

# STATE OF NEW YORK

2956

2023-2024 Regular Sessions

## IN ASSEMBLY

February 1, 2023

Introduced by M. of A. WOERNER -- read once and referred to the Committee on Housing

AN ACT to amend the private housing finance law, in relation to establishing the small rental housing development initiative

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. The private housing finance law is amended by adding a new  
2 article 17-C to read as follows:

### ARTICLE XVII-C

#### SMALL RENTAL HOUSING DEVELOPMENT INITIATIVE

#### Section 1060. Legislative findings and statement of policy.

##### 1061. Definitions.

##### 1062. Small rental housing development initiative.

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8 § 1060. Legislative findings and statement of policy. The legislature  
9 hereby finds and declares that there exists in many rural areas of the  
10 state a substantial need for affordable rental housing of a size that is  
11 suitable to small communities with limited infrastructure. The findings  
12 set forth in article seventeen of this chapter, with respect to the  
13 special needs and problems of such areas and the significant potential  
14 role of locally based not-for-profit organizations in helping to meet  
15 such needs, are hereby reaffirmed. The legislature hereby determines  
16 that, in addition to the program of state support to help meet the  
17 administrative expenses of such organizations under article seventeen of  
18 this chapter, a further public need exists for state funding for the  
19 development of affordable rental housing of twenty units or less. It is  
20 the purpose of this article to encourage the construction of affordable  
21 rental housing in the rural areas of the state by establishing a dedi-  
22 cated program of such funding.

23 § 1061. Definitions. For the purposes of this article, the following  
24 terms shall have the following meanings:

EXPLANATION--Matter in italics (underscored) is new; matter in brackets  
[-] is old law to be omitted.

LBD05740-02-3

1 1. "Small rental housing developments" shall mean affordable rental  
2 apartment buildings of twenty units or less for low to moderate income  
3 households.

4 2. "Eligible area" shall mean a town or city with a population of  
5 thirty thousand or less.

6 3. "Eligible applicant" shall mean a non-profit housing agency such as  
7 a rural preservation or neighborhood company or other similar non-profit  
8 entity chartered by the state.

9 4. "Low to moderate-income household" shall mean a household with up  
10 to one hundred twenty percent of area median income.

11 5. "Period of affordability" shall mean the required length of time a  
12 project must meet affordability requirements pursuant to 24 CFR  
13 92.252(e) and to be specified in the project note and mortgage.

14 § 1062. Small rental housing development initiative. 1. Applicants  
15 constructing small rental housing developments in eligible areas shall  
16 be eligible for state funding in the form of deferred loans at zero  
17 percent interest loans, due on sale. Such zero interest loans may be  
18 subject to forgiveness in accordance with the provisions of subdivision  
19 two of this section.

20 (a) The eligible applicant shall choose a payback period for such loan  
21 of between ten and twenty years.

22 (b) The maximum per-unit subsidy shall be determined by the commis-  
23 sioner.

24 (c) Funds shall be used for the construction of residential units and  
25 may be used for the construction of community rooms or common areas used  
26 for the benefit of residents.

27 2. (a) Zero interest loans issued in accordance with subdivision one  
28 of this section shall be deferred for the period of affordability. If  
29 the eligible applicant, who is the recipient of a zero interest loan,  
30 remains in compliance with all program requirements for the entirety of  
31 the period of affordability, the zero interest loan may be forgiven and  
32 the mortgage lien placed against the property may be satisfied.

33 (b) If the property of an eligible applicant is sold during the period  
34 of affordability, the sum of any outstanding mortgage must be re-paid.  
35 The mortgage lien may be assumed by a new purchaser only if approved by  
36 the housing trust fund corporation, subject to any conditions or  
37 requirements set by the housing trust fund corporation.

38 (c) The rental management requirements of the small rental housing  
39 initiative shall run with the property throughout the entirety of the  
40 period of affordability, regardless of any change in ownership.

41 (d) Awards made under this program shall be pursuant to a regulatory  
42 agreement, including rent setting and any and all rent increases during  
43 the affordability period.

44 3. The division of housing and community renewal shall notify, in  
45 writing, all applicants who were not selected for funding of the reasons  
46 why the proposal was not funded, including the design, underwriting,  
47 legal or program deficiencies, deficiencies of any documents and/or the  
48 basis upon which the application was determined to be ineligible for  
49 funding.

50 4. The division of housing and community renewal shall provide for the  
51 review, at periodic intervals not less than annually, of the performance  
52 of applicants receiving grants or loans pursuant to this article. Such  
53 review shall, among other things, be for the purposes of ascertaining  
54 the conformity to agreement provisions, and adherence to regulations.  
55 Agreements entered into pursuant to this article may be terminated and  
56 funds may be withheld or recaptured by the division of housing and

1 community renewal upon a finding of substantial nonperformance or breach  
2 by such applicant under its agreement.

3 5. The division of housing and community renewal shall develop addi-  
4 tional procedures and requirements related to the application and award  
5 of funding for projects pursuant to this article as deemed necessary or  
6 appropriate to implement the purposes and provisions of this article.

7 § 2. This act shall take effect immediately.