

July 15, 2009

The New York City Department of Housing Preservation and Development
Application for Neighborhood Stabilization Program (NSP) 2

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Application for Federal Assistance SF-424

Version 02

***1. Type of Submission:**

- Preapplication
- Application
- Changed/Corrected Application

***2. Type of Application**

- New
- Continuation
- Revision

* If Revision, select appropriate letter(s)

*Other (Specify) _____

3. Date Received:

4. Applicant Identifier:

5a. Federal Entity Identifier:

*5b. Federal Award Identifier:

State Use Only:

6. Date Received by State:

7. State Application Identifier:

8. APPLICANT INFORMATION:

*a. Legal Name: City of New York Department of Housing Preservation and Development

*b. Employer/Taxpayer Identification Number (EIN/TIN):
13600434

*c. Organizational DUNS:
137538489

d. Address:

*Street 1: 100 Gold Street
Street 2: _____
*City: New York
County: _____
*State: New York
Province: _____
*Country: USA
*Zip / Postal Code: 10038-1605

e. Organizational Unit:

Department Name: City of New York Department of Housing Preservation and Development

Division Name: Office of Commissioner

f. Name and contact information of person to be contacted on matters involving this application:

Prefix: _____ *First Name: Arden
Middle Name: _____
*Last Name: Sokolow
Suffix: _____

Title: Director, Distressed Asset Financing

Organizational Affiliation: Division of Preservation Finance

*Telephone Number: (212) 863-6100

Fax Number: (212) 863-6302

*Email: sokolowa@hpd.nyc/gov

OMB Number: 4040-0004

Expiration Date: 01/31/2009

Application for Federal Assistance SF-424

Version 02

***9. Type of Applicant 1: Select Applicant Type:**

C. Local Government

Type of Applicant 2: Select Applicant Type:

Type of Applicant 3: Select Applicant Type:

*Other (Specify)

***10 Name of Federal Agency:** U.S. Department of Housing and Urban Development

11. Catalog of Federal Domestic Assistance Number:

14.256

CFDA Title:

Neighborhood Stabilization Program (Recovery Act Funded)

***12 Funding Opportunity Number:**

FR-5321-C-01

*Title:

Neighborhood Stabilization Program 2

13. Competition Identification Number:

Title:

14. Areas Affected by Project (Cities, Counties, States, etc.):

City of New York

***15. Descriptive Title of Applicant's Project:**

Neighborhood Stabilization Program of homebuyer assistance, mixed use housing assistance, and development of vacant land and stalled sites

OMB Number: 4040-0004
Expiration Date: 01/31/2009

Application for Federal Assistance SF-424

Version 02

16. Congressional Districts Of:

*a. Applicant: 5-17, inclusive

*b. Program/Project: 5,6,7,9,10,11,12,13

17. Proposed Project:

*a. Start Date: December 31, 2009

*b. End Date: December 31, 2012

18. Estimated Funding (\$):

*a. Federal	\$50,506,000.00
*b. Applicant	\$15,371,540.00
*c. State	_____
*d. Local	_____
*e. Other	_____
*f. Program Income	\$35,841,438.00
*g. TOTAL	\$101,718,978.00

***19. Is Application Subject to Review By State Under Executive Order 12372 Process?**

- a. This application was made available to the State under the Executive Order 12372 Process for review on _____
- b. Program is subject to E.O. 12372 but has not been selected by the State for review.
- c. Program is not covered by E. O. 12372

***20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes", provide explanation.)**

Yes No

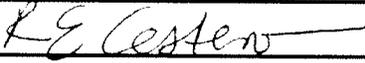
21. *By signing this application, I certify (1) to the statements contained in the list of certifications** and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances** and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U. S. Code, Title 218, Section 1001)

** I AGREE

** The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions

Authorized Representative:

Prefix: Mr. _____ *First Name: Rafael _____
Middle Name: _____
*Last Name: Cestero _____

Suffix: _____	
*Title: Commissioner	
*Telephone Number: (212) 863-6100	Fax Number: (212) 863-6302
* Email: cesteror@hpd.nyc.gov	
*Signature of Authorized Representative: 	*Date Signed: July 15, 2009

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Standard Form 424 (Revised 10/2005)
Prescribed by OMB Circular A-102

Application Summary

I. Defining New York City's Target Area

New York City's Department of Housing Preservation and Development (HPD) is applying for NSP2 funds to be used in 95 census tracts in New York City (NYC). These census tracts qualify as having a high risk of foreclosure using the HUD methodology. The average risk score for these census tracts is 18.09. In order to target our efforts, maximize the potential impact of our activities, and stabilize communities, HPD analyzed census tracts in NYC to identify explicitly where foreclosures and vacancies are located at present. HPD used the HUD foreclosure risk methodology, as well as the most recent property-level data on foreclosure notices and scheduled foreclosure auctions. From this research, HPD identified the tracts most in need of the interventions proposed in this application.

Over the last few years, the number of homes at risk of foreclosure in New York City has increased dramatically due to a combination of factors that include: the volume of high cost loans, which result in higher levels of financial risk; a tightening of credit available to homeowners; and a decline in property values. Moreover, New York City's foreclosure risk is concentrated in specific neighborhoods. This concentration means particular geographic areas and lower income populations are disproportionately at risk of neighborhood instability, reversing gains in homeownership achieved through unsustainable tools such as high cost loan products.

Based on HPD's analysis, the activities proposed herein seek to arrest the negative impacts of foreclosure and vacancy of homes, residential and mixed-use buildings, and other properties. The application addresses (1) areas with an existing or expected supply of foreclosed properties available for purchase and (2) areas with vacant properties that have languished without the funding necessary for redevelopment or sale to bring these properties back into productive use.

II. Interventions for the Target Area

HPD's program consists of four major components. The first and largest initiative will be a homebuyer assistance program that will help homebuyers with down payments, closing costs, and rehabilitation costs on foreclosed homes in eligible census tracts. The second program aims to help with mixed use housing assistance to help aspiring business owners. Finally, two programs will be available for development on vacant land or sites: one for stalled sites and one for low income housing.

HPD's plan is narrowly targeted, working *specifically* in those areas where NSP funds are likely to create a point where need meets demand—areas where there is a high inventory, a clear call for intervention toward neighborhood improvement, and a significant opportunity to expand affordable homeownership opportunities.

The activities, described briefly below, are: (A) Program for Purchase and Rehabilitation (PPR); (B) Mixed-Use Housing Assistance; and (C) Stalled and Vacant Site Development.

A. Program for Purchase and Rehabilitation (PPR)

NSP2 eligible use A, B, or E, as appropriate

This new program, administered by HPD and participating not-for-profit community partners selected through a competitive request for qualifications (RFQ), would fund the purchase and rehabilitation of small homes (1-4 family structures) within the target geography. The funds will be available through three possible routes and will serve to reactivate idle properties as affordable housing. All potential homebuyers must receive counseling from a HUD-approved housing counselor.

HPD's existing down payment assistance program, HomeFirst, has seen an increase in participation of 17.5% over the last year, despite reduced funding and difficult economic conditions. Based on this experience, we believe that, given the right incentives, assistance options, and affordability levels, there is demand for homeownership in New York City. Unlike other cities, there is not an oversupply of housing in New York. Rather, the predominate housing issue in the City is the high cost of good quality housing, making homebuyer assistance a good policy intervention in the market.

Funds will be available by three routes:

1. Program Use # 1 - Direct Homebuyer Assistance: Up to \$50,000 per building of down payment assistance funds will be made available to homebuyers who wish to acquire a foreclosed or vacant 1-4 family home. Funds will be used as a gap filler to bring housing costs down to a supportable percentage of the homebuyers' income. The homes must be owner-occupied and any other unit in a property may be rental or operated as a small co-operative or condominium. Funds will also be made available to renovate the foreclosed or vacant home with NSP2 funding, as well as through other city programs that fund rehabilitation of small homes.
2. Program Use # 2 – Leveraged Homebuyer Assistance: up to \$10,000 per unit of funds will be available to provide closing cost assistance to purchasers of 1-4 or multifamily foreclosed or vacant properties within the target geography. To leverage previous HPD investments and reactivate existing homes, this assistance is targeted to properties that were originally developed using other governmental housing programs. Funds will also be made available to renovate the foreclosed or vacant home with NSP2 funding, as well as through other New York City programs that fund rehabilitation of small homes.
3. Program Use # 3 - Not-for-profit Assistance: up to \$50,000 per unit of funds will be available to not-for-profits that wish to purchase 1-4 family homes and create a housing product that differs from the direct homebuyer assistance model above. These assistance models include, but are not limited to: rent-to-own programs; scatter-site rental-housing programs; or employer-assisted housing programs in which organizations work with employers to create homeownership opportunities for their staff.

B. Mixed-Use Housing Assistance

NSP2 eligible use A — Establish financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties.

The Mixed-Use Housing Assistance Program will help HPD find eligible buyers to purchase mixed use properties that have come into City ownership through tax foreclosures. These homes and commercial spaces have been rehabilitated using City funds through the StoreWorks Program, a successful partnership between HPD and the Neighborhood Housing Services Community Development Corporation (NHS CDC). Since 1998, the StoreWorks program has restored and sold 105 buildings consisting of 285 residential units and 119 commercial units. However, due to tightening credit and a decline in economic opportunities in the past few years, a subset of these

units has not been sold and those sites are currently vacant. As described in Factor 1, vacant units can have a negative spill-over effect that impacts not only property values, but also small businesses and commercial activity in affected communities. NHS CDC currently has 22 vacant gut renovated buildings for sale in Brooklyn, Queens, and the Bronx. Many of these buildings have been vacant for over a year; as the studies discussed in Factor 1 demonstrate, vacant buildings and storefronts in these communities can increase the potential for decline.

C. Stalled and Vacant Site Developments

NSP2 eligible use E — Redevelop demolished and vacant properties as housing

The third component of this proposal seeks to reactivate stalled and vacant sites for use as affordable residential properties. These initiatives will help HPD and its local partners identify specific areas where vacancies present a threat to neighboring properties in its target geography.

1. Stalled Sites Initiative

The stalled sites program is part of a citywide initiative to stabilize communities that have a stock of buildings that were initially financed as market rate condominiums, but, due to the economic downturn and a weakened housing market, developers have been unable to sell units. This program will address the unintended blight caused by vacant sites, while transforming what would have been market-rate buildings into affordable housing for low and moderate income households.

The New York City Council and Mayor Michael Bloomberg together have committed \$20,000,000 to this initiative, called the Housing Asset Renewal Program (HARP). HARP funds will be available throughout the city and should reactivate as many as 400 units. HPD is responsible for implementing this program. Funds from NSP2 will supplement this money, concentrating specifically on HPD's NSP2 target geography, where, given the high concentration of foreclosures and neighborhood decline, vacancies represent a unique concern.

2. Vacant Sites Redevelopment Initiative

The development of vacant buildings and sites that have been languishing is an important implementation strategy for HPD's housing plan and is a crucial component in neighborhood stabilization for at-risk neighborhoods. Developing vacant lots and boarded-up buildings, which provide ground floor commercial space or community facilities, creates much-needed opportunities to reactivate economic activity in the target communities. HPD will be responsible for the redevelopment of these sites.

III. Complementing New York City's Overall Development Strategy

New York is a city of vibrant and diverse neighborhoods and communities. Across the entirety of its built environment, New York is committed to ensuring that the planning activities and the needs of the city are addressed in a comprehensive manner. Many governmental, not-for-profit, advocacy, and trade groups in New York City are currently pursuing a variety of planning and development initiatives with different focuses and different target geographies. New York City is fortunate to have a series of broad initiatives that are planning for the future of the city as a whole. This application complements, and adheres to, the planning documents governing New York City's development. Adding NSP2 funds to the work now underway by a wide variety of agencies and organizations will result in stronger, well-balanced communities where transit, economic, and housing needs are addressed simultaneously and holistically.

HPD's NSP2 activities will complement several aspects of *PlaNYC*, the Mayor's 25-year comprehensive sustainable development plan, including:

- Land: the Mayor announced a plan to create homes for almost one million additional New Yorkers, given the expected increase in population. The housing units restored to productive use through HPD's NSP2 program will make a significant contribution to this goal.
- Energy: NYC's NSP2 proposed commitment to green standards will contribute to PlaNYC's goal to decrease energy usage. By collaborating with Enterprise Community Partners to make the Green Communities sustainability standard a requirement of NSP activities, HPD will help the City achieve its ambitious energy and environmental goals.

New York City has an extensive heavy rail subway system--by far the largest in the United States, and the only one that operates 24 hours a day. In addition, New York City has the largest bus system in the United States, with a very heavy density of bus routes, virtually all of which run with service every 20 minutes, more during rush hours. Overall, the selected tracts will be able to support sustainable development due to the incredibly rich bus and rail systems that serve them. This transit system both provides sustainable local mobility, and provides car-free connections to major regional employment centers. Furthermore, these tracts are well coordinated with the City and MTA New York City Transit's comprehensive plan to improve surface mass transportation, which will only further enhance the sustainable growth potential of these areas.

IV. Leveraging Non-Federal Assets Dollar-for-Dollar

HPD has extensive experience leveraging funds to develop affordable housing. For NSP2, HPD has commitments for \$51,212,978 of non-federal funds to be used in conjunction with the requested NSP2 funds. Using the formula provided in the NOFA, the leverage ratio is 1.014. Thus, HPD is committed to leveraging approximately one dollar for every dollar of NSP2 dollars allocated by HUD.

In addition, HPD is leveraging a wide variety of non-federal funding sources in order to ensure the success of the housing program proposed in this application. Sources include City capital funds from HPD's housing programs, private equity, and funds committed to HPD through the National Community Stabilization Trust (NCST). By working with the NCST's REO Capital Fund on NSP2 activities such as NYC's not-for-profit acquisition program, HPD will maximize the impacts of the NSP2 and more foreclosed and vacant homes will be acquired and returned to productive use.

V. HPD's Commitment to Green, Sustainable Development

In addition to the transit-oriented development strategy described above, HPD is committed to green building practices in its NSP2 activities. HPD will require the Enterprise Green Communities Criteria as the standard for all new construction and gut rehabilitation. These standards will apply to the vacant sites program and the stalled sites program for those projects that require further construction affecting two or more building systems and kitchens or bathrooms. Activities under the mixed-use housing assistance program will not require any rehabilitation through NSP 2.

Because homes in the PPR program are purchased directly by the homeowner or participating not-for-profit, HPD will not obligate the purchaser to comply with the Green Communities standard; however, HPD is committed to creating green rehabilitation options for homeowners and not-for-profits that purchase such homes. To that end, HPD will promote the Green Communities Rehab Specifications for Single-Family Homes to the extent applicable to the rehabilitation work undertaken. HPD will

partner with Enterprise to create and deliver training for our loan originators on integrating the cost-effective energy audit recommendations into rehab scopes financed through PPR.

Whether or not homebuyers—including not-for-profits—choose to comply with the full Green Communities standard, HPD will require the following activities, which could be paid for with NSP 2 funding, for every PPR home:

- A BPI-certified energy audit on each home purchased through NSP 2
- A scope of rehab that incorporates the cost-effective energy retrofit items recommended by the audit and “smart packaging” of building systems
- Mandatory homeowner training that provides the tools and information necessary to integrate Green Communities into the rehabilitation specs and construction methods of any home rehab

VI. HPD’s Proven Experience Revitalizing and Stabilizing Neighborhoods

HPD is the largest municipal developer of affordable housing in the nation. Since 1987, HPD has provided over \$6.3 billion to support the repair, rehabilitation and new construction of hundreds of thousands of units of housing. As of June 2009, the agency staff totaled over 2,600 employees in a wide range of activities from Code Enforcement Inspectors to urban planners. This administration’s housing agenda, *The New Housing Marketplace: Creating Housing for the Next Generation*, is the largest investment in the City’s housing stock in 20 years. It is a \$7.5 billion plan to create and preserve more than 165,000 affordable homes and apartments in neighborhoods by 2014. It is the largest municipal housing plan in the nation.

As of June 2009, HPD has completed approximately 91,000 units or 55% of the new Housing Marketplace Plan. In the past 24 months alone, HPD has preserved or created over 14,048 units through a variety of rehabilitation and new construction programs, including many units in neighborhoods at greatest risk for destabilization as a result of the current foreclosure crisis.

HPD has consistently been at the forefront of creative housing policies and programs, developing a variety of innovative tools and programs to create affordable housing in both strong markets and weaker ones. In 2008, HPD won the prestigious *Innovations in American Government Award* from the Kennedy School of Government at Harvard University for the creation of a New York City Acquisition Loan Fund, a \$230 million, public-private partnership created to assist nonprofit and small, for-profit affordable housing developers by providing the needed capital for property acquisition and predevelopment costs.

VII. Conclusion

HPD’s credibility as a developer of affordable housing is unparalleled. HPD’s experience and institutional capacity will allow it to quickly distribute NSP2 funding within the 36 month timeline required by HUD, ensuring that the interventions proposed here meet the goals of the American Recovery and Reinvestment Act of 2009. The proposed activities are targeted to meet the specific needs of the geography HPD’s research team has determined to have the greatest need. Upon receiving an NSP2 award, HPD will begin immediately on the timeline described herein to stabilize New York City’s most distressed neighborhoods and help hundreds of homebuyers secure affordable homes.

Factor 1: Need/Extent of the Problem

1a. Target Geography

Target Area

New York City's Department of Housing Preservation and Development (HPD) analyzed the NSP2 eligible census tracts using the methodology established by HUD. Of the 234 eligible census tracts in New York City, HPD's proposed plan targets the 95 census tracts where HPD believes its programs will be most effective. HPD developed its target geography utilizing property-level data on foreclosure filings, scheduled foreclosure auctions, and known vacant/abandoned lots already under the purview of HPD. Specifically, HPD selected its target area by identifying those census tracts that fit at least one of the following criteria:

- Future Foreclosure/Vacancy Risk: Census Tract contains high volumes of unique properties with one or more foreclosure filings¹; or,
- Present Foreclosure/Vacancy Risk: Census Tract contains highest volume of unique properties with one or more scheduled foreclosure auctions²; or
- Known Vacancy Risk: Census Tract contained known vacant or non-productive properties already in HPD program pipeline.

Not surprisingly, these census tracts show substantial foreclosure risk as estimated by HUD's foreclosure risk score, with an average foreclosure risk score of 18.09. See Appendix 1 for the complete list, as well as a map of census tracts included in HPD's target area and a map of foreclosure auctions by neighborhood in New York City.

The target geography can be described broadly as a cluster of at-risk neighborhoods located in Southeastern Queens, Central Brooklyn, and Northern Staten Island. In addition to the high concentration of foreclosures in these neighborhoods, several other important metrics signal neighborhood destabilization. Housing and neighborhood indicators in HPD's target areas gathered from HPD's Housing and Vacancy Survey (HVS), such as poor building conditions, below average household income and education levels, and labor force participation (discussed in Section 1.b. below) reveal a more complete picture of current neighborhood conditions and helped HPD shape its proposed plan for stabilization.

HPD believes that its geographic targeting methodology helps to focus the Department's efforts in order to maximize the potential impact of its activities and stabilize specific neighborhoods and communities.

¹ Source: PropertyTrac, a vendor of local foreclosures data; Includes Census Tracts with 30+ unique properties with mortgage/tax foreclosure filings over the 12-month period April 2008-March 2009 In New York State, there is a large time lag between a foreclosure filing and a resulting foreclosure auction. Empirical evidence suggests that this lag is approximately 18 months.

² Source: Property SharkTM, a vendor of local foreclosures data; Includes Census Tracts with 15+ unique properties with scheduled mortgage/tax foreclosure auctions over the 12 month period April2008-March2009.

Nature and Extent of Need

Over the last few years, the number of homes at risk of foreclosure in New York City has increased dramatically due to a combination of factors that include: high cost loans, which result in higher levels of financial risk; a tightening of credit available to homeowners; and a decline in property values. Moreover, New York City's foreclosure risk is concentrated in specific neighborhoods. This concentration means particular geographic areas and lower income populations are disproportionately at risk of neighborhood instability, reversing gains in homeownership achieved through unsustainable tools such as high cost loan products.

HPD has found that the volume of high cost loans³ has historically been highly concentrated in neighborhoods in Southeastern Queens, Central Brooklyn, and Northern Staten Island—the target geography for NSP2. Moreover, between 2004 and 2006, these neighborhoods saw a substantial increase in the share of high cost loans. While the total share of high cost loans relative to traditional loans was relatively low in 2004, by 2006 these neighborhoods experienced an average increase of 187% in total volume. By 2006, these areas were burdened by loan costs. Elmhurst/Corona, for example, the neighborhood with the *lowest share* of high cost loans in 2006 (31.3%) was above the national average (30.8%). Jamaica, the most affected neighborhood, had a dramatic share of high cost loans at 67.5%.

Sub-Borough Area High Cost Lending Volume and Rates (Home Purchase Loans, 2004-2006)

Sub-Borough Area	Borough	2004		2005		2006	
		High Cost Originations	Percent High Cost	High Cost Originations	Percent High Cost	High Cost Originations	Percent High Cost
Bedford Stuyvesant	Brooklyn	330	28.1%	751	45.2%	763	49.1%
Bushwick	Brooklyn	261	33.5%	596	57.0%	590	53.2%
East New York/Starrett City	Brooklyn	492	36.7%	1182	61.4%	1320	58.5%
North Crown Heights/Prospect Heights	Brooklyn	166	22.6%	385	39.3%	407	40.4%
Brownsville/Ocean Hill	Brooklyn	253	33.1%	618	55.5%	775	64.4%
Jackson Heights	Queens	204	12.6%	693	36.5%	634	35.3%
Elmhurst/Corona	Queens	100	10.8%	298	28.3%	351	31.3%
Kew Gardens/Woodhaven	Queens	343	17.2%	1183	45.4%	1105	48.1%
Howard Beach/S. Ozone Park	Queens	385	20.2%	985	45.2%	1228	53.0%
Jamaica	Queens	1023	33.0%	2773	61.9%	3189	67.5%
Bellerose/Rosedale	Queens	654	22.0%	1640	44.8%	1923	52.2%
Rockaways	Queens	231	22.0%	483	38.5%	603	39.7%
North Shore	Staten Is	407	15.0%	1111	35.4%	1157	41.2%

Source: HMDA

³ According to the Home Mortgage Disclosure Act, the cost of loans is defined by the spread (difference) between the annual percentage rate on a loan and the rate on Treasury securities of comparable maturity. In terms of high-cost lending, for first-lien loans the threshold is three percentage points above the Treasury security of comparable maturity; for second-lien loans, which tend to have higher prices, the threshold is five percentage points above the Treasury security of comparable maturity. See <http://www.federalreserve.gov/boarddocs/press/bcreg/2005/20050331/attachment.pdf> for details.

High cost lending and the recent tightening of credit have increased the risk of mortgage default.⁴ Accordingly, after reaching a high cost loan origination peak in 2006, these same neighborhoods are now characterized by a high concentration of foreclosures. Between June 2008 and May 2009, more than one quarter of the total 4,279 foreclosures were located in only two neighborhoods—Jamaica and Bellerose/Rosedale in Queens. Furthermore, more than half of all foreclosures took place in only five neighborhoods—Jamaica, Bellerose/Rosedale, Kew Gardens/Woodhaven, Howard Beach/S. Ozone Park (Queens), and the North Shore (Staten Island).



A concentration of both high-cost lending and actual foreclosures in HPD's target geography poses a threat to these neighborhoods' stability. Studies show that in areas affected by large numbers of foreclosures and vacancies, neighboring properties may experience negative spillover effects,

⁴ A longitudinal study carried out by the Center for Responsible Lending found evidence "that many features of typical subprime loans substantially increase the risk of foreclosure, regardless of the borrower's credit history." See Schloemer et al., "Losing Ground: Foreclosures in the Subprime Market and their Cost to Homeowners." Center for Responsible Lending. December 2006.

including: a decline in property values; neglect of foreclosed homes and consequent disinvestment; vandalism and criminality.⁵

To better understand the risks posed by these spillover effects, HPD gathered neighborhood-level data on actual conditions in its target geography, both in terms of the built environment and through socio-demographic indicators such as income and education. These data, discussed in Section 1.b. below, suggest that HPD's target areas, in spite of sharing a distinct and common problem—high concentration of foreclosures—have different neighborhood conditions and a range of indicators signaling decline. In neighborhoods in Southeastern Queens and Northern Staten Island, HPD notes a large volume of vacancies, which, as discussed above, can lead to negative spillover effects including disinvestment and broader decline in the physical condition of buildings. In the neighborhoods in Central Brooklyn, neighborhoods already show poor building conditions and comparatively lower socio-demographic indicators, such as income and education. In these areas, given the potential for further neglect and vandalism, coupled with fewer opportunities for reinvestment in properties due to lower income levels, a high concentration of foreclosures can result in further property deterioration and decline in values.

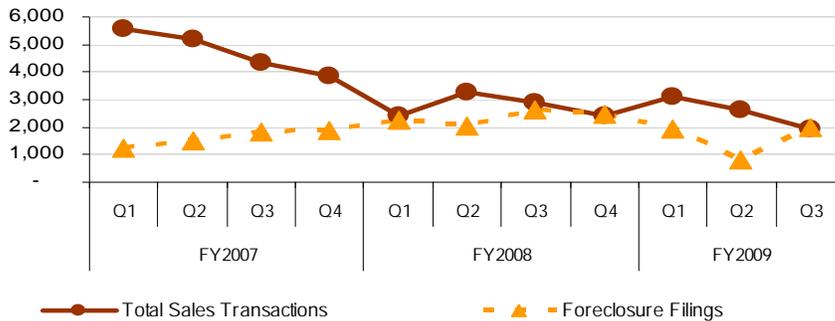
1b. Market Conditions

To estimate the volume of foreclosed properties that the market will need to absorb HPD examined the volume of foreclosure auctions, foreclosure filings, and rolling sales transactions (gathered by NYC's Department of Finance, DOF).⁶ The current absorption rate was calculated by dividing the average monthly sales transactions over Q3 FY09, 1,925, by the number of foreclosure auctions in the same period, 686. However, the data on foreclosure filings suggests a larger volume of supply that cannot be absorbed by current sub-market conditions in the target area. In Q3 of FY09, there were 1,925 total residential transactions in the target area and 1,979 foreclosure filings *in addition* to the 686 scheduled auctions. This estimate is conservative, since these data count only foreclosure auctions and filings that are the result of mortgage and tax-liens and excludes all others. The chart below shows the trends over the last two fiscal years, during which transactions decline over time while the volume of filings continues to increase (auctions have also shown steady increase). Moreover, HPD has reason to believe that most of purchases currently taking place in the foreclosed property market may involve speculative transactions, which carry med- to long-term risks as investors flip properties and avoid reinvestment and maintenance. Our proposed programs seek to address this by encouraging long-term homeownership among qualified homebuyers.

⁵ For research regarding the impacts of foreclosures on neighborhood property values, see Schuetz, Jenny, Vicki Been and Ingrid Ellen. 2008. "Neighborhood Impacts of Concentrated Mortgage Foreclosures." *Journal of Housing Economics* (forthcoming); Immergluck, Dan and Geoff Smith 2006. "External Costs of Foreclosure: Impact of Single-Family Foreclosures on Property Values." *Housing Policy Debate* 17(57); and Harding, John P., Rosenblatt, Eric and Vincent, Yao. 2008. "The Contagion Effect of Foreclosed Properties." For research regarding the connection between foreclosure and crime, see Immergluck, Dan and Geoff Smith. 2006. "The Impact of Single-family Mortgage Foreclosures on Neighborhood Crime." *Housing Studies* 21(6): 851–866.

