

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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April 26, 2018
Start: 10:11 a.m.
Recess: 2:42 p.m.

HELD AT: Council Chambers - City Hall

B E F O R E: ROBERT E. CORNEGY, Jr.
Chairperson

COUNCIL MEMBERS: Fernando Cabrera
Margaret S. Chin
Rafael L. Espinal, Jr.
Mark Gjonaj
Barry S. Grodenchik
Bill Perkins
Carlina Rivera
Helen K. Rosenthal
Ritchie J. Torres
Jumaane D. Williams

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

Lori Kelly, Secretary & Resident of 11 Linden Street

Edna Languis, Resident of 755 Dorson Street, Bronx

Luiz Cordero, Resident of 526 West 158th Street

Jose Torres, Resident of 914 Simpson, Bronx

Kim Darga, Associate Commissioner for Preservation
Department of Housing, Preservation & Development

Anne-Marie Hendrickson, Deputy Commissioner
Asset and Property Management
Department of Housing, Preservation & Development

Lisa Talma, Assistant Commissioner
Property Disposition and Finance
Department of Housing, Preservation & Development

Salvatore D'Avola, Executive Director
Neighborhood Restore Housing Development Fund Corp.

Bruce Robertson, HDHC Coalition & Member of Manhattan
Community Board 12

Ingrid Gomez, Director of Real Estate Development
Community League of the Heights, CLOTH

Mary Elizabeth Green-Cohen a/k/a Mrs. Thomas Winston

Carlton Boroughs, Resident of 936-938 St. Nicholas

Bligen, Resident of 320 West 111th Street

Michelle James, Tenant Leader

Eamon McGoldrick NYS Tenants & Neighbors Information
Service & NYS Tenants & Neighbors Coalition

Harry DeRienzo, Executive Director
Banana Kelly Community Improvement Association, Bronx

Andy Reicher, Executive Director
Urban Homesteading Assistance Board, UHAB

Gary Poyo, Resident of 499 West 158th Street

Trudy Silver, Retired Harlem Music & Jazz Musician
Resident of 310 East 4th Street, East Village

Brenda Stokely, Resident of Brooklyn HDFC

Beverly Curry, Outreach Coordinator, HDFC Coalition

Edith Heaster, Resident of 14 Morningside Avenue

Anita Chang

Robert Sanderman, Queens Legal Services

Ismene Spelotis, Executive Director
Mutual Housing Association of New York

Olga Salsero, Tenant of 340 and 344 Riverside

April Tyler, Co-Chair, Housing, Land Use and Zoning
Committee, Community Board 9 Manhattan in West Harlem

Annie Wilson

Lauren Megan De Santos, 67-69 Saint Nicholas Place

Frank La Nusa, 601 West 136 HDFC

Deanna Lorenzo, 941 Rogers Place, HDFC, Bronx

Hector Vasquez, HDFC 511 & 515, 138th St. Harlem

Glory Ann Hussey Kerstein, West 106th St. HFDC
Shareholder, Member Anti-Foreclosure Committee, HDFC
Coalition

Jacqueline Weeks, CEO of Weeks Realty

Randall Taray (sp?) RiseBoro Community Partnership

Erica Smith, Shareholder & Board President
30 McCombs Place HDFC

Will Buckhari, Resident of 302 Convent Avenue,
HDFC in Harlem

Sam, Resident of 60 West 119th Street HDFC

[sound check] [pause]

CHAIRPERSON CORNEGY: Good morning.

[gavel] We are going to commence the hearing on Third Party Transfers and HDFCs. Good morning everyone. I'm Council Member Robert Cornegy, Chair of the Committee on Housing and Buildings, and I'm joined today by Council Member Carlina Rivera. We're here to hold and oversight hearing on HDFCs and Third Party Transfers. When the city sold city-owned multi-family buildings to the residents of those buildings, HDFCs created homeownership opportunities for several low and middle-income New Yorkers. Many of these buildings were acquired during the financial crisis of the 1970s when the city foreclosed on and acquired multi-family buildings that were abandoned by property owners. Since HDFCs are exempt from the New York City Tax Lien Sales, the only option available to the city to collect outstanding water and sewer charges and unpaid property taxes from HDFCs without existing regulatory agreements is to place buildings through the third-party transfer process. The Third Party Transfer process was created in 1996, and it allows the city to avoid owning and managing in rem properties on which it has

foreclosed by transferring these properties to responsible owners who have rehabilitated, managed and provide affordable housing. Yet, if an HDFC goes through the Third Party Transfer process, the HDFC will become a rental meaning that owners of units in those buildings will lose their equity. At today's hearing we seek to learn how HPD administers their HDFC and Third Party Transfer programs. We will examine what type of technical assistance HDFCs receive from HPD and how HPD—HPD notifies HDFCs of their status in the Third Party Transfer Program. Lastly, we will discuss any additional methods that would allow the city to recoup the debt owed by HDFCs, but also allow shareholder of HDFC Co-ops to preserve their equity. I'd like to remind everyone who would like to testify today to please fill out a card with the Sergeant-at-Arms. I will now call upon first panel. Lori Kelly, Luiz Cordero, Jose Torres, and Edna Languis. [background comments, pause] So, often times the Council body finds it necessary to hear from constituents prior to their Administration. This morning is one of those instances we're asking testimony to be heard from the people most affected by a Third Party Transfer and HDFCs and to have them

testify in the presence of the Administration. So, it's just a little bit different than what people are accustomed to seeing in hearings in the past. So, you guys can start at any place that you'd like to. I just ask that you'll identify yourself for the record.

LUIZ CORDERO: Good morning.

CHAIRPERSON CORNEGY: I'm sorry. Mr. Cordero, I will say that I had hoped that one of the women would have spoken first. We still defer to chivalry in these chambers so--

LUIZ CORDERO: Oh, okay. [background comments] I have no problem. [laughs]

LORI KELLY: Good morning. Thank you for your time. My name Lori Kelly. I am the Secretary of 111 Linden Street, HDFC, which is currently facing Third Party Transfer and foreclosure. I have lived in this building since 2000. When we first moved into this building, it was drug den. We were being-- drugs were being sold in the vestibule of the building, and the whole third floor was the den for not only our building, but for all the addicts and the dealers in the neighborhood. Once we moved in, we paid for our apartment and found out how the

buildings was been ran, and we know we had to take it upon ourselves, and make our home safe not only for our family, but for the other families that live in fear in the building as well. We held elections and elected a new board. With this new board in place, we began to clean out our building and pour every dollar we collected to extensive—extensive legal fees, oils and repairs. The first round we evicted six apartments and enrolled our building in the Safe Hallways Programs with the 83rd Precinct, and worked with our officers to keep our tenants safe. Once the den was empty not only did our building change, but the neighborhood began to change as well. The drug dealers and addicts moved on. We then began the real work. We had to repair all of the damage and neglect that our building had endured for so many years. Every dollar we took in we used to keep this building afloat, and to provide a safe and affordable place to live not only for our families, but for the other shareholders and tenants as well. Our building was in need of major renovations and updates. Our boiler was the first thing we needed repaired. We realized the amount of money that we were taking in was not enough to do these repairs. We fixed the vacant

apartments ourselves the best that we could and rented them to generate income. We were our own handymen, our own super and our own board all in one. We realized that we needed not only to repair, but we needed to upgrade the apartments as well. The only way we could do that was to cut the dead weight completely that we were carrying and we began another round of evictions. In this case, we evicted six apartments of dead weight that thought they could live there for nothing. It wasn't the way it used to be. We needed to find tenants that could possibly become shareholders. This time we decided that we needed to really upgrade and with the money being tight because of all of our legal fees, we decided to use own personal money to upgrade the apartments. We renovated all of our vacant apartments with new appliances, flooring, and LED lighting. We hired people that could do the major job—the major work and we the board members and shareholders did all of the manual labor ripping up floors, painting, bagging up and removing all of the garbage. We are finally now in a position that we can sell apartments and move forward in the right way, and we can show everyone what we knew all along: Our building is worth it.

It's our home. We lived here when no one else wanted to, and we are asking please help us keep our home and help us keep affordable housing in Bushwick. Thank you. [background comments]

EDNA LANGUIS: Good morning. My name is Edna Languis. I'm a resident of 755 Dorson Street in the Bronx. I own my—I moved into my building in 1992, and in 1994 my building became a co-op. In the beginning things was okay, but over time, the President became like the landlord and refused to listen to those of us who knew our rights. I became an undesirable shareholder, but I felt like a tenant. We never had elections, we never received financial reports. We never basically—we had no idea what was going on except the president used one shareholder against another. I wanted change, and I was pleased when we enter the Third Party Transfer program. I pay my rent. I do not worry about being kicked out. I am a resident leader at the Banana Kelly and feel that if there ever is a problem, they are ways to solve them. I'm happy with the program. [background comments]

LUIZ CORDERO: Hi there. My name is Luiz Cordero. Good morning. I am representing Building

526 West 158th Street, and I want to go back to a meeting that we were with Mayor de Blasio on June 3rd. I'm gong to go back and make clear to all the folks in the city of Government HPD and otherwise that we need to immediately protect every building that can-I mean were, and we can avoid a foreclosure I believe that most of us at first when we started to go into it we didn't know much, but as time goes on, we do grow and things become better like I think-I think for, Sir, yes, that's our managing now Victor Morissette. After coming into the-I'm the Treasurer of the building and I know this that one of our biggest problems is our taxes, and this is why some-sometime ago things will fall back because we're paying 100% of the tax. We're paying \$90,000 to \$125,000 a year. We never got in a dump basement, which they gave us the 42% that the city gives every other building where there are-I noticed that in a couple of-in those buildings that you'll give them a 17%. This will be-if you give us the 42%, it will be \$37,852 a year, and we're saving \$53,000 year, which helps us pay everything else on time. Some of the-we are feeling like we're catching up, but we never get to the promise land because the taxes are too high,

and every other person that was before on the Board of Directors went to a meeting, spoke to somebody, but somehow it ended up stopping somewhere. It never got to the final level or to the person that could actually help us. I'm asking today to see if you could help us with the tax abatement and then you could come to our building and see actually how much progress has been, and how much progress most of us have done. So, my main concern is we must stop this foreclosure. Thank you.

JOSE TORRES: Good morning. I'm Jose Torres. I am living at 914 Simpson in the Bronx. I ran over here to tell you my person story. I am the only blind person. By the time we used to own building, and they positioned the rent--the percent that we were getting was not enough to do the repairs of the building to the point that the physical plan became practically unlivable. I remember one night the rats jumping over me. I saw them and at that time I was losing my sight. I was becoming blind. I--I have a lot of medical bills, and I was going to move out and pay market rate rent, but my income was not enough. I would have to cut all my medical bills not getting my treatment or pay my bills. So, I had

a difficult choice to make about my health or my apartment. At that time, the building because a third-party building, which really helped me to stay there, be able to pay my medical bills. I have stability that what the third options usually gives you, stability, and sometimes rent-rent control. So, I am pro the third-party option all the way.

CHAIRPERSON CORNEGY: So, I'd like to thank-[background comments] I'm sorry. Carlina Rivera has some questions.

ACTING CHAIRPERSON RIVERA: I just want to ask-I'm sorry. I didn't catch your name from the Bronx.

EDNA LANGUIS: Edna.

ACTING CHAIRPERSON RIVERA: Edna.

EDNA LANGUIS: Yes.

ACTING CHAIRPERSON RIVERA: So, right now you're in a 7-A Administrators. Has your building, Banana Kelly just temporarily correct, or have they been your management for a long time?

EDNA LANGUIS: It has been my management.

ACTING CHAIRPERSON RIVERA: Do you know how long?

EDNA LANGUIS: Excuse me?

ACTING CHAIRPERSON RIVERA: Do you know how long you've currently been under Banana Kelly's management?

EDNA LANGUIS: With the new transfer it's been four years. Before that, the building—I was—I moved in in '92. Yes. From '92 to '94—in '94 we were a co-op. In 2011 is when it went to foreclosure. In '14, we went into a transfer program, the three-party transfer.

ACTING CHAIRPERSON RIVERA: And Mr. Cordero, right? You said that your building is currently in financial distress.

LUIZ CORDERO: Because of the taxes. We are paying 100% of the high taxes. We never got in the damp (sic) of it and a break, and this is part of the reason. It's \$90,000 one and \$25 a year is what we're paying.

ACTING CHAIRPERSON RIVERA: And you're currently independently managing yourselves as a board, correct?

LUIZ CORDERO: Yes.

ACTING CHAIRPERSON RIVERA: Okay. Okay, thank you.

2 CHAIRPERSON CORNEGY: So, I-I wanted to-
3 to thank you for your testimonies and for us to get a
4 varied perspective of the Third Party Transfer
5 program. I-I asked you to testify first so that the
6 Administration could hear the varied perspectives on
7 the program, and I'm sure that there are many more
8 that we'll hear during the course of the day, but
9 thank you for your testimony.

10 LUIZ CORDERO: Thank you.

11 JOSE TORRES: Thank you.

12 EDNA LANGUIS: Thank you.

13 CHAIRPERSON CORNEGY: So, now I'm going
14 to ask the Administration to take their seats. Kim
15 Darga, Lisa Talma, Anne-Marie Hendrickson and Sal
16 D'Avola. [background comments, pause] We're just
17 going to affirm your testimonies before you begin.

18 LEGAL COUNSEL: Can you all please raise
19 your right hand.

20 CHAIRPERSON CORNEGY: Once you're seated.

21 LEGAL COUNSEL: Do you affirm to tell the
22 truth, the whole truth and nothing but the truth in
23 your testimony before this committee, and to respond
24 honestly to Council Member questions?

25 ASSOCIATE COMMISSIONER DARGA: I do.

LEGAL COUNSEL: Thank you.

ASSOCIATE COMMISSIONER DARGA: Good

morning. Good morning Chair Cornegy and members of the Council's Committee on Housing and Buildings. My name is Kim Darga, and I am the Associate Commissioner for Preservation at the New York City Department of Housing, Preservation and Development. I am joined by our Deputy Commissioner Anne Marie Hendrickson. She's our Deputy Commissioner for Asset and Property Management. Our Assistant Commissioner Lisa Talma for Property Disposition and Finance, and Executive Director of Neighborhood Restore, Sal D'Avola. Thank you for the invitation to testify on the steps that HPD is taking to rehabilitate some of the city's most distressed buildings through the Third Party Transfer program also known as TPT. Before you hear from us, we would like you to hear first from a few residents who are benefitting from the positive impacts of TPT.

MALE SPEAKER: We were a co-op and the rent was like really low, you know, and they couldn't be that. You've got 19 apartments and you got five people paying rent.

MALE SPEAKER: We had our regular super ongoing. The building was full of people, but after years went by, you see some of the shareholders, because it was a co-op, they passed away. Not that many people in the building and it's less money coming in, and it got to the point where we became really difficult.

FEMALE SPEAKER: This is my home. This is my comfort zone. I done raised my kids. I got grandkids, great grandkids and to be taken out of that because of a slumlord landlord or whatever could be devastating on some people.

MALE SPEAKER: Day after day you just keep wondering why we don't get help. What's going to happen? Are we going to have to move? Are we going to have to go? Where are we going to go? It was definitely a stressful time. It wasn't good at all, I've got to say.

MALE SPEAKER: And that's when the man stepped in and saved the building. It was always a resistance to change. What? They came and they were real compassionate. They helped us at every step of the way.

MALE SPEAKER: We're going to do a gut renovation. They're putting in new systems. We're putting in a new boiler, putting in new windows, putting in a new roof, new electrical, new plumbing.

MALE SPEAKER: They gave us details about everything that was going to happen. So, that we would feel completely comfortable about it. So, I'm thankful for that as well.

MALE SPEAKER: I could still feel like I'm home, that I still own it. Whoever sees this video, please understand that this program is necessary and important. We need a place to stay.

[pause]

ASSOCIATE COMMISSIONER DARGA: The Third Party Transfer Program is a vital tool to keep people in their homes, and safeguard the quality and affordability of those homes not just for the health and safety of residents, but for the stability of their communities. We firmly believe that all New Yorkers should have access to safe, quality affordable housing, and that all the city's neighborhoods should be thriving inclusive places of opportunity. That is why this Administration has invested significant resources in creating and

preserving affordable housing as part of a broader strategy that includes robust measures to prevent displacement, protect tenants from harassment and revitalize neighborhoods that have faced decades of disinvestment. TPT plays a key role in this holistic approach by stabilizing and improving conditions in some of the worst buildings in the city. Over the years HPD has developed a comprehensive suite of enforcement programs to intervene in buildings that are physically and financially distressed. These programs include the Emergency Repair Program, ERP, the Alternative Enforcement Program, AEP, the Proactive Preservation Initiative, the Underlying Conditions Program, our Housing Litigation Division and the 7-A Court Receivership program. At the same time we have a wide array of preservation programs to provide financial assistance to owners looking to improve their building from the Participation Loan Program to the Green Housing Preservation Program to the new Landlord Ambassador Program. More recently we have partnered with the Council to pioneer groundbreaking anti-displacement policies such as the Certificate of Male Harassment Initiative and the Speculation Watchlist, and introduced a Neighborhood

Pillars Program to provide funding and assistance for non-profit organizations to acquire and preserve affordability in existing buildings. However, we need every possible tool to protect residents and few program are as effective as the Third Party Transfer Program in rescuing our city's most distressed buildings and getting them into the hands of qualified non-profit and local community developers to ensure their long-term quality and affordability. TPT lies at the intersection of HPD's Preservation Enforcement and Stabilization Toolkits. When properties have severe operational, financial and physical issues, TPT allows buildings and residents a fresh start under new responsible ownership. TPT buildings are often among the most troubled in a community both in terms of physical conditions and financial distress, creating untenable living conditions for tenants and placing them at risk of displacement. The 132 properties in the current TPT round have an average of 59 open B and C violations per building. These are very serious violations such as lead, mold or lack of heat and hot water. In addition, 36 buildings are active in HPD's most severe Housing Code Enforcement programs, AEP,

underlying conditions in 7-A for egregious code violations or abandonment. Twenty-four of these buildings have pending housing litigation. In Rounds 8 for 10, 28 of the buildings on the TPT list were also in the Public Advocate's Worst Landlord list. TPT buildings are also in severe financial distress, owing over \$88 million in municipal arrears, which averages to more than \$668,000 per building. The average link to value ratio, which is the amount of the municipal liens in relation to the value of the property is 99%. There is a consensus in the affordable housing community that TPT is the most effective tool available to the city to intervene in these buildings and put them on a path to recovery that is both critical for the health and safety of tenants as well as the revitalization of communities. The Third Party Transfer Program is a public-private partnership created by the City Council through Local Law in 1996 to rehabilitate buildings with significant delinquent municipal charges and poor housing conditions and to ensure that residents remain in place with affordability and rent stabilization protections. Unlike the tax lien sale, whose primary purpose is to collect municipal charges

and ensure revenue to the city to support ongoing services, TPT aims to improve the living conditions of existing residents, and ensure the quality and affordability of those homes long into the future. TPT is specifically geared toward the city's most distressed properties including properties that are not eligible for the tax lien sale and that meet statutorily defined criteria for financial and physical distress. While most properties that begin the TPT process are able to successfully address their issues and be removed from the action, those that do not are transferred to new ownership with local community based affordable housing developers some of which you will hear from in the following panels. Properties transferred through TPT receive a substantial influx of city subsidy to finance rehabilitation and secure long-term affordability. In recent rounds of the TPT Program, the city has invested about \$90,000 per rehabilitated home. Each resident—I'm sorry. Existing residents are able to enjoy renovated apartments under new HPD supervised ownership. Over 6,000 homes and approximately 520 buildings have been rehabilitated in the nine rounds of TPT since the program's inception in 1996

resulting in stability and improved housing quality for those residents. The best way to illustrate how TPT works is through an example. Ms. Robinson lives at 200–250 Madison Street, and eight-unit former HDFC cooperative in Bedford-Stuyvesant, Brooklyn. This building was included in TPT Round 8 due to its high violation counts including 64 B and C violations, and municipal arrears of \$405,000. As the photo of one of the kitchens prior to renovation in the slides show illustrates 250 Madison Street within four-poor physical condition. Prior to transfer, 50% of the units were vacant. Since the HDFC Co-op was not able to provide a path forward to ensure better conditions for the residents of address the municipal arrears, the building was transferred to Neighborhood Restore on August 8, 2012. A non-profit directed by Mr. D'Avola who is here with us today. Mr. D'Avola's organization worked as an intermediary to stabilize the property in the short term and fix the immediate problems, while Bridge Street Development Corporation, a community-based non-profit affordable housing organization works through the pre-development process to plan and finance the necessary rehabilitation. Upon finalizing the financing and

rehabilitation plans on February 10, 2016, Neighborhood Restore transferred ownership of the property to Bridge Street who entered into a regulatory agreement with HPD. Bridge Street substantially rehabilitated the building including replacement of the plumbing system, heating system, electrical system, masonry work and roof. The apartments have new floors and walls, new kitchens and bathrooms and new appliances. Ms. Robinson was temporarily relocated to another apartment in the building while her home was renovated. Construction work in our unit lasted five months after which miss— at which time Ms. Robinson and her family were able to move back to their newly renovated unit. Ms. Robinson now has a rent stabilized lease with all the associated rights and her rent will remain extremely affordable. Since her building is subject to an HPD regulatory agreement, Ms. Robinson and her neighbors will have additional rental protections over the next three decades. Ms. Robinson has lived in the building her entire life, and is very happy with the new opportunity afforded to her through TPT. She is excited about the brand new apartment she and her family now have, and is particularly pleased with the

new kitchen and appliances. One of the reasons TPT is so effective is because it taps into our strong partnership with community-based organizations. Some of them are here today. Most of these organizations are local non-profits, Minority and Women Owned Business enterprises and other mission driven organizations that are deeply invested in their communities and ensuring residents have access to quality affordable housing and the opportunities they need to thrive. HPD has also actively engaged owners and residents in this process for the last three years. Each building with outstanding property taxes and water and sewer charges has been proactively contacted by the city, a minimum of 70 times since the beginning of the rounds in 2015, including notices, letters, bills, robocalls and direct out-HPD outreach. In addition to the standard property tax and water or sewer bills, each owner received multiple letters that indicated that their property was subject to transfer through TPT. HPD also made robocalls in English and Spanish and offered property owner clinics to provide further information and assistance. We also reached out aggressively to residents to make sure they were

informed about the TPT action leaving flyers in every property and placing a notice under the door of each apartment. While [coughs] we have also engaged the City Council during this process through multiple rounds of correspondence and briefings with every single Council office with TPT properties in their district. While many of the distressed buildings in TPT are rentals, often with negligent landlords there are a number of HDFC co-op buildings that also require our intervention. This administration recognizes HDFC co-ops as a critical source of affordable homeownership and is deeply committed to protecting that resource for owners in the community. Responsible property management is an important—is as important in HDFC co-ops as it is in affordable rentals. The agency provides a range of technical and financial assistance to HDFC cooperatives, including HPD loan programs, but a long-term preservation strategy requires a broader discussion about how to best reform the regulatory and statutory framework of HDFC co-ops. This is why we have been talking to shareholders for more than a year about how to best design a new regulatory agreement that will encourage better governance and long-term

sustainability of HDFC co-ops. At the same time, we are accelerating the pace of new HDFC cooperative production through our new—through our Affordable Neighborhood Cooperative Program as well as our recently launched Open Door and New Construction program. The 62 co-ops that are current—in the current TPT round have been unable to address their outstanding debt and poor physical conditions. They need more immediate help. TPT will provide an influx of city investment to provide the urgent renovations they need. In fact, the HDFC co-ops and the current round of TPT have more than twice the amount of arrears (sic) as rentals and have an average lien to value ratio of 110%. The co-ops in this round have an average of 78 serious violations, and \$972,000 in arrears and 12 are in HPD enforcement programs such as AEP, 7-A and Underlying Conditions. The high number of violations in the HDFC co-ops in this round is especially troubling as this can be an indicator that shareholders either—either do not understand their responsibility as property owners or that many residents in these co-ops are, in fact, renters. In fact, we have observed a number of instances where these buildings do not function as genuine co-ops

with most of their units leased to tenants in substandard conditions. Because of bad governance and disrepair, homes remain vacant in many cases. Eleven co-ops in the round have ongoing litigation, including for lack of heat, hot water, gas, or other critical services. In addition, because the co-ops are so deep in municipal arrears and have such high rehabilitation needs, they are vulnerable to predatory lenders and investors. The conditions are not getting better with time, and they will get worse absent intervention through TPT. For the co-ops that remain in the action, there has been a 46% increase in the municipal charges owed to the city since the inception of this round in 2015 and Housing Code violations have increased by 25%. The best path forward to save these properties is HPD intervention through TPT, which will ensure needed renovations are made for the safety of residents and that affordability is guaranteed through Rent Stabilization and other regulatory protections. We would be abdicating our responsibilities if we did not intervene in these buildings. Our engagement process has been especially robust with HDFC co-ops. First, we deploy resources [coughs] to HDFC's

approaching financial distress to prevent them from becoming active in TPT in the first place. HPD has contracts with Neighborhood Housing Services and HS and Urban Homesteading Assistance Board you have to provide technical assistance and training to existing co-ops. The groups provide training on financial reporting, invoice and payment processes, service and contractor procurement, rent collection, building inspection and maintenance and tenant communication as well as guidance for buildings to access HPD loans, set up sound management practices and address outstanding debts. For co-ops that were included in the round we provided an opportunity to apply for Article XI Tax Exemption that would cancel their outstanding residential property tax liability. We later extended the application deadline for this tax exemption by 75 days and continued to work with HDFCs well beyond that deadline to ensure their applications were complete wherever possible. While TPT is the tool of last resort in distressed properties especially HDFC co-ops, HPD recognizes the importance of financially responsible homeownership for the stability of families in neighborhoods. We applaud Councilman Cornegy's Office of Affordable

