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**Testimony of Edward Ubiera
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New York State Assembly Standing Committee on Housing

**Oversight Hearing
Fiscal Year 2015-2016 State Budget for
New York State Homes & Community Renewal (HCR)**

December 21, 2015

Thank you Chairman Wright and members of the Assembly Standing Committee on Housing for the opportunity to deliver this testimony. My name is Edward Ubiera, Director of Policy for the Local Initiatives Support Corporation's New York City Program. I am submitting this written testimony on behalf of LISC New York City.

About LISC NYC

LISC NYC is dedicated to helping nonprofit, community development corporations (CDCs) transform distressed neighborhoods into sustainable communities of choice and opportunity with good places to work, to do business and raise children. Over the last 35 years, LISC NYC and its affiliates have invested over \$2 billion which has leveraged over \$5 billion for low- and moderate-income communities across New York City. This has resulted in over 36,000 units of affordable housing and over 2 million square feet of retail and community space.

LISC NYC's Role in Affordable Housing

In partnership with local CDCs, the preservation and development of affordable housing in New York City has been and continues to be at the core of our work. Our platform of technical assistance, lending products, and our role as a thought partner with local government stakeholders were key in providing CDCs with the tools and capacity needed to transform neighborhoods during an earlier era of disinvestment and abandonment in New York City. However, we are facing a different set of problems today stemming from a crisis in both housing affordability and supply.

Housing Crisis Being Felt By All

Virtually every community in New York State is facing the challenges of housing affordability and supply. In New York City, where LISC NYC's programs are based, there is a once-in-a generation housing crisis. More than 50% of renter households are cost-burdened, paying more than 30% of

household income on housing-related costs¹. New York City's rental vacancy rate is roughly 3% and below the statutory 5% vacancy threshold deemed necessary to declare a housing emergency per the Rent Stabilization Laws². Such a low vacancy rate is especially burdensome to low-income households who are effectively locked out of the rental market and in some cases forced into the shelter system as a means of last resort. As of December 2015, the New York City Department of Homeless Services reports 58,000 individuals in the shelter system—including 23,000 children³. About one in five seniors in New York City lives in poverty while waitlists for senior housing number in the tens of thousands⁴. Foreclosure filings for homeowners are almost double what they were in the early 2000s totaling 13,554 filings as of December 31, 2014⁵. The public housing system—an important housing stock for very-low income households—faces a \$2.5 billion cumulative projected operating deficit over the next 10 years, and nearly \$17 billion in unmet capital needs for major infrastructure repairs⁶. As you can discern, these cumulative needs are daunting.

CDCs Are Being Stretched Thin

Our locally based partners—Community Based Development Corporations (CDCs)—are on the front lines of this crisis, and in many cases, are the first to respond when neighborhood residents are faced with a job loss, eviction, foreclosure, or imminent entry into a shelter. Through a combination of private and public capital, CDCs are responding to these needs with a diverse programmatic platform that includes affordable housing development, job training, home-health care, foreclosure prevention, and local economic development. However, given the size and scope of the problem, CDCs are increasingly stretched thin in their ability to stabilize households in crisis. With private capital being limited and scarce, CDCs are looking to government to fill the gap in resources in order to address this crisis.

New York City Responds

New York City has taken significant steps to direct additional resources to resolve this dual crisis of affordability and supply. The City's "Housing New York" plan released in March 2014 plans to construct 80,000 affordable units and preserve the long-term affordability of 120,000 units over a ten-year period. In May 2015, Mayor de Blasio and the New York City Housing Authority (NYCHA) announced NextGeneration NYCHA ("NextGen"), a comprehensive ten-year plan to stabilize the financial crisis facing NYCHA by changing the way NYCHA is funded, operated and how it serves its residents. NextGen will implement strategies to diversify revenue streams, expand the housing stock with new real estate development, and modernize the existing housing portfolio through improved property management systems and green infrastructure programs. In our view, New York City is taking bold steps to do what it can with available resources. However, given the

