



## Neighborhood Preservation Coalition of New York State

Testimony Presented To Joint Budget Hearing Of The  
Senate Finance Committee and Assembly Ways & Means Committee

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My name is Jessica F. Vasquez and I am the Executive Director of the Neighborhood Preservation Coalition of New York State, Inc. I want to thank the Chairs of these Senate and Assembly committees for the opportunity to present this testimony on behalf of the Neighborhood Preservation Coalition of New York State and its membership.

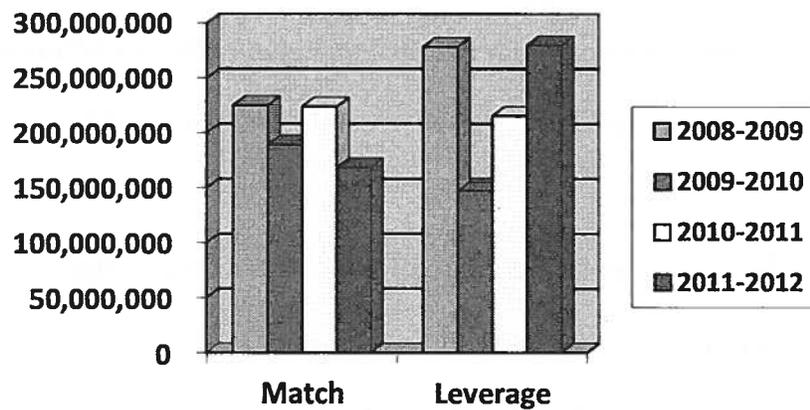
The Neighborhood Preservation Coalition of New York State is a statewide membership organization comprised of over 175 not-for-profit Neighborhood Preservation Companies (NPC's), local development corporations and community housing development organizations. There are 147 NPC's in New York State which play a vital role in revitalizing New York's neighborhoods and communities through the Neighborhood Preservation Program.

### **35 Years of Preservation Program Successes**

For 35 years, the Neighborhood Preservation Program has been tremendously successful in providing resources to community-based, not-for-profit organizations to revitalize their communities and provide affordable housing services. The State has recognized that the Neighborhood and Rural Preservation Programs are leaders in community revitalization and the key to safe, decent housing for thousands of working families, veterans, seniors, and people with disabilities. This program contributes to the

state's economy and has a direct economic impact in communities throughout the State. In FY 2011-2012, for every preservation program dollar appropriated, NPCs raised \$57 for their communities. As DHCR reported to the Governor and the State Legislature, NPC's raised \$448.2 million in match and leveraged funds from 2011-2012. This was an increase of \$9.2 million from the previous year. Over the past four years, the NPC's have raised more than \$1 billion for their communities.

**Figure I. 4 Years of Significant ROI**



**An Effective and Efficient Investment**

The NPC's continue to provide services to achieve housing stability and improve our communities. The most economically efficient way to end homelessness is to prevent its occurrence. A 1991 study of eviction prevention programs by the U.S. Department of Health and Human Services found that the average cost to *prevent family homelessness was one-sixth the average cost of a stay in a shelter*. In this regard, NPC's served more than 11,212 people in housing counseling workshops and more than 14,281 tenant evictions were prevented. More than 4,756 people attended foreclosure workshops where homeowners were assisted with debt consolidation and credit and mortgage counseling.

In addition, NPC's and RPC's received 52% of the Attorney General's Homeownership Opportunity Prevention Program (HOPP). For groups in NYC alone, it's 60% and for the rest of the state it's 47%.

NPC's manage more than 6,985 affordable housing buildings throughout the state. In doing so, the NPC's have achieved the following goals within their communities: the provision of physically decent and safe housing, building residents' wealth, social integration in the larger community, urban vitality, social engagement, institution building, and efficient use of public funds. NPC's are at the forefront of preserving affordable housing for New Yorkers.

NPC's activities also include rehabilitation and development projects. These successful capital projects mean much more than improved homes: they preserve existing housing stock, increase the available affordable housing stock, stabilize residential neighborhoods, remove and redevelop blighted and substandard properties, revitalize and strengthen neighborhoods, and create jobs. Through new construction, more than 508 state residents became new homeowners or renters and there are many new development projects in progress. NPCs facilitated 5,810 home improvement and 526 substantial rehabilitation projects. Rehabilitation and development projects create employment opportunities that offer a living wage for local residents and a new generation of homeowners to invest in local goods and services while increasing the tax revenue to municipalities. All of these improvements to the community, through revitalization, rehabilitation, and new construction of homes and commercial areas in neighborhoods throughout NY would not be possible if it were not for the work being done by the Neighborhood and Rural Preservation Companies.

