

Testimony  
Presented to a Joint hearing of  
New York State Senate Finance Committee  
And  
New York State Assembly Ways and Means Committee  
February 8, 2006  
Presented by

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Blair Sebastian:

Senator Johnson, Assemblyman Farrell, Senator Bonacic, Assemblyman Lopez, distinguished members of the panel, thank you for this opportunity to speak to you of the housing needs of rural communities, of the programs that help to meet those needs and of the impact of the governor's proposed budget on all of these things.

I am Blair Sebastian and I am the executive director of the New York State Rural Housing Coalition. I am joined today by Nancy Berkowitz of the New York State Rural Housing Advocates. Together we represent a network of not for profit and for profit housing organizations engaged in meeting the diverse housing needs of this state.

The organization that I work for, the NYS Rural Housing Coalition, serves as the “trade organization” for those whose business it is to provide safe, decent and affordable housing in the rural parts of our state. Our members are among those who combine State, Federal and private financing to rehabilitate, develop and maintain affordable housing in rural areas of the state.

We have spoken elsewhere about our disappointment in the Governor’s Budget proposal. We are disappointed that at a time when there is growing recognition of a serious housing problem in our state; at a time when more and more local officials are seeking solutions to their communities’ housing crisis; at a time like this we are particularly disappointed that the Governor chose to propose across the board cuts to our State’s housing programs.

The affordable housing crisis in rural New York is widespread and diverse. My colleagues at the Rural Housing Coalition and I have just finished a three week tour of various regions of the State. And you know, there were serious housing issues everywhere we went and it is striking was how diverse the problems are. Every where we went, we found problems that were unique but which still stood upon some combination of those twin pillars of housing crisis’s; housing affordability and housing conditions

In Jefferson, Lewis and parts of St. Lawrence County, the issue is an influx of soldiers at Fort Drum. The expansion of the Fort has created a need estimated to be over 2000 units of housing. Many of the new soldiers and their families are already at Fort Drum even though the new housing is not yet built. As a consequence of basic supply and demand, this housing

market has changed from a sleepy one where housing quality and low values were the issue to one of a very hot market with rapidly increases rents and sales prices. Meanwhile, existing low-income residents of these communities are facing a new crisis of availability and price.

In the Hudson Valley, price escalation is driving public employees like teachers and police officers out of the housing markets where they work. Long term residents, many on fixed incomes are hard pressed to keep up with their escalating property taxes.

In western New York, housing values have still not recovered enough to support investment in the existing stock, let alone stimulate the creation of new housing. There is wonderful housing stock available in many small upstate communities but the cost of removing lead hazards and bringing those properties up to modern standards is not justified or supported by the market.

In the Adirondacks there are second homebuyers who easily out bid long time residents for homes. There are communities in the Adirondacks and else where that suffer from labor shortages in part because low wage workers can no longer afford to live where the jobs are. We have recently heard stories of subsidized rental housing located on ground that has become so valuable that it is economic to prepay the assisted mortgage, tear down the apartments and redevelop the site in high end condos at a tidy profit. What are now where would those low-income service workers live?

In each of these regions there are Rural Preservation Companies, RPCs - partnering with local community leaders, residents, local lenders, DHCR and HFA, the Governor's Office of Small Cities and HUD and USDA Rural Development to bring resources to bear on the particular challenges that each community faces.

These are the Rural Preservation Companies that have historically created twenty to twenty five dollars of housing activity for every dollar of RPP funding provided to them. An RPC is controlled by a board of directors made up of members of the community and they are staffed by real housing professionals. Our members are indeed professional developers and property managers; they are planners and consultants and they do what is necessary to address the problems of their particular communities. They are masters of creativity when it comes to putting many sources of funding to a single project and they know how to get things done for their communities.

The Rural Preservation Program provides the core funding that supports the superstructure of these organizations. RPP insures that there is an office and staff who are knowledgeable and well trained. And it is RRP funding supports the cost of assessing and planning for new projects, writing the grants, and all of the other things that must be done.

A typical RPC is leveraging twenty dollars of housing program for each dollar provided through the Preservation Program. At 20 to 1 that typical group is running \$1.5 million in housing programs or projects in an average year. For each of these programs, there are reporting requirements and audit requirements that are not supported by the growing number of programs that

do not allow for reimbursement of administrative expenses. There is all the normal overhead, corporate insurance and the expense of training staff for example. It is perfectly reasonable to expect that it will cost an agency 10% above and beyond actual program delivery costs to administer these programs. All of this leaves Agency Directors trying to use RPP funds to fill a gap that is far greater than the funding being provided.

