EAST NEW YORK
PRESERVING AFFORDABILITY IN THE FACE OF UNCERTAINTY

FALL 2017

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CENTER for NYC NEIGHBORHOODS

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EAST NEW YORK
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Executive Summary

FALL 2017

East New York has historically been one of the most affordable neighborhoods in New York City, where tens of thousands of working- and middle-class families own homes. Eighty-seven percent of these homeowners are black or Hispanic. Today, longtime homeowners, their tenants, and their communities face increasing uncertainty, driven by a fear of displacement and rising costs.

The Challenges The legacy of the 2007 foreclosure crisis and predatory lending have resulted in thousands of families at risk of foreclosure. Wage stagnation and the hollowing out of New York City's middle class has made affording rising housing prices a growing challenge. And decades of disinvestment combined with an aging housing stock means homes need critical repairs that, left unaddressed, can threaten financial stability. Meanwhile, property values are increasing dramatically as an influx of new, wealthier homebuyers and investors drives prices up. A rezoning in 2016 to allow larger and denser housing development may spur further price inflation.

About This Report This report is the culmination of a yearlong investigation by the Center for NYC Neighborhoods into 1-4 unit homes and the families who live in them in East New York and the surrounding neighborhoods of Cypress Hills, Brownsville, and Ocean Hill. More than 280,000 New Yorkers call these communities home. The report seeks to document housing and real estate trends in the neighborhoods and to understand their impact on homeowners and renters. We surveyed hundreds of East New York homeowners, conducted multiple focus groups and in-depth interviews with community members, and analyzed demographics, real estate data, and family mobility patterns.

Why This Matters While we focus on East New York, the findings of this report speak to the experience of New Yorkers in many Bronx, Queens, Staten Island, and Brooklyn neighborhoods where the first tugs of gentrification are being felt. Because of its concentration of low-rise buildings and low-income residents of color, East New York offers a unique case study to understand trends affecting homeowners and tenants in small buildings across the city.

Key Findings

High Numbers of Financially-Precarious Homeowners

East New York is among the leading neighborhoods in the number of new foreclosure cases. Even greater numbers struggle to keep up with tax and water bills and home repair needs: **63%** of East New York homeowners surveyed reporting an **unmet home repair need**, and the neighborhood has one of the **highest numbers of tax and water debt sold** through the City's annual tax lien sale. Financially-struggling homeowners are frequently singled out by scammers providing fraudulent foreclosure rescue services and/or seeking to commit deed theft.

POLICY TOOLKIT SOLUTIONS

Interdependent Landlord-Tenant Relationships

Owner-occupant landlords in East New York rely on steady rent from tenants to afford their mortgage and housing expenses. They charge their tenants some of the lowest rents in the city, and often keep rents steady over the course of several years. In turn, tenants rely on a homeowner's housing stability to stay in their own rental units. **By stabilizing homeowners, we can stabilize tenants** — and vice versa.

POLICY TOOLKIT SOLUTIONS

Diminished Opportunities for Homebuyers

A combination of flat incomes and rising home prices have made it increasingly difficult for East New York residents to be able to afford to buy homes in their neighborhood. While wages in East New York have remained stagnant since 2010, the **median home price has increased by 39%**, from $322,000 to $449,000. In 2010, about half of East New York home sales were at prices affordable to families making 100% of the New York City Area Median Income. By 2016, this number had **decreased to 22%**. The rise in prices is aided by heavy speculative investment activity in the form of home flipping, where investors (often anonymous LLCs) induce homeowners to sell at below-market prices, invest in superficial repairs, and then resell at significantly higher rates.

POLICY TOOLKIT SOLUTIONS

East New Yorkers Leaving Their Homes Seek Affordability, But at a Price

Through an analysis of U.S. Postal Service data, we found that most mortgage-distressed homeowners who left their East New York homes tend to go to areas with lower housing costs. However, those gains in affordability are often made **at the expense of higher transportation costs and reduced economic mobility**. Homeowners who had mortgage difficulties when they moved tended to move to less economically dynamic areas than other homeowners.

POLICY TOOLKIT SOLUTIONS

Policy Toolkit

East New York is at a pivotal time, and the challenges faced by homeowners, their tenants, and their neighbors are substantial. We have assembled a policy toolkit with resources and strategies to confront these challenges.

SUPPORT VULNERABLE HOMEOWNERS & THEIR TENANTS

Streamline & Expand Home Repair Resources Unaffordable home repairs were the largest challenge reported by East New York homeowners, and existing resources are unable to meet the needs of many low-income and senior homeowners. We recommend expanding home repair resources, expediting approvals, and rethinking eligibility criteria.

Continue to Fund Homeowner Stabilization Assistance Foreclosure prevention services face major cuts in New York, as well as nationally, yet tens of thousands of homeowners continue to struggle to avoid foreclosure. We recommend continuing to support foreclosure prevention services and developing innovative programs to promote homeowner stabilization such as the Homeowner Help Desk, which links New Yorkers to critical services such as repair loans and foreclosure services.

Reform City Policy Towards Tax- & Water-Delinquent Homeowners When New York City sells a homeowner's tax and water debts through its annual tax lien sale, their debt increases dramatically. Rather than face a tax foreclosure, many homeowners choose to sell their home, which can further stoke the loss of affordable housing to profit-driven investors. We recommend taking incomes into account when determining exemptions and negotiating payment plans with homeowners, and embracing the Tax Lien Preservation Trust concept.

Support Homeowner-Landlords in Order to Support Tenants Rental units in East New York homes provide a major source of affordable housing in New York City. However, given the high levels of homeowner vulnerability and real estate turnover in the neighborhood, the future of these units is at risk. We recommend developing incentives for homeowners to provide affordable rents to low-income or families leaving homeless shelters, developing educational resources for homeowner-landlords, and legalizing safe basement apartments.

Strengthen Local Incomes and Economic Opportunity Housing instability for East New York's homeowners and renters is not only a housing issue but also a livelihoods issue. We recommend improving access to good jobs for East New York and neighborhoods like it through neighborhood-targeted workforce development, job access strategies, financial counseling, and living wage policies. Tax policy matters, too. While investors have access to tax deductions and loopholes, low-income families have fewer tax offsets available to them and are less likely to take advantage of those they do qualify for.

DISCOURAGE EXTRACTIVE REAL ESTATE PRACTICES & PROMOTE PERMANENT AFFORDABILITY

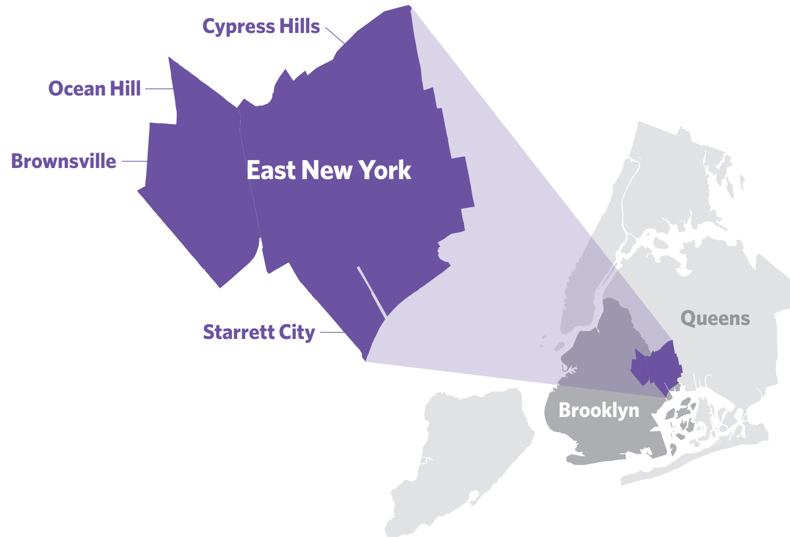
Implement a Cease and Desist Zone Real estate investors are increasingly targeting East New York homes, knocking on doors with the goal of buying low and selling high. We recommend implementing an East New York Cease and Desist zone, which would allow homeowners to opt-out from unwanted solicitations and would provide an empowering tool for community members to take concrete action against real estate harassment.

Implement a Flip Tax Property flipping has negative impacts on housing markets in neighborhoods like East New York, inflating prices on properties once affordable to working class families, and spurring unwanted and sometimes deceptive solicitation of neighborhood homeowners. We recommend implementing a flip tax in New York City that would level the playing field for homebuyer families and seek to deter property speculation.

Promote Community Land Trusts CLTs provide below-market rate homeownership opportunities for families while ensuring that homes remain affordable over time. We recommend prioritizing CLTs when disposing of city-owned or tax-foreclosed properties. Buildings with expiring regulatory agreements should also be guided to CLTs to ensure permanent affordability.

Research Area

This report examines East New York and its surrounding neighborhoods of Cypress Hills, Brownsville, and Ocean Hill. The study area is located in Eastern Brooklyn, along the border with Queens.



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JPMorgan Chase & Co.

CENTER for NYC NEIGHBORHOODS

About the Center for NYC Neighborhoods

The Center promotes and protects affordable homeownership in New York so that middle- and working-class families are able to build strong, thriving communities. Established by public and private partners, the Center meets the diverse needs of homeowners throughout New York State by offering free, high quality housing services. Since our founding in 2008, our network has assisted over 40,000 homeowners.

Visit **cnycn.org/EastNewYork** to read the full report.

Introduction

On a cold morning in December 2016, dozens of East New York and Cypress Hills residents marched down Pitkin Avenue to tell speculators that their neighborhoods were "not for sale." Chanting as they went, the crowd tore down signs with messages like "We Buy Houses — Any House, Any Condition" that have become an unwelcome symbol of the rush of investors targeting homeowners in the communities over the last few years.

The marchers were responding to unsettling changes in the real estate market in East New York and its surrounding neighborhoods of Cypress Hills, Brownsville, and Ocean Hill. These changes are transforming what were historically working-class communities into contested territory for real estate investors, longtime residents, and people looking for housing in the neighborhood.[1] Investors pound the East New York pavement, targeting homeowners in foreclosure and potentially vulnerable seniors, seeking to convince, intimidate, or mislead them into selling their home. Neighborhoods like Bushwick and Bedford-Stuyvesant have grown lavishly expensive, pushing money and real estate investment further eastward into East New York. "It's the last frontier," one broker said of East New York, in an interview with New York Magazine.[2]

Today, the area is home to 280,000 New Yorkers, the vast majority of whom are black or Latino (62% and 30%, respectively), and it has historically been one of the most affordable neighborhoods in New York City. As a result, tens of thousands of working- and middle-class families of color own homes here.

But longtime homeowners, their tenants, and their communities face increasing uncertainty. The legacy of the predatory lending that fed the foreclosure crisis continues to threaten the homes of thousands of families. Broader trends of wage stagnation and the hollowing out of New York City's middle class have made affording rising housing prices a growing challenge for many. Decades of disinvestment combined with an aging housing stock poses additional burdens on homeowners, who struggle to obtain affordable financing for repairs.

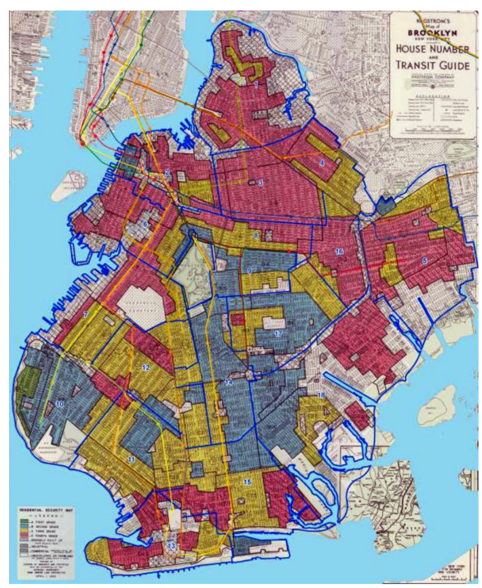
In parallel with these trends, home prices and real estate investor interest have soared. New York City rezoned a portion of the area in 2016 to allow for denser residential development of both market-rate and subsidized affordable housing. Brooklyn's hot market and the increased potential for development under the rezoning is stimulating new investment in the neighborhood. To many long-standing community members, the potential for gentrification and displacement is a genuine threat.

These patterns raise important questions about the stability of affordable homeownership and economic diversity in these neighborhoods. While rising property values will buoy the net wealth of financially stable homeowners, will lower-income homeowners stay afloat as they face the increased property taxes that come with rising values? Will future homeownership opportunities in East New York only be open to the city's wealthiest families?

The goal of this report is to answer these questions. Little research exists regarding the challenges of low- and moderate-income homeowners within the context of gentrifying neighborhoods. There are also relatively few legal or financial tools at the disposal of government to stabilize the homeowners and tenants who live in this housing stock. As New York City develops plans to rezone 15 neighborhoods across the city, many of them containing tens of thousands of one-to-four unit homes, it is imperative to understand how market forces are transforming low-rise neighborhoods. Though the focus of this report is on East New York and its surrounding communities, the findings and recommendations are relevant to communities nationwide that are experiencing a rapid increase in property values.

A HISTORY OF HOMEOWNERSHIP IN EAST NEW YORK SINCE WWII

To understand East New York today, it's essential to examine the historical trends that have shaped the neighborhood and its housing market. First developed for commerce and housing in the 1830's, East New York has long been home to working- and middle-class communities. The suburban boom, loss of manufacturing jobs, urban renewal and white flight of the postwar era resulted in dramatic changes to the neighborhood's demographic and physical composition. In 1960 the neighborhood was 85% white, and was home to a predominately Italian, Jewish, and Polish population. By 1966, East New York was 50% black and 30% Puerto Rican.[3]



1938 HOLC Map of Brooklyn.
Source: National Archives

The East New York housing market has seen cycles of boom and bust, municipal neglect, and today, speculative investment.[4] The legacies of redlining, disinvestment, and the subprime lending crisis are visible in the high rates of mortgage distress and repair needs throughout the area. At the same time, East New York community members and leaders have undertaken hard-fought community organizing and development initiatives to make their neighborhood safer and more affordable.

Redlining

NAACP protest against housing discrimination.
Source: Detroit Times

From the 1930s until the passage of the Civil Rights Act of 1968, nearly all of East New York was redlined, meaning that property owners were denied federally-insured mortgages and financing for repairs. Redlining refers to the maps made by the government-sponsored Home Owners Loan Corporation, which rated areas by color: green zones were the most desirable, while red zones were characterized by the presence of a "lower grade population" and older housing stock. Any neighborhood that was home to a black or sizeable immigrant population, or that was adjacent to a black neighborhood, was given a red rating and deemed unsafe for lending. East New York was downgraded both for its substantial Jewish and immigrant populations and for its proximity to Bedford-Stuyvesant, another predominantly black neighborhood. The Federal Housing Authority used these maps to determine which neighborhoods were eligible for government-insured credit, thus denying residents in East New York access to the subsidized mortgages that were fuelling suburban growth.

In the absence of federally-backed mortgages, homebuyers were limited to financing their home purchases through private mortgages. These generally came with predatory-lending terms and extremely harsh penalties, or contracts for deed, under which homebuyers made a smaller down payment in exchange for higher monthly payments and interest rates, plus maintenance costs. Missing a single payment meant the loss of the home as well as the forfeiture of all previous payments.

Blockbusting

Blockbusting was an overtly racist property speculation strategy involving investors who would canvass a neighborhood, knocking on doors and invoking the specter of black and Hispanic families moving into the area to induce panic sales at low prices from white homeowners. As detailed in *How East New York Became a Ghetto*, homes were then resold or rented at dramatically higher prices to the new black and Hispanic residents. These residents were highly vulnerable to price gouging because their housing options were severely limited by housing segregation and discrimination.[5] The racial makeup of East New York changed rapidly over the course of the 1960s, and many of the newly-arrived black families who had purchased homes were saddled with unsustainably high housing costs.

Racial Tension and the 1966 Riots

As East New York changed from a majority-white to a predominantly black and Hispanic neighborhood, racial tensions escalated. An explicitly anti-black racist group called SPONGE further instigated conflict, which ultimately exploded on July 21, 1966, when a young black boy named Eric Dean was shot in the midst of a confrontation between SPONGE and black counter-demonstrators. The ensuing riots continued to flare up over the following months.[6]

FHA Lending Abuses

In 1968, the Federal Housing Act was amended to ease restrictions on issuing mortgage insurance in redlined areas, making thousands of homes in East New York eligible for government-backed mortgage financing. Unfortunately, this triggered a wave of predatory lending and a subsequent wave of defaults and the abandonment of buildings. These properties came to be owned by the FHA, which attempted to sell properties as-is but found little interest from buyers. Vacant buildings and the fires, crime and other hazards that come with them proliferated and brought drastic losses to the neighborhood.[7]

Disinvestment and Decline

Greetings to All for Easter and Passover

The East New York Project

East New Yorker

MARCH 27, 1980 — *Published by the East New York Development Corp.* — [Circulation: 17,000 copies] — Vol. 7, No. 3

EAST NEW YORK — THE ARSON CAPITAL?

BY ARNOLD TUCKER

On March 6, 1980, Bob Teague from N.B.C. T.V. Channel 4 News, visited East New York to acquaint himself with the arson problems existing in the area.

He stated that he had reports indicating that East New York has replaced the South Bronx as the arson capital. Bob Teague came to East New York not as a result of the devastation wrought upon the citizens of East New York, but only as a result of the death of a white fire lieutenant from the Hook & Ladder Co. located on Liberty Avenue in East New York. The fire occurred on March 5, 1980 in an unoccupied building located at 1041-1045 Sutter Avenue. We the citizens of East New York should applaud Bob Teague and N. B. C. for their actions, highlighting the plight of the East New York residents as a result of fires, but should question the motivation for their new found concern (the death of a white fire lieutenant). We the citizens of East New York have lost property, family members, friends and hope. However, this was not sufficient for N. B. C. or any other

[Continued on Page 9]

Where Fire Victim Risked Life & Lost

Photo by Lem Peterkin
Front of 2951 Fulton Street near Cleveland Street [Jamaica El stairs] where fire took life of Lydia Rivera.

Eulogy to a Brave Woman

BY ROSE MC CARTHY

Fulton Street in East New York has not been known lately for producing heroes; on the contrary, it is a mean and squalid place where run-down, violation-ridden frame houses stare down on loitering junkies who in turn eye the passersby for potential prey. Such a milieu is hardly a breeding ground for great deeds.

Lydia Rivera was the exception. During her lifetime, she was just an ordinary 37-year old housewife who had come to New York from her native Santurce Puerto Rico while still a child. She was a grandmother with eight children of her own. Manuel Saenz, her husband, was the father of four of them: Luisa, Brenda, Wanda and Jasmin. He had been living with Lydia for 12 years.

On March 9, Lydia Rivera was murdered. Some

[Continued on Page 9]

APPEAL FOR DONATIONS

Lydia Rivera's survivors are in desperate need of clothes and furniture. Send checks or money orders to Josephine Rivera, 2 Elton Street, Brooklyn, N. Y. 11208, Apt. G-1. This is a chance for East New Yorkers to show their generosity to those who have lost so much.

L. D. C. of E. N. Y. Anticipates Expansion of Existing and Attraction of New Industry

Brownsville and E. N. Y.

Neighborhood newspaper from 1980.
Source: The East New York Project

As New York City's tax base declined in the 1970s, the City made sharp cuts to services, which disproportionately affected neighborhoods like East New York. Under the 1970s "Planned Shrinkage" policy, scarce City resources were targeted to wealthier, central parts of New York, with the brunt of cuts borne by poorer and more distant districts. Thus East New York faced steep cuts to fire protection, sanitation, streetlight replacements, parks maintenance, and institutions like public schools, libraries, and health facilities. Fires flourished, vacant and abandoned buildings became increasingly common, trash pickup slowed, and crime and vandalism spiked. These problems led hundreds of families of all backgrounds to leave the neighborhood, and as residents left, countless small businesses, schools, daycare facilities, and places of worship closed their doors.[8]

As neighborhood conditions continued to decline, middle-income black and Puerto Rican families left, selling at low prices to lower-income buyers. Meanwhile, infrastructure improvements in East New York lagged far behind other city neighborhoods.[9]

Community Planning Efforts and Progress

Neighbors cleaning an East New York courtyard. *Photo by Bernard Gotfryd. Source: Brooklyn Historical Society*

Community-led revitalization efforts have had varying degrees of success over the years. In response to the 1966 riots, a community planning effort was launched to determine neighborhood needs. The steering group came to be called the East New York Housing and Urban Planning Committee and consisted of community activists, residents, and planning consultants. The plan was approved by the City in September of 1967, and resulted in the rehabilitation and construction of hundreds of units of public housing as well as low- and middle-income housing and new community facilities including park space, a health center, and a recreation center.[10]

A row of original Nehemiah homes on Blake Avenue in East New York.

Nehemiah Homes

In the 1980s, local church leaders united as East Brooklyn Congregations to construct over 3,000 affordable single family rowhouses, known as the Nehemiah Homes.[11] This project allowed thousands of families to become homeowners, and spurred reinvestment and increased maintenance in nearby properties. This project was a huge success and it attracted many middle-class families to the neighborhood. While East New York was hit hard by the 2008 foreclosure crisis, experiencing the highest foreclosure rate in Brooklyn, and one of the highest citywide, Nehemiah homes and other subsidized homeownership units weathered this crisis extremely well. As of 2010, fewer than 10 owners of the 3,900 Nehemiah homes had defaulted on their mortgage since the Nehemiah program began in 1983.[12]

Reverse Redlining and the Rise of Subprime Lending

In the decade preceding the 2008 financial crisis, East New York became a magnet for subprime mortgage lending. In 2006, a full 50% of loans originated in the neighborhood were classified as subprime — the third highest rate in the city.[13] Many of these subprime loans were taken out by existing homeowners to refinance mortgages. In a practice known as “reverse redlining,” subprime lenders targeted black and Latino communities for the aggressive marketing of toxic, subprime mortgages that contained unsustainable mortgage rate increases as well as steep penalties for missed payments and even overpayments. A New York Times analysis found that black families earning more than $68,000 a year were nearly five times as likely to hold subprime mortgages than whites of similar or even lower incomes.[14]

Foreclosure Crisis

Abandoned homes in East New York.
Source: Wikimedia

East New York was one of the city's hardest-hit neighborhoods in the foreclosure crisis. When the market collapsed in 2008, thousands of East New York families found themselves underwater on their mortgages, with property values worth less than their home loans. Since the start of the foreclosure crisis, the East New York area has had the highest foreclosure rate in Brooklyn, and near the highest rate in the city. In 2008, foreclosure affected 2,107 households, over half of whom were renters living in one-to-four family homes.[15] Foreclosure led to widespread evictions and vacant homes, which further dragged down property values that were already depressed by the collapse of the housing boom.

Rezoning and New Investment

After the 2008 financial crisis, Brooklyn home values recovered from the drop in prices relatively quickly. Today, housing prices continue to rise throughout the borough, including in East New York, as buyers priced out of neighborhoods like Bushwick and Bedford-Stuyvesant move east in search of affordability.

