NEW YORK STATE HOUSING REPORT

Issued March 2008

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Letter from Agency Heads

Greetings,

For most of the twentieth century, New York State was a national pioneer in creating affordable housing. New York was one of just two states that helped produce housing before the New Deal. In fact, it was New York's Housing Act of 1926 which helped inspire President Franklin D. Roosevelt to make federal commitments to affordable housing. Today, the State's Housing Finance Agency, the State of New York Mortgage Agency and the Division of Housing and Community Renewal remain committed to New York's historic legacy as a leader in the provision of high quality, affordable housing.

As part of this commitment, good government practice requires that we constantly measure our effectiveness. Taxpayers, policy makers, political leaders, advocates and developers all need to know how efficiently and effectively the State is using its housing resources. It is in this spirit that we present the enclosed "New York State Housing Report." For the first time in one place, New Yorkers will be able to see where our housing money comes from, where it's spent and the value we get in return. By bringing together information which is normally spread out over multiple agencies, we ensure greater accountability and transparency and make certain our State's dollars go further.

This report succinctly describes the federal and state resources spent on affordable housing, as well as the number of affordable housing units created, preserved or assisted through the programs of our state agencies in 2006 and 2007. In 2007, New York State produced, preserved or assisted more than 27,000 units – rental and homeownership. Our goal is to build upon that success.

Like all housing activities, this Housing Report required significant effort and interagency collaboration, lead by HFA, DHCR, and SONYMA. We are grateful for the support we received from the Office of Mental Health, the Office of Temporary and Disability Assistance and the Division of Budget.

Sincerely,

Priscilla Almodovar
President & CEO
New York State Housing Finance Agency
State of New York Mortgage Agency
New York State Affordable
Housing Corporation

Deborah Van Amerongen
Commissioner
New York State Division of
Housing and Community Renewal

Report's Goals

Affordable housing development increasingly requires complex financing structures, using a variety of federal, state and local resources to leverage private investment. This complex financing system makes it complicated to measure the State's efficiency in its use of these resources. This was the impetus for putting together this Housing Report. The ultimate goal for future housing reports is to measure New York's annual progress toward providing housing opportunities for all of its citizens. While this Housing Report does not purport to make such a measurement, for reasons discussed below, this Housing Report is the State's first step in that direction. Specifically, this Housing Report establishes a base line for housing production and resource commitment and presents reliable and concise answers to the following questions: (i) how many affordable units did the State finance in 2006 and 2007; and (ii) what were the state and federal resources spent in financing those affordable units during those years?

What this Housing Report does not attempt to do is:

- assess macro economic trends, such as job data or demographic changes, and how they might impact housing demand;
- analyze housing prices and sales, rent levels, vacancy rates, or the overall affordability of New York State’s housing stock;
- analyze the type of housing production taking place throughout the state, either by location or by type;
- assess the housing needs by region or by population; or
- set housing targets necessary to meet demand.

Simply establishing the amount of resources committed and the number of units financed was not an easy task. Prior to this Housing Report, information about the State's different housing programs was not collected in one place. Layered on top of the state housing programs are intricate federal programs. Lastly, in addition to capital dollars spent to finance the construction or preservation of affordable housing, there are immense operating and rental subsidies, as well as service dollars, spent to make housing more accessible or affordable for special need populations or for very low-income households. For a description of the methodology we used to establish the information in this Housing Report, see the "Methodology" section.

Units Created, Preserved and Assisted

A description of all of the state housing programs which make up the different categories can be found in Appendix A.

The many programs administered by the State's agencies which go to produce, maintain or preserve affordable units or assist low- or moderate-income homebuyers can be grouped under certain broad categories. This Housing Report creates three:

Multifamily Rental—Production and Preservation

The most extensive block of programs stimulates the new production and rehabilitation of multifamily rental housing, including the low-income units created through the use of tax exempt private activity bonds. This category also includes the capital programs which build or rehabilitate supportive housing for special need populations. Finally, we have included in this category rental units which receive credit enhancement from the Mortgage Insurance Fund without other state subsidies.

Broadly speaking, multifamily rental units fit into two general categories: new construction or preservation. In the case of preservation, preservation can mean either simply extending the affordability period for existing and future tenants or providing assistance for moderate to gut rehabilitation of existing, aging affordable housing which also extends the affordability period.

