



**Testimony of the New York City Department of Housing Preservation and Development to  
the New York City Council Committee on Housing and Buildings**

**Oversight Hearing - Homeownership in NYC: Challenges and HPD's Programs**

**Tuesday, December 12, 2017**

Good morning, Chairman Williams and members of the New York City Council Committee on Housing and Buildings. My name is Molly Park, and I am the Deputy Commissioner of Development with the New York City Department of Housing Preservation and Development (HPD). Thank you for the invitation to testify on HPD's homeownership initiatives, and the role that these programs play in New York City's housing market.

Affordable housing is one of the biggest concerns that New Yorkers face, and correspondingly, it is one of the top priorities of Mayor de Blasio's Administration. *Housing New York* – as well as our updated commitment to build even more affordable housing outlined in *Housing New York 2.0* – is a critical pillar of a broader, Administration-wide agenda to keep the city affordable, competitive, and sustainable. **HPD is continually modernizing our programs and creating new tools to better address the many facets of the affordable housing crisis, including the challenge of affordable homeownership to build more equitable and stable communities.**

**New York City's Affordable Housing Challenges**

It is no secret that New York City's real estate market keeps booming. NYC housing prices increased dramatically from 1990 to 2015 and have expanded to almost all of the city's neighborhoods. However, wages have not increased at the same rate. During this time, there was a 200% increase in property values vs. an 11% decrease in real median household income. And while the population increased more in the first six years of this decade than in the entire previous decade, we added only half the number of new homes during that six-year period than we did during the prior decade.

Rental housing is the main focus of our Housing New York Plan for a few reasons. First, it has low barriers to entry and can serve a wide range of New Yorkers, including those with very

low and extremely low incomes. Second, an affordable rental unit remains affordable to specific incomes for the duration of its regulatory period, even as tenants turn over many times. Third, rental housing can more easily be produced at a large scale given financing constraints in the New York City market.

Yet the benefits of homeownership are undeniable: homeownership has historically served to stabilize distressed neighborhoods. Homeowners have a financial stake in their neighborhoods so they often remain even if poor neighborhood conditions persist or worsen. Homeowners have a personal stake in the investments they make in their community. Today, many NYC neighborhoods are grappling with rising prices rather than divestment, but there are still several neighborhoods where homeownership can serve as an important stabilizing force. Homeownership also serves as a wealth building tool for homeowners. Affordable homeownership programs can provide greater access to this wealth building opportunity for disadvantaged groups who would otherwise be unable to be homeowners. Affordable homeownership programs help working class New Yorkers access the homeownership market, a sector of the housing market that is all but off limits to lower income New Yorkers.

We have seen, however, that homeownership is largely inaccessible to middle and moderate income New Yorkers. For example, in 2014, only 42% of sales were affordable to households earning less than \$114,000 (120% of AMI for a family of 4). Less than half of 2014 sales were affordable to 77% of New York households. Therefore affordable homeownership is a critical piece of *Housing New York* as we work to balance the equation on behalf of hard-working New York City families. Creating opportunities for more New Yorkers to own a piece of their city, and helping existing homeowners to stay in their homes and keep those homes in good condition is an essential part of the plan. Homeownership helps families build wealth, and can help to stabilize neighborhoods in transition. There is no one-size-fits-all approach that meets all of these needs, which is why we are always looking for new tools, new partners, and new innovations to get the work done faster and better. I will now outline the ways in which we have been successful so far in achieving increased homeownership as well as our plans for future innovations.

### **Progress under *Housing New York* and Planned Updates through *Housing New York 2.0***

The Administration unveiled a comprehensive plan in May 2014 to create and preserve 200,000 high quality, affordable residences over ten years. As an agency, we have spoken before this body many times about the successes we have achieved to make record-breaking progress towards our goals. It is because of this commitment that we have been able to build affordable housing at rates New York has not seen in 30 years. This is why we recently announced *Housing New York 2.0*, through which we are accelerating and expanding our preservation and construction of affordable apartments to reach 300,000 homes by 2026.

Homeownership programs have received less attention than other aspects of Housing New York, but since the inception of the Housing Plan, HPD has recognized that homeownership is a key tool in the fight to combat the rising costs of the real estate market. I am proud to say

that since the beginning of Housing New York in January 1, 2014, we have **financed over 11,000 affordable homeownership opportunities** across the five boroughs. Over 55% of these homeownership opportunities to date have been for very low or low income households.

However, the city's white-hot real estate market has discouraged many families from believing they could ever own their own home. Creating new programs and modernizing existing ones will help families struggling to buy their own piece of New York and maintain that status. Through Housing New York 2.0, HPD is investing in two critical production programs to expand the reach of our homeownership initiatives.