In 2015, the de Blasio administration announced its plans to rezone a 190-block area of East New York to increase density and promote the development of affordable housing units in private developments via inclusionary zoning. The rezoning announcement added fuel to the neighborhood's housing market, which was already seeing increasing real estate prices and a rise in home flipping.[16] Local leaders and institutions created the Coalition for Community Advancement, which led a community planning process that resulted in the East New York Rezoning Alternative Plan.[17] The Alternative Plan proposed deeper affordability for new units as well as anti-harassment and displacement policies, along with additional proposals for economic growth, the workforce, infrastructure, and community facilities. Ultimately, a rezoning deal was reached in 2016 that incorporated some — but not all — of the Alternative Plan's recommendations.[18]

Members of the Coalition for Community Advancement.
Source: Cypress Hills Local Development Corporation

EAST NEW YORK TODAY

One year after the rezoning, the East New York neighborhood remains home to a valuable but rapidly diminishing resource in New York City: affordable housing. Community organizations and leaders are laboring to ensure that the neighborhood continues to be home to working- and middle-class New Yorkers. However, rampant property speculation and rapid price increases are putting the area's affordability at risk. The following chapters highlight the dynamics at work in East New York's market and effects on current homeowners and their renters, providing an in-depth look at homeowner finances, renters in small homes, real estate market trends, and what happens when families move out of their East New York homes. The report concludes with a set of policy recommendations that will stabilize East New York homeowners and their communities while promoting affordable homeownership opportunities in the neighborhood.

SOURCES

1 For the purposes of this report, the term "East New York" will refer to the broader East New York study area, which includes East New York and the surrounding neighborhoods of Cypress Hills, Ocean Hill, and Brownsville.

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6 99 Percent Invisible: Turf Wars of East New York, May 10, 2016. Available at: http://99percentinvisible.org/episode/turf-wars/

7 Thabit, supra note 4, at 170-171.

8 Id., at 172.

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Homeowners

FINDING **HIGH NUMBERS OF FINANCIALLY-PRECARIOUS HOMEOWNERS**

- **East New York homeowners have lower incomes and higher housing cost burdens than most New York City homeowners.**
- **Many homeowners are uncertain of their ability to maintain their home:**
  - Community Districts 5 and 16 that make up East New York and Brownsville have the 3rd and 4th highest new foreclosure rates in New York City out of 59 community districts.
  - Even greater numbers struggle to afford home repairs: 63% of East New York homeowners surveyed report an unmet home repair need.
  - East New York has one of the highest numbers of tax and water liens sold through the City's annual tax lien sale.
- **Many homeowners are dependent on rental income:**
  - Gaps in rental revenue, repair needs, and mortgage distress are interlocking problems.

WHO ARE EAST NEW YORK HOMEOWNERS?

East New York's housing market is in a period of transition, but for generations, the neighborhood has been a source of affordable homes for low-income, working- and middle-class families. Today, the area contains about 18,000 home-owning households, which accounts for 20% of the total households in the study area.[1] East New York's homeowners are predominantly people of color: 71% identify as non-Hispanic black and most of the remaining percentage as Hispanic.

Source: 2014 Housing and Vacancy Survey

The finances of East New York homeowners are decidedly more precarious than average New York City homeowners. This is largely the product of a difference in annual incomes: East New York homeowners have median incomes about $15,000 lower than the City median. In East New York, homeowners are also more likely to have a mortgage on their home.

	East New York	New York City
Median Income for Homeowners	$63,000	$78,000
Mortgage-holders	85%	64%
Seniors with a Mortgage	>50%	38%

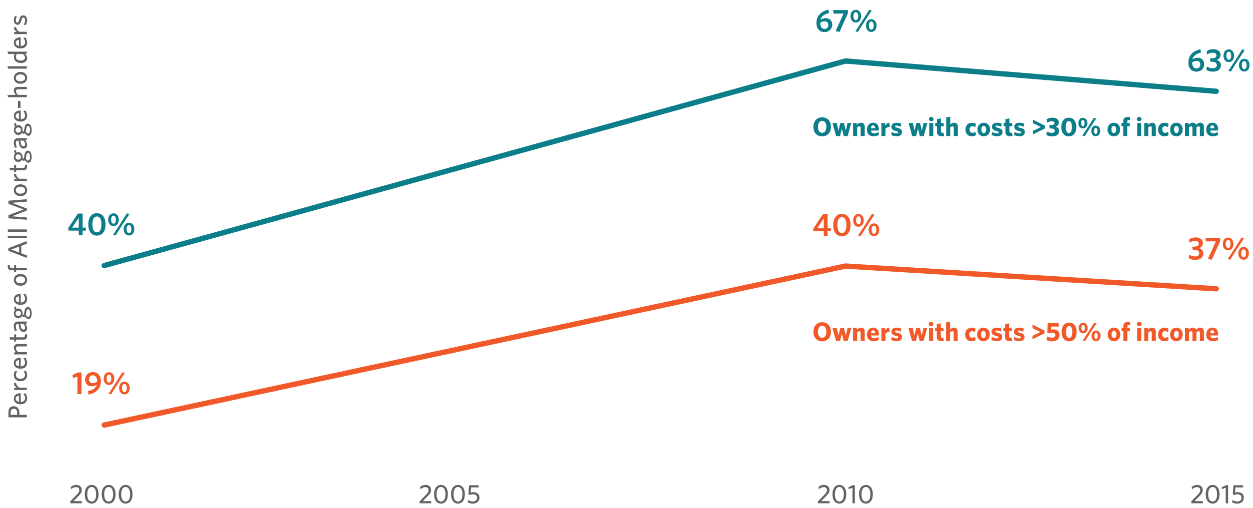
Source: 2014 Housing and Vacancy Survey

These differences result in substantially higher housing cost burdens for East New York homeowners. A household is generally considered to be housing-cost-burdened when their mortgage, utilities, insurance, and taxes exceed 30% of their annual income. The portion of housing cost-burdened homeowners in East New York rose 58% between 2000 and 2015, from 40% of all homeowners to 63%. The portion of severely cost burdened homeowners — those with housing costs in excess of 50% of income — nearly doubled in the same period.[2]

	East New York	New York City
Median Homeowner Costs-to-Income Ratio[3]	36%	24%

Source: ACS five-year estimates 2011-15

OWNER HOUSING COSTS AS A PERCENTAGE OF INCOME

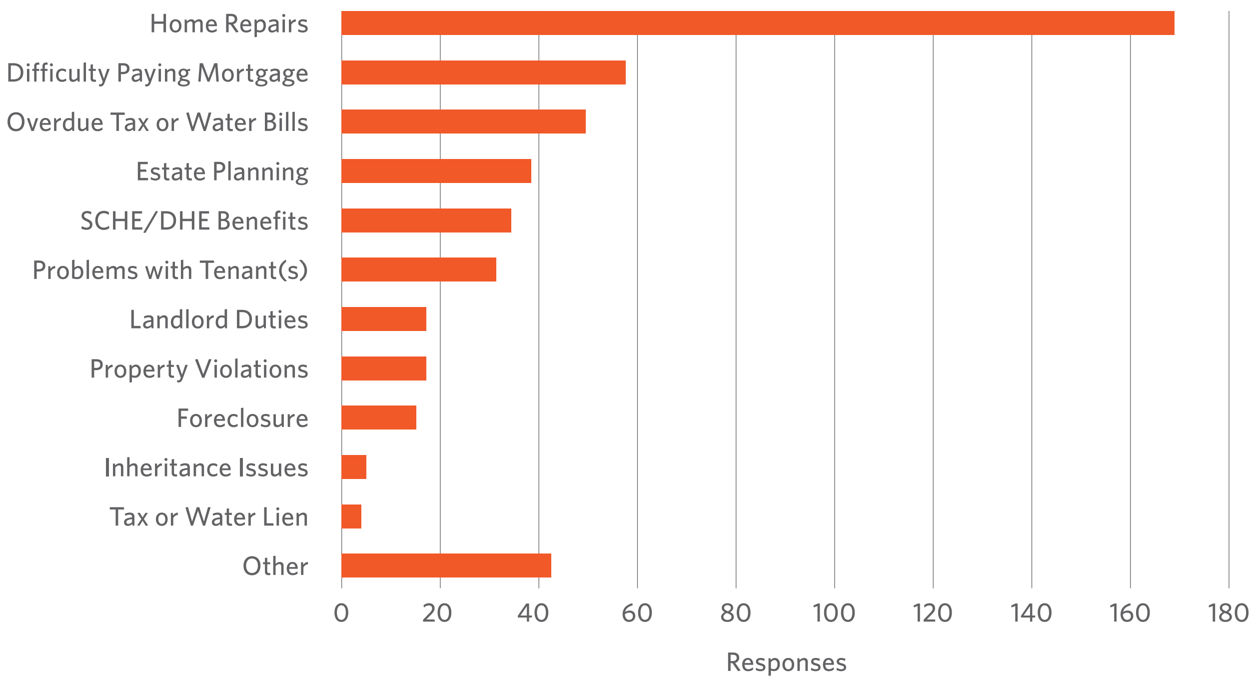


Source: Census 2000 decennial census, 2010 and 2015 five-year ACS

HOMEOWNER SURVEY RESULTS

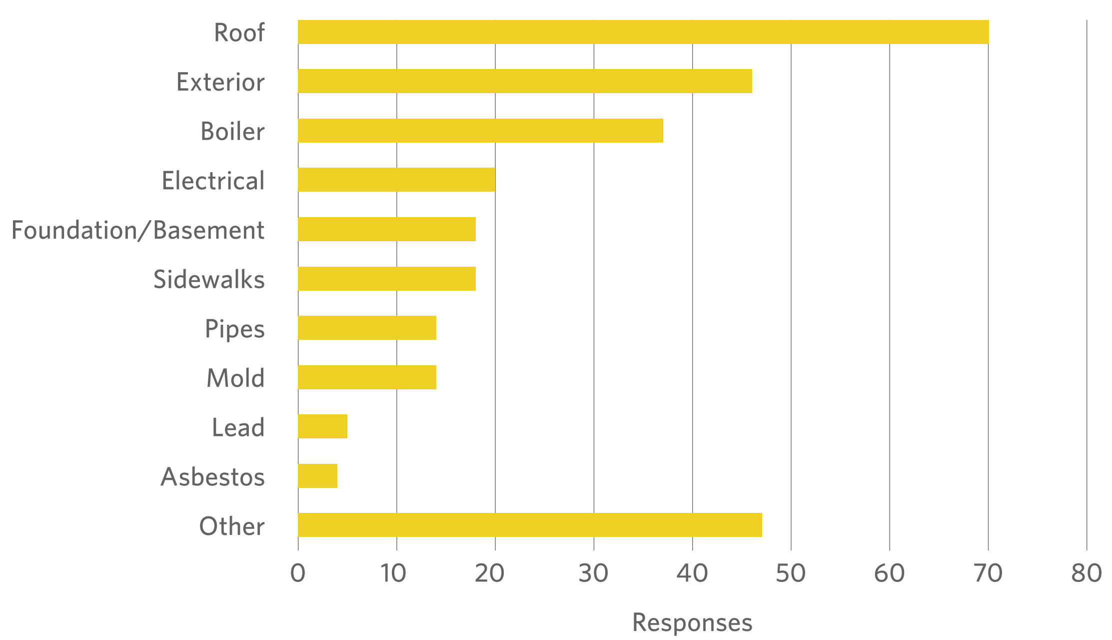
In spring and summer of 2017, we surveyed several hundred homeowners on their household finances and demographics. Over 500 households responded to a short version of the survey that asked questions about basic challenges, while 78 responded to a more in-depth version. Survey respondents were primarily longtime homeowners with low (less than 80% area median income) or very low (less than 50% AMI) incomes.

HOMEOWNER-IDENTIFIED CHALLENGES



Home repairs were the most commonly cited challenge. The housing stock in the neighborhood is old, with many homes constructed in the 1920s or earlier. With the typical cost of a roof repair starting at near $20,000, and few grant or affordable loan options available, especially for homeowners with poor credit, maintenance and repairs are a major threat to homeowner stability.

HOMEOWNER-IDENTIFIED REPAIR ISSUES



"These properties are really old. It's really hard for a senior homeowner to try and fix it up to be up to par and to rent it out."

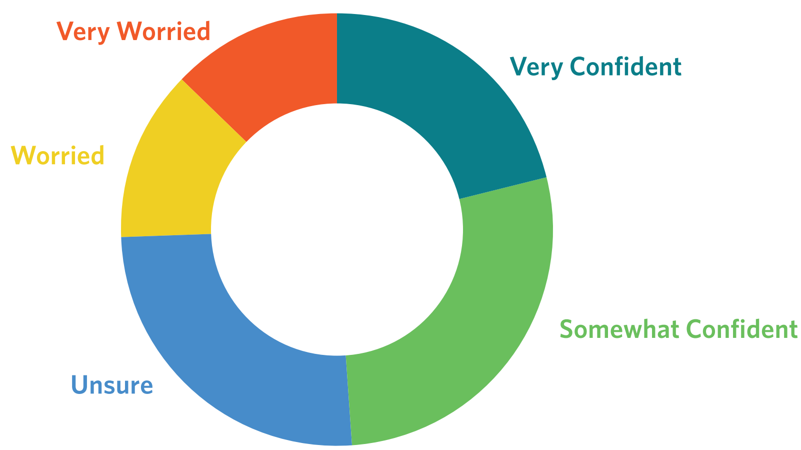
— Homeowner Focus Group Participant, Cypress Hills

Homeowner Outlook

Only 49% of respondents expressed confidence in their ability to afford their housing expenses in the coming months. Only 18% reported that they are able to save money on a monthly basis. These responses point to the high levels of uncertainty and instability among low-income homeowners.

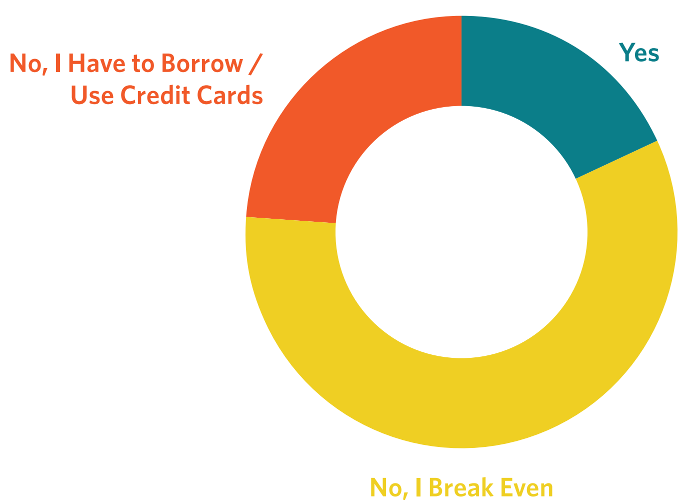
VARYING LEVELS OF CONFIDENCE IN ABILITY TO AFFORD HOUSING EXPENSES

Q: How confident are you that you will be able to afford your housing expenses in the coming months?



FEW HOMEOWNERS ARE ABLE TO SAVE MONTHLY

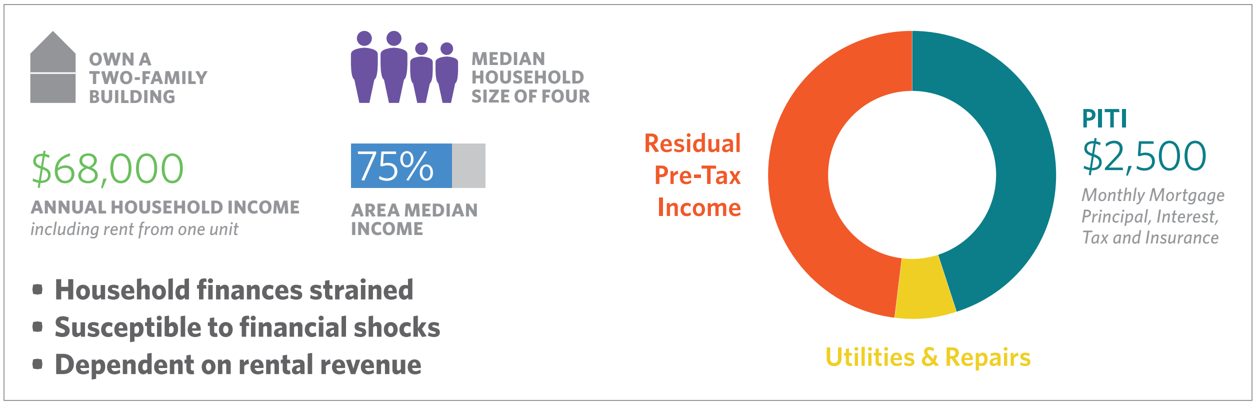
Q: At the end of each month, do you have money left over for savings?



Financial Precarity is Common Among East New York Homeowners

To better understand the financial pressures affecting homeowners in the neighborhood, we developed typical profiles of households in East New York. Drawing on data from public and private sources, the profiles reveal the financial fragility of homeowners in the neighborhood.[4]

PROFILE 1 Typical Homeowner Household



With median incomes at 75% of AMI, housing expenses create a significant financial burden for this East New York family, which reflects about 5,000 typical East New York homeowners. Their housing expense ratio, which measures their principal, interest, taxes, and insurance against gross income (including rental income), averages 45% across the 10 years projected in this analysis. They can expect utilities and maintenance to require another 7-9% of income in most years. These housing costs leave less than half of the family's pre-tax income to cover the full range of other debts and expenses they may incur.

Given their strained finances in an average year, major repairs and other unexpected expenses can have a particularly destabilizing effect on this household. The need for a boiler replacement or roof repair can push non-PITI housing expenses up to as much as 29% of annual income in a particular year. Likewise, a loss of rental revenue, which makes up nearly one-third of total household income, would immediately force the owner to draw on savings (if they have them) or push debt onto credit cards.

PROFILE 2 **Typical Household with Mortgage Distress**

OWN A TWO-FAMILY BUILDING

MEDIAN HOUSEHOLD SIZE OF THREE

$55,000

ANNUAL HOUSEHOLD INCOME
including rent from one unit

68%

AREA MEDIAN INCOME

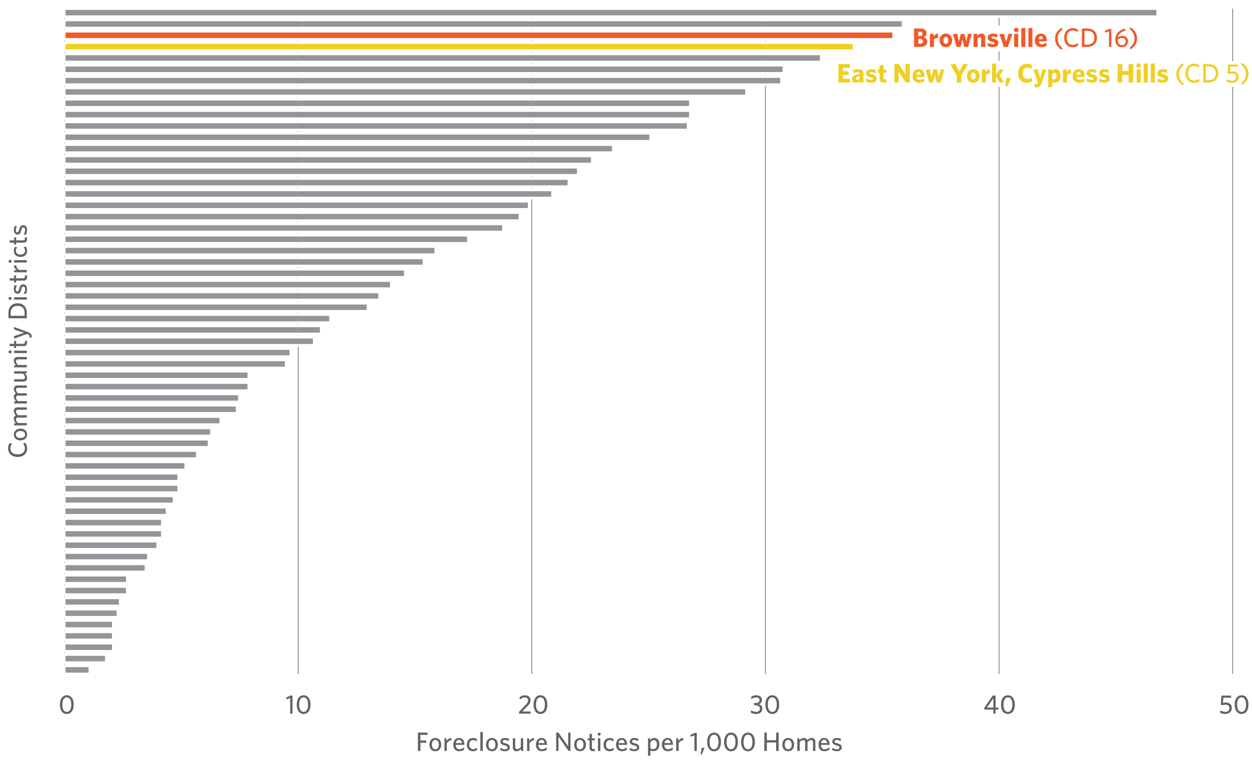
- **Low income and high mortgage interest rate**
- **At immediate risk of foreclosure**
- **Dependent on rental revenue**

Many of these households are saddled with expensive and perhaps predatory mortgages originated between 2005 and 2008. Their average mortgage interest rate of 6% is higher than the average interest rate paid by homeowners reflected in Profile 1. Meanwhile, their incomes are lower (68% of AMI, compared to 75% of AMI). Their housing expense ratio, which measures their PITI against gross income (including rental income), averages 52% across the ten years projected in this analysis. Utilities and maintenance require another 8-9% of income in most years. These costs put these homeowners at severe risk of foreclosure and makes them unlikely to be able to address repair needs that arise unexpectedly. These homeowners are highly dependent on rental revenue, which makes up about 36% of total household income. This profile reflects the financial situation of about 2,400 East New York homeowners.

HIGH RATES OF FORECLOSURE

While new foreclosure rates have decreased since the peak of the foreclosure crisis, East New York remains one of the leading areas for new foreclosure filings. In 2016, the Brooklyn community districts that comprise our study area (Community District 16-Brownsville and Community District 5-East New York and Cypress Hills) had the third and fourth highest rates of new foreclosures out of the City's 59 community districts.

