



**New York State Department of Budget  
2008-2009 Housing Budget  
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Testimony submitted by  
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on behalf of the  
**Empire State Housing Alliance**

**Background**

Thank you for the opportunity to testify today on the Administration's 2008-2009 budget for housing. I am on the policy staff of the Center for Community Change, a national nonprofit organization that works to build the power and capacity of low income people, especially people of color, to organize and advocate for social change and economic justice. CCC helps establish and develop community organizations across the country, and through issue campaigns and technical assistance works to bring attention to major national issues related to poverty and insure that government programs are responsive to community needs. Since 1986, the Center's Housing Trust Fund Project ("Project") has operated as a clearinghouse of information on housing trust funds throughout the country, and it has become the single most reliable national resource on housing trust funds. In addition to providing technical assistance to housing trust fund campaigns, we periodically undertake a survey of the administrators of housing trust funds, the results of which are published in a composite report.

For the last two years, we have been working extensively with organizations from across New York that are focused on finding solutions to the state's affordable housing crisis. In April 2006 we convened approximately fifty representatives from grassroots organizing groups and community-based social service agencies, as well as housing advocates and developers, in Albany to identify the most critical housing issues facing their communities. A collaborative effort spawned by that meeting resulted in the creation of a coalition, the Empire State Housing Alliance ("Alliance"), and the production of a four part platform – created and endorsed by upstate and downstate groups that traditionally have been unconnected, even divided, based on regional differences – to address the housing needs in New York State. A copy of the platform is attached to my testimony.

**Budget Priorities**

One of the priorities included in the platform is an increase in funding of existing capital programs. We are pleased to hear that the Administration is considering

allocating an additional \$100 million to programs administered by DHCR, and fully support that step.

Another key element of the platform was the development of a true housing trust fund – that is, a program that receives significant dedicated public revenue to produce and/or preserve affordable housing. Our proposal calls for \$250 million to be dedicated to an Empire State Housing Investment Fund (“HIF”) from revenues from SONYMA and the Real Estate Transfer Tax. I am here today to present the Empire State Housing Alliance proposal, and to share with you the Center’s experience in helping to develop, monitor, and evaluate housing trust funds across the country. If adopted, New York would join thirty-eight states, as well as the District of Columbia, that have created forty-nine housing trust funds (eight states have created more than one trust fund to achieve particular housing objectives). In a single year, these state housing trust funds collect in excess of \$1.28 billion devoted to affordable housing.

### **Revenue**

We understand that the Administration is considering permitting SONYMA to retain approximately \$100 million in excess mortgage insurance fund reserves for a new housing initiative, and we support using that revenue stream as a first step toward the establishment of a robust housing trust fund.

As a threshold matter, I want to address the perception that it seems untimely – perhaps even quixotic – to be seeking funding for a new housing fund at a time when the state is projecting a budget shortfall of \$4.3 billion. This proposal is justified in part because investments in affordable housing pay multiple returns and exemplify the kind of fiscally-responsible, forward-thinking strategies that New York needs.

First, housing trust funds leverage significant resources, providing a stimulus to local economies. Traditionally, because of their flexible use, housing trust fund dollars are used to provide critical “gap financing” – the last bit of funding necessary to make the financing of a housing development project work. For example, where one of the primary uses of the resources of a housing trust fund is production of new affordable housing units, housing trust fund dollars are generally packaged and distributed along with other sources of public financing, such as Low Income Housing Tax Credits (LIHTC) or Community Development Block Grant funds (CDBG). Because the availability of housing trust fund dollars enables a developer to draw down these other financing sources, as well as private funds, housing trust funds are described as “leveraging” non-state resources in order to produce affordable housing. On average, nearly \$7.00 in public and private funds are leveraged for every state housing dollar invested in affordable housing. This dynamic is demonstrated by the recent awards from the newly-established Albany County Housing Trust Fund, where the County’s \$300,000 investment has leveraged over \$7.8 million in other funding for the selected projects, a leverage of \$26 for every public dollar invested.

