Testimony before
Joint Legislative Public Hearing
2019-2020 Executive Budget

New York State Homes & Community Renewal

February 4th, 2019

Thank you members of the Joint Fiscal Committee for the opportunity to speak here today about the 2019-2020 Proposed Executive Budget. My name is Helene Caloir, Director of the New York State Housing Stabilization Fund, a program of the Local Initiatives Support Corporation (LISC). My colleague Edward Ubiera, Director of Policy for LISC NYC, joins me. We are submitting this written testimony on behalf of LISC.

About LISC

Established in 1979, LISC is a national nonprofit housing and community development organization dedicated to helping community residents transform distressed neighborhoods into healthy and sustainable communities of choice and opportunity. LISC mobilizes corporate, government and philanthropic support to provide local community development organizations with loans, grants and equity investments; as well as technical and management assistance. Our organization has a nationwide footprint, with local offices in 33 cities. LISC invests approximately $1.4 billion each year in these communities and our work covers a wide range of activities, including affordable housing, economic development, building family wealth and incomes, education, and creating healthy communities.

In addition to LISC's national headquarters being located in New York City, we have several programs that have a significant blueprint in New York State. I lead the New York State Housing Stabilization Fund ("Fund"), which was launched in 2016 to help cities, towns, and villages address the problem of vacant and abandoned homes including homes that are not maintained during a prolonged foreclosure proceeding – known as zombies. With the Fund, LISC launched the statewide Zombie and Vacant Properties Remediation and Prevention Initiative in partnership with municipalities across the state to build their capacity to deal with zombies and other vacant residential properties. Through this Initiative, LISC has deployed roughly $12.6 million grants-in-aid and technical assistance to 76 municipalities including Albany, Buffalo, Rochester, Syracuse, New York City, the Town of Hempstead in Nassau County, and the Town of Brookhaven in Suffolk County.

Our New York City program (LISC NYC), co-located in the national headquarters, is LISC's first local office and through direct investment of over $2 billion, has contributed to the development and preservation of roughly 40,000 units of housing and 2 million square feet of community and commercial space. In 2018 alone, LISC NYC supported our local partners in preserving and developing roughly 1,500 units of affordable housing and 145,000 square feet of affordable commercial space. The National Equity Fund (NEF), a tax credit syndicator and affiliate of LISC, preserved and developed an additional 477 units of housing in New York City in 2018, reflecting over $200 million in total development costs. Our Buffalo program (LISC Buffalo), founded in 1998, has invested over $130 million and contributed to the development and preservation of roughly 3,000 units of affordable housing, 355,000 square feet of commercial space, and the renovation of nine recreational fields for youth.

We Support Capital Commitments Reflected In 2019-2020 Budget For The Statewide Affordable Housing & Homelessness Initiative

The preservation and development of affordable housing remain strategic priorities for LISC and we were proud to endorse the state's $20 billion, five-year plan to create and preserve 100,000 units of affordable housing and 6,000 new units of supportive housing. In our view, and relative to the housing needs felt across the state, this plan was appropriately ambitious in size and scope. We support capital re-appropriations for the following high need areas:

- **Supportive Housing:** $950 million for the construction of 6,000 units supportive housing;
- **New Construction:** $472 million for new construction of low-income rental housing;
- **Affordable Housing Preservation**: $146 million for the substantial rehabilitation of low-income rental housing statewide, and $100 million for the development and preservation of low-income housing in New York City;
- **Senior Housing:** $125 million for preserving and developing housing for low income seniors;
- **Public Housing:** $125 million to preserve public housing units statewide; and $450 million to preserve NYCHA units;
- **Homeownership:** $41.5 million to promote affordable homeownership among low-income households; and
- **Mobile & Manufactured Homes:** $13 million to preserve and develop mobile and manufactured homes across the state.

To supplement the capital commitments for supportive and senior housing construction, we join other affordable housing advocates in supporting an increased allocation to the Homeless Housing & Assistance Program (HHAP) to match the current high-volume of interest exceeding $100 million as well as an allocation of $10 million to provide resident service coordinators in all newly developed senior housing.

We Support Executive Budget Proposals to Strengthen Rent Regulation & Prohibit Source of Income Discrimination

LISC understands how critical rent-regulated housing is to millions of low- and moderate-income renters. The Executive Budget includes proposals to extend and reform the laws

governing rent regulation. To preserve this critical housing stock, and curb the kinds of predatory behavior that lead to displacement, LISC supports:

(1) An end to high-rent vacancy decontrol;
(2) The creation of new rules prohibiting the revocation of preferential rents upon lease renewals; and
(3) Reforms to the provisions governing rental increases by way of the vacancy allowance, Major Capital Improvements (MCI), and Individual Apartment Improvements (IAI) to prevent tenant harassment.

These reforms must accompany an additional fiscal allocation to Homes & Community Renewal (HCR) so the agency can invest in the staffing and resources necessary to provide robust asset management oversight over the rent regulated housing stock. We are heartened to see that the Executive Budget includes a two-year funding commitment of approximately $129 million for rent-regulation enforcement. We encourage the Legislature to continue to work with HCR to determine if this is an appropriately sized allocation.

Extending and reforming rent-regulation is but one means of providing additional fairness and transparency to the rental markets. We support the Executive Budget proposal to prohibit property owners statewide from refusing to sell, rent, or lease to prospective renters on the basis of lawful source of income, including child support, spousal support, social security benefits, or any form of public or housing assistance. Source of income discrimination concentrates poverty and reinforce residential segregation. Several municipalities have instituted this protection, including New York City and Buffalo, however a uniform statewide source of income protection is needed to effectively extend coverage to all New Yorkers regardless of their geographic location.