¹ New York City Department of Housing Preservation & Development, "Housing New York: A Five-Borough, Ten Year Plan, " http://www.nyc.gov/html/housing/assets/downloads/pdf/housing_plan.pdf

² New York City Department of Housing Preservation & Development, "HPD Releases Initial Findings of 2014 New York City Housing And Vacancy Survey," February 24, 2015, <http://www1.nyc.gov/site/hpd/about/press-releases/2015/02/24.page>

³ New York City Department of Homeless Services, "Daily Report for 12/18/15," <http://www1.nyc.gov/assets/dhs/downloads/pdf/dailyreport.pdf>

⁴ LiveOn NY, "City's Leading Senior Advocacy Organization And Housing Providers Testify In Support Of Citywide Zoning Proposal," December 16, 2015, <http://www.liveon-ny.org/files/Press%20release%20-%20ZQA%20hearing.pdf>

⁵ NYU Furman Center, "State of New York City's Housing and Neighborhoods in 2014," http://furmancenter.org/files/sotc/NYUFurmanCenter_SOC2014_HighRes.pdf

⁶ New York Housing Authority, "Final Agency Annual Plan for Fiscal Year 2016," <http://www1.nyc.gov/site/nycha/about/annual-plan-financial-information.page>

unprecedented crisis, it is critical that New York State, with its broad array of housing and economic development programs, complement these efforts with additional resources.

Joint Recommendations by New York Affordable Housing Stakeholders

New York State's fiscal year 2015-2016 enacted budget allocated over \$700 million for housing resources statewide—including \$439.5 million in fiduciary funds from the JPMorgan settlement proceeds⁷. This was a welcome and much-needed increase in resources for housing. LISC NYC believes a comparable, if not greater, allocation of resources will be needed in fiscal year 2016-2017. In collaboration with several prominent housing stakeholders, including the New York Housing Conference (NYHC), Enterprise Community Partners, the Center for New York City Neighborhoods (CNYCN), the Supportive Housing Network of New York (SHHNY), and the New York State Association for Affordable Housing (NYSFAH), we have endorsed a set of policy and budgetary recommendations in support of a five-year, \$4 billion capital plan to address the housing crisis being felt throughout the state. These recommendations – enclosed with this testimony—have coalesced around seeking greater state resources for supportive housing, public housing, senior housing, and affordable homeownership. Included in our recommendations are proposals to:

1. Fully fund a fourth NY/NY agreement to facilitate development of 35,000 additional units of supportive housing;
2. Create a new senior housing program;
3. Establish a capital fund to encourage participation by local housing authorities, including NYCHA, in HUD's Rental Assistance Demonstration program;
4. Create a proactive preservation financing program for projects opting or aging out of affordability; and
5. Increase baseline funding for several key programs including the Homeless Housing Assistance Program (HHAP), the Low Income Housing Trust Fund Program (HTF), and the NYCHA Modernization Program.

As this Committee evaluates New York State Homes and Community Renewal (HCR)'s budget, we ask that you consider these recommendations as a solid blueprint to address the housing crisis affecting our communities. We welcome the opportunity to be a thought partner with this Committee in these efforts.

Thank you for the opportunity to submit testimony.

