



Testimony of Habitat for Humanity of New York State

To the:

New York State Division of the Budget

Regarding:

Public Hearings in Preparation for the 2009 - 2010 Budget

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Testimony respectfully submitted by:

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Introduction

Thank you for the opportunity to testify today. My name is Judy Nelson, and I am the Executive Director and CEO of Habitat for Humanity of New York State. I also represent 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.

In the face of extremely challenging financial times, we are fortunate to have a Governor who understands that affordable housing is an investment in economic development, helping to attract businesses and jobs, stabilize property taxes and strengthen communities. And so today, I call on the New York State Division of Budget to baseline the state's 2008-2009 capital investment in affordable and supportive housing. I also ask you to create the structure and administrative capacity for a true Affordable Housing Trust Fund designed to receive a dedicated revenue stream once our current economic crisis has improved. Because this initiative would produce and preserve housing affordable to low-income New Yorkers – at the same time it stimulates the economy – we are referring to this as a **Housing Investment Fund**.

Of the 53 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. 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 police officers, teachers, home health care workers, secretaries, janitors, bus drivers – the people who are the backbone of our community. 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

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.

- **Upstate Urban Centers**

Population declines in Albany, Syracuse, Utica, Rochester and Buffalo are decimating the affordable housing stock in low-income communities. As residents move out of cities, and out of state, buildings are abandoned, leading to the deterioration and decline of entire neighborhoods.

- The City of Syracuse and Onondaga County, as a whole, have a decreasing population with an increasing number of housing units available. In Onondaga County, there are close to 20,000 vacant housing units with a population that cannot support the addition of new housing units. Vacant housing imposes huge costs on the City, County and its residents, with the majority found in the City. Property abandonment begets more property abandonment, and the proliferation of these vacant houses only furthers neighborhoods' vicious spiral downward, and the tally in its wake has almost certainly increased Syracuse's continued population losses.
- The National Vacant Properties Campaign (NVPC), in its 2006 report, *Blueprint Buffalo*, cited the 2000 Census, which counted 23,000 vacant housing units in Buffalo.

- **Long Island, Westchester, and the Hudson Valley**

In the 1990s, more than a quarter-million young adults moved from downstate suburbs, pushed out by affordable housing shortages. Today, escalating property taxes and a dearth of affordable rentals are forcing working families out of the very communities where they live and work.

- Housing costs represent a growing share of the household budget on Long Island. According to the 2007 Long Island Index Report, close to 70% of

people surveyed in the region claim that in an average month, it is difficult for their family to pay the rent or mortgage. Housing affordability has become an issue for everyone.

- Since 2000, the number of people leaving Long Island has exceeded the number coming at a growing rate each year. In 2005, while 57,000 in-migrants moved to Long Island, 81,000 left. The high cost of housing and taxes is inevitably the cause.

Housing Needs in New York City

- New York City will add one million people in the next two decades, but despite Mayor Bloomberg's ambitious housing plan, the shortage of affordable homes is dire. With unsubsidized rents shooting up and programs like Mitchell-Llama phasing out, the housing costs are skyrocketing to rates only the wealthiest can afford.
 - In NYC, a minimum wage worker earns an hourly wage of \$7.15 per hour. To afford the NYC fair market rent for this two-bedroom apartment, this New Yorker would have to work 135 hours per week, 52 weeks per year.
 - While progressive-minded affordable housing developers like Habitat-NYC are seeking to keep sales and rental costs low, construction costs in the city have increased significantly. Since 2003, the price of concrete has increased 33%, drywall has increased over 60%, copper has soared 133%, and land prices for typical parcels have jumped \$75,000 to \$200,000. A 2005 report by the NYU Furman Center for Real Estate and Urban Policy found that hard costs in the city were 39% over the national average and 8% higher than the next most expensive city, San Francisco.

Clearly, the time for New York to renew a continued investment in attacking affordable housing needs statewide is in tandem with economic development is now.