Executive Budget Proposal Should Include Additional Provisions To Preserve NYCHA, Support Homeownership, and Address Vacant Homes

NYCHA

Decades of federal disinvestment has left the New York City Housing Authority in crisis with a $32 billion capital need and a federal monitor. NYCHA residents face immediate concerns about inadequate heating, mold, and water leaks. While we support the capital re-appropriation of $450 million in the Executive Budget to make critical repairs including to façades, roofs, and boilers, we are aware that these funds have thus far not been released. We strongly encourage the Legislature to work with the Governor and NYCHA to release funds and ensure that repairs begin this fiscal year.

New York City has promulgated the NYCHA 2.0 plan to reposition and preserve the NYCHA portfolio for the long-term. While it is unclear how the newly appointed federal monitor will implement this plan, a key strategy of this plan is to expand the use of the public-private partnership ownership model, like RAD, to raise roughly $24 billion in revenue. This leaves an almost $8 billion funding gap to fully address capital repairs. We join other advocates in encouraging the Legislature to work with the Governor to develop a comprehensive 10-year, joint city and state funding plan to help fund this gap beginning with an additional appropriation

this fiscal year of $500 million. We also support new legislative measures–like reforming the coop/condo abatement to exclude luxury owners–in order to create a dedicated revenue stream to address NYCHA's long-term capital needs.

Homeownership

The New York State Attorney General's Homeowner Protection Program (HOPP) has been the state's anchor in foreclosure prevention and homeownership preservation since 2012. With its network of roughly 90 nonprofit housing counseling and legal service organizations, HOPP has helped thousands of New Yorkers avoid foreclosure, evade homeownership frauds, safely access reverse mortgage financing, and prevent the proliferation of vacant zombie homes in their neighborhoods. The Office of the Attorney General (OAG) has traditionally funded HOPP with bank settlement funding at roughly $20 million annually. At this time, no additional bank settlement funding is forthcoming, with current funds running through to the end of fiscal 2019 (March 31, 2019). The Executive Budget does not include funding for HOPP. LISC joins our colleagues in the statewide Communities First Coalition in requesting that the Legislature and Governor allocate $20 million to continue to fund these critical homeownership services. LISC's zombie grantee cities, towns and villages have used some of their grant funding to increase outreach to at-risk homeowners to connect them to HOPP services. Not only does HOPP help keep families in their homes, it is a vital vacants prevention tool. It is our understanding that failing to continue funding HOPP and its network of providers may reduce the state's foreclosure prevention capacity by roughly two-thirds.

Zombie Homes

The New York State Abandoned Property Neighborhood Relief Act of 2016, better known as the "Zombie Law", has been a powerful tool to stem the flow of zombie homes, typically vacant one-to-four-family houses with mortgage liens that are stuck in the foreclosure process. The Zombie Law requires financial institutions to maintain and repair one-to-four-family houses when they: (1) own the lien on the property; (2) when the property has been vacant for at least 90 days; and (3) when the properties are either mortgage delinquent or somewhere in the foreclosure process. After two years of implementation, and based on feedback from municipalities we are collaborating with to repurpose zombies, we believe there are ways to improve the effectiveness of this strong legislation by closing gaps. We encourage the Legislature and Governor to make the following tweaks to the "Zombie" Law in the Executive Budget.

First, adding the OAG as a co-lead enforcement agency alongside the Department of Financial Services (DFS) would free up DFS to concentrate on fulfilling its mandate to maintain the Vacant and Abandoned Property Registry ('Registry") by compelling lienholders to register all covered properties and provide complete information about them. The OAG could then prosecute the banks and servicers that are not complying with the Zombie Law, and provide litigation support to corporation counsels and other municipal counsels bringing these actions. We are concerned the Zombie Law is currently an unfunded mandate that hampers DFS's enforcement. In addition to allocating additional resources to DFS in the form of technology and staff, amending the Zombie Law to include the OAG as a co-enforcement agency will significantly strengthen overall enforcement.

Second, as municipalities develop their local strategies to address the zombie and vacant portfolios in their jurisdictions, it is increasingly clear that one constant challenge is obtaining adequate information on the lien holders. We support regulation changes that provide more information to the municipalities about the lienholders including names, e-mails, phone numbers of key contacts, and the delinquency or foreclosure status of the properties. The Registry must be a public document. Access is so restricted that only elected officials and four designees in their municipal governments can obtain the Registry information. Municipalities are currently barred from sharing their information with other municipalities. This prevents municipalities from identifying which lienholders are systemic bad actors and from working collectively to hold them accountable. Transparency creates accountability and the public has a right to know.

Finally, the Zombie Law was not accompanied with a fiscal allocation to assist municipalities to substantially rehabilitate, or if need be, demolish vacant homes in their communities. Though the state's network of 25 land banks have settlement funding to stabilize, rehabilitate or demolish vacant houses, many municipalities do not have land banks in their areas. We recommend allocating additional funds this fiscal year for municipalities whose local strategy includes repurposing vacant 1-4 family homes as either affordable homeownership or rental housing.

In closing, we applaud the Legislature for its continued commitment to address the state's multifaceted housing needs.

Thank you for the opportunity to testify.

Helene Caloir
Director, NY State Housing Stabilization Fund
212-455-9338
HCaloir@lisc.org

Edward Ubiera
Director of Policy, LISC NYC
212-455-9584
eubiera@lisc.org