

COMMITTEE ON HOUSING AND BUILDINGS

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CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON HOUSING AND BUILDINGS

November 13, 2018

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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

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

Kim Darga
Associate Commissioner of Preservation with the
New York City Department of Housing Preservation
And Development, HPD

Matt Murphy
Deputy Commissioner of Policy and Strategy at the
New York City Department of Housing Preservation
And Development, HPD

Gus Sirakis
Assistant Commissioner for Technical Affairs and
Code Development at the Department of Buildings,
DOB

Chris Holme
Senior Planner at the Department of City Planning

Katherine Leitch
Policy Analyst at the Citizens Housing and
Planning Council

William Spisak
Director of Programs at Chhaya, CDC

Tyrone McDonald
Government and Community Relations Manager of
Neighborhood Housing Services of Brooklyn

Elena Conte
Director of Policy at the Pratt Center for
Community Development

Robert Sanderman
Community Economic Development Attorney at Queens
Legal Services

Michelle Neugebauer
Executive Director of the Cypress Hills Local
Development Corporation

Braden Listmann
Deputy Director of Homeowner Services at the
Center for the New York City Neighborhoods

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[gavel]

CHAIRPERSON CORNEGY: Good morning

everyone and thank you for coming. I'm Council Member Robert Cornegy, Chair of the Council's Committee on Housing and Buildings. We're here to discuss Intro.. oh I'm sorry, I'm joined by Council Member Margaret Chin and we're here to discuss Intro 1004 sponsored by Council Member Lander, which would create a poly program facilitating the conversion of basements and cellars of certain one, two... one- and two-family homes in East New York into legal, habitable apartments. HPD will primarily... will be primarily responsible for managing and administering this program with over 11 million budgeted for this purpose. If successful, this program could be scaled citywide and create an estimated 5,000 affordable housing units. There are thousands of unauthorized housing units throughout the city many of which exist in illegally converted basements. Tenants illegally converted basements often live in substandard conditions and they're more likely to have very limited rights to the unit. This program will render certain basements both safe and legal creating legitimate, quality, affordable housing and

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2 additional property value for participating
3 homeowners. Today we anticipate testimony from the
4 administration, real estate representatives, tenant
5 advocates and other stakeholders and interested
6 members of the public. We look forward to learning
7 more about the details, objectives and supports to be
8 provided by this program as well as any concerns that
9 this program presents. As a reminder of those who
10 testify today please be sure to fill out a card with
11 the Sergeant. With that said I'm going to call up
12 representatives from the administration as our first
13 panel.

14 COMMITTEE CLERK: Do you affirm to tell
15 the truth, the whole truth and nothing but the truth
16 in your testimony before this committee and to
17 respond honestly to Council Member questions?

18 KIM DARGA: Yes.

19 COMMITTEE CLERK: Great.

20 KIM DARGA: Good morning. Good morning
21 Chair Cornegy and members of the New York City
22 Council on Housing and Buildings. My name is Kim
23 Darga and I'm the Associate Commissioner of
24 Preservation with the New York City Department of
25 Housing Preservation and Development, HPD. With me

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2 today are my colleagues Matt Murphy, Deputy
3 Commissioner for Policy and Strategy at HPD; Julian
4 Bazel, Code Counsel at the New York City Fire
5 Department; Gus Sirakis, Assistant Commissioner for
6 Technical Affairs and Code Development at the
7 Department of Buildings and Christopher Holme, Senior
8 Planner at the Department of City Planning. I'm
9 excited to testify today on Intro 1004 and the city's
10 demonstration program to facilitate the renovation
11 and creation of apartments in basements and cellars
12 of certain one- and two-family dwellings in Brooklyn
13 community district five. Basement and cellar
14 apartments have been a topic of interest for at least
15 90 years in New York City. Today is an important step
16 to address their existence and explore how they may
17 be converted to legal, safe housing. Introduced by
18 Council Members Lander, Espinal, and Barron at the
19 request of the Mayor, this bill reflects the efforts
20 of a two-year working group in joint recognition
21 between the City Council and administration that
22 innovative tools are needed to address the city's
23 affordable housing crisis. In conversations during
24 the East New York rezoning process, the community
25 specifically called for a pilot program to look at

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2 converting basement and cellar apartments. I
3 especially thank Council Member Espinal for his
4 leadership on this issue. Affordable housing is one
5 of the biggest concerns that New Yorkers face and one
6 of the top priorities of Mayor De Blasio's
7 administration. The estimated population growth in
8 New York City between 2010 and 2017 was around
9 400,000 people, this is a population comparable to
10 New Orleans or Miami. To confront this migration, we
11 are making every effort to add housing at a variety
12 of income levels. This helps provide relief in the
13 rental market, which holds a stubbornly low vacancy
14 rate at 3.63 percent according to the 2017 housing
15 and vacancy survey. The Mayor's comprehensive housing
16 plan, accelerated and expanded through Housing New
17 York 2.0 to finance 300,000 affordable homes by 2026,
18 is a critical pillar of a broader agenda to keep the
19 city affordable, competitive and sustainable. We are
20 here today to take the first steps to enable and
21 encourage homeowners to turn their basements into
22 legal and safe apartments. While New York City
23 remains a majority renter city, it is vital that
24 homeowners have the tools to participate in housing
25 solutions we need to confront our housing, especially

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2 affordable housing, shortage. Although the economy
3 has improved since the foreclosure crisis and
4 recession, many New York City homeowners struggle to
5 cover basic home expenses, including mortgage
6 payments and needed repairs and still make ends meet.
7 Because of New York City's high value real estate
8 market, it is not unheard of for aggressive
9 speculators to barrage vulnerable owners with cash
10 offers, knowing that those with significant
11 maintenance issues will be tempted to accept, even if
12 it means leaving the neighborhood where they hold
13 vital social networks and even if it is not enough
14 for them to secure another home or apartment they can
15 afford. In some cases, homeowners have converted
16 their existing cellars or basements into informal
17 rental units for additional income to pay the bills.
18 While renting a basement or cellar can reduce
19 financial vulnerability for the homeowner, conditions
20 in these units are often far from ideal. They can
21 leave renters in unsafe units that do not provide
22 adequate light, ventilation, and egress or meet
23 certain noncombustible construction requirements.
24 Chhaya Community Development Corporation estimates
25 that over 100,000 households live in informal units,

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2 including illegal basement and cellar apartments
3 across the city, with... many without leases and in
4 conditions that fail to meet the minimum safety
5 standards in the city's housing and construction
6 codes. Tenants and owners do not always know that
7 existing regulations and laws have requirements
8 making many of those basement or cellar units illegal
9 to be inhabited. Many of these mandates are the
10 result of an era in which one of the largest housing
11 issues was the connection of negative health outcomes
12 and poor housing conditions. Today, these unregulated
13 units are often occupied by some of the city's most
14 housing unstable populations, or those less likely to
15 engage with government agencies regarding their
16 housing conditions. It is in these situations that
17 tenants are not likely calling 3-1-1 for peeling
18 paint, lack of smoke detectors, or other potentially
19 serious conditions. If a complaint is made and a city
20 inspector sees an unauthorized, below grade unit that
21 is deemed unsafe, for example, because it lacks means
22 of emergency escape and rescue openings in case of a
23 fire, the city must order the tenant to vacate the
24 unit. I want to take a moment to know that these...
25 note that these homeowners are often doing what they

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2 can to take care of their families and may otherwise
3 be well intentioned landlords. Because they are not
4 in the business of large-scale development or
5 property management, many homeowners may not know
6 that these basic safety requirements exist at all.
7 Even if they do, major obstacles to creating legal
8 basement and cellar apartments in existing one- and
9 two-family homes include complexities of overseeing
10 and managing construction, and the prohibitive costs
11 of bringing such apartments into compliance.

12 Modifying certain code requirements in conjunction
13 with requiring additional safety measures specific to
14 basement and cellar apartments would protect and
15 promote the health and safety of tenants in these
16 units. In order to provide a stable income stream to
17 homeowners and add safety, quality apartments to the
18 housing stock, the city is proposing modified
19 standards for homeowners to legalize the occupancy of
20 these basements or cellars. Too often these
21 apartments exist in the shadows, and there is much to
22 be learned to make sure that the city is offering the
23 right forms of assistance and protection. As such, we
24 seek approval of a demonstration program with these
25 goals in community district five: First to evaluate

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2 modify.. or sorry, evaluate modified housing standards
3 that do not compromise resident or responder safety
4 while increasing the number of viable below grade
5 units. Second, to identify and engage willing
6 homeowners to participate in the creation or
7 renovation of below grade housing units. Third, to
8 produce public financing instruments and identify
9 private financing opportunities to develop or conduct
10 renovations on below grade housing units. And
11 ultimately, from this work, determine if the
12 approaches can be implemented city wide by examining
13 the impact and feasibility of basement and cellar
14 housing standards, engagement approaches, and public
15 and private financing opportunities. The geographic
16 location for this demonstration program is ideal
17 because of the physical and economic factors in the
18 area. Brooklyn's CD five, including East New York and
19 Cypress, Cypress Hills, asked for such a program
20 during the East New York rezoning conversations,
21 which is reflected in the East New York Commitments
22 Tracker. It is the ideal location for the launch of
23 a... the demonstration program because of the housing
24 stock and the presence of knowledgeable community-
25 based organizations. It includes a uniquely

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2 concentrated stock of older buildings with diverse
3 zoning and housing types but most importantly of all
4 community districts in Brooklyn, illegal basement
5 occupancy is estimated to be the most common in this
6 area. The community was also one of the New York
7 neighborhoods hardest hit by the foreclosure crisis.
8 Today, ten years after the foreclosure crisis, CD
9 five has the fourth highest rate of new mortgage
10 foreclosure actions among homeowners in the city.
11 Additionally, 59 percent of homeowners in the
12 district are cost burdened, 47 percent are low
13 income, and 140 of every 10,000 one to three family
14 homes has their... has had their tax liens sold in 2016
15 and 2017, suggesting homeowner financial distress.
16 HPD is deeply committed to providing struggling
17 homeowners with the resources and services they need
18 to stay in their homes and neighborhood. As part of
19 Housing New York 2.0, HPD announced the Home Fix
20 Program to help existing low- and moderate-income
21 homeowners in one to four family properties fund home
22 repairs. There is high demand for these relatively
23 small loans to help families who do not have access
24 to the private lending market. Through the new
25 program, financial assistance will be paired with

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2 financial counseling to address the full spectrum of
3 needs of families struggling to cover basic expenses
4 and mortgage payments, while also paying for home
5 repairs. The Center for New York City Neighborhoods,
6 CNYCN or the Center, is a nonprofit organization
7 created in 2008 in response to the foreclosure crisis
8 through the collaborative efforts of the Mayor, HPD,
9 the New York City Council, community advocates,
10 foundations and corporate leaders. The Center and its
11 network partners offer high quality housing
12 counseling and legal services, free of charge, to
13 meet the diverse needs of New York homeowners. HPD
14 manages contracts with CNYCN to procure foreclosure
15 prevention services via network partners, local
16 community-based organizations who deliver financial
17 and legal counseling in neighborhoods. In addition,
18 CNYCN attends Homeowner Resource Fairs that HPD hosts
19 in different neighborhoods. Further, the East New
20 York Homeownership Helpdesk is run by the Center for
21 New York City Neighborhoods, under contract with HPD,
22 in collaboration with the Office of Council Member
23 Espinal. Launched in 2017, help.. the helpdesk offers
24 a range of services, including advice and assistance
25 with foreclosure prevention, guidance on scam

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2 avoidance, advice on home repair and other programs
3 like weatherization loans. As part of this program,
4 the Center has conducted outreach to over 3,000
5 homeowners, hosted 12 outreach events, and educated
6 2,000 homeowners with foreclosure prevention,
7 financial and legal counseling. Today's proposed
8 legislation will build on this important work by
9 allowing for the conversation... or sorry, the
10 conversion of a current basement or cellar in an
11 existing single-family home in CD five into a new
12 legal apartment through the modifications of current
13 code requirements. Each proposed modification and the
14 standards regulated by the city's codes took into
15 account the safety of the occupants of these
16 apartments. These modified standards include added
17 health and safety measures such as sprinklers,
18 sprinklers, radon testing and water proofing. To
19 compliment the legislative modifications, the city
20 has allocated funds for an HPD financing program that
21 will assist homeowners in undertaking these
22 renovations. Existing low- and moderate-income
23 homeowners will have access to financial and
24 technical assistance through HPD's Basement Apartment
25 Conversion Program. Through the program, HPD will

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2 provide the low and no cost... or sorry, no interest
3 loans to renovate a basement or a cellar into a
4 validly habitable apartment. This spring, the Mayor's
5 Public Engagement Unit, PEU conducted outreach to 420
6 homeowners in East New York and Cypress Hills to
7 understand the viability of and homeowner interest in
8 a potential basement conversion pilot program. Six
9 bilingual outreach staff did door to door and phone
10 outreach to homeowners and collected basic self-
11 reported information on household income, household
12 size and existing basement or cellar conditions. PEU
13 had a 90 percent response rate among contacted
14 homeowners, over 30 percent of which expressed
15 interest in participating in a potential future pilot
16 program. Homeowners reported the potential for
17 earning income from renting their converted basement
18 or cellar as the primary motivating factor for
19 participating in a future program. In addition to the
20 funding... to funding renovations, HPD will oversee a
21 contract with a non-profit program administrator to
22 assist, assist participating homeowners. Based on a
23 request for expressions of interest, HPD has
24 identified a consortium of community-based
25 organizations, CBOs, to administer the pilot program

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2 on behalf of HPD for 40 homeowners and is in the
3 process of negotiating a contract with this group.
4 This includes working with homeowners to apply for
5 and close on financing from the agency and access
6 other appropriate assistance. With help from the
7 CBOs, the owners will work directly with qualified
8 contractors to renovate their apartments in
9 compliance with the modified standards from the local
10 law. The CBOs will also help any existing tenants
11 residing in currently illegal units by providing
12 guidance and financial resources if temporary
13 relocation is required during construction. As the
14 head of all residential preservation programs in the
15 city, I focus on keeping people in affordable homes
16 every day. I want to be clear; I do not want this
17 program to result in the eviction of existing
18 tenants. At HPD, protecting tenants is at the core of
19 our work. Looking at our experience with other
20 single-family homeownership programs, I am committed
21 to finding a path that balances the financial
22 stability for the homeowner with tenant protections.
23 We have had a number of conversations with
24 homeowners, Council Members, advocates, and the
25 contracted CBOs in developing the requirements of

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2 this program. We will continue those conversations to
3 strike the right balance of flexibility and support
4 of all participants. Flexibility is important to
5 quickly respond to situations that arise during this
6 pilot, which will present both challenges and
7 opportunities along the way. In order to find program
8 participants, the Mayor's Public Engagement Unit will
9 perform additional outreach to homeowners in East New
10 York and Cypress Hills to inform them about the
11 basement conversion program, determine interest in
12 the program and connect potential participants to the
13 CBO and HPD who will conduct further screening to
14 determine feasibility and eligibility. PEU will
15 employ multilingual specialists with fluency in key
16 languages that do outreach over the course of
17 approximately 12 reach to... or sorry, 12 weeks to over
18 8,000 homeowners identified by the Department of City
19 Planning. Based on the initial outreach earlier this
20 year, the city expects a smaller number of homeowners
21 will be interested in the program and complete an
22 initial home assessment from which CB... the CBO and
23 the city will identify 40 final participants.
24 Outreach may include in person door knocking, phone
25 calls, and mailings and will be coordinated with

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2 relevant stakeholders including community-based
3 organizations and Council Members. At the end of the
4 three-year pilot, we will evaluate the program and
5 have a better understanding of best practices and
6 challenges for adopting... or adapting this program or
7 potentially considering other conversion programs at
8 a greater scale. This evaluation will be key to
9 providing facts to a debate that has been underway
10 for more than eight decades, whether we can or should
11 look underground to help us create yet another source
12 of affordable and decent housing. Because we are
13 always looking for innovative solutions that meet the
14 needs of New Yorkers where we... where they live, today
15 we hope to shed light on unregulated basement and
16 cellar units and outline a path to more easily
17 convert these spaces into safe, habitable apartments.
18 It is my hope that the basement and cellar
19 demonstration program within community district five
20 will provide important information about the impacts
21 of legalizing these units on a wider scale, while
22 providing a stable income stream to homeowners and
23 adding safe, quality apartments to the housing stock.
24 Thank you for your time and I look forward to any
25 questions.

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2 CHAIRPERSON CORNEGY: Thank you so much
3 for your testimony. I just want to acknowledge the
4 presence of Council Member Bill Perkins, Council
5 Member Brad Lander, Council Member Barry Grodenchik,
6 Council Member Carlina Rivera, Council Member Jumaane
7 Williams and Council Member Fernando Cabrera. I've
8 been joined by my Co-Chair and at this time I'd like
9 for him to be able to give his opening remarks.