2016 FORECLOSURE RATES BY COMMUNITY DISTRICT



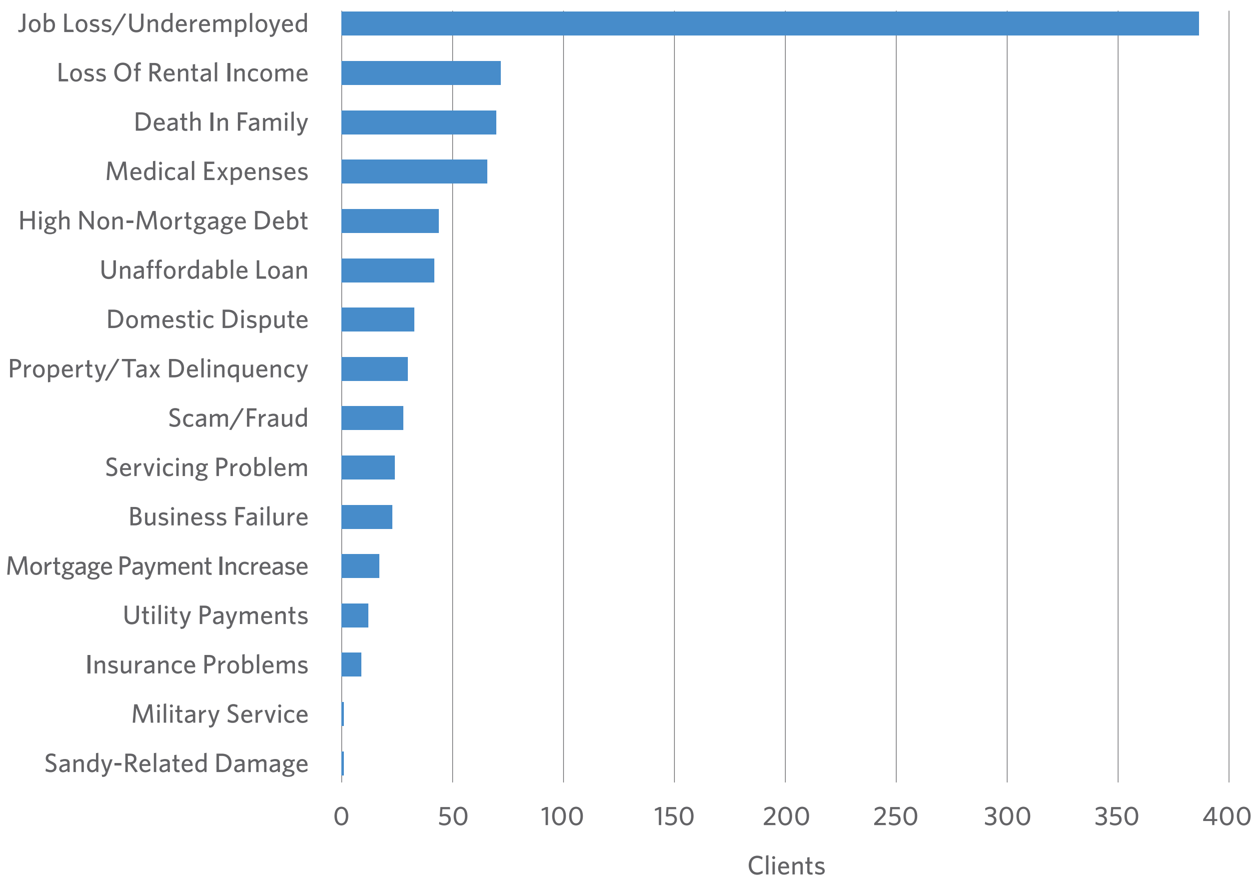
"I had tenants for two years, taking them to court every three months... Two years without paying rent."

"Being a foreclosure counselor, I see it a lot with my clients, the struggles they go through and how it's sad that there's no help for them. In a small percentage of cases people do lose their homes because they can't afford it with all the rent arrears that are due, but in other cases they get a loan from family to pay the other part of the mortgage while they're going through the process of evicting the tenant. And sometimes when they're evicting the tenant, the tenant actually destroys the apartment."

Reasons for Mortgage Distress

For East New York homeowners, several factors drive foreclosures and mortgage distress. The Center for NYC Neighborhoods and its network of housing counseling and legal services partners served 1,025 East New York homeowners looking for assistance with an unsustainable mortgage in 2015-16. Among these households, job loss and/or unemployment was the most commonly cited cause of their mortgage distress.[5]

PRIMARY REASON FOR DISTRESS



Loss of rental income was the second most-cited reason. Many East New York homeowners depend on rental revenue to support mortgage payments. When a tenant moves out or cannot pay for successive months, a low-income homeowner can quickly find themselves on the edge of default.

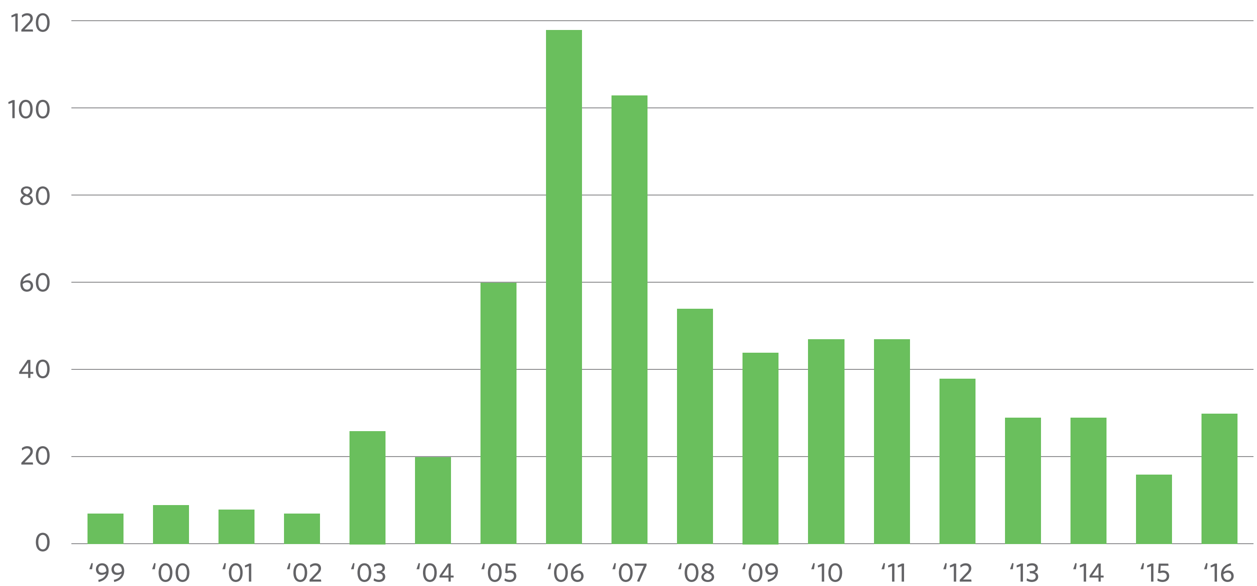
"They just stopped paying rent, so in June I started the eviction proceedings. As you know there's no free legal help for landlords... so I paid an attorney $1,500 to handle the case. They continue to go back to court, they continue to get extensions, and they're still at the property... all the while, I have to continue to keep my house up."

The Legacy of Subprime Lending Persists in East New York Today

The legacy of predatory lending is also a major contributor to foreclosures in East New York. During the bubble years of 2001 through 2008, East New York was subject to intense targeting by subprime mortgage lenders engaged in a practice known as "reverse-redlining," while prime lending products became harder to access. By 2005, over half of that year's home purchase loans in East New York were subprime.[6] Not only were these mortgage products poorly underwritten but they also included deceptive terms and exploding interest rates that would prove untenable for thousands of borrowers.

The chart below shows the year of origination for the 1,025 East New York homeowners who sought assistance from the Center and its partners in 2015 and 2016. The years immediately prior to 2008 remain the most common for mortgage originations that trouble homeowners today. In other words, while the housing market crash of 2008 is nearly 10 years behind us, the impacts of subprime and predatory lending are still currently being felt by homeowners in East New York today.[7]

YEAR OF MORTGAGE ORIGINATION FOR 2015-6 FORECLOSURE CLIENTS



High Rates of Tax and Water Delinquencies for East New York Homeowners

Tax and utility bills pose another challenge to East New York's low-income homeowners. New York City's arcane property tax system has disassociated property tax assessments from real property values. Effective property tax rates — annual property taxes divided by property value — are higher for East New York homes than for those in other Brooklyn neighborhoods, western Queens, and any neighborhood in Manhattan.[8] For example, the average property taxes on a small home in East New York ($3,000) divided by the average home value ($430,000) comes to an effective tax rate of about 0.7%. In Brooklyn's 6th Community District encompassing Carroll Gardens and Park Slope, the average annual tax bill is less than half of East New York's, relative to the average market value of homes.[9]

Community District	Avg Annual Taxes for 1-3 Unit Home	Avg Market Value for 1-3 Unit Home	Avg Effective Tax Rate (taxes/value)
Flatlands/Canarsie	$4,800	$490,000	0.99% (highest in City)
East New York/Cypress Hills	$3,000	$430,000	0.7%
Brownsville	$2,500	$460,000	0.58%
Park Slope/Carroll Gardens	$6,000	$1,940,000	0.34% (lowest in City)

Sources: Assessed market values from Department of Finance assessment rolls; 2015 annual tax charges from Chris Whong, John Krauss, and Ben Wellington.

When homeowners fail to pay their taxes for three years or water/sewer charges for one year, their debts are sold to private investors through the City's lien sale.[10] Those debts can quickly double or triple as legal fees and interest mount. Community District 5, East New York/Cypress Hills, had the third highest number of Tax Class 1 (one-to-three family homes) liens sold in the City's 2016 lien sale. The 172 East New York liens sold included:

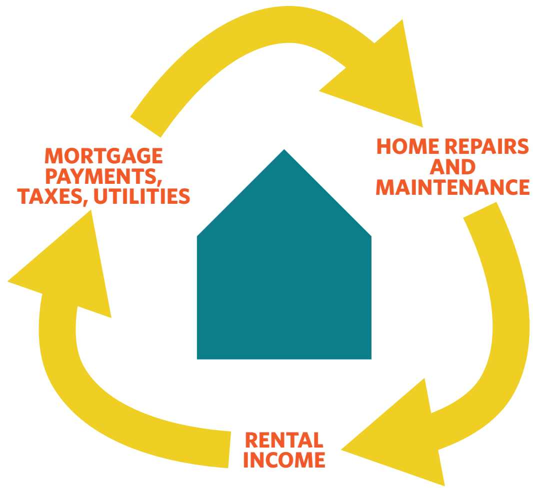
- 63 liens with property tax charges, with an average value of $10,000
- 111 liens with water charges, with an average value of $11,400
- Average total lien balance at sale of $13,000

A 2017 analysis by the Coalition for Affordable Homes found that homes with liens are much more likely to switch hands in subsequent years than homes not subjected to the lien sale. Here, the lien sale exacerbates other pressures on vulnerable homeowners and pushes them closer to leaving their homes.

CONCLUSION **EAST NEW YORK HOMEOWNERS FACE INTERRELATED CHALLENGES**

Between home repair needs in aging homes, mortgage and tax payments, and the need to maintain consistent rental income, East New York homeowners face three distinct but mutually reinforcing challenges. A crisis in one can quickly create crises in the others and make it difficult for a family to retain stable ownership.

- When a tenant is unable to pay rent for consecutive months or a rental vacancy goes unfilled, a homeowner may struggle to make mortgage, property tax, water, or other utility payments, putting them in jeopardy of foreclosure.
- When a homeowner cannot make housing payments they become ineligible for emergency repair loans and grants. Without repair resources, a homeowner may be unable to address a leaky roof, malfunctioning boiler, or other maintenance issue.
- When a homeowner is unable to maintain their property, they may be unable to retain or find new tenants for their rental unit, thus losing revenue.



SOURCES

1 The homeownership rate is significantly higher if you don't include public housing from the total number of housing units. Brownsville, in particular, is home to several large public housing projects.

2 These figures refer to the 85% of East New York homeowners with mortgages on their homes.

3 This figure is derived from the US Census "selected monthly owner costs" indicator, which includes mortgage payments, taxes, utilities, insurance, and fuel.

4 Sources for the homeowner profiles include the 2014 New York City Housing and Vacancy Survey (HVS), the 2015 American Housing Survey, the New York City 2016 PLUTO dataset, the 2015 American Community Survey, and client intake data from housing counseling agencies working in partnership with the Center for NYC Neighborhoods.

5 In 2015-16, the Center for NYC Neighborhoods and its partners received 1,025 East New York foreclosure-prevention clients. The Center's client base is 77% African American, 19% Hispanic, 3% Asian or Pacific Islander, and 1% white. Eighty-one percent of clients report low to moderate incomes. The median household income is $46,800, compared to East New York's median homeowner income of $64,887. Average housing-cost burdens are high across the board. Clients below 120% AMI are generally severely burdened, and those with very low incomes have an alarmingly high average burden of 80%.

6 NYU Furman Center, The State of New York City's Housing and Neighborhoods, 2007. Available at: http://coredata.nyc/

7 Among East New York homeowners who came to the Center for assistance, those who borrowed in 2007 today average the highest monthly mortgage principal, interest, tax and insurance (PITI) payments and highest remaining principal owed on their loan. However, mortgage modifications are an effective way to address these problematic loans: mortgage modifications for East New York homeowners in 2015-16 decreased monthly mortgage-interest rates from an average of 5.23% to 3.25% and monthly payments from an average of $2,500 to $1,950.

8 Information from the website for Tax Equity Now NYC, last visited October 16, 2017. Available at: https://taxequitynow.nyc/maps_charts/issue-1-property-tax-system-discriminates-people-live-neighborhoods-majority-minority-residents/

9 Assessed market values from the NYC Department of Finance assessment rolls, available at: http://www1.nyc.gov/site/finance/taxes/property-assessments.page. Information on the 2015 annual tax charges from a dataset prepared by Chris Whong, John Krauss, and Ben Wellington, available at: http://chriswhong.com/open-data/liberating-data-from-nyc-property-tax-bills/

10 Each spring, the Department of Finance sells the liens of properties that have unpaid property taxes, water bills, and other charges to private investors. For more information on the NYC Tax Lien Sale and its impact on homeowners, visit the report, "Compounding the Debt: Race, Affordability, and NYC's Tax Lien Sale," by the Coalition for Affordable Homes, 2016. Available at: http://cnycn.org/wp-content/uploads/2014/02/CAH-tax-lien-sale-report-final.pdf

EAST NEW YORK
PRESERVING AFFORDABILITY IN THE FACE OF UNCERTAINTY

Renters in Small Homes

FINDING **INTERDEPENDENT LANDLORD-TENANT RELATIONSHIPS**

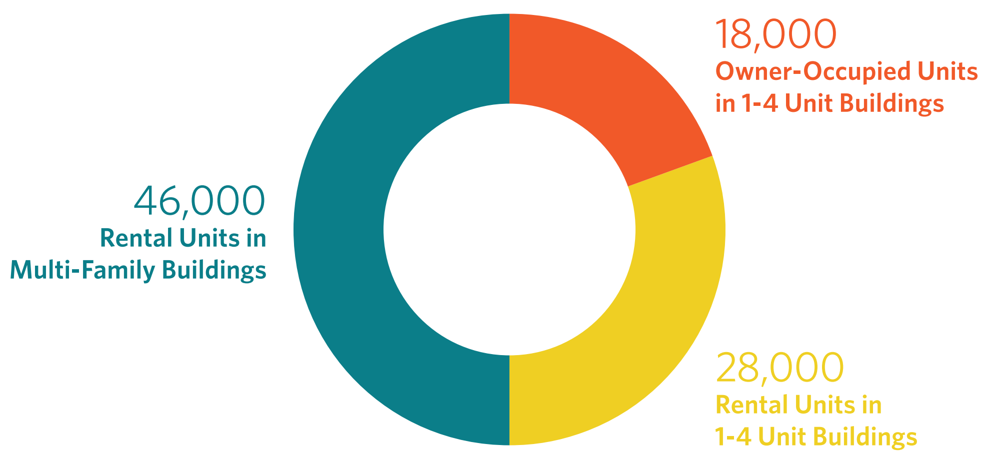
- **83,000 New Yorkers live in one-to-four unit homes in East New York.**
- **Longtime homeowners charge below-market rents to retain tenants.**
- **Tenants in one-to-four unit homes do not benefit from New York City's rent stabilization law, including the right to a lease renewal. Therefore, they are highly vulnerable to displacement when a building changes ownership. When homeowners sell, their tenants are often forced to leave as well.**
- **Many renters in these units have very low incomes and are unlikely to be able to afford apartments elsewhere in the city.**
- **At least a third and possibly as many as one-half of small homes in East New York have an illegal basement unit. These units are more affordable for renters but can have dangerous conditions.**

EAST NEW YORK RENTERS

As discussed in the previous chapter, many East New York homeowners are heavily dependent on rental income to afford their housing costs. Likewise, many renters depend on homeowners to keep rents at stable, affordable levels. The neighborhood has a large amount of rental housing located in small, non-rent-regulated buildings, with 40% of rental units in buildings with four or fewer units. Because renters in small buildings do not benefit from New York rent stabilization laws, they are not entitled to automatic lease renewal nor are rent increases limited by the New York City Rent Guidelines Board.[1] This means that these renters are highly vulnerable to displacement when homeowners sell or are otherwise forced out of their homes. This is especially true where rapidly rising home prices drive new buyers to seek higher rents so they can afford increasingly large mortgage payments.

Similar to East New York homeowners, renters in the neighborhood have lower incomes than their counterparts in Brooklyn or citywide. As compared to other neighborhoods in New York City, East New York is unusual in the amount of rental housing located in small, unregulated buildings, with 28,000 rental units in one-to-four unit buildings and another 46,000 rental units in multifamily structures. The one-to-four unit structures in East New York are home to about 83,000 New Yorkers, or more than triple the number living in Manhattan's Stuyvesant Town–Peter Cooper Village.

TYPES OF HOUSING UNITS IN EAST NEW YORK



Incomes

Renters living in owner-occupied one-to-four unit buildings tend to have lower incomes than households in wholly renter-occupied buildings. A 2013 Furman Center study found that landlords tend to charge their tenants less when they live in the same building, making those units affordable to lower income households. The authors speculate that this might be because "greater intimacy" with on-site tenants may induce more generous lease terms and more sympathy to their financial situations.[2]

> *"I have a nice relationship with my landlord. As long as rent is paid on time, she gives me no trouble... We've become one big family in that house."*
>
> — Renter Focus Group Participant, East New York

Renter Type	Number of Households	Median Household Income
Live in 1-4 unit building with landlord living onsite	14,900	$34,800
Live in 1-4 unit building with landlord living off-site	14,800	$35,000
Live in non-market rate (*rent regulated, subsidized or public housing multi-family*) building	43,000	$26,000

Source: NYC 2014 Housing and Vacancy Survey[3]

Rents

While monthly rents in East New York are lower than in most Brooklyn neighborhoods, renters pay a higher percentage of their income on rent each month due to the area's particularly low incomes. Fifty-seven percent of East New York renters pay at least 30% of their income on rent and 34% are severely rent-burdened, meaning that they spend over half their income on rent.

EAST NEW YORK RENTS ARE LOWER THAN TYPICAL RENTS BOROUGH- AND CITYWIDE

1-4 Unit Buildings	Gross Monthly Rent	Median Household Income	Median Rent Burden
East New York	$1,300	$35,000	43%
Brooklyn	$1,400	$50,000	35%
New York City	$1,500	$50,000	36%

Source: NYC 2014 Housing and Vacancy Survey

Tenants have a higher median rent burden in one-to-four unit buildings, where they pay 43% of their income on rent. Tenants in five-plus-unit buildings have a median rent burden of 36%. This is likely a consequence of the large amount of subsidized affordable multifamily housing in the study area, such as NYC Housing Authority public housing and privately-developed affordable housing developed using the Low-Income Housing Tax Credit, which generally charge income-based rents.

East New York	Median Rent Burden
1-4 unit buildings	43%
5+ unit buildings	36%

Source: NYC 2014 Housing and Vacancy Survey

Most East New York Homeowners are Landlords

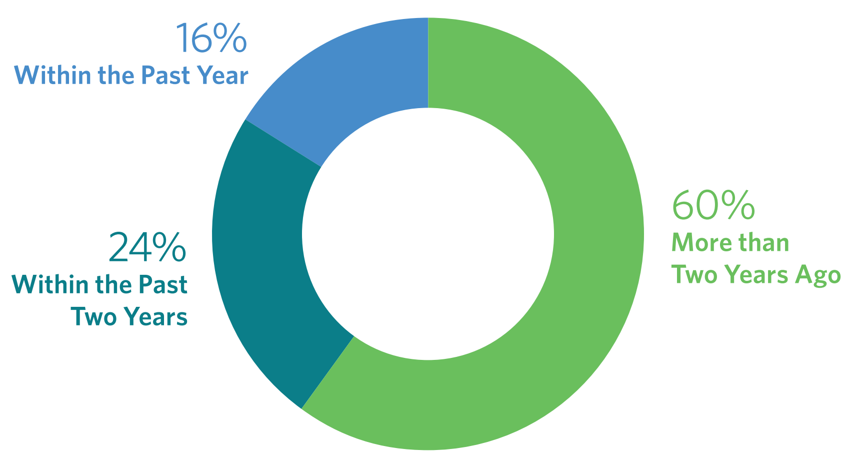
The majority of East New York homeowners are also landlords. Two-thirds of East New York homeowners surveyed reported having at least one rental unit. Despite not being constrained by rent stabilization regulations, most homeowners reported that they hadn't increased rents in more than two years. Homeowners also reported charging rents that were lower than those frequently found on online rental-listing sites such as Zillow or Trulia. For example, of the 25 survey respondents who reported renting out a three-bedroom apartment in 2017, none charged as much as Trulia's median three-bedroom rent for East New York ($2,200). The average rent collected from those homeowners was $1,520 for a three bedroom. One potential explanation for this difference is that most of the survey respondents were longtime homeowners willing to charge less to retain existing tenants, while rental listings on online portals are more often from recently sold and remodeled buildings where new owners are seeking new tenants and looking to maximize rents.

EAST NEW YORK HOMEOWNER REPORTED RENTS

Bedrooms in Unit	Average Rent
One	$1,000
Two	$1,220
Three	$1,530

Source: East New York Homeowner Survey

MOST EAST NEW YORK HOMEOWNERS HAVE NOT RAISED THEIR RENT IN OVER TWO YEARS



"They don't want to keep raising the rent: then nobody can pay and people leave."

— Renter Focus Group Participant, East New York

Basement Rental Units

It is estimated that there are over 100,000 illegal basement rental units in New York City.[4] These units are attractive to many New Yorkers because they are significantly cheaper than legal rental units, with one study finding they are as much as one-third cheaper than market-rate rental units.[5] However, because they are illegal, they almost certainly do not conform to modern safety standards, raising the potential for dangerous and health-hazardous conditions. Worse, tenants are hesitant to report unsafe conditions to the City because that would likely result in a vacate order on their home. Meanwhile, homeowners with illegal basement units are unable to access City resources to improve them, such as home-repair loans.

While there is no definitive count of homes in East New York with unapproved basement dwelling units, anecdotal evidence and limited data from the City suggest that a substantial number of homes contain these units. Since 2010, 2,085 one-to-four unit buildings in Brooklyn Community District 5 (East New York/Cypress Hills) have received complaints to the Department of Buildings that are likely related to illegal basement units.[6] Five percent of single-family homes in the community district have received such a complaint, along with 15% of two-family buildings, and 17% of three-family buildings.

A 2008 report by Chhaya Community Development Corporation and the Pratt Center for Community Development estimated that 5,400 "unaccounted for" units were created in the Community District 5 portion of the study area between 1990-2000. Given the 15,900 one-to-four unit homes in Community District 5, these figures suggest that at least one-third of small homes include an unapproved dwelling unit with the actual number likely close to or exceeding half of all homes in the area.

In our survey of East New York homeowners, we did not directly ask respondents whether they were engaged in renting out illegal units because we expected they would be unwilling to disclose such information. Instead, we asked homeowners if they were interested in learning more about resources that could help homeowners create legal rental units in their basements. Seventy-three percent of respondents expressed interest in basement legalization resources.

CONCLUSION

Like East New York homeowners, East New York tenants tend to have lower incomes than their counterparts in other parts of Brooklyn or citywide. Tenants in East New York are also more likely to live in small buildings that are not subject to New York City's rent stabilization law. Therefore, they do not benefit from the law's limits on annual rent increases and the rights to an automatic lease renewal, and they are highly vulnerable to displacement when a building changes ownership: when homeowners sell, their tenants are often forced to leave as well. Given their low incomes and the City's high rents, tenants who are forced out of their homes will probably find it difficult to obtain new housing.