Homeownership and agree that it is a critical tool to help low and moderate income New Yorkers secure housing stability and grow equity that can be passed along to future generations. That is why we are proud to say that since the beginning of Housing New York on January 1, 2014, we have financed over 11,000 affordable homeownership opportunities across the five boroughs. Over 55% of these homeownership opportunities have been for very low or low-income households. Our Revised Housing Plan announced new homeownership programs including Open Door, a program to finance the construction of co-ops and condos for households earning between approximately \$69,000 to \$112,000, 80% AMI to 130% AMI for a family of three, and Home Fixed a modernized program that will provide home repair programs and other financial assistance and counseling for low to middle-income homeowners and we are doing much more on the homeownership front. [coughs] The Zombie Homes Initiative has allowed increased direct outreach to families in foreclosure and the development of targeted plans to secure abandoned homes. Through the Innovative Community Restoration Fund Program, HPD has purchased 62 distressed Federal Housing Administration, FHA and

Federal National Mortgage Association, Fannie Mae notes for 1 to 4 family homes containing a total of 95 residential units in the Bronx, Brooklyn, Queens and on Staten Island. With Council Member Rafael Espinal and the Center for New York City Neighborhoods, we launched a new Homeowner Help Desk in East New York and continue to support the Center for New York City Neighborhoods in providing financial counseling and support for low-income homeowners across the five boroughs. We are providing down payment assistance to first time low-income homeowners from the South shore of South Shore of Staten Island to Borough Park, Brooklyn and Flushing, Queens. We are collaborating with NYCHA to rehab and create affordable homeownership and homes that have been foreclosed by HUD and managed by NYCHA through the NYCHA Small Homes Program. We are extending affordability and rehabilitating to larger Mitchell-Lama co-ops like Striker's Bay and Clayton Apartments. We work—we worked with DEP to offer regulated affordable properties a water rebate of \$250 per unit. More than 75 HDLC cooperatives are expected to benefit from this program this year. We are seeing more interest by existing cooperatives in

our Preservation Financing programs including Green Housing Preservation Program, which provides low or not interest loans for small and mid-size building owners to make environment friendly upgrades to their homes. We are creating new HDFC co-ops through the Affordable Neighborhood Cooperative Program, and we are preserving permanent affordability for the community by establishing parameters for the sale, resale and inheritance of restricted housing and inclusionary housing. In 2000, the TPT program was the semi-finalist for the Innovations in American Government Award at the Kennedy School of Government in recognition of the creative way it targets the most problematic buildings in a community and ensure its residents can enjoy secure renovated homes for years to come. As New Yorkers face ever rising rents, and become more and more vulnerable to displacement because of unprecedented market pressures, TPT is as important as ever. While we continue to work with the Council to seek new strategies to protect tenants, we ask that you continue to support TPT as a vital part of the city's toolkit to keep people in their homes and protect the quality and affordability of those homes and

neighborhoods. I want to say a special thank you to Lisa Talma sitting to the left of me here today and her extraordinary—extraordinarily hard working and dedicated TPT team for the enormous effort and creativity that has gone into securing the best possible outcomes for the residents of these buildings over the last several years. Thank you again for the opportunity to discuss the importance of TPT in protecting tenants and stabilizing communities across the five boroughs. I look forward to answering any questions that you may have.

[pause]

SALVATORE D'AVOLA: Good morning. My name is Sal--

CHAIRPERSON CORNEGY: [interposing] Oh, wait. I'm sorry. Before you begin, I just want to say that we've been joined by Council Member Perkins, Council Member Grodenchik, Council Member—Council Member Espinal and Council Member Rosenthal. Thank you.

SALVATORE D'AVOLA: Good morning. My name is Salvatore D'Avola and I'm the Executive Director of Neighborhood Restore Housing Development Fund Corporation. I'd like to thank Council—Chairman

Cornegy and members of the City Council's Housing and Buildings Committee for allowing me to testify today.

Neighborhood Restore is a non-profit organization that was created in 1999 to administer the Department of Housing, Preservation and Development's Third Party Transfer Program, and anti-abandonment program that seeks to improve the housing conditions and quality of life of New York City residents

particularly those living in the most dilapidated buildings. Through changes to the city's Property Tax Law specifically Local Law 37 of 1996, abandoned and distressed properties are transferred from neglectful landlords to responsible new owners.

Neighborhood Restore, which was created at the behest of HPD and with the support of Enterprise Community Partners and Local Initiative Support Corporation acts as the administrator and interim owner of properties that are in desperate need of intervention by the city. We work in close collaboration with HPD and our community-based partners to develop and ensure the maintenance of safe, affordable housing and oversee the stabilization, management and rehabilitation planning of distressed properties in order to preserve and create affordable housing

opportunities for low-income New Yorkers. Since 1999, 522 properties totaling over 6,800 units of housing located throughout New York City's five boroughs have been included in the TPT program. The vast majority of properties that enter the program are multi-family privately owned occupied building. However, vacant land and vacant buildings that are blights to their communities have also been included for intervention by the city of New York. In addition, many former Housing Development Fund Corporation cooperatives more commonly known as HDFC co-ops have been included in the TPT program over the years. Similar to the privately owned, distressed and abandoned properties earmarked for intervention, these HDFC co-ops are awash in municipal debt and in need of substantial rehabilitation that can only be thoughtfully accomplished through the inclusion in the program. In order for the buildings to remain safe and affordable, for its existing and future residents, the city's intervention is needed. If not for the TPT program, these troubled HDFC co-ops run the risk of further abandonment and falling prey to private equity investors seeking to capitalize on the buildings' troubles and thwart any effort at keeping

them affordable. Through the TPT program HPD initially conveys properties to Neighborhood Restore as interim owner, which provides an opportunity to establish relationships with the tenants, stabilize the properties by addressing the most urgent and hazardous repair, seek rehabilitation financing, and prepare for the final transfer to the community-based organizations selected by HPD through a competitive process. During Neighborhood Restore's interim ownership, the community based organizations act as property managers and handle the day-to-day management of these properties while planning for their rehabilitation in coordination with HPD and private lenders providing the necessary financing. Once the rehabilitation financing is in place, Neighborhood Restore transfers title to the properties to the new community-based owners who oversee their construction and upon completion the re-occupancy by the tenants. I've been the Executive Director of Neighborhood Restore for the past 12 years having overseen the transfer of five rounds of TPT program and currently preparing for a new round of properties that are scheduled to transfer later this year. During my tenure, I have walked through

many buildings and have first hand knowledge of the deplorable living conditions that tenants have been subject to prior to their building's inclusion in the TPT program. Malfunctioning and inoperable boilers causing heat and hot water issues; leaky roofs and plumbing pipes triggering the growth of mold and collapsed ceilings, broken windows and unsecure of non-existent apartment and front door locks, structural hazards and blatant illegal and illicit activities. I have also been fortunate enough to see how these same buildings after their rehabilitation and restructuring through the program have been revitalized and how the lives of the tenants have been transformed and significantly improved. The TPT program is a highly successful and innovative affordable housing preservation program that prevents the displacement of the city's most vulnerable tenants, improves their living conditions and provides the necessary public-private financing that transforms these properties from their blighted state into community assets. The collaboration between HPD, Neighborhood Restore and its community based partners has been essential to the program's success. The TPT program is a forceful and effective anti-

displacement and anti-abandonment effort that helps to increase the quality of affordable housing for New York City's low-income families, stabilize neighborhoods, and positively impacts that overall wellbeing of New York City. I thank you for your time and interest in our work. I'm happy to answer any questions.

CHAIRPERSON CORNEGY: Thank you so much for your testimony and the Administration. I am going to step away for one second, and in my absence this hearing will continually be chaired by the Honorable Carlina Rivera. I'm leaving you in capable hands—capable hands. I will return shortly.

[background comments, pause]

ACTING CHAIRPERSON RIVERA: Hi, thank you so much. Good morning, and thanks to everyone for being here. I think a lot of us, if not all of us here—up here have HFDCs in their district that are in distress. So, I want to thank you for giving us some details on the program, and why you think it's necessary considering the financial and physical distress of some of these buildings? Before I get into my—my personal feelings on the program and some of the experiences, and stories I've heard from some

of the residents, and—and I in District 2 have thousands of HDFC units. So, this is an issue that's very, very important. I just wanted to go through some timeline and process and get a little—dive a little bit deeper into how you reach tenants, and what intervention is like, and really what has transpired over the last I don't know, 22 years. I saw 1996 mentioned in here in terms of legislation, but I also saw dates like 2015. So, I want to get an idea of what has happened over the last few years. Considering that some--many of these buildings have been in trouble for a very, very long time. So, how many HDFC co-ops went through their rounds of TPT, and of those buildings, can you say how many have been restored to co-ops? So, my question to you is what is the success rate in your opinion? In my humble opinion, the definition would be a building went through the program and was able to be restored, fixed and then operated independently by the people who poured the sweat equity into the property to begin with.

ASSOCIATE COMMISSIONER DARGA: Okay. So, TPT has existed since 1996, and we have transferred over 520 properties with over 6,000 units through the

program. There has been around of TPT basically every year to every other year up until more recently. This round has--there's been a gap between Rounds 8 and 9 and the current round, which is Round 10. Rounds 8 and 9 the transfer happened nearly a decade ago now. So, it's certainly been some time. To date, there have been 74--I just want to double check my number. 74 co-op buildings comprising about 1,600 units that were transferred in the previous rounds, and most of those became renter--rentals after transfer.

ACTING CHAIRPERSON RIVERA: You said 1,600?

ASSOCIATE COMMISSIONER DARGA: 1,600 units, 74 buildings.

ACTING CHAIRPERSON RIVERA: And what was the total number?

ASSOCIATE COMMISSIONER DARGA: The total--

ACTING CHAIRPERSON RIVERA: [interposing] You had 6,000, right? Nearly 6,000?

ASSOCIATE COMMISSIONER DARGA: Over 6,000.

ACTING CHAIRPERSON RIVERA: So, at what point does HPD pull a property from TPT? So, if a

property has made progress in resolving debt, but has not done some so completely, will HPD still put it in TPT, and if not, at what point does HPD make the decision to pull it?

ASSOCIATE COMMISSIONER DARGA: So, the properties that are selected TPT are properties that have the most severe financial and physical distress including the HDFC cooperatives. This process for this round specifically started in 2015, and at the time there were over 400 properties that were selected to participate in this action, and in order to get out of the action, properties need to actually enter into payment agreements or to pay their municipal charges. To date, approximately 70% of the original properties that were in the Round have successfully redeemed. So, we are currently down to 132 properties. The properties that remain are certainly distressed with as I mentioned in the testimony hear \$700,000 in municipal arrears per building, and nearly 60 hazardous violations per building. In order to get out of the action, the remaining properties will need to either enter into payment agreement if they're still in a mandatory redemption period or will need to pay 100% of the

outstanding municipal charges, and yeah. So, that's where we are now.

ACTING CHAIRPERSON RIVERA: So, some of the buildings are eligible for TPT even though they might not meet your definition of distressed, correct?

ASSOCIATE COMMISSIONER DARGA: So, as I mentioned, we select the properties that are the most financially and physically distressed. They don't have to be statutorily distressed, but they generally are either physically or financially, they would meet the criteria. For the co-ops that are remaining in the Round, 60 of those buildings have a lien to value ratio, which is the amount of the municipal liens, DOF charges, DEP charges in relation to the value of the property. They have a lien-to-value ratio of over 110%, and on average and all but two have a lien-to-value ratio above 15%, which is the trigger for statutorily distressed. For physical issues the HFC co-ops that remain in the action 47 of the 62 actually meet the definition of physical distress as well, which for us I think is fairly surprising because in order to meet the physical distress criteria, that would mean that residents are calling

in violations, and in an HDFC co-op that was all shareholders, that would shareholders calling in violations on themselves even though they are the owners of the property. It could also mean that there are actually a significant number of renters in these buildings, and so they're calling in violations. And some of those violations are resulting in ERP charges. I just want to clarify the statutory distress level is pretty high, right? You would need five—you would need five HPD violations per unit or ERP charges of at least a thousand dollars.

ACTING CHAIRPERSON RIVERA: [coughs] So, how many of these buildings are both physically and statute--[background comments]—and—and how many are both physically and financially distressed? Because I'll tell you a lot of our experiences are the money that these buildings do have are not even enough to cover the capital repairs. So—so, can you give me—I saw your—the PowerPoint had what was more like the average and not the range. So, how many are both physically and financially distressed?

ASSOCIATE COMMISSIONER DARGA: So, as I mentioned, all of these have either financial or

physical distress, and even if there's not physical distress because there are people aren't calling in violations, there is--all of these buildings have financial distress at this point in time, and I just want to step back for a second. While, you know, we're in this situation today. All of the HFDC co-ops have had access to the range of assistance that the city can provide. We had a technical assistance contractor I mentioned in the testimony. We also have a range of financing programs that HFDC rents-- sorry, renters--rentals. Sorry, rentals as well as HFDC cooperatives have access to. So, a building that had financial issues, and wasn't able to for example, repair a boiler, or replace the roof, could certainly apply for financial assistance through HPD, and we've actually had a number of HFDC co-ops since the beginning of this administration that have taken advantage of those programs. We've also offered an Article XI tax exemption, which would wipe out the residential property tax liability, and very few of the HFDC co-ops have fully taken advantage of those resources. The properties that remain are very distressed, and I think actually it might be useful to hear a little bit from Sal D'Avola about the types

of conditions that we see in—in these types of properties at the point of transfer. So, I don't know, Sal if you want to mention some of the conditions that we've seen.

SALVATORE D'AVOLA: Sure. In my experience the buildings that have come through the program are ones that are—that are physically in—in horrendous conditions when—when they come to us. I mean you saw some of the photos. That's just sort of a snapshot of the buildings. The buildings have been abandoned. There are, you know, the heat and hot water if it's working, people that, you know, living in squalor in most instances because there's been no attempt at trying to address any of the conditions in these buildings. One of the first things that we do when we take title, and—and our community partners are engaged as property managers is we do a walk-through in the buildings immediately to determine what are the most hazardous and immediate conditions that need to be addressed, and we put in place a stabilization plan to address those conditions within the first 60 to—60 to 90 days of actually taking title to those buildings.

ACTING CHAIRPERSON RIVERA: So, I just want to say in defense of the tenants that a lot of these tenants went into these buildings when no one wanted to live in these neighborhoods, and they cleared out these buildings using their hands, and they became experts in-in-in sweat equity and trying to maintain the building, and I think many that you'll probably hear from today are going to argue that there intervention has come too little too late. And so, they're at the point where their buildings are in financial distress and are in need of serious capital repairs, but financially they haven't been able to operate as responsibly as they would have liked, and they do appreciate HPD intervention, but there is a difference between assistance and takeover. So, I think you're going to hear a little bit about that [applause] Well, no, no, don't-don't clap, don't clap, don't clap. Just don't-just don't clap because then, you know, it's like a rule. So, but there are some organizations that you work with that you mentioned in your testimony that I know are present, especially in the Lower East side, and this is my last question before I turn it over to my colleagues. Can you tell me a little bit about

UHAB's role in the TPT process? I know that they—they're very present in the Lower East Side, and I want to gauge their capacity because they have some very brilliant people on—on staff at UHAB, but I'd like to know their capacity in taking on some of these buildings and whether there—just their role if you could describe that to us.

ASSOCIATE COMMISSIONER DARGA: Okay. So, maybe I'll start with UHAB's role in relation to this Round of TRT and Anne-Marie Hendrickson can speak more about the current resources including UHAB. So, at the commencement of this action in 2015, UHAB had the—the Contract for Technical Assistance, and did actually reach out to the HDFC Co-Ops that were active in the action. Beginning in 2016, NHS took over that contract and they subsequently also reached out to the co-ops that were active in the action. So, there—and—and these technical assistance, resources have existed for a long time. So, Anne-Marie, do you want to talk specifically about the role of the organizations today?

DEPUTY COMMISSIONER HENDRICKSON: Sure. Good morning. In terms of the—the technical assistance contracts, as Kim indicated, you UHAB had

had that contract for many years and—and did a really great job at administering the contract. The contract did change hands in 2016 to Neighborhood Housing Services, and they've continued to provide that same technical assistance that UHAB had provided. That includes financial counseling. That includes mediation. That includes helping to prepare budgets and financial planning for the buildings. It also has consisted of steering and assisting buildings to get preservation loans whether it's been at HPD or through CPC or some of the other affordable housing providers. So, we continue to play that role, and for this particular round for the co-ops, we actually did additional outreach to them because, you know, clearly we want to keep people in their homes. We want people to stay homeowners to the extent that they are responsible, and I think that was why we promulgate and put out the Article XI exemption. Just for clarity, the Article XI covers the real estate taxes, and we're looking to hopefully have some of the co-ops benefit in getting a retroactive Article XI, which will take care of at the real estate part—the real estate portion of the taxes. We've asked people to go into DEP payment

plans, and that's what the training contractors do is help them get into payment plans, financial modeling. So, again, we want to encourage people to take advantage of that, and the good news is that two co-ops actually were able to complete the checklist, and were approved very recently by the City Council. So, I'm going to say thank you for that. We do have additional co-ops that are still continuing the checklist including the young man who spoke earlier this morning about his building not having a tax exemption. This is one of the buildings that, you know, the training contractor is working with. We are—they are completing the checklist, and hopefully, we'll be able to submit that application to the City Council shortly. So, again the goal of the training contractors and HPD is to intervene to provide whatever technical resources the—the co-op needs whether that's financial, whether that's physical and the idea is again to ensure that they can stay in their homes and that we can ensure that they remain financially viable over the long term. Thank you.

ACTING CHAIRPERSON RIVERA: And, you know, we want to work with you and we can talk a little bit about outreach because you mentioned

several points of contract that I'd love details on, but before we do that, I'd love to turn it over to my colleagues for any questions, and we've been joined by Council Member Fernando Cabrera. Hi, and Council Member Perkins as well. Oh, we have questions. Council Member? No.

COUNCIL MEMBER ESPINAL: Yeah, I have one. How is everyone doing? Thank you, Madam Chair Woman. So, in my district we have some buildings that we've been trying to petition to get onto the HT-HDFC program, but we realized that the program does not take any units—any—any applicants that have less than 10 units. Is there a reason for that? You know, these buildings are dilapidated. They're—they're people who want to take ownership of their buildings, and do have a stake in the neighborhoods, but because of this rule they're not able to do that.

ASSOCIATE COMMISSIONER DARGA: Yeah. So there is an option for properties that are currently rentals to petition to become cooperatives. There are rules that govern that process. Buildings have to be at least ten units in size, and they need to be at least 50% occupied, and those requirements come from a long time of working with small buildings and

with co-ops specifically, and really come out of the intention to make sure that the buildings are set up for long-term success particularly for co-ops smaller—the smaller the co-op is the more active every single resident in that building needs to be. So, for a five-unit co-op, for example, to get to 80% participation, which is what we use as a threshold for successful engagement in government, you would basically need four out of five or five out of the five households to be active in ongoing constant governance, and what we found is that the smaller co-ops really struggle. So, if you have one two units where there's issues, you start to actually have significant challenges.

COUNCIL MEMBER ESPINAL: Right. Are there any exceptions that—that are made for—for buildings that—that can show that the—that the tenants are willing to be active?

ASSOCIATE COMMISSIONER DARGA: Yeah. There are not exceptions. This is a rule. So, you know, certainly we could talk about longer term whether there be modifications to that but, you know, this comes out of like I said a long time of working

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2 with co-ops, and because it's a rule we can't make
3 individual exceptions.

4 COUNCIL MEMBER ESPINAL: Okay. I'll be in
5 touch because there is actually more than one
6 building. I have actually a cluster of buildings
7 that--

8 ASSOCIATE COMMISSIONER DARGA:
9 [interposing] Okay.

10 COUNCIL MEMBER ESPINAL: --that--that want
11 to be part of this program or kind of be able to act
12 as any other sort of programs. That would be helpful
13 to keeping them in their building.

14 ASSOCIATE COMMISSIONER DARGA: Great.
15 Look forward to talking to you.

16 COUNCIL MEMBER ESPINAL: Thank you.
17 [pause]

18 ACTING CHAIRPERSON RIVERA: We've been
19 joined by Councilwoman Helen Rosenthal from the great
20 borough of Manhattan, and Council Member Margaret
21 Chin.

22 COUNCIL MEMBER ROSENTHAL: Great. Thank
23 you, Council Member Rivera. Thank you for coming
24 before the committee. You guys obviously have been
25 working really hard on this, and I know that folks

from the HDFC community were concerned previously, you know, a year or so ago and, you know, you redid the pause button and come back. So, this is great. why-why do you think-I just spoke with someone in my community who handed me a list of buildings, and there are a lot of buildings on here, maybe 30, that don't really want to see this happen, and I'm just wondering why? You know, it's always the case. You come up with a program. It works for the vast majority. There are some outliers who can tinker with the outliers, but I'm-I'm just surprised to see such a long list. [pause]

ASSOCIATE COMMISSIONER DARGA: The-so, let me-I want to make sure I understand the question. The question is about why we would include these properties in the action. Okay. So, the-as I mentioned before, and tried to articulate in the testimony, the-the HPD tried to select the properties for TPT where there are substantial physical and financial issues, and where a change in ownership or other intervention is really necessary potentially to actually effectuate change, and to ensure the stabilization of the property.

COUNCIL MEMBER ROSENTHAL: I got you.