We had an opportunity to see how sensitive Preservation companies are to funding levels when two years ago Governor Pataki vetoed your RPC restorations. While DHCR management has tended to minimize that damage done by those cuts, the damage was real, it was wide spread and it continues to this day.

Three RPCs left the program during that year; each of them was in financial difficulty. The surviving organizations scrambled to meet program delivery costs. RPCs were forced to lay off long time staff; they cut back on programming and spent down their reserves. Many of the Directors we talk to claim that they are struggling to return to full capacity.

RPCs provide critical housing services in rural communities across our state. They depend on RPP funding to support their good work and they count on you insure an adequate, consistent and reliable source of funding for that work.

Nancy Berkowitz:

I am Nancy Berkowitz, and I represent the NYS Rural Housing Advocates. Rural Advocates is an active volunteer network that studies State and Federal housing policy and advocates for policy choices that will serve the needs of low income, rural New Yorkers.

I want to provide you highlights of Rural Advocate's funding recommendations for some key State Housing Programs. These are programs that housing practitioners have found to be effective in providing affordable housing in Upstate communities.

Our first priority is the Rural Preservation Program. Rural Advocates recommend that the RPP be funded at \$7.5 million dollars (\$7,500,000) this year. This amount will restore the Governors cut, and provide funding for 72 groups at \$100,000. Funding at the \$7.5 million level will also provide \$300,000 for training, technical assistance and other support for Rural Preservation Companies.

A strong network of Not-for-profit, community based housing delivery is essential to the well being of small, upstate communities where the housing markets present difficult and diverse problems for lower income residents. With or without incentives, there are regions of rural NY without market-rate investment in affordable housing. In addition, keep in mind that many rural communities have no professional Staff in the Village, Town, or County Government to plan or implement a community development and housing program. The RPC may be the only entity working on affordable

housing issues in a community. We need to continue to invest in that capacity and even expand that program to allow a few new groups for areas currently un served, to take advantage of the non profit delivery system working so effectively in rural NY

Rural Advocates also recommends funding of \$3 million for the operation of Rural Homeownership Assistance programs in each of New York's rural counties. Rural Advocates believe that if the State and its non profit network work hard to make more families home owners, using State funds, then it is our *responsibility* to give these families the education and tools they need to remain in their homes as long as they choose to. RPCs can provide home ownership counseling efficiently through partnerships with community lenders who also want educated borrowers, but they must have the administrative funds to staff such a program.

Our State's major housing capital programs are a great success and as you know, demand for those programs always exceeds the availability of funds. Given the extent of our affordable housing crisis, Advocates recommends that the New York State Housing Trust Fund and the Affordable Housing Corporation Programs each receive funding of fifty million dollars. The Homeless Housing and Assistance Program should also be funded with fifty million dollars.

HOPE/RESTORE is the program that provides emergency home repairs for low-income elderly homeowners. This has become an extremely important resource for not-for-profit housing groups and the communities they serve.

Rural Advocates recommends that you fund this program at last year's level of \$1.4 million.

Recently, Governor Pataki initiated two new community development and housing programs that generated a huge demand as soon as they were announced. The Governor's initiative for Main Street has already committed twenty million dollars for the redevelopment of Main Streets across our State. We believe that this program is important enough to be created in statute and provided with a direct appropriation. Rural Advocates recommends that a new Main Street Program be funded with Twenty five million dollars.

The Access to Home Program has been created to provide modifications to homes occupied by persons with disabilities. The program is intended to make it possible for some persons to remain at home rather than entering more expensive, supportive facilities. Here again, we think this program warrants creation in statute and we recommend funding of \$20 million for Access to Home.

Both of these programs are currently being funded off budget and neither program makes any provision to allow for the reimbursement of administrative expenses incurred by grantees. We urge you to correct this shortcoming as you address the Main Street and Access to Home Programs.

Please, help us rebuild and improve our communities in rural New York. Decent housing means children have a place to go after school, it means seniors can remain in their homes with their friends and families as long as

possible, and it means families can live with comfort and privacy in appropriate housing. We look forward to continuing to work with you.

Thank you.