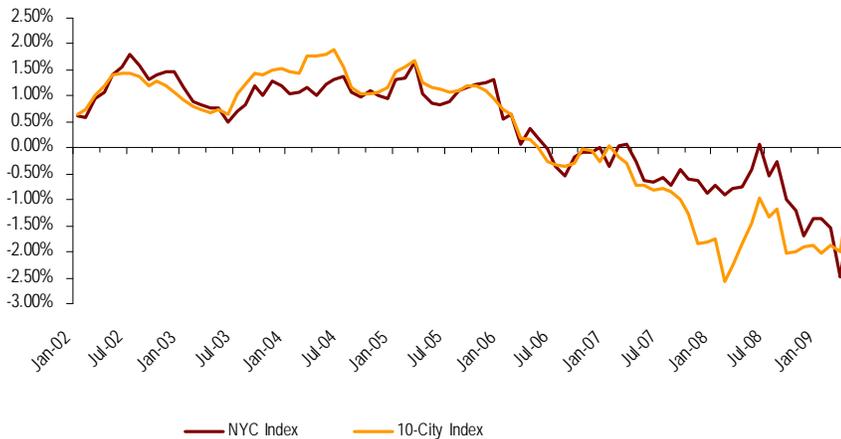
⁶ The transactions counted in this application exclude sales priced at \$0, which indicates that there was a transfer of ownership without a cash consideration. To ensure our count considers transaction that can give a better picture of market performance, HPD considered only sales priced at \$50,000 or above.

Sales Transactions Versus Foreclosure Filings
(Q1 FY07 - Q3 FY09)



The other factor necessary to estimate the markets' performance is data on housing sales prices. Even in a high-cost area like metropolitan New York, real estate markets are considerably depressed. The Case-Shiller index, a reliable source to measure the average change in single-family home prices in a particular geographic market, shows that prices are considerably depressed compared to recent years.⁷ While in the first part of 2007 there was a slower decline in prices than the national average (a 10-city composite index), New York subsequently experienced a steep drop that reached a record year-over-year decrease in April 2009, with prices down 12.5% from April 2008.

Case-Shiller Index - Monthly Percentage Change in Sales Prices



Critical Factors Contributing to Neighborhood Decline and Instability

New York City is a unique housing market. Because of the City's premium on space, the need for housing far outweighs supply. The New York City vacancy rate is less than 3%. While there is no strong evidence to suggest that foreclosures have increased due to over-valuation or over-building,

⁷ Standard and Poors' Case-Shiller index includes 23 indices: 20 metropolitan regional indices, including New York Metro area, two composite indices and a national index. The metropolitan regional indices are combined to form two composite indices – one comprising 10 of the metro areas, the other comprising all 20 – to serve as measurable monthly benchmarks of the national residential real estate market. More details at http://www2.standardandpoors.com/portal/site/sp/en/us/page.topic/indices_csmahp/2,3,4,0,0,0,0,0,0,1,1,0,0,0,0,0.html

HPD's target geography, more than any other area in New York City, has suffered from the risks associated with high-cost lending. As described in Section 1.a. above, this practice has resulted in a higher likelihood of mortgage defaults in a concentrated area, substantially reversing the gains in homeownership made in the target areas.

New York City is primarily a rental market. Homeownership is most prominent in a few, low density neighborhoods. Because of this, the foreclosure crisis has affected these specific communities in a much more dramatic way. For example, Jamaica, as well as other neighborhoods in Queens, has higher homeownership rates than the citywide average and is thus more vulnerable to foreclosures. Moreover, New York City has traditionally lagged behind the rest of the country during economic downturns, which suggests that the City may not have even begun to experience fully the destabilizing impact of the foreclosure crisis.

As studies have shown, black and Hispanic communities have been disproportionately impacted by the recent foreclosure crisis as these communities were more likely to finance home purchases with high cost loans (such as sub prime mortgages). According to the 2000 Census data, across our entire target geographies in Queens, Brooklyn, and Staten Island, over 60% residents are Hispanic and Black, non-Hispanic. Strikingly, HPD has found notable racial/ethnic disparities high cost lending; Hispanic and Black, non-Hispanic individual borrowers have 3.6 and 5.9 times the odds, respectively, of obtaining high cost home purchase loans than White, non-Hispanic individual borrowers. According to studies on the matter, explanations for this disparity include underlying economic inequality between borrowers of different races, a tendency to rely on non-traditional sources for mortgages due to cultural or geographic differences, and racial discrimination.⁸

In New York City, according to data from HPD's Housing and Vacancy Survey (HVS, a triennial survey of the housing landscape in the city conducted by the U.S. Census Bureau), household incomes have been stagnant over the last fifteen years, while housing costs have increased continuously over the same period, particularly for households with high-cost loans that have had to deal with interest rate resets and are thus at considerable risk of foreclosure and displacement, which ultimately exacerbates housing costs for these families.

In this context, any changes in income and/or employment can quickly put families on a path to foreclosure. New York, much like other cities in the nation, has experienced a dramatic increase in unemployment over the last year—an increase of 390 basis points between May 2008 and May 2009. According to the U.S. Department of Labor, New York City's unemployment rate increased from 8% to 9% between April and May 2009 alone. In light of this trend, areas already affected by high-cost lending will suffer more relative to more stable communities.

Income Characteristics and Information on Housing Cost Burden

Many of those in the target area population have incomes at or below 120% AMI and are considered rent burdened by HUD standards. Rent burden is defined as a household paying more than 30% of its income in housing costs. In HPD's target neighborhoods in Queens, 76.6 percent of the population is at or below 120% AMI, more than half of which is rent burdened. In the Brooklyn target neighborhoods, 85.8 percent of the population is at or below 120% AMI, more than half of which is

⁸ Viki Been, Ingrid Ellen, and Josiah Madar. "The High Cost of Segregation: Exploring Racial Disparities and High Cost Lending." *Fordham Urban Law Journal*, April 2009.

rent burdened. In the North Shore of Staten Island, 68.4 percent of the population is at or below 120% AMI, the great majority of which is also rent-burdened.

Household income is among the most critical determinants of housing choice. Income affects the housing and neighborhood characteristics a household can afford, such as the condition of the unit and the physical condition, location, and socio-economic characteristics of the neighborhood. It follows that, from a neighborhood stabilization perspective, household income is an important factor to consider. The table below illustrates the percentage of residents in target areas that fall within HUD-defined income levels compared to borough and city data. These data show that in the target areas in all three boroughs, more households earn less than half of the area median income than in the surrounding communities within the same borough. Fewer households in each target area earn 120% of AMI than in the surrounding communities within the same borough.

Percent of Households Living at HUD Income Level				
Area	<=50%	51-80%	80-120%	121+%
City	38.3	16.5	16.1	28.9
Brooklyn	41.6	18.9	18.3	21.3
<i>Brooklyn Target Area</i>	<i>51.8</i>	<i>18.6</i>	<i>15.4</i>	<i>14.2</i>
Queens	34.3	19.3	18.6	27.8
<i>Queens Target Area</i>	<i>35.6</i>	<i>21.6</i>	<i>19.4</i>	<i>23.4</i>
Staten Island	26.1	15.9	19.9	38.1
<i>Staten Island Target Area</i>	<i>33.7</i>	<i>16.1</i>	<i>18.6</i>	<i>31.5</i>

Despite differences in income distributions, all neighborhoods illustrate a substantial need for affordable housing, with the vast majority of those at less than 50% of AMI paying over 30% of their income in rent in both communities.

Percent of Renter Households Paying >30% of Income in Rent				
Area	<= 50%	51-80%	80-120%	121+%
City	86.5	49.7	20.3	9.9
Brooklyn	85.7	48.9	15.8	3.6
<i>Brooklyn Target Area</i>	<i>80.9</i>	<i>44.8</i>	<i>11.5</i>	<i>1.2</i>
Queens	91.9	58.8	12.8	1.3
<i>Queens Target Area</i>	<i>91.4</i>	<i>53.2</i>	<i>8.4</i>	<i>1.6</i>
Staten Island	84.7	58	7.9	4.3
<i>Staten Island Target Area</i>	<i>78.6</i>	<i>53.6</i>	<i>8</i>	<i>4.7</i>

In addition to income, it is also important to consider education metrics: the higher the levels of educational achievement, the better the chances to improve income and, ultimately, housing conditions. In the Brooklyn target neighborhoods, residents are almost half as likely to have achieved at least 16 years of education (the time period associated with completing a college degree) than in the City, generally. In addition, the percentage of people spending less than 12 years in school is over 10 percentage points higher than city average, suggesting a significant concentration of residents without a high school diploma. In the target areas in Queens, while a lower percentage of residents lacked 12 years of education, residents are almost one-third less likely to have completed college-level education. In the Staten Island target areas, most residents have only completed high-school-level education.

Percent of Households Achieved X Years of Education				
Area	<12 Yrs	12 Yrs	13-15 Yrs	16+ Yrs
City	16.8	25.6	18.4	39.2
Brooklyn	19.6	28.4	18.5	33.4
<i>Brooklyn Target Area</i>	<i>27.3</i>	<i>32.4</i>	<i>17.7</i>	<i>22.6</i>
Queens	14.3	30.4	20.5	34.8
<i>Queens Target Area</i>	<i>15.6</i>	<i>34.7</i>	<i>22.3</i>	<i>27.4</i>
Staten Island	8.6	33.5	26.8	31.1
<i>Staten Island Target Area</i>	<i>12.1</i>	<i>36.3</i>	<i>27.7</i>	<i>23.9</i>

Other Relevant Factors Contributing to Decline

To better understand the specific characteristics of each target neighborhood, HPD analyzed data from its most recent Housing and Vacancy Survey to measure housing and neighborhood conditions in the target geographies. HPD's analysis compares clustered neighborhood-level data against city- and borough-level statistics, including: housing maintenance conditions, neighborhood conditions, income distribution, and education levels. While the target area within Brooklyn illustrates substantial signs of physical distress, the target geographies in Queens and Staten Island show relatively sound physical conditions coupled, nonetheless, with a substantial incidence of foreclosures. While the need in Brooklyn may be to combat broad physical decline, in addition to stemming the effects of recent foreclosures and vacancies, intervention may be necessary in Queens and Staten Island to minimize the potential for further decline.

Good housing maintenance conditions suggest a high level of owner investment and public safety, offering a view into the overall stability of the neighborhood. HPD's data shows that 23% of the housing stock within the Brooklyn target area has substantial (3 or more of the 7 measured) maintenance deficiencies. These data show low levels of maintenance deficiencies in the Queens and Staten Island neighborhoods. As discussed in the findings above, foreclosed properties and vacancies can lead to disinvestment and physical decline. Considering blight as a sign of distress, there is a high number of observed boarded up buildings and other indicators described in the paragraph below.

Percentage of Housing Stock with 3 or More Maintenance Deficiencies			
Area	Total	Owner	Renter
City	12.9	3.5	17.7
Brooklyn	15.6	4.3	20
<i>Brooklyn Target Area</i>	<i>23.6</i>	<i>5.9</i>	<i>27.4</i>
Queens	7.7	3.4	11.3
<i>Queens Target Area</i>	<i>7</i>	<i>3</i>	<i>11</i>
Staten Island	3.5	1.9	7
<i>Staten Island Target Area</i>	<i>8.2</i>	<i>3.7</i>	<i>14.5</i>

The Housing and Vacancy Survey measures neighborhood quality through two key indicators: observed boarded up buildings and residents' neighborhood ratings. In our target neighborhoods within Brooklyn, 41.1% of respondents—compared to a citywide average of 22.2%—rated their neighborhood fair to poor as opposed to good to excellent. In all three boroughs, residents in every target neighborhood gave lower rating to their community than residents in surrounding neighborhoods.

Distribution of Households' Ratings of Neighborhood Physical Quality		
Area	Good to Excellent	Fair to Poor
City	77.8%	22.2%
Brooklyn	76.5%	23.5%
<i>Brooklyn Target Area</i>	58.9%	41.1%
Queens	81.9%	18.1%
<i>Queens Target Area</i>	77.8%	22.2%
Staten Island	90.3%	9.7%
<i>Staten Island Target Area</i>	80.7%	19.3%

Residents' ratings, combined with the instances of reported board-ups outlined in the table below, illustrate that the Brooklyn target area represents an advanced state of physical distress. While these rates are lower in the target areas in Queens and Staten Island, overall they are almost twice as high as borough-level percentages. This is consistent with the above-referenced studies that draw a connection between high concentration of foreclosures and higher incidence of disinvestment in buildings.

Percent of Households on Same Street as Buildings with Broken or Boarded up Windows			
Area	Total	Owner	Renter
City	4.5%	3.3%	5.1%
Brooklyn	4.8%	4.0%	5.1%
<i>Brooklyn Target Area</i>	10.3%	12.7%	9.7%
Queens	3.2%	3.6%	2.8%
<i>Queens Target Area</i>	4.3%	5.0%	3.6%
Staten Island	2.5%	1.8%	3.9%
<i>Staten Island Target Area</i>	4.8%	3.4%	6.7%

In the Brooklyn target areas there are visible signs of physical distress and poor housing quality. Given the relative concentration of foreclosures in these areas, there is potential for further neighborhood decline. In the target neighborhoods in Queens and Staten Island, where there is an even higher concentration of foreclosures, abandonment and vacancies could also signal imminent decline.

These data, combined with the presence of financial risk due to high-cost lending activities, present a powerful case for intervention. HPD's approach considers first HUD's own methodology, which assesses current and future risk. It then evaluates this risk against critical factors, such as the actual presence of foreclosures and vacancies within eligible areas. This volume indicates immediate need, as well as a clear potential for success, given the actual presence of inventory.

Factor 2: Demonstrated Capacity

2.a. Past Experience of the Applicant

Introduction

The New York City Department of Housing Preservation and Development (HPD) is the largest municipal developer of affordable housing in the nation. Since 1987, HPD has provided over \$6.3 billion to support the repair, rehabilitation and new construction of hundreds of thousands of units of housing. As of June 2009, the agency staff totaled over 2,600 employees in a wide range of activities from Code Enforcement Inspectors to urban planners. This administration's housing agenda, *The New Housing Marketplace: Creating Housing for the Next Generation*, is the largest investment in the City's housing stock in 20 years. It is a \$7.5 billion plan to create and preserve more than 165,000 affordable homes and apartments in neighborhoods by 2014. It is the largest municipal housing plan in the nation.

HPD has a long history of working to stabilize neighborhoods in need. In the 1970s and 80s, property owners, unable or unwilling to maintain their buildings, let buildings run down and be taken in tax foreclosure by the City. In the 80s and 90s, however, as the economy began to improve, the City turned this housing stock into a powerful tool for its affordable housing programs, contracting with both for-profit and not-for-profit developers of affordable housing to transform tax foreclosed properties into newly renovated rental, mixed use and homeownership properties available to low and moderate income New Yorkers. In addition to creating affordable housing using city-owned buildings and sites, HPD has developed a comprehensive set of preservation and stabilization tools that encourage private owners to reinvest in and maintain their properties.

Recent Experience and Proof of Capacity

As of June of 2009, HPD has completed approximately 91,000 units or 55% of the new Housing Marketplace Plan. In the past 24 months, HPD has rehabilitated or created over 24,072 units in New York City through all of the Department's rehabilitation and new construction programs, including many in the programs discussed below.

HPD has consistently been at the forefront of creative housing policies and programs, developing a variety of innovative tools to create affordable housing in both strong and weak markets. In 2008, HPD won the prestigious *Innovations in American Government Award* from the Kennedy School of Government at Harvard University for the creation of the New York City Acquisition Loan Fund, a \$230,000,000, public-private partnership created to assist nonprofit and small, for-profit affordable housing developers by providing the needed capital for property acquisition and predevelopment costs. HPD has also won awards for the reuse of foreclosed properties by transforming them into responsible affordable homeownership through the HomeWorks and Third Party Transfer programs. HPD continues to innovate and build on these successful programs by crafting new programs to address the current housing crises of tightened credit markets and rising foreclosure rates.

HPD is the administrative grantee of HUD's HOME Investment Partnership grant, which in 2009 was over \$124,000,000. The primary uses of the City's HOME grant are substantial rehabilitation and new construction of affordable housing. In addition, in 2009 the City's federal Community Development Block Grant (CDBG) was over \$180,000,000. HPD generally receives the lion's share of the CDBG grant, roughly 65%, to support emergency shelters, targeted code enforcement, housing litigation,

neighborhood preservation consultants, emergency repair, emergency demolition, *In rem* property management, and fair housing services.

Experience in Specific Activity Categories Most Likely to Achieve Neighborhood Stabilization in the Target Area

HPD's proposed application for NSP2 builds on the agency's extensive experience and proven successes. The following are specific activity categories that HPD has undertaken that are most likely to achieve neighborhood stabilization in the target geography:

1. City and Regional Planning

HPD works closely with a variety of other agencies involved in city and regional planning. The NYC **Department of City Planning (DCP)** is an important partner in many of the agency's housing activities. DCP oversees the structure for public review of city disposition, including HPD development projects, through the legal requirements of the Uniform Land Use Review Procedures. In addition to this formal partnership, HPD and DCP have worked together on a variety of neighborhood-based initiatives, including neighborhood rezonings. To complement these rezonings, HPD has created inclusionary zoning housing policies, which offer density bonuses in exchange for the creation of affordable housing.

HPD also has its own Planning and Environmental Division. This staff includes specialists focusing on each of the city's five boroughs. The unit is responsible for: working with developers and HPD's financing programs; guiding developments on public sites through the public review process; working with local community boards; and coordinate planning activities. HPD's Planning Division also has specialists in environmental planning and acts as its own responsible entity to conduct environmental reviews required by HUD regulations, and has routinely conducted environmental assessments for HUD-funded projects both on private and public sites. Additionally, HPD is New York City's Urban Renewal Administrative Agency and is responsible for maintaining the Urban Renewal Plans in many communities across the city and specifically within the targeted area of the NSP2 application. These plans were created to facilitate the development of affordable housing, parks and commercial spaces.

HPD works together with other local and state government agencies to identify other vacant and underutilized sites for the development of affordable housing. Examples of these collaborations include working with the New York City Housing Authority (NYCHA) and New York City Department of Transportation to identify underutilized land. Thus far, the collaboration with NYCHA has resulted in over 1,700 new construction units. HPD has also been working toward providing affordable housing through adaptable reuse of obsolete municipal buildings such as schools and hospitals. In these partnerships, developments are financed through HPD's affordable housing programs.

2. Acquisition and Disposition of Foreclosed Real Estate

Using a combination of City Capital funds, Federal HOME and CDBG funds, and Low Income Tax Credits, HPD has financed the redevelopment of the vast majority of City-managed residential properties as affordable housing, transforming blighted neighborhoods into stable communities. HPD administers several programs for the redevelopment of foreclosed properties, including the following:

- **Division of Alternative Management Programs (DAMP).** Since 1995, DAMP has redeveloped approximately 25,000 units of affordable housing through its Building Blocks

Programs, which include the Neighborhood Entrepreneurs Program, Neighborhood Redevelopment Program and Tenant Interim Lease Program. These programs were created as a concerted effort to revitalize communities devastated by foreclosures.

- **StoreWorks.** A successful partnership between HPD and Neighborhood Housing Services of NYC, since 1998 the StoreWorks program has restored and sold 105 buildings that went through tax foreclosure in low income neighborhoods, consisting of 285 residential units and 119 commercial units. The program has allowed moderate income households to qualify for the financing needed for the acquisition of a mixed use site.

3. Rehabilitation of Housing

HPD has extensive experience rehabilitating housing as follows:

- **Rehabilitation of Housing Programs.** HPD administers several programs involving the acquisition and disposition of foreclosed residential properties and the rehabilitation of housing. In the past 24 months, HPD's rehabilitation programs have financed work on 15,949 units.
 - **Third Party Transfer Program (TPT).** This program is the primary vehicle used by the City to redevelop *in rem* properties which previously went into City ownership through foreclosure due to tax liens. Through TPT, the City arranges for the transfer of foreclosed properties to new responsible owners. These properties, which include 1-4 family homes and multiple dwellings, are then rehabilitated through various HPD subsidized loan programs and sold to eligible purchasers. The TPT program has completed 500 units and begun 250 more in the past 24 months.
 - **HPD's Rehabilitation Programs.** Since the late 1970s, HPD has operated a variety of low cost financing programs for rental cooperatively-owned multiple dwellings. These programs include the **Participation Loan Program**, which can be used by existing owners or with owners acquiring the properties—in some cases through foreclosures—where City and federal subsidies leverage private financing, and the **8A Loan Program**, where a City 3% loan can be subordinated to existing institutional mortgages and funds scopes of work up to \$35,000/dwelling unit. In the past 24 months 8,087 units have been completed and 5,550 more begun through these programs. In addition, HPD's **HUD Multi-Family Program** provides acquisition and rehabilitation financing to distressed HUD projects that have been transferred to new ownership through foreclosure or a negotiated sale.
 - **HPD's HomeWorks and StoreWorks Programs** transfer small, vacant residential and mixed-use properties vested by the City to sell properties to developers to rehabilitate and sell to moderate and middle income homeowners, restoring them to productive use. In the past 24 months 61 units have been completed and 45 more begun through these programs. HPD also offers affordable rehab financing to qualified small home owners through the **Home Improvement Program (HIP)**, the **Senior Citizen Housing Assistance Program (SCHAP)**, and the **Emergency and Revolving Loan Programs**, which are administered by Neighborhood Housing Services of NYC. In the past 24 months 625 units have been completed and 333 more begun through these programs.
 - **NSP1-** REO and multifamily owner abandoned strategy- HPD is implementing \$24,000,000 in NSP1 federal grants to rehabilitate 1-4 family REO properties in the 13 neighborhoods of greatest need as determined by foreclosure rates. And to purchase multifamily owner abandoned properties in foreclosure in the 20 neighborhood of greatest need.

- **HomeFirst Down Payment Assistance Program:** This program encouraged ownership among potential eligible first-time homebuyers with downpayment assistance combined with homeowner education. Since 2004, a total amount of \$15,709,357 has helped more than 1,000 families buy a home. This represents an average of \$16,179 per homebuyer. In the past 24 months, 498 loans have been issued through this program.

4. **Redevelopment of Vacant Property**

HPD administers several new construction financing programs to redevelop vacant land. Over the past 24 months, HPD has completed 5,155 units and begun construction on 2,968 more units of housing on vacant property through a variety of financing programs. Additionally, HPD works with other government agencies to identify other vacant and underutilized sites for the development of affordable housing. Some examples of these interagency collaborations include working with the Department of Transportation to redevelop surface parking lots and working with the New York City Housing Authority to develop vacant parcels near public housing developments. These vacant sites are then financed through HPD's affordable housing programs, a partial list of which follows:

- **Cornerstone Program:** Cornerstone is a multifamily new construction initiative designed to facilitate the construction of mixed income housing on City-owned land. Developers in this program are selected through a competitive RFP process. HPD has completed 1,866 units and begun construction on 1,263 more in the past 24 months through this program.
- **Low Income Rental Program:** HPD's Low Income Rental Program aims to produce rental housing affordable to those households earning up to 60% of New York City's area median income. HPD has constructed 559 units and begun 1,118 more in the past 24 months through this program.
- **Multifamily Rental Program:** HPD's New Construction Multifamily Rental Program provides low-interest loans to construct housing for low- to moderate-income households. HPD has constructed 668 units and begun 334 more in the past 24 months through this program.
- **Large Scale Development Program:** The Large Scale Development Unit in HPD's Office of Development fosters residential and mixed-use development of City-owned land. The Unit develops comprehensive, community-based plans to transform vacant and underutilized City property holdings into privately-owned, mixed-use and mixed-income developments which help to strengthen and stabilize neighborhoods. HPD has completed 1,080 units and begun construction on 540 more in the past 24 months.
- **New Foundations Program:** New Foundations is a homeownership program established to develop infill sites in neighborhoods that lacked home ownership opportunities and to encourage small developers and contractors to create affordable housing. A mixed-income program, New Foundations seeks to maximize homeowner affordability and income diversity. HPD has completed 419 units and begun 272 units more in the past 24 months through this program.

5. **Program Marketing and Management of Waiting Lists for Potential Residents**

HPD's Marketing Division is responsible for the fair and equitable marketing of all HPD homeownership and rental units. Through prescribed marketing and outreach efforts and its careful oversight of a lottery system and coordination of preference categories—including preferences for community residents, military personnel and the visual and hearing impaired—HPD's marketing process ensures that everyone has equal opportunity to receive an affordable housing unit. The Division supervises the creation of logs and orders of priority for each applicant, and works with developers who carry out the initial marketing processes. Close oversight by HPD's marketing and legal staffs ensure that units go only to qualified tenants or homebuyers. In

the past 24 months, the Marketing Division has successfully conducted lotteries and established priority lists for 7,173 units.

6. Accessing Operating and Investment Capital

HPD routinely leverages funding sources to support agency programs and projects. HPD's Capital Projects (i.e. rehabilitation or new construction housing) typically include New York City Capital dollars generated through General Obligation bonds, federal HOME funds, Low Income Housing Tax Credits, tax-exempt bonds, New York State financing programs and bank financing. In most instances, developers are also expected to contribute to project costs through up-front cash equity contributions and/or deferred fees. In the City's fiscal year 2009, HPD expects the total Capital contribution to housing development was approximately \$250,000,000 (excluding HOME funds, which are described above).

7. Working Productively with Other Organizations

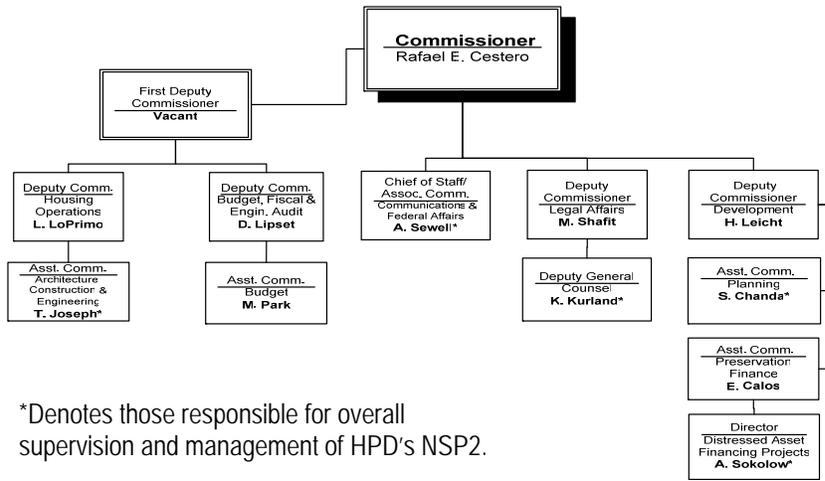
Integral to HPD's success is its productive collaboration with outside organizations. These partnerships range from interagency initiatives that link housing with other city initiatives such as transit, commercial, and economic development, to research collaborations with academic institutions including New York University's Furman Center for Real Estate and Urban Policy ("Furman Center"). HPD works with hundreds of not-for-profit and for profit organizations at the local, state and national level, including the following:

- National intermediaries such as Enterprise Community Partners, LISC, and the Corporation for Supportive Housing
- Foundations including national philanthropic organizations such as the John D. and Catherine T. MacArthur Foundation, The Rockefeller Foundation, and the Ford Foundation, and local organizations such as the Starr Foundation and the New York Community Trust
- Advocacy and trade groups such as the Association for Neighborhood and Housing Development, National Housing Council, Real Estate Board of New York, New York State Association for Affordable Housing (NYSFAFH)
- Citywide not-for-profit housing groups, such as Neighborhood Housing Services, Phipps Houses and the Neighborhood Economic Development Advocacy Project (NEDAP), New York City Housing Partnership
- Local not-for-profit housing groups, including St. Nicholas Neighborhood Preservation Corporation, Pratt Area Community Council, Asian Americas for Equality, and the Bedford-Stuyvesant Restoration Corporation
- For profit housing developers such as the Bluestone Organization, Blue Sea Development Company, and Related Companies

Through the above programs, HPD has gained significant experience in stabilizing neighborhoods across New York City. HPD has a corresponding track record in implementing the specific stabilization initiatives proposed for NSP2. These areas include targeting neighborhoods and specific blocks where foreclosure risk factors are high, working with banks to negotiate discounts of foreclosed properties, and working with other community initiatives to ensure that the stabilization efforts complement other activities in distressed neighborhoods.