2 ASSOCIATE COMMISSIONER DARGA: Okay.

3 COUNCIL MEMBER ROSENTHAL: So, are you—do
4 you—are you concerned? I'm—I'm not quite
5 understanding what you're saying, and I'll tell you
6 why. In my home I—if something is broken, I want to
7 repair it, right. I imagine that is true for
8 everyone. So, what this—the program you're offering
9 is one that would offer fixes to a building. Why
10 would anyone not want that?

11 ASSOCIATE COMMISSIONER DARGA: Uh-hm.

12 COUNCIL MEMBER ROSENTHAL: In other
13 words, I'm—I heard you mention it's buildings where
14 they have multiple violations, et cetera. I—I
15 respect that. I mean did you go and visit all of
16 those buildings. And talk to the tenant leaders and
17 answer their questions?

18 ASSOCIATE COMMISSIONER DARGA: Okay. So,
19 let me take that in two parts. I think you know, any
20 time there's change it can create uncertainty, and it
21 can be scary. I think we understand that. This is an
22 intervention for us of last resort, and it allows us—
23 this is a process by which we have an opportunity—the
24 city has an opportunity to actually eliminate the
25 financial arrears that the property has to invest

substantial resources in improving the physical condition of the properties, and ensuring stabilization, and so I-I, you know, I-I understand that people would feel anxious about it. At the end of the day, the underlying thing that we're able to achieve is stabilization and affordability for the residents, if there were another way that we could get to the same outcome, we certainly are interested in doing that. In fact, you know, we have many, many, many programs that assist both rental properties that are in distress as well as HDFC cooperatives that are in distress. We have, you know, a range of financial and financing programs that folks would have access to that help do renovations, that provide tax exemptions. As Anne-Marie Hendrickson mentioned, we have technical assistance contracts. We've had that historically for HDFCs, but we are now piloting a new program also for rental property owners. So, landlords that may, you know, not fully understand the tools that are available and how to access them. So, we certainly would be interested in stabilization outside of this, but what we found is that given the issues that exist in these buildings today, that it is almost impossible to stabilize without a transfer

of ownership, and eliminating the financial arrears, and the only way to do that is to go through this process.

COUNCIL MEMBER ROSENTHAL: Chair, with your indulgence, I'll just finish this up. Thank you for that. I think what I was-thank you for that, and I understand the meta picture that you're describing, and I've certainly been in situations where the loudest voices don't want to do the change that I've supported, and, you know, I knew it was the right thing to do so I kept moving forward, but one thing I'll say is that in that situation, I sat down with all of the people who were opposed, and really understood deeply what their concerns were, and I understand the change is hard. I mean we all sort of joke about it and don't joke about it, but when I listened really hard on these issues, yes change is hard. You have to-that can't be the answer because there has to something. You know, we're talking about really intelligent people who are trying and want to stay in their homes, and want ownership. So, I feel like something-a part of the story is missing, and I don't-I really would like to know from HPD that you guys feel-I want to know that you know the

underlying reasons, and that you've addressed, thought about, addressed those reasons. I think this is going to be one of those hearings where you've presented the project, and I see ten panels lined up of people who are going to provide objections, and we could listen really hard in trying to cull out, you know, why they're objecting, but I think it's incumbent on you guys to have a really good answer to the question why are people objecting, and why are you confident that you've met those—you understand those objections. Does that make sense?

ASSOCIATE COMMISSIONER DARGA:

Absolutely. So, we know that not every owner of every one of these buildings had bad intentions, right. I think there are a lot of people here that have certainly worked—probably worked really hard to ensure the viability of their building and, if, you know, the—there are circumstances now that make it very, very difficult to be successful. This is a—I mentioned this is really our tool of last resort. We have a range of other tools that can intervene on the enforcement side or on the—the incentive side, and so, we do take this very seriously.

COUNCIL MEMBER ROSENTHAL: [interposing]

Well, sure.

ASSOCIATE COMMISSIONER DARGA: We don't-- we don't put every confidence (sic) here. On the-- kind of the outreach engagement component, which I think is also part of the question, we--you know, we certainly have met with the HDFC Coalition and corresponded with them regularly in the last couple of years including about properties in this action. So, you know, that's been part of the ongoing conversations. We also have personally, our Asset and Property Management Team has personally reached out to the properties, the HDFCs that are--remain the action. UHAB and then NHS also reached out to all of the properties in the action. We also flyered the properties and made sure that residents were aware of what was going on. So, we have certainly I think really tried to engage on that level, and we did get, you know, there were a fair number of properties that have responded and really tried to work with us, or with the technical assistance provider to address some of the underlying issues, and more than 70% of the properties that started have actually redeemed and gotten out of the action. The properties that

remain are ones where the issues are immense and where being able to actually turn the property around now without substantial change in operation and ownership is, you know, it is really very, very, very, difficult and so, this is the way that we actually can get to the stabilization.

COUNCIL MEMBER ROSENTHAL: Okay, I mean I guess [coughing] I was need it—Oh, Anne-Marie.

DEPUTY COMMISSIONER HENDRICKSON: Council Member, if I could just add on just a few things particularly on the co-ops. There are 62 co-ops left in the Round. There were 111 when it started. So, the good news is many were able to go into those payment plans. You know, it was kind of like the wakeup call to them. As you know, co-ops are not included in tax lien sales. They only are eligible for TPT, and I think that when people were notified in 2015 with the assistance of our training consultants you had at the time who did extensive outreach to everyone, they were able to get at least 20 co-ops that went into payment plans, got loans. You know, had functioning boards, and were able to kind of really put that financial plan together. Of the remaining 62 co-ops that are in the Round, 25 of

them took advantage and applied for the Article XI.

So, again, it shows that sometimes when pushed,

people react and they will come together and look to

try to see if they could stabilize the plan. I think

in addition to hearing from some of the panels,

you'll hear from the residents. You're going to hear

from a lot of happy residents, and happy developers

who have managed to stabilize those properties. So,

I think it's a balanced type of act that we're trying

to get to, and we do want to talk to everybody.

Anybody who wants to engage the co-ops that's doing

the Round, we are still more than happy to continue

working with them on the Article XI and seeing that

as a tool that can help them put a better financial

plan together. We have our preservation programs

that Kim described. So, again, outreach is

important. I think we did a pretty extensive outreach

effort here, but we can always do better. So, we

welcome talking to you more about what we can do

better, and how we can continue to work to see if we

can stabilize those co-ops.

COUNCIL MEMBER ROSENTHAL: Okay. I think

you really answered my question, and I want to make

sure everyone here heard what I heard, and then tell

me if I didn't hear it correctly. What I heard is yes there are other options, and if there's an HDFC here that wants to use a different option, that things that an Article XI, a new loan could address the problems in your building, and you'd like to pursue that, they can come and meet with—?

DEPUTY COMMISSIONER HENDRICKSON: [off mic] Me, like for any—

DEPUTY COMMISSIONER HENDRICKSON: Do you want to give out your email address or phone number? How does that work?

COUNCIL MEMBER ROSENTHAL: Sure, sure. I mean anybody can email me at henderica-h-e-n-d-r-i-c-a@hpd.nyc.gov. Okay, I think the only challenge here that I just want to be clear about is that as the action started in 2015, we're in the third year, and mandatory redemption at this point on this as Kim described has ended for every borough except Manhattan. So, that means that for any building that's still in the action outside of those in Manhattan, they would need to have to pay 100% of those municipal charges. So, it gets challenging the longer it goes on. Okay, but we are still open to talking with them. Again, people can email me, and

I'll be here if they need my email again. They can reach out to our training contractor in HS. They can reach out to UHAB that also provides classroom training. So, again, we are available, but time is of the essence, okay because the clock continues to tick, and particularly Manhattan. If people are very interested in getting to those payment plans, the time is now. Okay, we can just do 50% as opposed to having to pay in full. Thank you.

COUNCIL MEMBER ROSENTHAL: Thank you.

ACTING CHAIRPERSON RIVERA: So, I just want to acknowledge and I'm glad that you mentioned time. I think that some of the issues here is some of the tenants, I should say co-op, co-operators have been in these buildings since the late '70s, the '80s. So, decades, multiple generations of families, and so, you know, for a 2015 program to elapse, and to be so intense and to be so quick as you're right, time is money. You know, there's a sense of wanting to just feel respected for what they have done and— and really how they've created communities and places where—that was neglected and that was abandoned, and so I think the profile of some of these buildings is, you know, I know there's a concentration uptown.

There's a concentration in my own district. It's this fear unfortunately of 34 years of speculation that has already gone on. So, people just want to be able to feel independent still and, of course, the homeownership opportunities are so important. SO, I want to acknowledge my—my other colleagues that have joined me, Council Member Gjonaj, Council Member Torres, and Council Member Margaret Chin, and I want to turn it over to you all for any questions that you may have.

COUNCIL MEMBER CHIN: Good morning. It's a busy day because I was at the Youth Service. There's a very important hearing going on there. Looking over your testimony, you just talk about there were—there are 62 co-ops right now in the current Third Party Transfer Round, and then you mentioned that 25 have opted into the Article XI so that you're—there's only 37 that are problematic?

DEPUTY COMMISSIONER HENDRICKSON: Twenty-five—just to clarify. Twenty-five of the co-ops—of the balance of the 62 have applied for the Article XI exemptions meaning that they are going through the checklist process, okay, which really, this checklist process is supposed to give you an idea of what it

contains. It's really just indicative of a well performing co-op. We're looking to make sure they have financial audits. Making sure they've had recent elections, they have a current rent role. So, it's really just having some of the essentials of cooperative housing. Some of those co-ops on the-of the 25, 2, as I spoke about earlier, have actually completed the checklist and were approved for the Article XI. We do expect to submit additional co-ops to the Council for Article XI exemptions as they complete the checklist. So, that's something that people are working on. We're working with the HDFC Coalition to see if we can assist them in completing that checklist, and having an opportunity to apply for the Article XI. Now, I do want to caution that the Article XI deals with just the residential real estate taxes. The co-op still needs to demonstrate that they can, you know, handle their DEP, and any of the municipal charges that may exist, and they also need to give us a plan for how they would correct the physical conditions, and that's why Kim spoke so extensively about the loan products that we have HPD, the Green Preservation Program and some of those other programs because they have very high counts of

code violations, and we want to make sure that those get addressed. I mean these are people. You know, people live in these buildings, as you know. We want to make sure the point of TPT is that it provides that stabilization. It provides that—those repairs, those sorely needed repairs for the residents that they cannot just stay in affordability, but in good quality housing as well.

COUNCIL MEMBER CHIN: I think one of the most important points, I think especially for the residents who are in the co-op is that through sweat equity I mean they just went through so much to help maintain their affordable homes and continue in the neighborhoods to build up the neighborhood, and now all of a sudden, a lot of the neighborhoods that they live in, are very pricy now, and there is a lot of speculation going on. And, I think it's so important for us to really do everything we can to help them maintain that whole ownership opportunity because when you look at the city, working families, middle-income, moderate income, low-income, there is not that many homeownership opportunities at all. Right, we have Mitchell-Lama co-ops went private in my district selling for over a million dollars. No more

waiting lists. No more opportunities for middle income or moderate income working families. So, these HDFCs for over 30 years have struggled, and we want to make sure that that home ownership opportunity remains. So, even with your Third Party Transfer Program, I think—is that—is that a guarantee or something in place that once problems are fixed and the buildings, you know, get back in good shape that people don't lose that homeownership opportunity.

[applause]

SERGEANT-AT-ARMS: Folks, no clapping.

ASSOCIATE COMMISSIONER DARGA: So, as part of TPT, when properties are transferred through the program, the—the owner prior to transfer cannot become the owner again after transfer. I do want to be very clear, though. This is a non-displacement program. So, I think you heard from some of the residents on the—actually, I'm not—not sure that everybody was here at the point in time the first resident spoke, but there were two residents that were in properties that were former co-operatives that are in TPT buildings. They are affordable renters—rentals now. The residents are able—the have plenty of affordability protections. They become

rent stabilized residents with a rent stabilized lease and all the protections that come with that. Their rents don't exceed their--what their prior maintenance amount was or 30% of their income. So, there are substantial affordability protections here, but it is--we cannot actually allow a co-op then to become a cooperative with the same residents again.

COUNCIL MEMBER CHIN: Well, that's something that I really urge you to look at again because for a lot of the families who work so hard and--and these are unique circumstances. That's why it should not be one size fits all. You really have to drill down to individual buildings, and it might take some resources from HPD, but it's necessary that we don't want someone who have worked so hard to become a homeowner to lose that opportunity. So, I really urge you to really look at that, and the other question that I want to raise is that Council Member Rivera and I, you know, we share--we border each other's district, and we have Cooper Square in her district, but it works in my district, too. The whole idea of a--you know, they were community land trusts, and within Cooper Square they work with a lot of HDFC, and they're able to provide that support.

So, that's something that I also want to see HPD can continue to explore to help some of the different neighborhood HDFC to see if they can also develop these community land trusts so that we can ensure that affordable homeownership will continue to be strong, and thrive in these working class communities.

ASSOCIATE COMMISSIONER DARGA: Yeah, absolutely, and, you know, as part of the administration in the last four years we've certainly tried to expand opportunities for affordable homeownership including looking at community land trusts and are actively working with a number of organizations now to develop those, and it may actually be worth taking a minute to explain or describe some of the affordable homeownership work that we are doing. You know, we have down payment assistance programs that have served hundreds of families in the last couple of years. We have home repair programs, and as part of Housing New York 2.0, announced a new home repair program for 1 to 4 family owner-occupied residences that will provide repairs and financial counseling and other types of assistance. We have—we have financing new

cooperatives through Open Door and the Affordable Neighborhood Cooperative Program, NYCHA's Small Homes Rehab. We continue to support the Center for New York City Neighborhoods to provide financial counseling and assistance for home owners. We have a range of financing programs that support HDFCs. We worked with DEP to create the Multi-Family Water Assistance Program, which has assisted a number of HDFC cooperative in the first year to get a discounted water rate of \$250 per unit and if Anne-Marie Hendrickson has mentioned, we have extensive technical assistance contracts that we provide to HDFCs. So, we—I certainly appreciate that though, and I think, you know, we're interested in if you have other ideas of how we can expend the types of assistance that we provide to HDFC cooperatives or other homeowners, I think we would really appreciate and value the conversation.

COUNCIL MEMBER CHIN: Thank you. I just wanted to just reiterate a point we got to make sure that we help people maintain their homes, and homeownership opportunity it just doesn't happen that often, and we've got to preserve those homes. Thank you.

ACTING CHAIRPERSON RIVERA: Council Member Torres.

COUNCIL MEMBER TORRES: I just have a few questions. What's the percentage of HDFCs in distress?

ASSOCIATE COMMISSIONER DARGA: In the current Round of TPT?

COUNCIL MEMBER TORRES: No, and just generally? [background comments, pause]

DEPUTY COMMISSIONER HENDRICKSON: Council Member, we have to get back to you with that data.

COUNCIL MEMBER TORRES: Okay.

DEPUTY COMMISSIONER HENDRICKSON: Again, we have many of co-ops, as you probably know, we've created probably more than a thousand co-ops through the Administration. Only about 20% of them have regulatory agreements. However, we would get back to you with the number of what we would consider those to be distressed of that population. Okay?

COUNCIL MEMBER TORRES: And what's that—among those that are distressed, what's the most common cause of distress? Is it water bills? Is it unpaid taxes? Is it mismanagement? What—what do you identify as the main drivers of distress?

DEPUTY COMMISSIONER HENDRICKSON: I would say—I would say to you that it's a combination. Each—each co-ops is somewhat nuanced. Municipal debt clearly has been a problem, and that's really been the trigger for Third Party Transfer, but what we've seen in come co-ops are dysfunction amongst the boards, mismanagement, getting a poor managing agent that has, you know, kind of led them down the wrong path and not, you know, been able to handle the bills and things like that, but what I'm going to do is ask Sal D'Avola who has actually seen some of the co-ops go through the round, give you some of the common indicators that he has seen through various rounds in TPT. Sal.

SALVATORE D'AVOLA: Sure. Hi. As I mentioned earlier, but I think it was before you were here Councilman. The buildings come to us in horrendous and dilapidated conditions when they go through the program. It really is a program of last resort. There are inoperable boilers, barely functioning boilers. So there's heat and hot water issues. Through these buildings. There are numerous leaks, roof leaks, pipe leaks, you know, raw sewage flowing in some of these buildings. There are no

locks in the buildings. There are broken windows, you know, barely functioning kitchens, illicit-illegal activity going on in these buildings. They-they really are buildings that have really gone to-that really need to be saved and intervened through this program.

COUNCIL MEMBER TORRES: Now, once you put a program through the TPT, you're effectively stripping the co-op-members of the co-op of ownership. You know, and obviously homeownership is-is widely seen as a realization of the American dream. It's a public policy goal that we promote, but before you pursue TPT as a last resort, what are-what are the stages of intervention before then? Like do you provide-what-what support do you provide to these HDFCs in order to prevent the worst case scenario, which is stripping them of ownership?

DEPUTY COMMISSIONER HENDRICKSON: So, as we talked-as we discussed, we do have a technical and training contract. Okay, and, you know, we use UHAB and Neighborhood Housing Services as ways to intervene. We're open-we're open all the time--

COUNCIL MEMBER TORRES: [interposing]

Well, what's—what's the nature of that technical assistance?

DEPUTY COMMISSIONER HENDRICKSON: The nature of the technical assistance can include a couple of things: Financial planning. Assisting them with getting low interest loans for the repairs of the building. The conditions of the properties are usually bad. So, we want to make sure that we can help navigate through the loan—through the loan process. It's not that easy to get a loan. So, we used the technical assistance contracts to just to help guide them. Financial planning, budget counseling, looking at the maintenance okay and trying to ensure that the maintenance is keeping up with the expenses. I would say that that's kind of a big problem. Many of the units as some of the shareholders spoke earlier they have renters in them instead of shareholders. We always think it's more important to have shareholders and have a common goal of homeownership. We support that highly, but there has to be a functioning board, okay, and that's what the technical assistance contracts do is try to work with boards, figure out mediation plans if there's

discourse amongst the boards. Again, steer them to loans, help them address their municipal arrears and violations. So, there's various intervention methods. They do advisory sessions at any time that any court can call NHS and ask for an advisory session and sit down and actually explain the nature of their problem, and then they can kind of outline more of a plan of action together depending on what the issues are. So, again there are common themes, but again, each co-ops is nuanced and sometimes it takes sitting down.

COUNCIL MEMBER TORRES: [interposing] Do you closely monitor the at-risk co-ops, and do you know, the number of those co-ops that are receiving the technical assistance? Do you keep track of the number of co-ops that are actually making-availing themselves of the services that you're providing?

DEPUTY COMMISSIONER HENDRICKSON: Yes, we do. Okay, we get—we do monthly invoicing of NHS. So, and what we do is try to get—use our data at HPD, okay, to help steer them towards the ones that are either in distress or moving towards distress. So, we talked about buildings that are, you know, in litigation or buildings that are headed for 7-A or

headed for AEP. Those—using that type of data from HPD, you know, all about preservation data.

COUNCIL MEMBER TORRES: Yes.

DEPUTY COMMISSIONER HENDRICKSON: We use that, okay, and it's just to target and reach out, and you have also those trainings in classroom settings. So, again, using HPD data. We try to use that for our training contractors to focus on those that are distressed or heading towards distress.

COUNCIL MEMBER TORRES: And outside of the context of TPT, if you have a co-op with a new board, that's committing to reforming itself, are there circumstances under which the city will remove the water liens or unpaid water bills so that you can put the co-op on a sustainable trajectory?

DEPUTY COMMISSIONER HENDRICKSON: What we do again is try to do a two-pronged approach in terms of municipal arrears. So, again, we have Article XI, which can at least deal with the Department of Finance real estate. With DEP what we will do is make a recommendation to DEP. If, you know, the co-op has put themselves back on the right track, we'll work with DEP who is, you know, a pretty good partner in looking at maybe forgiving interest or late fees,

you know, and structuring a payment plan that is viable for the co-op. So, we definitely link with our other municipal agencies to try to see if we can work on a cohesive plan.

COUNCIL MEMBER TORRES: Do you ever remove the arrears altogether?

DEPUTY COMMISSIONER HENDRICKSON: I—again, this is more DEP, and I don't think they have the legal ability to remove all the arrears, but I know that there—that they would take a look at taking care of late fees and interest I think is things that they primarily focus in terms of trying to figure out a financial plan.

COUNCIL MEMBER TORRES: And what about property taxes?

DEPUTY COMMISSIONER HENDRICKSON: Property taxes get billed by the Department of Finance, and we try to use our Article XI authority to deal with the residential real estate taxes and the Article XI never eliminates the commercial taxes. So, if there's commercial taxes in—on a building, then we need to have to figure out how to get into a loan for that portion, but primarily the residential—the taxes are primarily residential, and that's what

Article XI is used for should they be able to meet the co-op checklist.

COUNCIL MEMBER TORRES: Okay, thank you.

DEPUTY COMMISSIONER HENDRICKSON: You're welcome.

COUNCIL MEMBER CABRERA: We just have a few questions. In terms-at what point do the co-ops who are in distress come to your attention?

[background comments, pause]

DEPUTY COMMISSIONER HENDRICKSON: Well, I guess I'll take that one. Well, again, when-co-ops come to us at all stages. Okay, and, you know, we-we're talking to co-ops probably every day. Any time that there's any sort of issue whether it's financial distress, municipal distress or just issues amongst the board. Okay, when they need additional counseling, too. Third Party Transfer focuses on those that are most severely distressed and are really, you know, in egregious state of-in terms of physical condition and municipal debt. So, again, we-we always encourage any co-op to come to us and, and as I said earlier, we try to use the data that we have to target and use our training contractors to

try to focus on those before they get to a point of no return.

COUNCIL MEMBER CABRERA: So, what percentage—I'm trying to wrap my arms around this and my thoughts better around this. At what point do—let me rephrase that question. Do most co-ops get training and management from you from the beginning on going? Is this an ongoing process that takes place, or—or you start intervening the moment that you're alerted of the problems that are taking place in those co-ops.

DEPUTY COMMISSIONER HENDRICKSON: To your question, we offer ongoing training, okay, and we offer training when the building—well, none of the building came through city ownership. They were offered, they were given and offered training during ownership. Once they go out of city ownership and become a co-op, we continue to provide training. The training contract that we have again is open to any co-op at any time.

COUNCIL MEMBER CABRERA: [interposing]
So, let me stop you right there.

DEPUTY COMMISSIONER HENDRICKSON: Sure.

2 COUNCIL MEMBER CABRERA: What percentage
3 of those co-ops are after the, you know, there's this
4 union that takes place, and they full ownership.
5 What percentage continues receiving training?

6 DEPUTY COMMISSIONER HENDRICKSON: It-it
7 varies. I would say to you that many of the co-ops
8 that were developed over the years are performing
9 well.

10 COUNCIL MEMBER CABRERA: I need like
11 numbers. I mean just on pre--

12 DEPUTY COMMISSIONER HENDRICKSON:
13 [interposing] We got to that. This is six.

14 COUNCIL MEMBER CABRERA:--because your--
15 your idea of the majority might be different than
16 mine.

17 DEPUTY COMMISSIONER HENDRICKSON: Uh-hm.

18 COUNCIL MEMBER CABRERA: So, I'm trying
19 to work in concrete numbers.

20 DEPUTY COMMISSIONER HENDRICKSON: Okay,
21 well let me get back to you with that because I would
22 just need to really evaluate the--who we reached out
23 to, and what percentage that is of the whole. So, I
24 have to come back to you with that statistic.

