

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

of the

COMMITTEE ON HOUSING AND BUILDINGS

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March 9, 2011
Start: 1:10 pm
Recess: 2:40 pm

HELD AT: 250 Broadway
Committee Room, 16th Floor

B E F O R E:

ERIK MARTIN DILAN
Chairperson

COUNCIL MEMBERS:

James Vacca
James S. Oddo
Joel Rivera
Gale A. Brewer
Brad Lander
Jumaane D. Williams
Melissa Mark-Viverito
Leroy G. Comrie, Jr.
Lewis A. Fidler
Elizabeth Crowley
Eric Ulrich
James F. Gennaro

A P P E A R A N C E S (CONTINUED)

Vincent Grippo
Chief of Staff
New York City Department of Buildings

Andrew Salkin
Deputy Commissioner for Operations
New York City Department of Finance

Brad Bishop
Executive Director of Strategic Planning
New York City Department of Buildings

Angela Sung
Senior Vice President, Management Services and
Government Affairs
Real Estate Board of New York

Jessica Handy
Codes and Regulations Government Affairs Committee
Building Owners and Managers Association of New York

Robert Altman
Legislative Consultant
Building Industry Association of New York City

Stephen Lutsen

CHAIRPERSON DILAN: Good morning--
or good afternoon, I'm sorry. My name is Erik
Martin Dilan and I am the chairperson of the City
Council's Committee on Housing and Buildings.

Today the committee will conduct an
initial hearing and at the close of the hearing,
this item will be laid aside for potential
disposition at a future date--and that's just for
the benefit of the members.

Three 79 is a Local Law that would
amend the administrative code of the city of New
York, and this is in relation to the denial of
building permits to property owners with
outstanding charges owed to the City of New York.
The Council and the bill's sponsor, Council Member
Jimmy Vacca, is concerned with the Department of
Buildings' current practice of issuing permits to
applicants irrespective of whether or not they
have outstanding fines or civil penalties owed to
the city.

Intro 379 would prohibit the
Commissioner of Buildings from issuing any permit
for property that has in total more than 25,000
owed and outstanding to the City in ECB

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2 violations, and these are fines, civil penalties,
3 or judgments imposed or entered against the
4 property. It will also include fees or other
5 charges assessed by the commissioner, fees and
6 fines or liens related to emergency repairs or
7 repairs performed on or on behalf of the
8 Department of Housing Preservation and
9 Development, tax arrears owed to the city, as well
10 as unpaid water or sewage charges.

11 During today's hearing, the
12 committee expects to hear from testimony from
13 representatives from the Department of Buildings
14 who are here at this time, from real estate
15 professionals, developers, property owners,
16 members of labor, and anyone else who has a
17 particular interest in the item before this
18 committee today.

19 As the Sergeant-at-Arms said at the
20 outset, if you have a comment that you'd like to
21 make on this bill, whether in favor or opposed,
22 please see the Sergeant-at-Arms and fill out an
23 appearance card and please indicate whether you're
24 in favor or opposed.

25 Before I turn over to Council

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2 Member Vacca for an opening statement, who is the
3 lead sponsor of today's item, I want to
4 acknowledge the members of the committee who are
5 present. The Republican Leader Jimmy Oddo of
6 Staten Island; the Democratic Majority Leader Joel
7 Rivera of the Bronx; Council Member Gale Brewer of
8 Manhattan; to my immediate right, Baaba Halm, the
9 counsel to the committee; Ben Goodman next to me
10 on the left, policy analyst to the Housing and
11 Buildings Committee; and we have Laura Rogers, who
12 is also counsel to the committee sitting in the
13 back row.

14 So with that, Council Member Vacca,
15 if you have an opening?

16 COUNCIL MEMBER VACCA: Thank you,
17 Chair Dilan, and thank you everyone for your
18 attendance.

19 This legislation came about because
20 of a realization I had based on a local project in
21 my own district. We had an individual who came to
22 the buildings department, filed an application to
23 build a high-rise and most people in the
24 surrounding community of one and two-family homes
25 thought that the density was too great, but the

1 zoning allowed it to be built. And we then looked
2 into the application further and we began to find
3 that he had significant tax arrears with the City
4 of New York owing HPD money for the emergency
5 repairs on other buildings he owned, owing real
6 estate, water, sewer, and other charges. So I had
7 requested that the buildings department not grant
8 a permit based on the money owed and that the
9 money be paid before permit was considered, and I
10 was told that the buildings department does not
11 have the power to do so.
12

13 So I came to the realization,
14 number one, that New York City is losing out on
15 significant revenue because time and time again
16 this situation occurs in the city of New York.
17 And I also realized that here we had a possibility
18 of putting some teeth into a law that would not
19 just get the city revenue, but would also hold
20 people accountable for property they own to make
21 sure that it is in good condition. It would
22 expedite the payment of violations or perhaps make
23 sure that the violations don't occur in the first
24 place.

25 So that's where this legislation

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2 came from. I do realize that tracking down who is
3 building what through an LLC, through an
4 individual, through a corporation, many of these
5 issues are difficult. And I've been meeting with
6 stakeholders for some time, and I thank Councilman
7 Dilan and the Housing and Buildings Committee
8 staff for their assistance.

9 So today's hearing is to listen and
10 to hear. My concept is that, in all fairness,
11 those who have such arrears and those who have a
12 history of being bad actors should not be given
13 the license to do more harm and basically a
14 license to end up not paying on the next building
15 they build as well. Where our city can act to nip
16 that in the bud so to speak, I would like us to be
17 proactive.

18 Thank you, Mr. Chair. And I do
19 have to apologize, at a certain point, I'm going
20 to have to leave and then come back because I'm
21 chairing a Transportation Committee meeting with
22 Sanitation and Public Safety, but I will be back,
23 and I thank the chair for your indulgence.

24 CHAIRPERSON DILAN: Yeah, and I
25 don't know how I'm going to do this, but I'm a

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2 member of one of those other committees and have
3 to go get marked present.

4 And I think myself and the sponsor
5 of the bill also recognize that there is the
6 possibility for some unintended consequences in
7 the bill, so we want to say to a lot of the decent
8 stakeholders that we recognize that and we look
9 forward to talking to you at some point, if need
10 be, to help mitigate some of these problems.

11 So with that, we have the
12 Department of Buildings, as well as the Department
13 of Finance, will both agencies be testifying
14 or...?

15 MALE VOICE: Yes.

16 CHAIRPERSON DILAN: Okay, so you
17 can begin in whatever order you'd like, and if you
18 could identify yourself for the record before you
19 begin your testimony.

20 VINCENT GRIPPO: Sure, good
21 afternoon, Chairman Dilan, Council Member Vacca,
22 and members of the Housing and Buildings
23 Committee. My name is Vincent's Grippo, I am
24 Chief of Staff for the Department of Buildings.
25 I'm here today with Donald Ranshte, who's our

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2 Director of Intergovernmental Affairs, and Brad
3 Bishop, who's our Executive Director of Strategic
4 Planning.

5 I want to thank you for this
6 opportunity to comment on Introductory number 379,
7 otherwise known as the Bad Actors Bill, a proposed
8 amendment to the building code regarding
9 conditions for withholding permits. Intro 379
10 would prohibit the Department of Buildings from
11 issuing building permits when building owners or
12 their applicants owe the department fees, fines,
13 judgments, or penalties, with exceptions for
14 emergency work, permits to correct outstanding
15 violations, or where the owner has entered into an
16 agreement with the city to pay any outstanding
17 monies owed.

18 The mission of the department is
19 clear: To ensure safe and compliant development
20 for New Yorkers. Violations will deter offenders
21 only if the offenders know that they will have to
22 pay the fines levied against them or face
23 consequences for not paying their fines. Code
24 compliance is our primary goal, and fines and
25 penalties are the means by which we force a degree

1 of compliance.

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3 The bill as written presents many
4 operational and logistical challenges that would
5 create a significant burden on DOB staff, as well
6 as the filing community. Most significantly is
7 the lack currently of an automated network system
8 that's capable of aggregating that outstanding
9 debt and ascribing it to particular properties
10 across the city. Without such a system, we could
11 potentially create significant delays in permit
12 issuance for all applicants, including the tens of
13 thousands of homeowners, construction workers,
14 contractors, and businesses that rely on timely
15 permit issuance.

16 The Department of Buildings strives
17 to be an effective part of the city's greater goal
18 of collecting outstanding debts from bad actors
19 and keeping permits and licenses out of the hands
20 of owners and contractors who don't pay their
21 fines and penalties [pause]--sorry [off mic]
22 [pause].

23 In studying the application of [off
24 mic] Intro 379 to our operations, the department
25 is prepared to work with the Council on an

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2 alternative bill that would allow DOB to withhold
3 certain permit types when property or BIN-based
4 DOB debt exceeds a defined threshold. In doing
5 this, we would need to be mindful of the potential
6 unintended consequence that we may push work
7 underground, that is, applicants avoiding the
8 permitting process altogether and deciding not to
9 apply for a permit due to an overly cumbersome
10 process.

11 In addition, DOB is working with
12 the Department of Finance and the Mayor's Office
13 of Operations on a multifaceted effort to help
14 enhance revenue collection. To that end, the
15 department continues to pursue any practical way
16 to deny permits and licenses to owners,
17 contractors, and others who do not pay their
18 fines.

19 Thank you for the opportunity to
20 present testimony on Intro 379. I'll now defer to
21 Andy Salkin from Department of Finance.

22 ANDREW SALKIN: Good afternoon,
23 Chairman Dilan, Council Member Vacca, members of
24 the City Council Committee on Housing and
25 Buildings. I am Andrew Salkin, Deputy

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2 Commissioner for Operations at the New York City
3 Department of Finance, here today representing
4 Commissioner David M. Frankel.

5 Thank you for the opportunity to
6 testify today on Intro number 379, Council Member
7 Vacca's bill, to deny building permits to property
8 owners with outstanding charges owed to New York
9 City.

