

Testimony of Vicki Been
Commissioner of the New York City Department of
Housing Preservation and Development
House Financial Services Subcommittee on Housing and Insurance
March 22, 2016

Chairman Luetkemeyer, Ranking Member Cleaver, and members of the Subcommittee, thank you for the opportunity to testify today. I am Vicki Been, the Commissioner of the New York City Department of Housing Preservation and Development (HPD).

HPD is the largest municipal housing preservation and development agency in the nation. We use a variety of loan and tax exemption authorities to create new affordable housing and preserve the affordability of the existing housing stock. HPD is responsible for carrying out *Housing New York: A Five-Borough Ten-Year Plan*, which is Mayor Bill de Blasio's initiative to build 80,000 new affordable homes and preserve the quality and affordability of another 120,000 homes. HPD is leading the Mayor's charge, in partnership with our sister agencies, developers, tenants, community organizations, elected officials, and financial institutions.

Like many communities across the country, New York City is facing a housing crisis. Many factors drive the crisis, but the core of the problem is that wages have been stagnant, while the cost of renting steadily has gone up. Fifty-six percent of renters in New York City are rent-burdened: they pay more than one third of their income on rent and utilities. In addition, about three in ten renter households in the City are severely rent-burdened – paying fifty percent or more of their household income for rent. The problem of extreme rent burden troubles communities in every state in the country, and is the most severe among the lowest income and most vulnerable families.

High rents are largely driven by the fact that demand far exceeds supply, but they're also driven by the cost of developing and operating affordable housing. Drivers of cost, particularly in cities, include: high land values that make acquisition difficult; the price of capital – especially when the financing structure is complicated; the cost of addressing community concerns about traffic, over-burdened infrastructure, environmental degradation, or the need for community facilities; high labor costs; and high local property taxes, especially if they favor homeownership over rental housing.

In New York City and around the country, the Federal government has historically played a critical role in affordable housing. Many of our most successful efforts to provide affordable housing and stabilize and revitalize communities depended upon direct federal subsidies, tax credits, or HUD mortgage products. Federal programs have not only housed low, moderate and middle-income families, but have helped to create jobs, jumpstart neighborhood regeneration, and spur economic development. Even in New York City, where city and state commitments to affordable housing historically have been the largest in the country, the vital role of the Federal government is seen in all five of our boroughs.

While I invite all members of the subcommittee to review our *Housing New York Plan*, I would like to highlight a couple of key initiatives we've undertaken to help address the

need for affordable housing. I will then explain why that need, despite all our efforts, requires greater federal commitment to fund the construction and preservation of affordable housing.

First we've doubled the amount of capital funding that the City is providing to create and preserve affordable housing. Funding from the State and the Federal governments is absolutely crucial to address the affordable housing crisis, but it's important to note that as we asking Washington for more support, we are committing a huge amount of our own resources to building new, and preserving existing, affordable housing.

Second, it is important for the Subcommittee to understand that the vast majority of the affordable housing we are constructing in New York City is mixed-income housing, which affirmatively furthers fair housing by providing an opportunity for people with low incomes to live in the same buildings and same neighborhoods as people with higher incomes. Members may be familiar with the 80/20 program, in which we've used tax incentives to ensure that 20 percent – and now, under various reforms we've put in place, 25 to 30 percent -- of the units in most new rental buildings are affordable. Throughout the City, our affordable housing is critical to preserving vibrant and diverse neighborhoods and ensuring that low income families have access to neighborhoods with good schools and good job opportunities. To build on the success of this model, we made changes to our subsidy programs to broaden the income levels that we serve so that our buildings are offering more apartments to those families who are the poorest, as well as making more homes available to those moderate and middle-income workers – our teachers and sanitation workers, our nurses and retail clerks – who are being priced-out of the City.

