



**Joint Housing Committee Legislative Public Hearings on 2010 – 2011
Executive Budget Proposal**

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Testimony respectfully submitted by:

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Introduction

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. I also represent Habitat for Humanity of New York State, and the Empire State Housing Alliance, a coalition of upstate and downstate organizing groups, calling on New York State to devote greater funding to affordable housing and smart-growth solutions.

On behalf of the three hats that I wear before you today, I call on both the Senate and Assembly Housing Committee members to consider the following three asks:

- **Support the passage of A09115 / S5727, The Empire State Housing Investment Fund Act of 2009;**
- **Fully restore the Governor’s proposed reductions to neighborhood and rural preservation programs, supportive housing, and homelessness prevention programs;**
- **Increase the state’s capital investment for housing programs in the 2010 – 2011 budget.**

In a fiscal situation as dire as the one NY State currently faces, it is hard to imagine how asks for increased funding could be made. And in response, I would say – that as NYS State struggles financially, so do the residents that live here. Job loss, home loss, and homelessness, are just a few of the issues that face every day New Yorkers. The good news is that all three initiatives promise to not only provide necessary affordable housing options statewide, but to concurrently stimulate the economy. Affordable housing development continues to serve as a significant driver of economic development and job creation during a critical time of need.

Overview of Habitat for Humanity - NYC

Habitat-NYC was founded in 1984 as an affiliate of Habitat for Humanity International, and we build affordable housing in every borough of New York City. Our homes are built with the “sweat equity” of our family partner homeowners, who work side-by-side with volunteers. Our homes are built by New Yorkers for New Yorkers. These homebuyers are teachers aids, home health care workers, secretaries, janitors, bus drivers – the people who are the backbone of our community. To date, Habitat - NYC has built more than 220 homes and has made a significant contribution to the revitalization of the city. Habitat-NYC recently completed our largest and greenest 41-unit multifamily development in the Ocean Hill Brownsville section of Brooklyn. This project involved 10,000 NYC volunteers during our construction efforts.

Of the 54 Habitat for Humanity affiliates across the State of New York, collectively we have built or rehabilitated close to 2,000 total units of affordable homes. With an infusion of new homeowners and thousands of volunteers, the construction of these homes transforms the lives of not only our family partners, but the communities in which we build.

Housing Needs Across the State of New York

The level of housing needs across the Empire State vary from region to region. What remains constant are the severity of housing problems and the need to address them. High foreclosure rates and falling property values have increased the number vacant properties, thus adding to the number of families in New York State in need of housing. Affordable rental units are being converted to market rate, or simply being removed through demolition or abandonment, which puts additional pressure on an affordable housing market already failing to meet demand.

Despite Mayor Bloomberg's ambitious housing plan for 165,000 new and preserved affordable units, the shortage of affordable homes in New York City remains dire. Recent research from the Furman Center reports that New York City has actually lost 200,000 affordable units since 2002, due to deregulation and programs like Mitchell-Llama phasing out. These statistics, coupled with a 10.3% unemployment rate, underscore a state of crisis in New York City which requires further action.

Solutions

Pass A09115 / S5727 - the Empire State Housing Investment Fund Act of 2009

The Housing Investment Fund Act of 2009 (HIF) would develop a true housing trust fund – that is, a program that receives significant dedicated public revenue to produce and/or preserve affordable housing. If adopted, New York would join the 42 states that have created housing trust funds. In a single year, these state housing trust funds collect in excess of \$1.28 billion devoted to affordable housing, and are widely recognized as the most successful mechanism to create affordable housing.

Why have 42 other State Created Housing Trust Funds?

Income Targeting

One of the key goals of the HIF is to provide resources to serve needs that are not being addressed by existing programs, therefore funds are 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

Flexibility

The other key goal of the HIF is flexibility. The HIF is designed to meet a variety of housing needs – from assisting low-income renters to first-time homebuyers to those who have special needs – in numerous ways, including operating and maintenance subsidies, no- or low-interest mortgage programs, to “bricks and mortar” hard costs to support new production and rehabilitation. In a state like New York, where the range of housing needs is so vast – a “flexible” fund ensures that a multitude of housing needs are covered.

Reliability

A Housing Investment Fund with a dedicated revenue stream provides reliable access to funding. Every year, the affordable housing community faces the prospect of budget reductions, decreasing their likelihood to embark on new construction or preservation initiatives. A reliable stream that is not subject to annual appropriations ensures an increase in development and more efficient production of affordable housing.

Funding Mechanisms for the Housing Investment Fund

The Housing Investment Fund 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. It is equally justified by the fact that it is FREE!

