THE NSP SUBSTANTIAL AMENDMENT

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Executive Summary

This document is a substantial amendment to the New York State Consolidated Plan for 2006 to 2010 and the subsequent Action Plan for Program Year 2008 submitted by the State of New York (the "Amendment"). Included herein is the expected distribution and use of New York State's direct allocation of funds received through the U.S. Department of Housing and Urban Development's ("HUD") recently announced Neighborhood Stabilization Program ("NSP"). NSP is being provided through HUD's Community Development Block Grant ("CDBG") Program as authorized by the U.S. Housing and Economic Recovery Act of 2008 ("HERA"). NSP was established by HUD to provide emergency assistance to state and local governments to assist in the redevelopment of foreclosed and abandoned properties that might otherwise become sources of blight within their communities and to respond to declining home values.

In total, New York State received allocations of $100.3 million, of which $54.5 million was allocated directly to the State (the "Direct NSP Allocation"). The remainder was distributed by HUD directly to the six CDBG entitlement jurisdictions hardest hit by the foreclosure crisis in New York State. Direct NSP awards were made by HUD to: New York City, Nassau County, Suffolk County, the Town of Babylon, the Town of Islip, and Orange County (each, a "Direct Entitlement Jurisdiction").

The State of New York Housing Finance Agency ("HFA") will implement New York State's Direct NSP Allocation, and will work in cooperation with the New York State Division of Housing and Community Renewal, the agency responsible for the State's Consolidated Plan and the administration of New York State's regular CDBG Program. New York State will also work in conjunction with the State of New York Mortgage Agency and the New York State Affordable Housing Corporation to facilitate the most efficient implementation of the New York State's Neighborhood Stabilization Program.

According to HUD, priority in allocating the NSP funds shall be made to areas of greatest need and to projects that will have a meaningful impact on their communities. HUD thereby requires that NSP funds be targeted to areas of greatest need within New York State and be obligated to specific projects within 18 months. As more fully described herein and in response to HUD's requirements, HFA intends to issue a Request for Proposals ("RFP") that will allocate in an initial funding round the State's Direct NSP Allocation to areas with high Risk Scores (as defined herein), subject to each area's Initial Funding Round Cap (as defined herein).

A. Areas of Greatest Need

Statutory and Regulatory Background

In response to the recent foreclosure crisis and declining home values, Section 2301 of HERA provides $3.92 billion to state and local governments (as such terms are defined in section 102 of the Housing and Community Development Act of 1974 (42 U.S.C. 5302)) for emergency assistance with redeveloping abandoned and foreclosed homes under NSP.

The HERA statute (2301 (C)(2)) directs state and local governments to invest these funds as a matter of priority in "areas of greatest need", which are defined by three major determinants:

1) the greatest percentage of home foreclosures;
2) the highest percentage of homes financed by a subprime mortgage related loan; and
3) most likely to face a significant rise in the rate of home foreclosures.

In accordance with federal law and the rules and regulations of HUD, New York State must prepare a Consolidated Plan ("ConPlan") in order to receive federal funding for certain affordable housing and community development activities. As part of the New York State ConPlan for Federal Fiscal Years, 2006-2010, New York State conducted an extensive analysis of housing needs based on data from the 2000 Census, providing analysis by income category and household type to guide funding decisions for housing. In addition, each local jurisdiction has provided HUD with consolidated plans for their area detailing need. However, since the completion of the New York State ConPlan and subsequent amendments, widespread foreclosure problems have plagued communities across the State and nation. HERA requires an NSP substantial amendment to the ConPlan to assess the greatest need for emergency assistance to respond to the foreclosure crisis.

New York State has been very careful in drafting a coordinated response to the foreclosure crisis. First, New York State's Governor and Executive Chamber convened an interagency task force to Halt Abusive Lending Transactions (the "HALT Task Force") in July 2007, comprised of all state agencies that relate to the housing and mortgage markets. New York State's response to the foreclosure crisis has included each of the following: legislative action to help existing borrowers and prevent unnecessary foreclosures; expanding the state's anti-predatory lending laws; state funding for home counseling and legal services; outreach and education campaigns; and a state refinancing loan program. This multi-faceted approach is necessitated because of the complexity of the housing crisis impacting New York State. For example, many of the upstate cities and adjoining first ring suburbs have long-standing foreclosed and abandoned property issues that relate to loss of population and jobs in addition to sub-prime lending practices. Many of the foreclosure problems in the downstate communities (New York City, Long Island, Westchester, and the lower Hudson Valley) are related to high housing costs and low affordability combined with rapidly escalating interest rates and loan costs of subprime lending. The State's Neighborhood Stabilization Program must allow for local responses to these varying conditions.

Although foreclosure problems are significant and growing in New York State, the State is not among the top 10 states in terms of percentage of subprime lending or foreclosures. Part of the reason foreclosure statistics lag in New York State is due to the strict and lengthy process for foreclosures designed to provide adequate protection to homeowners. Therefore, the State's Neighborhood Stabilization Program must look prospectively at where the greatest risks of foreclosure exist.

Methodology and Needs Assessment

In conducting its needs assessment, New York State has recognized HUD's substantial effort and thoughtful analysis of need and has relied on two of their data sets, in addition to the State's own research, in order to focus efforts on areas of greatest need.

In addition to the data analysis identified in more detail below, HFA conducted three public input sessions with HUD officials, local governments, State agency partners and non-profit housing providers. These sessions were not a mandated part of HUD's requirements, but rather were designed to inform the State's approach to this Amendment. In addition, HFA solicited non-binding indications of interest in NSP funding from localities and non-profits (the "Indications of Interest") to further shape this Amendment, and received close to 50 proposals for use of NSP funds. These proposals, together with the analysis of the areas of the greatest need, have informed the development of this Amendment, in particular our response to Section G herein.

Data

The State will rely on two of HUD's data sets, as well as information from the Governor's HALT Task Force, to target the State's Direct NSP Allocation to areas of greatest need and to projects that will have a meaningful impact in their communities.

First, the State will rely on HUD's Estimated Foreclosure Abandonment Risk Score (the "Risk Score") in order to prioritize and allocate the State's Direct NSP Allocation. The Risk Score measures the estimated foreclosure and abandonment risk of every census tract block group in the State. This score is scaled from 0 to 10, with 10 being the highest or greatest risk. The Risk Scores were developed by HUD to assist grantees in targeting the areas of greatest need within their jurisdictions. Specifically, subject to the Initial Funding Round Cap described below, the State will restrict its initial allocation of its Direct NSP Allocation to zip codes having at least one census tract block group with a Risk Score of 8 or greater.

The Risk Score was calculated by HUD by examination of the following sources:

1. Office of Federal Housing Enterprise Oversight ("OFHEO") data on decline in home values as of June 2008 compared to peak home value since 2000 at the Metropolitan/Micropolitan/Non-Metropolitan level.

2. Federal Reserve Home Mortgage Disclosure Act ("HMDA") data on percent of all loans made between 2004 and 2006 that are high cost at the Census Tract Level.

3. Labor Department data on unemployment rates in places and counties as of June 2008.

4. United States Postal Service ("USPS") data on residential addresses identified as being vacant for 90 days or longer as of June 2008 at the Census Tract level.

Second, the State will rely on HUD's data sets used as part of HUD's allocation formula for NSP funds (the allocations made to CDBG entitlement jurisdictions using such formula are hereby referred to as the "HUD NSP Allocations"). Specifically, this analysis will be used for two purposes in the State's initial funding round with respect to the Project Fund allocation (Project Fund is defined on p. 8):

1. To establish a threshold requirement of at least $1,000,000 in total neighborhood stabilization projects in an area of greatest need within each county, including both NSP funds and leveraged resources.

2. The total for each county under the HUD NSP Allocations will serve as the maximum of the State's Direct NSP Allocation that can be allocated to projects applying to the Project Fund, in the aggregate, to such county (accounting for all the CDBG Entitlement Jurisdictions within such county), which is referred to herein as the Initial Funding Round Cap.

