Buildings

NEW YORK CITY DEPARTMENT OF BUILDINGS
TESTIMONY BEFORE THE NEW YORK CITY COUNCIL
COMMITTEE ON HOUSING AND BUILDINGS
MAY 3, 2023

Good morning Chair Sanchez and members of the Committee on Housing and Buildings. I am Guillermo Patino, Deputy Commissioner for External Affairs at the New York City Department of Buildings ("the Department"). I am pleased to discuss the Department's efforts to support small property owners and Intro. 689, which would waive permit fees for green building projects pursued by small property owners.

The Department recognizes the importance of homeownership and takes great care to develop policies and programs that specifically recognize and support small property owners. When a home is purchased, the Department reaches out to new property owners with a toolkit they can use to maintain their property and comply with applicable regulations before they run into any issues. New property owners receive a mailing from the Department that shares critical information about their property, including any open violations or permitted construction jobs, and that tells them about compliance inspections they must comply with, which may include inspecting their elevators, their boilers, or their facades. The Department is also reaching out to property owners when we receive a filing for a construction project at their building for the first time so that they know what to expect as their project moves through the approval process. It should also be noted that fee equity was considered when the Department developed the fee structure for construction permits, which means that small property owners pay less for their construction projects than those property owners pursuing projects at larger buildings.

Similarly, the Department has taken into consideration the financial burdens that violations can create for small property owners, who may not be familiar with relevant building and construction regulations that they must comply with. As such, the Department is taking an education first approach when dealing with small property owners. In late 2021, the Department launched the Homeowner Relief Program, which provides small property owners with the opportunity to correct violating conditions without incurring financial penalties. This is a shift in the way the Department has done business in the past and is an effort by the Department to support small property owners who may not be familiar with the regulations they must comply with when maintaining their homes or pursuing a construction project. Additionally, last year, the Department amended its rules to extend cure periods for all violations that are not immediately hazardous from 40 days to 60 days, providing additional opportunities for property owners to address violating conditions without incurring financial penalties. Finally, the Department also opens its doors in every borough on Tuesday nights for Buildings After Hours, which provides property owners with an opportunity to walk into our offices with any questions they might have about a construction project they are considering pursuing or about resolving a violation they may have received.

Turning now to the legislation before the Committee. The Department is supportive of the intent of Intro. 689 as it supports the City's ambitious goal of reaching net zero emissions by 2050 and would help provide financial relief to small property owners seeking to green their buildings. In New York City, about two-thirds of carbon emissions can be attributed to buildings, which makes buildings the largest source of climate-change-causing greenhouse gases. The Department's Sustainability Bureau is hard at work implementing and overseeing a number of measures aimed at reducing emissions from the City's building stock, which are helping in the fight against climate change. However, it is incumbent upon building owners to do their part to green their buildings and we hope this proposal helps to accomplish that.

Thank you for the opportunity to testify before you today.

Testimony of the

New York City Department of Housing Preservation and Development

to the New York City Committee on Housing and Buildings regarding Oversight of

Homeownership Opportunities & Development Programs

Wednesday, May 3, 2023

Good morning Chair Sanchez and members of the New York City Council Committee on Housing and Buildings. My name is Kim Darga, Deputy Commissioner of the Office of Development at the New York City Department of Housing Preservation & Development (HPD). I am joined by Xiomara Pedraza, Assistant Commissioner for Homeownership Opportunities and Preservation, and Michael Sandler, Associate Commissioner of Neighborhood Strategies. Thank you for the opportunity to testify about the important topic of homeownership opportunities throughout New York City.

As Commissioner Carrión testified in March, our Administration is committed to making the dream of homeownership a reality for more New Yorkers, particularly in lower-income communities and communities of color that have been historically excluded from opportunities to build and maintain wealth. Homeownership has always been vital for economic mobility. Owning a home helps households build the assets they need to send their children to college, save for retirement, and put down roots in a community. However, the median sale price of a home in New York City reached $790,000 this past March.[1] This, combined with high interest rates, other increasing costs, and constrained supply has put homeownership opportunities out of reach for most New Yorkers. Maintaining a home and home equity can also be challenging in the current environment of rising costs and interest rates. Addressing these challenges by preserving existing and creating more homeownership opportunities is a key component of the Administration's Housing Our Neighbors blueprint.

As part of our commitment to homeownership, we create and preserve homeownership opportunities through a variety of programs. Over the last few years, we have invested significantly in homeownership programs and in late 2021 we restructured our teams that work with homeowners to provide more comprehensive services by creating the Division of Homeownership Opportunities and Preservation in the Office of Development. This new division creates new homeownership opportunities within existing residential property, manages a number of programs that help existing owners maintain their home, and facilitates shared equity. This division works closely with our Office of Neighborhood Strategies, where we have created a new Owner Outreach and Events team, which provides classes for homeowners, organizes resources events in neighborhoods around the city, and oversees our major counseling and financial assistance programs for homeowners. Earlier this year the City committed $53 million in tax levy and Federal HOME funds to supplement capital invested through various programs,

---

[1] Redfin: New York Housing Market: House Prices & Trends | Redfin

to the budget to further expand various homeownership opportunities outlined in Housing our Neighbors: A Blueprint for Housing and Homelessness.

Recognizing the critical role that homeownership plays in stabilizing neighborhoods and building generational wealth, HPD launched the Open Door program in 2017 to create new limited equity homeownership opportunities for first-time homebuyers and the City reiterated this commitment in Housing Our Neighbors. In 2021, we expanded our HomeFirst Downpayment Assistance Program to offer up to $100,000 per qualified first-time homebuyers purchasing a home in New York City, more than doubling the amount of financial assistance available for first-time homebuyers and allowing them to afford to purchase a home in more neighborhoods throughout the city. Last year, HomeFirst provided more than $7.8 million to help over 100 low-income families to purchase their first home. The City recently added an additional $29.4 million of funding to support this important program, which will allow us to serve double the number of first-time homebuyers we can serve annually. Through various preservation programs, we also create new homeownership opportunities within existing buildings and by supporting the conversion of rental properties to affordable homeownership.

HPD has a range of financing programs to assist multi-family HDFC and Mitchell-Lama cooperatives. These programs, including the Participation Loan Program and Green Housing Preservation Program, are available to help cooperative owners finance renovations where an affordable loan is paired with a residential property tax exemption in order to help reduce expenses. Our HDFC training and technical assistance contract is available to help cultivate and maximize the skill sets necessary to successfully promote, sustain and develop housing activities beneficial to running effective cooperatives. HPD is also exploring development of a new Owner Resource Center, building off the current Landlord Ambassador Program, to provide technical assistance to owners of multi-family properties, including HDFC cooperatives, seeking to stabilize operations and access City assistance.

We are also improving and expanding our programs that support existing 1-4 family homeowners. In 2019, we launched HomeFix, a repair loan program, to scale up assistance to lower income 1-4 homeowners earning up to 165% of Area Median Income. We recently committed $16.5 million to expand HomeFix to serve 50% more households and help owners invest in energy efficiency and resiliency along with other home repairs. This program provides financing terms that are adjusted to be affordable to each applicant, eliminating the standard credit and debt to income requirements that often prevent owners from being able to access financing to do repairs. In order to help homeowners address climate resiliency, we are working not only to incorporate resiliency as an eligible cost in HomeFix, but are also investing $32.5 million in Community Development Block Grant funding to improve the resiliency of homes throughout New York City.

We recently committed $7.2 million to establish a citywide Homeowner Help Desk, which builds upon successful pilot programs. The Help Desk, administered in partnership with the Center for New York City Neighborhoods ("the Center"), was developed to raise awareness about deed theft and scams and offer one-on-one housing counseling, financial assistance, legal services, and other support to struggling homeowners of one- to four-family homes. To date, the Center has assisted more than 250,000 homeowners, saving 18,000 homes, which equates to preserving more than $10 billion in property value. Of these 250,000 homeowners, 78% were from communities of color – 54% were Black and 18% were Latino or Hispanic. The Homeowner Help Desk and Help Desk partners continue to support homeowners on a daily basis. If you or one of your constituents is interested in the services I just mentioned, please call (646) 786-0888 for assistance.

We work closely with contracted partners to administer most of our homeownership programs. The Center for New York City Neighborhoods was created specifically in the wake of the mortgage crisis to address the foreclosure crisis affecting homeowners across the city. The Center, with their network providers, now provide wraparound services to homeowners of small, and homes and operates a Homeowner Hub

The challenges we currently face in creating generational wealth building opportunities and addressing inequities are unprecedented. This Administration is committed to promoting and preserving ownership for New Yorkers, especially those that have been traditionally overlooked and disadvantaged. We also look forward to working with you and your colleagues to develop strategies to improve the ways we support homeownership for New Yorkers. While today's challenges of high inflation, interest rates, and housing costs are unprecedented, the Administration is invested in creating opportunities to develop new and creative solutions together.

In regards to the legislation being heard today, while HPD supports the goals of Int. 384, HPD currently works with citywide and local community organizations to focus our resources on the needs of local neighborhoods and support HPD's mission to prioritize creating and preserving affordable housing for lower income homeowners and factors in existing public and private resources.

Again, thank you for the opportunity to testify about these important issues, and we look forward to your questions.

Testimony Before the New York City Council Committee on Housing and Buildings
Regarding - Homeownership Opportunities and Development Programs

May 3, 2023

Good morning. My name is Kevin Wolfe and I am the Senior Government Affairs Manager at the Center for NYC Neighborhoods. I would like to thank Chair Sanchez and the members of this committee for giving us the opportunity to speak on the City's capital budget today.

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 live in strong, thriving communities. Established by public and private partners, 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 more than 100,000 homeowners. We have provided more than $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. The Center's work is counter-cyclical--our services are in higher demand in times of crisis--and we have developed expertise in responding quickly in partnership with the government to achieve stabilization and safety for New Yorkers.

The members of New York City Council have been strong champions of our affordable homeownership efforts since the Center was founded. We greatly appreciate your support for homeowner services in the City budget, and for continuing to support homeowners and their tenants during times of economic hardship and neighborhood change. We know that you face many difficult choices, and we look forward to partnering with the City Council and the Adams administration on ensuring that homeowners can stay in their homes, especially during this time when housing is critical to equity, safety and health.

Foreclosures A Threat - and Black and Indigenous Communities of Color are More Vulnerable

The Center's homeowner services are a critical part of NYC's social infrastructure, which is unique among U.S. cities, in providing a safety net for homeowners in distress. Not only does the Center and its network of community based partners provide a range of professional legal services and housing counseling free of charge, we are on the front lines of fighting the disinformation that often leads to scams in changing neighborhoods. It is crucial that funding for homeowner services is at least maintained, in order to stabilize the thousands of New York City homeowners that are threatened by foreclosure.

In 2018, more than 30,000 New York City families received pre-foreclosure notices, meaning that they were seriously delinquent on their mortgage and at risk of entering the foreclosure process.[1] Six of New York State's ten ZIP codes with the highest number of pre-foreclosure notices are in New York City: Canarsie and Flatlands/Marine Park in Brooklyn; Rochdale, Springfield Gardens, and St. Albans in Queens; and Bulls Head/New Springville on Staten Island.[2] Foreclosure auctions have also been increasing: in 2019, 3,056 homes in New York City were scheduled for auction, up from 936 in 2012.[3] Homeownership is on the decline for BIPOC New Yorkers; In Brooklyn, blacks make up 34% of the population but only 7.4% of the mortgage loan applications (70% were denied) in Queens, 20,000 black homeowners have been lost since the 2010 census, and in the North Bronx lost nearly 7,000 (40 percent) of its homeowners in the decade following the financial crisis. The New York City families who own those homes are mostly black and Latino: over 60 percent of the homeowners at risk of foreclosure we see at the Center are black, and over 20 percent are Latino.

Scams Target Vulnerable Homeowners

Deed theft is a growing concern and can often take the form of foreclosure rescue scams that involve the fraudulent transfer of ownership of a home to a third party. Sometimes homeowners are tricked into signing over their deed, believing they are signing some other type of legal document. Deed theft scammers target homeowners at risk of foreclosure or homeowners who are otherwise vulnerable, including seniors. Since 2014, the Office of the Sheriff has handled more than 2,000 complaints of deed theft; these complaints are concentrated in Brooklyn and Queens.[4]

Restarting the Tax Lien Sale threatens longtime NYC Homeowners

Many NYC homeowners struggle to afford property tax, water, and other municipal charges as is, but lost jobs and lost rental income could push thousands of homeowners into tax delinquency. Thousands of homeowners are threatened with the loss of their home by being placed on a tax lien sale list, and the City is six times more likely to sell a tax lien in a majority black neighborhood than in a majority white neighborhood. That result will be damaging for the homeowners and the city. When homeowners fall behind and liens are sold through the City's annual tax lien sale, they face steeply escalating debt and most end up selling their homes within a couple years. For seniors who have taken out reverse mortgages, even a small amount of tax debt can lead to default and foreclosure. Meanwhile the city loses out on badly needed property tax revenue and risks disrepair and vacancy impacting property values.

Solutions: Continue to Fund Homeowner Services in the FY 2024 City Budget

---

[1] New Economy Project, Foreclosure Risk in New York State: January 2019. Available at: https://www.neweconomynyc.org/wp-content/uploads/2019/01/Final_2018.pdf

[2] Id.

[3] Figures based on Center analysis of PropertyShark data.

[4] Report of the Grand Jury of the Supreme Court State of New York, December 13, 2018. Available at: https://www.manhattanda.org/da-vance-releases-grand-jury-report-documenting-epidemic-of-real-estate-theft-targeting-vulnerable-new-yorkers/

The Center for NYC Neighborhoods has developed innovative, high-quality services to help keep New York City homeowners in their homes, with a track record of success on behalf of LMI homeowners. The Center was founded to address the foreclosure crisis of the Great Recession and grew to address Hurricane Sandy and the COVID-19 pandemic - our services are critical in times of crisis. This year, the Center requests $4,100,000 in City Council funding to support several initiatives to assist homeowners across New York City At this point we ask to maintain our current funding in order to serve at-risk homeowners.

Specifically, City Council funding would support our comprehensive suite of homeownership services, including the following:

- **Homeowner Hub:** Our Hub is a frontline service for homeowners seeking specialist advice and referrals for more comprehensive services. Our hotline operates at full capacity and can be reached via 311 or through our HomeownerHelp website.
- **Foreclosure Prevention Services:** The Center serves homeowners by providing foreclosure counseling, homeownership counseling, property tax counseling, and reverse mortgage counseling for seniors that help them remain in their homes. Some services are provided in-house, such as the Center's Escalations program, while others are provided through our Network Partners. All are available remotely during the current health crisis.
- Homeowner Help Desk community-based outreach staffed with free attorneys and housing counselors to help stabilize homeownership with a focus on BIPOC communities
- **Homeowner Sustainability and Resiliency Services**: The Center provides resiliency and energy efficiency counseling, home resiliency audits, and backwater valve installations for homeowners at risk of flooding or who are seeking to lower their home energy costs. We work to improve circumstances for individual homeowners and also at scale for communities at risk of flooding, climate change, and more. NYC residents can learn their flood risk at FloodHelpNY.org.
- **Policy and education:** Our policy and research team works to develop programs that address the needs of New Yorkers as they arise. Currently, we are focused on developing solutions for homeowners experiencing job loss and/or loss of income from their tenants, as well as for seniors.

Fund Home Repair in the City Budget

Homeowners, particularly the elderly, are spending more time in their homes than ever. Unsafe conditions such as mold, lead paint, and lack of air conditioning in summer months have never been bigger threats to their health than now. Community based partners and the Center's research consistently identify critical repair in aging homes as one of, if not the most, urgent need in low-rise low- and moderate-income communities.

Given the major need for increased home repair resources for low- and moderate-income homeowners, the HomeFix program has never been more necessary. We are requesting the City Council provide $3,345,000 to support the vital outreach and counseling as well as loans targeted towards those council districts with the highest need, which will allow us to reach low- and moderate-income New York City homeowners throughout the city and assist them in navigating the program.

Developing Homeownership Opportunities in Black Indigenous Communities of Color

The Center is collaborating with LISC NY, NHSNYC and a cross section of non profit, for profit and government stakeholders in order to create **5,000** BIPOC homeownership opportunities through the creation of long-term programming, the exploration of shared equity models and rethinking the role of homeownership in New York City's housing market. Our strategy has three prongs:

1. The establishment of a Tenant/Community Opportunity to Purchase Program in order to give tenants in residential buildings the right to purchase the building if the landlord decides to sell. Help support tenants in BIPOC neighborhoods to prevent displacement, increase homeownership, and transfer rental units to community owned housing opportunities, such as CLTs.
2. The creation of a NYC Multi-Family Homeownership construction program through increased capital spending for homeownership construction by both the city and state, development of new models to finance homeownership construction by financial institutions, and targeting development opportunities and areas (including vacant parcels) undergoing rezoning and redevelopment in order to ensure an affordable homeownership component.
3. Continued support for the Center's foreclosure prevention efforts, generously supported by the New York City Council, and preventing foreclosures through direct assistance for housing costs.

We look forward to partnering with the City Council and the Adams administration to protect affordable homeownership and thank you for the opportunity to testify today.

Testimony of Habitat for Humanity New York City and Westchester County

To the New York City Council Committee on Housing & Buildings

Oversight: Homeownership Opportunities and Development Programs

May 3, 2023

Testimony respectfully submitted by:
Matthew Dunbar
Chief Strategy Officer & EVP

Good morning. My name is Matthew Dunbar, Chief Strategy Officer and EVP with Habitat for Humanity New York City and Westchester County. I want to begin by thanking Chair Sanchez and the full Committee on Housing & Buildings for the invitation to testify on affordable homeownership in New York City.