- The National Housing Trust Fund, signed into law by President Bush in 2008 as part of the Housing and Economic Recovery Act, is very close to identifying a funding stream. On December 16, the House passed the Jobs for Main Street Act, 2010 by a vote of 217-212. This bill includes \$1 billion to capitalize the National Housing Trust Fund and \$65 million for project-based vouchers to be coupled with NHTF grants. Recent Senate sources report that what will be included in their version of the jobs bill is still in flux, but chances are quite good that the NHTF fund would be included given the extensive support for the NHTF in the Senate. When the Senate bill passes, New York State is positioned to receive close to **\$142 million** from the federal Fund. The state Housing Investment Fund is a perfect repository to receive National Housing Trust Fund dollars once they come online due to its parallel income targeting and flexibility. According to the National Low Income Housing Coalition, that's an estimated **1,685 jobs** for New York State.
- A future funding stream opportunity would be to capture the excess reserves of the SONYMA Mortgage Insurance Fund, which is otherwise swept into the general fund. In a good year this reserve can reach as high as \$250 million, and in a troubled year such as this one, the fund reached only \$9 million. We propose to dedicate this revenue beginning in 2013, giving New York the time it needs to accomplish economic recovery.

Restore Proposed Reductions to Critical Affordable Housing and Homelessness Prevention Programs

The Neighborhood and Rural Preservation Programs, through the work of the NPCs and RPCs, deliver more than 50% of the capital programs administered by DHCR. Yet, their budgets are being cut by about 30% - decreasing their ability and effectiveness to create and preserve affordable housing. In addition, these community based organizations frequently serve as the primary stabilizing and revitalizing forces in their neighborhoods. Reducing their funds - while homelessness increases and houses continue to be abandoned - contributes to further deterioration in challenged neighborhoods and rural areas.

The Rural Rental Assistance Program was cut by nearly \$1 million in the Deficit Reduction Plan. This budget does nothing to restore that cut, in spite of the increasing poverty outside of metropolitan areas. Failure to restore this funding may result in loss of housing for vulnerable rural residents, including senior citizens, and will limit the ability of rural organizations to build much needed additional multifamily housing.

The governor's proposed budget also eliminates funding for homelessness prevention programs: Supplemental Homeless Intervention Program (\$5 million), Homelessness Intervention Program (\$2 million), and the Homeless Prevention Program (\$4.5 million). In New York City, close to 40,000 people are homeless, and the shelter population has increased by more than 9% in the past year according to the Coalition for the Homeless "State of the Homeless 2009" report.

Enhance Funding for Existing State Housing Programs

For the past six years, applications for New York State housing capital funds have exceeded availability by an average of \$167 million per year. In 2008, the gap was \$125 million even with the additional \$200 million appropriated. Habitat for Humanity - New York City, Habitat - NYS, ESHA, and a number of statewide affordable housing advocates including New York State Association for Affordable Housing, the Supportive Housing Network of New York, ANHD, and hundreds of others, joined Assemblyman Vito Lopez on the steps of City Hall last August asking the Governor to increase the state's capital investment for housing programs in the 2010 – 2011 budget.

Benefits of the Housing Investment Fund and Increasing the States Investment in Affordable Housing Programs

Drives Economic and Community Development

Affordable housing investments drive economic development. Affordable housing construction and rehabilitation serve as a stimulus to economic development that would strengthen communities across the state, 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 during construction, producing 100 single family homes generates:
 - 324 jobs in the average American community's local economy, of which 147 are in construction;
 - \$21.1 million in local wages and business income;
 - \$2.1 million in taxes and revenues for local government

- An economic impact study done on Habitat-NYC's most recent 41-unit development in Brooklyn found that this project will:
 - Generate about \$34.5 million in economic activity over the next 40 years
 - Generate approximately \$3 for every dollar invested in the \$12.1 million project, more than a 300 percent return on project investment by Habitat-NYC and its supporters
 - Support 111 jobs and create \$20.45 million in economic activity during the two-year construction phase alone;
 - Funnel \$2 million of that \$20.45 million directly to businesses in Ocean Hill-Brownsville, strengthening the economy of one of the city's lowest-income neighborhoods;

Over the next four decades, this project and its new 41 Habitat-NYC homeowner families will:

- Spend \$13.9 million in New York City;
- Contribute more than \$4.4 million in tax revenues to the city and state.

Leverages Public and Private Resources

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” additional resources in order to produce affordable housing. On average, nearly \$7 in public and private funds are leveraged for every state housing dollar invested in affordable housing. This dynamic is demonstrated by awards from the 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.

Promotes Workforce Retention and Attracts New Employers

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 Long Island and the Hudson Valley, high housing costs are rightly perceived by employers as a barrier to attracting and securing a stable workforce.

Additional Benefits

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 examples of what we and the state fiscally 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, which also help to support local economies.

Conclusion

Habitat-NYC strongly believes that dedicating state resources to the Housing Investment Fund, restoring proposed cuts to affordable housing and homelessness programs, and increasing the state's capital investment in existing housing programs are exactly the kind of measures the state needs at this moment, and that these investments will create jobs, and strengthen our economy and the well-being of our residents, both immediately and in the future.

Thank you again for the opportunity to testify. I will now take questions.