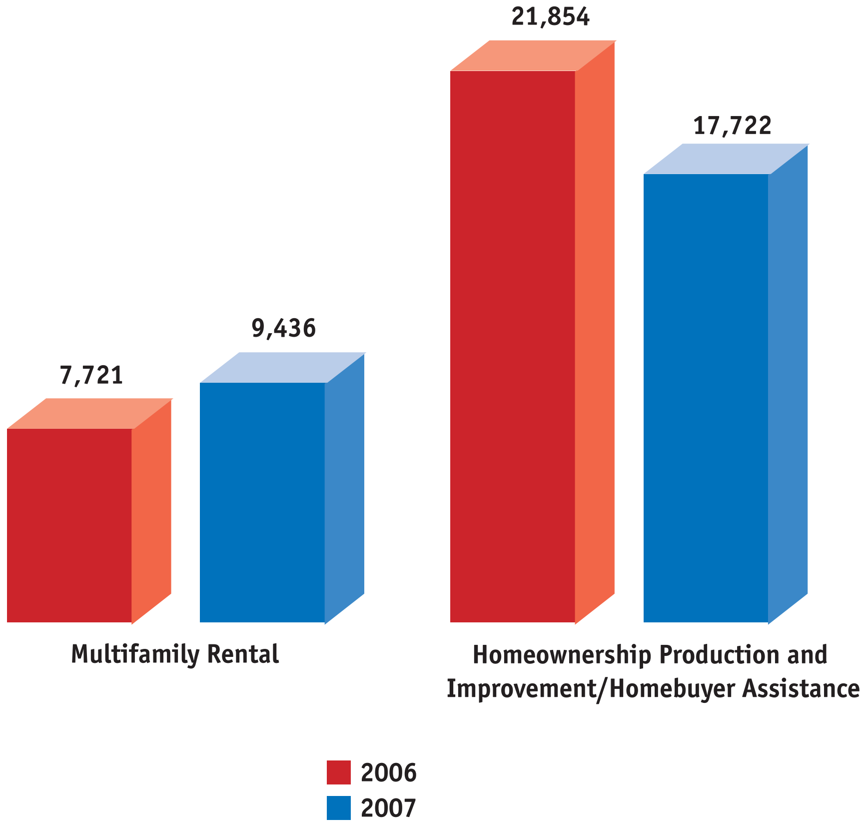
Homeownership Production and Improvement

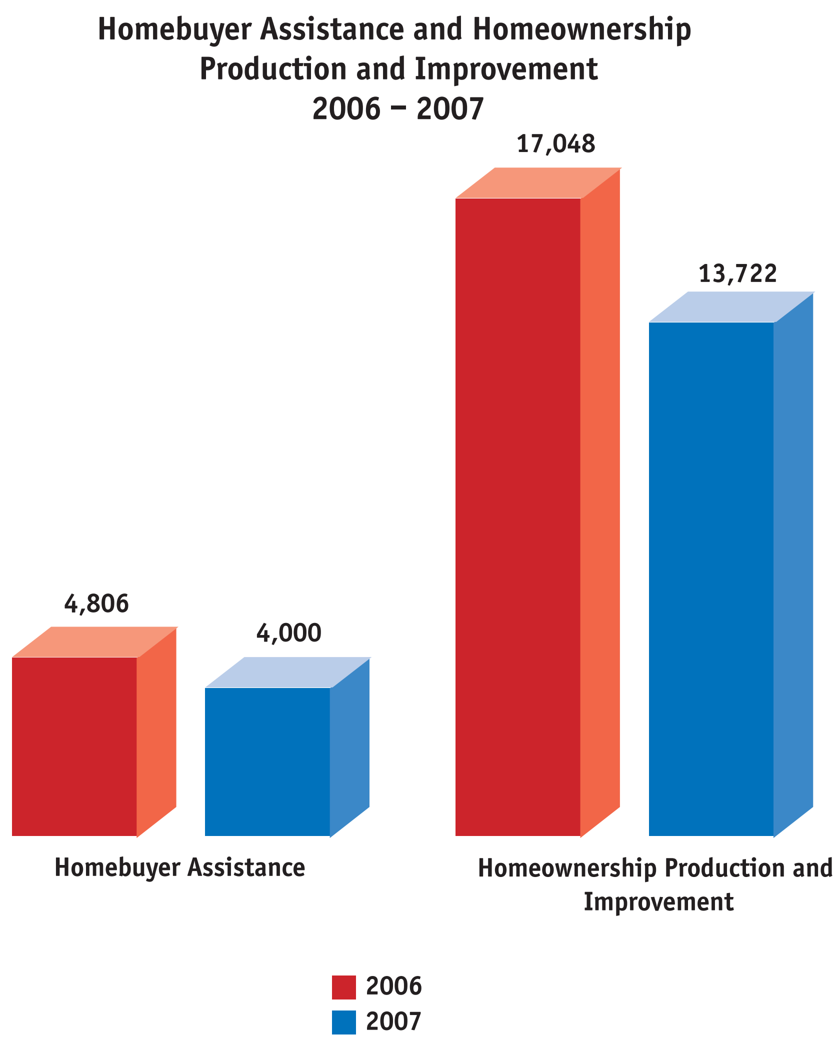
This set of programs finances and facilitates the construction and repair of smaller (1-4 family) homes, as well as condominiums and cooperative apartments. Home improvement programs for income-eligible homeowners that provide grants or low interest loans to homeowners to repair or upgrade their homes are also included in this category.