Next, we're in the midst of finalizing two very significant changes to our zoning resolution. The first change will implement mandatory inclusionary housing, which requires, any time a lot or a neighborhood is rezoned, that the developer must include between 20-30% of the units as affordable, for families with incomes as low as \$31,000 – or 40% of Area Median Income – for a family of three, all the way up to moderate income families. We've also made major updates to our 1961 zoning text to encourage more senior affordable housing, allow a range of facilities to serve our seniors, remove unnecessary parking requirements and other regulatory barriers to the production of affordable housing, and improve the ground floor community facility spaces and retail shops in affordable housing developments.

Much has been made of the regulatory burden placed on construction. There are instances where regulations can delay and hamper development, but much of the time compliance is ensuring the structural safety of buildings that protects not only the occupants – but the surrounding areas as well. In a dense area like New York City, the building code contemplates both the actual structure and structures appurtenant and nearby. Without this, the lack of integrity of the structure or systems can have devastating effects. Sadly, we saw this illustrated in the East Village last year, where non compliant construction and gas connections leveled multiple buildings – killing 2 and displacing dozens from their homes. Regulations – like freeboard requirements and energy efficiency also help keep housing affordable. By managing energy costs, low-to-middle income families can keep the cost of maintaining a property down. The same is true of the freeboard requirements

which help lower flood insurance premiums and avoid catastrophic loss. Energy efficiency also benefits the overall health of residents and the City – mitigating health island effects and lowering emissions associated with heating and cooling. The “incidental” health benefits of keeping costs down for families is the type of smart regulation and policy making that we should be engaging in.

There are many other steps we’re taking to implement the Mayor’s housing plan and build and preserve 200,000 units over the next ten years. I’d be happy to speak further with members of the Committee about our work.

Let me turn to a few areas where I believe Congress could be enormously helpful in addressing the housing needs of people all across the country.

The Low Income Housing Tax Credit is the largest driver of investment in affordable housing, and as members know, provides the private sector with an incentive to invest in affordable rental housing, which is in critically short supply around the country. While the Credit is a wonderful resource, it could be even more successful if the stagnant statutory cap on incomes for affordable units were modified. When a Tax Credit building is built, the developer must make a percentage available to families that earn either 50-percent or 60-percent of Area Median Income. This creates two problems: first, the affordable units funded by the LIHTC are only available to families earning a narrow band of income; second, developments funded with LIHTC cannot serve extremely low-income or homeless families unless they secure another subsidy such as Section 8. If the program were amended to allow income-averaging, the developer could offer units affordable to tenants earning between 40-percent and 80-percent of Area Median Income. The higher-income units would then cross-subsidize the lower-income units, and communities would be able to serve lower-income households without any additional cost to taxpayers or the developer. Income averaging also would allow greater flexibility to accommodate those families who often are quite frustrated that they make just a few hundred dollars a year too much or too little to meet the narrow income bands the program currently targets.

Next, rarely does a day go by that we don’t hear from local elected officials or community organizations about the dire need for senior housing. When the Bipartisan Policy Center released its “Housing America’s Future” report in 2013, a central theme was the need for a more comprehensive focus on the housing needs of our seniors. Historically the HUD Section 202 program spurred the production of affordable senior housing in New York City, but it has been many years since funding for new Section 202 projects has been made. We desperately need Congressional help to develop affordable senior housing. The best way to help local governments meet the needs of our fast-growing senior population would be to provide sufficient funding for the 202 program to meet those needs.

There are many other HUD programs including HOME, the Public Housing Capital and Operating Funds, and McKinney-Vento Homeless Assistance Grants that are extremely valuable resources for local governments, but I must stress the paramount importance of the Section 8 voucher program. I know that Congress is very concerned about the growth of this program as a percentage of the overall HUD budget, but as a local practitioner I cannot emphasize enough how critical it is. We use these vouchers to allow us to

rehabilitate dilapidated housing where residents cannot afford the increased rent that would otherwise be necessary to support the rehab. We use vouchers to help prevent, and to end, homelessness. We project-base Section 8 vouchers to develop new affordable housing, especially for seniors. I want to thank the Committee for passing H.R. 3700, which makes important and timely reforms that will help us use our voucher allotment more efficiently. But I can't stress enough how important it is for Committee members to support additional Section 8 funding. Recently Mayor de Blasio and a dozen mayors from across the country sent a letter to appropriators calling for a robust increase in both Section 8 and Public Housing Capital and Operating funds – this is a clear priority for cities large and small across the nation.

