



Testimony

**Presented to a Joint hearing of
New York State Senate Finance Committee
And
New York State Assembly Ways and Means Committee,
January**

Presented by

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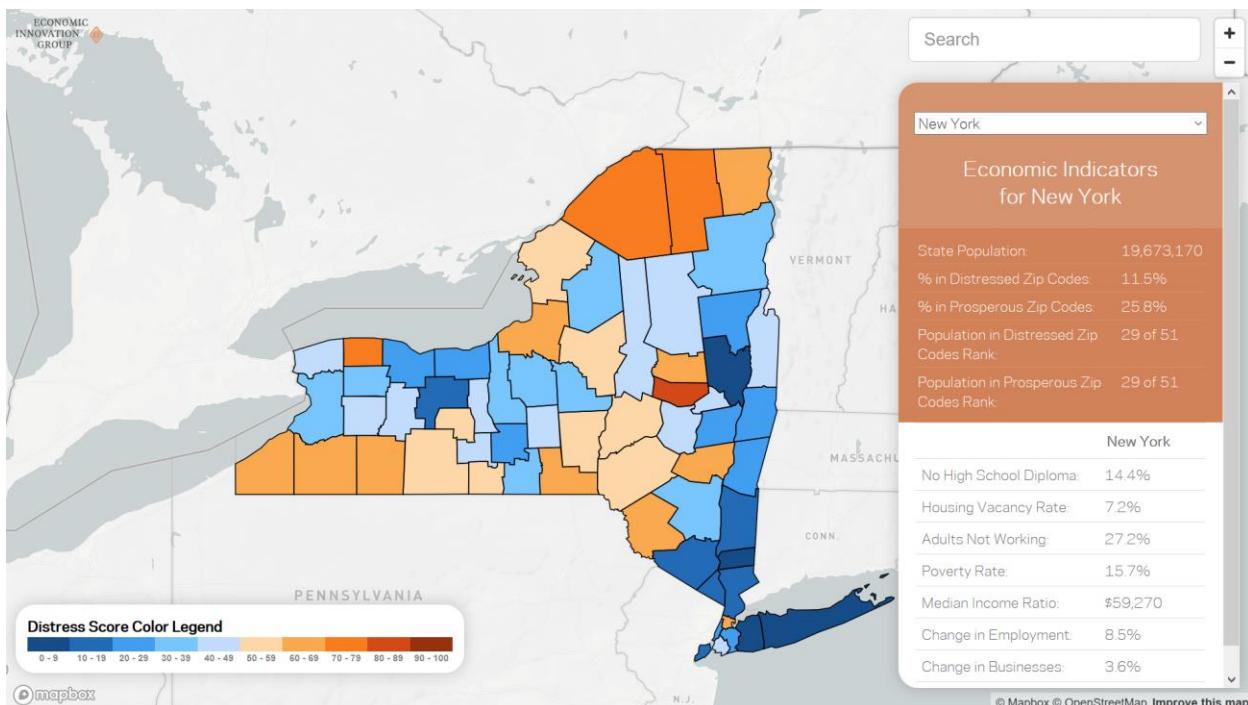
Colin McKnight, New York State Rural Housing Coalition

Good Morning Senator Young, Senator Krueger, Assemblywoman Weinstein, Senator Little, Assemblyman Cymbrowitz, distinguished members of the panel. On behalf of the New York State Rural Advocates and the New York State Rural Housing Coalition, thank you for this opportunity share our thoughts and observations about the impact of the proposed 2017/18 executive housing budget on small towns and rural places across our State.

My name is Blair Sebastian, I represent NYS Rural Advocates and I am joined today by Colin McKnight. Colin is the acting executive director of the New York State Rural Housing Coalition. Together we represent private and nonprofit organizations, developers and architects, engineers and accountants that work to address affordable housing needs in New York State's rural communities.

As you know, Governor Cuomo's Executive Budget proposals on housing for the New York State fiscal year 2018/2019 are lean in many areas. After last year's robust housing budget, this proposal is a bit of a rude awakening but given the State's current financial position, it is no surprise. Lean budgets are to be expected in difficult financial times. The key to successful budgeting in tough times is to focus on priorities and attempt to invest precious resources towards our State's most pressing housing needs.

We would like to begin by calling your attention to an article that appeared in the Albany Times Union this past week. The TU story uses data from the Economic Innovation Group's *Distressed Communities Index* (DCI) to compare Saratoga County, the County with the lowest DCI to adjacent Montgomery County with the highest Distressed Communities Score in the State.