Habitat NYC and Westchester knows the power and importance of affordable homeownership as we've spent the past 39+ years building and preserving more than 2,300 homes for low- to moderate-income families in all five boroughs. Affordable homeownership as a critical part of the housing continuum. In order to build an equitable city, it is imperative to invest in solutions that build family and community equity.

We know that our partners at the City concur and we are honored to be a partner of record in many of the innovative programs and initiatives the City has established to advance affordable homeownership, including:

- In 2017, we co-founded Interboro Community Land Trust, the city's first citywide CLT
- In 2018, our Sydney House Cooperative broke ground as the first new construction homeownership project financed under the Open-Door program
- In 2021, our Claremont House development in the Bronx was selected as the first project to win a city-led RFP for homeownership to be permanently affordable on land owned by the CLT
- In 2022, we broke ground on Habitat Net Zero, the first CLT partnered new construction and rehab project financed by Open Door – to result in 16 permanently affordable, single-family homes

With the capital resources and innovative spirit our affordable housing sector brings to the table, New York City should be the envy of the nation in how to equitably house our neighbors.

Regrettably, we continue to fail to meet this potential.

9 years ago, I testified in front of this committee, encouraging the City to increase its investment in affordable homeownership and implement strategies that would preserve these investments for future generations of lower income, first-time homebuyers. Alongside colleagues in the sector, we testified that affordable homeownership and community land trusts are critical to the goal of fostering diverse stable neighborhoods, pushing back against displacement due to gentrification, and building both individual and community wealth.

I sit before you today, sadly, to report the staggering reality of our progress to date. According to public data, it is our estimation that in a city of over 8.5 million residents, the city on average has financed the creation of less than **90 units of affordable homeownership per year since 2014, (including one pre-pandemic year when that number plummeted to 12 homes**.)

This city, and our nation as a whole, was built on a foundation rooted in racial discrimination. This foundation has deprived families of color access to the benefits of homeownership that white New Yorkers have, for generations.

In NYC, 43 percent of white households own their own homes compared to only 27 percent of Black households and 17 percent of Hispanic households. The median white family has $184,000 in wealth while the median Hispanic family has $38,000 in wealth and the median black family has $23,000. These disparities directly correlate to the lack of access to wealth-building that homeownership provides.

A truly equitable housing plan requires that we prioritize investment in the equity-building opportunities homeownership provides and as importantly, that we implement the projects. We must do better than we have on this issue over the last decade.

The evidence is staggering.

In 2022, our 16-home Net Zero project (of which we are so proud) represented 1/3 of the new homeownership units financed across the city.

It was reported in the Commercial Observer that our 56-unit Sydney House Cooperative remains the only new construction project completed and sold since the Open-Door program launched in 2018. According to HPD's testimony, a little more than 150 families have purchased their homes since the program launched in 2017.

And according to research conducted by the NY Housing Conference, of the approximately 550 homeownership units announced between 2017 and 2018, <u>only 33 units have since broken ground.</u>

Certainly, the poor pace of production has been exacerbated by a myriad of factors including the prior administrations limiting of affordable homeownership projects to the most difficult to develop small, scattered, infill sites and, the well-publicized staffing shortages that have plagued this administration

We are hopeful that we will begin construction on a long-delayed cluster designated to our organization in 2017 next month, with a second cluster advanced shortly thereafter.

These two projects alone represent approximately 100 units of permanently affordable, cooperatively-owned, homeownership opportunities and they have lain fallow on our balance sheet for nearly 7 years as higher density rental projects driven by our for-profit developer colleagues, have been prioritized.

This approach is devastating to our city's neighborhoods, to the constituents of our city who depend on all of us, to advocate for and deliver on housing. It is devastating as well to the nonprofit, community-based developer partners to the city of NYC who carry these projects for unsustainable lengths of time, on their own balance sheets.

It is shameful. I know that we all want to do better. The people of the city of New York deserve better.

Last year Mayor Adams committed to increasing affordable homeownership during his administration – committing to building more affordable homeownership options and creating new models for shared equity and community ownership.

We have yet to see these goals materialize and with ongoing staffing shortages and proposed budget cuts, the delays will continue.

HPD testified that affordable homeownership creation is much "more expensive" than other housing solutions, but this statement is not accurate. A unit of housing costs the same to build whether it is a unit of rental or a unit of homeownership. The difference is that rental production accesses tax credit equity and is strategically approached at scalable sizes, while homeownership production requires capital subsidies to fill the tax credit gap and the city has historically designated only the smallest, most expensive, most challenging sites for non-profit and small developer homeownership development. Additionally, current affordable homeownership conversion strategies still focus on distressed and neglected buildings remaining from the Tenant Interim Lease (TIL) program through the Affordable Neighborhood Cooperative program (ANCP). The expense of these conversions is generally due to the decades of differed maintenance and capital repairs required prior to conversion. This is a direct result of years of neglect and de-prioritization.

Thereby, affordable homeownership creation currently requires more capital subsidy because of the historical and structural limitations the current and previous administrations have taken.

We applaud the current administration's expanded approach to site selection of homeownership projects to reflect larger sites and inclusion in more impactful RFPs. Flexibility and expanded capital funding in the Open Door term sheet is a huge step in moving homeownership projects from pipeline to ground breaking and should be celebrated as well. The City is responding to advocates and elected officials that are highlighting the need to focus more resources on homeownership in our city's housing plan.

Additionally, New York City must expand our approach to affordable homeownership creation beyond only new construction and conversion of the most challenging rental buildings, to focus on the acquisition and conversion of well-maintained, cash-flowing properties that would require less capital to stabilize. This Tenant Opportunity to Purchase approach would require acquisition financing and technical assistance support from organizations like Habitat to achieve, but in the long-term would be less expensive and result in structurally supported HDFC cooperatives that are significantly more stable and set up for success than their counterparts created in previous decades.

NYC must also take a fresh look at existing tools in the toolbox that would result in more affordable homeownership, even if realized years into the future. Low-Income Housing Tax Credits can be used to construct cooperatives and rental developments that can be more easily converted to limited-equity cooperatives at the conclusion of the 15-year compliance period. Organizations like the Long Island Housing Partnership have successfully implemented this strategy and we have previously proposed a similar approach. While this strategy doesn't immediately result in homeownership for the tenants, it would utilize the most successful mechanism the affordable housing sector has in creating new units with the end goal being equity-building opportunities for the residents and permanent community-stewarded assets for our neighborhoods.

In recent years, HPD sought input on creative strategies that would expand the landscape of shared-equity homeownership. In support of this goal, we submitted responses from Habitat NYC and Westchester, Interboro CLT, and the Habitat NYC Community Fund, our federally certified CDFI. I am attaching all three responses which expand on some of these ideas for the committee's awareness and education. We are hopeful that the administration, with support from the City Council, Governor, and NYS legislature will advance some of these recommendations.

This is difficult testimony to give especially because of how strongly we value and respect the dedicated public employees at HPD and City Planning who are under resourced in their efforts to see our shared mission realized. It has been our consistent experience that these teams are made up of dedicated, hard-working, professionals but the turnover rate and commensurate loss of institutional knowledge at HPD and across partner agencies continues to delay projects getting into production and is having a devastating effect on the balance sheets of good-faith nonprofit organizational partners.

Therefore, we urge – in deed, we pray – for the City Council to support HPD in obtaining the funding, and flexibility, it needs to fulfill its mission and then, to hold them accountable for delivery of the projects in the agency's pipeline!

The City of Yes must be operationalized across our housing agencies.

Deadlines to advance projects must be set and adhered to. We must get the projects already committed to into production, allowing for innovative new approaches to creating homeownership opportunities, such as tenant opportunity to purchase strategies and rebooting and relaunching programs like Neighborhood Pillars, and Open Door.

Subsequently, we support a resolution asking the state legislature and the governor to pass the Housing Affordability, Resiliency, and Energy Efficiency Investment Act (previously-known-as Affordability Plus), S2985a. HPD’s loan-granting authorities are limited and outdated, derived from a patchwork of laws designed for the needs of a prior New York. Outdated laws make it increasingly difficult for HPD to support innovation and new methods for tackling the city’s housing crisis.

For example, current laws prevent HPD from extending loans for ground leases for non-city-owned land and developments, constraining HPD’s ability to finance CLT projects. And, HPD lacks the legal authority to make loans for acquisition and refinancing that would help mission-driven organizations, like Habitat, to acquire and convert affordable buildings to limited-equity ownership.

As it stands, the sad truth is that the state of our city’s homeownership landscape is weaker than it has been in decades. The question is whether or not we as a city have the will to prioritize existing projects and advance new strategies to strengthen it.

Time and again, we talk of building a more equitable and affordable New York – how can we speak of equity without delivering on the promises made for working New Yorkers to step into homeownership. I implore the City Council and this Mayoral administration to recommit to partnering with us in seeing this goal advanced and we look forward to working together to see it realized.

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

TO: NYC HPD
FROM: Interboro Community Land Trust
CONTACT: John Edward Dallas, Coordinator
john.edward.dallas@interboroclt.org, (646) 849-1629
RE: Response to HPD Shared-Equity RFI
DATE: July 8, 2021

A. Considerations of Shared Equity

I. For Respondents practicing, researching, or involved in a model(s) of SE, please detail any knowledge, skills, and experience in the following areas, specific to SE model(s), as applicable:

- **What is the mechanism or structure of the model?**

The Interboro Community Land Trust creates and preserves opportunities for *permanently*-affordable homeownership for lower-income households and households of color across the city—offering a pathway to housing stability, inclusive homeownership, and wealth-creation for families and individuals while promoting stabilization, diversity, and investment in neighborhoods and communities in spite of gentrification and speculation.

The Interboro CLT is a collaboration between the Center for NYC Neighborhoods, Habitat for Humanity New York City and Westchester County, the Mutual Housing Association of New York (MHANY), and the Urban Homesteading Assistance Board (UHAB).

Interboro has developed a shared-equity model—which we call internally the Preservation Pilot—that allows homeowners in mortgage distress who have exhausted traditional loss-mitigation options to preserve their occupancy, ownership, and asset. Distressed homeowners at that stage of foreclosure who want to keep and stay in their homes are typically left with few if any good choices. Entering into a relationship with Interboro offers these homeowners a new, and proven, homeownership-preservation option.

The structure of the option or model can be summarized as follows: A distressed homeowner receives an equity contribution from Interboro. They in turn use it to refinance their mortgage—or to resolve other debts that are triggering foreclosure or otherwise inflicting financial hardship on the homeowner or their property. In exchange for the infusion of funds from Interboro, the homeowner transfers ownership of the land under their home to the CLT and enters into a renewable 99-year ground lease with resale and other restrictions that support permanent affordability.

The model also entails the homeowner working with a HUD-approved housing counseling agency to determine the amount of mortgage they are able to carry comfortably, with the counseling agency identifying a new lender for a refinance. In addition, the homeowner must retain legal counsel.

Interboro, working closely with the housing counseling agency, the homeowner, and the homeowner's legal representative, makes certain that the homeownership-preservation model is fully understood by the homeowner and is a good fit for them.

To support, and scale up, this shared-equity model (explained in greater detail in subsequent sections of this response), Interboro proposes the creation and capitalization of a Preservation Fund. The fund would afford homeowners who are threatened by foreclosure an opportunity to remain in their homes and retain or rebuild equity. It would also create a pathway to permanently- affordable homeownership for future lower-income buyers, through the renewable 99-year ground lease.

Restrictions imposed through the ground lease ensure that as a home brought onto the CLT increases in value over time, the current homeowner will be in a position to receive a financial return at resale. However, the resale price will be capped at a level that guarantees the home's affordability to future lower-income buyers, resale after resale.

Other benefits of the model include the stewardship activities of the CLT. There are also reduced housing expenses such as property taxes—either through an Article XI, PILOT, or other tax exemption—that would further stabilize homeowners financially as well as enhance their capacity to build personal and intergenerational wealth.

It should be mentioned that the structure and mechanism of the Preservation Fund are similar when a multifamily property in financial distress, such as a limited-equity cooperative, as opposed to a single-family home, opts into a CLT in exchange for financial assistance. Hence, shareholders retain ownership of their shares in the cooperative and thus of their building(s), and ownership of the land is transferred to the CLT. As with a single-family home in distress, the co-op uses the CLT's equity contribution to resolve its financial crisis.

To summarize, the shared-equity model that Interboro puts forward not only stabilizes the homeownership of individuals facing foreclosure for whom there are no viable solutions in the standard foreclosure-prevention playbook. The model also prevents the displacement of homeowners, preserves their wealth-building asset, and stabilizes their neighborhoods and communities. On top of that, the Preservation Fund creates a new *permanently*-affordable home and asset that will benefit generations of homeowning lower-income households in perpetuity

As a final point, it's worth noting that public investment in distressed single-family and multi-family properties through a Preservation Fund ensures that mission-driven, community-controlled nonprofits such as a community land trust can make homeownership-preservation transactions a permanent part of their programs.

- **Where has the model been implemented, if anywhere?**

Interboro implemented the model with two single-family homes in the past eight months, working with two distressed property-owners who had run out of traditional loss-mitigation options.

In both cases, Interboro made an equity-contribution payment to the homeowners and, in doing so, brought two single-family owner-occupied properties onto the CLT. At the same time, we resolved the foreclosures and ensured long-term stability for the occupants while also bringing permanently-affordable assets to their communities.

Both homeowners had struggled for years: one of them fought to keep her home for a decade. It was not until Interboro intervened that there was a practicable opportunity for them not just to remain in their homes but also to remain homeowners.

Similarly, Interboro had the opportunity to work with the members of a 16-unit HDFC building in Brooklyn that was facing foreclosure. Interboro submitted a letter of interest to the mortgage-holder to purchase the land, and met with residents on several occasions to discuss the opportunity and options.

In the end, the HDFC was able to borrow sufficient funds from a CDFI to satisfy the required payoff of their defaulting mortgage. However, had a longstanding substantial rebate from the NYC Department of Finance not come through, or had the mortgage-payoff amount been higher, Interboro's participation would have been necessary to keep the property out of foreclosure.

In addition to the situation of this HDFC, Interboro has observed a number of other contexts in which beleaguered homeowners could benefit from a *permanent* Preservation Fund. Homeowners that are victims of deed theft and predatory lending, are facing foreclosure because of unpaid property taxes or other municipal charges, or are in communities specifically targeted by investors for house flipping—they stand to gain substantively from an opportunity that stabilizes their financial circumstances, keeps them in the homes and neighborhoods they love, and allows them to preserve their homes as an investment for themselves and their families.

- **In what ways does the model achieve one or more of the goals described in Section I-B?**

The shared-equity model we implemented and propose to continue and expand, corrects a distressed homeowner's housing situation by stabilizing occupancy, supporting continued ownership, and helping to rebuild equity. In these and other ways, the model simultaneously or ultimately advances the following goals for low-income and marginalized communities described in Section I-B:

- Preserving or creating long-term affordability for housing and/or community assets
- Promoting racial and social justice
- Supporting wealth accumulation for individuals and communities
- Addressing housing insecurity and/or promoting equitable development
- Promoting community stability and preventing displacement
- Supporting individual or community resiliency, preparedness, and recovery in the of environmental, economic, or social shocks and stresses
- Building and sustaining community power and facilitating community decision-making
- Offering alternative forms of sustainable ownership for individuals and communities

As an example, the 99-year ground lease that the CLT and distressed homeowners enter into, with its stipulation of a yearly fixed rate of appreciation, resale restrictions, and credit for approved capital improvements, preserves and creates long-term affordability, improves upon community assets, supports individual wealth accumulation, stabilizes communities and prevents displacement, with low-income and marginalized individuals and communities as beneficiaries.

For another example, the tripartite governance structure of the CLT provides a mechanism that facilitates the community decision-making process for both CLT homeowners and members of the communities where CLT homes are located, while fostering the building and sustaining of community empowerment for low-income and marginalized communities.

Further illustrations of how the Preservation Fund advances the goals for low-income and marginalized communities outlined in Section I-B are presented in previous and later sections of this response.

- **What are the eligibility requirements for participants in the model, if any?**

For single-family homes:

- The home is located within the five boroughs and is the homeowner's primary residence
- The home meets certain property standards and appraisal requirements
- There are no active title disputes
- There is good communication between the homeowner and their potential heirs
- A homeowner has the ability to make some type of mortgage payment (if a homeowner's income is so low that they will be unable to meet even reduced monthly payments, the Preservation Fund will not be able to sustain their occupancy and remain solvent)
- A homeowner is interested in turning their home into a permanently-affordable, shared-equity asset for the community
- A homeowner prioritizes housing security, use value of their home, and staying in their neighborhood, and is willing to forgo previous expectations on their prior return on investment
- A homeowner understands and is in agreement with responsibilities and regulations that will come along with being a CLT member

For limited-equity co-ops/HDFCs:

- The co-op property is located within the five boroughs
- The majority of the resident members/shareholders, or the threshold dictated by the co-op's bylaws, votes to accept the terms and conditions of the ground lease and other restrictive documents, including but not limited to a Regulatory Agreement with HPD
- The co-op property meets certain standards and appraisal requirements
- The co-op is able to meet its future financial obligations as determined by a workout plan

- **How is the model operated/maintained?**

A single-family homeowner or a co-op receives a referral to the CLT from a community-based organization or local elected official's office. After confirmation of the homeowner's or the co-op's exhaustion of loss-mitigation options, in addition to there being funding available to the CLT to make an equity contribution, a case conference is convened by the CLT coordinator with the referring entity and an Interboro advisory committee.