2 COUNCIL MEMBER CABRERA: Because I could
3 tell you that my sense is that most of these
4 properties-properties that are in distress get to
5 you. To be honest with you, when it's almost too
6 late or it's too late--

7 DEPUTY COMMISSIONER HENDRICKSON: Uh-hm.

8 COUNCIL MEMBER CABRERA: --and I think
9 that's part of the problem here. The root of the
10 fruit of the problem that we need to do more
11 prevention--

12 DEPUTY COMMISSIONER HENDRICKSON: Uh-hm.

13 COUNCIL MEMBER CABRERA: --so we don't
14 have to do an invention and then when it's too late
15 because I heard you say you got to pay 100%. I mean
16 where-who's going to give them-where are they going
17 get that money front? Let's be realistic. No bank
18 is going to give them a loan. You know, it just-it
19 just-I just don't see a structure here that actually
20 makes sense. So, I want to encourage you strongly
21 encourage and admonish you to have a system and by
22 system I mean something that is ongoing, that is
23 intentional, that is thoughtful, that is engaging,
24 provokes the co-ops to say, you know, we need this.
25 This is not easy. You even mentioned yourself it's

not easy managing properties, and so they could have the tools. I always told my wife never ask me to do a job with the tools because that's where frustration comes in and I think that's where people begin to disengage, and the last thought is something Council Member Espinal mentioned, he mentioned there was a percentage there for units of 10 or less, and I believe it was 85% that had to be engaged. I forgot the number. Can you just change the numbers for units that are--when you have 10 or less units that doesn't require such a high engagement and proportionately ask the bigger unit or bigger complex.

ASSOCIATE COMMISSIONER DARGA: So, on the tenant petition process, that is actually a part of--that's--that's part of the rules, and so, certainly rules can be adjusted, but it could not be adjusted for the properties in this round.

COUNCIL MEMBER CABRERA: Because--because--late--coming late?

ASSOCIATE COMMISSIONER DARGA: Right, the--the--this round started back in 2015 and the, you now, the properties had been notified along the way including of the tenant petition option. At this

point in time, the-the timeline is statutory, right, so we're in the final stage of the transfer process. Other than Manhattan where we have completed the mandatory redemption period, and we are now preparing packages to submit to counsel. So, certainly we can discuss it in the future. I do want to reiterate, though, that that 10-unit threshold was based on what-on evaluation by the city of what was necessary in order to ensure success long-term for buildings. Smaller buildings can be harder to operate independently where you have few units to cover the expenses of the property, and we see this on the rental and the cooperative side. It's not-that aspect is not unique just cooperatives, okay. What is unique just for cooperatives is that you need active participation by at least 80% of the shareholders to actually make sure that it is successful long term, and that's a threshold that we have used based on best practices for a very long time. And, that would mean for a very long small co-op if you had one or two households that were not active, right, you really start to get into trouble where there's just one or two people that are making all the decisions on behalf of the cooperative. So,

while we're certainly always open to discussion and making sure that like we're, you know, we're making decisions and we have rules and policies and procedures that, you know, make sense and are for the good of everybody. That is a threshold that was determined really based on best practice over the long term.

COUNCIL MEMBER CABRERA: But you still have that scenario realistically though might have people in name in board with a larger building, and you still have one or two making decisions, and I'd rather have one or two making decisions and save the building than to have a system that is set up for failure because we're looking—we are functioning on the basis of fear rather than on the logic. Look, we have a problem in this city. I don't know—you know, sometimes we think the economy looks so good. We have the highest foreclosure. We have this—the—the foreclosure levels in this city right now it's a high—it's from the beginning of the Recession right now. So, this is not only a co-op problem that we have here. This is going all across the city, and my theory is that because of the system that we have set up, the structure that we are going to end up seeing

more and more of these buildings. We're going to—we're going to lose, and we—the—the investment that was mentioned by the co-chair here today that was made for so many years is going to be lost to the next generation, and that will be shameful. Please reconsider. Please look at a—some type of close personal mentorship program that will be able to give the tools that they need so they could succeed because if they succeed we also succeed. Thank you so much.

DEPUTY COMMISSIONER HENDRICKSON: Council Member Cabrera, I just wanted to say to your point of engaging residents early we would welcome doing—if you want to do a forum in your community in your Council District, we would welcome coming out, talking to people letting them know about the services that the training contractors have, and again engaging them as early as possible so we, as you said, we keep that homeownership in our communities.

COUNCIL MEMBER CABRERA: You see, I appreciate that, but what I'm asking is for you to have the system because you're the administration to

2 have it in place to have that. There has to be a
3 system, and I keep using that word

4 DEPUTY COMMISSIONER HENDRICKSON:

5 [interposing] Uh-hm.

6 COUNCIL MEMBER CABRERA: --because it's
7 something that has to keep going. Because if you
8 leave it to the Council Members, let's be real, if
9 you leave it--with the bazillion of other things that
10 we're doing, you're going to create a bottleneck.
11 What you need is something you can say, hey, we have
12 two staff, you oversee 100 co-ops. Make sure that
13 these 100 co-ops have what they need, that they have
14 received the expertise, best practices, they have
15 trainings, they have workshops, and then you do that
16 all across the city. We're not talking about a lot
17 of money here. We're losing a lot of money. We-we
18 put--we're going to be putting people on the streets,
19 and that is troublesome. So, I'm asking you, this is
20 really, this is your mission to do that piece. I
21 welcome what you just aske but it's to enhance what
22 you should be doing. Thank you so much.

23 DEPUTY COMMISSIONER HENDRICKSON: Agreed.

24 Thank you.

ACTING CHAIRPERSON RIVERA: Thank you, Council Member Cabrera. I know we have two more people with questions. Okay, and yes I—I agree that—that each co-op is—is nuanced and I think a lot of the residents here are fearing the standard regulatory agreement rumor. I guess the pause that was mentioned that has been in conversation for a long time, and people feel it's also it's also not fair for those that are operating financially responsibly. So, for those in dilapidated conditions, yes, they're in a very, very big hole. We just wish that HPD would have intervened before it got so deep. So, I want to turn it over for question so Council Member Gjonaj.

COUNCIL MEMBER GJONAJ: Thank you, Chair. It sounds like we've put comprehensive programs in place. I'm just so concerned, and maybe you can help explain in such a robust real estate environment, how is it that we have so many properties that are challenged physically and financially distressed?

ASSOCIATE COMMISSIONER DARGA: So, and more generally speaking, what we see with properties that have significant financial and physical needs, is that there is underlying issues in terms of the

ongoing operations, but they're—they're not using good practices on an ongoing basis for operating the property, and that doesn't mean that there's not good intentions there. Certainly sometimes there are, but that, you know, there's not, there's just not the systems in place to successfully doing it long term or where, you know, somebody is really, you know, in financial and physical distress, and they have gotten to the place of putting those systems in place, but it's really that the issues are so big that they're really insurmountable without a process like this, which gives properties a fresh start, right. I know that, you know, like—like I've said, we don't take this process or this program lightly. We don't take the decision to include properties in this—in this program lightly. We really are trying to target the most distressed properties, and this is an opportunity. I know it's—you know, it's scary and I know the transfer is, you know, it's a significant concern. I'm sure everyone here is scared about what that means for them, but--

COUNCIL MEMBER GJONAJ: [interposing] I think it—I'm sorry.

2 ASSOCIATE COMMISSIONER DARGA: --it is a
3 fresh start.

4 COUNCIL MEMBER GJONAJ: -- could you stay
5 specific to those underlying issues.

6 ASSOCIATE COMMISSIONER DARGA: Yeah, I
7 mean

8 COUNCIL MEMBER GJONAJ: [interposing]
9 What can they be besides--

10 ASSOCIATE COMMISSIONER DARGA: I mean the
11 type of issues that we see are lack or--well, I'm
12 going to start more generally, and then talk about
13 some of the things that we see in co-ops. So, in
14 buildings in distress, we often see significant
15 vacancies, which is in a city where the vacancy rate
16 is three-ish percent, the fact that we see
17 significant vacancies in some of these buildings is
18 fairly alarming. That often is because they haven't
19 done renovations to units or do have management
20 practices to effectively and timely lease units or
21 sell units in the space of cooperatives.

22 COUNCIL MEMBER GJONAJ: Uh-hm.

23 ASSOCIATE COMMISSIONER DARGA: We also
24 see lack of ongoing bookkeeping, successful
25 bookkeeping, financial reporting. We see lack of

rent rolls or expense tracking systems. There are a series of just basic ongoing management practices that are often lacking and that's why as Anne-Marie mentioned the technical assistance component is really critical here. [coughs]

COUNCIL MEMBER GJONAJ: So, with those lacking under consideration, it's surprising that you don't bring the expense factor into the equation. So, where there is a distressed—financially distressed property that can't stay afloat, and it's making cut somewhere and one of those being services, and we bring in like emergency repairs to address some of these issues, those costs for those emergency repairs are then added onto the property as an expense, correct?

ASSOCIATE COMMISSIONER DARGA: So, the emergence of—the violations that are not addressed that are severe violations the city will intervene to make sure that there is heat and hot water, and to make sure that the other critical services are there.

COUNCIL MEMBER GJONAJ: [interposing] And to do so?

2 ASSOCIATE COMMISSIONER DARGA: That means
3 that the cost then will be borne by the property.
4 So, if they're--

5 COUNCIL MEMBER GJONAJ: [interposing]
6 Right.

7 ASSOCIATE COMMISSIONER DARGA: --not able
8 or willing to do it themselves, we will intervene to
9 make sure those critical services are there.

10 COUNCIL MEMBER GJONAJ: So, you have a
11 property that is under financial distress, and where
12 they can't maintain the property, the city will step
13 under these serious conditions and make emergency
14 repairs.

15 ASSOCIATE COMMISSIONER DARGA: Yes.

16 COUNCIL MEMBER GJONAJ: Which is
17 wonderful, but then they charge the property for
18 those repairs, and if they don't make those payments
19 what is the interest rate for those emergency repairs
20 charges?

21 ASSOCIATE COMMISSIONER DARGA: So,
22 property—I would have to confirm right, but DOF
23 charges, there are statutory interest rates that need
24 to be charged for unpaid charges.

25 COUNCIL MEMBER GJONAJ: Uh-hm.

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2 ASSOCIATE COMMISSIONER DARGA: So, I
3 think I varies depending on the assessed value of the
4 property and again I could confirm that separately
5 afterward. I do want to note just--

6 COUNCIL MEMBER GJONAJ: [interposing] I
7 believe that number is 18% interest. [background
8 comments]

9 ASSOCIATE COMMISSIONER DARGA: Depending
10 on the assessed value of the property.

11 COUNCIL MEMBER GJONAJ: I believe that
12 number is 18%.

13 ASSOCIATE COMMISSIONER DARGA: Okay.

14 COUNCIL MEMBER GJONAJ: So, we have a
15 property that is financially distressed that cannot
16 meet its obligations. The city steps in to make
17 repairs, charges that property for the repairs that
18 they could have probably done had they had the money
19 a lot less expensively.

20 ASSOCIATE COMMISSIONER DARGA: Uh-hm.

21 COUNCIL MEMBER GJONAJ: On top of it, now
22 that they can't afford to pay bills, they're being
23 charged 18% interest compounded annually. So, that's
24 interest on top of interest creating a further
25 downward spiral, creating further financial distress

on this property including real estate taxes and water and sewer rates, and it's amazing that we talk about all these mismanagement scenarios, the lack of understanding, the lack of financial programs to help keep track of rent collections, but you never mention real estate taxes and water and sewer, which have made homeownership impossible.

ASSOCIATE COMMISSIONER DARGA: Okay. So, let me—let me talk a little bit about that. The properties that are in this action have had—have access—have had access, and continue to have access to a large range of financial assistance that the city provides whether it's a rental property in the action or an HDFC Cooperative, those include access to a discounted water rate so the rate of--

COUNCIL MEMBER GJONAJ: [interposing] Afterwards, but not in the process. I'm sorry. Just let me ask you one more time.

ASSOCIATE COMMISSIONER DARGA: Okay.

COUNCIL MEMBER GJONAJ: What is the average water and sewer rate per unit annually on a rental property in New York City?

ASSOCIATE COMMISSIONER DARGA: So, the water rate—I'm not an expert on water, but this is my

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2 understanding, the--the water rate does not vary for
3 HDFC Co-ops--

4 COUNCIL MEMBER GJONAJ: Uh-hm.

5 ASSOCIATE COMMISSIONER DARGA: --right
6 and rentals.

7 COUNCIL MEMBER GJONAJ: Based on what--

8 ASSOCIATE COMMISSIONER DARGA:
9 [interposing] For a multi-family property--

10 COUNCIL MEMBER GJONAJ: Uh-hm.

11 ASSOCIATE COMMISSIONER DARGA: --and they
12 can enroll in the fixed rate program--

13 COUNCIL MEMBER GJONAJ: Uh-hm.

14 ASSOCIATE COMMISSIONER DARGA: --where
15 the annual--the expense is capped regardless of usage.
16 Those properties that are regulated affordable
17 housing can apply for a discount to that rate.

18 COUNCIL MEMBER GJONAJ: [interposing]
19 Yeah, but what is that rate?

20 ASSOCIATE COMMISSIONER DARGA: It's about
21 \$1,100.

22 COUNCIL MEMBER GJONAJ: \$1,100 per unit
23 per year?

24 ASSOCIATE COMMISSIONER DARGA: Uh-hm.
25

COUNCIL MEMBER GJONAJ: Correct? What is the average real estate charges in New York City For rental properties per unit per year?

ASSOCIATE COMMISSIONER DARGA: It can be significant, but HPD and I was trying to say that HPD offers a range of financial assistance including real estate tax exemptions.

COUNCIL MEMBER GJONAJ: But that's afterwards, but leading up to the creation of the financial distress on these properties, we're looking at the underlying issues, and all along you've pointed out mismanagement--

ASSOCIATE COMMISSIONER DARGA: Uh-hm.

COUNCIL MEMBER GJONAJ: --and not once have you mentioned that perhaps these charges that these properties have to face day in and day out, these homeowners face that our city imposed is never a variable in that equation. That number can be as high as \$4 to \$5,000 per unit per year for real estate charges--real estate tax charges on top of the \$1,100 for water and sewer, which leads to the financial stress and undermines these properties from being sustainable. And going back to being where we should be proactive instead of reactive once we find

that these properties are so far gone that they can't maintain themselves, they can't provide the services, the first indicator would be when they're not paying their real estate taxes and water and sewer rates.

At that point, there should be government intervention reaching out to those properties, those homeowners, those co-ops and say, hey, we have a red flag here. We need to come up with a solution before these a downward spiral.

ASSOCIATE COMMISSIONER DARGA: Uh-hm.

Sure. So, let me just reiterate. HPD or its partners as part of the process over the last three years ha reached out to properties that had DOF or DEP charges at least 70 times through ongoing regular correspondence, mailing, official mailing through- notices through TPT, robocalls, flyers to residents, invitations to property owner clinics. Um, and--

COUNCIL MEMBER GJONAJ: [interposing] At what point is that?

ASSOCIATE COMMISSIONER DARGA: Over the last three years.

COUNCIL MEMBER GJONAJ: No, but at what point do these notifications, mailers, robocallers, flyers go out? At what point?

2 ASSOCIATE COMMISSIONER DARGA: Right.

3 So, there are definitely special--there's special
4 outreach that has happened as part of this action
5 that a normal property owner would not get, right,
6 because they're not part of the action, but a lot of
7 that is ongoing correspondence from the Department of
8 Finance, the Department of Environmental Protection,
9 HPD's Technical Assistance providers or HPD itself.

10 COUNCIL MEMBER GJONAJ: But all at the
11 point where it's too late, and the--the investment
12 that would have to be made would be significant to
13 turn these properties around.

14 ASSOCIATE COMMISSIONER DARGA: So, I run
15 our Preservation Programs at HPD--

16 COUNCIL MEMBER GJONAJ: Uh-hm.

17 ASSOCIATE COMMISSIONER DARGA: --and
18 there are half a dozen programs that any multi-family
19 property owner can apply. There is very--there are
20 very few eligibility prohibitions, right. So, if you
21 have a multi-family property whether it's a co-op or
22 a rental, you can reach out to us. We have a
23 standard application. We'll help you figure out
24 which one is the right fit, and we have technical
25 assistance providers that can help. All of that

information is publicly accessible. It's on HPD's website, and we really do try to do very proactive outreach to owners. We've expanded the outreach types of assistance. The outreach and assistance that we do over the last couple of years, we do monthly property owner clinics. We do property management classes. We've done targeted outreach to regulated affordable housing properties, but also to just general properties around when there is issues of financial or other types of distress. We've used our proactive preservation initiative list to actively reach out to every property there. We've done—we've used our Multi-Family Distress List, and reached out to those properties as well. Properties that have expiring tax exemptions, we've reached out to or other forms of subsidy. We have done extensive outreach around specific issues. That being said, there's always potentially other things that we could do, and I think we would really welcome any feedback about issues that we should look out for that could inform our Outreach and Technical Assistance Task Force

COUNCIL MEMBER GJONAJ: Great. So, let me give you some feedback now.

2 COUNCIL MEMBER RIVER: Right, so and
3 Gjonaj--

4 COUNCIL MEMBER GJONAJ: [interposing] The
5 moment that you--

6 ACTING CHAIRPERSON RIVERA: [interposing]
7 Council Member, Council Member, I just want to make
8 sure that we get to Levine before the panelists.

9 COUNCIL MEMBER GJONAJ: Yeah, okay,
10 great.

11 ACTING CHAIRPERSON RIVERA: Okay.

12 COUNCIL MEMBER GJONAJ: I'll wrap it, but
13 the moment you see a build up of violations on a
14 property, the moment that you see a emergency repairs
15 going into a property, and the moment that you see
16 real estate taxes and water and sewer fees that are
17 not being paid, should ring bells, whistles and
18 alarms and put you in that position as a government
19 agency and authority in the in part to do more than
20 send a mailer, but actually go out and find that
21 property owner before those properties go into a
22 downward spiral, and have the city cause-help create
23 that downward spiral. Thank you.

24 ASSOCIATE COMMISSIONER DARGA: Actually,
25 what-can I say one thing about it?

COUNCIL MEMBER GJONAJ: Yes.

ASSOCIATE COMMISSIONER DARGA: We actually are piloting a program to do that right now, and we would love Council's support to expand the program. So, if-if you want to talk more about that later, we would really like to have that conversation.

COUNCIL MEMBER GJONAJ: Thank you.

[coughs]

ACTING CHAIRPERSON RIVERA: Thank you.

We're going to go to Council Member Levine, and-and everyone thank you for just keeping order. Thank you.

COUNCIL MEMBER LEVINE: Thank you, Madam Acting Chair. Hello, everybody. Very nice to see you.

ASSOCIATE COMMISSIONER DARGA: Good morning.

COUNCIL MEMBER LEVINE: I may have more HDFCs in my district than almost anyone else. I think I have about 250 buildings, and so I am really passionate about this issue. I believe that HDFCs are one of the great untold success stories in affordable housing in New York City, and they are

about so much more than just providing an affordable place to live. They are about ownership, and ownership is really the heart of the matter here. When someone owns their own home, they control their destiny. They ensure that every decision ever made about that building is made only with the interest of the people who live there. Ownership gives people a chance to accumulate equity, which can provide for retirement, and security for families who otherwise might not have it. This program, HDFCs have been a path to the middle-class for thousands of New Yorkers. It really is a great success story, and they have done good not only for themselves, but they've turned around entire neighborhoods. I see it in my district all over the place because they are so invested, and the sweat equity that--that they've put in and so many of you have put in over decades to turn around your buildings and your blocks and your neighborhoods, and there's actually research on this just the way the homeowners really become great civic activists, and we even see that it has benefits for health and other quality of life. We lose all of those benefits, that all evaporates when a building converts from homeownership to rental, and so it's a

decision that we should be very, very, very reluctant to take, and I know that today's hearing is not about the regulatory agreements, but I can't miss an opportunity to say that we need to understand the great diversity in this movement, and that there are many, many buildings, which are thriving and that we need to make very sure we do nothing in any new regulatory agreement, which would hurt those buildings, which are succeeding. A one-size-fits-all solution is not appropriate. Now, we do understand our building which are—which are struggling. We understand that every single person here cares deeply about that, and often the difference between financial life and death for these buildings is getting an Article XI, and it's so critical that we remove every barrier to doing that. So, one thing to point out, by the way is you have to have interagency coordination because if DEP is not onboard offering a payment agreement, then the Article XI is not enough. So, it's really critical that all of you are coordinating with the other agencies that touch here. Now, Article XI—a retroactive Article XI, which again can be really the lifeline that we need can, if I'm not mistaken, can have an expiration date or a date

by which—perhaps I’m using the wrong term, but a date by which if they don’t apply they’re out of luck. Am I correct about that? Have we removed any—any barriers regarding an expiration date for Article XI?

DEPUTY COMMISSIONER HENDRICKSON: Council Member, good—good morning.

COUNCIL MEMBER LEVINE: Good morning.

DEPUTY COMMISSIONER HENDRICKSON: A building can apply for an Article XI at any time, but just to be clear on this action that we’re in--

COUNCIL MEMBER LEVINE: [interposing]
Right.

DEPUTY COMMISSIONER HENDRICKSON: --that started since 2015, we had provided additional time in the action for the co-ops and HFDC rentals to apply for an Article XI. So, the good news again is 62 applied for the Article XI, and they can continue to apply, but the time is starting to get against them. We’re in mandatory redemption, as I mentioned, for every borough except Manhattan.

COUNCIL MEMBER LEVINE: Right.

DEPUTY COMMISSIONER HENDRICKSON: Okay.
So, even those that are in the process of completing the checklist and getting Article XI, there may not

be enough time for that Article XI to be implemented,
okay.

COUNCIL MEMBER LEVINE: So, is it too
late for the remaining HDFCs?

DEPUTY COMMISSIONER HENDRICKSON: Again,
it's—it's not—it's not too late for them to try to
apply. The checklist piece is finish. We've asked
people to give us the information for the checklist.
They can continue to submit information, but what we
have advised people to do, you know, co-op owners
and—and HDFC rentals is look for an alternative way,
okay, to handle the municipal arrears outside of the
Article XI. We have always said do not solely rely
on an Article XI. We have always said that you need
to figure out plan with DEP, and I think you're
right, that we have worked with DEP to think about
how can can—they can do payment plans. I think they
have been open to that. Just to be clear, your
borough has additional time because the judgment was
filed a little bit later. So, buildings in your—in
your district in Manhattan have until I believe July
20th if I'm right before the mandatory redemption
period ends. So, those buildings should again go to

DEP to deal with, get into payment plans while they continue to work on their Article XI.

COUNCIL MEMBER LEVINE: I understand so you—you referenced a checklist--

DEPUTY COMMISSIONER HENDRICKSON: Uh-hm.

COUNCIL MEMBER LEVINE: --which is-is-it could be a very heavy list or some of these buildings, and-and once again, a lot is on the line here, potentially, the financial difference between surviving and not.

DEPUTY COMMISSIONER HENDRICKSON: Uh-hm.

COUNCIL MEMBER LEVINE: I think you need-- the articles on that checklist include--I think you need 100% of shareholders to--to, I think sign in or sign onto this, and you also need, I think detailed information from every shareholder. Can you explain that burden and the extent to which there is flexibility there?

DEPUTY COMMISSIONER HENDRICKSON: Sure.

