

Grantee: Orange County, NY

Grant: B-08-UN-36-0102

July 1, 2009 thru September 30, 2009 Performance Report

Grant Number:

B-08-UN-36-0102

Obligation Date:**Grantee Name:**

Orange County, NY

Award Date:**Grant Amount:**

\$2,163,744.00

Contract End Date:

03/26/2013

Grant Status:

Active

Review by HUD:

Reviewed and Approved

Submitted By:

No Submitter Found

Disasters:**Declaration Number**

NSP

Plan Description:**Recovery Needs:****A. Geographic Areas of Greatest Need:**

For purposes of establishing the areas for priority treatment in accordance with the NSP regulations, data was first drawn down from the HUD database. This database provides the following for each Census Block Group in Orange County:

**An abandonment risk score on a scale of 1 to 10 with 10 representing the areas with the highest risk.

**The percentage of predicted 18 month underlying problem foreclosure rate based on data available from the Office of Federal Housing Enterprise Oversight, reports filed under the Home Mortgage Disclosure Act and the unemployment rate as of June 2008 from the Bureau of Labor Statistics.

**The percentage of high cost loans; i.e., subprime mortgage related loans.

In order to determine the areas of greatest need within Orange County, the Grantee utilized this HUD-provided data to calculate a county-wide mean value for each of the three metrics summarized above. The means for the three metrics are as follows:

**Abandonment risk score = 5.11

**Predicted 18 month underlying problem foreclosure rate = 4.43%

**Percentage of high cost loans; i.e., subprime mortgage related loans = 25.94%

To separate out Block Groups that had the greatest level of need from those with only an average level of need, a factor of 1.25 times the county-wide mean value for each metric was used, the calculations and results of which are described in the subsections below. The benchmark metrics for each statistical measurement of need are as follows:

**Abandonment risk score = $5.11 \times 1.25 = 6.4$ (rounded up to 7)

**Predicted 18 month underlying problem foreclosure rate = $4.43\% \times 1.25 = 5.54\%$

**Percentage of high cost loans = $25.94\% \times 1.25 = 32.43\%$

Because the abandonment risk scores are discrete data rather than continuous data, the benchmark metric for this statistical measurement was rounded up.

From the following analysis, it is clear that a particular subset of the 275 Block Groups in Orange County consistently meets or exceeds the standard of need defined for each metric discussed. This subset of Block Groups in Orange County has been further categorized into three different tiers and defined as Tier 1, Tier 2, and Tier 3 target areas. This tier-based delineation of the identified Block Groups is based upon how many of the benchmark metrics previously discussed were either met or exceeded by each Block Group.

Orange County Foreclosure Rates:

There are a total of 275 Census Block Groups in Orange County. The mean HUD estimated foreclosure rate for the entire County is 4.43%. There are 59 Census Block Groups with foreclosure rates in excess of 1.25 times the County mean ($4.43\% \times 1.25 = 5.54\%$). All of these 59 Block Groups are located in only four municipalities: the City of Newburgh (25 BGs), the City of Middletown (21 BGs), the City of Port Jervis (8 BGs) and the Town of Walkill (5 BGs). These Block Groups are listed by municipality in Table B-1 of the Substantial Amendment and are shown on Map No. 1-titled Block Groups with Foreclosures Rates Greater than 1.25x Mean, located in Appendix A of the Substantial Amendment.

Orange County High-Cost Mortgage Rates:

The mean HUD estimated high cost mortgage rate for the entire County is 25.94%. There are 61 Census Block Groups with high cost mortgage rates in excess of 1.25 times the County mean ($25.94\% \times 1.25 = 32.43\%$). All of these 61 Block Groups are located in four municipalities: the City of Newburgh (25 BGs), the City of Middletown (20 BGs), the City of Port Jervis (8 BGs), and the Town of Walkill (8 BGs). These Block Groups are listed by municipality in Table B-2 and are shown on Map No. 2 titled Block Groups with Percentage of Hi-Cost Mortgages Rates Greater than 1.25x Mean, located in Appendix A of the Substantial Amendment.

