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Testimony  
Presented to a Joint hearing of  
New York State Senate Finance Committee  
And  
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Presented by  
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Good afternoon Senator Krueger, Assemblywoman Weinstein, Senator Kavanagh, Senator Amedore, 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 2021 executive housing budget on small towns and rural places around our State.

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 more 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)*** are a key element of New York’s strategy to address the challenges faced by the State’s smaller communities. RPCs are not for profit companies controlled by volunteer boards of directors with the majority of members required to live or work in the service area. In order to successfully meet the affordable housing needs of the low income residents of New York’s small towns and rural communities, NYS Rural Advocates calls for the **full funding of the Rural Preservation Program (RPP)**.

Created in 1980, RPCs generate millions of dollars that are invested in affordable housing and community development in New York’s rural communities. During the 2016/17 program year, the last year for which NYSHCR has issued an annual report, RPCs raised over \$117.5 million in match and leverage to build, repair or manage over 6,600 units of rural housing. RPCs provide a range of other services by, for example, providing debt consolidation and credit counseling to over 1,300 households; the organizations assisted 563 first time homebuyers and they provided down payment and closing cost assistance to 267 homebuyers. RPCs served small rural communities by providing grant writing and grant

administration to 234 communities. In addition, some of our groups are also administering merchant associations and economic development agencies within rural towns and villages that do not have the resources to support full-time personnel.

The Executive proposes to fund the Rural Preservation Program (RPP) with \$5,360,000 from excess reserves of the Mortgage Insurance Fund. This represents one of only a handful of executive budgets over the last forty years that proposes to fund RPP at the previous year's final appropriation. NYS Rural Advocates are gratified by the Administration's show of support.

The Executive does not include funding to support training and technical assistance from the New York State Rural Housing Coalition (RHC) in the proposed budget. Since HCR eliminated RPP/NPP staff from the Regional Offices some years ago, the NYS Rural Housing Coalition has played an increasingly important role in supporting the Rural Preservation Companies. Executive transitions are a time of great peril for not for profit corporations. RHC has been aggressive in providing immediate, in the field training and support for new executive directors. Policy changes in the world of affordable housing are a constant. The New York Rural Housing Coalition is an important source of information and training about new rules and regulations that impact Rural Preservation Companies. And of course, RHC's annual conference provides an opportunity for preservation company leaders and agency staff to join together in a training setting to enhance communication between state program administrators and RPC leaders. **NYS Rural Advocates recommend that language be added to the budget to provide \$200,000 for the New York State Rural Housing Coalition.**

For many years the RPP enabling statute, Article 17 of Private Housing Finance Law contained language setting the maximum annual contract amount for an RPC at \$100,000. While that language and other references to funding caps have been removed from the statute, RPP supporters continue to be committed to one hundred thousand dollars per year as “full funding” for the program. For the 2020 contract year, NYSHCR funded 59 Rural Preservation Companies. As we approach the 2021 contract cycle we expect that two of those 59 groups will no longer be participating in the program. NYS Rural Advocates urges the Legislature to adopt budget language that would direct HCR to issue RFPs for two new organizations to provide Article 17 services in currently unserved areas of the State and thereby maintain RPP program levels at 59 funded RPCs.

In order to *fully* fund 59 RPCs and to support the New York State Rural Housing Coalition at \$200,000, Rural Advocates calls on the Legislature to provide additional funding to **provide RPP with a total appropriation of \$6.1 million dollars.**

***Affordable Housing Corporation:*** NYS Rural Advocates is calling for an **increase in AHC funding to \$44 million this year.** This increase is necessary to offset the impacts of the anticipated increase in *per unit* funding limits and to provide a modest increase in program funding to satisfy a small portion of the overwhelming demand for this very effective program.

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.

NYS Rural Advocates supports the passage of S.1824/6277 that would increase the AHC per unit funding limits for the first time in over fifteen years. While these higher per unit limits will bring the program more into line with current construction costs, without an increase in the AHC appropriation we would expect to serve between 13 and 15 percent fewer units.