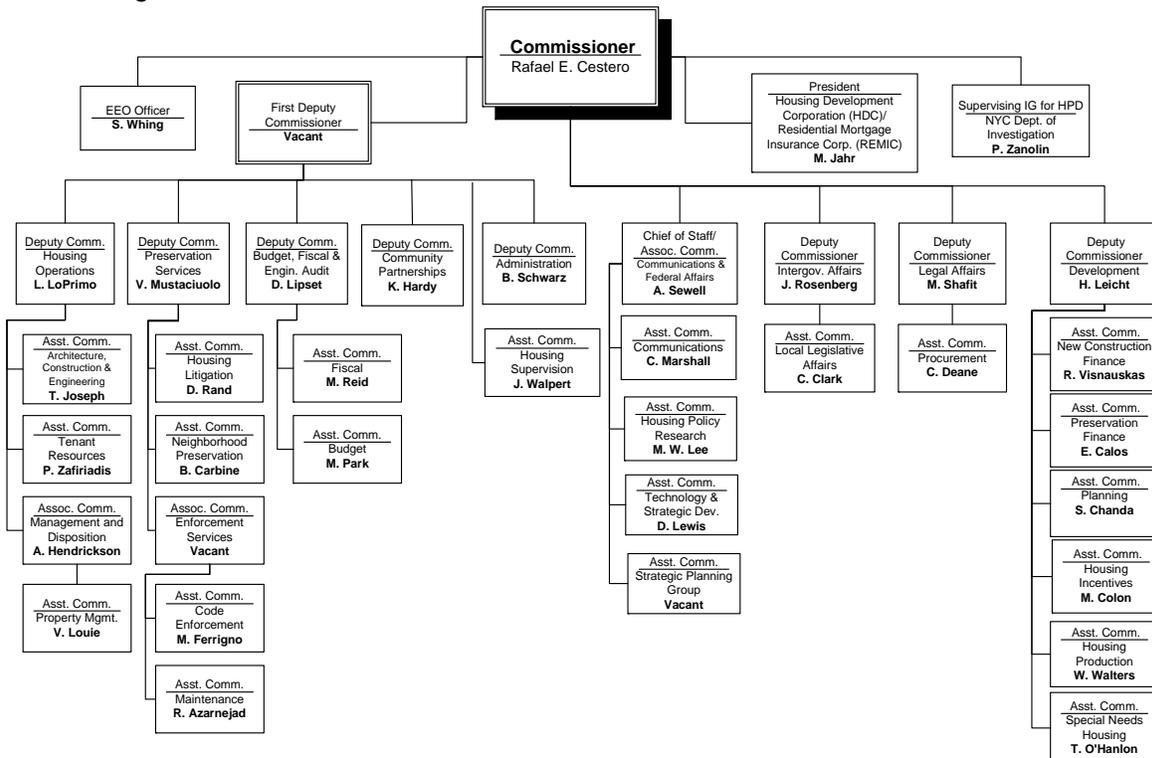
2.b. Management Structure

HPD's management structure is comprised of the Commissioner, chief of staff and a network of deputy commissioners that oversee different roles of the agency, ranging from budget to enforcement services and development. This administrative structure contains staff dedicated to rehabilitation, new construction, and home ownership assistance programs akin to the activities proposed in this application. HPD already has the management structure in place to successfully implement an NSP2 award. NSP activities operate primarily under the auspices of the Deputy Commissioner for Development with an Assistant Commissioner and director level position supervising day to day responsibilities. As part of the NSP2 application, HPD is requesting less than 4% of its proposed funding for administrative costs to fund additional staff to implement the NSP2 activities.



*Denotes those responsible for overall supervision and management of HPD's NSP2.

HPD Management Structure



Key Staff and Specific Roles for NSP2 Management

Arden Sokolow

Director, Distressed Asset Financing Programs

The Distressed Asset Financing Program is the unit designated to coordinate all aspects of the NSP1 activities and would also implement NSP2 activities. This responsibility includes coordination with the legal, architectural, and financing divisions working to implement these activities. The Program's Director oversees HPD's work with distressed assets including neighborhood stabilization initiatives, and coordinates the agency's foreclosure prevention strategy. Ms. Sokolow has extensive experience in new program development and is coordinating HPD's NSP1 activities. She is also working with other city agencies to implement a Bridge Fund, which will provide temporary support to homeowners on the brink of foreclosure. Other responsibilities of the Director include administering the HUD Asset Control area program and the HUD Dollar Homes sales program which works with HUD to redevelop and reactivate HUD owned 1-4 family homes.

Patricio Zambrano-Barragán

Analyst, Strategic Planning Group

The Division of Strategic Planning facilitates the agency-wide strategic planning process with the Commissioner and his senior management team, including the identification and management of strategic priorities and change initiatives, and the monitoring of key performance measures against established targets. The analyst will work with the Director of Distressed Asset Financing Programs to ensure that the proposed activities are in line with the agency's overall vision and that programs are properly implemented and measured against quantifiable targets. Mr. Zambrano-Barragán provides critical support in the areas of foreclosure prevention and NSP1 and 2.

Suzanne Russo

Sustainability Initiatives Coordinator

As part of the NSP2 management team, the sustainability coordinator will work closely with Enterprise, a key partner in all of HPD's green building programs, to ensure that NSP2 properties become part of the Green Communities program, and strengthens their connection to New York City's unique social and built environment. Ms. Russo coordinates green building initiatives throughout HPD and serves as the agency's liaison on these initiatives with its community partners and with other City agencies.

Alexa Sewell

Chief of Staff / Associate Commissioner for Communications and Federal Affairs

The Chief of Staff is responsible for the overall management of the agency and reports directly to the HPD Commissioner. In her dual role as Associate Commissioner for Communications and Federal Affairs, Ms. Sewell coordinates relationships with external stakeholders and oversees the agency's compliance with Federal regulations applicable to HPD's activities including CDBG programs.

Shampa Chanda

Associate Commissioner for Planning and Environmental Review

The Associate Commissioner for Planning and Environmental Review at HPD oversees the short- and long-term goals for public land disposal and affordable housing development. In this capacity, Ms. Chanda supervises the environmental review process for HPD's developments and will coordinate these activities as they relate to the proposed programs included in this application.

Ken Kurland
Deputy General Counsel

HPD's Deputy General Counsel and his team of attorneys are responsible for the legal work for all real estate transactions for the development and preservation programs that HPD implements. For NSP1 they have provided legal guidance and drafted regulatory agreements, financing documents and other legal documents needed in connection with the program. They will continue in this role for NSP2.

Tim Joseph
Assistant Commissioner for Architecture, Construction, and Engineering

The Division of Architecture, Construction and Engineering (DACE) is responsible for the physical designs and rehabilitation scopes of HPD projects. For NSP1, DACE is providing oversight of the scope process that define the required work for rehabilitation of the foreclosed homes. They will continue in this role for NSP2 along with providing design requirements for the NSP2 new construction, monitoring progress, and ensuring completion.

Provide two references of similar work

Reference:

Deborah VanAmerongen

Commissioner, New York State Division of Housing and Community Renewal

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Phone: 212-480-6700

Provide positive newspaper or magazine articles that demonstrate programs' success or innovation.

New York Daily News, "NYC schoolteacher's divorce spurred her to save, buy her own place," April 21, 2008. See: http://www.nydailynews.com/money/2008/04/21/2008-04-21_nyc_schoolteachers_divorce_spurred_her_t.html; a copy of this article is included in Appendix 8.

The New York Observer, "City Launching Plan to Turn Unfinished Condos into Subsidized Housing". July 9, 2009. See: <http://www.observer.com/2009/real-estate/city-launching-plan-turn-unfinished-condos-subsidized-housing>; a copy of this article is included in Appendix 8.

Factor 3: Soundness of Approach

HPD proposes a multi-faceted program to stabilize the areas most at risk. As described in Factor 1, our target geography shows both a high concentration of existing or expected foreclosed and vacant properties, as well as instability and potential for decline in neighborhood conditions. As part of our overall neighborhood stabilization strategy, our proposed plan will build on the activities funded through NSP1, but will cast a wider net through the creation of incentives for future homeowners to move into and stay in these at-risk neighborhoods. Simultaneously, our plan is much more narrowly targeted, working *specifically* in those areas where NSP funds are likely to create a point where need meets demand—areas where there is a high inventory, a clear call for intervention toward neighborhood improvement, and a significant opportunity to expand affordable homeownership opportunities.

To ensure an effective response to the current foreclosure crisis, HPD created the Distressed Asset Financing Division to coordinate the Department's strategy to address neighborhood destabilization brought about by foreclosures and loan defaults, stalled construction sites, and over-leveraged developments, among other factors. While some of the challenges we face can be addressed early on in the foreclosure process (e.g. foreclosure prevention efforts such as loan modifications), there is a significant need for programs that address the problem after a foreclosure has taken place.

Given how concentrated foreclosures are in our target geography, NSP2 represents a crucial element in our overall strategy. The proposed activities fall into three categories: Program for Purchase and Rehabilitation (PPR), Mixed Use Housing Assistance, and Stalled and Vacant Site Developments.

Program for Purchase and Rehabilitation (PPR) (NSP2 eligible uses A, B and E)

This new program, administered by HPD and participating not-for-profit community partners selected through a competitive request for qualifications (RFQ), would fund the purchase and rehabilitation of small homes (1-4 family structures) within the target geography. The not-for-profits will receive a fee for each sold home. The funds will be available through three possible routes and will serve to reactivate idle properties as affordable housing. All potential homebuyers must receive counseling from HUD-approved housing counselors. The three types of assistance are as follows:

1. Program Use # 1 - Direct Homebuyer Assistance

- Up to \$50,000 per building of down payment assistance funds will be made available to homebuyers who wish to acquire a foreclosed or vacant 1-4 family home. Funds will be used as a gap filler to bring housing costs down to a supportable percentage of the homebuyers' income
- The homes must be owner-occupied and any other unit in a property may be rental or operated as a small co-operative or condominium
- Funds will also be made available to renovate the foreclosed or vacant home through an NSP2 award, as well as through other city programs that fund rehabilitation of small homes

Rationale: In Factor 2, we described our flagship down payment assistance program, HomeFirst. In spite of reduced funding and difficult economic conditions, HomeFirst saw an increase in participation of 17.5% over the last year. Based on this experience, we realize that, given the right incentives, assistance options, and affordability levels, there is demand for homeownership in New York City. The City has a vacancy rate of 2.91% does not have an oversupply of housing. This,

coupled with the affordability crisis, makes homebuyer assistance a good policy intervention in the market. It provides a means for incentivizing New Yorkers to move to and invest in the neighborhoods most hurt by foreclosures. Moreover, HPD has had very good outcomes with its homebuyer assistance programs to date. Since HomeFirst's inception in 2004, HPD has helped over 1,000 households, with an exceedingly low default rate: only 0.02% of participants have defaulted on their payments to HPD. It is with this program in mind that we hope to bring relief to our target areas.

PPR offers the deepest down payment assistance of any program in the New York City area. By purchasing homes with a below market sales price (as required by NSP2) and committing a standard down payment (~10% of purchase price, supplemented with up to \$50,000 of PPR funds) the total mortgage will be significantly more affordable than a home purchased without NSP2 intervention. In addition to creating greater equity for homebuyers and protecting them against negative impacts from future downturns in property values, the decreased loan to value ratio will likely eliminate the need for mortgage insurance (PMI). For these reasons, the homebuyer will be able to obtain a supportable, affordable mortgage and see a boost in his/her purchasing power. A wider pool of potential homebuyers increases the likelihood that foreclosed and/or vacant homes will be bought, occupied, and returned to productive use.

Example from Jamaica, Queens

According to data from the Department of Finance (May 08-Apr 09), the average home price in the zip codes in Jamaica, Queens is approximately \$400,000. The chart below shows how the homebuyer assistance impacts affordability:

	Without NSP2 Funds	With NSP2 - PPR Funds for Acquisition
Price after NSP discount	\$ 400,000	\$ 400,000
Mortgage after down payment of 10%	\$ 360,000	\$ 360,000
Mortgage after HARP funds	\$ 360,000	\$ 310,000
LTV	90%	78%
PMI needed	yes	no
PMI monthly payment	\$ 80	-
taxes and insurance	\$ 300	\$ 300
Monthly payment	\$ 2,775	\$ 2,362
Annual payment	\$ 33,301	\$ 28,349
Income needed to afford	\$ 100,912	\$ 85,907
AMI served	131%	112%

2. Program Use # 2 – Leveraged Homebuyer Assistance:

- Up to \$10,000 per unit of funds will be available to provide closing costs assistance to 1-4 or multifamily foreclosed or vacant properties within the target geography. To leverage previous HPD investments and reactivate existing homes, this assistance is targeted for properties that were originally developed using other governmental housing programs.
- The units assisted must be owner-occupied

- Examples of homebuyers who could benefit are: households purchasing homes or condominiums/cooperatives on previously vacant city-owned land that was acquired through tax foreclosure; potential homeowners assisted by not-for-profit groups who have developed REO programs using other subsidy sources; and buyers interested in REO properties being rehabilitated with NSP1 funding.

3. Program Use # 3 - Not-for-profit Assistance:

- Up to \$50,000 per unit of funds will be available to not-for-profits that wish to purchase 1-4 family homes and create a housing product that differs from the direct homebuyer assistance model above. These assistance models include, but are not limited to: rent-to-own programs; scatter-site rental-housing programs; or employer-assisted housing programs in which organizations work with employers to create homeownership opportunities for their staff.
- This assistance complements programs for homebuyer assistance and homeownership such as the REO Program, funded through HPD's NSP1 award; HUD Dollar Homes Program; Asset Control Area programs; and HPD's homeownership programs, which offer homes for sale on previously vacant land in many of the target neighborhoods by creating a different use for 1-4 family properties.
- Funds from the National Community Stabilization Trust may also be available to provide financing to not-for-profits seeking to use PPR funds.

Rationale: Through this proposed program, not-for-profits can offer opportunities to purchase 1-4 family homes without competing against existing homeownership programs. To ensure success, the not-for-profit would have to establish a different proposed use of 1-4 family homes than a traditional homeownership model (i.e. down payment followed by access to an affordable mortgage). A successful model could be a rent-to-own program for homebuyers who cannot currently afford a 30-year mortgage.

Mixed Use Housing Assistance (NSP2 eligible use A)

The Mixed Use Housing Assistance Program will help HPD find eligible buyers to purchase mixed use properties that came into city ownership through tax foreclosures. These homes and commercial spaces have been rehabilitated using city funds through the StoreWorks Program, a successful partnership between HPD and NHS Community Development Corporation (NHS CDC). Since 1998, the StoreWorks program has restored and sold 105 buildings consisting of 285 residential units and 119 commercial units. However, due to tightening credit and a decline in economic opportunities, a subset of these units have not been sold in the past few years and are sitting vacant. As described in Factor 1, vacant units can have a negative spill-over effect on neighboring properties. NHS CDC currently has 22 vacant gut renovated buildings for sale in Brooklyn, Queens, and the Bronx.

1. Program Uses:

- Up to \$200,000 of funds will be available for each building as loans to StoreWorks properties in order to lower sale prices to a range of \$280,000 - \$360,000, bringing down payments within reach of households in need. In addition, this funding will ensure NHS avoids defaults on construction loans and quickly returns buildings to productive use. A portion of the funds may be used for marketing and compliance monitoring fees.
- The homes must be owner occupied and any other unit in a property may be rental or operated as a small co-operative or condominium.

- Funds will be used to extend soft second loans to 12 additional buyers at lower sales prices. These funds will facilitate the sale of remaining StoreWorks buildings by assisting 12 homebuyers and place approximately 18 apartments and 12 commercial units back onto the market. These loans would not have monthly interest rates, but awardees will be required to pay all or a portion of the loan back if they sell before the 15 year compliance period ends or if they are not in compliance with NSP2 restrictions.

Rationale: During its first phase, the StoreWorks program succeeded in large part because banks originally agreed to underwrite mortgages using residential standards requiring low down payments. However, as the economy stumbled, banks began to pull back from application of residential loan underwriting of small commercial loan programs and began to apply standard commercial loan underwriting terms with larger down payments and more stringent requirements.

An NSP2 award carries enormous benefit at the individual, household, community, and city levels. Overall, NHS estimates the economic benefits from these projects to be 2.1 times greater than the maximum NSP2 expenditure (\$2,400,000).

- Over 10 years, each buyer would accrue an average of \$202,905 in home equity—a total of \$2,434,865 for all 12 buyers.
- 13 storefronts, nearly 14,000 square feet of newly renovated commercial space, will be back on the market.
- Approximately \$239,460 in fees will be generated for real estate brokers, title charges, government transfer fees, and other settlement charges for all 12 properties.
- NSP2 funds will complement \$1,400,000 of NSP1 awarded to NHS CDC by the New York State Housing Finance Agency, used to provide 7 soft second loans to make the StoreWorks buildings more affordable for properties outside of the NSP2 target geography.

Stalled and Vacant Site Developments (NSP2 eligible use E)

The third component of this proposal seeks to reactivate stalled and vacant sites for use as affordable residential properties. These initiatives will help HPD and its local partners identify specific areas where vacancies present a threat to neighboring properties in its target geography.

Stalled Sites Initiative

The stalled sites program is part of a city-wide initiative to stabilize communities that have a stock of buildings that were initially financed as market rate condominiums; however, due to the economic downturn and a weakened housing market, developers have been unable to market some units. The New York City Council and Mayor Michael Bloomberg have together committed \$20,000,000 to this initiative, called the Housing Asset Renewal Program (HARP). HARP funds will be available throughout the city and should reactivate as many as 400 units. HPD is responsible for implementing this program. NSP2 will complement these funds, but will concentrate specifically on the NSP2 target geography, where vacancies represent a unique concern.

1. Program Uses:

- Up to \$60,000 per unit will be provided to a market rate condominium project in exchange for reducing the sales price to an affordable level or converting the project to an affordable rental project. The project must be affordable to households earning less than 120% of AMI. The units assisted must be owner occupied

- HPD will identify eligible projects through a citywide Notice of Funding Availability but will offer enhanced incentives for projects located within NSP2 target areas

Rationale: According to local news sources such as the Real Deal and City Limits, there may be as many as 5,000 units citywide sitting either half-complete or completed but vacant. This is a pressing issue because these units will not sell at a price that can cover the construction loan. Consequently, many of these projects have entered the foreclosure process.

NYC's HARP will focus on two types of problematic developments: (1) completed projects with a high number of vacancies and (2) stalled sites that are still under construction. Through the Notice of Funding Availability, to be issued in late July, projects will be selected through a competitive process based on three general criteria:

- **Neighborhood Stabilization** – Priority will be given to buildings in especially distressed blocks (as measure by concentration of foreclosure filings and auctions), where redevelopment is likely to have the greatest impact on keeping communities stable;
- **Efficient Use of Public Funding** – Preference will be given to projects that need the lowest amount of public assistance to achieve maximum affordability;
- **Deep Discounts to New Yorkers** – Projects will be selected based on which developers and banks offer the deepest discounts on prospective units.

If, after the Notice of Fund Availability, there are still available funds, HPD will use the remainder of the budget to complement funds for the construction or rehabilitation of the Eastern Parkway Site and 1501 Pitkin Avenue as part of the vacant site initiative (see below). This transfer of funds, allowable under NSP2 rules and conducted under eligible use E, will ensure HPD maximizes the effectiveness of its programs.

Vacant Site Redevelopment Initiative

The development of vacant buildings and sites that have been languishing is an important implementation strategy for HPD's housing plan and is a crucial component in neighborhood stabilization for at-risk neighborhoods. Developing vacant lots and boarded-up buildings, which provide ground floor commercial space or community facilities, creates much-needed opportunities to reactivate economic activity in the target communities. HPD will be responsible for the redevelopment of these sites.

1. Program Uses:

- HPD proposes to redevelop several sites on vacant land. HPD has identified at least two feasible projects that would offer quality, affordable units while reactivating economic activity in the target areas:
 - 1501 Pitkin Avenue, Brooklyn is a vacant building located in the Ocean Hill-Brownsville section of Brooklyn that will be rehabilitated into a mixed-use development, including 66 low-income rental units and a commercial component. The site encompasses an entire city block located within a low income area—as noted in Factor 1, section 1.b., over half of the population in our Brooklyn target areas is below 50% of AMI. The building is a vacant, boarded-up movie theater. The rehabilitation of the project will result in the construction of 66 low-income units, serving households earning less than 50% AMI (including 8 units set aside for formerly-homeless individuals), along with 75,000 sq. feet of commercial space which are anticipated to create 50 retail jobs in a low-income neighborhood. Construction is anticipated to create 150 jobs. The rehabilitation will preserve the exterior ornate

detailing of the original Neo-Classical and Art-Deco design, while providing a new interior structure and layout to allow for its re-use as a mixed-use development. In addition, the project is designed to meet the LEED “Gold” certification standards, and will include energy-efficient measures and a green-roof storm-water management system.

Hopkinson Place/Park Place: Using HPD’s New Foundations program, five vacant, semi-contiguous lots in Oceanhill/Brownsville, Brooklyn (Block 1468, Lots 56, 58, 60, 63, and 64) are being developed to create 25 new condominium or co-op homes. This development will consist of 7 one-bedroom units, 15 two-bedroom units, and 3 three-bedroom units. All homes are targeted for households earning less than 120% of AMI, with 11 units at less than 90% of AMI. The project is designed to meet LEED Silver Certification, as well as Energy Star criteria by utilizing at least 20% less energy than conventional projects. Innovative design strategies include: a landscaped courtyard to reduce “heat island effect,” a low-tech radiant floor heating system, environmentally-friendly material specifications, and minimal waste disposal.

In addition, the developers intend to institute an apprenticeship program that would hire inexperienced neighborhood-based workers. The project would serve as a training ground for carpenters and project managers and is made feasible by dedicating major components of the development construction budget to on-site activities rather than pre-manufactured assemblies that get delivered from far away. It is estimated that approximately \$3,000,000 of the development budget will involve people hired under the apprenticeship program. The development team intends to engage the community through local advertising and outreach.

- ACORN TPT Sites: Under Round III of the New Foundations program, the NYC ACORN Housing Corporation is developing 41 units in a mix of two- and three-family homes on scattered sites in East New York, Brooklyn. Of this larger project, three sites have been submitted under this application for scattered site homeownership development. This portion of the project consists of the new construction of three two-family homes in Brooklyn: 516 Crescent Street, 766 Herkimer Street, and 728 Madison Street. The sites are city-owned, vacant, and have been under-utilized for significant periods of time. The properties have been transferred to private ownership through an *in-rem* tax foreclosure process and will be purchased by a not-for-profit developer for \$12,000, a price well below the market value. In addition, HPD intends to provide a total of \$325,000 in Capital and HOME funds through its Third Party Transfer Program. All homes will be affordable to families making less than 130% of AMI with at least a third of the units affordable to families at or below 80% of AMI. The sites will be owned by NYC ACORN Housing Corporation, whose principals are the New York ACORN Housing Company, Inc. and other related subsidiary organizations (including the Mutual Housing Association of New York - MHANY and ACORN Housing Corporation/New York - AHC/NY).
- Riverway Senior Housing (228 Riverdale Avenue, Brooklyn) is a new construction, seniors project in Ocean Hill/Brownsville, Brooklyn, on a city-owned site. The sponsors, SK Senior Housing LLC and Calvary Church of God, Inc., propose to develop 115 units of rental housing for low-income elderly under 50% AMI (114 one-bedroom units and one 2-bedroom super's unit). 20% of the units will be set aside for homeless elderly residents. The sponsors intend to lease the community space/senior center to an operator that will possibly provide supportive services such as case management, adult day programs,

health education, exercise programs, recreational programs, lunch program, benefits analysis, after school tutoring program and a computer literacy program. This project has received approval from the local community groups and elected officials.

Proposed Budget

New York City is a high cost area—the process of purchasing foreclosed homes and the costs of rehabilitation of these homes is significantly higher than the national average. According to a study done by the Furman Center, “hard costs of development in New York City are 39 percent higher than the national average and eight percent higher than the next most expensive city, San Francisco.” Labor costs – particularly union labor costs – are higher in New York than almost anywhere in the country and are driving the high cost of construction. Many New York City development sites are brownfields and New York State has a high level of environmental regulations, which also increase costs. As a result of the high costs of new construction and rehabilitation in New York City, HPD must provide deeper subsidies than other jurisdictions to create housing for equivalent income levels⁹. While these costs make it difficult for HPD’s programs to reach all properties in distress and impact stabilization citywide, we believe our proposed application is targeted enough to make significant progress toward stabilization within specific communities and neighborhoods.

HPD has made conservative assumptions for subsidy per unit estimates. Given the high costs of development in New York City, our goal is to engage in cost-efficient activities that can allow for even more home purchases in the target areas. HPD will also create incentives for partner not-for-profits to keep costs low while maintaining quality and maximizing impact. HPD proposes utilizing over \$1 from other funding sources for every \$1 of NSP2 funds invested in each activity. The proposed budget is as follows:

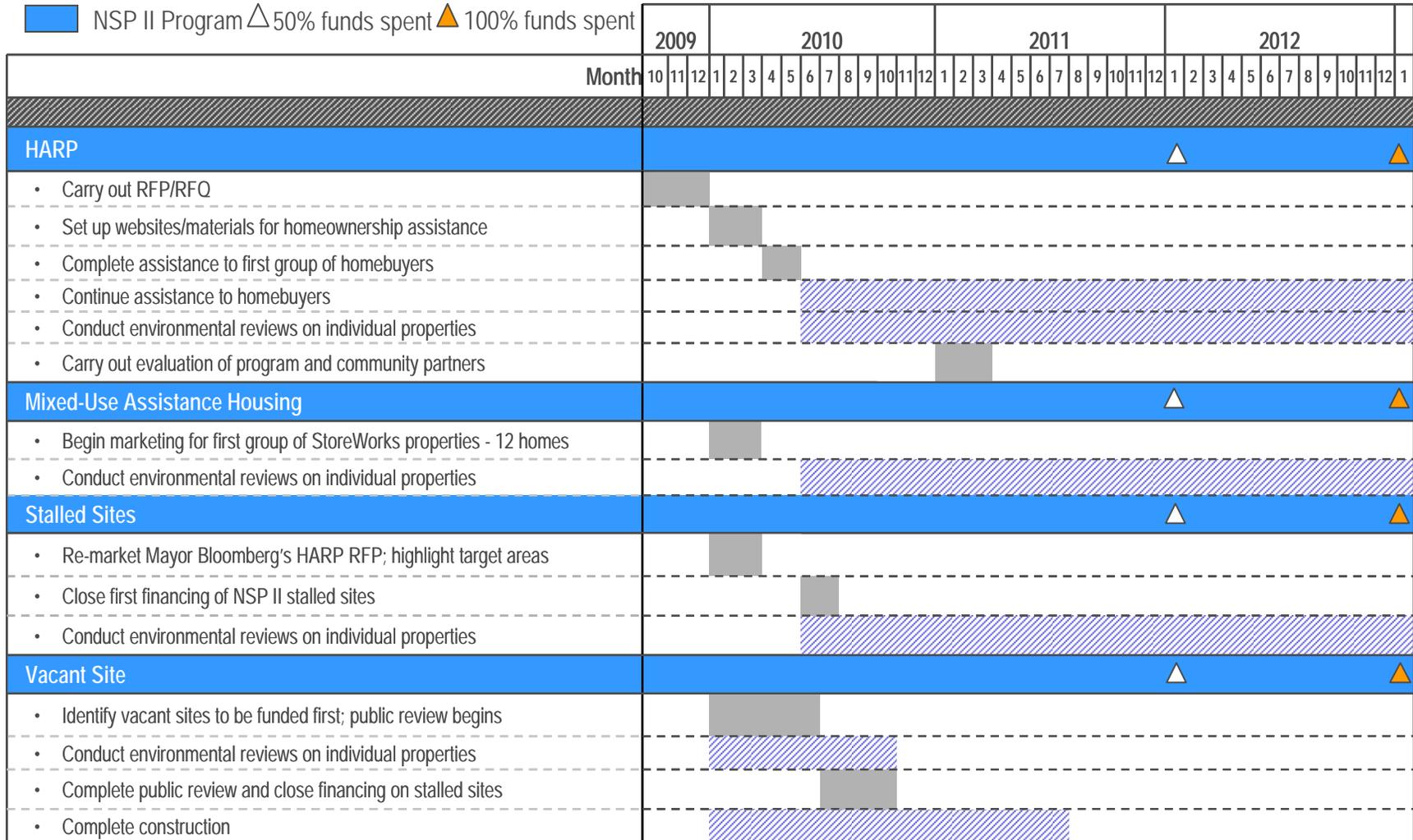
	AMI targeted	Estimated Average per Unit subsidy	Total NSP2 Allocation Request	# of homes/ units assisted
Homebuyer Assistance Acquisition Funds	<120%	\$ 50,000	\$ 24,000,000	300
Homebuyer Assistance Rehabilitation Funds		\$ 30,000		
Mixed Use Housing Assistance	~100%	\$ 120,000	\$ 2,400,000	20
Vacant Site development- stalled sites	<120%	\$ 60,000	\$ 8,000,000	133
Vacant Site development- low income	<50%	\$ 78,342	\$ 14,650,000	187
Administrative	n/a		\$ 1,456,000	
Total			\$ 50,506,000	640
<i>*Low income set aside needed</i>			\$ 12,626,500	

Proposed

The PPR program will begin as soon as possible to give potential homeowners quick and efficient access to available properties. The mixed use housing assistance and stalled sites and vacant sites development initiatives will easily meet the NSP2 deadline for fund expenditures. We certify that 50% of the awarded allocation will be spent within 24 months, and 100% of funds will be spent within 36 months. These benchmarks are included in NYC’s timeline.

