop a housing plan and appoint key personnel with the authority, expertise, and resources to coordinate the activities of all the agencies involved in housing in NYS and to ensure that programs are transparent, accountable, and efficient.

The lack of affordable housing in NYS has reached the level of crisis, impacting every region from Long Island to New York City to the reaches of the western tier. While the causes and solutions differ across the state, in every area the affordable housing crisis is hurting countless individuals and families, and impeding efforts to attract businesses, create jobs, reduce property taxes and improve the overall state of the economy.

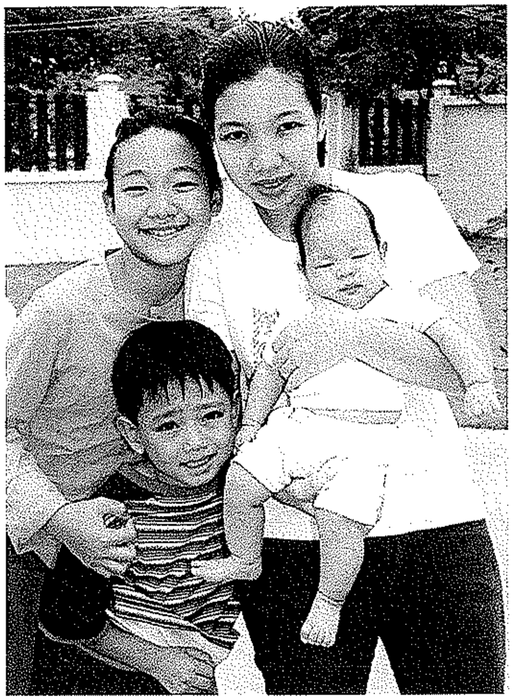
In every area the affordable housing crisis is hurting countless individuals and families.

Our state, especially our most vulnerable and economically challenged residents, needs our next governor to take immediate action that is decisive and comprehensive to develop a fundamental strategy to provide safe, affordable, accessible and decent housing for all. We call on the incoming governor to produce the following:

1. A written **strategic ten-year action plan** developed with public input, to be finalized and published by December 2007. The plan should address the full scope of housing needs in the state and define specific objectives, goals, and measurable outcomes for all housing programs and activities, and adequate funding targets to meet them. Specific recommendations should include the following policy areas:
   a. **geographically-specific housing shortages and challenges upstate** and downstate, including rural, suburban, and urban settings, & weak and strong housing market situations;
   b. **homelessness** prevention and supportive services;
   c. **adequate accessible and supportive housing** that is integrated in vibrant neighborhoods and developments;
   d. **economic challenges** of struggling upstate regions threatened by disinvestment and sprawl, especially shrinking cities and vanishing rural areas;
   e. strategies to preserve existing affordable housing, including all public housing and Mitchell-Lama units, and to address the deterioration associated with an aging housing stock statewide.

2. A mechanism to **implement the state's plan in coordination with new regional planning and improved land use and housing policies** at the local government level that will promote mixed income neighborhoods with opportunity and choice for all (see platform plank #4 below)

3. A comprehensive fiscal analysis and reforms for fundamental, **long-term solutions to the chronic pressures on local property taxes** in NYS.



To develop a truly comprehensive plan, the **next governor should convene a New York State Housing Summit involving key stakeholders**—citizens' groups and community leaders, policy experts, public officials from state and local governments, housing service providers, bankers and developers—**during the transition phase between Election Day and submission of the governor's first budget**. This meeting should produce the elements and design the process to establish a diverse, inclusive, and well-informed state commission or working group tasked to produce the state housing plan within a year.

