



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

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Good morning, Senator Krueger, Assemblywoman Weinstein, Senator Kavanagh, Senator Helming, Assemblymember Rosenthal, Assemblyman Fitzpatrick 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 2024 executive housing budget on small towns and rural places around our State.

In 2023 the affordable housing needs of rural New York is a complex picture. We present below a map produced by the Economic Innovation Group showing the distribution of economic distress in New York as measured by seven indicators including housing vacancy, poverty rate, educational attainment and other factors. As might be expected, we find large portions of the most rural parts of New York

classified as “at risk” or “distressed”. But we also see that much of surrounding Upstate area is classified as “comfortable” or even “prosperous”. In addition to finding that some areas are in desperate need of help, we also get the sense that there can be no *one size fits all* strategy for addressing housing needs Upstate.

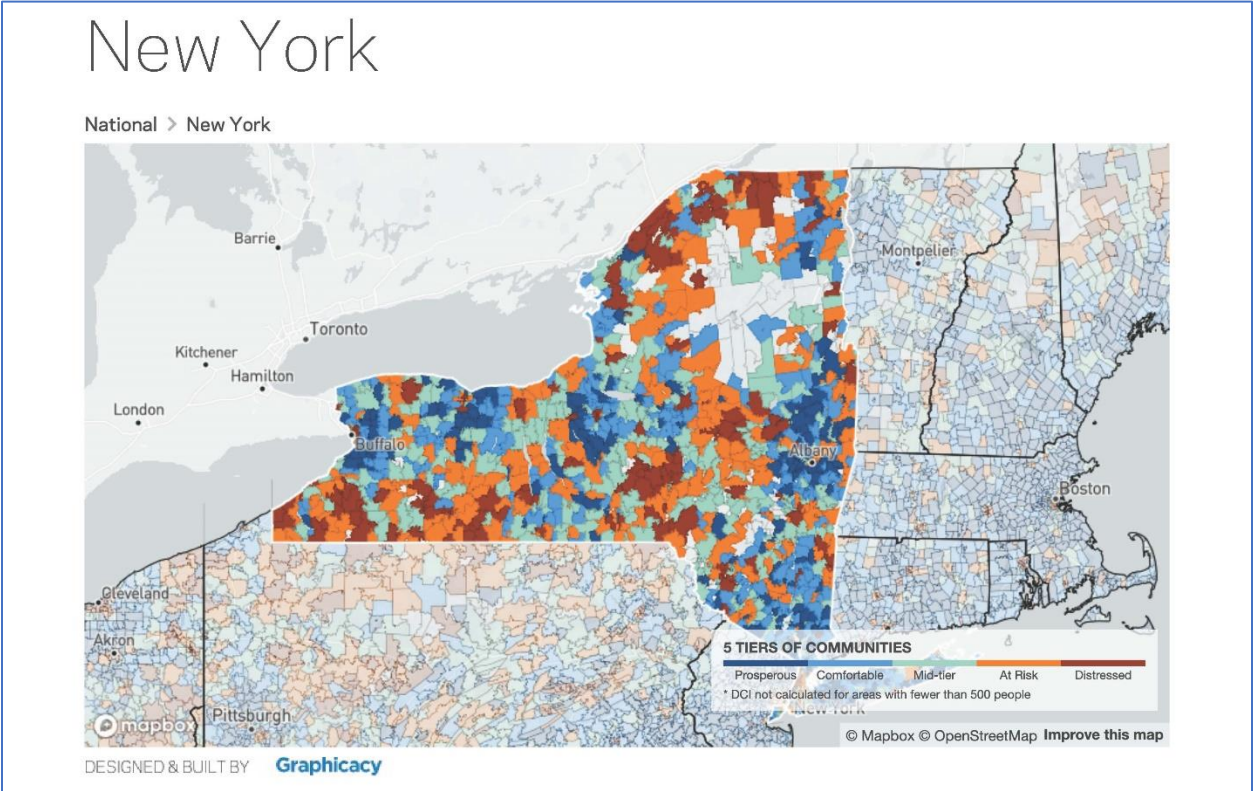


Figure 1 Economic Innovation Group (eig.org) Distressed Communities 2022

Those rural communities with amenities or that are proximate to urban areas are experiencing serious pressure on rents and home prices. Some of this demand is driven by the migration of households from Downstate and other urban areas during the COVID pandemic. Additional pressure results from the substantial increase in the number of housing units being held off the market to serve as short term rentals.

