New York State Budget Testimony

FY 2027

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Good morning, Chair Kavanagh, Chairwoman Rosenthal and Members of the Committee. I'd first like to thank you, along with Chairs Kreuger and Pretlow, for holding this hearing and for the opportunity to testify on the FY 2027 Executive Budget and the critical housing and economic development priorities facing New York State.

New York continues to face a deepening housing crisis driven by a fundamental imbalance between supply and demand. Too many New Yorkers are competing for too few homes, pushing rents and home prices out of reach for families across income levels. Addressing this challenge requires sustained investment in housing production, stronger, graduated pathways to homeownership, a comprehensive strategy to stabilize the affordable housing that already exists, and a holistic approach to developing underserved communities.

Faith-Based Housing Development

Faith-based and mission-driven organizations represent one of the most promising and underutilized sources of affordable housing development in New York State. These institutions often own underused land and are deeply rooted in their communities, positioning them as trusted partners in expanding housing supply.

The Legislature has an opportunity to build on this momentum by advancing the Faith-Based Affordable Housing Act, which would create a clearer framework to support faith-based institutions seeking to develop affordable housing on underutilized property. Paired with targeted technical assistance and financing tools like those offered by LISC NY's New York Land Opportunity Program (NYLOP), this legislation can help unlock new development opportunities while strengthening community-based housing production.

Through NYLOP we are working with faith-based and nonprofit organizations across the state to transform underutilized property into affordable housing and community centers. The assistance provided by NYLOP helps these organizations navigate the complexities of real estate development. There are currently 30 organizations in the NYLOP cohort 30, representing 11 cities in across New York State.

In recent years, NYLOP has supported projects across New York, serving 91 faith-based and mission-based organizations to help them propose or develop almost 2500 units of affordable housing. These projects include:

- **Mount Olive Missionary Baptist Church in Lackawanna,** advancing a mixed-use campus with housing and community facilities, with zoning approval for 50 units of housing.

- **The Women's Economic Institute in Syracuse,** developing a mixed-use project with 75 units of senior housing and community-serving commercial space.
- **Volunteers of America of Western New York in Rochester**, planning 50–80 units of affordable and supportive housing for families, seniors, and individuals experiencing homelessness.
- **New Testament Temple of God in the Bronx**, planning 125 units of affordable and supportive housing.
- **The Lutheran Care Network in Poughkeepsie,** exploring the development of affordable senior housing on a long-held site in the Hudson Valley.

These projects illustrate how faith-based and mission-driven organizations can help expand housing supply when provided with technical assistance, supportive policy frameworks, and access to capital. Strengthening programs like NYLOP and advancing the Faith-Based Affordable Housing Act will help accelerate this pipeline and bring more affordable housing online in communities across the state. We respectfully request that the Legislature support Assemblymember Cunningham's budget request to fund the NYLOP program at $2.5 million.

Rising Operating Costs and Financial Distress in Affordable Housing

While expanding housing supply is critical, New York must also confront a growing crisis in the financial sustainability of existing affordable housing, particularly nonprofit-owned properties.

A report released by LISC NY, National Equity Fund, and Enterprise in the fall found that since 2017, total operating expenses for affordable housing in New York have increased by about 40%, driven most sharply by insurance costs (+110%), administrative costs such as staffing and benefits (+51%), and repairs and maintenance (+35%).

These pressures are compounded by declining rent collection. Economic occupancy across affordable housing portfolios has fallen from approximately 95% historically to closer to 90% in recent years, with some projects experiencing even deeper losses in revenue.

As a result, an increasing share of affordable housing projects are operating with negative cash flow, threatening long-term affordability, property conditions, and the viability of nonprofit owners.

This challenge is particularly acute for nonprofit organizations, which own the majority of affordable housing properties in New York. When operating costs outpace revenues, nonprofit operators are forced to defer maintenance, deplete reserves, and reduce tenant services, placing both residents and the long-term stability of the affordable housing system at risk. This is an issue that resonates across the county and LISC National Housing is exploring solutions to address it not only in New York, but also across the United States.

The funding proposed by the NYS Black Legislative Taskforce, which is intended for LISC NY to distribute to housing organizations, would provide essential support to nonprofits working to maintain housing access for the communities most in need. Without this funding, these organizations will continue to struggle to remain sustainable. Many may be forced to merge, exit affordable housing services, or close altogether. This puts at risk the affordable housing units

they manage and increases the likelihood that these homes will be lost as they become market rate.

FY 2027 Budget Opportunities to Stabilize Affordable Housing

The Governor's FY 2027 Executive Budget includes several proposals that could help address these pressures, particularly in the insurance market.

The Executive Budget would require commercial property insurers, including those underwriting multifamily housing, to report core data metrics annually on claims, premiums, and rates, with those reports made public, providing the public and government regulators with greater clarity on the cost drivers and how to reduce them. It would also expand automatic insurance discounts for risk-reduction measures such as sprinkler systems for commercial policyholders operating multifamily housing, including affordable housing providers.

