

Testimony
To a Hearing of the
New York State
Division of Budget
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Thank you for offering the rural housing community this opportunity to comment on New York State's budget priorities. We are very pleased to see the interest this Administration has in really understanding our State's problems and we commend you on your obvious commitment to getting the solutions right.

Once upon a time, New York State held a leading role nationally in supporting the development of affordable housing. That role is now greatly diminished. We have been spending more or less the same \$100 million each year since the 1980s. To see the evidence of the declining impact of this investment, all one has to do is compare the award lists from this past year to those of ten and twenty years ago. No one should be surprised to see that we are creating far fewer units of housing for \$100 million in 2007 than we did for that same \$100 million back in 1985.

The use of those funds has also evolved. For instance, more of the NYS HTF and federal HOME block grants funds are being committed to leveraging federal tax credits. While we agree that the State has an obligation to maximize use of the tax credits, we also recognize that funds used in this way are not available for the stand alone projects that once dominated affordable housing activity in the State. Our State's funding levels have changed very little to

accommodate these new activities. It is clearly time to increase New York's commitment to affordable housing.

The funding needs of rural communities vary somewhat from the rest of the state. Rural projects are affected by issues of scale and by soft markets. There is no question that real estate development is most cost effective when it achieves some measure of scale. But small communities and sensitive markets may not tolerate scale so well. Good public policy is going to require that we support the development of housing of appropriate scale in rural communities. In that light, we are very pleased that DHCR has committed to an open window for its small project initiative funded from the **NYS Housing Trust Fund**. We believe that **HTF** is flexible enough to meet an even wider range of rural needs if it has sufficient resources.

Definitions of rural vary. For the conversation today we are speaking of the over four million New Yorkers who live in about 900 communities with populations of 25,000 or less. Together these small communities account for about 22 percent of the State's population. They extend from Long Island, to Westchester and the Hudson Valley to the Adirondacks to Lake Erie. They are, generally, economically challenged and a bit poorer than the State as a whole. As a matter of fact, 13 of the 15 counties with the lowest per capita income are rural.

Homeownership is the dominant form of tenure in our State's rural communities and small towns. Three quarters of all rural households own the living unit they occupy. Sixty eight percent of the housing units in rural communities are single family, detached houses. Much of this owner occupied, single family housing stock is old and it suffers from the lack of ongoing investment that one would expect in lower income communities. For these reasons, we believe that the rehabilitation of owner occupied housing should be the core element of rural housing

policy. We have estimated that it would take over \$5 billion dollars to meet the housing rehab needs of rural communities.

We don't expect to see funding at the \$5 billion level any time soon but we do urge you to allocate *at least* forty million dollars (\$40,000,000) each year for the next several years to the **Affordable Housing Corporation program**. AHC is an important source of rehabilitation funds and also provides down payment and closing cost assistance that helps low-income families to achieve homeownership status.

In order for this increase of **AHC** funding to be fully effective, Article 19 of PHFL should be amended to allow the Corporation to provide at minimum ten percent administrative fee to support the delivery of **AHC** products. Other program changes and new approaches to marketing could further enhance the program.

The **RESTORE** program is a small, very successful emergency home repair program for elderly homeowners. The program provides up to \$7,500 for the immediate repair of critical housing components, often items such as heating, electrical and plumbing systems. The program can be very effective but funding patterns over the past several years have not lent themselves to smooth and consistent operation of the program. Typically, the program has been funded in the Executive Budget at \$400,000. Our experience has been that this level of funding does not provide for uniform geographic distribution of funds, nor are the awards in amounts that are large enough for organizations to operate efficient, cost effective programs. In some recent years however, the legislature has provided an increase to \$1.4 million in **RESTORE** and in those years, there appears to be sufficient funds to provide **RESTORE** in most counties and in amounts that are large enough to build a program around. Given the effectiveness of this

program and the great need for emergency home repair for the elderly, we are suggesting that the RESTORE program be consistently funded at \$3.4 million.

Finally, in the rehab arena, the relatively new **Access to Home** program provides funding for homeowners and renters to retrofit living quarters to allow persons with disabilities to live independently and stay in their current homes. The program has clearly struck a chord. The need for this program is considerable and demand for the resource is increasing. We recommend that Access to Home be funded at \$20 million with additional \$2 million to support the administrative costs of not for profits that deliver the program.