First time Homebuyer Assistance

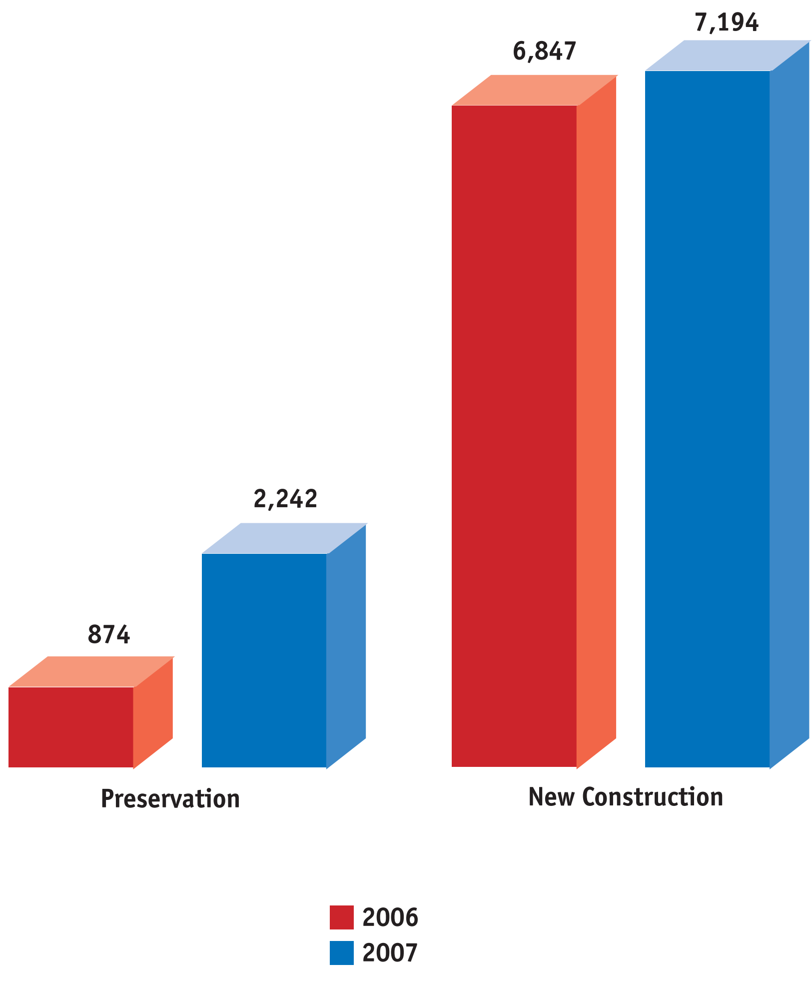
These programs provide down payment assistance, below market mortgages, and primary mortgage insurance, in each case primarily for first time homebuyers.