December 21, 2015

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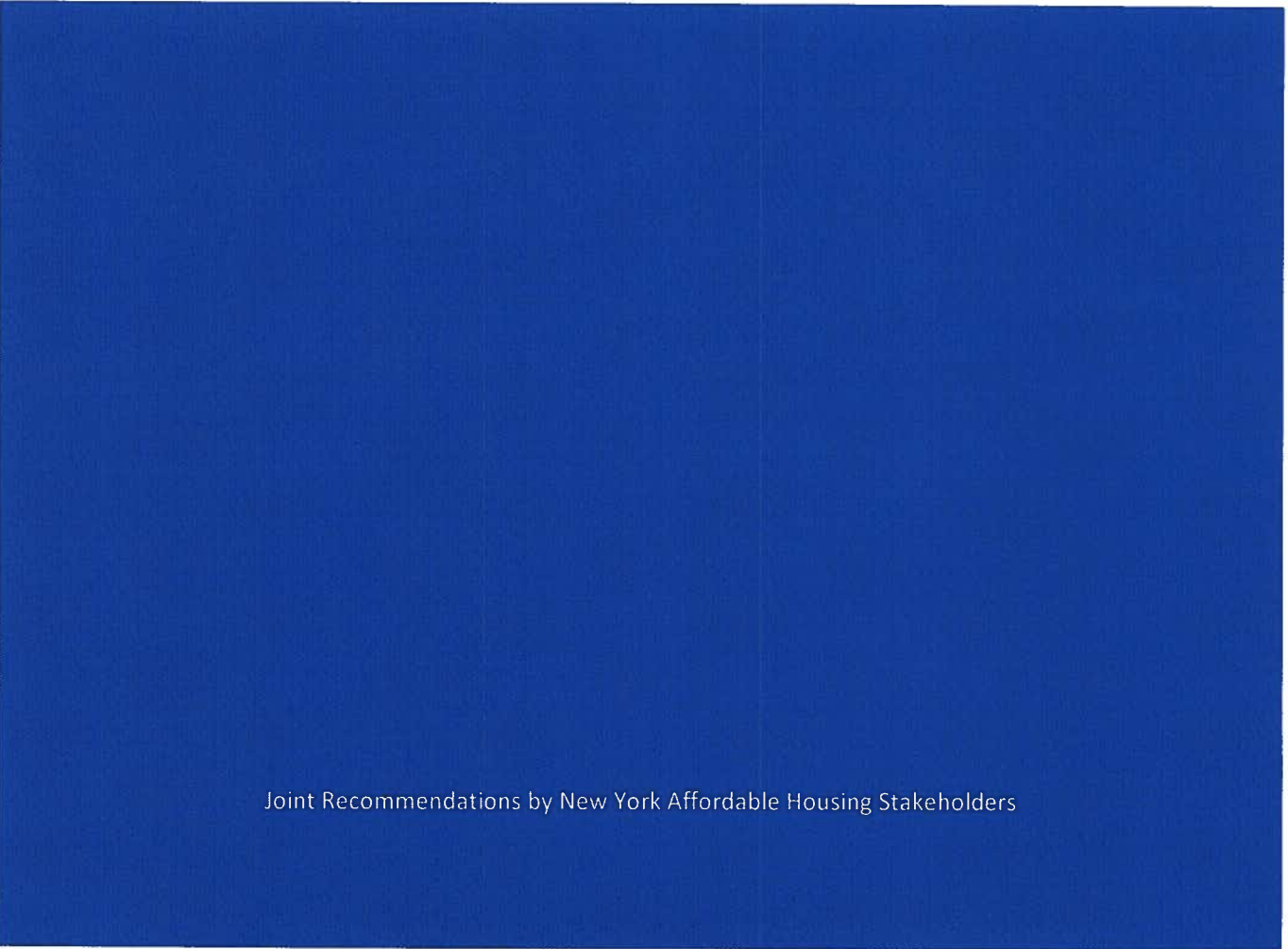
Enclosure:

Joint Recommendations by New York Affordable Housing Stakeholders

⁷ New York State Comptroller, "Report on the State Fiscal Year 2015-16 Enacted Budget," April 2015, https://www.osc.state.ny.us/reports/budget/2015/2015-16_enacted_budget.pdf



NEW YORK STATE AFFORDABLE HOUSING SOLUTIONS: 5 YEAR PLAN (2017-2021)



Joint Recommendations by New York Affordable Housing Stakeholders

DECEMBER 7th, 2015

Joint Recommendations by the Following New York Affordable Housing Stakeholders



A coalition of 10 groups representing over 1000 affordable housing organizations, businesses, advocates, and service providers have come together to recommend a five year, \$4 billion capital plan to address New York's housing crisis. Investing in affordable housing is smart policy for New York State, providing safe, quality affordable homes, jobs for local residents, and spurring economic development in communities across the state.

