



**Testimony Before the New York City Council Committee on Housing and Buildings,  
Oversight: Homeownership in NYC: Challenges and HPD's Programs  
December 12, 2017**

Good morning. My name is Leo Goldberg, and I am the Senior Policy Associate at the Center for NYC Neighborhoods. I would like to thank Committee Chair Williams for holding today's hearing on homeownership in NYC.

**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 including the City Council, 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 55,000 homeowners. We have provided approximately \$33 million in direct grants to community-based partners, and we have been able to leverage this funding to oversee another \$30 million in indirect funding support. Other key initiatives include the Interboro Community Land Trust, the Community Restoration Fund, and FloodHelpNY, our home resiliency audit and disaster recovery counseling program. Major funding sources for this work include the New York City Council, the Governor's Office of Storm Recovery, and the Office of the New York State Attorney General, along with other public and private funders.

**Affordable Homeownership Under Threat in NYC**

At the Center, we believe that affordable homeownership is a crucial component of our vibrant and diverse neighborhoods. In the neighborhoods where we work, from Jamaica, Queens, to Wakefield, in the Bronx, affordable homeownership means families can build equity while also benefiting from stable housing costs in a city of rapidly increasing rents. When homeowners are able to afford their mortgage payments, keep up with their bills and make needed repairs, they are able to live, grow and thrive in the city where they have invested their lives, sent their children to schools and pursued their livelihoods. The majority are also able to rent out apartments in their homes to tenants, many of whom pay below-market rents. They are able to continue to contribute to their communities, participate in local institutions, build wealth and provide stable homes for their children. For these reasons, we believe that supporting working- and middle-class homeowners and their communities while investing in new homeownership opportunities for working families must be a top priority for the future of New York City.

Unfortunately, affordable homeownership in New York City has never been more under threat. The legacy of the foreclosure crisis and predatory lending has resulted in tens of 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. Today, nearly half of New York City's homeowners are in a precarious financial position, spending 30 percent or more of their income towards mortgage and other housing costs. Further, an alarming one in four homeowners spend 50 percent or more of their income on housing costs.<sup>1</sup>

Meanwhile, an influx of new, wealthier homebuyers and investors are driving New York City home prices far beyond the reach of all but the wealthiest New Yorkers. Over the last 25 years, home sale prices have risen 200 percent, while real incomes have remained stagnant. As a result, working- and middle-class families in New York today have been largely squeezed out of opportunities to own: for the 51 percent of New Yorkers earning less than \$55,000 a year, only 9 percent of homes on the market are affordable to them.<sup>2</sup> Today, in our working- and middle-class homeowner neighborhoods, speculators and investors pound the pavement, putting up "we buy homes" signs, and knocking on doors. They target financially vulnerable and/or senior homeowners, seeking to buy their homes on the cheap and flip them for big profits. These trends are driving families out of the communities they have called home for decades, and making it impossible for lower- and middle-income New Yorkers to afford new homes.

### **How the City Can Support Affordable Homeownership**

To confront these grave threats to affordable homeownership, New York City must act on two fronts by stabilizing existing homeowners while creating new affordable homeownership opportunities. Together with our partners at the Coalition for Affordable Homes, a coalition of community-based organizations working throughout the five boroughs, we have developed a policy platform that outlines key next steps, which I have brought a copy of today.

The Coalition for Affordable Homes policy platform makes a number of key recommendations:

#### **1) Prevent Displacement of Low- and Moderate-Income Homeowners:**

In the Center's recent survey of East New York homeowners, unaffordable home repairs were the biggest challenge identified, with 63 percent of homeowners reporting that they had an unmet home repair need.<sup>3</sup> While the City provides home repair assistance in the form of grants and loans, existing resources are insufficient to meet demand, and qualifying homeowners must often face lengthy waits for services. We are therefore enthusiastic about the recent announcement of the City's new Home Fix program as part of the Mayor's Housing New York 2.0 plan, and we look forward to working with the de Blasio administration and City Council to ensure the success of the Home Fix program.