Total Multifamily Rental and Homeowner Units 2006 – 2007




Homebuyer Assistance and Homeownership
Production and Improvement
2006 – 2007
17,048
13,722
4,806
4,000
Homebuyer Assistance
Homeownership Production and
Improvement
2006
2007

Multifamily Rental Units
2006 – 2007



State and Federal Resources Committed

Financing for the units included in this Housing Report comes from nine main sources:

	2006	2007
State Spending and Other State Resources:		
State Capital Sources	$161,546,758	$182,432,656
HFA second mortgages	$5,514,871	$41,560,497
State Low Income Housing Tax Credit	$17,315,586	$16,823,856
Credit enhancement by NYS Mortgage Insurance Fund[1]	$173,353,613	$206,260,512
Federal Spending and Other Federal Resources:		
Federal Low Income Housing Tax Credits (9% and 4%)	$311,594,734	$485,614,993
Federal HOME Funds	$33,339,535	$35,115,182
Federal CBDG Funds	$26,530,176[2]	$13,771,395
Federal Weatherization Assistance Program Funds	$63,640,908[3]	$55,236,639
Federal Tax Exempt Private Activity Bonds:		
Multifamily mortgages	$477,515,000	$1,298,130,000[4]
Single family mortgages	$380,178,706	$319,197,617

With a few exceptions, the state capital budget for housing has been basically flat for 10 years and, when adjusted for inflation, has decreased over time. Federal capital subsidies for the creation and preservation of affordable housing have also remained flat since 2002. To the limited extent federal funding for housing has increased since 2002, such increases have almost exclusively come in the form of rental subsidies for tenants in existing homes, home heating and weatherization assistance. These increases have covered higher costs rather than expanding services or programs. This stagnant federal and state capital funding is even more notable in light of the dramatic increase in land and construction costs, especially downstate.

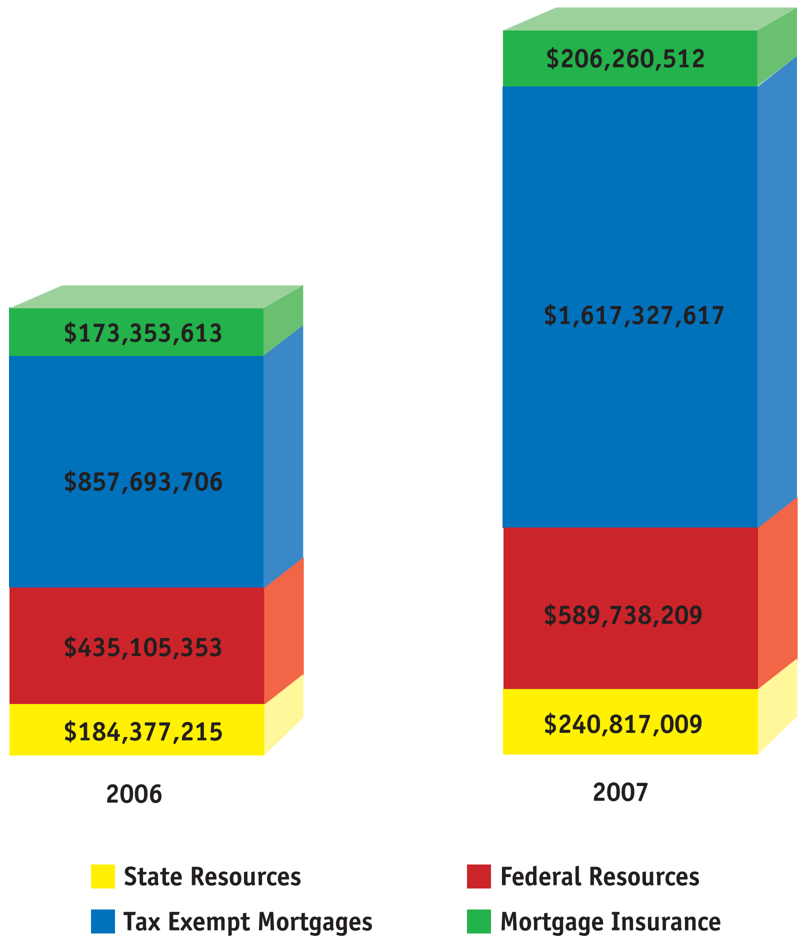
1 Represents the principal amount of the insured mortgages.

