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Testimony of David M. Muchnick, Coordinator, Housing First!, at the NYS Division of the Budget's Hearing on Housing, Albany, NY, December 18, 2007

Thank you for the invitation to testify.

My name is David Muchnick. I am the coordinator of Housing First! – a broad alliance of more than 300 diverse organizations who are united by their dedication to developing and sustaining affordable housing for all New Yorkers.

Since 2001, we have fought to focus the public's and the public-sector's attention on the absolute necessity of investing greater resources in the construction and preservation of affordable homes and apartments.

For that reason, we are genuinely encouraged by the concern, competence, commitment, and communication that appointees of the Spitzer administration have brought to HFA, DHCR, and the state's other housing agencies.

We are also gratified by the Division of the Budget's (DOB) decision to hold this afternoon's hearing – especially in light of the Governor's statement at last week's New York Housing Conference luncheon that the administration will work to have a "meaningful and significant increase" in funding for affordable housing in next year's budget.

So, we sincerely welcome this afternoon's session as an opportunity to present our recommendations as to what will constitute a "meaningful and significant increase."

Housing First! recommends two measures that can supply at least $200 million dollars in new funding for affordable housing in next year's budget.

First, there should be a $100 million dollar increase in the current annual capital funding level for the state's existing housing programs. This would be a positive step after a decade in which capital funding remained essentially flat while the state's shortage of affordable housing worsened.

Second, DOB should end its practice of withdrawing excess earnings and reserves from SONYMA and HFA to meet the needs of the state's general fund. And, HFA and SONYMA should be authorized to retain at least $100 million of their excess reserves and earnings next year and use them to produce and preserve more affordable housing.

This measure simply reflects sound business and management principles. These authorities have solid portfolios, substantial assets, and professional management that is increasingly responsive to affordable housing needs. They should use their excess annual earnings and accumulated reserves to expand their affordable housing programs rather than having DOB virtually "taking profits" to enhance the state's general revenues.

How DOB's traditional practice underutilizes their potential is easily demonstrated.

From 2003 to 2007, some $463 million in surplus reserves and excess earnings -- an average of nearly one hundred million dollars annually -- were transferred from HFA and SONYMA to balance the state's budget. By contrast, from 2004 to 2007, New York City's Housing Development Corporation used $493 million of its accumulated corporate reserves to finance production and preservation of 30,838 affordable units, according to the city's Independent Budget Office.

These two measures represent a "meaningful and significant" increase for next year. But, they are the bare minima.

They should be the starting point, not the end-game of the administration's investment in affordable housing.

These two measures are nowhere near on a par with the anticipated $2 billion dollars in tax rebates for existing home owners combined in this year's and, presumably, next year's budgets.

Such rebates demonstrate DOB's and the administration's concerns about the affordability of home ownership ... concern that the costs of owning a home have been rising significantly higher (in percentage terms) than the increases in homeowners' incomes ... concern that the proportion of homeowners who can't afford their housing costs has soared dramatically since 1990 ... concern that the proportion of homeowners who can't afford their housing costs has been approaching the proportion of renters who can't afford their rents, even as percentage increases in rents have also been exceeding percentage increases in household incomes.

These two measures are also nowhere near the level that is responsive to the enormity of the state's other diverse affordable housing needs.

Today, more than 693,000 homeowners and 1.32 million renters -- a total of more than 2 million New York state households -- are in the same boat, having to use more than 30% of their income for housing. These are the families of police, firefighters, teachers, nurses, construction workers, corrections officers, sanitation workers, bus drivers, janitors, retail clerks, and office

personnel among others. Among them are 893,000 households in the four boroughs outside Manhattan, 333,000 on Long Island, 98,000 in Westchester, 79,000 in the Albany-Schenectady-Troy metro area, 37,000 in Orange, 32,000 in Rockland, and 30,000 in Dutchess.

In addition, there are thousands of homeless families – with a record number of nearly 9,300 families with more than 14,000 children in New York City's shelter system alone in July, 2007.

And, there are some 330,000 young adults in downstate suburbs and the boroughs outside of Manhattan who are forced by the shortage of affordable rental housing either to remain at home with their parents or to leave their communities – and, in the tens of thousands, even the state – to find a place of their own.

Further, these two measures are nowhere near sufficient to modernize the state's budgetary framework for affordable housing – from an outmoded one of discretionary spending for disadvantaged populations and areas to be disbursed only in bountiful years to a forward-looking one of essential investment in affordable residential infrastructure as a primary component of mainstream economic development and smart growth policies.

One example of the pitfalls of holding to the traditional perspective comes from DOB's October hearing on capital funding for downstate economic development. The presenter correctly highlighted the advantages of job creation in the "innovation economy's" nanotechnology, bioscience, and cleantech sectors that are emerging on Long Island, in Albany, in Dutchess, Rockland, and Westchester counties, and in New York City – namely, that the average "innovation economy" job pays an annual salary of $65,000 and creates 3.5 additional jobs compared to an average of $30,000 annually with a job multiplier of one in the non-innovation sectors.

Advantageous to be sure; but where – we should all ask – will these $65,000-a-year, average job-holders live and how will employers recruit and retain them? They could qualify for a conventional mortgage on a single-family house costing up to $181,000 dollars. But, that means that they could *not* qualify to buy the median-priced houses[1] in the seventeen counties running from Glens Falls to Montauk that are associated with the "innovation economy."[2] Nor, could they even afford the fair market rents for three-bedroom apartments in Putnam, Rockland,

[1]New York State Association of Realtors, Year-to-Date Median Sales Price of Existing Single-Family Homes, January 1, 2007 to September 30, 2007.

[2] Roughly from north to south: Warren, Saratoga, Albany, Columbia, Ulster, Dutchess, Orange, Putnam, Rockland, Westchester, New York City (5 boroughs), Nassau and Suffolk

Westchester, Nassau and Suffolk counties as well as in New York City.[3]

So, unless the state were to increase its investment in the production of workforce housing, we can expect that the average "innovation economy" workers will have partners or spouses who must also work full-time, or they will endure long-distance commutes from lower-cost, neighboring counties on increasingly congested roads and highways, or they will perceive their New York housing choices to be less desirable than those they could have in other parts of the country doing similar work. In short, we can expect echoes of the workforce recruitment and retention difficulties that have plagued the downstate business community for years.

Looking beyond next year therefore, Housing First! calls on the state to move forward with a ten-year, $13 billion dollar public investment strategy to create and preserve at least 220,000 affordable units. At an average of $1.3 billion a year, this investment would include new bond issues, new appropriations, and the establishment of a new Affordable Housing Trust Fund with $500 million dollars in dedicated annual revenues.

This investment will be a primary engine of smart growth, economic development, business expansion, job creation, income generation, and environmental conservation.

It will pay for itself in a reasonable period of time.

It will address the state's diversity of affordable housing needs, producing and preserving affordable homes and apartments for low-, moderate-, and middle-income households, for young adult working families, for seniors, for homeless families and individuals, for people with disabilities and those with special needs.

And, it will preserve and improve the quality of family and community life – cutting down on family illness, helping children do their school homework, enabling TANF recipients to hold down jobs, making it possible for parents, their adult children and grandchildren to live near one another in multi-generational communities, and making it easier for volunteer fire departments and EMT squads to recruit and retain the members they need to protect their friends and neighbors.

Accordingly, we would welcome the chance to elaborate this new framework and vision to you in discussions with less restrictive time constraints.

Thank you again for this opportunity.

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[3] US HUD, 2008 Fair Market Rents, county level data file, http://www.huduser.org/datasets/fmr.html