



NEW YORK STATE BUILDERS ASSOCIATION, INC.

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Housing and New York's Economy

An Economic Blueprint

**New York State Division of Budget
Economic Development Hearing
December 18, 2007**

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2008 Legislative and Regulatory Blueprint

The New York State Builders Association (NYSBA) is a not-for-profit trade association comprised of 16 local affiliates across the state. Chartered in 1950, NYSBA represents 4,200 single and multi-family builders, remodelers, developers, and associate member firms, ensuring that their interests are represented at the State level. These members perform over \$5 billion in single and multi-family residential construction annually and employ over 250,000 across New York State. In addition, NYSBA serves as a clearinghouse of information for members and provides tangible benefit programs, including but not limited to, several insurance programs that enhance the businesses and lives of members and their employees. For 2008, NYSBA plans to advance legislation and regulatory reform to address two broad issues: first, to promote homeownership; and second to address the key factors that drive up the cost of housing.

I. Promoting Homeownership Opportunities for All New Yorkers

Workforce Housing

A concerted effort should be undertaken by municipalities to evaluate the need for affordable housing and to identify land available for development of affordable housing. Land use plans and zoning ordinances which provide for increased density, along with adequate infrastructure financing and appropriate municipal incentives should be adopted to support the construction of affordable housing throughout New York State.

- **Support omnibus workforce housing legislation.** NYSBA supports omnibus state legislation that incentivizes localities statewide to invest in workforce housing. This legislation would establish voluntary goals to identify the needs to be supported with a broad based revenue stream, not isolated fees, to be successful. *Status: Seek introduction of legislation in 2008.*
- **Support employer-assisted housing initiatives.** Economic development requires adequate supply of workforce housing. Moderately-priced workforce housing, in either new or existing units, is not available in many areas of the state that need homes for the workforce that will bring economic opportunity to their area or in some cases support the retention of business. Employer-assistance programs that enable employees to live where they work through the renovation and development of affordable units in their communities are an important option which needs to be effectively marketed and utilized by the employer community. *Status: Seek introduction of legislation in 2008.*

Infill Redevelopment

Affordable infill redevelopment is hampered by lack of infrastructure and costly regulatory schemes. Unless done by the public sector or in public-private partnership, the constraints of inadequate existing infrastructure and compliance costs make infill development at affordable market rates economically infeasible.

- **Support regulatory efforts to enhance the Existing Building Code to improve redevelopment and remodeling opportunities.** A building code that enables cost-effective renovation and remodeling of existing vacant, abandoned or poorly maintained housing stock can generate affordable infill units, and incentivize the maintenance of the existing housing stock. *Status: Seeking regulatory change in 2008.*

Property Tax Reform

Property tax cost burdens can prohibit homeownership options, even in affordable markets, and make it challenging for existing homeowners to maintain their residences.

- **Support property tax abatement for first time homebuyers.** State supports for adoption of first time new and existing homebuyer property tax abatements are an effective tool to qualify more homeowners. *Status: Seek support in 2008.*
- **Support 421-a reform.** Support changes to the latest 421-a NYC tax abatement for multi-family building passed in 2007. NYSBA urges a reduction or elimination of the stepped-up affordable set-aside percentages in certain targeted areas throughout the city. We also oppose the requirement that prevailing wages be paid to those building service employees in these target area structures. Unless these requirements are changed there will be little incentive for builders to develop middle income/workforce housing in these targeted areas. *Status: Seek introduction of legislation in 2008.*
- **Support renewal of 421-b.** This New York City new home and renovation tax abatement sunset in 2006. This real property tax abatement is critical to help retain middle class homeowners in New York City and prevent a flight to New Jersey and other adjoining states. *Status: S.6255 (Maltese) died in committee.*
- **Oppose reforming real property tax assessment of condominiums and cooperatives.** We will continue to oppose legislation that would dramatically increase taxes for new condos and cooperatives by changing the methodology used for tax assessment. It would be unfair and unequal treatment under the law to have new condominiums and cooperatives subject to a formula that yields a much greater assessed value than that of existing condominiums and cooperatives. *Status: S.1058 (Little)/A.1574 (Galef) both died in Senate and Assembly.*