10 COUNCIL MEMBER ESPINAL: Thank you, thank
11 you Mr. Chairman. In trying to make ends meet and
12 hold on to the family's biggest asset, many
13 households across the city have leased out their
14 basements as apartments. This needed source of income
15 is often illegal due to safety hazards yet bringing
16 the units up to code requires construction that would
17 send many of these homes into foreclosure. I'm proud..
18 I'm proud that this basement pilot program is going
19 to take place in East New York, which is home to a
20 resilient community of low-income families who use
21 their homes as sources of critical income but every
22 day risks fines that could ruin their lives. We need
23 this program because it does not pit the safety of
24 tenants against the needed income of homeowners. An
25 elderly constituent recently came to my office

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2 overwhelmed and distraught at the thousands of
3 dollars she had been fined for renting out her
4 basement to a formerly homeless family. The family
5 had been evicted because her basement had not been up
6 to code, her financial security was ruined because of
7 the expenses she was forced to pay, and she was
8 devastated that her neighbors were forced to live in
9 a hotel for years. Though the apartment wasn't safe
10 to live in, it provided a home to people who
11 otherwise would not have a home. This woman's story
12 demonstrates the careful balance this program needs
13 to strike, one that protects homeowners and tenants
14 alike. Low income homeowners across New York
15 experience some, some... experienced more foreclosures
16 this past year than they have since 2009 yet when we
17 talk about our city's housing crisis this entire
18 population is often left out. This pilot program is
19 an essential first step in what we hope will be a
20 citywide program to replace the risk of burdensome
21 fines with secure and affordable apartments. It must
22 include compassionate loans for homeowners who want
23 to follow the law but are financially restrained from
24 doing so and it must include affordable rents for
25 tenants who if priced out are at risk of becoming

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2 homeless. There is an affordable housing crisis in
3 this city and this program must be a part of solving
4 it. I also want to add that this program is a...
5 actually came out of the East New York Neighborhood
6 Plan and it was through tough negotiations that we
7 were actually able to push the Mayor's Office to
8 agree... to agree to do this in working with great
9 groups in the community like Cypress Hills Local
10 Development we were able to get to this point, we
11 spent the past two years having tough conversations
12 and negotiations with HPD on figuring out what is the
13 best way to move forward and that in result turned
14 into a bill that my great colleague Brad Lander is
15 carrying and I'm hoping to continue to working
16 together to make it into a reality. Thank you.

17 CHAIRPERSON CORNEGY: As it was mentioned
18 my, my Co-Chair, the prime sponsor of the bill is
19 Council Member Brad Lander and I'd like to give him
20 an opportunity to speak on his bill.

21 COUNCIL MEMBER LANDER: Thank you very
22 much Mr. Chair, Council Member Espinal and HPD and
23 the administration team for being here. This is a
24 pilot program that's a long time in coming, I was
25 looking back last night at the report that we put out

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2 at the Pratt Center, New York's housing underground,
3 a refuge and resource, April 16th, 2009 and that
4 actually built on work that had been done by Chhaya
5 and I want to call them out for their long standing
6 organizing and Citizens Housing and Planning Council.
7 We've got a real opportunity here and I'm glad about
8 the deliberation that we're approaching it, you know
9 at that time we thought it was about 100,000 units,
10 part of the challenge here of course is getting the
11 data, I suspect it's actually a lot more than that
12 today. And I appreciate the work that has gone in, I
13 want to give a special credit to Council Member
14 Espinal for his work in East New York, part of what
15 has long been needed over all these years, I think
16 there's long been recognition that there are a lot of
17 occupied underground units that they provide critical
18 housing to hundreds of thousands of New Yorkers but
19 that we have to balance some challenging issues about
20 health and safety, about owners, about tenants if
21 we're going to do it and for a while a idea that a
22 pilot program would help us figure that out has been
23 straight forward but what neighborhood would step up
24 and take responsibility to work to do it has not been
25 simple so I want to say thank you to East New York,

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2 to Cypress Hills LDC and especially Council Member
3 Espinal for taking the leadership to move us forward.
4 This is in some ways a relatively modest pilot
5 program, 40 homes but it's the opportunity to work
6 out a lot of hard questions and see if we can come up
7 with something at a scale that genuinely addresses
8 this issue more broadly and provides something that
9 is an essential element of our broader affordable
10 housing and comprehensive solution and I'll just
11 second, I think we're all mindful of the challenges
12 we face, we need to have units that are safe and
13 habitable, we need our fire fighters to be safe when
14 they go into units, we need first and foremost
15 occupants to be safe living in those units and then
16 we also need to balance the issues facing homeowners
17 and tenants and in a lot of situations especially in
18 East New York that's a challenge on both fronts. So,
19 many of the homeowners that will be eligible for the
20 subsidy program will be low income families who might
21 otherwise be facing foreclosure or challenges in
22 maintaining their homes. I think we also want to
23 recognize that the tenants in these units and this is
24 true across the board not just in East New York, the
25 tenants who occupy basement underground housing units

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2 are overwhelmingly low income families, largely
3 immigrant families who don't have options to find
4 decent, safe, affordable housing in New York City and
5 have occupied these units because that's what they
6 can find, we need to make sure the program that we
7 develop provides adequate tenant protections and
8 affordability so we don't create a different problem
9 in solving this one. I appreciate the work that the
10 administration has done so far in dialogue with us
11 and all the stakeholders to try to get there and I
12 look forward to bringing this bill forward to passage
13 and then seeing the program getting implemented in a
14 way that really helps to carry us forward. Thank you.

15 CHAIRPERSON CORNEGY: Thank you Council
16 Member. So, we're going to begin the portion of, of
17 questions from myself and my colleagues. Before I
18 hand the mic over to my Co-Chair Espinal I just have
19 a couple of questions and I want to give some context
20 before I get started. I am cautiously optimistic
21 about the program and the reason that is, is there's
22 an old adage, deep southern adage that says, be
23 careful not to fatten frogs for snakes and if you
24 could... not that I advocate for the fattening of frogs
25 or snakes but what it... what it means is that

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2 sometimes we'll work really hard on a particular
3 thing just to have it either be monitored or fined
4 and feed or... so you ask people to come in to the...
5 into the above ground industry and then ultimately
6 they suffer and so as it was mentioned by the... by the
7 bill's sponsor most of these homeowners in this
8 particular program and those who access their
9 basements for conversion around the city are low
10 income immigrant families who may not be as well
11 versed in the system so education is going to be
12 tremendously important in this so that they can be in
13 compliance and not get in compliance and, and then
14 fall out of compliance so that's what we've seen. As
15 the former Chair of the Committee on Small Business
16 we would see a program that brought small business
17 owners, largely immigrant into a system and gave them
18 initial help but didn't help them through all the
19 steps and they would fall out of compliance and then
20 be the target for enforcement. So, that's what I... you
21 know that's the context by which makes me cautiously
22 optimistic. So, are there... so, and I, I kind of know
23 anecdotally some of the answers to the questions, I'm
24 hoping that we can get the statistical data to
25 support it. Are there neighborhoods or areas of the

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2 city where illegal basement apartments are
3 particularly common?

4 MATT MURPHY: So, I'll answer that, Matt
5 Murphy from HPD. There are specific areas of the city
6 where it's expounded to be more common, that doesn't
7 mean this isn't a citywide issue. There are going to
8 be parts of the city where it's just less common. In
9 terms of this specific area, community district five
10 in East New York while violations on our side, the
11 data that we have aren't necessarily perfect
12 predictors of the problem they're about as good as it
13 gets in terms... in, in terms of determining possible
14 concentration. In community district five in East New
15 York between 2013 and 2018 they were actually of all
16 the community districts in Brooklyn had the highest
17 rate of violations per 10,000 units, it's actually
18 about three times the Brooklyn average and about
19 three and a half times the citywide average. So, this
20 particular area where the pilot is taking place is an
21 area where... or a neighborhood where it, it is
22 understood to be common. There are other areas of the
23 city where its' been reported and where the
24 violations data would show but as mentioned in the...
25 in Council Member Espinal's statement this also takes

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2 a, a partnership with the community district in
3 growing out as a commitment to the community through
4 the rezoning. On top of that East New York homeowners
5 as has been described were kind of targeted for
6 subprime loans and was very much ground zero for the
7 foreclosure crisis in addition to other low income
8 primarily African American neighborhoods and also
9 more likely to be low income and cost burdened. So,
10 that is a... you know there is a, a reason that this
11 demonstration program is targeted to this area.

12 CHAIRPERSON CORNEGY: So, speaking of
13 targeting one of the reasons that I'm cautiously
14 optimistic because currently we're demanding from the
15 Office of Special Enforcement the zip codes where
16 they've specially enforced around the issues related
17 to Air B and B usage because anecdotally we've... you
18 know we found that it's primarily in communities of
19 color where that enforcement is taking place and... you
20 know which gives me pause and concern where families
21 have been operating, you know below... just meeting
22 their margins based on a subprime mortgage and
23 foreclosure debacle so I, I really just want to be
24 careful where I can see this can be incredibly
25 helpful to families, I want to make sure that the

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2 unintended consequences are not in the forefront. So,
3 you, you, you discussed some of the positive impacts
4 in that it could potentially add more affordable
5 housing units, what are the risks that are associated
6 with basement conversions from your perspective?

7 MATT MURPHY: Sure, so... well I'll start
8 by saying, you know I, I think it's really helpful to
9 look at the risks of the existing conditions so prior
10 to conversion and, and those really break out into
11 three primary populations we've thought about;
12 tenants, owners and first responders. And so, from
13 the tenants side the, the current risk of inhabiting
14 a unit is that because of their nature as being below
15 ground they're more likely to be susceptible to, to
16 moisture which leads to mold conditions and asthma
17 conditions so there's a health risk associated with
18 these units. As Commissioner Darga mentioned in her
19 testimony this has been a, a 90-year conversation
20 where there was an effort to bring people out of this
21 type of housing, you know not that long ago but still
22 quite a long time ago in our... in, in our context and
23 they were brought out for health reasons. So, it has
24 to be understood that there are health risks in
25 exist... any sort of existing conditions. On top of

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2 that there is the risk of being in an informal
3 housing situation, maybe not having a lease, having a
4 handshake agreement with a landlord, this puts people
5 at the risk of displacement without really any
6 understanding or context to existing rights because
7 they're not documented in a way and what we've found
8 in our working group is that there are many
9 situations like that. On the owners side the risk is
10 really the risk of that you mentioned that you are
11 violating the law and you're a 3-1-1 complaint away
12 from either a neighbor or the tenant from their being
13 an HPD inspector who is looking at the unit and
14 determining it to be an illegal unit and so that is a
15 risk for, for them on the... on that side but also to
16 the extent they are financed and have a mortgage, a
17 mortgage lender will look very unfavorably upon that
18 so it takes you out of the credit market. And then
19 finally the risk for first responders as FDNY can say
20 as well is immense, basement fires are inherently
21 more difficult to fight because our firefighters have
22 to go down while the smoke and fire is coming up and
23 they, they may not know that there's a family living
24 in the basement, there is... they may not have the... you
25 know an idea of the exact conditions of that basement

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2 and whether to expect that. So, they really break out
3 into, into several ways and when you add on that the
4 building mechanicals tend to be in basements and
5 below ground that, that risk... has risk for responders
6 and, and tenants as well.

7 CHAIRPERSON CORNEGY: So, you've clearly
8 illustrated right now before the conversion program
9 where the... where the barriers to success could lie,
10 what's the remedy to change that through the
11 conversion program? So, you've mentioned mechanicals
12 like that's not necessarily going to change,
13 mechanicals will still remain in the basement, the
14 means of egress or going below ground still remains
15 the same, what, what are the, the, the exact barriers
16 that you pointed out how are they remedied through
17 the conversion program?

18 MATT MURPHY: Yeah, so that's a great
19 question. So, in, in, in a way... in a few ways and
20 that... touch on all of that. So, the barriers that a
21 homeowner faces in converting today under the current
22 provisions are huge costs implications and that has
23 to do with the housing maintenance code, the building
24 code, the fire code and these cost implications make
25 it almost completely infeasible if not impossible for

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2 a homeowner to pursue this work and so we're
3 balancing here in the conversion program looking to
4 reduce those costs and... but also introducing those
5 mitigating factors. So, for example, the current
6 housing code requires that there is a solid 12 square
7 foot window and I apologize for getting technical but
8 that's really important to understand that that's
9 actually really hard to, to do under the current
10 program... code provisions because there's not enough
11 actual room to put a window like that in and so a
12 specific amendment that we have made is to allow that
13 to be spread over two windows which is feasible after
14 talking to the design people. As well on the... on the
15 boiler and carbon monoxide kind of risk point we've
16 added in specific types of walls that have to be
17 built in so instead of outright prohibiting occupancy
18 of that unit to say that you have to actually build a
19 fire rated wall that makes it a safer and more
20 habitable condition for a tenant should they be
21 living there. We've also put on additional egress
22 requirements and my colleague Gus Sirakis can talk to
23 this and then the ventilation issue and the moisture
24 issue that, that I also discussed that we've put in
25 specific provisions that allow for it to be a balance

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2 quality of life for the tenant without it being cost
3 prohibitive for the owner.

4 GUS SIRAKIS: Hi, Gus Sirakis from the
5 New York City Department of Buildings. So, yeah to...
6 in addition to what Matt has already mentioned this
7 was a, a multiagency effort to consider the safety of
8 these units and to make sure that we were not, you
9 know imposing any safety hazards on folks as part of
10 this program. So, we have also the addition of the
11 mandated fire sprinklers in these spaces, the
12 requirement that the egress stairs comply with the
13 latest building code standards from the outside to be
14 able to get in so that it's not just some... maybe a
15 bill code door or something along those lines that
16 it's a new code compliant stair. The sleeping rooms
17 will also be required to have what's called an
18 occupant evacuation opening, which is a window over
19 particular size, not 12 feet per se but at least the,
20 the right size and without obstructions to, to allow
21 someone to escape if there was need either for a
22 first responder to get them out or for them to get
23 out because one of the, the... it was easiest path of
24 evacuation for them during those conditions and DEP
25 was involved, the Health Department was involved, the

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2 Fire Department was involved, the HPD was involved so
3 there was a lot of consideration put in also to the
4 occupancy standards including the light wells and how
5 you can get light and air down to these spaces and
6 making sure that if you were digging out to put in a
7 kind of a, a, a light well to allow air and, and
8 light to come in that the light well was of
9 sufficient width to allow light to actually come into
10 the room.

11 CHAIRPERSON CORNEGY: So, my last
12 question before I pass it on is, I'm curious in this
13 new pot... in the new zoned pilot program if a
14 homeowner is unable to come under compliance what
15 happens to that homeowner and subsequently the tenant
16 in that homeowner's building?

17 MATT MURPHY: So, if an owner is unable..
18 so, in terms of how the pilot program works the, the,
19 the legislation we're discussing today is about
20 allowing for one family homes to add an additional
21 unit and for two family homes to add a sleeping space
22 basically into the unit. In addition to this
23 legislation which does amend certain provisions that
24 do make it more... that, that do create a path for
25 homeowners, we are doing the demonstration program on

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2 the financing and lending side so we're procuring a
3 community based organization and Commissioner Darga
4 can speak more to this to work with individual
5 homeowners, to seek financing both from HPD and
6 potentially private sources to do this work. It's
7 creating a path today that just simply does not exist
8 because of the barriers that we mentioned and so in
9 the case that somebody through these... this path also
10 is unable to achieve compliance we will be in the
11 same state as we are in today however there will be a
12 lot of resources and a program and money and a
13 community based organization with strong ties to the...
14 to the neighborhood to be able to understand what
15 path can somebody take if it's available to them. in
16 terms of the types of complaints we receive one of
17 the things we found in our working group is that we
18 actually find that tenants call 3-1-1 when the, the
19 water is out or a gas... cooking gas is out or
20 something like that and then that can lead to an... a
21 vacate order in which case people are hooked up to
22 housing through the American Red Cross and ultimately
23 move into other permanent affordable house... or
24 permanent housing. For the... in the situation that I
25 mentioned in my answer, in some cases owners are also

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2 calling on, on tenants and so we have this very
3 unique situation where we literally need to learn
4 more about what is going on in this... in this
5 population and in this housing stock in order for us
6 to potentially scale up to a city wide program. One
7 of the concerns of the program that I think we've
8 controlled for pretty well is the instance where
9 somebody isn't able to go through with the entire
10 program and also where people don't have necessarily
11 a resource to go to financially or on the technical
12 assistance side. We've done this by working to
13 procure community-based organizations who will be
14 able to work more closely with homeowners than HPD
15 would otherwise.

16 CHAIRPERSON CORNEGY: So, I just want to
17 again be careful because anecdotally for me the
18 homeowners who I see and tenants who I see are in
19 this situation are largely from my community and even
20 from Rafael's community are immigrant and they're
21 extended family members who are staying there and who
22 would have difficulty finding housing any other way
23 because of immigration status, because of... a whole
24 bunch of different things so again, you know I'm, I'm
25 cautiously optimistic but I say be careful because

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2 some of them don't fit the criteria and they're
3 there, you know as a... as a necessity not as a luxury
4 both from the homeowner's perspective and the tenant
5 perspective.

6 MATT MURPHY: Right and, and I... and I
7 agree with that and I think that that's why we also
8 are approaching it in this way to... we should all be
9 looking towards the outcome of this work as the
10 evaluation so we can understand all those factors to
11 make sure that we're controlling for unintended
12 consequences but taking advantage of any
13 opportunities introduced as well.

14 COUNCIL MEMBER ESPINAL: Well thank,
15 thank you Chair Cornegy, you've asked all the great
16 questions so I'm just going to ask a few just for
17 clarification just in case any of my constituents are
18 watching. Now I mention... I, I've heard you mention
19 earlier that every bedroom has to have a window in
20 order for the residents to be able to escape in case
21 there is an emergency?

22 GUS SIRAKIS: Yes sir, that's correct.

23 COUNCIL MEMBER ESPINAL: So, does this
24 mean that attached row homes will not be included as
25 part of the program?

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2 GUS SIRAKIS: They might be able to
3 comply with either rear yard or front yard windows.

4 COUNCIL MEMBER ESPINAL: Okay, so they
5 would be able to comply under those scenarios?

6 GUS SIRAKIS: Yes.

7 COUNCIL MEMBER ESPINAL: Alright, so
8 currently who is the program tailored to if you're a
9 homeowner how would you be able to access this loan?

10 KIM DARGA: So, the legislation would be
11 open to any homeowner in community district five, the
12 financing program we have some additional eligibility
13 criteria so its specifically designed for lower
14 income homeowners to address some of the barriers on
15 the financial side to undertaking the improvements.
16 We'll be working the public engagement unit and the
17 community-based organization that will be
18 administering the program will be doing very targeted
19 outreach to potentially eligible homeowners within
20 the district to gauge interest, do a little education
21 and also gauge interest. The homeowners that are
22 interested we will then... the community-based
23 organization will go back out and do an initial home
24 assessment to determine whether the property is
25 eligible and whether or not the finance... the physical

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2 modifications are feasible, if they are then they
3 could be selected to participate in the pilot
4 program.

