



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 and 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 neighborhood and 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

In 2014, **24% of borrowers** in the neighborhood were at least **90 days late** on their mortgage payments.¹ 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



¹ "Staying Home, A Report on the Second Year of New York Attorney General Eric Schneiderman's Homeowner Protection Program," NYS Office of the Attorney General, September 2014.

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.



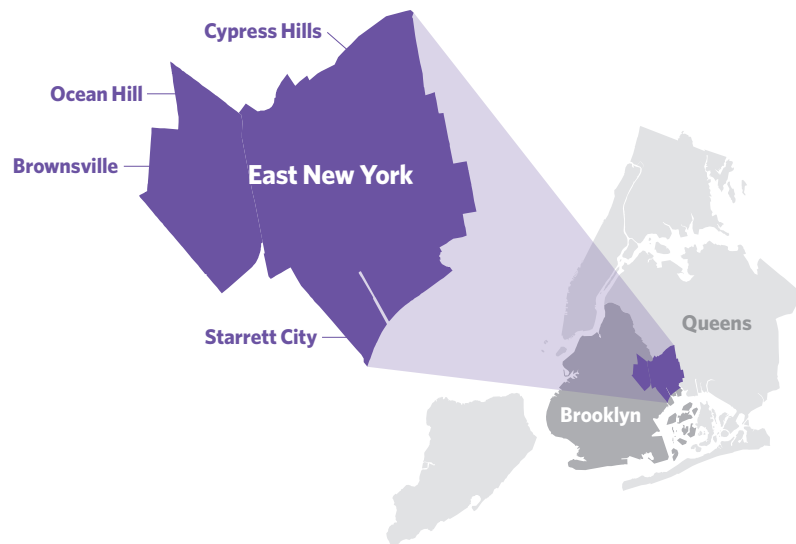
Implement a Flip Tax Property flipping has negative impacts on housing markets in neighborhoods like East New York, inflating prices on properties once affordable to working class families, and spurring unwanted and sometimes deceptive solicitation of neighborhood homeowners. We recommend implementing 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.



Acknowledgments

The Center for NYC Neighborhoods would like to thank the following individuals and organizations for their invaluable assistance in creating this report:

- Cypress Hills Local Development Corporation
- Coalition for Community Advancement
- Ana Aguirre, United Community Centers
- Eve Baron & Jessie Braden, Pratt Institute
- Reverend Dr. David Benke, St. Peter's Lutheran Church
- New York City Council Member Rafael L. Espinal Jr.
- Catherine Green, ARTs East New York
- Cea Weaver & Jose Gonzalez, New York Communities for Change
- Brooklyn Legal Services Corporation A
- New York City Department of Housing Preservation & Development

The Center for NYC Neighborhoods would like to acknowledge JPMorgan Chase for supporting this project.

JPMORGAN CHASE & CO.



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.