As affordable housing stakeholders, we are encouraged by Governor Cuomo's track record in housing and his commitment to bold and innovative policy solutions to social problems. Together, we offer the following solutions to address housing affordability and neighborhood renewal through a comprehensive state-wide affordable housing plan to be implemented by New York State Homes and Community Renewal.

AFFORDABLE HOUSING NEED & CHALLENGES

New York State is facing an affordable housing crisis. Statewide, more than half of renters pay over 30% of their income on housing costs, qualifying as rent-burdened according to federal standards. More than 80,000 state residents are homeless on any given night, many in need of services to achieve housing stability.

Demand for affordable housing continues to grow as rents soar, especially in New York City. NYCHA's public housing waiting list has over 270,201 families for 177,666 apartments. The housing authority, like many others across the state, has accumulated significant unmet capital needs while the federal government continues to retreat from supporting public housing.

Our aging population adds to the growing demand for affordable housing options. By 2040, we will see a 40% increase in elderly NYC households, rising to 1.4 million seniors. For many senior households on fixed incomes, keeping up with rising rents is difficult. A shocking 65% of single elderly households living in rent stabilized units pay more than half of their income on rent.

Too many New Yorkers live in areas of concentrated poverty across the State with high crime rates, poor performing schools, and a dearth of amenities and services. While many counties face high numbers of abandoned and vacant properties due to foreclosure, disinvestment and area job loss, other counties are struggling with rising land costs. Escalating property costs are a threat to a robust affordable housing pipeline in New York State. Land costs make it difficult for affordable housing developers to compete for sites in moderate- and even low-income neighborhoods. In NYC neighborhoods, rising land values also drive tenant displacement without sufficient resources for proactive preservation of existing affordable housing which can help combat this trend.

It has long been understood that strategic affordable housing investments act as a catalyst for the economic development of low-income areas. Innovative policy solutions paired with critical housing resources are necessary to continue revitalizing distressed communities, while preserving affordable housing where it exists and creating housing options for low-income families in high opportunity areas. The State should pursue a dual strategy of revitalizing economically distressed neighborhoods through targeted affordable housing investment while simultaneously pursuing strategies to provide affordable housing options in "high-opportunity" neighborhoods. This dual strategy should be devised with an analysis to determine how housing investments can further fair housing goals, as well as act as a catalyst for the economic development and revitalization of distressed low-income areas.

STATE-WIDE SOLUTIONS

Sources of Funds

Since January 2015, approximately \$2.5 billion in bank settlement funds to New York State has accumulated. This substantial sum should be directed to address the affordable housing crisis (this number may increase before the 2017 budget is negotiated) and should be used to fund top budget and policy priorities including new signature housing initiatives.

- **Dedicate at least \$1 billion in bank settlement funds to housing programs.** These funds represent an opportunity for significant capital investment in affordable housing in a coordinated investment strategy that can be achieved by the Governor's office and State Legislature.

Top Budget and Policy Priorities

In order to address statewide homelessness and the need for income diverse housing opportunities, especially for extremely low-income households, we recommend the following budget priorities:

- **Enact and fund a statewide supportive housing agreement for 35,000 units over the next 10 years:** 30,000 units in NYC and 5,000 units outside NYC as outlined by the Campaign 4 NY/NY Housing
 - In NYC, 15,000 units to match the City's commitment.
 - Outside NYC, 5,000 units of new construction and scattered site housing.
 - Dedicate two-thirds of the units in the new statewide NY/NY program to individuals (23,350 units), with the remaining one-third for families (10,150 units) and youth (1,500 units).
 - Provide adequate funding to operate the housing and provide support services. To be a viable resource, scattered-site supportive housing will need adequate funds to keep pace with market rents over time and all supportive housing will require long-term contracts as well as adequate operating and service funds to provide sufficient supports to help tenants remain healthy and stable.
- **Significantly increase the current annual SLIHC allocation to \$25M-\$30M,** to address demand, create housing for seniors at a variety of income levels, encourage development of more mixed income housing, and help meet Fair Housing goals. In addition:
 - Increase the maximum per project eligibility for SLIHC from \$750,000 to \$1M.
 - Increase SLIHC per unit cap of \$20,000 to \$22,000 to match the current LHC cap.
- **Finance \$175M of capital repairs in public housing annually,** helping to preserve public housing units for low-income New Yorkers. \$100M should be allocated to NYCHA's capital needs, with an additional \$75M reserved for public housing authorities throughout the rest of the state to incentive participation in HUD's Rental Demonstration Program (RAD).
- **Establish a publicly available inventory of State-owned land** suitable for affordable housing development across State agencies and authorities.
- **Allocate no less than \$800M in volume cap to NYC's Housing Development Corporation annually** to help provide predictability and address demand for bond-financing in the City's affordable housing pipeline.