The State's process is described in more detail in Section B herein.

In making its HUD NSP Allocations, HUD used the following sources:

1. the Mortgage Bankers Association (the "MBA") National Delinquency Survey data on the rate of foreclosure starts in 2007 and 2008 as well as current rates of subprime loans and loans in default or delinquency at the state-wide level;

2. Federal Reserve's HMDA data on owner-occupied and investor mortgages made between 2004 and 2006, as well as the percent of those loans that are high-cost;

3. vacancy data from the USPS to determine areas where abandonment of homes due to foreclosure is more likely;

4. public data from OFHEO to measure home price declines; and

5. Labor Department data on the rate of unemployment at the city and county level as a predictor of future foreclosures and abandonment.

A description of HUD's allocation formula can be found in HUD's "Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative Requirements for Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes Grantees under the Housing and Economic Recovery Act, 2008 (Docket No. FR-5255-N-01)."

Lastly, in addition to the foregoing HUD data sets, the State, through the Governor's HALT Task Force, has done significant research into areas of the state where the subprime lending and foreclosure rates are highest.

Looking to augment HMDA data, the HALT Task Force was able to obtain much of the needed information through expanded access to three additional sources of mortgage data:

1. the RealtyTrac foreclosure database;

2. the LoanPerformance database. While the purchase of this dataset was extremely cost prohibitive, the Federal Reserve did for a time to post a summary of this data on its website for public use. This posting has since stopped.; and

3. the Volume of Operation Reports (VOOR). The New York State Banking Department also collects annual business volume reports from licensed mortgage bankers and brokers. The

HALT Task Force worked with the Banking Department's Mortgage Banking Division to revise the VOOR template to collect additional data on loan products and reset dates.

NEW YORK STATE FORECLOSURE ANALYSIS

Mortgage Market Overview

According to the MBA's National Delinquency Survey, there are over 2 million mortgages outstanding in New York State, of which more than 280,000 or 13.7% are subprime. Subprime loans were identified based on the lenders' self-reporting in the survey response. The subprime share for New York State is in line with the national composition of the market.

Delinquencies

The following chart highlights the number and percent of loans seriously delinquent, at 90 or more days past due, at the end of 2007. National figures are provided for comparison. Subprime is defined based on lender self-identification in the MBA survey.

	All Loans 90+ days past due		**Prime 90+ days past due**		**Subprime 90+ days past due**	
	#	%	#	%	#	%
New York State	61,978	3.02	19,531	1.20	35,292	12.57
US	1,664,760	3.62	598,945	1.67	844,597	14.44

Data from the Mortgage Bankers Association National Delinquency Survey 4th Quarter 2007

The most recent MBA survey shows further increases in the serious delinquencies during 2008.

	All Loans 90+ days past due	**Prime 90+ days past due**	**Subprime 90+ days past due**
	%	%	%
New York State	3.63	1.53	16.51
US	4.50	2.35	17.85

Data from the Mortgage Bankers Association National Delinquency Survey 2nd Quarter 2008

The HALT Task Force probed these results for the subprime category, and found that adjustable rate mortgages ("ARMs") were the primary driver of delinquency. Indeed, subprime ARMs in New York State are seriously delinquent at a rate that exceeds the national average.

	Subprime-Fixed 90+ days past due		**Subprime-ARMs 90+ days past due**	
	#	%	#	%
New York State	13,993	7.56	21,387	22.17
US	226,493	8.18	577,282	20.43

Data from the Mortgage Bankers Association National Delinquency Survey 4th Quarter 2007

Foreclosures- Summary for Year-End 2007

The RealtyTrac dataset provides a window on state foreclosure trends as it attempts to capture every foreclosure filing. The first chart below from RealtyTrac indicates that there were over 57,000 filings in 2007, on almost 39,000 properties; that translates into 1 in every 200 homes in New York State in the foreclosure process. This represents only a 10% increase from 2006, but a sharp increase of almost 55% since 2005.

	Total Foreclosure Filings 2007	% Change from 2006	% Change from 2005	Total Properties with Filings	% Household Foreclosures
New York State	57,350	10.19	54.72	38,688	0.493
US	2,203,295	74.99	148.83	1,285.873	1.033

Data from RealtyTrac, 12-31-07, US Census

Foreclosures- Summary for First Quarter 2008

Since the end of 2007, the rate of foreclosures continues to rise, with results for the first quarter of 2008 showing a 14% increase over the prior quarter. While this compares favorably to the national trend which shows a 23% increase over the same period, areas of the state are being disproportionately affected.

The chart below, based on data from RealtyTrac, identifies the top ten counties with the highest number of foreclosure filings for the first quarter of 2008:

New York State Foreclosure Snapshot: 1Q 2008 Based on RealtyTrac

	Lis Pendens	Notice of Sale	Real Estate Owned	Total	Percent of Filings	% Change vs. First Quarter 2007
Queens	2,110	358	215	2,683	19.2%	83.3%
Suffolk	1,865	89	125	2,079	14.8%	2.2%
Brooklyn	1,603	168	61	1,832	13.1%	66.5%
Nassau	1,082	44	150	1,276	9.1%	33.6%
Monroe	665	12	138	815	5.8%	-3.7%
Westchester	619	65	50	734	5.2%	72.7%
Staten Island	536	157	36	729	5.2%	110.1%
Bronx	534	107	35	676	4.8%	62.9%
Erie	5	330	86	421	3.0%	8.5%
Albany	186	61	74	321	2.3%	401.6%
Subtotal	9,205	1,391	970	11,566	82.6%	43.9%
Other 52counties *	947	755	734	2,436	17.4%	70.9%
Total	10,152	2,146	1,704	14,002	100.0%	48.0%

Data from RealtyTrac as of 3-31-08

The RealtyTrac data from first quarter 2008 for REOs was checked against the findings based on First American Loan Performance Data for the same period. That data showed similar results to RealtyTrac, summarized as follows:

1. A total of 2,661 REOs were recorded throughout New York State as of 1Q 2008 according to First American Loan Performance data – 2,352 among sub-prime loans and 309 that were Alt-A loans.

2. The top ten counties with the largest number of REOs were focused in New York City, Long Island and the Hudson Valley regions, with Erie and Monroe counties also included.

3. Among sub-prime loans, fourteen zip codes in five counties had 20 or more REOs. These zip codes were concentrated heavily in Queens and Nassau counties. Orange, Suffolk and Westchester counties were also among this group.

4. These same fourteen zip codes accounted for 366 or 15.6 percent of the total REOs in New York State.

5. Among all counties statewide, Queens, Suffolk and Nassau ranked as the top three in total REO's. Together, these three counties accounted for 963 or nearly 41.0 percent of the State's total.

Conclusion

As demonstrated above, New York State undertook an analysis of three data sets in order to identify the areas of greatest need and prioritize the use of funds within those areas of greatest need. This is consistent with HERA's mandate and sound housing policy. All three analyses pointed to similar conclusions: the subprime lending crisis and recent foreclosures are most heavily concentrated in New York City, Long Island, and the lower Hudson Valley. At the same time, key upstate cities suffer from many vacant and abandoned homes and not insubstantial rates of subprime lending. Both in upstate cities as well as the downstate NYC metropolitan area, New York State recognizes that NSP funding must be concentrated in the areas of greatest need in order to make a significant impact in stabilizing neighborhoods affected by the subprime crisis and to prevent future foreclosures and abandonment.

B. DISTRIBUTION AND USES OF FUNDS

New York State will use an RFP process to solicit local governments, nonprofits, and other providers to implement projects on a local level. The State's determination of areas greatest need will take in consideration the factors required by HERA as detailed in Section A and will rely on the Risk Score developed by HUD. In the initial funding round of scoring, the State will rely on HUD's determination of area of greatest need rather than undertaking an alternative analysis for this Amendment. This decision was made based on the following reasons:

- given the emergency nature of the assistance, and the short time frame permitted to publish and prepare this Amendment (i.e., HUD notice issued on September 29, 2008, plan amendments required to be published for public comment by November 15, 2008, and submission of plan required by December 1, 2008);
- the HUD requirement to obligate NSP funds within 18 months of HUD's approval of this Amendment;
- HERA's clear objective for NSP funds, which differ in material respects from regular CDBG funds;
- the State's desire to promote quick implementation of projects to respond to foreclosures destabilizing neighborhoods and declining home values; and
- the high level of interest received by the State in its Indication of Interest, which far exceed the State's Direct NSP Allocation.