The---the checklist the put together was put together again with some of the advocates, and it really is indicative of what a well functioning cooperative would have. Okay, we're talking about financial audits. We're talking about budgets. We're talking

about having elections. We want the 100% income certifications because the tax exemption is intended for low-income residents. Okay, so we want to be— have a better understanding of who is in the buildings. Some of these buildings have come out of city ownership 20, 25 years ago. So, we need to have an understanding of who is in the building. It also helps—the income certifications also help us to get a better sense of how we can structure a budget and what sort of maintenance increases people would, you, will need in order for their building to remain viable. So, we will—at the end of the day, the statute really requires two-thirds, okay, in order to process an Article XI, but we want your 100% because it gives us more insight into other information, and it also lets us know if there are units where there is no shareholders, someone has died. It needs to go to probate. So, it gives us that better understanding of every unit in the building. Okay, and we have worked with buildings where if they have shown a concerted effort to get the 100% and one resident for whatever reason didn't give it, we will move forward with that. Okay, but again, it just gives us more in-depth knowledge of the building, and

helps us to structure a financial plan in a better way.

COUNCIL MEMBER LEVINE: Well, I'm—I'm going to wrap in a second because I'm anxious to let the most important people here who are the shareholders have a chance to also testify.

DEPUTY COMMISSIONER HENDRICKSON: Uh-hm.

COUNCIL MEMBER LEVINE: I'll just make the final point that it—it is so critical that we find alternatives to—to foreclosure for a family who's put 20 or 30 years of sweat equity into the building to see that evaporate, for our newcomers who are—we sometimes don't talk about, but there are newcomers who have actually invested hundreds of thousands of dollars into some of these units. They themselves could see that, it could be their life savings that they jut put in. They could see that evaporate in a foreclosure. So, I have actually called for a moratorium as I know you are aware. Until we can ensure that we have exhausted every possible option to keep people in these homes as shareholders, and as homeowners. Thank you very much.

ACTING CHAIRPERSON RIVERA: Thank you. I don't see any further questions, and I, of course want to thank you all for being so patient that are waiting. I thought it was important for you to hear from the Administration themselves to-to bring you some answers to the questions, I'm sure you've had, and when you mentioned that you're looking for recommendations, and suggestions, of course, I encourage you to stay the entire hearing. You're going to hear recommendations, you're going to hear suggestions from the people who are living in these conditions every single day who just want respect, dignity and a fair shot at-at, you know, succeeding and thriving in their own communities. So, I just want to thank you all so much. I did have some more questions. We are not-we're going to stop asking you questions. What we're going to do is we're going to follow up. I had a number of-of things I wanted to ask including the stakeholders that you are talking with. I know it's the HDFC Coalition, but who are those people? How did you make up this board of people that you consult with, the non-profit partners that you're currently working with. You mentioned a lot of them are MWBEs. I'd be interested to know the

data on those numbers. The profile of some of the buildings in distress I'm curious to see where the concentrations are, if they're in neighborhoods that are in high speculations because of the real estate market, questions about access to capital, the points of contact and the 70 points that you mentioned, but to get a little bit deeper in that and, of course, to encourage interagency communication as mentioned by one of my colleagues. Again, thank you so much for your time, for answering all of our questions. We really do appreciate the work you're doing. We hope that you'll consider us a partner in-in trying to make sure that the people here get the respect and the dignity that they deserve to live in the homes that they've worked do hard to make and-and to be one of the pillars in community. So, thank you. Have a great afternoon. We'll be in touch, and with that, I'd like to move onto panels of residents. We are going to start with Bruce Robertson, Carlton Boroughs, M.E. Green Cohen, who might be with Carlton, Bligen, just one word Bligen, and Yolanda Coleman.

FEMALE SPEAKER: [off mic] Yolanda went back into work.

ACTING CHAIRPERSON RIVERA: She left for work. I hear. I understand. If you speak to her, tell her I said I apologize for the delay. So, is Ingrid Gomez Faria here? [background comments] Excellent. Thank you. Alright. So, she left and we got these. [background comments, pause] And—and just so we can hear from everyone, and we have dozens of people who have signed up to testify, we are going to put a clock of two minutes. [background comments, pause]

BRUCE ROBERTSON: Thank you. Okay. I'll be brief. Good afternoon, City Council Member and HDFC fellow—HDFC shareholders, and I would particularly like to say high to Council Member Mark Levine, and just thank him for all he's doing for the efforts that the coalition and other coalitions in the city. There's not just on HDFC coalition. There's a Brooklyn group. There's a Lower East Side group. We're all working together to make things happen for the better. I'm Bruce Robertson of the HDFC Coalition and public member of Manhattan Community Board 12-- [coughs] excuse me—comprised of Washington Heights, Inwood, and Marble Hill. Last April 2017, CB12 passed a resolution opposing HPD's

proposed new 40-Year Regulatory Agreement for HDFCs.

This resolution passed unanimously, and essentially said that our elected officials should reject—reject

any proposal to sunset the DAMP Tax Abatement before

2029 or tie any other real estate abatement to a

draconian regulatory agreement. The resolution also

requested that HPD provide assistance to programs

with the input of people in this room, HFDC

shareholders to assist the 25% of the buildings that

are in distress. The 25% is their number. We don't

necessarily agree, but it's one of the issues that we

want to address in the future: Information and data.

The buildings in foreclose we are discussing today

are the most distressed the most help. CB12 resolved

that HPD's objective should be to help these

distressed HDFCs become viable and successful

cooperative, which we did hear today. We give them

credit for trying, and that all relevant data be made

transparent to our communities where they exist.

Other community boards have made similar resolutions

including 2, 4, 9 and some others. Thank you,

Councilman Chin, and others. [bell] So, I'll just

close by saying we ask you, City Council, besides

Article XI tax amnesty, what additional help could

these HDFCs who are facing foreclosure, losing their equity, losing their life's blood, sweat and tears receive to avoid terminating their co-op ownership. Thank you very much.

INGRID GOMEZ: Good afternoon. My name is Ingrid Gomez, and I'm the Director of Real Estate Development for Community League of the Heights. Community League is a multi-service community development organization dedicated to supporting and empowering the economical-economically disadvantaged residents of Hamilton and Washington Heights and Inwood. Throughout its 65 years of history, CLOTH has been dedicated to finding solutions to the problems of poverty and disinvestment that come from these neighborhoods. On behalf of CLOTH, and over 90,000 community members we serve annually, we would like to thank the City Council and Chairman Cornegy and the community-Committee on Housing and Buildings for all that you do to help New Yorkers. CLOTH is a mission driven organization and the largest provider of affordable housing in Washington Heights and Inwood. We work on behalf of our residents to engage with HPD to identify and implement programs that focus on addressing physically and financially

troubled buildings within the Community in a purposeful effort to stabilize our community, and to provide permanent affordable, safe, and decent housing for long-term community residents. The Third Party Program helps us to realize our mission. Properties in the program are all—are able to escape from the yoke of the financial burden of tax liens, emergency repair costs, and to address the health and safety violations and to complete necessary repairs. With their properties restored to long-term financial [bell] and physical health, residents are freed for the first time from the fear of losing their homes. We have one property that was in the TPT program. Today, through 369 Escrow is totally renovated, cleared of violations, with rents that existing tenants can afford. The building will remain permanently affordable helping to stabilize the neighborhood and provide the long-term residents with assurance that they and their family can remain in the—in the community they call home. Thank you.

ACTING CHAIRPERSON RIVERA: Thank you.

MARY ELIZABETH GREEN-COHEN: [off mic]

Good afternoon [on mic] to all. My name is Mary

Elizabeth Green-Cohen. In our building I'm known and

Mrs. Thomas Winston. I'm here to talk about the organization that we founded, which came into existence as a result of our suffering at 938 Saint Nicholas Avenue, which we feel is Exhibit A of this Affordable Housing Predatory lending scheme in the city and state of New York. It allows Article XV to give something and then Article XI to take it away, and primary perspective is to provide information and education so that residents will advocate with the legislature to make Article XI and Article XV of their New York State Private Housing Finance Law, which is the underpinning of all our existences to, in fact, represent the tenants of the citizens and the people who live in these HDFC cooperatives, residents including shareholders and tenants because basically, we're just glorified tenants associations because we're not given the examples of free-the rights, the property rights of free simple ownership that normal property owners exist, and one of the aspects of-that Mr. Winston has asked me to present is this request for legislation on non-primary residents issues, and we'd like to title it the Green, Cohen and Winston Act and "No non-primary residence holdover proceedings can proceed unless it

is guaranteed that there is no illness or sickness among the residents or relatives in the household. If the landlord suspects that there is question of non-primary residence, it is the landlord's burden to ascertain that there is no illness or sickness among the residents or relatives in the household. If the tenants document that there is illness or sickness among the residents or relatives in the household, their holdover non-primary residence proceeding cannot proceed and must be dismissed." Thank you very much. Mr. Boroughs.

ACTING CHAIRPERSON RIVERA: Thank you.

CARLTON BOROUGHS: Good afternoon. My name is Carlton Boroughs. I live at 936-938 Saint Nicholas Avenue, and it's amazing that HPD sat here and painted this wonderful picture about the TPT program. I am here to show contrary to what they have painted. One of the things that they dare not mention is the amount of fraud and corruption that fuels the TPT program. I'm living that nightmare right now, and I've been living it for the last seven years. We are right now--what I perceive to be engaged in an illegal foreclosure proceeding on a building that does not have a C of O, on a building

where 905 of the work was not completed through the TPT program, but yet they closed on multi-million dollars of loans. I have recently sent to all the City Council members a letter, and I'm going to hopefully surmise my testimony through the reading of the letter, but before I get to that, I just want to say that I'm mainly here to ask the New York City Council to launch an independent investigation into how this transaction came about, how they closed on these loans without the building being completed, without the building being issued a C of O, and then making the building responsible for that debt that it never even knew about. We were never included. We were told that we were on a need-to-know basis by Leroy Shekowsky of SHUHAB when we asked legitimate questions as to, you know, what are the financial consequences of this deal? We were told we were on a need-to-know basis. It's more egregious than that, but it's just too lengthy to get into, and I'm hoping that the City Council will hear, hear me today, and read what we've submitted because we're-we're-we're about to lose our building through an illegal foreclosure. It should not be. It should not exist. How does this happen in the greatest city in the

world? How can this remain under the radar, and by the way, we're working with ten other buildings that suffered the same symptoms. It's no mistake that there are over 84 buildings in foreclosure and they are all HDFCs. There has to be something done about this and it starts with an independent investigation into predatory loans-lending scheme of the New York City Pension Fund, and the existence of the relationships between HPD, UHAB, SHUHAB, Neighborhood Restore, and all of these management companies that are parties to this-these illegal transactions. The city needs to look at this very closely. One of the City Council persons spoke of the number of buildings that are foreclosure and that these foreclosures have existed since the crisis of 2008. There's a serious crisis in New York City that is going totally ignored because I've gone to politician after politician, and nothing has been done since 2011.

ACTING CHAIRPERSON RIVERA: Well, Mr. Boroughs, I-your-your time is up, but I want to-we all did get a copy of the letter, and I want to thank you for bringing this to our attention and your Coalition of Buildings, and so not only do you have the Housing and Buildings Committee looking into this

important issue, please know that we also have a new Department called Oversight and Investigations just to increase our capacity on looking into things that are brought to our attention by concerned constituents who feel they are not being served by the city in which they—in which we are supposed to be listening and representing you.

CARLTON BOROUGHS: Yes.

ACTING CHAIRPERSON RIVERA: Okay, so thank you, thank you.

CARLTON BOROUGHS: Thank you. [background comments]

BLIGEN: Very quickly, on my--

ACTING CHAIRPERSON RIVERA: [interposing]
Can you just state—state your name for the record.

BLIGEN: The name is Bligen, B-L-I-

ACTING CHAIRPERSON RIVERA: [interposing]
Oh, okay, yes.

BLIGEN: G-E-N, and I reside at 320 West 111th Street HDFC. I've been there for over the past 25 plus years. I have been an active member—member of the association before we went into the TIL Program, and then when we converted in 1990, and although we're not in the TPT program, my concern for

my building and many other buildings is that you spoke about it today about prevention before a building is in distress. My building although financially we are not in distress as yet, we have board members who do not live on the premises, who do not give financial—regular financial reports, who are not transparent with anything. We have one Treasurer who—who owns about five or six different apartments under other names. They're B&B Apartments. This is supposed to be affordable housing for people who need it, but we have individuals, we have a 22-unit building with two commercials, and this one single treasurer has one of the or two of the commercial spaces. We have no idea what goes in that commercial space. We have no idea how much they're paying if anything for the commercial space, and out of a five-member board, we have only one or two that actually live on the premises. My position with HPD is that I have gone there from year one to complain about these issues [bell] because it's from one regime to another where you have these rogue illegal boards and no one is addressing it. HPD does not. I've written letters. I've written letters to the Department of Investigation, and the letter that I handed to the

Council is a letter that was written on behalf of my building and several other buildings by Assembly Member Daniel O'Donnell to the Department of—I've gone to the Department of Investigations. This letter went to the Attorney General's Office and nothing. And when I address these issues that—with HPD, Mark Matthews in particular, you know, I'm told that this is an issue that the shareholders have to take responsibility for, but it's a 22-unit building with six of those apartments that are sublet and a large majority of the people who were original tenants are elderly and not really involved, and we've got an entire building filled with strangers basically running in and out of there.

ACTING CHAIRPERSON RIVERA: So, Ms.—Ms. Bligen, HPD is here, and I know that you might be a bit discouraged in—in communicating with them and to alleviate your issue, but it sounds like you have issues of maybe non-primary residents, non-payment and some board dysfunction, which I've heard countless stories on irresponsible board members. So, I'm sorry that you all are going through this, but if you will connect directly with HPD who is sitting actually directly to your right, just so we

can try to resolve your one building issue, and then please feel free to follow up with Chair Cornegy or myself or individual Council Member and consider us a partner.

BLIGEN: Thank you.

ACTING CHAIRPERSON RIVERA: Okay. So, than you. Thank you all so much. We're going to call up the next panel. Eamon McGoldrick, Harry DeRienzo, Andrew Reicher, Michelle James, and Gary Payne from 499 West 158th Street. [background comments] Poyo-Poyo (sic). Sorry about that. [background comments, pause] And if anybody else here is interested in testifying please fill out a slip. [background comments, pause] You'll be next, okay. Okay, thank you Trudy. I'm ready when you are. Can we start here?

MICHELLE JAMES: Hello. My name is Michelle James and I'm here to testify about the TPT program. Our building are a group of five buildings that on the main, the Harlem Valley, the Harlem Valley HDFCs because they run into TPT as a cluster of five buildings since 2001. Since 2005 we were fully renovated. We have no financial problems. We are managed by Manhattan Valley Management Company,

and since 2009, we received our no action letter.

The no action letter meaning that we're—we're in full compliance and it's ready to be converted, and

nothing has happened. Manhattan Valley has not

cooperated. They do not give us all monthly rent

receipts—rent rolls so that we could have our monthly

meetings. They have not given us any financial

records. The last time we heard from HPD was when

Liz Mercado called to find out what was going on, and

this was like in 2010. Every time we—we complain,

Manhattan Valley takes a bunch of us to court and

claim that we're subletting our apartment. We're not

living there. Eleven tenants has went to court, and

all cases have been won. The money to litigate all

of these cases in court for two years at a time is a

stress on our budget, and that money comes directly

from our bank account. So, when we do convert, if

this—once this happens because we are not going to

stop fighting, we are going to end up in discuss the

problems that you are discussing today because our

money is being used to illegally litigate the

tenants. I have been blacklisted. I have owned—I

own a beauty parlor that was on their property, and

once I started complaining--it was on a separate

property--about anything, all of a sudden they went to my beauty parlor and locked the doors, locked me out of my beauty parlor illegally. I fought in court and won the right to get back into my beauty parlor, but because it's a business--it's a--it's a commercial space they didn't have to renew my lease [bell] after my lease was expired. So, they did not renew my lease, and these low-income beauticians lost their jobs because they had nowhere to work, and it continues, and every time we complain, they claim that we do not have 80% of the tenants in compliance. They--they have no idea of--80% of our tenants are definitely paying their rent. They have no idea what's going on because none of them come to any of our meetings ever. So, one of the Council woman--woman, Ms. Helen Rosenthal who is sitting right here asked why are people afraid of the Third Party Transfer Program. This is why people are afraid [bell] or should be afraid of the Third Party Transfer Program because once you get into the Third Party Transfer Program it's a trap that you don't really necessarily get out of because we have five buildings that I could testify today that we are doing everything that we're supposed to do. We even got a no action letter

in 2009 just for us to transfer the ownership and we have not transferred. We have no problems. We have no tax problem, no water problem. We have a loan because the city with Manhattan Valley Management of course, you, and so I know that works. They had a loan to renovate the buildings. All the buildings are fully renovated. It's a cluster of five buildings. They have changed executive directors of Manhattan Valley four times since 2009. They have changed management—property managers over four or five times. They have fired all of the staff [bell] three or four times since 2009. The two HDFCs that they were managing before they sued them and won. Two different HDFCs has sued Manhattan Valley.

ACTING CHAIRPERSON RIVERA: [interposing]

So, might we ask--

MICHELLE JAMES: [interposing] -for

mismanagement and won.

ACTING CHAIRPERSON RIVERA: Are you still in contact with Manhattan Valley or are you saying that they're just not—they're not responsive at all?

MICHELLE JAMES: They're living on—we're living there because of the way the Third Party

Transfer, our type of Third Party Transfer because we

are not the type of Third Part Transfer when it was an HDFC and we lost it. We went in there voluntarily to them with other partnerships. So, they still have the deed for our building. So they dangle it up over the tenants' heads and say yes we own the building. So we can do whatever we want to you, and the tenants are afraid. So, people get very, very scared, but they are basically our landlord, but all they do is collect rent and torture us.

ACTING CHAIRPERSON RIVERA: So, can I ask HPD, you're--you're here, right, you're following up with these individuals who are coming to you? Okay, thank you. Thank you so much. Thank you for letting me know what your building is going through and your experience.

MICHELLE JAMES: No, but there's some letters to HPD, and they sent us back a letter, and one of the tenants saw this and--

ACTING CHAIRPERSON RIVERA: [interposing] So, but what I'm going to have you do so we could make sure that everybody gets a moment to testify, I'm going to have them follow up with you individually today--

MICHELLE JAMES: Okay

ACTING CHAIRPERSON RIVERA: --about what your building is going through, and so thank you for sharing your experience. I'm sorry that it's been so long and they've been non-responsive.

EAMON MCGOLDRICK: Good afternoon. Thank you very much for the opportunity to submit testimony today on behalf of tens of thousands of New Yorkers affected by the Article XI Program. My name Eamon McGoldrick, and I am here on behalf of New York State Tenants and Neighbors Information Service and New York State Tenants and Neighbors Coalition, two affiliate organizations that share a common mission, to build a powerful and unified statewide organization that empowers and educates tenants to preserve affordable housing, livable neighborhoods and diverse communities and to strengthen tenant protections. The Information Service organizes tenants and at-risk rent regulated and subsidized buildings to help them preserve their homes as affordable housing and organizes administrative of foreign campaigns. The Coalition is a 501(c)(4) membership organization that does legislative organizing to address the underlying causes of loss of affordability and our membership organization has

over 3,000 dues paying members. Created in 1966 as part of the New York State Private Housing Finance Law, the Article XI Tax Exemption's original intention was to help reduce operating costs for non-profit developers of affordable housing by easing their tax burden. Currently under the de Blasio Administration, however, it is being used as the primary affordable housing preservation tool increasingly for for-profit developers. In their current form, these agreements are being constructed with inappropriate affordability guidelines about any processes for oversight or tenant engagement. As such, the city is granting lucrative tax abatements to for-profit developers and asking almost nothing in return than terms of affordability and protections for New York's low-income and moderate income tenants. For example, at the Riverton Square Complex in Harlem, an Article XI Tax Abatement was granted that preserved affordability for 975 of the complex's 1,230 total units. These regulated units were split into three tiers of 325 units with different income levels stipulated for new tenants. The first tranche of 325 regulated units is earmarked for tenants with a maximum annual income of \$51,540. The second 325

regulated units are preserved for tenants with a maximum annual [bell] income of \$68,720, and the last third of 325 regulated units are set aside for tenants with a maximum annual income of \$107,375.

The family households median income in this area of Harlem is \$31,515 per year meaning that more than half of the residents in the community that might be in need of quality affordable housing are priced out of the cheapest regulated unit. Moreover, many of these tax abatements are being granted to developers such as Tahl Propp Equities who have documented histories of harassing and displacing low-income tenants. Tenant and Neighbors is testifying today to advocate for deeper affordability, greater oversight in tenant protections, and the creation of a tenant engagement process in affordable housing developments with Article XI agreements for tenants to understanding their new regulatory program and be a part of the negotiation process. We also recommend the implementation of clear oversight mechanisms for creating stronger regulatory agreements with greater protections for tenants, such as the right of-the rights of tenants to organize [bell] tenant recourse for poor conditions and additional mechanisms put in

place similar to other affordable housing programs using the same scale that Article XI is beginning to be used in New York. Without addressing these issues, the city will continue and inefficient use of power and resources that does not address the housing affordability crisis nor viably protects tenants rights to dignify treatment. Failure to rectify this policy will result in the fast erosion of vibrant racially and economically diverse communities that make up vital parts of our city.

ACTING CHAIRPERSON RIVERA: Thank you.

HARRY DERIENZO: Madam Chair, my name is Harry DeRienzo. I'm the Executive Director of Banana Kelly Community Improvement Association in the Bronx. We are a non-profit that's been around for about 40 years. Personally, I've worked in the affordable housing field for about 43 years, and during that time I have served of the boards of about 20 membership HDFCs and have assisted scores of cooperative HDFCs through loan programs I administered with I served as President of the Parodneck Foundation. So, I'm testifying on behalf—on behalf of the CPT program in support of it. To start, I want to be clear we have Banana Kelly

Support Cooperative Ownership. In fact, we are currently sponsoring a cooperative development in East Harlem. However, we are not in favor of allow cooperatives that are unable to function independently, the language with no viable future to the detriment of neighborhoods and most residents who make up the members or the shareholders. In our experience, most of the problems with the early HDFCs have to do with minimal investment made by the city prior to purchase by the residents, and the simple fact that costs have increased at a far greater rate than household incomes have, but we've also seen circumstances where individuals end up taking effective control of the corporations and running those to affect (sic) the landlord. We have examples that where only a few shareholders remain within a building that now has the majority of residents. So, where one or more shareholders actually control multiple apartments renting them out as individuals for individual benefit. I want to point out these are the minority. These are the ones that come to our attention, but this--these are the situations where I think these buildings would be coming to Third Party Transfer, and there is also the reality that it's

just hard to make small buildings. There is—if residents are low and fixed-income, cooperatives work best in smaller settings, but large buildings are easier to manage based on economies of scale. So, we encourage the Council for HD-HPD's intention to foreclose on severely distressed HDFCs. We further encourage the city to seek to capture the experience that's there in the current HDFCs and transfer these HDFCs to non-profit CDCs particularly those who engage their residents [bell] in governance through mutual housing associations and not—and utilizes opportunity as Council Member Chin referenced before to maybe bring the nascent CLT program, Community Land Trust Program to scale. Thank you very much.

ACTING CHAIRPERSON RIVERA: Thank you.

ANDY REICHER: [off mic] My name is--

SERGEANT-AT-ARMS: Is your mic on?

ACTING CHAIRPERSON RIVERA: Make sure it's on. It's the red light.

