



**New York State Senate and Assembly
Public Hearing on
FY 2008-2009 Executive Budget for Housing
January 29, 2009**

**Supportive Housing Network of New York
Cecilia Tkaczyk, State Advocacy Director**

Good afternoon. My name is Cecilia Tkaczyk and I am the State Advocacy Director of the Supportive Housing Network of New York. Thank you for this opportunity to testify.

The Supportive Housing Network represents more than 170 providers and developers who operate over 38,000 units of supportive housing across the state. Supportive housing offers affordable apartments with on-site social services that help low-income and formerly homeless individuals and families with a range of disabilities to stay housed and as independent as possible. It is the humane and cost-effective solution to homelessness.

We understand that Governor David Paterson's 2009-2010 Executive Budget must close the State's worst budget deficit in history. Many effective programs and services may have to be cut. The State must re-evaluate what is essential and what is not.

Before we do that, the Network asks the Governor and the Legislature also to find ways to raise revenues and fill funding gaps with other resources. The State should turn to its rainy day fund and other reserves, many of which were created specifically for times like these.

The State should also levy a temporary surtax on the incomes of the wealthiest New Yorkers. From 2002 to 2006, the top one percent of earners saw their incomes rise 42%, while income growth in the bottom 90% was one-tenth of that. Those who benefitted from the boom years enjoyed perhaps the most exclusive boom ever. If they continue to have high earnings now, it is only right that they contribute more to help us all make it through the aftermath of their expansion.

We also hope you will join us in asking our federal partners to ensure that the President's stimulus package makes an adequate investment in affordable housing development. Without a substantial federal investment this year, affordable housing starts will drop by as much as 70% nationwide. More than 100,000 jobs will be lost, with New York alone losing as many as 25,000.

We must ensure that program cuts actually save money. Supportive housing is the solution to homelessness among families and individuals with disabilities and other barriers to independence. Investment in supportive housing saves New York State money in the long run.

Supportive Housing Reduces Use of Expensive Emergency Services

Over 40 studies have proven that permanent supportive housing dramatically lowers impoverished disabled people's use, and the costs, of emergency services such as shelters, hospitals, psychiatric centers, prisons and jails:

- The first study of supportive housing's cost-effectiveness, by Dennis Culhane of the University of Pennsylvania in 2001, showed that homeless mentally ill individuals who moved into supportive housing created by the landmark NY/NY Agreement in New York City reduced their use of emergency services so much that the savings paid for all but \$995 of the annual cost of building, operating and providing services in each housing unit.
- The most recent cost-effectiveness study (published in late 2007) showed that homeless people placed into supportive housing in Portland, Maine, reduced their usage of emergency services by one half, including: a 59% savings in health care costs, 41% savings in mental health care costs, 62% savings in emergency rooms costs, 62% savings in jails, 66% savings in ambulance costs, and 66% savings in police costs.
- Today's increased emphasis on placing chronically homeless, heavy users of expensive emergency systems increases the savings achieved by supportive housing even further.

Even as New York City's family shelter census broke new records, the Department of Homeless Services' count of homeless individuals in the streets and shelters went down by 21% over the past two years, due largely to increased placements into permanent supportive housing. This reduction has allowed the City to close shelters and save money.

All of these savings were achieved only after upfront investments were made in building permanent supportive housing units. The long-term savings produced by supportive housing more than justifies the investment, even more so, when supportive housing's economic benefits to communities is taken into account.

Last year's historic increase in housing programs had a significant impact on supportive housing and affordable housing production. Thanks to the leadership of Governor Paterson, Housing Committee Chairs Assemblyman Lopez and Senator Bonacic, the 2008-09 State Budget included \$304 million in capital funds for the state's various housing programs. This was an increase of \$200 million over historic funding levels that had remained flat for over a decade.

Though the State tripled the amount of funding distributed, viable applications to DHCR, HFA and OTDA's Homeless Housing and Assistance Program greatly exceeded the funds available. In the 2008 Unified Funding round, DHCR received applications requesting \$425 million for approximately \$304 million in available funding. Demand for HHAP funding exceeded supply even more: approximately \$95 million worth of proposals for supportive housing competed for just \$36.5 million in available funds.