Therefore, under the initial funding round, only projects in zip codes that contain at least one census tract block group with a Risk Score of 8, 9 or 10 will be considered. Eligible census tracts and zip codes can be viewed on the following link http://www.policymap.com/map.

Allocation of NSP Funds to Set-Asides and Projects

The chart below summarizes New York State's initial allocation set-asides of the State's Direct NSP Allocation. Funds will be available pursuant to an RFP process and in accordance and compliance with the requirements of Section 2301(c)(2) of HERA.

Distribution of State NSP Funds	Amount	Percentage
Administration Set-Aside	*$5,455,646*	*10%*
Low-Income Set-Aside	*$13,639,116*	*25%*
Project Fund	*$35,461,702*	*65%*
Total	**$54,556,464**	**100.00%**

Project Fund: Funding Priority and Caps for Initial Funding Round

The project fund (the "Project Fund") will consist of all of the State's Direct NSP Allocation, net of 10% of the funds for administrative expenses (the "Administrative Set-Aside"), and 25% for projects that will house individuals or families whose incomes do not exceed 50% of area median income (the "Low-Income Set-Aside").

As discussed in Section A, in order to focus the State's Direct NSP Allocation on areas of greatest need, and to produce a significant impact, the State has established a threshold requirement of at least $1,000,000 in total neighborhood stabilization projects within an area of greatest need in each county, including both NSP funds and leveraged resources for applications to the Project Fund.

HFA used HUD data to determine the maximum amount of NSP funds for projects, in the aggregate, in any county (accounting for all the CDBG Entitlement Jurisdictions within the county) during the initial funding round. The Initial Funding Round Caps will apply only to the initial RFP funding round for the Project Fund. In addition, projects must be within zip codes that contain at least one census tract block group with a Risk Score of 8, 9, or 10 in the initial funding round.

HUD NSP Allocations and NSP funding caps for the initial funding round (the "Initial Funding Round Caps") are set forth below:

COUNTY	INITIAL FUNDING ROUND CAPS *
ALBANY	$1,128,350
BROOME	$617,122
DELAWARE	$661,608
DUTCHESS	$2,147,246
ERIE	$3,804,344
MONROE	$3,357,581
NASSAU	$1,697,577
NIAGARA	$363,414
ONEIDA	$555,962
ONONDAGA	$1,741,196
ORANGE	$1,056,886
RENSSELAER	$522,158
ROCKLAND	$1,260,206
SCHENECTADY	$935,147

SUFFOLK	$3,529,949
WESTCHESTER	$4,555,214
NEW YORK CITY	$5,301,213
OTHER COUNTIES	$250,000 per county

* Based on HUD's allocation formula described in HUD's Notice of Allocations described in Docket No. FR-5255-N-01.

Low Income Set-Aside

The State will establish a Low Income Set-Aside in an amount equal to 25% of the State's total allocation ($13,639,116) for permanent housing units serving households less than 50% of area median income. Any applicant in any jurisdiction with qualified units located in areas within zip codes that contain at least one census tract block group with a Risk Score of 8, 9 or 10 may apply for these funds. NSP Funding caps set forth in the previous section do not apply to the Low Income Set-Aside portion.

Administrative Funds Set-Aside

The distribution plan will assume 10% ($5,455,646) will be allocated to program administration costs and will establish an Administrative Funds Set-Aside. These funds will be used for administrative costs eligible under 24 CFR 570.206 by the State and by any localities or nonprofit subrecipients that receive sub-allocations, if any. Local governments and nonprofit receiving a sub-allocation from the Project fund would be eligible for up to 6% of any sub-allocation amount for administration of local NSP programs. It should be noted that local project awards from the State will only be allowed reasonable developer fees and no administration costs when the State retains ongoing oversight of the project. Any Administrative Set-Aside funds deemed by the State to be in excess of the amount necessary to provide project administration and oversight in compliance with Section 2301 (c) (2) of HERA will be made available for project awards.

Direct Entitlement Jurisdictions

The State will accept applications from Direct Entitlement Jurisdictions or entities within these jurisdictions for specific projects determined to be consistent with the NSP Annual Plan amendment of that Direct Entitlement Jurisdiction, and subject to the Initial Funding Round Cap.

Competitive Application Process

Based on the response to the Indications of Interest received in advance of this Amendment and as discussed in Section A, New York State is aware that the demand is strong across the State and requests for NSP funding will likely exceed the amount available. Given the requirement to obligate the State's Direct NSP Allocation to activities within areas of greatest need within 18 months and to expend funds within four years, it is important that the State select projects that can meet all requirements and be implemented within these deadlines.

To accomplish this, the State plans to utilize an RFP process, soliciting proposals for specific projects in areas of greatest need. The State plans to initially limit funding to projects within zip codes that contain at least one census tract block group with a Risk Score of 8 or higher, but will consider expanding the Risk Score criteria for subsequent funding rounds if there aren't sufficient projects in the designated areas of greatest need.

Eligible Applicants

Any of the following entities may apply for the State's Direct NSP Allocation:

- Local governments;
- Nonprofits; and
- For profit entities working in collaboration with either a nonprofit or a local government.

Eligible Uses of NSP Funds

New York State will allow the State's Direct NSP Allocation to be used for the following activities permitted under HERA:

(A) Establish financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties;

(B) Purchase and rehabilitate homes and residential properties abandoned or foreclosed;

(C) Establish land banks for foreclosed homes;

(D) Demolish blighted structures; and

(E) Redevelop demolished or vacant properties.

NSP – Eligible Uses	Correlated Eligible Activities from the CDBG Entitlement Regulations
(A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers	• As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206. • Also, the eligible activities listed below to the extent financing mechanisms are used to carry them out.
(B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties	• 24 CFR 570.201 (a) Acquisition (b) Disposition, (i) Relocation , and (n) Direct homeownership assistance (as modified below); • 570.202 eligible rehabilitation and preservation activities for homes and other residential properties (HUD notes that rehabilitation may include counseling for those seeking to take part in the activity).
(C) Establish land banks for homes that have been foreclosed upon	• 24 CFR 570.201 (a) Acquisition and (b) Disposition.
D) Demolish blighted structures	• 24 CFR 570.201 (d) Clearance for blighted structures only.
(E) Redevelop demolished or vacant Properties	• 24 CFR 570.201 (a) Acquisition, (b) Disposition, (c) Public facilities and improvements, (e) Public services for housing counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties, (i)Relocation, and (n) Direct homeownership assistance (as modified below). • 204 Community based development organizations. As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206.

The State has included all uses permitted by the HERA statute in order to allow for a range of local responses to the varying conditions that exist throughout the State. It is not anticipated that all uses will be approved in all areas of the State. The permitted and approved uses of NSP funds for specific projects will be based on an understanding of the problems and needs in that specific market area.