New State-Wide Housing Finance Programs

- Create a new **Senior Housing Plus Services** program to support aging in place of New York's rapidly growing low-income elder population.
 - Appropriate \$50M per year for five years to provide an average of \$100,000 per unit for up to 500 units, which developers could use with other capital funding sources to develop senior units.
 - The program should require an appropriate service component that emphasizes wellness and healthy aging, and avoidance of premature entry into expensive Medicaid funded institutional settings. Work closely with other agencies (including DOH and SOFA) to identify policies and regulations that advance or impede these solutions and act accordingly.
 - The new program should be paired with secure stream of services funding, either in the form of New York State grants or underwritten as part of the project operating budget.
 - Dedicate 200 project based Section 8 vouchers to senior housing annually to support the development of units for very low-income seniors. This may also help projects secure bond financing.
 - Encourage use of SLIHC to provide cross subsidization of rents where markets allow.
 - Senior housing should not be concentrated solely in high-opportunity areas, as it could become an impediment to achieving fair housing goals.
- Incentivize **Affordable Housing Development in High-Opportunity Neighborhoods** to affirmatively further fair housing while also complementing existing efforts to revitalize low-income neighborhoods. Statewide policy should encourage development of affordable housing in low-crime areas with access to jobs and high-performing schools.
 - Provide flexibility on subsidy caps and scoring incentives in current HCR programs to allow for higher acquisition costs in high opportunity neighborhoods.
 - Work with municipalities to develop incentives in the area of zoning and local siting of affordable housing projects.
 - Collaborate with the Empire State Development Corporation on community building initiatives.
 - Prioritize use of State-owned land in high opportunity areas for affordable housing and award sites through a competitive RFP process.
 - Facilitate the development of a diversity of affordable housing types in high opportunity areas, particularly family and supportive housing serving low- and extremely low-income households.
- Proactively Address **Preservation of State-Assisted Units**
 - In anticipation of the State's aging affordable housing portfolio, establish a proactive preservation financing option, similar to NYC's Year 15 Program, to extend affordability and make needed improvements to aging affordable stock.

Continue Supporting Effective Programs

- Reduce **Homelessness** by incorporating a comprehensive strategy to end homelessness in a statewide housing plan. Prioritizing a robust and long-term supportive housing program is the best way to combat chronic homelessness. To end homelessness for other populations, close coordination between the Governor's office State agencies and the Legislature can achieve the following:
 - Set statewide goals to reduce homelessness.