ANDY REICHER: Oh, the red light is on. Okay. Hello, my name is Andy Reicher. I'm the Executive Director of the Urban Homesteading Assistance Board, and over the past 45 years we've been involved in the creation and preservation of

about 1,100 HDFC co-ops through a variety of city programs. First through homesteading programs and the TIL and other DAMP programs and now through development programs such as TPT. Though all of these, we have learned successful co-ops are as much about people who form and sustain them as they are about the real estate development and finance. Third Party Transfer Program is a valuable tool to create additional affordable homeownership in New York City, and that is largely how we've used it over the past 15 years. UHAB has developed 37 projects comprising over 775 affordable homes through TPT. The projects we developed were a mix of formerly neglected rentals and also struggling HDFCs that were fortunately at that time given a second chance of success. It is important to point out that the current HDFC co-ops that are facing in rem foreclosure are just a small minority of the entire stock of HDFCs. The majority of more than 1,100 HDFC co-ops are thriving, free of municipal debt, in good physical condition, and providing deeply affordable housing to the residents. All of the HDFC co-ops that are included in the current round of TPT were at one time city-owned property. The residents in these co-ops are the

people who stayed after their buildings were abandoned by their previous owners and their neighborhoods were neglected, ignored by lending institutions and traditional lenders. The only reason these co-ops exist as affordable housing today is because the residents fought for their homes and communities. We must first acknowledge and thank the residents of these and of all the HDFC co-ops across the city who have been stewards of this invaluable stock. So-so it's not a simple narrative as to how buildings get here and how the 62 are on this list. So, there is a variety of reasons why they get there, and I think some have been mentioned. Some buildings didn't get a lot of repair before they became HDFC co-ops and now are facing large repair needs. Very often residents made the choice of not paying their water and sewer or taxes and making the repairs that their buildings. Some made their municipal charges, and were good governance and everything, but in recent years core leaders have died or passed away or moved on, and leadership has waned, and some of these co-ops have very low members and there's a reluctance or inability to raise the monthly charges in the co-ops to be able to meet the new cost without new

subsidy Section 8 for residents whose incomes are going down. We can best support these projects by acknowledging there are a lot of unique and various challenges that they're facing and not painting every co-op with the same broad brush. There has been a lot of talk about the communication with the HDFCs, and I think as the city said, when we were with the contract we contacted every building that was on the TPT list and spoke to them about what was available for them, and we were able to work with 15 to 20 of them and a few more that are still working through the process to get them out of-out of the TPT process. We also reached out to all the buildings when the amnesty was extended, and tried to give them their-their last chance so that I think that there was a lot, but the opportunities to get out and the opportunities and-and the difficulty of-of fixing it before you get in are really lacking as we-or-or need to be strengthened I should say as we go forward. I-I think that there needs to be easier access to loans. I think there needs to be more support for helping these buildings, and I think there's a lot of-of discussion that's been had by both the city and the Council of ways that we can do this.

ACTING CHAIRPERSON RIVERA: Well, thank you. Thank you.

GARY POYO: Hello. Good afternoon. My name is Gary Poyo. I reside at 499 West 158th Street, which is an HDFC. I've been living there for over 17 years. We—I just became a Board member. I'm actually the Vice President of the Board again in November. Prior to, there was a board that was there for it seemed like over 20 years, a couple of family members and whatsoever. The building did not get wind of the foreclosure until I would two months ago, three months ago, and apparently this has been going on for over three years. Once we got wind, we had began making steps. We had reached out to the HDFC Coalition. They came in and assisted us with creating a new board. They actually also had a Council member there, a representative. From there we also had gotten assistance from Victor Morissette (sp?) We had—there was no one who had—had informed us of a tax amnesty. He assisted—assisted us with the package, which is clear, but it's—it's not—and I know people have mentioned this before, but it's not an easy task to go to each door and knock on everybody's door to get everyone in compliance, and

from my experience, after we had submitted I would 90% of-of the package, or I should say of the people within the building then a couple of weeks down the line we had-we told that we needed 100% then we-- it's-it's -we had to go through the whole spiel [bell] of, you know, reaching out to people and-and our-our tax amnesties is in. We actually sat with DEP yesterday, me, the Treasurer as well as the Secretary, and for us to-for-for the Tax Amnesty to be approved you have to have an agreement with DEP. I know she had mentioned-you know sitting before us that-that they had-they would prefer us to-to-to go ahead and get a loan from some place else or negotiate with DEP, but to get the Tax Amnesty in we must have an agreement with DEP. And we also got a number in regards to our real estate taxes, and unfortunately, the-a good burden of it is-was-was put on the commercial space because we have two group-we actually have four units, which is commercial space. So, although if we do through the grace of God get approved by-for the Tax Amnesty, we still have a major burden of paying this-these-these arrears, and-

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ACTING CHAIRPERSON RIVERA: But are you currently working with someone?

GARY POYO: And so like

ACTING CHAIRPERSON RIVERA: With someone at HPD or besides HPD.

GARY POYO: We're working—we're working tons of people.

ACTING CHAIRPERSON RIVERA: Okay.

GARY POYO: You know, a lot of—a lot of footwork. Everything is done pro bono. There's no management any more. The people who are—who are on board are paying themselves, a new Super who gets paid practically peanuts. It's—it's—it's—it's just a task, you know, and—and—and I regards to TPT, I have no clue. I don't know. I never heard of TPT. It was just one day I received a notice under—underneath my—my door. I opened my door. I went downstairs. I'm speaking to them asking them what's—what is this about. They're telling they can't explain nothing to me, but they—they were able to—to put this—this document underneath person's door, tape—tape—tape up the—the notice inside of the building, at the front of the—of the vestibule, outside of it notifying us that we have an opportunity go ahead and get with

TPT. So, I hear everyone talking about communication. A Council representative was able to come to our board meeting and--and help us get new board members as well as the HDFC Coalition, which was free of charge. You have charges. So, does everyone else. That's the next thing, and it's not that easy to get in contact with people. You know, the whole system--

ACTING CHAIRPERSON RIVERA: [interposing] well that's what--I just want to make sure that--that we--that's what we're trying to work on. We're trying to give recommendations to HPD because of your experience and being told that one day you're one status, and the next day your building is another status, and you really have no idea how you got there is pretty much what I'm getting from--from your story.

GARY POYO: Right.

ACTING CHAIRPERSON RIVERA: So, again, I want to just encourage--the agency is here and they have to follow up with you individually. You know, you've been in a position in which you're volunteering for as of November, and I--I do feel like you don't have the resources to--to serve your fellow tenants. So, if--if you'll follow up with him individually so we can get to--to the root of some of

these issues. Thank you. Thank you so much for your testimony, and for sharing, and Harry, I know you've been doing this a long time. So, please make sure that you talk to them before you leave today.

GARY POYO: Okay, and in regards to the Tax Amnesty?

ACTING CHAIRPERSON RIVERA: Uh-hm.

GARY POYO: Okay.

ACTING CHAIRPERSON RIVERA: And I just want to let everyone know again I will thank you again and again for your patience today because I know that some of you are missing work and you probably had childcare issues, but how we're trying to balance these panels is to have people who are for TPT and against, people who are representatives from organizations from tenants who are co-ops-co-operators. So, we're trying to have some diversity in these panels. So, if you signed up early I'm trying to get to you first. So, just please understand how we're trying to balance each of these panels. So, Trudy Silver, Epif Feister, Beverly Curry, Brenda Stokely, and Anita Chang.[background comments, pause] Trudy, would you like to start?

TRUDY SILVER: Can I stand.

ACTING CHAIRPERSON RIVERA: Just make sure the red button on—the red light.

TRUDY SILVER: So, I just became an old lady. I'm 65 and I'm asking to be able to stand because I have arthritic issues. My name is Trudy Silver. I'm a 30-year Harlem music teacher recently retired. I got a call a couple of days ago by some wonderful people by Glory and by Martha Danziger to get here and talk about what's going on. Usually I am doing what my mother says. She's 99 and she's, Trudy, when you go there, don't talk politics. Well, I'm sorry. It's very hard to avoid talking politics. She said, Don't tell people that you're always getting arrested. Don't talk about the war. Don't talk about the times you got arrested trying to save your garden next to your building. She said don't do this, and then my husband of 30 years says, Please, stick to the script. But I'm a jazz musician so obviously I have to do a little bit of improvisation. I'm a tenant at 310 East 4th Street, HDFC that has continually provided affordable housing to low-income people for 38 years. Can I hear an amen? I understand you can't talk, you can't clap. I'm a music teacher. You're supposed to be able to show a

little bit of enthusiasm, warmth but, of course, I'm not used to a captive audience that's going to listen, okay. I used to—I usually have to stand on my head, play the piano, yes I'm a jazz pianist. So, this is a very special treat to have people that are really trying to listen. Here since 9:30 trying to speak, fighting for decent housing for poor people. We're a 16-unit building that includes small children, seniors and disabled. I would have blown this thing up and had all the multi-media stuff that HPD had and that all the city agencies had, but I wasn't prepared, but we are [Speaking Spanish] [bell] Okay, Luiz Salguero and certainly we sat down years ago, all of us with Anne-Marie Hendrickson, and Luiz Salguero to do whatever we could do to get the Article XI, and, in fact, we have Sylvia Ravello out where who hand delivered along with me, along with Augustina Valentine who now unfortunately dead, but here son is here, not today but he's working, and we have taxes over \$100,000 year for a property that HPD deems low-income. We got everybody to get their—their tax stuff in, okay, but that was two years ago. We were promised that last January [bell] we would be submitted for the Article XI. Then the Luiz said

it's going to be August. Then we called Rosie, then we met again. We're doing everything. We have been doing everything possible over the past 2-1/2 years to get and Article XI Tax Abatement including multiple meetings with Council people and HPD. We attendant-attended management training always at least five people at every meeting. We've increased our own maintenance. You all know how hard that is to take a large increase. We've negotiated on our water bill. We've built up our \$140,000 reserve. We brought tenants to court who owe money. Last month we negotiated over \$30,000 in back rent from tenants who sent us letters saying thank you for holding on and waiting until we could pay this back. We deserve Article 11 status because our unpaid taxes are— because of our unpaid taxes on the tax lien sale list. We're on a sale list right now. This is crazy that we should be on that. Please help us get the Article XI that we deserve. 310 deserves an Article

TRUDY SILVER/AUDIENCE MEMBERS: Chanting:
310 deserves an Article XI. [laughter]

ACTING CHAIRPERSON RIVERA: Thank you
Trudy.

TRUDY SILVER/AUDIENCE MEMBERS: Chanting:
310 deserves an Article XI. [laughter]

ACTING CHAIRPERSON RIVERA: Trudy, we
have a—Thank you so much Trudy and I am working with
you. She is my constituent [laughter] and I am so
proud. I am proud that Trudy is here representing
her building, and—and the tenants there, and how hard
they've been working. Thank you.

BRENDA STOKELY: My name is Brenda
Stokely. I live in one of the Brooklyn HDFCs. I
think it's the second oldest HDFC in the city. I've
lived there for about 22 years myself and a part of a
board, and many of the people that are on the board
were original buyers except for me. I came after.
The two—the main things I want to express because we
have another member of the Brooklyn Coalition, which
we formed after we learned of the onerous regulatory
agreement, and so we formed an opposition to that
because I believe and everybody else in our coalition
that we have the right to speak in our own voice. We
are living there. We're the experts. We're the ones
who are suffering over the conditions that existed in
the beginning, what we're trying to do now in terms
of paying bills. It's very difficult. I mean I was

1 listening to the HPD staff speak, an it was so clear
2 to me that they never lived in an HDFC, and they—it
3 was also clear to me that probably none of them are
4 as poor as many of us are or working on lower
5 incomes. It is also clear to me that none of them
6 get redlined when they go to the bank to try to get a
7 loan to buy and apartment. It was also clear to me
8 that they don't have any of the issues that we have.
9 Therefore, they should not be the ones who are mainly
10 speaking about how to correct things. In addition to
11 that what I'm going to talk about because she's going
12 to cover more. We went to every single 18 HDFCs that
13 were in Brooklyn and were on the foreclosure list,
14 and it was pretty much the same story of people who
15 are courageous, people who did their best to try to
16 hold their buildings together. Yes, there were
17 problems there. Yes, there possibly in some cases
18 some people that were not honest, but I don't know an
19 entity that doesn't have that including the City
20 Council including our government, you know. So, you
21 have good people there holding on and trying to do
22 something [bell] and what it reminded me of was
23 Seneca Village. There was a part of what is now
24 Central Park that had black ownership. It had
25

churches. It had buildings, houses, it had schools, and when they wanted to get rid of those people, they castigated them into the—the most horrible light to justify where they removed and got rid of that whole space because the wealthy people that were living around that area, that land mass wanted to have a beautiful park for themselves, and they didn't want these people plus the black people. They were the only ones that could really vote because they had ownership of property. So, when I sit and listen to the horrific [bell] stories, partial stories from the HPD staff it sounds like the same stories about Seneca Village, and justification to remove Native Americans from their land, justification to remove us from our homes. It's very hard for people to actually get homes in New York City now. Very difficult and particularly if you're someone of color and particularly if you're a senior. Most of the people that live in the HPD's are seniors. Many of them are women and there's lots of children. So, you're talking about casting them out. If somebody just bought a house or an apartment rather in HPD [bell] they would have a mortgage, and then it got flipped to Third Party Transfer. What happens to

that person? They no longer have ownership of the apartment, but they do have a mortgage. So, these things are being thought about, and they're obviously—if someone tells you I did—look at all these wonderful things that I did, but then it turned into a disaster, then obviously those wonderful things that you said you did, you either lying or you didn't do them correctly or they weren't sufficient or they weren't appropriate to resolve things. So, you can't sit here and have this list of people that are in distress, and then tell us that you did all this great work to help people.

ACTING CHAIRPERSON RIVERA: [interposing]

Thank you.

BRENDA STOKELY: It's not true.

ACTING CHAIRPERSON RIVERA: Thank you, I

just have to--

BRENDA STOKELY: The most---

ACTING CHAIRPERSON RIVERA: I just have

to get you just to wrap up.

BRENDA STOKELY: Okay, the last thing I

just want to say is that by people being in crisis

there are now all of these thieves running around

saying that they're real estate agents. I have a

list of them. I'm going to give you their names, and they have gone around to homes, HDFCS in Brooklyn as we know in the Bronx, and they were trying to get people to vacate the buildings so that they can then sell the buildings to other people, and they nothing to do with HPD or have no legal authority to do that.

ACTING CHAIRPERSON RIVERA: If you can make sure that they get a list, but can I also have a copy of that list, too?

BRENDA STOKELY: Yes, I'll give it to you.

ACTING CHAIRPERSON RIVERA: Okay, thank you so much. Just want to let everybody know the bell means that the two minutes is up. Just so you-- no, just--you know, you don't have to stop in the middle of your sentence. Please just finish your sentence, complete your thought. So, thank you all for your patience. [background comments, pause]

BEVERLY CURRY: [off mic] I'm Beverly Curry. I'm the--

ACTING CHAIRPERSON RIVERA: [interposing] Just press the button so I can hear you. So, we can hear you nice and clear.

BEVERLY CURRY. Okay, I'm Beverly Curry. I'm in an HDFC building. I'm a part of the group of HDFC Coalition. I'm the Outreach Person. I've been to 18 foreclosed--so-called foreclosed buildings. My shoes are worn out as a result of my walking from building to building and taking the buses and trains to get to these places, and the people there that I meet they are all in distress. Some of them have gotten sick over this foreclosure with getting the letters about the building being foreclosed. Some of them have lost their jobs is the reason that they are in distress. Some of places that are--most of these places are in distress, and actually they're--they're unable to meet their financial means because some people have been laid off from work, and they are older people like myself and they are sick, and with this [coughs] with this--these people that are going around pretending that they are from HPD, saying that they want to buy the building, they want to buy the land, they want to buy the--they want to restore the building, rebuild. They want to come in and put the--countertops in and resell. Those people that live in those buildings I have their names that live in their buildings. There's two building I went to that they--

they said HPD came out on Sunday. So, some of them are very strong people. They did not respond to their--their saying who they were, that they were HPD people. Then, there's a family that lives in one of the buildings that has made them sick. He--he--he's not here today because he's sick. She's not here because she's afraid. She's afraid she's going to go to jail. That's the harassment that they are giving them. They--they're still going out to see them as I speak today. They were out last week. They were out this week. They're out there today. HPD that's who they call themselves. They're a big real estate company. [bell] Well, I want to keep talking but--

ACTING CHAIRPERSON RIVERA: Thank you, thank you so much. [laughter]

EDITH HEASTER: Good afternoon ladies and gentlemen. My name is Edith Heaster. I live at 14 Morningside Avenue, and I'd like to give a brief synopsis of my background. I was a young single parent at 19 living in the Bronx. I attended Catholic school for 12 years, I attended Hostos Community College, then received my Bachelor's from City College. I was for fortunate to obtain a job at Columbia University where I received my Masters

Degree. I also upgraded and increased the value of my landlord's house. I didn't realize my labor would offer my landlord an opportunity to double my rent. I did learn from this experience knowing that I didn't or would not live under any circumstances when my sweat equity wouldn't pay off. I moved to Harlem specifically to own my apartment. The tenants to which I became a part of were working exhaustedly to take back a building that was extensively trashed. Vandals had almost demolished the building. The contract HPD signed with us made me appreciative that my work would not be in vain. Had I know what the real deal was I would have never signed up to live in and HPD building. Under our Regulatory Agreement after 25 years we would explicitly own our building and the tax abatement would remain in effect for a period of time. With trust in our contract several tenants incurred bank loans. Imagine a bank loan and no apartment. Our President Janey Green acquired and reinforced-acquired the enforcement from other tenants for this building on armor and commenced to working. A regular day included engaging in tenant patrol until very late hours. We had jobs. Tenants worked during the day. Then came home and went

downtown for training classes at HPD. This was one of the procedures to becoming a co-op owner while also learning how to manage the building. We had to contend with visitors who were combative [bell] when having to sign the register or not being permitted to enter unless a tenant who they were visiting allowed them access. We lived with troublemakers who ran up and down the stairs screaming regularly, they were smoking/drinking in the hallways, yelling in the hallways while consistently vandalized, used as a public toilet and trashed receptacles. The building was also left with graffiti on doors, walls and the main entrance to the building. Senior citizens were harassed daily by a group unmonitored children [bell] who lived with their sick grandmother. Vagrants also trained-~~tried~~ to gaining access to the roof. Tenants also had to live in worse conditions when the building was under renovation. It took time to ensure the safety of the building to long-term tenants. For years these members suffered regularly with no hot water or heat and guess who didn't provide these basic tools of survival consistently. HPD was not there to keep us safe from depots. They were not there to handle the tumultuous problem

before and after renovating. The tenants who have lived in Harlem for years were not at fault for the past problems of buildings being neglected. They were created by the abandonment of landlords, and the city who neglected to hold them accountable. The Koch Administration admitted that the city were not landlords. HPD was also not the agency of reliability. HPD wants to renege on our Regulatory Agreement, and if we don't comply, will default on a major agreement of tax abatement. Their new Regulatory Agreement includes: Required reports, asset limits, monitoring contracts, waiver of management requirement and annual renewal, et cetera, et cetera. [bell] After 27 years plus struggling to conclude our contract to HPD, so why after 27 years is HPD causing us another 27 plus of dissention. HPD wants to alter the regulatory agreement. Bottom line: We want to keep our agreement. This building has gone the distance and earned liberty. That is not what me or other shareholders in our building contracted to HPD. It is understood that issues occur that need adjusting, but not everyone needs it. If you break the contract—in quotes—"If you break the contract and walk away from your obligations under a

legally binding agreement, you will be leaving yourself open to legal actions."

ACTING CHAIRPERSON RIVERA: Okay. I just want to--

EDITH HEASTER: [interposing] Based on this, HPD is threatening to--

ACTING CHAIRPERSON RIVERA: --to wrap up.

EDITH HEASTER: --withdraw abatements contracted to us. I am trusting that I won't be another senior citizen who was duped by a contract.

ACTING CHAIRPERSON RIVERA: Thank you. Thank you. [background comments]

ANITA CHANG: Hello. My name is Anita Chang. HPD is now using Third Party Transfers, the TPT process after the foreclosure to transfer HDFCs. It is my view that TPT is being used in reverse, opposite of the original intent. Instead of landlords this time, the lower and middle-income families will lose their equity and become renters. Many of the triggers of foreclosure have their roots in owners' lack of agency and lack of money. I hope the city stages supports for affordable housing can include affordable housing ownership. Presently, this is not the case. For example, when we had proof

of mismanagement in our building we approached HPD and asked for an audit. We were told we don't do that. City financed audits of HDFCs are mentioned in State Law, our security Agreement and our Corporate Bylaws. This language give shareholders the impression that the city will act as supervisory agency. Also, to avoid foreclosure, we feel that our building has been forced to sign payment agreement that our building income cannot sustain. Currently, even after our \$1.2 million down payment to DEP with payments of \$10,000 a month instead of the \$8,000 our proven capacity to pay based on building income. As a result, we are paying a total of \$20,000 month just for city service, a building of 38 units and four commercials. For our DOF tax arrears, we made a down payment of \$130,000 on a debt of \$630,000 leaving \$500,000 to pay. After two years of making \$30,000 quarterly payments, our arrears total is still \$465,000. We don't seem to be making progress even though we are making all payments. Our core board has raised maintenance 30% in two years. It is still not enough. When we miss a payment, and it looks like will at some point, the city will foreclose. I hope other HDFCs will not be treated the same way. We

are also into an alternative enforcement program, but the years we received the most violations were in 1985, five years before conversion [bell] and in 2015 when we had a fire and received 117 violations.

People who are struggling to remain owners are facing the serious consequences of a city that does not seem to value their efforts to turn around their buildings. Each sleepless night we lie awake working out what more we can do to avoid foreclosure. We are not alone. There are hundreds and through the years thousands of families like ours. [bell] Foreclosure is a trauma. The city should find a way to be tough on the problems not tough on the people who have the problems. Thank you.

ACTING CHAIRPERSON RIVERA: Thank you.

I'm going to call up the next panel, and again, let's just try our best to stay within the time limits, and again I want to thank you all for your patience and for staying this long. Lurie Daniels Favers, Esmeralda Simmons, Maggie Schofield, Robert Sanderman and Esmene Speliotis, and please feel free to correct me on how I pronounce your name. As someone who has had her name mispronounced almost every day of her life. [background comments, pause]

ESMERALDA SIMMONS: Good afternoon. My name is Esmeralda Simmons and I'm accompanied by Attorney Lurie Daniels Favers. We are both from the Center for Law and Social Justice. We have been approached over the past I guess two years by various HDFCs and the HDFC Coalition and the Brooklyn HDFC Coalition about what was going on regarding foreclosure. Because we only have two minutes, I'm going to speak first about what our recommendations are, they're included within the testimony we gave you. But I have to first say that this entire hearing comes down to the question of whether the city of New York wants to abide by agreements to have shareholders own the property that they worked for and have been paying for or take the property away from them and let them become tenants just so the building can be rehabbed. We hope the city will abide by the original intent of HCFCs and the TPT program, the original intent and stop transferring title. In New York City title to real property is everything, and it will not be replaced. Our recommendations are: A moratorium on all current foreclosures for a minimum of two years until a new HCFC program is established by the Mayor. Create a

multi-agency HCFC working group to design the new program, which would include representative from the HCFC Coalition and City Council members particularly this committee. We also—you also could include any other group that you think is acting on behalf of the HCFCs. In addition, the working group to review the current problematic foreclosure process [bell] and institute or recommend necessary changes and created foreclosure prevention programs that will be triggered—as we said already—by a missed tax or water and sewer payment or other agreed upon events. You can continue.