10 At Finance, we want to help protect
11 the majority of New Yorkers who pay what they owe
12 by collecting from those who don't. Under
13 Commissioner Frankel, our agency is focused on
14 leveling the playing field. One way to do this is
15 looking for new methods to get individuals and
16 entities to pay what they owe. Getting the bad
17 actors that choose not to pay to do so is often
18 challenging, and that is why we appreciate the
19 Council's focus on this important issue.

20 I want to take the opportunity to
21 explain some of what we hope to achieve at
22 Finance, which will require the support of this
23 Committee and Council. Not just limiting
24 ourselves to fines originating at the Department
25 of Buildings, Finance wants to make sure that we

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2 collect the outstanding fees, charges, fines, and
3 taxes owed to the City. If we assume that those
4 who are regulated by or do business with the City
5 owes some portion of this debt, then developing
6 tools to encourage these people to pay outstanding
7 debts is an important objective.

8 We want to do a better job of using
9 the city's potential leverage to get paid what is
10 owed. So for example, at Finance we are very
11 interested in an approach that matches entities
12 that receive licenses or permits with outstanding
13 debt owed. If the entity has unpaid parking
14 tickets or owes ECB fines, we want to make sure
15 the City collects the money before the permit or
16 licensee is renewed or issued.

17 Using sophisticated data matching
18 techniques linking debt held by the same entity
19 across different agencies is possible. This will
20 allow the City to develop additional programs such
21 as placing a hold on a licensee from renewing
22 their license which will incentivize paying of
23 outstanding debts. This concept is similar to a
24 program Finance currently practices with the New
25 York State Department of Motor Vehicles, where

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2 vehicle registration renewal is placed on hold if
3 the vehicle owner has three or more judgment
4 tickets over an 18-month period.

5 So while Finance agrees with the
6 spirit of this bill, we would prefer if the
7 Council would instead support a broader initiative
8 focused on unpaid fines and other charges from any
9 city agency. The City should be able to use its
10 powers to collect debt when debtors are asking for
11 the authorization or license.

12 We look forward to working with
13 Council on this issue. Thank you, again, Chairman
14 Dilan, for inviting us here today, I'm happy to
15 answer questions.

16 [Pause]

17 CHAIRPERSON DILAN: Okay. We've
18 been joined by Council Member Brad Lander of
19 Brooklyn, who is also a member of the committee.

20 And, look, I'll say again, like I
21 said at the outset, like I said in my opening
22 statement, I think what we're trying to achieve is
23 a noble goal, but what I'm worried about is the
24 mechanism that we put in place to achieve this
25 goal and to make sure that we do not harm people

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2 who are acting in good faith and doing the right
3 thing out there in our city. I'm interested in
4 the details of a broader initiative, but I don't
5 know that any of them are here before us today.
6 So I guess at some point I'd be happy to hear what
7 they are and see how they work, but between now
8 and then, I believe, personally, that I need to be
9 sold on this new system, because while DOB can
10 trace some things, you said in your own statement
11 that you lack the technology to do it. Finance
12 may or may not have the technology to--and you
13 could elaborate on your own if Finance has the
14 technology to determine across every city agency
15 who owes the City money and how much.

16 The bill includes water and sewer
17 and, from what I can recall, the last time we did
18 the water lien sale, not the one that we just
19 authorized, but the one we authorized several
20 years ago, a lot of those amounts were in dispute
21 by people throughout the city of New York.

22 So these are the types of
23 situations that I'm very concerned about and want
24 to work to avoid and would want to have confidence
25 in, not only the Buildings department system, but

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2 the Finance department's computer systems to know
3 that this can be done accurately.

4 So to get into my questions, and I
5 guess the appropriate agency can respond, to your
6 knowledge, how much in unpaid fines is currently
7 owed to the city? We got Gale Brewer's estimate
8 yesterday, how much of that amount is related to
9 unpaid building code fines and penalties? And
10 what other types of charges and fines are
11 currently outstanding to the city? And on
12 average, how long have these fines and charges
13 been outstanding? So I guess if Buildings wants
14 to lead off specifically to the building code
15 fines and penalties, if you have that, that's
16 fine; and if Finance wants to take a crack at the
17 other two parts of the question--

18 VINCENT GRIPPO: Sure--

19 CHAIRPERSON DILAN: --can do it
20 that way.

21 VINCENT GRIPPO: --in terms of ECB
22 debt that's owed when a Buildings inspector goes
23 out and issues an ECB violation--and you guys can
24 jump in--but I guess there's a seven-year life
25 that that debt has, so if you look back at the

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2 debt that we have accumulated that's unpaid, over
3 seven years it's approximately \$160 million in
4 unpaid DOB issued ECB debt.

5 ANDREW SALKIN: Right, so ECB is an
6 important mechanism for the city, it's in a key
7 Administrative Court hears many hearings from many
8 different agencies. Currently ECB has a hearing
9 and if the debt gets placed in the judgment, it
10 passes to Finance, so looking at the debt that the
11 finance department gets--I know there is a report
12 circulated that I think was focusing on more
13 current debt, but if you look at it in totality,
14 there is 1.6 million summonses in that right now
15 with just under a billion dollars, not including
16 interest sitting there. And for us, when we think
17 about the ECB debt, it's given to people that are
18 either doing business with the city or people that
19 own a property in the city for the most part. And
20 it could be people that aren't licensed, they
21 could be doing something illegal altogether, but a
22 lot of those folks have some other business with
23 the city. So that's the ECB debt portfolio is
24 about a billion dollars plus interest and 1.6
25 million different summonses.

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2 CHAIRPERSON DILAN: Okay. But I
3 think what I was alluding to for you is, the bill
4 covers more than ECB debt--

5 ANDREW SALKIN: Sure.

6 CHAIRPERSON DILAN: --could you
7 talk about the covered types, the other covered
8 types in the bill?

9 ANDREW SALKIN: Sure. I can talk
10 about what I do know, we can discuss more again
11 later. I think one of the--

12 CHAIRPERSON DILAN: Sure.

13 ANDREW SALKIN: --challenges the
14 city has, and I think you mentioned that in your
15 comments, is this idea that we can't really do
16 this now so as we decide that we can do this and
17 get authority to do this, we'll have to walk into
18 it and understand exactly what we'll be doing and
19 how the due process will work and how we get
20 there.

21 So for parking debt, there is about
22 almost 6 million outstanding summonses.

23 CHAIRPERSON DILAN: [Interposing]
24 Yeah, I don't think we need to do that 'cause
25 parking debt is not covered.

2 ANDREW SALKIN: Well okay, sorry,
3 for our testimony we're suggesting covering
4 parking debt. So for other debt I can't speak to
5 water, because I don't know the water, but and
6 then in terms of other outstanding charges--

7 CHAIRPERSON DILAN: [Interposing]
8 All right, so then, if you want--since it's not in
9 the bill, but maybe you could give us the answer--

10 ANDREW SALKIN: Sure.

11 CHAIRPERSON DILAN: --and then at
12 some point if you can get back to us in writing in
13 terms of what are the outstanding charges for all
14 the facets that are covered currently by the
15 legislation, and I know it's going to change at
16 some point, but you can give us what you have now,
17 and then we can get back to you specifically--

18 [Crosstalk]

19 ANDREW SALKIN: [Interposing] Sure,
20 well all right, well parking we think is important
21 'cause there is an extensive amount of debt--

22 CHAIRPERSON DILAN: Sure.

23 ANDREW SALKIN: --and a lot of the
24 people who owe debt are people who are doing
25 business in the city. There's about 6 million

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2 outstanding summonses for, I think just about--I
3 want to get the exact numbers for you--for just
4 about \$700 million. In terms of property-based
5 charges, which could include taxes, could include
6 ERP, as was mentioned, it could include sidewalk
7 repairs, it could include some building fees, and
8 these are mostly fees, there is about \$3.1
9 billion, depending how you count. A lot of that
10 is taxes so a lot of that will flow into the lien
11 sale over time. And now that would also include
12 ERP and AEP passed by the law sometime next year.

13 CHAIRPERSON DILAN: All right, and
14 I believe that part is covered in the bill, but
15 for both for parking and property, you also for
16 parking I know clearly you have a mechanism to
17 collect and there's a certain threshold where the
18 marshals and everybody comes in and tows people's
19 cars away. So at some point that gets cleared if
20 you can find them, the problem is finding them.

21 ANDREW SALKIN: If you're at the
22 threshold.

23 CHAIRPERSON DILAN: Okay. Well the
24 threshold is significantly lower than \$25,000 in
25 the bill so--

2 ANDREW SALKIN: Right, and--

3 CHAIRPERSON DILAN: --it should be.

4 Okay, so I guess, could you update the committee
5 on the effort by the Mayor's Office of Operations
6 to improve collection rates? I know we've passed
7 some legislative proposals to improve collection
8 rates through the ERP legislation that we passed
9 and the water lien sale legislation that we
10 recently passed. Is there any update that you can
11 give this committee on what the city is doing to
12 improve collection rates overall in outstanding
13 debt?

14 [Off mic]

15 ANDREW SALKIN: Well I think you
16 mentioned the critical piece for the city
17 collecting--piece to the program for the city
18 collecting unpaid debt that's tied to property is
19 the lien sale mechanism, which the Council and the
20 administration worked hard at passing and that was
21 passed last week. That will take care of people
22 who have qualifying charges on water, on real
23 estate, and now on ERP and AEP starting next year
24 and the administration is going to--we're trying
25 to understand all the different changes and try to

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2 do something as quickly as we can in terms of
3 getting to the next lien sale, hopefully sometime
4 in the midsummer.

5 So that's just this key piece on
6 outstanding debt that's focused on property. In
7 terms of other debt that we have focusing on
8 parking debt--are you interested in parking debt?

9 CHAIRPERSON DILAN: Yeah, well you
10 can say it, but it's not really covered, and I
11 guess it's good for you to say it for the record
12 because if the bill does get amended, at least
13 we'll have the number for the record.

