



Testimony
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New York State Senate Finance Committee
And
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Presented by

Blair W. Sebastian, for New York State Rural Advocates

Good afternoon Senator Krueger, Assemblywoman Weinstein, Senator Kavanagh, Senator Helming, Assemblyman Cymbrowitz, and distinguished members of the panel. On behalf of the New York State Rural Advocates, thank you for this opportunity share our thoughts and observations about the impact of the proposed 2023 executive housing budget on small towns and rural places around our State.

According to preliminary redistricting data from the 2020 Census, this has not been a particularly good decade for New York's rural communities. The Census clearly shows a steady decline in New York State's non metro population.

Meeting the affordable housing needs of rural communities presents a number of unique challenges. These are small scale communities made up of widely scattered populations with limited access to traditional sources credit and few philanthropic resources. While housing costs are often lower than comparable metropolitan regions, New York's rural counties exhibit median incomes that are less than 80% of the median incomes in the 20 most urbanized counties. The widespread occurrence of substandard housing in rural communities can be attributed to advanced age of the rural housing stock and to the limited resources available to provide ongoing capital investment.

It is important to recognize that rural communities are dominated by homeownership tenure and there is surprising evidence that many homeowners – particularly those on fixed incomes - are seriously cost burdened at rates similar to renters statewide. Rural renters, although fewer in number than in urban places, also face serious challenges accessing safe, decent affordable housing opportunities.

Rural Preservation Companies (RPCs) Once again, throughout the COVID Pandemic, RPCs have demonstrated the commitment of these locally controlled not for profits to meeting the affordable housing needs of their communities. Since the pandemic was declared in April of 2020, RPCs have continued to operate rental housing for senior and low income families; they continue to facilitate the emergency repairs to homes owned and occupied by low income seniors and they have been unrelenting in their efforts to provide desperately needed assistance to homeless households. RPCs aggressively pursued federal PPP funding in order to maintain a high level of service and just as these organizations have done in past

responses to superstorms Irene and Lee in the Hudson Valley and Southern Tier, microbursts and storms in the ADK and the eroding shoreline along the Lake Ontario, RPCs have been there for their communities.

The Executive proposes to fund the Rural Preservation Program (RPP) in 2023 with \$5,360,000 from excess reserves of the Mortgage Insurance Fund leaving groups funded at the pre-pandemic level of \$88,305. The Executive does not include funding for the important technical assistance and training functions of the Rural Housing Coalition.

In order to *fully* fund currently active RPCs at \$100,000 and restore preservation services to three unserved or underserved counties and to support the work of the Rural Housing Coalition of NYS, Rural Advocates calls on the Legislature to provide the additional funding necessary to **provide RPP with a total appropriation of \$6.25 million dollars.** NYS Rural Advocates recommends that language be added to the budget to provide a \$250,000 set-aside for the New York State Rural Housing Coalition from the RPP appropriation.

Affordable Housing Corporation: Homeownership is the dominate form of tenure in Rural New York. With well over a half a million owner occupied housing units, the homeownership rate in rural service areas exceeds 70% compared to a statewide homeownership rate of just 54%, (note that New York's homeownership rate places us dead last among the 50 States!). AHC provides funding that supports homeowners including down payment and closing cost assistance, new construction and rehabilitation of owner occupied one to four family homes and mobile home replacement programs.

Governor Hochul recently signed A.4341/S.3372 to increase the per unit funding limits for all AHC projects with a special interest in increasing the limits in high cost areas. These amendments to Article 19 of PHFL correct a shortcoming that has prevented this important program from meeting its goals of improving conditions for homeowners in many of the high cost housing markets in the lower Hudson Valley, on Long Island and in and around the New York Metro area. While we believe that the high cost area limits should be higher still, we are convinced that these changes will greatly improve the effectiveness of the AHC program in high costs areas and will, therefore dramatically increase the pressure on the limited appropriation proposed in the executive budget.

The Executive proposes to flat fund AHC at \$26 million from the Capital Projects budget. **NYS Rural Advocates is calling for an increase in AHC funding to \$50 million in the 2023 budget.** This increase is necessary support increased efforts to grow and support homeownership in all areas of the State.

ACCESS to Home and HOPE/RESTORE: Access and RESTORE are two extremely important homeowner preservation programs administered by HCR's Office of Community Renewal (OCR) and delivered in communities across the State by Local Program Administrators (LPAs). Access to Home supports the modification of individual housing units to meet the needs of households with a disabled member. HOPE/RESTORE provides funding for a rapid response to the emergency home repair needs of elderly homeowners. There is unlimited need for both programs and there is substantial not for profit capacity to deliver these programs.

The audit report on the RESTORE program issued by the Comptroller this past July made for interesting reading. While the report identifies some weaknesses in HCR's administration of the program, the Comptroller's most jarring complaint was that for the three year period covered by the audit, only 36 of the State's 62 counties were served by the program. We are convinced that the capacity exists in all of the State's Counties to deliver the RESTORE program. However, there is a serious and sustained lack of funding to support of full statewide program.

In its 2021 funding round OCR used its \$1.4 million appropriation to award an average of \$140,000 to ten LPA's that appear to serve as many as 17 counties. The 2023 Executive budget flat funds HOPE/RESTORE at \$1.4 million from Capital Project Fund. Given the success of the RESTORE program in meeting a critical need, **Rural Advocates recommends an appropriation of \$3 million** allowing for RESTORE programs to operate in a greater number of counties.

