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Testimony
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New York State Senate Finance Committee
And
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Presented by
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Good Morning Senator Young, Assemblyman Farrell, Senator Little, Assemblyman Wright, 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 to talk with you about the impact of the proposed 2016/17 executive budget on small towns and rural places across our State.

Often thought of as an urban state, New York has one of the largest rural populations in the country. According to the Census Bureau less than 10% of New York State's land mass is urbanized creating a vast rural area where over 2 million New Yorkers live and within which is located nearly a million units of housing that constitute some 12% of our State's stock.

Affordable housing in rural regions of our state is in crisis. Nearly 50% of rural renters pay more than 30% of their income to meet their housing needs and a startling 14% of

homeowners pay more than 50% of their income for housing costs. Rural New York's housing stock is old with over a third having been built in 1939 or earlier. Using Census data, the Housing Assistance Council has determined that there are over 288,000 occupied units of rural housing or just over 30% that are deemed to be "inadequate" by virtue of condition or affordability.

When it comes to the public policy of addressing housing problems in rural areas, there are several specific challenges. First, housing tenure - patterns of ownership - differ greatly from much of the rest of the state. For New York as a whole, the proportion of occupied housing units where owners reside comes to about 54.2 % of all units whereas, in rural parts of our state owner occupied housing constitutes 71.2% of the units. Rural areas also have a much higher rate of census calculated vacancy due to the fact that over 152,000 units or 15.6% of our housing stock is held by seasonal and recreational owners. The occurrence of wide spread second homeownership results in the odd circumstance that although there are serious shortages of quality housing in many rural areas, thousands of homes stand vacant most of the year. This high proportion of second homeowners also has a significant impact on rural housing markets, driving both values and assessments up and leaving many rural residents financially unable to compete for the housing in their communities.

Rural communities also present issues of scale that challenge the way we currently address housing shortages in our State. Rural areas have a need for both additional rental and homeownership units but as you know, the major thrust of our State's

housing development policy and resources are devoted to leveraging the State and Federal Tax credits to the development of rental housing. Tax credit housing development, even more than conventional development, benefits from the efficiencies that accrues from large scale. Given the high levels of transaction costs now involved housing development, efficiency requires larger developments with more units over which costs development costs can be allocated. Rural communities in need of rental housing often cannot accommodate developments which reach minimum scale of 50 or 60 units required to meet expected levels of efficiency. For a village that may contain only a few hundred total housing units, even a "small" twenty four unit project can be overwhelming. For years, Rural Advocates have pleaded for housing development tools that recognize the smaller scale requirements of rural communities and small towns. We would like to think that this is the year our pleas are answered.

It is the uniqueness and diversity of rural communities and small towns in our state that make the Rural Preservation Program such a valuable tool. RPCs are smart and savvy community based nonprofits, providing affordable housing development and program resources to small communities. RPCs are controlled by local boards of directors and are designed to respond to specific local needs. RPCs are able to assess local challenges and to devise programmatic responses appropriate to their individual communities provided, of course that the appropriate tools and sufficient resources are available.

We are extremely pleased that the executive budget continues the three year commitment to the Rural Preservation Program as adopted in the 2015/16 budget. We have long argued that an adequate level of funding with multiyear commitments are keys to further increasing in the RPC impact. We are proud that the Governor and the Legislature have once again demonstrated their confidence in New York's rural, not for profit housing delivery system.

As advocates for affordable housing, we are excited by the magnitude of Governor Cuomo's plan to commit \$20 billion to a comprehensive five year program to address affordable, homeless and supportive housing in the 2016/17 executive budget. As you know, details of the plan have been few so far, but we remain optimistic that through the process of negotiation that will take place between the Governor and you, the members of the Legislature, the final agreement will contain a robust commitment of resources to address affordable housing and community development challenges of New York State's small towns and rural places. We are pleased that the Governor appears to have chosen to invest significant portions of these new funds in existing programs. We believe that there is great need to address these issues in our communities and therefore we believe that the proposed funds should be put to use as expeditiously as possible. In our view, this is best accomplished by employing New York's existing portfolio of proven housing and community development programs.

In order to successfully address Rural New York's homeowners – both current and future – Rural Advocates is calling for a substantial increase in our commitment to the

Affordable Housing Corporation Program. The AHC program provides down payment and closing cost assistance to first time home buyers; development subsidies for the creation of new homeownership opportunities and funding for rehabilitation programs that assist low income homeowners to maintain the homes they own. The program is also able to provide resources to repair and or/replace older mobile homes. AHC was created at the same time as the Low Income Housing Trust Fund as a complementary program serving homeowners. AHC was once funded in parity with the Housing Trust Fund but in recent years, the program has not seen the aggressive funding increased provided to the HTF. The Executive is proposing to fund AHC this year at \$26 million dollars, a decrease of \$3 million from last year's base funding. We believe that AHC should be funded with at least an additional \$10 million per year to bring funding for the program to a total of \$36 million.

