

NYC Foreclosures Update & Opportunities Presented by the Neighborhood Stabilization Program

Testimony of Amy Armstrong
Communications & Policy Director,
NYU's Furman Center for Real Estate and Urban Policy

Before
New York City Council
Committee on Consumer Affairs

Leroy G. Comrie, Jr., Chair
June 18, 2009

Chairman Comrie and members of the Committee, it's my pleasure to share with you some of the Furman Center's research on foreclosure trends in New York City as well as details on a new federal program designed to help stabilize hard hit neighborhoods. My name is Amy Armstrong, and I am the Communications and Policy Director at the Furman Center for Real Estate and Urban Policy, and I am joined by Josiah Madar, a Research Fellow at the Furman Center. The Furman Center is a joint research center of NYU's School of Law and its Robert F. Wagner School of Public Service. Founded in 1995, the Center draws on the expertise of our law faculty and our urban economics faculty, along with the talents and energy of phenomenal students from all parts of New York University, to tackle urban problems. We are one of the nation's leading academic research centers devoted to the study of policy issues related to land use, real estate development and housing.

Let me start by applauding the committee for holding this hearing in Southeast Queens. Our research has shown that Southeast Queens is the epicenter of New York City's foreclosure crisis. It's important to have this conversation here, in one of the communities that have been hardest hit

Foreclosure trends in New York City

Foreclosure activity in New York City was relatively stable (and relatively low) in the first years of this decade, even as other parts of the country began to see troubling increases in foreclosures. But in 2006, the subprime mortgage crisis began to unfold in the City, and we saw the number of foreclosure filings increase dramatically, reaching roughly 15,000 foreclosure filings in both 2007 and 2008. In the first quarter of this year, there have been about 3,800 filings; if this pace continues, we are on track to surpass 15,000 filings in 2009. As the members of the committee have no doubt observed in their own districts, foreclosures in New York City are very concentrated, and Queens and Brooklyn have been affected significantly more than other boroughs. In 2008, those two boroughs accounted for 76% of the city's foreclosure filings. Within those boroughs, certain neighborhoods are being hit much harder than others. Take, for example, Jamaica and Queens Village. Collectively they make up almost half of the foreclosure filings in Queens, even though they account for only 16% of the borough's housing units. And in Brooklyn, the community district of East New York had two and a half times the number of foreclosure filings as the entire borough of Manhattan in 2008.

What has the federal government done to stabilize neighborhoods hard hit by foreclosures?

Recognizing the damage that foreclosures have had on communities around the country, last summer Congress appropriated \$3.9 billion to fund the Neighborhood Stabilization Program (NSP) to support the acquisition, renovation, and disposition of abandoned and foreclosed properties. That funding was distributed to state and local governments based on a formula that measured how troubled the neighborhood has been, or is expected to be, by foreclosures. New York City was allocated \$24M from this program and, to date, another \$9M originally allocated to New York State has been promised to various New York City neighborhood stabilization efforts. In February 2009, the federal government enacted a new round of neighborhood stabilization funding, again aimed at mitigating the neighborhood impacts of the foreclosure crisis. Dubbed NSP II, the new program will allocate another \$2 billion, but this time the money will be distributed based on a competition, rather than a formula. Non-profits as well as local governments will be eligible to apply for the funding and will be evaluated on their capacity and experience in coordinating stabilization efforts and their ability to craft programs that respond to the specific challenges their communities face.

Which communities are eligible for NSP II funds?

In order to identify which areas would be eligible to apply for NSP II funds, HUD developed a formula to assess census tracts' risk of foreclosures and destabilization. The formula is based on two scoring systems: a foreclosure risk score and a vacancy risk

score.¹ Tracts with either a foreclosure risk score or a vacancy risk score of 18 or higher are considered “at-risk” and are eligible for NSP II funding. In addition, groups of two or more tracts with an average score of 17.5 or higher are also eligible.

In New York City, 12% of the census tracts are eligible for funding. As you can see in the map and tables provided in the appendix to my written testimony, the eligible tracts are located almost exclusively in Queens and Brooklyn. Fifteen of New York City’s 59 community districts (CDs) have more than one at-risk census tract. In some CDs, a majority of tracts are eligible for NSP funding. In Jamaica, a full 77% of tracts are eligible.