The picture changes when we look at those rural areas that are experiencing higher levels of distress. Here, there is often enough housing units to meet the demand

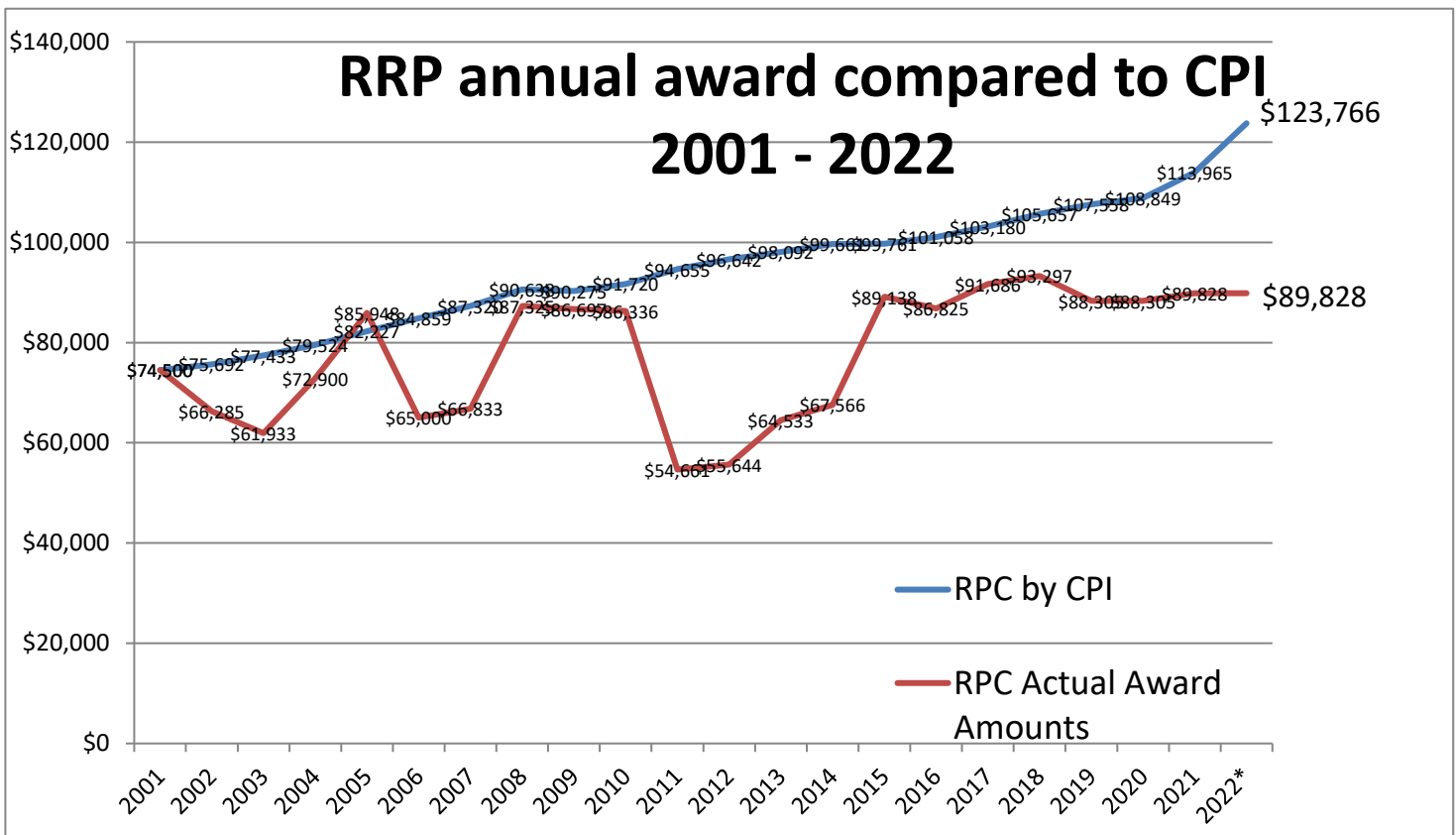
despite a significant loss in the number of housing units in recent years, but the condition of much of the remaining housing stock is deplorable. While affordable housing production programs are a large part of the solution to the more prosperous areas, in the more distressed communities we need the resources to protect and improve the housing stock while still addressing the need to invest in new construction to replace that housing that is beyond rehabilitation.

