



**Testimony of the New York City Department of Housing Preservation and Development to
the New York City Council Committee on Housing and Buildings regarding
HPD Term Sheets
Thursday, September 14, 2017**

Good morning, Chairman Williams and members of the New York City Council Committee on Housing and Buildings. My name is Molly Park, and I am the Deputy Commissioner for Development with the New York City Department of Housing Preservation and Development (HPD). At the table with me is Jordan Press, HPD's Executive Director of Development and Planning with the Division of Government Affairs, who will be available for questions at the conclusion of this testimony. Thank you for the invitation to testify on HPD's updated term sheets, which allow us to implement Mayor de Blasio's historic capital investment in Extremely Low Income (ELI) and Very Low Income (VLI) units. I want to especially thank Council Member Williams for his continual leadership in pushing for deeper affordability. The Council has been an important partner in fighting for low income housing. We also appreciate the time and feedback from numerous Council Offices who participated in meetings and a brown bag briefing on these updated term sheets earlier this summer.

The Administration has taken historic steps to develop and preserve affordable housing under Mayor De Blasio's Housing New York (HNY) Plan. From the beginning, we set out to achieve deep affordability in Housing New York. With the 10 year plan, we created new programs to reach New Yorkers at lower incomes than ever before and we have seen the results. Developers are going lower in our mixed income programs and we are reaching deeper affordability. As of June 30, 2017, 77,651 units have been created or preserved under Housing New York. This includes 6,533 homeless units and 4,627 senior units to support some of the City's populations most impacted by rising rents. These numbers put us at 39% of our target goal and on track to meet the plan's ambitious objectives.

HPD's financing programs use direct capital subsidy, real estate tax exemptions, or both to facilitate the acquisition of property, new construction, rehabilitation, and preservation of affordable housing. Term sheets set the parameters for each of our subsidy programs with our many partners in development finance: they outline eligible borrowers and sponsors; required income and rent tiers; how much financing is available on a per-unit basis; equity requirements; design requirements; eligible real estate tax benefits; and other important loan terms. In

development finance, term sheets are a critical way to structure and give shape to our programs, and to give consistent guidance to our many partners.

We updated our term sheets for four reasons. First, we wanted to address several programmatic goals. In the Mayor's State of the City address in February, he announced an increase of 10,000 units for Extremely Low Income (ELI) and Very Low Income (VLI) households within Housing New York. ELI units, which are defined as having rents affordable to households earning 30% of the Area Median Income or \$25,770 for a family of three, and VLI units, defined as having rents affordable to households earning 50% of the Area Median Income or \$42,950 for a family of three, now represent 25% of the overall housing plan. Updates to our Extremely Low and Low Affordability (ELLA) term sheet and our Mix and Match term sheets, which I will explain in more depth shortly, will help us to achieve this commitment to housing the lowest income New Yorkers. As part of the emphasis on ELI and VLI units, we also sought to address the homelessness crisis by improving the distribution of units for formerly homeless households. All ELLA and Mix and Match projects will include both homeless and ELI/VLI units, ensuring that we are building for both current shelter residents and those who may be precariously housed.

Second, we wanted the updated term sheets to assist in making projects more sustainable over the long term. HPD wants buildings to be financially healthy not just at the point of construction but throughout the life of the property. This helps to ensure good maintenance and that residents will have ongoing access to high-quality housing. Incorporating ELI/VLI units into projects that also have some slightly higher income units helps to do that.

Third, in order to keep up with our ambitious production and preservation goals we had to respond to the ever-changing marketplace. Our term sheets increased subsidy in part to address the concurrent reduction of resources and increase in costs. The affordable housing marketplace has not been immune to increased costs to develop property in New York City. Construction hard costs have risen approximately 15% since the start of Housing New York. The cost to develop is also increased by very high land costs, which are prevalent throughout the City.