Orange County Abandonment Risk Scores:

The mean HUD Abandonment Risk Score for the entire County is 5.11. There are 63 Census Block Groups with Abandonment Risk Scores in excess of 1.25 times the County mean ($5.11 \times 1.25 = 6.4$, rounded up to 7). All of these 63 Block Groups are located in only five municipalities: the City of Newburgh (25 BGs), the City of Middletown (22 BGs), the City of Port Jervis (8 BGs), the Town of Walden (6 BGs), and the Town of Highland Falls (2 BGs). These Block Groups are listed by municipality in Table B-3 and shown on Map No. 3, titled Block Groups with Abandonment Rate Scores Greater than 1.25x Mean, located in Appendix A of the Substantial Amendment.

Summary of Need Indicators at the Block Group Level and Delineation of Target Areas:

Of the 275 Block Groups, 53 (19.3%) were identified as Tier 1 Target Areas meeting the standard of need for all three indicators discussed previously (estimated foreclosure rate, high-cost mortgage rate, and abandonment risk score). There are 5 Block Groups (1.8%) that are classified as Tier 2 Target Areas. These Block Groups met or exceeded two of three previously mentioned metrics. An additional 14 Block Groups (5.1%) are classified as Tier 3 areas, meeting the standard of need for one of the three indicators. These Block Groups are listed in Table B-4 below and are shown on Map No. 4 titled Target Areas, located in Appendix A. Orange County proposes to utilize NSP funds based on a priority given to proposed activities based upon these Tiers.

B. Distribution and Use of NSP Funds:

In order to ensure an equitable and appropriate distribution of NSP funds that reflects the different levels of need in the multi-tiered geographic areas, an RFP solicitation process will be utilized that places the highest priority and emphasis on proposals for activities located in Tier 1 areas.

Similar to the CDBG and HOME programs, a ranking system will be used in order to select properties which have the highest measurable benefit. Proposals that are determined to adequately meet the outlined ranking system factors will be funded; to meet the requirements of committing NSP funds within 18 months and expending such funds within 4 years, the highest emphasis will be placed on the following factors for each proposal:

1. Project feasibility.
2. Applicant experience.
3. The firmness of identified financing commitments.
4. Demonstrated ability to meet the NSP program deadlines.

The ranking system will also include the following additional factors:

- a) Property is located in a County-designated target area.
- b) Property control represented by a memorandum of agreement with the owner.
- c) Presence of impediments to marketable and insurable title and ability to remedy.
- d) The amount of the discount off the appraised value of the property being offered by the seller.
- e) The number of housing units to be made available to income eligible households.

- f) For rental housing, the number of households with incomes less than 50% of median anticipated to occupy the housing units.
- g) The length of the period of affordability proposed in excess of the NSP requirements contained in this Plan.
- h) The extent to which the housing will be rehabilitated thereby eliminating a blighting influence on the surrounding neighborhood.
- i) The amount of funds committed to the property from sources other than NSP.
- j) Experience of the developer in housing programs similar to the proposed project, particularly government funded programs.

In the event that the submitted proposals for activities located in Tier 1 areas do not meet the outlined ranking system factors, proposals for activities located in Tier 2 areas will be considered. In the event that the submitted proposals for activities located in Tier 2 areas do not meet the outlined ranking system factors, proposals for activities located in Tier 3 areas will then be considered. Should a proposal for an activity that would be located in a Tier 1 area not be funded, OCD staff will document why such funding was denied, including a specific description of which ranking factors were inadequately addressed by the applicant.

Orange County will use NSP funds consistent with the primary purpose of the program which is to stabilize neighborhoods. In this regard, the funds will be used primarily for the financing mechanisms to purchase and redevelop foreclosed and/or abandoned properties. Abandoned properties must have been vacant and abandoned for at least 90 days. The specific redevelopment approach will be based upon the condition of the property, its location related to other neighborhood revitalization activities and the potential for long-term benefit to the neighborhood and community. It should be noted that the eligible uses of NSP funds and the resulting benefits are not limited to the occupancy of housing by income eligible households. Public facility expenditures in support of NSP activities are also eligible. With regard to structures acquired, either rehabilitation or clearance is eligible. There is a program requirement that if any properties acquired contain structures, the structures must be vacant.

C. Definitions and Descriptions:

The following definitions of terms will be used in the implementation of the NSP program.

