New York State 2025 Joint Legislative Budget Hearing

Housing | February 27, 2025

Testimony submitted on behalf of The Community Preservation Corporation,
to be delivered by Erin Burns-Maine, Senior Vice President for External Affairs

Thank you, Housing Committee Chairs Rosenthal and Kavanagh, Senate Finance Committee Chair Krueger, Assembly Ways and Means Committee Chair Pretlow, and other distinguished members of the New York State Senate and Assembly for the opportunity to speak today.

My name is Erin Burns-Maine, and I am the Senior Vice President for External Affairs at the Community Preservation Corporation (CPC), 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 disinvestment. Today, CPC uses its fifty years of 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 finance the construction of energy efficient housing. Since our founding, CPC has invested over $15 billion to finance the creation and preservation of more than 230,000 units of housing through our lending and investing platforms. CPC is a permanent lending partner to the New York City Retirement Systems (NYCRS) and on behalf of HCR, CPC is administering the Climate Friendly Homes Program, a $250 million program to electrify 10,000 units of housing across the state. Additionally, CPC is the servicer of a portion of the rent stabilized multifamily loan portfolio formerly held by Signature Bank, which includes just under 35,000 units of housing across New York City, and we are working diligently to preserve the physical quality and financial stability of that critical portion of the housing stock.

On behalf of CPC we would like to express gratitude to Governor Hochul's Administration, Commissioner Visnauskas, the Department of Housing and Community Renewal (HCR), and the Senators and Assemblymembers who continue to advance housing solutions in New York State. In particular, we applaud the administration for the ongoing success of the Pro-Housing Communities Program. Over 270 towns and municipalities have been certified as Pro-Housing Communities across the state since the program launch, demonstrating strong interest and political will to advance pro-housing policies and development practices statewide. We are hopeful the impact of the Pro-Housing Communities program will only continue to grow, thanks to the additional funds in this year's Executive Budget to assist with building out the infrastructure and planning capacity needed by Pro-Housing municipalities across the state. We also thank the Governor for her $1 billion commitment to help fund the necessary infrastructure upgrades needed to ensure the success of New York City's recently passed City of Yes Zoning Text Amendment. As New York City begins to build a little more housing in every neighborhood, this financial support will help ensure that the City's infrastructure will be ready and able to meet new demand.

Despite these successes, New York's housing crisis is still ongoing. For far too many New Yorkers, affordable, quality housing is either unsustainable or unattainable, leaving our neighbors housing insecure or, worse, on the brink of homelessness. With a record low vacancy rate in New York City and a record high percentage of the statewide population experiencing housing cost burdens, we know well that our current system for supplying housing does not adequately meet the demand. From our work managing a large mortgage portfolio for affordable housing, including a portfolio of loans on behalf of the New York City Retirement System, we understand the cause of the housing crisis to boil down to two things: challenges to preservation, and barriers to production.

Efforts to preserve existing housing are hamstrung by how increasingly difficult it is for existing affordable housing to maintain the cash flow needed to ensure physical quality and financial stability.

While the 2019 Housing Stability and Tenant Protection Act delivered new protections to rent stabilized tenants, it severely constrained the financials of rent stabilized buildings and left many owners without avenues to raise the revenue needed to service and maintain their properties. Many owners who had financed their buildings using industry standards pre-2019 suddenly found themselves with buildings that no longer generated sufficient cashflow to service their debt, let alone make routine repairs and upgrades. The industry then weathered the COVID-19 pandemic and the ongoing high-interest rate environment – the impacts of both we still see today in decreased rental collections and the stubbornly high cost of capital. These factors combined have created a tenuous situation for rent stabilized and affordable buildings in New York City and across the state, and we are learning more about these impacts as we see them play out across the former Signature Bank portfolio that we are servicing.

Comprised of just under 35,000 units – 80% of which are rent stabilized - across about 1,100 buildings spread all over New York City, this portfolio, which we now refer to as The Community Stabilization Partners (or CSP) portfolio, represents a cross-section of New York City's rent stabilized stock. We have found that about one-half to two-thirds of this portfolio are experiencing some form of financial or physical distress, and often the two go together. While this portfolio is somewhat uniquely hampered by the sub-par lending standards held by Signature Bank before its collapse, we believe that the realities of this portfolio are a harbinger of what is to come for the City's larger rent stabilized stock. When building cashflow is constrained to the point of financial infeasibility, building conditions and housing quality suffer, and it is ultimately the tenants who bear the weight of failing buildings. Given this, we encourage the Legislature to explore options for shoring up the financial and physical conditions of rent stabilized buildings to ensure housing quality.

On the production side, simply put, we are not growing the state's supply of housing fast enough to meet the need. As the Governor stated in 2023, New York has created 1.2 million jobs over the past 10 years — but only 400,000 new homes. While there has been some cause for optimism since then – we are hopeful that the recently passed citywide City of Yes zoning text amendment will provide the enabling environment needed to increase housing production in New York City, and we thank the Legislature for reinstating the multifamily tax incentives 485-x and J-51 during last year's session – the cost of capital and related development expenses remains a barrier to increased production. The most direct path out of our housing crisis is to increase the supply of housing, and we urge the Legislature to support all common-sense efforts to do so. In particular, we applaud the Governor and HCR for proposing a $50 Million Mixed-Income Revolving Loan Fund to spur mixed-income rental development outside of New York City.

We are encouraged to see numerous initiatives in the budget that would help offset housing costs both for tenants and building owners alike. The skyrocketing cost of insurance is a major challenge for the housing industry; across CPC's portfolio, we have seen per unit premiums increase 50% over pre-pandemic levels – and we know that this number is even higher for some supportive and deeply affordable housing providers. In her State of the State, Governor Hochul included support for insurance captives that would help owners find more affordable property and liability insurance plans amidst the environment of ballooning premiums. To further bolster emerging captives, we are supportive of NYSAFAH's $500,000 budget ask to evaluate opportunities to create insurance captives across the state, in addition to their $3 million request for a new New York State Captive Insurance Assistance Program for Affordable Housing to offset capital costs for loss reserves. We greatly appreciate the Governor's support for new innovative approaches to multifamily building insurance and encourage the Legislature to continue exploring creative solutions, especially as we face more frequent and severe weather events.

We are also supportive of efforts to increase rental assistance to the most vulnerable low-income New Yorkers. Last year's budget included $10 million for a pilot program expanding one-shot deals to the entire state, and we support expanding that program's funding in this year's budget to continue growing its impact. Additionally, this legislative body has considered a state-based housing voucher program for many years now and we continue to support HAVP with the caveat that any new statewide voucher program should look closely at existing models, both at the federal and municipal level, to learn from what works and what does not work. Having an efficient system for administering rental assistance is just as important, if not more so, than the allocation of funds.

On behalf of CPC, I would like to thank the Legislature for the opportunity to testify today. We look forward to partnering with the State to advance these common sense pro-housing efforts, and I am happy to answer any questions you may have.