FOR MORE INFORMATION

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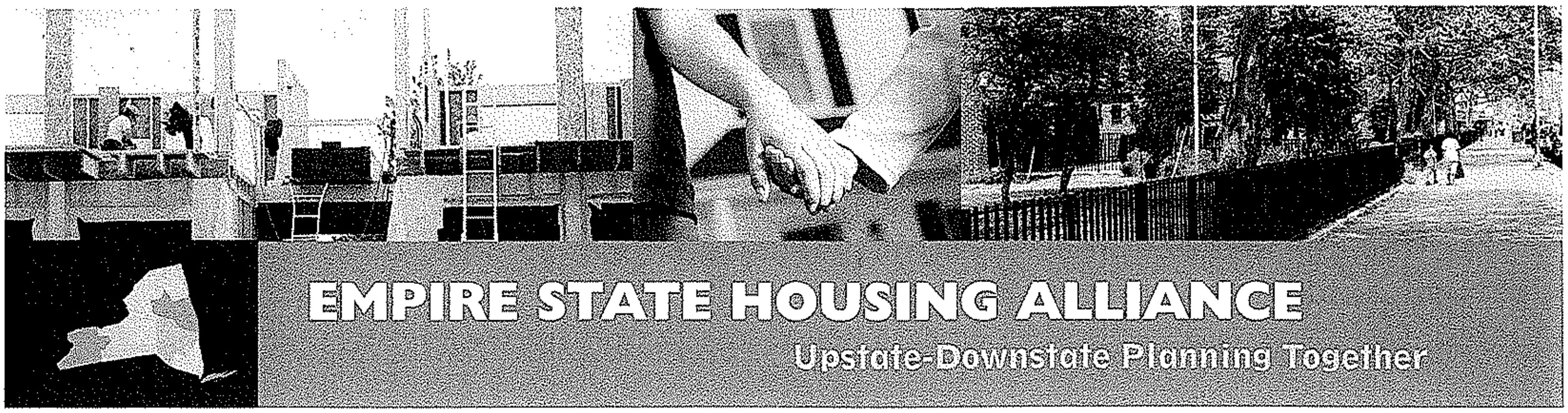

2

Increase the financial investment – capital and operating – for existing housing programs, refining the purpose and administration of those programs to reduce and/or eliminate barriers to accessing funds for certain types of development and ensuring that funding includes adequate resources to support the capacity of nonprofits.

While restructuring existing agencies may achieve economic as well as administrative efficiencies, any savings realized will not be sufficient to produce and preserve an adequate supply of affordable housing. As real estate values in many areas have risen sharply, the economics of new development projects serving low- and very low-income families are more and more challenging; many existing affordable projects developed through programs such as Section 8 are at-risk of being converted to market-rate use. In other areas, the private housing market continues to be suppressed and disinvestment remains a challenge. Affordable properties in these markets often need substantial, capital reinvestment to remain in productive use.

The next governor must have a clear plan to increase financial investment in order to meet this need: Affordable housing practitioners across the state need access to resources flexible enough to respond to a range of local market conditions. The resources need to preserve existing affordable housing include: ① grants and low-interest loans that support the acquisition and rehabilitation of existing properties; ② capital, in the form of tax credit equity; and ③ Operating subsidies to maintain affordability in projects where existing public subsidies end or expire.

At the same time, a base level of new housing production is needed to keep pace with the growing demand for housing in general, and for affordable housing in particular. This fact is particularly true in the rental sector, which often represents the first rung on the housing ladder for newly formed households, immigrants and low-income families.

To meet this need, the next governor's comprehensive housing plan must include increasing financial resources for affordable housing. **We support the plan submitted to you by Housing First! that would commit $12.9 billion over ten (10) years for a variety of housing programs in NYS. However, there are other programs—particularly affecting areas outside of New York City—that also require additional resources, outlined below.**

Ten Year New York State Funding Plan: Addendum

STATE CAPITAL BUDGET			
Funding Source	Current Annual Funding	Proposed Annual Funding	Ten Year Funding
Rural Area Revitalization Program	$1,000,000	$1,000,000	$10,000,000
RESTORE Program	$1,400,000	$4,000,000	$40,000,000
Rural Homeownership Assistance	—	$1,500,000	$15,000,000
Rural Rental Assistance	$19,604,000	$25,000,000	$250,000,000
Infrastructure Development Program	—	$25,000,000	$250,000,000
Rural Preservation Program	$4,725,000	$7,500,000	$75,000,000
Neighborhood Preservation Program	$10,506,500	$15,000,000	$150,000,000
Total Funding	$37,235,500	$79,000,000	$790,000,000

Funding is also needed to sustain the capacity of nonprofits to provide organizing and support services, to support community-based, affordable housing delivery, and to develop innovative housing projects that encourage long-term affordable, resident-controlled housing, such as equity-sharing leasehold cooperatives and community land trusts.