When we compare the characteristics of eligible tracts to the average New York City census tract, one thing in particular stands out: the at-risk neighborhoods are overwhelmingly neighborhoods of color. Specifically, in 88% of the eligible tracts, more than 90% of the residents are non-white; by comparison, citywide, 38% of tracts are more than 90% non-white. While the Furman Center and other research and advocacy groups have previously reported on the foreclosure crisis’s disproportionate impact on communities of color, the implications of these figures bear repeating. The New York City neighborhoods that are most at-risk of destabilization and that are most in need of these funds are almost all exclusively neighborhoods of color.

¹ Both scores range from 1 – 20. The foreclosure risk score evaluates certain factors that could lead to high foreclosure rates, including the number of high cost loans or highly leveraged loans made in the census tract between 2004 and 2007, unemployment figures including both the average for the area (defined as the Metropolitan Statistical Area) and the change in rate from 2007 to 2008, and the decline in home values for the area (specifically, the percentage change in sale prices at the MSA level from the peak of sales prices to December 2008). Tracts with foreclosure risk scores higher than 10 were also given a vacancy risk score, which is based on a 90-day vacancy rate assessed by the United States Postal Service.

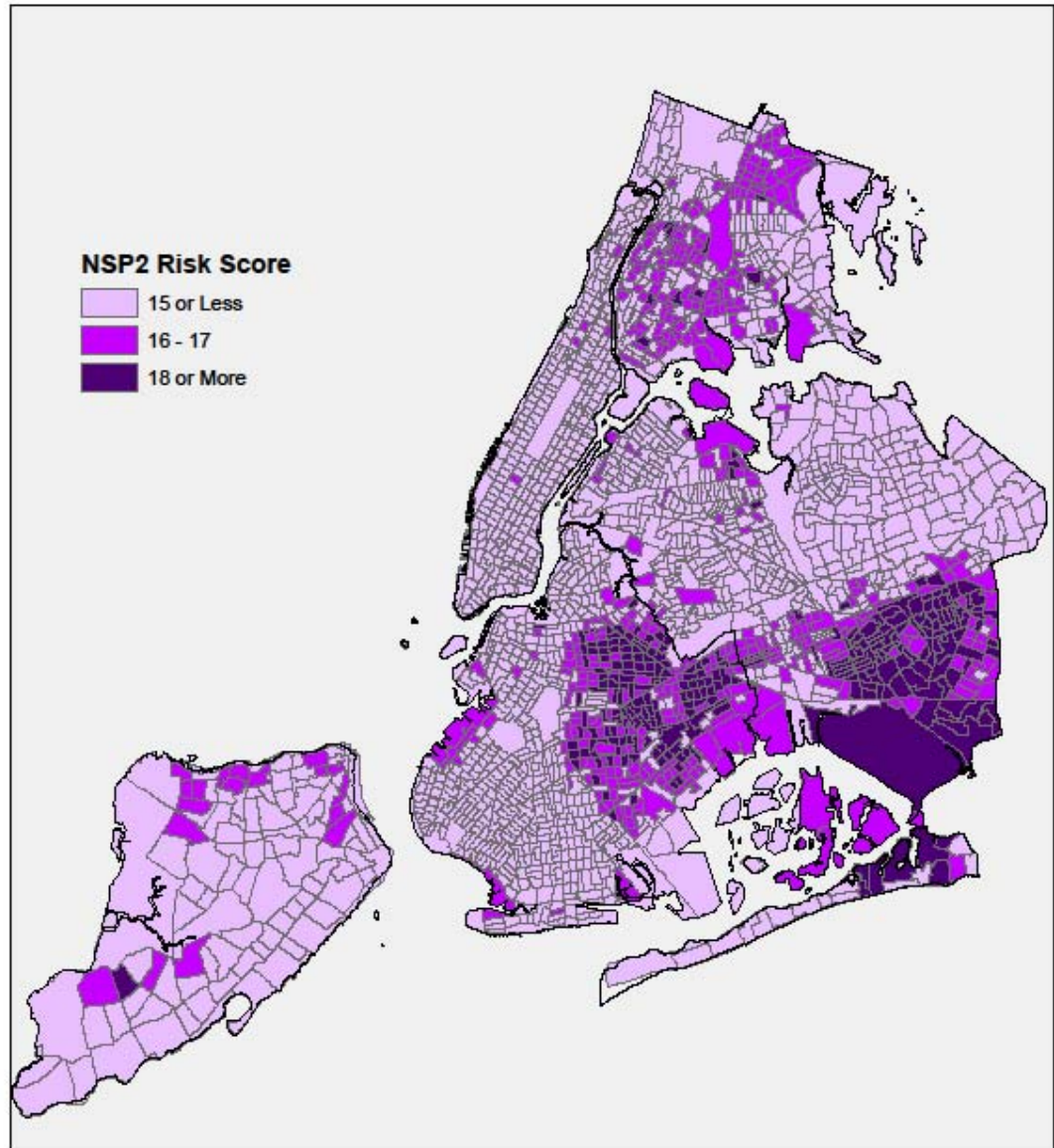
To help these neighborhoods stabilize, the City and any non-profits considering applying for NSP II funds should consider the various challenges each of these communities face and opportunities they offer. In the appendix to this testimony, I've included data on several measures of quality of life and market demand in the city's at-risk neighborhoods, including: access to parks; access to subways; crime rates; the performance of local schools; poverty rates; new building activity; and recent price trends.

