



**Testimony before the New York City Council Committee on Housing and Buildings,
January 29, 2019**

Good morning. My name is Leo Goldberg and I am the Policy and Research Manager at the Center for NYC Neighborhoods. I would like to thank Chair Cornegy and the members of the Committee on Housing and Buildings for holding today's hearing on legislation to address vacant and abandoned properties and foreclosure data in New York City.

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 74,000 homeowners. We have provided more than \$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. Major funding sources for this work includes the New York City Council, the New York City Department of Housing Preservation and Development (HPD), and the Office of the State Attorney General, along with other public and private funders.

The Center commends the New York City Council for continuing to address the issue of vacant and abandoned properties in our neighborhoods. Also, we are pleased to see so many efforts on the part of City Council and HPD to improve the availability and accuracy of data about New York's housing stock. In our testimony today, I'd like to discuss the interrelated nature of foreclosure prevention, vacant and abandoned properties, and the need for new affordable homeownership opportunities in New York City.

Affordable Homeownership, the Foreclosure Crisis, and Vacant and Abandoned Properties

Ten years after the foreclosure crisis, homeownership in New York City is at a crossroads. Housing prices have rebounded but the state of working- and middle-class homeownership has become measurably more precarious: Today, most New Yorkers are shut out of homeownership due to rising prices, while many existing homeowners struggle to keep up with mortgage payments and other housing costs, taxes, and needed repairs. Nearly half of New York City's homeowners spend 30 percent or more of their income towards mortgage and other housing costs, while an alarming one in four homeowners spends 50 percent or more. Meanwhile, thousands of New York homes are in foreclosure, which puts families at risk of losing their home and properties at risk of becoming vacant and abandoned.

Despite the intense demand for housing in New York City, vacant and abandoned properties continue to be a source of nuisance and blight in many of our communities. In addition to reducing the supply of much-needed housing, vacant and abandoned properties diminish quality of life and economic opportunities in affected neighborhoods. They present health and public safety hazards for community members and lower property values for nearby homeowners. Foreclosure is a major contributor to New York City's vacant and abandoned residential buildings. Many vacant and abandoned properties are known as "zombie properties," meaning that they are in the foreclosure process but have not officially changed hands from the property owner to the bank. In 2015, the New York Office of the Attorney General estimated that there were more than 16,000 zombie homes statewide.¹

In 2016, the New York State Legislature passed the New York State Zombie Property and Foreclosure Prevention Act to combat the rise in zombie properties. The bill requires lenders to maintain zombie properties and register them with the State's Department of Financial Services (DFS). The law also gives local municipalities authority to impose penalties on banks for failure to maintain zombie properties. In New York City, HPD launched the Zombie Initiative in 2017 to implement the new law. Key initiative goals include creating a citywide database of zombie properties, developing policy strategies to prevent and address abandoned properties, and connect struggling homeowners to foreclosure prevention services. In September 2018, New York City used its powers under the new legislation against five lenders for failure to maintain zombie properties in Brooklyn.²

Also in 2018, the City enacted additional legislation to support efforts to identify vacant and abandoned properties: Local Law 29 of 2018, which requires the City to conduct an annual census of vacant and abandoned properties; and Local Law 30 of 2018, which requires the City to report on the vacant buildings or lots under the jurisdiction of HPD, categorized by the potential to be developed or the feasibility of development those buildings or lots as affordable housing.

Taken together, these advances provide a powerful set of tools for New York City to address and combat vacant and abandoned properties. However, there is still more work to be done to prevent blight and foreclosure in New York City neighborhoods while promoting affordable homeownership.