Correlated CDBG Activities

Additionally, each NSP activity funded must also be CDBG-eligible under 42 U.S.C. 5305 (a) and meet a CDBG national objective. The chart below provides the correlated eligible activity under the CDBG Entitlement Regulations:

Project preferences

Projects will be evaluated and ranked based on the following preferences:

- Projects by applicants with demonstrated capacity to implement within the statutory time frame of four years from the date HFA receives the funds from HUD.
- Projects with a focused strategy for effective neighborhood stabilization, including addressing the factors that make the area vulnerable to future foreclosures.
- Projects that detail how high quality pre-purchase counseling will be provided to new homebuyers, as required by the Notice.
- Projects that leverage the largest portions of additional funding sources. Projects seeking Project Fund awards in counties with HUD NSP Allocations of less than $1 million must provide evidence of additional resources that leverage a total investment of at least $1 million countywide.
- Projects from applicants that will efficiently serve multiple jurisdictions within a local housing market and demonstrate effective cooperation in addressing similar needs in multiple locations. This preference will apply to proposals submitted by county governments and regional efforts to efficiently manage NSP funds for similar projects in local markets. The applicant must demonstrate a strong management role and cost savings in the program delivery, not just conduit funding for multiple locations.
- Projects by applicants with experience administering and delivering the specific activities for which the NSP funds would be used. If significant administrative responsibilities will be assigned to another entity via subcontract, the experience of that entity will be considered as well.
- Projects by applicants with knowledge and experience in the implementation of activities funded through the CDBG Program.
- Projects that serve the lowest possible incomes in a sustainable way.
- Projects that provide sustained affordability by incorporating green building and energy efficiency improvements.
- Projects that achieve the longest possible affordability period, especially those in which the local applicant provides ongoing monitoring.
- Projects that provide supportive housing units.
- Projects that minimize displacement.
- Projects that propose working in collaboration with the National Community Stabilization Trust (NCST) to acquire or coordinate the acquisition of vacant real estate owned (REO) properties from financial institutions.

The State will require applicants to demonstrate readiness and ability to proceed with implementation quickly. The State will also underwrite the projects for market, borrower and project feasibility, and will reserve the right to reject any application on this basis. In addition, Projects must be consistent with the jurisdiction's existing ConPlan, but not a substitution of efforts previously agreed upon with HUD.

Initial Funding Round

- The State will issue a Request for Proposals on or about December 15, 2008, prior to, and in anticipation of, HUD's approval of this Amendment.

- Proposals will be due on or about February 10, 2009. This will allow applicants at least 55 days to develop proposals for the initial funding round.

- The proposal due date is subject to change based upon HUD's approval of this Amendment, and/or changes issued to the Notice or interpretation of the Notice as clarified on the HUD website for this program (see http://www.hud.gov/nsp.) HFA urges potential grantees to be on alert for such changes, which will be posted on the HFA website with other NSP publications and materials.

- The State will competitively award NSP funds for the initial funding round based upon applications from eligible applicants.

- The initial funding round will be available as follows:

    - $13,639,116 for units serving households less than 50% of area median income located in any jurisdiction located within zip codes that include at least one census tract block group with Risk Scores of 8, 9 or 10.
    - $35,461,702 for neighborhood stabilization projects located within zip codes that include at least one census tract block group with Risk Scores of 8, 9 or 10, subject to the Initial Funding Round Cap.

- The State reserves the right to reject any application that does not meet requirements of the statute or HUD Notice, or fails to demonstrate feasibility.

- Further, the State reserves the right to contact individual applicants to submit additional information needed to make a determination.

Award of Additional Funds, Recapture & Subsequent Funding Rounds (if needed)

- The State reserves the right to award all funds in the initial funding round, so subsequent rounds may be implemented only if (1) not all funds are awarded, (2) funds are recaptured or (3) program income is received during program implementation.

- Conversely, the State reserves the right to delay funding a portion of its allocation of NSP funds in order to award additional funding to high performing grantees at a later date. The amount for deferred will be determined based on the quality of applications received in the initial funding round and capacity of applicants to utilize the funds awarded in that round.

- Approximately six months after the initial funding round awards are made, any remaining funds will be made available by application.

- Funds awarded in the initial funding round either under the Low-Income Set-Aside or the Project Fund where an NSP contract has not been executed within six months will be subject to recapture.

- Applicants receiving awards under the initial funding round will be eligible to apply for awards under a subsequent funding round only if they can demonstrate sufficient progress on the implementation of the first NSP award.

- The State reserves the right to remove the county funding caps for any subsequent funding rounds.

- The State reserves the right after the initial funding round to consider areas of greatest need other than those established by the HUD Risk Score, based on documentation provided by applicants.

Project Funding Amounts

The State anticipates that the amount of funds that can be applied for and approved will vary with population and need of the area. As guidance for potential applicants, the State recommends that applicants apply for funding amounts commensurate with:

- Cost of the project;
- Consideration of other applications submitted statewide;
- Need of the jurisdiction (including HUD Risk Score and Initial Funding Round Caps); and
- Capacity to carry out the proposed activities in a timely manner.

Additionally, HFA reserves the right to approve amounts less than requested in proposals and to adjust contracted amounts based upon actual performance and use of funds.

Estimated Uses of NSP Funds

Because the State will use an RFP process to solicit projects, it is not possible to exactly predict or commit to specific allocations of NSP funds to specific eligible uses and eligible areas. However, to better assess and describe the expected use of NSP funds across high need areas in New York State, stakeholders across the State were asked to submit Indications of Interest in NSP funding. Almost fifty responses were received, totaling over $117 million in requests, more than twice the amount of funds available for project awards throughout the State.

Based on the Indications of Interest from potential NSP applicants, the predominant uses of NSP funding in New York State will be for financing mechanisms (Activity A), purchase and rehabilitation of homes and residential properties (Activity B), and redevelopment of demolished or vacant properties (Activity E). Between 80% and 90% of the responses indicated that NSP funding would be used for one or more of these three purposes.

Demolition will be considered if proposed as part of a comprehensive plan for neighborhood revitalization or redevelopment of a site for affordable housing or some other public purpose. Less than

20% of the respondents to the Indications of Interest survey listed demolition as part of their NSP proposal. Properties demolished with NSP funds must be vacant and owned by the jurisdiction or non-profit in which the property is located.

For planning purposes (and based on the Indications of Initial Interest received), the State estimates that:

- Between 10% and 15% of the NSP funds are expected to be used for financing activities. This activity is expected to result in assisting between 125 and 175 housing units.
- Between 60% and 70% of the NSP funds are expected to be used for acquisition/rehab (including pre-purchase counseling as required by the Notice. This activity is expected to result in assisting between 550 and 700 housing units, including between 250 and 300 homeowner opportunities and 300 to 400 rental opportunities.
- Between 10% and 15% of the NSP funds are expected to be used for the redevelopment of demolished or vacant properties. This activity is expected to result in assisting between 75 and 125 housing units.
- Between 5% and 15% of the NSP funds are expected to be used for demolition and land banking. NSP funds are expected to be used to demolish between 100 and 200 vacant structures. The State anticipates that the demolished structures will include units that are low- and moderate-income dwelling units (< 80% of area median income) that cannot be rehabilitated and occupied.
- Between 150 and 200 housing units are expected to be available to households whose income does not exceed 50 percent of area median income through financing, acquisition/rehab, and redevelopment activities.

Actual responses to the RFP may produce a different distribution of resources. As such, the State reserves the right to vary from the above stated projected ranges by 5% to 15% without amendment to the Annual Plan.

Monitoring

To ensure that each recipient of New York State NSP funds operates in compliance with all applicable federal statutes and regulations and according to all deadlines and requirements, HFA will adopt a monitoring strategy that includes both on-site and off-site monitoring to track the progress of each project and compliance with NSP program requirements.

Monitoring activities will include the following:

- Initial assessment of project documentation to determine compliance with the national objective, eligible activity, eligible use and other CDBG and other Federal requirements, including environmental review.
- Draw down requests will be reviewed for eligibility and consistency with the written agreement.
- Quarterly reports will be required from each recipient of funds, which will provide data needed by the State to achieve HUD’s quarterly report requirement.
- Annual field monitoring will be performed during project implementation, including field visits to recipients to review a sample of project files and random inspections of properties assisted to determine compliance.

- Post-occupancy monitoring - Applicants will be required to describe how they will monitor and enforce obligations after project completion, including property transfers and occupancy of rental units, if any.

Performance Measures

HFA will establish performance measures for each recipient of a portion of the State's Direct NSP Allocation, after HUD issues guidance on NSP performance measures. They are expected to include, without limitation, the following:

- Completion – Acquisition within 9 months of receipt of grant funds; occupancy within 21 months of receipt of grant funds.