The executive proposes to fund the Affordable Housing Corporation Program at \$26 million dollars representing an increase of just 4% over the program's initial funding level of 35 years ago. In 1985 New York established what were then known as the State's "big three" housing capital programs - the Housing Trust Fund (HTF), the Homeless Housing and Assistance Program (HHAP) and the Affordable Housing Corporation. In that first funding year, all three programs were provided with an initial appropriation of \$25 million. While there was never an expectation that these programs would maintain funding parity, we did expect that budgets would continue to exhibit some degree of balance in funding between rental development and the provision of homeownership opportunities

In this executive budget the Housing Trust Fund is slated to receive \$44.2 million and we note that several other capital programs have since been created that augment HTF including Home for Working Families at \$14 million, the Housing Development Fund is increased to \$15 million, and with the State Low Income Housing Tax Credit and the Community Investment Fund, New York is investing somewhere in the neighborhood of \$100 million every year to support the

development of rental housing. The Governor proposes to fund HHAP with \$128 million – an amount that is totally justified and Rural Advocates supports this increase. Meanwhile, the Affordable Housing Corporation is proposed to be funded at just \$1 million above the 1985 funding level. **We urge you to increase AHC funding to at least the current level of the Housing Trust Fund.**

***Foreclosure Mitigation and Pre & Post Purchase Homeownership Counseling:***

Promoting and protecting homeownership is a priority for NYS Rural Advocates and therefore we are deeply concerned that new foreclosures notices continue to be filed at an alarming rate in Upstate New York. The foreclosure crisis has not ended but the settlement funds supporting foreclosure services are exhausted. We urge the Legislature to provide adequate funding for a full service homeownership counseling program that includes foreclosure counseling and mitigation services, legal services as well as pre- and post- purchase counseling for low income and first time homebuyers.

***Small Rental Projects:*** NYS Rural Advocates has been calling for a program to support the development of *appropriate scaled* rental housing for many years. For rural New York and any number of small cities and some urban neighborhoods, appropriately scaled means *small projects*. We were encouraged when the Five Year 200,000 unit Housing Plan committed \$62.5 million to small projects but we were subsequently dismayed by the program HCR developed. It seemed to us that a participation loan program misses the mark by about 180 degrees. The owners of small rental projects in weak markets are rarely able to borrow against their buildings due to the limited appraisal values and limited cash flows attached to those buildings. It would be difficult for a small building owner to justify engaging in a transaction of the complexities required of the Small Building

Participation Loan Program for the limited amount funds they could borrow. The shortcomings of this approach apply to private sector owners as well as not for profits.

A better model for small projects is the Small Rental Development Initiative (SRDI) 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 recognize that there may be other sources of funds to underwrite a small project initiative including the transfer of under-utilized funds from the Small Building Participation Loan Program or the Urban and Rural Community Fund. However, we believe it would be beneficial if a small project program were to become a permanent part of HCR's regular offerings.

***ACCESS to Home and HOPE/RESTORE:*** 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 the rapid response to 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 executive budget proposes to fund Access to Home at \$1 million from the Capital Projects Fund. New York State Rural Advocates recommends a \$4 million addition to Access to Home for a total of \$5 million in program funding.

HOPE/RESTORE is proposed at \$1.4 million from Capital Project Fund. Rural Advocates recommends a \$1million addition for a current program appropriation of \$2.4 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 executive proposes to fund HHAP at \$128 million with a \$5 million set aside for HIV/AIDs housing from the capital projects fund. Rural Advocates notes that HHAP has been desperately oversubscribed in recent years and therefore we enthusiastically support the Governor's proposal. We recognize that success of any homeless housing projects depends on the quality of service that accompanies the housing. Rural Advocates support the allocation of \$42.641 million from excess reserves of the Mortgage Insurance Fund to support the support services programs associated with HHAP.

***Rural Rental Assistance:*** Rural Advocates support the Governor's proposal to provide the Rural Rental Assistance Program (RRAP) with \$21 million from the



Mortgage Insurance Fund. RRAP provides “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.

***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. Advocates recommend the addition of \$3 million in current appropriations to supplement MMHRP funds appropriated through the House NY 2020 capital funding plan. The executive requests \$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 parks through a co-op model. **New York State Rural Advocates supports this \$5 million 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 invest \$4.2 million in New York’s Main Street Program.

***NYMS*** 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. Rural Advocates recommend an additional appropriation of \$5.8 million resulting in a total of \$10 million in

current appropriations to include the creation and funding of a New York Main Street Center that would provide adequate staffing to manage a larger program and to assist in the development of local capacity to deliver Main Street programs