

Testimony for Rachel Fee, New York Housing Conference
Joint Legislative Budget Hearing: Housing
February 14, 2024

My name is Rachel Fee. I am Executive Director of the New York Housing Conference (NYHC). I would like to thank the Housing Committee Chairs Senator Brian Kavanagh, Assemblymember Linda Rosenthal and Senate Finance Committee Chair Liz Krueger and Assembly Ways and Means Committee Chair, Helene E. Weinstein as well as the other members of the Legislature for the opportunity to testify today.

NYHC is a nonprofit affordable housing policy and advocacy organization. As a broad-based coalition, our mission is to advance City, State and Federal policies and funding to support the development and preservation of decent and affordable housing for *all* New Yorkers

As we see it, the main problem is not enough housing and not enough assistance for the lowest income renters to afford housing. Shamefully, another year has passed without action on housing supply while we've seen statewide efforts to increase supply across the [country](#) in California, Utah and Oregon and from our neighbors in Massachusetts, New Jersey and Connecticut. New York State should adopt a 10-year housing supply framework to reform zoning statewide and implement common sense policies like transit-oriented development, tax incentives to spur development and rental assistance to prevent homelessness.

Governor Hochul has laid out strategies to help New York City add housing supply and update outdated zoning. We propose recommendations to strengthen and complement these proposals to enact housing policy that will benefit New Yorkers across the state.

Given the Legislature's preference for "local control" emphasized last session, this body should not stand in the way of New York City's plans to add housing supply through tax incentives, commercial conversions, increased density and basement apartments. The City is experiencing the worst housing shortage since the housing vacancy survey began in 1968 with an overall vacancy rate of 1.4%. The State Legislature should act with urgency to meet their needs.

We urge that all housing zoning and tax reforms requested by the City of New York to help them address the city's housing crisis be granted including:

- A new tax incentive for mixed income rental housing
- Allow NYC to Legalize Basement Apartments
- Pass a Tax Incentive to Support Affordable Housing in Commercial to Residential Conversions
- Eliminate The State Law That Sets a Maximum Density of Residential Floor Area To 12 FAR In New York City

We support replacing 421-a with a new rental tax abatement that is as-of-right, complements New York City's Mandatory Inclusionary Housing Program and requires affordable housing with rents that are actually affordable to low-income New Yorkers. Since 2016, 421-a has accounted for almost a third of our annual affordable housing production and is building affordable homes in high cost, high income neighborhoods where capital subsidies can't reach. Without a new tax incentive, affordable housing development will only be viable in the lowest-income neighborhoods and let wealthy, resource-rich communities off the hook.

A new tax incentive will also be needed to fulfill the promises of projects where deeper affordability and community benefits were negotiated by the NYC Council such as Innovation Queens and Halletts North. Further, Mayor Adams's "City of Yes" citywide text amendment to ensure **every** neighborhood builds a little bit of housing will not add much new rental housing at all without a tax incentive.

The Governor proposed a replacement that leaves affordability levels to be determined by HPD, however, we believe affordability is critical and should be determined in final legislation to maximize affordability for low-income households.

We must also address the urgent and ongoing needs of vulnerable low-income renters right now. There were almost 150,000 residential eviction filings in New York last year and [103,200](#) New Yorkers experienced homelessness. Almost 30,000 of them were children. Eighty seven percent of extremely low-income households in New York are cost burdened and almost three-quarters pay more than half their income on rent. We urge the Legislature to provide \$250 million for the Housing Access Voucher Program (HAVP), which will provide rental assistance to families and individuals who are at risk of or are already experiencing homelessness. Funding HAVP will provide stability to tens of thousands of low-income renters and put New York on track to end the homelessness crisis in our state. We also support a statewide program to provide emergency housing assistance to prevent evictions due to nonpayment.

We also support linking additional rental assistance to increased supply to ensure housing access. For example, 421-a could require low-income housing in the highest rent neighborhoods where it can be cross subsidized. But in middle-market neighborhoods where that cross subsidization doesn't pencil out, owners can be incentivized to house voucher holders by allowing them to receive Fair Market Rents to meet low-income requirements.

Outside of NYC, the Governor's Pro-Housing Community designation can be used to reward communities that add housing with a formula that increases their HAVP budget by a factor related to increases in residential building permits or added zoning capacity. That way communities that are adding housing can also get state support to ensure their lowest-income renters have access to those new units.

While we need to build more housing, we also must ensure continued investment in our housing stock and support for renters falling behind in rent.

Arrears in affordable housing continue to be a significant and concerning issue with a sample of over 52,000 affordable units we examined in December. Thirty-four percent of renters owed more than 2 months in rent, with an average rent owed of \$7,260. Arrears are especially dire in affordable housing as buildings already have very limited cashflow and cannot raise rents. And nonprofit operators lose an income stream that would have been rolled into vital services. We support a \$250 million Affordable Housing Relief Fund to preserve at-risk affordable housing. These funds will allow HCR to rescue troubled buildings and preserve vital units that New York cannot afford to let disappear.