5 COUNCIL MEMBER ESPINAL: Now is rental
6 income being considered as overall gross income where
7 you decide on who qualifies as a low-income
8 homeowner?

9 KIM DARGA: So, rental income is
10 accounted for in the household income calculation.

11 COUNCIL MEMBER ESPINAL: Okay. If, if a
12 homeowner in, in district five does not want to
13 participate in the loan program will they still be
14 able to follow the criteria and legalize their
15 basement with their own private dollars?

16 KIM DARGA: Sure, so the legislation
17 applies to any homeowner within the community
18 district so even if a homeowner doesn't need the
19 financing, doesn't want the financial assistance, the
20 technical support that we'll be providing they could
21 still take advantage of the, the code changes.

22 COUNCIL MEMBER ESPINAL: Any rules around
23 residency for the homeowner?

24 KIM DARGA: So, for the financing program
25 it's... the applicant has to live in their home, so

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2 they have to... it has to be an owner occupant but the
3 legislation... we're generally... again its open to any
4 homeowner.

5 COUNCIL MEMBER ESPINAL: Okay, has... have...
6 do you have any numbers of how, how many homeowners
7 in, in CB five would qualify for the program under
8 the current regulations?

9 KIM DARGA: Yes, one second.

10 CHRIS HOLME: This is Chris Holme from
11 the Department of City Planning. We estimate that
12 there are, are about 8,000 properties that are
13 potentially eligible for the program.

14 COUNCIL MEMBER ESPINAL: Okay, so...
15 [cross-talk]

16 MATT MURPHY: And then... Council Member
17 I'm sorry can I add just on the... on the financing
18 side, you know this has been designed in a way that
19 gives different terms based on income and so we've
20 allowed for basically almost all homeowners in the...
21 in the area regardless of their income to have a
22 financing product available to them but it varies
23 based on their, their income.

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COUNCIL MEMBER ESPINAL: And, and if a homeowner taps into that financing, they would have to keep the basement apartment affordable, correct?

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KIM DARGA: Yes, so our goal as we mentioned in the testimony is to try to balance the needs of the homeowner with also trying to create protections for the resident. If the property is occupied today the unit... the basement or cellar is occupied today we... the community based organization will be working with the existing resident to relocate if necessary during construction and they'll have an option to return, there will also be some affordability protections put in place to create predictability for the homeowner in terms of the revenue that they can expect to come in but also to create some predictability for the renter household so that they are not subject to significant market changes.

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COUNCIL MEMBER ESPINAL: So, earlier I, I've heard mention that having a gas appliance... gas appliances in the basements can lead to the vacate... the vacating of a... of a basement unit, correct, did I hear that correctly earlier?

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MATT MURPHY: There are... there, there are certain provisions that just can be... there, there are many provisions that can lead to a vacate and so one of them might be... might be that, yes.

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COUNCIL MEMBER ESPINAL: Okay, so does the bill speak, speak to what sort of appliances would be allowed in the basement when legalizing the, the, the unit?

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GUS SIRAKIS: It's not specifically a... it doesn't specifically call out appliances, I think the issue you, you're referring to is being near gas fire heating equipment which normally is prohibited from being within sleeping rooms and the bill does require a fire rated separation of ventilation for the equipment itself.

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COUNCIL MEMBER ESPINAL: Okay, great. Those are my questions for now, thank you. But before, before I, I add and then pass it over to Brad I just want to stress the importance of this program especially for the homeowners in my district who are low income, whose home is the only source of wealth they have and be able to build that wealth and pass it on to generations in their families and anything we do I want to make sure that doesn't put the

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2 homeowner at jeopardy at losing their homes because
3 of the fact that they somehow couldn't follow certain
4 regulations in place or had, had trouble selling
5 their home down the line because of... because of some
6 of the, the specific issues that the loan or anything
7 else might require of them, we have to be very
8 sensitive to the fact that this is the only source of
9 wealth for many families in our districts and we need
10 to be... make sure that they have... also have the same
11 protections as, as the tenants living in the basement
12 as well.

13 KIM DARGA: I understand, thanks.

14 CHAIRPERSON CORNEGY: So, before I pass
15 it to the bill's sponsor, I just want to just piggy
16 back off of what Rafael said... I'm sorry, Council
17 Member Espinal said, which is so, as we're getting
18 ready to pass this bill there are unscrupulous
19 contractors who are coming up with lending
20 instruments that don't meet the standard, I'm sure
21 that the city is, is setting as it relates to
22 lending, we actually have bills in the City Council
23 to go after these unscrupulous contractors who aren't
24 finishing work and attaching liens to people's homes
25 and all of that so I just want to... I just want to

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2 flag for you the ability that in this... so, they're
3 counting this and probably watching the hearing right
4 now and getting their lending instruments ready to be
5 able to go in and, and pitch some homeowners whether
6 it's in their own language, whether it's whatever in
7 an attempt not to... not to do what's in the best
8 interest of either those landlords and I don't want
9 to come back next year and have another hearing on
10 whether or not we were able to be mindful of the
11 unscrupulous behavior that takes place around 11
12 million dollars or whatever the ultimate number will
13 be that the cost is associated with. So, I just want
14 to... that's not in the bill but I want to make sure
15 that I can flag for you the opportunity for
16 unscrupulous behavior as it relates to not, not, not
17 lending sources per se but unscrupulous contractors
18 that we're dealing with at the Council right now to,
19 to remedy.

20 KIM DARGA: Yeah, thank you for that. We...
21 just two, two things to note with regard to the
22 program I think first... right, the... having a
23 demonstration program for a limited amount of time I
24 think really gives us the opportunity to look at what
25 is working, whether we're addressed the barriers and

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2 addressed the feasibility questions but also what the
3 potential unintended, unintended consequences are and
4 how we can address those if we're looking at a, a
5 wider program so the evaluation aspect of this
6 program I think is very critical. I think second, for
7 the financing program specifically I think one of the
8 great advantages of the structure we set up and
9 having a community based organization oversee it,
10 they're going to be working directly with the
11 homeowners to make sure that the contractors are... you
12 know are doing what they need to be doing, they'll be
13 monitoring construction along the way and reporting
14 back to us. So, I think we have some nice structure
15 set up to make sure that that very thing doesn't
16 happen.

17 CHAIRPERSON CORNEGY: Thank you, Council
18 Member Lander.

19 COUNCIL MEMBER LANDER: Thank you Mr.
20 Chair and this actually wasn't where I was going
21 start in my questions but I'm going to follow up on
22 yours because it flags something I want to just make
23 sure we're thinking about because it seems to me that
24 the potential for unscrupulous lending might exist
25 not in the subsidy program but in the possibility

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2 that people are allowed to avail themselves of the
3 modified housing code outside of the subsidy program
4 and so let's... I just want to kind of ask how we're
5 thinking about that for a minute which I hadn't
6 thought about before. So, you answered... you know to
7 Council Member Espinal's question that, you know any
8 homeowner in community board five could seek to avail
9 themselves under the modified housing code we're
10 passing here and I guess our, our thought in general
11 is that for the most part because its expensive work
12 that people generally aren't going to do it at scale
13 outside of the subsidy program, they've got the
14 right, they're... you know they will take their
15 applications at the Buildings Department but for the
16 most part it's pretty expensive work and our gut is
17 most people who participate in the program will do so
18 through the HPD subsidy, is that right?

19 KIM DARGA: That's accurate.

20 COUNCIL MEMBER LANDER: So, I wonder... I'm
21 just mindful of, of Chair Cornegy's issue, you know
22 you could imagine somewhat unscrupulous lenders or
23 investors coming in and offering people some
24 instrument to with which they could pay to do this
25 work and I wonder whether... well I guess a couple of

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2 questions, how it'll be flagged at DOB if someone
3 comes in who's outside of the HPD program seeking,
4 you know to avail themselves to this code and whether
5 there might be a role for the contracted nonprofit to
6 like have some role in talking even to those
7 applicants so that if for example you have a
8 homeowner that, you know a somewhat unscrupulous
9 lender comes along and says hey, here's 150,000
10 dollars real cheap, that'll pay for you, we got a
11 contractor right here, they'll upgrade your unit, see
12 this great new code, don't pay too much attention to
13 the small print, we'll take you to the buildings
14 department, we'll get the work done and lo and
15 behold. So, I wonder because we have the contracted
16 nonprofit maybe there would be some way of having
17 them involved at least being aware of situations even
18 where the subsidy is not applied or some way to make
19 sure both that we're capturing the information for
20 data and research purposes but also maybe providing a
21 little bit of protection against that.

22 KIM DARGA: So, we will certainly..
23 because the applications will need to go through DOB,
24 so we'll certainly know who is applying regardless of
25 whether or not they're participating in the financing

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2 program and I, I'm certainly willing to think about a
3 way that we could reach out to those applicants and
4 understand more about the specific situation.

5 COUNCIL MEMBER LANDER: That's great and
6 this was... we, we've talked about this program a lot
7 and I haven't raised this question before because
8 until the Chair brought this issue up I really hadn't
9 thought about it so I... but I think that would be
10 helpful and it, it may be that there are indeed zero
11 applications outside the subsidy program or it may be
12 that, you know there are some folks who are able to
13 avail themselves of it with their own savings and
14 resources but at least being mindful to the risks is
15 worth doing and if we can think together about how to
16 do that.

17 MATT MURPHY: Yeah, I think we will and
18 we're mindful of it and its absolutely baked into our
19 evaluation to understand what the implications of
20 that could be.

21 COUNCIL MEMBER LANDER: Okay. Alright,
22 now I want to take a big step back and ask about the
23 broader data and how we think about this universe of
24 buildings, owners, tenants; it's hard to do because
25 we don't have good information, you know the, the

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2 number that we use comes from this very clever
3 analysis... or at least the number that I use and I
4 know Chhaya as well comes from this very clever
5 analysis, the citizens, housing and planning council
6 did many years ago where they compared census data
7 against C of O granting's to try to find those places
8 where it seemed like there was population... household
9 growth without unit growth and you obviously have
10 and, and are citing the complaint data... enforcement
11 data on illegal units but I just wonder if you could
12 say a little more, you mentioned this 8,000 number,
13 it's just a community district five number, what do
14 we know at sort of scale about these units occupied,
15 unoccupied and are we trying to do some things to
16 make sure that the... in addition to all we learn from
17 this pilot program and the outreach and these 40
18 households that's nestled in with the kind of
19 microanalysis that understands the units at scale?

20 MATT MURPHY: Sure, so as you mentioned
21 this has been... you know people have made estimates,
22 people have tried to put fancy algorithms together,
23 we've done it and you know until you actually do this
24 demonstration program and until you can introduce
25 hard facts and add knowledge to the conversation we

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2 will just continue to do that. With that being said
3 there's good value in that work. Citizens Housing
4 Planning Counsel has.. did a report in the last couple
5 of years actually, hidden housing, where they did a
6 similar analysis taking into account using Pluto
7 data, the potential population of housing stock that
8 could be added just through this type of work and
9 what they concluded was that it was a range of ten to
10 38,000 units and the range exists namely because of
11 some nuance to the last filter of criteria but their
12 point was basically even if you do a lot of criteria
13 and even if you lay around a, a lot of things we
14 still think at a minimum there's 10,000 units that
15 could be added to the stock and that's a lot of
16 housing and so.. and then when you think about where
17 that is there are specific geographies where this
18 would be able to add significant housing and if it
19 were to scale up citywide would just generally be
20 more affordable housing and so in terms of where the
21 complaints data are and where the violations are it's
22 largely areas where there's an intersection of the,
23 the zoning for that type of housing and generally
24 lower income homeowners because it's in a, a position
25 they're in but, you know that, that's why we're doing

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2 this demonstration program to... in, in order to
3 introduce those facts and in order to introduce that
4 information but this would not be a... kind of a... an
5 effort that wouldn't somehow lead to more housing we
6 think if it were to be scaled up citywide and even
7 CHPC will say that's a somewhat conservative analysis
8 and so the... there could be actually more sources of
9 housing across the city as well.

10 COUNCIL MEMBER LANDER: And I know one
11 other analytic process the city's had in recent years
12 is that there was a restructuring of how to do
13 enforcement, this is now in the prior administration
14 but there was an effort to kind of be thoughtful
15 about, you know not just having enforcement be driven
16 by where the 3-1-1 calls were, were calling and I
17 know the Mayor's Office of Data Analytics did some
18 work to try to figure out how to think about where
19 there really was, was risk, is that, that... I've lost
20 track of that it was like five years ago, is that
21 still going on and has that informed this effort?

22 MATT MURPHY: I can't speak for, for
23 MOTA's work, I can say generally they're... as, as you
24 know we partnered on the certification no harassment
25 task force and did a data driven analysis on where

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2 harassment was more likely to take place to inform
3 the... that program, there have been various analysis
4 over the years on targeting specific types of
5 buildings for different reasons, risk of
6 displacement, a loss of rent regulation units however
7 I don't actually know of an analysis that, that is
8 targeting proactively on homeowners and nor do I
9 think that that would be the case for this
10 population. This population is unique, homeowners
11 generally do not have the same resources as private
12 landlords in multiple dwellings, they generally have
13 a harder time navigating the city's housing programs
14 available to them and we've made great effort
15 especially under Kim's leadership to allow them to do
16 that and we're building on that through this program
17 too but we are not proactively enforcing or
18 investigating against homeowners, it's largely a, a
19 3-1-1 driven system in this particular population. In
20 other programs and in other cases we are taking more
21 proactive efforts especially in the rent regulated
22 stock.

23 COUNCIL MEMBER LANDER: Okay and then I
24 want to... well I guess one last question on the data
25 and, and maybe we don't... this is just a... you know an

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2 area we don't know and that's why we're doing the
3 program but in terms of thinking about to what extent
4 the units we're talking about are occupied or, or not
5 yet occupied, you talked about there being 8,000
6 eligible properties, do, do we have any sense of sort
7 of what percent of the properties that we think are
8 eligible already have units and do we have any
9 expectations just built into the subsidy model about
10 what the mix will be of places where there is a
11 tenant currently, an occupancy versus where its
12 vacant or not yet a unit?

13 MATT MURPHY: Sure, so we don't have... we
14 don't have an estimate of that, we haven't made one
15 because we want to look to the demonstration program
16 in order to understand that. We expect that through
17 initial outreach and initial findings we'll learn
18 more about what that percentage is and, and I think
19 we should... we should talk about that and, and what
20 that means but as of right now we're creating a path
21 for homeowners to even approach this program without
22 having the risk of, you know having a vacate order
23 put on them by, by partnering with a community based
24 organization will be very much the face to face
25 interaction with homeowners who can speak to them,

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2 mention you know specific things they might be
3 nervous about, working with the city or excited about
4 whatever it may be but with that being said, you know
5 we'll find that through the demonstration program and
6 it's one of the things we're actually most curious
7 about.

8

COUNCIL MEMBER LANDER: Alright and then
9 my last area of questions is about the question of
10 tenant protections which we've spoken about offline a
11 number of times and I really want to reinforce what
12 Council Member Espinal said, obviously we are in...
13 especially in this pilot program looking at
14 homeowners who, you know in many cases are low
15 income, we're talking about their one source of
16 wealth and we want to make sure protections are in
17 place. We also have a very vulnerable tenant
18 population wherever there are... you, you know folks in
19 occupancy, I think there's reason to believe that,
20 you know is there folks who couldn't find another
21 affordable housing option, don't have a lease, in
22 many cases are undocumented, are certainly low income
23 and at risk tenants so we want to structure this
24 program to not lead to their eviction, displacement
25 and homelessness and I know you share that goal as

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2 well. There are challenges in doing that and I guess
3 I just think while we haven't I know worked out every
4 detail of this that it would be useful to just shed a
5 little light on how we're thinking about it,
6 obviously these are not rent regulated units so
7 protections have to exist outside of our normal rent
8 regulation system, there's the challenges of having
9 people have to move out if there's construction work
10 done and come back, what kind of lease, some of the
11 issues that homeowners will face in their trajectory
12 but I think if you could just talk a little more
13 about the principles you're using and what you're
14 thinking about to make sure we provide tenant
15 protections especially where there's a tenant in
16 occupancy at the beginning of the program, we surely
17 want our program to do no harm to that household?

18 KIM DARGA: Sure, we absolutely agree. I
19 think... you know we've been fortunate to be able to
20 draw upon some of the experience we have in our other
21 preservation programs at HPD for how we would work to
22 protect tenants in place so, you know our general
23 approach in our preservation programs is during the...
24 a renovation project that the tenant is relocated
25 temporarily, we prioritize or try to work to the

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2 extent possible to keep folks in their community
3 where they have social networks and where their
4 children go to school or whatever else and then they
5 have an option to return at the end and you know
6 these... the, the residents here presumably some of
7 them don't have leases but they would get a lease
8 that lease at a minimum and we're still working
9 through the details here and with your office as well
10 as some of... Council Member Espinal's office and some
11 of the advocates that have been involved in this
12 initiative but at a minimum that lease would provide
13 with predictable rent increases and would allow the
14 resident to have a renewal at the end of the term.
15 So, some of the benefits that a resident within a
16 rent stabilized unit would get, they will get so
17 those are some of the, the primary things that we're
18 looking at here and I think, you know the, the
19 challenge is that we haven't worked to create these
20 types of protections within this type of stock. For
21 our existing home ownership programs most of them
22 don't have kind of any restrictions on the rental
23 unit and so I think as we move through the process,
24 we're going to have to... we're going to hopefully have
25 a feedback loop to understand what's working for the

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2 homeowners and how to make sure that we're best
3 protecting the residents.