⁹ Salama, Jerry J.; Schill, Michael H.; Springer, Jonathan D. “Reducing the Cost of New Housing Construction in New York City, 2005 Update” Furman Center for Real Estate and Urban Policy, The New York University School of Law and Robert F. Wagner Graduate School of Public Service.

NSP II Program
 50% funds spent
 100% funds spent



Income Targeting

HPD has extensive experience developing and implementing programs for low and moderate-income households. The agency runs a wide variety of programs with income restrictions. HPD's legal and financing development staff routinely structures programs and regulatory agreements that ensure income targeting. From 2004 to 2008, HPD preserved or created 37,563 units dedicated to households earning less than 80% of AMI (with the great majority of these units created to serve households at 50% of AMI and below) and 5,975 of units serving household below 120% of AMI.

Based on HPD's extensive experience implementing low-income programs, we can certify that our proposed programs will comply with NSP2 requirements that funds be used for households earning less than 120% of AMI and 25% of these funds will be used for households earning less than 50% of AMI. Households earning more than 120% of AMI cannot participate.

In addition to household income limits, the sale prices must be affordable to households at 120% of AMI, as well. Our initial research into sales prices in the target areas demonstrates that the PPR assistance can bring down the prices to serve household incomes below the NSP2 maximum. Homebuyers earning less than 120% of AMI who cannot locate foreclosed homes where the sales price after discount would result in an affordable home will be assisted in locating other properties that are affordable.

More than one quarter (25%) of the funds will be allocated to three projects totaling 127 units: The Riverway Senior project, 1501 Pitkin Avenue, and the TPT/ACORN projects. These developments will serve low income households earning less than 50% of AMI. The Riverway site is proposed as special needs housing for senior citizens earning less than 50% of AMI, while the latter two projects serve a general low income population. 1501 Pitkin is a substantial rehabilitation of a vacant site. The TPT/ACORN site would be used to create new construction rental units for low income populations on small vacant parcels in foreclosure which, without NSP2 funding, would likely remain undeveloped.

Continued Affordability

All of the units developed through the stalled sites and vacant sites initiatives will exceed the federal HOME minimum standards by requiring affordability for at least 30 years. These sites will all be placed under HPD regulatory agreements that require that the individuals and households and initial and subsequent occupants do not exceed 120% of AMI. For the stalled sites and vacant sites developments proposed for the low income set aside, occupants will be limited to those with incomes that do not exceed 50% of AMI. HPD regulatory agreements will be recorded against the property at the time of closing on the financing for these projects to ensure ongoing affordability.

The PPR and the Mixed Use Housing Assistance Program will initially serve households at 120% of AMI or below. HPD will place enforcement mortgages against the property to utilize the recapture option offered by the HOME regulation to monitor affordability. The enforcement mortgages will remain in place for at least 15 years.

Consultation, Outreach, and Communication

HPD's proposal was formed in consultation with over twenty-five stakeholders and not-for-profit groups that work in the NYC area. Additionally, HPD consulted with other NSP2 applicants whose proposed plans would target areas in New York City to ensure that all of our proposals will complement, and not compete with, one another. New York City is committed to continued cooperation with these and other stakeholders as the program enters the implementation phase. HPD has vast experience working with stakeholders to shape policy and programs and has in the past convened roundtables, task forces, and more informal

discussions on how to improve upon our work, with the ultimate goal of providing the best possible housing services to New York City.

Within two months of an NSP2 award, New York City would issue an RFQ/RFP for organizations to apply to be community partners in implementing the Program for Purchase and Rehabilitation (PPR). Not-for-profit housing organizations will submit proposals that demonstrate their plans for implementing the PPR initiatives. Organizations may apply to be facilitators of the direct PPR assistance for homebuyers or they may submit proposals to acquire and reactive the 1-4 family homes in a creative method that does not compete with the direct assistance program. Organizations may apply to undertake both types of activities.

If applying to facilitate the direct homebuyer assistance the organization's application will include:

- A plan for identification of foreclosed and vacant properties
- A plan to publicize and market the program to homebuyers looking for homes within the community (this may include working with local real estate brokers, creation of website, mailing, etc.)
- Proven capacity to provide technical assistance to homebuyers in order to meet all federal requirements for use of the funds (environmental reviews, etc)
- Proven capacity to provide, or connect homebuyers with, homebuyer assistance counseling from a HUD-approved counselor.

If applying for not-for-profit assistance the response will include:

- Proposals for a use of 1-4 family homes that does not compete with the other uses of the PPR program (i.e. rent to own, scattered site rentals, or employer assisted housing, etc.)
- Demonstration of development capacity
- Demonstration of ability to market the product and maintain a waiting list of potential applicants

HPD has vast experience in implementing RFQ/RFP processes and has been successful in using these methods to create cost-effective, creative, and sound developments. The agency provides strong oversight throughout the implementation of the program; the partnership between the not-for-profit and HPD would continue even after the home is sold or rented. The RFQ process will involve public notice of the request, outreach meetings, and briefings to help potential candidates, and a clear system for scoring respondents.

New York City's not-for-profit community has extensive expertise in the provision of services necessary to implement the program. Potential not-for-profit partners range in focus and in experience. Some examples include:

- *The Center for New York City Neighborhoods*, which coordinates a large network of HUD-certified homebuyer counselors, advocates against foreclosures, and works in the interest of neighborhood stabilization with lenders in the City.
- *The New York Mortgage Coalition*, which coordinates efforts for sustainable mortgages for low and moderate-income households and works to ensure the availability of credit for New Yorkers.
- Neighborhood and city-wide not-for-profit housing developers such as *Neighborhood Housing Services*, *New York City Housing Partnership*, *Brooklyn Neighborhood Improvement Association*, *Northfield CDC*, are a few examples of not-for-profits with vast experience working with HPD.
- Local offices of national intermediaries such as *Enterprise Community Partners* and *LISC*.

The Stalled Sites RFP is being issued this summer using city funding. The RFP will note the fact that HPD is applying for additional funds for the program as part of the NSP2 application. This request will be issued offering incentives for projects located within the target areas. Awards will be granted on a rolling basis and may be made before NSP2 funding is available; however, HPD will post updates on the program website, if

NSP2 funds are awarded, to notify potential respondents. The RFP process for this program will operate using similar forms of outreach and consultations as the RFQ process noted above.

The projects in the mixed-use assistance and the vacant sites list go through extensive public consultation before the city can dispose of the land to a developer. The site must go through the public review during the disposition process (which entails public comment and review by elected officials). A chart showing the steps of public review procedures needed for the ULURP process can be found here:

<http://www.nyc.gov/html/dcp/pdf/luproc/lur.pdf>

The ongoing implementation of NSP2 activities proposed in the application will be evaluated and discussed by the members of the New York City REO working group, which is made up of other government agencies and both for-profit and not-for-profit entities. This umbrella group is poised to help HPD coordinate its neighborhood stabilization activities to ensure that HPD serves a variety of needs for New York City's households. This coordination will entail feedback on the RFP/RFQ process and other processes relating to structuring the use of funding and the program requirements. The oversight group will also guard against 'bidding wars' in the event that different groups attempt to acquire the same properties.

Finally, HPD will work intends to participate in the REO property acquisition and leveraged financing programs offered by the National Community Stabilization Trust (Stabilization Trust). These activities are complementary with and non-duplicative of neighborhood stabilization activities that we are undertaking locally. In order to participate in the financing programs offered by the Stabilization Trust, we intend to establish a financing approach consistent with HUD NSP requirements which, through collaboration with the Stabilization Trust, will leverage significantly more private loan capital to finance the acquisition and rehabilitation of vacant and foreclosed homes than would be possible without coordination with the Stabilization Trust."

Performance and Monitoring

New York City is committed to a thorough monitoring process upon receipt of an NSP2 award. HPD has extensive experience monitoring federally funded programs and meeting reporting requirements established by HUD. HPD's Tax Credit and HOME compliance division monitors compliance with Low Income Housing tax credits and the federal HOME affordability requirements. HPD is also the largest user of CDBG funds in New York City and is experienced in the monitoring and reporting that are required. In the history of the Community Development Block Grant Program, no CDBG grant funds to the City of New York have ever been recaptured by HUD.

Additionally, HPD's asset management unit monitors many of HPD's regulatory agreements and its mortgage satisfaction unit ensures that the conditions placed into enforcement mortgages are in compliance before any sale, refinance, or transfer of a home. The Strategic Planning Group will provide the internal audit function to ensure that all NSP2 and other federal regulations are enforced.

To ensure that all NSP2 requirements are met, NYC is applying for administrative funds to fund staff for program implementation. The staff in this role would be responsible for coordinating the monitoring functions for the NSP2 grant in consultation with the other HPD divisions, including the asset management staff already established at HPD. New staff, which would work within the Division of Distressed Asset Financing, would be responsible for ensuring that every NSP2 activity is completed in compliance with all NSP2 regulations and that ongoing requirements are monitored and enforced for the duration of each regulatory period. Responsibilities include: coordinating with HPD's Environmental Review Division to ensure that the environmental requirements (including the lead paint requirements) are met; ensuring

Section 3 compliance, DRGR reporting, initial and ongoing affordability requirements; and a host of other activities necessary to meet the goals and requirements established for the Neighborhood Stabilization Program.

Factor 4: Leveraging Other Funds or Removal of Substantial Negative Effects

HPD's Experience Leveraging Funding

HPD has extensive experience leveraging a variety of funds to develop affordable housing. The Third Party Transfer program and the Participation Loan Program typically leverage the most funding per city dollar invested. PLP and TPT both depend on bank participation and equity contributions from developers. Although this varies by project, HPD typically leverages about \$0.50 for every \$1 in City investment in these two programs. This private sector investment in affordable housing complements the use of City Capital and Federal HOME dollars, allowing for the maximum development of affordable housing. Additional private resources are generated through the use of Low Income Housing Tax Credits. Tax Credits have been a mainstay of the City's efforts to rehabilitate the tax-foreclosed housing owned by the City and to return them to responsible private ownership

Non-Federal Funds Committed to HPD's NSP2 Proposed Plan

As shown in the chart below, \$51,212,978 of non-federal funds will be used in conjunction with the requested NSP2 funds. Using the formula provided in the NOFA, the leverage ratio is 1.014. Thus, HPD is committed to leveraging more than one dollar for every dollar of NSP2 funds allocated by HUD. HPD is leveraging a wide variety of non-federal funding sources in order to ensure the success of the housing program proposed in this application. Some sources include city capital funds from our housing programs, private equity, and funds committed to HPD through the National Community Stabilization Trust (NCST). By working with the NCST's REO Capital Fund on NSP2 activities such as NYC's not-for-profit acquisition program, HPD will maximize the impacts of the NSP2 and more foreclosed and vacant homes will be acquired and returned to productive use.

	NSP Funds Proposed	Program to Fund	Subsidy/Equity Amount with Letter	Subsidy Sources/Notes
PPR Direct Homebuyer Assistance	\$16,000,000	HIP/SCHAP/NHS	\$ 1,200,000	HIP NHS SCHAP
PPR Not-for-Profit Acq. Assistance	\$ 8,000,000	HIP/SCHAP/NHS		
PPR Not-for-Profit Acq. Assistance		NCST	\$ 16,300,000	Trust Commitment
Mixed Use Housing Assistance	\$ 2,400,000	StoreWorks	\$ 1,801,544	Capital
			\$ 4,944,996	Land Value
			\$ 1,096,438	Equity
Stalled Sites	\$ 8,000,000	NYC HARP	\$ 2,000,000	Capital
Eastern Parkway*	\$ 2,000,000	New Foundations	\$ 1,652,000	Swap- Capital*
			\$ 1,475,000	Land Value
			\$ 1,000,000	Swap – Equity*
Pitkin	\$ 8,000,000		\$ 2,750,000	Capital
TPT MHANY Cluster	\$ 1,750,000	TPT	\$ 325,000	Capital
			\$ 350,000	Land Value
Riverway	\$ 4,900,000	SHLP	\$ 2,000,000	HPD Subsidy
			\$ 12,145,000	Tax Credit Equity
			\$ 1,700,000	Land Value
			\$ 6,300,000	HDC Second
Total Program Activities	\$49,050,000		\$ 52,912,978**	
Total (w/ admin. costs)	\$50,506,000			(Leveraging Score: 1.048)

*HPD will only pursue this project if there are surplus funds after eligible projects for the Stalled Sites program have been identified through an RFP.

**The total here does not include the Eastern Parkway project, explained above. Because that program is contingent upon other NSP2 activities, the swap is not included in the total listed here.

Factor 5: Energy Efficiency Improvement and Sustainable Development

Transit

HPD has selected tracts for the NSP2 program that promote sustainable development through a high level of transit accessibility. The transit accessibility within these tracts provides not only local mobility but also connections to the larger mass transportation system, which is by far the largest system in the United States. The high level of transit accessibility gives residents in these tracts sustainable transportation choices, which can reduce car travel and car ownership rates dramatically.

The New York City mass transportation system provides both a blanket of geographic coverage to the city and significant transit service to key regional employment centers, including Midtown and Downtown Manhattan, Downtown Brooklyn, Jamaica (Queens), and St. George (Staten Island). This wealth of transit options gives residents in selected tracts direct access to one or more of these employment centers. Development can therefore be encouraged in these areas in a highly sustainable, transit oriented manner.

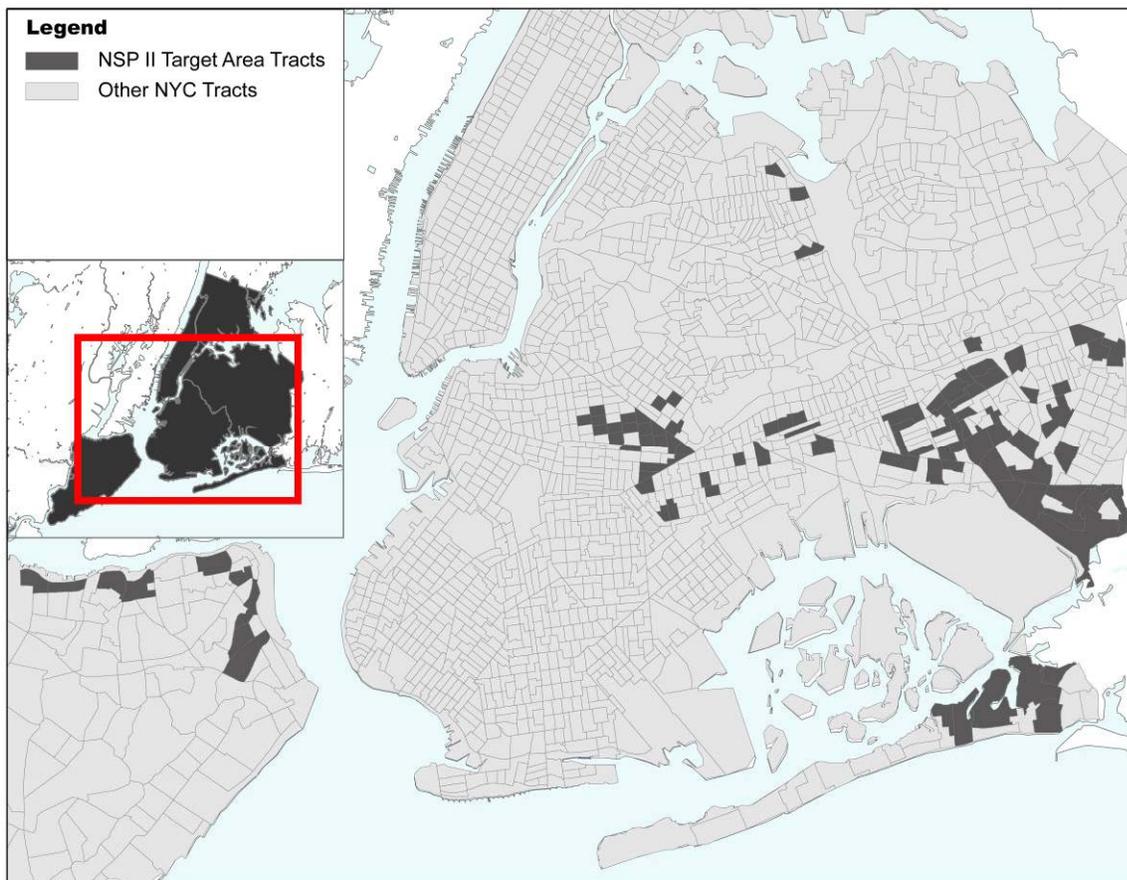


Figure 1 – New York City HPD NSP2 Target Area Tracts

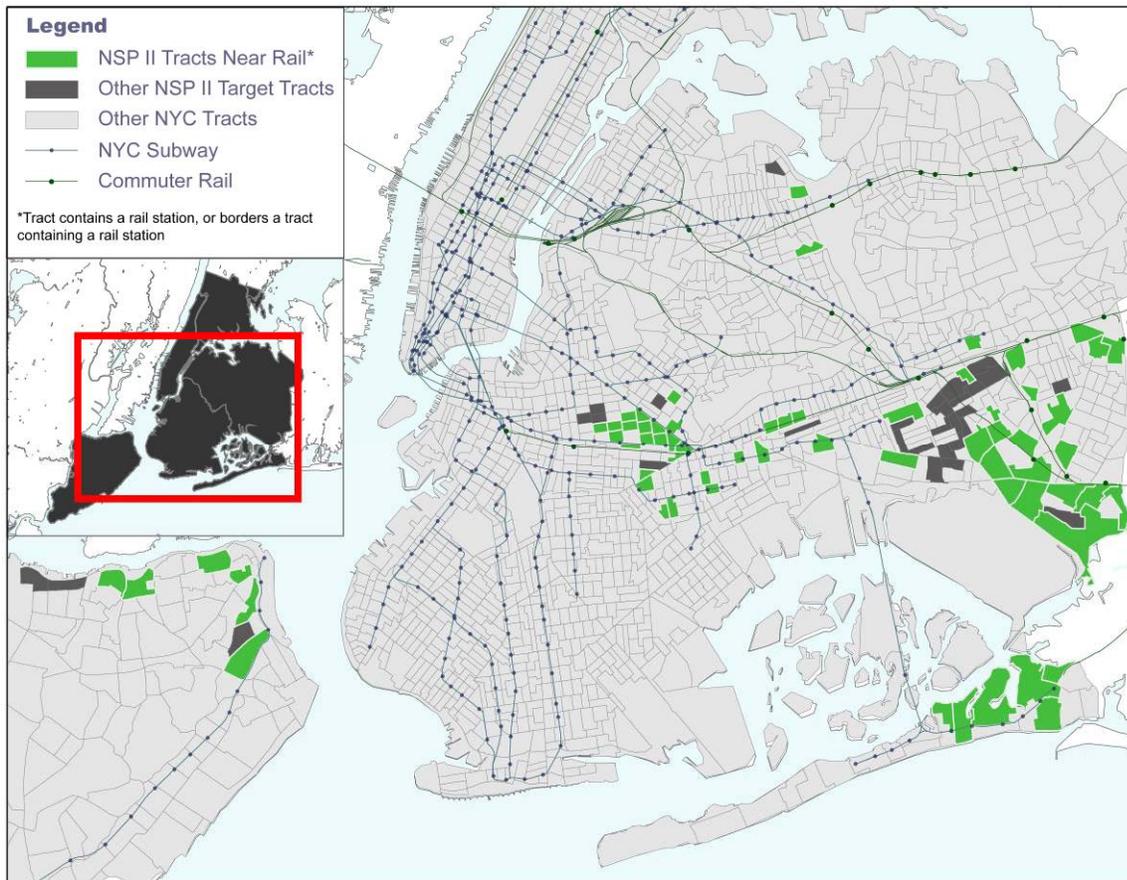


Figure 2 – New York City HPD NSP2 Target Area Tracts near rail service

New York City has an extensive heavy rail subway system – by far the largest in the United States. In addition, the regional commuter rail system has many stations within the city borders, particularly near some of the focus tracts. As a result, most tracts have either a rail station contained within them or border a tract with a rail station. Many of the remaining tracts are within ¼ mile, or a short walk from a rail station, but do not meet the threshold requirement because of the small geographic size of census tracts in New York City.

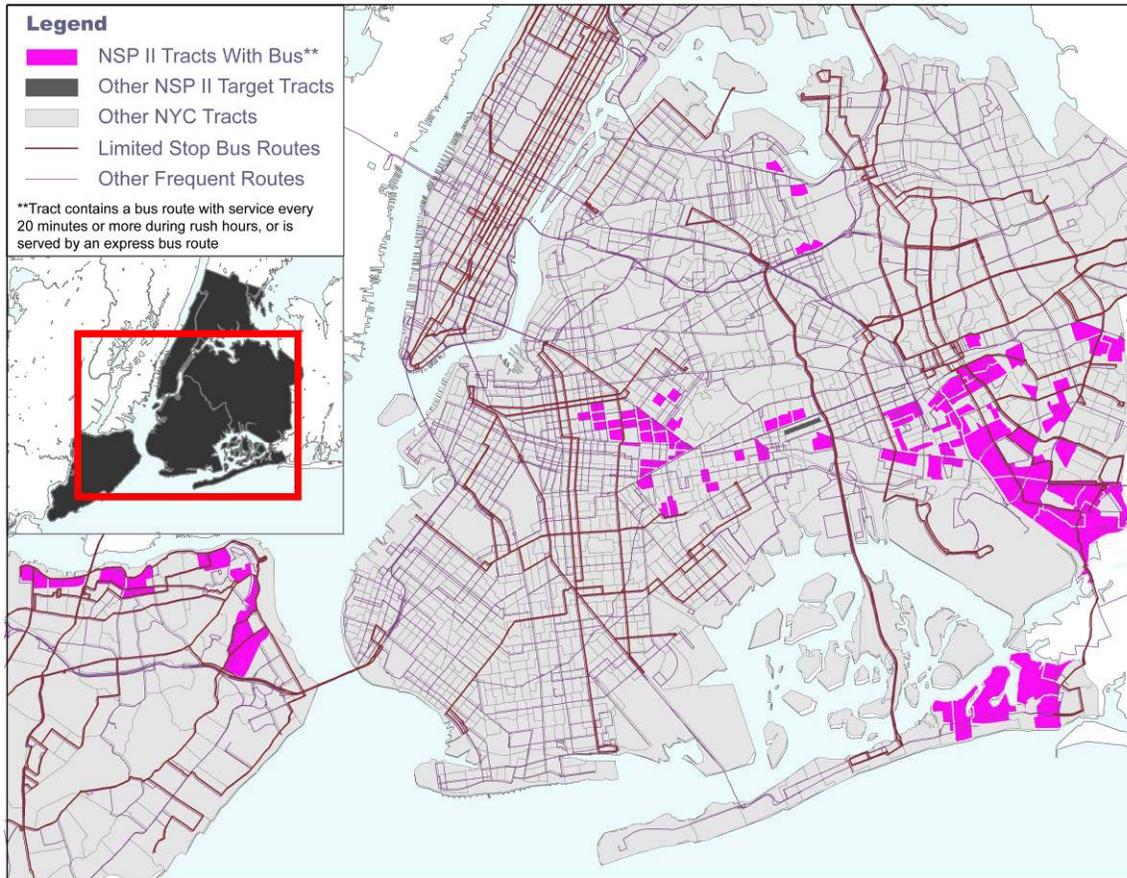


Figure 3 – New York City HPD NSP2 Target Area Tracts with frequent bus service

New York City has by far the largest bus system in the United States with a heavy density of bus routes, virtually all of which run with service every 20 minutes or more during rush hours. The system also includes a large number of express bus routes, which provide direct service to Manhattan from other boroughs via the highway network, as well as Limited Stop buses, which provide a more localized express bus service. As Figure 3 shows, all but one of the target tracts are directly served by one or more convenient bus lines directly within the tract. The one remaining tract has several convenient bus lines just outside of the tract boundaries, and is thus well served by transit.

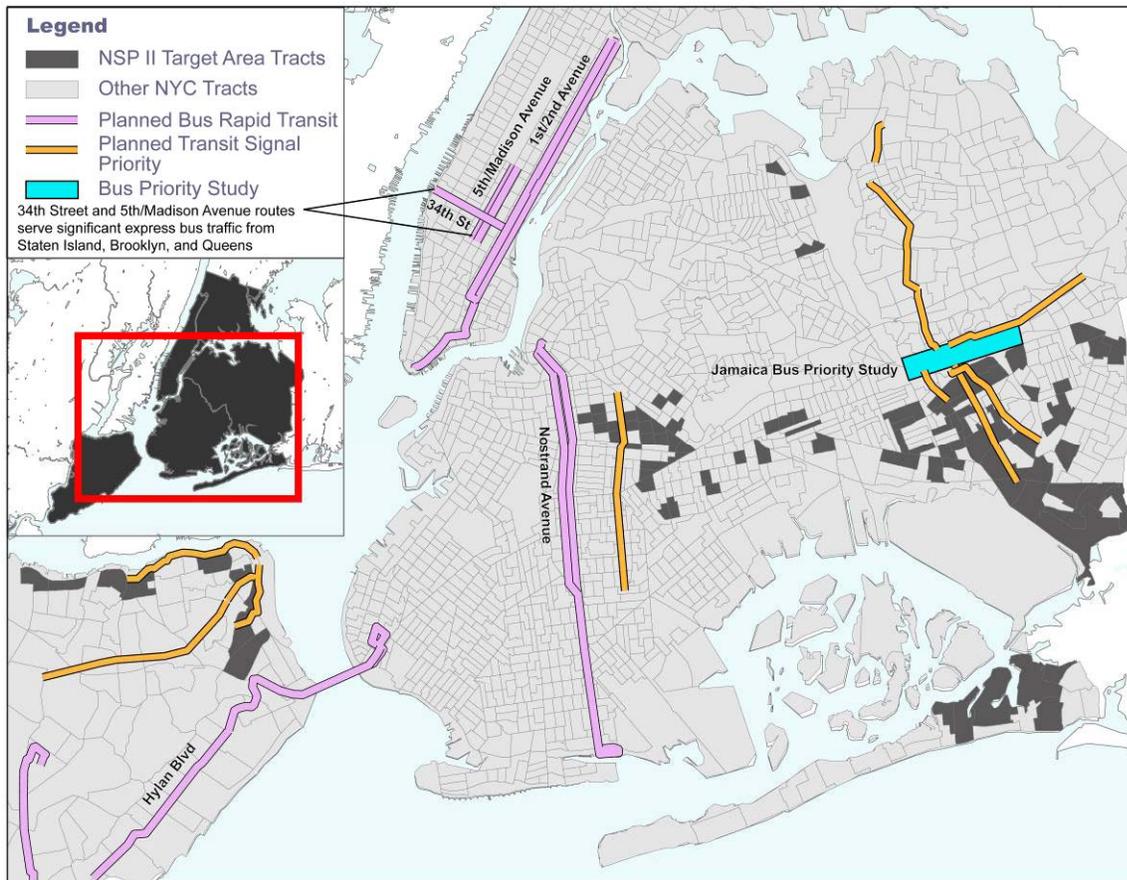


Figure 4 – New York City HPD NSP2 Target Area Tracts with planned bus priority

In an effort to improve the quality of the City's mass transportation system, the Metropolitan Transportation Authority of New York City and the New York City Department of Transportation are developing a citywide plan for Bus Rapid Transit and other bus priority initiatives. The full plan is available on the City's website at http://www.nyc.gov/html/dot/downloads/pdf/intro_to_brt_phase2.pdf. This comprehensive surface transportation improvement plan is meant to complement the large scale construction projects and other initiatives that are part of the New York City Metropolitan Planning Organization's Long Term Plan.