LURIE DANIEL FAVERS: [off mic] Thank you. [on mic] Thank you. My name is Lurie Daniel Favers, and I'm General Counsel at the Center for Law and Social Justice. In addition to the two recommendations already stated by our Executive Director Esmeralda Simmons, we are also strongly recommending that the Article XI Tax Amnesty or General Tax Amnesty and Water and Sewer Arrears Forgiveness Program be available to all HDFCs that are currently facing foreclosure and that said Amnesty Forgiveness Program be retroactively applied to HDFCs, which have already proceeded through the

foreclosure process through the courts. We are requesting and recommending that there a census of all of the HDFC buildings conducted by the city to determine the state of the buildings along with the creation of a New York City Emergency HDFC Repair Fund to bring all of the buildings up to code by a date certain. We are recommending that additional resources be allocated for an HDFC Foreclosure Prevention Program similar to which was rolled out for private homeowners in past years, and expanded HDFC Technical Assistance and Support Program be created and implemented. And, most importantly that HDFCs be eligible for the same loan and tax breaks that private third-party transfer developers receive currently. We think that there must be a recognition and acceptance of the fact that the city's role has been one that has exacerbated these issues. This is a story that is a very arresting one of activist tenants who assumed responsibility over apartment buildings when landlords were no longer functional. After much advocacy, the city created the HDFC program in response to decades of abandonment and over time the city has allowed the program to go astray by not putting effective supports in place.

The current crisis in the HDFC program is due to the lack of effective maintenance of effort by city agencies, and its agent to educate and support current low-income shareholders and tenants in maintaining their properties. This lack of maintenance was compounded by the gross failure of city agencies to maintain community with and support of current low-income shareholders and tenants regarding their rights and responsibilities of the co-ops as non-profits. We are trusting that the city at this time, which is currently facing an extreme housing affordability crisis [bell] would certainly not take what is essentially provided—a program that's providing housing for thousands of New York City residents and essentially turn it into a private developer's paradise. Thank you.

ACTING CHAIRPERSON RIVERA: Thank you.

MAGGIE SCHOFIELD: Good afternoon. Thank you for the opportunity to testify today. My name is Maggie Schofield and I'm a tenants rights lawyer at Brooklyn Legal Services Corporation A. I represent tenant associations that are suing their landlords to obtain repairs to their units. It's not shocking that landlord who are too cheap to pay their

taxes are also too cheap to make repairs. I'm here today to testify in support of the Third Party Transfer Program because it provides an aggressive solution for rent stabilized tenants living in housing that threatens their life, health and safety. Currently, I represent both tenants in two rent stabilized buildings that are going through TPT and are choosing to remain-to remain rent stabilized post-TPT. Both buildings have long histories of harassment and neglect. Approximately ten years ago the conditions at 301 Harmon Street threatened the life, health and safety of the tenants and the judge appointed a 7-A Administrator to take over management of the building. Afterwards the new owner purchased the building, and it immediately fell back into disrepair. This new owner, Ben Arez (sic) has completely abandoned the building. To ensure that the tenants have heat and hot water, the tenants themselves must schedule and pay for oil delivery to the building. When the seniors in their building complain to the landlord he told them, "*Old people don't need hot water.*" There is currently a warrant out for his arrest for his nefarious conduct at another building, but I'm here today because TPT

gives the tenants at 301 Harmon hope. They now that TPT will replace their criminal landlord with a responsible owner screened by HPD. The tenants at 315 Harmon have a similar story. We believe they also have a 7-A Administrator 10 to 15 years ago, and their six-unit building approx-has approximately 70 HPD violations. Their landlord Zia Chaudry also has had legal issues. He was arrested by the Department of Investigation in 2007 for bribery and found to have violated New York State Labor Laws in 2010. These stories are troubling because they demonstrate that the tenants have experienced decades long harassment at the hands of detestable landlords. But TPT provides a result [bell] that is different and better than any I could receive in Housing Court, a new landlord. The permanent solution is important for tenants in buildings like mine who are exhausted from decades struggling for safe and habitable homes. Thank you.

ACTING CHAIRPERSON RIVERA: Thank you.

ROBERT SANDERMAN: Hi there and good afternoon. Thank you so much for allowing me to testify today. I present this testimony on behalf of Queens Legal Services, a branch of Legal Services

NYC. It's a non-profit organization that fights for poverty—seeks to fight for racial justice, social and economic justice for low-income New Yorkers. Over the past ten years, we represented people including in defense of housing, foreclosure defense, civil rights, et cetera. In 2017 alone Queens Legal Services protected 6,403 tenants and their families facing eviction and assisted 2,000 residents of Queens facing foreclosure. We, therefore, have an informed perspective on the challenges both tenants and homeowners face, and we have seen the first hand effects of the rising housing costs throughout Queens. Everyday we see the human impact of rising costs, families facing the loss of their homes and communities decimated by the instability brought about by foreclosures and large numbers of evictions. Cooperatives organized under the Housing Development Funding Corporation known as HDFC co-ops are a valuable source of affordable housing in the city. As affordable housing becomes increasingly scarce, HDFCs play a vital role in allowing truly low-income people to enjoy the benefits of homeownership. When rent stabilized apartments afford great protection for many in the city, even these units are susceptible to

many rent increases such as vacancy increases, individual apartment increases, major capital improvement increases, and rent guideline board increases. Many landlords take advantage of these tools, and raise rents drastically after a tenant vacates. Some landlords also harass tenants by filing frivolous lawsuits and failing to make repairs in the hope that the tenant moves. On the other hand, owning a co-op affords great protections and provides shareholders and opportunity to build equity, have a direct involvement in the community and remain in neighborhoods that are increasingly becoming too expensive for low to moderate income families throughout the city. QLS represents the HDC Co-op located on 1415 Mott Avenue. Unfortunately, my client couldn't come here today. She was going to testify. It's located in Far Rockaway, Queens. This building is currently at risk of foreclosure [bell] for the Third Party Transfer Program. I'd like to just summarize by—and conclude by stating this building has—since we started representing them in September 2017, they have done amazing work to try to bring the building up to code, and try to finish the Tax Amnesty Application. We just hope that—we know

that the HDFC's best option for long-term affordable housing in the community is where there live. If they—we could have a moratorium on the foreclosures to give them a chance to continue realization of the American dream and to provide the opportunity for others in our communities.

ACTING CHAIRPERSON RIVERA: Thank you.

ISMENE SPELIOTIS: Hello. My name is Ismene Spelotis. I'm the Executive Director of the Mutual Housing Association of New York. Thank you for holding this hearing, and for staying and hearing us. So, MHANY—I've got the acronym is a non-profit housing community development organization. This has actually received—rehabilitated and now owns and manages several TPT buildings and I've heard all the testimony today, and I truly believe that there are buildings that absolutely should be co-ops, building should remain co-ops. And I actually think that they are absolutely buildings that probably should not be co-ops at this moment or, you know, that may not be ready, and it could be that the buildings that are currently in cooperative ownership really are not equipped, and as other people have said, are not necessarily viable. And the TPT Third-Party Transfer

Program really in our experience and MHANY in the last round TPT9, got three buildings that were former co-ops, and when we took those buildings over, it was very hard, and people were very angry, but we actually in the conditions that we found those buildings in were that the things you heard today, which was that there were many units vacant that only a couple of people in 30-unit buildings were running the show. That the physical condition of the buildings was horrible, that there was no financial reporting at all to anybody including the follow shareholders that the population had aged beyond kind of, you know, they were tired. So, we came in and we started to work with the residents, the couple of people in charge, quote, were the most update. [bell] The others thanked us, and they said what we need is a decent safe, affordable, place to live, and we've been doing this for almost ten years, and we have over 140 families that currently live in decent, safe, affordable housing. They did lose their ownership status. That is correct, but they are safe, and they are—and they are protected and I really feel that we have been a huge benefit to them personally, the building as a whole and, the people that moved

into the vacant units and their neighbors. So, we would say that—that as others have said that the cooperative HDFCs cannot be painted with one brush. We have to be really careful that the ones that should remain, remain and the ones that really should not should be put under stewardship and take care of the residents in those buildings. Thank you.

ACTING CHAIRPERSON RIVERA: Thank you. We want to call up Lauren Megan De Santos, Annie Wilson, Lorenzo, April Tyler, Donald Nodis and Ken Ray.

[background comments, pause] I haven't said Frank. I'm sorry. No? No, not yet, not yet. [background comments, pause] I'm doubling checking. No, not yet, Frank. Sorry. [background comments] Oh, okay. Olga Salsero and Yvonne Stennet, Elizabeth Ginsbeg, Olivia Tom. [background comments, pause] Frank, you're up, Wanus. [pause] Would you like to start? If that's okay. No? Someone else? Would you like to start? I'd love it if you would start.

SERGEANT-AT-ARMS: Just make sure that you press the press the button.

ACTING CHAIRPERSON RIVERA: Yes, just make sure the red light is on so we can hear you clearly.

OLGA SALSERO: Hi. Good afternoon. My name Olga Salsero. I am tenant for 344 Riverside, right. Today, I want to share with you my testify about the house the Third Party Transfer Program has been handled in my building. The Third Party Transfer Program was created to order the city to take our buildings from landlords who not been paying their taxes and who are not providing adequate service to their buildings. The goal of the New York City Third Party Transfer is to preserve the property as affordable housing, protect current residents and really take their property. Also, it was created for low-income tenants. In the early 1990s the property where I am was in deteriorated state and disrepair with numerous Housing Code violations such as inadequate heat and water, malfunctioning elevator, broken windows, poor plumbing, also electrical wiring, failing inspection (sic) and other serious problems. In 1992, a proceeding was commenced before the Housing Part of the city Court or the city of New York on the Article 7-A. All New Yorkers who had property actions and proceedings law, and a 7-A administrator was appointed for the 340 and 344 Riverside Drive, and that was 2000. The city was

aware of foreclosure adjustment. They started to provide that the city can take title itself or transfer the property to a qualified party. A four-month period to pay the delinquent taxes, and remove the property from the foreclose adjustment. The ultimate goal of the city is the case and to convert the property to co-productive warranty providing the tenant the opportunity to purchase a share of their units. In May 10, 2002, Harvey Weinstein (sic) our attorney from the Legal Aid Society went to Courted to representing 340 and 344 Riverside Drive tenants in Bankruptcy Court. We went several times and we also made a Tenant Petition to the judge requesting B and Third Party Transfer Program. On February 10, 2003, 340 and 344 Riverside Drive were transferred it to Neighborhood Restore. Fifty percent of the tenants signed a petition saying we want all of us stay Assistant Board (sic) and stated on Housing Form SHUHAB has two entities in one project. They were selected for HPD taking the 340-344 Riverside Drive into the Third Party Transfer Program. It has a sponsor and won it. (sic) White & Grace is the management company select for SHUHAB. So, these entities are the same, one for our HPD Third Party

Transfer Project. Our contractor was Darrell (sp?) We took a loan, and until day we don't know exactly the amount of the loan. As there are a lot of meetings with HPD, City elected representatives, city agencies are our sponsor, we tenants at 344 Riverside Drive is starting to 2007 the renovations for the realign. (sic) Apparently, our renovation was completed in 2014. This it's mean seven years later. That construction work was very, very bad and poor quality, and until today we have outstanding repairs. The windows were installed without insulation, very tight. We cannot open the window. In the winter we're freezing because we get all the cold weather through the window frame.

ACTING CHAIRPERSON RIVERA: So, can we make-if you could just wrap up the testimony. That's the bell. So, we can-and make sure that you connect directly with HPD.

OLGA SALSERO: I'm sorry. I had to say that.

ACTING CHAIRPERSON RIVERA: [interposing]
It's okay, it's alright. It's okay.

OLGA SALSERO: Should I continue.

ACTING CHAIRPERSON RIVERA: No, it's okay. You could wrap up. If you could just finish.

OLGA SALSERO: Thank you.

ACTING CHAIRPERSON RIVERA: Okay,

OLGA SALSERO: During the renovation process at 340 and 344 Riverside Drive they divide the loan, because at 340 they never knew when those renovations will be started. So, according to the information on 340 that we are starting soon those renovations. In December 1, 2015 SHUHAB increased the rent more than 100% the rent. This means if a tenant was paying \$437, they had to pay \$1,339. We complained and we went to different agencies requesting help, because this is why it will increase. Don't go through the Third Party Transfer means what there was. Then SHUHAB gave to the tenants a new Third Party Transfer lease, and thank you to the Community Board 9. They helped the tenants to find a lawyer who fight hard, and then SHUHAB removed the lease they submit before and they change exactly that Third Party Transfer Lease like it was required.

ACTING CHAIRPERSON RIVERA: So, if we could just—because we have other people on the panel,

and everyone is supposed to get two minutes. So, we can check in afterwards and go through the details of your building and HPD is here. We—we can speak. Okay?

OLGA SALSERO: Okay, just—I just have some--

ACTING CHAIRPERSON RIVERA: [interposing]
Okay, thank you, thank you.

OLGA SALSERO: So, thank you.

APRIL TYLER: Good afternoon. My name is April Tyler and I am the Co-Chair of the Housing, Land Use and Zoning Committee of Community Board 9 Manhattan in West Harlem, and Olga is a public member of our committee, and I've actually been working with her building for many years, and just before I launch into it, and I'm not going to read my testimony in the interest of time, but I just wanted to add a couple of things about her building, which highlights the problems and the issues with the Third Party Transfer Program. One is that this program was not created to—well this program was created and properly used in her building to wrest a building that was neglected from the hands of an abusive landlord, and this building went through many, many, many, many

years of abusive landlords flipping wraparound mortgages, all of the horrors that we hear about, this building—these two buildings experienced, and so it was properly used in this instance, but the Third Party Transfer Program was originally supposed to take two to three years. They have been in this program for 14 years. So, 14 years later and tens of millions of dollars of debt. They are finally now about to become a cooperative, and the only reason that they are about to become a cooperative is because the West Harlem Development Corporation crafted a no interest loan program so that the majority of the tenants now who will be shareholders are able to get a loan to pay for their apartments because over those 14 years the rules have changed, and the price has gone up. So, they are—they wouldn't have been able to purchase their apartments under what had been the original agreement—agreement, but now thanks to the loan, but with West Harlem Development Corporation, they are able to have purchased their apartments. So, I just wanted to highlight three things: (1) The Debt. First of all, the program was not created to solve problems of HFDCs. It was created to deal with abusive

landlords. As an addendum to the Tax Lien Legislation when the city decided that they didn't want to own property any more, and it should go back to that. It should not be used to deal with problems in HDFCs. The problems with HDFCs can be solved in other manners with professional competent assistance, applicable loan programs, and tax forgiveness, and early identification of problems. The buildings that are—that are now on the foreclosure list HPD knew that those buildings had problems a decade ago and did nothing. UHAB knew they had problems a decade ago and did nothing. Something can be done. There can be early warning system placed in effect to help the buildings when problems arise, not when problems have festered and become cancers, and I just will end with this hearing is about the Third Party Transfer Program, but it's also about HDFCs, and the overwhelming majority of HDFCs are doing well, and I as a founding member of the HDFC Coalition as a member—as a co-chair of the city—the Community Board Housing, Land Use and Zoning Committee object to a draconian regulatory agreement, and absolutely reject to the premature sun setting of the DAMP partial tax abatement. Thank you.

ACTING CHAIRPERSON RIVERA: Thank you.

[cheers] Thank you. Thank you. Annie.

ANNIE WILSON: Hello. Thank you for giving us the opportunity to speak up today, and regarding the Third Party Transfer and my experience in the building that I have lived in since 1984. Unfortunately, I am here to disclose information that I wish I had never had to experience during the time of my residency at that location prior to the Third Party Transfer in 2002, and the subsequent events since then, which, in fact, there was more deterioration within the program than prior to the program. We had counted on the oversight of UHAB unfortunately. I am greatly disappointed in the type of management UHAB offered. They have breached their agreement with the city in 2002 to complete the program by 2004. Our building of 11 buildings in that program was the most advanced. We only had \$120,000 of renovation costs assessed. We had a working tenants union. We had a bank account for 15 years, and we had bylaws and meetings. Once in the program there was unfortunately a family that had only been recognized as one membership agreement that decided that they were going to control this building

and derail the program for everyone. They repeatedly created violence, destruction of property, took over units. For example, the electrician was hired early in the program to put in some--some conduit piping so that there wouldn't be any more stealing of electricity, but that electrician was assaulted by a family member. There was no follow-up courts in nuisance and this continuously went on until the roof was completely destroyed, the gas was removed, there had been a fire. No repairs for ten years. Despite the insurance that was cashed in on by UHAB, and there was black mold everywhere for ten years and--and, of course, in arrears and complete decay [bell] and a subject of several newspaper articles. We were then saved, saving by the Inclusionary Zoning Program, and Don Capoccia and BNN were going to come in and pay off whatever was owed and what was to be foreclosed and make a brand new renovation for everyone to return. It sounded like a good idea. I signed for it. There had been a vacate order on half the building. Didn't have much choice. Unfortunately--and I'm going to be closing very soon--the terms of the loan agreement were not as proposed to us. We were told 40 to 70,000 nominal alone.

1 Instead, there's \$960,000 without stakeholder
2 consent, which is tied to the equity. There is just
3 about no resale, \$6,000 in three years. In addition
4 to that, given that there had been a family that had
5 been voted into one unit they were given four units.
6 They were moved up next to me. Unfortunately, I will
7 not be returning because of the threat to my personal
8 safety. I am in negotiation now for alternatives to
9 this problem, and I have not returned as many have,
10 and in conclusion, I wanted to support the
11 recommendations made by the Public Advocate in a
12 report that was issued in 2016 that requires that
13 there be a Third Party Overview for all these
14 privatization programs of city property. In this
15 case, you know, our buildings, and that is an
16 investigative report named the Multi-Million Dollar
17 Boondoggle. The developer has been unaccountable--

18
19 ACTING CHAIRPERSON RIVERA: [interposing]

20 Can you—I'm sorry.

21 ANNIE WILSON: It's not surprising I
22 cannot get any accounting. They have made a lot of
23 money, and we have no way of knowing what exactly is
24 the income for that developer, and they have spent
25

over \$350,000 per unit without bidding. Thank you very much for your attention.

ACTING CHAIRPERSON RIVERA: Thank you.

ANNIE WILSON: To be continued.

LAUREN MEGAN DE SANTOS: Hello and thank you for your attention. I know we spent a lot of time here. My name is Lauren Megan De Santos, and I am representing 67-69 Saint Nicholas and HDFC Co-Op in Central Harlem where my mother is a shareholder. Out of 27 units in the building, 16 are owned and 12 of those including my mother's have mortgages of over \$200,000 each. 67 and 69 are currently facing foreclosure, and it's very likely that it will be entered into the TPT Program, which we do not want. In the last two months my mother and the other shareholders have twice voted in a new board with the assistance of NHS. The old board, it is alleged and we believe that they have mismanaged the money, which was why the building was entered into foreclosure, but the new board is committed to halting the foreclosure entering into Amnesty Program, and eventually making repairs to the building to make it livable and to get rid of all the violations. To my knowledge, apart from the old board none of the

shareholders were informed by HPD of the violations, of the problems and of any of the outreach that they claim to have made. We just found in March about the—about the building being entered into the foreclosure. From my perspective from the testimony offered by HPD, TPT is according to them beneficial but only to renters. If the building is eventually foreclosed upon by the city, my mother loses her investment along with 12 other shareholder, and I want HPD to understand that you are stripping her of her ownership. You are stripping her of her investment. I'm not going to let that happen, okay, and you shouldn't either. [bell] So, thank you for your time.

ACTING CHAIRPERSON RIVERA: Thank you.

FRANK LA NUSA: Hello. My name is Frank La Nusa. I live in 601 West 136 HDFS. My family has been in that building since 1936. [coughs] The problem here is I—Mark Levine. I'm sorry he's not here. I met him about six months ago right outside the building because he had an office in our building in the first floor apartment 1 renting it out for two election cycles. When I went to the meeting, I said what's the quid pro quo for the

rental of the—for Mark Levine? I was told by the people on the board basically to mind my business. So, I went to Mark Levine. He closed his office. That was six months ago. What I'm here to say is my building has no financial reports for a decade. They give three-page summaries of which I have here available for you to look at. Three-page summaries and the building brings in about \$400,000 a year because we have stores and we have rentals of 12. That's about \$150,000 for the rentals. The stores bring in \$300 and plus there's—we as shareholder pay our fair share, too. So, you're talking about \$300 to \$400,000 a year in income and we have no financial reports. So, what I'm saying is this: H-A-HPD I've contacted them through the years. They tell me to get a lawyer. HPD has to have the power to tell a building I want a financial report every year, and I want an auditing every year paid for the board-by the building. That's the most basic and fundamental thing you can request in a building: Financial accountability, and an auditing once a year or once every two years, whatever HPD—but they have no teeth, they have no power. This is what they have to do.

[bell] So, they—we've had no-no financial reports, no

meetings, no information on the rentals, no information on the stores, on the leases, how long the leases are, how much they pay. Nobody knows in the building anything, and there's a lot of money coming into the building. So, what I would request is that you have the power to demand that the H-HDFC boards provide accountability, transparency and auditing. Thank you.

ACTING CHAIRPERSON RIVERA: Thank you. Thank you everyone. [background comments] Oh, sorry. Yes, of course. [laughter] You deferred. Alright, go ahead. Last but not least.

DEANNA LORENZO: Hello, good-good afternoon. My name is Deanna Lorenzo. I'm with 941 Rogers Place, HDFC. We're located in the Bronx. I've been living in that building since 1988. At that point in time when I moved in there I came out of a battered woman's shelter from being a manager for some private landlords. So HPD informed the tenants there that--we were in the TIL Program at that time--to make sure that I was on that board because I would be a great asset to the building. Now, from that time on until 2006, I was managing the building and sitting on the board as president or

treasurer, one or the other, whichever went—you know, I chose to be. They just told no, no, whichever one as long as you stay here. In 2006, I wound up in a nursing home. Okay. I was there 'til 2011 like 2011, seven years. Throughout that time the young lady who took over managing the building being the President of the Board along with her aunt, who was also another shareholder there, did nothing for the building. Now, we are in arrears for water and taxes of \$600,000. We've been with niece who now sits on the Board and lives in that building. She is also a shareholder. We found out about the rent foreclosure in November when someone went out there and posted on the walls, okay, a piece of paper saying that we were in rent foreclosure. One of my nieces saw the paper and grabbed it on her way out the door. There was some also posted on the front door of the building. When she came back a half hour later there was nothing in the entire building. No one else saw the paper because the people that were in charge two ladies removed everything. According to what we found out, they had been notified since 2015 about the rent foreclosure. We found out in November. We started trying to have a meeting. She kept telling

everybody no, there's no meeting. They cannot call a meeting unless I call the meeting. As you see, I'm a disabled person. I'm in a wheelchair. My son lives in the building. I have my fifth floor apartment. It's a walkup. I can't make it up there. So, I have an apartment in the city that everybody started phone: Betty we need you back. We need you back. We need you back, [bell] there's something--this is going on, da-da-da-da. I went back there and I started just going apartment by apartment as I could go up them stairs speaking to each individual shareholder along with my niece doing the same, explaining to them what was happening, that we needed this meeting. We had the meeting December 18th of last year. We voted them out and we placed a new board, and since then we've been speaking to HPD. The gentlemen are here.

ACTING CHAIRPERSON RIVERA: How's it going? How is it going?

DEANNA LORENZO: Well, we're doing great.

ACTING CHAIRPERSON RIVERA: Okay.

DEANNA LORENZO: We are collecting rent.

She said she wasn't collecting no rent, but we are in this foreclosure we don't want to be in. We're

asking them to give us time to pay this debt. If not—and I tell them please look back from the time that I went in there 'til 2006, there was nothing owed. At one point in time we got back from the city \$26,000 because I overpaid them.