Affordable housing development is one of the best ways to stimulate the economy. It creates more jobs for the dollar faster than most other investments, and New

York State has a development pipeline that is large enough to have a discernible positive effect on the state's economic growth. In 2011-2012, more than \$200 million was invested in the local construction industry. Rising construction costs mean that we are building fewer units with funding streams that have remained at the same funding levels since the mid-1990s; and cuts to federal capital funds will further decrease production.

In 2011-2012 the Preservation Companies were awarded much of NYS HCR's Local Program Awards: 73% of all HOME Awards, 82% of all RESTORE awards, 41% of all Access to Home awards, 10% of New York Main Street awards, and 48% of all Affordable Housing Corporation Awards. Most of the funds leveraged with these awards were reinvested in the local community.

### **Impact of Combining the Neighborhood and Rural Preservation Programs**

The two preservation programs have been in existence for 35 years (neighborhood preservation program) and 30 years (rural preservation program). For FY2013-2014, Governor Cuomo has proposed to eliminate the Neighborhood and Rural Preservation Programs (NYS Private Housing Finance Law Articles XVI & XVII) and has offered a combined community preservation program. The Neighborhood Preservation Coalition of New York State and its members firmly believe in enhancing the program and improving on its efficacy and impact. However, we are concerned about the proposed change in policy and program.

In 2009, the Governor's Executive Budget would have decimated the NPC's with a proposed budget of \$8,153,000. In recognizing the need and impact of the Preservation Program, the Legislature responded by supplementing the Executive Budget to bring the NPP state funding to \$13,789,000. Unfortunately, in 2010 and 2011, the Governor's Executive Budget decimated the NPC's with a budget of \$8,479,000. Over the past two

years, organizations throughout the State reduced the paid hours to their employees, instituted furloughs, and 4-day work weeks. Staff were laid off. Local contractors struggled to find projects. This year, Governor Cuomo's budget attempts to start the combined Preservation Program at \$12million. While a great starting point much appreciated by the existing preservation companies, this would need to be supplemented by additional resources from the Senate and Assembly to not have a detrimental impact on programs, development projects, and other community development services. If not supplemented, this would result in fewer services for residents, less leveraged funding for communities, and fewer revitalization efforts.

### **Issues of Concern in the Governor's Proposed Article VII**

#### **1. Performance-Based Contracting**

- a. Performance-based contracting is a term of art. The current use of this term is incongruent with the Preservation Program. In some NYS agencies, as well as NYC contracts, the term links compensation directly to the completion of service outcomes. As the Preservation Program limits the use of funds to payroll and administrative expenses, it makes it untenable for payments to be made upon reimbursement. However, if the term is intended to be used for evaluation of outcomes and not to change the payment system, then a precise definition of the term needs to be stated.

#### **2. Eligible Applicants**

- a. As a housing program that was established 35 years ago and has been successful in the community, housing experience for one year or more should be maintained for any new applicants.<sup>1</sup>

#### **3. Contracting and Payments**

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<sup>1</sup> NYS Executive Budget, Article VII §1231(3).

- a. The current Preservation Program statute delineates a semi-annual payment process with timeframes.<sup>2</sup> This language is essential for two reasons:
- i. One, organizations need to know that they can count on this program in order to leverage additional programmatic resources for their community. Knowing exactly when they can plan to receive payments assists in their planning and budgeting. In November 2011, the NY Office of the State Comptroller issued a report based on their study on NY's Prompt Contracting Law "that 71 percent of contracts with NFPs were not approved by the start or renewal date....and the report found that nine out of ten of these [OSC approved] contracts were approved an average of six months after their start date."<sup>3</sup> This type of delay in contracting and payment causes significant disruption in the provisions of services as well as financially, as this money is statutorily defined as being used for payroll and overhead costs.
  - ii. Second, it assists with accountability. State agencies would need to complete their contracting and renewal processes on a timely basis and thereby mitigating the issues that arise from delayed contracting.

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<sup>2</sup> NYS PHV Article XVI, §904 (3). "Payments shall be made by the division to the neighborhood preservation company, not less frequently than semi-annually, at or prior to the commencement of each such time period, to compensate such company for the neighborhood preservation activities which it shall undertake to perform provided, that with respect to contracts entered into on or after June thirtieth, nineteen hundred ninety-seven the first such payment shall be made by the division beginning on or after July first of the fiscal year for which an appropriation in support of such payment was made and provided further that the final such payment to the neighborhood preservation company shall be made no later than March thirty-first of such fiscal year, unless such payment has been withheld pursuant to subdivision eight of section nine hundred three of this article."

<sup>3</sup> New York State's Not-for-Profit Sector, [www.osc.state.ny.us/reports/nfp/nfpreport11-2011.pdf](http://www.osc.state.ny.us/reports/nfp/nfpreport11-2011.pdf)

b. The current Preservation Program statute delineates an annual contract term.<sup>4</sup> Terms are important for continuity of service and planning. It is our understanding from our conversations with NYS Homes & Community Renewal that a multi-year contract is being considered for this program. As such, the statute should continue to provide minimum term language to that effect.