A Master Plan for New York Housing

- **Support integrated planning for housing across all levels of government.** New York has no statewide plan with specific targets for housing. New York City's New Housing Market Plan has specific goals and a plan to achieve the desired units for affordable housing. The State has a number of unrelated affordable housing programs. Specific targets should be achieved pursuant to a unified affordable housing plan.. *Status: Seek introduction of legislation in 2008.*

- **Support Green Building financial incentives and Green Building industry standard.** We will urge the state to extend and expand existing tax credits for single family and multi-family Green Building tax credits and continue to promote with SONYMA, Green Building and Energy Star mortgages and existing home funding products. We also support an industry consensus Green Building standard to include Energy Star compliance. *Status: Seek introduction of legislation in 2008.*

Strengthening the Economy

An economy that supports quality business growth and development to continually provide a variety of worthwhile employment opportunities for the residents of our state will enable New Yorkers in all regions and from all walks of life to pursue and maintain homeownership and preserve livable communities for generations to come.

- **Support integration of regional housing, workforce and transportation planning.** County and regional economic development and planning agencies, as well as chambers of commerce involved in workforce and transportation planning, must add housing to the equation. These agencies and employers have or can generate the best data on the housing their employees can afford, the communities they can afford to maintain homes in, and their transportation needs. This knowledge can be shared and used to improve local planning and to coordinate it at the regional level. *Status: Will seek in 2008.*
- **Support equitable financing solutions for universal broadband created in the context of overall utility and infrastructure finance programs.** Financing for universal broadband infrastructure, while critical to economic development in rural areas, should not be considered in a vacuum. Planning for the financing and construction of broadband infrastructure should be done in the context of overall infrastructure development programs that address water, sewer, roads, waste disposal and provision of community services such as schools and recreational areas, in addition to universal broadband. *Status: Will seek in 2008.*

II. Bringing Affordability to Homebuilding Cost Variables

Land Costs

Land and its associated development costs are escalating at rapid rates, causing higher new home prices. To provide a sustainable supply of housing affordable to all New Yorkers, vacant land or redevelopment sites must be available at fair market values and regulatory and environmental approvals must be streamlined for affordable housing projects.

- **Support initiatives calling for inventory of all government-owned property to identify appropriate sites for low-income AND workforce housing development.**

Vacant or abandoned lots and buildings owned by government entities can provide affordable land for public-private development or redevelopment of affordable housing. *Status: Will seek in 2008.*

- **Support legislation expanding shared municipal services and comprehensive infrastructure finance programs.** State financial and technical assistance for the existing shared municipal services and water and sewer development programs must be expanded and enhanced to provide the expensive, yet critical, infrastructure to enable denser, transit-oriented affordable development in priority growth areas. *Status: Will seek legislation in 2008.*

- **Oppose Community Preservation Tax legislation.** The so-called "Community Preservation Tax" is an additional tax burden that adds to the cost of homeownership and disproportionately hits new residents of the community with the cost of with financing open space purchases that increase land values in a specific area without necessarily benefiting the entire community. Open space acquisition should be funded through a broad based tax. *Status: Several bills introduced, all but one of a local nature were defeated.*

- **Oppose increasing state wetlands jurisdiction.** Wetlands are currently highly regulated at the federal, state and local levels in many New York municipalities. There is no "loophole" to be closed, as the state currently has the capacity to regulate wetlands of any size if they are of unusual local importance (ULI). Wetland regulations, particularly buffer zones, can prohibit development of much larger "dry" areas outside of the wetlands when such regulations are considered in the context of other regulatory schemes such as setback, stormwater and septic requirements. Further expansion of existing multi-layered wetlands protections will continue to decrease potential development and redevelopment sites, thereby increasing land costs for lots that retain viable building footprints. *Status: S.3835 (Marcellino) / A.7133 (Sweeney) passed Assembly but died in Senate.*

- **Support rules regarding wetlands of unusual local importance (ULI) under certain conditions.** ULI criteria should go above and beyond Class I wetlands and must be looked at in the cumulative. Mapping must be required prior to the ULI being put in place, and there should be a hydrological link from ULI wetland expansion to wetlands greater than 12.4 acres. Finally, ULI's should be considered only where DEC can document a "net loss" of wetlands; and the rules should be changed so that only a person (or affected local government) who has "standing can request a wetland mapping or delineation. *Status: Negotiating with Department of Environmental Conservation*