First, HPD is committing to create the **HomeFix** program, which will help low- and moderate-income homeowners in one-to-four family properties fund home repairs. There is high demand for these relatively small-scale loans to help families stay in their homes, but HPD's existing programs to meet this need have not kept up with realities of the marketplace. HPD will update program operations and infuse new funds into the initiative, thereby allowing us to serve many more households each year. Financial assistance will be paired with financial counseling to address the full spectrum of needs of families struggling to make mortgage payments while also paying for home repairs.

In the same historic update to the plan, HPD recognizes that homeownership is a critical tool for families to move up the economic ladder by building assets. We are therefore introducing **Open Door**, a new program to finance the construction of co-ops and condos for households earning between approximately \$69,000 to \$112,000 (80% to 130% AMI for a family of three). Through the program, owners will build limited equity in their homes over time, balancing the goal of asset building with the city's need for ongoing affordability for future generations. We are in the process of crafting a term sheet for this program, which we expect to release in early 2018. We welcome feedback from stakeholders on these term sheets and are happy to set up meetings with any interested Council Members.

### **New Initiatives and Programs**

But beyond production, many families are still struggling in the wake of the mortgage crisis, and are in need of a lifeline. Since the start of Housing New York, this Administration has repeatedly created groundbreaking tools to address this spectrum of needs. Last year, HPD intervened through the **Community Restoration Fund Program** to purchase 24 distressed Federal Housing Administration (FHA) notes for one- to four-family homes, with a total of 41 residential units in the Bronx, Brooklyn, Queens, and on Staten Island. Facilitating the acquisition of distressed community assets from mortgage lenders and repositioning them to perverse affordable homeownership and rental opportunities has allowed HPD to stabilize neighborhoods with high rates of foreclosure and distress, ensure positive outcomes for homeowners and residents, and maintain affordability and viability of the citywide housing stock.

With a grant from New York State Attorney General Eric T. Schneiderman administered by Local Initiatives Support Corporation (LISC), we started our first **Zombie Homes initiative**

to increase direct outreach to families in foreclosure and develop targeted plans to secure abandoned homes. Zombie properties are vacant homes in which owners have been in default on their mortgage payment for more than 90 days. Many of these homes are not being properly maintained, creating blight and potential safety concerns that hurt our neighborhoods. This initiative is now staffed up, and we have started our initial inventory and outreach to come up with a tailored strategy for each vacant and abandoned property to try and help stabilize these communities. Additionally, HPD will also pursue reforms to the 2016 New York State Zombie Property and Foreclosure Prevention Act to strengthen the enforcement of bank requirements to maintain Zombie properties.

With Councilmember Rafael Espinal and the Center for New York City Neighborhoods, we launched a new **Homeowner Help Desk** in East New York. One of the commitments we made to the community, this program connects homeowners with the services, counseling, and resources they need to stay in their homes and neighborhood. The desk assists homeowners with a range of services, including advice and assistance with foreclosure prevention, guidance on scam avoidance, advice on home repair and other programs like weatherization loans and assistance with addressing scams.

Last January, in an effort to use all of the available tools to confront the need for affordable housing, HPD released a Request for Expression of Interest to better understand how **Community Land Trusts (CLTs)** can improve upon or fill gaps in the City's already extensive affordable housing arsenal. Although I will not go into the issue of CLTs in depth due to the recent hearing on local legislation related to CLTs, a CLT is a not-for-profit organization formed to own land and to maintain control and oversight of houses or rental buildings located on the land. \$1.65 million was awarded to 12 community based CLTs to create and expand this model of affordable housing in New York City through Enterprise's new Community Land Trusts Capacity Building Initiative. One of the challenges in affordable homeownership is managing resales in a way that allows owners to get some return on their equity, while also ensuring long-term affordability. The community-driven mission of CLTs positions them well to strike that balance.

### **Existing Programs: New Construction and Preservation**

The homeownership production programs in HNY 2.0 and the new initiatives I just described build upon a long history of investment in homeownership, and I want to briefly mention some of our existing programs:

- We are providing **down-payment assistance to first-time low-income homeowners** from the South Shore of Staten Island to Borough Park, Brooklyn and Flushing, Queens.
- We are collaborating with NYCHA to rehab and create affordable homeownership in homes that had been foreclosed by HUD and managed by NYCHA through the **NYCHA Small Homes program**.

- We are extending affordability and rehabilitating **large Mitchell-Lama coops** like Strycker's Bay and Clayton Apartments.
- We are seeing more interest by coops in our **Green Housing Preservation Program**, which provides low- or no-interest loans for small- and mid-size building owners to make environment-friendly upgrades to their homes.
- We are advancing the pipeline on our **Affordable Neighborhood Cooperative Program**, designed to accelerate the process of converting buildings in our Tenant Interim Lease Program into affordable coops.
- We are preserving permanent affordability for the community by establishing parameters for the sale, resale, and inheritance of restricted housing in **Inclusionary Housing**.

