



**Testimony of Habitat for Humanity - New York City
To the New York State Assembly Standing Committee on Housing
421-a Property Tax Exemption Program Reform**

Assembly Bill 4408

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**Testimony respectfully submitted by:
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Thank you for the opportunity to testify today. My name is Paige Bellenbaum, and I am the Director of Advocacy at Habitat for Humanity – New York City.

As an affordable housing developer and advocate, Habitat for Humanity – New York City is pleased to come before the Assembly Standing Committee on Housing today to address Assembly Bill 4408, which proposes further reform of New York City’s 421-a Property Tax Exemption Program to encourage the development of more affordable housing.

Habitat – NYC’s Position

Habitat – NYC is here today to support 421-a reform that maximizes the amount of affordable housing production in our city. We are also here to encourage the State Legislature to follow the lead of the Bloomberg administration and the New York City Council, by creating a true New York State Affordable Housing Trust Fund. Such a fund would provide much needed grants and loans at below-market interest rates to developers of affordable housing across the state.

421-a History

The 421-a program was created more than three decades ago, at a time when New York was desperate for new housing development. In today’s housing market, however, 421-a is subsidizing luxury housing in upscale neighborhoods, at a huge financial cost to the

city. The program - which this year alone will cost the city \$405 million in lost tax revenues - is creating very few of the affordable homes that millions of New Yorkers desperately need.

Habitat/ Pratt Report

Habitat for Humanity-NYC and the Pratt Center for Community Development released a report last year on the program that revealed the following information:

- The 421-a program has subsidized over 100,000 housing units since the program's inception. However, according to a 2003 report by the Independent Budget Office, only about 8% of the units are affordable to low- or moderate-income families.
- The cost of the program to the City of New York - in lost tax revenues - has grown 250% in just 4 years, up from \$130 million in 2002 to \$320 million in 2006.
- The 421-a tax exemptions are especially lucrative for Manhattan developers, where housing stimulation is least needed. While Manhattan projects accounted for only 23% of all exemptions in 2005, they received over 78% of the tax breaks.
- In some cases, developers contribute as little as 12 to 15 cents for affordable housing (in the Bronx) for every \$1 of forgiven taxes on luxury buildings (in Manhattan).

As developers enjoy these growing tax breaks, the most recent Housing and Vacancy Survey shows that New York City's housing crisis continued to deepen from 2002 to 2005:

- Average tenant incomes were down 5.6%, but average rents were up 8.7.%
- The number of New Yorkers paying more than half of their income in rent grew by 13%, to more than 570,000 households - **more than one quarter of all tenants.**
- More than 100,000 families are living in overcrowded conditions.
- 9,289 families are living in homeless shelters.
- As we meet today - **14,282 New York City children are living in homeless shelters.**

Bloomberg Administration 421-a Reform

With recent 421-a reform initiated by the Bloomberg Administration and the New York City Council, we are pleased that the exclusion zone has been expanded to include a greater number of communities that do not need tax abatements to create luxury housing. However, we recognize the need to do even more. We applaud Assemblyman Lopez's efforts to introduce a bill that further maximizes the creation of affordable homes by expanding the exclusion zone city wide and encouraging a higher percentage of affordable units to be built on-site for a lower income population.

Mixed Income Communities

Over the past 15 years, much of New York City's new housing construction has fostered racial and income segregation. Most market rate housing has been concentrated in the

higher-income neighborhoods of Manhattan and Staten Island, while affordable housing was built primarily in the lower-income neighborhoods of Harlem, the Bronx, and Brooklyn. Because of this, Habitat for Humanity – New York City strongly supports strengthening city and state affordable housing programs that promote mixed-income developments and communities.

Mixed-income communities include a broad range of income levels and socio-economic groups. Without them, low- and moderate- income households are forced into overcrowded and poor quality housing or pressured to move out of their neighborhoods all together – diminishing the diversity that defines New York City and threatening to erode the workforce that fuels our city.

A “True” New York State Housing Trust Fund

The New York City Council Bill 486-A abolishes the negotiable certificate program and proposes to use a portion of the resulting increase in tax revenues to fund a true affordable housing trust fund. We encourage the State of New York to follow New York City’s lead, and create a true state-wide housing trust fund.

A “true” housing trust fund has a dedicated revenue stream that does not require annual appropriations and has the legal purpose of providing grants or loans at below-market interest rates to developers of affordable housing.

Over 38 states across the nation have Affordable Housing Trust Funds – New York is among only a small handful of states that lack this crucial tool. Creating it would add an estimated \$100 million per year in additional, dedicated funding for affordable housing statewide.

Currently, New York State has several options for creating a true housing trust fund.

Among them, the Governor and state legislature could:

- Amend Article 8, Title 17, of the State Public Authorities Law to allow the State of New York Mortgage Agency to provide low-interest loans and grants directly to developers of affordable housing and allow SONYMA to retain mortgage recording tax surcharge funds in excess of its insurance reserve requirement;
- Amend the state's real estate transfer tax law to dedicate equal portions of these tax revenues – expected to be \$800 million in the 2007 fiscal year – to affordable housing development and environmental purposes. The current law and recently proposed amendments serve only environmental objectives. This fund could create 30,000 safe, decent and affordable homes over the next decade.

Conclusion

In closing, Habitat for Humanity – NYC applauds Assemblyman Lopez for introducing a bill that further maximizes the creation of affordable homes by expanding the exclusion zone city wide and encouraging a higher percentage of affordable units to be built on site for a lower-income population. To meet the challenge of New York City's current housing crisis, the city and state need to invest in innovative solutions and ideas, such as Assembly Bill 4408. Not only does this legislation foster an increase in affordable housing production, it also encourages the creation of mixed-income communities that will allow New York City to maintain its diversity.

We also encourage the State Legislature and Governor to work together to create a true New York State affordable housing trust fund, to further the creation and preservation of much needed affordable housing for all incomes across the state.

Thank you.