NIMBY Litigation Costs

The use of litigation to prevent development of affordable housing that has already obtained permits, particularly density-based appeals related to traffic and infrastructure as

a politically correct surrogate for Not-In-My-Backyard objections, has increased so much that developer's project budgets often now include such litigation costs. This litigation tactic further hampers the already slow pace of development of necessary affordable units and channels development capital dollars into litigation instead of home production.

- **Support legislation calling for housing needs assessments and planning elements.** Local comprehensive plans based on an assessment of the true housing needs of a community may minimize litigation claims related to land use plans and zoning requirements that prevent development of affordable housing. Measures to encourage and support needs assessment and development of housing elements in comprehensive plans include:

- Making eligibility for public funding for open space preservation or infrastructure finance contingent upon a municipality having a current housing needs assessment and/or a housing element in its comprehensive plan.
- State agency development of a Local Housing Planning Guide similar to the Local Open Space Planning Guide by the NYS DEC and the Quality Communities program.

Status: Seek introduction of legislation in 2008.

- **Support municipal land use planning and permitting and SEQRA reform.** Permits for residential construction can take years to obtain and the cost of permitting and consulting fees, along with interest on financing, may run into the hundreds of thousands of dollars. Reforms that would expedite this process and lower "pre-development" costs include: coordinating public hearings and permit appeals timeframes, examining public notice and participation requirements particularly in relation to standing for appeals, addressing the new trend of post-proposal "planning," revising determination of significance requirements for new or revised local comprehensive plans and major zoning or rezoning changes, and exploring mediation requirements for appeals, among other improvements. *Status: Seek introduction of legislation in 2008.*

- **Support a statutory Affordable Housing Land Use Trial Preference.** Legal challenges to proposed developments after permits are obtained can take years to address. The cost of such litigation drives up the cost of the development and may ultimately make production of affordable units economically impossible. Fast-tracking litigation involving planning and zoning for and the construction of affordable housing would lower these associated costs. *Status: Seek introduction of legislation in 2008.*

Liability Costs

Commercial general liability insurance premiums for each residential homebuilder and each of their subcontractors such as carpenters, electricians and plumbers are tens of thousands of dollars a year and can run well over \$100,000. This is an overhead cost that goes into the construction budget and ultimately the price of new homes. Dense development such as apartments or high-end custom homes can amortize these excessive insurance costs relatively efficiently, but the moderately priced affordable units needed throughout New York can not. In addition, litigation over remodeling projects has increased the cost to rehabilitate existing units or add accessory dwellings. Notice and

opportunity to repair any problems would provide a more cost-effective solution than immediate resort to litigation.

- **Support legislation addressing commercial general liability insurance premium escalation arising out of misplaced liability at multi-employer works sites under Labor Law 240/241.** Notwithstanding workers' compensation, general contractors are also liable for work-related injuries of subcontractor's employees including incidents where the regulatory violation of one subcontractor injures the employee of another subcontractor. The ramifications to settlement bargaining and insurance costs that this antiquated statutory scheme has wrought over the decades has grossly impacted overhead costs for homebuilders and continually drives up the cost of housing construction. *Status: S.4317 (Volker) / A.2528 (Morelle) both referred to committee*

- **Support legislation requiring notice and cure periods for remodelers.** Remodeling and rehabilitation to convert properties to multi-family use or add accessory dwelling units is a cost-effective way to provide affordable housing stock in already developed areas. Providing a statutory notice and cure period for remodelers to address customer complaints may decrease litigation and would control escalation of insurance premiums and liability costs. *Status: Seek introduction of legislation in 2008.*

Regulatory Barriers

Costs related to regulatory compliance have skyrocketed due to multiple layers of uncoordinated regulations, ineffective local planning, and inefficient state and local permitting processes that create costly time delays.