We must also continue to support LMI homeowners by ensuring that those who are at risk of foreclosure have access to foreclosure-prevention services, and to that end we'd like to thank the City Council for your generous support of this work. Beyond services, we call on the City to reassess how we

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<sup>1</sup> NYU Furman Center and Citi, Report on Homeownership and Opportunity in New York City, 2016. Available at: <http://furmancenter.org/homeownershipopportunityNYC>

<sup>2</sup> *Id.*

<sup>3</sup> Center for NYC Neighborhoods, East New York: Preserving Affordability in the Face of Uncertainty, October 2017. Available at: [www.cnycn.org/eastnewyork](http://www.cnycn.org/eastnewyork).

treat low-income and senior homeowners with tax and water debt: we should avoid the sale of liens to private investors and therefore minimize the risk of tax lien foreclosures and distressed sales caused by tax lien collections. We also support innovative projects like basement legalization where it is safe to do so, and the Good Neighbor Tax Credit, which would provide a tax benefit to owner-occupants of small buildings (2-4 family homes) who rent apartments to eligible low- and moderate-income tenants at below market rates.

In addition to supports for individual homeowners, we call on the state Legislature to pass a flip tax for New York City. Introduced in 2017, the flip tax bill targets speculative investment driving up New York City home prices by increasing state real estate transfer taxes when a property is being resold after a short period.<sup>4</sup> Such an anti-speculation tax would create a disincentive for the property flipping that inflates home prices and rents. By doing so, we would strengthen the affordability of small residential properties for prospective homebuyers and existing renters. Our research on speculation in the small home market demonstrates the negative impact on home affordability: property flipping reduces the already small pool of affordable homes, and, once resold, properties are generally priced out of reach of most low- and moderate-income families.<sup>5</sup>

## **2) Enhance and Expand Opportunities for Affordable Homeownership:**

Preserving affordable homeownership in the city involves not only protecting existing homeowners, but also creating new tools to expand opportunities for homeownership. Expanding downpayment assistance is one key strategy to support low- and middle-income individuals in purchasing homes, and we commend the de Blasio administration for expanding the amount of downpayment assistance provided by the City as well as increasing eligibility from 80 percent AMI to 120 percent for a limited pool of applicants. This expansion is an important first step, but further expansion is needed to bring New York City's downpayment assistance program up to the levels of assistance provided by cities like San Francisco and Washington, D.C. We are excited to learn more about HPD's "Open Door" program which we anticipate will strengthen the ability of the non-profit sector to build new affordable homeownership units. We should also consider leveraging private investments to support first-time homebuyers, for example by partnering with the private sector on employer-assisted home purchase assistance.

## **3) Implement Community Land Trusts in New York City:**

This fall, the Center was proud to stand with our partners Habitat For Humanity New York City, MHANY Management, Inc., and UHAB to launch the Interboro Community Land Trust, New York City's first community land trust for permanently affordable homeownership.<sup>6</sup> Interboro CLT is one of many fledgling community land trusts in New York City, and we are thrilled to see the City embrace the model

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<sup>4</sup> The Flip Tax Bill (A7406/S6488) was introduced in the Assembly by Assembly Member Erik M. Dilan, and in the Senate by Senator Jesse Hamilton in 2017.

<sup>5</sup> Center for NYC Neighborhoods, The Impact of Property Flipping on Homeowners and Tenants in Small Buildings, April 2016. Available at: <http://cnycn.org/wp-content/uploads/2016/04/CNYCN-NYC-Flipping-Analysis.pdf>.

<sup>6</sup> Learn more about Interboro CLT by visiting our website at [www.interborocl.org](http://www.interborocl.org).

as part of the Housing New York 2.0 plan. While CLTs have an array of possible applications, they are particularly powerful vehicles for preserving the long-term affordability of homeownership, both for single family homes and coops.

The City could further support CLTs in the city by ensuring that new affordable housing development is placed within community land trusts whenever feasible, and particularly in cases where new affordable homeownership units are being developed on city-owned land. In partnership with the state Legislature, we must also develop local tax assessment strategies that ensure long-term sustainability and affordability of properties located on CLT land, and create incentives for the development and transfer of property to community land trusts.

#### **4) Increase Funding for the Creation and Preservation of Affordable Homeownership:**

Finally, we recommend that the City create state and city housing trust funds with dedicated revenue streams, including proceeds from the proposed “Mansion Tax” and our proposed flip tax, to provide flexible funding for the creation, rehabilitation, and preservation of low- and moderate-income homeownership.

The challenges to affordable homeownership in New York City today are unquestionably vast, but we can and must rise to the challenge. Implementing the Coalition for Affordable Homes’ policy platform will require significant efforts on the part of city and state elected officials, as well as substantial financial investment. However, taking action is necessary if we believe that all New Yorkers should have the opportunity to own a home, and not just the wealthy.

Thank you very much for the opportunity to testify today. We look forward to working with you to promote and protect affordable homeownership in New York City.