These proposals represent important steps toward transparency and cost containment in a market where affordable housing operators face a shallow pool of insurers and rapidly escalating premiums.

The Governor's proposal to modernize the J-51 program is another promising development. By renewing J-51 in a way that will better support capital repairs in rent-stabilized housing, the State can help ensure that aging buildings receive critical upgrades that benefit tenants while strengthening the financial health of affordable housing properties. Modernizing this program to reflect current construction costs and building needs will be essential to preserving New York's existing housing stock.

Graduated Affordable Housing and Pathways to Homeownership

Affordable housing should function as a continuum with individuals and families growing from deeply affordable rental housing to stable homeownership. Yet for many New Yorkers, the transition from renting to owning remains increasingly out of reach.

The FY 2027 Executive Budget takes meaningful steps to strengthen this pathway. It continues the nearly $2 billion Governor Hochul has invested to support housing development and homeownership across the state, including investments in state-owned land development, land banks, infill housing, starter homes, modular construction, and mixed-income financing tools.

The Executive Budget also continues $50 million in capital funding to incentivize the construction of starter and modular homes, and includes $25 million in funding for downpayment assistance and expanding homeownership opportunities for underserved communities. These investments are critical to addressing barriers at the top of the housing ladder and ensuring that homeownership remains attainable for working families.

Importantly, the Executive Budget also continues the mixed-income revolving loan fund that operates in much the same way as a Community Development Financial Institution, of CDFI, such as LISC NY. Affordable housing projects are made possible by complex financing puzzles, and often times CDFIs play the role of filling the gaps in that puzzle to make a project work. LISC NY is currently underwriting a project utilizing its Housing Acceleration Fund award to unlock an adaptive reuse project in Binghamton that will create 47 new units of housing.

In much the same way, the revolving loan fund would address one of the most persistent barriers to housing development: the lack of flexible, affordable capital to complete complex financing structures. By enabling more mixed-income projects, the fund would reinforce a true housing continuum, giving New Yorkers a realistic pathway from affordable rental housing to homeownership.

The Need for Additional Action

While the Governor's proposals represent meaningful progress, the scale of distress in New York's affordable housing stock demands additional, targeted interventions.

First, the State should establish emergency stabilization funding to provide flexible capital for affordable housing projects in distress, with a focus on investments that reduce long-term operating costs and prevent deeper financial deterioration.

Second, the State must take further action to curb insurance costs for affordable housing, including exploration of reinsurance backstops for affordable housing providers.

Third, New York must develop comprehensive strategies to address nonprofit housing distress, including targeted plans for the roughly 150 nonprofit-owned affordable housing projects currently in or near loan default and a commitment of funding to address the backlog of loan modifications needed to stabilize these properties.

Without these interventions, the State risks losing affordable housing units, destabilizing nonprofit operators, and undermining decades of investment in community development.

Holistic Community Development

Further, we must recognize that while expanding New York's housing supply is essential to stabilizing underinvested communities, housing alone is not enough. Sustained community growth requires investments not only in buildings, but in the people, institutions, and local economies that provide a strong foundation for neighborhoods to blossom. At LISC NY, our approach increasingly focuses on strengthening communities in a holistic way by aligning housing development with economic opportunity, cultural infrastructure, and community-serving assets.

In 2025, LISC NY issued $32.9 million in balance sheet loans, an increase from $23.7 million in 2024 and a dramatic expansion from just $4.3 million in 2014. These investments leveraged $357,315,493 million in total development costs, preserved or constructed 1,396 units of affordable housing, developed 135,588 square feet of community and commercial space, and supported the creation of 665 jobs across New York State.

This growth reflects a deliberate effort to diversify LISC NY's investments to strengthen long-term organizational sustainability while deepening impact in communities that have historically lacked access to capital. For example, LISC NY supported renovations of the Aperture Foundation new home project in Manhattan, helping the nonprofit organization achieve their planned growth through facilitating ownership of the space and increasing foot traffic and brand awareness. In Buffalo, LISC NY invested in a building that will bring a community food cooperative to a neighborhood facing long-standing disinvestment, as well as a mixed-use

development that includes a laundromat, supporting small businesses and essential services in communities where entrepreneurs often struggle to access financing.

As the Legislature and Governor work toward the FY 2027 Enacted Budget, we urge continued support for policies and investments that recognize the interconnected nature of housing, economic development, and community infrastructure. Strengthening these holistic investments is essential not only to addressing New York's housing crisis, but also to building resilient local economies and expanding opportunity for New Yorkers across the state.

Conclusion

The FY 2027 State Budget presents a critical opportunity to strengthen New York's housing ecosystem, not only by expanding housing supply and pathways to homeownership, but also by stabilizing the affordable housing stock that millions of New Yorkers already rely upon.

By building on the Governor's proposals and advancing targeted solutions to rising operating costs and financial distress, the State can protect long-term affordability, strengthen nonprofit housing providers, and ensure that affordable housing remains a foundation of economic stability and opportunity across New York.

Thank you again for the opportunity to testify.