Because most East New York homes have more than one unit, most East New York homeowners are also landlords. Even though these homeowners are not bound by New York City's rent stabilization law, our research has found that they tend to charge relatively low rents, and they raise them infrequently. It's possible that homeowner-landlords value stability and retaining regularly-paying tenants more than obtaining the highest-possible rent for their unit.

As discussed in the previous chapter, most East New York homeowners are deeply dependent on rental income from tenants to afford their own housing costs. This chapter demonstrates that the relationship can often be mutually beneficial: tenants who rent from homeowner-landlords depend on continued low rents, but they are generally interrupted when a homeowner sells. (See the following chapter for further discussion of the impact of home flipping on rents).

Given these findings, the stability of tenants and the homeowners they rent from is an interdependent relationship. Supporting both populations should be considered a critical affordable-housing preservation strategy. Our Policy Recommendations chapter proposes a number of solutions to help assist homeowner-landlords and tenants. In addition to implementing these policy recommendations, future research on tenants in non-rent-regulated buildings is necessary. Little research exists on this population, and this is especially the case for those who live in illegal basement rentals.

SOURCES

1 In general, New York rent stabilization law only applies to buildings with six or more rental units, among other criteria. For more information, visit the New York City Rent Guidelines Board at: http://www.nycrgb.org/html/resources/zip.html.

2 Ingrid Gould Ellen, et al. "Maintenance and Investment in Small Rental Properties in New York CIty: The Importance of Resident Landlords," NYU Furman Center, August 2013, at 10.

3 "East New York" refers to Community Districts 5 and 16 in all NYC Housing and Vacancy Survey analysis.

4 "Renting Cheap Apartments Can be a Cheap Solution, But It's Often Too Risky," New York Daily News, April 23, 2016. Available at: http://www.nydailynews.com/new-york/renting-illegal-apartments-cheap-risky-solution-article-1.2612256.

5 Chhaya CDC and Pratt Center for Community Development, New York's Housing Underground, March 2008. Available at: http://chhayacdc.org/wp-content/uploads/2014/05/New-Yorks-Housing-Underground.pdf.

6 The most frequent Department of Building complaint implicating illegal conversions is "Illegal Conversion of Residential Building/Space."

EAST NEW YORK
PRESERVING AFFORDABILITY IN THE FACE OF UNCERTAINTY

Housing Market

FINDING **DIMINISHED OPPORTUNITIES FOR HOMEBUYERS**

- **While wages in East New York have remained stagnant since 2010, the median home price has increased by 39%, from $322,000 to $449,000.**
- **As a result, homeownership is increasingly out of reach in the neighborhood. In 2010, about half of East New York home sales were at prices affordable to families making 100% of the New York City AMI. By 2016, this number had decreased to 22%.**
- **Lending to low- and moderate-income borrowers is down in recent years, and borrowers are increasingly dependent on FHA loans for buying homes in East New York.**
- **East New York is among the leading neighborhoods in the city for home flipping, where investors (usually in an anonymous LLC) induce homeowners to sell at below-market prices, undertake superficial repairs, and then resell at significantly higher rates.**
    - Flipping is strongly associated with foreclosure: in 2016, 88% of flipped homes in East New York were in the foreclosure process.
    - Flipping also increases housing costs for homebuyers and renters: on average, flipped home-sale prices are 46% higher than similarly sized non-flip sales, and tenant rents in recently flipped homes are significantly higher than typical neighborhood rents.

INTRODUCTION

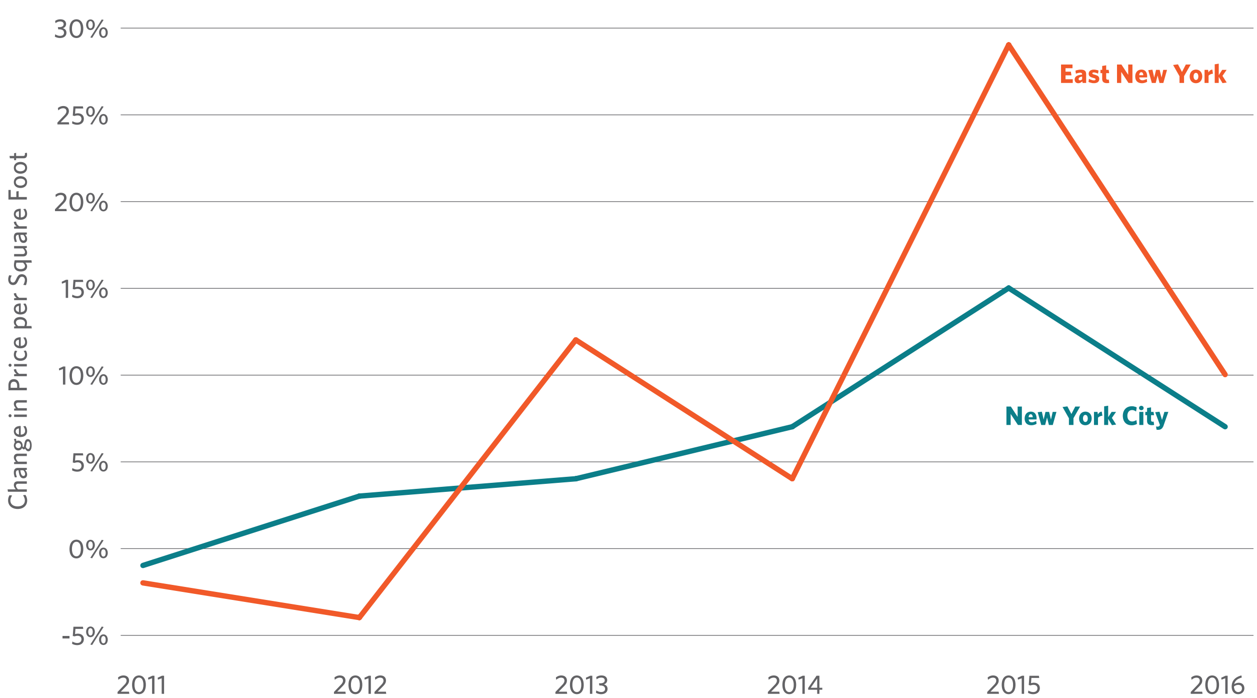
While many East New York homeowners and their tenants face increasingly unaffordable housing costs and threats to housing stability, East New York's real estate market is heating up. Rising real estate prices in the face of stagnant resident incomes have created financial opportunities for investors while diminishing them for many longtime neighborhood residents. As home prices and rents increase, low- and moderate-income homebuyers are finding far fewer options, while tenants in small homes are vulnerable to sharp rent increases. Meanwhile, all-cash investors target homeowners in foreclosure seeking to convince them to sell their homes at low prices. These solicitations are frequent, annoying at best, and at worst, can lead to homeowners being scammed out of money or even the deed to their home.

REAL ESTATE MARKET TRENDS

Home Prices and Rents are Rising, but Incomes are Stagnant

Demand for homes in East New York is on the rise. As waves of gentrification sweep across Brooklyn, low- and moderate-income families displaced from neighborhoods like Williamsburg, Bedford-Stuyvesant, and Bushwick are increasingly seeking affordable housing further east. The 2014 East New York rezoning announcement put additional pressure on the housing market, as investors entered the neighborhood looking for highly profitable development opportunities. Since 2012, home price appreciation in East New York has outpaced that of the City as a whole. Rents have also climbed rapidly in recent years.[1]

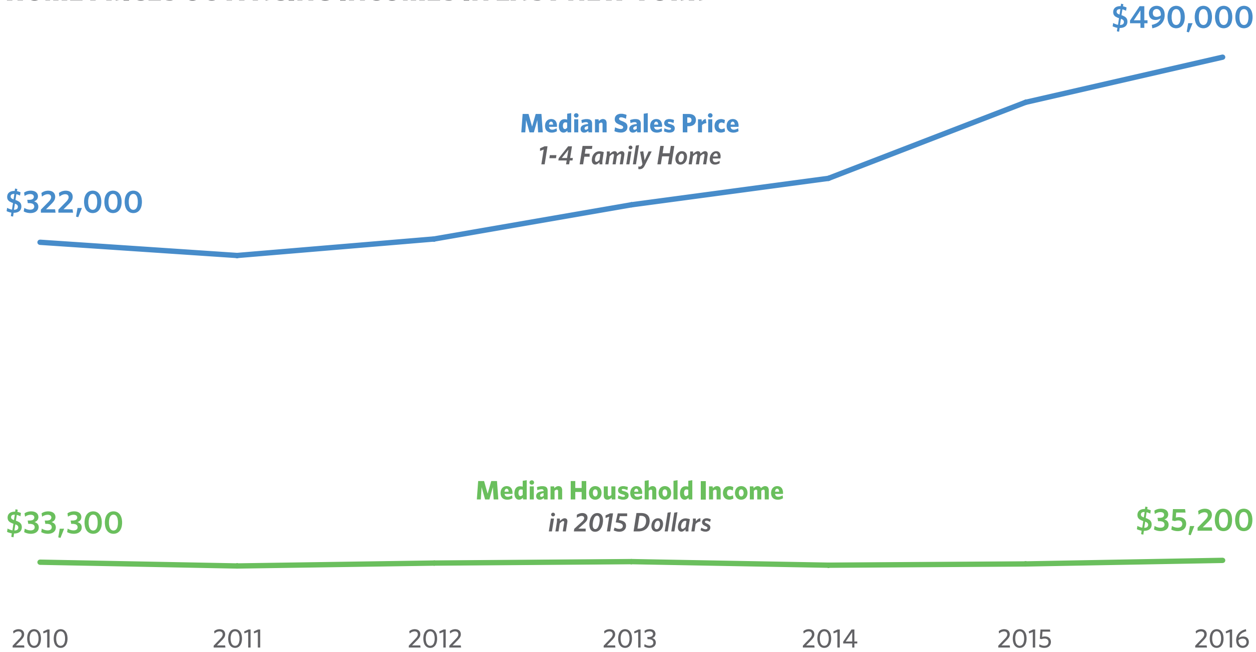
SALE PRICE CHANGE FOR 1-4 FAMILY HOMES



Source: Department of Finance Sales Data

However, despite rising home values and rents, incomes of East New York residents have remained stagnant. As seen in the chart below, the neighborhood median income has increased by only $2,000 since 2009.

HOME PRICES OUTPACING INCOMES IN EAST NEW YORK



With rapidly rising home prices, the result is that fewer homes are accessible to local buyers. In 2016, only 217 out of 1,006 home sales (or 22%) in East New York were affordable to families making 100% of the New York City AMI.[2] By comparison, as recently as 2010, a full half of home sales were affordable to such households. The median household income in East New York is just above $30,000, approximately 35% of the AMI for a family of three, so families making 100% of the AMI are the exception in East New York. Lower-income families face an even smaller supply of affordable sales: in 2016, only 13% of home sales in East New York were affordable to families making 80% of the AMI.

Income Level	Affordable Sales at This Income Range	% of All Sales
Up to 80% AMI ($69,000 for a family of 3)	130	13%
Up to 100% AMI ($86,000 for a family of 3)	217	22%
Up to 120% AMI ($103,000 for a family of 3)	323	32%
All Income Levels	1,006	100%

Sources: Department of Finance 2016 sales, HMDA 2016, American Community Survey 2016

LENDING TRENDS

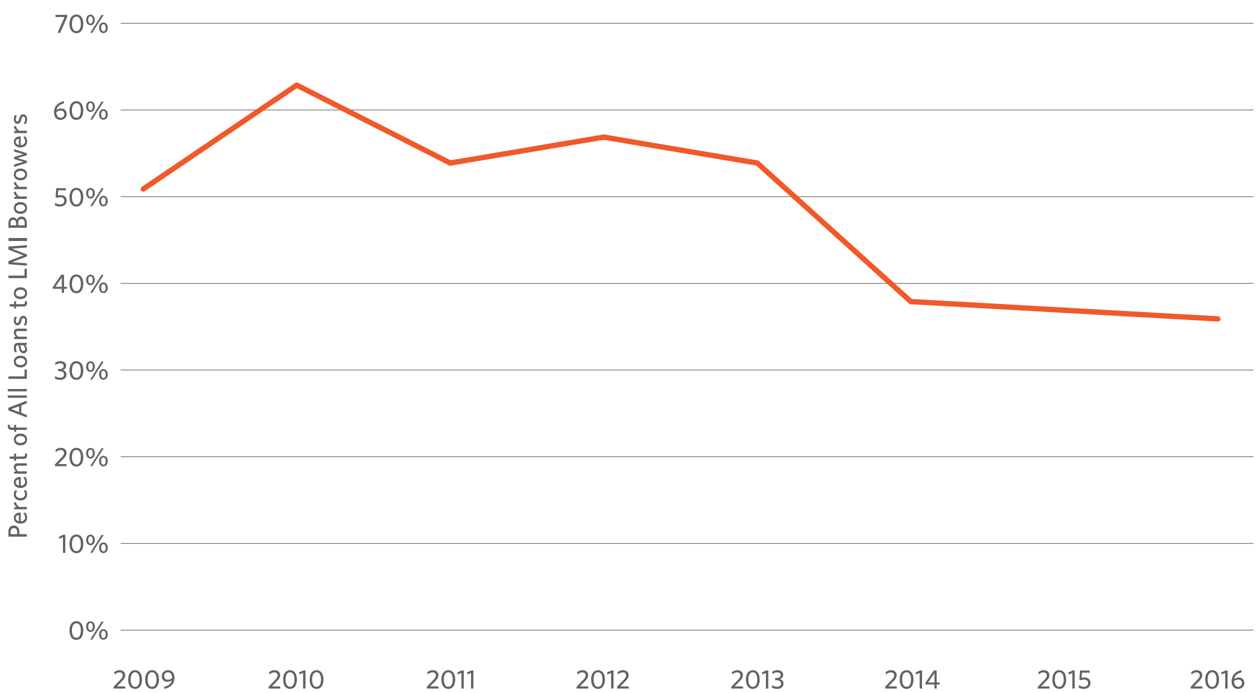
Lending to Low- and Moderate-Income Borrowers is Down

East New York is home to predominantly low- and moderate-income families. Today, mortgage lending in East New York is increasingly failing to reach households with limited means. The portion of home purchase loans lent to low- and moderate-income borrowers declined from 63% in 2010 to just 36% in 2016.[3] Black and Hispanic loan applicants are more frequently denied mortgage applications than white or Asian applicants, but differences in denial rates have been decreasing in recent years. The reduction in lending to LMI families is mostly a reflection of decreased applications from those families.

LENDING TRENDS IN EAST NEW YORK 2007-15

	2008	2009	2010	2011	2012	2013	2014	2015	2016
# LMI Purchase Loans Originated	177	208	282	206	225	278	176	169	158
% of LMI Loans Out of All Loans	33%	51%	63%	54%	57%	54%	38%	37%	36%

Source: HMDA 2008-16

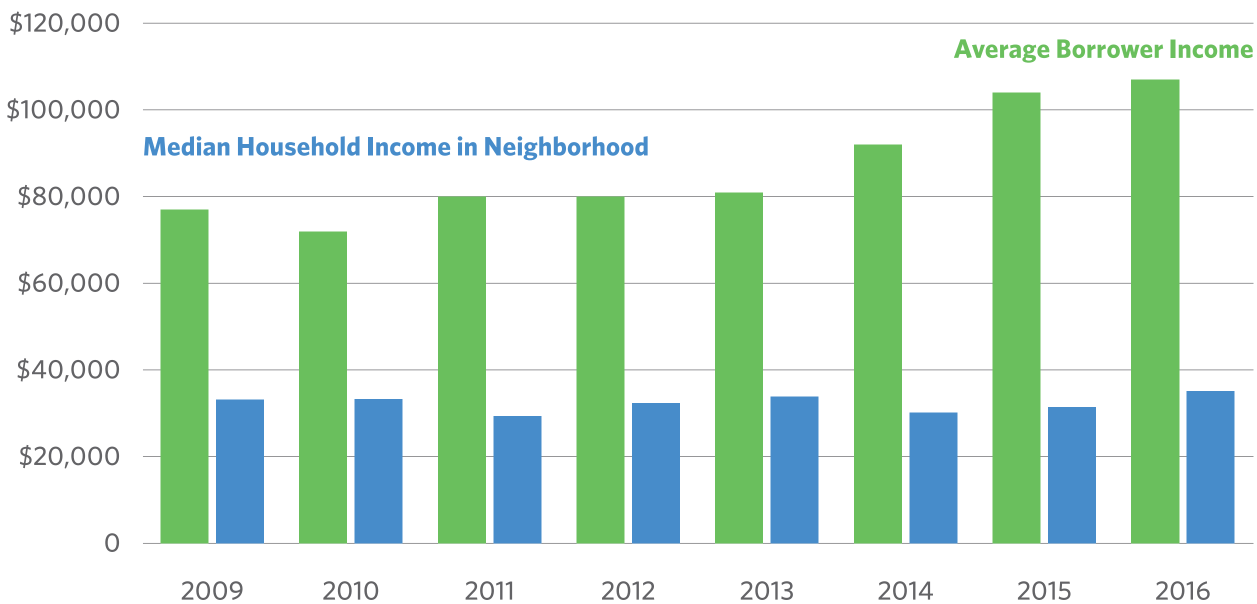


Source: HMDA 2016

The decrease in applications from LMI households is most likely the result of both overly tight lending standards and the lack of homes within an affordable price range.[4] Among the households undeterred by high prices, many find that they do not have sufficient credit scores, income, or savings during the mortgage-qualification process. Lower-income applicants in East New York are most often denied a mortgage for a poor debt-to-income ratio or insufficient cash for downpayment, while middle- and higher-income applicants are more often denied for a lack of collateral or an incomplete credit application. A shortage of mortgage products accessible and affordable to LMI households may also play a role.

Unsurprisingly, given the rising prices in the neighborhood, the average income of borrowers who buy homes in East New York has substantially increased. The chart below illustrates the average income of borrowers who are able to buy in the neighborhood, as compared to the median income of East New York residents. The increase in borrower incomes while neighborhood incomes remain flat suggests that many of those buyers are coming from elsewhere, bringing with them more financial resources than East New York residents typically have.

HIGHER INCOME BUYERS ARE ENTERING THE MARKET



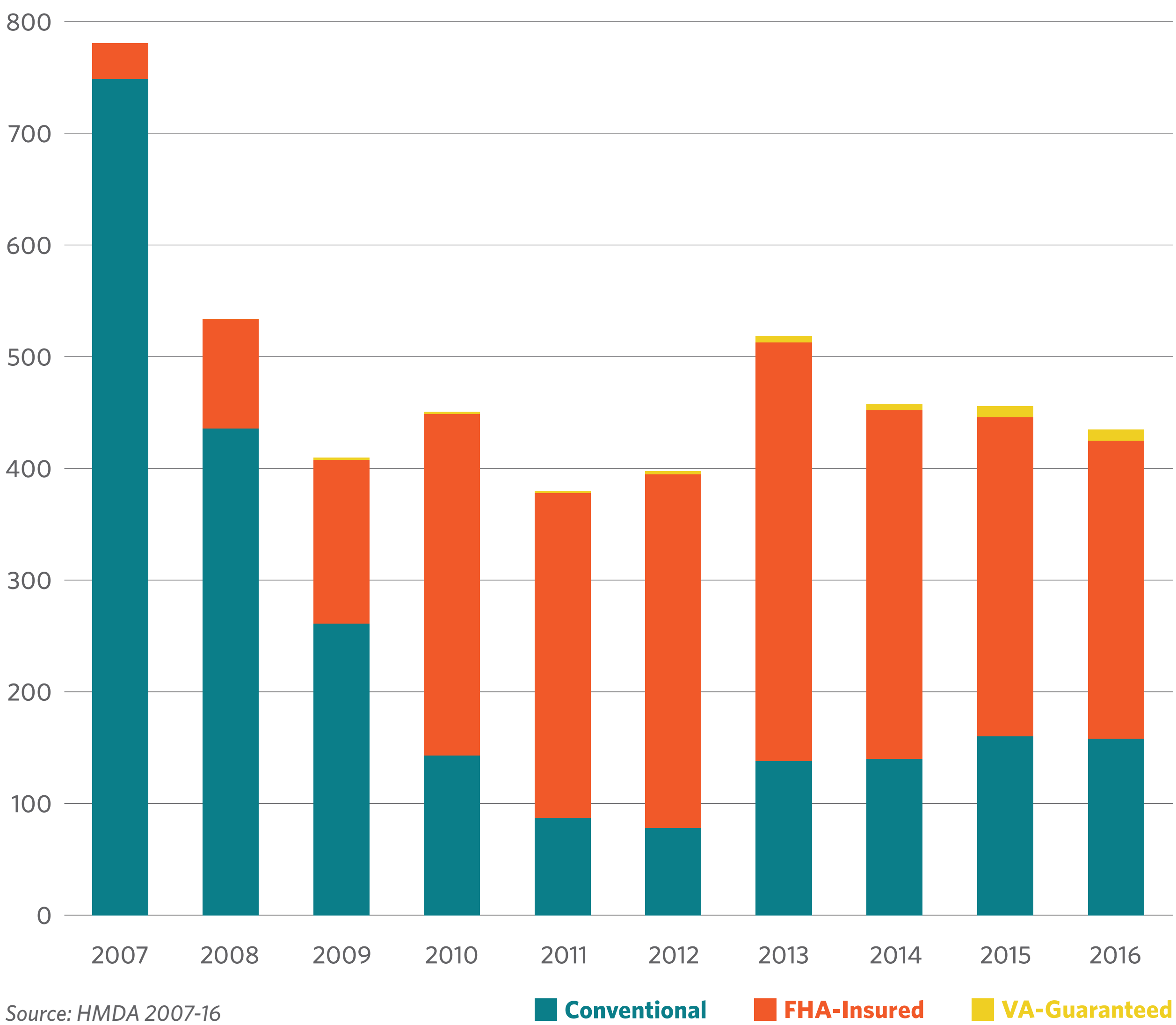
Sources: HMDA 2009-16, Census ACS one-year estimates; all figures are inflation-adjusted for 2016 dollars

More FHA Lending Than Conventional, with Differences by Race

Since 2010, FHA-insured mortgage loans have dominated the lending market for borrowers of all income levels in East New York. FHA loans differ from conventional loans in several ways:

- FHA loans have much smaller down payment requirements than conventional loans (loans purchased by Fannie Mae and Freddie Mac and underwritten to their standards). FHA loans can allow down payments as low as 3.5%, and most conventional loans require a minimum 20% down payment;
- FHA loans require mortgage insurance while conventional loans taken out with 20% down payments do not, making FHA loans more expensive on a month-to-month basis. Unlike conventional mortgage loans, where borrowers are only required to pay for mortgage insurance until they reach 20% equity in their home, FHA borrowers are required to pay expensive mortgage insurance for the life of their loan. For a $500,000 home purchased with a 3.5% down payment, FHA mortgage insurance will cost a borrower $4,000 a year for the life of the loan, even after they've reached 20% equity.[5]

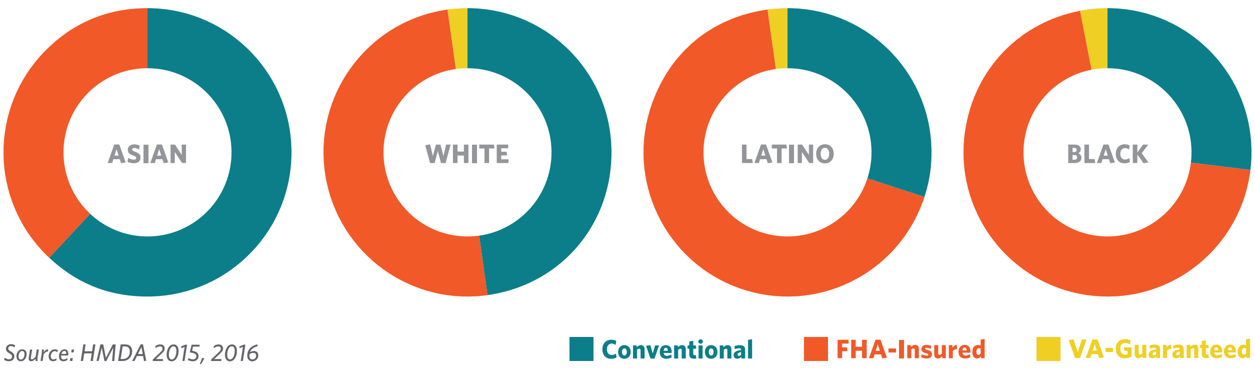
FHA LOANS ARE INCREASINGLY PROMINENT



Source: HMDA 2007-16

The type of mortgage products that buyers access varies by race. There are relatively few white and Asian borrowers in East New York, but of those buyers, most obtain a conventional mortgage.[6] On the other hand, about 70% of Black and Latino borrowers use FHA mortgages. This matters because FHA borrowers have less equity in their homes and, generally speaking, higher monthly payments than conventional borrowers. Part of the racial difference in mortgages can be ascribed to income differences: white and Asian homebuyers tend to have more savings and the capacity for higher down payments. However, researchers have found that Black and Latino borrowers are often steered to FHA mortgages even when they would qualify for a conventional one, which could be a factor in East New York as well.[7]

BLACK AND LATINO BORROWERS ARE PARTICULARLY DEPENDENT ON FHA LOANS (2015-16)



Source: HMDA 2015, 2016

FLIPPING AND AFFORDABILITY IN EAST NEW YORK

Investors Target East New York

Property flipping — when an investor purchases a home and resells it for a quick profit — soared in New York City during the "housing bubble" years leading up to the market crash of 2008. During the recession, flipping activity largely died down, but by 2011, investors were once again turning their attention to outer borough neighborhoods like Bedford-Stuyvesant, where home prices were on the rise. By 2013, the investors were moving in on neighborhoods on the City's periphery like East New York, as the search for bargains took them further and further from Manhattan.

