

NEIGHBORHOOD STABILIZATION PROGRAM
Substantial Amendment
Program Year 2008

Jurisdiction: Suffolk County
New York

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November 26, 2008
Suffolk County, NY

A. Areas of Greatest Need:

As an entitlement grantee under the Community Development Block Grant, Suffolk County has been allocated Neighborhood Stabilization Program (NSP) funds from the Housing and Economic Recovery Act of 2008. To receive NSP funds, Suffolk County must amend its 2008 Annual Action Plan.

The federal Department of Housing and Urban Development (HUD) also requires that Suffolk County target NSP funds to those areas within the Suffolk County Community Development Consortium with the greatest need. Data provided by Long Island Profiles showed that over 140 communities in the County Consortium experienced foreclosed homes between 2006 -2008.

To identify those areas with the greatest needs, Suffolk County utilized two data sources. First, the county reviewed data provided by HUD on foreclosures and foreclosure risk used to determine the formula allocation of NSP funds. The County also utilized data from Long Island Profiles Publishing Company, a private data collection agency, to ascertain current foreclosure data and to analyze recent foreclosure trends.

In attempting to meet HUD's requirement to target funds to the areas with the greatest need, the County has decided to identify eight communities as eligible for NSP funding. These communities were placed into two tiers.

An analysis was conducted to compare lower income areas with high foreclosure risk, high cost loan rates, expected foreclosures and foreclosure filings by community. Based on this analysis, we concluded that lower income areas with foreclosure risk scores of 8 or above, high

cost loan rates above 35%, predicted 18 month foreclosure rates in excess of 5.5% and foreclosed properties in excess of 100 over the past three years would be the areas of greatest need and considered a Tier I community for funding.

This analysis identified the following communities: Mastic, Mastic Beach and Shirley as Tier I communities having the greatest need. Tier I communities will be the primary recipients of NSP funding. NSP funds will be used to create homeownership opportunities in Tier I communities to help stabilize the communities and property values.

In conducting its analysis of greatest need, Suffolk County recognized that more current data on foreclosures was necessary. HUD's data did not reflect changes in the housing market that have impacted the County since 2006, when the County began to experience significant residential foreclosures. In an effort to determine if additional areas were impacted, the County was able to obtain data from Long Island Profiles that provided a three year trend on foreclosures by community, as well as the total amount of foreclosures in each community. This data is presented in the accompanying chart on pages 4-6.

An analysis of the data resulted in the following:

- 1) Each year from 2006 to 2008, there was an increase in the number of foreclosed properties countywide.
- 2) The County was able to identify five additional communities that are exhibiting high incidents of foreclosure for a total of eight communities of greatest need.
- 3) These eight communities, with 75 or more foreclosures, represented 44% of all foreclosures in the County.

Based on this updated data, the County has concluded that there is another grouping of communities that are to be considered areas of greatest need. These communities are designated as Tier II communities and include East Patchogue, Medford, Coram, Centereach and Selden.

Consortium Foreclosure Listing 2006-2008

<u>Community</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Total</u>
Shirley	28	36	95	159
East Patchogue	38	42	67	147
Mastic Beach	24	40	72	136
Medford	15	42	56	113
Coram	29	32	46	107
Mastic	23	26	55	104
Centereach	21	19	41	81
Selden	15	23	37	75
Port Jefferson Station	12	21	35	68
Holbrook	18	22	24	64
Ronkonkoma	16	22	25	63
Middle Island	18	13	27	58
Smithtown	15	10	25	50
Ridge	9	13	26	48
Bellport	17	9	21	47
Farmingville	6	12	27	45
Rocky Point	8	14	23	45
Sound Beach	6	10	25	41
Manorville	7	13	20	40
Commack	12	4	20	36
Holtsville	7	10	14	31
Hampton Bays	2	7	21	30
Kings Park	5	9	16	30
Lake Ronkonkoma	6	11	12	29
Lake Grove	11	6	11	28
Riverhead	5	11	12	28
Nesconset	7	2	14	23

Consortium Foreclosure Listing 2006-2008

<u>Community</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Total</u>
East Setauket	1	11	10	22
Center Moriches	8	4	9	21
East Hampton	2	9	9	20
Southampton	10	4	3	17
Miller Place	4	4	7	15
Mount Sinai	0	6	9	15
Saint James	5	4	6	15
Port Jefferson	1	2	10	13
Southold	3	3	7	13
Stony Brook	3	4	6	13
Baiting Hollow	4	6	2	12
East Quogue	4	6	2	12
Wading River	1	4	7	12
Setauket	3	4	4	11
Calverton	2	4	4	10
East Moriches	5	1	4	10
Sag Harbor	4	4	1	9
Shoreham	3	1	5	9
Flanders	2	0	6	8
Yaphank	4	0	3	7
Blue Point	1	3	2	6
Westhampton	0	1	5	6
Belle Terre	2	1	2	5
Greenport	0	0	5	5
Montauk	3	1	1	5
Bridgehampton	1	1	2	4
Brookhaven	0	1	3	4
Cutchogue	0	2	2	4
Moriches	1	1	2	4
Quogue	2	1	1	4
Westhampton Beach	1	0	3	4
Eastport	2	0	1	3
North Sea	0	0	3	3
Peconic	2	1	0	3
Amagansett	0	1	1	2
Aquebogue	1	1	0	2