2 In addition to its program year 2006 allocation for housing projects of $15.3 million, the Office of Small Cities made a one time allocation of $11.2 million, consisting of both recaptured funding and prior year uncommitted resources.

3 In 2006, Weatherization Assistance funding was augmented by a federal Low Income Home Energy Assistance Program supplemental allocation of approximately $10 million, which was not provided in 2007.

4 The 2007 multifamily mortgages number is high due to HFA financing a number of very large 80-20 projects in 2007. While we have not counted the 80% market rate units in the unit calculations, we counted the total first mortgages to the projects in the resource category because all of these resources are needed to complete the 20% affordable units. In addition, several of these 80-20 projects received a multi-year allocation of Private Activity Bonds. We counted the full amount as allocated in 2007. This is consistent with our overall resource counting methodology.

Resources
(including Bonds and MIF)



By shifting more of the State's private activity bonds to affordable housing, the State better leverages this scare Federal resource. When an affordable multifamily project is financed with private activity bonds, not only does the developer access lower cost financing because of the tax-exempt bonds, the developer also receives "as-of-right" 4% Federal tax credits for the low-income units. The developer then sells the credits to outside investors, who use the credits to reduce federal tax liability, while the developer uses the cash to finance the affordable housing project. More information on the LIHTC can be found in Appendix A.

Priorities and Challenges for 2008

The state agencies share the following priorities for the coming year: (i) continuing to expand interagency collaboration to achieve greater efficiencies and develop innovative solutions to the housing challenges we face; (ii) enhancing public/private partnerships to better leverage scarce public dollars; and (iii) using our programs and dollars to promote the State's green agenda and thereby enhance energy efficiency and create healthier and more sustainable homes for our citizens.

There is no doubt that we will face challenges in our efforts to place an increasing number of New Yorkers in suitable and affordable homes. The increase in foreclosures will likely continue as the subprime and predatory lending crises unfold. A corollary may be a continued tightening of credit markets for low- and -moderate income borrowers. In addition, worldwide demand will continue to drive the price of raw materials higher, resulting in higher construction costs. Further, despite our intense lobbying in Washington, it is uncertain whether New York will receive any additional tax-exempt bond allocation or federal tax credits that we desperately need. Unfortunately, the price that investors are paying for tax credits is also declining, increasing the need for additional government resources to build the same amount of housing. Finally, it is clear that 2008 will be a challenging year for the State Budget as tax revenues are down significantly from a year ago.

In the face of these challenges, the state agencies are committed to making New York a leader among states in providing quality housing for all our citizens. And there are reasons to be optimistic. The Administration has assembled a dynamic and accomplished group of women and men to lead the state agencies. Furthermore, New York is blessed to have the most innovative, experienced and comprehensive affordable housing network in the country, including local governments, developers, housing advocates, lenders and investors, universities and think tanks, foundations, and community development organizations. By expanding our relationships both among the state agencies and with this special network, there is no doubt that we can achieve great things.

Methodology

In establishing the resources committed for affordable housing, we included only Federal and State capital resources committed by the state agencies for permanent affordable housing. Working collaboratively, we have made strenuous efforts to avoid double counting units – not an easy task since the vast majority of units are financed using multiple State funding sources. We have not counted capital dollars expended by municipalities, counties or other localities or directly by the Federal Government unless a state agency has also provided substantial assistance.

As previously noted, this Housing Report includes units only if they are for permanent affordable housing. Consistent with that approach, it does not included the amount of resources the state agencies commit each year or the number of units provided through any of the following: (i) homeless shelters or other transitional housing, whether privately operated or State operated (i.e., nursing homes, psychiatric facilities, licensed adult homes, and other institutional settings; (ii) treatment facilities (i.e. for persons with mental illness, HIV + status, or substance abuse problems) even if such facility might also be characterized as permanent housing; (iii) technical assistance monies which go to support not-for-profit housing groups (i.e., Neighborhood Preservation and Rural Preservation Programs); (iv) rental or income subsidies designated for housing expenses (i.e., Section 8, Rural Rental Assistance Program, public assistance/TANF); (v) monies for energy efficient repairs and renovations provided by the New York State Energy Research and Development Authority; or (vi) awards made to and administered by local public housing authorities on an as needed basis for repairs or modernization of state supervised public housing projects.

