



Testimony of Habitat for Humanity New York City

**To the New York State Joint Legislative Budget
Committee on Housing**

Concerning the FY 2020-2021 New York State Executive Budget

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Testimony respectfully submitted by:
Matthew Dunbar
VP, External Affairs
Habitat for Humanity New York City
Check against comments

Good afternoon. My name is Matthew Dunbar, VP of External Affairs for Habitat for Humanity New York City. I want to begin by thanking Chairs Krueger, Weinstein, Kavanagh, and Cymbrowitz, and members of this joint legislative budget committee for the invitation to testify on the 2021 State budget and the need for greater investment in homeownership opportunities affordable to low-income New Yorkers.

Affordable rental housing often receives the lion's share of attention within the framework of New York's housing crisis. While we and housing advocates across the State celebrate the historic reforms enacted last summer that will help millions of tenants remain in their homes, we must remember that New York City has one of the lowest rates of homeownership in the country. Half the national average, in fact. A truly equitable approach to the state's affordable housing landscape requires opportunities for working families to build equity. A new focus on affordable, generational homeownership is more important than ever, as proposed federal policies are set to roll back community reinvestment and fair housing strategies at a time when the black homeownership rate has dropped below pre-Fair Housing Act rates.

Habitat for Humanity New York City knows the power and importance of affordable homeownership. We've spent the past 35-years building and preserving more than 1,300 homes with low- to moderate-income families in all five boroughs. Habitat homeowners build side-by-side with volunteers to complete their home and the homes of their neighbors.. Our homes are built for New Yorkers by New Yorkers. The conclusion of the building process is long-term housing stability for hard-working families. These homeowners are teachers' aids, home health care workers, administrative workers, janitors, bus drivers – the people who turn the City's lights on in the morning and lock up at the end of the night.

Our partnership with New York State Homes & Community Renewal makes all of this possible through both capital subsidy and access to critical mortgage financing from the State of New York Mortgage Agency. SONYMA financing for Habitat homebuyers at a 1% downpayment and 2% fixed-interest rate is the key to ensuring low-income families continue to access new affordable homeownership opportunities in the five boroughs. I want to take this moment to thank the Governor, Commissioner Visnuskas and all of their dedicated team for the continued commitment to low-income homeownership.

I am here today to call on both the Senate and Assembly to consider the following requests:

- o **Include A6277b (Walker)/S1824b (Bailey) in the State budget- increasing Affordable Housing Corporation (AHC) capital amounts for homeownership projects to up to \$75,000/unit**
- o **Increase the state's appropriation for AHC in the 2020 – 2021 budget to \$44M in parity with the rental-focused Housing Trust Fund**
- o **Ensure fair taxation of Community Land Trust homeownership across the State by including S3469 (Montgomery) / A5081 (Davila) in the budget**

AHC is the primary NYS program that provides capital subsidies for developers to build, rehabilitate, and repair homes for low-moderate income first-time homebuyers. In 1985, AHC was established by Governor Mario Cuomo with an annual budget of \$25 million with unit subsidy caps of \$25,000. However, funding levels and unit allocation amounts have not kept up with increased construction and rehabilitation costs over the last 35 years. This bill would correct a portion of this oversight by giving NYS Homes and

Community Renewal the ability to provide up to \$75,000 in capital funding to projects in high-cost markets that meet the longest and deepest levels of affordability.

Construction costs have tripled since AHC was established, yet the program has increased by only \$1 million from its original allocation. Rental programs, on the other hand, have seen much greater increases and are further supported by large-scale programs like the Low-Income Housing Tax Credit.

In New York City, our projects often face budget gaps that keep us from breaking ground. Despite the City's increased support through the Open Door program, Habitat NYC is still forced to seek out capital from local City Council Members and Borough Presidents to fill the gap – capital that is completely discretionary and extremely competitive with all other capital projects in the district or county. For example, our nearly complete Sydney House project, a 57-unit low-moderate income HDFC cooperative in Speaker Heastie's district, received nearly \$2 million in NYS AHC capital funding, but still required an additional \$4 million in discretionary ResoA capital from the local Council Member and Bronx Borough President which took three years to secure.