The impact of these Bus Rapid Transit initiatives is that in addition to being well served by the existing New York City mass transit network, many of the target census tracts will also benefit from significantly improved bus service. Several of the relevant bus improvement initiatives are shown in Figure 4. Transit Signal Priority means that buses will communicate with traffic lights along their route, so that a signal can stay green longer or turn green sooner for the bus. TSP has been shown to improve bus speeds by about 10-15% in New York City. Bus Rapid Transit corridors also include TSP, as well as other features such as dedicated bus lanes and pre-boarding fare payment. These features together can improve bus travel times by 20-25%. The Jamaica Bus Priority Study will apply these types of treatments in congested downtown Jamaica, which is expected to improve bus service speed and reliability on many of the already convenient routes that service the target tracts.

Overall, the selected tracts will be able to support sustainable development due to the extensive bus and rail systems that serve them. This transit system provides both sustainable local mobility and car-free connections to major regional employment centers. Furthermore, these tracts are well coordinated with the

City's and MTA New York City Transit's comprehensive plan to improve surface mass transportation, which will only further enhance the sustainable growth potential of these areas.

Green Building Standards

HPD will require the Enterprise Green Communities Criteria as the standard for all new construction and gut rehabilitation. In regard to the specific activities HPD plans to undertake, this standard will apply to the vacant sites program and the stalled sites program for those projects that require further construction affecting two or more building systems and kitchens or bathrooms. Activities under the mixed-use housing assistance program will not require any rehabilitation through NSP2.

Green Communities Criteria can be found at www.greencommunitiesonline.com

The Green Communities Criteria are a roadmap for achieving significant health, economic and environmental benefits for residents through cost-effective green design methods and materials. The Green Communities Criteria remain the first and only national framework for green affordable homes, developed by Enterprise and leading environmental, public health, smart growth, green building and energy experts.

For the programs listed above requiring Green Communities standards, whole-building energy and water efficiency are mandatory requirements. Green Communities projects must achieve energy performance levels appropriate for the building type. Also, Green Communities Criteria requires Energy Star labeled appliances and lighting and for all projects, whether new construction or rehabilitation of existing housing. Water-efficient fixtures and fittings also are required.

Because homes in the PPR program are purchased directly by the homeowner or participating not-for-profit, HPD will not obligate the purchaser to comply with the Green Communities standard; however, HPD is committed to creating green rehabilitation options for homeowners and not-for-profits that purchase such homes. To that end, HPD will promote the Green Communities Rehab Specifications for Single-Family Homes, found at

http://www.greencommunitiesonline.org/tools/resources/green_rehab_specs_gci_2008_criteria_final.pdf to the extent applicable to the rehabilitation work undertaken.

Whether or not homebuyers (including not-for-profits) choose to comply with the full Green Communities standard, HPD will require the following activities, which could be paid for with NSP2 funding, for every PPR home:

- A BPI-certified energy audit on each home purchased through NSP2,
- A scope of rehab that incorporates the cost-effective energy retrofit items recommended by the audit and "smart packaging" of building systems. "Smart packaging," to be developed in partnership with Enterprise, will provide guidance on a scope of work for each building system to be retrofitted or replaced that yields maximum efficiency gains and optimal building performance by simultaneous replacement of related parts that accompany each building system. For example, when a hot water heater is replaced, HPD will require the homeowner to purchase an Energy Star model and install low-flow faucet fixtures so that efficiency is gained at the use-point and the production point.
- Mandatory homeowner training that provides the tools and information necessary to integrate Green Communities into the rehabilitation specs and construction methods of any home rehabilitation.
- HPD will partner with Enterprise to create and deliver training for our loan originators on integrating the cost-effective energy audit recommendations into rehab scopes financed through PPR.

Homeowners will also be encouraged to participate in the New York State Energy Research and Development Authority's (NYSERDA) Energy \$mart Homes Program. NYSERDA's programs provide financial incentives, technical support and construction monitoring to ensure an energy retrofit is undertaken properly and achieves at least a 20% gain in energy efficiency.

Reuse of cleared sites

HPD does not anticipate any projects requiring the demolition of an entire site.

Deconstruction

HPD does not anticipate any projects requiring the demolition of an entire site.

Other Practices

To ensure HPD's green building requirements are achievable and do not place an undue financial burden on homebuyers, HPD has partnered with Green Depot, a woman-owned, Brooklyn-based green building supplier and retail outlet, to provide discounted green building materials, energy retrofit items and healthy maintenance supplies to all homebuyers receiving assistance through HPD's NSP2 program. A letter of support from Sarah Beatty, Founder and President of Green Depot, is attached.

Additionally, HPD is actively seeking financial support to develop a training program that will equip homeowners, rehab specialists and contractors with the knowledge and tools necessary to implement a "green" rehab. We intend to partner with Enterprise on development of content for this training to ensure it addresses each criterion in the Green Communities program.

Factor 6: Neighborhood Transformation and Economic Opportunity

New York is a city made up of vibrant and diverse neighborhoods and communities. Across the entirety of its built environment, New York is committed to ensuring that the planning activities and the needs of the city are addressed in a comprehensive manner. Many governmental, not-for-profit, advocacy, and trade groups in New York are currently pursuing a variety of planning and development initiatives with different focuses and different target geographies. New York City is fortunate to have a series of broad initiatives that are planning for the future of the city as a whole. This application complements, and adheres to, the planning documents governing New York City's development. Adding these funds to the work now underway by a wide variety of mayoral agencies and other groups will result in stronger, well-balanced communities where transit, economic, and housing needs are addressed simultaneously and holistically.

PlaNYC

In 2007, the Mayor announced PlaNYC, a comprehensive, sustainable development plan for New York City. The plan focuses on five major dimensions of the city's environment: land, air, water, energy, and transportation. HPD's NSP2 activities will complement several aspects of the plan:

- Land: the Mayor announced a plan to create homes for almost one million additional New Yorkers, given the expected increase in population. The housing units restored to productive use through HPD's NSP2 program will make a significant contribution to this goal.
- Energy: NYC's commitment to green standards will contribute to PlaNYC's goal of reducing city energy usage. By collaborating with Enterprise Community Partners to make the Green Communities sustainability standard a requirement of many NSP2 activities, HPD will help the City achieve its ambitious energy and environmental goals.

See: <http://www.nyc.gov/html/planyc2030/html/home/home.shtml>

Transit-Oriented Development

New York City has an extensive heavy rail subway system – by far the largest in the United States. In addition, the regional commuter rail system has many stations within the city borders, particularly near some of the target tracts. As a result, the majority of tracts have either a rail station contained within them, or border a tract with a rail station. Many of the remaining tracts are within ¼ mile, or a short walk from a rail station.

New York City has by far the largest bus system in the United States, with a heavy density of bus routes, virtually all of which run with service every 20 minutes or more during rush hours. The system also includes a large number of express bus routes, which provide direct service to Manhattan from other boroughs via the highway network, as well as Limited Stop buses, which provide a more localized express bus service. All but one of the target tracts are directly served by one or more convenient bus lines directly within the tract. The one remaining tract has several convenient bus lines just outside of the tract boundaries, and is thus well served by transit.

Overall, the selected tracts will be able to support sustainable development due to the extensive bus and rail systems that serve them. This transit system both provides sustainable local mobility and car-free connections to major regional employment centers. Furthermore, these tracts are well coordinated with the City's and MTA New York City Transit's comprehensive plan to improve surface mass transportation, which will only further enhance the sustainable growth potential of these areas.

See <https://www.nysdot.gov>

The Five Borough Economic Opportunity Plan

The Five Borough Economic Opportunity Plan is a comprehensive strategy to bring New York City through the current economic downturn as fast as possible. It focuses on three major areas: creating jobs for New Yorkers today, implementing a long-term vision for growing the city's economy, and building affordable, attractive neighborhoods in every borough. Taken together, the initiatives will generate thousands of jobs and put New York City on a path to economic recovery and growth.

HPD's NSP2 plan will complement the Five Borough Plan through actions that foster affordable, attractive neighborhoods including:

- Providing Individualized Assistance to At-Risk Homeowners: Provide grants to fund legal assistance, mortgage counseling and education services for New Yorkers at risk of foreclosure through the Center for New York City Neighborhoods;
- Implementing New Housing Marketplace Plan: Preserve and create 165,000 affordable housing units for 500,000 New Yorkers as part of the Mayor's \$7.5 billion New Housing Marketplace plan;
- Expanding Inclusionary Zoning: Expand innovative Inclusionary Housing Program, which provides more development rights to projects that contain affordable housing, to include a permanently affordable homeownership option for New Yorkers;
- Creating Affordable Housing: Create 4,100 units of housing for more than 10,000 New Yorkers, along with commercial space;
- Reforming Incentive and Financing Policy to: Implement the Affordable Housing Trust Fund.

See: <http://www.nyc.gov/html/econplan/html/home/home.shtml>

Financial Empowerment

The Department of Consumer Affairs' **Office of Financial Empowerment (OFE)** is the first local government initiative in the nation aimed expressly at educating, empowering, and protecting those with low incomes so they can build assets and make the most of their financial resources. OFE is the first program to be implemented under the Center for Economic Opportunity as part of the Mayor's efforts to fight poverty in New York City. OFE conducts media campaigns to alert New York residents of programs and activities that can help them save money and create wealth. OFE increases awareness of the Earned Income Tax Credit, publishes lists of available financial education classes, and partners with the City's many financial institutions to pilot safe and affordable products and services, including structured banking programs, such as the Opportunity NYC Basic Account and \$aveNYC Club Account.

HPD is coordinating with the OFE to make sure homebuyers through the PPR program are aware of financial education programs available throughout the city. The down payment assistance available through HPD's proposed PPR will help homebuyers create equity. To protect HPD's and HUD's investments in homes purchased with NSP2 funds, financial education classes will be a requirement for homebuyers.

One of the key OFE locations is in Jamaica, only blocks away from the housing counseling center where homeowners attend homeownership counseling. Efforts are being made to coordinate the financial education provided to homeowners and potential homebuyers to include larger debt and financial education that can protect the community, especially low income residents.

See: <http://www.nyc.gov/html/ofe/html/home/home.shtml>

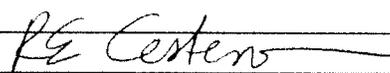
DISCLOSURE OF LOBBYING ACTIVITIES

Complete this form to disclose lobbying activities pursuant to 31 U.S.C. 1352

Approved by OMB

0348-0046

(See reverse for public burden disclosure.)

1. Type of Federal Action: a. contract b. grant c. cooperative agreement d. loan e. loan guarantee f. loan insurance	2. Status of Federal Action: a. bid/offer/application b. initial award c. post-award	3. Report Type: a. initial filing b. material change For Material Change Only: year _____ quarter _____ date of last report _____
4. Name and Address of Reporting Entity: <input checked="" type="checkbox"/> Prime <input type="checkbox"/> Subawardee Tier _____, if known: City of New York Dept. of Housing Preservation and Development 100 Gold Street, Room 5-O New York, New York 10038-1605 Congressional District, if known: 5-17, inclusive	5. If Reporting Entity in No. 4 is a Subawardee, Enter Name and Address of Prime: not applicable Congressional District, if known:	
6. Federal Department/Agency: U.S. Dept. of Housing and Urban Development	7. Federal Program Name/Description: Neighborhood Stabilization Program 2 CFDA Number, if applicable: 14.256	
8. Federal Action Number, if known: FR-5321-C-01	9. Award Amount, if known: \$ 50,506,000	
10. a. Name and Address of Lobbying Registrant (if individual, last name, first name, MI): Not applicable: The City of New York does not use registered lobbyists. The New York City Washington Office, an arm of the Mayor's Office, represents the city's interests in Washington D.C.	b. Individuals Performing Services (including address if different from No. 10a) (last name, first name, MI): not applicable	
11. Information requested through this form is authorized by title 31 U.S.C. section 1352. This disclosure of lobbying activities is a material representation of fact upon which reliance was placed by the tier above when this transaction was made or entered into. This disclosure is required pursuant to 31 U.S.C. 1352. This information will be available for public inspection. Any person who fails to file the required disclosure shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.	Signature: <u></u> Print Name: <u>Rafael Cestero</u> Title: <u>Commissioner</u> Telephone No.: <u>(212) 863-6100</u> Date: <u>Jul 15, 2009</u>	
Federal Use Only:		Authorized for Local Reproduction Standard Form LLL (Rev. 7-97)

Applicant/Recipient Disclosure/Update Report

U.S. Department of Housing and Urban Development

OMB Approval No. 2510-0011 (exp. 8/31/2009)

Instructions. (See Public Reporting Statement and Privacy Act Statement and detailed instructions on page 2.)

Applicant/Recipient Information

Indicate whether this is an Initial Report or an Update Report

1. Applicant/Recipient Name, Address, and Phone (include area code): City of New York Dept. of Housing Preservation and Development 100 Gold Street, Room 5-O, New York, New York 10038-1605 (212) 863-6100		2. Social Security Number or Employer ID Number: 136-40-0434
3. HUD Program Name Neighborhood Stabilization Program 2		4. Amount of HUD Assistance Requested/Received \$50,506,000.00
5. State the name and location (street address, City and State) of the project or activity: City of New York, City-wide in eligible census tracts		

Part I Threshold Determinations

1. Are you applying for assistance for a specific project or activity? These terms do not include formula grants, such as public housing operating subsidy or CDBG block grants. (For further information see 24 CFR Sec. 4.3). <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	2. Have you received or do you expect to receive assistance within the jurisdiction of the Department (HUD), involving the project or activity in this application, in excess of \$200,000 during this fiscal year (Oct. 1 - Sep. 30)? For further information, see 24 CFR Sec. 4.9 <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
--	--

If you answered "No" to either question 1 or 2, **Stop!** You do not need to complete the remainder of this form. **However,** you must sign the certification at the end of the report.

Part II Other Government Assistance Provided or Requested / Expected Sources and Use of Funds.

Such assistance includes, but is not limited to, any grant, loan, subsidy, guarantee, insurance, payment, credit, or tax benefit.

Department/State/Local Agency Name and Address	Type of Assistance	Amount Requested/Provided	Expected Uses of the Funds
not applicable			

(Note: Use Additional pages if necessary.)

Part III Interested Parties.

You must disclose:
1. All developers, contractors, or consultants involved in the application for the assistance or in the planning, development, or implementation of the project or activity and
2. any other person who has a financial interest in the project or activity for which the assistance is sought that exceeds \$50,000 or 10 percent of the assistance (whichever is lower).

Alphabetical list of all persons with a reportable financial interest in the project or activity (For individuals, give the last name first)	Social Security No. or Employee ID No.	Type of Participation in Project/Activity	Financial Interest in Project/Activity (\$ and %)
see attached			

(Note: Use Additional pages if necessary.)

Certification

Warning: If you knowingly make a false statement on this form, you may be subject to civil or criminal penalties under Section 1001 of Title 18 of the United States Code. In addition, any person who knowingly and materially violates any required disclosures of information, including intentional non-disclosure, is subject to civil money penalty not to exceed \$10,000 for each violation. I certify that this information is true and complete.

Signature: x 	Date: (mm/dd/yyyy) 07/15/2009
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Attachment to Form HUD-2880
Part III Interested Parties.

NSP II Proposal Total Budget	
Sources	
NSP II Funds	\$ 50,506,000
City Funds Committed	\$ 15,371,540
Private Funds Committed	\$ 35,841,438
total	\$ 101,718,978
NSP Fund Uses	
Activities under A,B and E	\$ 49,050,000
Administrative fees	\$ 1,456,000
total	\$ 50,506,000

Interested parties	EIN/SSN	Type of Participation in Project	Financial Interest in Project
Latent development	11-349-8036	owner	100%
MHANY	32-00-7137	owner	100%
SK Senior Housing LLC	20-478-6885	owner	tbd
Calvary Church of God, Inc.	11-286-0888	manager/member	tbd
Sydelle Knepper	119-42-2398	member	tbd
Kenneth M. Olson	072-48-0436	Manager/Member	30.00%
Richard K. Olson	053-46-6720	Member	20.00%
Richard Cohen	075-56-6377	Manager/Member	23.07%
Mikhail Meshchaninov	071-66-5493	Member	5.77%
Ilya Meshchaninov	071-66-4921	Member	5.77%
Forbes Development Corp.*	16-158-3123	Member	11.54%
Sam Catton	071-54-0378	Member	3.87%

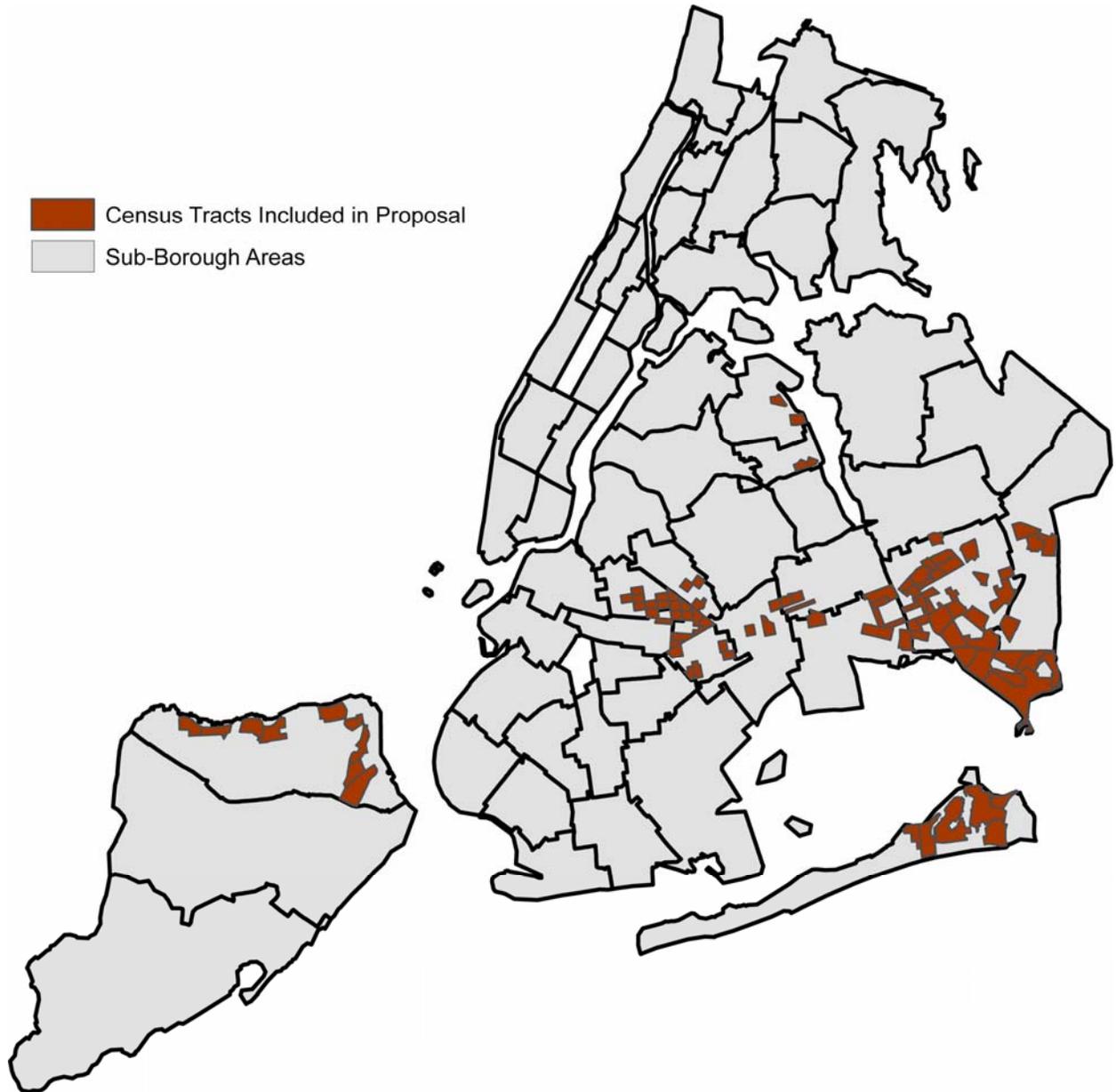
Appendix 1. Target Geography.

Census Tract	Borough	Neighborhood	Foreclosure Risk Score	Vcancy Risk Score
3026500	Brooklyn	Bedford Stuyvesant	19	16
3027500	Brooklyn	Bedford Stuyvesant	18	15
3027700	Brooklyn	Bedford Stuyvesant	20	16
3027900	Brooklyn	Bedford Stuyvesant	19	15
3029500	Brooklyn	Bedford Stuyvesant	16	16
3037500	Brooklyn	Bedford Stuyvesant	19	17
3037700	Brooklyn	Bedford Stuyvesant	19	17
3037900	Brooklyn	Bedford Stuyvesant	19	14
3038300	Brooklyn	Bedford Stuyvesant	18	18
3038500	Brooklyn	Bedford Stuyvesant	20	16
3036100	Brooklyn	Brownsville/Ocean Hill	17	12
3036300	Brooklyn	Brownsville/Ocean Hill	18	12
3036502	Brooklyn	Brownsville/Ocean Hill	19	15
3036700	Brooklyn	Brownsville/Ocean Hill	20	20
3036900	Brooklyn	Brownsville/Ocean Hill	20	17
3037100	Brooklyn	Brownsville/Ocean Hill	19	15
3037300	Brooklyn	Brownsville/Ocean Hill	20	14
3089600	Brooklyn	Brownsville/Ocean Hill	19	9
3090000	Brooklyn	Brownsville/Ocean Hill	19	11
3112600	Brooklyn	Brownsville/Ocean Hill	19	12
3115600	Brooklyn	Brownsville/Ocean Hill	19	7
3091600	Brooklyn	Brownsville/Ocean Hill	19	13
3040300	Brooklyn	Bushwick	20	16
3041500	Brooklyn	Bushwick	19	15
3043700	Brooklyn	Bushwick	19	11
3116600	Brooklyn	East New York/Starrett City	19	14
3118400	Brooklyn	East New York/Starrett City	17	17
3119600	Brooklyn	East New York/Starrett City	19	10
3029900	Brooklyn	North Crown Heights/Prospect	19	16
3029700	Brooklyn	North Crown Heights/Prospect	18	18
4030400	Queens	Bellerose/Rosedale	17	14
4032000	Queens	Bellerose/Rosedale	19	14
4035800	Queens	Bellerose/Rosedale	20	11
4054000	Queens	Bellerose/Rosedale	18	14
4057800	Queens	Bellerose/Rosedale	20	12
4058000	Queens	Bellerose/Rosedale	17	17
4065600	Queens	Bellerose/Rosedale	19	14
4066400	Queens	Bellerose/Rosedale	19	19

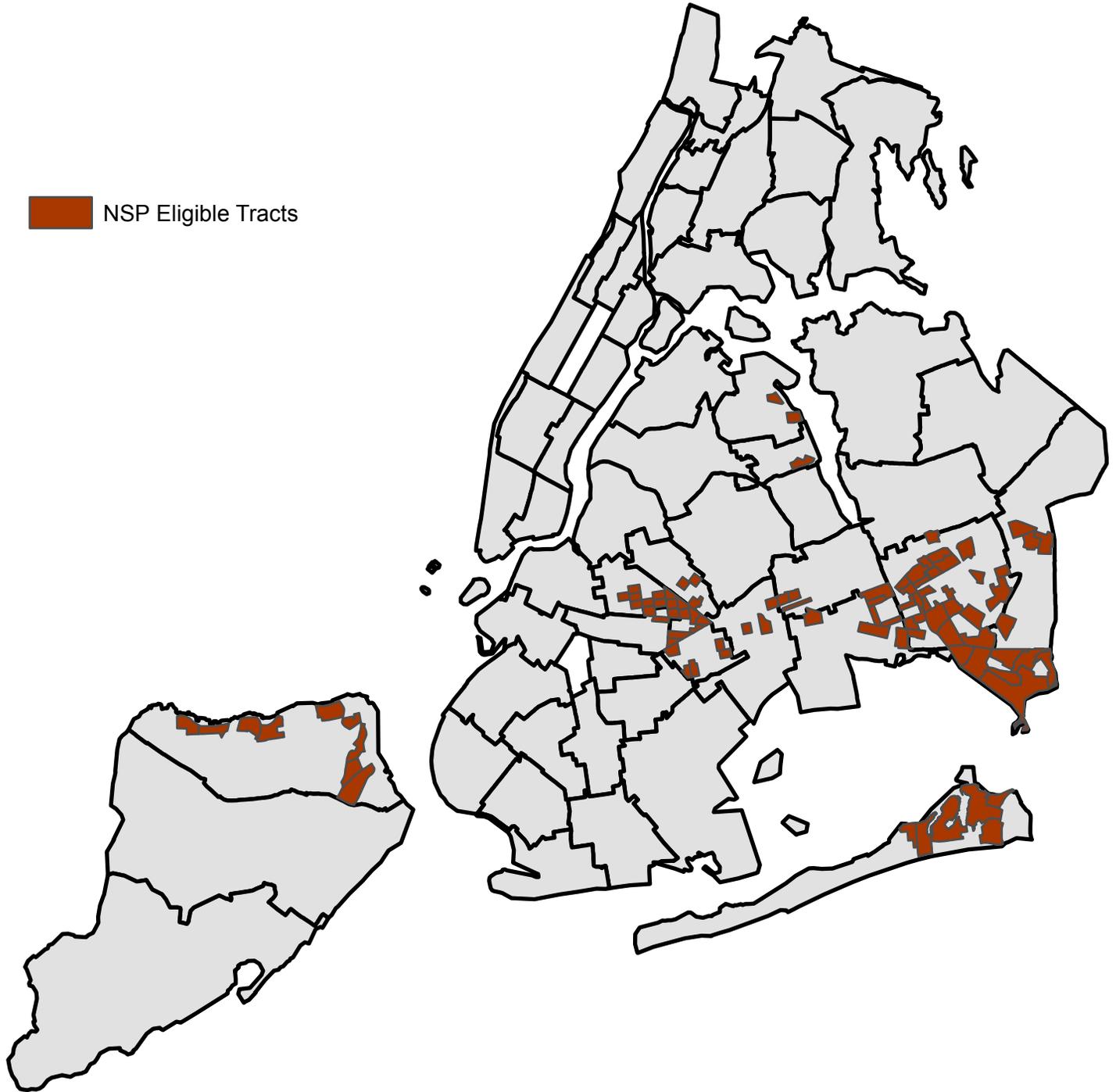
Census Tract	Borough	Neighborhood	Foreclosure Risk Score	Vcancy Risk Score
4068000	Queens	Bellerose/Rosedale	18	12
4069400	Queens	Bellerose/Rosedale	19	14
4065400	Queens	Bellerose/Rosedale	18	13
4043700	Queens	Elmhurst/Corona	10	10
4005400	Queens	Howard Beach/S. Ozone Park	13	13
4015800	Queens	Howard Beach/S. Ozone Park	17	17
4016400	Queens	Howard Beach/S. Ozone Park	16	16
4016800	Queens	Howard Beach/S. Ozone Park	20	20
4017800	Queens	Howard Beach/S. Ozone Park	18	10
4084000	Queens	Howard Beach/S. Ozone Park	16	16
4081400	Queens	Howard Beach/S. Ozone Park	18	14
4036700	Queens	Jackson Heights	19	19
4038100	Queens	Jackson Heights	14	14
4018200	Queens	Jamaica	20	13
4018402	Queens	Jamaica	20	12
4019000	Queens	Jamaica	19	13
4019200	Queens	Jamaica	19	15
4019600	Queens	Jamaica	19	19
4019800	Queens	Jamaica	20	20
4024800	Queens	Jamaica	19	16
4025200	Queens	Jamaica	19	14
4025800	Queens	Jamaica	20	15
4026000	Queens	Jamaica	19	10
4027000	Queens	Jamaica	19	12
4027200	Queens	Jamaica	19	14
4028000	Queens	Jamaica	19	12
4028400	Queens	Jamaica	18	14
4028800	Queens	Jamaica	19	16
4029200	Queens	Jamaica	20	12
4033000	Queens	Jamaica	19	13
4033401	Queens	Jamaica	19	12
4037600	Queens	Jamaica	19	19
4039800	Queens	Jamaica	18	18
4040400	Queens	Jamaica	19	19
4041400	Queens	Jamaica	20	13
4044000	Queens	Jamaica	19	19
4046200	Queens	Jamaica	13	10
4053000	Queens	Jamaica	19	11
4079000	Queens	Jamaica	19	19
4000600	Queens	Kew Gardens/Woodhaven	15	15

Census Tract	Borough	Neighborhood	Foreclosure Risk Score	Vcancy Risk Score
4000800	Queens	Kew Gardens/Woodhaven	14	14
4003600	Queens	Kew Gardens/Woodhaven	17	17
4096200	Queens	Rockaways	19	18
4096400	Queens	Rockaways	19	15
4099800	Queens	Rockaways	19	9
4100800	Queens	Rockaways	19	7
4103201	Queens	Rockaways	19	9
4097201	Queens	Rockaways	19	6
5001100	Staten Island	North Shore	16	12
5002100	Staten Island	North Shore	14	12
5002900	Staten Island	North Shore	16	13
5004000	Staten Island	North Shore	17	9
5008100	Staten Island	North Shore	16	14
5013302	Staten Island	North Shore	15	14
5020700	Staten Island	North Shore	15	15
5022300	Staten Island	North Shore	13	10
5031902	Staten Island	North Shore	15	12

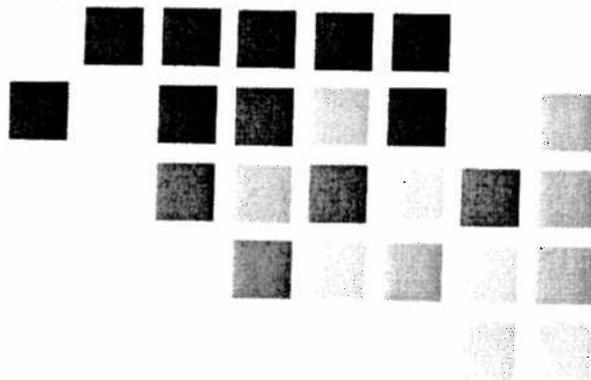
Map of Target Census Tracts



■ NSP Eligible Tracts



Code of Conduct



City of New York
Department of Housing Preservation
and Development
May 2006

Code of Conduct

A Comprehensive Guide for Employees of HPD

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Code of Conduct

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I. Introduction

This **Code of Conduct** has been established to inform employees of the City of New York Department of Housing Preservation and Development (HPD) of the standards of conduct and performance required of them. Any action, conduct, or activity that would undermine or compromise the effectiveness of an employee in the performance of his/her duties is prohibited and may result in the initiation of disciplinary action. Employees are required to adhere to all relevant provisions of the Mayoral Executive Order No. 16 [Appendix 1], as well as the New York City Charter. All violations of City, State, and Federal laws and of any rules, regulations, procedures and orders of the City, the Department and its divisions, may be considered infractions of the **Code of Conduct**.