### **Partnerships across the City**

Such important work has not been done alone. We recognize the countless community based organizations, nonprofits, and interested stakeholders who provide supportive partnerships. We also thank the City Council for their support of homeownership as a tool to stabilize neighborhoods while building assets and equity.

Thank you again for the opportunity to discuss our achievements around affordable and moderate-income homeownership as well as our robust plan for the future related to further increase homeownership opportunities and stabilize communities across the five boroughs. I especially want to thank Council Member Williams, on behalf of all of HPD, for a constructive relationship over the last four years as the chair of this committee. It I look forward to answering any questions you may have at this time.

FOR THE RECORD



**Testimony of Habitat for Humanity New York City**

**To the New York City Council Committee on  
Housing & Buildings**

**Oversight: Homeownership in NYC: Challenges and HPD's Programs**

**December 12, 2017**

**Testimony respectfully submitted by:**  
Matthew Dunbar  
VP, Government Relations & Advocacy  
Habitat for Humanity New York City

Good morning. My name is Matthew Dunbar, VP of Government Relations and Advocacy with Habitat for Humanity New York City. I want to begin by thanking Chair Williams and the full Committee on Housing & Buildings for the invitation to testify on affordable homeownership in New York City.

Habitat NYC knows the power and importance of affordable homeownership as we've spent the past 33-years building and preserving more than 650 homes with low-income families in all five boroughs. We truly appreciate the Council's calling a hearing to highlight the homeownership landscape and the City's efforts to support current and future homeowners.

Three years ago, we testified in front of this committee that the City needed to increase its investment in affordable homeownership and implement strategies that would preserve these investments for future generations of lower income, first-time homebuyers. We testified that affordable homeownership is critical to the goal of fostering diverse livable neighborhoods, pushing back against displacement due to gentrification, and building both individual and community wealth.

As a part of this testimony we recommended policy changes that would help support the creation and preservation of affordable homeownership opportunities for hard-working families. These recommendations included:

- Increasing City funding for moderate- and low-income homeownership developments and down payment assistance
- Expanding homeownership construction/rehabilitation programs to include larger multifamily projects
- Supporting the creation and operations of Community Land Trusts and permanently affordable homeownership

Habitat NYC applauds the Administration in its recent response to the recommendations of affordable home builders, the community of housing advocates, and the many would-be-first-time homebuyers. Over the past year, the City has taken great initial steps to advance affordable homeownership in multiple critical ways.

One of the most significant updates to the Mayor's Housing New York plan was the announcement of the new Open Door program to create 1,300 new affordable homeownership units. This program both expands the City's capital investment in the construction and rehabilitation of affordable homeownership projects and expands the City's strategic approach beyond infill development. Through Open Door, affordable homeownership developers like Habitat NYC will have greater access to critical resources necessary to meet the demands of an increasingly costly construction landscape. At the same time, the program will require longer-term affordability to ensure the homes we build remain affordable to the next generation of first-time homebuyers.

This program marks a huge step forward for those of us who see affordable homeownership as a critical part of the housing continuum. It signals that the Administration understands that in order to build an equitable city, it is necessary to invest in solutions that build family and community equity.

Complementing this new and increased investment, the City has also committed to incorporating the community land trust model into its affordable housing tool box as an important preservation mechanism. Community land trusts have the ability to extend affordability by separating ownership of land from ownership of the improvements and restricting re-sale prices through a long-term ground lease. By permanently removing land from the private market, the CLT structure eliminates much of the speculation, profit-seeking, and gentrification pressure that drives the increase in housing costs in so many of our communities.

Habitat NYC is honored to be a co-founder of the Interboro Community Land Trust, a bold and innovative collaboration that seeks to preserve affordable homeownership opportunities across all five boroughs. Along with our partners at the Center for NYC Neighborhoods, the Mutual Housing Association of New York, and the Urban Homesteaders Assistance Board, we were grateful to receive the support of the City through Enterprise Community Partners in establishing and growing the capacity of this exciting initiative. The City's embrace of the model and support for Interboro CLT and other emerging and existing CLTs will help alter the City's course and aid in creating an alternative, permanently affordable marketplace for generations of low-income homeowners.

These upgrades to the City's housing plan, combined with additional efforts to expand HomeFirst down payment assistance, preserve Mitchell Lama cooperatives, and provide access to much needed home repair funds through the new HomeFix program, establish a much stronger foundation for the future of affordable homeownership in the City.

While it should be noted that the state of our city's homeownership landscape remains weaker than it has been in decades, with homeownership rates at historic lows and families all over the city struggling to afford to purchase or maintain their homes, it is important to acknowledge the steps being taken to address these issues. As members of the Coalition for Affordable Homes, we endorse the additional policy recommendations put forward in the attached legislative agenda. We also second the testimony of our partner organization the Center for NYC Neighborhoods and would be happy to provide additional information on how the City can further these policies upon request.

