

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
Blair W. Sebastian, *New York State Rural Housing Coalition*
And
Nancy Berkowitz, *New York State Rural Advocates*

Good afternoon Chairman Kruger, Chairman Farrell, Senator Espada, Assemblyman Lopez, Senator Bonacic and Assemblyman Fitzpatrick, distinguished members of the panel. Thank you once again for the opportunity to discuss the impacts, implications and alternatives to the 2010/2011 Executive Budget proposal as it pertains to affordable housing in rural places. My name is Blair Sebastian and I represent the New York State Rural Housing Coalition. I am joined today by Nancy Berkowitz who represents our sister organization, the New York State Rural Advocates.

New York State's investment in Affordable Housing serves as an important economic driver in poor communities across the State and through the years this funding has been important in providing jobs, creating economic opportunity and strengthening communities. The funding cuts the Governor is proposing will surely result in the loss of more jobs and the loss of revenue in low income communities.

Rural and Neighborhood Preservation companies represent an essential element of this State's Affordable housing delivery system. New York is the beneficiary of tens of millions of dollars in federal block grant funding through HOME, CDBG and the LIHEAP Weatherization programs, among others. Some of these programs actually require that not for profits be involved in the delivery of the funds. RPCs and NPCs leverage millions of dollars that are invested in rural places, small towns and poor neighborhoods. If you haven't done so already, I urge you to review the DHCR's 2009 Annual Report on the Rural and Neighborhood Preservation Program. It's truly impressive! For instance, the report notes that in 2008/09 RPCs and NPCs made improvements to 4348 owner occupied housing units. RPCs alone raised over \$203 million dollars above and beyond their RPC funding leveraging over \$127 million and generating another \$73.5 million in administrative and capital match. The result is that for every dollar provided these organizations under the RPP, they generate a hefty \$33 dollars in benefit to their communities.

While preparing this testimony I was browsing a table of recent Housing Trust Fund Projects and I noted that the leverage ratio of HTF to other sources was on the order of one to five. That is, for every dollar of Housing Trust Fund we invest, there are another five dollars of federal and private investment going into a project. Based on the number crunching efforts of our friend David Muchnick at Housing First!, crunching that is based on a methodology and data developed by the National Association of Home Builders who ultimately derive much of their data from studies carried out by the United State Census Bureau, we find that for every \$100 million in capital that New York invests in affordable housing development, we gain nearly four thousand jobs during the construction period; we generate some \$195 million in local wages and business income and produce nearly \$17.9 million in taxes and revenues for the State of New York.

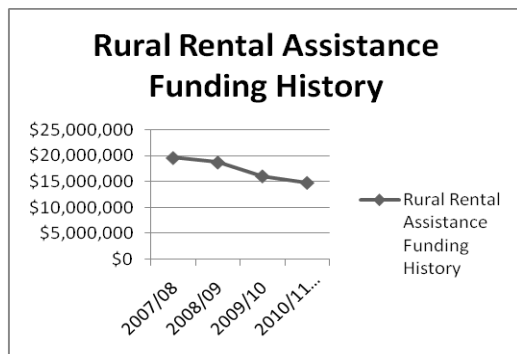
The roughly \$100 million in affordable housing capital proposed by the Executive for 2010/11 will require a State cash outlay of around \$7 million next year. Again, \$100 million can be expected to produce \$17.9 million in taxes and revenues for the State at a first year cost of about \$ 7 million in debt service. We cannot let the Upstate economy continue to wither any further. It is important that you invest in affordable housing to protect jobs and help our communities maintain and even gain vitality.

The Executive Budget Proposal focuses on a handful of the largest and “sexiest” capital programs including those that have been most effective in leveraging tax credits. Last year the bottom dropped out of the tax credit program upstate markets. At this point everyone expects the coming year to follow that same pattern. As you know, tax credits are tax shelters. For tax shelters to work there needs to be income to shelter and it’s pretty obvious that at this point there is precious little income out there that requires sheltering. We think it is important that you take this fact into consideration as you contemplate what to do with the capital programs this year. We know, for example that the Housing Trust Fund will be required to fund larger portions of the deals that were supported by the tax credits in the past and therefore affordable housing production will benefit from additional funding to HTF. Without additional funding, there will be fewer units produced.

We urge you to consider funding some of the smaller capital programs that the Executive leaves off the table as these programs have the greatest potential for impact on small and poor communities. The Main Street Program, which you put into statute a year ago, has been very successful in revitalizing older downtowns, providing affordable housing on Main Street and in leveraging private investment in distressed commercial districts across our State. The Rural Area Revitalization Program, or RARP as we know it, has proven to be an important tool for financing small housing projects, supporting mixed use in small projects and for a host of other community development objectives. The RESTORE program provides desperately needed resources to address the emergency home repair needs of low income elderly people. Access to Home has provided retrofits to homes of people with mobility impairments thereby allowing them to stay in their own homes and out of higher cost institutional settings and saving the State money. All the while, as these programs are meeting human and community needs they are generating real economic activity as we noted above.

Those of us who work in rural communities are particularly alarmed by the Governor’s threat to further reduce funding for the Rural Rental Assistance program. The Governor’s proposal takes program funding to levels at which it cannot meet its current obligations to residents of Rural Rental Housing Projects or the Owners of those projects.