In East New York, 35% of 1-4 family homes sales went to investors in 2017. Seventeen percent of home sales were flips.[8]

Today, East New York is the City's most profitable area for home flipping. The two community districts comprising the East New York study area lead the city in the markup of flipped homes over non-flipped homes. While there were 19 fewer flips in East New York in 2016 than 2015, flipping activity in the neighborhood has been sustained at a high level since 2013.

	2011	2012	2013	2014	2015	2016
1-4 Unit Home Flips	107	128	177	168	177	158

Flipping Makes it Harder for Prospective Buyers to Find Affordable Homes

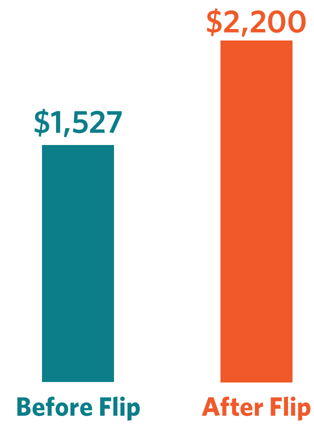
Flipping reduces the quantity of affordable homeownership opportunities on the market as investors source steeply discounted homes and sell them at significantly higher price points. While the neighborhood's median sales price for non-flip one-to-four family sales was $219/square feet, investors looking to flip bought homes for a median price of $152/square feet in 2016. In other words, the median initial purchase price of flips in East New York/Cypress Hills in 2016 was affordable to families making about $74,000, or 86% of the AMI for a family of three. The significantly inflated median resale price was affordable to families making about $121,000 or 141% of the AMI for a family of three. That difference means that investors are able to beat out first-time homebuyers for whom East New York and Cypress Hills' modest two-story houses have traditionally been entry points to homeownership. As a result, individual home prices skyrocket and first-time buyers face an ever-shrinking selection of affordable homes for sale in the neighborhood.[9]

	Before Flip	After Flip
Price	$255,000	$620,000
Income to Afford	$74,000 (86% of AMI for family of 3)	$121,000 (141% of AMI for family of 3)

On aggregate, flippers in East New York sell homes at prices 46% higher than similarly sized non-flip sales in the neighborhood. The difference in prices suggests that the sales of flipped properties are not just reflections of the general rise in property values in a neighborhood, but that the act of flipping itself is pushing prices up.

Rental Units Are Also Impacted by Flipping

Rental units in East New York have provided tenants comparatively low rents and are home to many low-income households. The roughly 19,000 tenants living in East New York's one-to-four family homes have a median household income of $34,000 and pay a median monthly rent of $1,200 before utilities.[10] But when one of these homes is flipped, its tenants are extremely vulnerable to displacement. Unprotected by rent stabilization laws, renters in small homes are challenged to withstand probable rent spikes when a new buyer seeks revenue to offset a new investment. While our survey of East New York homeowners showed a median rent of $1,527 for a three-bedroom unit, recently flipped units of the same size have a median asking rent of $2,200 on Streeteasy and Zillow. Such dramatic rent increases are usually untenable for low-income renters.



Profile of a Typical Flip: Two-family Home on Georgia Ave., East New York

- **The property's owner since 1982 refinanced in 2006 and fell into foreclosure on her mortgage in 2013**
- **The owner sold the property to an LLC in July 2016 for $135,000**
- **In December 2016, the LLC resold the property for $625,000, a price increase of $490,000 after five months, or a 363% gross profit.**

"Luxuriously Renovated Brick 2 Family Located in Rapidly Developing Section of East New York! Great Investment Opportunity!"

Broker's Zillow listing for the property

Homeowner Harassment

Homeowners in East New York are bombarded by inquiries about their property. Inquiries take the form of fliers, phone calls, text messages, and knocks on the door. Seventy percent of homeowner-survey respondents reported being solicited at least once a week, if not more.

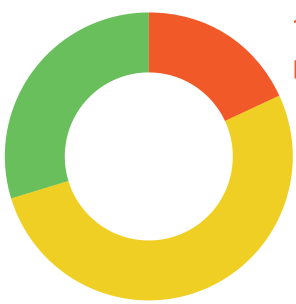
"On my block there have been houses with homeowners falling on hardship or seniors, and you offer them a nice price and they sell, not understanding that when they go buy somewhere else, they're not going to be able to find something. Now they're forced to move out of New York."

Homeowner Focus Group Participant, Cypress Hills

The frequent harassment creates an unpleasant atmosphere in which longtime homeowners feel less ownership and control over their blocks and their neighborhoods. It also increases the chances of deed theft or mortgage modification scams, because door-knockers often target elderly homeowners and families facing foreclosure who are in need of help.

> *"McLaurin told me he looks for people in dire straits by sending out mass mailings to addresses that appear on lists of bank liens and by working a network of 'guys in the neighborhood,' offering finder's fees of $500 or $1,000."*
>
> Andrew Rice, "The Red Hot Rubble of East New York", New York Magazine, January 2015

HOW OFTEN ARE YOU BEING SOLICITED?



92%
of homeowners have been **solicited about selling their home**

CONCLUSION

A confluence of several key factors has led to diminished opportunities for working- and middle-class homebuyers to purchase homes in East New York:

- **Stagnant Incomes** Wages in East New York have remained stagnant since 2010, reducing their buying power in the face of rising home prices. In 2010, about half of East New York home sales were at prices affordable to families making 100% of the New York City AMI. By 2016, this number had decreased to 22%.

- **Tightened Mortgage Lending** Ten years after the start of the foreclosure crisis, conventional mortgage lending remains excessively tight, which reduces the ability of low- and moderate-income families to purchase or refinance homes.[11] These trends can be seen in East New York, where conventional mortgage lending to low- and moderate-income families has decreased in recent years. Today, East New York borrowers are increasingly reliant on FHA loans, which require lower down payments but have higher monthly costs.

- **Higher-Income Buyers Driving Up Prices** With prices rising citywide, higher-income borrowers are increasingly turning to East New York in search of a home they can afford. While an average borrower had an income of around $80,000 until 2013, by 2016, average borrower income approached $110,000. These higher-income buyers contribute to increased competition in the real estate market and help drive up prices. Since 2010, the median home price has increased by 39%, from $322,000 to $449,000.

- **Investors and Flippers Driving Up Prices** East New York has one of the highest rates of flipping activity in New York. Flipping also increases housing costs for homebuyers and renters: on average, flipped home sale prices in East New York are 46% higher than comparable non-flip sales, and tenant rents in recently flipped homes are significantly higher than typical neighborhood rents.

Confronting this intersection of forces will require concerted efforts on various fronts. Our Policy Recommendations chapter proposes a number of policy solutions geared towards increasing affordable home-purchase opportunities for low- and moderate-income New Yorkers and discouraging property speculation. In addition to implementing these policy recommendations, future research on lending trends is needed to help understand the factors driving lower mortgage applications, and develop downpayment assistance programs and affordable lending products that can better meet the needs of low- and moderate-income homebuyers.

SOURCES

[1] According to data from the 2000 US census and 2015 ACS 5-year estimate, between 2000 and 2015, median incomes in the area grew 39%, rents increased 84%, and median home values increased 137%.

[2] This analysis includes only one-to-four family homes, which covers 95% of sales in East New York in 2016. One hundred percent of AMI for a family of three in 2017 is $85,900. This analysis determines affordable home prices by assuming a 5% downpayment and an income-to-mortgage ratio of 3.57, which was the average for Brooklyn in 2015 (HMDA 2015). Sources: NYC Department of Finance 2016 sales, HMDA 2015, and the American Community Survey 2016.

[3] Home Mortgage Disclosure Act (HMDA) data. Low- and moderate-income households are defined as households with incomes between 50% and 120% of the AMI.

[4] "Mortgage lending is so tight, more people aren't even bothering to apply," Marketwatch, February 14, 2017. Available at: http://www.marketwatch.com/story/mortgage-lending-is-so-tight-more-people-arent-even-bothering-to-apply-2017-02-14.

[5] Estimate obtained via https://usmortgagecalculator.org/fha-mortgage-calculator/

[6] In 2015-16, there were 130 non-Hispanic white borrowers in East New York (including census tracts in Ocean Hill, Cypress Hills, and Brownsville) and 107 Asian borrowers. In the same period there were 407 non-Hispanic black borrowers and 170 Hispanic borrowers.

[7] Dan Immergluck, "From Minor to Major Player: The Geography of FHA Lending During the US Mortgage Crisis," Journal of Urban Affairs, 33: 1–20, 2011.

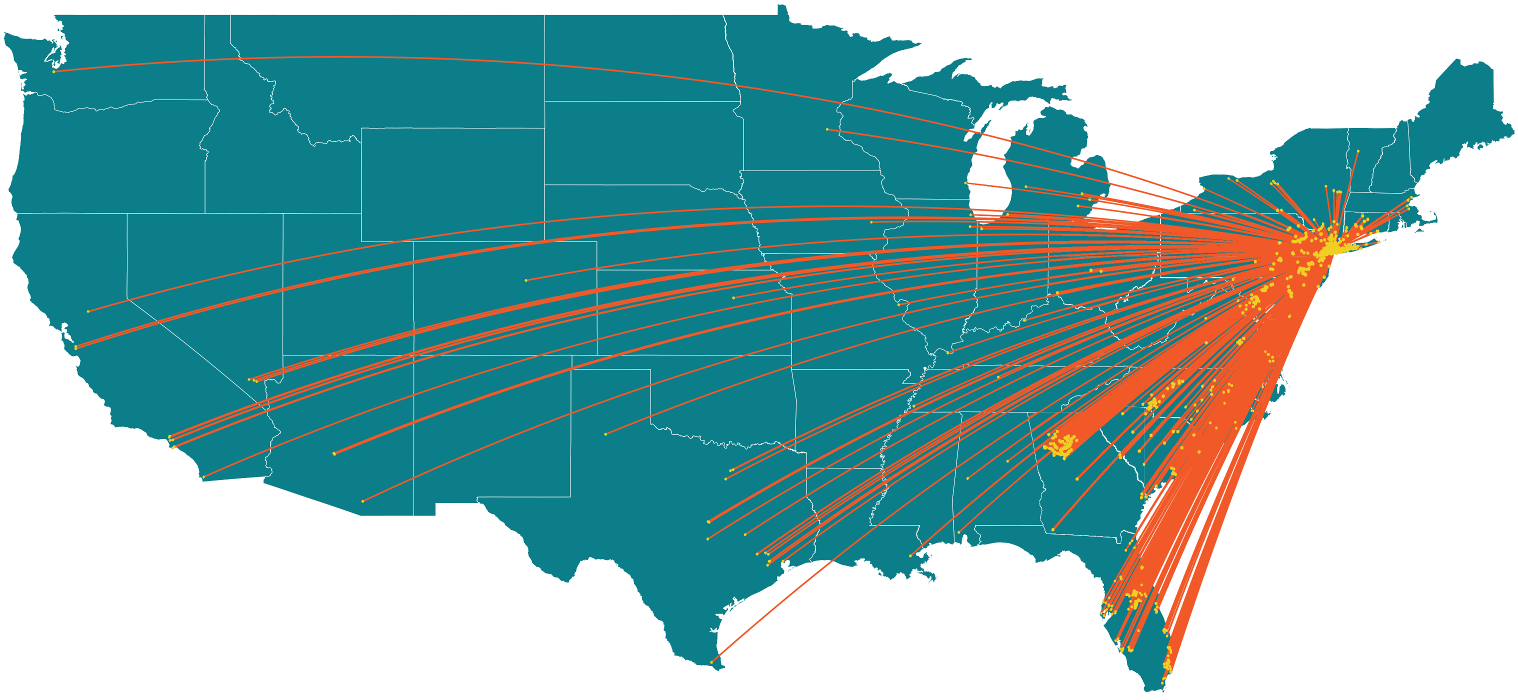
[8] For contrast, across Brooklyn, less than one in 10 homes sales were by speculative investors in 2016. Source for investor purchase ratio: NYC Automated City Register Information System.

[9] Methodology: To determine the affordability of flipped properties to homeowners, we used the most recent Home Mortgage Disclosure Act data (2016) to identify the relationship between incomes and sales prices in each borough. Our analysis began with a median sale price for both the initial and second sales. From that, we subtracted a down payment (assuming 3.5% to reflect an FHA mortgage accessible to moderate income buyers). We then used that imputed mortgage value at origination to find comparable mortgages from the HMDA data, taking the median of the incomes associated with mortgages within $10,000 of the target mortgage amount.

[10] New York City Housing Vacancy Survey, 2014.

[11] "Tight Credit Standards Prevented 5.2 Million Mortgages Between 2009 and 2014," Urban Institute, January 28, 2016. Available at: https://www.urban.org/urban-wire/tight-credit-standards-prevented-52-million-mortgages-between-2009-and-2014.

Mobility Patterns



FINDING **HOMEOWNERS SEEK AFFORDABILITY, BUT AT A PRICE**

- **We tracked the moves of 1,699 East New York homeowners who were struggling to avoid foreclosure when they relocated between 2012-16.**
  - Two-thirds (67%) of these homeowners became renters after they left their East New York homes.
  - The majority of these movers stayed within New York City, with only 15% leaving the metropolitan area.
  - The new neighborhoods where movers relocated had more affordable housing and less poverty than the neighborhoods they left. But their new communities also had higher transportation costs and less opportunity for economic mobility.
  - Though they moved to areas with somewhat higher percentages of white populations, movers still settled in predominantly black and Hispanic neighborhoods not unlike East New York.
- **We also tracked a group of East New York homeowners who were not in mortgage distress when they moved.**
  - Compared to the homeowners with mortgage distress, these movers were more likely to move to the suburbs and settle in new locations with stronger economic conditions.
- **While the movement of renters in one-to-four unit homes followed similar patterns to homeowners who moved, the renters tended to move to more economically disadvantaged neighborhoods.**
- **In comparison to the destinations of homeowner movers, the destinations tracts of renters had higher rent burdens and less economic vitality.**

INTRODUCTION

Anecdotes abound about families who have been forced from their homes by the two parallel crises of the past 10 years: the foreclosure crisis and the rental affordability crisis.[1] However, it is notoriously difficult to gather facts about uprooted populations. This chapter aims to quantify some basic characteristics about East New York residents who left their homes between 2012-16. Our primary focus is homeowners who were facing foreclosure at the time they left their home; however, we were able to evaluate information on other homeowners as a control group as well as renters in one-to-four unit homes. Data on this subject is scarce, but we have been able to explore two questions:

1. Where do families go when they leave their East New York homes?

2. How do the conditions in their new locations compare with those of East New York?

NOTE ON METHODOLOGY

When individuals move from one dwelling to another, they often file a change-of-address form with the United States Postal Service (USPS) to ensure that their mail continues to reach them. This study relies on USPS change-of-address filings enhanced by a proprietary service that draws on other data to determine where East New York residents relocated between 2012-16.[2] Only households who moved within the United States are reflected in this data.[3]

For this analysis, the Center studied three distinct populations:

- East New York homeowners with mortgage distress when they moved between 2012-16
- East New York homeowners who had no indications of mortgage distress when they moved between 2012-16
- Renters living in one-to-four unit buildings who moved between 2012-16

WHERE DID MOVERS GO?

The majority of movers — all having left a home in East New York between 2012 and 2016 — remained in the New York City metropolitan area. Many movers relocated elsewhere in the City itself. The three types of movers exhibited somewhat different trends:

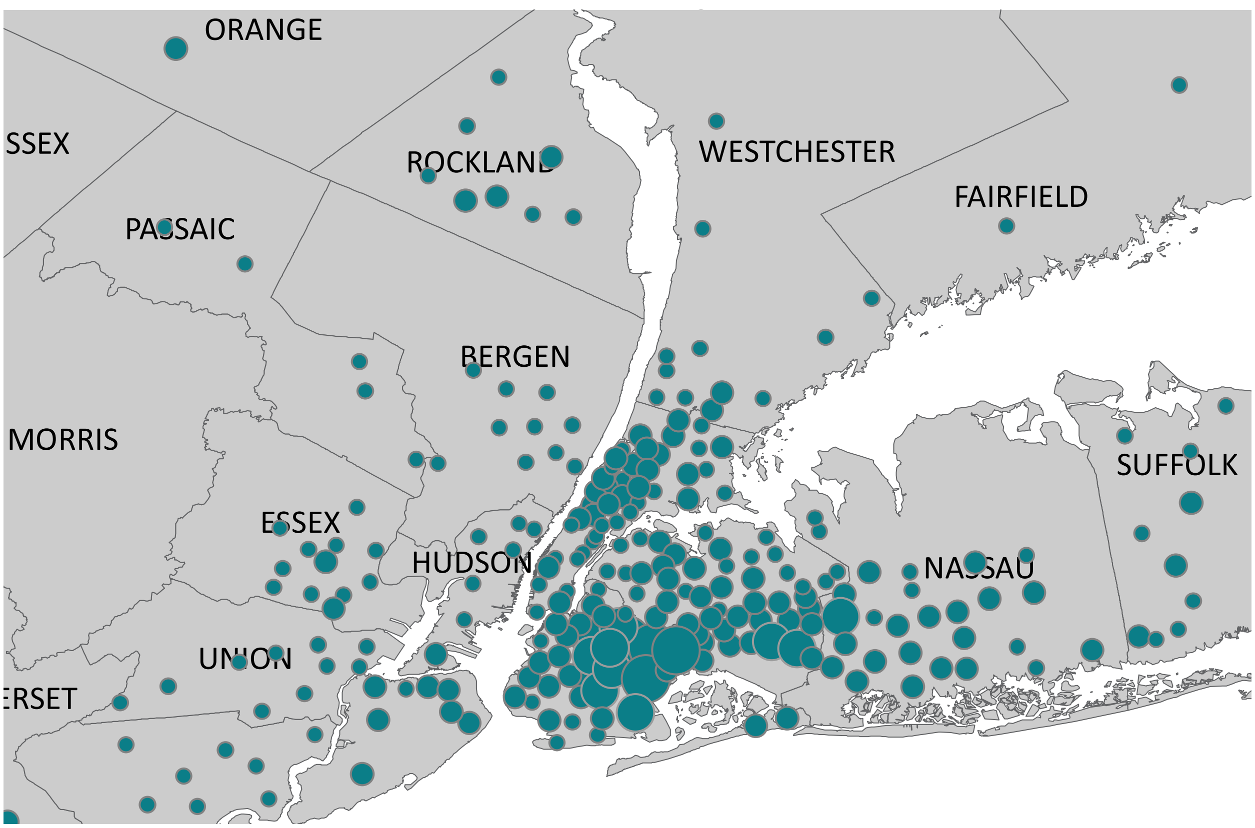
- While some homeowners with mortgage distress stayed in East New York (18%), most moved outside of East New York but within the five boroughs (66%). Only 17% moved to the New York City suburbs; another 17% left the metropolitan area entirely.
- A higher proportion of homeowners without mortgage distress moved out of East New York. Many of these movers left New York City for the suburbs, and still others left the metropolitan area entirely. These homeowners, on financially solid ground as far as our data shows, were probably able to use proceeds from the sale of the East New York home to relocate to a new neighborhood or city of their choice.
- Renters were most likely to stay close to their previous home, with 36% staying in East New York and 68% in the five boroughs.

HOMEOWNERS WITH MORTGAGE DISTRESS | **HOMEOWNERS WITHOUT MORTGAGE DISTRESS** | **RENTERS**

Stayed in NYC (excludes ENY) | **Stayed in ENY** | **Left to NYC Suburbs** | **Left NYC Metro**

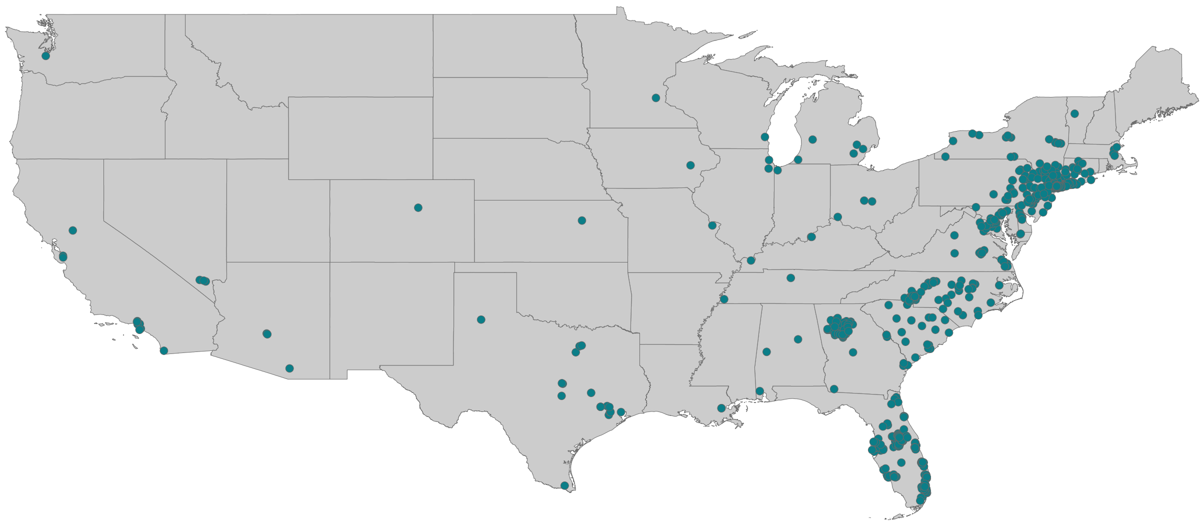
DESTINATIONS IN AND AROUND NEW YORK CITY

A majority of East New York movers remained in the New York City metropolitan area. The map shows all movers per ZIP code across the region. The most popular destination was eastern Brooklyn, and movers also gravitated to southeast Queens and southwest Nassau County. Others scattered throughout the metropolitan area, moving as far as Suffolk County, NY, Fairfield County, CT, and Somerset County, NJ.



