NYSAFAH
NEW YORK STATE ASSOCIATION FOR AFFORDABLE HOUSING

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DIVISION OF THE BUDGET HEARING ON HOUSING, 12/18/07

Good afternoon, my name is Bernie Carr, and I am the executive director of NYSAFAH, the New York State Association for Affordable Housing. Formed in 1998, NYSAFAH is the trade association for the affordable housing development community state-wide. Our 300 members include for-profit and not-for-profit developers, lenders, investors, attorneys, architects, and others involved in the financing, construction, and operation of affordable housing. Together, they are responsible for most of the housing built in New York State with federal, state, or local subsidies.

In my testimony this afternoon, I will talk about three things: the extent of the affordable housing crisis state-wide, the status of the state's capital budget housing programs, and the specific funding levels that we believe will be necessary to address this crisis in the next fiscal year. But first I would like to make some introductory remarks.

I would like to thank Governor Spitzer for initiating these hearings, and I would like to thank the Division of Budget for inviting me to participate. This is the first time since our association began almost ten years ago that we have had the opportunity to testify as part of the executive budget process. We believe that this is a major step forward in developing a budget that truly addresses our state's most pressing needs. We are especially appreciative that housing is one of the four categories that the Governor has identified as deserving of a hearing.

I also want to acknowledge both the commitment that Governor Spitzer has already made to affordable housing and the progress that has been made at the state's housing agencies under his Administration. The Housing Finance Agency (HFA), which had previously focused on financing Manhattan high rises that contained only 20% affordable units, has been transformed into an engine for the development of housing state-wide that is 100% affordable. The Division of Housing and Community Renewal (DHCR) has made a significant commitment to working with the development community—efforts which have already resulted in streamlined programs—and is focusing on important new policy concerns like sustainable development. The level of cooperation between these two agencies is remarkable. Along with the Office of Temporary and Disability Assistance, these agencies are poised to make the most efficient use of the state's limited resources to address the affordable housing crisis.

And it is a crisis. From the Tug Hill Plateau to Brooklyn, from downtown Buffalo to the Long Island suburbs, housing costs continue to rise while incomes have not kept pace. This crisis takes different forms in different parts of the state but the results are the same. In New York City more than 200,000 affordable housing units were lost between 2002 and 2005. Downstate, on Long Island and in Westchester and Rockland counties, one in three households cannot afford their housing costs; the same is true along the Hudson River Valley in Putnam and Columbia counties. Escalating housing costs combined with high property taxes in these areas prevent adult children from locating in the communities in which they grew up and put increasing strain on long time residents, especially those living on fixed incomes.

Upstate cities, which have had to contend with an exodus of jobs and population, face an equally serious problem. In and around Albany, 44% of all renters cannot afford a two-bedroom apartment at the average rent, while in Rochester the figure is 50%. Rural counties are also facing rapidly rising home prices and income stagnation: in Schuyler, Clinton, and Jefferson counties, 48% of renters cannot afford a two-bedroom apartment without paying more than 30% of their income.

The lack of affordable housing is an economic development issue as well. 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.

The single most important step that the state can take to ease this crisis is to provide more capital for affordable housing development. Before talking about specific programs, I'd like to take a minute to explain how affordable housing developments are structured to give you an idea of how program funds are utilized, since our members are the ones who actually finance and build them. In putting together a typical affordable housing project, a developer will pull together a complex blend of government and private funding sources, each with its own set of requirements. This could include tax credits from the federal government, money from the state's capital programs, a bank loan, and a local tax abatement. All of these projects include a substantial private investment which is raised by the developer. The state funds are one piece of a much larger financing package, but they are the key to making the project work.

The complexity of these projects is one of the things that makes the new level of cooperation between the state's housing agencies so important.

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, the state's capital investment in housing would have actually declined 13% since 1995. We urge you to consider a dramatic expansion of these programs.

The *Affordable Housing Corporation (AHC)* and the *Housing Trust Fund (HTF)* programs have been the cornerstones of our affordable housing efforts across the state, but inflation has seriously eroded their value and they are seriously in need of expansion. We also urge you consider major boosts to two other programs, the *Homes for Working Families (HWF)* program and the *State Low Income Housing Credit (SLIHC).*

The award-winning Homes for Working Families program 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. It 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 state funding leverages about three additional dollars of federal subsidy through the 4% tax credit program. We urge that the Homes for Working Families program be increased to $25 million, which will allow us to make maximum use of this federal credit, most of which is currently being left on the table in Washington.

The State Low Income Housing Credit 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.

In addition to these capital programs, we urge you to expand funding to the Neighborhood Preservation and Rural Preservation Companies. These community-based not-for-profits offer a variety of critical housing programs throughout the state. After the Flood of 2006 they provided many of the resources that allowed victims to get back on their feet. For the development community, they serve as partners who bring a unique understanding of local needs and conditions. They are a vital part of our state's housing infrastructure and we urge you to continue their support.

Finally, I would like to talk about the sources and levels of funding that would allow us to efficiently expand our efforts to provide affordable housing. I understand that this is an extremely difficult budget year, and that you have already heard quite a bit about the state's other pressing needs. But I cannot stress enough the fundamental nature of this issue. As I mentioned earlier, the lack of affordable housing is state-wide. Study after study has shown that decent housing is critical for good health and educational attainment. It is also an important source of jobs and can be a key element in the revitalization of our upstate cities.

We believe that the state should establish a dedicated revenue source for affordable housing. Affordable housing developments require long term planning and the commitment of significant pre-development expenditures. By guaranteeing an increased source of state resources, a dedicated revenue source would not only lead to more affordable housing but would also enable developers to more efficiently plan their projects with the certainty that sufficient state resources would be available in the future.

We believe that the SONYMA Mortgage Insurance Fund excess reserves would be the best and most appropriate source of dedicated revenues for such a housing investment fund. From 2003 to 2007, over $460 million of these reserves were returned to the state's general fund. This is money that is in large part generated by the rise in property values in certain parts of the state and should be used to assist the many New Yorkers who have been left behind by these dramatic increases. By keeping these reserves within HFA approximately $100 million would be available for affordable housing annually.

In addition, we believe that the DHCR capital budget programs can efficiently utilize an additional $100 million in the next fiscal year.

New York State is fortunate to have a highly-developed affordable housing sector made up of experienced and skilled professionals including developers, lenders, advocates, architects, and government officials. In fact, investors from throughout the country pay top dollar to participate in both federal and state tax credit projects in New York State because they know that they are investing in high quality projects. This makes our programs among the most efficient in the country. With their dynamic leadership and highly skilled staff, the state agencies that fund and oversee our work are prepared to move forward.

The infrastructure is in place to make a major difference, but more resources are needed. We are hopeful that this year Governor Spitzer will submit an executive budget that fulfills the commitment he made last week in a speech to over 1,000 housing advocates when he acknowledged the need for a "meaningful and significant" increase in those resources.

Thank you again for this opportunity to testify.