Source: EIG Distressed Communities Index

We have reprinted the EIG's map of distressed communities for New York State above and it comes as no surprise to those of us who work in rural communities that the Counties that rank most distressed on the map, with the sole exception of Bronx County are all rural.

With that economic distress we also find distressed housing markets. Housing tenure in rural New York is dominated by homeowners with over a half a million owner occupied units comprising more than 70% of the rural housing stock. Rural New York's housing stock is decidedly old with more than one third of rural New York's occupied housing having been built before 1939. Thirty percent of the housing stock in rural communities is deemed inadequate. Over one quarter of all owner occupants in rural New York are considered "cost burdened" paying 30% or more of their income for housing.

Meanwhile, of over \$541 million included in the 2017/2018 Capital Projects budget towards Governor Cuomo's \$2.55 billion five year housing plan, only 10% was directed at homeownership programs (including mobile homes). In the 2018/2019 proposal Capital Projects budget, 18% of \$229 million is directed toward owner occupied housing. We think it is time that we provide New York's rural homeowners with a fair shake by more aggressively funding programs that invest in owner occupied housing.

These are the communities served by New York State's Rural Preservation Companies – they are among the most distressed counties in our State and they are dominated by homeowners. Much of our housing stock is old and substandard, our rental properties are equally distressed and small in scale and our efforts to assist in these matters are decidedly underfunded.

According to NYSHCR's Annual Program report, Rural Preservation Companies leveraged and delivered over \$115 million in state, federal and private funds to meet the affordable housing needs in rural communities in the State. With New York's increasing commitment to small development projects, we are seeing Rural Preservation Companies beginning to return to the work of developing important new, appropriate scaled rental projects and they are always looking for serving their rural communities access other state and federal funds.

To this end, NYS Rural Advocates encourages NYSHCR to repeat last year's Small Rental Development Initiative funded with federal HOME funds. As the response to this program was overwhelming, Rural Advocates recommends an addition of \$10 to the Capital Project Fund to enhance a second round of SRDI.

RPCs are now facing a reduction of some 35% of their core funding as a result of the exhaustion of the JP Morgan Chase settlement funds. Governor Cuomo is proposing to provide \$3,539,000 for the Rural Preservation Program (RPP) and \$8,479,000 for the Neighborhood Preservation Program (NPP) from excess reserves of the Mortgage Insurance Fund and we appreciate this core support. In order to maintain current funding levels, NYS Rural Advocates is recommending the addition of \$6.5 million from MIF or other sources for RPP/NPP. Even with this addition, we will be left with a half dozen high need rural counties that are not being served by an RPC. In order to reach those high need rural counties, Rural Advocates recommends an additional \$500,000 to fund five new RPCs.

Rural Advocates recommends the addition of \$250,000 to support the work of the *New York State Rural Housing Coalition* that provides technical assistance and training

to the Rural Preservation network. Since the beginning of the Cuomo Administration we have seen a dramatic reduction in the number of NYSHCR staff devoted to managing the Rural and Neighborhood Preservation Programs. Gone are the days when an organization could expect to see a HCR contract manager visit their site on a regular basis. Gone are the days when HCR staff would coach and guide new directors or demand the most aggressive workplans possible from an organization. That important work now falls to the Rural and Neighborhood Coalitions. In addition to its training and TA role, the New York State Rural Housing Coalition has undertaken a project to place federal VISTA volunteers in a number of RPCs. NYSRHC assists RPC boards of directors to plan for leadership succession and they provide critical training and orientation to new RPC directors. The Rural Housing Coalition has identified a growing need to assist small municipalities in the use of federal CDBG and HOME block grants and proposes to incorporate that activity into its contract workplan.

Rural Preservation Companies are important for the role they play in delivering an array of state and federally funded programs. These include the federal CDBG and HOME programs along with State funded programs including Affordable Housing Corporation (AHC), Access to Home, HOPE/RESTORE, NYS Main Street Program and Access to Home for Veterans.

This last program, Access to Home for Veterans has been particularly challenging and Rural Advocates members have been disappointed in their lack of ability to serve those who have served our country and who are now faced with housing related challenges due to a disability. This program is funded with proceeds from the JP Morgan/Chase settlement and is intended to provide for accessibility improvements

and removal of barriers in housing occupied by disabled military veterans. Without specific guidance from the legislation, HCR - needing a definition for a disabled veteran - adopted the definition found in the Access to Home Program (Article 25, Section 1201 of Private Housing Finance Law). This definition limits program benefits to veterans with service related disabilities – a population that is already being served by the United State Veterans Administration. NYS Rural Advocates recommends the adoption of the NYS Access to Homes for Heroes Program (S. 3933) amended in such a way as to allow any honorably discharged veteran with a disability and an income of 80% of area median income or less to be served by the program. The Program should continue to allow Veterans with a service related disability to be eligible for assistance if their income equals 120% of area median or less. We believe that these changes to the existing program would allow for a much more active and effective program.