- **Support efforts to coordinate overlapping regulatory schemes and minimize requirements to obtain permits from multiple jurisdictions that address the same issue.** Duplicative, yet slightly differing, requirements for permit application materials, training, application or certification fees, and compliance procedures greatly add to the cost of housing and the time it takes to build it. Examples of dual- and triple-layered regulatory schemes include asbestos abatement at the state and federal levels; wetlands at the federal, state and local levels; stormwater at the state and local levels; and energy and building code requirements at the state and local levels. *Status: Seek regulatory change in 2008.*

- **Support statutory guidelines for municipal moratoriums.** Ineffective planning processes turn moratoriums into growth restriction tools by virtue of costly delays. Parameters for local moratoriums need to be established to ensure efficient community planning and to protect the rights of landowners. *Status: S.1130 (Little) / A. 1509 (Thiele) both died in committee.*

- **Support initiatives for electronic permit filing and increasing free, on-line, public access to municipal and county comprehensive plans, local laws, and ordinances.** Easy access to up-to-date local plans, laws, and ordinances, as well as the

ability to submit state and local forms and permit applications online, will help expedite and streamline pre-development to achieve cost savings for builders and developers as well as state and local agencies. *Status: Seek introduction of legislation in 2008.*

- **Support legislation requiring disclosure of review consultant's fees on development applications.** Independent review of land development applications can add hundreds of thousands of dollars to project budgets. Consultants may charge different rates for public and private clients. Requiring municipal contracts with reviewing consultants, direct billing to the municipality for services, and disclosure of the contract for payment of the fee by the developer to the municipality would ensure transparency in review fees. *Status: S.1132 (Little) / A.8965 (Hoyt) passed Senate, died in Assembly.*

Summary

It has become perfectly clear to all New Yorkers the importance of the housing industry to our economy. State and local governments should be encouraging homeownership through legislative and regulatory reforms that address the roadblocks which are preventing everyone in this state from participating in the American Dream. These impediments include: the increasing costs of land, NIMBY litigation, liability insurance and overregulation. Additionally, homeownership can be increased through omnibus workforce housing legislation that incorporates planning requirements, density bonuses, and infrastructure assistance. State and local governments must also seriously address regulatory barriers that prevent affordable infill redevelopment; reform real property taxation schemes to ensure New Yorkers' ability to maintain their own homes; leverage housing assistance programs through statewide coordination; and strengthen our state economy through regional planning for workforce development, housing, transportation and infrastructure.

These important changes listed above will only come about when our legislators in Albany and local governments across this state finally wake up to the correlation between housing and New York's economic vitality.

THE LOCAL IMPACT OF BUILDING SINGLE AND MULTIFAMILY HOMES IN NEW YORK STATE ¹

Impact	Total One-Year Impact	Direct & Indirect Impact of Construction Activity	Induced (Ripple) Effect Spending	Ongoing Annual Effect
SINGLE FAMILY				
Local Area Income	\$32,209,776,000	\$227,600,000	\$1,088,000,000	\$649,400,000
Local Business Owners' Income	\$821,600,000	\$689,800,000	\$337,800,000	\$2,297,000
Local Wages and Salaries	\$9,503,000	\$6,455,000	\$3,048,000	\$454,000,000
Local Taxes	\$351,800,000	\$262,800,000	\$93,000,000	\$129,600,000
Local Jobs Supported	56,800	36,800	20,000	12,600
MULTI-FAMILY				
Local Area Income	\$2,404,560,000	\$1,604,416,000	\$800,144,000	\$1,095,296,000
Local Business Owners' Income	\$559,688,000	\$306,504,000	\$253,184,000	\$450,640,000
Local Wages and Salaries	\$1,844,872,000	\$1,297,912,000	\$546,960,000	\$644,312,000
Local Taxes	\$244,240,000	\$174,752,000	\$69,488,000	\$158,584,000
Local Jobs Supported	45,752	30,960	14,792	17,888

¹ DATA GATHERED FROM *THE LOCAL IMPACT OF HOMEBUILDING IN AVERAGE CITY, USA* STUDY CONDUCTED BY THE NATIONAL ASSOCIATION OF HOME BUILDERS DEPARTMENT OF ECONOMICS AND THE UNITED STATES CENSUS BUREAU RESIDENTIAL CONSTRUCTION BRANCH.