This variability in housing markets and housing conditions points to one of the important attributes of the Rural Preservation Program. As community based not for profit organizations, RPCs are governed by local boards of directors who tailor the organization's workplan to meet what they judge to be the most important needs in their service areas. You will find some RPCs that have focused on multifamily development and management, others whose focus might be Main Street, or housing rehabilitation. Many of these organizations serve their communities by writing grants and administering community development programs in partnership with local government. A good number of RPC's participate in the Homeownership Protection Program (HOPP) and provide a range of homeownership counseling services. And of course, most all RPCs are engaged in delivering emergency repairs for low-income seniors, or assisting households with disabled members to retrofit their living space to improve accessibility.

Rural Preservation funding is essential to support these organizations that do so much to meet the housing needs of low-income residents. Its RPP dollars that support the core administrative function of many RPCs. RPP funding pays for the staff time that goes in to planning and grant writing. RPP funding backfills for the administrative fees that do not cover the full cost of delivery program. RPP funds

pay for the sometimes decade long process of insuring beneficiaries' compliance with State mandated regulatory periods.

But the sad truth is that RPCs are losing ground as the buying power of RPP funding is diminished. The chart below compares actual RRP funding with the official Consumer Price Index for the period 2001 to 2022. As you can see, RPP funding has been wildly variable throughout the period but in the end, RPP funding has lagged substantially behind the cost of doing business. This decline in buying power is having a serious impact on the ability to deliver housing programs on behalf of New York State.



Once again, this year the Executive is proposing to flat fund the RPC program by providing \$5.360 million from excess reserves of the Mortgage Insurance Fund.

This amount provides each organization with annual awards of about \$89,000, an increase of 16% over the 2001 level compared to CPI that has increased by 40% during the same period.

NYS Rural Advocates is urging the Governor and Legislative appropriators to recognize this challenge to RPCs and fund the program in FY 2024 at \$7.75 million to provide 60 RPCs with \$125,000. Furthermore, we urge appropriators to adjust program funding in subsequent funding cycles to allow the program to keep pace with inflation.

An important function of the RPCs is to deliver many of the programs administered by NYS Homes and Community renewal. Our members are very concerned about proposed cuts in funding cuts for these programs. The 2023 final budget provided some long over due program funding increases that seemed to recognize the altered environment and we had expected that the new funding levels would provide updated baseline funding. The cost of building materials and labor have sky rocketed in these past three years leaving the buying power of the State's LPA housing programs severely diminished and reducing the number of households we are able to serve.