While they share certain demographic similarities, when you look at these other neighborhood characteristics, there is a great deal of variation among the city's at-risk neighborhoods. Take Queens Village as an example again. It has low rates of poverty and crime and its schools are performing above the city average, but the neighborhood is relatively isolated from public transportation. By comparison, Bushwick is plagued with high poverty and crime as well as underperforming schools, but has excellent access to parks and transportation. Just as no two neighborhoods are alike, the tools and strategies required to stabilize these neighborhoods will also differ. We encourage the City and local non-profits to consider the unique assets and challenges of these communities as they develop their proposals for how to stabilize and grow these neighborhoods. The Furman Center would like to be a resource to these groups and is happy to provide additional data and analysis to any group interested in assessing the opportunities and challenges of their neighborhood.

Thank you for your time. I'd be happy to answer any questions.

Appendix A: Map of Census Tracts Eligible for NSP II Funding

NSP2 Risk Score by Census Tract



| Appendix B: NYC's 15 Community Districts with the Greatest Share of At Risk Census Tracts | | | | | | | |
|--|----------------|--|---|--|------------------------------------|---|--|
| Community District | Borough | Total Number of Census Tracts | At Risk Census Tracts (score of 18 - 20) | Borderline Tracts (score of 16 or 17) | % of Tracts At Risk | % Tracts At Risk or Borderline | |
| Jamaica/Hollis | Queens | 87 | 67 | 8 | 77.01% | 86.21% | |
| Brownsville | Brooklyn | 37 | 22 | 11 | 59.46% | 89.19% | |
| East Flatbush | Brooklyn | 45 | 26 | 14 | 57.78% | 88.89% | |
| East New York/Starrett City | Brooklyn | 48 | 25 | 16 | 52.08% | 85.42% | |
| Bedford Stuyvesant | Brooklyn | 38 | 19 | 8 | 50.00% | 71.05% | |
| Crown Heights/Prospect Heights | Brooklyn | 35 | 14 | 6 | 40.00% | 57.14% | |
| Queens Village | Queens | 71 | 26 | 19 | 36.62% | 63.38% | |
| Bushwick | Brooklyn | 36 | 13 | 7 | 36.11% | 55.56% | |
| Rockaway/Broad Channel | Queens | 24 | 7 | 2 | 29.17% | 37.50% | |
| S. Crown Heights/Lefferts Gardens | Brooklyn | 26 | 6 | 4 | 23.08% | 38.46% | |
| S. Ozone Park/Howard Beach | Queens | 35 | 8 | 9 | 22.86% | 48.57% | |
| Flatlands/Canarsie | Brooklyn | 83 | 15 | 21 | 18.07% | 43.37% | |
| Jackson Heights | Queens | 37 | 3 | 6 | 8.11% | 24.32% | |
| Kew Gardens/Woodhaven | Queens | 53 | 4 | 9 | 7.55% | 24.53% | |
| Morrisania/Belmont | Bronx | 44 | 3 | 15 | 6.82% | 40.91% | |