Access to Home is proposed to receive \$1 million from the Capital Projects Fund. New York State Rural Advocates recommends a \$2 million addition to Access to Home for a total of \$3 million in program funding.

Homeowner Protection Program (HOPP): Promoting and protecting homeownership is a priority for NYS Rural Advocates and therefore we are deeply concerned that mortgage delinquency rates have reached the highest levels ever due the pandemic's impact on our State's economy. We note that delinquencies disproportionately impact the minority households that are already far behind in rates of homeownership. **NYS Rural Advocates support HOPP and HOPP**

providers request for a \$35 million appropriation in New York's FY 2023 budget.

Small Rental Projects: Rental housing developers in New York have access to a broad menu of capital funding sources however, our network of community based not for profits have found that none of the State's standing capital programs are particularly suitable for the small scale rental projects that are most appropriate in many rural communities and some small downtowns.

In recent years HCR has offered one time programs that effectively served the need for small projects. Most recently the Small Rental Development Initiative (SRDI) was organized by the HCR Office of Community Renewal (OCR). In 2017 OCR used \$22 million in recaptured federal HOME funds to underwrite 21 small projects ranging from 3 to 24 units and averaging about 9 units per award. The awards resulted in a mix of rehabilitation and new construction projects located in 18 different counties. The 2017 SRDI was a one-time effort with recaptured federal funds. The 2017 round was seriously oversubscribed and the number of potential small projects under consideration by project sponsors continues to grow.

In 2013 a similar scaled and equally successful program was funded as a set aside within the New York State Housing Trust Fund. Based on that experience we have proposed that the HTF appropriation of \$44.2 million be increased by \$10 million to support a SRDI like program at OCR. We believe it would be beneficial if a small project program were to become a permanent part of HCR's regular offerings funded at \$20 million.

Infrastructure Development Demonstration Program: The lack of public infrastructure constitutes a serious impediment to the development of all forms of housing in rural communities. NYS Rural Advocates calls for new funding for the Infrastructure Development Demonstration Program (IDDP, Article 21 of Private Housing Finance Law). Rural Advocates recommends 2023 funding of \$25 million

Homeless Housing and Assistance Program: HHAP supports a range of homeless housing developments by providing capital funds for emergency, transitional and permanent housing for homeless households. HHAP has a history of flexibility with respect to scale and design that allows the program to be a highly effective tool in a wide range of situations including in the smallest rural communities.

The 2023 executive budget proposed to fund HHAP at \$128 million with a \$5 million set aside for HIV/AIDs housing from the capital projects fund. We recognize that success of any homeless housing project depends on the quality of service that accompanies the housing. Rural Advocates support the allocation sufficient funding to fully underwrite the support services programs associated with HHAP.

Rural Rental Assistance: Rural Advocates support the Rural Rental Assistance Program (RRAP) to provide “Section 8 like” rent subsidies to some 5000 very low-income disabled, senior and female headed households living in properties with Section 515 Rural Rental Housing loans. RRAP has successfully leveraged federal Section 521 rental assistance in amounts similar to those provided by New York State. The Executive proposes to fund RRAP at \$20,630,000. Rural Advocates support this appropriation.

Manufactured and Mobile Homes: There are nearly 200,000 mobile homes in New York State. Many older mobile homes in rural areas are found to be seriously deteriorated or dilapidated. Mobile Homes located on owned lands benefit from the Mobile and Manufactured Home Replacement Program (MMHRP). Governor Hochul has proposed to provide \$20 million over five years for MMHRP. Rural Advocates supports that proposal. Advocates also recommend the addition of \$3 million in current appropriations to support this important program

The 2022 Executive Budget provides \$5 million to support the ***Manufactured Home Advantage Program*** which provides loans for infrastructure and other park improvements; for the acquisition of parks by nonprofits and to support resident ownership of communities through a co-op model. New York State Rural Advocates supports this appropriation.

NY Main Street Program (NYMS): New York's modest Main Street program has proven to be an effective tool for revitalizing both commercial and residential elements of our downtown areas. Rural Advocates believes that it is time to expand the program and include technical assistance and capacity building in addition to program funding. The Executive proposes to fund NYMS with \$4.2 million from the Capital Projects Fund. We note that over the past several years the base appropriation for NYMS has been enhanced with funds from the first 5-year plan resulting in annual funding over \$6 million. With those additional funds now exhausted, the Main Street Program is left with an effective funding reduction of two million dollars for the 2023 program year. The executive did not include Main Street activities in the new 5-Year Capital Plan

New York State Rural Advocates call for a funding increase to support an expanded program and the development of a New York State Main Street Center to support the capacity to deliver these programs. NYS Rural Advocates recommends funding of \$10 million.

Finally, a couple of general observations concerning Governor Hochul's proposed 5-year affordable housing capital plan. NYS Rural Advocates support the concept of the 5-year plan and we are excited about many of the line items the Governor's proposes.

We remain disappointed that the proposal does not seem to contain resources to drive the production of new 1-4 unit owner occupied housing. We would like to see funding for the Affordable Housing Corporation or a program with similar features included in the plan.

We are also disappointed that the plan did not include a SRDI like small rental development tool. While the included small building initiative serves an important purpose, it does not support the development of appropriate scaled housing in small rural communities. NYS Rural Advocates continues to call for a SRDI like, small rental development initiative preferably located within the Office of Community Revitalization (OCR) with NYS HCR.