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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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And

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Good Morning Senator DeFrancisco, Assemblyman Farrell, Chairman Wright, Assemblyman Fitzpatrick, Chairwoman Young, Senator Espallat, distinguished members of the Panel: thank you all very much for this opportunity to come before you today to talk about the affordable housing and community development needs and related challenges facing New York's rural communities.

My name is Blair Sebastian and I represent the NYS Rural Housing Coalition. I am joined this morning by my colleague Nancy Berkowitz who represents the New York State Rural Advocates. Together, we are interested in a range of budget issues as they impact affordable housing and community development in rural communities in our state.

We have found that addressing affordable housing and community development problems in rural areas present some very special challenges. Obviously, rural communities are different in that they are smaller and less densely populated than is the case for our urban neighbors. Rural community developers have less access to capital and to philanthropic resources. Our municipal governments have fewer resources to fund planners and development specialists. Organizations looking to fill leadership roles find quality applicants hard to secure – especially at public or not for profit wages. In many rural communities, Rural Preservation Companies are helping to fill these essential roles and therefore, we believe that RPCs deserve your continued support.

The Governor has proposed to use \$3,539,000 of excess Mortgage Insurance fund reserves to fund the Rural Preservation Program and \$8,479,000 in support of the NPC program. Rural Advocates is requesting that the legislature increase funding to these combined programs by \$4 million in order to restore the programs to last year's level , to fund up to 15 replacement groups in areas of high need that are not currently being served and to provide the rural and neighborhood coalitions with training and technical assistance resources directed toward increasing the effectiveness of all program recipients.

We are excited to see that the executive budget also proposes to use \$20,259,000 from the JP Morgan Chase Settlement funds (Settlement funds) to support activities

authorized under Articles 16 and 17 of Private Housing Finance Law. We recognize these funds as a onetime investment in the programs. We would like to see them invested in ways that will increase the overall all capacity and impact of Preservation companies across the state.

The Executive Budget proposes to fund the Affordable Housing Corporation Program at \$29 million for FY 2015. We applaud this modest increase and suggest that the hundreds of additional potential and current homeowners could benefit from an additional funding for the AHC. We note that Settlement funds are intended to “ameliorate” the consequences of the foreclosure crisis and to avoid “preventable foreclosures”. The assistance provided by AHC is a powerful tool to accomplish both of those goals. Rural Advocates recommends that an additional \$5million per year in Settlement funds be added to the 2015 - 2017 AHC appropriations.

Given the mandate to “avoid preventable foreclosures” we are disappointed that the Executive Budget proposal does not include Settlement fund support for housing counseling/homebuyer education programs. There is data to support the contention that participants in homebuyer education programs have largely avoided the foreclosure crisis and have become successful homeowners. We recommend that up to \$8.2 million in Settlement funds be provided to support housing counseling activities over the next two years.

We support the Governor's proposal to provide \$17 million in funding for the Rural and Urban Communities program. We can only speak to the 40% rural portion of this program in these comments. We observe that this fund is being asked to address a wide range of very serious issues and the program must be adequately funded if it is to succeed. While our members are disappointed that the Rural Area Revitalization Program (RARP) is no longer a practical approach to our community's small CD challenges, we see a broadly interpreted Rural and Urban Communities program as part of the solution. The executive's current priority for the rural portion of this program is the preservation of the portions of the federal rural rental housing portfolio. We agree that this is a high priority activity and we support continued funding for RRH preservation. The Community Fund also provides the opportunity to support a broader range of community development activities and with adequate funding and the cooperation of the agency, this program could be the answer for the small scale housing and CD development work that we have discussed elsewhere. Provided that the Community Fund can be used in a broader range of activities, Rural Advocates suggests an increase in funding for the Urban and Rural Communities program to a total of \$25 million.