4 COUNCIL MEMBER LANDER: Yeah and I think
5 it's just worth underlining this, this is a new
6 challenge because mostly in our preservation programs
7 we're talking about, you know rental, maybe larger
8 buildings and so our focus is on tenant protections
9 and the affordability for tenants, mostly in our
10 homeownership programs we're talking about focusing
11 on creating affordable homeownership and we have
12 vacant units and so we can worry a little less about
13 how they'll deploy those, we don't have much of this
14 situation where we want to support homeowners but
15 where we also have in place low income tenants and so
16 that's going to be a balance and you know I think
17 we'll keep working together to make sure and I
18 appreciate the work you've done so far and we're just
19 going to have to keep an eye on it. In a... in a... an
20 interesting way, you know its easier as hard as its
21 going to be to do in the subsidized space if this
22 does scale we're going to have the real challenge of
23 how to think about it outside of the subsidized units
24 where we don't have today the tools for tenant
25 protection much in evidence so fortunately I'm... you

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2 know I think it's reasonable as I said at the
3 beginning to expect that the vast majority of folks
4 taking advantage of this in the pilot will be going
5 through the subsidy program so we can work out the
6 tenant protections and provide them but I'll just
7 flag for what I hope will be the long term when we
8 can expand this program beyond we're going to need to
9 think creatively about how to provide tenant
10 protections where people are not availing themselves
11 to the subsidies as well. So, thank you very much for
12 all the thoughtfulness you've put in the program so
13 far and I look really forward to working with the
14 Chair and with Council Member Espinal and with you to
15 finalize the details of the legislation and see the
16 program get started. Thank you.

17 KIM DARGA: Right, thank you.

18 CHAIRPERSON CORNEGY: Council Member
19 Grodenchik, I'm sorry.

20 COUNCIL MEMBER GRODENCHIK: Thank you
21 Chair Cornegy, thank you for being here, I think it's
22 still morning, right, yes. I wanted to pick up on one
23 of the line of questionings that my colleague
24 Councilman Lander had, did, did you say or did.. I
25 don't know if you said it or if you said it, the, the

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2 number of illegal... currently illegal basement
3 apartments in New York City do we have a fix on this
4 and... [cross-talk]

5 MATT MURPHY: We... the city doesn't have a
6 formal estimate of it however what we had... we also
7 had it... Chhaya Community Development Corporation has
8 a, a report done where they estimated about 100,000
9 informal housing units, a... most of which is expected
10 to be basement or cellar occupancy... [cross-talk]

11 COUNCIL MEMBER GRODENCHIK: I mean given
12 the census data that we received last time in my home
13 borough of Queens which, which was ridiculous I
14 thought from 2000 to 2010 they had an increase of
15 1,343 people in the entire borough which was just
16 laughable, there were... there were more people on
17 certain blocks in Flushing moving in so it is hard to
18 come up with a true number but I would, would say
19 that given anecdotal evidence that I received from my
20 principals which is fine that the numbers enormous.
21 You had mentioned, or someone had mentioned rent
22 stabilization do you anticipate these units if we
23 pass this law and we establish this pilot program do
24 you... will they be rent stabilized or how is that
25 going to work?

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KIM DARGA: So, the, the legislation itself does not require it, for the owners that participate in the pilot financing program there will be protections for any existing residents... [cross-talk]

COUNCIL MEMBER GRODENCHIK: By protections do you mean rent stabilization or... [cross-talk]

KIM DARGA: No... [cross-talk]

COUNCIL MEMBER GRODENCHIK: Okay, so... [cross-talk]

KIM DARGA: No, so the... they are... there are kind of aspects of the... some of the... some of the aspects of rent stabilization will exist but not rent stabilization itself. So, for example, tenants will be given a lease that has predictable rent increases... [cross-talk]

COUNCIL MEMBER GRODENCHIK: Will they be guaranteed a new lease or...

KIM DARGA: They will... so, tenants that... [cross-talk]

COUNCIL MEMBER GRODENCHIK: ...all the things being equal... [cross-talk]

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KIM DARGA: ...have to relocate during construction will have an option to return and they will be given a lease that lease will allow... will allow the, the owner to charge a certain amount annually that will be known to both the homeowner and to the resident to create the predictability on both sides. They will also have an option to renew the lease so those are two of the aspects of some of the benefits of a rent stabilized lease that would exist here but the units themselves will not be rent stabilized.

COUNCIL MEMBER GRODENCHIK: Do we have an estimate on what the average basement apartment is going to cost to upgrade, have, have you worked that out with DOB or thought that through?

MATT MURPHY: Sure, I mean...

KIM DARGA: Okay, so we... the, the initial estimates and this is estimates because we haven't really done this before, but we expect based on the current code, the cost would be... would range from about 160,000 dollars to 260,000 dollars. The code changes outlined in the legislation are expected to result in savings of approximately 30 to 40 percent

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2 so the cost goes down pretty dramatically in relation
3 to the, the changes.

4 COUNCIL MEMBER GRODENCHIK: And are these
5 going to... the people that participate in the pilot
6 are they going to get loans or are they going to get
7 grants or... how is that going to work?

8 KIM DARGA: So, the, the owners that
9 participate in the pilot financing program will be
10 eligible for loans, those are low interest or no
11 interest loans, the exact terms will be based on a
12 number of factors including homeowner, household
13 income, their credit history, some other factors as
14 well and they will... so they will be loans and they'll
15 be repayable.

16 COUNCIL MEMBER GRODENCHIK: And my
17 council's understanding is that even if we didn't...
18 even if... this just was a pilot and was never expanded
19 that this would be permanent at least in this
20 community board, is that correct because to ask
21 people to undue this and to put them on the hook for
22 up to 260,000 dollars doesn't seem like a good idea
23 to me so I'm assuming but I'd like to hear your
24 answer that, that this would be... these people would
25

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2 be set aside if the pilot program was as far as we
3 ever got?

4 KIM DARGA: So, the legislation allows
5 for homeowners in community district five to submit
6 to DOB... construction documents to DOB within 18
7 months and if they do so they... and they complete the
8 work they would get then a new C of O or modified C
9 of O basically that shows that these units are legal
10 units so it will be a permanent change with regard to
11 that resident.

12 COUNCIL MEMBER GRODENCHIK: And does DOB
13 anticipate an inspection before construction or just
14 after construction or both, do you... have you thought
15 about how that's going to happen because we've had a
16 situation in one of my co-ops, we have tightened
17 obviously the gas laws in the past year or so and
18 that's creating a lot of interesting issues for
19 people living in my part of the world where they're
20 now scrambling to update and legalize things that
21 they didn't know was illegal so my question is will
22 people be fined for illegal apartments if they step
23 forward or are they going to get some kind of asylum
24 so to speak or some kind of waiver of those fines,
25 have you thought about that?

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MATT MURPHY: Do you want to start... sure, so there's really... there's the legislation here and then there's the program and so in terms of people coming through the program what we've done is we've worked to set up a relationship with a community based organization who's going to be the face to face interaction with the, the homeowner and so in the case that a homeowner has something out of compliance with the law but still wants to participate in the program they'll be able to... [cross-talk]

COUNCIL MEMBER GRODENCHIK: Its almost certain that... [cross-talk]

MATT MURPHY: ...figure out... [cross-talk]

COUNCIL MEMBER GRODENCHIK: ...they're going to have something out of compliance with the law if they're stepping forward to, you know create a basement apartment. I would assume that some of them to this point haven't but I would assume that most people that are stepping forward, I may be wrong but I would assume that a good percentage of the people step forward... stepping forward to participating in this pilot program would currently have a, a domicile in their basement that is not... obviously not legal so, my, my question and my concern for these folks is

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2 would they be opening themselves up to massive fines,
3 is there provision for you to waive those fines?

4 MATT MURPHY: Uh-huh. Yeah, so... [cross-
5 talk]

6 COUNCIL MEMBER GRODENCHIK: I'm seeing a
7 lot of shaking of heads but I... [cross-talk]

8 MATT MURPHY: Go ahead.

9 KIM DARGA: Do you want to...

10 GUS SIRAKIS: There is a provision in the
11 legislation to defer any existing violations and
12 civil penalties till the... that would otherwise hold
13 up the issuance of a permit as part of this program
14 till the completion of this program with the
15 exception of immediately hazardous violations and
16 violations in the... in the actual space being altered
17 in the, the underground space where those violations
18 have to be corrected but the, the penalties
19 themselves are deferred till the end...

20 COUNCIL MEMBER GRODENCHIK: So, if it... if
21 there is an immediately hazardous condition, they
22 could be fined for that though?

23 GUS SIRAKIS: No, the... [cross-talk]

24 COUNCIL MEMBER GRODENCHIK: No, no fines
25 here or, or... [cross-talk]]

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GUS SIRAKIS: ...the... [cross-talk]

COUNCIL MEMBER GRODENCHIK: ...put in
abeyance until such time...

GUS SIRAKIS: Correct.

COUNCIL MEMBER GRODENCHIK: Alright.

CHAIRPERSON CORNEGY: Council Member I
feel... I feel bad that I didn't use my grandmother's
analogy well enough to clear this up, I said
fattening frogs for snakes.

COUNCIL MEMBER GRODENCHIK: I, I have
never heard that term before but as the Chair of the
Parks Committee I am concerned about our frogs and
our snakes, frogs are often the bellwether of how
good... how well the environment is doing but I, I do
appreciate your grandmother's wisdom certainly. I am
going to... I think that is it for now, but I just want
to check through my notes, I know Councilman Gjonaj
is probably very eager to ask questions. So, the last
question just so I understand and I, I think this was
answered. So, if this just ends after several years
there will be a new Mayor in three years, there will
be a lot of new Council Members in three years and if
the pilot program doesn't get expanded these people
will be, I guess just grandfathered into the system,

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2 so they'll have a different... like you said a
3 different C of O?

4 MATT MURPHY: Yeah, right, there's,
5 there's a... well on the C of O side I'm, I'm not going
6 to speak to that but there's going to be a separate
7 agreement with the homeowner through, through the HPD
8 program but the code side I'll let Gus speak to.

9 GUS SIRAKIS: Yes, the, the legislation
10 makes allowances for an amended C of O to be issued
11 recognizing the occupancy of this space per this
12 particular local law so... and that will live on...
13 [cross-talk]

14 COUNCIL MEMBER GRODENCHIK: That will
15 live on forever. Okay, thank you very much for your
16 answers this morning, thank you Mr. Chairman.

17 CHAIRPERSON CORNEGY: Council Member
18 Barron who also is one of the co-sponsors of the
19 bill.

20 COUNCIL MEMBER BARRON: Thank you Mr.
21 Chair and thank you to the committee for coming and
22 sharing your thoughts on this. I hope I don't ask
23 questions that you've already answered, if so, you
24 can let me know or give me a short answer because I
25 see your answers have been very extensive, so you

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2 could... I... just let me know it's been answered, and
3 I'll check or give me a capsule version of your
4 answer. Is this program only for homes that already
5 have existing accommodations in their basements or
6 could it also include homeowners who don't yet have
7 anything in their basements?

8

KIM DARGA: So, the legislation
9 specifically authorizes changes to the code for
10 existing one-unit, single family properties within
11 community district five whether... and if they have a
12 cellar or basement... [cross-talk]

13

COUNCIL MEMBER BARRON: Right... [cross-
14 talk]

15

KIM DARGA: ...existing cellar or basement
16 regardless of whether or not its occupied.

17

COUNCIL MEMBER BARRON: Okay, I just
18 wanted to be clear on that. Now in your testimony
19 you're talking about single homeowners, single family
20 homes, do you have objections to two family homes and
21 what are the implications of adding an apartment to
22 the basement of a two-family home in terms of the tax
23 class and things of that nature?

24

GUS SIRAKIS: The, the issue there is
25 adding another dwelling unit to a two-family home

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2 would make it a three-family home and subject to the
3 New York State multiple dwelling law which is beyond
4 our capability to amend.

5 COUNCIL MEMBER BARRON: Okay. Now you
6 indicated that you think the cost would be
7 approximately 160 to 260,000 dollars in that range
8 and how much do you anticipate will be the assistance
9 that homeowners will be able to get either through a
10 grant or low interest loan?

11 KIM DARGA: Sure, so we... the financing
12 program that HPD is creating will provide loans of up
13 to 120,000 dollars, for three and four unit and I
14 just want to clarify something that was just said,
15 the, the legislation is for existing one-unit
16 properties or... [cross-talk]

17 COUNCIL MEMBER BARRON: Right... [cross-
18 talk]

19 KIM DARGA: ...certain two-unit properties,
20 the financing program will actually be open to
21 existing one, two- or three-unit properties, okay,
22 to, to enable conversion of an existing cellar or
23 basement. For properties that are converting to a
24 three or four unit... [cross-talk]

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COUNCIL MEMBER BARRON: So, with the financing and I just want to be clear, the financing will be available for one, two and three family?

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KIM DARGA: Yes.

6

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COUNCIL MEMBER BARRON: What are... what does that mean for family... for the homes that are presently in the tax class that's not multiple dwelling unit?

9

10

MATT MURPHY: So, of course... [cross-talk]

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COUNCIL MEMBER BARRON: If they add another unit... [cross-talk]

12

13

MATT MURPHY: So, what... tax class change is actually going from three to four so class one is one to three family homes, it's confusing but there are two things going on, one is for the property tax system class one is one to three family and... [cross-talk]

18

19

COUNCIL MEMBER BARRON: Uh-huh... [cross-talk]

20

21

MATT MURPHY: ...class two is four or more but the... for the multiple dwelling law it triggers at three units or more, so we call one- and two-unit homes private dwellings and three or more homes multiple dwellings but they're not consistent between

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COMMITTEE ON HOUSING AND BUILDINGS

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2 the tax law and the, the building law but that's some
3 clarification.

4 COUNCIL MEMBER BARRON: Okay and I had
5 interrupted your answer.

6 KIM DARGA: Sure, so it... the... there will
7 be some additional funding available for properties
8 converting to three or four units in order to do
9 critical repairs in the rest of the home that would
10 be on a... based on kind of a need's assessment done by
11 the community-based organization overseeing the
12 program. So, it is possible depending on the exact
13 needs, renovation needs in order to facilitate the
14 conversion that the funding could cover all of the
15 cost or it could be certainly possible that the cost
16 would be in excess of the amount that the city could
17 help fund in which case the homeowner would need to
18 fund some of the cost on their own either through
19 savings or through getting a, a loan from a, a bank.

20 COUNCIL MEMBER BARRON: And what is the
21 estimated cost for the entire project of 40 homes?

22 KIM DARGA: Sure, so the, the city has
23 funded the program 12 million dollars which is to
24 cover the cost of the direct loans for the homeowners
25 as well as the contract for the community based

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2 organization to provide technical and financial
3 assistance to the homeowners in order to help get
4 them through the entire process, it also helps fund
5 staff, a small amount to fund staff at each of the
6 relevant agencies.

7 COUNCIL MEMBER BARRON: So, in your
8 testimony you say with help from the CBOs the owners
9 will work directly with qualified contractors to
10 renovate their basements in compliance with modified
11 standards from the local law, what are we going to do
12 to avoid having this situation that we face with
13 Build It Back with families that have been promised
14 by the city or we're going to make it better and
15 families are looking at disasters? What are we going
16 to do to make sure that we don't run into that same
17 situation?

18 KIM DARGA: Okay, so the community... two
19 things; the outreach that we're doing basically
20 assuming the legislation is approved the next stage
21 of the program would be outreach to homeowners and we
22 have a very robust outreach plan that we worked on
23 with the public engagement unit, interested
24 homeowners would then have a part two which would be
25 to do an initial home assessment and from the initial

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2 home assessments will be working to determine
3 eligibility and feasibility of a modification. The 40
4 participates in the pilot program will be selected
5 from that group of homeowners. The CBO then will work
6 with those homeowners to get a complete application
7 and to help the homeowner identify an architect as
8 well as the contractor and to actually undertake the
9 improvements, the architect will work on the design,
10 will be submitting on behalf of the owner to DOB, the
11 contractor would then undertake the renovations once
12 they're approved by DOB and then the community based
13 organization will be overseeing the construction to
14 make sure that the contractor is complying with the
15 design outlined in the plans.

16 COUNCIL MEMBER BARRON: How... I, I, I
17 appreciate that process, I'm talking about the end
18 result where we looked at homes where there was... at
19 this joint of inches between areas didn't match...
20 didn't mesh... didn't match, falling apart and I'm sure
21 these were contractors who had been qualified,
22 certified so are you saying that the CBO is going to
23 make sure that these contractors perform
24 appropriately and what if in the end we still have
25 inappropriate work done?

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KIM DARGA: So, the community-based organization will be overseeing the work of the contractor, so they'll be out on the site making sure things are going well. The contractors will not be paid for work that is not done appropriately so it will be payment based on performance which is the way that we... that HPD funds all of our renovation projects where you have to actually complete the work successfully in order to be paid.

COUNCIL MEMBER BARRON: And if after a period of six, eight months, a year we notice oh, the floors are sinking, they're not... is there a claw back measure, is there an opportunity to recoup what we've given so that someone else can come and do the work appropriately?

KIM DARGA: So, depending on the work in question there are warranties, we also... we also require that a certain amount of retainage be held back from contractors until successful completion and a workmanship period generally but if there are specific issues that you're thinking about other than the settling floors we're happy to take a look at it and then see how we can address that within the program.

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COUNCIL MEMBER BARRON: The... there were...

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I believe your testimony said 8,000 families or

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homeowners who were identified, who did you engage in

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doing that outreach because I don't think anyone

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called my office?

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KIM DARGA: So, the... I mean Chris from

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DCP can probably speak about how we got to the 8,000

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number but we... just to speak briefly about the

10

outreach, PEU did some very preliminary outreach

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within the community last summer, they reached out to

12

about 420 homeowners to do kind of an initial survey

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to look at interest in the conversion, to also gauge

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feedback, response rate, to look at... so the... kind of

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big questions mostly around interest in moving

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forward if this was a pilot that actually were out

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there. They did get a 90 percent response rate and

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they did find from that outreach that about 30

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percent of the homeowners that the... they were able to

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connect with were interested in the, the program and

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would be interested in discussing more should the

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program move forward. The more robust outreach to the

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potentially 8,000 homeowners within community

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district five won't... hasn't happened yet, that

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outreach will happen over about 12 weeks once we see

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2 what happens with the legislation and that they will
3 then do follow up conversations with homeowners; same
4 thing, gauge interest, if there's homeowners that are
5 interested then there will be... the community based
6 organization will then reach out to those homeowners
7 to do a more in depth home assessment to determine
8 eligibility and feasibility. So, if you have
9 questions about the 8,000, I could have DCP answer
10 them but I... the out... the more targeted outreach has
11 not yet happened.