Affordable Housing Corporation: Homeownership is the dominate form of tenure in Rural New York. With nearly two million owner occupied units, the homeownership rate in rural areas exceeds 75% compared with a statewide homeownership rate of just 54% (leaving New York with the lowest overall homeownership rate of every state in the nation). AHC provides funding that supports homeowners including down payment and closing costs, new construction and rehabilitation of owner occupied one to four family homes. AHC is the only

major New York State housing program to target homeowners and Governor Hochul has proposed to return the program to its 1985 funding level. (Although the proposed Capital Projects Budget indicates gross funding for AHC at \$40.5 million, we note that \$14.5 million of that appropriation will be diverted to activities that are not part of the actual AHC program). **New York State Rural Advocates calls for AHC to be restored to the 2023 funding level of \$36 million.** This restoration is necessary to support our efforts to grow and protect the homeownership stock across New York State.

ACCESS to Home and HOPE/RESTORE: ACCESS and RESTORE are two of the State most popular and effective of the small housing 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 address the accessibility needs of disabled members of the household. This activity often allows disabled and elderly household to remain in their current housing situation and prevents unnecessary moves to more institutional settings. Rural Advocates recommends and increase to \$4 million for ACCESS to Home.

HOPE/RESTORE: RESTORE provides funding to support emergency repairs to the homes of low-income senior householders. We had previously noted highlights of the Comptroller’s 2022 report that criticized the agency because RESTORE was reaching only 36 of the State’s 62 Counties. This seems to us to be in large part a consequence of inadequate funding of the program. There is capacity in all Counties of the State to deliver this important program. In the 2023 final budget, RESTORE was increased from \$1.4 million to \$3.4 million but the

program is returned to the \$1.4 million level in the 2024 executive budget. In the recent round of LPA funding, we understand that HCR received some \$6 million in RESTORE applications. It is long past time to recognize the importance of this program with **a permanent increase to at least \$4 million.**

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 the State's standing capital programs are not 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.

The 2023 final budget included \$7 million for small rental project development and HCR has recently released a request for proposals for that program. It is our understanding that over 50 organizations have expressed interest in the program so far, suggesting that HCR's available funding will fall far short of demand for this important program. Despite these successes, Governor Hochul has proposed to

eliminate funding for small rental development in the 2024 budget. **New York State Rural Advocates recommends that \$20 million be made available to HCR to support a statewide, Small Rental Development Program.** Rural Advocates also supports the establishment of a permanent Small Rental Development Program in statute.

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 continued at extremely high levels. We note that delinquencies disproportionately impact the minority households that are already far behind in rates of homeownership. Given the continued high incidents of foreclosures in our State, we are frankly baffled at the apparent lack of funding for HOPP in the Governor's proposed 2024 State Budget, **NYS Rural Advocates support HOPP and HOPP providers urgent request for a \$40 million appropriation in New York's FY 2024 budget.**

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). Appropriators have provided \$20 million over five years for MMHRP in the 2023 five-year capital plan. Rural Advocates supported that proposal but, based on need and demand for the program, **Rural Advocates also recommend the addition of \$3 million in current appropriations to support this important program.**

The 2024 Executive Budget proposes to provide \$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 funds now exhausted, the Main Street Program is left with an effective funding reduction of two million dollars for 2023 and again for the 2024 program year. The 2023 adopted budget did not include Main Street activities in the 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.**

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 \$21,710,000. Rural Advocates support this appropriation.**

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 2024 executive budget proposed to fund HHAP at \$128 million with a \$5 million set aside for HIV/AIDs housing from the capital projects fund. **New York State Rural Advocates support this appropriation.** We recognize that success of any homeless housing project depends on the quality of service that accompanies the housing. **Rural Advocates support the allocation \$50,780,000 from the Mortgage Insurance Fund to fully underwrite the support services programs administered by OTDA.**

Infrastructure Support Fund: New York State Rural Advocates have consistently called for appropriations to address the serious need for infrastructure improvements in rural communities. We note that the lack of public infrastructure has long been recognized as an impediment to affordable housing development in our smaller communities. Governor Hochul's inclusion of a **\$250 million Infrastructure Support Fund** would be essential to meeting her aggressive housing development goals. However, if it is not clear that the Fund would support the development of private infrastructure (wells and septic systems) in small communities, we might well fail to achieve to her goals in Rural New York.