1. **Blighted Structure** Municipal Redevelopment Law provisions under General Municipal Law §970-c(a) provides Blighted area means an area within a municipality in which one or more of the following conditions exists; (i) a predominance of buildings and structures which are deteriorated or unfit or unsafe for use or occupancy; or (ii) a predominance of economically unproductive lands, buildings or structures, the redevelopment of which is needed to prevent further deterioration which would jeopardize the economic well being of the people.

2. **Affordable Rents** Affordable rents shall be defined to be a rent inclusive of utility costs in an amount which does not exceed 30% of a households adjusted income.

3. **Housing Rehabilitation Standards** For the NSP program, Orange County will utilize the same rehabilitation standards as currently used in the HOME and CDBG programs as administered by the OCD. These standards include the Housing Quality Standards as well as applicable sections of the New York State Building Code.

D. Description of Program Activity:

The program will encourage the participation of for-profit and non-profit organizations in the redevelopment of foreclosed and abandoned properties. This participation will include the identification of appropriate properties and the submission to the Office of Community Development (OCD) proposals for the financing of acquisition and redevelopment. This process is similar to the procedures used for the last several years in the HOME Program administered by the OCD. The OCD will administer an RFP process and shall set-aside an allocation of \$540,936 to meet the statutory requirement to provide housing for individuals and families earning less than 50% of area median income.

Orange County does not wish to be part of the ownership chain for properties participating in the NSP program. The solicitation of proposals from for-profit and not-for-profit developers will focus on the use of NSP funds for financing as part of an overall package. The NSP funds will be provided at flexible terms and rates in order to address the needs of the particular property or project. It is anticipated that interest rates will range from 0 to 5%. Modifications may be made as necessary to achieve program goals. The County is prepared to provide NSP financing in a subordinate position to private financing.

As part of the administration of the NSP program, the OCD will work cooperatively with state agencies and holders of foreclosed properties. The OCD is committed to achievement of the NSP mandate that foreclosed properties be acquired at a 15% discount off appraised value. This will be achieved by direct negotiations with financial institutions holding REO properties in target areas as well as cooperation with appropriate state and federal

agencies. This may include the New York State Housing Finance Agency, SONYMA and the New York State Banking Department. Contact will also be made with Fannie Mae and Freddie Mac as well as HUD to see if a bulk sale arrangement is possible either directly or through an intermediary. As part of this process, the OCD will consult with non-profit and for-profit housing development organizations to work cooperatively to establish an inventory of properties appropriate for such bulk purchases.

The County may also consider entering into an agreement with the recently formed National Community Stabilization Trust to coordinate the transfer of REO properties from financial institutions. The Trust is sponsored by Enterprise Community Partners, the Housing Partnership Network, the Local Initiative Support Corporation and Neighborhood Works America. It is anticipated that the property transfers will be to local housing organizations who will seek financing assistance from NSP funds through the County through the Request For Proposal process described in Section B-Distribution and Use of NSP Funds. The Trust anticipates that financial institutions will transfer properties at their best-offered prices which will meet the 15% discount requirement in total and the 5% discount for each individual property. OCD will also endeavor to get first look agreements with the holders of foreclosed properties to facilitate the stabilization of neighborhoods.

1. Leveraging of Other Resources:

It is the intent of the Orange County NSP to achieve the greatest feasible level of results by leveraging other resources as well as revolving funds back into the program. Potential sources of funds include the following:

a) Path to Homeownership Program - The State of New York through SONYMA intends to provide funds for incentives to first-time homebuyers to purchase bank foreclosed properties. This includes the provision of a first look period for NSP programs for foreclosed properties in pre-identified neighborhoods, mortgage financing at 0.5% lower than the standard SONYMA interest rate, and the renovation of homes through the SONYMA Remodel New York Program. It is anticipated that Orange County as well as for-profit and non-profit organizations will use these programs to supplement the NSP funds to be received by the County.

b) Revolving Funds When the County uses NSP funds to purchase foreclosed properties, it is anticipated that the bulk of the funds will be used as part of an overall financing package. Under this approach, some funds will be recaptured when the property is sold for redevelopment. Whenever possible, this recapture will take place at a simultaneous closing when other funds are committed. Depending on the specifics of the project, there may be a partial repayment with the balance of the financing remaining in the project as subordinate financing with an appropriate repayment schedule.