14 ANDREW SALKIN: Right, so parking
15 debt, as you mentioned, there is a \$350 threshold
16 for vehicles getting towed, but there's a great
17 number of vehicles that aren't part of that that
18 get towed. We're working on a program--we have
19 programs with the Department of DMV, which I
20 mention in my testimony, where we suspend people
21 for getting their license renewed if they have
22 three outstanding judgments over an 18-month
23 period, and that typically we send about 250
24 different suspension holds or renewal holds to DMV
25 every month. This is the kind of tool that we

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think is important.

On ECB debt--well I guess more in parking debt we've been working with outside collection agencies to send a bulk of the debt to 'cause a lot of the debt is very small numbers and individuals, many of the people live outside the state. So we're working on beefing up our abilities to get professional services in to collect some of this debt.

On the ECB side, we've been trying to understand exactly what this debt is and coming to terms with where it originated from and how we can best collect it. One of the things we've realized is that there's a lot of entities that have debt that are really good corporate citizens so we've developed programs where we're reaching out to them. I'll give you a good example is any list that you look at, probably one of the biggest debtors in the city would always be Con Edison and what you know is, I think you suggested, it's not malicious or an intent, it's just a matter of do they know and how do you communicate with a large organization like that. So we've been working on consolidating, if you will, kind of a bill or a

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2 communication tactics with Con Edison and Verizon
3 and letting them know what their charges are and
4 giving them the opportunity to go back to ECB and
5 clear up what they had outstanding that they
6 didn't know about or work with us to engage in
7 payments.

8 CHAIRPERSON DILAN: Yeah, 'cause I
9 think included in any part of this legislative
10 package would have to be mechanisms at least with
11 the agencies that I'm familiar with, which would
12 be Buildings and HPD, on a process for the general
13 public to get their general violations cleared on
14 your systems after--

15 ANDREW SALKIN: Right.

16 CHAIRPERSON DILAN: --after they've
17 been paid for and taken care of, they still wind
18 up on computer systems by the city and that's
19 going to be a major point of concern from people
20 that I imagine will testify later.

21 So as part of that broader package
22 that you're thinking of, before it gets my
23 approval there's going to have to be something
24 there with, at minimum, the two agencies that this
25 committee has oversight of and potentially some

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others.

ANDREW SALKIN: Can I just comment on that?

CHAIRPERSON DILAN: Sure.

ANDREW SALKIN: I think it's critical that whatever program the administration and council work out together involves a due process and a communication to the public so the public can easily know where they stand in terms of the city's perspective and know what the necessary steps are to get out of that hold situation or denial situation. And I couldn't agree with what you just said more and I just wanted to say that on the record.

CHAIRPERSON DILAN: Great, I look forward to seeing that. So I guess that leads into my next question is, what challenges exist in tracking property ownership information? Presently the department does request property ownership information and what level of ownership must be disclosed, when is this information sought and how mechanically do you think this will be used to implement whatever's past?

VINCENT GRIPPO: Sure, so when

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2 somebody files with us and they fill out a PW1
3 there is information they need to provide--

4 CHAIRPERSON DILAN: [Interposing]

5 You got to tell us what a PW1--

6 [background noise]

7 VINCENT GRIPPO: Brad, who is my
8 operations redesign guys--

9 [Crosstalk]

10 CHAIRPERSON DILAN: [Interposing]

11 And before we do that, I'll do a little
12 housekeeping, we've been joined by Jumaane
13 Williams of Brooklyn, Council Member Melissa Mark-
14 Viverito of Brooklyn, Council Member Comrie of
15 Queens, and Council Member Fidler of Brooklyn.

16 So if you could identify yourself
17 for the record, and then you can go into the
18 question.

19 BRAD BISHOP: Sure, I'm Brad
20 Bishop, the Executive Director of Strategic
21 Planning at the Department of Buildings.

22 The PW1 application that Vinny
23 referred to is the initial application that an
24 architect or an engineer submits to commence the
25 permitting process, the Buildings department get

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2 plan approval. That form requires some basic
3 ownership information. You know, your kind of
4 name, address, business name, and that sort of
5 information and that's pretty much the extent of
6 the ownership information that we collect on an
7 application base at the Department of Buildings.

8 VINCENT GRIPPO: So the issue, and
9 this has come up with logistically handling this
10 bill, is if you're a partnership or a corporation,
11 our current application does not necessarily
12 pierce the corporate veil to the level of detail
13 we would need to ascribe individual debt to
14 particular properties in all instances, and that's
15 what we're trying to resolve with Department of
16 Finance.

17 CHAIRPERSON DILAN: You have
18 anything to add, is there anything you're seeing
19 on your side or you may not--

20 ANDREW SALKIN: Right, I think--

21 CHAIRPERSON DILAN: --I understand
22 that to be the challenge, but I just want to get
23 your insight as well.

24 ANDREW SALKIN: So the idea that
25 there's this challenge of piercing the corporate

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2 veil is very significant and important and I think
3 we were talking about with Department of Buildings
4 is well maybe if we can't do that that easily,
5 what if it was more of a broad-based concept where
6 this idea that you just can't owe the City money
7 if you want to do business with the City
8 regardless of who owns your property really. So
9 this idea of rather than saying Person A owns
10 property A, B, C, and D, well what if we focused
11 more on property A, B, C, and D, and just
12 individually if property A has ERP charges or they
13 have outstanding Buildings fines against, well
14 they should be denied their activity until they
15 get their house in order. And maybe there is a
16 relationship to property A or property C, and we
17 might miss that by what we're proposing, but the
18 idea is we'll eventually catch up with the people
19 who choose not to follow the rules and become bad
20 actors.

21 CHAIRPERSON DILAN: So I guess my
22 final question--and the list is open for members
23 who are interested--does any other agency
24 currently have the authority to deny a permit
25 based on outstanding fees or other charges, and if

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so, what agency is that?

ANDREW SALKIN: My understanding is Department of Transportation has in their rules a practice where if you owe ECB debt to Department of Transportation, they can withhold your ability to get a permit. And I think the way the rule is written, it might be a little more expansive than just Department of Transportation debt within ECB, but I don't think they--we've been discussing them on how this could be practiced and how we would work this. But the idea of kind of having a more broad-based sense where it's denials across different agencies for debt that may be held by different agencies is something that we believe would require some legislation and coordination with Council and the administration.

CHAIRPERSON DILAN: Okay. So to your knowledge, just one agency, right? All right, thanks guys. Council Member Williams, and then after that the list is open.

COUNCIL MEMBER WILLIAMS: Thank you, Mr. Chair. Thank you for the testimony, I apologize I came late, so I missed some of it but I did read it. And I have a question I think was

1
2 asked already so I apologize, but in the testimony
3 from Finance it says, use sophisticated data
4 matching techniques linking debt held by the same
5 entity across different agencies is possible, and
6 that's the exact opposition that DOB had saying,
7 most significantly the lack of an automated
8 network data system capable of aggregating
9 outstanding debt with properties across the city.
10 So are you saying do we have it now or are we
11 saying we don't have it, is it easy to get?

12 ANDREW SALKIN: It's a complicated
13 process to do and I think what Buildings--and I
14 don't want to speak for Vinny, but responding to
15 the way the bill is currently structured it would
16 require the Department of Buildings to do a level
17 of administration and a level of activity at the
18 point--

19 COUNCIL MEMBER WILLIAMS:
20 [Interposing] So wait, let me just back up a
21 little. So you say in your testimony, it's
22 possible, right?

23 ANDREW SALKIN: It's absolutely
24 possible.

25 COUNCIL MEMBER WILLIAMS: Okay.

1
2 And now you're saying it's possible, but it's
3 administratively difficult, is that...?

4 VINCENT GRIPPO: Yeah, so from the
5 Department of Buildings perspective, there are two
6 logistical issues. One issue is that our debt is
7 ascribed to a property and not an individual, and
8 so when you look at an individual--and Council
9 Member Vacca's example where an individual owed
10 outstanding monies, when we look at DOB debt, it's
11 ascribed to a property, so we use Building
12 Identification Numbers and there's debt ascribed
13 to Building Identification Numbers. We could
14 withhold permits fairly easily with some
15 administrative work on Building Identification
16 Numbers so that if you try to pull a new building
17 or an Alt 1 permit on a property that owes
18 outstanding DOB issued debt, if you gave us the
19 legal authority to do that, which we don't
20 currently have, it would be fairly easy--it would
21 take some administrative work, but fairly easy for
22 us to do that. We're not able to do the other two
23 parts, which is ascribe it to an individual and we
24 don't have any data with respect to other types of
25 debt that may be owed. There are certain types of

1
2 debt we can get from Department of Finance now,
3 but we'd have to work on a system that would take
4 it from their data system and dump it into ours.

5 COUNCIL MEMBER WILLIAMS: And you
6 said it--and I'm sorry, I zoned out at that one
7 point, but what's Alt 1 again?

8 VINCENT GRIPPO: Alteration 1 is a
9 significant--it's like a gut renovation of a
10 building.

11 COUNCIL MEMBER WILLIAMS: Okay. So
12 right now, you can if we gave you legal
13 permission, stop someone from getting a permit if
14 they apply for a Alt 1 and they have debt ascribed
15 to that building?

16 VINCENT GRIPPO: If we were given
17 the legal authority, we would be able to do that
18 with a minimal administrative work around on our
19 side.

20 ANDREW SALKIN: But only for
21 Building's debt.

22 VINCENT GRIPPO: Only for
23 Building's debt.

24 ANDREW SALKIN: Only for debt from-

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[Crosstalk]

ANDREW SALKIN: --issued. So what we're talking about that's new is this idea of, if someone had taken out a permit to do work on a building and they put a dumpster on the street and they got a DOT penalty for that, and they didn't pay that debt--

COUNCIL MEMBER WILLIAMS: How much would it cost to be able to aggregate a system?

