



NEW YORK STATE ASSOCIATION FOR AFFORDABLE HOUSING

**NYSFAH Testimony before the Joint Legislative Budget Committee
2019-2020 New York State Budget
Housing Priorities and Funding
February 4, 2019**

Thank you, Chairwoman Krueger, Chairwoman Weinstein, Chairman Kavanagh, Chairman Cymbrowitz, and members of this joint legislative budget committee for the opportunity to participate in today's hearing regarding the 2019-20 New York State housing budget. My name is Jolie Milstein, President and Chief Executive Office of the New York State Association for Affordable Housing (NYSFAH). We are 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.

It is appropriate that I begin by expressing NYSFAH's deep appreciation to the Senate, the Assembly and the Cuomo Administration for the tremendous commitments that have been made in recent years to develop and preserve thousands of units of affordable housing. We are more than halfway into the five-year investment of the \$2.5 billion housing plan, which has enabled us to significantly confront the housing crisis that has affected every corner of our state and deprived many New Yorkers of the potential for a better life. We were pleased to see the Governor propose to continue this commitment through the funding provided in his 2019-20 Executive budget, and we respectfully request the Legislature to approve this critical funding so we can fulfill our common objective of providing safe and secure housing for every New Yorker.

As with every State budget, there are opportunities to improve housing policy, and this year is no different. The Rental Assistance Demonstration (RAD) program, which provides public housing authorities with the ability to leverage equity to finance much needed capital improvements, is currently funded at \$125 million over five years – or roughly \$25 million per year. NYSFAH supports, and urges the Legislature to add \$125 million in new funding for RAD in 2019-20 to take advantage of the Federal government's lifting of the RAD cap. The additional funds will permit greater use of RAD conversions and allow properties to remain under public ownership while being managed by private developers who can commit the significant funding and resources needed to repair the buildings and provide day-to-day maintenance.

We also continue to support a \$10 million appropriation to fund resident service coordinators in senior housing, which will improve the care our seniors receive and deserve in the most logical and cost-effective place – where they live.

NYSFAH was also pleased to see Governor Cuomo embrace rent reform, something we know is important to many of you in the Senate and the Assembly. NYSFAH has been part of a unique coalition of housing and tenant organizations that has advocated for an end to high-rent vacancy decontrol and the restoration of preferential rent protections to help stabilize the rental market in New York City and surrounding communities. We believe that these reforms are an

important part of NYSFAFH's mission to help people before they become homeless or become so heavily rent burdened that they cannot afford other necessities.

Two additionally important housing initiatives we support are increased funding for the operations and administration of the Tenant Protection Unit so it can effectively work to protect tenants from unscrupulous landlords; and the release of the already appropriated \$450 million for NYCHA, so those funds can be put to immediate use to address the housing needs of NYCHA tenants. Your efforts on these two housing priorities is also appreciated.

As I previously stated, the Legislature and Governor Cuomo have demonstrated great leadership in providing the funding and policies to produce nearly 100,000 units of affordable housing benefitting all New Yorkers. However, this housing goal will be in peril if the prevailing wage mandates announced by Governor Cuomo and seen in at least two recently introduced bills were to apply to affordable housing projects. Recent legislation would require prevailing wages to be paid to workers on private projects which receive virtually any public benefit or incentive. Since every affordable housing project built in New York State receives some public benefit in the form of tax credits, grants, and loans, the effect would be that every affordable housing project would fall under the mandate. Such a requirement would increase project construction costs by at least 23 percent.¹ Some may try to dismiss this concern by disputing these figures, but it is an unassailable fact that if labor costs increase, the amount of public subsidy needed to cover those costs must also increase or affordable units would have to be eliminated.

Due to substantial labor cost increases, projects currently underway would be halted and the affordable housing project pipeline, from pre-planning to pre-construction, would stall. A stark choice would have to be made; either find more state funding to cover cost overruns *or* reduce the number of affordable units to match the original public subsidy allocation. The first option is daunting as it is estimated that government subsidies would have to be increased by as much as 50 percent, meaning upwards of an additional \$1.25 billion would have to be spent by the State to meet its goal of 100,000 affordable units. The second option creates a 50 percent reduction in the development and preservation of affordable units, resulting in an even longer waiting period for families and others on current lists for housing.²

Since this legislation was proposed, I have received multiple daily phone calls and emails raising concerns about the future of affordable housing. NYSFAFH's developer members are mission-driven and take great pride in the work they do in building housing for those in need. The State of New York has been our greatest partner in creating this housing for families, seniors and individuals. We hope you will continue to assist us in protecting and preserving affordable housing projects from such a crippling prevailing wage mandate so that we can continue to do our part in providing housing for those in need.

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

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¹ New York City Independent Budget Office, *The Impact of Prevailing Wage Requirements on Affordable Housing Construction in New York City* (February 2016). See <https://ibo.nyc.ny.us/iboreports/the-impact-of-prevailing-wage-requirement-on-affordable-housing-construction-in-new-york-city.pdf>

² The Center for Urban Real Estate, *The Complex Worlds of New York Prevailing Wage* (June 2012). See <http://www.nysafah.org/cmsBuilder/uploads/The-Complex-World-of-Prevailing-Wage.pdf>