2. Budget and Performance Measurement

At this time, Orange County proposes to allocate the \$1,947,340 of NSP funds to the activity of financing the acquisition with necessary rehabilitation of foreclosed properties for occupancy by income eligible households and administrative costs to implement the program over a four year period. When necessary, the rehabilitation of property will be part of the activity.

The distribution of funds is as follows:

*\$1,406,434--Financing of Acquisition & Rehabilitation of Foreclosed Properties

**\$540,936--Financing of Acquisition & Rehabilitation of Foreclosed Properties

\$216,374--Program Administration (10% per NSP regulations)

\$2,163,744--Total NSP Allocation

*Reflects allocation for projects where all individuals and families to be housed must have incomes less than 120% of the median income.

**Reflects allocation for projects where all individuals and families to be housed must have incomes less than 50% of the median income.

Based upon research as to the market value of foreclosed properties, the experience with rehabilitation costs under the CDBG and HOME programs, a per unit NSP cost estimate of between \$75,000 to \$80,000 has been established. This will produce approximately 25 units for occupancy by income eligible households and stabilize neighborhoods.

3. Affordability Period:

The period of affordability of units assisted by NSP funds shall depend on the amount of NSP funds expended. At a minimum, the affordability period shall be 10 years and the maximum shall be 20 years. Financing agreements with

selected non-profit and for-profit development organizations will contain legally binding language to provide for the specified affordability period. This is similar to the procedure currently used in the administration of the OCD CDBG and HOME programs.

E. Low Income Targeting:

In accordance with HERA, 25% of the NSP funds will be used to house families and individuals whose incomes do not exceed 50 percent of the median income for the Poughkeepsie-Newburgh-Middletown MSA. This amount is \$540,936--based upon the per unit cost estimate described in the Budget and Performance Measurement section, this will provide for approximately seven (7) housing units.

The remaining funds of \$1,406,434 will be for housing for individuals and families who must have incomes less than 120% of median income--it is anticipated that we will be able to produce approximately 18 units for occupancy. These projects may contain housing for individuals and households earning less than 50% of median income. The amount and terms of NSP funds to be made available will depend on the specifics of the proposal. Interest rates in the range of 0% to 5% are anticipated for NSP financing. The amount and terms of NSP funds to be made available will depend on the specifics of the proposal.

F. Acquisitions and Relocation:

There is no plan to demolish or convert any low- and moderate-income dwelling units as a direct result of NSP assisted activities. 75% of the total estimated 25 units to be made available as a result of NSP assisted activities will be made available to households at below 120% of median income and the remaining 25% of the total estimated units (7 units), will be made available to households whose incomes do not exceed 50% of the median income.

G. Public Comment:

The draft NSP amendment was made available for the period of November 10, 2008 to November 25, 2008. Two public comments were received. These comments and responses are attached to Appendix A of the Substantial Amendment.

Overall	This Report Period	To Date
Total Projected Budget from All Sources	N/A	\$2,163,744.00
Total CDBG Program Funds Budgeted	N/A	\$2,163,744.00
Program Funds Drawdown	\$0.00	\$0.00
Obligated CDBG DR Funds	\$216,374.00	\$216,374.00
Expended CDBG DR Funds	\$0.00	\$0.00
Match Contributed	\$0.00	\$0.00
Program Income Received	\$0.00	\$0.00
Program Income Drawdown	\$0.00	\$0.00

Progress Toward Required Numeric Targets

Requirement	Required	To Date
Minimum Overall Benefit Percentage	\$99.99	\$0.00
Minimum Non-Federal Match	\$0.00	\$0.00
Limit on Public Services	\$324,561.60	\$0.00
Limit on Admin/Planning	\$216,374.40	\$0.00
Limit on State Admin	\$0.00	\$0.00

Progress Toward Activity Type Targets

Progress Toward National Objective Targets

Overall Progress Narrative:

Orange County has made progress toward implementing the NSP program in the second quarter. In August, 2009, the four (4) non-profits partners, Housing Partnership Development Corporation, Habitat for Humanity, RECAP and Orange County Rural Development Advisory Corp. (RDAC), have executed a formal joint venture agreement and completed the incorporation process for the establishment of a Housing Development Fund Corp. (HDFC). As previously reported, the HDFC is the mechanism by which the four non-profits will acquire and sell all NSP foreclosed and abandoned properties.