Thank you for the opportunity to testify today. We look forward to continuing our partnership with the City in serving low-income families in need of affordable homeownership





**Coalition *for***  
**Affordable Homes**

**New Yorkers United for  
Affordable Homeownership**

# Policy Platform

New York City's vibrant and diverse neighborhoods are the bedrock of its success. In these neighborhoods, working families have had the opportunity to invest in their communities by purchasing homes of their own. They have set down roots, raised children, and forged strong community bonds. From Jamaica, Queens to Wakefield in the Bronx, these communities of **middle- and working-class homeowners** have helped balance the city's housing stock. Affordable homeownership allows families to build equity and, by doing so, **it makes New York more equitable**. In turn, many of these homeowners provide affordable rental housing as small landlords. This naturally occurring affordable housing allows middle- and working-class families to live, grow, and thrive in the city where they have made their homes and pursued their careers. In planning for the future of New York City, **preserving these communities and homes**, while investing in new homeownership opportunities for working families, **must be a top priority**.

Sadly, the promise these neighborhoods hold as **a bridge to the middle class has never been more threatened**. In the all-too-recent past, these communities were targeted by predatory lenders, leading to the **worst foreclosure crisis since the Great Depression**. Though much of the city's real estate market has rebounded since the recession, middle- and working-class residents in many areas are **still struggling to recover**, and they now face new threats. An overheated market fueled by speculators and investors trying to buy homes on the cheap and flip them for big profits could **drive families out** of the communities they have called home for decades, and make it impossible for lower- and middle-income New Yorkers to afford new homes. **We must not allow these vulnerable communities to fall prey** to the speculators and moneyed interests that are pushing middle- and working-class families out of New York City neighborhoods.

A long-term housing plan for New York must ensure that we **preserve and create affordable homeownership opportunities** for working families. As the City finalizes its long-term vision for the future of affordable housing, and sets the course for **keeping the promise** of New York in reach for people of all incomes and all backgrounds, we have a valuable opportunity to support these communities and neighborhoods. We must create new opportunities for affordable homeownership, curb speculation, maintain these **bastions of social mobility**, and make smart long-term investments to keep these neighborhoods affordable. The following policy actions are a **road map for protecting** this critical part of the city's naturally occurring **affordable housing** stock.



# 1 Prevent Displacement of Low- and Moderate-Income Homeowners

- Increase available funding for **grants and loans** for low- and moderate-income homeowners to **repair and renovate their homes**. Simultaneously, existing programs should be reexamined and streamlined in order to deliver consumer-friendly service in a reasonable timeframe.
- Support the **BASE Campaign pilot program** to legalize safe basement apartments and keep them affordable.
- Ensure that 1-4 family homes are incorporated into **the City's comprehensive anti-displacement strategy**.
  - Prevent foreclosures and new waves of predatory lending, foreclosure rescue scams, and deed theft scams by continuing to ensure that homeowners have access to housing counseling and legal services in their community.
  - Support community organizing and education for homeowners and tenants in 1-4 unit buildings.
- **Stop the sale of City tax and water liens** for Class 1 properties, which includes 1-3 family homes, to private investors.
- **Reform City tax policy and water and sewer fees** to promote affordability for low- and moderate-income homeowners and renters in these homes. Options for doing this include **the Good Neighbor Tax Credit**, which would provide a Real Property Tax Abatement to owner-occupants of small buildings (2-4 family homes) who rent apartments to eligible low- and moderate-income tenants at below market rates; or **capping water and sewer charges** in exchange for maintaining affordable rental units.
- Deter speculation by imposing an **Anti-Flip tax** or by increasing Real Estate Transfer Taxes on all transfers to non-owner occupied (investor purchased) units. At the same time, ensure that information about the ownership and financing of properties owned by corporate entities are made public. Invest revenue from these taxes into **housing trust funds**, and use them to fund long-term affordability programs.
- Ensure that City funds are **not used to enrich real estate speculators** and affiliated entities that engage in practices harmful to homeowners such as distressed note purchases by profit-driven actors.

# 2 Enhance and Expand Opportunities for Affordable Homeownership

- **Expand downpayment assistance** to a level commensurate with property values for low- and moderate-income homebuyers, following the lead of high-cost markets like San Francisco. Tie these subsidies to resale or recapture restrictions that ensure long-term affordability.
- Encourage more lenders to develop new and innovative products for Low- and Moderate-Income ("LMI") households and **increase financing for LMI Housing Development Finance Corporations** ("HDFCs"), using the federal Community Reinvestment Act and the local Responsible Banking Act, as it evolves, as robust tools to hold financial services companies accountable.
- Encourage expanded access to credit by **increasing support for successful mortgage financing** products like SONYMA's Achieving the Dream and Habitat for Humanity programs.
- Support **Community Development Financial Institutions** ("CDFIs") and credit unions involved in lending to small building owners and LMI coop and condo home buyers.

