



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

Oversight Hearing: Vacant Properties in New York City: How many are there and what is the City doing about them?

February 28, 2014

Good afternoon. My name is Christie Peale, and I am the Executive Director of the Center for NYC Neighborhoods. I would like to thank Chair Jumaane Williams and the members of the Housing and Buildings Committee for holding today's hearing on the issue of vacant properties in New York City.

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, focusing on those neighborhoods hardest hit by foreclosure. As the central hub of a diverse network of 37 partners who provide housing counseling and legal services throughout the five boroughs, the Center leverages public and private resources to ensure that homeowners have access to high quality foreclosure prevention services. The Center's unifying role allows us to provide streamlined funding, services and communications between homeowners, lenders and funders; design and implement new initiatives and programs; highlight neighborhood and citywide trends, and promote systemic reforms to encourage household stability.

The Foreclosure Crisis as a Driver of Vacant and Abandoned Properties

Despite the intense demand for housing in New York City, vacant and abandoned properties continue to destabilize and blight many of our communities. In addition to reducing the supply of much-needed housing, vacant and abandoned properties diminish quality of life and economic opportunities in affected neighborhoods. They present health and public safety hazards for community members and lower property values for nearby homeowners.

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 anger for many New Yorkers. Today the crisis has resulted in thousands of foreclosures in New York City and even more homeowners struggling to make

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>

monthly mortgage payments. While foreclosures have declined in many parts of the country, in New York foreclosure starts (“lis pendens”) are on the rise again, with filings increasing 30% in 2013.² Worse, there remains a tremendous backlog of owners stuck in the foreclosure process and thousands more families continue to fall behind on their mortgage payments each month.

A successful approach to vacant and abandoned properties in New York City must take the foreclosure crisis and its effects into account. We call on the Mayor, the Department of Housing Preservation and Development, and City Council to take action to address this issue and respectfully submit the following recommendations:

1. Continue to support foreclosure prevention services

The best strategy for combating foreclosure-related abandonment is to prevent foreclosures in the first place. New York City foreclosure prevention counseling and legal services provide essential assistance to homeowners struggling 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 the Center’s Network are 30% more likely to receive a modification than homeowners who do not receive counseling.³ Since the City Council helped found the Center in 2008, our Network has served nearly 30,000 homeowners and helped homeowners prevent nearly 5,000 foreclosures, with thousands more at-risk homeowners continuing to work with Network counselors and attorneys to resolve their housing crises.⁴ Finally, resources invested in foreclosure prevention target low and moderate income homeowners and increase their housing affordability: the average homeowner assisted through our network earns \$47,000 annually, and the average modification received by homeowners reduced payments by almost \$1000 a month.

At the Center, we are extremely grateful for the Council’s strong partnership in the fight against foreclosure. The Council’s funding support for our network of housing counseling and legal services organizations has been invaluable in providing much-needed assistance to New York City families at risk of losing their homes. Additionally, Council members provide crucial assistance through their visibility on the foreclosure issue and by continuing to spread the message that high-quality, free assistance for homeowners is available and can be obtained by calling 311. We look forward to continuing to work with you to combat this crisis.

2. Monitor Properties that are vacant or at-risk

As documented in a recent report by *Picture the Homeless*,⁵ the City would greatly benefit from a unified approach to identifying and monitoring vacant buildings, whether owned privately or by the City. The Center supports efforts to implement an annual citywide count of vacant and abandoned properties. Additionally, the City could utilize existing data to identify foreclosed

² Prashant Gopal, Foreclosure Surging in New York-New Jersey Market, Bloomberg Feb. 26, 2013.
<http://www.bloomberg.com/news/2014-02-26/foreclosures-climaxing-in-new-york-new-jersey-market-mortgages.html>

³ Been, Vicki, et. al. “Determinants of the Incidence of Loan Modifications” New York University: Furman Center for Real Estate & Urban Policy, 2011. Available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1941915

⁴ Center for New York City Neighborhoods data analysis, 2014.

⁵ Picture the Homeless, Banking on Vacancy, 2012, available at:
http://www.picturethehomeless.org/Documents/Reports/PH01_report_final_web.pdf

properties that are abandoned or at risk. Local Law 4 of 2012 requires mortgage servicers to inform the Department of Housing Preservation and Development (HPD) within fifteen days when they commence, discontinue, or receive a judgment in a mortgage foreclosure action on a residential property. It also requires servicers to inform HPD when a receiver is appointed, when a receiver hires a managing agent, or when a property maintenance company is hired.

We believe that Local Law 4 data could be used to effectively identify buildings at risk of abandonment and ensure bank responsibility for real estate owned (REO) properties. Additionally, by combining data from the vacancy count with data obtained through Local Law 4, the City could effectively target enforcement activities towards vacant REO properties. Finally, Local Law 4 data could be used to help guide acquisition of properties to ensure that they remain in the hands of homeowners, not speculators.

3. Provide affordable homeownership opportunities

When foreclosure cannot be prevented, it is essential that the City work to acquire foreclosed properties, both to prevent their abandonment and disrepair, as well as to ensure that they do not fall in the hands of speculators. We at the Center are troubled by a recent New York Times article detailing the emerging securitization market backing the acquisition of foreclosed homes and their conversion into rental properties.⁶ In addition to risking the creation of another destabilizing housing bubble, we are concerned that this trend may push families looking to purchase homes in New York City out of the housing market. Unable to compete with investors, they may instead add to the intense demand for affordable rental units. We know from our work at the Center that homeownership is an essential component of neighborhoods stabilization. By pushing out homeowners, we are inhibiting the recovery of neighborhoods still reeling from the 2008 financial crisis.

In response to this challenge, we recommend an approach to foreclosed homes that creates new affordable homeownership opportunities for low and middle income New Yorkers. One strategy to achieve this is to acquire foreclosed homes through a pass-through entity such as a land bank or other form of public-private partnership. This entity would then hold and sell foreclosed homes to low to middle income households, allowing them time to obtain downpayment assistance and rehabilitation financing if needed, as well as apply for a mortgage. Additionally, when the acquired home contains rental units, the City could obtain additional affordable housing units through the use of incentives such as downpayment assistance programs, savings match programs, and tax credits for homeowners who agree to keep rents at affordable levels.

Thank you for the opportunity to testify. We look forward to working with you on this very important issue.

⁶ Michael Corkery, Dealbook: Wall Street's New Housing Bonanza, New York Times, Jan. 29, 2014. Available at: <http://dealbook.nytimes.com/2014/01/29/wall-streets-new-housing-bonanza/>