ANDREW SALKIN: We put through some estimates on how we would put together this idea and put together the matching capabilities to do this and the idea is if we did it on the Finance side, and we were the funnel where all the debt information is coming to and we can begin to link that together and then work backwards to understand who the Buildings population is, who we could then get it to.

The initial estimates are probably I think between 2 and 3 million to set it up and then about \$1 million to keep it going. I think one of the things that we don't understand it fully yet is it's one thing to match the debt, it's another thing to tell someone they owe the

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2 debt, but as the chairman mentioned, there's a due
3 process that has be attached to that to give
4 people the opportunity to further contest it.

5 So it's one thing to say, oh, dear
6 Vinny Grippo, did you know you owe Buildings money
7 and you never paid us and now there's a penalty
8 for it and he goes, well they got me, I got to go
9 to ECB and clean it up. It's another thing to
10 say, Dear Vinny Grippo, did you know you owe the
11 City money and he's like I didn't know and where
12 did this come from and I'm not this Vinny Grippo.
13 So there has to be some very significant--

14 COUNCIL MEMBER WILLIAMS: Yeah.

15 ANDREW SALKIN: --and serious
16 things that we have to consider as we do this, but
17 we believe that in certain instances it's very
18 clear who you are and it's very clear what you did
19 and you know it and we want to make sure that you
20 take proper action to clear your name.

21 COUNCIL MEMBER WILLIAMS: Well I
22 think the numbers you gave seem to be worth it
23 based on probably the money that's owed throughout
24 the city.

25 ANDREW SALKIN: We think it's an

1
2 important tool that would go a long way towards
3 getting people who do business with the city to
4 make sure their record is clean as they approach
5 the opportunity to do business with the city. I
6 think it's an important tool and that's why we're
7 very interested in exploring that further with the
8 committee.

9 COUNCIL MEMBER WILLIAMS: Do any
10 departments currently use outstanding fines and
11 fees to prevent getting any types permits?

12 ANDREW SALKIN: It's similar to the
13 question, there's a lot of agencies I just was
14 thinking about that within themselves, if you owe
15 the agency money, they won't do business with you.

16 COUNCIL MEMBER WILLIAMS: There's
17 no cross.

18 ANDREW SALKIN: But the idea of
19 cross--and even if you think about ECB, what's
20 important to understand with ECB, it's a separate
21 tribunal, so when Buildings issues debt to ECB,
22 it's for violating the building code or for
23 violating a building rule, but the debt is, it's
24 at ECB and so it's actually a different agency.
25 So that's one level of change there we're talking

1
2 about, but now we're talking about even going
3 further.

4 And one of the things that gets
5 legally concerning for folks is, it's one thing to
6 hold debt at Buildings for someone who does
7 renovations, it's another thing to hold debt at
8 Buildings for someone who has a penalty for
9 something that has nothing to do with Buildings,
10 and what we're looking at doing is just saying
11 we're agnostic to the debt, you owe the city
12 money, clear your house, clear your debt before
13 you start doing business.

14 COUNCIL MEMBER WILLIAMS: All
15 right, and the last one actually you said that you
16 can get towed even if you're lower than the
17 amount--the 350?

18 ANDREW SALKIN: No, no, that's a
19 threshold, if you owe \$350--

20 COUNCIL MEMBER WILLIAMS: Yeah.

21 ANDREW SALKIN: --that is the
22 towing threshold.

23 COUNCIL MEMBER WILLIAMS: You said
24 some people can get towed even below that.

25 ANDREW SALKIN: If I said that,

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that's not what I meant to say--

COUNCIL MEMBER WILLIAMS: Okay.

ANDREW SALKIN: --and I apologize
for that.

COUNCIL MEMBER WILLIAMS: All
right, thank you.

CHAIRPERSON DILAN: It's possible,
and it's not a transportation hearing, but of
course, if you're in front of a hydrant--

[Crosstalk]

CHAIRPERSON DILAN: --they might
tow you--

[Crosstalk]

COUNCIL MEMBER WILLIAMS: Oh no, I
thought he meant the fines.

ANDREW SALKIN: --debt as opposed
to being parked illegally.

COUNCIL MEMBER WILLIAMS: All
right, thank you.

CHAIRPERSON DILAN: I know it's
possible, trust me. We've been joined by Council
Member Elizabeth Crowley of Queens. We have
Council Member Lander, followed by Viverito.

COUNCIL MEMBER LANDER: Thanks very

1
2 much for being here. This last exchange with
3 Council Member Williams put me to thinking about
4 some of the work that I know the Mayor's Office of
5 Contracts is doing to try to aggregate a range of
6 essentially different kind of good and bad action
7 across agencies and I wondered whether you had
8 been in dialogue with them. Obviously, there's a
9 different set of issues with the range of city
10 contracts than there are with people who owe the
11 much broader set of fees and fines that we're
12 talking about, but I know they've been trying to
13 figure out essentially the same set of questions
14 across a wide range of contracting agencies, you
15 know, what's the...

16 ANDREW SALKIN: Well I'm not
17 exactly sure what particular program you're
18 referring to, I will tell you that the Department
19 of Finance, as part of the Vendex process, we
20 check people who are about to get contracts or
21 have their contracts modified in significant ways,
22 we check to see outstanding debt--if they file
23 their taxes, if they have parking debt--and to do
24 a check like that as a condition of them getting
25 their contract getting Vendex approved.

2 And then when it's ongoing we do
3 periodic checks to make sure they're still in good
4 standing. If they are, we work with the vendor to
5 potentially even hold back payments.

6 COUNCIL MEMBER LANDER: So that's a
7 way in which you feed information on tax
8 scofflawism--

9 ANDREW SALKIN: Sure.

10 COUNCIL MEMBER LANDER: --to MOC so
11 that they can avoid issuing a contract to someone--
12 -

13 ANDREW SALKIN: Rather--

14 [Crosstalk]

15 COUNCIL MEMBER LANDER: --than have
16 some these--

17 ANDREW SALKIN: --taxes, right.

18 COUNCIL MEMBER LANDER: --flaws. I
19 think they are like what is being contemplated
20 here, but with a different set of data also trying
21 to think about how do we build a cross agency
22 database that reflects a range of information so
23 that if someone has done something over here that
24 we don't like, we're not giving them--we're not
25 doing business with them over here in that way.

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2 In some ways, I think you could
3 make an argument we should just keep fees and
4 fines separate and that's debt owed to the city by
5 a wider range of actors. In other ways it would
6 be very use--there are these big intersections
7 with HPD, there's a range of folks who would--and
8 it would be useful, I think, to at least make sure
9 if you're designing a system that's designed
10 across a set of agencies to identify certain kinds
11 of bad action to avoid doing certain kinds of
12 business in as much as the City's already got an
13 effort to do that that overlaps that where it's
14 [off mic] about whether they intersect with each
15 other. And they may not, if you come back and say
16 we talked to them and it didn't makes sense and
17 here's why and here's how the systems--

18 ANDREW SALKIN: [Interposing] So
19 one general comment to what you just said, I think
20 it was well said, and I think that's what we're
21 trying to explore here. I think the piece, at
22 least how I understand it, when the city is
23 engaging in a contract with an entity and for us
24 to say pay up before we pay you, that's a
25 different legal relationship than we have than

1
2 with entities who have permits or entities that
3 have licenses. And this is what we're talking a
4 little bit about the Councils, how do we explore
5 creating the legal authority for the city to have
6 a similar relationship.

7 And I think you're right, what is
8 the debt and what is the threshold for certain
9 debts and what is the process for us holding you
10 accountable.

11 COUNCIL MEMBER LANDER: Absolutely,
12 I mean, I think the threshold for denying someone
13 a building permit is different from the threshold
14 for denying an entity a contract, you're going to
15 have a different matching problem yet again,
16 because those entities are corporate and not
17 individuals.

18 So I'm not saying they should be
19 one and the same, only that it seemed like there
20 should be some--they're confronting some of these
21 same problems and it seems like it would make
22 sense.

23 The other question I have--and you
24 may not know the answer to this--but another way
25 that I know the administration has been wanting to

1
2 get at the challenge of outstanding debt on
3 Buildings is to improve the lien position of the
4 liens, especially Department of Buildings, ECB,
5 and HPD liens, which right now, as to my
6 understanding, are much weaker than tax liens
7 against property and, as a result, are paid less
8 or taken less seriously. And in many cases are
9 seen to fall essentially behind bank debt,
10 especially on foreclosed properties or properties
11 facing foreclosure, that means people that treat
12 them trivially.

13 So I know that there have been
14 efforts that I think the administration is
15 supportive of to change this in Albany and I
16 wonder if you could speak to those efforts. You
17 look like you don't know what I'm talking about.

18 VINCENT GRIPPO: That's correct, I-

19 -

20 COUNCIL MEMBER LANDER: Which may
21 be my problem, but [off mic].

22 ANDREW SALKIN: No, I think the
23 specific examples and what we're working on in
24 Albany, I can't speak to right now. I will say
25 though, the lien and the ability to leverage the

1
2 lien and having the lien be high on the priority
3 list is critical and I think the lien sale
4 legislation that Council passed last week is
5 immensely important for the city to continue its
6 high rate of collection--

7 [Crosstalk]

8 COUNCIL MEMBER LANDER:

9 [Interposing] Vinny looked less like he didn't
10 know what I was talking about so I wonder if you
11 at least can provide some...

12 VINCENT GRIPPO: I do know that we
13 have been supportive--

14 [Pause]

15 CHAIRPERSON DILAN: You need to
16 turn your mic on.

17 VINCENT GRIPPO: Sorry, we've been
18 supportive in the past of state legislation to
19 make DOB find some penalties lienable and I'm not
20 sure, I think it was deferred to a broader effort
21 which you might be referencing, a citywide effort
22 to make other types of penalties lienable, but I'm
23 just not familiar with the details of that effort.