- Occupancy – Evidence of number of units occupied by below 120% area median income; number of units by below 80% area median income; and number of units occupied by below 50% area median income.

- Affordability period – Evidence of units' years of affordability produced.

- Improvements – Substandard units improved to applicable laws, codes and other requirements relating to housing safety, quality and habitability.

C. Definitions and Descriptions

(1) Blighted Structure

The term blighted structure shall mean a structure that shows signs of deterioration that are sufficient to constitute a threat to human health, safety and public welfare and is considered substandard under local definition. Detailed explanation of the physical condition of the structure or structures is appropriate to establish the extent of substandard and blighting conditions. Any applicant that proposes to demolish a blighted structure must enumerate the conditions that will justify demolition.

(2) Affordable rents

Affordable rent will be defined in one of the following ways:

- If a project consists of tenants who fall at or below 50 percent of area median income, rent for the project may not exceed 30 percent of 50 percent of area median income, adjusted for unit size and tenant-paid utilities, or;
- If a project consists of tenants who fall between 50 percent and 60 percent of area median income, rents for the project may not exceed 30 percent of 60 percent of area median income, adjusted for unit size and tenant-paid utilities, or;
- If a project consists of tenants who fall between 60 percent and 80 percent of area median income and an applicant states that the project is in need of the extra rental income, then the rent in such project may not exceed 30 percent of 80 percent of area median income, adjusted for unit size and tenant-paid utilities.

(3) Continued affordability for NSP assisted housing

Applicants will be allowed to propose the continued affordability model for each project including the period of sustained affordability for the project and the legal means by which the affordability will be ensured. The HOME standard will be the minimum term allowable and applicants will be required to certify that such minimum requirements are being met, although the length of the affordability is one preference that will be used to evaluate projects. Applicants may either impose a deed restriction to ensure continued affordability or require subsidy recapture and/or mortgage repayment for failure to complete the minimum term of affordability.
Applicants will be required to certify that each NSP assisted homebuyer will receive and complete at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a loan.

Applicants will be required to certify that, in cases where they are using NSP funds to assist a foreclosed property that was previously assisted with HOME funds, the HOME affordability restrictions will be revived.

(4) Housing rehabilitation standards for NSP assisted activities

All rehabilitation activities assisted under the NSP programs shall address health and safety violations, correct substandard conditions and make essential improvements. Such improvements shall include but are not limited to: performing energy related repairs or improvements including the installation of Energy Star appliances and energy efficient windows, providing for handicapped accessibility under reasonable accommodation and reasonable modification standards, the abatement of lead-based paint hazards and the repair or replacement of major housing systems in danger of failure. All rehabilitation must meet applicable local standards, codes and ordinances. Lead Based Paint standards apply to housing built prior to 1978.

(5) Areas of Greatest Need

Areas of greatest need as described in Section A of this Amendment shall mean any zip code that contains at least one census tract block group with a Risk Score of 8 or greater.

D. LOW INCOME TARGETING

The estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income is $13,639,116.

All eligible applicants are encouraged to apply for funding under the Low-Income Set-Aside for projects in areas of greatest need serving households that do not exceed 50 percent area median income and preference will be given for such projects. Applications for Low-Income Projects will be considered outside of the project funding caps for counties previously outlined, and may be combined with Project Funds in mixed income projects that provide units meeting the requirements of this set-aside.

Note: If the State does not receive proposals totaling at least 25 percent of the NSP funds ($13,639,116) for this population group as required by the HERA statute, the State reserves the right to withhold awarding other grants until additional eligible proposals/activities are identified to meet this requirement. The State may choose to solicit additional applications, unilaterally modify grant request amounts, and/or identify other eligible projects that meet the 50 percent AMI requirement.

E. *ACQUISITIONS & RELOCATION*

The overall goals of the State's Neighborhood Stabilization Program are neighborhood stabilization and the preservation and creation of affordable housing units. The State's program will have a non-displacement objective, and will give priority to non-occupied properties or properties identified for continued rental use. However, in such communities where sufficient evidence is provided that excess supply exists and an acceptable short-term land banking and comprehensive redevelopment strategy is in place, then the State may permit some demolition and relocation.

In such cases involving acquisition of occupied properties, the applicant will be required to certify compliance with relocation notice and assistance provisions of URA and Section 104(d) of the Housing and Community Development Act of 1974. Applicants will be required to provide income and rent surveys of existing occupants prior to obligation, and to budget for all necessary relocation costs.

In cases involving demolition or removal of affordable low income units under Section 104(d) of HCDA74, the applicant will be required to provide the information required by the alternative requirements in the Notice, namely:

- The number of LMI dwelling units reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.
- The number of NSP affordable housing units made available to low- , moderate-, and middle-income households reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.

In cases where properties are affordable to households at or below 80% of area median income, applicants will be required to maintain affordability at that level unless such affordability is proven not to be feasible.

F. PUBLIC COMMENTS

New York State followed the usual methods for publishing this Amendment, including posting in the State Register, on the New York State Division of Housing and Community Renewal (DHCR) website at www.nysdhcr.gov and on the New York State Housing Finance Agency (HFA) website at www.nyhomes.org. The 15- day public comment period began on Friday, November 7, 2008 and extended through the close of business on Friday, November 21, 2008. A copy of the notice posted in the State Register is attached hereto as Exhibit A.

The following comments were received during the required public comment period. The State considered these comments as it finalized this amendment for submission to HUD. Direct responses to these comments are not required by HUD due to the short time frame for submission. Some of the comments have been addressed in the final amendment, while others will be considered or clarified as the State issues RFP guidelines. Some comments were clearly beyond the scope and authority of this

Program as defined by the statute, and have been added to considerations for future Consolidated Plan submissions.

Allocation of Funds

Comment:

A comment states that New York State's "…allocation of funds to all 52 [sic] counties is appropriate and places the resources of all municipalities/applicants who are dealing with the vacant/abandoned foreclosed property issue in their individual neighborhoods and communities. The $250,000 per county acknowledges rural and upstate counties with devastating foreclosure problems and gives them access to tools to address them."

Comment:

A comment supports New York State's intention to target funding to those areas of greatest need and to those projects that will have a meaningful impact on their communities. This comment states that using a risk score of 8 or higher will further ensure communities impacted by the foreclosure crisis are assisted and assert that the State's Initial Funding Round Cap will provide a financial framework when preparing a response to the State RFP.

Comment:

A comment expresses the concern that the leverage requirements for establishing a minimum investment amount of $1 million for NSP projects, including both NSP funds and leverage funds is confusing and may disadvantage smaller rural counties. This comment recommends, as an alternative, that only a dollar for dollar match of NSP funds be required.

Comment:

A comment notes that "[P]rojects in counties, (including all the CDBG Entitlement Jurisdictions within each county), with a HUD NSP allocation of $1 million or more may apply for projects in the aggregate up to that amount and are strongly encouraged to also show evidence of additional resources to leverage NSP funds". The comment suggests that "[T]his indicates you'd have to know in advance what the NSP allocations were going to be in CDBG entitlement cities within your county borders before you applied [for NSP funding]". This comment states that this provision "seems to cut these counties some slack on leveraged resources while holding rural counties to a higher standard by wanting them to show additional resources when they are already receiving $1 million in NSP funds". As an alternative, the comment recommends that "HFA just state that NSP funding applications will favor those applicants that demonstrate the capacity or funds on hand that will be leveraged into their projects by percentage. That way, my rural county application can leverage 100% of 'other funds' based on raising $250,000 in match."

Comment:

A comment asks whether a non-profit organization can directly compete with CDBG direct entitlement jurisdictions for NSP funds, particularly in circumstances where local officials can't leverage funds.

Comment:

A comment asks whether a county may apply to address foreclosed homes in rural villages and towns if there is at least one zip code within that county which meets the high risk score criteria for NSP funding.

Comment:

A comment recommends that Direct Entitlement Jurisdictions receiving a direct allocation of federal NSP funds be disqualified from the State's Initial Funding Round cap and be considered for additional funding in the case of recapture or a second funding round.