Habitat NYC alone has projects totaling more than 150 units currently in our pipeline – predominantly located in Central Brooklyn and Southeast Queens. Increasing the cap on AHC grants from \$40 million to \$75 million will allow these projects to move forward and remain affordable for low-income New Yorkers. This bill exemplifies a good public/private partnership as it incentivizes longer-terms and greater depth of affordability. All of the units in our portfolio that would receive this increased funding are slated to be built on the newly established Interboro Community Land Trust, thereby remaining affordable for generations of low-income homebuyers in quickly gentrifying neighborhoods.

This increase in per-unit allocations does require a right-sizing of the budget, which has largely remained stagnant since Gov. Mario Cuomo's first appropriation. We request the program allocation be increased by \$18 million based on the legislative funding change and to be in parity with the rental focused Housing Trust Fund program. We request that the Governor and Legislature include the increase and reforms to the program in the FY2021 budget proposals – bringing the AHC program from \$26 million to \$44 million.

Increased investment should always come alongside increased public benefit. This is why we are also requesting the State acknowledge the importance of the Community Land Trust model and ensure the permanently affordable housing located on CLT land remains affordable in accordance with their missions.

CLTs limit the resale price of the homes, which helps maintain affordability for the next generation of land trust residents and protects against the loss of scarce affordable housing. However, the State still does not have any guidance on how such properties should be taxed, leaving it up to local assessing authorities to determine the taxable value of each home. This leads to significant uncertainty across the State with some assessors treating the homeowners fairly and others taxing them as if they were market-rate homes.

The proposed legislation qualifies CLT-owned land as tax exempt under the not-for-profit 420-a tax law and directs taxing authorities to assess the homes at an appropriate, reduced rate in accordance with the resale restrictions. This change would empower local assessors to treat these permanently affordable homes fairly and ensure income-qualified homebuyers will have the ability to afford the purchase for generations to come.

In addition to our top three priorities listed above, we are enthusiastic about a number of legislative proposals that would truly advance our State's fair housing efforts. The legislature could and should make 2020 the Year of the Homeowner by taking up and passing some – if not all – of the following issues:

- Tenant Opportunity to Purchase Act (TOPA) - recently proposed by Senator Zelnor Myrie the legislation would give tenants the first opportunity to purchase their buildings and convert to HDFC cooperative
- HDFC Ombudsman Act – introduced by Assemblymember Harvey Epstein would establish much needed technical and legal support for HDFC cooperatives across the state
- Reform the Private Housing Finance Law (PHFL) and Martin Act in relation to HDFCs to strengthen the stewardship and preservation of affordable cooperative homeownership
- Maintain \$20M in funding for the State's network of foreclosure and housing counselors and legal service providers
- Allocate \$25M to the New York State Community Development Financial Institution Fund (CDFI Fund) and ensure all certified CDFIs remain qualified to access the funds

Affordable housing is a deeply interconnected continuum with each solution, whether it be affordable ownership, rentals, public housing, or shelter, all serving an important segment of the population. For example, a family given the opportunity to purchase a starter home is more likely to leave behind a rent-stabilized or otherwise affordable rental unit, freeing up that unit for another family. We have seen this firsthand at Habitat for Humanity New York City, as a significant number of our first-time homebuyers have transitioned into homeownership directly from public housing units operated by NYCHA. This cascading effect frees up units along the housing continuum, so that by helping one family, we are actually providing opportunities for more rent-burdened families across the continuum.

Decades of racist redlining and predatory lending prevented countless families of color from ever entering the housing market throughout the 20th century and depressed generational wealth and homeownership rates for non-white families. Nationally, the number of black families who own their own homes has dropped to 1960 levels, or 40.6 percent, compared to a white homeownership rate of 73.1 percent – effectively setting the clock back to levels that pre-date the Fair Housing Act.

By taking up these proposed pieces of legislation and budget priorities, New York State can show the rest of the country that we are leaders in the effort to tackle housing inequity and follow-up the historic rent reforms of 2019 with a 2020 just as historic for low-income homeowners.

Please feel free to contact me if you have any questions regarding legislative and budget priorities and I thank you for the opportunity to testify today. We look forward to expanding our partnership and impact with the State in serving low-income families in need of affordable homeownership.