12 COUNCIL MEMBER BARRON: Well I certainly
13 would expect that I would be contacted... [cross-talk]

14 KIM DARGA: Absolutely... [cross-talk]

15 COUNCIL MEMBER BARRON: ...to be an engaged
16 partner and stakeholder during the outreach as well
17 as my colleague, Council Member Espinal.

18 KIM DARGA: Absolutely.

19 COUNCIL MEMBER BARRON: So, we look
20 forward to that and lastly, how long... what's the time
21 frame that you think it would take for a basement to
22 be completed?

23 KIM DARGA: So, from the point in time of
24 starting the renovation work... [cross-talk]

25 COUNCIL MEMBER BARRON: Yes... [cross-talk]

COMMITTEE ON HOUSING AND BUILDINGS

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2 KIM DARGA: ...and toward completion, under
3 a year.

4 COUNCIL MEMBER BARRON: Say again?

5 KIM DARGA: Under a year.

6 COUNCIL MEMBER BARRON: Under a year,
7 that's different from what I had heard previously at
8 another session, I'm glad to know that it's under a
9 year and so in preparation for getting to the
10 construction phase how much time would it take for
11 the paperwork, the processing and all of that?

12 KIM DARGA: So, I think it... so, there's
13 the completion of the application from the point in
14 time we have a complete application from a
15 participating homeowner the next step is then for the
16 architect to work with the homeowner to develop the
17 plans to submit to the Department of Buildings..

18 [cross-talk]]

19 COUNCIL MEMBER BARRON: Uh-huh... [cross-
20 talk]

21 KIM DARGA: We have... within the
22 legislation basically from the start until when
23 construction documents need to be submitted to DOB
24 there is 18 months that's allowed for homeowners to
25 do that, we are hoping that it doesn't take that long

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2 but there is that much time outlined in the
3 legislation if need be.

4 COUNCIL MEMBER BARRON: Okay, thank you.
5 Thank you, Mr. Chair.

6 CHAIRPERSON CORNEGY: I'm sorry, Council
7 Member Chaim Deutsch.

8 COUNCIL MEMBER DEUTSCH: Thank you Chair.
9 So, firstly I just want to ask you are these
10 apartments are they vacant or are they occupied, the
11 ones in the pilot program the first 400?

12 MATT MURPHY: So, there's no requirement
13 that they be vacant or occupied and so that's part of
14 the demonstration program is to determine how many of
15 them might be occupied.

16 COUNCIL MEMBER DEUTSCH: So, if an
17 apartment is occupied and the construction takes a
18 year were those tenants being relocated?

19 MATT MURPHY: Yeah, there's a, a
20 relocation program that's being set up as part of
21 this which Commissioner Darga can speak to more of.

22 KIM DARGA: So, the community-based
23 organization will once we have a complete, complete
24 application and there's a plan submitted to DOB,
25 we're about to close on the financing those.. any

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2 existing residents would be temporarily relocated,
3 and they would then have an option to return upon
4 completion of the renovations.

5 COUNCIL MEMBER DEUTSCH: What is the
6 protection that if they want to return that the, the
7 homeowner will accept them back in?

8 KIM DARGA: So, that will be required as
9 part of the, the program in order for them to get the
10 financing.

11 COUNCIL MEMBER DEUTSCH: Okay, how does
12 one qualify for an apartment and what is the process
13 if the apartment is vacant?

14 KIM DARGA: So, upon completion of the
15 renovations that the apartment is... [cross-talk]

16 COUNCIL MEMBER DEUTSCH: Yeah, correct...
17 [cross-talk]]

18 KIM DARGA: ...vacant... so, the community-
19 based organization will be responsible for helping
20 the homeowner select a qualified resident to lease
21 the unit.

22 COUNCIL MEMBER DEUTSCH: So, it's up to
23 the homeowner?

24 KIM DARGA: Largely.
25

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2 COUNCIL MEMBER DEUTSCH: What is the not
3 largely part?

4 KIM DARGA: They have to select a
5 qualified homeowner so... I mean a, a... [cross-talk]

6 COUNCIL MEMBER DEUTSCH: So, what
7 qualifies one person?

8 KIM DARGA: So, they have to... somebody
9 that can actually qualify in terms of making the
10 rental payments regularly, we have a... kind of a
11 targeted household income, its not going to be set in
12 stone but basically, we're looking for households
13 that'll earn under 100 percent of Area Median Income.

14 COUNCIL MEMBER DEUTSCH: How many of
15 those apartments that you identified from the 8,000
16 are hand... may be handicap accessible?

17 MATT MURPHY: We don't have an estimate
18 of that.

19 COUNCIL MEMBER DEUTSCH: So, you have
20 several thousand homeless seniors currently in the
21 streets of New York City who don't have a place to
22 live so are they going to be part of this program to
23 see which apartments may be handicapped accessible
24 for them to qualify?

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MATT MURPHY: There's, there's no
3 requirement that they be... that homeowners have to
4 rent to somebody who's homeless but there are a
5 number of homeless programs... [cross-talk]

6

COUNCIL MEMBER DEUTSCH: But could... would
7 that be like a choice to give a homeowner say, you
8 know we have a... [cross-talk]

9

MATT MURPHY: Yes... [cross-talk]

10

COUNCIL MEMBER DEUTSCH: ...85-year-old
11 senior citizen who has... [cross-talk]

12

MATT MURPHY: Yeah... [cross-talk]

13

COUNCIL MEMBER DEUTSCH: ...who's currently
14 in a homeless shelter... [cross-talk]

15

MATT MURPHY: Any voucher-based system a
16 homeowner will be able to know about and be able to
17 potentially use and that includes housing choice
18 vouchers and includes city vouchers as well.

19

COUNCIL MEMBER DEUTSCH: Uh-huh, so the
20 veterans would be offered that... would veterans and
21 seniors be a top priority to the homeowner that... is
22 that going to be offered to a homeowner or just
23 you're going to tell the homeowner okay just whoever
24 you're getting just they have to fit the criteria?

25

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2 KIM DARGA: To be clear, right, the
3 community-based organization will be advertising the
4 units, they're... these are not going to go through the
5 full Housing Connect process that we have for other
6 units but there will be similar eligibility and
7 advertising requirements the community-based
8 organization will follow. These will not be set aside
9 as homeless units per se where we would have
10 referrals coming from the shelter system.

11 COUNCIL MEMBER DEUTSCH: Is the
12 community-based organization here today?

13 KIM DARGA: I think there are probably
14 members of that organization here.

15 COUNCIL MEMBER DEUTSCH: Oh... [cross-talk]

16 KIM DARGA: They were earlier, I don't...
17 [cross-talk]

18 COUNCIL MEMBER DEUTSCH: So, how many of
19 those 8,000 potential homes, the pilot program, how
20 many of those may be in foreclosure where this extra
21 income may make it or break it for that homeowner?

22 MATT MURPHY: We don't know the exact
23 number, but we do know that this community district
24 owners are much more likely to be burdened, there's
25 much higher rate of foreclosures, the fourth highest

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2 rate of those penance filings in the city so
3 generally it's a... absent of the program it's a... it's
4 a risky area in terms of mortgage delinquency.

5 COUNCIL MEMBER DEUTSCH: So, another
6 words from the 8,000 you may have zero who's
7 potentially in foreclosure that this may help their
8 income?

9 MATT MURPHY: Well a home that's in
10 foreclosure is a very complicated situation and you
11 know that... we are building foreclosure counseling
12 actually into the contract with the community based
13 organization to the extent that somebody is in
14 default or is looking for counseling and resources on
15 what resource... what other resources might be
16 available that's built into the program as well so
17 they have a chance to understand the implications of
18 default what their lender might think and things like
19 that.

20 COUNCIL MEMBER DEUTSCH: So, it's
21 complicated for us but do you know how complicated it
22 may be for someone who may lose their home so, I'm,
23 I'm just looking at this whole pilot program and I
24 just... going to put in my two cents that I think we
25 need to zero in and get to the root of the homeless

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2 problem in our city and also the foreclosure issue
3 there are many people losing homes, it may be
4 difficult for us to look at a home and bring them the
5 resources that individual may need in order to get
6 them out of a foreclosure situation but I think when
7 we're looking at this program we need to do that
8 extra work and make sure that the people that are in
9 foreclosure are a part of this program because if
10 this extra income will make it for them, for them to
11 succeed and, and save their home we need to focus on
12 that. We also need to focus on our few thousand
13 seniors who are in... who are in homeless shelters, it
14 could be any of our parents or, or grandparents who
15 is at a homeless shelter and we need to zero in on
16 our seniors making sure that they have an apartment
17 and all to checking to see which of... which, which
18 homes are handicap accessible and when we rely on a
19 non for profit to do the outreach without them being
20 here today and discussing what the process is then
21 this is... you know I don't think we're accomplishing
22 too much except saying okay, we're having this pilot
23 program in a certain community board district and
24 that's it. It's, it's... this is a, a step in the right
25 direction but we need to do a lot more work in order

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2 to get the people the help they need, the people that
3 have no voice, the people that are losing their
4 homes, the people that are in homeless shelters or
5 are out in the streets so we need to do that extra
6 heavy work by working together and making sure that
7 we get and we work from bottom up.

8 MATT MURPHY: Yeah and so I agree, I
9 think we've taken a lot of caution in approaching
10 this program for those reasons, there are a number...
11 [cross-talk]

12 COUNCIL MEMBER DEUTSCH: I know Council
13 Member Inez Barron didn't have a conversation with
14 anyone, she was like kind of like, like who do you...
15 [cross-talk]

16 MATT MURPHY: Well... [cross-talk]

17 COUNCIL MEMBER DEUTSCH: ...speak with...
18 [cross-talk]

19 MATT MURPHY: If I... if I can just...
20 [cross-talk]

21 COUNCIL MEMBER DEUTSCH: ...but, but a
22 Council Member who, who has this pilot program in her
23 district there should have been discussions with her.

24 MATT MURPHY: Well so a couple of things,
25 one is we have spoken to Council Member Barron about

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2 the general program but what we're talking about is
3 we're actually in negotiations right now with the
4 community based organization and these are all
5 provisions we're building into the contract so it
6 would not be appropriate for us to ask the community
7 based organization to testify on an outreach plan
8 that doesn't exactly... isn't finalized yet but will be
9 soon. This legislation is what's critical to be... we
10 need this legislation in order to go with the...
11 forward with the program because of the barriers that
12 homeowners face currently under the current code
13 provisions are too high and as a result there's no...
14 there's a, a remedy that we would like to put in
15 place or see one day which is to add legal, safe,
16 affordable housing and this is another program in
17 addition to a multitude of programs that are designed
18 to do that and so we're looking to overcome those
19 barriers in the long term, how that intersects with
20 other programs we're really mindful of so how can we
21 use vouchers, how can we use city... the city shelter
22 system and the vouchers that our residents come out
23 with, you know to the extent that we can then we'll
24 do that but those are all the things that we're
25 keeping in mind as we design this program.

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COUNCIL MEMBER DEUTSCH: So, will there be a briefing to the members with the non for profit and this way they receive the input for my colleagues?

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MATT MURPHY: I think that... yes, we can... [cross-talk]

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COUNCIL MEMBER DEUTSCH: Before it gets rolled out, be... [cross-talk]

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MATT MURPHY: ...we can do that... well we can... [cross-talk]

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COUNCIL MEMBER DEUTSCH: Before the final decision is made?

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MATT MURPHY: Once, once we finalize the contract with the community-based organization we will reach out to the, the, the council and we can discuss having a briefing or a, a full design of the program, yes.

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COUNCIL MEMBER DEUTSCH: And those, those available apartments are those for anyone in the city or just within those community boards?

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MATT MURPHY: Those would be available to anyone in the city, yes.

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COUNCIL MEMBER DEUTSCH: So, so this pilot program is within a community board, right, one community board?

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MATT MURPHY: Yes, it's in community district five.

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COUNCIL MEMBER DEUTSCH: So, if it's available for... if its... if its available for the entire city why, why... I'm just curious, why isn't it spread out in different parts... [cross-talk]

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11

MATT MURPHY: Well... [cross-talk]

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COUNCIL MEMBER DEUTSCH: ...of the city?

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MATT MURPHY: We can't prohibit people from around the city to move to a specific area for fair housing law reasons... [cross-talk]

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COUNCIL MEMBER DEUTSCH: No, so why isn't the apartments from the 8,000 potential apartments on this... on... homeowners on this pilot program why aren't they scattered around like different parts of the city?

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MATT MURPHY: So, we, we talked about why this area in particular is the demonstration program earlier, there are a number of reasons. One is this a commitment we made through the East New York rezoning process, it's reflected in the tracker but in

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addition to that there... between the housing stock,
the population that lives in this community district
we think it's a... it's a really ideal area to have the
demonstration program begin. The reason really is
that we need to do a demonstration program and
approach this issue because we also discussed that
this has really been a 90 year debate in the city
about what to do with subterranean housing basement
and cellar housing and how can we approach it in a
way that we're creating legal, safe, affordable
housing and balancing the interest of homeowners and
tenants and it is complicated because you're
balancing four or five different codes with different
individual household situations on the homeowner side
and the tenant side so that's why we're doing a
demonstration program targeting it to an area so we
can do the learning we need in order to expand it
city wide should that be appropriate.

COUNCIL MEMBER DEUTSCH: So, I still
don't understand why it's like a one area, I still
don't understand the reason you gave me because if
its for housing purposes then what's the difference
which area the pilot program is, is being done in?

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MATT MURPHY: And it's... the... we're targeting this area because of the reasons I just outlined, it's better to do it in an area where we have one community based organization that we can procure that has a relationship with the neighborhood with residents, there's kind of a, a controlled aspect of that that leads to a very tight pilot period when... in this case three years where doing it citywide would actually be impossible and would be too watered down by, you know not having enough representation from a certain area or whatever the case may be, by doing it in one area where we can have one organization partnering with other nonprofits but one organization with a diverse housing stock where there's an absolutely, absolute need and also support from the Council Member and the community through the rezoning commitments, it's... that's the reason this is the area.

COUNCIL MEMBER DEUTSCH: I still don't understand the reason but whatever. To me if it's a housing stock you have... you find housing stock all across the city and if you need more non... community-based organizations I work with Jericho, with

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2 veterans and they have... they have... they have housing
3 all across the city and... [cross-talk]

4 MATT MURPHY: Uh-huh... [cross-talk]

5 COUNCIL MEMBER DEUTSCH: ...they're doing a
6 great job on that so... and if it's because people in
7 that community may need housing more than other areas
8 then they have a right to live wherever they want
9 anyway in the city. I, I, I... [cross-talk]

10 MATT MURPHY: Well, can... [cross-talk]

11 COUNCIL MEMBER DEUTSCH: ...just don't get
12 it but whatever, okay, I'm not going to take up too
13 much time... [cross-talk]

14 MATT MURPHY: Well I just would like to
15 add one thing which is, this is a very, very small
16 part of HPD's work in the HPD's housing plan, we're
17 building and preserving affordable housing across the
18 city. And so, the reason it's this area is because it
19 is a demonstration program and it's designed to
20 understand what are the... [cross-talk]

21 COUNCIL MEMBER DEUTSCH: Is the bill
22 specifically... in the bill it's for this area?

23 MATT MURPHY: Yes.

24 COUNCIL MEMBER DEUTSCH: It is, okay.
25 Alright, thank you very much.

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COUNCIL MEMBER BARRON: Thank you Council Member Deutsch and to be clear my question about my not being involved was not about general discussions and looking forward and shaping, my specific question was about not being involved in the outreach portion so just to be clear to keep that on the record. I'm going to now have Council Member Gjonaj, he has questions.

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COUNCIL MEMBER GJONAJ: Thank you Chair. In theory this sounds like a worthwhile project, my first question is to the Chair since this is in your community board, what is the average median price for a home in that community, community board five a one family home roughly?

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COUNCIL MEMBER BARRON: Would you like to answer, it'd be interesting.. [cross-talk]

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MATT MURPHY: I, I don't know the exact number.. [cross-talk]

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COUNCIL MEMBER BARRON: It would be interesting because I want to know if you have a good understanding of what my community is?

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MATT MURPHY: Sure, so the, the average sales price of a one family home in CD five I don't have in front of me, we can pull it, it's generally

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2 on the... in the landscape of the entire city, in the...
3 on the lower side of sales prices.

4 COUNCIL MEMBER GJONAJ: Which would be
5 about four to 600,000 I'm guessing.

6 MATT MURPHY: Yes, I would... [cross-talk]

7 COUNCIL MEMBER GJONAJ: Okay, great,
8 thank you. That's... when we look to spend tax payer
9 dollars it should be done wisely, 11 million dollars
10 for 50 homes at an average of approximately 220,000
11 dollars a unit is a tremendous dollar amount for a
12 single apartment and I don't even know how far you
13 looked into the loan to value ratios, if there's an
14 existing mortgage, what is the... what will be the
15 interest rate of this loan, this is going to be a...
16 solely a loan, correct, there's no gift... there's no
17 granting to this formula?

18 KIM DARGA: So, the loans will have an
19 interest rate of zero to five percent depending on
20 other... a number of factors.