In its letter to witnesses the Committee asked us to comment on what the housing market will look like for the next generation. In New York City we are working desperately hard to make sure that families can afford to remain in our neighborhoods as they raise their children, that those children can then afford to stay in, or return to, the City as they start out on their own paths, and that our seniors can afford to age in place in the neighborhoods they helped to build. Unfortunately this means that we have to fight market forces that have driven rents sky-high and left very few pockets of naturally affordable housing. I am hopeful that our sustained local commitment to use creative local tools such as mandatory inclusionary housing and regulatory reform will ensure that we preserve our existing affordable housing and build much-needed new affordable housing, and thereby both stabilize our communities and reduce the income inequality that threatens to undermine the social fabric of our country. But we cannot do it alone – our local efforts must be paired with a renewed federal commitment to affordable housing.

I am grateful for the Subcommittee's attention to affordable housing and for calling today's hearing. I am happy to answer your questions.

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Attachments

- *Housing New York* By the Numbers
- Main Features of New York City's Mandatory Inclusionary Housing Policy
- Affordable Housing Mayors Sign on Letter – Fiscal Year 2017 Transportation, Housing and Urban Development, and Related Agencies

Housing New York By the Numbers
January 1, 2014 – December 31, 2015

Construction Type	HNY Starts to Date	HNY Starts To Date %
New Construction	13,929	35%
Preservation	26,275	65%
Total Plan To Date	40,204	

Occupancy Type	HNY Starts to Date	HNY Starts To Date %
Homeowner	3,644	9%
Rental	36,560	91%
Total Plan To Date	40,204	

Special Needs	HNY Starts to Date
Homeless Housing	2,462
Senior Housing	2,722

Affordability	AMI %	Income Range - 3 Person Household	HNY Starts since Jan '14
Extremely Low	0 - 30%	≤ \$23,300	2,000
Very Low	31 - 50%	\$23,301 - \$38,850	4,223
Low	51 - 80%	\$38,851 - \$62,150	24,537
Moderate	81 - 120%	\$62,151 - \$93,250	2,396
Middle	121 - 165%	\$93,251 - \$128,200	6,830
Other	Super	N/A	218
Total			40,204

Main Features of New York City's Mandatory Inclusionary Housing Policy

Affordable housing will be *mandatory*, not voluntary, as a condition of residential development whenever developers build in an area rezoned to create opportunities for substantial new growth, whether the rezoning occurs as part of a City neighborhood plan or results from a private rezoning application.

The affordable homes required through Mandatory Inclusionary Housing will be *permanent*.

Levels of Affordability

Mandatory Inclusionary Housing will result in more affordable housing for a wider range of New Yorkers. It will be responsive to neighborhood needs, because the City Planning Commission and Council can choose which option, from a set of options, should apply within each particular rezoned area.

First, the City Planning Commission and the City Council must apply one or both of the following requirements to each Mandatory Inclusionary Housing area:

- 25% of residential floor area must be for affordable homes for residents with incomes averaging 60% AMI (\$46,620 per year for a family of three), or
- 30% of residential floor area must be for affordable homes for residents with incomes averaging 80% AMI (\$62,150 per year for a family of three).

In addition, the City Council and the City Planning Commission may decide to apply one or both of the following:

- An additional, limited workforce option for markets where moderate- or middle-income development is marginally financially feasible without subsidy:
 - 30% of the total residential floor area must be for housing units for residents with incomes averaging 115% AMI (\$89,355 per year for a family of three), with 5% of the units targeted to families earning 70% AMI (\$54,390 for a family of three), and 5% to families earning 90% AMI (\$69,930 for a family of three).
 - No direct subsidies can be used for these affordable housing units.
 - This option cannot be applied to Manhattan Community Districts 1-8.
- An additional, very low income option:
 - 20% of residential floor area must be for affordable homes for residents with incomes averaging 40% AMI (\$31,000 per year for a family of three).
 - No direct subsidies, tax exempt bonds, or low income housing tax credits can be used for these affordable housing units, unless HPD determines that those subsidies will achieve more or deeper affordability.

