STATE OF NEW YORK

595

2025-2026 Regular Sessions

IN SENATE

(Prefiled)

January 8, 2025

Introduced by Sens. HINCHEY, JACKSON, MAY -- read twice and ordered printed, and when printed to be committed to the Committee on Housing, Construction and Community Development

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:

Section 1. The private housing finance law is amended by adding a new 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.

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

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

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

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

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

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

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

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

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

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

(b) The maximum per-unit subsidy shall be determined by the commissioner.

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

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

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

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

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

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

4. The division of housing and community renewal shall provide for the review, at periodic intervals not less than annually, of the performance of applicants receiving grants or loans pursuant to this article. Such review shall, among other things, be for the purposes of ascertaining the conformity to agreement provisions, and adherence to regulations.

Agreements entered into pursuant to this article may be terminated and funds may be withheld or recaptured by the division of housing and community renewal upon a finding of substantial nonperformance or breach by such applicant under its agreement.

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

§ 2. This act shall take effect immediately.