The rural rental assistance program plays an important role in what has been a wonderful example of the classic public private partnership. New York State recognized a need to provide safe, decent and affordable housing for low income families in rural communities. In order to



entice private and not for profit developers to take out the deeply subsidized federal mortgages used to construct and operate projects under the Section 515 program, New York agreed to match the federal government in providing a modest rental assistance program to make the projects whole. The reductions to RRAP proposed in the executive budget represent a

breach of faith with residents and owners alike and will put important community assets in jeopardy.

My name is Nancy Berkowitz and I represent the NYS Rural Advocates. We are a membership organization of both for profit and nonprofit developers of new and rehabilitated affordable housing. We work in small towns and villages Upstate, in order to create and sustain safe decent and affordable housing in viable, sustainable communities.

NYS Rural Advocates is a participant in the collaborative that has been organized to study the economic impact of housing and community development. Housing First! proposes a responsible approach to growing the State's housing and community development programs in order to meet New York State's immediate crisis and to move our low income communities forward into a sustainable future. NYS Rural Advocates endorse the recommendation contained within the briefing paper authored by David Muchnick of Housing First!

The Executive's Budget proposes to reduce funding to the Rural and Neighborhood Preservation Programs by almost 40%. The 2009/2010 enacted budget provided a total of \$5,770,700 for the Rural Preservation program and \$13,789,300 was made available to NPP. While the Division of Budget's "Briefing Book" refers to a cut of \$1,125,000 to the Rural Preservation Program, we calculate the proposed cut from the 2009/2010 enacted budget to be \$2.2 million for RPPs and \$5.3 million for NPPs representing a cut of 38.5%.

New York State Rural Advocates call for full funding of the Rural and Neighborhood Preservation Programs. Our goal is to see these programs funded at \$7.5 million for RPCs and \$15 million for NPCs. At a minimum we call on the Legislature to restore RRP and NPP funding to 2009/2010 levels by adding \$2,231,700 to the Rural Preservation Program and \$5,310,300 to the Neighborhood Preservation Program.

Last December's Deficit Reduction Plan, in our view, unwisely took an across the board approach resulting in serious cuts to essential programs. One such program, the Rural Rental Assistance Program provides Section 8 like rental assistance to insure that low income, rural renters have access to safe, decent housing that they can afford. Rural Rental Assistance has been subjected to a series of cuts beginning in 2008 when the program was reduced from \$19.6 million to \$18.7 million. After trimming another \$700 thousand in the 2008 DRP and \$903 thousand in the DRP of December of 2009, the Executive now proposes to reduce the program by another \$300 thousand in this budget bringing the program to a level of \$14.8 million a cut of nearly 25% and leaving the program without enough funds to meet its obligations.

New York State Rural Advocates believe that the Rural Rental Assistance Program will need an additional one million dollars in order to meet current state commitments to residents of USDA subsidized apartments so that those who typically have incomes of about \$11,000 a year can afford to stay in decent housing with enough left over so that don't have to choose between housing, food or medicine.

We understand that DHCR may have an additional allocation of fifteen year Project Based Section 8 available to provide additional support to expiring RRAP contracts. We agree that to the extent that Section 8 can be used to replace RRAP, the need for additional RRAP funds can be reduced accordingly.

Rural Advocates also ask for your consideration of funding for the Main Street program, the RESTORE programs, Access to Home and the Rural Area Revitalization Program.

RESTORE grants are used to address a wide variety of problems, including frozen or broken water pipes, failed septic systems, leaking roofs, and inoperable furnaces in all areas of the state in homes occupied by low income elderly homeowners . These are emergency repair grants that administratively require a rapid response. Keeping elderly in their own homes with their own support systems and familiar surroundings saves our State the significant expense of the alternative of placement in senior or nursing care facilities, and generates jobs, sales tax, local business tax and results in a much better quality of life for seniors.

Rural Advocates call for an additional one million dollars for the RESTORE program. Based on the history and usage of this program, we encourage you to consider future appropriations that invest in our communities and provide emergency repairs for a greater number of seniors with a ten million dollar allocation.

The Revitalization of Main Street is another area where we believe State funds provide an important investment in our communities. We are disappointed that the Executive Budget does not allocate funds for Main Street which has great potential for economic leverage. In order to arrest the decline of downtowns throughout the state, we believe that there is a need for as much as \$25 million for this program. NYS Rural Advocates respectfully request an allocation of \$5 million for the Main Street Program. Likewise, the Rural Area Revitalization Program which provides flexible funding for affordable housing and mixed use projects deserves your support and Rural Advocates request an appropriation of \$5 million for RARP.

Finally, Rural Advocates request \$5 million be appropriated to fund Access to Home. Under this program, State funds are used by nonprofits such as NPCs and RPCs and municipalities to provide retrofit adaptations such as handrails, kitchen and bath modifications, and lighting so that persons with physical disabilities and seniors with age related disabilities can remain in their home. A recent DHCR press release announcing \$4 million in Access to Home awards suggested that the agency was only able to fund 22 of 62 eligible applications.

Thank you for your consideration.