



PRODUCTION OF NEW HOUSING: Advance new tools and remove barriers to building more housing

Support municipal actions to enable development: We commend Governor Hochul for introducing the Pro-Housing Communities program in 2023 as a tool to incentivize municipalities and towns across the state to increase their housing production. Building on the early successes of this program, we applaud the Governor's recent budget allocation to help cover the infrastructure and planning costs for Pro-Housing Communities. As cities and towns take up the mantel to implement pro-housing action at the local level, whether that be citywide zoning text amendments, innovative pro-housing local legislation, or unique public-private partnerships that maximize funds from a wide range of allies, CPC stands ready to support municipalities forging local pro-housing pathways.

PRESERVATION OF EXISTING HOUSING: Mobilize resources to preserve physical quality and financial viability

Renew an improved J51 program: We applaud the State and City for passing a replacement tax incentive for the rehabilitation of existing housing in the FY24 Executive Budget. However, the latest iteration of the program significantly scaled back the benefit available to owners. With the current program set to sunset in 2026, we urge City and State partners to quickly reinstate J51 with key improvements such as cost schedules indexed to inflation and a more comprehensive abatement structure.

Stabilize Rent Stabilized Housing: CPC supports the protection of affordable rents as well as the long-term preservation of this essential part of New York City's housing stock, recognizing that both are crucial to sustaining vibrant and inclusive communities. As expenses rise and rent increases remain restricted, we are seeing challenges play out on the financial and physical health of the rent stabilized stock. While some of these stressors are due to the lingering impacts and market adjustments of the COVID-19 pandemic, we are alarmed by the distress coming to bear across CPC's portfolio and the broader industry. Since 2020, CPC's per unit expenses have grown 22%, while the RGB permitted a roughly 11% cumulative increase to stabilized rents over that same time. This mismatch is illustrative of the key problem facing rent stabilized housing in New York City. To protect this vital housing stock, policymakers should work with the industry, tenants, and owners to create solutions that mitigate the financial stress facing rent stabilized buildings and ensure their long-term viability.

- **Address the rising cost of insurance:** Across CPC's portfolio, we have seen per unit insurance premiums increase over 50% since pre-pandemic levels, seriously impacting the financial stability of affordable buildings. Informed by the federal government's approach to flood insurance and building off of the success of insurance captives, the State should develop a public insurance fund for affordable housing. Such a public program could offer first loss insurance position with coverage up to \$500K, after which participants would have access to the traditional insurance market for second loss position, enabling higher level losses. The fund could be structured to further reduce premiums pending actions taken by owners to fortify building and decrease risks.
- **Support tenant ability to pay:** Through the newly approved HAVP program combined with the CityFHEPs program, New York State should fund a rental assistance program that entitles any rent stabilized tenant who pays more than 30% of their income in rent a voucher. If an annual rent increase pushes a tenant's rent above 30% of their income, the tenant would be immediately eligible for a voucher to cover the difference. Rental housing vouchers have demonstrated success in filling the gap between affordable rent and building operating budgets, and they should be deployed to support New York's stabilized stock.
- **A new approach to rent increases:** The current process to decide annual increases for NYC's rent stabilized housing is failing the tenants, owners, and physical buildings of rent stabilized housing, generating arbitrary changes each year that both owners and tenants cannot plan for. Instead, increases to stabilized rent should be set to a standard, predictable metric. Freezing rents to move in lockstep with consumer price inflation (CPI) would give both tenants and building owners predictability while balancing the need for reliable building revenue with the financial realities of low-income tenants.

PROGRAMMATIC PRIORITIES

NY Homes and Community Renewal Programs: CPC is proud to partner with the State on numerous innovative financing programs to support the production and preservation of affordable housing:

- *Participation Loan Program (PLP):* PLP provides gap financing to develop and preserve high-quality affordable rental housing, address blight, and restore neighborhoods outside of New York City. Targeting renovation of rental buildings with up to 50 units in medium density neighborhoods, PLP can be combined with private lender financing, resulting in lower blended financing costs. The PLP model has proven immensely successful, and we encourage continued financial support in upcoming budget allocations.
- *The Legacy Cities Access Program:* Funded by HCR, Legacy Cities Access aims to support cities struggling to address vacant and distressed properties by providing resources to MWBE and non-profit developers who have the capacity to take title to and renovate vacant properties, in turn creating new opportunities to promote affordable homeownership for underserved families, including first-time homebuyers. CPC is participating in the \$25M program and has closed on five projects with a total loan amount of \$10.4M.
- *Affordable Homeownership Opportunity Program (AHOP):* Launched by Governor Hochul's 5-year housing plan, AHOP provides gap financing for new construction of small homeownership projects that are affordable to low- and moderate-income first-time buyers. By requiring energy efficiency and affordability targets, AHOP simultaneously contributes to more resilient and healthier housing while also addressing the wealth gap.

Community Stabilization Partners (CSP): As of February 2024, Community Stabilization Partners took over servicing and asset management for a portion of the rent stabilized multifamily commercial real estate portfolio formerly held by Signature Bank. The CSP portfolio contains approximately 35,000 units across approximately 1,100 buildings in New York City, the majority of which are rent stabilized. As a partner with the Federal Deposit Insurance Corporation (FDIC), CSP is committed to maximizing returns while preserving the long-term affordability as well as the physical and financial stability of these properties.

CPC's Permanent Lending with NYCRS and CRF: Our longstanding partnerships with public pension funds, the New York City Retirement Systems (NYCRS) and the New York State Common Retirement Fund (CRF) allow CPC to leverage their strength to bring stable, permanent capital to our borrowers in NY State. Additionally, our Long Term Fixed-Rate Financing Product is insured by the State of New York Mortgage Agency (SONYMA), a unique tool that allows private capital to efficiently finance affordable housing. Key to our partnership's success is the flexibility of the SONYMA insurance product, which allows us to work together to meet housing and revitalization needs statewide.

Financing energy efficient and high-performance housing: A certified carbon neutral company, CPC is committed to creating capital products, advising on best practices, and promoting solutions for high-performance, energy efficient, affordable housing. Energy efficiency savings are vital to the long-term affordability and stability of multifamily properties and their communities. Since 2015, CPC has invested \$2.2 billion to finance more than 13,000 energy efficient units of housing. In addition to supporting high-performance through our lending and investing platforms, CPC also administers funding on behalf of our government partners. This includes New York Climate Friendly Homes Fund, a program to electrify small multifamily buildings throughout the state, and CPC Climate Capital, a subsidiary of CPC created to provide financing for new construction and retrofits that support high-performance multifamily housing in communities nationwide. Through targeted investments, CPC will help make our nation's housing more energy efficient, more resilient to extreme weather events and rising insurance costs, and healthier for residents.

ABOUT THE COMMUNITY PRESERVATION CORPORATION: The Community Preservation Corporation (CPC) is a nonprofit affordable housing and community revitalization finance company focused specifically on funding affordable housing development and rehabilitation. We provide flexible capital solutions, fresh thinking and a collaborative approach to the complex issues facing communities. Founded in New York City in 1974, CPC is the largest Community Development Financial Institution (CDFI) solely committed to investing in multifamily housing, having invested more than \$15 billion to finance the creation and preservation of more than 230,000 units of quality housing in neighborhoods across New York State and beyond. CPC believes housing is central to transforming underserved neighborhoods into thriving and vibrant communities. At CPC, we work as a partner to provide technical expertise and hands-on support to help meet the capital needs and broader community revitalization goals of our customers, local stakeholders and the communities we serve.

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