21 COUNCIL MEMBER GJONAJ: Zero to five,
22 that's a huge... [cross-talk]

23 KIM DARGA: Zero to five... [cross-talk]

24 COUNCIL MEMBER GJONAJ: ...spread.
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KIM DARGA: Uh-huh because the... and just taking a step back it... the financing is trying to achieve barriers to actually undertaking the improvements for lower income homeowners and so without the financial support coming up with 160,000 dollars, 120,000 dollars is a pretty significant barrier, the private lending market generally there are substantial restrictions in the ability of lower income home owners to actually get the financing they need within the private market to do this type of work and to get the types of financing necessary so the financing program that we're creating is really about trying to support lower income homeowners to address those financial barriers to undertake the improvements.

COUNCIL MEMBER GJONAJ: For the lower income homeowner... [cross-talk]

KIM DARGA: Uh-huh... [cross-talk]

COUNCIL MEMBER GJONAJ: ...by putting on this additional debt that they would have to repay because its entirely a debt, correct, there's no give away... [cross-talk]

KIM DARGA: There's, there's, there's forgivable or repayable loans.

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2 COUNCIL MEMBER GJONAJ: See now we get
3 into the thick of the weeds. So, it's forgivable or
4 payable?

5 KIM DARGA: Uh-huh.

6 COUNCIL MEMBER GJONAJ: Who makes the
7 decision?

8 KIM DARGA: So, there are the... we have a
9 financing program term sheet that the CBO will be
10 responsible for following, it has the financial
11 parameters for the program, the terms that a
12 particular homeowner are eligible for depends on a
13 number of factors including their household income,
14 lower income households are eligible for more
15 finance... more favorable financing terms, slightly
16 higher income households who have more access to
17 options within the private lending market have terms
18 that are, are more comparable to within the, the
19 private market because the intent here again is to,
20 to reduce barriers for those that have the fewest
21 options within the private market. It also takes into
22 account the age, the seniors have slightly more
23 favorable option available than... to them. it also
24 accounts for credit history and debt to income
25 because those are factors that the private lending

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2 market takes into account and where for example
3 somebody that has a credit score of, you know 600 is
4 basically not going to qualify for any financing or
5 has a debt to income ratio of 46 percent is not going
6 to qualify for private financing.

7 COUNCIL MEMBER GJONAJ: But isn't that
8 the target that we're looking to help, those that
9 couldn't afford... [cross-talk]

10 KIM DARGA: Right... [cross-talk]

11 COUNCIL MEMBER GJONAJ: ...to get a
12 conventional loan... [cross-talk]

13 KIM DARGA: ...so, rather than making those
14 eligibility criteria what we've done is structured a
15 financing program so that those things are taken into
16 account and setting the financing terms with the goal
17 of creating an affordable product for the applicant
18 homeowner.

19 COUNCIL MEMBER GJONAJ: Which will be
20 self-sustainable if they don't have to pay so the
21 debt to ratio value if you're home over leveraged
22 now, I would imagine they would not qualify?

23 KIM DARGA: No, the... so, the debt to
24 income, the credit history are not... [cross-talk]

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COUNCIL MEMBER GJONAJ: No, no... [cross-talk]

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KIM DARGA: ...eligibility criteria...

5

[cross-talk]

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COUNCIL MEMBER GJONAJ: ...that... no, no the loan to value so... [cross-talk]

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KIM DARGA: Uh-huh... [cross-talk]

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COUNCIL MEMBER GJONAJ: ...based on the value of the home the current debt through a conventional mortgage this being an extra mortgage or a loan on the property would create an environment where the property owner... it's, it's not self-sustaining?

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KIM DARGA: So, to be clear we, we do not have the same constraints that a private lender has in making a loan, so we are using loan authority that has certain requirements; loan to value is not one of the limitations however... [cross-talk]]

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COUNCIL MEMBER GJONAJ: Let's, let's move onto the next one because... [cross-talk]

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KIM DARGA: ...however... wait... [cross-talk]]

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COUNCIL MEMBER GJONAJ: ...I can see already that we haven't given this... [cross-talk]

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KIM DARGA: ...well I'd like to... [cross-

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talk]

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COUNCIL MEMBER GJONAJ: ...thought... [cross-

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talk]

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KIM DARGA: I'd like to finish that, that

7

question... [cross-talk]

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COUNCIL MEMBER GJONAJ: Yeah... [cross-

9

talk]

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KIM DARGA: ...because the improvement to

11

create a legal apartment will improve the value of

12

the property for the homeowner and therefore make the

13

loan supportable and as I mentioned the loan will

14

either amortize over the term of the loan, right, an

15

affordable... [cross-talk]

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COUNCIL MEMBER GJONAJ: Which could be...

17

[cross-talk]

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KIM DARGA: ...interest rate... [cross-talk]

19

COUNCIL MEMBER GJONAJ: Which could be

20

what?

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KIM DARGA: Fifteen years up to 30 years...

22

[cross-talk]]

23

COUNCIL MEMBER GJONAJ: Uh-huh... [cross-

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KIM DARGA: ...and again the term will be set in order to create an affordable product for that homeowner so we're going to look at household income, household expenses, make sure there's sufficient cash to pay the bill and set an interest rate so that the homeowner can actually repay the loan. For lower income homeowners there is an option for a forgivable loan over 15 years, they have to remain in compliance with the loan terms otherwise they would have to repay it.

COUNCIL MEMBER GJONAJ: I don't know but you just described criteria by which normal conventional loans are made on homes and you're saying were not subject to the same criteria. Is there any zoning considerations or parking regulations or code regulations that will... that the property will have to comply with, will it have to be 100 percent in compliance with all existing rules and regulations when it comes to zoning, parking, sprinkler, conformity?

GUS SIRAKIS: Yes, with, with the exceptions of the modified standards that are in the... that are specifically called out in the pilot legislation zoning would have to be complied with,

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2 parking, etcetera, all the other code requirements
3 would be in effect and would have to be complied
4 with.

5 COUNCIL MEMBER GJONAJ: I thought... you,
6 you mentioned except for what... [cross-talk]

7 GUS SIRAKIS: The... there are... [cross-
8 talk]

9 COUNCIL MEMBER GJONAJ: ...those
10 exceptions?

11 GUS SIRAKIS: Yes, the, the local law has
12 proposed changes or... to the standards set out in the
13 building code, the housing maintenance code and the
14 fire code with regards to... it would mandate
15 sprinklers, it would change the ceiling height, it
16 would mandate hardwired interconnected smoke
17 detectors, it would mandate other safety features
18 like the occupant evacuation opening, egress stairs,
19 egress components to the... it has very specific
20 detailed requirements for this program. Other than
21 those all of the balance of the requirements would be
22 in effect.

23 COUNCIL MEMBER GJONAJ: And of the 8,000
24 homes the 425 that were surveyed, of the 8,000
25 that's, that's roughly a half a percent of the homes

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2 that could possibly be afforded this opportunity, how
3 is that lottery system going to be done, who gets to
4 decide this.. the lottery when or for community board
5 five?

6

KIM DARGA: So, the, the program
7 participants will be selected by doing the following;
8 first, the public engagement unit will be reaching
9 out to potentially eligible homeowners so those..
10 [cross-talk]

11

COUNCIL MEMBER GJONAJ: Maybe a... [cross-
12 talk]]

13

KIM DARGA: ...are... and... [cross-talk]

14

COUNCIL MEMBER GJONAJ: ...slew of people
15 that are I would imagine... [cross-talk]

16

KIM DARGA: Right... [cross-talk]

17

COUNCIL MEMBER GJONAJ: ...are going to be
18 extremely excited to find out that they... [cross-talk]

19

KIM DARGA: There will be... [cross-talk]

20

COUNCIL MEMBER GJONAJ: ...can get 250,000
21 dollars and not have to pay it back to improve their
22 home, you're going to have a number of homeowners
23 that are going to be excited... [cross-talk]

24

KIM DARGA: So... [cross-talk]

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COUNCIL MEMBER GJONAJ: Who makes that...

[cross-talk]

KIM DARGA: ...based... [cross-talk]

COUNCIL MEMBER GJONAJ: ...decision though
at the very end... [cross-talk]

KIM DARGA: Right, so let me... let me walk
through it, so first of all the loans are not 250,000
dollars, the process will be the initial outreach for
those that are interested based on the initial
outreach, there will be a follow up call that will
involve an initial home assessment, the initial home
assessment will, will... what we'll do is collect data
about the physical conditions within the basement or
cellar, look at feasibility of modification given the
legislation as well as whether or not the homeowner
meets the basic eligibility criteria so household
income under a certain level as well as whether they
own and live in the home, once we come up with the
initial list of eligible applicants that are
interested and where the modifications are feasible
within the legislative, legislation we're discussing
today we will prioritize homeowners based on a number
of factors, lower income homeowners will be
prioritized first.

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COUNCIL MEMBER GJONAJ: I want to go back to the loan, the change of C of O will also yield an increase in the real estate taxes so ultimately should balance out where there will be no net gain for that property owner and when you decide that criteria which is very vague of who would qualify for this loan yet I hope the homeowner is educated on the potential increase in real estate taxes that's going to come about the C of O change, an increase from a one to a two or a two to a three and so on but with that being said so there's a waiver there will be no violations issued for work without a permit for homes that have been illegally renting out these basement apartments, correct?

MATT MURPHY: Can, can you... can you ask that again, sorry?

COUNCIL MEMBER GJONAJ: I'm, I'm talking specifically about homes that currently have occupied illegal apartments, there will be no violations issued to those homeowners for the illegal conversion or the work that was done without a permit for... is that an exclusion?

MATT MURPHY: For participants in the program it's... [cross-talk]

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COUNCIL MEMBER GJONAJ: The 8,000...

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[cross-talk]

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MATT MURPHY: ...you know... [cross-talk]

5

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COUNCIL MEMBER GJONAJ: ...that you are potential, potential homes that would qualify.

7

MATT MURPHY: Uh-huh...

8

9

COUNCIL MEMBER GJONAJ: A slew of them that as you have admitted have illegal apartments, correct?

10

11

MATT MURPHY: To... we, we're estimating that they do.

12

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COUNCIL MEMBER GJONAJ: So, now these homeowners are excited to potentially legalize their apartment, get the money that's needed to improve their property, will they be at any time subject or targeted as... for the illegal rental or the illegal work that was done in the homes?

19

20

21

22

MATT MURPHY: They will not be targeted for enforcement actions for participating in the program. The reason for that is because of the... [cross-talk]

23

24

COUNCIL MEMBER GJONAJ: Not for participating, they are... [cross-talk]

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MATT MURPHY: There... [cross-talk]

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COUNCIL MEMBER GJONAJ: ...you know the...

[cross-talk]

MATT MURPHY: Well, you know I just want to be clear that there is not... you know there's still going to be areas of the city where 3-1-1 complaints will come in and we will go through our normal investigative process and in some cases that could be in or around this community district however this is a path created for... under this program and the reason that somebody who may have a tenant in the unit can still participate without the city moving to vacate that, that's not a good outcome for that... for us is that there will be a community based organization who will be doing the face to face interaction with the homeowners and so they will not really interact with HPD until closing day in which case there will be a relocation fund set up for existing tenants should there need to be somebody that needs to be relocated.

COUNCIL MEMBER GJONAJ: Okay, but I, I was trying to point out is that buyer beware that these homeowners should be concerned of advising you that they currently have illegally occupied apartments and they should be assured that if they come forward and apply and if they're... where they are

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2 fortunate or not to be a beneficiary of the pilot
3 that they shouldn't be targeted or maybe they should
4 be targeted, I'm not sure...

5 MATT MURPHY: Uh-huh. Well we're... [cross-
6 talk]

7 COUNCIL MEMBER GJONAJ: What is it that
8 you're... [cross-talk]

9 MATT MURPHY: ...we're going to make...
10 [cross-talk]

11 COUNCIL MEMBER GJONAJ: ...going... you're
12 looking to achieve here...

13 MATT MURPHY: Sure... [cross-talk]

14 COUNCIL MEMBER GJONAJ: My concern is
15 that we have a number of apartments citywide that are
16 deathtraps and part of the problem is New York City
17 that allowed it to go on for decades including in the
18 60s where there were inspections made of every
19 private home and if you had a finished basement back
20 then I think it consisted of a bathroom and a summer
21 kitchen your tax class was... or, or your... the
22 classification of your home was increased, it went
23 from a one family home to a two family home and you
24 were taxed as a two family home because you had a
25 bathroom and a kitchen regardless if it was rented

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2 out, regardless if it was owner occupied. So, for
3 decades homeowners have been paying real estate taxes
4 at something that the city allowed to exist taxing
5 them as an additional family unit, allowing them to
6 jeopardize the single largest investment because god
7 forbid if a catastrophe or tragedy there's no
8 assurances that the insurance would cover a claim and
9 now we have tens of thousands of units that are
10 potential death traps subjecting the occupants to not
11 only carbon monoxide but no second egress in case of
12 a fire, living in very dangerous conditions while the
13 city benefited from the additional revenue through
14 the real estate taxes that it generated and today
15 we're ready to spend 11 million dollars for 50
16 apartments at an average of 220,000 dollars for a
17 specific lucky fortunate community board where that
18 would be about 50 percent of the value of the average
19 median home in that area, we don't know who's going
20 to select the homeowners or by which method to
21 loosely defined. We don't know if that will ever have
22 to be paid back, we don't know if the loan to value
23 ratio is going to put that homeowner in default, we
24 don't know if that homeowner is going to be targeted
25 now because they did apply while in, in short the

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2 juice is not worth the squeeze on this one folks, we
3 got it wrong and I really do hope my colleagues see
4 how we just haven't grasped this the right way and
5 that they vote no until we come up with a clear
6 criteria. I'm afraid of major crackdown in that area
7 afterwards where homeowners will start calling in 3-
8 1-1 calls because they weren't the fortunate one to
9 be selected and we're going to begin a process that
10 we don't know where we wind up ultimately and there's
11 no guarantee of a stabilized apartment, rental... it...
12 the rate increases and you're not even specifying
13 homes that have these illegal apartments that we can
14 potentially correct what may be a very hazardous
15 condition, you're leaving it open to a homeowner that
16 may have an unfinished basement, unoccupied which
17 should not really be the case here. We should give it
18 an opportunity and make it where those homes that do
19 have these illegal apartments that may have even been
20 paying taxes for it and not even aware that it's
21 illegal of this criteria, we don't know if they're
22 going to be ADA compliant, we have a number of, of
23 handicap presidents that this should be afforded to,
24 we don't know if it's going to be targeted to seniors
25 which is another vulnerable group or even homeless,

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2 the variables are going to be so loosely defined
3 allowing for all sorts of interpretation and
4 advantages to be taken, you got it wrong, you're
5 spending money unwisely, you can do it for a fraction
6 of that and it should be available to the entire city
7 and not to one select community board and if they are
8 occupied this relocation fee which can take up to 18
9 months is going to displace that family or that
10 individual and it's just not economically feasible
11 the approach that you're taking and we have to be
12 more careful and wiser how we spend taxpayer dollars.
13 It is half the cost of the home for an improvement to
14 legalize an apartment which I would imagine won't
15 require much in the form of legalization if you chose
16 correctly making it available to more homeowners so
17 hardwiring sprinkler, I'm with you, I'm... safety first
18 is a priority but when it's 50 homes where it should
19 be 500 homes that you can help with basic
20 architectural and engineering plans that are needed
21 the homeowner would gladly participate in this
22 program, you're not prioritizing the needs and the
23 amount of money that's being spent is uncalled for
24 and absurd, its insanity. For 250,000 dollars... up to
25 250,000 dollars for a loan that may not be repaid..

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2 may not have to be repaid, we can do a lot more with
3 this, you grab the bull by the tail and not the horns
4 and you should have called in the experts to help you
5 put this together. The real estate industry could
6 have helped you out tremendously on this and I'm not
7 talking about major developers, the local realtors..
8 [cross-talk]

9 COUNCIL MEMBER BARRON: I'm going to ask
10 my colleague if he could.. [cross-talk]

11 COUNCIL MEMBER GJONAJ: ...the architects
12 and the engineers could have given you a tremendous
13 amount of input on this on how to get it done right..

14 KIM DARGA: So, Council Member a lot of
15 what you've just gone through are, are reasons why we
16 think this makes sense to do as a demonstration
17 program so that we can explore some of these issues
18 and understand the implications and whether or not it
19 makes sense for this to be a wider initiative.

20 COUNCIL MEMBER GJONAJ: Save the money,
21 bring the experts in, let them explain to you how
22 this can be done, how it can be done citywide and how
23 it can be done in a very cost-effective manner.

24 COUNCIL MEMBER BARRON: Thank you Council
25 Member.. [cross-talk]

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COUNCIL MEMBER GJONAJ: Thank you...

[cross-talk]

COUNCIL MEMBER BARRON: ..Gjonaj, thank you. I have a couple of comments. East New York has been a neglected community for many decades, many of the homeowners there own their homes because they were inherited from their parents, the median income in East New York community district... community board five is about 36,000 dollars and yes, some of those homeowners are right at that category which is why initially you had said that it would be targeted for families at 120,000 dollars and we said that's only a handful of people so it said families under 120,000 dollars. This is as has been said an ideal, a project, a demonstration, an opportunity to find out how in the future this program might be expanded to anyone in the city, any homeowner in the city and set the parameters for the amount of loans that can be given or grants that can be given matched to all of the factors that have been presented. I think it's a grand idea, there are lots of things that we can look at to refine it to make it better but for us to not address East New York which has the highest foreclosure rate in the city and not try to make an

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effort to do something to relieve those persons of that, yes, it's going to take a lot of training and financial education and opportunities for people to get a better understanding of all that's involved should they decide they want to participate in this program. Someone on my block said Councilwoman I, I think I want to get into this project and I said yes but be mindful of the other kinds of consequences that might arise from being a part of this project. So, there's a lot that we still have to look at but that's a part of what a demonstration project is, it works out all of those kinks and with that I'm going to turn it back to my colleague, Council Member Espinal and he's going to continue from there.

COUNCIL MEMBER ESPINAL: Thank you Councilwoman Barron, we have Council Member Brad Lander who wants to ask a few questions.