If the homeowner satisfies all of the program criteria, additional meetings are held to discuss such matters as the outstanding mortgage (e.g., when it will be foreclosed, if a short payoff amount has been reached), an equity-contribution amount from Interboro for the land under the home, and a new mortgage to pay off the defaulting one, with a view toward determining whether monthly housing costs can be brought down to a level affordable for the homeowner.

At this point, if they have not already done so, the homeowner should identify legal counsel to represent them in the transaction. For the two distressed single-family homes that were brought on to the Interboro CLT, Brooklyn Legal Services made the referrals. In addition, BLS represented the homeowners pro bono throughout the processes of preventing foreclosure, closing on a new loan, and joining the CLT.

If it is determined that the homeowner is a good fit for the program—which includes the homeowner clearly understanding the program—the process will move forward. The next step involves Interboro furnishing the homeowner with a conditional commitment letter specifying an equity-contribution amount from Interboro for the land under the home.That commitment will be used by the referral agency and/or legal counsel to help the homeowner obtain a loan to pay off the balance of the mortgage that remains.

For co-ops, if after the case conference with the referral agency and Interboro it is determined that the co-op is a good candidate for the Preservation Fund, the CLT coordinator will meet with the co-op board of directors, their technical-assistance provider, and the co-op's legal counsel to discuss the CLT option, scope of the project, and potential workout plan.

After this initial meeting, if the co-op representatives are interested in the CLT's involvement, the CLT will prepare a Letter of Interest to participate in the project. From there, the CLT will coordinate with the co-op's board of directors, technical-assistance provider, and legal counsel, and any financial institutions such as a credit union or CDFI that might be participating in the deal, to assess the project's feasibility, determine Interboro's contribution, and confirm the co-op's long-term financial, organizational, and physical viability.

- **What are the financing and lending structures associated with the model?**

For both single-family homes, the model requires lending partners that are willing both to work with borrowers in extreme financial distress and to provide a fair and equitable opportunity for affordable refinancing.

For our two Preservation-Pilot homes, we worked with Sustainable Neighborhoods LLC, a CDFI that develops innovative affordable lending products for low- and moderate-income families who are not generally served by traditional capital or banking outlets so they can keep their homes, build assets, and sustain intergenerational wealth. Other potential lenders we are familiar with who are ready to assist distressed single-family homeowners considering shared-equity homeownership are Neighborhood Housing Services of New York City and SONYMA.

There are also lenders who have worked with distressed HDFCs or have expressed an interest in doing business with them. They include the Habitat for Humanity Community Fund, the Leviticus Fund, Spring Bank, Lower East Side People's Federal Credit Union, and Capital Impact Partners.

Interboro continues to meet with lenders to introduce the community land trust concept and develop a path forward with institutional lenders that could offer affordable financing to both single-family homeowners and limited-equity cooperatives.

- **What are the legal or regulatory foundations of the model?**

The legal foundation of the model is the growing recognition nationwide by all levels of government of the CLT structure, in which ownership of the land and the improvements (the housing) are separated, as an effective mechanism for creating permanently-affordable homeownership opportunities for lower-income populations.

Moreover, Interboro has worked diligently over the past several years to draft form legal documents that are acceptable to HPD and the NYS Attorney General. The availability of a set of template documents that are acceptable to and meet the needs of these regulating agencies should shorten their approval process of each Preservation-Fund transaction.

- **What does participant engagement look like in the model?**

Transparent and frequent communication: Prior to the transaction by which participants become a member of the CLT, extensive conversations about the model and the process take place between participants, their lawyers, and the CLT.

It is in the interest of both the property owners and Interboro that participants clearly understand the Preservation Fund. Accordingly, resale and other restrictions are communicated in an open manner with the prioritization of transparency. If at any point it is discovered that participants have options that better meet their needs than the Preservation Fund, the CLT will encourage homeowners to pursue them.

Also, participants must meet and work from the start with a housing counselor or other technical-assistance provider to ensure they have third-party guidance throughout the process.

Education, engagement, and empowerment: After participants join the CLT, there is an engagement process that involves outreach by the CLT team. Participants are contacted on a regular basis to find out if they have, for example, any needs involving challenges to sustaining their homeownership.

Also during these interactions, in order to foster and support their empowerment as homeowners, the CLT commits to ongoing education and information sessions to all CLT homeowners in the form of refreshers and/or updates on aspects of the ground lease and CLT policies.

Participants are constantly reminded of the opportunity to have a direct and impactful role in determining the future of the CLT (and thus their future as CLT homeowners) by exercising their right to vote to elect the board of directors of the CLT—as well as the right to run for and, if elected, serve on the board themselves.

Furthermore, CLT homeowners are encouraged to support Interboro's mission in the general community. This could take the form of advocating for CLTs when interacting with neighborhood residents, elected officials, or other policy-makers and providing testimonials to interested participants.

Stewardship: The CLT provides ongoing stewardship services that complement the requirements imposed by HPD regulatory agreements, where they exist. In this capacity, the CLT provides an additional layer of security and support to ensure that single-family homeowners and cooperatives on the CLT (and by extension the CLT itself) remain financially, operationally, and physically successful for the long term.

For single-family homeowners, stewardship includes the following activities: facilitation of resales (tracking the maximum resale price including credits for capital improvements, marketing, eligibility verification, review and approval of mortgage loans, including refinancing); monitoring DEP, DOF, and mortgage payments, and confirming homeowners insurance policy; ongoing homeowner education workshops; verifying evidence of owner occupancy annually; conducting annual home visit/inspection; foreclosure prevention.

For multifamily homes such as co-ops, where an HPD regulatory agreement is in place, stewardship consists of the CLT's coordination with a third-party monitor to ensure that monitoring services are carried out. These include provision of technical assistance to the co-op board on its preparation of the annual budget, the monitoring of unit resales, ensuring the enactment of proper maintenance-charge increases and percentages, and completion and submission of annual reports to HPD (and Interboro).

Where monitoring is not required by a regulatory agreement or a lender, the CLT itself will provide stewardship services to ensure a co-op is fulfilling its financial and governance-related obligations.

Because regulatory agreements expire, the CLT will have an important role to play when that occurs. Above all, the extension of a CLT's 99-year ground lease beyond the term of any regulatory agreement ensures the continuity of support and provision of stewardship with respect to the renewal or extension of real estate tax benefits such as the Article XI tax exemption to ensure ongoing affordability.

On the other hand, the ground lease provides a predetermined and consistent mechanism to ensure long-term affordability in cases where a co-op does not have a regulatory agreement with HPD or another public-financing agency.

- **Are there any educational components/technical assistance involved in the model?**

An essential function of the CLT is to provide support (the stewardship previously described) to its homeowners during their transition to CLT membership and throughout the duration of their CLT homeownership. This ongoing support, financed by monthly ground-lease fees paid by CLT homeowners, includes: financial, credit, or foreclosure counseling; advocacy to lenders on a homeowner's behalf; access to a repair reserve funds; references to vetted contractors and other third party vendors.

For instance, when a homeowner is considering making major capital improvements to their homes, the CLT is available for consultation on the value of the work. In Interboro's case, because of our partners' deep experience in housing construction and renovation, we can readily give feedback on the reasonableness of bids and the quality of the plan and materials.

In addition, the CLT ensures that homeowners receive credit and budgeting counseling and education about the CLT model, the ground lease, and member rights and responsibilities before joining the CLT.

Ongoing education on the benefits of the CLT model, responding to homeowners' questions as they arise, and continued outreach to maximize homeowner involvement are critical to homeowners' and the CLT's success. These activities are conducted through one-on-one check-ins, communitywide e-mailings, and annual meetings.

- **How has or how would land be acquired for use in the model?**

Land is acquired for the model from a distressed single-family homeowner or co-op that joins the CLT by transferring the deed to their property to the CLT in exchange for an equity contribution and a 99-year ground lease from the CLT.

- **What land use actions, if any, were or would be involved in the model?**

There are no land-use actions involved in the model.

• What are the costs and outcomes associated with the model? How does this compare to other related strategies?
There are various costs associated with the model. These include, for the homeowner, mortgage or other debt payoff and, for the CLT, an equity-contribution amount to the homeowner, legal fees, filing fees (to update the CLT's Certificate of Incorporation to include a new property brought on to the CLT), and operating costs.

The Preservation Fund provides an opportunity to stabilize both homeowners (and their households) and neighborhoods with a small expenditure of funds (that will be used to clear debts, make capital repairs, or provide the gap financing on a short sale) to acquire the land under a single-family home or a co-op building in distress.

This investment will often be considerably lower than the costs involved in constructing an affordable single-family home using city Term Sheets. For example, HPD's current Open Door Program provides a maximum subsidy of between $165,000 and $190,000 per unit, more often than not paired (necessarily) with a Reso A capital grant.

To be sure, both financing structures create a new affordable homeownership unit. However, not only is the Preservation Fund the less costly of the two in terms of the utilization of public dollars, it alone delivers the additional benefit of an anti-displacement outcome.

The cost-effectiveness of the Preservation Fund model is further demonstrated by the efficacy of its intervention with small infusions of capital. For example, the Fund could support a homeowner with $25,000 in delinquent property-tax debt scheduled to be sold through the city's tax-lien sale and offer the homeowner an alternative pathway out of a distressful economic situation.

Where a homeowner may have fallen behind due to burdensome medical debt or unsustainable expenses stemming from deferred home maintenance, the CLT could partner with the distressed homeowner to preserve their homeownership by providing an equity contribution of $50,000 for the purchase of the land beneath the home. In turn, the homeowner would use the contribution both for the resolution of their debt and to pay for much-needed repairs to their home.

The substantial return on the CLT's investment of a relatively-small equity-contribution does not end with the multiple outcomes of stabilization of a homeowner's finances, preservation of homeownership and occupancy, and improvement of a home's physical condition. Additionally, as a benefit of placing their property on the CLT, homeowners will receive property-tax relief. This will make homeownership even more affordable and sustainable for them as well as future homeowners.

Another "outsized" return—or outcome—of the model is its creation, at a nominal cost, of a unit of permanently-affordable homeownership out of an existing market-rate home. By contrast, it would cost three to four times as much to construct a new unit of affordable homeownership under existing city programs.

It should also be noted that the Preservation-Fund mechanism for creating affordable homeownership achieves multiple outcomes that intersect with the aims of the housing, social, and economic justice movements.

First, as a homeownership-retention strategy the Preservation Fund runs totally counter to and is the polar opposite of the prevalent scam of equity-stripping, where a homeowner is told they can stay in their home but generally ends up losing it and all their equity to a scammer.

Second, the Preservation Fund disrupts and reverses the trend of homes being purchased by real-estate investors and turned into rental units by and large unaffordable to lower-income households, thereby further exacerbating the citywide affordable rental and homeownership crises.

Lastly, according to studies by the Center for NYC Neighborhoods, flipping—a predatory practice in which investors seek out distressed homeowners (mostly in communities of color) and convince them to sell their properties at low prices and sell them at significantly higher prices—is fueled by foreclosures. Based on its research, CNYCN concludes that it “is very likely that the hundreds of homeowners” who succumb to investors’ sales pitches “are unaware of their full set of options for stabilizing their housing situation.”

Accordingly, well-funded and well-promoted as a new option for homeowners in mortgage distress, the Preservation Fund has the potential to drastically reduce the number of homeowners of color who sell to real-estate investors engaged in flipping. As such, the fund can be a significant source of stabilization for distressed homeowners, their households, and their neighborhoods.

- **What are other successes, challenges, or limitations of the model?**

The successes of the model include the huge benefit to the families who are able to stay in their homes, the building-up of experience among external partners around the new model (for example, legal services and title company), the development of a model ground lease and legal-document templates, and the creation of a proof of concept to bolster requests for public money to take the place of grant funding.

Yet another of the model’s successes is that the capital invested in stabilizing distressed homeowners through our Preservation Pilot more than paid for itself by the expenditure of substantial public and private dollars and social and personal costs that were *averted* through the avoidance of foreclosure, the cessation of housing instability, and the prevention of homelessness.

The challenges of the model based on our experience are several. In the first place, in the single-family home context, given the limited amount of capital we have raised for the pilot, we are not in a position to work with homeowners with massive arrears. On the flip side, sometimes a homeowner's income is so low that they are unable to meet even reduced monthly payments for a new low-interest mortgage and there is no way to financially sustain their occupancy.

Another challenge, in both the single-family and multifamily contexts, is that the process can be lengthy. For the two single-family homes we brought on to the CLT, Interboro worked with the homeowners and their legal counsel for one year to get to closing and deed transfers. Regarding the multifamily property where Interboro attempted to intervene, the private lender was able to commit funds and prepare a timeline to closing faster than Interboro would have been able to meet.

In short, creation of a replicable process with reliable sources of funding will be integral to boosting and scaling up the Preservation Fund’s usefulness and effectiveness. Continuously and sufficiently funded, the model could be an option introduced at different stages of single-family or multifamily homeownership—even where no threat of actual or potential foreclosure exists.

Until then, though, as a practical matter, the preservation project is best employed as a last-resort foreclosure-prevention tool—for those homebuyers and multifamily properties that are unable to resolve their situation through existing city programs or modification, refinance, or any other typical loss-mitigation option.

- **Are there any risks involved in the model?**

From the perspective of Interboro and our partners in this work, the risk is *not* intervening and serving our purpose whenever possible, which is to preserve affordable homeownership in New York City. By not identifying partners to provide technical assistance, community-based lending, and subsidy resources to intervene in a distressed homeownership situation when possible, we are running the risk of not being part of the solution to a larger housing problem, which is already a crisis, and thus not being relevant or effective as a mission-driven organization.

- **Are there any guardrails that are critical to making the model successful?**

The objective of the Preservation Fund is to create a financially-sustainable option for the homeowner or housing co-op. Consequently, in both instances where we helped homeowners avoid foreclosure, the amount of Interboro's equity contribution for the land under the homes was expressly structured to ensure that the homeowners' carrying costs would be at a level sustainably affordable to them for the duration of their homeownership.

Additionally, from the start of discussions with the CLT, homeowners work with a housing counselor at a HUD-approved counseling agency to review their current income, living expenses, savings, and debts in order to develop a workout plan as well as a post-crisis homeownership budget. Moreover, the workout plan for a single-family property or a co-op needs to leverage affordable financing, public subsidy, and a fair contribution from the CLT to address two competing priorities: paying off defaulted debt and maintaining permanent affordability of the housing for the residents.

- **What, if anything, needs to be adapted for this model to be successful in New York City?**

Interboro has been approached by rental buildings, housing cooperatives, and homeowners hoping that Interboro can purchase the land under their properties in order to stabilize the buildings financially and/or physically. Through land acquisition, the Preservation Fund can provide long-term, stable affordable housing to residents and stabilize neighborhoods, while increasing the supply of owner-occupied affordable housing and affordable housing overall.

Use of the CLT model as a homeownership-preservation mechanism requires large sums of capital upfront. Private funding for this investment is not readily available, presumably because of the dual challenges of the model's newness and the substantial amount of funds needed.

That said, because the model simultaneously prevents displacement and expands permanently affordable homeownership opportunities and community assets that will benefit generations of families and neighborhoods—both of which are key public-policy issues that will impact the city's ability to rebound successfully from the pandemic—we recommend the city's models for funding neighborhood stabilization and affordable housing be adapted to better support CLTs and their use of the CLT structure for innovation, such as the Preservation Fund.

A dedicated investment of public dollars in the Preservation Fund would pay dividends to the city by expanding innovative policy solutions in addition to the model laid out in this response. For instance, bolstered, steady funding to CLTs would allow for the creation of a preservation product that serves as an alternative to a reverse mortgage, generating another option for senior homeowners whose ability to age gracefully in place is being challenged by their financial situation.

A steadily and sufficiently publicly-funded Preservation Fund could give rise, as well, to an opt-in program for benevolent donors or homeowners without heirs. It could also create and sustain a new option for HDFCs that are facing financial distress or expiring tax exemptions but wish to retain their affordability restrictions.

In addition to these possibilities, Interboro envisions the CLT as a mechanism for taking *non-owner-occupied* homes and turning them into resale-restricted, permanently affordable housing on the CLT. Interboro's plans in this regard include looking for opportunities to purchase modestly-priced homes, rehabbing them (with development partners—Interboro is not a developer), and then marketing them to low-to-moderate-income homebuyers with a ground lease.

• How are, or how should, municipalities be involved in this model or SE models more broadly?

An adequate and stable stream of funding is necessary to bring the Preservation Fund model to scale so that it will have a meaningful impact.

We used grant funds to make the two land acquisitions previously discussed. As these funds are limited in both amount and the timeframe of their expenditure, we will be seeking public money to take the place of grant funding for future equity contributions.

By our estimate, $1 million in annual acquisition funding would allow Interboro to preserve roughly eight units of permanently-affordable homeownership where homeowners are in distress because of mortgage arrears. In the alternative, where homeowners have $25,000 in delinquent property-tax debt, $1 million would allow us to preserve between 40 and 50 distressed homes—and in the process to stem foreclosure, prevent displacement, and halt the siphoning of wealth from individuals and communities through tax-lien sales.

As there are only two homes currently on Interboro CLT, our revenues from monthly ground lease fees will be minimal in the immediate term. Yet we still need to furnish stewardship services as well as manage our pipeline of several hundreds of homeownership units in the pre-development phase. Therefore, until such time as we have a significant stream of ground lease revenue, we must rely on operating support, which in turn requires us to seek public money.

That said, we believe municipalities, specifically New York City, should also be involved in this model or SE models more broadly as follows:

- Create a preservation acquisition fund for qualified community-based ownership entities that can apply for a per-unit or per-single-family-home amount based on level of distress and need.
- Fund operational and technical-assistance support for limited-equity models of homeownership.

