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MAYOR BLOOMBERG AND HUD SECRETARY JACKSON ANNOUNCE AGREEMENT TO RESTORE VACANT PROPERTIES

*Neighborhood Residents, Military Veterans, and Municipal Workers
Given Preference For Rehabilitated Homes*

Mayor Michael R. Bloomberg and U.S. Housing and Urban Development (HUD) Secretary Alphonso Jackson announced today an agreement to restore up to 360 one-to-three-family homes in New York City and resell them as affordable housing for approximately 650 families. The City and its nonprofit partners will purchase homes in distressed communities that are owned by the Federal Housing Administration (FHA) as a result of the Asset Control Area agreement, a 1998 Congressional initiative whereby FHA sells its foreclosed homes in designated areas to municipalities and experienced nonprofit developers at a discount. Often HUD-owned homes have major repair needs requiring substantial renovations, including nominally or non-functioning heating, plumbing and electrical systems, damaged roofs, kitchens, bathrooms, illegally converted basements and unventilated bedrooms. Homes purchased and rehabilitated as a result of this City and Federal agreement are to be sold to owner-occupants. Mayor Bloomberg, HUD Secretary Jackson and Housing Preservation Development (HPD) Commissioner Shaun Donovan announced the City and Federal agreement in Cypress Hills, Brooklyn where for the last five years HUD continues to be the largest property owner of vacant property, with an average of one vacant home per block throughout the neighborhood.

"An alarming trend has been allowed to go on for far too long: developers have sold dilapidated homes to struggling working families who collapse under the weight of financing home repairs and meeting mortgage payments," said Mayor Bloomberg. "These homes then fall into the hands of the Federal government only to have the cycle repeated when private developers purchase these homes on the public market. Today's agreement between the City and the Federal governments, and our community partners will allow working families to buy high-quality housing. Vacant homes in distressed communities will be purchased and rehabilitated and then become available to working families living in the neighborhoods where these homes are located as well as to veterans and municipal workers."

"As we prepare to give thanks during this holiday season, let us remember to say a special thank you to all U.S. military personnel and their families for securing our nation and protecting our freedom," said HUD Secretary Jackson. "We hope that by executing this ACA agreement, we will be able to demonstrate our appreciation of their extraordinary service by offering them affordable homeownership opportunities via HUD's Asset Control Area program."

Starting in early 2006, Restored Homes will buy 60 properties they have identified from HUD. The money raised from selling these homes will help to subsidize the acquisition and rehabilitation of the 300 homes in the Asset Control Area. The Asset Control Areas include Bedford Stuyvesant, East New York, Bushwick, and Cypress Hills, Brooklyn, Jamaica, Queens, and the North West Bronx. Starting in mid-2006, Restored Homes will buy and rehabilitate up to 150 Asset Control Areas homes per year for two years, and HUD will sell these Asset Control Areas homes to Restored Homes for 50% of their value. Restored Homes will have 18-to-24 months to rehabilitate, market and sell homes to qualified homebuyers who must become owner-occupants, which is a quick turnaround in the New York market. Homebuyers will be moving in to their rehabilitated homes between 2008 and 2010.

The properties will be sold to eligible buyers by a lottery, supervised by HPD. The properties will be affordable to families earning no more than \$72,000 for a family of four. The lottery will include a 33% preference for qualified veterans who have been in

active military service at any time since September 11, 2001 - the first veterans' preference in any City housing lottery. Other standard New York City preferences will also apply.

Acquisition and construction costs will be funded through a \$145 million loan pool with money contributed by Enterprise, LISC, the City of New York and major financial institutions. HPD will contribute \$15 million, and Restored Homes' community partners will assist with the repairs. The partners will be selected through a Request for Qualifications process.

Restored Homes, a City-sponsored developer and an affiliate of Neighborhood Restore Inc., will purchase homes that have been foreclosed by HUD in neighborhoods across the City, rehabilitate and resell them at an affordable price. The City will contribute \$15 million to a loan pool for the rehabilitations, leveraging \$130 million of private money. Neighborhood Restore Inc. is a not-for-profit entity established by the City and its partners Enterprise and the Local Initiatives Support Coalition, and fully-funded by HPD. Neighborhood Restore specializes in taking title of tax-delinquent properties and affecting their transfer for development into affordable housing.

Asset Control Areas are neighborhoods that contain a high concentration of FHA foreclosed homes or which have low homeownership rates. HUD uses the Asset Control Area program to interrupt the cycle of foreclosures that occurs in some distressed communities and is commonly referred to as flipping. "Flipping" occurs when unscrupulous investors purchase foreclosed properties from HUD, and instead of making necessary repairs and selling the homes to qualified and prepared first-time homebuyers, make only superficial and cosmetic repairs and sell to people who cannot afford the serious repairs that quickly become necessary. This then forces the homebuyers to default, and the cycle of foreclosure begins anew. This program promotes several important objectives including increasing homeownership for low-income people and minorities, stabilizing distressed neighborhoods, taking foreclosed homes off the federal government's hands, limiting losses from future foreclosures, and preventing real estate speculation that exacerbates neighborhood blight and homeownership disparities.

"The City's stock of property acquired by the City through tax foreclosure is nearly exhausted, removing a traditional source of land and buildings for affordable housing," said HPD Commissioner Donovan. "Therefore, HPD and its partners must find new ways to create and preserve affordable units citywide. This announcement reflects a groundbreaking partnership that the Administration has formed with HUD to ensure that distressed properties, specifically those that are in HUD's Asset Control Areas, are rehabilitated and long-term affordability guaranteed. This is a model for the kind of working relationship that HPD and its partners will need to forge to ensure a continued pipeline of affordable housing and, most importantly, continued affordability for thousands of units across the City."

"Enterprise is proud of its national partnership with HUD on the Asset Control Area Initiative, which has already resulted in the creation of 1,200 homes in cities like Dallas, Los Angeles, Rochester and San Antonio," said Enterprise Chairman and CEO Bart Harvey. "We are thrilled to launch the ACA Initiative in New York City with Restored Homes, HPD, and other partners such as LISC, that will provide desperately needed homeownership opportunities to our nation's veteran's and hard working New Yorkers with limited resources."

Today's agreement builds on four years of successful collaboration between HUD and the City of New York to invest nearly \$168 million to rehabilitate over 400 occupied and vacant properties that were sold under HUD's 203(k) mortgage insurance program. To date, the rehabilitation of more than 186 buildings, with 728 units is either completed or underway. HPD has worked closely with HUD to ensure that when a mortgage foreclosure occurs, the building is transferred to an HPD selected developer who can then rehabilitate the building using HPD subsidies. In total, HUD will expedite the sale of 411 203(k) buildings, comprising 1,867 units, to responsible new owners. Repairs began in 2002 and will continue through 2009.

Over the last year, HPD also has worked closely with HUD to ensure that troubled buildings in HUD's multi-family portfolio get transferred to responsible owners who will preserve affordability over the long-term. These negotiations have been successful, and 865 units have been preserved. The buildings preserved are the Bronx Center for Independent Living, Thessalonica Court and Brookhaven I in the Bronx, Gates Patchen and FPRO Community Residence in Brooklyn, Pleasant East, Ennis Francis and Logan Gardens in Manhattan.

Mayor Bloomberg and HUD Secretary Jackson were also joined in announcing this City and Federal agreement by Enterprise Chairman and CEO Bart Harvey, Local Initiatives Support Coalition Managing Director Denise Scott, Neighborhood Restore Executive Director Tom Ciano, New York Fannie Mae Director Naomi Bayer, and Cypress Hills Local Development Corporation Executive Director Michelle Neugebauer.

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