Consortium Foreclosure Listing 2006-2008

<u>Community</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Total</u>
East Marion	1	0	1	2
Head of Harbor	2	0	0	2
Jamesport	1	0	1	2
Laurel	0	1	1	2
Noyack	0	1	1	2
Old Field	1	0	1	2
Orient	0	1	1	2
Remsenburg	0	0	2	2
Shelter Island	0	1	1	2
Speonk	0	0	2	2
Mattituck	0	0	1	1
Nissequogue	0	0	1	1
The Branch	0	0	1	1
Wainscott	1	0	0	1
Water Mill	0	1	0	1
Consortium Total:	471	580	1028	2079

B. Distribution and Uses of Funds

To meet the requirement that NSP funds are distributed to areas of greatest need, Suffolk County will direct its entire NSP allocation to the communities identified in Section A. By limiting NSP fund distribution to these eight high risk/high foreclosure communities, the County will ensure that the requirements of Section 2301(c)(2) of the Housing and Economic Recovery Act are met. Additionally, most of these communities are low and moderate income CDBG target areas. By providing for the distribution of NSP funds to these communities, Suffolk County will also be reinforcing the investment of CDBG funds previously made, eliminate blighted properties, improve property values and begin to stabilize these communities.

The County will use NSP funds to provide home ownership opportunities. The County plans to use NSP funds to purchase and rehabilitate foreclosed and abandoned residential properties for home ownership in both Tier I and Tier II communities. The County will place an emphasis on creating owner-occupied housing as a means to stabilize the communities. There will also be a need to provide limited scattered-site rental housing, in non-impacted neighborhoods located in Tier II communities.

The implementation of the NSP Program will be undertaken in partnership with Brookhaven Town and non-profit agencies such as the Long Island Housing Partnership and Community Development Corporation of Long Island.

C. Definitions and Descriptions

1. Blighted Structure – A structure will be deemed blighted if it is considered to be either unsafe or unfit for human occupancy based on the Fire Code of New York State Section 107.2 or 107.3.

2. Affordable Rents – For the purpose of the NSP Program, affordable rents shall be defined by the following standards:
 1. For households with incomes below 50% of median income, the maximum rent allowed will be the Low HOME Rents, adjusted for bedroom size and utilities, as published by HUD.
 2. For households with incomes above 50% of median income, but not more than 80% of median, the maximum rent allowed will be the High HOME Rents, adjusted for bedroom size and utilities, as published by HUD.
 3. For households with incomes above 80% of median income, but not more than 120% of median, the maximum rent allowed will be the Fair Market Rents, adjusted for bedroom size and utilities, as published by HUD.
 4. If a housing unit receives federal or state project based subsidies, and the tenant pays no more than 30% of income for rent, the maximum rent may be the rent allowable under the project-based subsidy program.
3. Continued Affordability
 - a) Suffolk County will ensure continued affordability by implementing the following procedures for owner-occupied housing:
 1. All applicants for assistance will be required to attend an 8 hour homebuyer counseling program that will educate the homebuyer on mortgages, credit, legal issues and other phases of the homebuying process.
 2. All applicants who purchase a home will be required to have fixed rate mortgages. The program will not permit adjustable rate mortgages, interest only mortgages or 80/20 mortgages.

3. All applicants will be required to obtain a mortgage from a lender who agrees to comply with the bank regulators' guidelines for non-traditional mortgages.

4. All homes assisted will have long term affordability restrictions. The period of affordability will be 30 years. Suffolk County will, at a minimum during the period of affordability, require that upon re-sale of an assisted NSP home that the new purchaser meets the income requires of the NSP program, occupy the home as the family's principal residence, be re-sold at an affordable price and provide a fair return to the seller. To enforce these continued affordability requirements, a note and mortgage will be filed on the property.

b) For rental units assisted with NSP funds, the units shall remain affordable for 30 years based on the affordability definitions described in Section C paragraph 2. The affordability restrictions will remain in force regardless of transfer of ownership. The affordability requirements will be enforced through the filing of lien, note and mortgage on the property.

4. Housing Rehabilitation Standards

Suffolk County will follow the New York State Building Code in the implementation of the property rehabilitation activities financed with NSP funds. The County will also follow federal Lead Based Paint regulations as they pertain to the CDBG Program. Where feasible, the County will also include improvements to increase energy efficiency or conservation on homes rehabilitated with NSP funds.