- Expand the use of HPD's preservation programs to bring existing rental properties into regulatory agreements with affordability, high-quality management, and *include community-based ownership models as a possible outcome.*
- Support statewide legislation that would mandate that homes on CLTS be assessed based on their resale value (rather than market value)—This requirement would have a significant, positive impact on the affordability of CLT properties. By reducing one of the main costs associated with homeownership, a CLT-specific assessment would place homeownership within the financial reach of more lower- to moderate-income individuals, increasing not only the accessibility to, but also the depth and duration of permanently-affordable homeownership opportunities.
- Speed up the public review process to greenlight partly city-funded affordable housing projects faster—Desperately-needed affordable homes that receive city subsidies are frequently stymied in the pre-development phase by the lengthy ULURP process. Some of these homes are slated to be placed on CLTs where they will become permanently-affordable to generations of lower-income households. The protracted public-review process drives up development costs, spawning a funding gap that forces mission-driven not-for-profit developers to conduct an eleventh-hour search for additional funds. When this search is unsuccessful, developers find themselves with no other option than to raise the AMI level of the homes to make up for the budgetary shortfall. This new threshold in turn curtails the number of lower-income families (many of whom are Black and Latinx) eligible for the homes.
- Redesign and streamline HPD's existing first-time homeowner down-payment assistance program so that it is both accessible and advantageous to a greater number of working-class New Yorkers—Raising the program's AMI from 80 to 120 percent AMI and elevating the maximum amount of assistance to $60K would significantly boost the number of city residents who could become shared-equity and CLT homeowners and build wealth for themselves, their families, and their communities. (This move would undoubtedly enlarge the pool of potential Black and Latinx homeowners, given that these groups combined constitute 55 percent of the city's population.)

• How does the model balance oversight/monitoring and individual/community decision-making?

The CLT is governed by a board that is composed in equal parts of the founding nonprofit partners, resident representatives of the CLT, and representatives of community-based organizations and community residents not affiliated with organizations. The three-part structure will protect the CLT from any single-group's self-interest dominating decision-making. Key decisions, such as changing the resale formula and amending bylaws, will be decided by a super majority of the board (in addition to being subject to HPD approval in some cases).

Directors elected by CLT residents will comprise one-third of the board, as will directors elected by residents in the larger (or non-CLT) community and representatives of community-based organizations. While not allowing for any one group to have more control than the other, this structure allows for real resident and community participation in the governance of the CLT.

Interboro envisions the community members not only as representatives of community-based organizations but also as neighborhood leaders, technical experts, clergy, nonprofit partners and other non-CLT residents who believe in the CLT and are interested in supporting its mission to positively impact the lives of CLT residents, the neighborhoods where CLT homes are located, and the city as a whole.

- **How does the model balance wealth building while preserving affordability?**

Homeowners that participate in the preservation program will own their homes and the CLT will own the land beneath the home, leasing it to homeowners through a renewable, 99-year ground lease.

The ground lease specifies the rules and regulations of ownership that are required to meet the CLT's mission and also describes the contractual relationship between the homeowner or co-op and the CLT. The ground lease ensures that homeowners maintain their properties, adhere to occupancy standards, and abide by resale restrictions that allow for a limited-equity return on their investment.

The resale restrictions guarantee that a home can be resold at an affordable price to another low-income buyer, thereby keeping the home affordable for future generations buyers and occupants. (It is in this sense that the equity of a CLT property is said to be "shared.")

During occupancy and prior to resale, homeowners build equity, or wealth, in four ways:

- Appreciation: The CLT sets an annual 2.5 percent fixed (and simple) rate of appreciation of a home's base price.
- Forced savings: With every payment of their mortgage, homeowners pay down a portion of the principal, building equity over time.
- Capital improvements: Homeowners receive credit (added to the appreciation accrued at resale) from the CLT for making qualifying major capital improvements to their homes.
- Pocket equity: Where homeowners have transitioned from an unaffordable market-rate rental to an affordable CLT home, they essentially pocket as savings the difference in housing expenses.

- **How does this model impact community members outside of it?**

Because homes on the land trust have been removed from the private, speculative market, properties placed on the CLT through the Preservation Fund disrupt the displacement of lower-income residents and residents of color through gentrification and deter the extraction of a community's wealth by real-estate investors.

CLT homes will always be purchased by actual people (lower-income, local families and individuals, to be exact) and not investors or corporations seeking to remove these "starter homes" from the market and turn them into market-rate rentals. Therefore, the expansion of CLT homes is an expansion of an alternative homeownership marketplace accessible to local neighborhood residents. Accordingly, CLT communities prioritize and foster the residential, economic, and social stability of the communities outside the CLT.

The model also impacts community members outside of the CLT by, as mentioned earlier, its tripartite governance structure that allows for decision-making that includes participation by not only CLT residents but also non-CLT residents. To this end, the Interboro board is structured for equal representation by CLT residents, community members, and its nonprofit founders.

One of the aims of this structure is to balance and align the interests of CLT homeowners and community members. This core, inclusive feature of the CLT model should ultimately render a distinction between the CLT and the community outside strictly technical.

• How does the model, or could SE models more broadly, provide opportunities for community benefits in other disciplines such as sustainability, environmental resiliency, or public health?
The Preservation Fund provides opportunities for community benefits beyond asset-building for lower-income families. For instance, it offers stability of homeownership, which has been proven to increase physical and mental health outcomes. In addition, a considerable number of studies have shown a correlation between increases in household wealth—another potential opportunity afforded by the model—and better health outcomes for homeowners.

Low-income individuals who become homeowners have reported higher self-esteem, a greater sense of satisfaction with life, and stronger sense of belonging to a community. Presumably, these mental-wellness benefits and milestones would be no less prevalent among the low-income homeowners who succeed in preserving their ownership, occupancy, and investment from foreclosure through the Preservation Fund.

• How does the model, or could SE models more broadly, promote racial and social justice?
Permanently-affordable homeownership created through shared-equity models such as the Preservation Fund promotes and expands opportunity and security for New Yorkers who would otherwise be excluded from the opportunity to build household wealth that can last generations. The need for access to this economic opportunity is especially acute for black and Latinx households, for whom public policy has historically created obstacles that limit their access to homeownership. (Research by the Center for NYC Neighborhoods has shown that the cost of getting home-purchase loans is higher for Black and Latinx borrowers than other racial groups.)

By creating more favorable conditions for homeownership for these families, it may be possible to narrow the wealth gap between black and Latinx families and White families. Locally and nationally, Black and Latinx households have a fraction of the net worth of White households.

Consequently, the preservation of homeownership among Black and Latinx residents is a singular opportunity to reverse and repair the deeply-entrenched and ever-widening racial wealth gap in localities such as NYC (social and economic justice). Over and above that, it would support the disruption of longstanding, rampant segregation and discrimination in the city's residential neighborhoods and housing opportunities (racial and housing justice).

Studies show a steep and alarming drop in Black homeownership in New York City since the 2008 economic crisis. In Queens alone, more than 20,000 Black homeowners lost their homes between 2005 and 2017, according to a report from the Center for NYC Neighborhoods. During that time, had the Preservation Fund been in place and fully-funded, it's conceivable that fewer Black New Yorkers would have lost their homes—and New York City would be a much more equitable place to live today.

HPD Shared Equity RFI
Habitat NYC and Westchester County Submission

July 9, 2021

- **What is the mechanism or structure of the model?**

As a not-for-profit developer of affordable homeownership, Habitat for Humanity New York City, now known as Habitat for Humanity New York City and Westchester County (Habitat NYC and Westchester), is exploring alternative strategies for creating ownership through rental conversions as a way for lower income and more vulnerable New Yorkers to have the opportunity to benefit from the stability that this modified version of homeownership would provide. Habitat NYC and Westchester has been building and preserving homeownership in the City for nearly four decades, and based on our experience and deep knowledge of the space, we know there are several paths for a robust rental to ownership model, particularly in the current context. As a developer that has experience with both new construction and housing preservation, we are proposing strategies in both categories.

The supply side of the pipeline for new construction of affordable homeownership projects has not been a priority in recent administrations, with affordable housing finance programs and mechanisms favoring rental developments that capitalize on Low Income Housing Tax Credits (LIHTC) and a myriad of other funding sources. Affordable homeownership creation has been primarily been limited to scattered-site, small, infill land groupings, that include some of the most challenging lots in the City's land portfolio. Costs for these projects escalate due to lack of scale, protracted pre-development timelines, limited dedicated program resources, and other administrative hurdles. Additionally, home ownership models in the city have not focused on permanent affordability and can be lost to market at the completion of the deed restriction period. When combined with a two-decade trend of starter homes and units being purchased by well-funded speculators and investors and often, turned into market-rate rentals, the result has been a dramatic decrease in the homeownership rate. The lack of available stock for first-time homebuyers has contributed immeasurably to a widening of the racial homeownership and wealth gap. Therefore, it is critically important that we increase the investment and scale of new construction utilizing limited-equity homeownership models including Open Door, and innovative strategies including the Community Land Trust (CLT) model, to create generationally affordable homeownership opportunities capitalizing on tools and housing stock already in existence.

We propose that the city look to create a Cooperative Ownership Opportunity Program (COOP) that would more intentionally support tenants and property owners seeking to convert existing rental properties into limited-equity Housing Development Fund Corporation (HDFC) cooperatives, affordable to homebuyers at incomes below 80% AMI. This would be a distinctly different program than the existing Affordable Neighborhoods Cooperative Program (ANCP), as these buildings are not necessarily in distress but are rather proactively seeking conversion and homeownership creation.

The Housing Stability and Tenant Protection Act of 2019 (HSTPA) has increased interest in affordable co-op conversions on the part of owners of rent stabilized properties. The Tenant Opportunity to Purchase Act (TOPA) underscores this for owners and residents who are interested in this option. The conversions can occur as either CPS-3 (tenant sponsored conversion), or CPS-11 (owner sponsored conversion). Habitat NYC and Westchester is already working with property owners and residents who are interested in limited equity homeownership by converting their rentals to HDFC co-ops.

For new construction, this response calls for an innovative approach to the Low-Income Housing Tax Credit program that would help finance limited-equity homeownership utilizing the largest and most successful tool in the affordable housing tool chest. We propose a **15-Year LIHTC Homeownership Incubator** program (see attached for more information) as an exciting way to take advantage of the LIHTC program, and work with residents over time towards a limited equity co-op model. For our response to the Bed-Stuy Health and Wellness RFP that we submitted with partners Genesis Companies and Services for the UnderServed, we proposed a model where the co-op is created at the inception of the project. Residents buy in to the co-op with one-month's rent, essentially a security deposit, and participate in the co-op via the Board of Directors, education, and other training opportunities throughout the 15-year initial investment and regulatory period.

At the 15-year mark, when most rental buildings merely refinance as a rental building for another 15 years, there is an opportunity for a reconstitution of the co-op to a limited equity model, or if residents so choose, the property could maintain a zero-equity model and off-ramp to a Mutual Housing Association (MHA). With enough time and motivation, the LIHTC to HDFC cooperative approach could also be utilized for expiring YR15 preservation deals as well.

- **Where has the model been implemented, if anywhere?**

Rental to cooperative conversions have been a staple of New York's affordable housing landscape for over half a century. The vast majority of the buildings have succeeded in creating ownership opportunities in neighborhoods that have seen dramatic changes due to gentrification and with little to no oversight from supervisory agencies. Regulatory mechanisms have only strengthened in recent years with new regulatory agreements including third party monitoring, CLTs emerging as stewardship partners, and lessons learned being incorporated into pre- and post-purchase buyer education to bolster successful ownership and maintenance of this important housing stock. While most of the existing HDFC stock was created under market circumstances of abandonment and blight, today's market is primed to support scalable homeownership creation in communities already thriving as well as those that are likely to see gentrification and displacement in the coming decades.

Habitat NYC and Westchester is currently working with multiple property-owners and tenants on rental to cooperative conversions, including rent regulated buildings, naturally occurring affordable rentals, and a LIHTC building. All of these projects are economically viable to create affordable homeownership in communities in desperate need of opportunities to buy.

Tenant to ownership conversions continue to gain ground as a policy across the country. The first city to enact TOPA legislation was Washington DC in 1980. A 2013 report from the DC Fiscal Policy Institute states that TOPA helped preserve nearly 1,400 units of affordable housing in DC between 2003 and 2013, at a fraction of the cost of building new affordable units. Part of the success of the TOPA law in DC was the creation of the Housing Production Trust Fund in the District, created 10 years after TOPA's passage. This funding source along with the TOPA law have led to the creation of 4,400 limited equity co-op units across 99 buildings. Since 2019's rental law changes, Habitat NYC and Westchester has been contacted by property owners interested in affordable co-op conversions for rent-stabilized buildings in their portfolio that can no longer be destabilized. We have been able to model scenarios where 1-3-bedroom apartments are affordable between 50-70% AMI.

One example locally can be seen in the work ongoing with the 11th Ave. Tenants HDFC in Manhattan on their conversion from a LIHTC rental to a limited equity HDFC. It has been a rewarding process as the tenants are active and well organized and, we have learned valuable information from the history of the project and best practices for future similar projects. For example, setting up the legal structure of the co-op entity from the project's inception will ensure a smooth transition at year 15 as the residents, investor, and not-for-profit partners will understand the entity's purpose from the beginning.

Additionally, we have also consulted with the Long Island Housing Partnership on their Highland Green Co-op in Melville NY, which is a new construction, limited equity co-op LIHTC project. The project was so successful that they are now seeking to develop a second one in the near future.

- **In what ways does the model achieve one or more of the goals described in Section I-B?**

We believe this model's greatest strength is promoting community stability by preventing displacement, in both the short and long term. Alongside its protections for tenants, the HSPTA has led to landlords exploring whether and how to divest rent-stabilized properties from their portfolios. We see an opportunity for shared equity models, particularly limited equity co-ops, to protect tenants now and in the future; these models will enable current tenants to remain in their homes as the market reached a new, post-HSTPA equilibrium, as well as protect future residents from speculative real estate investment. In New York's ever-changing, and rising, real estate landscape, working class, long-time residents in our communities are pushed out. The need not just for affordable and stable housing opportunities, but also community control, has never been greater.

Implementing strategies that facilitate the creation of new affordable homeownership in NYC is critical to promoting racial and social justice. Over the last decade, New York City has lost thousands of Black homeowners. In just the 10 years since the financial crisis, New York City has seen a huge drop in the number of Black homeowners: in Queens alone, the City lost more than 20,000 Black homeowners between 2005 and 2017. The number of affordable units created for affordable homeownership comparatively can be measured in the low hundreds. The number of rental units created during that same period is measured in the tens or hundreds of thousands.

Many want to believe that redlining is a practice of the past, where Black and Hispanic homebuyers were funneled to ownership opportunities limited to a handful of neighborhoods. Practically speaking, Habitat NYC and Westchester's opportunities to build new affordable homeownership units over the past 25 years has been predominantly limited to the same neighborhoods that were created by those red-lining practices (i.e. Harlem, the South Bronx, Jamaica/Southeast Queens, Bed-Stuy, and Ocean Hill-Brownsville). If our experience rings true for other affordable homeownership developers, it is likely that the majority of infill new construction through the City's homeownership programs have been limited to historically redlined neighborhoods. An important way to combat this continued practice of limiting new ownership opportunities to historically discriminated communities and affirmatively further fair housing would be to intentionally seek to convert affordable rental housing in higher opportunity and gentrified neighborhoods to generationally affordable ownership.

in 1984, White families had a median wealth 12 times that of Black families and 8 times that of Hispanic households. After the crash, White families' median wealth increased to 20 times that of Black families and 18 times that of Hispanic ones. In New York City, White families make up more than 54% of homeowners, though they are only 45% of the city's population.[1] These numbers will not be significantly altered through down payment assistance, homebuyer education, or access to credit…the City needs to invest in new homeownership opportunities and not just rental housing if it is truly interested in supporting wealth accumulation for individuals and communities of color. It can do this by converting prior investments in rental solutions into wealth-building opportunities for existing tenants.

When these new ownership opportunities are created as limited-equity HDFC cooperatives, especially cooperatives located on CLT land, the City will be building and fostering community power and facilitating community-decision making as the residents will be determining the direction of their housing and potentially serving as members of the CLT. This is truly meaningful homeownership, offering alternative forms of sustainable ownership for individuals and communities previously excluded from such housing.

- **What are the eligibility requirements for participants in the model, if any?**

For preservation projects converting to limited equity co-ops/HDFCs:

- The property must be located within the five boroughs.
- At least 50% of building residents must sign a petition expressing interest in becoming a shareholder in the limited equity co-op, and form a Tenants' Association.
- The project must be able to meet its future financial obligations determined by a co-op operating budget.
- The project must be willing to sign a Regulatory Agreement (and ideally a CLT ground lease) that includes a non-profit monitor to ensure generational affordability.

For new construction/developments:

- Applicants must meet the income restrictions of the project.
- Approved applicants must agree to the restrictive terms of the development including those laid out in the co-op's governing documents, Regulatory Agreement with HPD, and if participating in the project ground lease with a Community Land Trust.

- **How is the model operated/maintained?**

The result of both preservation conversions and new construction LIHTC Homeownership Incubator projects is similar, with developments maintained in partnership with monitors, sustainable operating budgets that work, and stewardship services from the CLT where appropriate. The cooperatives form a board and manage their external building manager in partnership with an external monitor and/or the CLT. If in the future they encounter capital

[1] Center for NYC Neighborhoods, "Closing the Racial Wealth Gap" Black Homeownership Project, Center for NYC Neighborhoods, July 6, 2021, https://bhp.cnycn.org/about.

needs the cooperative should be in the position to obtain financing to address their needs or would work with the monitor and/or CLT to connect with the City or State on available preservation programs. The result of these solutions mirrors the existing infrastructure and programming established for new HDFC cooperatives across the City.