Over the past several years, rural housing providers have witnessed something of a perfect storm of well intentioned public policy gone very wrong. A single minded policy of promoting Homeownership for everyone supported by an easy credit policy collided with the overall lack of lenders in rural communities and a parallel lack of sophistication among some rural borrowers. This has led to our communities becoming a hot bed of subprime lending and the increased foreclosures that have followed. Buying and maintaining a home is expensive and we have always known that getting families in over their heads was bad policy for those families. While this debacle has been tragic for the victims, the crisis has surely pointed up the benefits of home buyer education and high quality home ownership counseling. We have now had ample demonstrations that home buyer education can dramatically reduce foreclosure rates. Quality loan products are available even in rural communities and good counseling can help families buy and maintain appropriate housing. Sometimes that housing will be owned, other times it will be rented.

As it happens, New York State has a couple of opportunities to step up and support homebuyer education and housing counseling. NYS Rural Advocate's agenda includes a request of \$3.4 million to support the Rural Homeownership Assistance Program, the rural companion of the Urban Homeownership Program that was funded in this year's budget. This appropriation would provide funding for Rural Preservation Companies to operate proven Homeownership programs in all of the State's rural counties. We are also asking that Article XVII of PHFL be amended to include RHAP as a specific RPC activity.

We expect that you will be hearing much about more about The New York State Coalition for Excellence in Homeownership Education. The Rural Housing Coalition is pleased to be partnered with several NeighborWorks Organizations, the Long Island Housing Partnership, the NY Mortgage Coalition and a host of other organizations all cooperating with DHCR, HFA/SONYMA and the State Banking Department in an effort to develop a program to ensure that comprehensive and quality financial literacy and homeownership education is available to all New Yorkers. We have already adopted a national standard for homebuyer education and we have commissioned a study of the status and needs for homebuyer education in our State. We expect to be making formal proposals very soon.

Not surprisingly, while the focus has been on homeownership for everyone we have neglected rental housing, and again, some of that neglect has been focused on rural places. The **New York Housing Trust Fund** is a wonderful tool that provides funding for a range of projects from large tax credit deals to stand alone projects funded under the Small Project set-aside. **HTF** is the flagship housing program in our State's lineup of housing resources but we think that there are too many demands on the Trust Fund for it to be fully effective. We think that **NYS HTF**

should be funded at a minimum level of \$100 million a year and we should revisit HTF's original LPA component.

As you have been hearing recently, the Federal Section 515 Rural Rental Housing Program is an extremely valuable resource for the development of rural housing that successfully serves low and very low income households in rural parts of the State. Section 515 works and continues to flow to New York because of our commitment of **Rural Rental Assistance** and the Leveraged Loan Program (funded through the HTF). **Rural Rental Assistance** is about to sunset and it must be renewed or we will face major displacement of poor and elderly families and witness serious disruption in the rural rental community. **RRAP** should be funded at a level sufficient to renew all expiring contracts and to accommodate any new 515 units that maybe developed. There is also the matter of Section 515 preservation. We are not there yet, we don't know the mechanics of the preservation of these important properties but we suspect that it will take the development of a specialized resource and we hope that you will be able to support funding for this activity

One tool that meets the special needs of rural community development particularly well, is the **Rural Area Revitalization Program** known as **RARP**. This small program can be used to develop small, appropriate scale housing projects, it can be used to support commercial elements that are associated with small housing projects and it can be a source of funding that makes complex deals happen. After lying dormant for some years, this program has been funded again and program users are now increasing demand for the program. We urge you to fund **RARP** at \$2.75 million for the coming fiscal year.

And when all is said and done, you need a vehicle to deliver these programs to rural communities. New York has the great fortune of having the Rural and Neighborhood Preservation Programs. RPC has become an extremely effective way to deliver housing services to rural communities, delivering as much as twenty five times its core funding in housing services. RPCs provide services that are appropriate and well tailored because these companies are community based; they are controlled by boards of directors made up of local folks. They are directly accountable to the communities they serve and they are tasked to deliver housing programs that truly meet local need. They know their communities and they know their resources and they match them very well. Community based organizations are being recognized nationally for the community and economic impact they bring.

Last summer, at your request, DHCR undertook a thorough review of the NPC and RPC programs. We think some good suggestions for improvements were made by refining standards for the program and by suggesting tools that DHCR can use to insure that RPCs and NPCs operate at high levels of efficiency and effectiveness. I think that the most important thing we found was that there were not as many issues with these programs as some had suggested. It turns out that the most serious flaw in the program was DHCR's failure to abide by the law and produce an annual report to the Legislature (and you). If you had been provided with information all along, I suspect that our starting point this summer would have been much different.

Now that these matters are settled, we hope that the Executive can match the historic support of the legislature and move this program forward. There are still unserved communities in rural parts of our State and there will be a need to redevelop capacity in communities where RPC services do not meet the new standard. We are asking that you fund the program at \$7.5

million to allow all RPCs to be funded at the statutory cap of \$97,500 and to fully fund the Rural Housing Coalition's TA and Training program.