The next governor should also reexamine funding criteria that currently prevent existing programs from serving the lowest income families, including matching requirements in the Affordable Housing Corporation and restrictive subsidies in the Rural Rental Assistance Program. The following reforms would also make state agencies more effective and financially efficient:

1. **Establish Repair Enforcement Boards.** Unlike enforcement in other areas covering everything from the health code to recycling to parking, violations of the housing maintenance code must currently be enforced through the civil court system, a complex and costly process. State enabling legislation providing authority to municipalities across the state to create administrative mechanisms to enforce fines for housing code violations would improve the quality of the housing stock, help deter delinquency by property owners, and help localities capture additional revenues that could be used to support rehabilitation.

2. **Fuller mobilization of the New York State Housing Finance Agency's resources.** Only half of the units financed by HFA are affordable, compared to almost 4/5th of units financed by New York City's HDC. Furthermore, only 8% of unrestricted net assets are used to subsidize affordable housing, with a shamefully low $8.9 million used in 2004, financing a total of 438 units. By ensuring that 100% of HFA's unrestricted assets are spent on affordable housing, by dedicating 75% of its bonds for affordable housing, by allocating more of the state's volume cap to housing, and by supporting mechanisms for smaller housing projects, the state through HFA could contribute an additional $3.8 billion to the development of affordable housing.

3. **Affordability within HFA and other State programs.** The current 80/20 model for HFA-financed projects does not support the depth of affordability and production of affordable units necessary to help resolve the state's overwhelming housing needs. Consistent with an increase in its bond issuances around affordable housing, program models should be revised and supported by increased funding to allow income-diverse models that provide broader and deeper affordability, as in 60/40 or 50/30/20 models.

4. **Reform of Tax Incentives to Promote Affordable Housing.** Authorized by State statute, New York's 421—a program provides tax benefits to in new rental or co-op construction. As the housing boom and the uneven utilization of the program have both shown, this program represents an inefficient use of tax incentives and is ripe for transformation to encourage affordable housing development. The next Governor should champion legislation to give tax benefits only to buildings that include affordable housing; should eliminate the certificates program and devote 50% of new tax revenues to affordable housing; and should consider deeper affordability targeting in the hottest-market areas.

5. **Fairer allocation of Federal Low Income Housing Tax Credits.** The next Governor should make sure that the LIHTC is allocated by region according to affordability needs and not political criteria.

6. **Restore funding for the Infrastructure Development Program**, which separately covered hard costs necessary to extend infrastructure to sites requiring extensive work, costs that would otherwise render a beneficial and economically-feasible development project uncompetitive for other funding programs.

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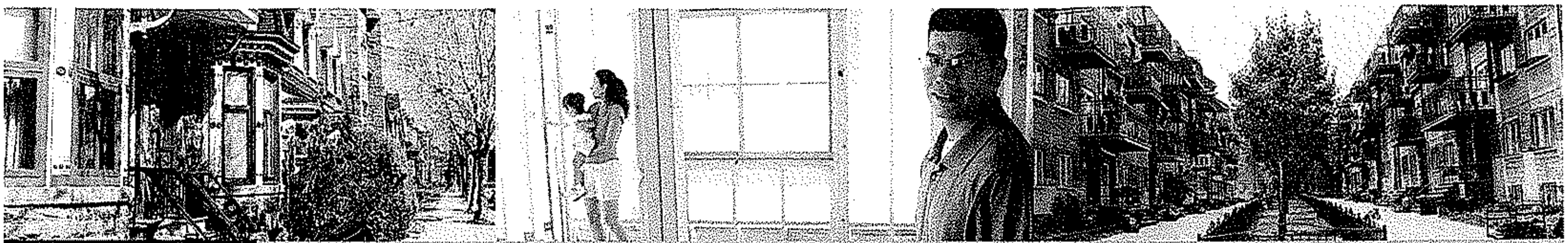

EMPIRE STATE HOUSING ALLIANCE

Upstate-Downstate Planning Together

3 Dedicate a source of revenue to support additional investment in affordable and accessible housing production and preservation (a 'true' housing trust fund) particularly for housing sectors that are currently unserved.

As the federal government's support for affordable housing has diminished over the past 20 years, many states across the nation have filled the void by creating housing trust funds financed with state revenue. True housing trust funds are distinguished by receiving a dedicated revenue stream that does not require annual appropriations. Housing trust funds are characterized by their flexibility: they are used to support an extremely diverse range of housing activities, from new construction and rehabilitation to rental assistance and homeless shelters.

