



Homes and Community Renewal

ANDREW M. CUOMO
Governor

RUTHANNE VISNAUSKAS
Commissioner/CEO

July 13, 2017

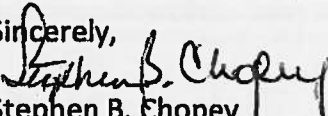
Mr. Kenrick Sifontes
Audit Director
Office of the State Comptroller
Division of State Government Accountability
59 Maiden Lane, 21st floor
New York, NY 10038

Dear Mr. Sifontes:

Please be advised that the Agency's Board of Directors reviewed the Office of the State Comptroller's 80/20 Housing Program audit, Report (2015-S-83) dated May 31, 2017 at their meeting on July 13, 2017. The Board voted to accept the report and place it on file.

The thoroughness of your examination is a source of comfort.

Sincerely,


Stephen B. Chohey

Vice President
Internal Audit Group



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Mr. Kenrick Sifontes
Audit Director
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59 Maiden Lane, 21st floor
New York, New York 10038

Dear Mr. Sifontes,

This letter will serve as the response of the New York State Housing Finance Agency to the audit entitled "The 80/20 Housing Program" (Report 2015-S-83) dated May 31, 2017.

With regard to the recommendations that were made in the audit report, management submits the following responses.

1. Require Program development to verify the incomes of all prospective tenants, prior to moving into an apartment, with the IRS.

Agency Response:

Management agrees with this recommendation. Some developments have already incorporated the step of authenticating tax returns (via the 4506 T IRS form), as an extra step in their certification process. However, verification of tax returns is not a tax credit program requirement. However, since the Agency has already included a question in its field visit checklist regarding the voluntary use of the 4506 T IRS form, the Agency will endeavor to make this a recommended best practice for all of our tax credit projects, including the subject projects under the 80/20 program. We will post this best practice recommendation on our website and announce it via an email blast to our clients.

2. Work with the management staff at participating Program developments to develop sound and consistent methodologies to project income when determining eligibility.

Agency Response:

Management disagrees with this recommendation. Consistent with existing practice, we will continue to advise owners/agents to improve confirmation of tenant affidavits and affirmations with adequate support prior to all future move-ins, based on HUD and section 42 of the IRS code guidelines.

3. Ensure that adequate information is collected to enable decision makers to adequately assess the costs and benefits of the Program.

Agency Response:


The Housing Finance Agency fully supports the policy objectives achieved through the 80/20 program. The Agency collects and reviews market data on a consistent basis from numerous industry sources. Agency policy makers have given significant consideration to the 80/20 program and do not believe additional evaluation is necessary at this time. HFA is comfortable with our current policy decision that the development of these mixed income projects furthers the Agency's core mission of creating and preserving high quality affordable multifamily rental housing. The policy initiative for the 80/20 program is not based solely on calculating the cost of building a unit of housing, but rather HFA takes a holistic approach considering the cost of a unit of housing along with the location and the local need for affordable housing. Development of mixed income housing builds stronger neighborhoods and enables low-income New Yorkers to live in high opportunity areas. Section 421 (a) is an as-of-right tax abatement program that developers utilize to offset the costs of housing development in New York City.

Over time, some projects may experience a reduction of units occupied by low income residents since Federal regulation does not permit the eviction of over-income tenants. As noted in the Preliminary Audit Findings as of December 31, 2015 only 167 tenants (or less than 4% of 80/20 tenants occupying affordable units) earned over \$100,000/year or 220% of AMI. As noted in the Preliminary Audit Findings two-thirds of tenants who were income qualified at move in remained income qualified. Most of those above the income limit remain below income levels subsidized by other effective housing programs such as the Mitchell-Lama program. Creation of 80/20 housing promotes financially mixed and more diverse housing in the same building and market area.

Under the 421-a program as structured at the time these projects were financed, projects have 30 year regulatory agreements. As over-income residents move out, qualifying low income tenants move in. Initial rent stabilization filings for the affordable units are based on the affordable rents at the time the units are registered and the rents in these units continue to be set pursuant to the rent regulation laws for the entirety of the 30-year regulatory term.

We wish to thank the Office of the State Comptroller for the orderly and professional manner in which their staff had conducted the examination.

Sincerely,



Ruth Anne Visnauskas
CEO/Commissioner