D. Low Income Targeting

As required by federal regulations, Suffolk County will allocate \$1,721,000 in NSP funds to homes to be occupied by households whose incomes do not exceed 50% of area median adjusted for household size. Currently, a family of four with an income up to \$48,550 meets this requirement.

E. Acquisitions and Relocations

Suffolk County does not intend to demolish or convert any low and moderate income dwelling units.

F. Public Comment

On November 10, 2008, the public notice on the proposed amendment to the County's 2008 Annual Action Plan was published in Newsday and the entire amendment was posted on the Suffolk County website with a fifteen day comment period until November 25, 2008.

The overwhelming majority of public response was support for activities that created homeownership opportunities. Most commenter's were not in favor of additional rental units in their communities. To address these concerns, the County re-affirmed its proposal to acquire and rehabilitate properties for homeownership and will be directing the majority of funds towards homeownership activities.

Other comments dealt with the distribution of NSP funds to particular towns or neighborhoods. As required by regulation, the County targeted those communities with the greatest need.

G. Activity Information

1. Activity Name:

Suffolk County Neighborhood Stabilization Program

2. Activity Type: Home Ownership

The Suffolk County Neighborhood Stabilization Home Ownership Program will use NSP funds to acquire and rehabilitate foreclosed and abandoned residential properties. The program may also establish financing mechanisms for the purchase and redevelopment of foreclosed and abandoned residential properties.

These types of activities are CDBG eligible under 570.201(a) (b) and (n) and 570.202 as well as eligible uses of NSP funds HERA 2301(c)(3)(A) and (B).

3. National Objective:

All units assisted will be occupied by households meeting the definitions of low, moderate and middle income as defined in the Housing and Economic Recovery Act of 2008. Funds will be available for households with incomes up to 120% of median income adjusted for household size, currently \$116,500 for a family of 4.

4. Activity Description:

The activities funded through NSP will be targeted to areas exhibiting the greatest needs. The areas targeted for assistance are primarily lower income communities experiencing a high number of foreclosed and abandoned properties and based on HUD data are ranked as areas with high foreclosure risk scores and highest percentage of high cost loan rates associated with sub prime lending. This approach will have several benefits. By targeting funds to specific communities, there will be a greater impact on the neighborhood and funds will be directed to communities where it is needed the most. Another expected benefit is that

housing that is safe and decent will be made available to low, moderate and middle income households.

To address the housing conditions, the County will work with non-profit agencies and local municipalities to acquire vacant properties, rehabilitate the homes and sell the homes to eligible low, moderate and middle income households for the cost to acquire and rehabilitate.

The NSP Program requires that 25% of the funds be targeted to households at 50% or less of median income. Suffolk County plans to target \$300,000 of NSP funds to provide homeownership assistance to households at 50% or less of median income. To accomplish this goal, the County will work with non-profit agencies to deeply subsidize the purchase of homes to be occupied by low income households.

5. Location Description:

The communities of Mastic, Mastic Beach, Shirley, Selden, Centereach, East Patchogue, Coram and Medford have been designated as areas for homeownership assistance.

6. Performance Measures:

The performance measures utilized by the County will be the number of units created and occupied by eligible households as follows:

<u>Household Income</u>	<u>Units*</u>
<50%	2 – 4
51 – 80%	16 – 18
81 – 120%	9 – 12

*Units to be developed over a three year period.

7. Budget:

NSP Home Ownership Activities	\$3,692,443
Private Investment (Estimate)	<u>\$2,000,000</u>
TOTAL BUDGET	\$5,692,443

In addition to the County's direct entitlement amount, the County plans to request additional NSP funds from the New York State allocation. This amount will not be known or available until February, 2009.

8. Responsible Organization:

The Suffolk County Community Development Office will be the responsible organization to implement NSP activities. SCCD is located at:

H. Lee Dennison Building
 11th Floor
 Hauppauge, NY 11788
 Contact Person: Joseph T. Sanseverino
 Community Development Director
 (631) 853-5705
joe.sanseverino@co.suffolk.ny.us