### 3 Implement Community Land Trusts (CLTs) in NYC

- Advance and fund the **community land trust model** that has incredible potential, and demonstrated results in other cities, to keep homeownership permanently affordable and preserve public investments in affordable housing.
- Develop **local tax assessment strategies** that ensure the long-term stability and affordability of properties located on community land trust land, and create incentives for the development and transfer of land to community land trusts. Enact a statute that defines community land trusts and provides for fair tax assessments that break out land costs from improvements.
- Enact a statute creating a **community land bank** in New York City and support its creation.
- Encourage government and private lenders to develop products geared towards CLT buyers.

### 4 Increase Funding for the Creation and Preservation of LMI Homeownership

- **Create state and city housing trust funds** with dedicated revenue streams, including proceeds from the proposed “Mansion Tax” and our proposed anti-speculation tax proposals, to provide flexible funding for the creation, rehabilitation, and preservation of LMI homeownership and Extremely Low Income rental housing.
- Support and fund the **Community Restoration Fund** in its mission to purchase distressed notes, as well as properties being sold at auction or via short sale.
- Ensure that **settlements** with financial institutions over misdeeds related to the foreclosure crisis are **used to assist homeowners and their communities**. Spending settlement funds on unrelated uses is unacceptable.
- Support new construction that aims to serve lower- and middle- income home buyers by expanding the **New Infill Homeownership Opportunities Program** (“NIHOP”). This includes increasing investment in new construction for LMI homeownership opportunities in parity with rental program subsidy amounts, expanding NIHOP-eligible projects to more than 14 units and encouraging homeownership development inclusion in larger scale RFPs.

To learn more, please visit [coalitionforaffordablehomes.org](http://coalitionforaffordablehomes.org)



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**Testimony Before the New York City Council Committee on Housing and Buildings,  
Oversight: Homeownership in NYC: Challenges and HPD's Programs  
December 12, 2017**

Good morning. My name is Leo Goldberg, and I am the Senior Policy Associate at the Center for NYC Neighborhoods. I would like to thank Committee Chair Williams for holding today's hearing on homeownership in NYC.

**About the Center for NYC Neighborhoods**

The Center promotes and protects affordable homeownership in New York so that middle- and working-class families are able to build strong, thriving communities. Established by public and private partners including the City Council, the Center meets the diverse needs of homeowners throughout New York State by offering free, high-quality housing services. Since our founding in 2008, our network has assisted over 55,000 homeowners. We have provided approximately \$33 million in direct grants to community-based partners, and we have been able to leverage this funding to oversee another \$30 million in indirect funding support. Other key initiatives include the Interboro Community Land Trust, the Community Restoration Fund, and FloodHelpNY, our home resiliency audit and disaster recovery counseling program. Major funding sources for this work include the New York City Council, the Governor's Office of Storm Recovery, and the Office of the New York State Attorney General, along with other public and private funders.

**Affordable Homeownership Under Threat in NYC**

At the Center, we believe that affordable homeownership is a crucial component of our vibrant and diverse neighborhoods. In the neighborhoods where we work, from Jamaica, Queens, to Wakefield, in the Bronx, affordable homeownership means families can build equity while also benefiting from stable housing costs in a city of rapidly increasing rents. When homeowners are able to afford their mortgage payments, keep up with their bills and make needed repairs, they are able to live, grow and thrive in the city where they have invested their lives, sent their children to schools and pursued their livelihoods. The majority are also able to rent out apartments in their homes to tenants, many of whom pay below-market rents. They are able to continue to contribute to their communities, participate in local institutions, build wealth and provide stable homes for their children. For these reasons, we believe that supporting working- and middle-class homeowners and their communities while investing in new homeownership opportunities for working families must be a top priority for the future of New York City.

Unfortunately, affordable homeownership in New York City has never been more under threat. The legacy of the foreclosure crisis and predatory lending has resulted in tens of thousands of families at risk of foreclosure. Wage stagnation and the hollowing out of New York City's middle class has made affording rising housing prices a growing challenge. And decades of disinvestment combined with an aging housing stock means homes need critical repairs that, left unaddressed, can threaten financial

stability. Today, nearly half of New York City's homeowners are in a precarious financial position, spending 30 percent or more of their income towards mortgage and other housing costs. Further, an alarming one in four homeowners spend 50 percent or more of their income on housing costs.<sup>1</sup>

Meanwhile, an influx of new, wealthier homebuyers and investors are driving New York City home prices far beyond the reach of all but the wealthiest New Yorkers. Over the last 25 years, home sale prices have risen 200 percent, while real incomes have remained stagnant. As a result, working- and middle-class families in New York today have been largely squeezed out of opportunities to own: for the 51 percent of New Yorkers earning less than \$55,000 a year, only 9 percent of homes on the market are affordable to them.<sup>2</sup> Today, in our working- and middle-class homeowner neighborhoods, speculators and investors pound the pavement, putting up "we buy homes" signs, and knocking on doors. They target financially vulnerable and/or senior homeowners, seeking to buy their homes on the cheap and flip them for big profits. These trends are driving families out of the communities they have called home for decades, and making it impossible for lower- and middle-income New Yorkers to afford new homes.