COUNCIL MEMBER LANDER: Just one or two things on redirect I guess as they say. First, I just want to make sure I understand it right that on the affordable housing subsidies the framework for what we're using here or the same... is the same framework we have broadly for affordable housing subsidy programs this state enabling legislation and HPD in

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2 different forms over decades has been doing
3 homeownership lending with an approach much like this
4 one leaving aside the, the building issues for a long
5 time, yes?

6 KIM DARGA: Yes, that is accurate.

7 COUNCIL MEMBER LANDER: And the kind of
8 instruments and tools again leaving aside the DOB
9 issues that you're using here are just broadly
10 similar to and based in the structure of those
11 programs?

12 KIM DARGA: I think the... you know we have
13 created this... the financial assistance using some of
14 the structures that we've used to make home repair
15 programs including looking at the type of technical
16 assistance and support homeowners need, what other
17 challenges they may have and need support with in
18 order to be successful so we've used that basic
19 framework and then built some additional support and
20 because of the complexity of the renovations that
21 would be taking place here.

22 COUNCIL MEMBER LANDER: And, and you know
23 so just on this set of kind of lending and
24 affordability and subsidy questions this, this sits
25 within the, the broad existing affordable

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2 homeownership framework that HPD and the city have
3 had for a long time?

4 KIM DARGA: Yes, the... certainly the cost,
5 you know the range here, you know we're, we're
6 budgeting up to 120,000 dollars per home, the range
7 here we don't know what it's going to be at the end
8 of the day because we haven't done the pilot or the
9 demonstration program yet but even if it's 120,000
10 dollars that would be comparable or less to the
11 creation of a new affordable unit in this city.

12 COUNCIL MEMBER LANDER: Which we've done
13 a meaningful amount of, we've chosen to invest
14 subsidy dollars in targeted projects to create new
15 homeownership or homeownership with rental
16 opportunities?

17 KIM DARGA: Yes.

18 COUNCIL MEMBER LANDER: In a lot of
19 places all around the city?

20 KIM DARGA: Yes.

21 COUNCIL MEMBER LANDER: Wonderful. And I
22 guess just to... and I think this was clear from the
23 beginning but I just for the record want to make sure
24 we're all clear, the, the goal... in this case... so even
25 if we just judged it narrowly by what we're trying to

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2 achieve for East New York we would be sitting within
3 an established policy framework of promoting
4 homeownership all over the city but here even beyond
5 the benefit to the homeowners that benefit from the
6 subsidy program we're hoping to learn things that
7 will help us scale this program far broader that we
8 might be able to do with less subsidy or make
9 available to people in different income situations so
10 that the benefit will get here is not only the
11 affordable units but hopefully a, a good broad policy
12 that can help us... [cross-talk]

13 MATT MURPHY: Yes... [cross-talk]

14 COUNCIL MEMBER LANDER: ...achieve
15 substantially affordable housing throughout the city.

16 MATT MURPHY: That's right and you know
17 there, there has been a lot of estimates and
18 questions for a long time about this as a policy
19 solution and we think we're attaching it head on and
20 we think we actually got this right to do this
21 legislation in this way, you have a table of experts
22 in addition to consulting with architects and
23 engineers, design professionals and which people will
24 rally around for the demonstration program as well so
25 there... this is a, a hot topic, this is a big question

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2 and we're approaching this in a way where we can put
3 a huge amount of value in this evaluation in the
4 experiences we learn so that we can be informed when
5 we look to solutions going forward and we might even
6 learn things about home ownership that have nothing
7 to do with basements that has residual value as well.
8 I want to point out on the cost as well and just be
9 on the record on this, the 160,000 to 260,000
10 estimate that's under the current code, we're
11 estimating that just the provisions alone can reduce
12 the cost between 30 and 40 percent but we'll learn as
13 Commissioner Darga said what exactly those costs
14 mean. The other thing too is the infrastructure of
15 setting up a whole new scope of work for both us and
16 for a community based organization, it's not
17 appropriate apples and apples comparison to say it
18 costs this much per unit, the reality is we're not
19 spending more than we do on a typical preservation
20 unit but the amount of learning and partnerships we
21 think is going to pay off big time one day.

22 COUNCIL MEMBER LANDER: And maybe you
23 said this before but I hadn't heard it before, is... so
24 I just want to make sure to underline this, so you
25 think... we think that the adjustments to the building

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2 code, the modifications that we're making through
3 this legislation have the potential to reduce the
4 cost of regularization of making a unit kind of up to
5 what the new code will be by 30 to 40 percent?

6 MATT MURPHY: That's our kind of
7 hypothesis going into the demonstration program and
8 that's what we're hoping to learn more about.

9 COUNCIL MEMBER LANDER: Great, I mean
10 that's obviously a significant achievement if we can
11 achieve it and well worth testing in this context.
12 Alright, I don't know that any of our colleague were
13 basing what they'll... how they'll vote on this
14 legislation by watching this hearing on, on repeat
15 but if so, I hope they'll be mindful of these issues
16 and, and join us in supporting and voting yes for
17 this legislation. Thank you, Mr. Chair.

18 CHAIRPERSON CORNEGY: Council Member
19 Williams.

20 COUNCIL MEMBER WILLIAMS: Thank you very
21 much Mr. Chair, thank you so much for your testimony,
22 I had to step out for some meetings, so I missed a
23 chunk of it, I'm not going to ask questions. I just
24 wanted to lend my voice of support for this bill and
25 let it be known how exponentially important it is

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2 that we not only get through this pilot, but we
3 expand it as quickly as possible. A few years ago
4 there was a... oh, there's been a few stories about it
5 lately but this was a few years ago about a basement
6 apartment I had in a home I purchased when I was 20
7 years old, I'm not sure what I can legally say or not
8 say, I will say I would not have been able to afford
9 a home had I not done some things and actually I'll
10 say I lived in the basement myself which in... by law
11 is actually illegal, I could not have afforded to pay
12 for a home without having living in the basement
13 myself and so it is a critically, a needed form of
14 housing in this city and has been underground
15 literally for far too long and I think it makes sense
16 that we have a program where we are bringing as much
17 housing as possible and attaching it to
18 affordability. This is the type of thing and
19 ingenuity that this... people are wanting government to
20 do so I just wanted to make sure I lent my voice in
21 support. Thank you and thank you for the bill Council
22 member Lander.

23 CHAIRPERSON CORNEGY: Thank you so much
24 for your testimony, we're going to call the next
25 panel.

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MATT MURPHY: Thank you.

KIM DARGA: Thank you.

CHAIRPERSON CORNEGY: William Spisak;
Katherine Leitch; Tyrone McDonald; and Byron Toddman.
So, again I had four Byron Toddman; Tyrone McDonald,
Katherine Leitch; and William Spisak, okay. Elena
Conte. You can begin when you're ready, I just ask
that you state your name for the record before you
begin your testimony.

KATHERINE LEITCH: Kate Leitch from the
Citizens Housing and Planning Council. Good morning
Chair Cornegy and members of the Committee. My name
is Katherine Leitch and I'm a Policy Analyst at the
Citizens Housing and Planning Council. Thank you for
the opportunity to testify. CHPC is a nonprofit,
independent, housing research organization that has
studied the topic of basement conversions for several
years. We have reviewed the proposed legislation and
applaud the Council's innovative and forward-thinking
efforts to establish this demonstration program. We
are in support of this proposed bill. This program
signifies a critical step towards opening a new
supply of rental housing without having to increase
permitted density, change zoning, increase the height

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2 of buildings or pay for land. Basement apartments
3 inherently rent for less than comparable above grade
4 apartments and they provide a secondary source of
5 income for homeowners. Many cities like Toronto,
6 London and San Francisco have embraced similar
7 programs to unlock this vital source of rental
8 housing. Furthermore, due to our housing pressures,
9 New Yorkers are already living in basements whether
10 we want to accept it or not. Homeowners who want to
11 bring basements up to code face a tangle of technical
12 requirements. Even the cost of evaluating the
13 existing conditions and assessing the feasibility of
14 a conversion can be prohibitively complicated and
15 expensive. We must offer a clearer, simpler path for
16 homeowners to provide safe and habitable conditions
17 for their tenants. CHPC research has estimated that
18 there are between 10 and 38,000 basements in single
19 family New York City homes outside of flood zones
20 that could be converted into rental properties. This
21 legislation encompasses two family homes as well as
22 cellars, so the potential supply citywide is likely
23 even greater. CHPC enthusiastically supports this
24 proposed legislation, which will directly address the
25 barriers faced by homeowners by providing

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2 administrative and code relief, financial assistance
3 and technical support. Crafting this initiative as a
4 demonstration program, the city will be able to
5 assess how effective the code relief and homeowner
6 support are in expanding the supply of housing and
7 fostering safe conditions for tenants. Though
8 starting small has its merit on such a complex topic,
9 we must not stop with a few dozen units in a single
10 neighborhood, this demonstration's successes and
11 challenges must inform future efforts to make
12 basement apartments legal, habitable and above all,
13 safe. We are grateful to the many city agencies,
14 nonprofit organizations and stakeholders that have
15 collaboratively enabled this program's creation. CHPC
16 offers its full support to this effort and its
17 services as a housing research organization. We have
18 researched this topic extensively and are submitting
19 for the record, our report and analysis of the
20 regulatory hurdles faced by homeowners who seek a
21 basement conversion. This winter we're hosting an
22 event, call the Housing Innovation Lab, which will
23 showcase new ideas, approaches and technologies that
24 can improve the safety and habitability of basement
25 apartments and we invite you all to take part. Thank

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2 you very much for inviting us to testify at this
3 hearing and please reach out if you'd like to learn
4 more about CHPC's research on this topic.

5 CHAIRPERSON CORNEGY: Thank you.

6 WILLIAM SPISAK: Alright, sorry. Good
7 morning Council Members. My name is William Spisak, I
8 am the Director of Programs at Chhaya CDC based in
9 Jackson Heights, Queens. Our mission is to build the
10 power, housing stability, and economic wellbeing of
11 South Asian and Indo-Caribbean communities in New
12 York. We also lead the Basement Apartments Safe for
13 Everyone or BASE Campaign and I'm excited to be here
14 today to talk to you about the promise and potential
15 of basement apartments. Before I speak as the Program
16 Director of Chhaya, I want to share a personal story.
17 I was born and raised in Queens, the son of immigrant
18 parents who worked hard all their lives to become
19 homeowners. They bought a single-family home when I
20 was young and that's where I lived during my high
21 school and early college days. However, in my late
22 teens, my father left the family and paying the
23 mortgage fell to my mother who worked a part time job
24 at a corner store and to me, a college student with a
25 part time gig at a hardware store. We considered

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2 renting out our basement to help us pay the mortgage.
3 However, on our block two other families were fined
4 for doing just that. We assumed whoever reported them
5 would also report us and the fear of financial ruin
6 caused us great anxiety, so we opted against it. we
7 tried to hold out for a couple of years with the hope
8 that I would graduate and get a get a good job but we
9 couldn't last that long. Two months after losing the
10 house, I did find decent employment that couldn't
11 have helped me save my home. Today my family has no
12 wealth or assets to speak of and it hurts me to think
13 about how this all could have been avoided if I had
14 the opportunity to rent out that basement apartment
15 at least until I was able to find a better job. There
16 are thousands of homeowners who find themselves in
17 similar situations across New York City today, many
18 willing to take the risk I was not and rent out their
19 basements illegally. Likewise, there are thousands of
20 tenants that depend on such units for affordable
21 housing in a city that is prohibitively expensive to
22 live in and becoming worse every year. We believe the
23 city should establish a program such as this to
24 support the legal conversion of as many basement
25 apartments already in use as possible, while adhering

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2 to reasonable safety standards and encourage low to
3 moderate income homeowners who have yet to rent out
4 their basements to explore the possibility of doing
5 so with public support. The East New York pilot
6 program and legislation is an important step in that
7 direction. I'm giving you the abridged version. So, I
8 just want to skip ahead to what will legal basement
9 conversions do for New Yorkers. One, it will protect
10 tenants; tenants in basement units are highly
11 vulnerable. Allowing for the legalization of safe
12 basement apartments would provide additional
13 protections for these tenants who currently have no
14 recourse in housing court. To ignore the stock of
15 basement apartments in use today is to relegate the
16 most vulnerable New Yorkers, many immigrants and low
17 wage workers to a precarious tenancy with the
18 constant threat of eviction, harassment and poor
19 living conditions hanging over their heads. Not only
20 is this bad for housing stability, it is bad for the
21 health of the tenants. A three-year study Chhaya
22 conducted of our counseling clients found that
23 tenants who feel insecure about their housing
24 stability experience mental and physical health
25 ailments at a much higher, statistically significant

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2 rate than tenants with secure housing arrangements.
3 Two, it will increase affordable housing. As
4 mentioned before, New York City is facing a housing
5 crisis, we desperately need real affordable housing
6 that people at 50 percent, 40 percent, 30 percent
7 AMI, etcetera can actually afford to live in. Three,
8 it will help LMI homeowners. Owners who illegally
9 rent their basement units can face crippling fines.
10 Many of these homeowners are victims of predatory
11 lending whose homes are at risk of default. Predatory
12 lenders will often convince a family they can afford
13 to buy a home on the premise that they can rent out
14 the basement. In neighborhoods such as Jamaica,
15 Richmond Hill and across South Queens, loss of rental
16 income has contributed to a rise in mortgage
17 defaults. Allowing homeowners to rent out basement
18 units would supply owners with rental income that
19 would prevent foreclosures and stabilize
20 neighborhoods. And lastly, four, it will stable... it
21 will stimulate economic activity in LMI
22 neighborhoods. Creating more affordable housing where
23 rental income goes to LMI or low to moderate income
24 homeowners instead of corporate landlords will
25 provide an economic, economic stimulus to LMI

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2 communities. It is well established in the economics
3 literature that lower income households have a higher
4 propensity to consume and local residents living in
5 one to four family, owner occupied homes are likely
6 to spend and reinvest their money in their
7 neighborhoods rather than taking rental income from
8 residents and investing or spending it elsewhere, in
9 many cases outside of New York altogether. In a time
10 of growing income and wealth inequality, we should
11 support affordable housing plans that generate wealth
12 for our working- and middle-class families instead of
13 real estate investors, speculators and private equity
14 firms. It is clear that the benefits of a basement
15 conversion program outweigh the costs. This
16 legislation makes common sense adjustments to
17 building codes that would allow for more basement
18 apartments to be converted into legal units at a
19 lower cost. We believe this legislation needs to be
20 passed and the pilot project needs to commence so we
21 can learn how to efficiently convert the city's stock
22 of basements into legal living spaces for families to
23 enjoy. Chhaya CDC wants to see this pilot project in
24 East New York happen successfully but we are
25 determined to make sure that it does not end there.

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2 This is a program that should become citywide. We
3 believe there are many other neighborhoods that can
4 benefit tremendously from a basement conversion
5 program. As housing counselors and advocates, we see
6 many cases in Richmond Hill, Jamaica, Jackson
7 Heights, East Elmhurst and all over Queens and know
8 the role basements play in the lives of LMI
9 homeowners and tenants. We know that people depend on
10 these units. Chhaya looks forward to working with the
11 city to bring these units out of the shadows and
12 grant the tenants and homeowners the dignity, rights
13 and protections they deserve. Thank you.

14 TYRONE MCDONALD: Well good afternoon
15 everyone, is it on...

16 CHAIRPERSON CORNEGY: No.

17 TYRONE MCDONALD: Oh, now it's on. Good
18 afternoon. Good afternoon the City Council Housing
19 Committee for the opportunity.. for allowing me to
20 testify on such an important subject with such
21 gravity. Also, especially wanted to thank
22 Councilwoman Barron for extending this, this
23 invitation here. My name is Tyrone McDonald and I'm
24 Government and Community Relations Manager of
25 Neighborhood Housing Services of Brooklyn.

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2 Neighborhood Housing Services of Brooklyn CDC is a
3 community based not for profit organization dedicated
4 to promoting economic empowerment and neighborhood
5 sustainability since 1982. We accomplish our mission
6 through providing homebuyer education, financial
7 literacy, low cost home improvement financing,
8 foreclosure intervention, and advocating for
9 resiliency and sustainability as a solution to
10 address issues of climate change in coastal
11 communities. We are led by local residents and
12 community stakeholders. We partner with businesses
13 and government to advance the best interest of the
14 communities we serve. We have offices in East
15 Flatbush and Canarsie and we cover neighborhoods such
16 as East Flatbush, Canarsie, East New York, Flatbush,
17 Crown Heights, Flatlands, Mill Basin, Brownsville,
18 and Kensington to name a few. Our home improvement
19 service was our flag ship program since our inception
20 to address the issue of redlining where thousands too
21 low to moderate income homeowners, mostly African
22 American and Caribbean immigrants who were locked out
23 of financing to meet the basic needs of repair and
24 upkeep. Our home improvement program, with the help
25 of our partners, in addition to our tenant services,

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2 has brought our organization face to face with the
3 repair needs of homeowners in Brooklyn. a
4 basement/cellar legalization program offers a great
5 deal of opportunities to homeowners and the city as a
6 whole. The obvious being they create additional
7 housing opportunities where none existed before among
8 one to four-unit homeowners. We know all too well
9 about the housing crisis, one of the largest the city
10 has faced since the great depression, leaving
11 shelters swollen with families and a record number of
12 human souls languishing in the streets. according to
13 an October 15th, 2018, New York Times article titled
14 Homelessness in New York City Public Schools is at a
15 Record High, one out of ten public school students
16 lived in temporary housing during the last school
17 year. We don't expect the basement/cellar
18 legalization to cure the housing crisis however, it's
19 another tool to address a multilayered problem.
20 Additionally, the program potentially allows
21 homeowners already renting homes to, to, to come out
22 of the shadows. As a consequence, this program has
23 the ability to improve the health and safety of first
24 responders, renters, and homeowners if its owner
25 occupied. Owners will be required to furnish once

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2 illegal units with smoke/carbon monoxide detectors,
3 have two points of egress and meet other fire codes.
4 In 2014, we can't forget the horrific fire at 1434
5 Flatbush Avenue not too far away from our Church
6 Avenue location where one person died and 16 were
7 injured. The three unit mixed... the three-unit mixed
8 building with a church on the ground level had
9 illegal apartments subdivided on the top floors and
10 the fire was the cause... it was caused by an
11 electrical overload. While a basement/cellar program
12 was not involved in this instance it illustrates the
13 potential safety and health dangers when illegal
14 apartments are kept hidden. The legalization program
15 offers additional income to homeowners, especially
16 seniors who are already cross burdened. According to
17 the Furman Center's 2016 State of New York City's
18 Housing and Neighborhood report, half of homeowners
19 in the city are cost burdened meaning that they spend
20 more than 30 percent of their gross income toward
21 mortgage and other housing related expenses. We at
22 NHS Brooklyn hope the city would expand the current
23 program proposed in East New York to include
24 neighboring communities in Canarsie, Brownsville,
25 East Flatbush, Flatbush and other neighborhoods

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2 throughout Brooklyn. the expansion will hopefully
3 allow NHS Brooklyn to be an administrator for the
4 program. We also encourage that rental units remain
5 affordable to renters within respective neighborhoods
6 and, and urge that homeowners like first time home
7 buyer education are offered landlord training by
8 community based organizations so homeowners are fully
9 prepared for the responsibility of being a landlord.
10 Thank you.