New York is one of the few states that do not dedicate revenue to affordable housing programs. Capital funding for existing programs, most established more than twenty (20) years ago, has failed to keep pace with inflation, and has been dramatically outstripped by rising development costs. One way to ensure adequate resources for affordable housing activities and to enhance coordination of program activities is to establish a true housing trust fund, which would serve as a repository for dedicated revenue tied to the real estate market and could be used to support both existing programs as well as initiatives serving currently unmet needs. For example, additional resources would permit programs to provide deeper subsidies, allowing developers to serve lower-income families. Most importantly, supplemental funding could expand allowances for rehabilitation costs in order to integrate greater numbers of accessible units into affordable housing projects for those with disabilities who do not require on-site services.

New York is one of the few states that do not dedicate revenue to affordable housing programs.

In particular, two existing revenue streams – both of which directly reflect the escalation of the real estate market and its effects on the availability and affordability of housing – could provide dedicated funding for a housing trust fund in NYS:

1. **Excess mortgage recording tax revenues:** Currently, mortgage recording taxes are dedicated to SONYMA (State of New York Mortgage Authority) to provide low interest loans to homebuyers. Each year, SONYMA is required to certify revenue in excess of that required for its reserves, which excess then reverts to the General Fund. Amendments to state law could channel these funds to serve their original purpose—increasing affordable housing opportunities in the state.

2. **Real estate transfer taxes:** Revenues from the disposition of real estate in the state have tripled in the last five years, with projected revenue for FY 2006 of approximately $930 million. While a significant portion of these revenues are dedicated to environmental programs, the balance reverts to the General Fund, rather than being devoted to alleviating the state's affordable housing needs.

FOR MORE INFORMATION

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EMPIRE STATE HOUSING ALLIANCE

Upstate-Downstate Planning Together

4 Promote regional planning initiatives that support sustainable, affordable neighborhoods.

The principal goal of regional planning should be the creation of stable mixed-income communities throughout every region, with more equitable and effective school systems, sustainable economies in rural areas, greater affordable housing opportunities in suburbs and new incentives for middle-class homeownership in cities.

The next governor must make curbing sprawl a priority in order to revive struggling cities and municipalities and to ensure an equitable and beneficial distribution of affordable housing. 56 of 57 NYS counties outside of NYC have a shrinking municipality at their core, and the out-migration of residents from the central city leads to racial and economic segregation, wasteful duplication of infrastructure, environmental destruction, concentration of poverty, and crises in the availability of decent affordable housing. Analysis has revealed minimal inflation-adjusted growth in the wealth and income of whole metropolitan regions in recent years. The effects of unfettered home rule are apparent throughout the state:

1. The City of Buffalo has more than 23,000 vacant housing units. Since 1995, Buffalo has spent in excess of $30 million to demolish more than 4,500 abandoned buildings;
2. Syracuse has suffered a loss of 21% of the city's tax base since 1990;
3. On Long Island, local zoning restrictions create barriers to the development of multifamily housing development, limiting affordable housing and homeownership opportunities for younger residents and stifling business development for want of available workers.

Older municipalities must work with adjacent suburban and rural communities to shape regional growth in a way that redresses existing fiscal and social inequities and limits expensive investments in new infrastructure.

Older municipalities must work with adjacent suburban and rural communities to shape regional growth in a way that redresses existing fiscal and social inequities and limits expensive investments in new infrastructure. **In this context, we call on the next governor to create state enabling legislation and identify incentives for regional compacts as a new paradigm for housing and economic development in NYS.** Compacts create an accountable, decisive forum for coordinated local government decision-making to remedy these serious and growing problems on a regional basis. The compact plan should require:

1. Regional housing plans aimed at creating mixed-income communities and de-concentrating poverty.
2. Coordination of local economic development with regional land use and housing plans: economic development will not be effective unless it is implemented through a land use plan.

3. Better integration of state housing, environmental and economic development programs and approvals (eg IDAs, Empire Zones, Power for Jobs, etc.) with local land use decisions. Prioritizing funding to those jurisdictions that join regional compacts can serve as a significant incentive to encourage municipalities to yield some of the autonomy they enjoy under home rule principles to a regional body with real authority.

4. Transit- and pedestrian-oriented development. National and global leaders in economic development ensure that development is designed around transit corridors and used to create walkable, mixed-use communities accessible to effective workforce transportation. The next governor must coordinate programs of NYSDOT, DHCR, and ESDC to promote this kind of development.

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