- Support local rental assistance programs.
- Raise the public assistance housing allowance.
- Promote placement from shelter to permanent housing by:
 - Increasing incentives for extremely low-income and homeless households within HCR programs.
 - Considering the establishment of set-aside requirements for homeless families, homeless singles, or LINC referrals for affordable units in market rate buildings receiving tax abatement and HFA bonds. These buildings do not receive direct subsidy and are therefore currently not required to meet additional programmatic requirements under housing agency financing programs.
 - Supporting higher land acquisition costs to provide geographic diversity for supportive housing.
- Continue to finance the preservation and construction of **Moderate- and Middle-Income Housing**
 - Continue the successful Mitchell Lama Preservation program and coordinate this effort with that of NYC.
 - Take advantage of the market's appetite for SLIHC by increasing the allocation of tax credits as per recommended budget priorities.
 - Refine HCR's new Middle Income Housing Program (MIHP) to ensure full utilization.
 - Continue to fund units at a range of AMIs up to the allowable maximum 130%, and ensure the inclusion of neighborhoods where markets may not currently be strong enough to reach 130% AMI levels.
 - Work with developers, syndicators and investors to identify the optimal mix of tax credit and moderate/middle income units to minimize real estate risk and maximize both MIP resources and tax credit equity.
- Support **Affordable Homeownership** through new and existing targeted programs to help low and moderate income homeowners purchase and remain in their homes
 - *Housing Counseling and Legal Services*: Fund housing counseling and legal services for prospective home-buyers and homeowners for services such as pre-purchase housing counseling and guidance, foreclosure prevention assistance, and resiliency retrofitting.
 - *The NYS Mortgage Assistance Program*: Provide 0% 30-year foreclosure prevention loans of up to \$40,000 to reinstate delinquent mortgages, pay down principal on first or second liens, and pay delinquent property taxes or other debt impeding mortgage resolution. NYS MAP has received almost \$40 million in applications in just 9 months.
 - *The NYS Community Restoration Fund*: Provide up to \$60,000 per unit subsidy to support the resolution of distressed liens for homeowner retention or property acquisition for affordable homeownership, rental, or demolition of blighted structures.
 - *Single-Family Home Repair Fund*: Increase existing grant resources for home repairs, including support for the New York State Affordable Housing Corporation or local repair loans, to the maximum extent feasible. In addition, pilot loan loss reserve/guarantees to spur banks, Community Development Financial Institutions, and credit unions to make loans to low- and moderate-income homeowners with property maintenance needs related to foreclosure or delinquency or who are otherwise unable to qualify for repair financing.

- *NYS Downpayment Assistance Funding*: Provide downpayment assistance in high value markets to supplement resources that may have eligibility restrictions. Per unit subsidy would be determined based on an index of local market conditions accounting for AMI and housing prices.
- Capitalize on HCR's successes by maintaining and increasing support for **Existing Funding Programs** including Homes for Working Families, the Urban and Rural Community Investment Fund, Housing Trust Fund, and Neighborhood Preservation Program.

Transparency

- Improve communication to the affordable housing community with public notices of policy changes.
- Establish programmatic production targets including budget and funding periods.
- Track progress in an annual production report matching budget allocations and funding periods.
- Populate the HCR housing website with existing state-subsidized affordable housing buildings:
(<http://www.nyshcr.org/Topics/Home/Renters/OpportunitiesToApplyforAffordableRentalUnits.htm>)

Coordinate with Localities on Housing Issues

- Ensure the Upstate Regional Initiative (URI) includes a robust affordable housing component within community revitalization activities. Affordable housing will allow URI funds to leverage additional public and private resources, which will stimulate local economies and create jobs.
- Regularly meet with NYC agencies to review projects at the initial planning stage on a borough basis to achieve a diverse mix of affordable housing types throughout New York's neighborhoods and avoid high geographic concentrations of low-income housing.
- Explore the creation of incentives and/or pairing resources to offer mobility and development opportunities in "high opportunity" areas to further expand affordable housing options.
- Coordinate with NYC in advocating for common federal housing priorities.

Additional Issues

- Enable SONYMA policies to better support mixed-use affordable housing development by insuring permanent loans for the entirety of mixed-use projects pursuant to the SONYMA multifamily term sheet and by recognizing master leases.

NEW YORK STATE AFFORDABLE HOUSING SOLUTIONS: 5 YEAR PLAN (2017-2021)

Budget Recommendations: To set forth a proactive affordable housing strategy, a multi-year budget plan is required to ensure sufficient development of an affordable housing pipeline and predictability in financing programs. Long term investment is required in programs to solve pressing social problems such as a lack of affordable housing options for the State's homeless population, low-income seniors and to rehabilitate our public housing stock, among other priorities. Blue cells represent signing member group priorities.