When it comes to program pipeline maintenance, preservation conversions and new construction LIHTC cooperatives have two separate paths. Potential projects for COOP could enter the pipeline through referrals from various sources including law firms, trade associations, elected officials, community boards, housing counseling agencies, or other non-profit organizations. A pipeline of somewhat more distressed buildings could be identified from in rem properties, pre-TPT lists, the tax Lien sale, bad actors lists, etc. Should legislation like TOPA pass the state legislature and be signed into law, this program could grow dramatically due to legal requirements of property owners to provide right of first refusal to their tenants.

New construction LIHTC as homeownership incubators could be incorporated into the City's RFP process, emphasizing a preference or prioritization of respondents to rental development opportunities that have intention, expertise, and non-profit partners to develop projects that include tenant ownership and eventual conversion to limited/shared-equity structures.

- **What are the financing and lending structures associated with the model?**

For rental to limited equity co-op conversions to be increased at any significant scale, a blanket mortgage product for the building will be an essential component to be paired with individual share loans for the homebuyers. The Housing Development Corporation (HDC) is a lender that once offered a product for affordable co-op conversions, but ceased this practice during the Bloomberg administration over concerns about distressed asset management. With updated regulatory agreements, non-profit monitoring, and CLT stewardship, these concerns should now be addressed and they should offer a similar product again. We recommend the creation of a new **Cooperative Ownership Opportunity Loan (COOL)** financing product with low-interest, long-term (30 years) terms to new co-ops formed by tenants.

The State of New York Mortgage Agency (SONYMA) has already announced that their entire portfolio of end-loan products will be available to cooperative homebuyers, including share loans for cooperatives on Community Land Trusts. A permanent loan product for HDFC cooperatives would reduce the purchase prices for individual borrowers and provide greater underwriting flexibility and affordability options for buildings converting.

Financing programs like the GHPP or AHC could also be utilized for capital needs if necessary and exploring opportunities to utilize HOME or AHP funds should be explored for projects with affordability to households under 80% AMI.

- **What are the legal or regulatory foundations of the model?**

HDFCs are an important tool for creating permanently affordable housing in New York City. In the case of rental to co-op conversions, the property will convert to a HDFC co-op that includes income restrictions in the Certificate of Incorporation for shareholders and renters. The co-op would also be eligible for the Article XI tax benefit and therefore be subject to further restrictions on resale prices for new shareholders. With a Regulatory Agreement in place, the co-op would also be required to hire a third-party monitor to provide oversight and support to the co-op Board of Directors and property management to maintain compliance with regulations, restrictions, and cooperative governing documents. Co-ops on CLTs would have an additional ground lease, which would be complimentary to the Regulatory Agreement and ensure affordability past the initial RA period. Habitat NYC and Westchester is an HPD-approved HDFC monitor and is currently monitoring 315 units throughout the five boroughs, and looking to expand our capacity to provide more monitoring services to more properties.

HDFC co-ops formed through the LIHTC program would have a Board of Directors in place, and during the first 15 years the non-profit partner will maintain a majority seat on the Board in order to ensure compliance with Section 42 of IRS code. At year 15, upon exit of the investor and non-profit partner, required monitoring will be put in place for the next 15 years to ensure compliance for the full, required 30-year period while the original property tax benefit is in place. At year 30, when the co-op's original tax benefit expires, the co-op will enter into a Regulatory Agreement with the City for the Article XI tax benefit, ensuring affordability and continuing the 3rd party monitor requirement to ensure compliance.

- **What does participant engagement look like in the model?**

For rental to co-op conversions and 15-year LIHTC co-op projects, a strong team of a non-profit, private lenders, and dedicated resident partners is essential to making the projects successful.

In the case of rental to co-op conversions, the non-profit partner will provide technical assistance upfront to gauge interest from the residents in forming a co-op – whether it is a tenant or owner sponsored conversion. Technical assistance will include support with the formation of a Tenants' Association, organizing and distributing information in initial stages and throughout the process; coordinating with various entities that are part of the project such as the property owner, the City, State, private lenders, and management; and providing training and education on housing cooperative ownership, governance and management. Tenant leaders will represent and communicate resident interests throughout the process to ensure the co-op is representative of the community and in line with their needs; tenant leaders and the non-profit partner will keep residents informed throughout the process so they are engaged and expectations are managed. Please reference our memo included in this submission entitled "Rental-to-Co-op Conversion Summary," which has been circulated to the Attorney General's office and outlines a detailed plan for participant engagement.

For LIHTC co-ops, the non-profit partner will be involved in the co-op Board of Directors, and will work with the residents throughout the 15-year compliance period on training and education in preparation to be shareholders in a housing co-op. Please reference the memo from our Bed-Stuy Wealth & Wellness RFP included in this submission entitled "15-Year LIHTC Homeownership Incubator Resident Engagement" for a detailed plan.

- **Are there any educational components/technical assistance involved in the model?**

Both paths to co-op conversion include training and education components, and technical assistance throughout. Here is a summary of education and training for each context.

Rental to Co-op Conversion Training and Education Plan:

- **Module I. Intro to HDFCs. What is an HDFC co-op?** This training will focus on the definition of a co-op, how HDFC co-ops work, and the benefits and implications of HDFC cooperative ownership.
- **Module II. Governance & Your Co-op** This training will focus on roles and responsibilities for co-op board members and shareholders, and a high-level discussion of budgeting and HDFC co-op budgeting.

- **Module III. Budgeting – Collective Budgeting, Corporate Budgeting, and Fiduciary responsibilities.** This training will be an in-depth look at the annual budgeting process, bookkeeping, and best practices.
- **Module IV. Legal training – Corporate Documents** In this training, we will review corporate documents, discuss opportunities to improve upon documents, and review process for amending documents and collective decision-making.
- **Module V. Managing your manager.** A co-op's relationship with their management company is very important. In this training, we will discuss the difference between management and governance, review previous challenges with your management company, and discuss approaches for moving forward and best practices.
- **Module VI. Home & Property Maintenance training.** We will discuss what the co-op is responsible for fixing versus what shareholders are responsible for, and best practices for property and in-unit maintenance.
- **Module VII. Civic Engagement as a Homeowner.** As long-time members of the community and cooperative homeowners, residents hold an important place in the community. We will review the affordable housing landscape on a national, state, and local level and discuss ongoing involvement.

Homeownership Incubator LIHTC Co-op 15-Year Resident Engagement Summary

Throughout the rental period, as Technical Assistance Provider, Habitat NYC and Westchester will provide training and education opportunities for the Tenants' Association, as well as consulting services during the final phase of the rental period which will focus on preparing for the co-op conversion at Year 15. We see this process in 3 phases spread out over the 15 years:

- **Phase 1** Years 1-5 What Makes a Successful Tenants' Association? – This first phase of training and resident engagement will focus on setting up the Tenants' Association, envisioning a plan for the next 15 years to ensure residents are engaged and informed, and building a partnership with property management and ownership.
- **Phase 2** Years 6-10 Community Ownership & Engagement – During this phase we will provide trainings focused on democratic decision-making, participatory budgeting, and work with residents on how to engage with our community, neighbors, elected officials and representatives for the betterment of our home and community.
- **Phase 3** years 11-15 Your Tenants' Association & Co-op Conversion – Residents will be operating a well-organized tenants' association over the 15-year rental period. In preparation for co-op conversion, we will provide a suite of trainings focused on the differences between a Tenants' Association and cooperative ownership, how their home will change, and housing co-op operations and governance.
    - Beginning approximately three years prior to exit, the Tenants' Association will begin shopping for a blanket mortgage.
    - Two years prior to exit, pre-conversion trainings will be implemented so residents can receive information on legal documents, rehab plan, co-op operations, regulatory requirements, equity, and other resale restrictions.

Throughout these three phases, the following events will occur:

- The Tenants' Association, with the assistance of Habitat NYC and Westchester, will compile an annual report for stakeholders and HPD. Every five years, this report will occur during a phase transition and will evaluate progress through the preparation toward ownership.

Another exciting education component we would hope to include in both models is a partnership with local banking institutions, like CDFIs or credit unions. The partnership would entail additional information and guidance on financial preparation for residents from the banks, including the creation of a savings account where funds are collected monthly in addition to rental/maintenance payments so residents can establish savings. The Brooklyn Coop, a Federal Credit Union based in Bed-Stuy, has such a program and they submitted a Letter of Interest for our Bed-Stuy Wealth & Wellness RFP for providing such services to the projects.

- **How has or how would land be acquired for use in the model?**

In the proposed rental to ownership conversion strategy, one value is that it does not require access to limited vacant land resources. For COOP rental to co-op conversion, land acquisition would be included in the total development costs with the residents purchasing both the land and improvement from the property owner, transferring the deed to the HDFC co-op entity. The COOP program and COOL would finance development/technical services and expenses but could also include land acquisition funds. Whenever possible, these projects could include a Community Land Trust partner, such as Interboro CLT. The land trust could contribute equity to the development or access a CLT land acquisition fund for purchase of the land as part of the conversion financing stack, providing protection and permanent stewardship services to the co-op, while reducing overall costs up front, making the project more affordable to residents. The COOP program and COOL could work hand in hand with a Preservation or CLT Fund for land acquisition.

LIHTC co-op projects would acquire land in similar fashion to how non-profit developers work with the City on any other development projects. CLTs could participate in these deals as well through an acquisition fund or as the recipient of the land as part of the development team upon construction completion and permanent conversion.

- **What land use actions, if any, were or would be involved in the model?**

For preservation projects, it's unlikely land use actions would be required unless there is significant underdeveloped FAR on the property that is pursued for development. For LIHTC Homeownership Incubator development projects, land use actions required would depend upon the status of the site.

- **What are the costs and outcomes associated with the model? How does this compare to other related strategies?**

With the right blend of subsidy, financing, and equity from tenants and potentially CLT partners, we believe this can be one of the most cost effective ways to create affordable homeownership units. As the preservation projects will be deals in the private market, acquisition will be the most significant cost associated there. Based on our preliminary modeling of potential conversions using operating actuals from buildings in portfolios of interested property owners, we are able to reach affordability levels for where 1-3 bedroom apartments are affordable between 50-70% AMI. Including acquisition, closing costs, and a moderate rehab, we estimate these conversions would cost approximately $250,000 total per unit, approximately $92,000 of which is subsidy. The remainder of the project budget is covered by permanent blanket financing for the co-op, and share purchases from the tenants. Our models assume 60% of the tenants buy in initially, and as units turnover they are sold to new shareholders. Maintenance fees are affordable between 50-60% AMI, and operating costs include a third party property manager and monitor. Other co-op creation programs include subsidy up to $200,000 per unit in the case of ANCP, or $190,000 for Open Door. All of these models rely on the Article XI tax exemption to be viable long term.

- **What are other successes, challenges, or limitations of the model?**

Currently, limitations and challenges to the model's potential impact are related to time, resources, and will. Conversions from rental to cooperative ownership take time in that tenants and owners need to fully understand the opportunity and process, financing needs to be secured, and legal purchasing must be executed. This includes necessary resources including technical assistance, legal services, financial lending and possibly subsidies, and access to Article XI tax relief. But the fundamental success or limitation is ultimately will. There currently must be the will from the property owner to go down this path as it is not required by law, will for the tenants to come together as a community and learn how to work together to purchase and run the building, and the will from agency partners to provide support and a level of freedom to the tenants to plot their own course with guidance and best practices provided by those tasked with achieving the ultimate goal of conversion. Without cooperation from all parties involved to come together and problem solve in a way that may not fit into an existing or previously constructed template, it will be challenging to make a cooperative ownership program of this kind successful.

- **Are there any risks involved in the model?**

With any affordable housing development or preservation project there will always be risks associated. For rental to ownership conversions, the risks would vary from project to project and may include not reaching the threshold of interested and financially qualified tenants to complete the transaction, challenges securing private financing for permanent lending, or encountering more capital needs than the existing tenants can afford to take on through debt obligation. Some of these factors can be mitigated with a COOL product provided by HDC and properly funding a COOP program with adequate subsidies if required. If the conversion effort were unsuccessful, the building and residents would remain renters under the pre-existing circumstances; i.e. remain rent stabilized under non-profit or private ownership, remain naturally occurring affordable rental housing, continue on a rental preservation refinance path or transition into market-rate rental).

A LIHTC Homeownership Incubator would also include the risk that a particular building of tenant owners are not able to reach a threshold of buyers at Year 15 and be able to fully convert to a limited equity cooperative. However, the model contemplates this contingency and accounts for it by providing the project the ability to go through a regular Year 15 preservation refinancing with the non-profit maintaining control, with the potential of a bite at the conversion apple in another 15 years. If a savings plan were to be included in the initial conversion plan, there may need to be provisions to provide tenants access to those resources should the initial conversion period not be successfully executed.

We believe however that there are higher risks in not taking advantage of the opportunity presented by the rent law changes of 2019, interest and energy around TOPA legislation, and partnerships formed with local CLTs and mission based lenders to preserve existing affordable housing, all of which will create affordable homeownership opportunities for more New Yorkers and stabilize our communities. Housing issues compounded by the COVID pandemic make these initiatives and efforts that much more important for our neighborhoods and fellow New Yorkers.

- **Are there any guardrails that are critical to making the model successful?**

Resident engagement and technical assistance are key to keep the project moving forward and ensure there is buy-in at each phase. The guardrails that exist in the long-term include the regulatory agreements and non-profit monitoring services, and ideally the presence of a CLT for long-term stewardship and technical assistance. These provisions should keep the buildings on track and avoid future needs for significant public investment and asset management interventions.

- **What, if anything, needs to be adapted for this model to be successful in New York City?**

LIHTC approaches need to be adapted as described previously, permanent financing for HDFC buildings would be extremely valuable, and land acquisition funds for CLTs would accelerate conversions at a significant pace. But as of right now, systems exist for this effort to be successful for both rental conversions and new construction LIHTC Homeownership Incubation.

One opportunity that would supercharge the effort is Passage of the state-level Tenant Opportunity to Purchase Act (TOPA).The legislation would give New Yorkers a legal framework and resources to purchase rental housing. A TOPA Act could provide tenants that form a Tenants' Association a special "right of first refusal"—legal priority in purchasing their building from the owner if the building goes up for sale. This legislation must proceed from the State, since a similar TOPA in NYC (Local Law 79 of 2005) targeted at Mitchell Lama and Section 8 tenants ultimately failed because the City has no jurisdiction. It would be in the City's interest to have a well-run program and built capacity to expand should this legislative effort ultimately succeed in Albany and require implementation on the local level.

- **How are, or how should, municipalities be involved in this model or SE models more broadly?**

Expand the use of HPD's preservation programs

- Expand the use of HPD's preservation programs to bring existing rental properties into regulatory agreements with affordability, high-quality property and asset management, and include community-based ownership models as a possible outcome.
- Readapt rehabilitation and conversion programs to today's market dynamics to preempt disinvestment in rent-stabilized buildings
- Fund technical assistance and institutional support for limited-equity models of homeownership.
- Ensure limited-equity homeownership outcomes are accessible to households at 50% AMI and not just affordable to New Yorkers of moderate to middle-income

Pivot Neighborhood Pillars

Refashion the City's Neighborhood Pillars program into a nimble acquisition program that targets COVID-19-battered neighborhoods, transferring distressed rental properties that have HPD property violations into the hands of pre-qualified, mission-driven, nonprofit owners.

Fund Technical Assistance and Institutional Support

Fund technical assistance and institutional support focused on sustaining limited equity models of homeownership, namely HDFC co-ops and CLTs. Both Housing Development Fund Corporation (HDFC) co-ops and Community Land Trusts (CLTs) can help lower-income New Yorkers, as well as Black and Latinx New Yorkers, affordably own property in New York City. In 2019, City Council provided an unprecedented infusion of $750,000 to fund technical assistance, educational outreach, and community organizing for piloting CLTs in the five boroughs. An opportunity also exists for HDFCs to enter CLT structures which can be helpful for buildings that may need additional financial or management supports. We recommend the mayor further this commitment to limited/shared-equity homeownership by funding both HDFC coops and CLTs and the non-profit organizations that support them.

Create a pathway into tenant or community-based ownership

As described above, create a pathway into tenant or community-based ownership for rental buildings that go up for sale or are on the cusp of losing their affordable status due to expiring regulatory agreements**.** The passage of the New York State's landmark Housing Stability and Tenant Protection act of 2019 shifted the state's rental market in favor of tenants. This change created the conditions for for-profit owners to sell off their properties in large numbers, creating a vital and urgent opportunity for a new class of property owners including mission-driven non-profits, CLTs, and tenants themselves.

- **How does the model balance oversight/monitoring and individual/community decision-making?**

HDFC co-ops are autonomous entities that function democratically. Just like any other organization, there are rules and regulations in which these co-ops must operate. Property managers work with the board of directors of the co-op, and take direction from them. Third party monitors really serve as an asset manager, and provide information, knowledge and experience regarding best practices for decision making around finances, governance and overall co-op management. Third party monitors also provide a valuable service to the board in reviewing sale, rental, and subletting transactions so the co-ops can stay in compliance with their regulatory obligations. These affordable units are assets created to serve the community. The resident shareholders and board members take on the responsibility of stewarding these assets, and making decisions on behalf of their community.

Professionals such as property managers and third party monitors, i.e. asset managers, are there to assist and guide the cooperative communities so they stay within their regulatory framework, but not to dictate and make decisions for them. A CLT partnership provides additional support for the co-op residents while ensuring that the asset does not become a market-rate building, providing mechanisms for righting defaults and fulfilling their roles as overseers of a community asset that also provides the resident the ability to build wealth through earned equity and limited appreciation.