Rural Advocates believes that a significant increase in funding for the Affordable Housing Corporation program would go a long way in achieving a more appropriate balance between our State's investment in homeownership programs and rental housing in rural areas. AHC provides funding for important owner occupied rehabilitation programs that protect our single family housing stock and allow low income homeowners to invest in their properties. AHC also provides subsidies that facilitate the acquisition and rehabilitation of existing one to four family housing and the supports the new construction of owner occupied housing. Rural Advocates recommends an increase in Capital Project Funding from the proposed \$26 million to \$35 million in 2018/2019.

The experience of our members suggests that the foreclosure crisis which began with the 2008 collapse of the housing market is still impacting upstate and rural communities. Mortgage foreclosures continue at an unacceptably high level in our communities. New York State Rural Advocates has long argued that a more well developed pre and post home purchase counseling program would have prevented a great many of these unfortunate events. Rural Advocates urges the appropriation of \$3 million to allow RPCs and NPCs to provide housing counseling services.

Rural Preservation Companies are active participants in the HOPE/RESTORE program which provides for emergency home repair grants for low income seniors. The Executive Budget proposes to fund HOPE/RESTORE from the Capital Projects Fund at \$1.4 million. Rural Advocates recommends an increase of \$1 million for a total program of \$2.4 million. We wish to call your attention to an ongoing problem concerning the cost of delivering the program. HOPE/RESTORE has become increasingly expensive to deliver as overall costs have risen and NYSHCR has added requirements for environmental clearances, fully developed work specifications and exposure of the projects to multiple contractors. While appropriators have been careful to insist on providing a percentage based administrative fee for the program, the very small size of these projects means that the not for profit delivering HOPE/RESTORE find that allowed fees fall well short of what it takes to recover the cost of delivering the home repair projects. Rural Advocates suggests that appropriators include a flat fee administrative reimbursement for each project undertaken by a not for profit housing agency in an amount of not less than \$350 per unit.

The New York Main Street Program has proven to be a particularly useful tool for the revitalization of small downtowns all across our State. The Executive proposes to fund NYS Main Street with \$4.2 million from the Capital Projects Fund. NYS Rural Advocates has repeated called for a substantial increase in funding for the Main Street Program but we understand that NYSHCR is concerned that they and their communities may lack the capacity to administer a larger program. Rural Advocates recommends the creation and funding of a New York Main Street Center that would provide for adequate staffing to manage a larger program and to assist in the development of local capacity to deliver Main Street programs. Rural Advocates further recommends that the program be removed from the Regional Economic Development Council administration in favor of a direct NYS HCR Request for Proposals. The NY Main Street experience suggests that these modest programs often fail to show up on the REDC radar and routinely fail to gain the support of some Regional Councils. This leaves communities in some Regions without access to this small but powerful community revitalization tool.

Many Rural Preservation Companies have developed and now own and manage multifamily projects funded by the USDA's Rural Development, Section 515 program. New York State has invested in this program and has leverage many millions of federal dollars by providing rental subsidies through the Rural Rental Assistance Program (Article 17-A of PVH). Governor Cuomo's Executive budget proposed to fund RRAP with \$23,649,000 from the Mortgage Insurance Fund. NYS Rural Advocates support this appropriation.

Rural Advocates are pleased that the Governor has continued his commitment to his \$2.55 billion, five-year Capital Housing Development Plan by proposing to

appropriate \$132 million from the Capital Projects Fund. Rural Advocates continues to argue that such appropriations should include a detailed allocation plan to allow the Legislature and the public to fully evaluate the proposal and facilitate later evaluations of the program's performance.

Rural Advocates express reservations about the executive budget proposal to provide \$8.227 million from the general fund to the Housing Development Fund. Our organization continues to support the role of the HDF as a source of bridge loans, interim and construction financing. By statute, HDF is a revolving loan fund. The HDF has been provided with funds for each of the 40 years of its existence and it would seem, as a revolving fund, it should have sufficient fund balance to carry it through a lean period at a time when current funds might be better used in support of other affordable housing efforts.

The Homeless Housing and Assistance Program provides essential capital funding for appropriately scaled projects that provide safe, decent and affordable housing for homeless families and individuals in all parts of our State. HHAP has a proven record of addressing homelessness in small communities and rural places. NYS Rural Advocates supports the appropriation of \$64 million from the Capital Projects Fund for HHAP projects.