The Next Five-Year Housing Plan

Why New York State Needs a Commitment for New Five-Year Housing Plan

NEW YORK HOUSINGCONFERENCE

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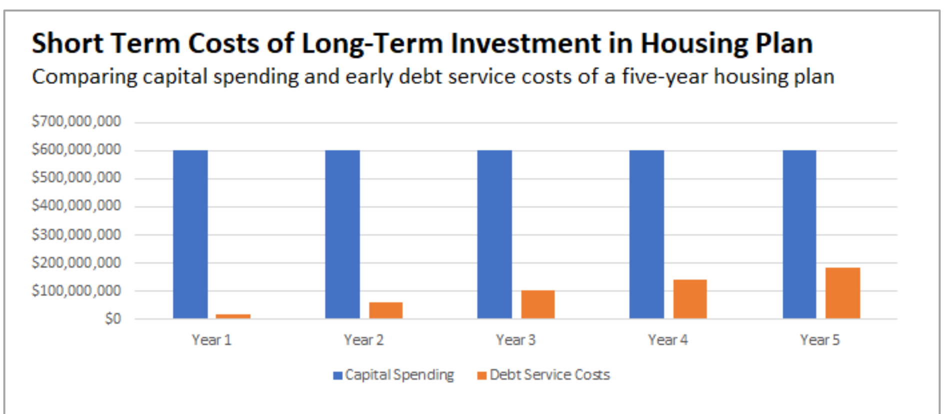
New York State's existing five-year housing plan ends March 31, 2021. Given the importance of housing, the low costs of borrowing, and the need for consistent and predictable funding, the state should renew the commitment to affordable housing and create a new five-year housing plan starting in state fiscal year 2021-2022.

Background: In 2016, Gov. Andrew Cuomo announced a five-year housing plan, which was signed into law in 2017, investing $2.5 billion for affordable housing preservation and new construction.[i] To date, the state created and preserved more than 66,500 affordable units and 7,000 supportive housing units out of the 110,000-unit goal.[ii] The current fiscal year – state fiscal year 2020-2021 – is the final year of the existing five-year plan. Governor Cuomo's 2022 executive budget allocates $250 million in funding to support just one more year of supportive housing production. In order to build on the progress of the last five years and ensure a robust housing pipeline, the New York Housing Conference is calling on the state to continue to invest in housing and create another five-year plan starting in the upcoming fiscal year 2021-2022. The next plan should provide $3 billion to produce a comparable number of units, including at least 7,000 supportive housing units.

Housing Investment is Needed Now More than Ever. As we have seen during the pandemic, housing is healthcare when it comes to COVID 19. But housing insecurity plagues many low-income renters, living paycheck to paycheck. Tens of thousands of COVID-impacted households, through no fault of their own, will risk of eviction when the moratorium ends. Individuals and families need safe and affordable housing to get through this pandemic and for decades to come. As such, the state should do everything it can to produce more affordable and supportive housing. Governor Cuomo has taken great pride, and for good reason, in the state's capacity to partner with the private sector to advance capital projects on time and on budget. He also expressed support for hotel and office conversions to create more affordable and supportive housing. With the housing crisis not abating and a glut of underutilized commercial real estate, now is the time to bring that capacity to bear on the most essential of all capital projects— safe, decent and affordable housing for *all* New Yorkers.

Minimal Short Term Budget Impact. Affordable housing subsidies are mostly paid for through the capital budget with long-term bonds paid back through debt service each year, imposing minimal costs on the state in the short term.



Note: Debt service costs show the estimated first five years of debt service of 30-year capital bonds initiated over five years.