DESTINATIONS NATIONWIDE

Outside the New York City region, movers generally spread throughout the Northeast and Southeast. Southern cities like Atlanta, Orlando, Fort Lauderdale, and Charlotte were popular, along with Philadelphia and Washington D.C. regions further north. These movements reflect broader trends in north-to-south migrations from African American neighborhoods.[4] Change-of-address matching did not provide data on moves outside the United States.



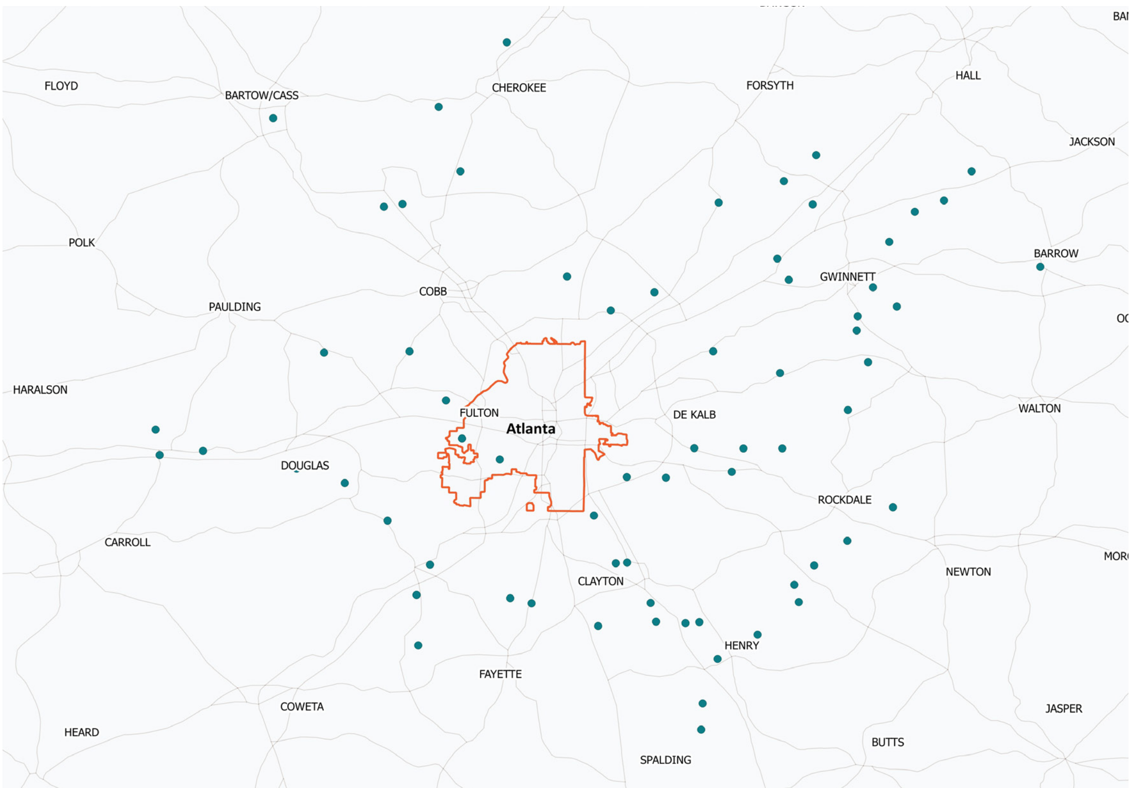
TOP DESTINATION METROPOLITAN AREAS

1. New York-Newark, NY-NJ-CT-PA (1,905 movers)
2. Atlanta-Athens-Clarke County-Sandy Springs, GA (69)
3. Orlando-Deltona-Daytona Beach, FL (57)
4. Philadelphia-Reading-Camden, PA-NJ (49)
5. Miami-Fort Lauderdale-Port St. Lucie, FL (44)
6. Washington-Baltimore-Arlington, DC-MD-VA-WV-PA (34)
7. Charlotte-Concord, NC-SC (25)

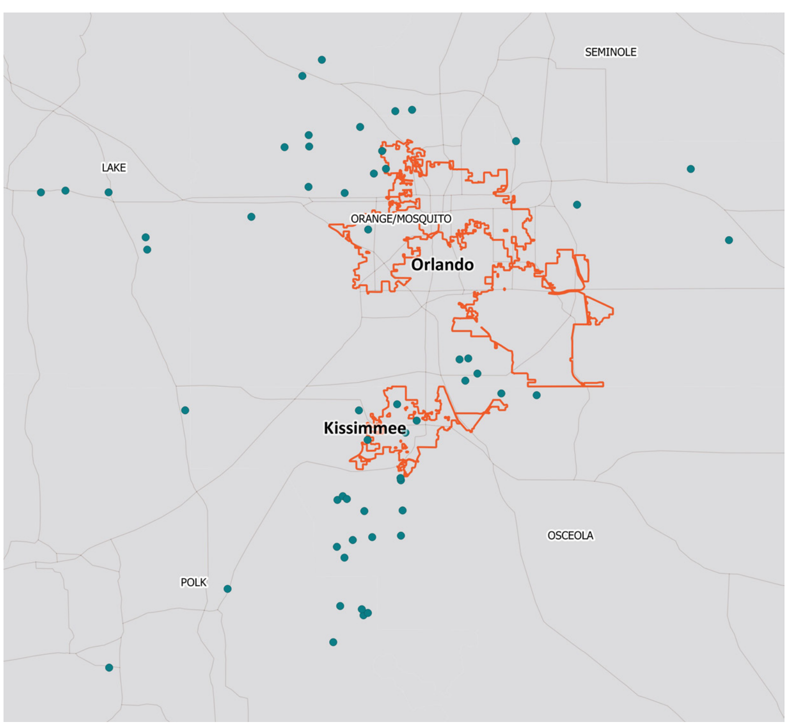
Aerial view of a neighborhood in McDonough, GA, an Atlanta suburb

Movers who ended up in southern cities tended to go to suburban areas rather than neighborhoods in the urban core. Compared to East New York, these places are less walkable and have limited public transportation options, meaning movers must adjust to increased driving and higher transportation costs. These areas also have much lower housing costs compared to New York City.

EAST NEW YORK MOVER DESTINATIONS IN THE ATLANTA METROPOLITAN AREA



EAST NEW YORK MOVER DESTINATIONS IN THE ORLANDO METROPOLITAN AREA



HOW DO THE CONDITIONS IN THEIR NEW LOCATIONS COMPARE WITH THOSE OF EAST NEW YORK?[5]

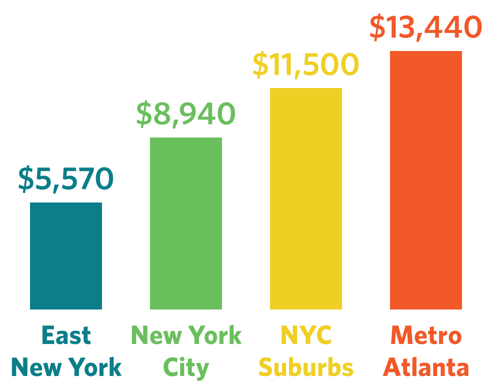
Homeowners with Mortgage Distress

Sixty-seven percent of homeowners with mortgage distress became renters after leaving their East New York Homes while 33% remained homeowners.[6]

This group tended to move to census tracts with more affordable housing, higher transportation costs, less poverty, and less economic mobility than their previous East New York census tracts.

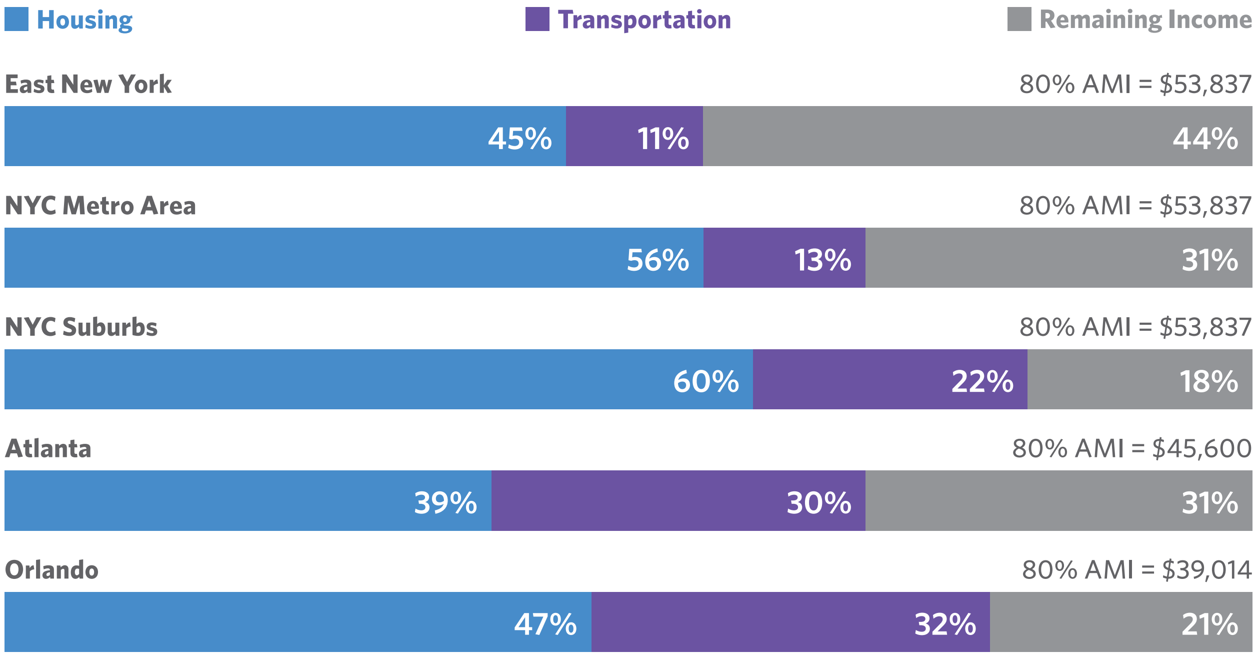
- **More Affordable Housing**
  - Two-thirds of movers with mortgage distress moved to census tracts with lower median home values than those they had left.
  - About two-thirds of these movers also went to census tracts with lower owner and renter cost burdens than they left behind. But the difference between rent burdens (rent divided by income) is relatively marginal: the median rent burden of census tracts these movers left in East New York was 35%, compared with 32% for their destination tracts.

AVERAGE TRANSPORTATION COSTS FOR DESTINATION TRACTS



- **Higher Transportation Costs**
  - Seventy-six percent moved to an area with higher transportation costs than their previous census tract in East New York. Though transportation costs are low throughout most of New York City due to its public transportation access, movers who left for the suburbs or beyond entered areas with much higher costs associated with car dependency. For example, households spent about 11% of their income on transportation costs before they moved. Those who moved to New York City suburbs ended up paying 22%, while those who moved to the Atlanta metropolitan area paid 30%, and those who moved to Orlando paid 32%.
  - For relocated households, increased transportation costs in a new neighborhood can offset the advantages of cheaper housing. The chart below illustrates that housing and transportation-cost burdens for a moderate-income family increases in regions popular with households who left East New York. Based on these numbers, it is clear that moving away from East New York can come with significant financial challenges, despite cheaper housing.

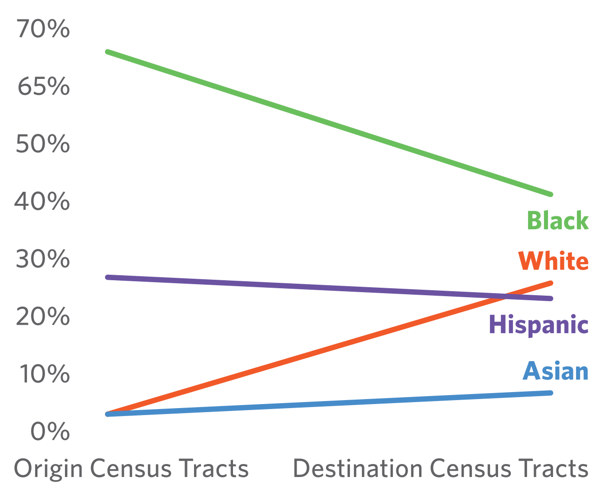
OWNER HOUSING AND TRANSPORTATION COST BURDEN



Based on average costs for homeowner households earning 80% of AMI in each region, calculated by the Center for Neighborhood Technology.

- **Less Poverty and More Labor Engagement**
  - East New York's high poverty and unemployment rates mean that most movers found themselves in new census tracts with lower poverty levels and unemployment than the census tracts they had left. Eighty-three percent of movers with mortgage distress went to tracts with less poverty and 79% went to tracts with higher labor engagement.
  - The median income in tracts where movers with mortgage distress relocated was $56,300, compared to a median of $36,700 in the tracts they left behind.[7]

- **Higher White Population but Still Predominantly Black and Hispanic**
  - The East New York origin census tracts were 97% non-white so it is not surprising that destination neighborhoods had higher white populations. Only 15% of movers with mortgage distress arrived in a census tract with fewer white residents than the one they left.
  - Movers tended to move to destinations that are still composed primarily of nonwhite residents. In short, while homeowners with mortgage distress moved to areas with somewhat higher white populations, they still settled in predominantly black and Hispanic neighborhoods.



- **Less Economic Mobility for Movers who Leave New York City**
    - New York City and its suburbs foster more intergenerational economic mobility than many parts of the country. According to the Equality of Opportunity Project, the New York City area is a relatively conducive environment for upward mobility: there is an 11% probability that a child with parents in the bottom fifth of incomes reaches the top fifth of the income distribution.[8] The 15% of movers with mortgage distress who moved out of the metropolitan area went to places with a median probability of only 7%. This is roughly equivalent to the intergenerational mobility level in Philadelphia, which has the 40th-highest score out of 102 metropolitan areas nationwide, while New York City has the sixth.
    - Destination tracts outside the New York City metropolitan area also score lower on the Center for Neighborhood Technology's Job Access Index, which measures the physical proximity of jobs to a census tract.[9] While New York City has a 9.5 score out of 10, Atlanta's is only 5.6 and Orlando's is just 3.3. Movers might have ended up in places with higher education and employment levels than East New York, but in some instances, those places are more spatially disconnected from jobs.

Comparing the Destinations of Homeowners with Mortgage Distress to Homeowners Without Distress

- **Overall, homeowners without mortgage distress moved to similar areas as those with mortgage distress, though to areas with somewhat better economic outcomes.**
    - When it comes to transportation costs, diversity, poverty, and economic mobility, the two sets of homeowners exhibited similar patterns when moving from their East New York homes. For example, like movers with mortgage distress, movers without mortgages distress tended to relocate from low-income census tracts in East New York (median income of $37,300) to higher income destination tracts (median income of $59,000).
    - The differences are rarely extreme, but the movers without distress ended up in areas with somewhat stronger economic conditions. These movers likely had higher incomes to begin with and almost certainly had more equity in their East New York homes at the time of sale compared to movers with mortgage distress. These assets probably enabled them to move to rather more economically advantageous areas.

- **There were no substantial differences in the affordability of destination neighborhoods for the two sets of homeowner movers.**

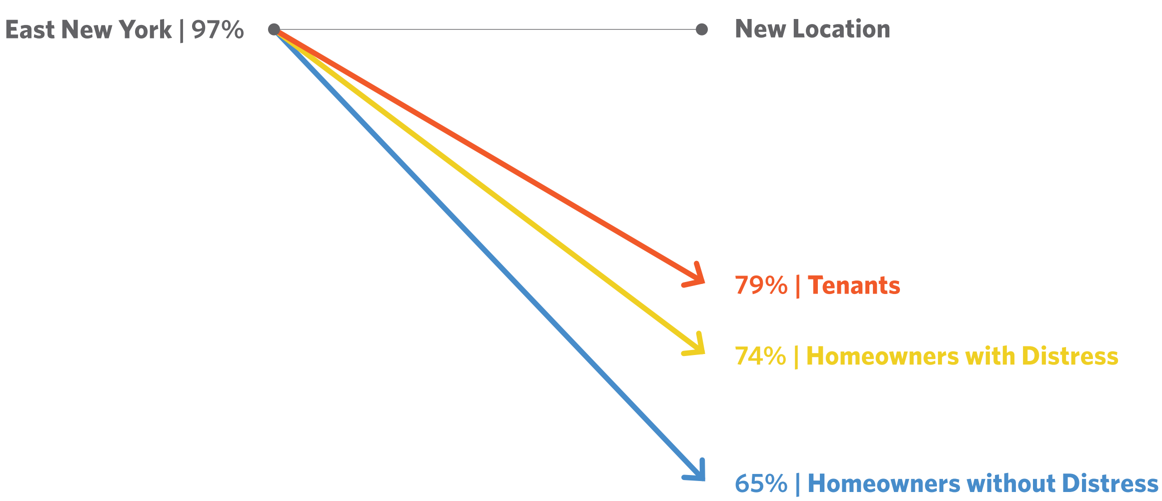
	Destination Census Tracts for Movers with Mortgage Distress	Destination Census Tracts for Movers with no Mortgage Distress
Median Family Income	$56,000	$59,000
Poverty Index (higher score=less poverty)	42nd percentile nationally	48th percentile nationally
Labor Engagement Index (higher score=higher labor force participation and human capital)	43rd percentile nationally	47th percentile nationally
% Non-Hispanic White	26%	35%
Homeownership Rate	45%	56%

What Types of Areas Did the Renters Move To?

- **Renters were more likely to move within East New York or to nearby Brooklyn neighborhoods.[10]**
    - Popular destinations include Flatbush and Canarsie. A smaller group of renters moved to southeast Queens. Outside of New York City, New Jersey and Florida were the most popular destinations. Suburban destinations and destinations in boroughs other than Brooklyn were less common for renters than they were for homeowner movers.
- **Renters moved to areas more socioeconomically similar to East New York than homeowners.**
    - In comparison to the destinations of homeowner movers, the destination tracts of renters have higher poverty, lower labor engagement rates, lower household incomes, higher rent burdens, lower homeownership rates, and higher percentages of nonwhite populations.
    - Renters moved to areas with roughly similar rent burdens: destination tracks had a median rent burden of 35%, compared with a pre-move median rent burden of 37%.

MEDIAN HOUSEHOLD INCOME

NON-WHITE POPULATION



CONCLUSION

This analysis helps us begin to understand the impact of foreclosure beyond the financial well-being of individual families by quantifying aspects of homeowner displacement. Not only did most mortgage-distressed households become renters, but most left East New York altogether. In doing so, they joined displaced renters in a migration to areas with lower housing costs — East Flatbush and the Orlando suburbs for example — **contributing to tightening vacancy rates and rising rents** in those markets just as families priced out of Bedford-Stuyvesant contribute to rising housing costs in East New York.

The movement of mortgage-distressed families also highlights the **tradeoffs displaced families face between housing and transportation affordability**. For all the complexities of life in East New York, most of the area has access to public transportation that can connect commuters to jobs in downtown Brooklyn, Manhattan, and even Long Island within 20 minutes to an hour. That is not the case for many families who left their homes under the threat of foreclosure. In their new neighborhoods, these movers face the prospect of buying a car and commuting long distances to reach job centers. For these families, high transportation costs can offset savings on housing.

This analysis also points to the **enduring power of racial segregation in housing**. Movers from East New York overwhelmingly moved to other predominantly black and Latino neighborhoods and that remained true whether they stayed in New York City, relocated to the suburbs, or left the state. This finding highlights the powerful way in which a confluence of intersecting racial and economic factors determine the options that moving families have in choosing a new home.

Finally, this analysis contributes to the growing awareness of the **changing racial and economic nature of American suburbs**. Most families with mortgage distress who left the City found their way not to cities with cheaper housing like Detroit or Buffalo but to suburbs of southern cities like Charlotte, Atlanta, and Orlando, to name a few popular destinations. Suburbs promise more space and cheaper living. However, they are often far from jobs and have uncertain economic futures as more and more high-paying jobs concentrate in just a few cities across the country.

Studying movers raises a number of questions that require further inquiry. Only survey-based follow-up research can truly determine the circumstances of each moving family, and future research on the subject should look to evaluate changes in the life circumstances of individuals as they change neighborhoods. Longitudinal research tracking the further movement of these households would help determine whether the moves picked up by this study were only stops on a journey, or long-term destinations for families leaving East New York.

Additionally, our research methods did not allow us to track the movement of families who relocated overseas, or to make estimates of the raw number of movers. More insight on those issues would give a fuller picture of housing instability and its consequences.

METHODOLOGY

Data Sources

Matched names and addresses of movers are necessary to use change-of-address services. This analysis relies on matched names and addresses from the following sources:

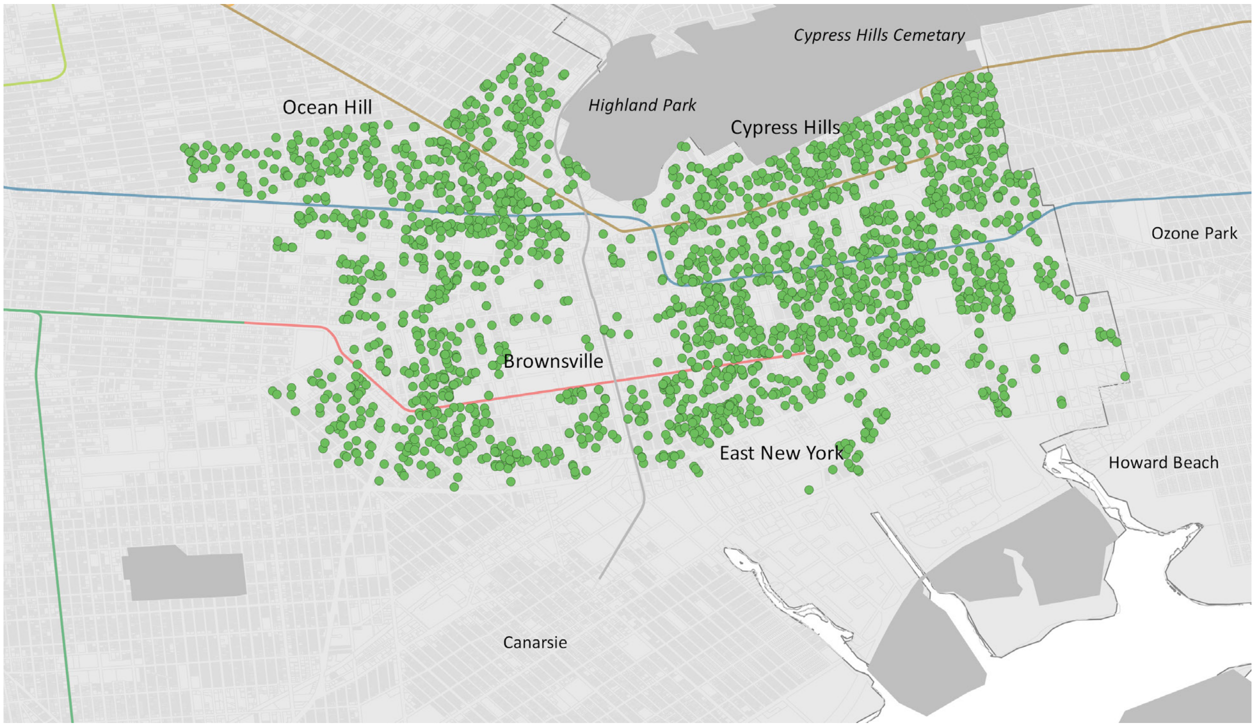
Type of Mover	Data Sources
Homeowners with Mortgage Distress	• East New York housing-counseling clients of the Center for NYC Neighborhoods and its network of nonprofit foreclosure prevention partners; • PropertyShark lis pendens filings in East New York.
Homeowners without Mortgage Distress	• NYC Department of Finance Property Sales records; • Department of City Planning PLUTO database; • The owners of these properties had no mortgage distress apparent through the data sources listed above.
Renters in 1-4 Unit Buildings	• Members of New York Communities for Change who resided in a rental apartment in a small building in East New York.