24 COUNCIL MEMBER LANDER: Okay. I'll
25 ask I guess our counseling committee then if we

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2 can--this is a related issue. Obviously, we
3 shouldn't be granting permits to folks with
4 outstanding fees and fines, but if we could
5 connect that to the Council's efforts [pause] to
6 Albany legislation to strengthen the lien position
7 of--as I understand it, it's especially DOB and
8 HPD fines, in some cases, ERP.

9 Our tax bills and our water and
10 sewer bills have very strong lien position. But I
11 think there's a lot there's many other things that
12 come from DOB and HPD that don't and we should
13 work together to strengthen.

14 Thank you, Mr. Chairman.

15 CHAIRPERSON DILAN: Okay. Thank
16 you, Council Member Lander, and the committee
17 staff will follow up on the request.

18 COUNCIL MEMBER LANDER: Thank you.

19 CHAIRPERSON DILAN: We've been
20 joined by Council Member Erich Ulrich of Queens.
21 We have Council Member Viverito followed by
22 Council Member Jimmy Vacca.

23 COUNCIL MEMBER MARK-VIVERITO:
24 Thank you, Mr. Chair. I'm going to try to
25 understand a little bit of this and it's been

1
2 repeated I apologize again, I did come in late and
3 we're in a million meetings and it's sometimes a
4 little hard to keep track of all things at this
5 moment.

6 But with regards to this particular
7 bill--and just speaking specifically to what Mr.
8 Grippo was saying--that in terms of the essence of
9 it is, again, to deny permits to those individuals
10 or entities that owe money and you're saying that
11 there's difficulties and challenges in doing that
12 right now. That's what I'm not understanding
13 because if a building is identified to a
14 particular entity or to an individual, if that
15 entity or individual is applying for a license,
16 you could easily probably--I mean you can't track
17 by name of the individual what buildings they own
18 and whether those buildings do owe outstanding
19 violations? I know that we also did pass the
20 multiple dwelling registration bill, which
21 basically is for those entities, people that own
22 20% or more of it, that you have to identify
23 individually the people that own that entity. So
24 I'm wondering if whether with some of the stuff
25 that has passed recently there's still the ability

1
2 to do some level of cross checking and find out
3 those individuals that do owe money and denying
4 permits to them?

5 VINCENT GRIPPO: Yes.

6 COUNCIL MEMBER MARK-VIVERITO: Even
7 if it's not for that particular building, as you
8 said, but maybe for another building.

9 VINCENT GRIPPO: So the trick is
10 the way our IT systems work. So when someone's
11 coming in to pull a permit and the clerk at the
12 window calls up the field for that particular
13 permit, that's all going back to a Building
14 Identification Number. And that's the issue, is
15 the way we track all of our data, it's tying back
16 to a Building Identification Number.

17 Now on our application, we are
18 taking owner information but we're not--our
19 systems aren't necessarily ascribing four
20 properties to John Smith and I can easily throw in
21 John Smith and get those four properties.

22 COUNCIL MEMBER MARK-VIVERITO: All
23 right, so basically, so I'm just trying to follow
24 it logically here. So if I come in asking--I own
25 company ABC and I want to do a permit--you're

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2 saying that your system does not allow you to just
3 look up company ABC and then see all of the BINs
4 that are ascribed to that company.

5 [Pause]

6 BRAD BISHOP: Just repeat that one
7 more time for me. So as you're talking about--

8 COUNCIL MEMBER MARK-VIVERITO:

9 [Interposing] So basically, if I come in as
10 company ABC and I want to apply for a DOB permit--

11 BRAD BISHOP: Right.

12 COUNCIL MEMBER MARK-VIVERITO: --

13 are you telling me that your system does not allow
14 you to do a search of company ABC and then see
15 what BINs are attached to that company or that
16 individual?

17 BRAD BISHOP: No, not in the--so
18 the ownership information we collect is on an
19 application basis, so you could have--I like to
20 use a shopping mall example, so Target may be
21 applying for a permit, Target may end up on the
22 application, such and such LLC that owns the
23 building may be on the application. The way it's
24 presented is slightly different address or a
25 different spelling, our system as Vinny has

1
2 described is not really set up without a lot of
3 kind of human analysis of dumping all that
4 information and someone looking at it all to kind
5 of aggregate it and roll it up to say hey, this
6 group is touching multiple properties--

7 [Crosstalk]

8 COUNCIL MEMBER MARK-VIVERITO:

9 [Interposing] I mean, I don't know, but that seems
10 to me kind of a basic--

11 VINCENT GRIPPO: [Interposing]

12 Yeah, the key is we're ascribing the debt to the
13 Building Identification Number. So we don't issue
14 a summons the way the police department might
15 issue a summons to John Smith, we are issuing a
16 violation to a particular property, it's the way
17 the system is reading that is it's either linked
18 to a permit for a new building or it's linked to
19 an existing building.

20 COUNCIL MEMBER MARK-VIVERITO: No,
21 and I hear what you're saying but, again, I think
22 it's very basic if I'm saying if I'm coming into
23 you as the Department of Buildings of the City of
24 New York and to say that you have a registered
25 company, that you can't do a search of the name of

1
2 that company and then attach all the BINs that are
3 affiliated with that company.

4 I mean, I don't know I'm not a
5 technician, I'm not the smartest tool in the shed,
6 but to me that seems like it's a basic function
7 that this IT system should be able to provide.
8 And I'm wondering is there anything that you're
9 looking at moving forward to change the way your
10 system is set up, the information it can provide,
11 is that something that you're planning for
12 yourselves? I just want to understand where
13 you're at.

14 VINCENT GRIPPO: What we are trying
15 to do is work with the Department of Finance to
16 get enhanced owner information so we can get a
17 better sense of who owns what properties. And if
18 we can get the enhanced ownership information
19 upfront, I think it would be--we would be in a
20 better position to build a system that would help
21 us aggregate debt based on individuals or based on
22 corporations, however we determine we're going to
23 treat a corporation, and then ascribe it on the
24 back end to a list of properties. So that is part
25 of our goal.

2 COUNCIL MEMBER MARK-VIVERITO:

3 [Interposing] I mean, that would be helpful to you
4 I would assume--

5 VINCENT GRIPPO: Yes.

6 COUNCIL MEMBER MARK-VIVERITO: --I
7 mean, it would probably would go to this bill as
8 well. I'm really kind of surprised that you can't
9 do that kind of a search right now.

10 But I appreciate your information,
11 hopefully obviously with these conversations, the
12 intent is always to improve upon what we do and
13 sometimes I know that we get criticized in the
14 press that we don't have anything better to do,
15 but I think that we have helped inform this
16 administration on a lot of different aspects. So
17 I'm hoping that this conversation will lead to a
18 productive end. So thank you very much.

19 [Off mic]

20 CHAIRPERSON DILAN: I think we all
21 here can take criticism. If you can't, you can't
22 do this job. Council Member Vacca.

23 COUNCIL MEMBER VACCA: Thank you.

24 CHAIRPERSON DILAN: And I'm sorry,
25 I'm going to step out and be marked present for my

1
2 other hearing and will rejoin in a brief few
3 moments. Council Member Vacca.

4 COUNCIL MEMBER VACCA: Thank you,
5 Mr. Chair, and thank you. I first want to thank
6 the administration for working with me on this
7 bill. I hope that we can get to a place where the
8 concepts I outlined in my opening statement can be
9 realized, the basis of my involvement in this
10 matter can be realized.

11 I do think that the point of
12 technology and making sure that we have the
13 technological means to trace people who may have
14 debt, that's very important to me. That's what
15 this bill envisions. I know that the Buildings
16 department may not have that capability.

17 Let me ask the Finance department,
18 you have ACRIS, you have other means of knowing
19 who owes taxes, you have other systems. Is there
20 a way of integrating that, is there a way of
21 finding out who principals are in certain
22 corporations that you at a certain point can share
23 with the Buildings department and, therefore,
24 there can be this type of situation where we know
25 who owes what--

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ANDREW SALKIN: Right.

COUNCIL MEMBER VACCA: --as they file to build more?

ANDREW SALKIN: Thank you for the question. The systems that we have set up at the Department of Finance are geared towards determining who to bill and when we look at who to bill, it's an entity that's been filed with us as the person who should be billed.

[Off mic]

ANDREW SALKIN: When you look at ACRIS, which is a system that's not geared towards billing, but is a system towards recording information through the city register, which is required by all counties to do. We record information on deeds and mortgages between entities involved with a particular BBL or a property.

The requirements that have been passed down to us that we now practice is this effort and exercise of recording documents, but not necessarily recording the information that's on the documents. So what we would need to do in order to know some of the answers on who exactly

1
2 is the party of the LLC or who exactly is the
3 entity that's signing some of the documents would
4 require going into some of the documents and
5 reading them and getting to the end. Often it may
6 even require us doing further research because it
7 might be signed on behalf of the company by
8 someone who has power of attorney or submitted by
9 a title company.

10 So there's a lot of information we
11 have and I would encourage people to look at it,
12 there's a lot of information about the property,
13 the financing of the property, if there's a
14 mortgage, who the parties are that are involved in
15 deeds and past deeds and mortgages. But to get at
16 some of this information exactly who are the
17 principals and who are the owners within the LLC
18 is not something we're required to do and not
19 something we have been set up to do.

20 I think the challenge of getting to
21 that, which you've outlined I think quite clearly
22 and emphatically, is how can we get to that vision
23 is something we need to begin to explore and
24 understand what are the different tools available
25 to us and how we can productionalize that so it's

1
2 not an effort that we're necessarily doing solely
3 on behalf of Buildings, but doing on behalf of the
4 city to help ensure that people aren't disguising
5 themselves and running up lots of debt because we
6 can't really recognize them as the same person.

7 This is something we're very
8 interested in trying to figure out how to do. It
9 may be very hard to do, but it doesn't mean we
10 shouldn't figure out what we need to do to do that
11 and put in place that process [off mic].