Each employee is responsible for knowing the provisions. Keep this copy of the **Code of Conduct** at your workplace and refer to it as needed. When the Department issues additions or revisions, it is your responsibility to add them to your copy.

For more information on the **Code of Conduct**, contact HPD's Disciplinary Unit, Room 1-W, 100 Gold Street, New York, New York 10038; they may be reached by phone at 212-863-6930. Should other related questions arise, you may contact the Office of the Inspector General of the New York City Department of Investigation at 80 Maiden Lane, 16th floor, New York, New York 10038; the phone number is 212-825-5900.

II. General Policy

A. Relationships with Staff

Employees will be courteous and considerate in their contact with fellow employees at all times.

B. Confidentiality

It is the responsibility of the employee to safeguard and respect the confidential nature of information pertaining to HPD's employees, property, and affairs. Confidential information will not be disseminated or disclosed to persons not authorized to receive that information.

C. Conflicts of Interest

In order to preserve public confidence in government's integrity, and because of the sensitive nature of the City's business and HPD's business, there are certain limitations on our activities that are mandated by the City and by the Commissioner of HPD. These restrictions ensure that HPD employees adhere to a higher standard of conduct. The City Charter and the Commissioner's Order [Appendix 2] regarding Conflicts of Interest describe these restrictions.

D. Maintaining a Courteous Environment: Contact with the Public

You represent HPD and the City of New York. It is expected that in all contacts with the public, you will act responsibly and courteously. All employees will identify themselves by name and title in telephone conversations.

E. Relatives in the Workplace

Relatives should not be working in the same unit or in units that share responsibility for the same work product if one is a supervisor, reviewer, auditor, etc. of the work of the other relative.

F. Reporting Misconduct by Others

City employees are required by Mayoral Executive Order No. 16 [Appendix 1] to report to the Department of Investigation in a timely fashion any conduct by other City employees, related to the performance of their City duties, or by those who deal with the City, that may involve corrupt or criminal activity, conflicts of interest, and gross mismanagement or abuse of power. In addition, you must cooperate with the Department of Investigation and HPD's Disciplinary Unit during their investigations of misconduct, or face serious penalties for failing to adhere to these requirements.

G. Appropriate Attire

To promote efficiency and effectiveness of government operations and to prevent disruption, employees are required to be appropriately dressed and properly groomed during the workday. Appropriate attire is clothing that enables employees to project a business-like and professional appearance. For more detailed information, please review the policy memorandum regarding appropriate attire [Appendix 4].

H. Equal Employment Opportunity

HPD is strongly committed to having a workforce that respects and appreciates the diversity and talent of our City's population. Discrimination in any of our workplaces is unacceptable and will not be tolerated. The City of New York is an equal opportunity employer. Employees are prohibited from discriminating against other City employees based on actual or perceived race, color, national origin, alienage or citizenship status, religion or creed, gender (including "gender identity"), disability, age (18 and over), military status, prior record of arrest or conviction, marital status, partnership status, genetic predisposition or carrier status, sexual orientation, or status as a victim of domestic violence, a sex offense or stalking. In addition, the City's policy protects from retaliation an employee who makes an EEO complaint or participates in an EEO investigation. Additional information on EEO regulations, including the Commissioner's statement [Appendix 5] may be found on the HPD Intranet.

III. Standards of Conduct

1. Employees are expected to conduct themselves in a manner that will reflect favorably upon them, upon the Department, and upon the City. They are not to conduct themselves in a manner prejudicial to good order and discipline (see Section V for Definitions).
2. Employees will be appropriately attired and groomed during working hours.
3. An employee will act in a professional, courteous, and considerate manner and will not use profane, obscene, or abusive language or gestures.
4. Official identification provided by HPD should be carried during working hours, and exhibited by the employee upon request in the field or when otherwise appropriate. During working hours, an employee is required to give his/her name and title when requested.
5. An employee will keep the Department informed of their current residence and will notify their Supervisor and the Human Resources Officer, in writing, of any change of residence within one (1) week of such change.
6. An employee will not be absent from or leave assigned work locations without appropriate authorization.
7. An employee will comply with all Departmental time and leave regulations. No employee may be excessively absent.

8. Employees are expected to carry out all work assignments given them by their supervisor in an accurate, competent and efficient manner. Employees who are unable to carry out an assignment should notify their supervisor promptly, giving specific reasons for their inability to do so. If a disagreement arises concerning an assignment, the employee must still obey the directive of his or her supervisor, but may then file a grievance through proper channels. The assignment must be performed until such time as the grievance is resolved.
9. Employees must comply with orders and directives issued by the Department, the Disciplinary Unit, and/or by the Office of the Inspector General.
10. An employee will not engage in illegal, immoral, unethical or disruptive conduct that interferes with any activities of the Department or City.
11. If an employee is arrested, indicted for, and/or convicted of a crime, the employee must give written notification to the New York City Department of Investigation, Office of the Inspector General, and HPD's Disciplinary Unit within three (3) business days.
12. An employee at work, or at a hearing, meeting, or proceeding, or at any event where s/he represents HPD, will not lie or make a false statement about HPD or about the employee's own position, job, duties, or responsibilities at HPD.
13. An employee will not steal, or cause to be stolen, the property of the City, HPD, or the property of another person.

14. An employee will not ask for, accept, or agree to accept bribes, gifts, tips, payments, or any other compensation or benefits in exchange for which the employee's duties, actions, or decisions will be influenced. [See also Commissioner's Order on Conflicts of Interest, Appendix 2].
15. An employee will not act in a manner related to the employee's job, duties, or responsibilities that is an unauthorized and abusive exercise of the employee's official functions.
16. An employee will not knowingly make any false entry upon or alter any record of the City or HPD; nor will any employee submit, or cause to be submitted any false documents. This includes but is not limited to records of work hours, field activities, and expenses.
17. An employee will not engage in any activity that constitutes a conflict of interest as defined in Chapter 68 of the New York City Charter and/or Commissioner's Order on Conflicts of Interest [Appendix 2; see also www.nyc.gov/coib].
18. An employee who seeks paid employment outside the agency must notify, in writing, and obtain the required approvals from HPD's Human Resources Department, Office of Administration, prior to accepting outside employment.
19. An employee will not engage in any non-Departmental activity during working hours. An employee will not use any Departmental premises or equipment to conduct non-Department matters.

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20. An employee will not engage in any private business venture on City premises, on City time, or with the use of City equipment, including, but not limited to, computers, telephones, automobiles, etc.
21. An employee will maintain all City and/or Department premises, vehicles, and/or equipment in a clean, safe and sanitary condition.
22. Identification Cards and/or badges are issued solely for the purpose of official Department business and remain the property of the Department. An employee must surrender his/her ID and/or Badge when so requested by an officer of the Department with the authority to make such a request. Upon separation, termination or resignation of employment, they must be surrendered.
- Identification Cards and/or Badges must be carried by employees while on official business and should be safeguarded against loss or theft at all times. Loss or theft of these items must be reported in writing to the employee's supervisor immediately upon discovery of such loss or theft. Identification Cards and/or Badges may not be lent to any other person.
23. An employee who is required to have a license to be qualified for employment or for the performance of duties must make sure that the license remains valid throughout his or her employment. The employee bears the sole responsibility for ensuring that a license is renewed in a timely fashion, and for ensuring that the license does not lapse and is not revoked. An employee who is required to have a driver's license for his/her position must carry the license on his/her person during working hours. Should the employee's license expire or be revoked, such lapse or revocation must be reported immediately, in writing, to the employee's supervisor and to the Critical Driving Program Coordinator.

24. An employee will not permit an unauthorized person to remain on Department premises or property. Visitors to HPD sites are required to sign in and present photo I.D. Visitors are not permitted to wander unaccompanied through HPD facilities and passes are only for a specific floor. Should you see an unauthorized person on HPD premises, you should ask that they leave. If the unauthorized party refuses to leave, the employee should inform the immediate supervisor of the situation, or if unavailable, contact security for assistance.
25. An employee will not use a Department address for the receipt of personal mail.
26. An employee will keep any medical appointment scheduled by the Department for the purpose of determining the employee's physical and/or mental qualifications to perform assigned duties.
27. An employee is responsible for the good care, maintenance, and serviceable condition of motor vehicles issued for his or her use. In the course of duty, the last person to receive and use a motor vehicle will bear responsibility for its condition.

While using Departmental and/or City vehicles, employees will:

- a. Obey all traffic laws, ordinances, rules and regulations,
- b. Obtain required authorization before operating or riding in the vehicle,
- c. Obtain required authorization before permitting someone else to ride or operate the vehicle,
- d. Have the appropriate license on his/her person while operating the vehicle,
- e. Promptly report damage to or defects in a motor vehicle,

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- f. Prevent damage from being caused to the vehicle,
 - g. Ensure that the vehicle's code number is shown as required,
 - h. Operate the motor vehicle in a careful manner, and
 - i. Report any accidents within 24 hours to HPD General Services and complete necessary accident forms.
28. During working hours employees will not use, be under the influence of, or possess a controlled substance, except for one prescribed by a practitioner as defined in Public Health Law Section 3306, and such controlled substance must be in a pharmaceutical container.
29. During working hours and/or in Department premises and/or vehicles, employees will not consume or possess alcoholic beverages except at an official Department function where alcoholic beverages are served. No employee will be intoxicated during working hours or in Department premises or vehicles.
30. If reasonable grounds exist for believing that an employee is using or is under the influence of any intoxicant or drug, the employee will be directed to undergo medical testing at a medical facility selected by the Department. Refusal to comply with such a directive may result in disciplinary action [see Rule No. 26].
31. An employee will not smoke in areas designated as non-smoking areas [see HPD's Smoking Policy, Appendix 6].
32. All laws of the State and City and all rules, regulations, procedures and orders of the City, the Department, and its divisions, offices, units, and programs, are hereby incorporated within, and made a part of the **Code of Conduct**.

IV. Additional Responsibilities for Supervisors

1. Supervisory personnel are responsible for ensuring that subordinates under their jurisdiction comply with the **Code of Conduct**, agency policy and procedures, and other applicable rules and laws.
2. Supervisors are responsible for the proper instruction, discipline, safety, efficiency, and performance of official duties of all subordinates under their jurisdiction.
3. When informed by an employee of a lost badge or identification card, supervisors are responsible for reporting the loss in writing to the Personnel Officer and the Disciplinary Unit.
4. When informed by an employee of the lapse or revocation of a required license or certification, supervisors are responsible for reporting the lapse in writing to the Personnel Officer and the Disciplinary Unit.
5. Supervisors are responsible for ensuring that subordinates using a City vehicle or using privately owned vehicles on HPD business possess a valid driver's license. Licenses of all subordinates using City and privately owned vehicles to conduct agency business should be reviewed on a regular basis.
6. Supervisors are required to comply with all duties imposed upon them as supervisors by the Time and Leave regulations and the Absence Control Plan. Supervisors should not grant excessive numbers of leave requests. Supervisors must notify employees when they are requesting excessive leaves.
7. Supervisors are required to directly report corruption and/or employee misconduct to the New York City Department of Investigation's Office of the Inspector General upon becoming aware of the information.

V. Definitions

Alcoholic Beverage – means a beverage with any alcoholic content.

City – means City of New York.

Commissioner – means Commissioner of the Department of Housing Preservation and Development.

Controlled Substance – means any substance listed in Section 3306 of the Public Health Law.

Department – means City of New York Department of Housing Preservation and Development.

Disciplinary Unit – means the Disciplinary Unit of the City of New York Department of Housing Preservation and Development. The Department's Disciplinary Unit is located at 100 Gold Street, Room 1W, New York, New York 10038.

Employee – means an Employee of the City of New York Department of Housing Preservation and Development.

Inspector General – means New York City Department of Investigation, Office of Inspector General for the City of New York Department of Housing Preservation and Development. The office of the Inspector General is located at 80 Maiden Lane, 16th floor, New York, New York 10038.

Personnel Officer – means the Personnel Office of the City of New York Department of Housing Preservation and Development. The Personnel Office is located at 100 Gold Street, Room 8-A, New York, New York 10038.

Prejudicial to Good Order and Discipline – means (1) the use of profane language or obscene gestures; (2) striking, threatening to strike or intimidating another; or (3) sexual harassment (engaging in unwelcome or offensive behavior, either physical or verbal, which embarrasses, humiliates or intimidates another); or (4) discrimination based on race, color, creed, religion, sex, age, national origin, sexual orientation, affectional preference, handicap, marital status, genetic predisposition or carrier status, status as a victim of domestic violence, of a sex offense or of stalking, military status, or prior arrests and/or conviction record; also retaliation against an employee for making a complaint of discrimination or sexual harassment; or (5) failure to obey lawful orders of supervisors; or (6) commission of a crime or offense which relates to their office or employment; or which involves violence, dishonesty, deceit or indecency; or which bears upon their fitness or ability to perform their duties or responsibilities.

Residence – means the place where one actually lives.

Supervisory Personnel – means those employees having other employees report to them for supervision.

Working Hours – means those hours that employees indicate on official records that they engaged in Department business.

Appendices

1. Mayoral Executive Order No. 16, July 26, 1978 [for updates and amendments to this executive order, and for more information, visit the Department of Investigation's web site at www.nyc.gov/doi and <http://home.nyc.gov/html/doi/html/whistblr-eo16.html>].
2. Commissioner's Order 2006-1 regarding Conflicts of Interest, January 1, 2006.
3. Commissioner's Memorandum Explaining the Conflicts of Interest Law, January 1, 2006.
4. HPD's Appropriate Attire Personnel Policy Memorandum, March 20, 2006.
5. Commissioner's Statement on Equal Employment Opportunity, March 1, 2006.
6. HPD's Smoking Policy, September 26, 2005.

Appendix 1

EXECUTIVE ORDER NO. 16, JULY 26, 1978, COMMISSIONER OF INVESTIGATION, INSPECTORS GENERAL AND STANDARDS OF PUBLIC SERVICE

By the power vested in me as the Mayor of the City of New York, it is hereby ordered:

Section 1. Responsibilities of Commissioner

The Commissioner of Investigation (hereafter called the Commissioner) shall have general responsibility for the investigation and elimination of corrupt or other criminal activity, conflicts of interest, unethical conduct, misconduct and incompetence by City agencies, by City officers and employees, and by persons regulated by, doing business with or receiving funds directly or indirectly from the City (hereinafter called persons dealing with the City), with respect to their dealings with the City. For these purposes the Commissioner shall: assist agency heads in establishing and maintaining standards of conduct together with fair and efficient disciplinary systems; direct the activities of the Inspectors General of all agencies of the City; conduct background investigations of employees to be appointed to or holding positions of responsibility; receive complaints and information from the public with respect to City agencies, officers, and employees, as well as persons dealing with the City, and to take appropriate action with respect to such complaints; undertake any investigation or study of the affairs, functions, accounts, methods, personnel or efficiency or any agency; and act as liaison with federal, state and local law enforcement and regulatory agencies concerning all matters within the scope of this Order.

Section 2. Responsibilities of Agency Heads

All agency heads shall be responsible for establishing, subject to review for completeness and inter agency consistency by the Commissioner, written standards of conduct for the officials and employees of their respective agencies and fair and efficient disciplinary systems to maintain those standards of conduct.

Section 3. Responsibilities of Inspectors General

All agencies shall have an Inspector General who shall report directly to the respective agency head and to the Commissioner and be responsible for maintaining standards of conduct as may be established in such agency under this Order. Inspectors General shall be responsible for the investigation and elimination of corrupt or other criminal activity, conflicts or interest, unethical conduct, misconduct and incompetence within their respective agencies. Except to the extent otherwise provided by law, the employment or continued employment of all existing and prospective Inspectors General and members of their staffs shall be subject to complete background investigations and approval by the Department of Investigation.

Section 4. Investigations

Within the scope of the general responsibility of the Commissioner set forth in Section 1 of this order, the Commissioner shall have authority to examine, copy or remove any document prepared, maintained or held

by any agency except those documents which may not be so disclosed according to law. Inspectors General shall have the same authority in their respective agencies. The Commissioner and, with the approval of the Commissioner, the Inspectors General and any person under the supervision of the Commissioner or the Inspectors General, may require any officer or employee of the City to answer questions concerning any matter related to the Performance of his or her official duties or any person dealing with the City, concerning such dealings with the city, after first being advised that neither their statements nor any information or evidence derived there from will be used against them in a subsequent criminal prosecution other than for perjury or contempt arising from such testimony. The refusal of an officer or employee to answer questions on the condition described in this paragraph shall constitute cause for removal from office or employment or other appropriate penalty. Beginning September 1, 1978 all contracts, leases, licenses or other agreements entered into or issued by the City shall contain a provision approved as to form by the Corporation Counsel permitting the City to terminate such agreement or to take other appropriate action upon the refusal of a person dealing with the City to answer questions in relation to such agreements on the condition of testimonial or use immunity described in this paragraph. Every officer or employee of the City shall cooperate fully with the Commissioner and the Inspectors General. Interference with or obstruction of an investigation conducted by the Commissioner or an Inspector General shall constitute cause for removal from office or employment or other appropriate penalty. Every officer and employee of the City shall have the affirmative obligation to report, directly and without undue delay, to the Commissioner or an Inspector General any and all information concerning conduct which they know or should

reasonably know to involve corrupt or other criminal activity or conflict of interest, by another City officer or employee, which concerns his or her office or employment, or by persons dealing with the City, which concerns their dealings with the City. The knowing failure of any officer or employee to report as required above shall constitute cause for removal from office or employment or other appropriate penalty. Upon receipt of any information concerning corrupt or other criminal activity or conflict of interest related to his or her agency, the Inspector General of such agency shall report directly and without undue delay such information to the Department of Investigation, and shall proceed in accordance with the Commissioner's directions. No officer or employee other than the Commissioner, an Inspector General, or an officer or employee under their supervision, shall conduct any investigation concerning corrupt or other criminal activity or conflicts of interest without the prior approval of the Commissioner or an Inspector General.

Section 5. Formal Disciplinary Proceedings

Within six months of the effective date of this Order, the Inspector General of each agency shall be responsible for the preparation and prosecution of all formal administrative proceedings, including removal and other disciplinary proceedings for misconduct or in competency, initiated by such Inspector General or any other person authorized by the agency head to initiate such proceedings on behalf of the agency. The Inspector General or an attorney-designee (including attorneys of the Department of Investigation) shall prosecute such matters. Any agency head may for good cause apply to the Commissioner for the modification or waiver of any provision of this paragraph. The Inspector General of an agency may, with the approval of

the agency head, suspend any officer or employee of that agency, pending the timely service of formal charges. Officers or employees of the City convicted of a crime relating to their office or employment, involving moral turpitude or which bears upon their fitness or ability to perform their duties or responsibilities, shall be removed from such office or employment, absent compelling mitigating circumstances set forth in writing by the head of the employing agency. Proof of said conviction, as a basis for removal or other disciplinary action, must be established in accordance with applicable law.

Section 6. Informal Disciplinary Proceedings

Each agency head shall, with the advice of the Commissioner, establish appropriate reporting requirements, disposition standards and other administrative procedures for informal disciplinary proceedings to permit the fair and expeditious resolution of minor violations of the standards of conduct established by such agency head under this order, without prejudice to any rights provided to officers or employees of the City by law or by contract. Informal disciplinary proceedings may be undertaken on the following conditions: (i) the employee or official who is the subject of such proceedings shall consent to accept a predetermined penalty upon a finding of cause in lieu of the filing of a formal disciplinary charge; and (ii) the record and result of the informal disciplinary proceedings shall be expunged from all permanent personnel or employment files of the subject official or employee after one year in which such person has not been penalized as a result of any subsequent formal or informal disciplinary proceedings.

The Inspector General of each agency shall be notified of the disposition of all informal disciplinary proceedings.

Section 7. Background Investigations

The Department of Investigation shall conduct background investigations of all persons to be appointed to or employed in positions with salary rates equal to or greater than the minimum rate of the management Pay Plan or any successor plan, whether or not the person is to become a member of such plan. Background investigations need not be made under this Order with respect to the appointment or employment of persons for positions with salary rates equal to or greater than the minimum rate of the Management Pay Plan or any successor plan where such person is to be appointed to a permanent civil service position in the competitive class. The Mayor or an agency head may in the public interest direct that the appointment, employment or assignment of any person be subject to a background investigation by the Department of Investigation. The appointment or employment of any person requiring background investigations under this Order shall be made subject to the completion of such investigation and a determination by the appointing authority that the appointee has the appropriate qualifications, is free from actual or potential conflicts of interest and is one in whom the public trust may be placed. All Prospective appointees and employees subject to background investigation under this order shall comply with all procedures established by the Commissioner for such purpose, including the completion of a background questionnaire and full disclosure of financial holdings and relationships. Background

investigations conducted under this Order shall include the collection of all available criminal history information relating to the prospective appointee, which shall be considered in accordance with applicable law. The making by a person of an intentional false or misleading statement in connection with a background investigation required under this Order, or otherwise failing to comply with the background investigation procedures established by the Commissioner, may constitute cause for removal from office or employment or other appropriate penalty.

Section 8. Dissemination of Information

All agency heads shall distribute to each officer and employee of their respective agencies within 90 days of the effective date of this Order and to each officer and employee appointed thereafter, a statement prepared by the Commissioner explaining the responsibilities of the Commissioner, Inspectors General, agency heads and all City officers and employees under this Order. Knowledge of the responsibilities of the Commissioner of Investigation and the Inspectors General and of relevant provisions of Articles 195 and 200 of the Penal Law, the City Charter, the Code of Ethics and this Order shall constitute an employment responsibility which every officer and employee is expected to know and to implement as part of their job duties and is to be tested in promotional examinations beginning January 1, 1979.

Section 9. Regulations and Procedures

The Commissioner may establish such regulations, procedures and reporting requirements with respect to Inspectors General or as may be otherwise necessary or proper to fulfill the Commissioner's responsibilities under this Order and other applicable law. The Inspectors General may, with the approval of the Commissioner and the respective agency heads, establish such regulations and procedures as may be necessary or proper to fulfill their responsibilities under this Order and other applicable law.

Section 10. Waiver of Provisions

Any agency head may for good cause apply to the Commissioner for the modification or waiver of any provision within the jurisdiction of the Commissioner under this order.

Section 11. Construction with Other Law

Nothing in this Order shall be deemed to limit the powers and duties of the Commissioner, the Department of Investigation, the Department of Personnel, the Office of Municipal Labor Relations or any other agency under the City Charter or as may be otherwise provided by law.

Section 12. Preservation of Rights

Nothing in this Order shall be deemed to limit the rights of any person under law or contract.

Section 13. Revocation of Executive Orders

Executive Order No. 21, dated August 19, 1970, Executive Order No. 21, dated October 17, 1974, and Personnel Policy and Procedure No. 715 77, dated February 15, 1977 are hereby revoked.

Section 14. Effective Date

This order shall take effect immediately.

EDWARD I. KOCH
MAYOR

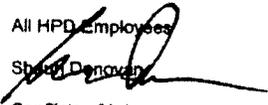
Appendix 2

THE CITY OF NEW YORK
DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT
Office of the Commissioner

COMMISSIONER ORDER 2006-1

DATE: January 1, 2006

TO: All HPD Employees

FROM:  Steven D. Degen

SUBJECT: Conflicts of Interest

Because of the sensitive nature of much of the City's and HPD's business, and the potential for abuse or public perception of abuse inherent in all of our jobs, we must observe certain limitations on our outside activities. Accordingly, in addition to the conflict of interest requirements imposed on all City employees by the City Charter and by state and federal law, all HPD employees are subject to the restrictions described below.

1. Definitions. As used in this Order, the following capitalized terms will have the meanings specified below:

"Family" means the spouse, domestic partner, children, grandchildren, siblings, grandparents, parents, parents-in-law, aunts, uncles, nieces, and nephews of the employee, or any of their respective spouses or domestic partners.

"Interest" means any (i) financial, ownership, management, or leasehold interest in property or a business, (ii) participation in a business entity, or (iii) self-employment. Any interest held by the employee's spouse, domestic partner, or unemancipated child will be deemed to be an interest held by the employee.

"Position" means a director, member, trustee, partner, officer, or paid employee of any corporation, partnership, limited liability company, or other entity (whether for-profit, non-profit, or governmental), or self-employment.

"Real Estate Interest" means any financial, ownership, management or leasehold interest in real property that is located in New York City, other than an apartment or single family home used by the employee or the employee's Family as a primary residence, including an interest held through a spouse, domestic partner, unemancipated children, or participation in a business entity. Any Real Estate Interest held by the employee's spouse, domestic partner, or unemancipated child will be deemed to be a Real Estate Interest held by the employee.

2. Prohibited Interests, Positions, and Activities. Employees shall not:
- Participate in any HPD matter affecting either real property or a business entity in which the employee or a Family member has an interest.
 - Own an interest in real property or a business entity which would interfere and/or conflict with the performance of the employee's official duties.
 - Conduct or supervise an HPD inspection of any building in which the employee or a Family member has an interest or within which the employee or a Family member resides.