Second, affordable housing investments drive economic development. As evidenced across New York, affordable housing needs are not solely a by-product of a booming economy; while a strong real estate market indisputably creates pressures on the availability of low cost housing, economically stagnant areas suffer from a different array of housing issues, including vacant and abandoned properties that quickly become public nuisances and rising foreclosures of both single family and multifamily properties. In addition to addressing their affordable housing needs directly, a housing trust fund could serve as stimulus to economic development that would strengthen these communities, from jobs, sales, and municipal fees that result directly from housing construction and renovation, as well as through secondary and ongoing tax revenues generated from new residents and new properties. The National Association of Home Builders projects that

Over a 10-year period, the local economic impact of building 100 single-family homes in a typical community is \$41 million in local income. The construction of 100 multifamily homes generates \$28 million in local income. New homes also generate substantial tax revenues for local governments. Production of 100 single-family homes, on average, raises local tax revenues by \$6.6 million over the following 10 years, while construction of 100 multifamily units adds \$4.7 million in 10-year local tax collections.<sup>1</sup>

A number of jurisdictions that have considered and adopted housing trust funds at the state and local level have conducted their own economic studies demonstrating these impacts. For example, Colorado determined that the investment of \$26.5 million in its Housing Investment Fund would produce:

- More than 3,200 new jobs each year.
- More than \$334 million of economic activity each year.
- Average annual savings of \$2,460 for formerly rent-burdened households available for spending on other needs.
- More than \$26 million of annual tax revenues generated through new economic activity – effectively a dollar-for-dollar offset of the public investment.

We have shared examples of these studies with Ms. Almodovar and her staff, and would be happy to provide you with copies as well.

Additionally, public investment in affordable housing promotes workforce retention and attracts prospective employers. When commercial developers conduct market studies or when businesses assess location options, a key factor is whether there is sufficient housing for consumers and adequate housing for their employees to sustain their investment. As we hear repeatedly in the context of Long Island and the Hudson Valley, high housing costs are rightly perceived by employers as a barrier to attracting and securing a stable workforce. To illustrate this point, in 2005, 89% of employers surveyed by the Vermont Housing Finance Agency contended that the high cost and unavailability of housing was a barrier to economic development that the state needed to address. 49% said housing costs had posed problems in their efforts to recruit employees.

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<sup>1</sup> American Bankers Association, America's Community Bankers, Mortgage Bankers Association, National Association of Home Builders, and National Association of Realtors. "Housing Policy for the 21<sup>st</sup> Century." September 2004.

An overwhelming number were aware of housing affordability problems for their employees, with 92% reporting a shortage of homes for sale and 88% reporting a shortage of rental housing as problematic (the report of the survey results is attached). So investing in affordable housing is absolutely vital to the state's economic growth.

Third, investments in affordable housing can reduce the demand for other costly government-funded supports, particularly public health and homelessness programs. When we don't have adequate safe, affordable housing, we pay a price, and the price is high. Asthma, lead-paint exposure (a particular problem in older upstate communities), the relatively exorbitant costs of emergency shelter and transitional housing are all exactions we and the state fisc bear because we haven't committed the resources we need to decent affordable housing. And access to quality, affordable housing enables families to devote resources that otherwise would have been spent on housing to meet other critical needs, like health care and child care, that also help to support local economies.

Finally, there are significant environmental and psychic benefits to the development of affordable housing. Increasing the availability of safe, affordable housing near employment centers can limit sprawl and the loss of open space, reduce home-to-work commuting to the benefit of the environment, and reduce the costs associated with infrastructure improvements. Just as importantly, investments in affordable housing can have a transformative effect on communities for non-economic reasons. Residents remaining in neighborhoods with large numbers of vacant and abandoned properties, including those in upstate cities that have experienced significant out-migration in recent years, would see re-investment in the form of housing development as a critical symbol of optimism in the economic recovery of the region, and a reflection of the commitment by the Administration to improve the well-being of the entire state. To lower income New Yorkers in high cost areas, including those who perform socially critical services in hospitals and schools and child care centers, these investments would acknowledge the vital role that they play in the functioning of our communities and local economies.

