

CENTER FOR NYC NEIGHBORHOODS

Testimony before the New York City Council Committees on Housing and Buildings, Community Development, and Land Use

Regarding “Housing New York”, the Mayor’s Affordable Housing Plan

November 17, 2014

Good afternoon. My name is Matthew Hassett and I am the Director of Policy and Communications at the Center for NYC Neighborhoods. I would like to thank Chairman Jumaane Williams, Chairwoman Maria del Carmen Arroyo, Chairman David Greenfield and the members of the Committees on Housing and Buildings, Community Development, and Land Use for holding today’s hearing on the Mayor’s “Housing New York” plan and for the opportunity to speak to the strengths and opportunities of this plan, particularly as it relates to affordable homeownership.

About the Center for NYC Neighborhoods

At the Center for NYC Neighborhoods, our mission is to promote and protect affordable and sustainable homeownership in New York City. We believe that keeping homeownership affordable creates strong neighborhoods that allow for working and middle class New Yorkers to be a part of the economic opportunities that continue to open up as New York City continues to prosper. Through a network of community-based partner non-profits, we provide homeowners with the essential support to prevent and overcome economic hardships of many kinds, and to make absolutely sure that they can afford to stay in their homes. Since 2008, our network of 36 community-based partners located throughout the five boroughs has assisted over 30,000 homeowners.

Housing New York

Focused on creating and preserving 200,000 affordable units over the coming decade, “Housing New York” is an important milestone on the road to a more just and equitable city where New Yorkers in every neighborhood will benefit from the opportunities that affordable housing creates.

At the Center, we are pleased to see the de Blasio administration’s commitment to affordable homeownership in the new plan. Affordable homeownership is an essential component to any affordable housing strategy in New York City. Over 2 million households in the city own their own homes, with almost one-third of New York homeowners earning less than \$50,000 per year. And with more than a quarter-million small property owners renting out apartments, homeowners play a vital role in creating even more affordable housing in the form of rental housing in owner-occupied buildings.

“Housing New York” recognizes the need to support New York’s working and middle class homeowners and lays out various strategies and programs that ensure the preservation of this critical affordable housing stock. We would like to highlight several strategies that are squarely in line with the vision we and our network of community-based non-profits share for the future of housing in New York City:

1. Support for foreclosure prevention activities:

Foreclosure is a major contributor to New York City's vacant and abandoned residential buildings: nationally, about 20% of properties in the foreclosure process have been vacated by their owners, and there are an estimated 10,000 vacated homes in foreclosure in the New York City metro area alone.¹ Though our national economy has slowly reemerged from the depths of the 2008 recession, the foreclosure crisis that precipitated the recession continues to be a daily source of stress, confusion, and financial hardship for many New Yorkers. The Great Recession has resulted in thousands of foreclosures in New York City, with even more homeowners behind on their mortgage payments and at risk of foreclosure.

Foreclosure prevention through the proven models of housing counseling and legal services provides essential assistance to homeowners working hard to keep their homes. Our network of housing advisors and attorneys obtains results: an analysis conducted using the Center's data found that homeowners who received foreclosure prevention counseling from housing counselors in the Center's Network were 30% more likely to receive a modification to their mortgage than homeowners who did not receive counseling. On average, the mortgage modifications our network achieves result in monthly savings of approximately \$1000 per household.

The City has been at the forefront nationally in terms of deploying resources to prevent foreclosures, including foreclosure prevention counseling and legal services at the neighborhood level. The "Housing New York" plan reaffirms the City's support for these critical, home-saving services. We commend and thank the New York City Council and the de Blasio administration for the continued, strong support of these vital services. Preventing foreclosures is essential to preserving naturally occurring affordable housing like New York City's affordable homeownership stock, and, what's more, it helps to maintaining strong neighborhoods.

2. Combat predatory practices targeted at homeowners and homebuyers:

More than five years after the height of the Great Recession, tens of thousands of New Yorkers continue to suffer from the effects of the foreclosure crisis. The reckless and predatory lending that caused the financial crisis disproportionately harmed New York City's communities of color.² Today, foreclosure rescue scams targeted at homeowners are on the rise,³ continuing to put homeowners at risk and threatening our existing affordable housing stock. Homeowners caught in a scam could lose several thousand dollars in cash payments to a scammer, and, even worse, the delays from working with

¹ RealtyTrac, Owner-Vacated Properties Represent 20 Percent of All Foreclosures Nationwide, June 18, 2013. <http://www.realtytrac.com/content/foreclosure-market-report/owner-vacated-foreclosure-update-7771>

² Donnelly, Frank, Bank preyed on minority borrowers with subprime loans, lawsuit alleges, silive.com, May 5, 2014. http://www.silive.com/northshore/index.ssf/2014/05/bank_preyed_on_minority_borrow.html

³ Hassett, Matthew. Let's put an end to loan scams, the Center for NYC Neighborhoods, January 30, 2014. <http://cnycn.org/2014/01/lets-put-an-end-to-loan-scams/>

these scammers can make them far more likely to eventually lose their home to foreclosure because of the delay in legitimately addressing the default.