- d. Process any HPD matter concerning a building in which the employee or a Family member has an interest, or within which the employee or a Family member resides.
- e. Assist anyone to seek, obtain, or purchase housing in any building in an HPD program or project by providing information, contacts with developers or managers or any other type of assistance which is not provided to the general public in the normal course of business.
- f. Seek, obtain, or purchase housing which the employee learns is available through the employee's official duties, where the availability of the housing was not made known to the general public.
- g. Seek, obtain, or purchase housing in a privately-owned building which is in an HPD program or project, or which was in an HPD program or project within the past three years, where the employee either (i) works in the division which administers such HPD program or project, or (ii) seeks, obtains, or purchases the housing through a process that is different in any way from the process through which members of the general public seek, obtain, or purchase such housing.
- h. Seek or obtain housing in a City-owned building which is under HPD jurisdiction, although an employee may retain a residence in such a building notwithstanding this restriction if the employee (i) already lawfully resided there when he or she became an HPD employee, (ii) already lawfully resided there when the City became the owner, or (iii) lawfully became a tenant there through an HPD successor tenancy application or intersite transfer.
- i. Purchase real property directly from the City which (i) was under HPD jurisdiction immediately prior to the sale, and/or (ii) is sold through an HPD project or program, although an employee may participate in the purchase of a building from the City by its tenants notwithstanding this restriction if the employee (a) already lawfully resided there when he or she became an HPD employee, or (b) already lawfully resided there when the City became the owner.
- j. Respond to any HPD solicitation (including, but not limited to, any request for proposals, request for qualifications, or request for offers) regarding the disposition of City-owned real property, although an employee may participate in a response by the tenants of a City-owned building to an HPD solicitation regarding the disposition of such building notwithstanding this restriction if the employee (a) already lawfully resided there when he or she became an HPD employee, or (b) already lawfully resided there when the City became the owner.
- k. Apply for or receive any loan, grant, subsidy, or contract from HPD, except that an employee may (i) apply for an as-of-right tax exemption or abatement under the Real Property Tax Law, (ii) be the tenant recipient of an HPD-administered Section 8 voucher or certificate, or (iii) receive subsidies which are provided to all purchasers under a particular HPD program when purchasing housing under such program in full compliance with all terms of this Order.

- l. Participate in the preparation of, or serve on a selection committee for, any Request for Proposals, Request for Qualifications, or Multi-Step Competitive Bid on behalf of the agency which may result in a contract with an entity in which the employee or a Family member has any interest.
 - m. Expedite any HPD action at the request of a Family member, at the request of an entity in which the employee or a Family member has any interest, or in order to further the employee's personal (non-HPD) objectives.
 - n. Hold any Real Estate interest in property with respect to which (i) the employee has handled any HPD matter within the preceding five years, or (ii) there are outstanding code violations that have remained uncured beyond the time periods permitted by law.
 - o. Serve as a court-appointed administrator pursuant to Article 7-A of the Real Property Actions and Proceedings Law.
 - p. Have an interest or position in any for-profit entity which performs an act prohibited by Section 2 of this Order.
 - q. Have, without the prior written consent of the Commissioner, a position in any not-for-profit entity which performs an act prohibited by Section 2 of this Order.
3. Brokers and Salespersons. Employees shall not act as real estate or mortgage brokers or salespersons in any transaction that affects an interest in real property that is located in New York City. Employees who wish to act as real estate or mortgage brokers or salespersons outside of New York City must (i) notify the Deputy Commissioner for Administration in writing, and (ii) submit a written statement every six (6) months to the Deputy Commissioner for Administration containing a complete list of all clients that utilized the employee's services within the prior six month period.
4. Attorneys.
- a. Employees shall not act as attorneys in any transaction, litigation, or other matter which affects an interest in real property that is located in New York City, except that they may (i) represent themselves in the purchase, sale or refinancing of their personal residences, (ii) represent Family members without compensation in the purchase, sale or refinancing of such Family members' personal residences, (iii) represent themselves in landlord/tenant litigation concerning their personal residences, (iv) represent Family members without compensation in landlord/tenant litigation concerning such Family members' personal residences, and (v) with the prior written consent of the General Counsel, represent themselves, Family members, and other persons, with or without compensation, in any type of matter.
 - b. Notwithstanding any provision of this Order to the contrary, employees shall not (i) act as attorneys for any party other than the City of New York in any transaction, litigation, or other matter to which the City of New York is a party, or

- (ii) appear as attorneys before any agency, board, or other instrumentality of the City of New York on behalf of any persons other than themselves.
- c. With regard to any private practice of law permitted pursuant to this Order, employees shall (i) comply with the provisions of Section 8 of this Order if such legal work is to be performed with compensation, (ii) comply with all other applicable provisions this Order, (iii) perform such legal work outside of their normal working hours, and (iv) not use City office space or City equipment in the performance of such legal work.
5. Interference With Official Duties. Employees shall not engage in outside business activities during official work hours, nor shall they engage at any time in activities which interfere with the proper performance of their official duties.
6. Persons or Entities Doing Business with HPD.
- a. Gifts To Employees. Employees shall not solicit or accept anything of value from any person or entity doing business with HPD, except that employees may accept (i) gifts that are customary on family and social occasions (such as a birthday or wedding), as long as the basis for the gift is close personal friendship and the entire circumstances indicate that there is no actual conflict or appearance of impropriety, and (ii) invitations, meals, or travel expenses offered in connection with certain events, conferences, and meetings involving City business that may be considered gifts to the City and not to the individual employee.
- b. Contributions Or Donations To Others. Employees shall not solicit or collect any monetary or non-monetary donation or anything else of value (including, but not limited to, any campaign contribution or any donation of time or resources) on behalf of any person, entity, organization, candidate, or cause from any person or entity doing business with HPD.
7. Conflicts Of Interest. Employees shall comply with the Conflicts of Interest provisions of Chapter 68 of the New York City Charter. Any employee may ask the Conflicts of Interest Board about the propriety of a particular transaction, interest or activity, either by written inquiry addressed to 2 Lafayette Street, Suite 1010, New York, New York 10007 or by telephone inquiry to (212) 442-1400.
8. Disclosure Of Outside Business Activities And Interests. Employees shall comply with the following procedures regarding employment outside HPD:
- a. Employees who intend to accept a Position outside HPD must notify the Deputy Commissioner for Administration of such intention prior to the initiation of the outside employment. Employees who are now engaged in an outside Position and have not previously notified HPD's Deputy Commissioner for Administration of such outside Position must do so within thirty (30) days after the date of this Order.

- b. Employees must notify the Deputy Commissioner for Administration if the specifics of the outside Position change (e.g., different company, new hours, etc.) within thirty (30) days after such change.
 - c. Employees must notify the Deputy Commissioner for Administration of the outside Position at least one time per year for so long as the outside Position continues, even if the specifics of the outside Position have not changed since the last notification. Such notification to the agency must be made within thirty (30) days after each anniversary of the start of the outside Position.
 - d. Employees must notify the Deputy Commissioner for Administration of any Real Estate interest which the employee holds or intends to hold and of all outstanding code violations on any residential buildings which are the subject of any such Real Estate Interest. With respect to any Real Estate interest which the employee currently holds, such notification must be made within thirty (30) days after the date of this Order. With respect to the future acquisition of any Real Estate Interest by the employee, such notification to the agency must be made prior to such acquisition.
 - e. All notifications must be in writing and, with respect to any outside Position, must include the name and address of the business entity or individual employer, whether such entity or individual has any business dealings with the City, title, duties performed, work location, days and hours of work, salary or compensation (if any), and any other pertinent data. Employees may use the Employee Disclosure Form, which can be obtained from the Deputy Commissioner for Administration.
9. Authorization For Outside Business Activities And Interests. The Deputy Commissioner for Administration will review each submission and may make a determination or instruct the employee to ask the Conflicts of Interest Board for a determination. If an outside Position, interest, or activity constitutes a conflict of interest under the City Charter or is otherwise inconsistent with HPD policy, the employee will be so notified and the outside Position, interest, or activity must be terminated or not undertaken.

This Order supersedes all prior HPD orders and directives concerning the matters covered herein. Any violation of any section of this Directive may result in disciplinary action. If you have any questions, please consult with Legal Affairs (212-863-8354).

Appendix 3

THE CITY OF NEW YORK
DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT
Office of the Commissioner

DEPARTMENTAL MEMORANDUM

DATE: January 1, 2006

TO: All HPD Employees

FROM: Steven Bonovero

SUBJECT: Conflicts of Interest

As a City employee, you have a special public trust which requires you to adhere to a higher standard of conduct than people who work in the private sector. In order to preserve public confidence in government integrity, City employees must refrain from any form of behavior which is, or might appear to be, improper. The City Charter and other laws therefore prohibit certain conduct by City employees which could result in actual or apparent conflicts of interest.

The City Charter requires all City workers to comply with the rules of conduct described below and imposes serious penalties for violations. In addition, HPD has imposed conflict of interest rules concerning outside business interests and activities by HPD employees which are stricter than the rules imposed by the City Charter. The attached HPD Commissioner Order 2006-1 describes these additional restrictions on HPD employees.

While the City Charter and HPD Commissioner Order 2006-1 establish minimum requirements, all employees should strive to ensure that their behavior meets the highest ethical standards and does not give rise to even an appearance of impropriety. Public confidence in the fairness, effectiveness, and honesty of government officials ultimately depends on the willingness of each City worker to behave in a manner which is absolutely above reproach. Your understanding of the requirements, your voluntary cooperation with them, and your determination to avoid questionable conduct even where the rules are unclear or silent are essential for City government to function in an ethical way, free from corruption and scandal.

Protect yourself by asking conflict of interest questions *before* you act. If you are unsure whether a particular interest or activity might create a conflict, seek advice first, before you do anything. There are instructions for obtaining such advice at the end of this memorandum.

Accepting Gifts, Favors, Entertainment, Meals, And Travel

You may not accept anything of value (other than your HPD paycheck and benefits) in return for the performance of your job. For example, a building owner might offer you money, gifts, or an apartment in return for favorable treatment of its loan application. Such an offer is clearly an attempted bribe, and you must immediately inform the Inspector General (212-825-2468).

Similarly, you may not accept a gift, gratuity, or tip from anyone whose interest could be affected by your action as an HPD employee. For example, a developer or contractor that does business with HPD might offer you tickets to a sporting event, money, or other gifts without asking anything in return. Such an offer could still be an attempted bribe, and you should immediately inform the Inspector General.

You may not accept gifts from any person or firm that you know, or should know, is engaged in (or intends to become engaged in) business dealings with the City. For example, you may not accept a trip to Atlantic City from an HPD-regulated Mitchell Lama housing company. While the

City Charter permits small gifts under certain circumstances, it also allows each agency to establish stricter rules for its own employees. HPD Commissioner Order 2006-1 directs all HPD employees not to accept anything of value from anyone doing business with HPD.

There are, however, two limited exceptions to this prohibition. First, you may accept gifts that are customary on family and social occasions (such as a birthday or wedding), as long as the basis for the gift is close personal friendship, but the entire circumstances must be considered to ensure that there is no ethical problem or even the appearance of impropriety. Second, you may, under very limited circumstances, accept invitations, meals, or travel expenses in connection with certain events, conferences, and meetings involving City business that could be considered gifts to the City and not to you. For example, while you generally may not accept a free ticket to a luncheon, you may do so where the luncheon is part of a housing conference that the agency has asked you to attend in your official capacity as a representative of HPD. The exceptions are described in rules available from the Conflict of Interest Board.

Since the rules on this subject may sometimes be quite complicated, you should always consult with the Conflicts of Interest Board (212-442-1400) or HPD's Office of Legal Affairs (212-863-8354) before attending a function at which complimentary food, beverages, entertainment, or other things of value will be provided or accepting free tickets to an event at which other guests will be required to pay an admission charge.

Revealing Confidential Information

You may not make personal use of confidential information that you learn of through your employment at HPD. For example, if you learn that HPD plans to develop certain property and has not yet made those plans public, you may not give this confidential information to a friend in the real estate business.

Using City Property For Personal Purposes

You must use City property only to perform your job duties, and not for any personal purposes. For example, you may not take home office supplies for your child to use for schoolwork, drive a City car on a shopping trip, copy your tax return at work, or use an HPD computer to prepare your resume or send personal e-mails.

Using Your City Job For Private Advantage

You may not use your City position for private or personal gain or advantage. Decisions and actions must be made on the basis of merit, without partiality or discrimination, and not as a reward or benefit to your friends, relatives, or associates. For example, you may not try to obtain a contract, loan, or apartment for a friend or relative, use HPD letterhead for any personal matter, or arrange an expedited code inspection of a friend's apartment.

Purchasing City-Owned Property

You may not purchase City-owned residential property containing more than six dwelling units through negotiated sale. If you work for the Office of Property Services, you may not purchase any City-owned property through a public auction, sealed bid sale, or negotiated sale. In addition to these City Charter restrictions, HPD Commissioner Order 2006-1 generally forbids you to purchase City-owned property that is under HPD jurisdiction or in an HPD program.

Additional restrictions may apply in certain circumstances involving buildings which receive federal funding.

Volunteer Activities

The City both allows and encourages public servants to participate in volunteer activities that help others. However, it is possible for even volunteer activities to create a conflict of interest with your HPD job, so you need to follow certain rules when volunteering.

- Do not accept any form of payment. Reimbursement for actual and reasonable expenses (e.g., subway fare) is not payment. Anything else, such as a small stipend or free goods or services, means you are being paid. In that case, it is not really volunteer work and the rules on moonlighting apply.
- Volunteer on your own time. During times when you are supposed to be working for the City, you must perform only City work.
- Do not use City resources. You cannot use City equipment, supplies, letterhead, or employees, or other resources to benefit the organization. For example, you cannot photocopy fliers for a fundraiser for a food pantry on an HPD copier or ask a co-worker to make the copies.
- Do not use your HPD position to help the organization. Non-profit organizations often compete with one another for City funding, goods, and services. Using your HPD position to benefit your organization may therefore hurt other organizations. For example, a Parks Department employee was fined \$1,500 for using his position to obtain permits for basketball courts for his non-profit organization, and a Department of Transportation employee was fined \$1,000 for asking agency contractors to buy ads in a fundraising journal for his sons' hockey club. Just remember never to mix your City job and your volunteer activities.
- Do not participate in the organization's dealings with any City agency. If the organization has contracts with the City or obtains funding, permits, licenses, or anything else from the City, you cannot be involved in those aspects of its operations. In fact, you cannot even advise the organization about such matters. You must recuse yourself from all of the organization's City business.
- If HPD regulates, supervises, or does business with the organization, get permission before you volunteer. If the organization does business with, or is regulated or supervised by, HPD, then you must obtain the permission of the Commissioner (but not the Conflicts of Interest Board) before you volunteer. However, this rule only applies if you have policymaking or administrative authority with the organization. If, for example, you are only unloading food donations and passing out bags of food to clients of a soup kitchen, you do not need permission.
- Disclose the activity. Commissioner Order 2006-1 requires that you disclose the activity if you are accepting a position as a director, member, trustee, partner, or officer, even if the position is unpaid.

Receiving Outside Income From Other Jobs, Your Own Business, Investments, And Other Sources

If you own any business interests or have a second job, you should consider whether your outside financial interests or employment could conflict with your responsibilities as an HPD employee. You may not work for or own any company that has business dealings with the City without prior written approval from both the Commissioner and the Conflicts of Interest Board. Because of these prohibitions (which apply to both for-profit and not-for-profit employers), you must check whether any private company with which you would like to have a second job has business dealings with the City.

Even if your prospective employer has no business dealings with the City, HPD Commissioner Order 2006-1 requires you to report all secondary employment to the Deputy Commissioner for Administration.

Even if your second job does not create a conflict of interest, you must be careful to avoid any appearance that you are using your HPD job to help your private employer. This would certainly include helping your private employer in any matter that involves a City agency. For example, you should not make a presentation to the City Planning Commission on behalf of a private firm.

There are also restrictions on you or your spouse or domestic partner having an ownership interest in a company that has business dealings with the City, unless the interest is held in a pension plan, a deferred compensation plan, or a mutual fund. An ownership interest means an interest held by you, your spouse or domestic partner, and any unmarried children living at home which exceeds 5% of the firm or \$35,000 (or a lesser interest if you or your family member run the business).

Gifts Or Business Dealings Between Supervisors And Subordinates

You may not have an outside business relationship with any supervisor or subordinate. For example, you may not lease an apartment, buy or sell a car, or provide or accept a loan to or from any supervisor or subordinate, nor may you purchase a boat with or invest in a business with any supervisor or subordinate.

You generally may not give or receive anything of more than negligible monetary value to or from any supervisor or subordinate, except for gifts based on close personal friendship which are customary on family and social occasions. Whether such a gift is appropriate in any given situation will always depend on the circumstances. For example, if you attend the wedding of a supervisor or subordinate who is a close friend, it might be appropriate for you to give a nice gift even though expensive gifts to that person would generally be prohibited.

Post-Employment Restrictions

You may not discuss potential employment opportunities with any firm if you have any current business dealings with that firm in your HPD job. For example, if you are reviewing a loan application from a company, you cannot discuss a job with that firm until either your official responsibility for the application is over or your duties concerning the application have been reassigned to someone else.

If you leave HPD for a private sector job, it is a conflict of interest for you to contact anyone at HPD on behalf of your company until one year has passed after you have left City service, unless you get written approval from the Commissioner and the Conflicts of Interest Board. After you leave City government, you can never use for a private advantage any confidential City information (meaning information that is not available to the public) that you learned about through your City job.

You may never work for a private company on any specific matter that you personally worked on in a significant way at HPD, unless you get written approval from the Commissioner and the Conflicts of Interest Board. You generally may, however, work for the company on matters that you never worked on, or were only minimally involved in, at HPD.

Political Activity Generally

With the exceptions noted below, you may generally engage in most voluntary political activity, such as contributing money or working on a campaign, but you may not try to coerce anyone to engage in such activity. You may not even ask a subordinate to work in a political campaign, donate money to a particular candidate, or participate in other political activities. For example, you may not ask someone that you supervise to attend a political fundraising party or gather petition signatures for a School Board candidate.

Similarly, you may not use your authority or official influence to compel or induce anyone to engage in political activity. In fact, HPD Commissioner Order 2006-1 specifically prohibits you from even asking anyone who does business with HPD to donate time, money, or anything else of value to any candidate or cause. For example, you may not ask an HPD contractor to contribute to a candidate, work on an election campaign, or donate a computer to your child's school, even if there is no suggestion that doing so would lead to more HPD business or more favorable treatment.

Running For Public Office

Federal, state, and local law impose a variety of restrictions on public employees who wish to run for elective office. Because these laws are highly complex and sometimes impose severe sanctions for even unintentional violations, you should consult with a private attorney familiar with election law and speak to HPD's Office of Legal Affairs (212-863-8354) if you are considering running for office.

If you are a non-tenured employee (for example, if you are in a provisional position or a probationary civil service position) and wish to run for a public elected office, you generally must take a leave of absence for the duration of your candidacy.

If you administer federally funded programs or activities, or if your salary is federally funded, the federal Hatch Act imposes serious restrictions on your political activity. Under the Hatch Act, you may not declare your candidacy for office or raise campaign money without permanently resigning from your position. A leave of absence is not sufficient and HPD may be legally prohibited from later hiring you back to the same position. For example, if you wanted to run for a seat on the City Council, you might have to resign from your HPD job before declaring your candidacy or raising campaign money. Moreover, if you lost the election and sought to return to your former position, HPD might be prohibited from rehiring you.

Soliciting Campaign Contributions And Charitable Donations

You may not solicit contributions for a political campaign, or contribute to a political campaign, in a City building. You may not request, induce or compel your subordinates to contribute to a political campaign nor may you otherwise use your authority or official influence to compel or induce any other City employee to make a political contribution. If you have substantial policy discretion in your HPD position, you may not ask any person to make a contribution to any candidate for City elective office or to any elected City official who is running for a non-City office. In addition, HPD Commissioner Order 2006-1 prohibits you from soliciting campaign contributions, charitable donations, or anything else of value from HPD contractors or anyone doing business with HPD.

Holding Positions in Political Parties Or Organizations

If you have substantial policy discretion in your HPD position, you may not be a member of a national or state committee of a political party, serve as an assembly district leader of a political party, or serve as the chair or officer of the county committee or county executive committee of a political party. If you are a managerial employee, you may not be a political party district leader, a member of any political party committee, an officer of any political party, or an officer of any political organization (unless you have permanent civil service status in your current managerial position).

Sanctions For Violations

If you commit a conflict of interest violation, you may face a variety of sanctions. Among other things, you may be fined, suspended, or fired. For more serious violations, you could even face criminal prosecution.

Reporting Misconduct By Others

If you become aware of possible violations of the City's conflict of interest rules, you should report them immediately to HPD's Inspector General (212-825-2468). In addition, you must cooperate with investigations of possible conflicts of interest, corruption, or other misconduct by the Inspector General, the Department of Investigation, and HPD's Disciplinary Unit. You can face serious consequences, including removal from your job or other appropriate penalty, for failing to follow these requirements.

Obtaining Advice

If you need advice regarding the propriety of any proposed interest or activity, you may call the Conflicts of Interest Board (212-442-1400) and ask for the attorney of the day. You may also e-mail the Conflicts of Interest Board through its website (<http://www.nyc.gov/ethics>) by clicking on "Contact COIB." All calls and e-mails are confidential, and you may contact the Conflicts of Interest Board anonymously.

You may also consult with HPD's Office of Legal Affairs (212-863-8354) regarding conflict of interest matters.

Appendix 4



DEPARTMENT OF HOUSING PRESERVATION
AND DEVELOPMENT
SHAUN DONOVAN, Commissioner

Office of Administration
100 GOLD STREET, NEW YORK, N.Y. 10038
www.nyc.gov/hpd

DEPARTMENTAL MEMORANDUM

DATE: March 20, 2006

TO: All HPD Employees

FROM: Bernard F. Schwarz *BFS*

SUBJECT: Appropriate Dress

You represent HPD and the City of New York and should dress appropriately and be properly groomed during the work day. Appropriate attire consists of clothing that enables you to project a business-like and professional appearance.

Tom shirts, t-shirts, dirty pants, sweat suits, strapless or plunging tops, shorts, revealing clothing, etc. are not appropriate attire for employees in the office or for field staff representing the agency.

Questions about appropriate attire should be directed to Amy Marcus at (212) 863-6741 or Dawn Naidu-Walton at (212) 863-5816.

Appendix 5



City of New York
DEPARTMENT OF
HOUSING PRESERVATION AND DEVELOPMENT
100 GOLD STREET, NEW YORK, N.Y. 10038

SHAUN DONOVAN
Commissioner

TO: All Staff
FROM: Shaun Donovan
DATE: March 1, 2006
SUBJECT: Equal Employment Opportunity

I remain strongly committed to having a workforce that reflects, tolerates and appreciates the diversity and talent of our City's population, where employees are respectful of each other and the public, and where all employees are aware of their rights and obligations under the City's EEO Policy.

I would also like to remind you that the City's EEO Policy prohibits discriminatory employment actions and harassment based on actual or perceived race, color, religion, creed, gender (including "gender identity"), national origin (including alienage and citizenship status), age (18 years and over), disability, predisposing genetic characteristics, partnership status, military status, sexual orientation, marital status, prior record of arrest and conviction, or status as a victim of domestic violence, victim of sex offenses or victim of stalking. In addition, the Policy prohibits retaliation against anyone who makes an EEO complaint or participates in an EEO investigation. A broad range of conduct, in connection with one or more of these protected categories, is prohibited and includes, but is not limited to:

- Verbal abuse or name calling associated with protected categories
- Denial of advancement, benefits or privileges because of an individual's actual or perceived protected status or association with a protected class
- The circulation of derogatory information pertaining to any protected class
- Unwarranted touching, patting or pinching
- Failure to provide reasonable accommodations where no undue hardship exists.

Discrimination is unacceptable and will not be tolerated in any of our workplaces or field work locations, off-site City social functions, City vehicles or facilities where City government is being conducted. All personnel are expected to work together to maintain an atmosphere of respect and sensitivity to the effect of their behavior on those around them.



nyc.gov/hpd

(212) 863-6100

FAX (212) 863-6302

TTY (212) 863-7934

In enforcing the City's EEO Policy, the agency has put in place a comprehensive EEO Program that includes investigation of EEO Complaints, participation in the 55A Program and resolution of reasonable accommodation requests that are based on the employee's disability, religion or status as a victim of domestic violence (including sex offenses or stalking). In addition, the agency provides a Career Counselor, Rollie Eubanks, who can be reached at 212-863-6745.

I again encourage all employees to utilize the resources available within the agency, and to assist the agency's EEO Office and me in maintaining fair employment practices for all of our employees.

If you have any questions or concerns about EEO issues, please contact Stanley Whing, the Agency EEO Officer at 212-863-6117.

Information about the agency's EEO Program or the City's EEO Policy and the EEO Policy Handbook (About EEO: What You May Not Know) can be acquired through our agency intranet site: Please access the Blue E icon, then HPD Information and Resources and finally Equal Employment Opportunity Program for a drop down menu of services and linkages.

Thank you.



nyc.gov/hpd

(212) 863-6100

FAX (212) 863-6302

TTY (212) 863-7934

Appendix 6

Smoke-Free Policy

In December 2002, the Smoke-Free Air Act went into effect, making all workplaces smoke-free including all office buildings, restaurants, theaters, retail stores and shopping malls, education and health care facilities, hospitals and most bars. The primary intent of the law is to protect New York City's workers, including City employees, from the dangers of exposure to second-hand smoke. We encourage all employees who smoke to quit smoking for their health and the health of their family. Information on how to quit may be obtained at <http://www.nyc.gov/html/doh/html/smoke/smoke.shtml>



Department of Housing Preservation and Development
100 Gold Street, New York, NY 10038
www.nyc.gov/hpd



City of New York
DEPARTMENT OF
HOUSING PRESERVATION AND DEVELOPMENT
100 GOLD STREET, NEW YORK, N.Y. 10038

RAFAEL E. CESTERO
Commissioner

July 15, 2009

The Honorable Shaun Donovan
Secretary
U.S. Department of Housing and Urban Development
451 7th Street S.W.
Washington, DC 20410

Dear Secretary Donovan,

The City of New York (the "City"), acting through its Department of Housing Preservation and Development ("HPD") makes the following commitments with respect to the activities proposed in its application for National Stabilization Program II (NSP II).

A. Redevelopment of Vacant Sites in Destabilized Neighborhoods

HPD is committing funds for the projects identified below for the rehabilitation and/or new construction of affordable housing. The funding would include municipal funds up to a total of \$13,452,740. The HPD commitment is for the following projects:

1. 1501 Pitkin Avenue, Brooklyn, NY
HPD Funding: \$2,750,000

This project consists of the conversion of a former movie theater into a building with 66 dwelling units and 73,000 square feet of commercial space. HPD would commit \$2,750,000 in municipal funds for rehabilitation through its Participation Loan Program.

2. 516 Crescent Street, 766 Herkimer Street, 728 Madison Street, Brooklyn, NY
HPD Funding: \$325,000
Value of the Land as a Subsidy: \$350,000

This project consists of the new construction of three two-family homes. The properties have been transferred to private ownership through an in-rem tax foreclosure process and will be purchased by a not-for-profit developer for \$12,000, a price well below the market value. HPD would commit \$325,000 in municipal funds for new construction through its Third Party Transfer Program. In addition to these funds, HPD would be selling the land for \$1, with the difference between the appraised value and the sales price constituting a land subsidy

3. Hopkinson/Park Place, Brooklyn, NY
HPD Funding: \$1,652,740
Value of the Land as a Subsidy: \$1,475,000



This project consists of the new construction of 25 1-4 family homes on five adjacent properties. The properties are currently City-owned and would be purchased by the borrower for \$25,000, a price well below the market value. HPD would commit \$1,652,740 in municipal funds for new construction through its New Foundations Program. In addition to these funds, HPD would be selling the land for \$25,000, with the difference between the appraised value (\$1,500,000) and the sales price constituting a land subsidy. *Note: this site is being contemplated as a substitute site in the event that the HARP program has excess funds.*

4. Riverway Senior Housing

HPD Funding: \$2,000,000

Value of the Land as a Subsidy: \$1,700,000

This project consists of the new construction of 115 units of housing for low-income seniors on a vacant lot in Brooklyn. The property is City-owned and is currently under public review pursuant to the NYC Uniform Land Use Review Procedure. HPD would commit \$2.9M in municipal funds for new construction through its Supportive Housing Loan Program. In addition to these funds, HPD would be selling the land for \$1, with the difference between the appraised value (\$1,700,000) and the sales price constituting a land subsidy.