| Appendix C: Quality of Life and Market Demand Indicators for CDs with Largest Share of At Risk Tracts | | | | | | | | | |
|--|---------------------------------|------------------------|--------------------------|-------------------|---------------------------|----------------|--|---|---|
| Community District | Rank by % at Risk Tracts | Access to Parks | Access to Subways | Crime Rate | School Performance | Poverty | Median Sale Price Per Unit, 2-4 Family Homes (2008) | Housing Price Appreciation 2006 - 2008 | Change in Sales Volume, 2006 -2008, 1-4 Family Homes |
| Jamaica/Hollis | 1 | 77.9% | 20.7% | 30.2 | 62.4% | 15.8% | \$240,000 | -16.7% | -50.7% |
| Brownsville | 2 | 98.3% | 91.4% | 35.7 | 48.4% | 35.5% | \$209,680 | -18.0% | -57.7% |
| East Flatbush | 3 | 71.7% | 57.4% | 20.7 | 54.8% | 13.4% | \$215,833 | -13.0% | -64.2% |
| East New York/Starrett City | 4 | 93.2% | 75.4% | 29.6 | 49.6% | 27.5% | \$211,150 | -15.3% | -69.3% |
| Bedford Stuyvesant | 5 | 98.8% | 87.6% | 39.1 | 47.6% | 36.9% | \$231,108 | -16.2% | -56.8% |
| Crown Heights/Prospect Heights | 6 | 92.9% | 97.5% | 26.9 | 47.4% | 26.4% | \$258,333 | -11.5% | -52.5% |
| Queens Village | 7 | 74.2% | 0.0% | 15.8 | 66.3% | 4.9% | \$255,000 | -18.0% | -46.5% |
| Bushwick | 8 | 91.6% | 97.6% | 25.2 | 49.3% | 32.0% | \$216,667 | -14.6% | -69.6% |
| Rockaway/Broad Channel | 9 | 90.4% | 66.9% | 16.7 | 63.3% | 17.3% | \$217,838 | -16.7% | -53.5% |
| S. Crown Heights/Lefferts Gardens | 10 | 96.0% | 91.1% | 26.2 | 47.0% | 20.9% | \$259,000 | 2.5% | -54.5% |
| S. Ozone Park/Howard Beach | 11 | 52.9% | 39.7% | 20.2 | 63.5% | 10.4% | \$251,204 | -21.5% | -52.4% |
| Flatlands/Canarsie | 12 | 90.6% | 11.0% | 21.3 | 60.8% | 9.1% | \$260,000 | -16.3% | -54.3% |
| Jackson Heights | 13 | 83.1% | 59.8% | 17.8 | 64.8% | 15.5% | \$283,333 | -20.4% | -53.0% |
| Kew Gardens/Woodhaven | 14 | 62.1% | 86.8% | 17.9 | 64.0% | 11.9% | \$240,000 | -23.3% | -57.4% |
| Morrisania/Crotona | 15 | 100.0% | 58.3% | 41.2 | 42.4% | 40.9% | \$179,634 | -15.0% | -60.2% |
| Belmont/East Tremont | 15 | 100.0% | 37.5% | 37.6 | 46.0% | 40.9% | \$191,317 | -18.7% | -61.4% |
| Brooklyn | | 86.7% | 79.6% | 24 | 57.4% | 21.9% | \$267,500 | -10.0% | -48.7% |
| Queens | | 81.5% | 46.2% | 18.9 | 67.0% | 12.0% | \$270,000 | -17.0% | -42.7% |
| NYC | | 88.5% | 71.5% | 25 | 58.0% | 18.5% | \$258,500 | -10.2% | -45.4% |