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**Testimony of New York State Senator Daniel Squadron and
Assemblymember Brian Kavanagh on the
United States Department of Housing and Urban Development's
Proposed Small Area Fair Market Rent Rule
Docket Number: HUD-2016-0063**

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We are Daniel Squadron, the New York State Senator representing the 26th Senate District including parts of Brooklyn and Manhattan, and Brian Kavanagh, the New York State Assemblymember representing the 74th Assembly District on the East Side of Manhattan.

Thank you for this opportunity to offer testimony on the Small Area Fair Market Rent (SAFMR) rule proposed by the Department of Housing and Urban Development (HUD) for the Housing Choice Voucher program. As elected representatives from New York City, we would like to take this opportunity to voice our serious concerns about the effect that the proposed SAFMR rule will have on cities with low vacancy rates, such as ours.

While we support HUD's goal of improving the Housing Choice Voucher program by addressing high concentrations of poverty in particular neighborhoods that may be exacerbated by the current rules in some cities, we fear that the proposed SAFMR rule will not achieve HUD's goal in cities like New York, where low vacancy rates, particularly for affordable housing, will continue to prevent tenants from moving into high-opportunity neighborhoods. We think the proposed rule is especially unlikely to serve its intended purpose if implementation is not accompanied by a significant increase in funding, and we note that no such increase is being contemplated at present. As discussed below, we are also concerned that the proposed SAFMR rule does not accurately reflect market conditions in New York and perhaps other cities that are densely populated and have a large number of economically diverse neighborhoods that are rapidly changing. Until these concerns are addressed, implementation of the proposed rule should be delayed in New York City, and any other similarly situated city.

As we understand it, the proposed SAFMR rule is intended to address issues created by the current method used to calculate the payment standards for the Housing Choice Voucher program. Under the current rules, payment standards are determined annually for individual metropolitan areas. Having a single payment standard for an entire metropolitan area may increase the likelihood that voucher holders will be concentrated in low-rent neighborhoods within a metropolitan area, because that is where the vouchers have the most value; this may, in turn, increase concentrations of low-income households in areas with low rents. The proposed SAFMR rule seeks to address this problem by calculating different payment standards for each

zip code within a metropolitan area, increasing the payment standard in those identified as “high-opportunity” neighborhoods and decreasing the payment standard in those identified as “low-opportunity” neighborhoods. The desired outcome is that voucher holders will be enabled and encouraged to move out of low-opportunity neighborhoods, where the amount of rent covered by their vouchers will decrease, and into areas of greater opportunity, where they would receive larger vouchers. While we are supportive of HUD’s ends, we do not believe that the proposed SAFMR rule, as applied to New York City, would achieve them. Further, we are concerned that the proposed SAFMR rule would, in practice, have an extremely negative impact on those of our constituents participating in the Housing Choice Voucher program who would see the value of their voucher decline because they currently reside in areas that would be designated as low-opportunity neighborhoods.

We understand that in developing the proposed SAFMR rule, HUD relied heavily on research based on the Dallas-Fort Worth Metropolitan Area (DFW). While the DFW study does show positive results, there are several key differences between the New York City and DFW housing markets that we believe would prevent the new rule from having such a favorable effect in our city, and others that are similarly situated.

For the purposes of the proposed SAFMR rule, the most significant difference between cities’ housing markets that we believe HUD has failed to account for adequately is their vacancy rate for rental units. In cities with low vacancy rates, tenants have greater barriers to mobility than they do in cities with high vacancy rates. Because there is a lack of available units in high-opportunity neighborhoods in cities with low vacancy rates, rents in these areas are extremely high, especially for new renters. Due to the particularly high rents and low availability of apartments in cities with low vacancy rates, increasing the payment standard will not create the same level of opportunity for voucher holders to move into high-opportunity neighborhoods as it did in Dallas, a city that does not have a low vacancy rate.

Moreover, in New York and other cities with low vacancy rates, decreases in the payment standard in low-opportunity neighborhoods will not necessarily lead to the lowering of rents in these neighborhoods, because the demand for housing is so high that landlords will be able to find a new tenant willing to pay the current rent, without a voucher if necessary, far more often than they would in a city with a higher vacancy rate. This would leave many voucher holders in cities with low vacancy rates in a far worse situation than they are currently in, as they would no longer be able to continue paying the rent in their current neighborhood because of the decreased payment standard, but would be unable to find housing in neighborhoods where the payment standard has increased due to the lack of availability. This could lead to involuntary displacement of tenants currently residing in low-opportunity neighborhoods, and perhaps homelessness.

New York, in conjunction with the United States Census Bureau, completes a survey of New York City’s housing market every three years. The most recent survey, conducted in 2014, found that New York had a vacancy rate of only 3.5%, less than half the national average of 7.6% identified by the Census Bureau in the same year. This low level of vacancy leads to a situation where affordable housing is extremely difficult to find. Even under the current rules for calculating the payment standard, which, under the rationale for the proposed SAFMR rule,

should be creating over-subsidized housing in New York City's low-opportunity neighborhoods, 25% of voucher holders who move lose their voucher due to an inability to find an available apartment. If the payment standards are lowered in low-rent neighborhoods, there will likely be even fewer options available for movers and, contemporaneously, a larger number of movers, as voucher holders can no longer afford to maintain their current housing situation due to the decrease in the value of their voucher.

In addition to the low vacancy rate, there are other differences in New York City's housing market that would need to be addressed in order for HUD to achieve the goal of the proposed SAFMR rule. New York is densely populated and many of its neighborhoods are very economically diverse and constantly changing as a result of gentrification. Based on HUD's hypothetical SAFMRs for 2016, which demonstrate what the payment standards would have been this year in New York City zip codes if the proposed SAFMR rule had been in effect, the methodology for calculating the payment standards fails to adequately account for these changes. For example, the hypothetical SAFMRs for the 10002 zip code, which overlaps with our respective legislative districts, in Manhattan's Lower East Side, would decrease significantly compared to the current payment standard. The voucher for a two-bedroom apartment would be reduced from \$1,571 a month to \$1,130 a month, a difference of \$441 a month or \$5,292 a year. This is despite the fact that this neighborhood has undergone significant transformations in recent years and is widely considered a desirable neighborhood to live in. Given the rapid rate at which things change in New York City, HUD's calculations would need to reflect the current situation in any given neighborhood for the plan to have its desired outcome.

We strongly request that HUD delay implementation of the SAFMR rule in New York City until a rule can be devised that adequately addresses the issues we have raised. To move forward with the proposed SAFMR rule in New York City without alterations to account for the differences in our housing market, particularly those created by our low vacancy rate, would potentially have an enormous adverse impact on our constituents who are voucher holders.

Thank you again for the opportunity to offer these comments. We look forward to continuing to work with HUD to promote affordable housing and economic opportunity for our constituents and all Americans.