Predatory practices targeted at homeowners and homebuyers require a concerted approach from the City and we strongly support the housing plan's call to support those efforts to protect New York City homeowners and adopt a strategic approach to preservation.

3. Foster resiliency and lower flood insurance premiums in our coastal communities:

When Superstorm Sandy struck New York in October 2012, we responded quickly to assist those families whose lives were upended by the storm. We provided direct cash assistance through our Neighborhood Recovery Fund, and we applied our existing model to get high-quality housing counseling and legal services to homeowners working with multiple government and private-sector agencies to rebuild their homes and lives. Today, assisting homeowners recovering from Sandy, while making our city and housing stock more resilient to future extreme weather events, is a major component of the Center's work.⁴ Preserving affordability in our flood-prone communities is especially important because they are home to many low- and moderate-income homeowners.⁵ Unfortunately, as our recent report, *Rising Tides, Rising Costs* demonstrates, rising flood insurance premiums threaten the ability of these homeowners to afford to stay in their homes and communities.

The "Housing New York" plan makes several key recommendations in this area. It calls for the City to ensure that federal regulations allow flood mitigation methods suitable for New York's urban coastal communities, and to support educational efforts to make homeowners aware of these changes. Additionally, it calls for the exploration of a new loan program to assist low-, moderate-, and middle-income owners with resiliency upgrades. We applaud the plan's commitment to fostering resiliency and working to keep flood insurance premiums affordable. Finally, we would encourage the Administration to consider formalizing the resiliency work that we and our partner organizations have begun in response to Sandy, as well as the looming flood insurance crisis. With sea levels rising and extreme weather events increasing, New York needs to double-down on its commitment to resiliency. Because of the huge threat these changes pose to affordable housing in neighborhoods across the city, and the complexity of the issues homeowners are facing, we ask the Administration to consider the creation of a network of resiliency advisors who could help New Yorkers in flood-prone neighborhoods understand how to prepare for, adapt to, and mitigate against the coming changes.

4. Explore cost effective approaches to address conditions in informal dwelling units:

⁴ Center for NYC Neighborhoods Final Report to Goldman Sachs Gives. April 2014.

<http://issuu.com/centerfornycneighborhoods/docs/cnycn-finalreport-goldmansachsives>

⁵ Center for NYC Neighborhoods, *Rising Tides, Rising Costs*, 2014. Available at cnycn.org/risingtides

Tens of thousands of New Yorkers call informal dwelling units (such as basement and above-garage units) home. As a member of the BASE campaign,⁶ we support the conversion of these units into legal dwelling units when it is safe for tenants to do so. This initiative would also strengthen the housing stability of homeowners, who would be able to derive predictable, legal rental income from these units. Therefore, we are pleased to see the housing plan's commitment to developing methods for bringing these units into the regulated housing system.

- 5. Increase affordable homeownership opportunities:** The "Housing New York" plan calls for creating new opportunities for affordable homeownership through a variety of new programs, including the New Infill Homeownership Opportunities Program, which would work with small developers and local Community Development Corporations to purchase City-owned land and construct one- to four-family homes, cooperatives, or condominiums. The plan also pledges continued support for creating new affordable homeownership opportunities through the Real Estate Owned Program, in which a third party acquires and rehabilitates bank-foreclosed homes. Finally, it calls for creating a New York City land bank to create long-term affordable development opportunities. These affordable homeownership programs are essential to providing vital asset-building opportunities for low- and moderate-income households in NYC, and we commend the de Blasio administration for including these programs in the housing plan. We hope that the Administration will keep a careful watch on the trends that we have seen nationally of more and more investor-ownership of once owner-occupied single-family housing. We urge the Administration to consider new ways to support working and middle class New Yorkers who want to own a home and invest in their neighborhood, but are unable to because of extremely tight credit markets. We hope that the Administration will recognize the value of preserving local ownership of neighborhood housing and look to new models that can help ensure that all New Yorkers continue to be a part of the economic opportunity that comes from a thriving global city.

With the release of the Mayor's ambitious new housing plan and the dynamic leadership at City Council, this is a very exciting time for affordable housing in New York City. At the Center, we are extremely pleased to see the Mayor's commitment to keep our city affordable for low- and moderate-income homeowners across all five boroughs.

Thank you for the opportunity to testify. We look forward to continue working with the Mayor, Commissioner Been and the Department of Housing Preservation and Development as well as City Council to promote and protect affordable and sustainable homeownership.

⁶ BASE: Basement Apartments Safe for Everyone, <https://basecampaign.wordpress.com/>