12 COUNCIL MEMBER VACCA: Do you ask
13 property owners or--I don't know if you ask, but
14 do you require property owners to update their
15 information during certain intervals of time?

16 ANDREW SALKIN: No, we don't have a
17 rule that says--or we don't reach out to
18 properties once every three years to say, please
19 prove to us your debt's correct or--I'm sorry,
20 your data is correct and your billing address is
21 correct, we don't do that. We typically rely on
22 the fact of, if we have the wrong address and
23 we're sending the bill to the wrong place,
24 eventually they'll get a knock on the door saying--
25 --well come back to us maybe or maybe not,

1
2 depending upon the type of property it is, but
3 eventually a person might be put up in the lien
4 sale and then they'll come up and say, wait a
5 second, we have the wrong information, we need to
6 fix that, but it can be several years.

7 COUNCIL MEMBER VACCA: Would it be
8 possible at a certain point in time for the
9 Department of Finance to require that when LLCs or
10 corporations file with you that they file the
11 names of who the principals are, as well as just
12 saying that they're Corporation X?

13 ANDREW SALKIN: I don't know the
14 details of the legal ramifications of what you
15 just said, I would assume if it's possible, then
16 it's possible, and that's something I think that
17 will have to require further research and
18 understanding.

19 COUNCIL MEMBER VACCA: I do think
20 that our collection method is one thing, but I
21 think the principle I'm stressing is something
22 else. The principle namely that bad actors
23 continue to give good actors a bad name and that
24 bad actors continue to become worse if they build
25 more and more and more and never pay up what they

1
2 owe or correct the violations that are serious
3 violations. And I know we're talking of
4 thresholds here, every building will have some
5 violation and many of those violations are not
6 major violations and many of the fines are very
7 small.

8 So other challenge is I want to be
9 reasonable in considering thresholds. My bill
10 does not seek to stop development in New York
11 City, I am not going there and I'm not doing that,
12 and I want to encourage stable, good housing. But
13 going forth, I also want the City to collect
14 what's owed and I also want those who have been
15 bad actors to understand that by their paying up
16 the debt and keeping their housing in better
17 condition, that's the way to get future
18 applications approved.

19 So I know it sounds complicated
20 because the technology has to be there and you
21 have to have a whole bunch of city agencies
22 working together, we could be talking about HPD,
23 Buildings, you know, Finance, you know. So I
24 appreciate in the days ahead, your commitment to
25 continue to work on this and to listen to various

1
2 stakeholders, as I have, who are going to come
3 forth with their concerns and we try to get a
4 consensus, but I do think we have an important
5 piece of legislation here today. I thank you for
6 your help.

7 CHAIRPERSON DILAN: All right, are
8 there any other questions from members of the
9 committee? Seeing none, I'd like to thank you for
10 your time and your testimony today, and we'll
11 begin to call up some stakeholders.

12 [Long pause]

13 [Off mic]

14 CHAIRPERSON DILAN: Okay. All
15 right, so I'll call up Angela Sung from the Real
16 Estate Board of New York and Jessica Handy of
17 BOMA, and I believe both entities are in
18 opposition, and if I'm wrong, you can correct me.
19 [Pause] Then they'll be followed by Robert Altman
20 and Stephen Lutsen [phonetic]. [Pause] Okay.
21 You can begin in the order that you were called
22 and just identify yourself for the record before
23 you begin your testimony and then you can begin.

24 ANGELA SUNG: I'm Angela Sung,
25 Senior Vice President, Management Services and

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2 Government Affairs from the Real Estate Board of
3 New York. I'll try and read my testimony quickly.

4 So good afternoon, Chairman Dilan,
5 bill sponsor Councilman Vacca, and members of the
6 Housing and Building Committee. The Real Estate
7 Board of New York, representing over 12,000
8 owners, developers, managers, and brokers of real
9 property in New York City thanks you for the
10 opportunity to testify about Intro 379.

11 As participants in our citywide
12 community, we support increasing the city's
13 enforcement to collect delinquent payments owed to
14 the city and prevent those who attempt to subvert
15 the system from being able to profit from the
16 advantages of New York. Although the goal is
17 laudable, we have serious concerns with many of
18 the provisions of the bill, the negative effects
19 it would have on the condition of New York City's
20 building stock, and the administrative burdens it
21 would place on property managers and tenants,
22 preventing new developments, and investment in
23 existing properties.

24 Our concerns include the following:
25 Number one--sorry, that should say split

1
2 responsibilities--the proposed bill assumes that
3 the primary responsibility for all violation falls
4 to the building owner or manager. In reality,
5 many violations may be the responsibility of
6 tenants that have been assigned to the building
7 owners. It can be very difficult and time-
8 consuming for owners and managers to force their
9 tenants to resolve the violation.

10 Also, violations can sometimes be
11 assigned incorrectly. For example, a street
12 vendor may receive a ticket, but since the card
13 has no address, the violation can get assigned to
14 the building, which also can be difficult for the
15 building owner to correct.

16 Number two, thresholds. The bill
17 sets a threshold of \$25,000 of unpaid fines, civil
18 penalties, judgments from ECB, fees or liens for
19 HPD repairs, tax arrears owed to the city, or
20 unpaid water or sewer charges. As a fixed value,
21 this or any other threshold disproportionately
22 burdens large developments, buildings with
23 elevators, buildings larger than four units, or
24 buildings with other characteristics that increase
25 the frequency of city inspections.

1
2 Additionally, the \$25,000 threshold
3 is low. This level could be reached quickly as
4 many violations from DOB are as high as \$10,000
5 each. For example, elevator violations range from
6 \$3,000 to \$5,000 per car; façade violations and
7 construction shed violations range from \$5,000 to
8 \$10,000. Violations are constantly issued and
9 settled on a rolling basis and at any point in
10 time a building could easily carry over \$25,000 in
11 violations, many of which are expected to be
12 addressed and corrected by the landlord and the
13 city at a later date.

14 In the face of such steep fines, it
15 is clear that this threshold would capture
16 responsible building owners, as well as those who
17 are in the process of resolving violations, but
18 attempting to continue to complying with mandated
19 work and want to avoid compromising public safety.

20 Suspension. This bill would allow
21 the commissioner to suspend the permit of any
22 applicant if he or she finds that the arrears owed
23 exceed the \$25,000 threshold. By creating a
24 scenario where construction or repair work may be
25 stopped in the middle of a project, this provision

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2 has the potential to create a serious safety
3 issues at the work sites, particularly if the work
4 is critical to building operations or for new
5 construction.

6 Number four, deterioration of
7 buildings stock. Although we tend to focus on new
8 construction or substantial renovations, the
9 majority of work permits that the Department of
10 Buildings issues each year are for repairs, tenant
11 fit outs, work to meet new city mandated
12 regulations, and other building operations.
13 Preventing or delaying access to these types of
14 permits that maintain and keep a building
15 functioning may lead to be the deterioration of
16 New York City's buildings stock. It would also
17 take away the certainty that financing
18 institutions and potential tenants need in order
19 to lend money and sign leases.

20 Number five, disclosure
21 requirements. This bill requires that the
22 applicant certify that he or she nor any owners
23 with a 10% or greater stake in the property owe
24 money to the city. This is a more extensive
25 disclosure than required by any other level of

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2 government and counters the long-standing practice
3 of creating individual limited liability
4 corporations for each building in order to prevent
5 the financial deterioration of one building from
6 affecting another.

7 Although the bill's goals is to
8 isolate bad actors, this portion of the
9 legislation may have the opposite effect by
10 essentially tying significant number of buildings
11 together. For instance, it is unclear whether
12 ownership stake could include mortgage issuers or
13 lenders. Many new developments can be financed
14 with 30% equity, meaning that a bank is a 70%
15 "owner" in a property. If that qualifies as an
16 ownership and a building defaults, then any other
17 building that the bank is financing would be
18 restricted from accessing building permits.

19 Additionally, Real Estate
20 Investment Trusts, also known as REITs, can
21 operate similar to stock investments, which can
22 pool investment monies and distribute to a
23 portfolio of properties, masking investor
24 information and making it an administrative
25 impossibility for each permit holder to identify

1
2 and verify debt collection.

3 Ownership is additionally
4 complicated when there is a company with several
5 partners, when the owner corporation is public, if
6 they are out of state or international investors
7 or partners, or if any building or owner is in a
8 bankruptcy or foreclosure filing, which adds
9 administrative burdens, time, and costs that need
10 to be accounted for each time a building needs to
11 access a permit for renovations, repairs, or
12 tenant improvement/fit outs.

13 Number six, administration. Many
14 agencies are looking to convert from the Legacy
15 data systems to modern systems, however, we are
16 still working with processes that can make
17 clearing old violations difficult and a time-
18 consuming project. It is not uncommon for old
19 violations to reappear on DOB and FDNY's records,
20 even after being cleared.

21 Additionally, building owners may
22 dispute violations and need to appear at the
23 Environmental Control Board to contest it. This
24 process can take many months and stopping all work
25 in a given building due to the ECB can not only

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2 delay movements or prevent required work from
3 taking place, but it also may hurt the economic
4 development of the city as jobs relying on the
5 construction industry will be slowed. Without
6 additional resources assigned to the ECB or
7 reforming the adjudication process, we do not
8 think it is prudent to expand its authority.

9 Also, many agencies increase
10 enforcement of violations due to changing agency
11 priorities and to meet revenue requirements for
12 the Programs to Eliminate Gaps, also known as
13 PEGs. As a result, receiving violations can be
14 more of a function of change of behavior from the
15 city than of the building management or ownership.

16 Number seven, the Department of
17 Buildings. The real estate industry has been
18 working diligently with DOB on safety, inspection,
19 development, and construction issues. In recent
20 years, DOB's resources have been reduced to meet
21 the financial austerity measures the city has
22 taken. To additionally require a reduced
23 workforce to take on the responsibilities of
24 financial enforcement and correction agency on the
25 125,000 construction permits issued each year

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2 would be an inappropriate use of resources when
3 the real estate and construction industry need
4 them to be focused on helping development projects
5 recover.