Governor Cuomo proposes to again fund the New York Main Street Program at \$4.2 million dollars for the coming fiscal year. Rural Advocates believes that there are a significant number of communities that would benefit from an increase in this program. If you are familiar with New York Main Street projects that have taken place in your districts you will have seen that these projects not only leverage dollar

for dollar private investment but Main Street efforts often provide a catalyst for additional investment in program target areas. We think that the NY Main Street program should receive an additional \$2.5 million in funding.

The executive budget proposes using funds from the Settlement to substantially increase both the Access to Home program and the RESTORE program. We support those increases to supplement program funds coming from the general fund.

Access to Home provides housing rehab services to adapt existing housing to accommodate the accessibility needs of low income persons and thereby allows households with disabled members, including veterans to successfully continue to live in their current home. RESTORE is intended to provide funds to support emergency repairs to housing occupied by seniors with limited resources.

While Access and RESTORE are important and successful programs, our members are finding that delivery of those programs has become more challenging as HCR implements increased administrative requirements. While program users and Agency staff will continue to discuss ways to streamline these administrative requirements, it is clear that in the current regulatory environment, delivery of these programs will continue to involve substantially more paperwork than in the past. It is important that both appropriators and program managers recognize that complying with increased regulatory requirements costs money. HCR does recognize and fund most program delivery costs but current program standards do not allow sufficient overhead and administrative fees to fully cover actual costs to

the not for profits. We also note that the cost of increased administrative reduces the amount of funding that can be used for the actual home repairs. We recommend that administrative fees for all HCR programs be set at a minimum of 10% in addition to allowing the groups to charge direct program delivery costs to each project. Our members also find that historic per project funding levels are no longer sufficient to cover the costs of necessary renovations and repairs. This is a particular problem with the RESTORE program and we urge you to set a per unit cap on the program of at least \$10,000.

HCR's not for profit program administrators are also challenged managing cash flow as longer processing times at HCR result in payment delays. Again, program users and HCR staff are committed to working together to reduce processing time, it is clear that the days of 7 to 10 day turnarounds are long gone. The small private contractors who carry out this rehab work cannot and will not wait four to eight weeks for payments. This means that local not for profits must borrow funds in order to satisfy their contractors. We recommend that the \$15 million in proposed funding for the CDFI be increase to allow for the formal development of a not for profit bridge loan program.

Governor Cuomo is proposing to fund the Housing Trust Fund program from several sources totaling \$47.7 million. One of the particular challenges of addressing the affordable housing needs of rural communities is that of scale. Much of State's affordable housing is developed using the state and federal tax credits. Because of

the substantial transaction fees involved in those programs and due to the reluctance of investors to support small projects in less robust markets, appropriate scale projects are particularly difficult to develop using those methods. We urge you to work with the Governor to establish a small project set aside within the Housing Trust Fund. By providing a \$12 million set aside we would allow the HTF to support rental projects of less than a dozen units that do not use tax credit in situations where affordable housing is needed but where larger projects are not appropriate.

We support the executive budget proposal to fund the Homeless Housing and Assistance Program at \$63 million. It is important to note that last fiscal year HHAP's allocation was roughly doubled from its historic levels and even with over thirty million in additional funds, HHAP had fundable applications sufficient to commit that entire amount by the end of the calendar year. There is now activity that would suggest that the funding window will close even more quickly in the coming year.

The success of HHAP projects requires that OTDA and other agency's support services programs also be adequately funded. While those programs may not be the prevue of this table, we urge the Governor and Legislature to agree to fund those services at as robust a level as resources allow.

Finally, we are finding that the infrastructure that supports housing, particularly sewer and water are growing problems in rural communities. In the past New York

State has funded the Infrastructure Development Demonstration Program (IDDP) to provide additional infrastructure costs for rental housing developments. This program has demonstrated effectiveness and should be available for single family units, mobile homes and rental units. We urge the Governor and Legislature to devise a funding stream to support the development, repair and replacement of privately operated infrastructure including private septic systems and water wells. We suggest that this activity be funded at \$2,000,000 to support the completion of approximately 200 units