9. Projected Start Date: January 1, 2009

10. Project End Date: December 31, 2012

11. Specific Activities:

- a) All Properties acquired will be at a discount from current appraised value. The minimum average discount for properties acquired with NSP funds will be 15 percent. Prior to acquiring a property, the County will have an appraisal conducted to determine current market value.
- b) When the County utilizes financing mechanisms for proposed activities, the interest rates will range from zero to 3%, depending on the specific project.
- c) Suffolk County will ensure continued affordability and term of assistance by implementing the following procedures for owner-occupied housing:
 1. All applicants for assistance will be required to attend an 8 hour homebuyer counseling program that will educate the homebuyer on mortgages, credit, legal issues and other phases of the homebuying process.
 2. All applicants who purchase a home will be required to have fixed rate mortgages. The program will not permit adjustable rate mortgages, interest only mortgages or 80/20 mortgages.
 3. All applicants will be required to obtain a mortgage from a lender who agrees to comply with the bank regulators' guidelines for non-traditional mortgages.
 4. All homes assisted will have long term affordability restrictions. The period of affordability will be 30 years. Suffolk County will, at a minimum during the period of affordability, require that upon re-sale of an assisted NSP home that the new purchaser meets the

income requires of the NSP program, occupy the home as the family's principal residence, be re-sold at an affordable price and provide a fair return to the seller. To enforce these continued affordability requirements, a note and mortgage will be filed on the property.

H. Activity Information

1. Activity Name:

Suffolk County Neighborhood Stabilization Program

2. Activity Type: Rental Housing

The Suffolk County Neighborhood Stabilization Rental Housing Program will use NSP funds to acquire and rehabilitate foreclosed and abandoned residential properties for rent to low income households. The program may also establish financing mechanisms for the purchase and redevelopment of foreclosed and abandoned residential properties. These types of activities are CDBG eligible under 570.201(a)(b) and 570.202 and are eligible uses of NSP funds under HERA 2301(c)(3)(A) and (B).

3. National Objective:

All units assisted will be occupied by households meeting the definition of low income as defined in HERA 2301(f)(3)(A)(i) and (ii).

4. Activity Description:

The activities funded through NSP will be targeted to areas exhibiting the greatest needs. The areas targeted for assistance are primarily lower income communities experiencing a high number of foreclosed and abandoned properties and based on HUD data are ranked as areas with high foreclosure risk scores and highest

percentage of high cost loan rates associated with sub prime lending. This approach will have several benefits. By targeting funds to specific communities, there will be a greater impact on the neighborhood and funds will be directed to communities where it is needed the most. Another expected benefit is that housing that is safe and decent will be made available to low income households.

To address the housing conditions, the County will work with non-profit agencies and local municipalities to acquire vacant properties, rehabilitate the homes and create affordable rental housing as described in Section C (2) - Definitions.

The NSP Program requires that 25% of the funds be targeted to households at 50% or less of median income. Suffolk County plans to address this requirement by setting aside \$1,421,000 for affordable rentals to low income households. To accomplish this goal, the County will work with non-profits and New York State to finance rental units with project based subsidies to ensure that rental units are affordable to low-income tenants.

Rental units assisted with NSP funds shall remain affordable for 30 years based on the affordability definitions described in Section C paragraph (3)(b). The affordability restrictions will remain in force regardless of transfer of ownership. The affordability requirements will be enforced through the filing of lien, note and mortgage on the property.

5. Location Description:

The communities of Selden, Centereach, East Patchogue, Coram and Medford have been designated as eligible areas for assistance.

6. Performance Measures:

The performance measures utilized by the County for this activity will be the number of units created and occupied by eligible households as follows:

<u>Household Income</u>	<u>Units*</u>
<50%	5 – 7

7. Budget:

NSP Rental Activities	\$1,421,000
Private Investment (Estimate)	<u>\$ 500,000</u>
TOTAL BUDGET	\$1,921,000

In addition to the County's direct entitlement amount, the County plans to request additional NSP funds from the New York State allocation. This amount will not be known or available until February, 2009.

8. Responsible Organization:

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11. Specific Activities:
 - a) All Properties acquired will be at a discount from current appraised value. The minimum average discount for properties acquired with NSP funds will be 15 percent. Prior to acquiring a property, the County will have an appraisal conducted to determine current market value.
 - b) When the County utilizes financing mechanisms for proposed activities, the interest rates will range from zero to 3%, depending on the specific project.
 - c) Suffolk County will ensure continued affordability and term of assistance by implementing the following procedures:
 - i) any units assisted must meet the affordable rent definition in Section C(2);
 - ii) the affordability term for any unit assisted will be 30 years;
 - iii) the affordability restrictions will remain in force regardless of transfer of ownership;
 - iv) affordability requirements will be enforced through the filing of a lien, note and mortgage on each unit assisted.

I. Activity Name: Administration

Activity Type: Administration

Suffolk County will utilize 10% of NSP funds to administer the program activities and reporting requirements. Administrative costs are an eligible use of NSP funds per HERA 2301(c)(3) and an eligible CDBG activity per 570.205 and 570.206.

Total Budget: \$568,000

Responsible Organization:

Suffolk County Community Development

H. Lee Dennison Building

Hauppauge, N.Y. 11788

Joseph T. Sanseverino

Community Development Director

(631) 853-5705

Project Start Date: January 1, 2009

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