With that in mind, we respectfully submit the following recommendations:

¹ The "Zombie" and Vacant Properties Remediation and Prevention Initiative: Emerging Best Practices, LISC, April 2018. Available at: http://www.lisc.org/media/filer_public/5d/b4/5db4c4b5-d311-4b04-99f8-87bd473029ce/042518_housing_zombie_vacant_properties_best_practices.pdf

² NYC, Targeting Vacant 'Zombie' Properties, Files Suit Against Lenders Including Wells Fargo, Citi, New York Law Journal, Sept. 2018. Available at: <https://www.law.com/newyorklawjournal/2018/09/20/nyc-targeting-vacant-zombie-properties-files-suit-against-lenders-including-wells-fargo-citi/>

Continue to Support Foreclosure Funding

One major strategy for avoiding vacant and abandoned properties is to prevent foreclosures in the first place. To do this, it is essential that homeowners at risk of foreclosure continue to have access to foreclosure prevention housing counseling and legal services. These services help homeowners understand their options and take steps to avert foreclosure. They also inform homeowner about the foreclosure process and their rights and responsibilities so that they understand they can stay in their homes while the process is going forward.

Unfortunately, funding for these foreclosure prevention services is at risk, with statewide services funding set to end on March 31, 2019, unless the Governor and Legislature take action and include funding in the 2019-2020 State budget. Services are currently funded through one-time bank settlement funds that have been depleted. Due to recent changes in how settlements are treated in the State budget, there is no possibility of continuing to fund the network through Attorney General settlement funds.

To combat these cuts, the Center is helping to lead the Communities First campaign, supported by 167 service providers, advocacy organizations, businesses and labor unions, which have a goal of ensuring assistance is available to low- and moderate-income homeowners in every county of New York state.³ The Communities First agenda seeks to preserve the \$20 million in annual funding for homeowner services statewide. These services keep New York families in their homes, protect New York communities from the blight of vacant and abandoned homes, and help municipalities avoid tax foreclosure. We hope we can count on the support of the City Council as we advocate for this crucial funding in the State budget.

Prioritize Vacant and Abandoned Properties for Affordable Homeownership

Since the 1980s, vacant lots and abandoned buildings have been critical resources for creating new affordable housing. However, after years of selling lots to developers, there are few viable city-owned properties left. Continuing to add to the affordable housing stock requires making the most of the opportunities that remain, and we implore the City Council to explore strategies to turn vacant and abandoned properties into affordable housing.

For buildings already in public ownership, permanent affordability should be a top priority. The Center is partnering with Habitat for Humanity NYC, the Mutual Housing Association of New York (MHANY), and the Urban Homesteading Assistance Board (UHAB) in launching the Interboro Community Land Trust (CLT) because we believe the land trust model provides a basis for creating affordable homeownership that will stretch across generations.⁴ The land trust model will allow us to avoid the risk of expiring regulatory agreements or neglectful enforcement by having a responsible nonprofit tied to each home through an ownership interest and a ground

³ See <http://www.nycommunitiesfirst.org> to learn more about the agenda and supporters.

⁴ For more information about Interboro Community Land Trust, visit <https://www.interboroclt.org/>.

lease. CLTs and other vehicles for permanent affordability should be prioritized in the disposition of city assets.⁵

We also support efforts to bring vacant and abandoned housing into public or community ownership through code enforcement and city-sponsored acquisition programs. To that end, the reporting requirements imposed by Intro 226 would provide an additional enforcement tool by requiring owners of vacant properties to register their property as vacant with the City.

Increase Access to Vacant Property and Foreclosure Data

Intros 835 and 1125 seek to mandate the communication of certain data on vacant properties and foreclosures to Council members. The Center works closely with many Council Members and we support efforts to facilitate more action on both foreclosures and vacant and abandoned properties. With an understanding of the challenges their districts face, Council Members will be better equipped to target interventions.

Thank you for the opportunity to testify today. The Center for NYC Neighborhoods looks forward to working with City Council and the de Blasio administration to fight vacancy and foreclosures and promote affordable homeownership.

⁵ The SONYMA Neighborhood Revitalization Program (NRP) is another important resource to address homes that have fallen into disrepair. NRP provides low- and moderate-income buyers with affordable mortgage financing and up to \$20,000 in additional assistance to buy homes in need of expensive repairs. For more information about NRP, visit <http://www.nyshcr.org/Topics/Home/Buyers/SONYMA/SONYMA-NRP.htm>.