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Testimony of
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at
Joint Legislative Public Hearing on the 2014-15 Executive Budget: Housing
Assembly Standing Committee on Housing
Senate Standing Committee on Housing, Construction, & Community Development
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The Community Service Society (CSS) appreciates this opportunity to submit testimony on several housing-related issues in the Governor's proposed Executive Budget. CSS is an independent nonprofit organization based in New York City that, for over 160 years, has provided innovative solutions to the problems facing low-income New Yorkers. The testimony covers:

- The Governor's Proposed Renter Tax Credit (RTC)
- The HCR Tenant Protection Unit
- Rent Supports to Enable the Homeless to Leave City Shelters
- Replenishment of New York City Housing Authority (NYCHA) Reserves

The Proposed Renter Tax Credit

Across the State, most low-income New Yorkers (70 %) rent rather than own their homes. They face a deepening rent affordability crisis, due to rising market pressures, fueled in part by surging property taxes which they pay through their rents. The dimensions of the statewide affordability crisis are analyzed in a recent CSS report.*

The Governor's Renter Tax Credit (RTC) proposal would provide a modicum of rent relief to many but not all overburdened low-income tenants, and to higher income tenants who are paying rents they can well afford. We oppose it because it is an arbitrary, "scattershot" approach to rent relief that is unrelated to household need—something for nearly everyone, like STAR, a squandering of scarce State resources on an undefined problem.

For example, in New York City our estimates of the impact of the Governor's RTC are contained in the attached Table, the figures based on the 2011 NYC Housing and Vacancy Survey conducted by the U.S. Census Bureau. We estimate the RTC will reach about 1.3 out of the city's 2.1 million tenant households, with adjusted federal incomes up to $100,000, providing an average benefit of about $89 per recipient in the first year (double the second year), a shallow benefit that will not make a significant dent in household rent burdens. In contrast, the "circuit breaker" bill passed by the Assembly in 2008 (A.11838) was more closely targeted to need and would have provided higher benefits averaging $271 per recipient to 1.1 million truly overburdened city renters.*

Moreover, the Governors RTC is distributed arbitrarily, without regard to need. In New York City, recipients include 182,000 renters in the private, unassisted market with incomes between $72,000 and $100,000. As a group, they have a median rent burden of 20 percent of income (well within the 30 percent federal affordability standard) and are paying rents they can afford. Recipients will also include 317,000 renters in government-assisted housing, most of whom are guaranteed affordable rents under the law. In total, about 38 percent of recipients of the Governor's RTC—499,000 out of 1.3 million—are not carrying unaffordable rent burdens. At the same time, it is patently unreasonable and unfair that 101,000 low-income tenants in private, unassisted apartments are excluded from RTC benefits simply because they are living singly and are not elderly. As a group, they carry an extremely high median rent burden of 56 percent, well over the 30 percent affordability standard.

Many New Yorkers who rent are in need of rent relief that can be made available through a State tax credit. We would recommend an alternative approach to the Governor's proposal, one that concentrates benefits by targeting only renter households with excessive burdens and one that provides more significant benefits. Because the Governor's RTC proposal spans so wide a range of incomes, the benefits are too shallow for those who really need them.

We recommend that the State go back to the drawing boards and develop a less arbitrary, more targeted approach to the RTC, one that addresses the rent affordability crisis and targets significant benefits to overburdened households. Single, non-elderly, low-income households should not be arbitrarily excluded.

In short, we recommend a "circuit breaker" approach to rent relief, which targets benefits to those in need and scales the benefit in proportion to need, like the one passed by the Assembly in 2008. Ideally, the RTC should be integrated into a comprehensive circuit breaker approach that includes homeowner relief, and replaces STAR, a position recommended by the Omnibus Consortium for Property Tax Relief, in which CSS participates.

HCR Tenant Protection Unit (TPU) Budget

For the last two years, New York State Homes and Community Renewal has improved the enforcement of the Rent Stabilization Law with its Tenant Protection Unit. The TPU has returned thousands of apartments to rent regulation after they were illegally deregulated. It recently won an important settlement to stop abuses of immigrant tenants in Washington Heights by a landlord who was illegally demanding to see tenants' passports and threatening them with eviction. Unfortunately, there are many more abuses like this taking place than the TPU has the capacity to address. It is currently funded with $5.7 million from the HCR general budget, but the work of this unit needs to be expanded, and the legislature should make it a permanent part of HCR's enforcement arsenal by giving it its own line item of dedicated funds.