- **How does the model balance wealth building while preserving affordability?**

Income caps coupled with modest equity increases on resale prices over time allow current residents to build their equity and new low- to moderate-income community members to buy in at a later time at prices affordable to them. Owners essentially have 3 mechanisms for wealth building under the limited equity model:

1. Earned Equity: The owner pays down their personal mortgage used to purchase their ownership in the building.
2. Appreciated Equity: Residents of a limited equity co-op access a formula-based amount of appreciation over time, providing access to appreciation while protecting against windfalls and restricting access for future buyers.
3. Pocket Equity: Owners purchase at an affordable price with affordable monthly expenses often compared to their previous housing that is unaffordable – thereby pocketing the difference monthly.

Limited equity homeownership provides a meaningful ownership alternative to rental housing and allows for residents to access equity and wealth-building, experience self-determination, and have access to neighborhoods they often would be priced out of or excluded from. Owners may at some point choose to transition into market-rate ownership utilizing the resources accumulated through this starter home – a choice most generational renters don't have due to the historic extraction of personal resources through rent over time.

- **How does this model impact community members outside of it?**

Beyond providing access to homeownership opportunities to low- to moderate-income community members, limited equity co-ops provide stability to the greater community. Residents with stable housing where they have an equity stake remain in their homes longer, allowing them to participate in not only decision making in their own building, but at the local level as well, by extension providing a stabilizing influence in the surrounding neighborhoods.

Habitat for Humanity New York City
Community Fund
111 John Street, 23rd Floor
New York, New York 10038
Tel: (646) 779-8846
www.habitatnyc.org/communityfund

HPD Shared Equity RFI
Habitat for Humanity New York City Community Fund Submission

July 9, 2021

If financing has been provided for an SE project, please describe the project and financing terms, status of the project, and any relevant outcomes.

The Community Fund has made loans to several HDFC co-ops over the last few years, and assisted many more with technical assistance services. Two projects with innovative financing and partnerships stand out that we would like to highlight here.

1. La Celia Owners Corp. (the Co-op) is a 123-unit income-restricted cooperative at 64 East 111th St in Harlem. The co-op project was ground up construction, completed in 2010 under the NYC HDC Co-op Program and has a Regulatory Agreement (RA) in place with HDC. The Area Median Income (AMI) band for the project is 80-175%, with 80% of units capped at 165% AMI and the remaining 20% of units capped at 175% AMI. The homes must be the unit owners' primary residence, and the affordability of each unit must stay in place for the lifetime of the RA.

In September 2018, the Co-op applied to the Habitat NYC Community Fund (the Community Fund) for a rehab preservation loan of $114,072 to install a 62 kilowatt-DC solar energy system. The system was estimated to save the co-op approximately $12,500 in electricity costs in the first year, or 35% of the co-op's annual budgeted electricity usage, with additional savings in each subsequent year as electricity rates rise. The solar energy system is expected to operate for a minimum of 25 years.

After reviewing of Co-op's loan application, and first round of underwriting, we determined the Co-op's financial position was solid. They had more than enough in their reserves to pay for the system outright, but sought financing in order to maintain their reserves. The Co-op was running well; the board was active, their management company was well run, and they had been 100% compliant with their HDC RA. The Co-op had high collection rates and maintained two reserves – a replacement and working capital. Overall, the building was in great shape and well maintained.

Here Comes Solar and the solar installer, Grid City Electric Corp provided the expertise and technical assistance we relied on as the lender to understand the scope of the work and project. By working closely with both entities, the Co-op was able to secure a contract at approximately 30% below the average cost of comparable. In alignment with the affordability and environmental goals of the Co-op, the Community Fund included the projected savings in electricity usage in our underwriting. This was an exciting project for the Fund and other partners, as it represented the first solar installation on an income-restricted co-op in the City.

The biggest challenge for the Fund to consider was our risk tolerance for subordinating our debt to the other, significant debt stack on the project. The Co-op's largest debt was the underlying

HDC mortgage, with additional HPD and AHC enforcement mortgages: HDC $8,035,633 (payable); HPD $3,676,133 (enforcement); and AHC $2,625,000 (enforcement). The payable debt (AHC) has an annual interest rate of 1.5%, and the maturity date for all the mortgages, enforcement and payable, is 2040.

We considered several factors to make our final favorable determination, including:

- LTV is so low that the risk of not being paid back in the event of default is very low;
- Co-op reserves are approximately 4X the amount of our loan; and,
- Requirement for payments via ACH in our loan documents, to facilitate ease and regularity of payment.

In February of 2019, we closed on the loan for a total of $114,072 with a 5% interest rate, 15 years fully amortizing term, with a recorded and secured note and mortgage in 4th place behind the other debt listed above. As of today, the building is current in their payments and the system is supporting energy savings as designed.

2. 2178 Atlantic Ave HDFC (the HDFC) is a 16-unit not-for-profit HDFC. It was incorporated in 1980 with support of HUD and NYC HPD and operates as a zero-equity co-op. When the renovation and creation of the co-op conversion was completed in 1981, they received a 20-year J-51 tax benefit. The HDFC was stable until their J-51 expired. Due to a lack of coordination between the HDFC's lender – Bayview – and the City, by 2005 through no fault of their own, they were facing foreclosure. Board members from the HDFC approached the Habitat NYC Community Fund in August of 2019 requesting provision of a loan to redeem the mortgage note and reclaim their deed from an organization moving to foreclose and evict them. Of note, the organization undertaking this action is listed on the NYC Worst Evictors list and known to the NYS Attorney General, as a bad actor.

Based on our review of their application and assessment of the team involved – including building residents and pro bono legal teams from the Brooklyn Law School Real Estate Clinic and Kramer Levin Naftalis & Frankil – we believed we could help the building residents avoid foreclosure and find a pathway to stability. Our workout plan included several options for sources of equity, including a tax refund ($507,000) from DOF, which the HDFC would receive approximately 8 weeks after redeeming the mortgage note. The Fund engaged Interboro Community Land Trust as an additional source of equity in exchange for the land under the HDFC. The anticipated value of Interboro's contribution was $320,000, or $20,000 per unit. The proceeds from the DOF rebate and Interboro equaled approximately 82% of the requested loan amount, minimizing our risk. The funds would be applied to the principal of the Community Fund's loan, bringing the balance outstanding to $180,000. We reached out to the Leviticus Fund, another CDFI, and they expressed interest in providing a permanent loan for the HDFC to refinance the balance of our bridge loan. We saw this as an opportunity to foster collaboration between committed government and community partners and to preserve 16 units of affordable, tenant-controlled housing in Brownsville and prevent the displacement of generations of New Yorkers from this community.

In August of 2020, the HDFC closed on a bridge loan with us in the amount of $896,000, an amount commensurate with the payoff amount negotiated by their attorneys. The bridge loan had a six-month term, prefunded interest escrow at 6%, and no amortization or balloon, requiring the principal to be paid in full upon loan's maturity. The HDFC received the DOF rebate, repaid $563,000 to the Fund in February of 2021. The Leviticus Fund, the CDFI providing the permanent takeout for the bridge loan, needed more time for their due diligence, so we extended the original note by 3 months. In May of 2021, the HDFC closed on their loan with the Leviticus Fund for $333,000, fully amortizing over 10 years with 5.75% interest. Interboro CLT although willing, did not end up participating on this side of the deal due to lack of a source of consistent acquisition funds for preservation projects.

For respondents who have financed or are interested in financing SE projects, detail any knowledge, skills, and experience in the following areas as applicable:

• Which models have been considered for financing?

The Habitat for Humanity New York City Community Fund (the Fund) was incorporated in 2017 and officially certified as a CDFI in 2019. The Fund is committed to supporting the preservation and creation of permanently affordable housing. Over the last several years, the Fund has successfully made loans through various term sheets to affordable housing developers and HDFC co-ops. HDFC co-ops are a key part of the Fund's target market, and we are interested in models that support these co-ops and the creation of more. To date, we have successfully participated in one Green Housing Preservation Program loan with our partner lender Spring Bank. We see this model as a successful way to engage the HDFC community in preserving the financial and physical stability of their building, while at the same time reducing the property's carbon footprint. Because of the layers of enforcement subsidy from NYSERDA and HDC that either evaporate over the term of the mortgage, or balloon (incentivizing the HDFC to renew their Regulatory Agreement with the City into the future), there is more leverage for HDFCs to work with private lenders like the Fund to cover municipal arrears, other outstanding balances, or include more construction items in the scope. The energy efficiency and water conservation measures that are prioritized in the GHPP scopes of work ensure reductions in operating costs and allow for more room in the project budget for financed debt to ensure all property's needs are met.

The Fund has been in conversations with partners like Solar 1 and Inclusiv Prosperity Capital on the opportunity to lend on community solar projects and/or solar installations on limited equity co-ops. The Fund is currently considering what size installation and loan we would be comfortable using the panels themselves as the collateral. We are also interested in working on larger projects wherein a tax investor pays for the system upfront, and the property owner enters into a Power Purchase Agreement for the panels at the project's inception. After year 6, the Fund can come in to pay off the remaining balance on the panels and finance the system using the panels as collateral.

The Fund is also prepared to lend to limited equity co-ops either on or going on to Community Land Trusts. Though some lenders in the private space see CLTs as restrictive, we see them as protecting our investment. The built in stewardship works well with our focus on ongoing technical assistance to ensure a project's success.

• Are particular SE models more financially feasible than others?

As the Habitat NYC Community Fund, our primary focus is affordable homeownership. Consequently, limited equity co-ops are a model that we focus on, particularly HDFC co-ops incorporated under the New York State Private Housing Finance Law (PHFL) & Business Corporation Law (BCL HDFCs). The Regulatory Agreement and Article XI tax exemption, third party monitor, and most importantly the corporate structure of BCL HDFCs make this model the most advantageous from our perspective. Though this status is preferred, we have found that we can work with many different models. For example, we were able to subordinate our loans under HDC bonds in order to bring a much-needed solar install that helped La Celia Owners Corp., the mixed-income co-op in Spanish Harlem that we highlighted earlier in this submission, stay compliant with the new benchmarking guidelines and save ⅓ on their common area electric needs. We were able to become comfortable with the position because of the cash flow rather than the specifics of solely the collateral position. As a CDFI, we tend to not have the same concerns and requirements around position and Loan to Value as commercial lenders might.

The City's ability to subordinate as enforcement debt makes the lending on these projects successful, feasible and sound. Financially feasible models are connected to adequate budget sources to make the budget work, and support the long-term sustainability of the project.

645 Barretto St HDFC was able to borrow over $500,000 from the Fund and our partner Spring Bank to pay off water and sewer arrears with the DEP and to acquire a Green Housing Preservation loan from the City for major capital improvements and EEWC upgrades. This project was feasible because of the City's ability to subordinate to the Fund and Spring Bank and, to underwrite their debt as enforcement with no principal or interest due for 30 years.

Depending on a particular project's needs, we look to all options available for funding and financing. We look to integrate community land trusts as partners whenever possible not just as a source of equity, but also to support long-term stability and affordability. We also prioritize energy efficiency, water conservation and items selected for construction and rehab scopes of work, to keep operating costs low and allow projects to leverage more debt as necessary in order that they may refinance high interest loans as necessary, payoff arrears, or fund a replacement reserve.

• **What is the evaluation criteria for financing or involvement in a particular SE project?**

The foundation of a successful project is the makeup of the team committed to it including residents, Board of Directors, the management company, technical assistance providers and lenders. During our vetting process and the initial stages of application, we place a great deal of attention and value on the involvement and commitment of the people in the project. We also, of course, consider Loan to Value ratio, collections, and past defaults. We have a minimum Debt Service Coverage Ratio as low as of 1.0 though we prefer 1.15, which keeps us in line with HPD's requirements but also gives needed flexibility. We also consider the variety of take out sources. We look at the overall plan for both financial feasibility and project goals and benchmarks. NYC has a strong network of professionals committed to affordable housing. There are decades of experience that as a community mission-based lender we want to leverage to make these deals work.

• Are there differences in evaluation criteria for SE projects, relative to more traditional projects?

Throughout our history, the Fund has considered SE to be quintessential to our work. The evaluation criteria for all projects is the same for us. We evaluate technical assistance providers, monitoring agreements and assign specific fiduciary responsibilities that the SE entities must agree to. This multilevel evaluation helps bring comfort to our credit committee. As a lending entity, we must be certain that there is a team firmly embedded in the project making sure best practices are implemented consistently. This includes members of the Board of Directors, the management company, and technical assistance provider.

• What financing terms and/or organizational structures are or would be important to require for an SE project? Are there any guardrails that are necessary to make the financing of SE models successful?

Partnerships are very important to our organization and the work we do. To date, we have successfully leveraged our relationships with larger community banks and CDFIs to get them comfortable with lending in the shared equity space to HDFC co-op and other income restricted co-op preservation projects. We plan to continue using this model, and we need to continue to grow our partnerships with more seasoned CDFIs and other mission-based lenders with larger portfolios. In order to do that, we need to be able to continue to offer high quality, consistent development services to build our pipeline, get projects to closing and work with qualified technical assistance providers. Many properties that come to us are not ready to borrow yet, and we are set up to work with the project team to get them to closing over a period that may range from 6 – 18 months. The development and technical assistance services that happen pre-closing are essential to the projects and getting as many properties as possible through a preservation pipeline so they can attain or maintain financial and physical sustainability.

Post-closing technical assistance and asset management services are also an important part of getting lenders comfortable with these deals. The City requires a third-party monitor through their Regulatory Agreement, which is often a part of these projects. Having a post-closing mandatory monitor agreement or asset management agreement in place is important to ensure properties stick to the project plan and entities like the City and other lenders are kept up to date through quarterly and/or annual reports.

• **Is there a need for a new lending entity/fund/structure to make SE models more feasible or sustainable? If yes, please describe what an optimal structure would be. If no, please describe what is currently in place that makes SE models feasible and sustainable.**

Just as we value our partnerships with fellow lenders in the private sector, we also value our partnerships with the City and State, and we need more products from the City and State that assist us to leverage more private debt. We need blanket mortgages that act as an enforcement-based subsidy to help induce the private market.

From the private market, we need municipal bond-financed permanent debt, like HDC products, for example. These give stability and comfort to smaller, mission-driven private lenders such as CDFIs.

Presently, an organization such as the New York Acquisition Fund (NYAF) is not a resource we have been able to consider as a potential source for our projects. For mission-based lenders like us, the NYAF only goes so far as the term is limited and there are insufficient options for the permanent takeout. An expansion of the NYAF to 1) extend the term of their bridge loan product for non-profits and 2) provide more options for permanent take-outs would make that resource more useful to us and our potential clients.

A source for financial funding for the critical ongoing technical assistance and development services would be very useful, and help us to assist more HDFC co-ops. This would ultimately save the City money as it would keep properties out of the Third-Party Transfer (TPT) pipeline and put them on a path to financial sustainability with a blend of private and public financing, and public subsidy.

We lend to projects and properties that will need access to affordable mortgage products for share loans. The City could seek to work with community-based lenders in this space including Homeownership Lending (a subsidiary of UHAB), Neighborhood Housing Services NYC, Spring Bank and other credit unions to develop lower-interest lending programs to improve access to affordable capital for communities that have traditionally been unable to access the housing market because of discriminatory housing practices. Families who have been historically disenfranchised by policies like redlining could have first priority for these products.

For these affordable mortgage products, including blanket mortgages for co-ops and share loans for individuals, there should be more options in the secondary market for purchasing these loans. Entities like HDC, The Community Preservation Corporation (CPC), and HPD could all provide such a service. And loan guarantees from the City (HPD) or the State (DHCR) would incentivize larger lenders to partner with smaller funds like us where we would provide the expertise, knowledge base, developments services and a small portion of the private lending in the project, and they would participate with the larger portion of lending.

INTERBORO COMMUNITY LAND TRUST

55 Broad Street, 10th Floor
New York, NY 10004
Interboroclt.org

Written Testimony of
Interboro Community Land Trust
Oversight Hearing on Homeownership Opportunities and Development Programs
May 3, 2023

My name is John Edward Dallas. I'm the director of Interboro Community Land Trust. Interboro appreciates this opportunity to submit written testimony for the Oversight Hearing on Homeownership Opportunities and Development Programs.

About Interboro CLT
Interboro was incorporated in 2018. Balancing permanent affordability, equity building, and neighborhood stability, and countering gentrification and speculation, the racial wealth gap, and displacement, our mission is to support New Yorkers and strengthen communities through the development and stewardship of *permanently-affordable* homes for ownership by lower-income households across the five boroughs of New York City. Interboro is the city's first and, so far, only CLT with a citywide catchment area—hence the name Interboro.

Another distinction held by Interboro is our multipartner structure. Interboro was formed as a collaboration between four mission-driven non-profit affordable-housing organizations: Center for NYC Neighborhoods, Habitat for Humanity NYC and Westchester County, Mutual Housing Association of New York (MHANY), and Urban Homesteading Assistance Board (UHAB). (Each of these organizations has a permanent seat on the Interboro board.)

Three members of the Interboro partnership are mission-driven non-profit developers of affordable housing: Habitat, MHANY, UHAB. Among the benefits to Interboro (and ultimately the entire city) of having developers in our collaborative is that the three of them have committed to placing on the Interboro CLT as many of their homeownership projects as possible to ensure their *permanent* affordability to *lower-income* New Yorkers.