The Housing Report captures only units for which funding commitments were put in place under the terms of the program in the relevant time period. In some instances this will not be the same year in which construction or rehabilitation work actually begins, and in most instances this will not be the same year as such unit is completed. Nor will it be the same year in which the money was allocated to the relevant state agency. Only units for which there is an income limitation or a homelessness requirement on the household as a condition of residence are counted. For example, substantially all of the rental units included in this report are for households earning less than 60% of the area median income. For a family of four in 2007, that amounted to $35,600 in Buffalo, $42,500 in New York City, $29,800 in Albany, and $56,300 on Long Island. For the home ownership units included, the upper income limits range approximately from 80% to 120% of area median income.

Appendix A: Description of Programs & Resources

MULTIFAMILY RENTAL PROGRAMS & RESOURCES

Federal Low Income Housing Tax Credits, or LIHTC. The State receives an allocation of these tax credits each year from the Federal government. In turn, the State allocates these credits to developers/owners to provide a source of equity for low-income housing by offering federal income tax breaks to the holder of the tax credit. There are two types of LIHTC, a 9 percent credit and a 4 percent "as-of-right" credit. The 9 percent credit is available to projects that are not federally subsidized (for example, a project not receiving tax-exempt bonds). For the purposes of quantifying the value of the LIHTC in this 2007 Housing Report, we have counted the "estimated leveraged value" of the tax credit. The estimated leveraged value is the amount of equity we estimate will be raised from the sale of the tax credit. Based on market conditions for 2006-07, we estimate that the sale of tax credits generated average equity of around 92 percent, or $0.92 on the dollar for the 9% credits and 95 percent or $0.95 on the dollar for the 4% credits. Because of market factors, the average price for credits will likely decrease substantially in 2008.

Private Activity Bonds. The State receives an allocation of tax-exempt private activity bonds each year, based on population, from the Federal government. HFA sells these bonds to raise money to make loans at below market interest rates to support new construction and rehabilitation/preservation transactions. The tax-exempt bonds come with an "as-of-right" allocation of 4% LIHTC, described above.

Low Income Housing Trust Fund Program, or HTF. Created by State law, the HTF is governed by the Housing Trust Fund Corporation (HTFC), which acts under the direction of a Board of Directors chaired by the Commissioner of DHCR, and receives staff and administrative support from DHCR. HTF provides funding to eligible applicants to construct or to rehabilitate low-income housing.

State low income housing tax credit, or SLIHC. State tax credits work the same way as the federal tax credit described above, except they are a credit on the state income tax only, and there are no 4% credits. In addition, the SLIHC are generated on units rented to households up to 90% of AMI, as opposed to 60% of AMI for the federal credit. The estimated leveraged value is also significantly lower: we have used 60 percent or $0.60 on the dollar.

Homes for Working Families Program, or HFWF. DHCR administers this subsidy program, which is used in connection with projects receiving tax-exempt financing from HFA. This subsidy is generally provided in the form of a 30 year, 1 percent interest loan payable from 50 percent of available cash flow.

Housing Development Fund, or HDF. HDF is a revolving loan fund established by State law and administered by DHCR. HDF is often used as construction financing for applicants who receive permanent financing from the NYS HOME Program to repay the HDF loan.

NYS HOME. This program is administered by the HTFC. The program uses federal HOME funds allocated by HUD in accordance with the State's Consolidated Plan to expand the supply of multifamily and 1-4 family affordable housing across the State. The HOME Program funds a variety of development and rehabilitation/repair activities through partnerships with counties, towns, cities, villages, private developers, and community-based nonprofit housing organizations.

Weatherization Assistance Program. This federally funded program assists income-eligible families and individuals by reducing their heating/cooling costs and improving the safety of their homes through energy efficiency measures. Program services are provided by not-for-profit and government partners and are made available to both homeowners and renters, with priority given to senior citizens, families with children and persons with disabilities.