11 ELENA CONTE: Chair Cornegy thank you so
12 much for the opportunity to testify and thank you for
13 hanging in there on this hearing. I'm Elena Conte,
14 Director of Policy at the Pratt Center for Community
15 Development. Pratt Center is pleased to support the
16 proposed legislation, which would pave the way for a
17 groundbreaking pilot program to convert existing
18 informal units into safe, healthy, affordable housing
19 with legal status, providing protection and support
20 for homeowners and tenants in the neighborhood of
21 East New York. this legislation and the pilot it will
22 enable are the long and hard-fought products of
23 steadfast organizing and advocacy of visionary
24 community-based organizations Chhaya CDC, the
25 Coalition for Community Advancement/Progress East New

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2 York, and Cypress Hills LDC, among others. We have
3 been partners in their efforts for more than a
4 decade, co-publishing the study we all heard about
5 earlier today, New York's Housing Underground, which
6 revealed that there are more than 100,000 estimated,
7 you got it already, right, earlier, living in
8 informal units in basements and cellars across the
9 city but particularly and especially concentrated in
10 the immigrant and communities of color in the eastern
11 reaches of Brooklyn, Queens and the Bronx. And since
12 that point we have looked closely at New York's
13 housing stock, we've drawn on the experience of other
14 jurisdictions nationally, and those of other experts
15 in the field, to develop and call for solutions that
16 would stabilize these communities. These community
17 efforts, joined by partners in the City Council,
18 resulted in the 2016 commitment from Mayor De Blasio
19 to advance the pilot. And now after participating in
20 more than two years of interagency and community
21 collaboration with Council Member Espinal, Barron,
22 Lander and the administration and others, we can
23 affirm firsthand that developing a pilot is detailed,
24 painstaking work that has required deep
25 conversations, collaboration, and compromise. And

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2 this effort is still very much in process. We are
3 glad to note that the proposed legislation allows for
4 several very important changes, right, the
5 elimination of unnecessary code restrictions that
6 prohibit the conversion of units, right, including
7 unnecessary restrictions for units based on grade
8 instead of safety features such as light and air,
9 right. The provision of financing and other
10 administrative assistance to facilitate the
11 participation of the lowest income homeowners who
12 would otherwise not be able to take advantage of code
13 changes. And deeply and importantly and I really feel
14 like we heard this affirmed over and over again
15 actually about the structure of the program but
16 recognition and resourcing of existing community
17 based organizations who have deep roots in the
18 community to perform not only the outreach, education
19 and counseling for the pilot but also to provide that
20 essential buffer and safety and comfort, right, for a
21 very scary... potentially scary process for homeowners.
22 So, those all things are really important and great
23 and at the same time there are several features that
24 are important to the success of a pilot in East New
25 York and an eventual citywide program that are

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2 outside the scope of this particular legislation. So,
3 quickly these include: additional homeowner
4 incentives and protections to make it easier to
5 participate as well as to guard against the
6 destabilizing threat of predatory speculators.
7 Protections and rent regulation for tenants, as
8 noted, right, many tenants that are in these units
9 are just a stones throw away, one step, one problem
10 away from homelessness and their needs have to also
11 be taken into account in sensible design. We need
12 easier and streamlined processes for converting the
13 most common and most commonly inhabited housing
14 stock. Again this is a pilot where we're going to get
15 a lot of information about this and about the best
16 ways to do it but we need pathways for converting two
17 family homes to three family homes and three family
18 homes into four family homes in order to actually
19 meet the human need and not just the housing stock
20 need of the challenge that we have. And finally,
21 additional code changes, as could be enabled by city
22 and state rules and laws that would increase the
23 feasibility of the program and reduce conversion
24 costs including, you know moving to the International
25 standard of seven-foot ceiling heights for all units

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2 and removing unnecessary limitations that happened to
3 be imposed by the multiple dwelling law. So, finally
4 the impact... the potential impact on the housing
5 crisis for the city's most vulnerable New Yorkers
6 with this program is tremendous, right, it's hard to
7 refocus on that, right, cutting through all of the
8 details of this program but this is potentially
9 something that can provide safe, legal housing to
10 100,000 plus New Yorkers if we get it right, right,
11 so we look forward to continuing to work with you all
12 on it and of course continuing to work with our
13 community based partners, partners and respecting
14 their leadership on it in order to take advantage of
15 this opportunity to derive lessons that can inform a
16 more comprehensive program citywide. So, thank you.

17 CHAIRPERSON CORNEGY: Thank you all very
18 much for your testimony. I'm going to call the next
19 panel. Robert Sanderman; Michelle Neugebauer; Braden
20 Listmann. You can begin whenever you're ready but I
21 just would like to say for the record it's a pleasure
22 to see Michelle Neugebauer who I've had the pleasure
23 of knowing for a long time and I'm going to say
24 coming up under and so having this opportunity to see
25 you in this capacity really makes me happy, I thank

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1
2 you personally for all the work that you've done in
3 this area and other areas for a very long time.

4 ROBERT SANDERMAN: Good afternoon, thank
5 you for the opportunity to testify before you today.
6 I'm going to skip over certain parts of my testimony.
7 I am Robert Sanderman, I'm the Community Economic
8 Development Attorney at Queens Legal Services, a
9 borough office of legal services NYC. Legal Services
10 NYC is a nonprofit organization that fights for
11 poverty and seeks racial, social and economic justice
12 for low income New Yorkers. Legal Services is the
13 largest civil legal services provider in the country,
14 with deep roots in all of the communities we serve.
15 Our staff assists more than 80,000 low income New
16 Yorkers each year and along with other legal service
17 providers in the city. Legal Services New York City
18 is at the forefront of the fight to prevent
19 evictions, preserve affordable housing and ensure
20 that our clients' apartments are safe and that they
21 are not subject to harassment in their homes. Thank
22 you again for the opportunity to speak today on Intro
23 1004 and the importance of creating affordable units
24 and helping homeowners avoid foreclosure. A
25 significant part of Legal Services NYC's work is in

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2 the areas of tenant rights, eviction defense and
3 foreclosure defense. In fact, we have a dedicated
4 Tenants Rights Coalition office in Brownsville, which
5 serves community district five where Intro 1004 pilot
6 will take place. This is an important bill for us
7 because Legal Services NYC is part of the BASE
8 program... the BASE coalition that was mentioned
9 earlier. There are thousands of basement apartments
10 in New York City's affordable housing stock in New
11 York City. Single family homes account for 16 percent
12 of all housing units but many New York City
13 homeowners experience financial stress with 46.8
14 percent of owners with mortgages paying over 30
15 percent of their income on housing costs. 95 percent
16 of dwelling units that have not been legalized are
17 located in outer boroughs such as Queens, the Bronx
18 and Brooklyn. based on decades of work... of working
19 with tenants and homeowners, we at Legal Services
20 know that legalizing basement apartments would afford
21 greater protections for both homeowners and renters.
22 I myself have represented many tenants who lived in
23 horrible conditions, did not... did not have protection
24 of lease agreements and who were afraid to request
25 basic repairs that direct, directly affected their

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2 quality of life in their... in their apartment. Rents
3 in New York City have sharply increased in the last
4 decade. It is increasingly difficult for working
5 class New Yorkers to find affordable apartments. Even
6 many basement apartments in the outer boroughs are
7 increasingly becoming out of reach for very low-
8 income clients. As for homeowners, especially in
9 southeast Queens where our Queens office works, many
10 homeowners are facing foreclosure because of
11 difficulties keeping up with their mortgages.
12 Creating a program through which these homeowners can
13 convert their basement apartments into lawful
14 dwelling units will give homeowners a legal option to
15 subsidize their mortgages and avoid foreclosure. By
16 supporting homeowners through the conversion process,
17 it provides low income communities and communities of
18 color with the opportunity to build individually,
19 individual and collective equity, have direct
20 involvement in building the resources of the
21 community and remain in neighborhoods that are
22 increasingly becoming too expensive for low to
23 moderate income families throughout the city. Intro
24 1004 is an important step towards creating a
25 comprehensive citywide program for the lawful

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1
2 conversion of basement apartments, which will both
3 augment our city's safe and affordable housing stock
4 as well as ensure the rights of tenants occupying
5 those units. As with any pilot or demonstration
6 program, monitoring and evaluating the program will
7 be critical. The success of the pilot will also
8 depend upon close collaboration between city and
9 community organizing groups in community district
10 five which have deep roots in the community and are
11 best positioned to ensure that community district
12 five homeowners learn of this program and
13 successfully participate in it. Throughout this
14 pilot, monitoring the impact of tenants will also be
15 essential. It would not be a good outcome if
16 homeowners are permitted to improve and legalize
17 basement units only then to displace their tenants or
18 raise rents beyond affordability. BASE has advocated
19 for a program that also provides tenants with the
20 protections they need and provide... and provide long
21 term affordable housing, including by giving tenants
22 protections that would disincentivize harassment by
23 landlords and frivolous housing lawsuits. This is
24 something that might also be explored in this
25 demonstration program. To close, Intro 1004

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1
2 demonstration is an important step forward for New
3 York City. A program to enable the legal conversion
4 of basement units makes good sense for our city
5 because more than ever we need to preserve affordable
6 housing as well as the diversity that makes New York
7 City great. Thank you.

8 MICHELLE NEUGEBAUER: Thank you for those
9 kind words before. I'm Michelle Neugebauer, I'm the
10 Executive Director of the Cypress Hills Local
11 Development Corporation. We are a not for profit
12 community development organization that builds and
13 manages affordable housing, we provide tons of
14 housing counseling services to homeowners, we
15 organize tenants in multifamily buildings that are
16 experiencing disinvestment and we provide an array of
17 human services programs to the residents of Cypress
18 Hills and East New York and we've done that all for
19 the past 35 years. Our organization is also a member
20 of the Coalition for Community Advancement and the
21 coalition is a group of houses of worship of other
22 community-based organizations, residents and small
23 businesses who advocated very seriously during the
24 East New York rezoning for deeper affordability
25 levels of the housing to be built, stronger

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2 displacement prevention policies, local hiring and
3 more community facilities. I've also served for the
4 past two years on the citywide basement legalization
5 task force. Throughout the public review process for
6 the East New York rezoning plan, we brought to the
7 forefront the dire straits under which East New York
8 homeowners are living, these are really struggling
9 low and moderate income homeowners who are... and, and
10 a big swath of them are also senior citizens who are
11 living in homes that were built at the turn of the
12 century and most of them before 1920s and they have
13 tremendous capital repair needs but our homeowners
14 many of them immigrants have lots of grit and they're
15 determined to hold on to their piece of the American
16 dream. During the rezoning we worked very closely
17 with Council Member Espinal to demand that the city
18 address homeowners needs. So, we advocated for the
19 good neighbor tax credit, a cease and desist order in
20 our neighborhood, a moratorium on tax lien sales,
21 increased organizing and education for low income
22 homeowners to really address all of their challenges
23 and another policy that we advocated for of course is
24 the pilot program to converse... convert basements into
25 apartments and we really see the pilot as a win, win.

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2 It... it's an opportunity to stabilize the home
3 ownership of these low- and moderate-income
4 homeowners and provide safe and below market rate
5 affordable housing to low income renters. This
6 strong, very strong neighborhood support amongst
7 homeowners for such a pilot program, many homeowners
8 now and you've heard the estimates between a third to
9 a half are renting out their basements now and they
10 are renting out at below market rate rents but they
11 are also living in fear that the DOB is going to be
12 knocking at their door and slapping some very
13 exorbitant fines on them for having those basement
14 apartments and homeowners are ready and willing to
15 come out of the shadows, they need the support, the
16 financial support and the expertise to make those
17 repairs that would make their apartments legal. We
18 want to commend the city particularly HPD for the
19 design of the basement legalization pilot, we find
20 its very promising in that it emphasizes strong
21 outreach, the involvement of local partners,
22 homeownership and financial education and
23 individualized counseling, tenant relocation supports
24 and tenant counseling and tons, and tons of
25 community, community and technical assistance for the

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2 homeowners. We encourage the council as my colleague
3 just said to monitor the pilot, troubleshoot with HPD
4 any obstacles that could arise, reflect upon the
5 lessons learned and implement the program citywide,
6 make it a permanent part of the toolbox that HPD has
7 to preserve affordable housing in this city. We have
8 seen the preliminary term sheet for the pilot and
9 we're excited particularly for the lowest income
10 homeowners to be offered forgivable loans for these
11 retrofits. Our only qualm with that term sheet is
12 that very high income in our minds for our community,
13 homeowners earning up to 165 percent of AMI are also
14 eligible to participate in the pilot. For our
15 neighborhood where the average homeowner is only
16 earning 75 percent of AMI, we feel that's too high.
17 We're also concerned that investors might take
18 advantage of the new flexibility in the building code
19 in CB five and we urge the council to investigate any
20 ways that the pilot can be restricted, these new
21 flexible building codes to the owner occupants that
22 would be participating in the HPD financing program.
23 Lastly, we urge as many... you've heard before have
24 urged you to include tenant protections and rent
25 restrictions in the pilot. I thank you for your time

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2 and hope you'll be able to support this important
3 piece of legislation. Thank you.

4 CHAIRPERSON CORNEGY: Thank you.

5 BRADEN LISTMANN: Good afternoon, my name
6 is Braden Listmann, I'm the Deputy Director of
7 Homeowner Services at the Center for New York City
8 Neighborhoods. I want to thank the Chair and the
9 members of the Housing and Buildings Committee for
10 holding this hearing and for allowing us the
11 opportunity to testify. The Center promotes and
12 protects affordable homeownership in New York so that
13 middle- and working-class families are able to build
14 strong, thriving communities. We have helped over
15 50,000 homeowners in New York since 2008. We are a
16 strong supporter of safe basement legalization. As we
17 have heard, there are an estimated 100,000 illegal
18 basements in New York City. These units can be
19 attractive to many New York City renters because they
20 are significantly cheaper than legal rental units.
21 However, because they are illegal, they are unlikely
22 to conform to modern safety standards. We are excited
23 about this pilot and believe that East New York is an
24 ideal neighborhood for the program because it has
25 historically been one of the most affordable

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1
2 neighborhoods in New York City where tens of
3 thousands of working- and middle-class families own
4 homes. Last year the Center released a report on
5 homeowner and tenant stability in East New York,
6 which highlighted that current residents are facing
7 high levels of housing instability. The median
8 household income of 63,000 is lower than New York
9 City's median homeowner income of 78,000. We found
10 that 63 percent of East New York homeowners had unmet
11 repair needs and that a quarter of homeowners had
12 missed a mortgage payment in the last five years. We
13 also estimate that one third and possibly as many as
14 one half of small homeowners have an illegal basement
15 unit. we commend the city council and the De Blasio
16 administration for their leadership in creating this
17 important opportunity for homeowners to access
18 financing and improve the safety of basement units
19 which benefits both homeowners and tenants. Because
20 of the program's great potential, it is important
21 that we get it right and therefore we encourage the
22 city council and the administration to take the
23 following recommendations into consideration. One, is
24 to limit basement conversion resources and
25 eligibility to owner occupants. As we heard before we

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1
2 are concerned that easing of basement restrictions
3 could lead to further investor led flipping in East
4 New York and we urge the City Council to limit the
5 program eligibility to owner occupants. Two, ensure
6 that project timing is set up for success. Our
7 experience with past programs like Build It Back has
8 shown that these types of projects are often more
9 complicated than planned for. Providing housing
10 counseling, processing, financial information for
11 homeowners, coordinating logistics for homeowners and
12 tenants, meeting language access needs of program
13 participants can all lead to longer timelines than
14 anticipated. For this reason, we urge the City
15 Council and the administration to ensure that time
16 frames are reasonable to accommodate challenges both
17 foreseen and unforeseen. And third, we also want to
18 ensure that neighborhoods citywide will eventually
19 benefit. For the reasons discussed here we are
20 enthusiastic about the choice of East New York as the
21 pilot location and we know that homeowners and
22 renters in many other New York City neighborhoods
23 would benefit from this program as well. Therefore,
24 we believe that this demonstration project will be an
25 excellent first step towards an eventual citywide

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2 expansion. Thank you very much for the opportunity to
3 testify today and we look forward to continuing to
4 work with you to promote affordable homeownership in
5 New York City.

6 CHAIRPERSON CORNEGY: So, I want to thank
7 you all for your commitment to this... to this work and
8 to make sure that we have safe, affordable housing
9 and that we are creative but we protect the safety of
10 not only the, the tenants but take into consideration
11 the transfer of generational wealth through
12 homeownership and protect the homeowners as well so
13 thank you. This hearing is officially adjourned.

14 [gavel]

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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

November 28, 2018