



NEW YORK STATE ASSOCIATION FOR AFFORDABLE HOUSING

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**Testimony for
The New York State Joint Budget Committee on Housing
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Thank you Chairwoman Young, Chairman Lopez and the members of each committee for the opportunity to participate in today's hearing on the executive budget as it pertains to housing in New York State. My name is Thomas Coté, Assistant Director of The New York State Association for Affordable Housing (NYSFAH). As the trade association for New York's affordable housing industry, NYSAFAH has a proud history of serving a statewide membership, with 300 members across New York.

The executive budget maintains funding levels for most affordable housing capital programs at levels equal to those of the last ten years. The State Low Income Housing Credit (SLIHC) is doubled, from a \$4 million to \$8 million program, and there is a moderate increase proposed to the Rural Rental Assistance Program (RRAP) to maintain current RRAP units. While NYSAFAH appreciates the maintenance of funding in a very challenging budget year, we encourage the legislature to consider increasing capital funding, given the increasing demand for affordable housing, and proven positive economic return on public investment in housing.

Nearly 600,000 homeowners across New York State, 211,000 in New York City and 367,000 elsewhere in the State, are under the significant financial duress of spending more than 50% of their income on housing. Stable, safe affordable housing is shown to have a profound effect on childhood development, school performance, and health outcomes for families and individuals. Just as significant is the impact of affordable housing on economic development, neighborhood stability, and job creation in New York State.

As we all know, what New York needs most of all is jobs - affordable housing development is a proven job creator - according to the National Home Builders Association, 100 multi-family tax credit units generates during construction alone: 122 jobs, \$7.3 million in wages and business income, and \$0.78 million in revenue to government; while thereafter sustaining annually: 30 jobs, \$3.1 million in income, and \$0.743 million in revenue to government.

State Low Income Housing Credit (SLIHC)

SLIHC provides critical gap funding for mixed income affordable housing projects, which otherwise would not have been financially viable. Unlike the federal LIHC program, which serves households only up to 60% AMI, SLIHC supports housing for moderate to middle income households up to 90% AMI, a workforce population urban communities often consider underserved. Credits are monetized and purchased by third party investors, who provide capital for projects in exchange for a 10 year dollar-for-dollar reduction in state taxes. NYSAFAH supports the executive budget increase of SLIHC from \$4 million to \$8 million. This increase would equate to \$40 million over 10 years in foregone tax revenue. It would also serve to continue building a robust investor market for these tax credits, maximizing the equity invested.

Rural Rental Assistance Program (RRAP)

The Rural Rental Assistance Program provides up to 25 years of rental subsidies for projects financed with mortgages from the United States Department of Agriculture (USDA) Rural Housing Services (RHS) 515 Program. The executive budget proposes to increase RRAP from \$4.6 million to \$19.6 million, with a justification of maintaining the existing program by addressing the costs of federally approved rent increases. With continued cuts from the federal government for rural affordable housing development, it is critical New York State focus on preserving existing affordable units. This modest increase in RRAP will help to ensure adequate income to maintain these upstate New York properties.

Housing Trust Fund (HTF)

Currently, the HTF at \$29 million annually provides funding to construct low-income housing, rehabilitate vacant, distressed or underutilized residential property, or to convert vacant or underutilized non-residential property to residential use for low-income households. NYSAFAH recommends increasing the HTF significantly; this would allow for the rehabilitation of New York State's urban property portfolio, without detracting from much needed HTF resources upstate.

Homes for Working Families

Currently, the Homes for Working Families (HWF) program is funded at \$7 million annually. An increase in HWF would support the expansion of a proven program, designed to leverage federal resources for workforce housing. HWF provides gap financing through low-interest loans for capital costs and related acquisition and soft costs associated with the new construction or rehabilitation of affordable housing. The primary financing sources for HWF projects must be tax-exempt bonds which are allocated from the State's Private Activity Bond Volume Cap, and 4% Low-Income Housing Tax Credits issued in conjunction with the bonds.

Mixed Use Affordable Housing Development

NYSAFAH recommends developing a new fund to support mixed use development in urban communities. Current subsidy programs do not adequately support the commercial component of mixed use affordable housing projects, relying on the market to support retail development in emerging neighborhoods without the adequate economic foundation. In addition to supporting affordable housing, the commercial component of mixed use projects would be eligible for direct subsidy through the fund. This new fund would provide the key funding piece necessary to making mixed use community development projects work. To maximize the impact of limited state subsidy, the fund could require project applicants to leverage federal and/or local resources, such as the New Markets Tax Credit.

NPCs/RPCs

NYSAFAH also supports restoring funding for the NPCs and RPCs. Administrative dollars are critical to the ongoing operation of these nonprofit housing organizations throughout New York State. The NPCs and RPCs offer important affordable housing resources to communities in both urban and rural areas at a time when demand for their services is greater than ever.

New Housing Resources

NYSAFAH supports the Governor's SAGE Commission recommendation to increase the amount of capital available for affordable housing by using reinsurance to free up capital. According to the Commission's report, historical claims on the fund have been very low (\$10 million annually) compared to the amount of reserve (\$1.5 billion). While NYSAFAH supports the Commission's recommendation to use reinsurance as a means of preserving strong credit ratings while expanding resources for affordable housing, we recommend considering a significant allocation of excess reserves to affordable housing in this budget year.

Affordable housing has proven effective at stabilizing distressed neighborhoods, in New York City and throughout upstate New York. Housing development is a proven job generator, in both the near and long-term. Employers rely on an adequate supply of housing their workforce can afford when looking to expand or relocate to New York. Every affordable project is supported through a mix of state and federal resources, leveraging significant private investment. With a constant stream of shovel ready projects in the pipeline, New York's affordable housing industry has been a lifeline to the construction industry, and the professional services and other businesses benefiting from its sustained economic development activity, particularly during the downturn in New York's real estate market. As government looks to invest its limited public resources in job creating activities that support economic and community development, affordable housing construction and rehabilitation offers a clear return.