Finally, we updated the term sheets to improve our operations, create more clarity for developers who might not have much experience working with the City, and to codify common practices. Perhaps the most noteworthy and progressive of these clarifications relates to how the Department is financing projects that are using HPD subsidy while also complying with the City's Mandatory Inclusionary Housing (MIH) program. As the Committee knows, MIH was created as a baseline requirement for affordable housing in new developments where an increase in zoning allows for more residential floor area. The City explicitly did not intend to contribute funds that might subsidize MIH units, and so we had to establish a policy for affordable housing projects that go well beyond MIH affordability but which are also subject to MIH requirements. Our new construction term sheets now clarify and codify that we expect developers to make an additional 15% of units permanently affordable, on top of the 25-30% permanently affordable units required under MIH, when HPD-subsidy is provided.

Now I will speak to the most significant programmatic changes to the term sheets. Mix and Match now requires both homeless and ELI/VLI units – previously this was an option, but not a requirement. ELLA has always emphasized deep affordability, but the current version of the term Sheet creates a strong incentive to do both some homeless and some ELI/VLI in the same project, rather than just a larger share of homeless units. In addition, requests for City subsidy above term sheet levels by developers will require additional homeless units or additional permanent affordability going forward. We are also encouraging further incorporation of senior or supportive housing into predominately family buildings.

I am also excited to share some of the changes in our Affordable Neighborhood Cooperative Program (ANCP) term sheets. The ANCP program was launched in 2012 and rehabilitates former Tenant Interim Lease (TIL) program buildings into affordable homeownership as HDFC cooperatives. During a hearing for the Committee on Housing and Buildings this April, HPD announced a new approach to the TIL-to-ANCP conversion process that addressed the concerns brought by the Council, residents, and the community. These collaborative efforts, in conjunction with changing market conditions, necessitated changes to the ANCP term sheet. HPD committed additional funding to rehabilitate these buildings and increased the maximum City subsidy from \$110,000 to \$200,000 per unit. The higher subsidy amount covers a greater share of the rehabilitation cost, reducing the amount of the private mortgage. This allows HPD to reduce the monthly maintenance payments in our ANCP units to be affordable for households earning 40% of Area Median Income or \$34,360 per year for a family of three. Since the hearing, we are already seeing benefits to the ANCP pipeline that will facilitate the development of affordable homeownership units.

Updating our term sheets will result in a further diversification of New York's housing stock and drive deeper affordability. We know how important this is to the Council and again thank Chair Williams, Chair Greenfield, Speaker Mark-Viverito, and the many members who fought long and hard for even further affordability levels in our projects. ELLA projects are now much more likely to lead to both homeless and ELI/VLI units. Mix and Match will now incentivize 40% ELI/VLI units while requiring a minimum of 20% ELI/VLI units in a project. Our partnership on this issue also recently resulted in the addition of \$1.9 billion of capital funds over the remainder of Housing New York. This will be critical to implement the commitment of more housing for the lowest income households in our City.

Thank you for the opportunity to testify and we are happy to answer any questions you may have at this time.

Katie Goldstein
Executive Director, Tenants & Neighbors and Coordinator, Real Affordability for All Coalition

Testimony as Prepared
September 14, 2017
New York City Council Committee on Housing and Buildings Hearing
Re: Oversight –HPD Term Sheets

Good morning. Thank you to Chair Williams and to the committee members for the opportunity to testify today.

My name is Katie Goldstein and I am the Executive Director of New York State Tenants & Neighbors Information Service and New York State Tenants & Neighbors Coalition, two affiliate organizations that share a common mission: to build a powerful and unified statewide organization that empowers and educates tenants; preserves affordable housing, livable neighborhoods, and diverse communities; and strengthen tenant protections. The Information Service organizes tenants in at-risk rent regulated and subsidized buildings, helping them preserve their homes as affordable housing, and organizes administrative reform campaigns. The Coalition is a 501c4 membership organization that does legislative organizing to address the underlying causes of loss of affordability. Our membership organization has over 3,000 dues-paying members.