B. Homebuyer Assistance for Rehabilitation and Purchase (HARP) Program:

HPD would commit \$1,200,000 in municipal funds for rehabilitation and purchase of homes acquired through HARP. Funds would be provided through HPD's Home Improvement Program (HIP), the Senior Citizen Home Assistance Program (SCHAP), and the Neighborhood Housing Services Program (NHS).

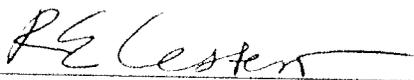
C. Stalled Sites:

HPD would commit \$2,000,000 in municipal funds for acquisition and construction of buildings in the Stalled Sites initiative proposed in the NSP II application for sites that are in eligible census tracts. The Stalled Sites initiative also known as the Housing Asset Recovery Program offers financing for market rate condominium projects that cannot complete or sell the units in exchange for the units being offered at an affordable sales price or converted to an affordable rental project.

If the proposed projects are acceptable to HPD, consistent with administrative, legal and programmatic guidelines and criteria, it would be the intention of HPD to provide construction and permanent financing for the proposed projects on terms and conditions acceptable to the City. The funding would include municipal funds up to a total of \$13,452,740. These proposals appear to contain terms generally consistent with HPD's guidelines.

Very truly yours,

THE CITY OF NEW YORK, acting through its DEPARTMENT OF
HOUSING PRESERVATION AND DEVELOPMENT

By: 
Rafael Cestero
Commissioner



July 15, 2009

Dear Secretary Donovan:

Under its "StoreWorks" Program the City of New York, acting through its Department of Housing Preservation and Development, has provided subsidies in the total amount of \$6,746,540 for the 12 properties listed below, as follows:

- (a) Construction subsidies in the total amount of \$1,801,544
- (b) Land subsidies in the total amount of \$4,944,996 through selling the buildings for below market value.

580 Livonia Ave., Bk
582 Livonia Ave. Bk
663 Blake Ave., Bk
2486 Pitkin Ave., Bk
489 Ralph Ave., Bk
501 Ralph Ave., Bk
188-09 Linden Blvd., Qns
395 Saratoga Ave., Bk
391 Saratoga Ave., Bk
377 Hopkinson Ave., Bk
379 Hopkinson Ave., Bk
107-20 Guy R. Brewer Blvd., Qns

The listed properties are located in the targeted areas for HPD's NSP 2 proposal and would be treated under the Mixed Use Housing Assistance Program.

Respectfully,



Elaine Calos





National Community
Stabilization Trust

245 Broadway, New York, NY 10038 • 212-693-3100 • Fax: 212-693-2100 • www.nscst.org

July 10, 2009

Holly Leicht
Deputy Commissioner for Development
New York City Department of Housing Preservation and Development
100 Gold Street Room 9A
New York, NY 10038

Dear Holly Leicht,

The National Community Stabilization Trust (the "Stabilization Trust") is a joint venture of Enterprise Community Partners, Housing Partnership Network, Local Initiatives Support Corporation (LISC), National Council of La Raza, NeighborWorks America, and the National Urban League (collectively, the "Sponsors"). The Stabilization Trust is a specialty lender designed to aggregate capital from private financial institutions, governmental sources, philanthropic sources and social investors to provide financing products in targeted localities that will facilitate the acquisition and redevelopment of REO across the nation. The Stabilization Trust is working with capital providers and will apply to HUD for an allocation of NSP2 funds to establish and capitalize the Stabilization Trust's proposed financing products.

The New York City Department of Housing Preservation and Development's proposed activities generally include eligible activities under the Neighborhood Stabilization Program including the acquisition, rehabilitation and redevelopment of foreclosed or abandoned property and other strategic/underutilized properties. The Stabilization Trust has discussed with the New York City Department of Housing Preservation and Development, your interest in obtaining a Revolving Line of Credit financing facility of \$16,300,000. Financing from the Stabilization Trust will be made available via its leveraged private capital and available philanthropic monies. The Stabilization Trust offerings will be further enhanced to the extent NSP funds are made available.

It is the Stabilization Trust's intention to provide a Revolving Line of Credit to the New York City Department of Housing Preservation and Development. The Stabilization Trust's financing commitment will be subject to final NSP2 funding approval, documentation, and due diligence.

We look forward to working with you on this important program.

Sincerely,

Craig Nickerson, President
National Community Stabilization Trust



**NEIGHBORHOOD HOUSING SERVICES
OF NEW YORK CITY, INC.**

307 West 36th Street • 12th Floor • New York, NY 10018

Tel 212.519.2500
Fax 212.727.8171
www.nhsnyc.org

July 10, 2009

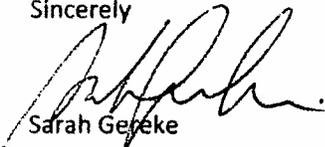
Holly M. Leicht, Deputy Commissioner
Office of Development
NYC Department of Housing Preservation and
Development
100 Gold Street
NY, NY 10038

Dear Deputy Commissioner Leicht;

NHS Community Development Corp. (NHS CDC), has provided equity to various StoreWorks properties in the amount \$1,096,438.00. The primary source for this funding is a revolving loan from Neighborworks America. NHS CDC's willingness to invest these funds was based on the historic performance of the StoreWorks program. Since the inception of the StoreWorks program in 1998, NHS CDC has renovated and sold 105 formerly New York City owned buildings, which restored 285 residential units and 119 commercial units for occupancy. The vast majority of the buildings were on the NHS CDC's books for no longer than 12 to 18 months, with construction taking 9 to 12 months of that period. The current market decline has extended the length of possession to 36 months in several cases. As you may be aware NHS CDC uses its program equity on a revolving basis. To have funds outstanding over such a lengthy period has dramatically hampered the agency's ability to engage, and participate, in the development of other programs.

The use of the National Stabilization Program II (NSPII) fund to create soft second loan will accomplish two goals: One, lower the cost of ownership thereby increasing the pool possible purchasers for StoreWorks buildings; and secondly, to assist NHS CDC in recapturing some of its outstanding equity for use in future housing development programs. Accomplishing these goals will help all interested parties return to their primary goal of creating and maintaining housing throughout New York City.

Sincerely


Sarah Gereke

Chief Executive Officer
Neighborhood Housing Services of New York City, Inc.





NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

Joan Tally
Senior Vice President

July 10, 2009

Ms. Sydelle Knepper
SKA Marin
One Linden Plaza, Suite 406
Great Neck, NY 11021

Re: Riverway Apartments
228 Riverdale Avenue, Brooklyn

Dear Ms. Knepper:

The New York City Housing Development Corporation ("HDC" or the "Corporation") has received your proposal for HDC to provide financing for the development of a low income senior rental project (LAMP) containing 115 residential units. The project, located at 228 Riverdale Avenue in Brooklyn, New York, is anticipated to be a low income rental project for seniors with 114 units reserved for residents earning less than 60% of area median income ("AMI").

Your proposal envisions HDC issuing tax exempt bonds to finance a first mortgage in the estimated amount of \$18,00,000 as well as a low interest second mortgage from the Corporation's unrestricted reserves in the approximate amount of \$6,325,000 (\$55,000 per unit).

Please be advised that HDC would be pleased to consider financing the project. The Corporation's ability to do so is contingent on, among other things, availability of private activity Volume Cap, a complete and feasible underwriting of the project including the review and approval of the acquisition and development costs, satisfactory completion of the project principals' disclosure review, receipt of the other contemplated sources of financing, finalization of all necessary legal documents (including environmental review and tax exempt bond compliance requirements) to the satisfaction of HDC, authorization by the Members of HDC for such financing, and the issuance of a letter of credit by a suitable lender to secure HDC's bonds during construction.

This letter should not be construed as a commitment on the part of HDC to allocate private activity Volume Cap to the project or to provide any other financing for the project. Such a commitment can only be issued based upon completion of all items listed above, receipt of private activity Volume Cap and an acceptable bond rating, and an approval of the Members of HDC, none of which has been obtained at this juncture.

Sincerely,



Joan Tally

RAYMOND JAMES

July 9, 2009

Ms. Sydelle Knepper
SKA Marin
1 Linden Place, Suite 406
Great Neck, NY 11021

Re: Partnership: Riverway Apartments LLC
Property Name: Riverway Apartments
City/State: Brooklyn, New York
Number of Units: 115 Multi-Family Rental Units

Dear Ms. Knepper:

This letter will confirm our agreement ("Agreement") whereby Raymond James Tax Credit Funds, Inc. ("RJTCF") shall endeavor to close an investment by a Fund sponsored by RJTCF (the "RJTCF Fund") in the above named partnership ("Partnership") on the assumptions, terms, and conditions contained in this letter, or such other assumptions, terms and conditions as are acceptable to you, RJTCF and the RJTCF Fund.

Based upon the project receiving approximately \$1,518,353 in annual low income housing tax credits, the investment of the RJTCF Fund in the Project shall be \$12,145,608 or \$0.80 per low income housing tax credit allocated to the RJTCF Fund. Such investment shall be subject to the terms and conditions of a yet to be negotiated Partnership Agreement and changes in market conditions. Of the total low income housing tax credits allocated to the Partnership, 99.99% shall be purchased by the RJTCF Fund (\$15,182,010 to the Fund).

This interest shall not expire prior to the assumed closing date which shall be agreed upon by the parties, shall be subject to RJTCF's satisfactory completion of its normal due diligence, and shall also be subject to the approval by the Investment Committee of RJTCF of the terms and conditions of the investment in its sole discretion based on then current market conditions, including availability of investment funds and pricing for tax credits.

For more than 25 years Raymond James Tax Credit Funds and our affiliates have been involved with the development of affordable housing. We have provided equity for nearly 1,300 tax credit properties nationwide. We look forward to working with you.

Sincerely,



Darryl J Seavey
Vice President - Director of Acquisitions

Acknowledged and Accepted:

By: General Partner

Date

Raymond James Tax Credit Funds, Inc.
A Subsidiary of Raymond James Financial, Inc.

80 Cannon Placeway • St. Peterburg, FL 33716
800.428.3008 • Fax: 781.345.1148
Visit our Website at www.RJTCF.com

Appendix 4: Certifications

Neighborhood Stabilization Program 2

State and Unit of Local Government Certifications

The City of New York Department of Housing Preservation and Development (HPD) submits the following certifications:

1. Affirmatively furthering fair housing. The applicant certifies that it will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.
2. Anti-displacement and relocation plan. The applicant certifies that it has in effect and is following a residential anti-displacement and relocation assistance plan.
3. Anti-lobbying. The applicant must submit a certification with regard to compliance with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.
4. Authority of applicant. The applicant certifies that it possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.
5. Acquisition and relocation. The applicant certifies that it will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the notice for the NSP2 program published by HUD.
6. Section 3. The applicant certifies that it will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.
7. Citizen participation. The applicant certifies that it is carrying out citizen participation in accordance with NSP2 requirements.
8. Use of funds. The jurisdiction certifies that it will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008, as modified by the American Reinvestment and Recovery Act by spending 50 percent of its grant funds within 2 years, and spending 100 percent within 3 years, of receipt of the grant.
9. The applicant certifies:
 - a. that all of the NSP2 funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income; and
 - b. The applicant will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any

fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

10. Excessive force. The applicant, if an applicable governmental entity, certifies that it has adopted and is enforcing:
a. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in nonviolent civil rights demonstrations; and
b. A policy of enforcing applicable state and local laws against physically barring entrance to, or exit from, a facility or location that is the subject of such nonviolent civil rights demonstrations within its jurisdiction.

11. Compliance with anti-discrimination laws. The applicant certifies that the NSP grant will be conducted and administered in conformity with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

12. Compliance with lead-based paint procedures. The applicant certifies that its activities concerning lead-based paint will comply with the requirements of 24 CFR part 35, subparts A, B, J, K, and R.

13. Compliance with laws. The applicant certifies that it will comply with applicable laws.

Rafael Cestero
Rafael Cestero
Authorized Representative

7/15/09
Date

Commissioner
Title

Appendix 5: Public Comment Summary

As required by the NOFA, the following is a summary of citizen comments based on public review of HPD's NSP II application.

A notice for public comments was published in a newspaper of general circulation that covers the target geography. Additionally, HPD sent the application summary to interested stakeholders and partners. The plan was posted on HPD's website:

<http://www.nyc.gov/html/hpd/downloads/pdf/NSPII-HPD-Summary-Proposed-Application.pdf>

The following organizations commented favorably on HPD's application and asked to be included as supporters of the application: Center for New York City Neighborhoods, Restored Homes, Neighborhood Restore, Housing Partnership Development Corporation, Local Initiatives Support Corporation of New York City, Northfield Community LDC, Neighborhood Housing Services of New York City.

COMMENTS PROVIDED BY: Cypress Hills Local Development Corporation

Overall the comments provided by CHLDC were positive and applauded HPD's proposals. However, the following comment addresses concerns relating to specific items in the application:

The number of census tracts in Cypress Hills and East New York (currently at 3) needs to be increased significantly to address pressing community problems.

City Response: The census tracts in the application were selected by taking the HUD eligible census tracts and overlaying them with the map of where foreclosure auctions were occurring to determine where there is a supply of NSP II eligible sites that could best utilize the funds. Other census tracts were added where we know there were stalled sites or other compelling reasons to target funds.

COMMENTS PROVIDED BY: The Center for New York City Neighborhoods

CNYCN commented: on the bottom of page 2, the sentence doesn't end.... "All of these buildings are located..."

City Response: HPD has amended this language.

The *Center* also asked for clarification on how the application's request for \$22,000,000 relates to Mayor Bloomberg's announcement of the \$20,000,000 Housing Asset Renewal Program (HARP).

City Response: HPD is committing \$2,000,000 of city funds from the \$20,000,000 to funds stalled sites citywide. The \$2,000,000 is earmarked to complete project located within the NSP II targeted areas that respond to the citywide Notice of Funding Availability of city funds.

Appendix 6: Definitions

Blighted structure: "Blighted structure" or "blight" is not actually defined in the context of state or local law. However, "substandard or insanitary area" is defined in General Municipal Law Section 502.4 (GML Article 15, the Urban Renewal Law) as equivalent to a blighted area as follows: The term "substandard or insanitary area" shall mean and be interchangeable with a slum, blighted, deteriorated or deteriorating area, or an area which has a blighting influence on the surrounding area...

Affordable rents: For rental units, "affordable rents" are defined for NSP funded projects as rents (not including utilities) that do not exceed 30% of the prescribed income maximum, which will range from 30% of AMI to 120% of AMI. For homeownership units, "homeownership affordability" is defined for NSP funded projects as mortgage principal, mortgage interest, taxes, insurance and utilities that do not exceed 40% of the prescribed income maximum, which will range from 81% of AMI to 120% of AMI.

Rehabilitation Standards:

HUD Requirement: (4) Describe housing rehabilitation standards that will apply to NSP assisted activities.

Draft housing rehabilitation standards are provided in the appendix. Standards are currently being adapted for this program to comply with applicable laws, codes, and other requirements relating to housing safety, quality, and habitability. Revisions to the following attached will ensure construction standards emphasize repairing versus replacing where possible. All NSP2 housing construction must meet the accessibility standards at 24 CFR part 8, and will encourage scopes that boost energy efficiency and incorporate cost effective green improvements where applicable. Because of the diverse nature of the NSP II proposals the rehabilitees standards differ from one another are broken out by category.

1. The standards for the PPR program are as follows:

The intent of City assisted rehabilitation loan programs for 1-4 family homes is to provide financing to homeowners to correct major housing deficiencies to provide families with safe, code-compliant homes.

Green elements may be a component of the rehabilitation scope. All homes will be required to undergo an energy audit to determine the energy retrofit measures that can be incorporated into the scope of work given other work needed. Rehabilitation scope should aim to meet these standards to the extent applicable to the rehabilitation work undertaken, e.g., replace older obsolete products and appliances (such as windows, doors, lighting, hot water heaters, furnaces, boilers, air conditioning units, refrigerators, clothes washers and dishwashers) with Energy Star-labeled products. Water conserving toilets, showers, and faucets, such as those with the WaterSense label, must be installed.

Conditions which result in eligible repairs or replacement are as follows:

A. Exterior:

Foundation unsound, signs of instability.

Porches or railings broken, bowed or unsafe.

Existing vinyl or aluminum siding worn, broken, missing elements or leaking.

Wood or masonry exterior in disrepair.

Include insulation

B. Roofing:

Roof leaking or open to elements.

either of roof (if a flat roof) or in attic (if a pitched roof).

Rain leaders and gutters defective causing water to enter premises.

Cornice defective and in danger of falling.

Parapet walls leaning or bulging, in danger of falling

Efficient insulation must be installed when a roof is replaced

Roof surfacing must be Energy Star compliant and high-emissive, integrating best stormwater management practices when feasible

C. Glazing:

Windows and skylights broken and missing, permitting the elements to enter premises.

Windows not operable or able to be locked.

Windows must be Energy-Star labeled double-paned, low-e argon filled

D. Egress:

Doors and/or bulkheads broken and not secure.

Stoop or stairs at entrance broken and causing hazard.

Fire escapes defective.

Exterior doors should include storm doors with weatherstripping

E. Plumbing:

Pipes leaking.

Bathroom fixtures or kitchen sink broken, leaking or defective.

No running water in building.

Hot water heater defective.

Sewage accumulation.

House sewer or water main broken or obstructed.

Soil lines obstructed.

Piping requiring insulation

F. Central Heating System:

Boiler defective, inoperative or missing.

Gas burner defective and inoperative.

Oil tank leaking.

Heating system performing at steady-state of less than 80% efficiency

H. Electrical:

Electricity not provided for entire building or visibly hazardous electrical defects.

Water leakage affecting electrical fixtures, creating fire hazard.
Required electric space heater defective, which constitutes a fire hazard.
Electrical system or wiring not up to current code requirements.
Lighting not energy efficient.

G. Interiors:

Plastering loose, bulging or drywall in unkempt condition.
Peeling paint on walls, other surfaces.
Floors damaged, uneven, broken tiles.
Kitchen cabinets inadequate, defective.
New materials used will promote indoor air quality with low- to no-VOC and formaldehyde-free requirements.
Preference will be given to materials that are locally manufactured.

I. Other Hazardous Conditions:

Creating an unsafe condition such as

2. The standards for the Mixed Use Housing Assistance are as follows:

There is no rehabilitation work associated with the Mixed Use Housing Assistance component of the NSP II proposal

1. The standards for the Stalled Site Program are as follows:

Any project applying for funding through NSP and the NYC HARP program must meet HPDs criteria for habitability and code compliance. Projects funded through NSP II funds, with remaining construction work will have to incorporate the applicable Enterprise green community standards if completing scope items that qualify (ie are completing two building systems etc)

2. The standards for the Vacant Sites Development are as follows:

All vacant buildings and sites funded through NSP II will meet the accessibility and green standards of Enterprise Green Communities.

➤ The rehabilitation standards for substantial rehabilitation can be found here:
<http://www.nyc.gov/html/hpd/downloads/pdf/rehab-guidelines.pdf>

➤ The high efficiency specification standards for substantial rehabilitation can be found here:
<http://www.nyc.gov/html/hpd/downloads/pdf/high-efficiency--specbinder.pdf>

➤ The new construction design standards can be found here
<http://www.nyc.gov/html/hpd/downloads/pdf/new-constr-guidelines.pdf>

➤ The Supportive Housing Construction guidelines can be found here
<http://www.nyc.gov/html/hpd/downloads/pdf/sro-constr-guidelines.pdf>



GREENDEPOT

REBUILDING

Arden Sokolow
Distressed Asset Financing Programs
NYC HPD

Dear Arden,

Founded in Brooklyn, New York, Green Depot is the #1 one-stop shop for green building and living product solutions. We are poised to serve large scale commercial construction products as well as the everyday homeowner. Our mission is to make green building and living solutions accessible, affordable and gratifying for everyone. Green Depot strives to be a change agent in the building and residential marketplace.

Through our nine locations and the greendepot.com ecommerce site, Green Depot offers over 10,000 products ranging from sustainable structural materials to non-toxic finishes & cleaners, to "retrofit" products that address energy and water efficiency as well as healthy indoor air quality. At Green Depot, we believe that when the consumers are informed, they are empowered to make the best purchasing decisions. That is why we developed and apply our proprietary Green Depot "filter" and icon coding system to all the products we offer. Our "Flip it Green" service works one-on-one with clients to help them convert current "blueprints" into greener specifications.

As you know, Green Depot is very enthusiastic about cooperating with HPD on its NSP2 activities. We are uniquely poised to serve homebuyers who have an interest in "greening" their homes with our broad product assortment and our experience. Green Depot is prepared to offer participants in HPD's NSP2 a 5% discount on merchandise and materials, and a 10% discount on locally manufactured lines including IVY Coatings and Green Depot's Cleaning Formulas. Green Depot's "Flip it Green" hour-long consultation will be offered at a 10% discount and will be redeemable for product.

The team at Green Depot looks forward to developing a custom program for HPD's NSP2 so that Green Depot can assist purchasers of NSP2-funded housing in creating healthy, efficient and happy sustainable home environments for themselves and their families.

Best Regards,

Sarah H. Beatty, LEED AP

President & Founder, Green Depot



1 IVY HILL ROAD, BKLYN, NY 11211

TEL: 718.784.1141
FAX: 718.784.1142



THE NEW YORK OBSERVER

City Launching Plan to Turn Unfinished Condos Into Subsidized Housing

By **Eliot Brown**

July 9, 2009 | 7:51 a.m.

Will the dangling of city money be enough to get stalled condo projects moving again?

Perhaps.

The city is launching a \$20 million initiative to restart stalled condo projects, turning some of the unfinished developments into below-market-rate housing. Details are still hazy, but Council Speaker Christine Quinn and the commissioner of the Department of Housing Preservation and Development, Rafael Cestero, said Wednesday that the city would solicit proposals from developers and lenders by the end of July.

The target is 400 units, meaning that the average subsidy of the apartments—which are designed to be for moderate- and middle-income families—would be about \$50,000, well below the typical level usually doled out for new subsidized housing construction in the city. (It should be noted that this initiative, a pilot program, is smaller than previously imagined. Ms. Quinn said in February the program would “add thousands of new affordable homes.”)

Scores of condo sites in the city have stalled amid the economic crisis, and the concept in the plan is to find a way to offer enough incentive to restart them. The developer would commit to leaving a number of its units as affordable for moderate- and middle-income families; in return, the developer gets the subsidy and is also promised a buyer or a rent stream (unlike luxury condos, there is still demand for subsidized housing).

Ms. Quinn, who created the concept and is funding half of it through the Council's capital projects money, also said that the plan would allow developers of properties that are finished and filled with unsold condos to take advantage of the plan. She said the developers would sell their units at a lower-than-market price.

However, Mr. Cestero, who will be administering the plan, said he did "not expect" the money to be used for anything but restarting stalled construction sites.

As seems common in government these days, the plan can be seen as something of a bailout to lenders and developers who were hit especially hard by the economic crisis, albeit one that creates new subsidized housing efficiently. The bailout stigma seems like it would apply less in the case of subsidizing the stalled condos than of the unsold-but-completed condos, as the former would catalyze the creation of new units in the city, as opposed to simply subsidizing the purchase of a completed condo.

The plan is innovative, to be sure, though its success will depend on what offers developers and lenders make to the city. Mr. Cestero said that in terms of the stalled condo projects, HPD would evaluate the proposals when they come in, and award the money at its discretion based on the proposals.

"If we don't believe that our subsidy makes a difference between, one, starting construction on a site, and, two, gaining affordability, we're not going to fund it," he said.

ebrown@observer.com

DAILY NEWS |

NYC schoolteacher's divorce spurred her to save, buy her own place

BY LORE CRODHAN
DAILY NEWS BUSINESS WRITER

In Kingston, Jamaica where Joan Smith was born, it seems like everybody owns a house. But in Brooklyn where she now lives, she only got serious about buying one after she split with her husband.

Becoming a homeowner was a way to make a new life for herself after her divorce and do something good for her four children.

"It was showing I moved on," said Smith, 37, a social studies teacher at James Madison High School in Midwood. "I can help myself."

Smith came to the U.S. at age 21 with a scholarship from New York Institute of Technology.

While she was married, she and her husband lived in an apartment in a Brooklyn building that belonged to his family. When they separated nine years ago, she moved to a big one-bedroom rental in Brownsville for herself and the kids.

While the children were very young, Smith earned a living by running a day care center at home, taking in about \$70,000 a year.

But she aspired to a different career.

When the kids got older, she got a master's degree at Brooklyn College, then landed her teaching job. She paid cash for her schooling to avoid piling on debt.

She lived frugally and socked away savings in a money-market account she'd later tap for a down payment.

Two years ago, she applied to several affordable housing lotteries. She got the idea from a homebuyers' seminar advertised in the teachers union's newspaper.

But her name wasn't drawn in any of the lotteries.

She searched the market for houses, checking Brooklyn listings, but her price range was \$350,000 to \$375,000, and everything seemed too expensive.

She went househunting on Long Island, and almost signed a contract for a house in Uniondale, where two sisters live. But at an educational seminar at Princeton University, she met another teacher who'd won a Brooklyn housing lottery.

"Don't give up," the other teacher advised.

So she tried a lottery for 11 houses being built on vacant lots in Brooklyn. There were 2,000 applicants. But this time, she was one of the winners.

The rowhouse she qualified to buy was in Ocean Hill off Mother Gaston Blvd. The property had been foreclosed on by the city for unpaid taxes in 1982.

The winning homebuyer's annual income could not exceed \$65,760. Smith now makes about \$51,000 a year as a teacher, and gets enough child support from her ex-husband to cover the grocery bills.

After she took homebuyer classes at nonprofits Cypress Hills Local Development Corp. and Pratt Area Community Council, the city Department of Housing Preservation and Development gave her a \$38,000 grant.

She used it for closing costs and paid the \$18,500 down payment with savings from her money market account.

The unsubsidized price of her house was \$637,000. Smith paid \$370,000, and signed a forgivable mortgage from the city for nearly \$265,000, which she won't have to repay if she lives in the house for 20 years.

Letter applications were due in August 2008, but the house wasn't ready for occupancy until this year.

The wait seemed endless.

"I must have driven by the house 100 times," she recalled. The kids said, "How many times are you going to do this?"

January was a big month for Smith. It started with her being sworn in as an American citizen and ended with her closing on her home.

She moved her family into their new place right away.

"I didn't want to pay another month's rent," she said.

They live in the first two floors of the house, which has four bedrooms. There's a two-bedroom rental unit on the third floor.

Because the house is bigger than their old apartment, there's room for Smith's mother, Olive Duff, 62, to live with them. Duff helps look after Smith's kids - her son, Adonijah, 13, and daughters Azarel, 12, Genesis, 11, and Rhesa, 9.

With so much space, and a backyard, Smith let the kids get a dog from a North Shore Animal League's Mobile Adoption Center van, which makes stops in Brooklyn. They named the yellow Lab mix they picked out Kremé.

Smith's favorite place in the house is the living room, which has space for a television with a 72-inch screen.

"I've always wanted to have my TV really, really big," she said.

She has a 30-year, fixed-rate mortgage from HSBC at 6% with a monthly payment of \$2,200.

Half of that is covered by the \$1,100 rent from the third-floor apartment. Her tenant is a friend of her brother's, who lives nearby. The tenant moved in last month - just in time to help offset her first mortgage payment.

Smith has set up a savings account specifically for the half of the mortgage payment she has to cover. It's \$250 more a month than the \$850 rent she paid in Brownsville.

But she has a plan for handling the added expense. She's always been strict about making and following a household budget.

"I'm tightening up a little bit," she said.

lcrogan@nydailynews.com