Benefits of Baselineing the Budget

In the FY 2008-09 enacted budget, affordable housing saw a significant increase in funding for the first time in almost 15 years. ESHA member organizations, and our 53 Habitat for Humanity affiliates statewide strongly urge that this funding level be maintained.

- An increase in Affordable Housing Corporation dollars enabled Habitat's productivity level to more than double in the past year.
- DHCR applications for funding exceeded the \$60 million appropriated. The second round of Housing trust Fund dollars made available received well over \$100 million in applications.
- According to HFA, of the \$54 million awarded to Mitchell-Lama preservation, need and commitments far exceeded the funding available.

For these reasons and many more, it is integral that NYS maintain the 2008-09 housing funding levels. Especially in these difficult financial times, the need for affordable housing continues to grow and requires a substantial investment in order to keep New York State prosperous.

Benefits of a New Housing Investment Fund

We acknowledge that this is not the time to be creating new housing programs due to the current economy. However, today's situation will not last forever, and in future years we will find ourselves in a steady and stable economic environment once again. Now is the time to create the structure and administrative capacity for a Housing Investment Fund, positioned to receive a dedicated revenue stream once the economy improves.

The creation of a Housing Investment Fund would expand the resources dedicated to addressing the affordable housing needs to low income New Yorkers. Such a fund would establish a more flexible structure than existing programs that acknowledges and serves the diverse housing markets in the state; promote the creation and revitalization of vibrant, mixed-income, accessible communities; 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; AND increase production of Habitat for Humanity homes across the state by at least 25 percent every year.

Additional benefits of a Housing Investment Fund:

Leverages Public and Private Resources

- Across the country, every dollar invested in affordable housing by state housing trust funds leveraged an average of \$7.00 in additional public and private funds.
- Albany County recently awarded \$300,000 from its local housing trust fund to affordable housing projects, leveraging \$7.8 million in additional funding. A small investment by Albany County resulted in leveraging 26 times that amount.
- By bringing thousands of volunteers, and involving local businesses, faith groups, and institutions in our building effort, a Habitat for Humanity project becomes much more than a real estate project. It is a true community development initiative with an economic impact far beyond expenditures on construction material and building contractors.

Drives Economic and Community Development

- The direct economic impact of Habitat - NYC's 170 affordable units has been \$280 million to date. Habitat homeowners have generated close to \$1 million in property taxes, and due to our zero interest loan model, Habitat homeowners have saved \$8.66 million in forgone interest on their mortgages, which is additional disposable income that can be used for savings, investments and the purchase of consumer good. All of these economic activities benefit the entire community.
- The National Association of Home Builders has found that creating 1,000 multi-family homes generates more than 1,000 full-time jobs, \$33.5 million in wages, and \$17.8 million in tax revenues and fees.

- A recent report conducted by Habitat for Humanity - New York City, which examined 3,051 Habitat homeowners nationwide, showed homeownership programs reap enormous benefits for families. An overwhelming percentage of them said their health improved, financial stress declined, children's grades improved and they became more active in their communities.

Promotes Workforce Retention and Attracts new Employers

- Across the state, employers cite the lack of affordable housing as a significant barrier to retaining their workers and building their businesses. Affordable housing shortages drive up wages and result in long commutes, leading to tardiness and absenteeism. These effects are a serious impediment to attracting new businesses critical to the economic revitalization of upstate New York.

Conclusion

In the face of this critical financial downturn, it is clear that New York State must take measures that both create affordable homes and stimulate the economy. Baselineing the 2008-09 housing budget, and creating the structure for a Housing Investment Fund to produce and preserve desperately needed affordable housing for low-income New Yorkers will achieve both outcomes. Building affordable homes will leverage resources, drive economic and community development, promote workforce retention, attract new employers for the Empire State - and improve the lives of our residents. We can not afford not to take advantage of this dual solution to these critical problems.

Thank you for your time. I will now take questions.