



February 2, 2021

RE: Testimony of the Community Housing Improvement Program Submitted at the NYS Joint Virtual Legislative Hearing of the Committees on Housing

Thank you for the opportunity to submit testimony at this hearing. This testimony is submitted on behalf of the Community Housing Improvement Program (CHIP), a not-for-profit corporation representing rent-stabilized housing providers throughout New York City. Our organization has about 4,000 members who, in the aggregate, provide approximately 400,000 units of rental housing. Our members run hands-on small businesses by managing their own buildings and becoming long-term fixtures in their communities.

We would like to call your attention to the rent arrears problem facing many tenants in NYC. Based on monthly surveys of our membership, we calculate roughly \$1.1 billion in rental arrears to be owed by rent-regulated tenants in NYC since March 2020. In short, many businesses were forced to shut down, and still are shut down, due to COVID-19 restrictions. Many renters lost jobs. Those people are now in significant debt, which creates housing instability moving forward.

Renters are in a precarious position. Starting in April 2020, there has been an average of about 20% of tenants who did not pay rent every month. With housing courts being closed, even the small amount of money for rent relief that was available through NYC one-shot deals hasn't been getting to families (that program has seen a roughly 50% reduction in assistance provided since April 2020).

The housing ecosystem in NYS is off balance. Homeostasis must be re-established. The federal government has given the state the ability to repair the damage. The state must focus the federal assistance dollars on eliminating renters' arrears so that everyone can have a clean slate moving forward. Failure to spend this money on COVID-related rent arrears, despite so many renters in need, would allow the imbalance to remain and potentially skew the trajectory of any economic recovery. While economic forecasts are predicting a speedier recovery than

some expected, and jobs are expected to return in the coming months, people won't be earning twice the wage. Therefore, housing insecurity will still be prevalent due to the COVID-related rent arrears facing renters.

The state has been given extensive federal funds to pay these rent arrears for tenants. There should be no problem getting the money out the door. There are four necessary factors which must be in place in order to avoid unnecessary delays and get the money to as many renters as possible:

1. Any tenant, subject to income verification, must be eligible for rental arrears assistance.
2. Tenant income must be measured for the month in which the arrears accrued.
3. Housing providers must be permitted to participate in the application process (e.g., initiating the application process, submitting arrears information that can be verified by the tenant).
4. Housing providers must receive funds directly from the government.

The federal government is clear in its message that these funds must be spent quickly, or they are subject to recapture. No additional strings should be attached other than what is already in the federal requirements. Playing politics with the federal rental assistance is not in the best interest of renters, nor NYS, because there is a need for more. The emergency is not over, although there appears to be a light at the end of the tunnel. Delays and bungling of this tranche of funds does not bode well for securing additional and necessary federal funds.

The legislature has already had one attempt at this, and should learn from that experience. Placing too many elements on qualifying for federal rental assistance will result in funds not being dispersed. Keep it simple: is a renter earning less than 80% AMI in the month the arrears accrued? Did they lose more than 10% of their monthly income? If both are true, pay their arrears. The owner will submit the arrears information, the tenant will verify it, and case closed. Whether a renter was rent burdened before COVID, or whether they earned more than 80% of AMI before COVID, is irrelevant to what happened after March 2020.

The \$1.3 billion in federal aid must get out the door immediately to help those renters with COVID related rental arrears. Most CHIP members, and many housing providers in NYC, have already stretched themselves to the max for their tenants during these times. They have forgiven portions of rent owed, or have provided free months of rent when a tenant is renewing the lease for another term. But housing providers can only do so much. And now they are facing increased operating costs as well as record vacancy rates. It is imperative the state acts immediately to distribute the \$1.3 billion in federal funding to assist renters and address the mounting rent arrears problem.

The distribution of the \$1.3 billion in rental assistance by NYS and NYC will be a litmus test for housing providers: does the government see me as part of the problem, or part of the solution? Do I hang on as a small business owner to help the city and state recover, or do I sell to corporate equity and hedge fund investors and let them deal with the clean up? The more the

legislature plays politics with COVID rent relief and seeks to attach as many strings as possible, the less housing providers will want to stay.

Moving forward, discussion can be had about how to spend additional federal dollars that can be earmarked for prospective subsidies and vouchers, but the best way to create housing stability right now is to bring those who have been impacted by COVID up to date on their rent.

We thank you again for the opportunity to testify, and we look forward to working with the legislature in making this program a success.