### **How the City Can Support Affordable Homeownership**

To confront these grave threats to affordable homeownership, New York City must act on two fronts by stabilizing existing homeowners while creating new affordable homeownership opportunities. Together with our partners at the Coalition for Affordable Homes, a coalition of community-based organizations working throughout the five boroughs, we have developed a policy platform that outlines key next steps, which I have brought a copy of today.

The Coalition for Affordable Homes policy platform makes a number of key recommendations:

#### **1) Prevent Displacement of Low- and Moderate-Income Homeowners:**

In the Center's recent survey of East New York homeowners, unaffordable home repairs were the biggest challenge identified, with 63 percent of homeowners reporting that they had an unmet home repair need.<sup>3</sup> While the City provides home repair assistance in the form of grants and loans, existing resources are insufficient to meet demand, and qualifying homeowners must often face lengthy waits for services. We are therefore enthusiastic about the recent announcement of the City's new Home Fix program as part of the Mayor's Housing New York 2.0 plan, and we look forward to working with the de Blasio administration and City Council to ensure the success of the Home Fix program.

We must also continue to support LMI homeowners by ensuring that those who are at risk of foreclosure have access to foreclosure-prevention services, and to that end we'd like to thank the City Council for your generous support of this work. Beyond services, we call on the City to reassess how we treat low-income and senior homeowners with tax and water debt: we should avoid the sale of liens to private

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<sup>1</sup> NYU Furman Center and Citi, Report on Homeownership and Opportunity in New York City, 2016. Available at: <http://furmancenter.org/homeownershipopportunityNYC>

<sup>2</sup> *Id.*

<sup>3</sup> Center for NYC Neighborhoods, East New York: Preserving Affordability in the Face of Uncertainty, October 2017. Available at: [www.cnycn.org/eastnewyork](http://www.cnycn.org/eastnewyork).

investors and therefore minimize the risk of tax lien foreclosures and distressed sales caused by tax lien collections. We also support innovative projects like basement legalization where it is safe to do so, and the Good Neighbor Tax Credit, which would provide a tax benefit to owner-occupants of small buildings (2-4 family homes) who rent apartments to eligible low- and moderate-income tenants at below market rates.

In addition to supports for individual homeowners, we call on the state Legislature to pass a flip tax for New York City. Introduced in 2017, the flip tax bill targets speculative investment driving up New York City home prices by increasing state real estate transfer taxes when a property is being resold after a short period.<sup>4</sup> Such an anti-speculation tax would create a disincentive for the property flipping that inflates home prices and rents. By doing so, we would strengthen the affordability of small residential properties for prospective homebuyers and existing renters. Our research on speculation in the small home market demonstrates the negative impact on home affordability: property flipping reduces the already small pool of affordable homes, and, once resold, properties are generally priced out of reach of most low- and moderate-income families.<sup>5</sup>

## **2) Enhance and Expand Opportunities for Affordable Homeownership:**

Preserving affordable homeownership in the city involves not only protecting existing homeowners, but also creating new tools to expand opportunities for homeownership. Expanding downpayment assistance is one key strategy to support low- and middle-income individuals in purchasing homes, and we commend the de Blasio administration for expanding the amount of downpayment assistance provided by the City as well as increasing eligibility from 80 percent AMI to 120 percent for a limited pool of applicants. This expansion is an important first step, but further expansion is needed to bring New York City's downpayment assistance program up to the levels of assistance provided by cities like San Francisco and Washington, D.C. We are excited to learn more about HPD's "Open Door" program which we anticipate will strengthen the ability of the non-profit sector to build new affordable homeownership units. We should also consider leveraging private investments to support first-time homebuyers, for example by partnering with the private sector on employer-assisted home purchase assistance.

## **3) Implement Community Land Trusts in New York City:**

This fall, the Center was proud to stand with our partners Habitat For Humanity New York City, MHANY Management, Inc., and UHAB to launch the Interboro Community Land Trust, New York City's first community land trust for permanently affordable homeownership.<sup>6</sup> Interboro CLT is one of many fledgling community land trusts in New York City, and we are thrilled to see the City embrace the model as part of the Housing New York 2.0 plan. While CLTs have an array of possible applications, they are

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<sup>4</sup> The Flip Tax Bill (A7406/S6488) was introduced in the Assembly by Assembly Member Erik M. Dilan, and in the Senate by Senator Jesse Hamilton in 2017.

<sup>5</sup> Center for NYC Neighborhoods, The Impact of Property Flipping on Homeowners and Tenants in Small Buildings, April 2016. Available at: <http://cnycn.org/wp-content/uploads/2016/04/CNYCN-NYC-Flipping-Analysis.pdf>.

