



NEW YORK STATE ASSOCIATION FOR AFFORDABLE HOUSING

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My name is Curt Tucker and I am the Senior Legislative Analyst for the New York State Association for Affordable Housing (NYSFAH). Since 1998, NYSAFAH has represented the interests of the private sector in affordable housing and worked with government, non-profits and for-profit organizations throughout the affordable housing community. Our nearly 300 members are responsible for most of the affordable housing built with government subsidies in the city and state in recent years.

As you are no doubt aware, across the state, New Yorkers are facing a serious and growing shortage of affordable housing. From the Tug Hill Plateau to Brooklyn, from downtown Buffalo to the Long Island suburbs, housing costs continue to rise while incomes do not keep pace. Solving this crisis will require a major commitment of additional federal, state and local resources, new funding sources, new policies and improved coordination between state agencies and levels of government.

Clearly, one of the most significant ways to increase capital for affordable housing would be the creation of a true Housing Investment Fund with a dedicated revenue stream. Affordable housing developments require long term planning and the commitment of significant pre-development expenditures. By guaranteeing an increased source of state resources, dedicated to affordable housing, a true Housing Trust Fund would not only lead to the production and preservation of more affordable housing but also enable developers to better plan developments with the certainty that sufficient state resources would be available in the future.

We believe that excess reserves of the SONYMA Mortgage Insurance Fund would be the best and most appropriate source of dedicated revenues for a true Housing Trust Fund. However, the specific revenue source is not essential. What is most important is that a dedicated revenue source be identified and made available for affordable housing in much the same way as revenue from the Real Estate Transfer Tax has been identified and made available to the Environmental Protection Fund. In this way, pressing environmental concerns can be dealt with without affecting the State's General Fund. We consider affordable housing to be an equally pressing concern.

We also recommend that capital funds for affordable housing be increased significantly, as follows.

Expand DHCR capital budget programs: Over the past twelve years, the executive budget appropriations for the state's housing capital programs have remained basically level, with the result that, adjusted for inflation, the funding for these programs has eroded significantly. In fact, without legislative add-ons in recent years, the state's capital investment in housing would have actually declined 13% since 1995.

Since their creation thirty years ago, the *Affordable Housing Corporation (AHC)* and the *Housing Trust Fund (HTF)* have been the cornerstones of our affordable housing efforts across the state. However, inflation has seriously eroded the value of these programs. At a minimum, funding should be increased to offset the effect of inflation. Additional changes to the programs could make them more cost effective while at the same time addressing new housing needs.

We urge the expansion of the award-winning *Homes for Working Families program (HWF)* which uses a creative combination of tax exempt bonding, 4% as of right federal tax credits and low interest loans to finance the rehabilitation and construction of affordable rental housing for seniors and low income families. HWF provides 1% loans which are then matched with tax-exempt bonds issued by a public authority and allocated from the state's private activity bond volume cap. Each dollar of HWF funding leverages about three additional dollars of federal subsidy which would not otherwise be available for New York projects.

The *State Low Income Housing Credit (SLIHC)* is one of the most flexible, progressive and successful state tax credit programs in the Country. It has been extremely well administered by the Department of Housing and Community Renewal. We recommend that the program be expanded and made permanent. However, the program's efficiency and benefit would be enhanced by taking steps to increase the market price paid for the credit. This would generate more housing subsidy and create more housing units to address the housing needs of New York residents and, perhaps most importantly, could be achieved in a revenue neutral way. The SLIHC is priced less than a federal Low Income Housing Tax Credit because, under current regulations, holders of SLIHC lose their deduction for New York State taxes paid when completing their federal tax return. The loss in federal deductibility reduces the value of a dollar of SLIHC. In contrast, the federal LIHTC retains its maximum value and, accordingly, is a more efficient subsidy. A change could be achieved through a memorandum from the IRS which would allow the SLIHC holder to retain their deduction of State tax liability. NYSFAFH has prepared a more detailed memorandum fully explaining this issue and the actions needed to rectify it and we have had preliminary discussions with the Administration. We would welcome the opportunity to discuss this further with you.

Mobilize the resources of the NYS Housing Finance Agency for affordable housing: Since affordable housing contributes significantly to economic development, the state must be sure to set aside, in advance, a sufficient amount of private activity bond volume cap each year for affordable housing projects. We believe that as a public benefit corporation, the vast majority of HFA's resources should be devoted to affordable housing. We are gratified and extremely encouraged that HFA is focusing more of its resources on affordable housing and look forward to working with them to achieve this goal. In many areas of the state, tax-exempt financing alone is not sufficient to fund affordable housing development. For that reason, as part of an overall strategy, we believe HFA will also need the ability to access additional subsidies, such as the Homes for Working Families program. This is just one example of how greater coordination between state housing agencies can significantly increase the impact of affordable housing funds.

We trust that these recommendations will prove helpful to you in your deliberations. Thank you for the opportunity to testify here today.