**New York City Council Budget and Oversight Hearing on**
**The Preliminary Budget for Fiscal Year 2025, The Preliminary Capital Plan for Fiscal Years 2024-2028, and The Fiscal 2024 Preliminary Mayor's Management Report**

**Housing and Buildings Committee | March 11, 2024**

On behalf of the Community Preservation Corporation (CPC), we would like to express gratitude to Chair Sanchez, the Committee on Housing and Buildings, Mayor Adams, Commissioner Carrion, the New York City Department of Housing Preservation and Development, and the many other Councilmembers who continue to advocate for more affordable housing for New Yorkers.

The impact of the affordable housing crisis in New York City is being felt by tenants and property owners alike. According to the recently released 2023 Housing Vacancy Survey, the typical New York City renter household was severely rent burdened (paying more than half of their household income toward housing costs). The net vacancy rate in 2023 for all housing in New York City was 1.41%, the lowest net rental vacancy rate on record since this survey began in 1965. For too many New Yorkers, affordable quality housing is either unsustainable or unattainable, leaving our neighbors housing insecure or, worse, on the brink of homelessness.

The situation is bleak for building budgets as well. As expenses have grown considerably while collections remain below pre-pandemic levels all within a high interest rate environment, affordable and rent stabilized buildings have experienced intensifying pressure on operations resulting in tightening debt service coverage, deferred maintenance, tax and water/sewer arrears, and mortgage delinquency. Managing a large mortgage portfolio of affordable housing (including a portfolio of loans on behalf of New York City Retirement Systems), we have seen per-unit insurance premiums increase an average of 17% per year since 2020, resulting in over 50% increases from pre-pandemic prices; and these numbers are expected to continue growing. We have also seen other signs of distress across our portfolio including delinquencies doubling over the last several years from 2% to 4% of our projects, and tightening debt service coverage ratios across our portfolio. With the regulations put in place by Housing Stability and Tenant Protection Act (or HSTPA), the expiration of critical tax incentives for rehab and new construction, and ever-growing costs in a high-interest environment, building owners and developers are extremely limited in the tools they have at their disposal to help make building operations ends meet. This pressure is only further compounded for small building owners, especially emerging developers of color trying to build homes and businesses in NYC.

Despite these challenges, we are excited by the innovative solutions being advanced across the city, including the recent announcement of the Minority Business Enterprise (MBE) Guarantee Facility, for which CPC is serving as the facility administrator. The Facility will provide up to $50 million to help MBE developers overcome historical financial barriers and fully participate in the development of critically needed affordable housing for New Yorkers. By helping bridge the guarantee gap, the MBE Facility is expected to enable as much as $500 million in private construction lending to MBEs. This innovative public private partnership is demonstrative of the creative solutions needed to address the housing crisis and create opportunities for New Yorkers.

Another innovative solution can be found in Mayor Adams and the Department of City Planning's proposed modernization of the City's zoning regulations through City of Yes, a visionary overhaul of existing citywide zoning to support small businesses, create more affordable housing, and promote sustainability. CPC is thrilled to support this much-needed update, especially the Housing Opportunity proposals that aim to create a little more housing in every neighborhood by facilitating office to residential conversions, removing parking mandates, legalizing ADUs, encouraging transit-oriented development, campus development, and town center zoning, and allowing larger buildings in exchange for affordable units. We thank the City Council for voting to adopt the first of three City of Yes proposals and we encourage them to similarly vote to adopt the remaining two.

Just as no single factor caused the housing crisis, no single solution will solve it – however the single most important tool needed to facilitate the type of development needed to meaningful increase supply is the restoration of an as-of-right tax incentive for multifamily housing development with financially feasible affordability options. 421-a was not perfect and some criticisms of the structure of that incentive are valid – however, 421-a was responsible for the creation of 117,000 units of housing from 2012-2022, 25-30% of which were income-restricted. In 2023, 421-a helped to finance 51% of the 14,227 affordable units closed by HPD and HDC. And while the public narrative around 421-a was that it only helped built large multifamily buildings in Manhattan, a 2021 analysis of five years of CPC's 421-a financed deals shows that our 24 421-a financed projects (encompassing 461 units) were exclusively located in the outer boroughs and built by emerging developers, with an average building size of 19 units. These deals are representative examples of the types of deals financed by 421-a, 75% of which were under 29 units and 71% of which were in the outer boroughs[1].

By reducing the tax burden, the tax incentive boosted a building's net operating income, meaning developers could put less up-front equity into projects – on average 31% of the total development costs as compared to the 44% that would be needed without 421-a. The lower equity made the project feasible, especially for smaller developers without access to deep pools of capital – simply put, these projects would not have happened without 421-a. In the absence of 421-a, these projects would have only worked with higher rents.

421-a has been a critical tool for the development of new housing in New York City, and we urgently need its replacement. We urge you, as members of the City Council, to support Governor Hochul's proposed replacement incentive, 485-x, and to work closely with counterparts in Albany to enact it this session. We also stand with the City in calling on Albany to reform the FAR 12 cap, legalize basement apartments, and create a commercial conversion tax incentive for affordable housing. As we consider the future of housing in New York City, these solutions would help to increase density, convert underutilized spaces to housing, and address the impacts of climate change.

[1] https://furmancenter.org/files/publications/The_Role_of_421-a_Final.pdf

Despite the challenges of our current housing crisis, there are innovative solutions that CPC stands ready to partner with the City to implement, ushering in a new era of housing production and preservation in New York City. We say YES to housing and encourage the Council to do the same. Thank you, Committee Chair Sanchez and other distinguished members of the New York City Council Housing and Buildings Committee, for the opportunity to provide testimony.

---

**About CPC**

The Community Preservation Corporation (CPC) is a nonprofit affordable housing and community revitalization company that was formed in the early 1970s to help New York City and State restore and rebuild communities which were devastated by deterioration and abandonment. Today, CPC uses its unique expertise in housing finance and public policy to expand access to quality housing, drive down the costs of affordable housing production, advance diversity and equity within the affordable housing development industry, and address the effects of climate change in our communities through the financing of sustainable housing. Since our founding, CPC has invested over $14 billion to finance the creation and preservation of more than 225,000 units of housing through our lending and investing platforms. CPC is a permanent lending partner to the New York City Retirement Systems (NYCRS) and we are also an equity partner in the PACT Renaissance Collaborative, the team selected by NYCHA to renovate and preserve 16 NYCHA properties located in Manhattan. On behalf of New York State HCR, CPC is also administering the Climate Friendly Homes Program, a $250 million program to electrify 10,000 units of housing across the state in the next four years.

Most recently, CPC again answered the call to support our government partners in reinvesting in communities following the collapse of Signature Bank. Alongside partners Neighborhood Restore HDFC and Related Fund Management, CPC is leading Community Stabilization Partners (CSP), the manager of a joint venture partnership with the FDIC to manage the rent stabilized portion of now defunct Signature Bank's multifamily commercial real estate portfolio. CPC on behalf of CSP is now the servicer of record for 1,100 buildings encompassing approximately 35,000 units in New York City, the majority of which are rent stabilized. We understand the unique role that rent regulated housing plays in New York City, the distinct financial challenges facing its owners and operators in today's market, and its importance as a haven of affordability to its tenants. As a partner with the FDIC and servicer of the stabilized loan portfolio, CSP and CPC are proud to be preserving the long-term affordability as well as the physical quality and financial stability of these buildings.

**The Community Preservation Corporation**
**220 East 42nd Street, 16th Floor New York NY 10017**
**www.communityp.com**