The homeowners with mortgage distress are individuals who either a) sought foreclosure prevention services a maximum of two years before moving from their homes, or b) had a foreclosure action filed against their property no more than two years before moving. This data does not provide certainty that the homeowners were in foreclosure at the time of their move or that they moved because of mortgage distress; however, if a homeowner received a lis pendens and/or sought foreclosure prevention-relief before selling their home, there is a strong likelihood that the sale was at least partially motivated by an inability to continue making mortgage payments.

In order to examine whether the tenuous situation of homeowners with mortgage distress influences where they move, we assembled a list of homeowners who moved from their properties but showed no indications of mortgage distress. This list was developed by cross referencing property sales from the Department of Finance with date-specific ownership information from the Department of City Planning's PLUTO database. Any homeowner who had received a lis pendens or sought foreclosure prevention relief was removed from the list.

New York Communities for Change offered data on their members and former members who were living in East New York during the study period. They only provided information on renters who had lived in one-to-four unit buildings so that this analysis stays focused on East New York's small housing stock as opposed to public housing or other multifamily dwellings.

Mover Matching Process



Original homes of the 2,408 households studied in this analysis before they moved

The Center submitted more than 7,000 names and addresses to the USPS and proprietary change-of-address services. The results were then cleaned to remove duplicates or instances where multiple family members filed change-of-address forms from one home to another. This left 2,408 matches, meaning 2,408 individuals for whom we had an origin address and a destination address.

Since we had most plentiful access to matched names and addresses for homeowners with mortgage distress, it was no surprise that we came out of the matching process with the highest number (1,699) of results for this group. With less inputs, the matching resulted in fewer but a still-substantial number of non-distressed homeowners (600). The matching process produced 109 results for the renters in one-to-four unit homes. While it is tempting to try to use this process to determine how many families move during a given period, that is not possible. The number of results for each category of East New York residents is not an indication of the likelihood of each category to move, but rather a direct result of the number of matched name-address pairs that the Center was able to aggregate and feed into the change-of-address systems.

Type of Mover	Count
Homeowners with Mortgage Distress	1,699
Homeowners without Mortgage Distress	600
Renters in 1-4 Unit Buildings	109
Total Movers	**2,408**

Comparing the Social and Economic Conditions of Mover Destinations to Their East New York Origins

Available data does not let us examine how the individual- or family-level circumstances of movers changed when they left their origin home. But we are able to explore how their social and economic environment changed by juxtaposing the characteristics of their origin neighborhoods to their destination neighborhoods.

In order to do so, we matched each mover origin and destination mailing addresses with a range of statistics that the Census Bureau tracks at the census tract level through its five-year American Community Survey.[11] To capture information on transportation costs, we consulted the Center for Neighborhood Technology's Housing and Transportation Affordability Index, which also uses census tract level data. Data on employment and transportation costs came from the US Department of Housing and Urban Development.[12] Metropolitan-level statistics on economic mobility were adapted from the work of professors Raj Chetty, Nathaniel Hendren, Patrick Kline, and Emmanuel Saez.[13]

Limitations

Several factors constrain the conclusions we can draw from this analysis.

- The Center was only able to track individuals for whom a full name and an East New York address was available in either public data sources or the Center's client records. Therefore, the study only caught a portion of an unknown number of total people who moved from a home in the neighborhood. It also limited our ability to track tenants in small homes for whom there are no public records associating names with addresses that can legally be used for research. These limitations mean the study cannot answer the question: how many people have moved from East New York? Instead, it can draw conclusions based on the data sample available.
- The Center was only able to determine the destination of a mover if they filed a change of address form with the US Postal Service, or if their move was detected through bank accounts and magazine subscriptions changes. Therefore it is probably that some moves went undetected for individuals who did not file change-of-address forms.
- The change-of-address technique does not cover households that leave the United States. Given East New York's substantial foreign-born population, particularly people from the Dominican Republic, it is safe to assume that households left the country without being detected by our tracking methodology. Four families who moved to Puerto Rico did surface in the results.
- For the homeowners tracked in this analysis, it is difficult to determine whether they became renters after their move or purchased a new home. Furthermore, some movers did not sell their homes when they moved. We were able to aggregate data to make strong inferences about the ownership status of movers, but in some cases we cannot be definitively certain.

SOURCES

1 See, for example, Kathe Newman and Elvin K. Wyly, "The Right to Stay Put, Revisited: Gentrification and Resistance to Displacement in New York City," Urban Studies 43:1, 2006.

2 The proprietary data the Center purchased combines USPS change-of-address filings with data from magazine subscriptions, bank records, and credit card information.

3 See the end of this document for a full methodology and data sources.

4 "For New Life, Blacks in City Head to South," New York Times, June 21, 2011. Available at: http://www.nytimes.com/2011/06/22/nyregion/many-black-new-yorkers-are-moving-to-the-south.html.

5 See Appendix for more detailed data underlying the findings in this section.

6 Approximately 15% of the renters moved into a home owned by an individual with the same last name, likely a relative. 43 families (2.5% of movers with mortgage distress) moved into NYC Public Housing (NYCHA) facilities.

7 The median income in the East New York census tracts includes renters, and the Center's in-house data suggests that incomes for East New York homeowners with mortgage distress averages in the mid-$50,000s.

8 Equality of Opportunity Project data can be found at http://www.equality-of-opportunity.org/.

9 Data from the Center for Neighborhood Technology Jobs Access Index. Available at: http://www.cnt.org/tools/housing-and-transportation-affordability-index.

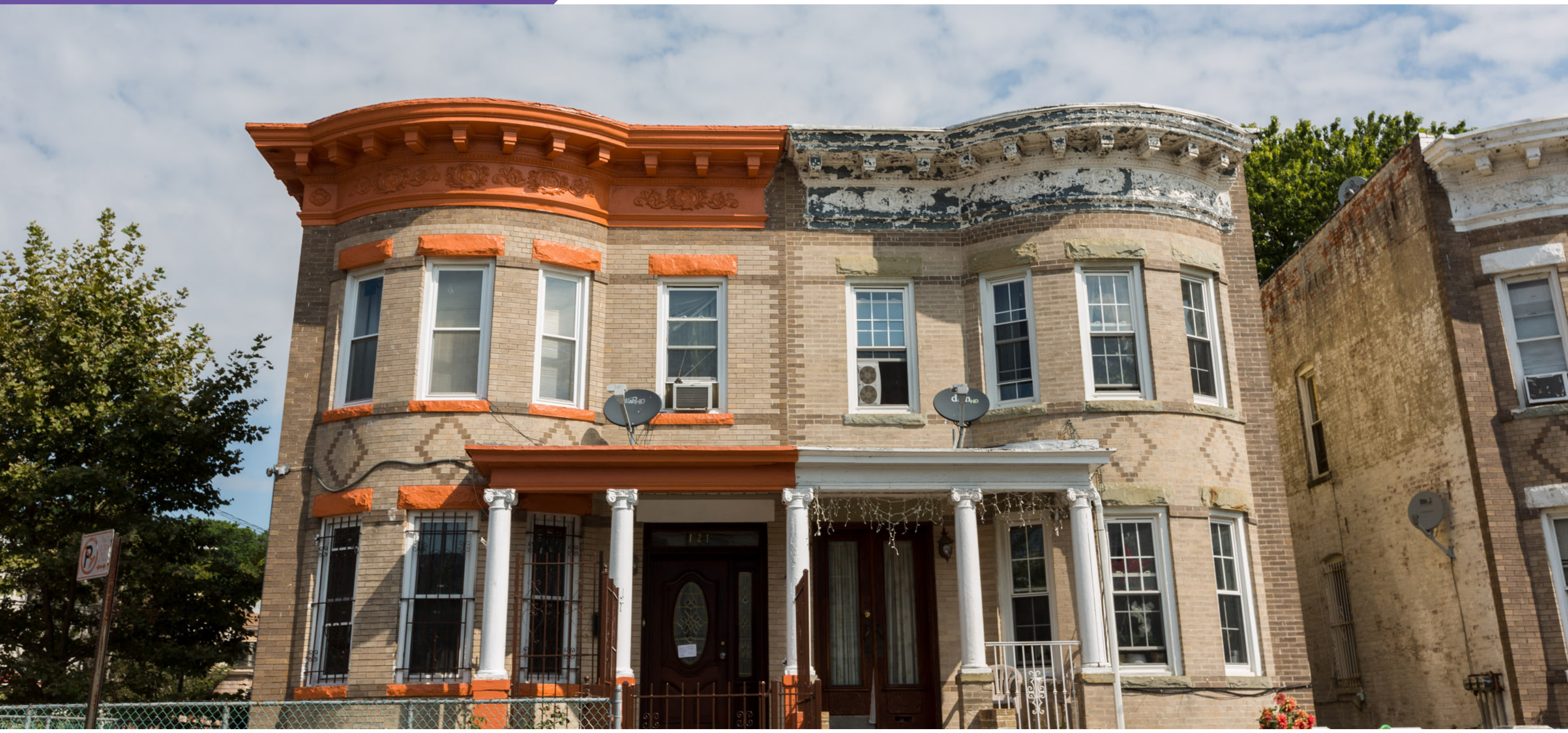
10 See appendix for further breakdown of renter destinations.

11 We primarily used weighted medians when aggregating statistics across census tracts for all movers. At other times we compared statistics for the origin and destination tracts of each particular mover as demonstrated in the Appendix table.

12 Available at: https://egis-hud.opendata.arcgis.com.

13 Chetty, Hendren, Kline and Saez, "Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States," 2014. Available at: www.equality-of-opportunity.org.

Policy Recommendations



The challenges presented in this report are daunting, and should serve as a call to action for elected officials, community leaders, and New Yorkers. Our ability to protect the City's working- and middle-class homeowners in neighborhoods like East New York will help decide whether New York City will remain a place of opportunity for all people, or only for real estate investors and the wealthy. There is nothing natural about displacement, and solutions exist to support vulnerable homeowners and their tenants, while ensuring that working families remain able to afford to buy homes and put down roots in East New York. The following recommendations provide strategies for supporting financially vulnerable homeowners and tenants going forward.

SUPPORT VULNERABLE HOMEOWNERS AND THEIR TENANTS

Streamline and Expand Home-Repair Resources

Unaffordable home repairs were the biggest challenge identified by homeowners in our survey, with 63% reporting an unmet home-repair need. While homeowners with good credit or substantial equity are able to fund repairs by refinancing their mortgage or taking out a Home Equity Line of Credit, few options exist for the more vulnerable. New York City, New York State and local community-based organizations administer a number of home repair grant and loan programs, but existing programs are unable to meet the needs of many homeowners seeking home-repair assistance. This is due to a variety of factors:

- **Severely Limited Resources** Demand for home-repair resources far outweighs the capacity of existing programs. Many programs only offer a small number of grants or loans per year, and homeowners who would otherwise qualify are turned away or face long waits. For example, one program that provides New York State Affordable Housing Corporation grants reported exhausting the year's allotted funding by July, while other popular programs are often closed to new intakes.

- **Fragmented Programs** A large number of small home-repair programs exist (SCHAP, HIP, NHS Emergency Repair Loans, Rebuilding Together, NYC's Critical Home Repair Program, to name just a few), each with their own criteria and application procedure, creating inefficiencies.

- **Lengthy Processing Periods** Even when resources are available, homeowners report waiting for months or even more than a year for their loan or grant to be processed. For loans, this is exacerbated by lengthy underwriting and review processes. For example, a $40,000 loan through the Parodneck Foundation's Senior Citizen Homeowner Assistance Program (SCHAP) must undergo the same City underwriting and review process as a multi-million dollar loan for a large multifamily rental, despite the difference in scale. Unfortunately, when needed repairs are put off for lengthy wait periods, existing issues can worsen, leading to even greater repair needs.

- **Grant or Loan amounts Too Low to Fund Needed Repairs** Roof repairs were the biggest need reported by East New York homeowners, yet many existing programs fail to support the amount of work required, which often exceeds $20,000.

- **Strict Requirements** Programs using certain funding sources have a number of limitations in their eligibility requirements that prevent homeowners in need from taking advantage of these resources. For example, it is current City policy not to use capital funds for repairs on most one-to-two unit homes, and state HOME funds have strict income limits. Homeowners who are delinquent on their tax or water bills cannot apply, nor can homeowners in foreclosure or those who have taken out a reverse mortgage on their property, which means that existing City programs are unable to meet the needs of the most financially vulnerable homeowners. Finally, City funds cannot be used if the homeowner has an illegal basement unit in their home, which also disqualifies many East New York homeowners.

It is clear that a new approach is needed to better support homeowners and their tenants in need of home-repair resources. First, and most importantly, an overall expansion of resources is necessary, both in terms of the size of individual loans and grants and the total number of loans and grants available. New York can look to cities like Philadelphia and Seattle for examples of new funding strategies to support expansion of these programs.[1] Additionally, greater streamlining of application processes and underwriting procedures would increase efficiencies. Lastly, eligibility requirements must be rethought (and resources targeted and allocated), with an orientation toward the stabilization of at-risk homeowners and preservation of affordable housing.

Continue to Fund Foreclosure Prevention and Homeowner Stabilization Assistance

Nearly 10 years after the collapse of the housing bubble and the onset of the economic crisis, tens of thousands of East New York homeowners are at risk of displacement due to foreclosure or other financial vulnerabilities. Many of these homeowners could able avoid foreclosure by working with the Center's network of housing counseling and homeowner legal services providers to obtain a home-saving mortgage modification. Others require assistance obtaining affordable home-repair financing, resolving tax and water delinquencies with the City, handling thorny estate issues (which are common in communities with multigenerational households that are unable to afford private legal services), and fending off persistent or harassing solicitations from investors and/or real estate scammers.

Unfortunately, the Attorney General's Homeowner Protection Program, the state's largest source of public funding for homeowner support services, is set to to end in March 2018. The Homeowner Protection Program has provided more than $20 million in annual funding to housing counseling and legal services throughout New York State since 2012. Its funding came from one-time settlements with financial institutions that have been exhausted and will not be replaced. It is essential that New York State government assume responsibility for these services and ensure that New Yorkers at risk of losing their homes continue to have access to free, high-quality services. In addition to including much-needed funding in the state budget, New York could follow the lead of states like Illinois and Maryland and use foreclosure-filing surcharges to fund foreclosure prevention services.[2]

New York City's government has continued to support homeowner services, with the City Council and the Department of Housing Preservation and Development expanding support in recent years. Beyond funding foreclosure prevention services, the City has begun to develop a more comprehensive approach to homeowner intervention. The East New York Homeowner Help Desk is a pilot program that brings together housing counseling, financial counseling, and legal services to assist homeowners at risk of displacement, scams, and other threats to affordability. The program provides wrap-around counseling and legal services to complement traditional foreclosure prevention assistance, providing services in convenient neighborhood locations and conducting door-to-door outreach in target areas. Such novel approaches are needed to continue to support homeowners and keep their tenants in place, and merit further commitment.

Reform City Policy Towards Tax- and Water-Delinquent Homeowners

Many East New York homeowners struggle to afford their property tax and water bills. Those who fall behind can find themselves subject to the City's annual lien sale, a process through which the City sells outstanding tax and water debts, and the ability to collect them, to private investors.[3] In 2016, the average debt sold for a one-to-three family home in East New York was $13,000, significantly above the citywide median of $6,500.[4] This initial $13,000 in debt will quickly balloon once sold, as the lien purchaser adds steep interest and fees. According to a recent analysis by the Coalition for Affordable Homes, debts increased an average of 65% within a couple of years of being sold through the lien sale.[5]

If homeowners are unable to pay off their lien within a year, investors will move aggressively towards foreclosure. Unlike mortgage foreclosures, tax lien foreclosures do not provide the procedural protections of settlement conferences. Rather than face a tax lien foreclosure, many homeowners choose to sell. The Coalition's analysis of liens sold in Brooklyn in the 2011 lien sale found that nearly half of the one-to-three family homes on the lien sale list (42%) were sold within five years of the lien sale, compared to 13% of all such properties (with and without tax liens) in the borough during that period.[6]

While the tax lien sale generates short-term revenue for the City, the sale can exacerbate displacement pressures on longtime residents and stoke the loss of affordable housing to profit-driven investors. When the City Council renewed the lien sale in 2017, it passed a number of reforms that would lower interest rates and give homeowners more opportunities to enter payment plans and avoid the lien sale.

While these are promising developments, further reforms are needed. Current policy does not take a homeowner's income into account when determining exemptions from the lien sale (unless the homeowners is also a senior or has a disability), or when negotiating payment plans, which leaves low-income homeowners without options. An approach oriented toward preserving affordable housing would provide realistic alternatives for homeowners, such as a deferred payment plan and/or income-based payment plans. Philadelphia has recently adopted an income-based payment plan for low-income homeowners, who pay 5-10% of their income to the tax authority, depending on their gross income level.[7]

As a complementary approach, the City could embrace the Tax Lien Preservation Trust, a concept introduced by Public Advocate Letitia James.[8] The Trust would serve as a mission-based purchaser of tax lien debt and would leverage debt to ensure the preservation and maintenance of existing affordable housing. While the concept was developed with the preservation of multifamily rental properties in mind, the Trust could also purchase liens on one-to-three family homes to stabilize homeowners and tenants and deter speculative real estate turnover.

Support Homeowner-Landlords

This report demonstrates the interconnected relationship of homeowners and their tenants in East New York. Both homeowners and tenants have lower incomes than their average counterparts citywide, and they depend on each other for housing stability: homeowners rely on tenants' rent payments to afford their mortgage or tax payments, while tenants rely on the homeowner to maintain ownership, as tenants are often displaced when a property is sold.

Rental units in East New York homes provide a major source of affordable rental housing in New York City. But given the high levels of homeowner vulnerability and real estate turnover in the neighborhood, the future of these units is at risk. As part of an affordable housing preservation strategy, the City can develop resources and policies to support homeowners and tenants.

We recommend the following approaches:

- **Provide Financial Incentives for Homeowner-Landlords Who Rent to Extremely Low-Income or Formerly Homeless Households** In the midst of an unprecedented homelessness crisis, New York City is actively seeking affordable rental placements for families exiting the family homeless shelter system using the Living In Communities (LINC) rent-voucher program. However, some homeowners are wary about participating in the LINC program, which is understandable given the City's recent history with rental subsidy programs: in 2011, following a loss of state funds, the City abruptly ended its Advantage subsidy program for families leaving the homeless shelter system. At the time, many families were mid-lease, which left participating homeowner landlords in the lurch, many of whom lost several months of rent.[9]

> *"In my development, there are 42 homes and we all have two-family homes. We can get together, all 42 homeowners, and share our horror stories of dealing with subsidized [programs]. Immediately after I had that whole situation with Work Advantage, I [decided]: no more programs."*
>
> Homeowner Focus Group Participant, Cypress Hills

For East New York homeowners, additional incentives may be sufficient to overcome initial reluctance to participate in the program, whether in the form of repair resources for the home, tax or water credits, or forgiven tax and water charges. These incentives would provide the dual function of helping to stabilize vulnerable homeowners while providing much-needed housing for formerly homeless families or low-income renters.

The Good Neighbor tax credit is one promising strategy to support homeowners who provide affordable rental units.[10] This tax credit would provide a Real Property Tax Abatement to owner-occupants of two-to-four family homes who rent apartments to eligible low- and moderate- income tenants at below market rates. This tax credit would also meet the twin aims of supporting existing East New York homeowners while keeping rents affordable for their tenants.

- **Develop Educational Resources for Homeowner-Landlords** Homes do not come with an instruction manual, and several homeowners in our focus group expressed a desire to learn more about the basics of home maintenance and landlord-tenant relations. One participant had taken free landlord education classes offered by the Department of Housing Preservation and Development, after being referred to the classes when she received several housing violations for the condition of her rental unit. After taking the classes, she was able to resolve her violations and reported that she had found it extremely helpful for understanding her legal obligations as a landlord.

  Upon hearing of these resources, many other focus group participants expressed an interest in taking these classes as well, though they lamented the distance between East New York and lower Manhattan, where many (but not all) classes are held.

  Clearly, there is little knowledge of existing City programs, despite homeowner interest in further information and educational opportunities. Existing educational resources could be better utilized with increased outreach on the part of the City, and new courses could be aimed at neighborhoods with high levels of distressed homeowners, such as East New York.

  Additionally, few resources exist for homeowner-landlords who appear in Housing Court without an attorney. Homeowners we spoke with recommended making the forms and process clear and straightforward enough that it can be easily navigated without a lawyer, as well as having additional informational resources available for unrepresented homeowners in Housing Court.

- **Legalize Safe Basement Apartments** Many East New York homeowners have converted their basements into unpermitted rental units, which attract tenants because they are cheaper than other available housing options. These rentals are not regulated, which puts the safety and well-being of tenants, homeowners, and their neighbors at risk. Fearing the loss of their affordable living situation, renters are hesitant to complain about health and safety issues lest their home receive a vacate order. Meanwhile, homeowners with illegal basement units are unable to receive City funding for much-needed home repairs, and risk substantial fines if reported by a neighbor.

  Recognizing the need for solutions to illegal basement units, organizers of the Basement Apartments Safe for Everyone (BASE) Campaign have sought resources and policy changes that will allow homeowners to convert their basement units to safe, legal apartments.[11] The 2016 East New York rezoning agreement contained $12 million in funding to support a basement legalization pilot program, the results of which are forthcoming.

  Ultimately, when illegal basement units are converted to safe, legal, and affordable apartments, both tenants and homeowners will benefit.

Strengthen Local Incomes and Economic Opportunity

Housing instability for East New York's homeowners and renters is not only a housing issue but also a livelihoods issue. Families with sufficient incomes to cope with rising rents or afford a large down payment on a new home are less likely to be priced out of their neighborhoods. However, most East New York families have seen stagnant incomes for years. While it is imperative to find innovative ways for lower-income households to navigate New York City's hot housing market, addressing the income side of the equation is also critical.