One final, critical revenue-related point: to be a true housing trust fund, a program must receive dedicated revenues. While I understand that budget officials are generally opposed to the concept of dedicating revenue streams – housing trust fund campaigns commonly encounter resistance to the principle – it is fundamental to the success of housing trust funds in building and sustaining a stock of affordable housing. Quite simply, knowing that funds will be available on an ongoing basis is critical to driving the interest and capacity of developers to invest in putting together a pipeline of affordable housing projects. And since a single project can take a few years to complete from site acquisition to the marketing of units, maintaining a regular process of funding awards is essential to ensuring an ongoing stream of housing units.

### **The Empire State Housing Alliance Proposal**

Just as important as identifying and securing a revenue source is specifying how those revenues will be used. It is crucial both politically and programmatically to spell

out -- as we have in our proposal -- the principles that will govern a new Housing Investment Fund, both to secure buy-in on the part of state and local legislators and the community at large for the use of public resources and to help ensure that the identified funds are actually directed to serve agreed-upon affordable housing needs. Both of these purposes are essential to the long term sustainability of the Fund.

Attached to my testimony is an outline of our proposal that covers all of the key components of the HIF. In the interest of time, my testimony highlights the most distinctive and substantive issues from the proposal: income targeting and preferences for funding; how the funds should be distributed; the key uses of the fund and who is eligible to receive them; and monitoring and oversight of the fund.

One of the hallmarks of housing trust funds, and a key to their popularity at the state, county, and city levels, is their inherent flexibility. Housing Trust Funds can be designed to meet a variety of housing needs – from assisting low income renters to first time homebuyers to the elderly or others who have special needs – in numerous ways, including operating and maintenance subsidies, no or low interest mortgage programs, rental vouchers, to “bricks and mortar” hard costs to support new production and rehabilitation. When we survey housing trust fund administrators, the single most popular response to why they like the housing trust fund is its flexibility. So in developing the outline of a legislative proposal to establish the HIF, the Alliance was mindful of preserving flexibility to meet the spectrum of diverse housing needs across the state while establishing a core set of principles to govern the use of HIF funds.

### **Income Targeting and Other Preferences**

First, because our goal was to provide resources to serve needs that are not being addressed by existing programs, funds would be targeted to serve households earning up to 80% of the Area Median Income (“AMI”), with preference for funding to projects serving households at or below 50% of AMI. This is consistent with national practice: serving the housing needs of the lowest income families is one of the primary goals of a majority of housing trust funds; more than half of the trust funds we surveyed target some degree of resources on households with incomes at or below sixty percent (60%) of the Area Median Income (AMI), with many reaching even deeper levels of affordability. Another third of housing trust funds responding to the survey report that they set aside a portion of trust fund revenues to target extremely low income (30% of AMI) or very low income (50% of AMI) households, with thirty-seven percent (37%) of funds also giving priority in making awards to projects that serve the lowest income households. It is important to note that while housing trust funds often seek to serve a spectrum of housing needs, none in country have established “workforce housing” limits as high as 150% to 250% of the AMI, which has been alternately proposed in New York.

Revitalizing neighborhoods to become vibrant, mixed-income, accessible communities is a goal for every member of the Alliance. Accordingly, in addition to prioritizing projects serving those with the lowest incomes, HIF funds should be

prioritized to projects serving mixed-income and/or mixed population communities and projects that exceed the minimum accessibility requirements of Section 504 of the Rehab Act. Additionally, to help attract households back to central cities and establish mixed-income neighborhoods, funds could be used to support up to 20% of the units affordable to households with incomes up to 120% of the AMI in a mixed-income project that is located in a low income census tract covered by a local redevelopment plan.

### **Distribution of Funds**

One of the Alliance's objectives was to use the HIF to encourage local investment in affordable housing and the development of local housing trust funds, particularly those that reflect regional or multi-municipal coordination and planning. We at the Housing Trust Fund Project have been working with groups in at least five local jurisdictions that are keenly interested in creating local housing trust funds. To promote their development, the Alliance proposes that funds be distributed on a competitive basis through essentially two tracks:

(1) Up to 60% of funds would be allocated to Local Housing Trust Funds (LHTF), with preference to multi-municipal LHTFs that are dedicated to fair share principles and the creation of mixed-income and accessible communities and to LHTFs that receive dedicated local resources. A broad range of resources, including but not limited to public property, infrastructure, and public or private funding, should qualify as a local investment for the purposes of preferential status. While some state housing trust funds distribute resources to local housing trust funds on a matching basis, we are mindful of the fiscal challenges facing a number of upstate jurisdictions, and the difficulty they would have in meeting matching requirements. Accordingly, our proposal is structured to give preference to those jurisdictions that commit local resources, but not to require it as a condition of receiving state funding for their LHTFs.

