



NEW YORK STATE SENATOR

Liz Krueger

## Senate Democrats Offer Comprehensive Affordable Housing Plan

LIZ KRUEGER June 10, 2006

With New York facing a critical shortage of affordable housing, members of the State Senate's Democratic conference today unveiled proposals that would address the State's urban, suburban and rural housing needs.

The Democratic proposals were announced just days after the Pratt Center for Community Development released a report showing that a state agency created to finance affordable housing in New York has instead provided most of its money over the past five years to politically connected developers building luxury homes.

The report indicates that more than half of the apartments built between 2000 and 2005 by the New York State Housing Finance Agency (HFA) are not affordable housing but rather luxury homes renting for thousands of dollars a month.

The report lays the blame squarely at the feet of Governor George Pataki, who "has almost completely disregarded New York State's growing affordable housing crisis." The report also said Pataki leaves "...a failed housing legacy that has left New York as one of the least affordable states in the country."

Senator Liz Krueger (D-Manhattan) together with Senators Ruth Hassell-Thompson (D-Bronx-Westchester) Kevin Parker (D-Brooklyn) and Malcolm Smith (D-Queens) said the

report “clearly illustrates the affordable housing crisis in New York and the policies that have caused it.”

Krueger said “Governor Pataki and the Senate Republicans have attempted to destroy rent regulation and other tenant protections that have enabled nearly three million people all over the state, the vast majority of whom are moderate or low-income, to remain in safe and affordable housing.”

Krueger noted that affordable housing “is not only a key responsibility of state government—it is also good economic and fiscal policy.” She said business leaders frequently cite the lack of affordable housing in many areas of New York as a barrier to economic development and job creation. “New York’s affordable housing crisis is jeopardizing the economic health and future of our state,” she said.

The Democratic Senators discussed a number of proposals to strengthen the affordable housing market. The proposals fall under four categories: rent regulation, improved land use and planning, preservation and creative leadership.

## RENT REGULATION

Krueger has sponsored legislation (S2735) that would repeal the Urstadt Law, which stripped New York City and other municipalities of the right to determine their own rent regulation laws. “Home rule is a cherished principle in New York State,” Krueger said, “under which localities can address the critical local issues that directly affect their residents. New York City should have a say when it comes to a law that affects more than 2 million City residents.”

Krueger said the Governor and Senate Republicans “are strongly supported by landlords and their lobbyists,” who benefit when rent regulations are weakened or abolished. The Pratt

Report noted that of the \$800 million in Liberty Bond funding controlled by the state, \$620 million went to 11 developers who contributed \$1.6 million to the political campaigns of Pataki and other Republicans from July 1999 to July 2005. The bonds are estimated to be worth more than \$113 million in subsidies to the developers, the report said.

Krueger said the Housing Finance Agency should be reformed to ensure that it is fulfilling its intended mission – to build affordable housing for low and moderate-income families.

“Subsidizing luxury development and rewarding political contributors with tax payer money is an example of Government at its worst,” Krueger said. “That’s especially true now, when so many of New York’s families and communities can’t find affordable homes.”

Krueger will be introducing the “Housing Finance Agency Public Accountability and Transparency Act” to prohibit lobbyists and others connected to the real estate industry from serving on the HFA board, and to significantly increase the information HFA must provide to the public and the legislature.

## LAND USE AND PLANNING

Senator Ruth Hassell-Thompson said “affordable housing is not just a New York City issue, indeed it affects every region of the State.” She said the suburbs of Long Island and the Hudson Valley “are impacted by very low vacancy rates and exorbitant housing costs.” She cited studies which show that one in three households in those areas cannot afford their housing costs, which has led to a mass migration from Long Island, where young adults are forced to move away at five times the national rate.

Hassell-Thompson called for passage of legislation requiring inclusionary zoning policies, which call for inclusion of affordable units as part of market rate residential developments. She said “inclusionary zoning has led to creation of hundreds of thousands of affordable

homes, enhanced mixed-income communities, and improved local economies nationally and it can do so in New York.”

She noted that legislation has been introduced in the Senate to establish inclusionary zoning programs, but so far have been bottled up in committee by the Republican Majority.