We also recommend shoring up New York's public housing. NYCHA's collection rate is 62 percent with more than 68,600 households in arrears, and the authority has \$78 billion in capital repair needs. We support \$500 million in capital funds to address compliance issues outlined in the 2019 HUD agreement and an additional \$150 million for public housing outside of NYC.

Regarding NYC's rent stabilized housing stock representing nearly 1 million housing units, we are concerned about disinvestment. With high interest rates and rising operating costs, it is important that all forms of affordable housing stock remain financially sound and in good repair. We support policy reforms to keep rents affordable while encouraging investment to make repairs and needed upgrades.

We are pleased Governor Hochul has taken a first step toward regulating discriminatory practices in insurance and we support efforts to curb escalating insurance costs including reforming the Scaffold Law. We value worker protections but the "no fault" principle in the Scaffold Law does nothing to improve worker safety but it does drive up insurance costs for both construction and building operations. We recommend an exemption of regulated affordable housing from the Scaffold Law.

Further, there are several HCR programs that are underfunded in the executive budget. The Legislature must maintain strong funding levels for existing HCR programs to support programs that protect homeowners and make affordable housing production and preservation across the state possible. We support:

1. \$3 million for Access to Home
2. \$36 million for the Affordable Housing Corporation (AHC)
3. \$7.5 million plus 3% inflationary increase for the Rural Preservation Program (RPP)
4. \$8.4 million for RESTORE
5. \$20 million for the Small Rental Development Initiative (SRDI)
6. \$10 million for the New York Main Street Program

7. \$4 million for the Manufactured and Mobile Home Replacement Program (MMHR)
8. \$8 million annually for HCR's Fair Housing Testing program;
9. \$40 million for the Homeowner Protection Program (HOPP)

We hope the Legislature will include \$2,500,000 for LISC NY's New York Land Opportunity Program (NYLOP), which supports Faith-Based Organizations that want to develop desperately needed affordable housing on their properties. The Legislature should pass the Faith-Based Affordable Housing Act S7791/A8386 to provide regulatory relief to these organizations and couple it with robust funding to NYLOP to ensure Faith-Based Organizations both have the technical assistance needed to pursue these opportunities and are not taken advantage of by bad actors.

We also recommend \$25 million added to the budget to preserve USDA 515 rental properties. USDA 515 projects are affordable rental properties built with USDA funding in the 1990's and early 2000's in rural areas of the state. The 30-year mortgages on these properties are expiring along with their affordability protections. There are approximately 400 properties encompassing 22,000 affordable rental apartments in New York.

We support The Network's proposal for a 5-year, phased-in approach to convert 9,000 severely underfunded New York State Supportive Housing Program (NYSSHP) contracts to Empire State Supportive Housing Initiative ESSHI standards. In the first year, SFY 2024-25, we propose adding \$32 million on top of existing funding.

Several additional bills have been introduced that would further support increasing housing supply and we encourage the Legislature to include them in your one-house budgets:

- **SEQRA Reform S688/A4990 (May/Kelles)** - The State Environmental Quality Review (SEQR) process is often used to block or detail housing development. Reforms can provide important protections for environmental review while limited abuse of the process. This bill would streamline SEQRA for multifamily housing developments by allowing projects under appropriate thresholds to be built using a streamlined process that requires best practices for site testing and evaluation, in appropriate infill areas that have access to sewers.
- **Martin Act Amendment S3566A/A6921A (Cleare/Epstein) to Preserve and Expand Affordable Housing**: Legislation passed in 2019 increased the threshold to convert rental housing to require that 51% of units are sold to tenants in place, up from 15%. This legislation would permit owners to convert market-rate units in rental buildings to condominium ownership at the 15% threshold, in exchange for adding or expanding affordable units in the building and allowing a non-profit to be the owner and steward of the affordable units.
- **Standardize Property Tax for Affordable Housing** outside NYC. NYHC supports the New York State Association for Affordable Housing (NYSFAFH) proposal to establish a standardized statewide property tax program (outside NYC) for affordable housing with a tax reduction for rental buildings based on Erie County's policy of 5% of shelter rent for 60% area median income (AMI) buildings; 3% of shelter rent for 50% AMI buildings.

- For affordable homeownership statewide, NYHC supports [S6255/A6176 \(Hinchey/Barrett\)](#) which would base the tax assessment on the subsidized sales price.

Lastly, a contentiously divided House just passed a bipartisan expansion of the Low-Income Housing Tax Credit, which would restore the 12.5% increase to the 9% LIHTC and lower the 50% bond financing requirement for 4% LIHTC to 30% until 2026. This will provide temporary but desperately needed volume cap relief to New York, which has been using all of its cap for affordable housing for many years. The State must be prepared to take advantage of this opportunity to move our affordable housing pipeline forward. If this bill advances in March, we anticipate HCR will need to advance their capital budget and will exhaust their spending plan much sooner than five years.

Here in NY, Democrats hold majorities in the Senate and the Assembly and, of course, the Executive. We hope you will use this session to come together to improve affordability for New Yorkers, build vibrant communities and support the state economy.

Thank you again for this opportunity to testify.