To be eligible to receive funding, a LHTF would first be required to submit and have approved by the state administering agency an affordable housing plan that would include a needs assessment and a "fair share" affordable housing distribution plan throughout the local jurisdiction, and would establish a local governance board.

The allocation of funds to Local Housing Trust Funds is defined as a ceiling, based on our understanding that it will take some time for localities to craft their local housing trust funds and have them certified by the state; under our proposal, the administering agency could award limited funds to support technical assistance to LHTFs to promote their development. In the meantime, any funds available but not distributed to Local Housing Trust Funds (up to the 60% ceiling) would be distributed through the second track: a Project Based Program.

(2) Project Based Program: The remaining funds – at least 40% of ESHIF resources annually as well as any unspent LHTF funds – would be distributed directly from the state administering agency to eligible projects throughout the state, again on a competitive basis.

Additionally, in distributing HIF resources through both funding tracks, the state administering agency would be guided by the following requirements:

- No more than 50% of total funds could be allocated to any one municipality annually;
- Funds would be distributed equitably among four general geographic categories:
  - Long Island and Hudson Valley Counties
  - Rural Areas
  - Upstate Cities
  - New York City.

### **Eligible Uses and Applicants**

Again, to provide for flexibility in meeting affordable housing needs across the range of housing markets that exist throughout the state, and consistent with national practice, our proposal permits a wide array of permissible uses of HIF funds, including:

- Acquisition;
- Site preparation, including demolition of vacant and blighted properties;
- New Construction;
- Preservation; and
- Rehabilitation

In addition, many housing trust funds seek to make the housing units in projects receiving trust fund resources more affordable, and thus more accessible to lower income households, by covering operating and maintenance costs in addition to capital investments. To balance the Alliance's goal of serving households with the lowest incomes with our desire to maximize the impact of the funds, our proposal would support operating and maintenance expenses as a permissible use for up to 5% of total HIF funds available each year when needed to make units affordable to extremely low income households.

Just as we want to support a wide array of housing activities, the Alliance proposal would define broadly the category of developers who are eligible to receive HIF resources. For profit and not-for-profit developers, and local housing authorities, along with municipalities and consortia of community-based organizations that have established Local Housing Trust Funds would all be eligible to compete for funding. These elements would reinforce a culture of partnership in addressing New York's affordable housing needs – partnership between the state and localities, between municipalities within the same region, and between the public and private sectors.

### **Monitoring and Oversight**

The success and sustainability of housing trust funds across the country is due in no small part to the inclusion of strong monitoring and oversight mechanisms contained in the programs' authorization to ensure transparency and accountability. Thirty three state housing trust funds report having a board or commission that has some responsibility for overseeing the housing trust fund. Our proposal creates a broadly representative independent board to advise the state administering agency on HIF policies, oversee the administration of the fund to assure compliance with prescribed guidelines, and serve as a champion of the HIF in public advocacy to publicize the benefits that have accrued to the state and to secure additional resources.

The state administering agency would also be required to report to the public annually on the use of the HIF as well as on its progress in meeting affordable housing needs throughout the state. Housing Trust Fund campaigns across the country have found that these reports are vital not just to tracking the operation of a housing trust fund, but also to documenting its impact on community and economic development and using its successes to strengthen political and community support for the fund.

Members of the Empire State Housing Alliance would be happy to meet with you to discuss our proposal in more detail, and to work with you to establish a Housing Investment Fund that serves the needs of low income New Yorkers across the state. We strongly believe that dedicating state resources to a true housing trust fund is exactly the kind of investment the state needs at this moment, and that that investment will pay multiple rewards to strengthen our economy and the well-being of our residents, both immediately and into the future. Thank you again for the opportunity to share our proposal.