



NYSFAH Testimony before the Joint Legislative Budget Committee
2018-2019 New York State Budget
Housing Priorities and Funding
January 24, 2018

Thank you Chairwoman Young, Chairwoman Weinstein, Chairwoman Little, Chairman Cymbrowitz, and members of this joint legislative budget committee for the opportunity to participate in today's hearing on the 2018-19 New York State housing budget. My name is Duncan Barrett, President of Beacon Communities Development, LLC in New York and Past President of the New York State Association for Affordable Housing (NYSFAH), the trade association for New York's affordable housing industry statewide. NYSFAH's 375 members include for-profit and nonprofit developers, lenders, investors, attorneys, architects and others active in the financing, construction, and operation of affordable housing. Together, NYSFAH's members are responsible for most of the housing built in New York State with federal, state and local subsidies and incentives.

We are all too familiar with the statistics related to New York State's housing crisis including that more than 3 million households across our state exceed the "affordability threshold" for housing; as they pay 30 percent or more of their household income for housing costs. Of this population, more than 1.5 million households paid a staggering 50 percent or more of their income for housing.

It is for this reason that we are very appreciative of the \$2.5 billion appropriated in the enacted 2017-18 State budget for a five-year housing plan that provides landmark funding for housing in New York State. While the need for the development of affordable housing will remain for the foreseeable future, Governor Cuomo, the Senate and the Assembly demonstrated great leadership with this funding commitment that will produce around 100,000 units of affordable housing and will lead us on a path to provide safe, quality housing for all New Yorkers.

NYSFAH is pleased that Governor Cuomo has proposed in the 2018-19 State budget to generally maintain the funding levels provided in last year's budget, and we look forward to working with you to ensure those funds are protected going forward. For example, these funds will provide \$150 million for the Middle Income Housing Program, which benefits households between 60 percent and 130 percent of area median income (AMI), and is the only state program that serves households to this AMI. When used in conjunction with low-income incentives and market-rate investments, it also supports mixed income development which is critical in creating economically diverse communities and sustainable affordable housing units. The \$125 million appropriation for the Low-Income Senior Housing program will also continue to help senior citizens age 60 and above who have been hit particularly hard by the housing crisis and who face fixed incomes and federal disinvestment in senior housing. The \$79.5 million for the Urban and

Rural Communities Investment Fund will continue to support the retail or community facility component of mixed-use affordable housing in urban areas and affordable housing built to the scale of smaller communities in rural areas.

We do, however, urge the Legislature to use the Mortgage Insurance Fund excess reserve monies to supplement the Homes for Working Families program and the Low Income Housing Trust Fund program, consistent to levels in last year's budget. These programs are oversubscribed and the additional funding would benefit affordable housing preservation and development.

While we otherwise support the commitment to housing in the Governor's proposed budget, we are deeply concerned with the Governor's proposal to defer the use or refund by taxpayers of critical tax credits which help finance affordable housing projects. Among the tax credits subject to the deferral would be brownfield redevelopment tax credits, remediated brownfield tax credits, state low income housing credits, and credits for rehabilitation of historic properties. – all of which are integral to many affordable housing projects. If these tax credits are effectively devalued, as the deferral would do, the private investment they leverage would be diminished. In turn, it would create a gap in financing for affordable housing development projects throughout the project pipeline. While this would not impact all projects which rely on such tax credits, due to the \$2 million tax credit aggregate criteria, it would affect larger projects that are more reliant on such credits. Moreover, deferring the use and refund of tax credits utilized to develop affordable housing and unnecessarily diminishing private investment would require more public funding to otherwise build the same number of affordable units. Unless the state is prepared to provide that additional public funding, the tax deferral proposal simply does not make sense and we urge the Legislature to reject it.

In addition to protecting against the flawed tax deferral proposal, we ask the Legislature to promote a tool used in many other states – the bifurcation of state low-income tax credits (or SLIHC), which would generate as much as \$25 million in additional private investment for affordable housing projects. SLIHC is a component of the financing for affordable housing projects that also includes 9 percent federal housing tax credits or 4 percent federal credits. SLIHC can only be effectively marketed to an investor that can utilize both the federal and the New York State tax benefits—and this limits market demand and the value of both the federal and the state housing credits. Bifurcation would allow SLIHC to be separately marketed and used from the federal tax credits. This would significantly expand the market for SLIHC to those corporate investors which have specific state tax obligations, but may not be in the market for federal credits. Notably, of the sixteen states that have a state affordable housing tax credit program, twelve allow bifurcation, and receive critical additional private investment monies as a result.

Finally, while we continue to evaluate the Governor's reforms to the Minority and Women-Owned Business Enterprise (MWBE) Program, NYSAFAH generally supports common-sense efforts to encourage greater participation by MWBEs in public procurements and projects, including on affordable housing projects. Specifically, we have consistently called for an

increase in the personal net worth threshold of \$3.5 million, since this current threshold encourages MWBEs to underperform in order to remain under the net worth threshold and punishes them when they are successful.

NYSFAFH members are ready to build and rehabilitate needed housing in New York State. We are pleased that the Governor has proposed to continue the landmark funding appropriated in 2017-18, so we can do our part. We do, however, urge you to reject the flawed proposal to defer the critical tax credits that encourage private investment in affordable housing projects, while also asking that you strongly consider the bifurcation of tax credits as a means of generating even more private investment.

Through your support of our proposals presented today, we are confident that we will achieve our goal of serving the housing needs of all New Yorkers. We are grateful for your past and continued support.

Thank you again for the opportunity to testify today and for your consideration of NYSFAFH's comments. I welcome any questions or comments you may have.

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