<sup>6</sup> Learn more about Interboro CLT by visiting our website at [www.interboroclt.org](http://www.interboroclt.org).

particularly powerful vehicles for preserving the long-term affordability of homeownership, both for single family homes and coops.

The City could further support CLTs in the city by ensuring that new affordable housing development is placed within community land trusts whenever feasible, and particularly in cases where new affordable homeownership units are being developed on city-owned land. In partnership with the state Legislature, we must also develop local tax assessment strategies that ensure long-term sustainability and affordability of properties located on CLT land, and create incentives for the development and transfer of property to community land trusts.

#### **4) Increase Funding for the Creation and Preservation of Affordable Homeownership:**

Finally, we recommend that the City create state and city housing trust funds with dedicated revenue streams, including proceeds from the proposed "Mansion Tax" and our proposed flip tax, to provide flexible funding for the creation, rehabilitation, and preservation of low- and moderate-income homeownership.

The challenges to affordable homeownership in New York City today are unquestionably vast, but we can and must rise to the challenge. Implementing the Coalition for Affordable Homes' policy platform will require significant efforts on the part of city and state elected officials, as well as substantial financial investment. However, taking action is necessary if we believe that all New Yorkers should have the opportunity to own a home, and not just the wealthy.

Thank you very much for the opportunity to testify today. We look forward to working with you to promote and protect affordable homeownership in New York City.



**Resolution calling upon New York City Major Bill De Blasio through the New York City Department of Housing Preservation and Development (HPD) and Department of Finance to remove from the 2017 In Rem Foreclosure List all properties owned by a Housing Development Fund Corporation (HDFC) and place a moratorium on the foreclosure process until a comprehensive review of the multi-agency processes that result in foreclosure on these HDFC cooperatives is conducted and a comprehensive technical and financial assessment of these HDFC properties is completed and eliminating the deadline for applying to the Article XI Tax Amnesty program, therefore allowing every building to participate in the Article XI Tax Amnesty program.**

By Council Members \_\_\_\_\_

Whereas, Housing Development Fund Corporations (“HDFCs”), as defined by the New York State Private Housing Finance Law (“PHFL”), are entities that have been incorporated as organizations dedicated to develop low- and moderate-income housing, the income of which must be used exclusively for corporate purposes, and that is authorized to enter into a regulatory agreement with the New York City Department of Housing Preservation and Development (HPD) as the supervising agency providing for certain supervision over the use of the properties that executed the regulatory agreements; and

Whereas, New York City created the HDFC program beginning in the 1980s in which the City sold more than 1,200 bankrupt and failing buildings with a total of more than 33,000 cooperative units to low- and middle-income residents who were willing to manage and remain as residents; and

Whereas, The Deeds of the 1200 buildings were transferred to HDFCs under Article XI of the Private Housing Finance Law, some through a 25-year regulatory agreement between HPD and the owners, that included receiving tax-abatements while many were required to pay back up to 40% of profits from sales to the City, limiting income-levels of buyers and preserving the properties for low- and middle-income families; and

# Resolution to halt HDFC foreclosures (draft)

Whereas, According to the Memorandum in Support of Chapter 315 of the Laws of 2002 which later amended in 2004, the State law which originally enacted section 577-b of the PHFL, the purpose of the law was to provide relief that would alleviate the financial burdens of eligible HDFC cooperatives that had tax arrears with rapidly accumulating interest charges that the buildings could not afford to pay; and

Whereas, The initial enactment of the law and the subsequent expansion demonstrates the State's recognition of the significance of HDFCs in providing essential, shareholder-managed affordable housing in New York City and the value of ensuring their continued financial viability; now; therefore; be it

**Resolved**, That the Council of the City of New York calls upon New York City Major Bill De Blasio through the New York City Department of Housing Preservation and Development (HPD) and Department of Finance to remove from the 2017 In Rem Foreclosure List all properties owned by a Housing Development Fund Corporation (HDFC) and place a moratorium on the foreclosure process **until a comprehensive review of the multi-agency processes that result in foreclosure on these HDFC cooperatives is conducted and a comprehensive technical and financial assessment of these HDFC properties is completed and eliminating the deadline for applying to Article XI Tax Amnesty program, therefore allowing every building to participate in the Article XI Tax Amnesty program. ###**

Whereas, On or before the date conversion, the City made no or insufficient major capital improvements to many of these properties, which has led to deterioration over the last 25 years for approximately 25% of the buildings which prevented them from keeping up with payment for real estate taxes and water and sewer charges; and

Whereas, During the same period of time, the City did not provide those properties with technical assistance and capital financial support for improvements and replacement of roofs, boilers, electrical, gas and plumbing services which forced the owners to make those major capital improvements and delay payment for real estate taxes and water charges which have placed these properties on the In Rem Foreclosure list which could eventually be transferred to another owner under the Third Party Transfer (TPT) program administered by HPD as the New York City supervising agency referenced in the PHFL; and

