



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 Wright, Chairman DeFrancisco, Chairman Farrell and the Housing, Finance and Ways & Means committee members for the opportunity to participate in today's hearing on the Executive Budget. Senator Young, we look forward to your continued leadership promoting the production and preservation of affordable housing through New York. Assemblyman Wright, The New York State Association for Affordable Housing (NYSFAH) congratulates you on your appointment; our membership has a long history of partnering with you to promote housing and community development, and we look forward to working with you in this new capacity to promote the availability of safe, affordable homes statewide. My name is Thomas Coté, Assistant Director of NYSAFAH. As the trade association for New York's affordable housing industry, NYSAFAH has 300 members across New York, including developers, investors, architects, attorneys and others active in the construction and management of affordable housing.

NYSAFAH strongly support's Governor Cuomo's \$1 billion House New York program, one of the most ambitious housing agendas for New York in history, aiming to create or preserve 14,300 affordable housing units statewide over the next five years. The House New York program is not only a housing plan, but an economic development agenda for New York State. According to the 2012 report by HR&A Advisors, *Economic Impacts of Affordable Housing on New York State's Economy*, every dollar of public investment in affordable housing leverages over a dollar in private investment. An average 100 unit project in New York State generates:

- 175 jobs during construction, and sustains 20 jobs permanently;
- \$14.1 million in economic spinoff activity during construction, including spending on materials and services; and,
- \$3.6 million in ongoing economic activity annually.

While funding for most existing housing subsidy programs in 2013 are proposed at levels equal to that of previous years, the House New York program includes critical increases to existing programs, as well as the creation two important new programs beginning in 2014. NYSAFAH is particularly supportive of the proposal to create an Urban Neighborhoods Fund, which will subsidize the commercial or community facilities component of mixed use affordable housing development in urban communities throughout New York State. Mixed use development is critical to revitalizing neighborhoods and building strong, thriving communities. However, current subsidy programs do not adequately support the commercial component of mixed use affordable housing projects in many communities, relying on the market to support retail development in emerging neighborhoods without the adequate economic foundation. The result is affordable residential development without the ground floor retail and community facilities in neighborhoods that need a commercial corridor to provide jobs, reduce crime, and service residents. Alternatively, mixed use developments cannot proceed until adequate subsidy is available.

The Urban Neighborhoods Fund could support affordable residential properties with retail, commercial, or community facilities that advance targeted community priorities, such as supporting the availability of fresh food, local services, educational or cultural institutions. The Fund would provide increased opportunity for locally based businesses and nonprofit community organizations in particular. Leases are frequently given to tenants with the most established credit history, favoring large businesses and chain stores. Oftentimes however, the retail services that community members want, and the community facilities they need such as childcare or senior centers, are not those that can absorb the highest commercial rent. By reducing the level of debt that a developer must carry on the retail component of a project, the Urban Neighborhoods Fund would make commercial space in these developments much more accessible to local businesses and community-based entrepreneurs.

The second new program proposed is the House New York plan is a Rural Communities Fund, to support projects between 10 and 35 units in rural and suburban communities. Existing state programs are underwritten to support larger projects, which may be incompatible with the needs and scale of smaller communities, particularly in upstate New York. These communities often struggle to attract conventional mortgage financing for multifamily properties. In addition, federal programs to support rural rental housing recently have been reduced or eliminated, such as the Section 515 Rural Rental Housing Program, or the Section 538 Rural Rental Housing Guaranteed Loan Program. With an older housing stock and low to moderate income families in need of safe, decent housing, affordable housing development and rehabilitation is particularly important in rural communities. The Rural Communities Fund would fill this critical gap in support for housing in upstate New York.

NYSFAFH is also particularly supportive of the significant increases proposed for subsequent budget years to two existing housing subsidy programs in great demand by the industry: the Housing Trust Fund and the Homes for Working Families program. The Housing Trust Fund supports the rehabilitation of distressed properties for low-income households. The Homes for Working Families program provides gap financing through low-interest loans for new construction or rehabilitation of affordable housing. It is designed to leverage federal resources, by supporting projects financed through tax-exempt bonds and 4% Low-Income Housing Tax Credits.

Finally, NYSFAFH commends the Governor and urges the legislature to support the plan to transfer the 45 Mitchell Lama projects to the Division of Housing and Community Renewal for greatly needed revitalization. This is an important portfolio to New York State; 8,700 units of affordable housing will be rehabilitated through the proposed \$700 million investment in Mitchell Lama.

Outside of the House New York program, the Executive Budget proposes funding both RRAP (spell out first) and the Neighborhood Preservation Corporations (NPCs) and Rural Preservation Corporations (RPCs) through Mortgage Insurance Fund (MIF) excess reserves. While we appreciate the proposed full funding, it is essential that these programs receive reliable funding from year to year, and not to be funded exclusively through MIF excess reserves. RRAP is a critical subsidy for upstate rental housing. 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. We urge the legislature to protect both programs from any budget actions that would endanger reliable funding for them in subsequent budget years.

NYSFAFH appreciates your consideration of this testimony, and welcomes any questions or comments.