Mandatory Inclusionary Housing represents the floor, not the ceiling, of affordability that would ultimately be achieved in new development. In City-initiated neighborhood rezonings, each area would be evaluated to determine the role that HPD programs could play in broadening and deepening affordability, in addition to new City capital investments in services, facilities and infrastructure to support smart growth.

The Honorable Thad Cochran
Chairman, Committee on Appropriations
United States Senate
Washington, DC 20510

The Honorable Hal Rogers
Chairman, Committee on Appropriations
United States House of Representatives
Washington, DC 20515

The Honorable Barbara Mikulski
Vice Chairwoman, Committee on
Appropriations
United States Senate
Washington, DC 20510

The Honorable Nita Lowey
Ranking Member, Committee on
Appropriations
United States House of Representatives
Washington, DC 20515

March 17, 2016

Dear Chair Cochran, Vice-Chair Mikulski, Chair Rogers, and Ranking Member Lowey:

The undersigned Mayors urge that you end the crisis level of disinvestment in our affordable housing by providing the Transportation, Housing and Urban Development, and Related Agencies (THUD) appropriations subcommittee with adequate funding in fiscal year (FY) 2017. Our nation's cities face a serious risk of losing our public housing unless the federal government restores its investment in this valuable resource. We urge you to use the sequestration relief funding identified by Congress to increase the THUD 302(b) allocation to a level that is at least proportional to other subcommittees; this will allow Congress to provide much-needed affordable housing resources and bring public housing preservation funding back up to pre-sequestration levels.

Recently, 2,042 organizations wrote to you supporting an increase on the THUD 302(b) subcommittee allocation illustrating the impacts of underfunding HUD's programs. Mayors are not able to reduce homelessness, ensure that low-income households have access to safe and stable housing with rental assistance, and address critical issues of distressed housing, blight, and crumbling infrastructure without sufficient HUD funding. In FY2016, HUD received a disproportionately low subcommittee allocation, despite Congress's laudable agreement to lift the sequestration caps. This low allocation resulted in level funding for the majority of HUD programs and continued underfunding our cities housing needs.

We urge the Committee to increase the allocation and to work with the subcommittee leadership to direct a portion of that increase to improving public health, safety, and long-term affordability for the nation's 1.2 million public housing households and 2.2 million households already in Section 8 housing. Specifically, we support increasing Public Housing Capital Fund to \$2.5 billion; increasing the Public Housing Operating Fund to \$4.8 billion; \$21.2 billion for Section 8 Housing Choice Vouchers to fully fund voucher renewal, and increase Tenant Protection Voucher and administration fees; and provide inaugural funding of \$50 million for the Rental Assistance Demonstration (RAD) while simultaneously increasing the RAD cap – the essential resources needed to preserve public housing.

Increasing the THUD allocation is the only way that local governments will be able to meet our cities' comprehensive affordable housing goals and preserve the public housing serving the lowest income households across the United States. We respectfully request that you ensure proportional and substantial funding for the THUD allocation in FY2017 to preserve public housing.

Sincerely,

Bill de Blasio, Mayor of New York, NY

Tom Butt, Mayor of Richmond, CA

Joseph Ganim, Mayor of Bridgeport, CT

Eric Garcetti, Mayor of Los Angeles, CA

Betsy Hodges, Mayor of Minneapolis, MN

Chris Koos, Mayor of Normal, IL

Ed Lee, Mayor of San Francisco, CA

Edward Murray, Mayor of Seattle, WA

Stephanie Rawlings-Blake, Mayor of Baltimore, MD

Mike Rawlings, Mayor of Dallas, TX

Jonathan Rothschild, Mayor of Tucson, AZ

Francis Slay, Mayor of St. Louis, MO

Martin Walsh, Mayor of Boston, MA