Low income rural elderly homeowners benefit from what we know as the RESTORE program, referred to in the budget as the Housing Opportunities Program for the Elderly. This program is intended to provide rapid response to emergency housing problems and although the program has been hindered by ever increasing bureaucratization, RESTORE remains an essential tool for keeping low income, elderly homeowners safe in their own homes. RESTORE is proposed by the Executive at \$1.4 million.

Advocates recommend an additional \$1 million to bring total funding for the program to \$2.4 million. Advocates also calls on this Legislature to examine administrative requirements that have been instituted and which prevent program operators from achieving the original goal of providing 72 hour turnaround of RESTORE cases.

Access to Home provides funding to allow accessibility modifications to existing single and multi-family housing units, allowing residents with disabilities to stay in their own homes rather than being forced into more expensive, institutional settings. This program and its recently created Disabled Veterans component have proven successful strategies for meeting this important policy goal. Rural Advocates recommends that funding for traditional Access to Home be increased from the proposed \$1 million to a total of \$5 million in the current budget.

Although renters are significantly outnumbered by owner occupants in rural areas, rental housing continues to be of utmost importance to our communities. Rental housing can provide safe, decent affordable housing options for young families and low income households and is increasingly in demand by younger New Yorkers as well as for one time or would be homeowners who have been impacted by the ongoing foreclosure crisis. The challenge, as discussed above is that our State's rental housing development programs are not particularly useful in smaller markets. New York State Rural Advocates is calling for a \$10 million add to the Low Income Housing Trust fund in order to support a "small project set-aside" to provide funding for new rental projects containing fewer than 15 units and not using tax credit funding.

New York State Rural Advocates recognize the need for affordable rental housing for seniors that comes with various levels of supportive services. Our RPC members have long been providers of senior housing, much of it financed by the now all but defunct

USDA Rural Rental Housing Program. Our experience demonstrates the importance of rent subsidies for this population of low income residents (residents of Rural Rental Housing have average household incomes of approximately \$11,000). We have also seen, firsthand the challenges of providing safe, decent affordable housing to an aging population without the benefit of appropriate supportive services. Therefore, we are expecting that Rural Advocates will support The NY State Senior Affordable Housing Program being proposed by NYSFAFH, the NY Housing Conference, The Enterprise Corporation, Leading Age New York and others particularly if that program makes provision for appropriate scaled housing in rural communities.

Rural Advocates supports the Governor's proposal to invest \$63 million in capital from the general fund to support the development of homeless housing by the Office to Temporary and Disability Assistance under the Homeless Housing and Assistance Program. HHAP is a State housing program with a record of successful funding and support for appropriate scale projects in New York's smaller communities. We further support the Governor's proposal to commit \$15.690 million in excess funds from the Mortgage Insurance Fund to provide resources to OTDA's supportive housing efforts.

It is also clear from the experience of rural housing providers that the incidence of rural homeless could be dramatically reduced with an increase in the public assistance heating and shelter allowances. The unrealistically low payment levels for the shelter allowance may be the single greatest impediment to the success of HHAP funded projects and clearly puts our lowest income households at great risk of homelessness.

The need for public, private and community infrastructure constitutes a very significant problem for rural communities, small towns and unincorporated places. The inaccessibility of public infrastructure has long been seen as an impediment to the development of affordable housing in rural places. The Infrastructure Development Demonstration Program (IDDP) was created to address this problem. IDDP has historically provided important funding to support the expansion or development of sewer and water services to newly development rental housing. Rural Advocates is calling for IDDP to become a permanent Infrastructure Development Program (IDP) and for it to be expanded to include private homeowners who are frequently faced with crisis situations involving private well and septic systems. We recommend initial funding for the expanded program at \$4 million.

Hundreds, if not thousands of small commercial districts in our State suffer some degree of distress which has a very direct negative impact on the quality of life in our smaller communities. 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 to reach even more of New York State's distressed commercial areas. We believe a successful expansion of the program will require technical assistance and local capacity building. The program statute does allow for these activities but the agency will require additional funding and perhaps some legislative guidance in order to accomplish a successful expansion of the program. The 2016/17 executive proposes \$4.2 million in funding for the Main Street program. The 2015/16 adopted budget included settlement funds of

\$5.5 million over 3 years to supplement Main Street. Rural Advocates recommends an additional \$4.2 million for a program total of \$8.4 million to be supplemented by the remaining settlement funds. We further recommend that plans include further expansion of the NYS Main Street program over the next few years.

Although almost unrecognized in New York State Housing policy, the various forms of manufactured housing continue to be important and widely utilized forms of affordable housing in rural New York. This housing also presents a range of challenges that varies with homes located in mobile parks and other organized communities to those located on private lots in small towns and rural places. Older units present challenges of physical deterioration, high energy use and real questions about the cost and benefit of rehabilitation and retrofit. The newest manufactured housing products provide opportunities for quality affordable living and net zero energy consumption. Rural Advocates urges policy makers to seriously consider the many challenges and opportunities of dealing of manufactured housing. We urge recognition of the importance of manufactured housing in our affordable housing stock by developing programmatic responses that allow for the purchase, upgrade and preservation of manufactured housing.

Thank you for your consideration and we look forward to ongoing discussions of how best to address the affordable housing and community development needs of New York State's rural communities.