In the last quarter we reported that it was anticipated that M & T Bank would be the lead bank (with three other banks participating) administering a \$3 million dollar line of credit for the acquisition and rehabilitation of NSP properties. This aspect of the program experienced some delay; however, issues have been resolved with the end result being that Orange County Trust has taken over lead position of a \$2 million dollar line of credit. The other three (3) local banks participating are Walden Savings, M & T and Provident. The HDFC will finalize the line of credit agreement with the Orange County Trust by mid November, 2009. One of the requirements for the establishment of the line of credit is to create a loan loss reserve of \$150,000 with County NSP funds. We are negotiating this requirement.

The non profits partners have been gearing up to begin acquiring properties once the program agreement has been fully executed. In this quarter, the non profit partners have identified several properties for acquisition and completed cost estimates on two properties; finalized the process of establishing project implementation and budget protocols, marketing strategies, and establishing relationships with clearinghouse organizations that provide "first look options" on REO properties (i.e National Community Stabilization Trust) local realtors, and government owned properties. In most instances, a quick response time is required in order to be successful in placing a winning bid to purchase these properties. It is therefore important to establish protocols that will result in not only a successful home purchase, but an end product that is both affordable and attractive to an eligible homebuyer. To this end, it has been most beneficial to hold weekly conference calls between the non profit partners and the County to iron out details and resolve any concerns encountered so that an efficient and streamlined process is achieved. As reported in the last quarter, the following process will be followed once a potential property has been identified: as soon as potential properties are given preliminary approval from OCD, a more detailed assessment of the properties will be conducted. The first step in the assessment process will involve completion of a Property Condition Report and/or Physical Condition Assessment which will consider both the structural and environmental aspects of the property. If the property is considered both structurally and environmentally sound, then an energy audit will be conduct and a lead risk assessment ordered, if required. After the initial inspection to examine all building systems is complete, a scope of work will be developed to ensure a cohesive renovation experience. At this point a complete assessment consisting of the cost of acquisition, rehabilitation, and soft costs

are evaluated to determine whether these costs less proposed subsidies are affordable to income eligible buyers. Once the assessment is complete and affordability is determined, OCD will review and make a final determination on inclusion of the property into the NSP Program. It should be noted that the renovation scope of work will vary from property to property but generally involves activities that fall under the criteria of moderate rehab, such as: correcting any code violations, lead paint remediation, energy star appliance upgrades, kitchen and bath renovations, carpet replacement, etc. Homes sold to families below 120% of AMI will be subject to a regulatory agreement that establishes a mechanism to prevent “flipping” and recapture of subsidy dollars. The regulatory agreement will comply with all federal and state standards and regulations that set the duration of the applicable restriction periods.

The non profit partners are also working on expanding the pool of homebuyers by conducting a media blitz (i.e. press conferences, homebuyer seminars with local employers and municipal employees, etc.). A special dedicated toll free telephone number has been established so that anyone interested in the program can contact the non profit partners for further information. The not for profit partners will provide staff for the toll free number on a rotating basis, and conduct preliminary evaluations of potential clients.

In this quarter, the County attempted to approve a drawdown \$10, 449.59 in the DRGR system on September 29, 2009. However, due to DRGR system programming error, the drawdown was not approve by this office until 9/30/09. Apparently the DRGR system is reflecting that drawdown on the quarter #3 (10/01/09-12/31/09), instead of quarter #2. Expenditures for the NSP Program will be funded from several different sources, NSP, Affordable Housing Corp (AHC), and HOME. HPDC and OCD will formula a disbursement and drawdown schedule to ensure compliance with HUD’s commitment and expenditure deadlines.