## PRESERVATION

Senator Kevin Parker (D-Brooklyn) said “in many parts of the state preservation of existing subsidized and private housing is even more important than new development if we are to meet the demand for decent, permanently affordable housing.” Preserving existing affordable housing is significantly less expensive than the construction of new affordable housing.

He proposed a comprehensive preservation strategy to save the state’s subsidized housing and help rehabilitate distressed private homes and neighborhoods.

Parker said prior to 2004, more than 24,000 affordable homes in New York City that were constructed through the Mitchell-Lama and Limited Dividend programs were privatized. He called for immediate passage of legislation to place all apartments leaving the Mitchell-Lama and Limited Dividend programs under rent stabilization

“This loss of rent stabilized housing for moderate income families has offset much of the hard work the City has done to increase its affordable housing stock,” Parker said. He said New York City has funded 12,229 affordable housing units since 2002, but has lost 12,943 units of Mitchell-Lama housing during that same time period, resulting in a net loss of affordable units.

And the pace of privatization has increased dramatically since 2004. “As these developments leave the Mitchell-Lama program, families are frequently forced to pay the market prices demanded for the apartments, which often is simply not possible. The only other option,” he said, “is to seek new homes outside their neighborhoods.”

Parker said the Senate should pass legislation to place all apartments leaving the Mitchell-Lama and Limited Dividend programs under rent stabilization; the first legal regulated rent of each apartment would be the last rent charged. Parker estimated this would protect approximately 32,000 tenants.

Parker said similar bills have been introduced at the request of Mayor Bloomberg for the last three legislative sessions. But despite being passed each year by the Assembly and strong support from Senate Democrats, Senate Republicans have prevented these bills from coming to the floor to be voted on.

Parker also called for increased support for programs that allow disabled New Yorkers to remain in their homes and avoid costly institutional care. “We must also work to implement a centralized statewide registry of accessible apartments to enable disabled individuals to easily access and apply for available units.” Parker said the legislature should increase funding for supportive housing, which he said “has proven to be a cost effective way to keep thousands of New York’s most vulnerable residents in stable residences and out of costly homeless shelters, emergency rooms, psychiatric hospitals and jails.”

## LEADERSHIP AND VISION

Senator Malcolm Smith said much of the affordable housing crisis is due to “a lack of leadership and suitable strategies.” Smith has developed a housing program that is “designed to use seed money to start, but will eventually be self-supporting through rents and

mortgage payments created under the program.”

Smith's proposal would, over a ten-year period, create 3,250 low-income rental units and 15,000 affordable homes. Smith said the State's existing housing programs, such as SONYMA and the Housing Trust Corporation, "have failed to keep up with rising home prices and do not provide enough support to first-time homebuyers and low-income renters."

Smith said "while average home prices increased by more than 30 percent (\$166,000 to \$221,000) between 2000 and 2004, median family income declined by about one and a half percent (\$48,131 to \$47,349).

Smith proposed two new programs that would create 1,000 rental units and finance more than 3,000 new homes in their first year. The first program, the \$250 million Affordable Workforce Rental Development Program (AWORD) would require the Division of Housing and Community Renewal (DHCR) to contract with private developers to construct affordable rental housing units. Eighty percent of the units would be provided to tenants who earn 80 percent or less of the Area Median Income. The remaining 20 percent of the units would go to tenants who earn just 50 percent or less of the Area Median Income.

The second program, Below Tax Exempt Rate Mortgage Program (BTRM) would create a financing vehicle for first time homebuyers who are currently not eligible for SONYMA's low interest rate mortgage program.

With an initial investment of \$500 million, the BTRM program would finance up to 3,000 new mortgages with values ranging from \$150,000 to \$350,000 at half the prevailing 30-year tax-exempt rate. Eligible participants would also receive an additional interest free mortgage subsidy of up to \$40,000 or 15 percent of the purchase price of the home, whichever is less.

After the first year, the mortgage income generated by the first 3,000 mortgages will help to finance the second round of mortgage financing. This cycle is repeated, with a smaller number of mortgages generated each time. This will finance approximately 15,000 new mortgages over the next 10 years at no additional cost to the state beyond the initial \$500 million seed money.

"Affordable housing is an investment," Smith said. "It helps to strengthen and stabilize families as well as communities, and even helps our local economic development efforts. Most importantly, though, these two programs would give another generation an opportunity to achieve that American Dream of homeownership."