We want to acknowledge that last year's funding awards were a substantial step forward in the State's efforts to integrate and expand access to supportive housing for New York's most vulnerable citizens. The Commissioners at DHCR, OTDA, OMH, OMRDD, and OASAS are working together to develop housing that is integrated and more appropriate for our most vulnerable citizens. We deeply appreciate their efforts to coordinate development and thank the Governor for his leadership on this issue.

The 2008 Unified Funding Round encouraged applications that included supportive units within larger developments, allowing people with special needs to be fully integrated into their communities. DHCR awarded funding for more supportive housing in 2008 than in any previous year, resulting in the preservation or creation of 335 supportive housing units, or 17% of all units funded. I have included a detailed analysis the Supportive Housing Network wrote on the 2008 Funding Award Round. All New Yorkers should applaud the Governor, Commissioner VanAmerongen and the staff at DHCR, along with HFA President Priscilla Almodovar and the staff at HFA for making housing for people with special needs a priority.

Supportive Housing Set-Aside:

The increase in supportive housing units funded in 2008 is the direct result of DHCR’s decision to establish a \$2 million pool set aside to fund supportive housing. To qualify for the set-aside, projects had to meet a broad definition of supportive housing included in the QAP, and reserve at least 30% of the units for designated special populations. In the end, because of the quality and quantity of supportive housing proposals, DHCR chose to allocate twice as many tax credits (\$4 million) to supportive housing proposals as had been promised in the set-aside.

The new peak in DHCR-funded supportive housing units in 2008 reflects the strong commitment to special needs housing by the agency and the Governor. But there is an enormous unmet need:

- More single room occupancy apartments are lost each year than any other type of housing.
- Over 60,000 New Yorkers across the state are homeless each night, at least half of whom need services to succeed in housing.
- Many thousands more need supportive housing to move successfully into the community from institutional settings, prisons and adult homes.

Supportive Housing Network Recommendations:

1. Support Community-Based Organizations

New York State has a long history of working closely with nonprofit organizations to develop, maintain, and preserve the state’s infrastructure of affordable and supportive housing units. Housing development is complicated and time consuming. Our nonprofit providers are a key component in building these projects and maintaining their success and viability in the long run. When we cut staff at these organizations, we become less efficient, and we undermine our ability to preserve the state’s investment in housing. It also curtails our services to the community, and to the residents in our housing.

Cuts to programs like the Neighborhood and Rural Preservation Program and OTDA’s SRO Support Services Program will result in loss of staff and services for our communities and our residents at a time when we will be experiencing increased demands for housing services.

To maintain and grow our ability to address housing needs in our communities, we urge you to restore funding the to the following:

<i>Program:</i>	<i>Requested Funding Level:</i>
SRO Support Services Program	\$21.2 million
Neighborhood Preservation Program	\$13.9 million
Rural Preservation Program	\$6.3 million

2. Fund Essential Support Services

A successful supportive housing program requires three elements: (1) capital for bricks and mortar, (2) operating support to properly maintain the building and make up for tenants' very low incomes,, and (3) funding for supportive services to residents. By removing one of these elements, after funding the others, the State wastes its investment and breaks its promise to the community.

This year, for the first time, the State proposes to cut the SRO Support Services Program. If this cut is not restored, in addition to cutting services to thousands of tenants in existing supportive housing residences, 25 supportive housing residences with over 1,500 units will not receive the service funding they need to house and serve formerly homeless individuals with disabilities. The State and other public sources have already invested over \$265 million to build or substantially renovate seventeen of these residences. It is penny-wise and pound foolish to leave them standing empty or turn them over to mainstream or market-rate tenants for want of the \$5 million that is needed to serve the population for whom they are intended.