Doing so, however, is notoriously difficult. East New York family wages are not only subject to state minimum wage laws and local economic development strategies, but are also influenced by federal policy and global trade patterns. 71% of jobs in Brooklyn Community District 5 (East New York, Cypress Hills) and 59% in Community District 16 (Brownsville) pay less than $40,000, and poverty rates in the area are well above citywide and national levels.[12] Nevertheless, there are local interventions that can meaningfully enhance the ability of East New York residents to cope with rising costs.

We can improve access to good jobs for East New York and similar neighborhoods through neighborhood-targeted workforce development, job access strategies, local procurement practices, financial counseling, and living wage policies.[13] Tax policy matters too: while higher-income taxpayers have access to tax deductions and loopholes, low-income families have fewer tax offsets available to them and are less likely to take advantage of those for which they qualify.[14] Finally, supports that allow people to work are also key: programs and policies that give low-wage workers access to childcare, paid sick leave, and health insurance empower workers who would otherwise risk losing employment in the face of various life challenges.

SUPPORT NEW AFFORDABLE HOMEOWNERSHIP OPPORTUNITIES AND DISCOURAGE EXTRACTIVE REAL ESTATE PRACTICES

Implement a Cease and Desist Zone, with Resources for Outreach and Education

As an appreciating market with high levels of home flipping, real estate investors are increasingly targeting East New York homes, knocking on doors with the goal of buying low and selling high. Persistent real estate solicitations are a fact of life for homeowners in this area: 92% of those surveyed reported that they had been approached by real estate investors seeking to buy their home, while 70% reported that they had been solicited at least once a week.

Unwanted solicitations are an annoyance for many East New York homeowners. However, flippers target vulnerable homeowners, such as those at risk of foreclosure, those who owe tax and water debt to the city, and seniors, leading to even worse outcomes. For these vulnerable homeowners, such overtures can become harassing, threatening, or even criminal, with troubling reports of deed theft on the rise.[15]

In New York State, cease and desist zones can be imposed in neighborhoods undergoing persistent real estate solicitation. Designed as a policy response to blockbusting, New York's Cease and Desist law allows the Secretary of State to declare a cease and desist zone when a neighborhood is experiencing "intense and repeated solicitation."[16] Once imposed, a Cease and Desist Zone allows residents in the zone to opt-in to a "do not solicit" registry, and when investors violate the registry, they can face fines or lose their real estate licenses.

An East New York cease and desist zone would provide an empowering tool for community members to take concrete action against real estate harassment. To be most effective, a cease and desist zone should be combined with resources for community outreach and education about the new zone, and services available for homeowners who may think they have no choice but to sell.

East New York Council Member Rafael Espinal tears down a "We Buy Homes" advertisement from a utility pole. *Source: Cypress Hills Local Development Corporation.*

Implement a Flip Tax

As documented in this report, property flipping has negative impacts on neighborhood housing markets, inflating prices on properties once affordable to working-class families, and spurring unwanted and sometimes deceptive solicitation of neighborhood homeowners. New York tax structure currently treats all buyers the same, whether they are a family seeking to purchase a home to live in or a nameless LLC seeking to turn a profit. These LLCs often make all-cash purchases, and are thus at an advantage over would-be homeowners who must obtain mortgage financing, which requires time and a series of inspections and appraisals. Additionally, flippers target properties that are not listed on the real estate market, seeking direct deals with homeowners. This means that the property changes hands without other homebuyers having an opportunity to bid on the home.

However, proposed New York legislation seeks to level the playing field for potential homebuyer families by implementing a flip tax.[17] The legislation seeks to deter property speculation and flipping by creating an additional 15% tax on properties sold and resold within one year, and a 10% tax on properties sold and resold between one and two years. The legislation includes hardship exceptions for owner-occupiers who must sell their home due to hardship or unforeseen circumstances.

Promote Community Land Trusts to Ensure Permanently Affordable Homeownership

The Community Land Trust (CLT) movement is gaining strength in New York City. CLTs provide below-market rate homeownership opportunities for families unable to afford market rates. The trust owns the land and dictates the conditions of development, ensuring truly affordable housing for communities, and that homes will remain affordable over time. Shared equity homeowners are able to build equity but must sell their homes at prices affordable to similar families, ensuring that public investment in affordable homeownership is preserved beyond the first purchaser. CLT homeowners also have extremely low foreclosure rates due to the reduced purchase price and the stewardship function of the land trust.

2017 has been a promising year for CLTs in New York, with the Department of Housing Preservation and Development requesting expressions of interest from CLTs citywide and joining with Enterprise to provide initial technical assistance funding. The newly-created Interboro Community Land Trust, which the Center for NYC Neighborhoods is establishing along with MHANY Management, Inc., Habitat for Humanity NYC, and the Urban Homesteading Assistance Board (UHAB), is looking to develop permanently affordable homeownership opportunities in neighborhoods like East New York.[18] More CLTs are in development with the support of the New York City Community Land Initiative and in coming years, land trusts may have capacity to take a substantial portion of housing off the speculative market in neighborhoods like East New York.

These are positive developments, but more can be done. The City should prioritize CLTs when disposing of city-owned land and buildings or tax foreclosed properties. Buildings with expiring regulatory agreements should also be guided to CLTs which can ensure that they do not transition to market-rate housing and spur gentrification.

SOURCES

1 Philadelphia recently passed a .1% hike in its real estate transfer tax to add $100 million for home repair grants for vulnerable homeowners. Seattle supplements the federal CDBG and HOME funding streams relied on by New York City with a local housing levy that adds roughly $120 to a homeowner's property taxes to support home repair grants. Seattle residents passed the latest housing levy by 68% in 2016.

2 See 735 ILCS 5/115-1504.1, Maryland Housing and Community Development Law Section 4-507.

3 To sell liens through the tax lien sale, the City will first convert unpaid property tax, water, and Emergency Repair Program debt to a tax lien on the property. Every spring, the Department of Finance (DOF) will then sell a portion of these liens to a trust created by the City, which bundles the debts as bonds and sells the bonds to investors. The trust will then own the right to collect on the debt and can move to foreclosure if the debt goes unpaid. Very few liens sold lead to completed foreclosures.

4 NYC Department of Finance, "Lien Sale Quarterly Status Report." Available at: http://www1.nyc.gov/site/finance/taxes/property-lien-sales.page.

5 Coalition for Affordable Homes, "Compounding Debt: Race Affordability, and NYC's Lien Sale," November 2016, at 3.

6 *Id.*

7 *Id.*, at 10.

8 New York City Public Advocate Letitia James, "Tax Debt and Affordable Housing Preservation: an alternative to the tax lien sale for multifamily properties," October 2016. Available at: http://pubadvocate.nyc.gov/sites/advocate.nyc.gov/files/tax_lien_report.10.6.2016.pdf.

9 Luke Winkie, "A Golden Ticket for New York City's Homeless?" Brooklyn Magazine, Feb. 9, 2017. Available at: http://www.bkmag.com/2017/02/09/a-golden-ticket-for-new-york-citys-homeless-housing-vouchers/.

10 Advocates for the The Good Neighbor Tax Credit include the Association for Neighborhood and Housing Development (ANHD), Fifth Avenue Committee, and Cypress Hills Local Development Corporation.

11 Visit http://chhayacdc.org/programs/basement-apartments-safe-for-everyone-base/ to learn more about the BASE campaign.

12 Association for Neighborhood Housing & Development, "How is Economic Opportunity Threatened in Your Neighborhood?" 2016. Available at: https://anhd.org/policy-reports/how-is-economic-opportunity-threatened-in-your-neighborhood-2016/.

13 For more information on equitable economic development policies, see Association for Neighborhood Housing & Development, "Roadmap for Equitable Economic Development," 2013. Available at: https://www.anhd.org/wp-content/uploads/2011/07/ANHD-Roadmap-for-Equitable-Economic-Development-final.pdf.

14 For more information on US tax policies to support low- and middle-income families, visit https://www.brookings.edu/blog/up-front/2015/04/15/tax-policies-to-support-low-and-middle-income-americans/.

15 For more information on deed theft and other scams targeted towards vulnerable homeowners, visit http://cnycn.org/2015/11/09/the-ny-times-takes-on-deed-theft/.

16 N.Y. Real Prop. Law Section 442-h(3).

17 The Flip Tax bill was introduced in the Senate and Assembly in 2017. Its bill numbers are A7406 and S6488.

18 The Interboro CLT receives support from Citi Community Development, its founding corporate partner, and Enterprise Community Partners.

Appendix

In the following chart, we compare the socioeconomic features of the particular census tract from which a particular mover moved (the “origin tract”) to the features of the particular census tract they moved to (the “destination tract”). For each metric we then add up the number of movers for whom that metric is higher for their origin tract and for their destination tract.

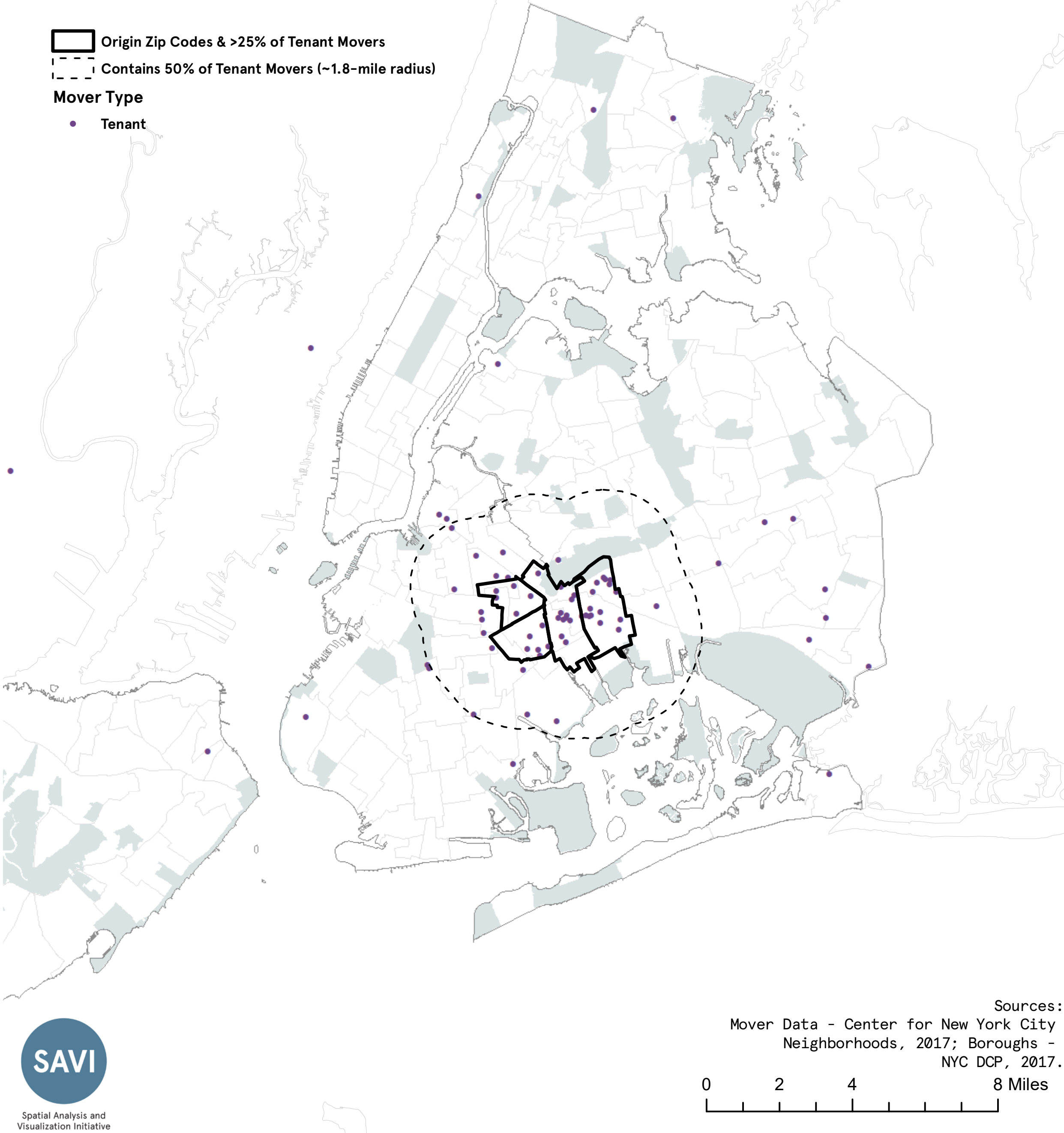
	Destination Tract is Greater	Origin Tract is Greater	Same	% Destination Greater
Poverty Index (higher score=less poverty)				
Homeowners w/o Distress	499	74	27	83%
Homeowners w/Mortgage Distress	1269	322	108	75%
Tenant	70	23	16	64%
Labor Engagement Index (higher score=higher labor force participation and human capital)				
Homeowners w/o Distress	476	95	29	79%
Homeowners w/Mortgage Distress	1239	352	108	73%
Tenant	63	28	18	58%
Transportation Cost Index (higher=lower transportation costs)				
Homeowners w/o Distress	112	428	60	19%
Homeowners w/Mortgage Distress	414	1030	255	24%
Tenant	20	63	26	18%
Gini Index (higher=more inequality)				
Homeowners w/o Distress	133	445	22	22%
Homeowners w/Mortgage Distress	400	1206	93	24%
Tenant	28	67	14	26%
Median Household Income				
Homeowners w/o Distress	451	127	22	75%
Homeowners w/Mortgage Distress	1242	365	92	73%
Tenant	63	32	14	58%
Median Home Value				
Homeowners w/o Distress	174	404	22	29%
Homeowners w/Mortgage Distress	572	1034	93	34%
Tenant	28	67	14	26%
Select Monthly Owner Costs as a % of Income				
Homeowners w/o Distress	151	425	24	25%
Homeowners w/Mortgage Distress	510	1082	107	30%
Tenant	25	66	18	23%

(continued)	Destination Tract is Greater	Origin Tract is Greater	Same	% Destination Greater
Median Rent Burden				
Homeowners w/o Distress	168	406	26	28%
Homeowners w/Mortgage Distress	539	1049	111	32%
Tenant	33	62	14	30%
% Rent Burdened				
Homeowners w/o Distress	170	407	22	28%
Homeowners w/Mortgage Distress	518	1084	92	31%
Tenant	29	66	14	27%
% Severely Rent Burdened				
Homeowners w/o Distress	193	384	22	32%
Homeowners w/Mortgage Distress	526	1076	92	31%
Tenant	31	64	14	28%
% Non-White				
Homeowners w/o Distress	88	490	22	15%
Homeowners w/Mortgage Distress	339	1264	94	20%
Tenant	21	74	14	19%
% Speak Other Language Than English				
Homeowners w/o Distress	200	377	23	33%
Homeowners w/Mortgage Distress	811	791	97	48%
Tenant	52	43	14	48%

The Spatial Analysis and Visualization Initiative (SAVI) at Pratt Institute created a series of visualizations (see following pages) to explore the spatial dimensions of household movements in this study.

Population Concentration: Tenants

Tenant movers were much more likely to be found within or directly adjacent to the origin. The closest 25% all fell within the orgin zip codes, while the closest 50% only reached as far as 1.8 miles, the smallest 50% of all three mover-type categories.



Sources:
Mover Data - Center for New York City Neighborhoods, 2017; Boroughs - NYC DCP, 2017.

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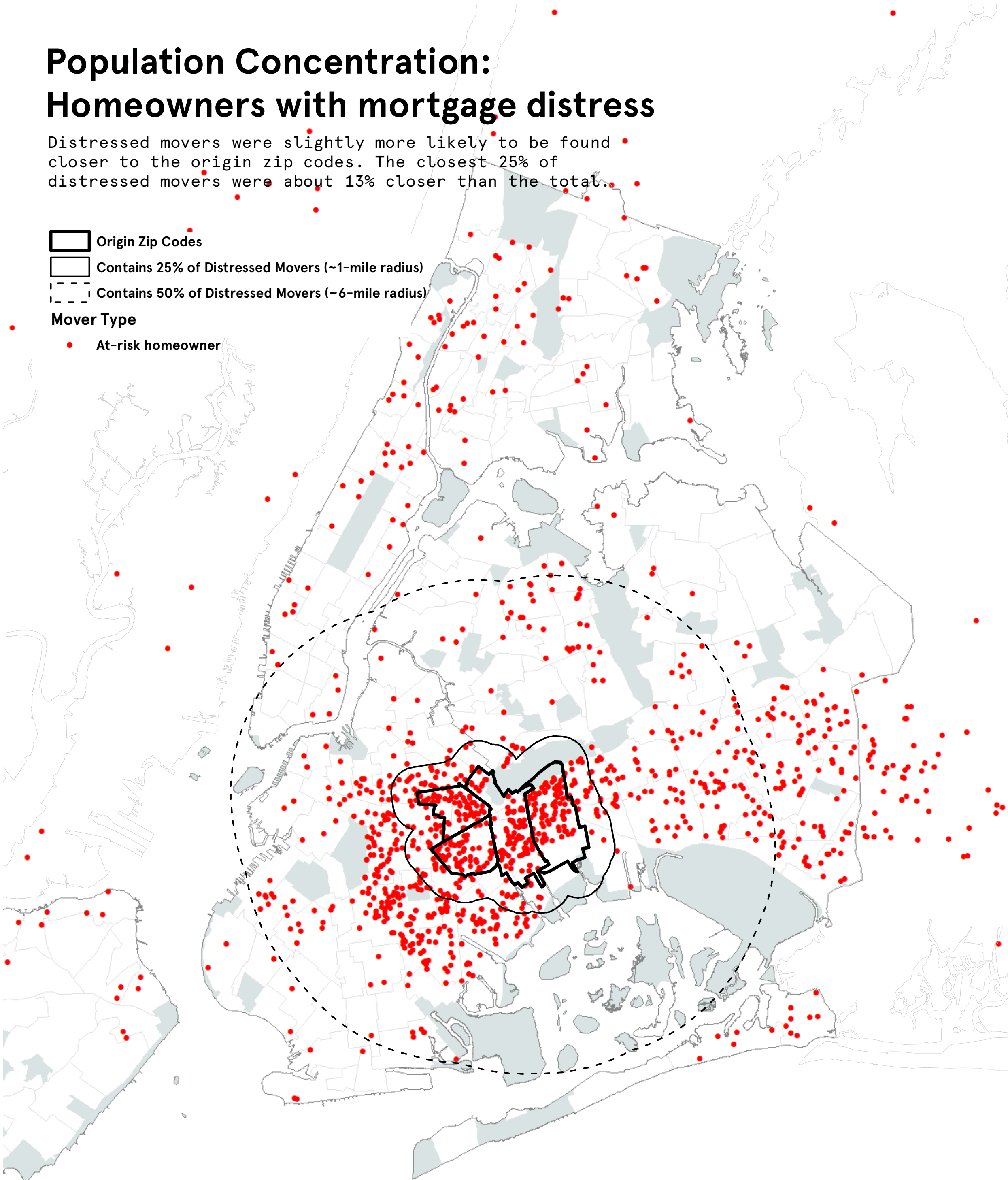
Population Concentration: Homeowners with mortgage distress

Distressed movers were slightly more likely to be found closer to the origin zip codes. The closest 25% of distressed movers were about 13% closer than the total.



Sources:
Mover Data - Center for New York City Neighborhoods, 2017; Boroughs - NYC DCP, 2017.

0 2.5 5 10 Miles

SAVI
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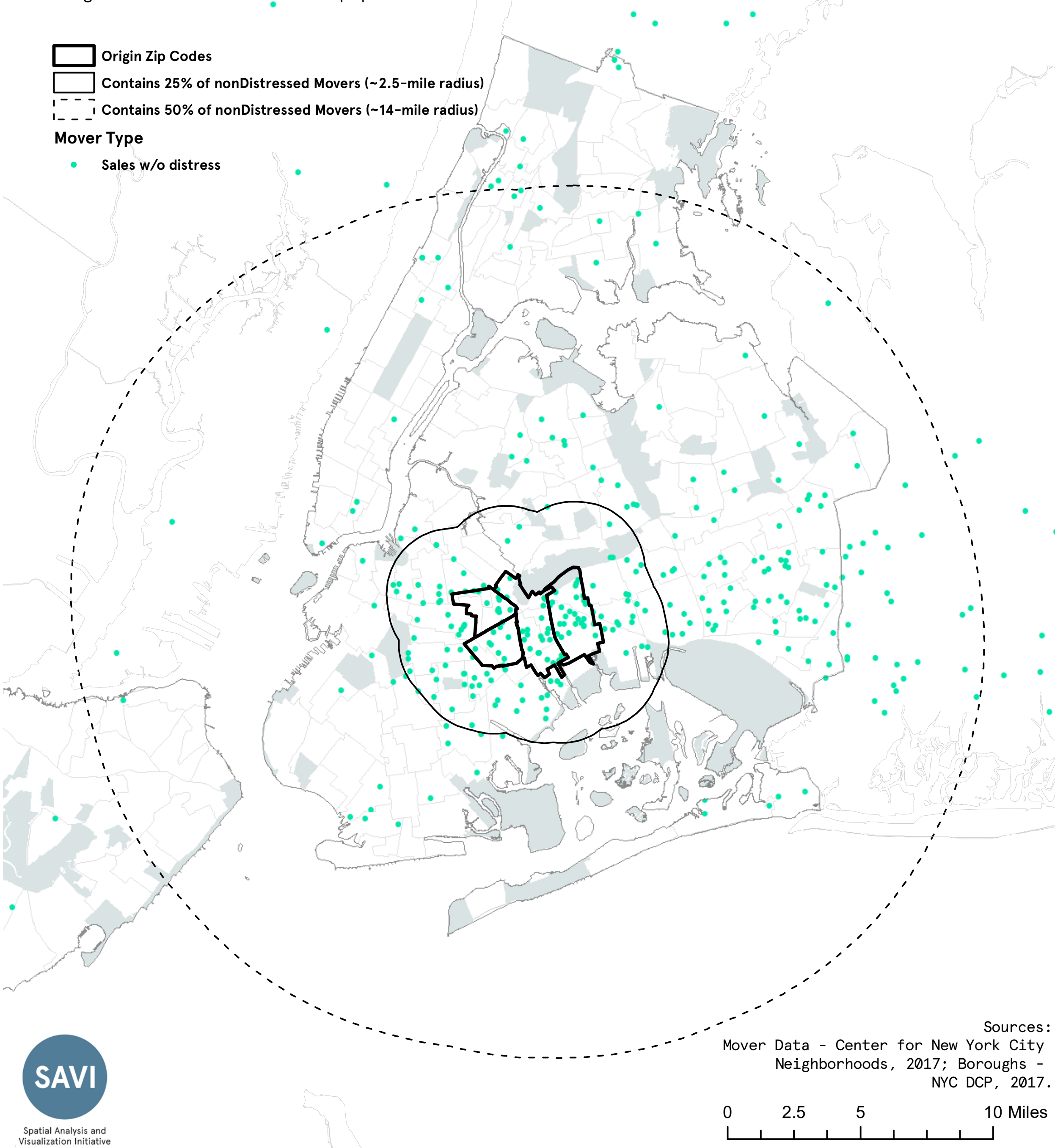
Population Concentration: Homeowners without mortgage distress

Non-distressed movers were much more likely to be found further from the origin zip codes. The closest 25% of nondistressed movers moved to an area that was 65% larger than the distressed population.



Sources:
Mover Data - Center for New York City Neighborhoods, 2017; Boroughs - NYC DCP, 2017.

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