Whereas, In New York City, the supervising agency referenced in the PHFL is the City's Department of Housing Preservation and Development ("HPD"); and

Whereas, Section 577-b of the PHFL, permits HDFC cooperatives in New York City that, as of January 1, 2002, had outstanding real property taxes relating to any period, to enter into a regulatory agreement with HPD pursuant to which the obligation to pay real property tax arrears attributable to such property may be suspended and later forgiven; and

Whereas, In exchange for having the arrears suspended and forgiven, the HDFC must agree in the regulatory agreement to certain controls on the use of the property, such as restriction of sales to low-income households, restrictions on subletting, and certain financial controls; and

Whereas, Such regulatory agreements are a vehicle for the City to ensure the preservation of affordable housing; and

Whereas, Under section 577-b, the regulatory agreement must include certain provisions, such as 1) a term of thirty years; 2) that the suspension of the obligation to pay arrears will continue provided that the HDFC complies with the terms of the regulatory agreement; 3) that all suspended arrears will be forgiven provided that the HDFC complies with the regulatory agreement for an initial period of ten years; 4) that any suspended obligations which have not been forgiven may be reinstated if the HDFC fails to comply with the regulatory agreement; 5) that all new real property taxes must be paid on time; and



**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. \_\_\_\_\_ Res. No. \_\_\_\_\_

☐ in favor ☐ in opposition

Date: \_\_\_\_\_

(PLEASE PRINT)

Name: John McBride

Address: 249 W 114 ST

I represent: HDFC Coalition

Address: MAN.

**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. \_\_\_\_\_ Res. No. \_\_\_\_\_

☐ in favor ☐ in opposition

Date: \_\_\_\_\_

(PLEASE PRINT)

Name: Wil Buckery

Address: 302 Convent AV.

I represent: HDFC Coalition

Address: MAN.

**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. \_\_\_\_\_ Res. No. \_\_\_\_\_

☐ in favor ☐ in opposition

Date: 12.12.17

(PLEASE PRINT)

Name: Sylvia Tyler

Address: 1580 Amsterdam Ave

I represent: HDFC coop St. Cmt.

Address: N/A

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL  
THE CITY OF NEW YORK**

**Appearance Card**

I intend to appear and speak on Int. No. \_\_\_\_\_ Res. No. \_\_\_\_\_

☐ in favor ☐ in opposition

Date: 12/12/2017

(PLEASE PRINT)

Name: Julie Walpert

Address: 100 Gold

I represent: HPD

Address: \_\_\_\_\_

**THE COUNCIL  
THE CITY OF NEW YORK**

**Appearance Card**

I intend to appear and speak on Int. No. \_\_\_\_\_ Res. No. \_\_\_\_\_

☐ in favor ☐ in opposition

Date: \_\_\_\_\_

(PLEASE PRINT)

Name: Leo Goldberg

Address: 17 Battery Pl. Ste 722 NYC NY 10004

I represent: Center for NYC Neighborhoods

Address: \_\_\_\_\_

**THE COUNCIL  
THE CITY OF NEW YORK**

**Appearance Card**

I intend to appear and speak on Int. No. \_\_\_\_\_ Res. No. \_\_\_\_\_

☐ in favor ☐ in opposition

Date: 12/12/17

(PLEASE PRINT)

Name: Molly Park

Address: 100 Gold

I represent: HPD

Address: \_\_\_\_\_

Please complete this card and return to the Sergeant-at-Arms



**THE COUNCIL  
THE CITY OF NEW YORK**

*Appearance Card*

I intend to appear and speak on Int. No. \_\_\_\_\_ Res. No. \_\_\_\_\_

☐ in favor ☐ in opposition

Date: 12/12/17

(PLEASE PRINT)

Name: Anne-Marie Hendrickson

Address: 100 Gold

I represent: HPD

Address: \_\_\_\_\_

**THE COUNCIL  
THE CITY OF NEW YORK**

*Appearance Card*

I intend to appear and speak on Int. No. \_\_\_\_\_ Res. No. \_\_\_\_\_

☐ in favor ☐ in opposition

Date: 12/12/2017

(PLEASE PRINT)

Name: Hally Chu

Address: \_\_\_\_\_

I represent: Gale A. Brewer, Manhattan Borough President

Address: 1 Centre St. 19th Fl. NY NY 10007

**THE COUNCIL  
THE CITY OF NEW YORK**

*Appearance Card*

I intend to appear and speak on Int. No. \_\_\_\_\_ Res. No. \_\_\_\_\_

☐ in favor ☐ in opposition

Date: 12-12-17

(PLEASE PRINT)

Name: GLORY ANN KERSTAN

Address: 111 W 106 HDFC 10025

I represent: HDFC Coalition

Address: 601 W 136 St #41 10031