Comment:

A comment recommends that NSP funds should also be allocated in coordination with other public funds, including HOME and CDBG, to prevent the displacement of older homeowners and the further deterioration of housing occupied by low-income older residents.

Comment:

A comment commends New York State for its effort in preparing the NSP amendment and in creating an Initial Funding Round designed to elicit a broad response. But the comment also suggests that NSP funds will be allocated more quickly and effectively if the State eliminates any cap on the amount of funding for which an individual county may apply.

Comment:

A comment suggests that, among not-for-profit organizations, only those with previous development experience be allowed to apply for NSP funds.

Comment:

A comment suggests that New York State encourage CDBG entitlements to submit coordinated applications with either a county or city taking the lead. This will lessen the work both the state and banks will have to do as an attempt is made to spend the NSP funds timely.

Affordability Requirements

Comment:

A comment urges the State to be as flexible as possible in establishing rules concerning ongoing affordability for homebuyers. This comment asserts that affordability requirements, enforced by either a lien or deed language, dramatically impact both the marketability of property in weak real estate markets and the ability to secure mortgages.

Comment:

A comment suggests that cost-effective energy efficiency improvements to rehabilitate and redevelop properties to enhance long-term affordability for low income and/or elderly residents should be provided as part of adequate NSP funding.

Comment:

A comment notes that property vacancy cannot be addressed and the impact of NSP funds maximized unless potential home buyers can obtain mortgage loans. As a consequence, this comment suggests that any mechanism employed to preserve affordability take into consideration lending requirements for buyers in the current mortgage market, particularly in high-cost areas.

Use of Funds

Comment:

A comment asks whether a non-profit organization can use NSP funds to demolish vacant, abandoned, or foreclosed houses within a direct entitlement jurisdiction and then subdivide the newly vacant lots.

Comment:

A comment asks whether housing counseling and/or homeownership education is part of the 10% of NSP funds set-aside for administration or whether those activities can be funded as part of a project's program delivery costs.

Comment:

A comment recommends that HUD raise the federal funding threshold that requires full lead-based paint abatement from $25,000 to $50,000 to make rehabilitation more realistic because of the increase in the cost of construction labor and materials since the standards were first set by the federal government.

Comment:

A comment suggests that Part 56 requirements governing asbestos be waived for the NSP-funded projects. All friable (loose) asbestos materials on heating ducts and furnaces would still be remediated but, by allowing a waiver on other asbestos-related activity, there would be no increase of costs due to the need to have separate and independent contractors' tests, monitoring, and the removal of floor tiles, caulk, window glazing, and so on, to rehabilitate vacant houses.

Comment:

A comment suggests that the needs of low-income elderly residents should be a designated priority in plans for neighborhood stabilization. This comment asks that the allocation of NSP funds adequately reflect this priority.

Comment:

A comment requests that universal design and visitability features be integrated into properties rehabilitated and redeveloped with NSP funds in order to promote aging in place. The comment identifies three "core visitability features" (i.e., a zero-step entrance, doorways with 36 inches of clear passage space, and at least a half-bath on the main floor with adequate maneuvering room). This comment also suggests that incorporating other universal design features (including reinforced walls for grab bars, lowering the height of switches and using lever handles) is cost effective and will best serve the needs of all residents as they age.

Comment:

A comment requests that the NSP Substantial Amendment add "redevelopment" to Purpose 1 in Section G, Activity A, number 1, which appears to have been omitted. This comment notes that this activity is included in HUD's definition of Activity Type A.

Comment:

A comment agrees with the eligible uses set forth in the NSP Substantial Amendment.

Time to Commit Funds

Comment:

A comment acknowledges that the 18-month deadline for obligation of NSP funds is a federal requirement but asserts that it allows insufficient time and should be extended to a "more realistic" 24 months.

Comment:

A comment suggests that, when establishing performance measures, the State consider a "pipeline" program design rather than a "bulk" design both because many property acquisitions cannot be completed within the required 3 months and because absorption of the entire program portfolio over a 12-month period is not practical for either program administration or property sales.

Comment:

A comment requests that, for a "self-help" project that includes home-buyer sweat equity, the deadline for completion be extended to 18 months. This comment notes that *Section B Distribution and Uses of Funds* in the NSP Substantial Amendment defines the completion performance measure as "acquisition within 3 months of receipt of grant funds, occupancy within 12 months of receipt of grant funds."

Comment:

A comment discusses the NSP performance measures requiring acquisition within 3 months of agreement and occupancy within 12 months of agreement. The comment states that acquisition and occupancy of some properties can reasonably begin within that time frame, but that the process would be continual because it is difficult to predict the timing of each individual project addressing single family detached structures in a foreclosed situation.

Comment:

A comment, noting that all NSP funds must be obligated within 18 months, suggests that applicants be asked, in their Initial Funding Round application to also identify any additional funds they think they can effectively use within the 18 months.

Miscellaneous

Comment:

A comment suggests that the YouthBuild programs in New York State be considered an appropriate venue to receive funding as part of HUD's initiative to "purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline of house values of neighboring homes. This comment asserts that YouthBuild programs would fulfill the grant requirement that "grantees must ensure, to the maximum extent practicable and for the longest feasible term, that the sale, rental, or redevelopment of abandoned and foreclosed-upon homes remain affordable."

Comment:

An organization offers to partner with the State to help implement the NSP by utilizing the organization's model which includes unique characteristics that fit the goals of the program: serve families below 50% of AMI; non-profit; large-pool of pre-approved partner families that are waiting for affordable homes; etc.

G. *NSP Information by Activity*

Activity (A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers

(1) Activity Name: Establishing financing mechanism.

(2) Activity Type:

NSP-Eligible Uses	**Correlated Eligible Activities From the CDBG Entitlement Regulations**
(A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers	• As part of an activity, delivery cost for an eligible activity as defined in 24 CFR 570.206. • 24 CFR 570.201(n) Direct homeownership assistance

(3) National Objective:

a. Provides or improves permanent residential structures that will be occupied by households at or below 120% of area median income; or
b. Serves an area in which at least 51 percent of the residents have incomes at or below 120 percent of the median income.

(4) Activity Description:
While the exact financing mechanisms will depend on the specific projects funded through the RFP described in Section B, each financing mechanism will be established for one or both of the following purposes:

1. To create a pool of funds through which the specific project will purchase and redevelop foreclosed or abandoned homes; and/or

2. To subsidize the purchase of homes by assisting homeowners with down payment assistance or providing a soft second mortgage.

The creation of acquisition pools will benefit low income persons by creating a stock of homes for purchase or rental and by putting vacant or foreclosed homes back into productive use. Down payment assistance will assist low income persons by assisting them to purchase homes that they would be otherwise unable to purchase. HFA anticipates that a portion of these funds will be used to create permanent housing opportunities for households with incomes below 50% of area median income.

(5) Location Description:
Projects will be located in areas of greatest need within New York State, with a priority emphasis on projects in zip codes that contain at least one census tract block group with a Risk Score of 8 or greater. Specific addresses will be established by the projects selected in the RFP process.

(6) Performance Measures:

- Completion – Acquisition within 9 months of agreement; occupancy within 21 months of agreement.
- Occupancy – percent of units occupied by below 120% area median income; percent of units by below 80% area median income; percent of units occupied by below 50% area median income.
- Affordability period – units years of affordability produced.
- Substandard units improved to standard.

(7) Total Budget:
Based on initial Indications of Interest, the State expects that between 10% and 15% of NSP Project Funds will be allocated to these activities, but the final amount will be based on projects selected from responses to the RFP.

(8) Responsible Organization:

The New York State Housing Finance Agency, 641 Lexington Avenue, New York, NY 10022, Attn: Arlo Chase. HFA will review applications from local governments, nonprofits and others and make awards based on criteria established for the program. Specific awardees will be named upon evaluation of the responses to the RFP.

