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Testimony of David M. Muchnick, Coordinator, Housing First!, at the NYS Division of the Budget's Regional Town Hall Hearing, Brooklyn, NY, November 29, 2007

Thank you for the opportunity 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 enthused 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.

But, as refreshing as these qualities may be, the outstanding question is ... whether or not these appointees will have the funds necessary to tackle the state's diverse affordable housing needs.

Given the enormity of that question and those needs, we would have preferred that the Division of Budget had convened an earlier public hearing focused specifically on the subject of the state's funding for affordable housing. So, we sincerely welcome this afternoon's session as an opening alternative.

DOB has responded to the affordability issue in the case of rising home ownership costs with tax rebates for existing homeowners which could total about $2 billion dollars combined in this year's and, presumably, next year's budget. These rebates respond to two occurrences: first, the fact that the costs of owning a home have been rising significantly higher (in percentage terms) than the increases in homeowners' incomes; and second, the fact that the proportion of homeowners paying more than 30% of their incomes to cover their housing costs has soared dramatically since 1990.

As a result, the proportion of homeowners whose housing costs represent a financial burden has been approaching the proportion of renters in similar circumstances, even as percentage increases in rents have also been exceeding percentage increases in household incomes.

Today, therefore, 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, paying more than 30% of their income for

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housing. 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.

And, these numbers do not include either thousands of homeless families or some 330,000 young adults downstate who are prevented by the shortage of affordable rental housing from leaving their parents' home and forming their own household at a rate comparable to 20- to 34-year-olds living in other parts of the state.

So, what can be done for the state's diverse affordable housing production and preservation needs on a par with the billions in tax rebates for homeowners?

At a minimum -- simply to compensate for a decade of essentially flat funding during a decade of increasing needs -- the current funding level for the state's existing housing programs should be increased by at least one hundred million dollars annually.

At a minimum too, DOB should end its practice of withdrawing excess earnings and reserves from SONYMA and HFA to meet the needs of the state' general fund. 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 these agencies to balance the state's budget.

From now on, HFA and SONYMA should be authorized by statute to retain their excess reserves and earnings and use them to produce and preserve more affordable housing.

These two actions, which could total some $200 million dollars next year, are, to repeat, the bare minima. They are merely first steps.

Looking ahead, 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 can address the state's diversity of affordable housing needs. It can be an engine of smart growth, economic development, business expansion, job creation, income generation, and environmental conservation. And, it can pay for itself over time.

We would welcome the chance to elaborate this vision to you in discussions with less restrictive time constraints.

Thank you again for this initial opportunity.