As a result of this partnership, Interboro has 435 homeownership units (which will be not only permanently affordable but also individual, generational, and community wealth-building opportunities) in its pipeline. The majority of these units will be in limited-equity housing cooperatives; the remainder will be single-family homes. They will be spread across three boroughs—Brooklyn, Queens, and The Bronx—and span 13 City Council Districts.

Regardless of type, tenure, or location, all of these dual homeownership and wealth-building opportunities will be affordable and accessible to lower-income households *in perpetuity*. What's more, they will exponentially increase the city's stock of *permanently-affordable* homes located on community land trusts, while retaining and indefinitely recycling, and thus maximizing, the initial investment of public dollars and other types of subsidies.

Benefits of the traditional CLT structure
As with all the other community land trusts in the city (and nationally) whose concentration is permanently-affordable homeownership development and stewardship, Interboro adheres to the universal classic community land trust model with a split-ownership structure.

Under this division, the CLT owns the land beneath the properties sitting on it and leases the land, for example, to limited-equity housing co-ops and single-family homeowners who own their buildings and houses, respectively. These separate and co-existing ownerships coupled with a CLT ground lease are fundamental to the origination, durability, and protection of the exceptionally long-term affordability of CLT homes.

Also in common with all other local CLTs, Interboro's espousal of the traditional community land trust model requires its implementation of a tripartite democratic governance structure that facilitates and ensures community empowerment and control.

Preserving existing homeowners
Notably, Interboro is also the only CLT in the city with a preservation pilot. Our program allows lower-income homeowners in mortgage distress who have exhausted traditional loss-mitigation options and are facing foreclosure to preserve their homeownership and occupancy, as well as their community roots and (usually either their largest or only) wealth-creating asset.

Distressed homeowners at this stage of foreclosure who want to keep and stay in their homes are typically left with few if any good choices. However, entering into a relationship with Interboro offers these homeowners a new and *proven* homeownership-preservation option. There are currently two owner-occupied single-family homes on our CLT. Both came through our preservation pilot.

How the City can support New York City's CLTs
The mayor's Housing Blueprint not only references our preservation pilot, it also names Interboro and three other CLTs. While we are pleased with this mayoral shout-out, we cannot conceal our disappointment that the so-called special coverage, known in the blueprint as a spotlight, afforded CLTs in general consisted of a mere three paragraphs in the 97-page document. This, even though the report touts HPD having financed or planning to finance over 1,000 units of housing on the CLTs cited. And notwithstanding that the city's CLT network constitutes the fastest-growing BIPOC-led affordable-housing collective in the city, with a total of 20-plus CLTs fully operational, in formation, and in the planning stages.

The short shrift the Housing Blueprint deals to CLTs doesn't come as a total surprise to us, though, given the variety of stubborn and even existential challenges CLTs face in their dealings with city government. Chief among these is accessing public or City-owned land (not to mention ascertaining the quantity and exact locations thereof) for housing development on CLTs and, moreover, at low- or no-cost.

Inexpensive land is the literal ground on which a CLT's mission and capacity to create permanently-affordable housing opportunities for low-income households rests. However, most City-owned land goes to for-profit developers, contributing to market-rate development and displacement in low-income Black and Brown communities.

In short, among NYC CLTs' most pressing needs is access to public land. Therefore, we ask the City Council to pass two pieces of proposed legislation:

- **The Community Opportunity to Purchase Act (Intro 196)**, which gives qualified CLTs and other mission-driven nonprofits a first right to purchase multifamily buildings when landlords sell.

- **Public Land for Public Good (Intro 637)**, which would require city agencies to prioritize qualified CLTs and nonprofit developers when disposing of City-owned land, ensuring public land is used for permanently-affordable housing and other public benefits and community-determined needs.

In addition to these bills, we ask the City Council to pass the **Tenant Opportunity to Purchase Resolution (Res 38)**. This resolution calls on the New York State legislature and the governor to enact legislation giving tenants a first right to collectively purchase their buildings when a landlord sells. Because TOPA allows tenants to assign their rights to organizations such as CLTs, the legislation has the potential to create essential opportunities for CLTs as well: to acquire properties, create permanently-affordable housing, and build community control and community assets.

Case Study: Claremont House
As an example of what the aforementioned prioritization looks like in practice, we call your attention to our partner Habitat's Claremont House homeownership project. It represents the first time HPD selected a team proposing the CLT model for homeownership in response to a Request for Proposals to create affordable housing on vacant, City-owned land. As a result of the City's exclusive preference for a CLT and a team of nonprofit housing developers, 40-plus new homeownership opportunities for lower-income households will be created in the south Bronx in a 100-percent affordable residential building.

Not only will residents be co-op shareholders and therefore co-owners of their building (and in control of their "housing destiny"), and have the opportunity to build family and generational wealth. They also will enjoy amenities such as a rear yard, community room, wellness gym, and hydroponic center.

Stewarding the stewards: CLTs need operational funding
As a NYCCLI member and an established CLT, we appreciate the City Council-funded Citywide CLT Initiative to advance the CLT model citywide. At the same time, there is a burgeoning recognition that the initiative funding should not only be increased, but also expanded to subsidize costs beyond training, education, and organizing.

As emerging CLTs become established, their funding needs change drastically. A fully-operational CLT with a portfolio and/or pipeline of properties needs funding to cover overhead and operational expenses related to supporting the CLT's stewardship of the properties, the residents, and the public investment.

Funding for these purposes from other sources, such as our state legislature and philanthropic organizations, is nearly impossible to obtain at this time. Yet, CLTs that are strictly stewards, in contrast to CLTs that are also developers or property managers, or have commercial properties, will find themselves entirely reliant on ground-lease fees for revenue. This income alone, however, will prove insufficient to ensure those CLTs' financial sustainability.

Furthermore, the ground-lease fees CLTs can charge are—and should be—limited. This is both in keeping with their nonprofit mission and to avoid creating monthly payments for, for example, limited-equity co-op shareholders that would weaken affordability. Where a CLT has a limited-equity co-ops on it, assuming the buildings will have 40-year property-tax exemptions from the City, HPD will cap the ground-lease fees through a regulatory agreement—while expecting a host of services from the CLT for which it will have to incur considerable costs to furnish.

Consequently, to support CLTs in creating community assets, stabilizing neighborhoods, fostering resident empowerment, and expanding asset-building opportunities for lower-income New Yorkers, funding for the Citywide CLT Initiative should be increased, and expanded, to match the growth of the number of CLTs in the city, to support CLTs as they grow from emerging to established, and to support the inevitable growth in established CLTs' responsibilities and overhead.

Prioritizing CLT homebuyers

The Housing Blueprint spotlights expanding the down payment assistance available through HPD's HomeFirst program as a way to empower low- and moderate-income households who would not otherwise be able to achieve homeownership. We support this objective. Interboro and other CLTs create homeownership opportunities that sell for below-market prices, greatly expanding the options for low- and moderate-income New Yorkers to own homes and build wealth.

In this shared pursuit of reversing the dwindling homeownership options citywide within reach of lower-income households, the City would be doing a great service to taxpayers, as well as CLTs and aspiring homebuyers, by modifying HomeFirst eligibility to give priority or a larger percentage of assistance to income-eligible New Yorkers purchasing a home on a CLT.

In the experience of Interboro's development partners, financing options for prospective purchasers of CLT co-op shares and houses are still relatively limited. One way to ameliorate this problem would be through a "front-end" strategy of amplifying the opportunity for downpayment and closing-cost assistance for CLT homebuyers.

Used in this way, the taxpayer dollars supporting HomeFirst would be maximized in several respects. First, since CLT homes are less expensive than market-rate ones, HomeFirst grants to CLT homebuyers would go farther, delivering more bang for the buck.

In addition, restrictions on the resale prices of CLT homes in tandem with buyer income-eligibility limits make the homes affordable to future lower-income buyers without the need for an additional investment of public dollars. In other words, the initial public subsidy is never lost and in need of recapture or replenishment, but is instead retained and indefinitely recycled.

Furthermore, studies have shown that CLT homeowner mortgage default and foreclosure rates are dramatically lower than those found among conventional or market-rate homeowners. One of the determining factors in the higher success rate of CLT homeowners is CLT stewardship. CLTs intervene to cure defaults and prevent foreclosures, monitor the payment of property taxes and water and sewer payments, and screen and approve refinance mortgages, among other homeowner-preservation activities. (Interboro sees its role as steward as going beyond preservation of the permanent affordability of the housing. This service, in our view, encompasses safeguarding the permanence of the ownership, occupancy, and empowerment of residents as well.)

To get stuff built, get staff

Interboro would like to convey to the City Council our strong concerns about the additional cuts to city agency budgets ordered by the mayor earlier this month. As part of his Program to Eliminate the Gap (PEG), Mayor Adams ordered city agencies to come up with reductions of four percent of their budget for each of the next four years (to achieve a total of $1 billion in savings in the aggregate).

Several agencies were being considered for exemption from the latest round of annual cutbacks, including the Fire Department, Department of Sanitation, and the Human Services Administration—because they provide critical services. To our astonishment, HPD wasn't among the agencies under consideration. We believe it definitely should be—because HPD, too, provides critical services, playing a central and oversized role in the City's efforts to address our historic affordable-housing crisis.

Manhattan BP Mark Levine said during a recent podcast: "We are not just facing a shortage of housing in New York City…. We are facing a full-blown affordability crisis. The worst in our history…." Mayor Adams without a doubt would concur with this assessment, as evidenced by a steady succession of major housing-related reports and initiatives produced by his administration: "Get Stuff Built," "City of Yes," "Housing Our Neighbors: A Blueprint for Housing and Homelessness," and, most recently, "Unlocking Doors."

Paradoxically, the mayoral agency that is the linchpin of Hizzoner's ambitious plans to address the affordable-housing shortage is being hobbled by a debilitating staffing shortage.

This shortage, too, should be of immediate concern to the mayor and the top brass at City Hall—if only because it's keeping "housing stuff" from getting built and otherwise being accomplished. Meanwhile, on the ground, for established and emerging CLTs alike, the day-to-day ramifications of HPD's staffing shortage have been harmful and costly.

Take, for example, HPD's ongoing lack of attorneys who are familiar with the CLT model and have experience with CLT deals. (At the time of this writing, there was only one.) One of the drawbacks of this deficiency for Interboro and its development partners has been the repeated pushing out of closing dates, severely delaying construction, sale, and occupancy of direly-needed affordable-homeownership units.

These now-regular prolonged delays in turn have forced Interboro and its partners to absorb thousands of dollars in additional, unanticipated expenses, such as legal fees. These dollars can't be replaced and, therefore, drain and deplete finite financial resources that would otherwise cover other essential costs related to operations. Public or philanthropic resources to cover legal expenses exclusively are virtually non-existent. Above all, though, keep in mind that

Interboro and its development partners are small nonprofit organizations that must ceaselessly fundraise to keep our lights on and our doors open.

Another project-delaying and financially-costly repercussion of HPD's staffing shortage has been the deterioration of the agency's institutional memory. There have been several instances where HPD has had Interboro and its development partners redo from scratch an entire project completed years ago because the HPD staffer, either an attorney or a project manager, who oversaw the project was no longer with the agency and/or their replacement needed to be brought up to speed.

We are sympathetic to HPD's plight. The agency's teams that Interboro deals with on a regular basis are dedicated, hard-working, and knowledgeable and do everything within reason to support our CLT as well as the CLT network. Therefore, we ask…urge the City Council to work with the Administration to reverse the cuts imposed on the agency and also increase its funding so that HPD can be sufficiently staffed up to tackle the city's historic affordable-housing crisis.

Calling on the State to support CLTs

Lastly, we ask the City Council to consider passing a resolution calling on the state legislature and the governor to pass **"Affordability Plus," S2985**. The basis for this proposed law is that HPD's loan-granting authorities are outdated, derived from a patchwork of laws designed for the needs of a different time. Current laws make it increasingly difficult for HPD to support new strategies, such as community land trusts, for tackling the city's housing affordability crisis.

As an example, existing laws prevent HPD from extending loans for ground leases, constraining HPD's ability to finance community land trusts. Removing this restriction will help clear the way for the creation and increased financial support of more community land trusts across the city.

For another example, HPD lacks the legal authority to make loans for acquisition and refinancing that would allow it to help mission-driven organizations, such as CLTs and their partners, acquire and preserve affordable buildings that might otherwise be purchased by the highest bidder.

Additionally, HPD's ability to help lower-income homeowners finance repairs is hampered by a limit on loan amounts and prohibition on providing loans to living trusts. If these limitations were removed, HPD could provide lifelines to more struggling homeowners, helping stabilize communities and prevent displacement.

That concludes Interboro's testimony. Thank you, Committee Chair Sanchez and members of the Housing Committee, for this opportunity.

Neighborhood Housing Services of Queens CDC, Inc.

Testimony to New York City Council Committee on Housing and Buildings
Oversight - Homeownership Opportunities and Development Programs
Re: Neighborhood Housing Services of Queens Support of Int 0384-2022 and Int 0689-2022
Friday, May 5th, 2023

Good morning, distinguished Chair Pierina Sanchez, Public Advocate Jumaane Williams, and Members of the New York City Council. I am Yoselin Genao Estrella, Executive Director of Neighborhood Housing Services (NHS) of Queens, and I am grateful for the opportunity to speak before you today.

I am here on behalf of NHS of Queens to express our appreciation for the introduction of Int 0384-2022 by Council Member Selvena Brooks-Powers. This bill is a vital step towards supporting our homeowners by establishing the Office of the Homeowner Advocate. It will help New Yorkers access financial and technical resources related to homeownership. This Office has enormous potential to enhance our community's awareness and education of homeownership through public campaigns and training. It will also help connect our community to city, state, and federal agencies, providing opportunities for more referrals and further education.

We would also like to extend our gratitude for the introduction of Int 0689-2022 by Public Advocate Jumaane Williams. This bill will further support our homeowners by providing the necessary benefits to those who want to make their homes more energy-efficient. Eliminating obstacles like permit fees will enable more residents to create sustainable homes.

At NHS of Queens, we have firsthand experience with the challenges of homeownership. For over 28 years, we have been serving not just homeowners, but our entire community as a HUD-certified, nonprofit counseling agency providing housing and advisory services to residents of Queens. In 2022 alone, we were able to touch the lives of almost 9,000 members of our community. Our work is needed now more than ever.

Homeownership provides our neighbors with security, independence, and generational wealth. However, we understand that homeownership is more than just purchasing a house; it also requires caring for and supporting the building and ensuring it’s resilience, including upgrading energy systems and making emergency repairs. With homeownership support, families can establish roots in their neighborhood and create a stronger and more resilient community for generations to come.

To that end, we take a holistic approach to serving our community by providing not only homeownership services but additional programs that promote housing resiliency. These include our emergency home repairs program, renewable energy education program, financial capability programs, and educational programs.

We know that the fight to provide and ensure homeownership for our community is far from over. These bills are an essential step to supporting our neighbors.

We applaud the legislation and thank the Council for their leadership on this issue. We look forward to partnering with the city to support the housing needs of New Yorkers. Once again, thank you for the opportunity to testify before the Council today.

Yoselin Genao Estrella
Executive Director
Neighborhood Housing Services of Queens

Testimony of Brendan Cheney, New York Housing Conference

New York City Council Committee on Housing and Buildings
Oversight Hearing - Homeownership Opportunities and Development Programs

May 3, 2023

Good morning. My name is Brendan Cheney. I am Director of Policy and Operations at the New York Housing Conference (NYHC). I would like to thank the Committee Chair Sanchez as well as the other members of the City Council Committee for the opportunity to testify today.

NYHC is a nonprofit affordable housing policy and advocacy organization. As a broad-based coalition, our mission is to advance City, State and Federal policies and funding to support the development and preservation of decent and affordable housing for all New Yorkers.

Today we are testifying about the importance and need for more rigorous action from the Department of Housing Preservation and Development on affordable homeownership. New York City has been producing far too little affordable homeownership and must step up its efforts.

In New York City and nationwide we have a history of racial discrimination that deprived many black families the benefits of homeownership. The evidence that this still impacts us is in ongoing disparate homeownership rates: while 43 percent of white households own their homes, only 27 percent of Black households and 17 percent Hispanic households own their homes in New York City. This historic difference is one key reason why there remains a large racial wealth gap, where the median white family has $184,000 in wealth while the median Hispanic family has $38,000 in wealth and the median black family has $23,000. For decades Black Americans were denied or hindered from the wealth-building opportunity of homeownership.

Last year Mayor Adams committed to increasing affordable homeownership during his administration. In his Housing Our Neighbors housing blueprint, Mayor Adams said the city would increase opportunities for affordable homeownership by expanding downpayment assistance and building more affordable homeownership options as well as creating new models for shared equity and community ownership. We support these goals.

But so far his administration has not delivered; affordable homeownership development remains woefully inadequate under Mayor Adams. In calendar year 2022, the Adams administration produced just 144 units of new affordable homeownership housing. And if you exclude downpayment assistance and other direct assistance programs, HPD produced just 49 units of new construction homeownership housing. Both numbers represent a tiny share of HPD's more than 8,000 units of new construction affordable housing each year.

	Affordable Homeowner New Construction Units	Affordable Homeowner New Construction Excluding Downpaymenet Assistance Units
2014	**295**	**126**
2015	**163**	**71**
2016	**197**	**93**
2017	**149**	**44**
2018	**241**	**173**
2019	**73**	**12**
2020	**137**	**104**
2021	**161**	**110**
2022	**144**	**49**

In addition, NYHC analyzed recent production data and compared it to previous RFP announcements for new affordable homeownership. We found that of more than 550 units of new affordable projects including homeownership units announced in 2017 and 2018, NYHC could find just 33 of those units closed on financing.