ACTING CHAIRPERSON RIVERA: So, so, I just want to—so you could be able to connect with them today. They're here--

DEANNA LORENZO: Yeah.

ACTING CHAIRPERSON RIVERA: --and if there's anything you need in terms of follow-up, that's—that's where your Council person comes in. I just want to make sure we get to the—these final two panels. People have been waiting a long time, but please know that—I tell people we are not defined by geographic boundaries. If you live outside of the district, and you still want to come to me and ask me something, please know I'm at your service, but we do have HPD here to help you directly.

DEANNA LORENZO: Right.

ACTING CHAIRPERSON RIVERA: Okay.

DEANNA LORENZO: The other thing is that this TPT no good. It's not good.

ACTING CHAIRPERSON RIVERA: [interposing]
So,, I'm going to put you down as in opposition.

DEANNA LORENZO: Yes.

ACTING CHAIRPERSON RIVERA: Okay.

Alright, thank you everyone. Thank you so much for
your time. Thank you waiting.

DEANNA LORENZO: Okay.

ACTING CHAIRPERSON RIVERA: And for
organizing.

DEANNA LORENZO: Thank you.

ACTING CHAIRPERSON RIVERA: Can I have
Hector Vasquez, Samantha Magistro, Randall Torrey,
Joe Silici (sp?) Sicili. [background comments]
Lavette Green, Jacqueline Weeks, and Glory Ann Hussey
Kurstain (sp?) [background comments, pause] Can I
call up one more person? Is there a--

FEMALE SPEAKER: Yvette Green had to
leave for work.

ACTING CHAIRPERSON RIVERA: Oh, okay.
How—Erica Smith is here? How about Victor
Morissette. Yes.

FEMALE SPEAKER: Victor.

ACTING CHAIRPERSON RIVERA: Are you
Victor?

VICTOR MORISSETTE: [off mic] Just Erica.

ACTING CHAIRPERSON RIVERA: Oh, Erica is here. Okay, well, we'll wait. Well, I'm going to—I want them to start. She could just—you could tell her to just sit herself down there. I need one more chair, please. Alright, shall we? If you don't mind.

HECTOR VASQUEZ: Sure. That's okay.

ACTING CHAIRPERSON RIVERA: I know you've been here with me since the beginning. [laughter]

HECTOR VASQUEZ: Good afternoon everybody. I know it's been a long day. So, I'll try to make this as brief as I can. Thank you first of all for the support I see in the Council offices here. I see that you actually are listening to our voices, and we—I'm sure I appreciate it and I'm sure a lot of other people do. First of all, my name is Hector Vasquez. I represent the HDFC up in Harlem, 138th Street, 511 and 515. My family has been at 511 for—let's see, I was born in '66 so we're talking over 50 years here now. So, through the years I've seen the city at its worst and its best from the burned out gutted buildings of the Bronx through cracked ends of the Bowery. Criminal darkness reigns

supreme. Drug dealers and prostitutes were and everyday part of the city's landscape at the time stretching from Park Slope Brooklyn to Times Square in Manhattan. I remember when you could buy a house on Houston Street for \$1.00 because the city did want to take responsibility for these abandoned properties that became crack dens and burned out husks. This was occurring all over the five boroughs and it was chaos, but in that chaos there was always hope, the hope that things were going to get better. Amid that chaos those brave few souls whose purpose was to keep us safe. Those brave souls were our families. My parents came from Puerto Rico. My father was a cook and my mother was a nurse. They were hardworking people that struggled to make ends meet and to provide the best they could for their family. They did this under extremely hard conditions that most of today's could not even comprehend. My father was also a superintendent of the two buildings we lived in. This gave my family unique perspective on the struggles that many of my neighbors were dealing with. Thankfully my dad was a pretty sharp character and was able to piece together everything from a leaky pipe to electrical problems. The buildings

were literally falling apart—falling apart, but my dad with the hope of our neighbors were able to keep the buildings maintained. It was a community effort to keep our buildings running with heat, water and electricity. During these troubled times, these buildings became our homes. We were finally given the opportunity to purchase our homes as co-ops because no one wanted to take on all the headaches that came with such properties in such dire economic times. We took on the responsibility of these buildings because they were not just a pile of bricks. They were our homes. When no one else wanted them, we did. We struggled for many years both structure our community. We made it work. Now fast forward almost three decades later. We have a New York that has been reborn and truly become the crossroads of the world where we have millions of people all over the world wanting to live in this great city. Now that these very same properties that were shunned in the past are now some of the most sought out and coveted places in the world. With that value comes greed. We have properties all over the city being bought and sold without any regard for the people that made the city great. [bell] We have

had back door deals going on concerning the original agreements that were made between the HDFCs and the city of New York. We have honored our part of the bargain, a bargain to maintain our properties and help bring back the city from the brink those many years ago. Why will this city not honor their side of the bargain? Why is the city trying to rewrite the agreement? There is no reason to extend the sun-setting or the rewriting of these original agreements. The excuse of a few buildings in trouble financially should not be used to punish the properties that have thrived. It is time for the city to keep up their side of the--side of the bargain by honoring the original agreements and stop using excuses. [bell] Many generations of our families have lived and died in these homes. We have poured our souls into these homes and for the politicians that supposedly represent the people of New York to try and take that away, that is truly wrong on so many levels. I urge all our politicians to honor those agreements and vote down any proposed changes.

ACTING CHAIRPERSON RIVERA: If you could just wrap up.

HECTOR VASQUEZ: Yeah, okay.

ACTING CHAIRPERSON RIVERA: Thank you.

HECTOR VASQUEZ: Our building in particular is in good—is in good standing. We have managed to pay everything on time, tax, water, oil. For that reason, we have been against the regulatory agreement from the start. We do not need anybody to do a job that we've been doing for many years satisfactorily, and we hope that everybody else can follow in suit and all the politicians come together along with the people of the HFCs and the people that called New York their home for many years, and fight against any changes that would take away the very homes that we fought so hard to keep. Thank you.

ACTING CHAIRPERSON RIVERA: Thank you, Mr. Vasquez and thank you for your service.

GLORY ANN HUSSEY KERSTEIN: Hi. I'm Glory Ann Hussey Kerstein. I'm an HFDC shareholder on West 106th Street. I've lived in my building 36 years. I'm also part of the HDFC Coalition and its Anti-Foreclosure Committee. It's composed entirely of HDFC shareholders who are working to protect the HDFC community. I want to say two things, one negative and one positive. The negative thing is the testimony today given by HPD is very, very doubtful

on many counts, full disclosure. I worked for HPD—
HPD Code Enforcement 26 years. I know what
violations are all about. So, I do contest what they
said about the violations that the HDFCs facing
foreclosure have accrued. I'll contest the
notification only went out to the managing agent of
record and not to all the shareholders. I contest
the assistance they say that they gave during this
2015 to 2017 foreclosure process because UHAB about
30 years lost their contract right in the middle of
this foreclosure process Round 10, and the contract
for Neighborhood Housing Services had not yet even
been signed. Neighborhood Housing Services did not
have staffing for another four months, and the
staffing they did get was a paltry three people
without any training, no interface with UHAB, and
they don't even know how to do what the HDFC
Coalition knows how to do and have asked us for
training about Article XI. So, if you want further
discussion with me about violations and the like, I
have a lot of expertise to share in that regard, but
I only have two minutes. So, I want to go—jump over
to the positive and the positive is there are many
things that HPD could do that could have made it far

1 better. HPD right now has a million dollar contract
2 with the Center for New York City Neighborhoods for a
3 million dollars. The give foreclosure prevention
4 services to private homeowners, not to HDFC
5 homeowners. So that's one thing that could be
6 improved, but for right now, the issue of C Coalition
7 combined with the tax expert Victor Morissette will
8 be testifying, we've gone out to 21 HDFCs in the past
9 five months. Only two shareholder out of the 21
10 HDFCs we've been to knew that their building was
11 facing foreclosure before last October. So, that
12 means notification was not given to the 21 buildings
13 we went to. This is like 200 HDFC shareholders had
14 no idea. What we do is we give them technical
15 assistance to do the Article XI. We've done 13 of
16 these applications, which are successfully submitted
17 to the City Council. It includes the five-year
18 marketing plan, a five-year budget plan and the like
19 and this is something that Neighborhood Housing
20 Services doesn't yet know to do. We're doing it for
21 free on a volunteer basis. What is needed is for you
22 the City Council members to support a moratorium so
23 that we can do outreach to the other 40 HDFCs facing
24 foreclosure. We have seen them do a turnaround and
25

this gentleman Vice President he testified today, they raised the maintenance 60% in November. They are collecting. They're taking non-payment actions to court. They are turning their building around and making it work. We are firmly convinced that HPD is wrong in saying that it's impossible to stabilize these HDFCs without stripping of their homeownership. No, what you do is you strengthen the homeownership that's in place.

ACTING CHAIRPERSON RIVERA: Thank you.

JACQUELINE WEEKS: Good afternoon Madam Chairperson and members, to all of the stakeholder that are here. My name is Jacqueline Weeks. I am the CEO of Weeks Realty. I am the Managing Agent for 280 and 282 West 118th Street in the heart of Harlem in the midst of Wester Art Row. (sic) My challenge is this: There seems to be a crisis in the confidence of working with HPD, and I say this because I am the sixth managing agent, the only one who has been independent from all of the other managing companies that have been approved and sent to this particular housing company by HPD. I can verify that there has been a lot of misappropriations of monies, the taxes that were to have been paid,

should have paid were not and lot of benign neglect.

This is a property that was a crack house and the

board of directors had a transition and with each

successive transition there were issues with the

management company-companies. So, I do say that

having been a property manager, having worked with

HPD under HPD's supervision with Mitchell-Lama, I

cannot understand why there was such a lack of

attention in terms of auditing monthly reports,

yearly annual inspections, confirmation of the

regulatory agreements. None of that was performed.

What grieves me is that I have a board who retained

me a year ago. They have been saddled with \$600,000

in taxes, water liens, and it's unfortunate that no

one paid attention to this in all these years. We

have a 30-year regulatory agreement. I'm grateful

that I was able to apply for the Landlord Ambassador

Program so at least I'll have a year [bell] to work

through this. My building is different because it's

a rental, but what we're looking to do is to preserve

low-income housing for those who need it. So, I'm

appealing to you to review this moratorium as well as

tax amnesty so that we can survive, and hopefully

thrive. Thank you.

ACTING CHAIRPERSON RIVERA: Thank you.
Thank you so much.

RANDALL TARAY: [off mic] Good afternoon,
Madam Chair. My name is Randall Taray (sic) and I'm
representing—oh, thank you [on mic] very much. My
name is Randall Taray. I'm representing RiseBoro
Community Partnership. For RiseBoro Community
Partnership, HPD's Third Party Transfer Program has
been a way that our organization has been able to
work with smaller buildings in our community that
have had a tough time financially due to negligent
ownership and management and becomes prey to
predatory speculators. RiseBoro has partnered with
HPD in such project sectors as the West Bushwick TPT
that include nine buildings, 43 units where we were
able to improve the living conditions and lock in
long-term affordability for the existing residents.
Our Standridge Project included five buildings that
we were able to usher through the TPT Program and
improve the living conditions and security
affordability for 21 original tenant households.
With the Esperanza TPT, we ensure 11 families in two
buildings in Bushwick will remain in their home safe
conditions with affordable rent. There—these are but

three examples of the many TPT projects we are working on at RiseBoro. We believe we have been successful with the TPT program because we have worked with HPD, tenant outreach groups, local elected officials, clergy organizations, and the tenants themselves to provide information and to work tenants through the TPT process and to empower them to take control of their living arrangements RiseBoro Community Partnership along with a consensus of the affordable housing community feel that TPT is the most effective tool for the city to deal with distressed buildings. Let me say I cannot underestimate the impact that TPT Program has had in the city of New York. So, today families are living in renovated apartments where they previously lived in distressed and troubled buildings. Families are now secure that the encroachment of gentrification and rising rents will not drive them out of the neighborhood because they are in buildings that have guaranteed long-term affordability. So, what is needed is for the TPT Program to expand to co-ops that are in distress and need help rather than be foreclosed and once again be prey to speculators [bell] who will move out the current residents and

attempt to raise their rents beyond affordability.

Thank you for the opportunity to testify today.

ACTING CHAIRPERSON RIVERA: Thank you.

VICTOR MORISSETTE: Good afternoon. My name is Victor Morissette. I grew up on an HDFC. I am the Secretary-Vice President of ATAC (sic) which is a franchise company, the business providing technical assistance to HDFC tenants and shareholders in conjunction with the HDFC Coalition. So, we assist in preparing the Article XI application as Gloria indicated, but I want to speak about the issue. What seems to be complicated is a very simple issue. This year unlike prior years, HPD decided that there was a rule that a HDFC building could no longer participate in being helped through the Tenants' Petition Program that they mentioned here today. So, when they talk about how wonderful it is for Third Party Transfer Program, it is a program that works and works well. The question that I ask the Council is the following: and I have a table that I shared with you within my testimony that I have prepared. This is very simple. You put on one side the data, which are the HDFCs and the other side is client, which are the TPT developers like the gentleman sitting next to me

here. Some of them are great. Some of them are no so great, and I wanted to go back and listen to the argument made when Medgar Evers College sent it for the injustice. Look at the intention of Local Law 37 and why was that Local Law approved. Because at the beginning of Local Law 37, it was geared toward buildings that were owned for private landlords. The pipeline of buildings in the inventory have dried up. So, guess what? The low-hanging fruits happen to be the HDFCs, and the parallel is very simple. You the Council have the power to approve the Article XI, all the Article XI applications that get submitted to you by HPD. You the Council have the power to approve the Urban Improvement Action Areas that are approved by HPD, which provide tax incentives for development in the city of New York. So, in this column we have developers in one side, HDFC on the other side, and let's look at the current [bell] Third Party Transfer Program today. So, what happens to ownership? HPD said that this round, there's a rule that says that HDFC will not qualify to continue being HDFC because there's a transfer. Under the Third Party Transfer Program. That was changed only for this action where there is the largest number of HDFCs being

foreclosed. So, ownership elimination. It's done. Checked off. [bell] The next item the deed gets transferred Neighborhood Restore who will then will transfer it to a developer. It could be a for-profit, non-profit. What happens to ownerships? They become renters. They're eliminated. How much do they pay for that deed transfer? \$1.00. \$1.00 will be paid when the deed gets transferred from Neighborhood Restore the private developers. Now, let's look at the financial distress issues that HPD wants to resolve and the city wants to resolve. The city wants to collect on the water bills arrears and the real estate taxes, right? They're going to come back to you as the Council with recommendations that say wipe out these two bills. It's the same Article XI that some HDFCs are applying that you will be approving when this specific project comes to you through the Third Party Transfer Program. So--

ACTING CHAIRPERSON RIVERA: If you could wrap up. [bell]

VICTOR MORISSETTE: So, to conclude, I just have two more items on the checklist that I want to add so that you understand this call. So, it gets eliminated. Who benefits? HPD will say that the

tenants benefits, but the benefit it's really to the developer because he's the one getting the benefit.

ACTING CHAIRPERSON RIVERA: Okay, just please try to wrap up because we have one more—we still have more people waiting.

VICTOR MORISSETTE: To conclude, Section 8 is given to the developer guaranteed so that they can when the rent is adjust that will increase tremendously because there's a financial plan that they borrow money to rehabilitate a building where the city facilitates the for their home loan money, the block grant money that it manages, low-interest loans, PLP loans, and you know how much equity percentage that the developer put into the deal? Fifteen to twenty percent. The rest is facilitated by—through city programs.

ACTING CHAIRPERSON RIVERA: Well thank you.

VICTOR MORISSETTE: And to say—the question I ask yourself is very simple: Why not? If the HDFCs is going through this process of foreclosure the same benefits that are given to the developers approved in the TPT program.

ACTING CHAIRPERSON RIVERA: Thank you.
Thank you.

ERICA SMITH: [off mic] My name is—is
this on?

ACTING CHAIRPERSON RIVERA: The red light
means you're good.

ERICA SMITH: Oh, okay. My name is Erica
Smith. I am here representing 30 McCombs Place HDFC.
I'm a shareholder and I am the Board President for
the past six months. We are an example of a success
story of an HDFC co-op that was I found out in mid-
September that we were in foreclosure, and that we
were going to be voted on three weeks later. We had
three weeks to try to figure out what foreclosure
even meant, and if we had gone—so I called the—the
HPD. They didn't really—the only thing that they
were able to tell me was that we should try to sell a
unit to pay back all of our taxes and the water
arrears. That's really the only information that
they were able to offer. So, we had the current
Board President, the Board President at the time had
Alzheimer's Disease. We had a manager—a managing
agent who was taking advantage stealing money.
Luckily, we got a flyer from the HDFC Coalition. We

1 went to a seminar. I went with one of the other
2 shareholders, and thanks to Victor and Gloria at the
3 HDFC Coalition, they helped educate us about what we
4 needed to do to help have the building run properly,
5 and they helped us put together a budget and figure
6 out what to do, and within six months we—I got a
7 brokers. We were able to make two sales, paid back
8 all of our taxes and water bills and we're not in
9 foreclosure any more. One-by-one we're trying to
10 take care of all of the violations. It's really
11 expensive. We don't want to take out another loan
12 because of some of the other testimony I heard here
13 today, but if we had gone with the Third Party
14 Transfer Program I would have lost my entire
15 investment, and the other five shareholders at the
16 time would have lost their investments and been
17 converted to renters, which would have probably
18 tripled the monthly payments [bell] that we were—that
19 we were making. So, that wasn't really an option for
20 us, and just with a little bit of education we're
21 able to manage the building and take care of it and
22 make capital improvements. Thank you.

23
24 ACTING CHAIRPERSON RIVERA: Thank you
25 everyone. Thank you. We have one more panel. Thank

you for hanging on. Sylvia Tyler. Of course, last but not least this panel. Sylvia Tyler, Wamala Wovanda (sp?) Heather Payne, Will Buckney [background comments] Buckaney-Buckhari. Sorry. It's a pretty R. [background comments] Sam Elkhart and Barry Weinberg. I think that might be seven. Sorry. Oh, no, it's six. I did it. [background comments] Thank you, everyone for your patience. We will start with you, if that's okay? [background comments]

WILL BUCKHARI: Good afternoon all. My name is Will Buckhari. I live at 302 Convent Avenue in an HDFC. It's in Harlem at 142nd Street one block north of City College. I live with my wife, daughter, grandson in an attractive 1912 building, 42 units, 42 owners. Our building, roof, elevator, hallway, basement all in excellent condition and beautiful. We did it. We the people of the 32 Convent Avenue HDFC Co-Op. In our 37-year history as an HDFC I've been president a dozen times. We are proud of our home, the home where my wife and I raised our four children and sent them out into the world. Well, one came back, but it's okay. Well, this is the home from which we left to walk to the ever-changing pole locations to vote for presidents,

vice presidents, senators, governors, City Council Members, et cetera Our home it's a good feeling. Our home it's a safe feeling having a home. As homesteaders, we fought for and worked to establish that safe feeling, safe environment, homeownership for our families. That safe feeling was not always there. In 1992, 11 years in as an HDFC co-op, 11 years repairing, rebuilding, struggling. After 11 years we were about to lose our home. We received an in rem notice from the city. We owed \$20,000. This is in 1992. Today's money that would be \$35,000. The average arrears of HDFC now in facing foreclosure strikes between \$500,000 and \$700,000 today well above the average of \$25,000 back in 1992. Finally, finally, when we received [bell] the in rem notice, we went to work explaining, pleading, arguing in addition to mailing registered letters to all shareholders. We held frequent meetings and we were able to come back to save our building. We raised it \$20,000. We're at death's door, but we came back, and we came back because we received the in rem notice on a timely basis, but we came back because the Urban Housing Assistance Board, UHAB they came to assist us, give us guidance, give us help at our

meeting talking to the shareholders. We came back because we received timely notice—notice that helped us respond to it, and gave us our second chance.

ACTING CHAIRPERSON RIVERA: Thank you so much and if I could just have everyone be quiet please to just give everyone the same respect that we all got while we were speaking. I just want to recognize Louise Clark and also that we've been joined by the Chair of the Housing and Building Robert Cornegy to whom I will hand over the—the reigns to finish strong.

CHAIRPERSON CORNEGY: Thank you. I want to thank my colleague so much for under some extreme circumstances continuing to chair the hearing for me and hearing the valuable testimony from the advocates as well as the constituents who are—will be affected by—and have been affected by a Third Party Transfer. So, thank you. You can continue.

SAM: Thank you all for staying and listening. My name is Sam. I'm from the 56-60 West 119th Street HDFC. We're one of the bad ones, lots of tax arrears, lots of water bills unpaid, violation, although I just want to say that I would object to some of the charges that these HDFCs are

dilapidated. I would be proud to have anyone come visit us in our home. In November of 2016, we made a payment arrangement for \$627,000 of unpaid taxes. We had to 35% down. That's \$219,000. Our quarterly payments are \$20,000 much of it interest plus about \$10,000 for current taxes. In November of last year we made a payment arrangement for our water that was \$249,000. We had to put \$35,000 down. Over the course of that arrangement we'll be paying \$75,000 in interest. We also had about 150 violations. Some from before we were even a co-op and we've cut that down to about half. So, we've been doing a lot of good work on good days. I-I think that we can survive this trouble that we're in. Other days I feel like I can only pray. We've gotten a lot of help from people that have spoken here, but I think we need more help from the city organizations. In terms of our agreements that I mentioned earlier, I don't think they're terms that one would offer someone that you're looking to help. They're not terms that you'd offer someone you want to succeed, and I think TPT in foreclosure that's not help. Article XI sounds good, but some of the requirements make me question whether they actually, you know,

intend that as help as well. So, I think we've heard a lot of good suggestions here today from the HDFC Coalition [bell] from the Medgar Evers Center, and I just hope that we'll listen. Thank you.

SYLVIA TYLER: Hello, my name is Sylvia Tyler. I live in a successful—one of the successful HDFCs. When we moved in, my family over 30 years ago like the end of say 1990 or 1989, people thought we were crazy because of the condition of the building. They—it was deplorable and we live on the seventh floor. We had to walk up for years, but at this point, we fought and we struggled, and we went through a lot of things and—and we do have 44 units, 44 shareholders, and we don't owe any back taxes or any back water bills, et cetera, et cetera, but I today want to talk about something that I always hear. We—we—I'm part of the HDFC Coalition that was started by Jordie Montblanc (sp?) I was one of the founding members, and when we meet with Buildings they—someone always comes up to us and me in particular at the end and say well, we—we have—we're paying our—on our taxes to the city not a bank loan, directly to the city, but when we look at it, it's not hitting our principal. It's—most of it's going to

1 interest, and that made me think back to our
2 experiences that we had in the beginning. We owed
3 combined water and--and taxes, real estate maybe about
4 \$80,000. We were lucky to get a loan, and the same
5 thing was happening. I was the president of the
6 board, and I'm like we're paying \$5 or \$6,000 a
7 month, and most of it's going to interest. So, we
8 were able to--the Community Service Society gave us a
9 loan, and we were able to pay that off, and I think
10 at that time the city was--they--they were charging us
11 9% interest compounded [bell] daily. So, the loan
12 was a reasonable loan that we were able to pay back.
13 So, that is my--my issue. I want the City Council to
14 look into what can you do about people, buildings who
15 are struggling who are paying these exorbitant
16 interest rates on--on their real estate. I understand
17 water is separate and that's [bell] that's different,
18 but this is my--[pause in audio 4:20:39 to 4:30:56]

1 COMMITTEE ON HOUSING AND BUILDINGS

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C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.



Date May 27, 2018