

Testimony of Representative Frank I. Smizik
Before the Joint Committee on Housing
In support of S617/H3689

An Act authorizing municipalities to protect low and moderate income tenants and units of
governmentally involved housing

May 5, 2009

What the problem is:

Over 27,000 families across the state currently face the expiration of Federal HUD subsidy contracts on their multifamily apartment buildings. In response to this crisis, last session the Joint Committee on Housing released a bill establishing a “right of first refusal” for the state or municipalities to purchase expiring-use buildings placed on the market by their owners in a manner that ends federal subsidies. This bill, of course, has been re-filed as S666/H3573. The “right of first refusal” is a good concept, and I support S666/H3573, but I believe we need to put more protections in place for two reasons:

- 1) Even under S666/H3573, an owner could convert every unit in an expiring-use building to market-rate without putting the building on the market, thus rendering a “right of first refusal” meaningless.
- 2) Even if an expiring-use building was put on the market, given the state’s current finances, there is little reason to believe that any public entity outside of the Federal Government could assemble the finances necessary to purchase the building so as to keep it affordable.

Thus, I encourage the Committee to favorably report out S617/H3689, *An Act authorizing municipalities to protect low and moderate income tenants and units of governmentally involved housing*, as a complement to S666/H3573. This bill would give cities and towns the right to do more to protect affordable housing, if they wanted.

What this bill does:

Essentially, S617/H3689 would permit any city or town to save affordable housing through no-cost regulatory mechanisms. It is an enabling act that would allow municipalities to save at-risk apartments by allowing cities and towns to require the renewal of expiring Section 8 contracts, thus preserving low-income units while still allowing owners to increase their

profits tremendously under HUD's Mark Up to Market Program. In addition, this bill would allow cities and towns to prevent the conversion of affordable apartments into condominiums, and it would promote the sale of expiring-use building at market rates to nonprofits that pledge to keep the property affordable, if and when they are able to assemble the necessary funds. At its heart, this bill pushes back against the ideological mantra of deregulation that has created the current economic crisis and suggests that maintaining the affordability of thousands of housing units across the state is more important than generating windfall profits for owners who originally developed these properties only with the help of vast public subsidies.

Why this bill is important to solving the problem:

To be clear, this bill will help prevent the loss of over 27,000 low-income rental units throughout the state. By passing this bill, we will safeguard disadvantaged citizens from losing their homes, while still allowing owners to receive not only a fair net operating income but also a significant increase in profits under Mark Up to Market. Living during an economic crisis is not easy for anyone, but that is especially true for low-income citizens, and the last thing residents of these expiring-use buildings need to worry about now is whether or not they are going to be priced out of their homes due to a lack of action on our part. This bill will ensure long-term affordability of these critical units, and we will be able to go back and tell our constituents that we have preserved quality affordable housing for those who need it most.

Therefore, I urge the Committee's support for this bill and ask that you report it out favorably.