Office of Mental Health Supportive Housing Program. This State funded program provides capital dollars and rental assistance to provide permanent supportive housing for low-income persons with mental illness. Beginning in 2008, the capital projects will utilize a blend of private activity bonds and 4% LIHTC

Homeless Housing and Assistance Program, or HHAP. HHAP provides capital grants and loans to not-for-profit corporations, religious organizations and municipalities to acquire, construct or rehabilitate housing for persons who are homeless or at risk of homelessness and are unable to secure adequate housing without special assistance. The Homeless Housing and Assistance Corporation (HHAC) was established to administer HHAP. HHAC is chaired by the Commissioner of Office of Temporary and Disability Assistance (OTDA), with HFA and DHCR represented as board members. HHAC receives staff and administrative support from OTDA.

HFA Affordable Second Mortgages. As a finance agency, HFA generates income from reserves, refundings, as well as generates servicing and transaction fees. To make otherwise infeasible deals get done and to the extent available, HFA will provide 1% loans, which are subordinate to the first mortgage on the project.

Mortgage Insurance Fund, or the MIF. Affiliated with SONYMA, the MIF provides permanent mortgage insurance for multifamily rental projects, as well as pool insurance for single-family homeowner mortgages. By providing such insurance, the MIF reduces the cost of borrowing for a project.

Rural Area Revitalization Program, or RAPP. The purpose of the program is to provide financial/technical resources to not-for-profit organizations for the restoration and improvement of housing, commercial areas and public/community facilities in rural communities (towns and villages with a population of less than 20,000). This program provides grants in distressed rural areas that will serve households under 90% of AMI.

Urban Initiatives, or UI. The purpose of the Urban Initiatives program is to provide financial/technical resources for the restoration and improvement of housing, commercial areas and public/community facilities in urban neighborhoods of municipalities greater than 20,000. This program provides grants in distressed urban neighborhoods that will serve households under 90% of AMI. .

HOMEOWNERSHIP PRODUCTION & IMPROVEMENT PROGRAMS & RESOURCES

Affordable Housing Corporation, or AHC. AHC is a statutorily created subsidiary of HFA and creates homeownership opportunities for low- and moderate-income families by providing grants to governmental and not-for-profit organizations to help subsidize the cost of newly constructed houses and the renovation of existing housing.

Access to Home. This program provides financial assistance to property owners, through municipalities and not-for-profit intermediaries, to make dwelling units accessible for low- and moderate-income persons with disabilities. Assistance is typically structured as forgivable 0% interest loans to the homeowners, which must be repaid if the applicant changes primary residences.

NY Community Development Block Grants, or CDBG. This program is administered by the Office of Small Cities. The program uses federal CDBG funds allocated by HUD to provide financial assistance to eligible cities, towns, and villages with populations under 50,000 and counties with an area population under 200,000, in order to develop viable communities by providing decent, affordable housing and suitable living environments, and expanding economic opportunities, principally for persons of low and moderate income.

Residential Emergency Services to Offer (Home) Repairs to the Elderly Program, or RESTORE. RESTORE funds are awarded, through municipalities and not-for-profit intermediaries, to pay for the cost of emergency repairs to eliminate hazardous conditions in homes owned by the elderly when the homeowners cannot afford to make the repairs in a timely fashion. To be eligible for assistance, homeowners must be 60 years of age or older, live in a 1-4 family home and have a household income that does not exceed 80 percent of the area median income.

The HOME, RAPP, UI and Weatherization Assistance Program described above under "Multifamily" Programs are also used for home ownership.

FIRST-TIME HOMEBUYER PROGRAMS & RESOURCES

The State of New York Mortgage Agency offers low interest fixed-rate 30 or 40 year mortgages, closing cost assistance and other programs specifically designed to help low- and moderate-income families become homeowners. Using private activity bonds, SONYMA purchases loans from participating lenders. SONYMA also offers a purchase/rehab program (Remodel NY), a special program for Veterans and a refinancing program for people in subprime or other exotic mortgage products (Keep the Dream).

The HOME, AHC and MIF Programs described under "Multifamily" and "Homeownership" Programs above are also used to provide assistance to first-time home buyers.