This merits further investigation, but these signs show that the city moving slow and is committing insufficient resources to expand affordable homeownership options.

Increasing affordable homeownership is one of the most powerful ways to repair the damage of previous discriminatory housing policies and expand wealth-building opportunities to more New Yorkers. We look forward to working with the City Council, our partners and HPD to expand affordable homeownership opportunities.

We are happy to answer any questions.

Testimony to the New York City Council
Committee on Housing and Buildings

May 3, 2023

Grand Raising, Committee Chair Sanchez and members of the Housing Committee. Thank you for holding today's hearing and for the opportunity to testify.

My name is Alexis Foote I am a wife, mother of three, Founder of the ReAL Edgemere CLT, plus a resident of Arverne View. I am testifying on behalf of past, present and future generational of children of color for the right homeownership. I grew up in NYHCA from the time I was born, my peers and I were surrounded by broken windows policies, jumping over drug paraphernalia while going to dance school or the park and forced to attend broken schools.

When I was kicked out of my house at the age of 17 years old, I become a homelessness teenager and for the next 5 years my biological mother and I were homeless living at 270 Clackson Ave, Brooklyn, N.Y. 11226. I moved out and moved in to Homes for the Homeless located at 17515 Rockaway Blvd, Queens, NY 11434 near JFK airport. It felt like a year; however, I was only there for 6 months. I moved into Arverne View, which was at the time called Ocean Village and it was rent stabilize at the time.

I took a vow to myself and my son that we would be homeowners and business owners. The Department of Homeless Services pays at least 2 more than a housing voucher. As I testify today, the residents and I are fighting for homeownership in Arverne View which is part Mitchell Lama and part HPD.

I believe that this Committee needs to do sometime different for the millions of residents who dream of becoming homeowners. According to San Diego Foundation "Owning a home opens the door to investments, buying power, and improving credit, and allows families to pass that wealth on to their children who then continue to pass it on through the generations. Black families often rent and are therefore unable to take advantage of the financial opportunities that homeownership delivers. This continues to create a wealth gap that gets greater over time and keeps families of color stuck in a cycle of disadvantage compared to white families" (San Diego, 2022).

This means that people of color are driven deeper in to poverty and the wealth gap continues to grow for children of color. My children desert to be homeowners without fear having their homes be undervalued. We need to make sure that we are providing affordable pathways to homeownership and the only that will happen is if we start the dialogue of Reparations. The right to land grants and financial payments.

San Diego Foundation. (2022, October 14). Why is Home Ownership Important?
https://www.sdfoundation.org/news-events/sdf-news/why-is-home-ownership-important/

UHAB Testimony to the New York City Council
Committee on Housing and Buildings

May 3, 2023

Good afternoon, Committee Chair Sanchez and members of the Housing Committee. Thank you for holding today's hearing and for the opportunity to testify. My name is Arielle Hersh and I am the Director of Policy and New Projects at UHAB.

For 50 years, UHAB has empowered low- to moderate-income residents to take control of their housing and enhanced communities by creating strong tenant associations and lasting affordable co-ops. We create affordable housing, support affordable co-ops to remain healthy and stable homes in the long term, and build power among New York City's low-income tenants and cooperative homeowners. We are the only citywide nonprofit with decades of experience focused on resident-controlled housing. UHAB is also a founding member of Interboro CLT, the city's only citywide community land trust.

HDFC co-ops form a key bloc of stable, affordable homeownership for 25,000 New Yorkers across 1,200 buildings in New York City—the majority of shareholders are Black and Hispanic New Yorkers systematically excluded from traditional homeownership opportunities. Many HDFC co-ops were created from the abandonment and disinvestment of New York City's fiscal crisis, and received limited building repairs and training when they converted. For the last 30 years, shareholders have stewarded their buildings through deferred maintenance, fiscal uncertainty, and maintained their buildings despite too little investment from the City. UHAB understands the vital necessity of preserving these buildings as deeply affordable, good quality housing that supports the creation of moderate community wealth building. We also know that this form of housing fundamentally works, and it is important to facilitate new pathways to create HDFC co-ops.

Unfortunately, the opportunity for low-income homeownership has been chipped away at over time, so much that today there are no programs supporting homeownership for New Yorkers below 80% of AMI and most opportunities are targeted at much higher incomes. Current HPD term sheets and programming support moderate and middle income homeownership opportunities. **We know that it is possible to develop deeply affordable homeownership projects, and that low-income families are diligent stewards of their housing.** Nearly all of the 1,873 cooperative units UHAB has successfully developed are at incomes at or below 50% AMI, including the 390 units in our current development portfolio. Low income homeownership is not just a relic of the past. These deep levels of affordability are achievable and as necessary as ever, especially when Black New Yorkers are leaving the city en masse and half of New York households cannot afford their major living expenses.

This is not only an ideological debate. Setting new homeownership units at higher AMIs with the goal of building wealth actually harms the purchaser, who will not see increased equity due to affordability restrictions despite purchasing for a high price. Instead, we believe that setting deeper affordability targets allows low-income New Yorkers to become homeowners and accrue modest equity, which they can pass down to their family. Through UHAB's HomeOwnership Lending Program, we have been making loans to low-income purchasers in HDFC co-ops for the last 12 years and have a 100% success rate—not a single new homeowner has defaulted on their loan, and most have incomes under 50% AMI.

While Mayor Adams' Housing Blueprint claims to value homeownership–especially for Black and Hispanic New Yorkers—we have yet to see those plans materialize into resources for shareholders and tenants. In fact, by proposing significant cuts to HPD—which is already struggling to remain staffed and serve current projects—the administration harms its own stated goals. HPD needs support from the Administration to staff up and to finance meaningful affordable housing. **We urge the Mayor to restore HPD's funding and exempt the agency from bureaucratic, budgetary hurdles at this moment of critical need.** An **Office of the Homeowner Advocate at HPD (Int 0384)** would be beneficial to support HDFC co-ops, but requires additional investment in HPD to address staffing needs and expand capacity to serve homeowners.

To facilitate the creation and preservation of affordable homeownership, the Administration must support HDFC co-ops. **It is vital to expand the existing stock of homeownership opportunities in New York City by creating new HDFC co-ops.** HPD already staffs several programs that facilitate conversions for buildings in City ownership (formerly known as TIL, now the Affordable Neighborhood Cooperative Program, or ANCP), as well as buildings going through City foreclosure via the Third Party Transfer Program (TPT). Both programs are vital sources to create low-income homeownership, but need HPD resources to move projects from predevelopment to co-op conversion. It is essential that HPD re-launch the Third Party Transfer program to give tenants in truly disinvested rental housing control over the future of their homes, while giving struggling Black and Hispanic property owners opportunities to address repairs and clear City debt.

While we applaud HPD for their initiative in creating the Open Door program, we also need preservation solutions for buildings with existing residents interested in homeownership. HPD should re-launch the Neighborhood Pillars program as planned this summer, and open the pipeline to projects where residents have been organizing toward tenant control of their buildings and are mobilized around co-operative homeownership. Passing the Community Land Act (CLA), which includes the Community Opportunity to Purchase Act, or COPA (Int 196) and the Public Land for Public Good Act (Int 637) would facilitate more opportunities to create HDFC co-ops in partnership with community land trusts and MWBE developers. UHAB knows from our work with Interboro CLT that combining HDFC homeownership and CLT stewardship is a mutually beneficial relationship that should be expanded.

Moreover, the Council and Administration should address critical challenges to long-term stability and preservation for the City's existing 1,200 HDFC co-ops. Shareholders are facing skyrocketing building costs, especially in property insurance and utilities. Compliance with new Local Laws is often a challenge to resident-owned and operated buildings dealing with a vast City bureaucracy. UHAB is a strong supporter of New York City's climate goals and implementation of Local Law 97, but buildings need affordable, easy-to-access resources to help them comply with these measures and take advantage of the vast network of offerings from HPD, ConEd, NYSERDA, and others.

Additionally, several HDFC co-ops have had their cooking gas shut off as a result of Local Law 152 inspections despite having no obvious signs of leakage or maintenance issues. Some buildings have been left without cooking gas for months, even years, due to the cost of repiping an old, inefficient system. Buildings occupied by low-income shareholders need support and financial resources to address system maintenance issues or facilitate building electrification. The same goes for Local Law 11 facade inspections, which are notoriously costly and difficult to comply with, especially for pre-war buildings. Many HDFC co-ops were created from the crisis of abandonment and disinvestment of New York City's fiscal crisis, and received limited building upgrades when they converted. Those building systems are aging out of their useful life cycle, and need to be replaced with energy-efficient, sustainable alternatives. **To that end, Int 689 to eliminate green building permits and filing fees should be expanded to include HDFC co-ops as well as 1-4 family homes.** We want to make sure that HDFCs are not left behind in the transition towards cleaner technologies and are furthering, not hindering, the City's climate goals.

While the vast majority of HDFC co-ops are healthy and financially sound, there is a small percentage at risk of foreclosure due to a combination of financial, physical, and organizational distress. These issues are only exacerbated by threats to affordability like high sales prices and rising building maintenance costs. UHAB's Cooperative Improvement Program (CIP) helps buildings with municipal debt create comprehensive work-out plans to address their issues and get back on track. However, there is much the City can do to support these buildings and ensure we don't lose this vital stock of affordable homeownership. We propose:

- **Extending the DEP Amnesty Program for Affordable Housing:** DEP released a water and sewer amnesty program with great rates for affordable housing to pay down their debt. However, the program has received nearly no amplification from DEP or connected City agencies, Councilmembers, and community partners. The program was set to expire on April 30th and has been extended to May 31st, but has received no additional publicity to reflect this change. We urge the Council to work with DEP to extend the program and implement clear, comprehensive outreach including community partners to ensure buildings that need it most don't miss out.
- **Changes to HPD Code Enforcement for HDFC Co-ops:** HDFCS should not be included in HPD's Alternative Enforcement Program (AEP) for high levels of HPD code violations. This only adds costs to the low-income shareholders tasked with operating their building, and does little in the way of outreach or technical assistance to help co-ops address underlying issues and get back on track. Instead, HPD should work with HDFC co-ops and technical assistance providers like UHAB to address underlying physical conditions through low-cost, easy-to-access emergency city financing and energy incentive programs.
- **Expanding and reforming the DAMP Tax Cap:** The majority of HDFC co-ops have a partial DAMP property tax abatement, which is set to expire in 2029. It must be renewed for an additional 40 years and restructured to provide more equitable property tax relief across HDFCs with a deeper level of subsidy to offset rising building costs. UHAB and advocates from a member-led group of

HDFC shareholder, Affordable Housing is For All (AHIFA) are working to draft an equitable DAMP tax cap replacement and would love to engage further on this issue with members of this committee.

UHAB knows that HDFC co-ops thrive when they have networks of support to navigate the systems around them. It is essential to preserve low-cost, high-quality technical assistance based on deep personal relationships to sustain buildings, keep them in compliance with their governing documents, and ensure their long-term financial, physical, and organizational health.

Overall, UHAB applauds the Mayor Adams' goals to uplift affordable homeownership in the Administration's Housing Blueprint, as well as the time and attention of this committee for spotlighting the critical challenges and opportunities to creating and preserving homeownership. UHAB has deep experience creating, stewarding, and advocating for the needs of the City's 1,200 HDFC co-ops, which form a critical bloc of affordable housing. We would like to emphasize the following points:

- **It is necessary and possible to keep HDFC co-ops deeply affordable.** We know that HDFCs serving shareholders at or below 50% AMI thrive and are sustainable in the long term. Deeply affordable homeownership if critical to build community and intergenerational wealth.
- **HPD needs the support of the Administration and Council to staff up.** X
- **We must make it easier for distressed rental buildings to become HDFC co-ops.** This is possible through existing city programs like TPT and Neighborhood Pillars, as well as new proposals like TOPA and COPA.
- **The 1,200 existing HDFC co-ops need support from the City to survive and thrive.** HDFCs are facing challenges like rising building maintenance costs, gas shutoffs, barriers to Local Law 97 compliance, especially the small percentage of HDFCs at risk of foreclosure. These buildings need resources and support to get back on track.

Thank you again for the opportunity to testify.

Testimony of Urban Green Council
before the New York City Council Committee on Housing and Buildings

Re: Intro 689 to create a new definition for green building projects and waive building permit fees for such projects

May 3, 2023

Dear Chair Sanchez, Public Advocate Williams, Council Member Nurse, and members of the Committee:

My name is Danielle Manley and I am the Manager of Policy at Urban Green Council, an environmental nonprofit based here in New York City with a mission to decarbonize buildings for healthy and resilient communities.

I am writing in support of Intro No. 689 sponsored by Public Advocate Williams and more than 20 City Council members. This bill would add a new term and definition to the City's construction codes for green building projects in one- to four-family homes, and would eliminate building permit fees for such projects. Urban Green supports this important step for two crucial reasons:

1. **Improving efficiency in small buildings is key to reaching NYC's climate targets.** Buildings contribute over two-thirds of the city's carbon emissions. Much of the policy progress to date in NYC has been focused on the city's 50,000 buildings larger than 25,000 square feet. But nearly half of all building emissions come from NYC's other 1 million buildings, and mechanisms to support energy efficiency and decarbonization in smaller buildings are crucial to meeting our climate goals.

2. **Removing a filing fee for green building projects will make it easier to lower energy and carbon in NYC's over 860,000 one- to four-family homes.**
For one- to four-family homeowners, cost is a major barrier to making energy efficiency and decarbonization retrofits. Filing fees for this type of work could start around $130, but may be much higher and can be burdensome for homeowners. Knocking down these kinds of hurdles makes it easier and less expensive for homeowners to be a part of NYC's climate solutions.

Urban Green Council
55 Broad Street, 9th Floor
New York, NY 10004

Phone (212) 514-9385
Fax (212) 514-9380
urbangreencouncil.org

With our support in mind, we also recommend consideration of the following revisions:

- Align the building size categories with the existing breakdown in the City's construction codes and schedule of permit fees to allow for clarity and consistency. For example, permit fees are often structured with a single category for one-, two- and three-family dwellings.

- Decouple the general definition of a green building project from a specified size threshold, since the new defined term may have other applications in the construction codes. The bill's exception for filing fees for any particular size category can be made outside of the definition.

- Add more clarity to what types of work constitute a green building project. The current definition – a project that will "produce an increase in energy efficiency or water efficiency" – is ambiguous and may be overly broad, making it difficult to apply in practice. The definition also lacks a clear baseline for efficiency comparisons for alterations and new construction. For example, a rear-yard addition with code-compliant insulation will likely be more efficient than older parts of a home, but that "increase" in efficiency should likely not qualify as a green building project. The list of sample projects also doesn't include air source heat pumps, a key technology to lower energy and carbon in many NYC homes. Detailed eligibility criteria should be included in the bill or in future rulemaking.

- Clarify how the fee waiver applies to permit applications, which can cover many different types of work. Many permit fees scale with the cost of an alteration, but the bill does not specify a methodology – cost or otherwise – for calculating all or a portion of an application that is deemed a green building project.

We are confident that all of these recommendations can be addressed in consultation with the New York City Department of Buildings to tailor the language in a way that will make it easy for homeowners to understand and City administrators to oversee.

Intro No. 689 proposes concrete steps to make it easier to decarbonize the city's smaller building stock, and we thank the Public Advocate, Chair Sanchez, Council Member Nurse and all of the co-sponsors for their leadership. We look forward to continuing to work together to advance decarbonization in New York City's building stock.

CONTACT:
Danielle Manley
Manager, Policy; Urban Green Council
Email: dm@urbangreencouncil.org

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: Guillermo Patino
Address: Deputy Comm. of External Affairs
I represent: Department of Buildings.
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: NELSON RODRIGUEZ
Address: ______
I represent: ______
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: JOSE FERNANDEZ
Address: ______
I represent: ______
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: ________

(PLEASE PRINT)

Name: REGEE BARNHILL
Address: [redacted] W. 116th St [redacted] NY NY 10026
I represent: [redacted] W. 116th Street T.A./TIL Coalition
Address: ________

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. Housing Res. No. ________
☐ in favor ☐ in opposition

Date: ________

(PLEASE PRINT)

Name: Luisa Rodriguez
Address: [redacted] W 150th St [redacted]
I represent: TIL Coalition
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: 5-3-23

(PLEASE PRINT)

Name: Joy Clarke
Address: [redacted] Prospect Pl
I represent: TIL Coalition
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: ________

(PLEASE PRINT)

Name: Kim Darga

Address: ________

I represent: Housing Pres. + Dev

Address: 100 Gold Stree

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: 5/3/23

(PLEASE PRINT)

Name: Brendan Cheney

Address: ________

I represent: New York Housing Conference

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: 5/3/2023

(PLEASE PRINT)

Name: BEVERly PABON

Address: EAST 127TH STREET

I represent: EAST 127TH STREET T.A

Address: EAST 127TH STREET

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: 5/3/2023

(PLEASE PRINT)

Name: Michael Sandler

Address: [redacted] Jackson Heights

I represent: NYC HPD

Address: 100 Gold St.

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: 5/3/23

(PLEASE PRINT)

Name: Xoniara Pedraza

Address: [redacted] Broadway

I represent: HPD

Address: 100 Gold St

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: 5/3/23

(PLEASE PRINT)

Name: Matthew Dunbar

Address:

I represent: affordable Home ownership - Habitat For Humanity

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: 5/3/23

(PLEASE PRINT)

Name: Arielle Hersh
Address: Monroe St
I represent: VHAB
Address: 120 Wall St

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: Lorraine Petrie
Address: Arrow Ave
I represent: Mnisch
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: Fermin Castro
Address: Amsterdam ave
I represent: ______
Address: ______

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