Project Summary

Project #, Project Title	This Report Period		To Date	
	Project Funds Budgeted	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
9999, Restricted Balance	\$0.00	\$0.00	\$0.00	\$0.00
NSP0901, Administration	\$216,374.00	\$0.00	\$216,374.00	\$0.00
NSP0902, Financing Mechanisms	\$1,947,370.00	\$0.00	\$1,947,370.00	\$0.00

Activities

Grantee Activity Number:	04/08868901/NSP1-A
Activity Title:	Financing Mechanisms

Activity Category:

Acquisition - buyout of residential properties

Project Number:

NSP0902

Projected Start Date:

03/20/2009

National Objective:

NSP Only - LMMI

Activity Status:

Planned

Project Title:

Financing Mechanisms

Projected End Date:

03/19/2013

Responsible Organization:

County of Orange

Overall	Jul 1 thru Sep 30, 2009	To Date
Total Projected Budget from All Sources	N/A	\$1,406,434.00
Total CDBG Program Funds Budgeted	N/A	\$1,406,434.00
Program Funds Drawdown	\$0.00	\$0.00
Obligated CDBG DR Funds	\$0.00	\$0.00
Expended CDBG DR Funds	\$0.00	\$0.00
Match Contributed	\$0.00	\$0.00
Program Income Received	\$0.00	\$0.00
Program Income Drawdown	\$0.00	\$0.00

Activity Description:

Funds will be made available for eligible activities to include acquisition and rehab. Activities may be in the form of loans, grants, soft seconds, shared-equity loans or mechanisms to foster homeownership and rental opportunities for LMMI households. Interest rates will be determined based on standard underwriting practices. It is anticipated that most loans will range from 0% to 5% per annum. This activity will reflect units housing individual or families whose incomes are 80% to 120% LMMI.

Location Description:

Eligible properties will be located in the Cities of Middletown, Newburgh and Port Jervis (Tier I as identified in the OC Action Plan).

Activity Progress Narrative:

Reference the "Overall Progress Narrative" section of this report for progress made toward the acquisition component of the program. We anticipate property acquisition to begin in quarter #3.

Performance Measures

	This Report Period			Cumulative Actual Total / Expected		
	Low	Mod	Total	Low	Mod	Total
# of housing units	0	0	0	0/0	0/0	0/18
# of Households benefitting	0	0	0	0/0	0/0	0/18

Activity Locations

No Activity Locations found.

Other Funding Sources Budgeted - Detail

No Other Match Funding Sources Found

Other Funding Sources

Amount

No Other Funding Sources Found

Total Other Funding Sources

Grantee Activity Number: 04/08868901/NSP1-C

Activity Title: Administration

Activity Category:

Administration

Activity Status:

Planned

Project Number:

NSP0901

Project Title:

Administration

Projected Start Date:

03/20/2009

Projected End Date:

03/19/2013

National Objective:

N/A

Responsible Organization:

County of Orange

Overall

Jul 1 thru Sep 30, 2009

To Date

Total Projected Budget from All Sources

N/A

\$216,374.00

Total CDBG Program Funds Budgeted

N/A

\$216,374.00

Program Funds Drawdown

\$0.00

\$0.00

Obligated CDBG DR Funds

\$216,374.00

\$216,374.00

Expended CDBG DR Funds

\$0.00

\$0.00

Match Contributed

\$0.00

\$0.00

Program Income Received

\$0.00

\$0.00

Program Income Drawdown

\$0.00

\$0.00

Activity Description:

Administration funds related to carrying out the NSP program will be used for both general administration and technical assistance costs.

Location Description:

All eligible program activities to be carried out in the Cities of Middletown, Newburgh and Port Jervis.

Activity Progress Narrative:

In this quarter, the County attempted to approve a drawdown \$10, 449.59 in the DRGR system on September 29, 2009. However, due to DRGR system programming error, the drawdown was not approved by this office until 9/30/09. Apparently the DRGR system is reflecting that drawdown on the quarter #3 (10/01/09-12/31/09), instead of quarter #2. Expenditures for the NSP Program will be funded from several different sources, NSP, Affordable Housing Corp (AHC), and HOME. HPDC and OCD will formulate a disbursement and drawdown schedule to ensure compliance with HUD's commitment and expenditure deadlines.

The County will drawdown additional administration funds in quarter #3.

Performance Measures

No Performance Measures found.

Activity Locations

No Activity Locations found.

Other Funding Sources Budgeted - Detail

No Other Match Funding Sources Found

Other Funding Sources	Amount
No Other Funding Sources Found	
Total Other Funding Sources	