Prohibition of State Participation in Rent Support for Homeless New Yorkers

We understand that the Governor's budget blocks New York City from receiving funds to help homeless families move out of city shelters. Between 2007 and 2011, the State participated with the City in the Advantage Voucher program, which provided two years of rent support, enabling homeless families to move from shelters to permanent housing. As you know, the census of homeless families in city shelters has reached unprecedented levels in recent years. With the State's fiscal outlook improving, it is dismaying that the Governor, whose career has been marked by innovative homeless initiatives, would preclude the State from participating once more in rent assistance that makes it possible for families to leave shelters and return to the community. We strongly recommend that the State budget include a collaborative, cost-effective approach to supplement the rents of families leaving the shelter system.

State Responsibility to Replenish NYCHA Reserves

In 1998 the State terminated its operating subsidies to the public housing developments it financed, which were ineligible for federal operating subsidies. Such subsidies are needed to cover the growing gap between rising operating costs and rents received. At the time, the New York City Housing Authority (NYCHA) owned and operated fifteen State-financed developments (12,000 units). The State had provided operating subsidies to NYCHA since 1969. By 1998, when they were terminated, the subsidy had dropped to $10 million annually.

In 2010, these developments were federalized under ARRA, the federal economic stimulus act, making them eligible for federal operating subsidies.

During the 12-year period between the 1998 State termination and the 2010 federalization, the average operating shortfall for NYCHA State developments was estimated at $56 million annually. Over that period NYCHA was forced to cover a cumulative operating deficit of $627 million by eating into its limited reserves and reducing its operating workforce. As a consequence, NYCHA residents are experiencing accelerating deterioration of the city's aging public housing and unprecedented levels of substandard conditions.

Over that period of State disinvestment in NYCHA, the State fared well. It saved cumulative operating subsidies totaling $120 million. Since the 2010 federalization, it has also relieved itself of about $6.4 million annually in modernization subsidies for major capital improvements.

NYCHA now faces a serious, difficult-to-reverse, financial crisis. Well before Superstorm Sandy and the federal sequestration budget cuts, it was operating at an annual deficit of over $60 million, with a backlog of $6 billion in capital improvement needs. The impact on residents living conditions has been disastrous.

To some degree the State disinvestment from NYCHA is responsible for the condition in which NYCHA finds itself. By turning its back on the Authority in 1998, it contributed to the depletion in the Authority's reserves and to reductions in its workforce, both major contributors to the current crisis facing the city's primary affordable housing resource for low-income New Yorkers.

NYCHA is still operating the public housing developments that the State originally financed, for which federal subsidies remain inadequate. To make up for the deficits produced by the State's withdrawal from its responsibilities, we recommend that the State housing budget include an annual allocation of $50 million for the next decade that would go toward replenishing the Authority's reserves and help make the repairs and improvements that are now critically needed.

**Shorted Renters: Circuit Breaker Property Tax Relief for Low-Income Renters,* by Victor Bach & Tom Waters, CSS Policy Report, Community Service Society, January, 2009. www.cssny.org "Low-income is defined as household income up to twice the federal poverty level, which is now about $18,000 for a family of three.

RENTER TAX CREDIT (RTC) in NEW YORK CITY*:
ESTIMATED DISTRIBUTION OF (1st year) BENEFITS

	Number of Households	RTC = 0	RTC > 0	Benefit per Recipient**
Unsubsidized Renters				
Poor	225,400	46,100	179,300	$ 131
Near-Poor	331,600	54,700	276,900	104
Middle	457,700	119,200	338,500	74
Upper Middle	411,200	229,200	182,000	52
High	267,600	267,600	---	---
TOTAL	1,693,500	716,900	976,600	$ 89
Subsidized Renters				
Poor	177,300	33,000	144,300	$ 126
Near-Poor	127,300	16,700	110,700	101
Middle	66,600	16,200	50,400	74
Upper Middle	24,000	12,500	11,600	53
High	16,000	16,000	---	---
TOTAL	411,300	94,400	316,900	$ 106

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Income Levels:

Poor	*Up to 100% Federal Poverty Level*	*$18,000 (based on family of 3)*
Near-Poor	*100 to 200% FPL*	*$18,000 to 36,000*
Middle	*200 to 400% FPL*	*$36,000 to 72,000*
Upper Middle	*400 to 800% FPL*	*$72,000 to 144,000 (RTC cut off at $100,000)*
High	*Over 800% FPL*	*Over $144,000 (RTC cut off at $100,000)*

As used here, "low-income" refers to an income up to 200% of FPL (poor and near-poor)

** *Benefits double from the second year on.*