3. Increase Housing Development Programs

It is well known that housing construction creates good-paying local jobs. Housing development programs should be increased by the state to spur local economic activity and provide much-needed affordable and supportive housing units. As stated before, HHAP received over \$90 million in viable proposals for the \$36.5 million available this year. At the same time, homelessness is on another stunning rise, setting new records for the number of homeless families in New York City. The DHCR Housing Trust Fund program had similar excess demand, despite two funding rounds this year. These two programs fund the development of hundreds of supportive housing units each year. Additional funding is also necessary to allow DHCR to set aside funds for its share of the NY/NY III units. Under the Agreement, signed by New York State and New York City in 2005, DHCR committed to funding the development of 1000 units. To date, only 42 NY/NY III units have been completed and funded by DHCR capital funds (16 more are in development). In order reach their timeline targets, DHCR would need an average of \$30 million per year just for NY/NY III units (at \$300k/unit for 100 units).

And because these units will house homeless and disabled people who will no longer need to depend on expensive emergency systems like shelters, hospital emergency rooms and psych centers, the investment begins to produce savings to the State in the first year of operation. We therefore support Housing First!'s position that the State should borrow the capital necessary to address overwhelming affordable housing needs. Investing capital funds in affordable housing spurs enough economic development in New York State, and, in most cases, pays for the costs of borrowing, especially when the state uses it to build permanent supportive housing.

There are a range of effective and efficient capital housing development programs at DHCR and HFA that would provide economic and social benefits if funded at levels more commensurate with the demand of developers and tenants. Two capital production programs in particular build permanent supportive housing and should be increased, as follows:

<i>Program:</i>	<i>2008 Actual</i>	<i>2009 Requested</i>
Homeless Housing and Assistance Program	\$36.5 million	\$90 million
Housing Trust Fund	\$60 million	\$75 million

We are hopeful that some of this increase will be funded with stimulus dollars. But if these are not available, it is in the State's interest to issue bonds to fund these increases in order to ensure worthy, much-needed residences and homes continue to be built, even with the temporary, but significant, decrease in tax credit equity. Affordable housing development is one of the best ways to stimulate the

economy. It creates more jobs for the dollar faster than most other investments, and New York State has a development pipeline big enough to have a discernible positive effect on the state's economic growth.

4. Increase Supportive Housing Set-Aside

By increasing the share of supportive housing units funded by DHCR to at least 25% of all tax credit-funded development (roughly the percentage of tax credits New York City HPD allocates to supportive housing), New York can accelerate the creation of a statewide supportive housing resource that will help us eventually to end homelessness among our most vulnerable citizens.

5. Tax Credit Concerns

The Low Income Housing Tax Credits (LIHTC) has been one of the most reliable sources of equity for developers of affordable housing and supportive housing, not just here in New York State, but nationwide. However, this tax credit has dropped significantly in value. Tax credits that raised 92 cents of equity for every dollar of tax relief last year have dropped to as low as 71 cents – if they are available at all. This has caused funding gaps for a number of affordable housing projects already under development. We greatly appreciate the efforts DHCR Commissioner VanAmerongen and HFA President Almodovar took to fill funding gaps and get 15 projects to closing in 2008, units that would have been lost without their proactive and creative interventions.

The Network has joined with many other stakeholders to advocate for changes to tax credit rules in the President's economic stimulus bill, both to fill this year's financing gaps and to return the tax credit market to long-term health. At present, the drop in tax credit equity investment means the program, which historically has built over 100,000 units annually, will break ground on **fewer than 30,000 units in 2009**. Simply put, we need a large infusion of capital this year, as well as changes to the tax credit program to make it more attractive for investors. Thank you for your advocacy so far on this issue; please redouble your efforts over the next ten days, when the stimulus bill will be finalized. We will do our part, but our state's Congressional delegation must hear from everyone. I've attached a letter that our Executive Director, Ted Houghton hand-delivered to New York's Representatives in Congress this week. We hope you can echo our recommendations in your own advocacy around the economic stimulus package.

I know you have your hands full with the state budget, but we have a narrow window of opportunity to influence what is going to be contained in the federal stimulus package and it will have dramatic ramifications on our ability to produce and preserve affordable and supportive housing here in New York State. Thank you for all you do to make New York State a better place to live and work.

Thank you for this opportunity to testify.