Tenants & Neighbors organizes in rent-regulated, Mitchell-Lama, and project-based Section 8 developments citywide. In the buildings where we organize, the story is the same. Low and moderate income tenants in New York City are regularly experiencing the pressures of displacement; as rents go up, as affordable housing is developed for income bands that they don't qualify for, and the loss of affordable subsidized units.

I also coordinate the Real Affordability for All Coalition (RAFA), a coalition of housing, community, and labor organizations organizing for housing and labor justice. We launched the Invest in Real Affordability campaign in March 2017 specifically to advocate for HPD to develop new term sheets that invest additional resources in their term sheets to ensure deeper affordability and labor standards in the Mayor's Housing New York plan.

The new HPD term sheets reflect some real changes and improvements. However, they do not specifically meet the needs for deeper affordability, more deeply affordable units and labor standards outlined by the Real Affordability for All Coalition Invest in Real Affordability Campaign. Although HPD offers developers incentives and options that could lead to more and deeper affordability, the wide range of choices within these new term sheets means our communities could still be left with few really affordable units and without labor standards to pathway to better paying jobs at sites where this housing is being produced.

The overall incentives the new term sheets outline are: developers can provide units at a wider range of incomes; there is a required set aside for families at the lowest income tiers (10% under 50% in mix and match and prescribed income levels in ELLA); there is increased subsidy for deeper affordability; and there is a set aside of 10% for homeless New Yorkers.

We have multiple concerns about the new term sheets and we hope that there is still room for reform. First, there are no labor standards. Second, the term sheets outline that HPD give preference to developers who use the least amount of subsidies. We believe that despite the large subsidies that should provide incentives for developers to select the lowest income bands, the conflicting message of “least subsidy” will direct developers seeking to win an RFP to select higher income bands that are incompatible with neighborhood and city wide need. Third, there is a significant concern that a developer using the “Mix and Match” term sheet could pick 4 income bands where: one is the 10% homeless (required); one is 10% between 30-50% AMI (required); but the other 80% of the units could all be unaffordable to our communities (ie. in the 70-130% bands). Fourth, in the ELLA term sheet: the majority of units are still at 60% AMI, which is unaffordable to our communities; and the 10% homeless unit set-aside reduces the number of units available at extremely low and very low income levels, pitting homeless families against local extremely low income working families. Fifth, the only way to access the homeless housing is through the DHS system, and we recommend that should be expanded to include homeless New Yorkers who live in precarious housing such as three-quarter homes. Finally, we need concrete targets for extremely low income studio apartments as well as apartments with three or more bedrooms because of the need in our communities and neighborhoods.

We ask that HPD seriously consider the following changes and issue new term sheets:

- Remove language that gives preference to developers who use the least amount of subsidy, and instead give preference to developers who build to match neighborhood need;
- Give preference to contractors that commit to local hire and that all labor be part of state approved apprenticeship and worker safety programs;
- Have a mandatory band at 27% of AMI and below and or have a requirement that developers must select from two of the income bands in the low-moderate options;
- Make the affordable housing permanently affordable, or, if you cannot do this, give a regulatory compliance period of a minimum of 60 years to maximize length of required affordability;
- Provide access for the homeless housing units to be open to others who live in precarious housing, such as three-quarter houses, SROs, etc;
- Create mandatory numbers of extremely low income studios and apartments with three or more apartments; and
- Meet with a wide range of stakeholders, including the groups who endorsed the term sheet.

We thank you for giving us the opportunity to understand and comment on the new proposed term sheets. We have a unique perspective that comes from our work on the ground in neighborhoods deeply affected by new construction. We would greatly appreciate keeping this dialogue open and ongoing to ensure the city’s resources meet the greatest need.



**Association for
Neighborhood
& Housing
Development**

**TESTIMONY OF BARIKA X WILLIAMS, BEFORE
THE NEW YORK CITY COUNCIL COMMITTEE ON HOUSING AND BUILDINGS
CONCERNING HPD TERMS SHEETS OVERSIGHT.**

September 14, 2017

Good Morning. Thank you to Chairman Williams and to the members of the Committee on Housing and Buildings for the opportunity to testify.