Fiscal Year 2016 Enacted New York State Budget		Proposed FY 2017-21 Budget Request					
New York State Housing Programs	FY 2016 Enacted Budget	FY 2017 Proposed	FY 2018 Proposed	FY 2019 Proposed	FY 2020 Proposed	FY 2021 Proposed	Proposed 5 Year Total
Access to Home (including set aside for disabled veterans)	\$20,601,000	\$20,601,000	\$21,000,000	\$21,400,000	\$21,800,000	\$22,200,000	\$107,001,000
Affordable Housing Corporation	\$29,000,000	\$29,000,000	\$29,600,000	\$30,200,000	\$30,800,000	\$31,400,000	\$151,000,000
Homeless Housing Assistance Program	\$63,500,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$500,000,000
Homes for Working Families Program	\$17,500,000	\$20,000,000	\$25,000,000	\$30,000,000	\$35,000,000	\$40,000,000	\$150,000,000
Housing Opportunity Program for Elderly (RESTORE)	\$6,400,000	\$6,400,000	\$6,500,000	\$6,600,000	\$6,700,000	\$6,800,000	\$33,000,000
Low Income Housing Trust Fund Program	\$47,700,000	\$50,000,000	\$55,000,000	\$60,000,000	\$65,000,000	\$70,000,000	\$300,000,000
Main Street Program	\$9,700,000	\$9,700,000	\$9,900,000	\$10,100,000	\$10,300,000	\$10,500,000	\$50,500,000
Mitchell Lama Rehabilitation Program	\$42,000,000	\$42,000,000	\$42,800,000	\$43,700,000	\$44,600,000	\$45,500,000	\$218,600,000
Middle Income Housing Program (MIHP)	\$25,000,000	\$50,000,000	\$55,000,000	\$55,000,000	\$60,000,000	\$60,000,000	\$280,000,000
Neighborhood Preservation Program (NPP)	\$8,479,000	\$8,479,000	\$8,600,000	\$8,800,000	\$9,000,000	\$9,200,000	\$44,079,000
NYC Housing Authority Tenant Pilot Program	\$742,000	\$742,000	\$760,000	\$780,000	\$800,000	\$820,000	\$3,902,000
NYCHA Modernization or Improvement Program	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$500,000,000
Public Housing Modernization Program	\$6,400,000	\$6,400,000	\$6,500,000	\$6,600,000	\$6,700,000	\$6,800,000	\$33,000,000
Rural & Urban Communities Initiatives Fund (CIF)	\$17,000,000	\$20,000,000	\$24,000,000	\$28,000,000	\$32,000,000	\$36,000,000	\$140,000,000
Rural Preservation Program (RPP)	\$3,539,000	\$3,539,000	\$3,600,000	\$3,700,000	\$3,800,000	\$3,900,000	\$18,539,000
Rural Rental Assistance Program (RRAP)	\$21,642,000	\$21,642,000	\$22,100,000	\$22,500,000	\$23,000,000	\$23,500,000	\$112,742,000
State Low-Income Housing Credit Program	\$8,000,000	\$25,000,000	\$25,000,000	\$30,000,000	\$30,000,000	\$30,000,000	\$140,000,000
Statewide Supportive Housing*	\$124,500,000			\$30,500,000	\$91,500,000	\$183,000,000	\$305,000,000
NEW Public Housing RAD Capital Fund		\$75,000,000	\$75,000,000	\$75,000,000	\$75,000,000	\$75,000,000	\$375,000,000
NEW Senior Housing + Services Program		\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$250,000,000
NEW Foreclosure Prevention & Distressed Assets (MAP, Community Restoration & Hardest Hit Funds)		\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$250,000,000
Total		\$688,503,000	\$710,360,000	\$762,880,000	\$846,000,000	\$954,620,000	\$3,962,363,000

*Service & Operating for New Construction Supportive Housing Units Based on Pipeline Expectations of Anticipated NY/NY 4 Agreements in first 5 years, 50% of 1500 in NYC @ \$30k/unit, 100% of 500 in the rest of the State @ \$16k/unit