6 We are sensitive to the budget
7 pressures that the city is facing and agree that
8 the city should have the proper tools to collect
9 from those who legitimately owe money to the City.
10 However, tying debt to Department of Building
11 permits is a complicated proposal and we are
12 concerned with the unintended consequences the
13 proposed legislation may create.

14 While the city will gain revenue
15 and enforcement powers in the short run by forcing
16 owners to pay, in the long run this legislation
17 may seriously harm the economic development of the
18 city. It may cause a chilling effect on the
19 future developments since owners will no longer
20 have certainty on projects and banks will likely
21 not finance on projects if there is an
22 undeterminable amount of risk associated with
23 revocable approvals due to previously unknown
24 fines.

25 Strengthening enforcement and

1
2 collection by the City would achieve that goal
3 more effectively while preserving the ability of
4 the quote good actor building owners to continue
5 to maintain their buildings safely without unduly
6 burdening them or the City.

7 Thank you again, and we welcome the
8 opportunity to have further discussions with the
9 City Council about this legislation.

10 [Pause]

11 JESSICA HANDY: Good afternoon,
12 Chairman Dilan and members of the Housing and
13 Buildings Committee. My name is Jessica Handy, I
14 am a commercial property manager for one of the
15 largest commercial owner manager companies in New
16 York City. I am testifying on behalf of the
17 Building Owners and Managers Association of New
18 York, where I serve as a member of the Codes and
19 Regulations Government Affairs Committee.

20 BOMA represents more than 750
21 owners, property managers, and building
22 professionals who either own or manage 400 million
23 square feet of commercial space. We're
24 responsible for the safety of over 3 million
25 tenants, generate more than \$1.5 billion in tax

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2 revenue, and contribute over 10 billion to the New
3 York's gross state product.

4 BOMA New York opposes the proposed
5 Intro number 379, a Local Law to amend the
6 administrative code of the City of New York in
7 relation to the denial of building permits to
8 property owners--excuse me--with outstanding
9 charges owed to the City of New York. While we
10 agree with the spirit of the proposed legislation--
11 -we don't approve of bad actors either--the bill
12 in its current form does not effectively handle
13 the problem that the sponsors seek to remedy.

14 BOMA New York members work very
15 hard every day to keep their buildings in
16 compliance with all building codes and
17 regulations. In the past we have offered our
18 expertise and insight toward efforts to strengthen
19 building and construction laws. We believe that
20 if this bill was to be enacted into law, it would
21 unfairly hurt those who strive to build in
22 compliance with the law. Please strike the next
23 sentence as it was edited improperly. This bill
24 does not incentivize the efficient payment of
25 legitimate penalties and it would punish those who

1
2 have dared to invest their money in New York City
3 real estate.

4 This bill is called the Bad Actors
5 Law, but this bill will only prohibit good owners
6 from performing work; the bad actors will simply
7 do the work without permits. The bad actors will
8 not cease doing work, they will just require
9 tenants to do all the work since tenant work is
10 excluded from this legislation.

11 The proposed legislation does not
12 take into account the intricate way that the real
13 estate partnerships are operated. Our market is
14 full of large partnerships and an ownership stake
15 can be held by many, and including banks in the
16 form of a mortgage or through investments, as my
17 colleague here mentioned. This provision
18 effectively ties together every building in the
19 city.

20 The bill assumes that the primary
21 responsible party for a violation is the property
22 owner, however, in reality, tenants may be
23 responsible for certain violations or tenants may
24 accrue violations assigned to them. This may
25 result in the whole building's inability to pull

1
2 permits and complete work. If a single tenant in
3 a building fails to pay its fines or is having a
4 hard time clearing its violations, then that
5 tenant could impact buildings across the city.

6 Violations are too often issued in
7 error to base such a sweeping piece of legislation
8 on pending penalties. For a minor example, but
9 one that's fresh to me in my role as a property
10 manager, I just spent three weeks and \$500 on an
11 expediter to research and get an FDNY violation
12 dismissed that was issued to one of my buildings--
13 it had been issued to the wrong building, it
14 wasn't my building at all. This happens all the
15 time. In many instances, a violation will be
16 reduced significantly once the hearing has
17 concluded. Should this penalty have held up
18 productive work at a building or many buildings
19 for that matter?

20 And since this bill does not apply
21 to buildings seeking permits to resolve
22 violations, why would a building owner attempt to
23 be proactive about resolving issues? Why not just
24 wait to get the violation? It's cheaper to get
25 the violation and get a permit without paying

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2 outstanding penalties and without going through
3 the expense of filing an owner statement. What
4 I'm getting at is there are a lot of end runs
5 around this bill.

6 BOMA New York believes that this
7 bill is not needed, given already existing
8 procedures. The 2008 construction code gives the
9 city of New York and corporation counsel broad
10 enforcement and foreclosure powers concerning
11 unpaid fines, penalties, and liens due to
12 outstanding unpaid fines. This procedure is fair
13 and equitable and leaves the matter with the
14 courts.

15 If the City of New York feels
16 additional legislation is required to reduce the
17 number of bad actors in our industry, we recommend
18 the following: Limit this legislation to
19 residential buildings. If this legislation is a
20 success, consider expanding it to commercial
21 properties.

22 Limit the bill to Alt 1
23 applications, new buildings, major gut
24 renovations, and change of occupancy or use. Alt
25 2 applications are the majority of the New York

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2 City Department of Buildings permit applications
3 and they can be anything from installing the
4 roughing in a new bathroom to building out an
5 entire floor for a new tenant.

6 Raise the limited partner
7 requirement to majority owner. Again, if this
8 proves to be a success and manageable by the
9 enforcement agencies, then consider adjusting the
10 ownership percentage.

11 Raise the penalty amount and use a
12 defensible definition for fines and fees. It
13 should clarify the terms that only those fines
14 imposed by a judicial body with all administrative
15 appeals exhausted are the ones which must be
16 addressed.

17 Require an owner statement no more
18 than once a year or other appropriate timeframe.
19 As the bill is presently written, each owner
20 statement could cost thousands of dollars in
21 expediter research fees for each desired permit,
22 depending on the number of people partners within
23 the building ownership entity. Again, this would
24 punish only those desiring to comply with the law
25 and would not affect the bad actors as intended.

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2 And has anyone figured out exactly how many audits
3 is 25%? This could be prohibitively challenging
4 for the appropriate city agency to accomplish.

5 In conclusion, I thank the City
6 Council and this committee for the opportunity to
7 present our views. This bill has valid
8 intentions, but will lead to far more harm than
9 good.

10 CHAIRPERSON DILAN: Okay. I want
11 to thank you both, and just acknowledge that we've
12 been rejoined by Council Member Gale Brewer and
13 joined by Council Member Jim Gennaro of Queens.

14 I think both entities did a great
15 job in laying out your reasons for opposing the
16 bill, and they are obviously self-explanatory as
17 to why you oppose them. And I believe, again, the
18 goal here is good, but I'm concerned about how we
19 implement and how we lay out.

20 I could tell you right now we're
21 not going to separate residential from commercial,
22 if we do it, we're going to do it for everybody
23 'cause then I already saw the people in the
24 audience that represent residential owners saying
25 no way. So right now, you're a unified front,

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2 you're going to divide your forces and you're
3 probably--once you do that, you're probably going
4 to get something that's less than satisfactory
5 should this go further.

6 I want to just talk a second about
7 threshold, and I know that Council Member Vacca
8 had discussed this with the administration, and I
9 think REBNY highlighted in the testimony how for
10 larger buildings, \$25,000 is a relatively low
11 level. That's something that I was concerned
12 about for the larger buildings, and I'm one that
13 normally sits here and defends--and anybody from
14 HPD will tell you this--I'm normally the one that
15 sits here and defends the smaller buildings, the
16 one, twos, and threes. In this case, I think the
17 larger buildings should have a problem with the
18 \$25,000 threshold because, as you stated, it's
19 very easy for a larger building to receive this
20 threshold and still be a good actor so to speak.
21 So I'm concerned about that.

22 I think specifically, there's
23 nothing for me to really ask, but just let you
24 know that I'm concerned about that as well. And
25 obviously REBNY's always been involved, and BOMA

1
2 as well, in negotiations with the administration
3 if it gets to that. But in this case, just in
4 general amongst all the stakeholders, I'm going to
5 want to know that all of them have some level of
6 comfort before I move to final passage on the
7 bill. And I say to the administration, I'm on
8 board with the concept, but it's the details that
9 I'm going to be very, very, very concerned about.

10 So I just wanted to thank you for
11 your time and testimony. And if there are no
12 other comments or questions from my colleagues,
13 thank you for your time and testimony.

14 All right, next, and I believe this
15 is the final panel, we have Mr. Robert Altman and
16 Mr. Stephen Lutsen. One will speak in opposition
17 and one will speak in favor of the bill.

18 [Pause]

19 ROBERT ALTMAN: Good afternoon. My
20 name is Robert Altman, I am the legislative
21 consultant to the Building Industry Association of
22 New York City and the Queens and Bronx Building
23 Association. Our associations are chapters of the
24 New York City Builder's Association and represent
25 builders and contractors in the Bronx, Brooklyn,

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2 Queens, Staten Island, and we also build in all
3 five boroughs.

4 I'm here to testify in opposition.

5 Intro 379 is a flawed concept that
6 is simply too broad. While we understand its
7 intent, it risks putting legitimate applicants at
8 risk, and a few examples may help this discussion.

9 Before I start this, I want to know
10 that part of this bill, I think, has a problem is
11 that it's sort of like the little Dutch boy who
12 puts his finger in the dyke to solve one problem
13 here and it's going to have another problem pop up
14 there.