#### 4. Due process

a. Notice Provisions for renewals and terminations. Due process was built into the current statute and should not be eliminated. See *NYS PVH Article XVI §903 (6c & 7)*. The current statute provides 45 day notice provision for both the renewal of contracts and for the termination of contracts.

b. Notice provisions for renewals are also codified in NYS Prompt Payment laws, which provides for a 90 day notice. See *NY State Finance Law Article 11B*.

c. Substantial Completion. The current Preservation Program statute provides the ability to terminate a contract upon a finding of “substantial non-compliance”<sup>5</sup> and renewal of contracts includes factors such as substantial completion of activities.<sup>6</sup> We believe that these parameters are valuable both for the contracting nonprofit as well as the State agency that can then hold such contracting organizations accountable.

d. Good Faith Efforts. Language incorporating good faith efforts should be included in a statute where it allows for state agencies to terminate contracts if

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<sup>4</sup> NYS PVH Article XVI §903(4). “Contracts entered into hereunder with neighborhood preservation companies shall be limited in duration to periods of one year, but may thereafter be renewed, extended or succeeded by new contracts from year to year in the discretion of the commissioner.”

<sup>5</sup> NYS PVH Article XVI, §905(4).

<sup>6</sup> NYS PVH Article XVI, §903(5).

a nonprofit has failed to submit documentation required or requested.<sup>7</sup> See *NYS PVH Article XVII§1003(8)*.

#### 5. Match Requirement

- a. The thirty-three and one-third match requirement ensures that the funding distributed to the companies in the program is used to leverage additional funds for the community. This requirement should be maintained at least at 25%, and at most, 33%.<sup>8</sup>

#### 6. Reporting

- a. Funding obtained by a nonprofit agency that does not pertain to the preservation program should not be part of required reporting. Many nonprofits provide diverse services for their communities. Requiring them to report on these resources that are beyond the preservation program is against the recommendations expressed to the leadership in NYS. See *Revitalizing Nonprofit/ Revitalizing New York, Report to Attorney General Eric Schneiderman, Feb. 16, 2012.*

#### 7. Complexity of a merged program.

- a. Presently we have two separate programs that have been evolving for 35 and 30 years (Neighborhood Preservation Program and Rural Preservation Program, respectively). Distinctions between the two programs have evolved as they serve different communities. Before rejecting all of the history and merging it into one program, some distinctions can be maintained:
  - i. Community representation on the Board of Directors. In urban and suburban areas, there are smaller geographies with dense populations.

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<sup>7</sup> NYS Executive Budget, Article VII §1232(7).

<sup>8</sup> NYS PVH Article XVI §904(4); NYS PVH Article XVII§1004(4)

As a result, when nonprofit corporations serve more than the service area proscribed, Board requirements create challenges. Last year, the Governor recognized this challenge and passed legislation that allowed for the neighborhood preservation companies to have a one-third community representation on the Board of Directors. The rural preservation companies, which serve a much larger geographic area, have a majority requirement for community board representation. The rural companies wish to continue to have a higher percent representation on their board.

- ii. Another suggestion is to have a merged community preservation program that has two types of nonprofit corporations within it, such as:
  1. Neighborhood preservation company – a corporation located in an urban or suburban area of NY organized under the provisions of the not-for-profit corporation law which has been engaged primarily in one or more of the community preservation activities specified herein.
  2. Rural preservation company– a corporation located in cities, towns and villages having a population of less than twenty-five thousand organized under the provisions of the not-for-profit corporation law which has been engaged primarily in one or more of the community preservation activities specified herein.

## **Conclusion**

While we recognize the severe condition of the state's finances, we strongly recommend that the Legislature once again take a leading role to fully fund this network of community-based groups that are working to alleviate this state's housing crisis and revitalize communities after disasters such as Irene, Lee, and Sandy. Let the NPC's and RPC's continue to improve neighborhoods and provide residents with affordable homes by funding the Neighborhood and Rural Preservation Program at a total of \$22million.

Investing in this network creates jobs, business, growth and increased tax revenues. It reduces stays in rehabilitative facilities and nursing homes, and decreases public spending on emergency shelters.

The Neighborhood Preservation Coalition of NYS believes that the established network of preservation companies is best equipped to deliver the affordable housing services desperately needed in this state and again ask that you provide them with the operating support they need to make their work successful. The Governor agrees and has started the combined program at \$12million. We hope that the Governor, NYS HCR, and the NYS Assembly and NYS Senate take into consideration and address the concerns we have with the Governor's proposal and provide the companies with adequate funding to revitalize communities throughout NYS.

*RESPECTFULLY SUBMITTED BY:*

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