Testimony of John Kelly, Chair, New York Housing Conference
New York State Division of the Budget, Albany, New York
December 18, 2007

Good afternoon. My name is John Kelly. I am the Chair of the New York Housing Conference. The New York Housing Conference is a broad-based coalition of major not-for-profit and private developers, owners and managers in the affordable housing community in New York City. Founded in 1973, The Housing Conference advocates for the production, preservation and rehabilitation of affordable housing, both in New York City and in the State at large.

The enormous and growing need for affordable housing both upstate and downstate is well documented. It is encouraging to note the attention finally being paid to the development and preservation of affordable housing as evidenced by this hearing today. It is also encouraging to note the high level of concern and commitment we have seen in Governor Spitzer's appointees to HFA and DHCR and other related agencies. I also want to applaud these appointees and their agencies on the innovation they are showing in using the limited resources they have in the most effective manner. The fact remains, however, that the housing needs of this state are enormous and existing resources are seriously inadequate to address them in a significant manner with even the best of management.

It is for this reason that for the past several years the Housing Conference has called for the creation of a permanent, dedicated source of revenue to support affordable housing throughout New York State. We have drafted a bill which bill is called the "Affordable Workforce Housing Trust" to implement this proposal. The enactment of this bill would fill the gaps in the state's existing capital investment programs for the production and preservation of affordable housing in New York State's diverse rural, suburban and urban communities.

At the New York and National Housing Conferences luncheon last week, Governor Spitzer indicated that "safe and affordable" housing is a basic building block for the continued and renewed vitality of communities across New York State – we agree whole heartedly with the Governor's assessment.

The Housing Conference bill provides that HFA will use its own funds, including its annual excess debt service reserves, to finance new affordable housing and to maintain affordability of existing units. The proposal authorizes HFA to retain these excess reserves, estimated to be between $25-$35 million annually, rather than transferring them to the state's general fund.

More significantly, we also propose the establishment of a new Affordable Housing Trust Fund with $450 million in dedicated annual revenues. $350 million would be deposited from the state's real estate transfer tax revenues and $100 million would be received from the SONYMA annual excess revenue. These transfers can be made without either damaging the Mortgage Insurance Fund's bond rating or disturbing the annual statutory set-asides for the environmental protection fund and the clean water/clean air fund.

This Affordable Housing Trust Fund would distribute its $450 million among three new capital programs established by the legislation:

$300 million would be transferred to the Housing Finance Agency to fund a new statewide housing production program for low, moderate, and middle income working families and elderly in all 62 counties of New York State. This new affordable multi-family development program will address the needs of hundreds of thousands of moderate- and middle-income working families who are both ineligible for low-income housing trust fund projects and low-income housing tax credit developments and also unqualified for mortgages to purchase "affordable" homes. It will be especially helpful to the more than 300,000 young adults in Long Island, Westchester, Rockland, the Hudson Valley, and other downstate areas who are prevented by the shortage of affordable rental apartments from moving out of their parents' home and forming their own households.

$75 million would be transferred to HFA to expand the infrastructure development program and provide local communities with grants for demolition, infrastructure costs and incentives; and $75 million would be transferred to the Division of Housing and Community Renewal (DHCR) and the Governor's Office of Small Cities to fund new statewide programs to preserve and rehabilitate 1-3 family owner-occupied houses, multi-family buildings, deteriorated mixed-use properties, and distressed urban and village commercial corridors.

These new state-funded preservation and rehabilitation grant programs will replace the unfunded local option programs in the Private Housing Finance Law's Article 8-A (moderate rehabilitation loans for multi-family housing), Article 8-B (moderate rehabilitation loans for owner-occupied, 1-4 family housing), and Article 15 (substantial rehabilitation participation loans by municipalities using federal funds). These existing rehabilitation programs are dependent on limited municipal resources and shrinking federal grants. They cannot meet the needs of communities, especially those upstate, with declining populations, increasing vacancies and abandonment, and declining tax bases.

Under this proposal, DHCR and the Governor's Office of Small Cities would make grants to municipalities, community development organizations, and other "qualified entities" for housing preservation, improvement and rehabilitation.

These new programs should provide for local administrative flexibility to address the needs of renters, homeowners, distressed commercial districts, the elderly and the physically-disabled in the state's diverse communities. They would also assist the conversion of under-utilized, non-residential property to residential use or mixed-use. In addition, they would encourage adaptive improvements and retrofits of homes and apartments to accommodate those with mobility disabilities.

In the aggregate, the Conference's legislation would provide more than $500 million annually in new capital investment in affordable housing production and preservation – by establishing the Affordable Housing Trust Fund, by having HFA retain and use its annual excess debt service reserves, by increasing the state's annual low-income housing tax credit, and by exempting affordable housing construction from the state's sales tax.

Investing $500 million annually in the production and preservation of affordable housing is both fair and equitable <u>and</u> sound economic and fiscal policy. It is only fair and equitable to use the well over $1 billion generated annually in tax revenues by housing and real estate transactions to provide for affordable housing.

Our plan is sound economic and fiscal policy because this new capital investment will create private-sector jobs, strengthen the competitiveness of the state's businesses, facilitate recruitment and retention of essential workers, foster stable families and communities, and more than pay for itself over time.

It is estimated that HFA's $400 million annual investment of funds it receives from the Affordable Housing Trust Fund can produce between 4500 and 6,000 rental, co-op and condo-apartments, and single family homes each year.

Based on national averages, during the year of construction, this investment and production would create an estimated 6,700 local jobs, generate over $300 million in local wages and business income, and produce up to $18 million for local governments. It is also estimated that, during the thirty years of financing, spending by residents of these new units would be responsible for sustaining 84,600 local jobs, generating $3.9 billion in local wages and business income, and producing almost $500 million for local governments and over $600 million for the state government.

In addition there are financial analyses which show that the State would not only be able to recoup its $300 million investment in the Affordable Housing Trust Fund from the taxes generated by all of this new income; but, in fact, the State would actually realize a net gain. Also HFA would be repaid the $300 million it loaned to finance the developments.

The Housing Conference believes that establishing dedicated sources of revenues for investment through an Affordable Housing Trust Fund will strengthen the state's economy and make it more competitive. During an economic slow-down, this dedicated investment can prime the state's economic pump and create jobs. And, it can provide a constant stabilizer for the state's economy during the ups and downs of business cycles.

Finally, using the real estate transfer tax revenues for both environmental and affordable housing purposes lays the financial keystone for a balanced, smart growth policy that recognizes the complementary goals of affordable housing and environmental conservation.

Such a policy conserves families and human resources as well as natural resources. It fosters sustainable, multi-generation communities by providing affordable homes and apartments for young adult families, seniors and special needs populations, making it easier for local employers to retain and recruit teachers, nurses, and other skilled and talented workers. Such a policy encourages affordable, mixed-use and multi-family housing in village downtowns and at mass transit hubs. It revives tired main streets. It uses land, sewers, and utilities more efficiently. It also alleviates traffic congestion, pollution and sprawl.

In closing I again want to emphasize that there is a serious affordable housing shortage throughout this state which is harmful for its future. We all know how tight the budget is and how many competing demands there are for the states resources; but as what you have heard and will hear today demonstrates , it is time to commit new and significant resources to ensuring safe and affordable housing for all New Yorkers. Thank you.