The new investment can be structured in a way that is both fiscally responsible and responsive to the urgent housing needs that confront New Yorkers. New York Housing Conferences estimates that over five years, $3 billion dollars of investment will increase the state's debt service costs by just $17.3 million in the first year and $185.8 million in the fifth year.[iii]

Sound Fiscal Policy. The housing market and the overall economy needs stimulus spending. Maintaining robust capital spending during a recession will have a positive multiplier effect, helping to maintain jobs and to generate tax revenues by providing an economic stimulus, which will help reduce the length and severity of the recession.[iv] The state's bond-funded capital budget is one of the only tools available for the state for stimulus. An analysis by HR&A Advisors, commissioned by NYSAFAH, found that every 100 units of affordable housing construction generates:

- 120 construction jobs
- 135 indirect and induced jobs and
- $43.5 million of direct, indirect and induced economic spending

Over the long term, 100 units of housing generates:

- 4 permanent jobs on-site
- 32 ongoing direct, indirect and induced jobs and
- $8 million per year in economic activity.[v]

The economy needs this investment and New Yorkers need the housing.

Low Rates, High Ratings. In addition to the low costs to the state's operating budget, now is a great time to invest due to extremely low interest rates, which means that borrowing is cheap.[vi] [vii] The 30-year Treasury Rate is 1.66 percent, close to the lowest it's been since at least 2000.[viii] If we wait to invest until the economy has improved, rates may increase making it more expensive to borrow. We should be taking advantage of the low costs and increase borrowing. It is foolish to waste this opportunity. In addition, New York State's bond rating remains strong – with GO Bonds and Personal Income Tax bonds rated AA+ by S&P and Fitch and Aa2 by Moody's.[ix] New York State has successfully sold $6.28 billion of bonds in the fourth quarter of 2020 and plans to sell $6.92 billion during the first three months of 2021,[x] showing that the market exists for more state bonds.

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[i] Governor Cuomo Launches Landmark $20 Billion Plan to Combat Homelessness and Create Affordable Housing For All New Yorkers. Press release, Gov. Andrew Cuomo. May 18, 2017. https://www.governor.ny.gov/news/governor-cuomo-launches-landmark-20-billion-plan-combat-homelessness-and-create-affordable

[ii] FY 2022 Executive Budget Briefing Book, New York State Gov. Andrew Cuomo. Jan. 19, 2021. https://www.budget.ny.gov/pubs/archive/fy22/ex/book/briefingbook.pdf

[iii] New York Housing Conference estimate of debt services payments. Assuming $200 million in new bonds per year for five years, with a ½ debt service payment in the first year and constant interest and principal payments in subsequent years.

[iv] Policy Basics: Fiscal Stimulus, Center on Budget and Policy Priorities. May 21, 2020. https://www.cbpp.org/research/economy/policy-basics-fiscal-stimulus

[v] Economic Impacts of Affordable Housing on New York State's Economy. By HR&A Advisors, prepared for NYSAFAH. Feb. 10, 2017. https://www.nysafah.org/cmsBuilder/uploads/nysafah-economic-impact-of-affordable-housing-2017-update-(2011-2015)-final_001.pdf

[vi] 10-Year Treasury Constant Maturity Rate, Federal Reserve Bank of St. Louis. https://fred.stlouisfed.org/series/DGS10. Retrieved Sep. 16, 2020.

[vii] 30-Year Treasure Constant Maturity Rate, Federal Reserve Bank of St. Louis. https://fred.stlouisfed.org/series/DGS30. Retrieved Sep. 16, 2020.

[viii] Daily Treasury Yield Curve Rates, U.S. Department of the Treasury. https://www.treasury.gov/resource-center/data-chart-center/interest-rates/pages/TextView.aspx?data=yield Retrieved on Sep. 16, 2020.

[ix] Credit Ratings on New York State Bonds, https://bonds.ny.gov/bonds/BYNB-bondsCredit.html

[x] DiNapoli Releases Bond Calendar for First Quarter; Tentative Schedule Includes $6.92 Billion of New Money and Refunding Debt Sales. Office of the New York State Comptroller Thomas P. DiNapoli. Jan. 6, 2021. https://www.osc.state.ny.us/press/releases/2021/01/dinapoli-releases-bond-calendar-first-quarter