My name is Barika Williams and I am the Deputy Director for the Association for Neighborhood and Housing Development (ANHD). ANHD is a membership organization of NYC- neighborhood based housing and economic development groups- CDCs, affordable housing developers, supportive housing providers, community organizers, and economic development service providers. Our mission is to ensure flourishing neighborhoods and decent, affordable housing for all New Yorkers. We have over 100 members throughout the five boroughs who have developed over 100,000 units of affordable housing in the past 25 years alone and directly operate over 30,000 units.

Housing New York is dedicated to building or preserving 200,000 units of affordable housing, and much of its success will be measured on its achieving that number. The City's Department of Housing Preservation and Development's (HPD) term sheets establish the requirements, services, and city resources that HPD will provide to developers through public and private partners to create and preserve affordable housing.

In July 2017, the de Blasio administration released its annual report on progress made towards the target numbers of affordable units created and preserved as laid out in the Housing New York Plan. Currently, the Administration is making progress and on target to meet their goal of 200,000 affordable units.

But fundamentally, we need to ask: is the Housing New York Plan designed to meet the housing needs of New York City?

The de Blasio Administration's current Housing plan misses the opportunity to create the guaranteed, deeply affordable housing that neighborhoods are demanding. ANHD has done extensive analysis of the City's Housing New York progress in comparison to the City and Borough populations and need.

The results are clear: the extremely low-income and low-income populations are under-served by the affordable units created and preserved thus far under Housing New York.

ANHD and our member organizations have made it clear that the City's affordable housing plan is not adequately serving the more than 27% of New York City households that earn less than \$26,000 and are below 30%AMI. Despite this, 30% AMI units are just 18% of the City's affordable new construction and just 14% of the City's preservation units.

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These discrepancies are even greater at the Borough level. In the Bronx, 40% of Bronx households are at or below 30% AMI, however just 28% of the Bronx's affordable new construction and just 14% of the Bronx's preservation units. Similarly in Brooklyn, 29% of Brooklyn households are at or below 30% AMI, however just 15% of the Brooklyn's affordable new construction and just 11% of Brooklyn's preservation units.

The City's current housing New York plan misses the core of the housing crisis and even the core of NYC's population. Of the more than 1.1 million households that are rent burdened, over 45% are below 30% AMI. In many communities, the income levels being served by the City's term sheets and housing programs would further gentrification, rather than help provide the affordable housing that local residents need. Nearly 68% of affordable units created and preserved under Housing New York are for those households at 60%AMI, or \$51,000 a year, or above –but this is just 30% of the City's rent burdened population.

We urge HPD to strengthen requirements to affirmatively value the benefits that mission-driven developers bring to projects. Mission-driven development organizations have a historic commitment to their neighborhoods which they bring to the development process, and that commitment is reflected in the units they build and the effective community engagement they bring.

We would like to applaud the City for moving forward on new Permanent Affordability tool is its most recent RFPs. Our affordable housing units are extraordinarily valuable assets to our city and our communities, too valuable to be lost after a few decades. We encourage the City to investigate expanding Permanent Affordability into terms sheets so that we can continue to change the way NYC government can ensure permanent control over its public investments and avoid potential expiring-use crises in the future.

Further, development is a piece of the puzzle, and a needed one. But it's not the most important piece. We've seen the results of what happens when development is the priority, and stabilization is the afterthought. Residents are displaced. To ensure that de Blasio's affordable housing plans result in the kind of city we all want to see, strong protections against displacement must be put in place before development occurs. Displacement protections, and other neighborhood needs, must be clearly and concretely defined with legal, binding, enforceable rules

Ultimately, even if the City continues to meet the goals of Housing New York, it is unlikely to meet the goal of reducing the affordability crisis in New York City.

Thank you again for the opportunity to testify.

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I represent: Association for Neighborhood + Housing

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Name: BARICA WILLIAMS

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