(9) Projected Start Date: March, 2009

(10) Projected End Date: February, 2013

(11) Specific Activity Requirements:

a. **Tenure**: This activity will include both rental and homeownership units.
b. **Duration of Assistance**: Will vary.
c. **Extended Affordability:** Applicants will be allowed to propose the continued affordability model for each project including the period of sustained affordability for the project and the legal means by which the affordability will be ensured. The HOME standard will be the minimum term allowable. Applicants may either impose a deed restriction to ensure continued affordability or require subsidy recapture and/or mortgage repayment for failure to complete the minimum term of affordability.
d. **Range of interest rates**: These will vary depending on the specific projects selected, will likely be as low as 0% and up to market rate.

ACTIVITY (B) - PURCHASE AND REHABILITATE HOMES AND RESIDENTIAL PROPERTIES THAT HAVE BEEN ABANDONED OR FORECLOSED UPON

(1) Activity Name: Purchase and Rehabilitate homes and residential properties that have been abandoned or foreclosed upon.

(2) Activity Type:

NSP-Eligible Uses	Correlated Eligible Activities From the CDBG Entitlement Regulations
(B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties	• 24 CFR 570.201 (a) Acquisition (b) Disposition, (i) Relocation, and (n) Direct homeownership assistance (as modified below); • 570.202 eligible rehabilitation and preservation activities for homes and other residential properties (HUD notes that rehabilitation may include counseling for those seeking to take part in the activity). • As part of an activity, delivery cost for an eligible activity as defined in 24 CFR 570.206.

(3) National Objective:

a. Provides or improves permanent residential structures that will be occupied by households at or below 120% of area median income; or
b. Serves an area in which at least 51 percent of the residents have incomes at or below 120 percent of the median income.

(4) Activity Description:
This activity will benefit low income persons by creating a stock of homes for purchase or rental and by putting vacant or foreclosed homes back into productive use. HFA anticipates that a portion of these funds will be used to create permanent housing opportunities for households with incomes below 50% of area median income.

Rehabilitation projects will meet housing rehabilitation standards and affordability standards outlined in this Amendment.

(5) Location Description:
Projects will be located in areas of greatest need within New York State, with a priority emphasis on projects in zip codes that contain at least one census tract block group with a Risk Score of 8 or greater. Specific addresses will be established by the projects selected in the RFP process.

(6) Performance Measures:

- Completion – Acquisition within 9 months of agreement.
- Affordability period – units years of affordability produced
- Substandard units improved to standard

(7) Total Budget:

Based on initial Indications of Interest, the State expects that between 60% and 70% of NSP Project Funds will be allocated to these activities, but the final amount will be based on projects selected from responses to the RFP.

(8) Responsible Organization:
The New York State Housing Finance Agency, 641 Lexington Avenue, New York, NY 10022, Attn: Arlo Chase. HFA will review applications from local governments, nonprofits and others and make awards based on criteria established for the program. Specific awardees will be named upon evaluation of the responses to the RFP.

(9) Projected Start Date: March, 2009

(10) Projected End Date: February, 2013

(11) Specific Activity Requirements:

a. **Tenure**: This activity will include both rental and homeownership units.
b. **Duration of Assistance:** Will vary.
c. **Extended Affordability:** Applicants will be allowed to propose the continued affordability model for each project including the period of sustained affordability for the project and the legal means by which the affordability will be ensured. The HOME standard will be the minimum term allowable. Applicants may either impose a deed restriction to ensure continued affordability or require subsidy recapture and/or mortgage repayment for failure to complete the minimum term of affordability.
d. **Discount rate:** In all cases, financing the acquisition of foreclosed-upon properties will be in compliance with section 2301(d)(1) of HERA that requires that each foreclosed-upon home or residential property be purchased at a discount of at least 5 percent from the current market-appraised value. Properties purchased in the aggregate must be discounted by at least 15 percent.
e. **Sale price restrictions**: In all cases, prices of homes on resale will be limited as required by Section J of the Notice.
f. **Range of interest rates**: N/A.

ACTIVITY (C) - ESTABLISH LAND BANKS FOR HOMES THAT HAVE BEEN FORECLOSED UPON

(1) Activity Name: Establish land banks for homes that have been foreclosed upon

(2) Activity Type:

NSP-Eligible Uses	Correlated Eligible Activities From the CDBG Entitlement Regulations
(C) Establish land banks for homes that have been foreclosed upon	• 24 CFR 570.201 (a) Acquisition and (b) Disposition. • As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206.

(3) National Objective:
To serve an area in which at least 51 percent of the residents have incomes at or below 120 percent of the median income.

(4) Activity Description:
Land banks will be a small part of the State's NSP program. Land banks will be restricted to upstate cities and other areas that demonstrate conclusively to the State that there is a supply of foreclosed homes in substantial excess to the population of that area and that there is not a viable development alternative in those areas. Land banks will create legal entities to purchase and hold foreclosed homes and ensure that those homes are safe and not blight in the neighborhoods. Land banks will assist in making these homes community assets while waiting for a re-sale market for those properties to develop. Land banks funded with NSP must have plans for the disposition of all homes acquired within ten years of acquiring the homes.

The creation of land banks will benefit low income persons primarily by ensuring that the foreclosed homes in low income neighborhoods will be maintained in a safe productive way for such neighborhoods. Land banks will not create permanent housing opportunities for households with incomes below 50% of area median income.

(5) Location Description:
Projects will be located in areas of greatest need within New York State, with a priority emphasis on projects in zip codes that contain at least one census tract block group with a Risk Score of 8 or greater. Specific addresses will be established by the projects selected in the RFP process.

(6) Performance Measures:

- Completion – Acquisition within 9 months of agreement.

(7) Total Budget:
Based on initial Indications of Interest, the State expects that less than 1% of NSP Project Funds will be allocated to these activities, but the final amount will be based on projects selected from responses to the RFP.

(8) Responsible Organization:
The New York State Housing Finance Agency, 641 Lexington Avenue, New York, NY 10022, Attn: Arlo Chase. HFA will review applications from local governments, nonprofits and others and make

awards based on criteria established for the program. Specific awardees will be named upon evaluation of the responses to the RFP.

(9) Projected Start Date: March, 2009

(10) Projected End Date: February, 2013

(11) Specific Activity Requirements:

a. **Tenure**: This activity will include both rental and homeownership units.
b. **Duration of Assistance:** Will vary.
c. **Extended Affordability:** Applicants will be allowed to propose the continued affordability model for each project including the period of sustained affordability for the project and the legal means by which the affordability will be ensured. The HOME standard will be the minimum term allowable. Applicants may either impose a deed restriction to ensure continued affordability or require subsidy recapture and/or mortgage repayment for failure to complete the minimum term of affordability.
d. **Range of interest rates**: n/a
e. **Length of hold period**: In each case, applicants will be required to certify compliance with the limitation on holding period of 10 years for the land banking projects.

ACTIVITY (D) - DEMOLISH BLIGHTED STRUCTURES

(1) Activity Name: Demolish blighted structures.

(2) Activity Type:

NSP-Eligible Uses	Correlated Eligible Activities From the CDBG Entitlement Regulations
(D) Demolish blighted structures	• 24 CFR 570.201 (d) Clearance for blighted structures only. • As part of an activity, delivery cost for an eligible activity as defined in 24 CFR 570.206.

(3) National Objective:
To serve an area in which at least 51 percent of the residents have incomes at or below 120 percent of the median income.

(4) Activity Description:
Demolition will be considered as part of a comprehensive plan for neighborhood revitalization or redevelopment of a site for affordable housing or some other public purpose. Demolition of blighted structures will be a relatively small part of the State's NSP program. Demolition will not be a prioritized activity and will be restricted to areas that demonstrate conclusively to the State that the demolition of the structures in question will facilitate neighborhood redevelopment and that there is not a viable development alternative for those structures.

The demolition of blighted structures under the NSP program will benefit low income persons primarily by ensuring that blighted structures in low income neighborhoods will not continue to be a nuisance and hazard in the community. Demolition will not create permanent housing opportunities for households with incomes below 50% of area median income.

