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January 2016

Frank P. Petrone, Supervisor
Members of the Town Council
Town of Huntington
100 Main Street
Huntington, NY 11743

Report Number: P7-15-59

Dear Supervisor Petrone and Members of the Town Council:

A top priority of the Office of the State Comptroller is to help local government officials manage their resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support local government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard assets.

In accordance with these goals, we conducted an audit of eight local governments throughout Nassau and Suffolk Counties. The objective of our audit was to determine whether local governments complied with the Long Island Workforce Housing Act (Act) when approving qualifying residential units. We included the Town of Huntington (Town) in this audit. Within the scope of this audit, we examined the policies and procedures of the Town and reviewed the site plans for residential developments of five or more units for the period January 1, 2009 through December 31, 2014. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This report of examination letter contains our findings specific to the Town. We discussed the results of our audit with Town officials and considered their comments, which appear in Appendix A, in preparing this report. Town officials agreed with our findings. At the completion of our audit of the eight local governments, we prepared a global report that summarizes the significant issues we identified at all of the local governments audited.

Summary of Findings

The Town complied with the Act when approving applications for qualifying residential developments. The developers for all five qualifying developments set aside a combined total of 54 percent of all units built as affordable workforce housing.

Background and Methodology

The Town is located in Suffolk County, covers about 137 square miles and has approximately 203,260 residents. The Town is governed by an elected five-member Council, which includes the Town Supervisor. The Town Supervisor is the chief executive officer and is responsible for the Town's day-to-day operations. The Council is responsible for approving multi-unit residential housing projects. The Town's 2014 general fund expenditures totaled approximately \$89.4 million.

The New York State Legislature implemented the Act in 2008 for the purpose of making homeownership more affordable for the workforce in Nassau and Suffolk Counties. Housing affordability is a function of both housing prices and household incomes. While "affordable housing" is often thought to target lower-income residents (usually those below the median income), the term "workforce" generally includes those who are not typically the target of, or eligible for, affordable housing programs (such as those at or above the median income). This usually includes essential workers in a community, such as firemen, nurses and medical personnel. However, under the Act, the term "affordable workforce housing" is defined as housing for individuals and families at or below 130 percent of the median income for the Nassau-Suffolk primary statistical area¹ (commonly called the area median income or AMI), which averaged \$105,000 for 2009 through 2014.

Under the Act,² generally, when a developer makes an application to a local government in Nassau or Suffolk County to build five or more residential units, the local government, in exchange for providing the developer with a "density bonus" that authorizes them to exceed the local residential density maximum by at least 10 percent, must require one of the following:

- The set aside by the developer of at least 10 percent of the proposed units for affordable workforce housing on site, or
- The provision by the developer of other land within the same local government and the construction of the required affordable workforce housing units on the other land, or
- The payment of a fee by the developer for each affordable unit that the developer would have been required to construct. The Act generally sets this fee at the lesser of two times the AMI for a family of four, or the appraised value of the building lot(s).

The local government is then responsible for ensuring that all affordable units created under the Act remain affordable. When a developer elects to pay a fee in lieu of building affordable units, the local government, among other things, may establish a trust fund in which these fees are

¹ As defined by the United States Department of Housing and Urban Development

² Effective January 1, 2009

deposited, separate and apart from all other moneys of the local government, for the specific purpose of constructing affordable workforce housing, acquiring land for the purpose of providing affordable workforce housing or rehabilitating structures for the purpose of providing affordable workforce housing. Within six months of establishing the trust fund, the local government must issue guidelines and policies governing the expenditure of trust fund moneys. Any moneys not expended three years from the date they are collected must be paid into a single trust fund controlled by the Long Island Housing Partnership.³

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). Such standards require that we plan and conduct our audit to adequately assess those operations within our audit scope. Further, those standards require that we understand the management controls and those laws, rules and regulations that are relevant to the operations included in our scope. We believe that our audit provides a reasonable basis for the findings and conclusions contained in this report. More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

Audit Results

The Town complied with the Act when approving applications for qualifying residential developments. The Town has adopted local laws that specifically address the Act or affordable housing. The Town requires developers to set aside 20 percent of the units in a proposed development for affordable workforce housing. The Town has established an affordable housing trust fund which is administered by the Housing Trust Fund Board. Finally, the Town has established guidelines for establishing eligibility and to ensure that affordable units remain affordable.

The Town received applications for nine developments comprising 851 units between January 1, 2009 and December 31, 2014. The Act did not apply to the 17 Green Street, 40 Gerard Street, 50 Stewart Avenue and 328A Main Street developments comprising 49 units. The developers for the Club at Melville, Avalon at Huntington Station, Highland Greens, Hilltop Homes and Stratford Park developments have designated a combined total of 436 units, or 54 percent of all units built, as affordable workforce housing. Three of these five developments have been completed and are occupied.

We commend Town officials for their work in establishing policies and procedures relative to workforce housing.

³ The Long Island Housing Partnership is a not-for-profit organization that was created to address the need for and to provide affordable housing opportunities on Long Island for those who are unable to afford homes through development, technical assistance, mortgage counseling, homebuyer education and lending programs. It also provides technical assistance to private developers, municipalities and other not-for-profit organizations who are providing affordable housing on Long Island.

We thank the officials and staff at the Town of Huntington for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM TOWN OFFICIALS

The Town officials' response to this audit can be found on the following page.



Town of Huntington

Long Island, New York

FRANK P. PETRONE
Supervisor

October 23, 2015

Ira McCracken, Chief Examiner
Division of Local Government & School Accountability
Office of the New York State Comptroller
New York State Office Building
250 Veterans Memorial Highway, Room 3A-10
Hauppauge, NY 11788

Dear Mr. McCracken:

We have reviewed the draft report for the Town of Huntington, Report of Examination P7-15-59, in connection with your audit of the Town's compliance with the Long Island Workforce Act. Please accept this letter as our official response to that report.

The Town of Huntington would first like to express its appreciation to the New York State Comptroller's Office for the professional and courteous manner in which your staff performed its audit responsibilities.

We agree with the draft audit report summary of findings, which state that the Town complied fully with the Workforce Act in the development of appropriate local laws and the application of those laws to ensure that New York State standards for the development of workforce housing have not only been met but exceeded.

Very truly yours,

Frank P. Petrone

cc: Peggy Karayianakis, Interim Town Comptroller

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OCT 28 2015

LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to evaluate whether the Town was complying with the Act when approving qualifying residential units. To accomplish our audit objective and obtain valid audit evidence, our procedures included the following:

- We interviewed Town officials and employees to gain an understanding of the process for approving residential developments of five or more units from January 1, 2009 through December 31, 2014 and to determine whether fees were required of developers not designating units as affordable, how eligibility is determined for the newly created affordable units and how the Town ensures that the units remain affordable.
- We reviewed the Act and applicable sections of Town Code to gain an understanding of the applicable statutory requirements regarding affordable workforce housing and residential density restrictions.
- We obtained information regarding the Town's affordable housing trust fund to determine whether it complied with the Act's requirements.
- We surveyed Town officials to identify all developments of five or more units that had to comply with the Act and were approved between January 1, 2009 and December 31, 2014. We then examined the planning documents for the identified developments to determine the percentage of units designated as affordable workforce housing.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.