15 To start, let's look at a \$25,000
16 tax delinquency, which could be much more. Those
17 tax exemptions you get for building affordable
18 housing, for commercial properties, for market
19 rate housing and such, the city is not exactly
20 very efficient in getting them on right away. So
21 what builders will often do, knowing that they are
22 getting the break, the City sends out a bill for
23 \$2 million that should be 200,000. They generally
24 have a good idea about what it's going to be.
25 They'll pay what they think it is plus a little

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2 cushion. The city will show a bill at 2 million,
3 so they're million three quarters delinquent.
4 When the exemption finally gets put on, sometimes
5 a year later, sometimes two years later, the
6 exemption's retroactive back, any interest and
7 penalties are eliminated. So the developer is
8 well aware that, yes, I'm showing a large
9 delinquency, but in essence, it's not a
10 delinquency at all because the city hasn't yet
11 implemented what I'm entitled--or what the
12 building is entitled to.

13 So all of a sudden you're showing
14 this very large delinquency and you can't get a
15 permit. Even though it's not your fault because
16 the City is not getting around to implementing its
17 program properly. And trust me, it happens, it
18 happens more frequently now than in past years
19 because the agencies are stretched, so I see this
20 quite a bit right now.

21 As was already mentioned, I'm not
22 going to go into long discussion, tenants can have
23 ECB violations and things such as that, so all of
24 a sudden we've got a building which has this
25 amount, which is not the owner's fault, it's the

1
2 tenant's fault.

3 It's easy to rack up these
4 violations, as has also been mentioned, but I'm
5 going to give you a very real example of a
6 property in Brooklyn where I have a manufacturing
7 client who did not even know they had 33 DOB
8 violations for failing to put in a boiler
9 inspection report because their contractor kept
10 putting it in late, from the early nineties to the
11 current day, and they had multiple boilers on the
12 property. They're looking right now, with
13 interest, at about \$60,000 in violations and
14 they're trying to figure out--and they only found
15 out about this 'cause they did a refinance and
16 they have to cure this.

17 Well under your bill, they couldn't
18 do the renovations they need to keep the business
19 in New York. And they wouldn't have gotten a
20 permit. What would've been my answer to them on
21 what they should do? Now I try to get people city
22 government benefits, my answer would have been,
23 move, and the city would have lost 80 jobs.

24 And it also has been mentioned the
25 city recordkeeping is not accurate, I'm not going

1
2 to deal with the paragraphs that has also been
3 dealt with previously. City records not being up
4 to date [off mic].

5 One thing I found interesting is
6 this is a law that's promoting self-certification
7 and the ironic thing is over the years I have
8 heard from the City Council more than any other
9 body complaints about self-certification. Now at
10 least with the self-certification that existed for
11 years over at DOB you had a licensed professional
12 overlooking the plans. Here, it's going to be an
13 unwitting property manager, contractor, or other
14 unsuspecting person who isn't going to know what
15 he's certifying to. It boggles my mind that that
16 would be in this bill.

17 Also, if you have a 10% minority
18 owner in this piece and he does have those
19 violations, what can you do if you're the majority
20 owner? You want to go forward, you may want to do
21 major renovation to the building, this or that,
22 can you force that person to fix it? It's a
23 minority owner, you have no way to do it, so all
24 of a sudden you're stuck. So I don't see how
25 that's going to work.

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2 DOB conducting an audit. If it's
3 difficult for our people to conduct this type of
4 audit, I certainly don't know how DOB is going to
5 do it. Okay?

6 Now I don't want to be so negative,
7 I think there are alternatives and I think there's
8 a model of an alternative in something that
9 Council recently passed. You recently passed the
10 Alternative Enforcement Program for buildings that
11 have lots of violations, that have lots of
12 problems, and the idea is to focus on some of
13 those buildings, get them fixed up, get them
14 cleaned up, get them done, get them up to shape.

15 You should really think about since
16 everybody when we met with Council Member Vacca
17 when the city complained about a developer or two
18 in his district, and let's say there are 50
19 problem developers in the city, that you'd like to
20 focus on that have big problems. Focus on
21 Alternative Enforcement Program on those entities
22 that are problematic. Take like you do in that
23 bill that you've passed at the City Council where
24 you take a few properties a year and focus in on
25 the worst ones. And every year focus on a little

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2 bit more, each more and more and dig into the
3 problem. If you find that you're having success
4 on this and you find that it's cost efficient,
5 then you're going to want to in fact dedicate more
6 resources, double the amount of bad property
7 owners that you're focusing into.

8 But the model bill that you have
9 for this already exists in that respect. And this
10 way when you do that, you know you're going after
11 the bad ones. Probably each member could pick one
12 from their district to start and you know you're
13 going after the bad ones and you're not going to
14 have a situation where the good ones get caught
15 up.

16 Because I'm going to tell you flat
17 out, I represent the good property owners and they
18 are scared to death of this bill. And ultimately
19 I think the way it's drafted you have more of a
20 chance of having a bureaucratic morass which all
21 these people are going to get stuck in than you do
22 in having success of collecting money under this
23 bill. Thank you.

24 CHAIRPERSON DILAN: Thank you, Mr.
25 Altman. Mr. Lutsen?

[Pause]

STEPHEN LUTSEN: Afternoon. Am I on? Now I'm on, right, thank you. My name is Stephen Lutsen, I've spoken before some of you recently, and I have this concept that I call Easy Escrow, this was a concept that was started at the NYU Polytech Incubator Program, where out of 300 ideas, they accepted 27 and this was one of the 27.

And I basically sort of came at this sort of from left field as they say, and I was really grateful when I saw Councilman Vacca's bill about the bad actors 'cause that, as I say, that's what I'm talking about.

And to put it in a nutshell, I envision a system--and despite all of the criticism that I've heard today and it's kind of like that line about in search of the perfect, we destroy the good. And I'm the last to say you should penalize good people, nor do I believe in suspending commerce, but I really believe that we need a system of advanced enforcement. And to put it in the vernacular, I guess it's a form of having skin in the game, and I use the simplistic

1
2 model, because I like to think that that gets the
3 point across, and that is that if tenants have to
4 put up security deposits, why shouldn't landlords.
5 And what I mean by that is that tenants, as is
6 discussed in the bad actor bill language here,
7 people get their cable shutdown or other bad
8 things happen to them, but there are no
9 consequences with owners who run up an enormous
10 amount of debt.

11 So in a nutshell, I really believe
12 that your amendment goes far, but not far enough,
13 which is to say that if you hold up a permit, I'm
14 not sure that really gets you to where you want to
15 be.

16 And I heard the Department of
17 Finance representative Andrew Salkin talk about
18 the enormous amount of money that's accumulated.
19 And my sense of it is that if you rely on liens
20 and then selling those liens, you're not getting
21 the kind of liquidity that you need. And my
22 feeling is that if you set aside these funds in
23 escrow with a third-party agent, it will earn
24 interest. If you're a good actor, you will get
25 your money back with interest; if you're a bad

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2 actor, we'll be able to isolate the bad actors and
3 to not only withhold the permit, but to actually
4 create a mechanism that will be more streamlined,
5 more telescoped, and that these people will not be
6 able to come back and in effect continue to
7 violate the law with impunity.

8 And I have various buzz phrases, I
9 consider it collateral liquidity, it's a form of
10 collectonomics. I've tried valiantly to deal with
11 a variety of city agencies and most people say
12 good idea and then it kind of gets lost in the
13 sauce and that's reality.

14 But I really believe that this is
15 really a façade of enforcement and considering the
16 fact that at least at the state level, our own
17 governor tells us the government is functionally
18 bankrupt, that you need a pre-crisis
19 responsibility fund. And what I mean by that is
20 that it is true that you don't want to apply this
21 concept too broadly so as to in effect ensnare too
22 many people in this net. But at the same time, I
23 just use the overt example of the BP escrow fund
24 and what happened is that that was created after
25 the crisis. And I've spoken to Councilman

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2 Gennaro--I don't want to vary it too much, but I
3 talk about the context of fracking is just another
4 example where you want to have emergency
5 remediation, you want to have damage control.

6 And to get back to the point here
7 with housing--I saw you shake your head--I think
8 simply when this HPD pays \$17 million to pay for
9 repairs and they recover \$4 1/2 million, I think
10 that's inexcusable, I think it's foolish, I think
11 we're living in an environment where there's too
12 much pressure financially. And I guess this is
13 called the hope of audacity, but I honestly feel
14 that if we create this receivable reserve, it's
15 administered fairly, we obey due process, you'll
16 have a situation where people's fines will be
17 paid, and at the end over a period of time you're
18 going to have a smoother process and not a
19 difficult process.

20 And candidly, with all the
21 difficulties about collecting information, if you
22 can collect E-ZPass information and everybody
23 whose car doesn't have the money, they get stopped
24 at the E-ZPass. I find it shocking to believe
25 that we can't create a system with the proper

1
2 intake to be able to identify building's owners,
3 whoever is involved to make sure that they don't
4 fall through the cracks.

5 Thank you very much.

6 CHAIRPERSON DILAN: Thank you.
7 Council Member Vacca, you have anything you want
8 to ask of the panel? All right, if not, I would
9 say thank you both for your time--

10 ROBERT ALTMAN: Thank you.

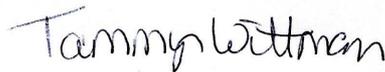
11 CHAIRPERSON DILAN: --and your
12 testimony. I have one item that needs to be read
13 into the record and its testimony from Con Edison
14 today and I believe it is, I believe it is in
15 opposition, is that correct?

16 [Off mic]

17 CHAIRPERSON DILAN: All right, it's
18 not necessarily in opposition, but recommendations
19 to improve the bill in its current form, that'll
20 be read into the record in full. And Intro 379
21 will be laid aside, and that will conclude this
22 hearing.

C E R T I F I C A T E

I, Tammy Wittman, certify that the foregoing transcript is a true and accurate record of the proceedings. I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.



Signature

Date March 22, 2011