(5) Location Description:
Projects will be located in areas of greatest need within New York State, with a priority emphasis on projects in zip codes that contain at least one census tract block group with a Risk Score of 8 or greater. Specific addresses will be established by the projects selected in the RFP process.

(6) Performance Measures:

- Completion – Acquisition within 9 months of agreement.

(7) Total Budget:
Based on initial Indications of Interest, the State expects that between 5% and 10% of NSP Project Funds will be allocated to these activities, but the final amount will be based on projects selected from responses to the RFP.

(8) Responsible Organization:
The New York State Housing Finance Agency, 641 Lexington Avenue, New York, NY 10022, Attn: Arlo Chase. HFA will review applications from local governments, nonprofits and others and make awards based on criteria established for the program. Specific awardees will be named upon evaluation of the responses to the RFP.

(9) Projected Start Date: March, 2009

(10) Projected End Date: February, 2013

(11) Specific Activity Requirements: All specific activity requirements are N/A to demolition.

ACTIVITY (E) - REDEVELOP DEMOLISHED OR VACANT PROPERTIES

(1) Activity Name: Redevelop demolished or vacant properties.

(2) Activity Type:

NSP-Eligible Uses	Correlated Eligible Activities From the CDBG Entitlement Regulations
(E) Redevelop demolished or vacant properties	• 24 CFR 570.201 (a) Acquisition, (b) Disposition, (c) Public facilities and improvements, (e) Public services for housing counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties, (i)Relocation, and (n) Direct homeownership assistance (as modified below). • 204 Community based development organizations. • As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206.

(3) National Objective(s):

a. Provides or improves permanent residential structures that will be occupied by households at or below 120% of area median income; or
b. Serves an area in which at least 51 percent of the residents have incomes at or below 120 percent of the median income.

(4) Activity Description:
The redevelopment of demolished or vacant properties is a relatively broad use that will incorporate a number of different projects, to be chosen based on the State's RFP process. The State will prioritize redevelopment projects that create new housing units (both rental and homeownership) for low-moderate-middle income households, as defined by the Notice. Other redevelopment projects eligible under the Notice, such as mixed use residential and commercial development, will be considered. However, to the extent these demolished or vacant properties are not foreclosed or abandoned, uses will be limited to new construction of housing units for low-moderate-middle income households, as defined by the Notice.

The redevelopment of demolished or vacant properties will benefit low income persons in a number of ways including returning demolished or vacant properties to productive use and by which create new housing units (both rental and homeownership) for low-moderate-middle income households, as defined by the Notice. The Redevelopment of demolished or vacant properties will create permanent housing opportunities for households with incomes below 50% of area median income.

(5) Location Description:
Projects will be located in areas of greatest need within New York State, with a priority emphasis on projects in zip codes that contain at least one census tract block group with a Risk Score of 8 or greater. Specific addresses will be established by the projects selected in the RFP process.

(6) Performance Measures:

- Completion – Acquisition within 9 months of agreement; occupancy within 21 months of agreement
- Occupancy – number of units occupied by below 120% area median income, number of units by below 80% area median income; number of units occupied by below 50% area median income
- Affordability period – units years of affordability produced
- Substandard units improved to standard.

(7) Total Budget:
Based on initial Indications of Interest, the State expects that between 8% and 12% of NSP Project Funds will be allocated to these activities, but the final amount will be based on projects selected from responses to the RFP.

(8) Responsible Organization:
The New York State Housing Finance Agency, 641 Lexington Avenue, New York, NY 10022, Attn: Arlo Chase. HFA will review applications from local governments, nonprofits and others and make awards based on criteria established for the program. Specific awardees will be named upon evaluation of the responses to the RFP.

(9) Projected Start Date: March, 2009

(10) Projected End Date: February, 2013

(11) Specific Activity Requirements:

a. **Tenure**: This activity will include both rental and homeownership units.
b. **Duration of Assistance:** Will vary.
c. **Extended Affordability:** Applicants will be allowed to propose the continued affordability model for each project including the period of sustained affordability for the project and the legal means by which the affordability will be ensured. The HOME standard will be the minimum term allowable. Applicants may either impose a deed restriction to ensure continued affordability or require subsidy recapture and/or mortgage repayment for failure to complete the minimum term of affordability.
d. **Range of interest rates**: n/a

H. TOTAL BUDGET

Based on responses to our Indication of Interest in NSP funding, New York State has developed an estimated budget across each NSP activity. Actual responses to the RFP may produce a different distribution of resources. As such, the State reserves the right to vary from the above stated projected ranges by 5% to 15% without amendment to the Annual Plan.

Activity	Amount	Percent of Total
Financing Mechanisms	$ 7,365,123	13%
Acquisition/Rehabilitation	$34,370,573	63%
Land Banking	$156,504	≤ 1%
Demolition	$ 2,700,545	5%
Redevelop Vacant Properties	$ 4,508,074	8%
State/Local Admin Activities	$ 5,455,646	10%
TOTAL	$54,556,464	100%

EXHIBIT A: COPY OF NOTICE PUBLISHED IN STATE REGISTER

NEIGHBORHOOD STABILIZATION PROGRAM
NEW YORK STATE PROGRAM ACTION PLAN
PUBLIC COMMENT PERIOD ANNOUNCEMENT

The U.S. Department of Housing and Urban Development (HUD) has been authorized to administer the new Neighborhood Stabilization Program (NSP). The NSP provides grants to every state and certain local communities to purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline of house values of neighboring homes. The funding is provided through HUD's *Community Development Block Grant (CDBG) Program* under Title III of the *Housing and Economic Recovery Act of 2008*.

On September 26 2008, HUD released the Neighborhood Stabilization Program (NSP) allocation amounts for states and other jurisdictions. State and local governments must submit applications for these funds to HUD by December 1, 2008. The applications will be amendments to the jurisdictions' existing, approved consolidated plan and action plan.

The allocation under the NSP for the New York State Program is approximately $55 million and funds will be administered by the New York State Housing Finance Agency (HFA).

In accordance with HUD guidelines, the NSP proposed Action Plan for the New York State Program must be published for no less than 15 calendar days for public comment before it is submitted to HUD by the December 1, 2008 deadline.

The New York State NSP Action Plan substantial amendment to its CDBG plan will include general information about needs, distribution, use of funds and definitions it will use. The plan will include:

- a description of how the funds will be distributed to the areas of greatest need,
- the grantee's definitions of "blighted structure" and "affordable rents,"
- a description of how the grantee will ensure continued affordability for NSP-assisted housing, and
- a description of housing rehabilitation standards that will apply to NSP-assisted activities.

Unless the *Housing and Economic Recovery Act of 2008* states otherwise, the regular rules of the CDBG program apply to the NSP funds. CDBG requirements related to fair housing, nondiscrimination, labor standards and the environment, including lead-based paint, must be met in the NSP program.

Grantees must ensure, to the maximum extent practicable and for the longest feasible term, that the sale, rental or redevelopment of abandoned and foreclosed-upon homes remain affordable.

All funds must benefit households below 120% of area median, and 25% of the resources must benefit households below 50% of area median income.

New York State encourages public participation in the development of its NSP Action Plan. To provide an opportunity for that participation, New York State invites interested parties to review and comment on the proposed NSP Action Plan during an upcoming public comment period.

This 15-day public comment period will begin on Friday, November 7, 2008 and extend through close of business on Friday, November 21, 2008.

Beginning on November 7, 2008, the New York State NSP Action Plan may be viewed on and downloaded from the New York State Division of Housing and Community Renewal (DHCR) website at www.nysdhcr.gov or from the New York State Housing Finance Agency (HFA) website at www.nyhomes.org. In addition, copies can be requested by e-mail (DHCRConPln@nysdhcr.gov) or by calling 1-866-ASK-DHCR (275-3427).

Comments should be mailed to: NYS DHCR, Attention: Brian McCarthy, 38-40 State Street, Albany, New York 12207 or e-mailed to DHCRConPln@nysdhcr.gov. Comments must be received by close of business Friday, November 21, 2008.