



Testimony Before the New York City Council Committees on Housing and Buildings and Oversight and Investigations: Regarding the New York City Third Party Transfer Program

July 22, 2019

Good afternoon. My name is Caroline Nagy and I am the Deputy Director for Policy and Research at the Center for NYC Neighborhoods. I would like to thank Chairs Cornegy and Torres and the members and staff of the Committees on Housing and Buildings and Oversight and Investigations for holding today's hearing on the Third Party Transfer Program.

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 live in 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 90,000 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 include the New York City Council, the New York City Department of Housing Preservation and Development, and the Office of the State Attorney General, along with other public and private funders.

Affordable Homeownership in New York City

I'd like to begin by commending the New York City Council for increasing funding for homeowner services in this year's budget. We are thrilled that this year's budget includes \$2 million for stabilization and foreclosure prevention services, an increase of \$1 million, \$2 million for home repair programs, an increase of \$1 million, and \$1.25 million for the Distressed Mortgage Buy-Back program. On behalf of everyone at the Center, we are deeply grateful for your championship of New York City's working- and middle-class homeowners and we look forward to working with you to ensure that New Yorkers have the tools they need to stay and thrive in their homes.

While the increased funding will go a long way towards realizing this goal, there is still much to be done to confront the many challenges to affordable, sustainable homeownership in New York today. Preserving affordable homeownership is especially important in a city where the racial wealth gap and income inequality have increased significantly over the past decade. This especially holds true for black and Latino families: since 2008, the number of black homeowner households has decreased by nine percent in Queens. In Brooklyn, the number of Latino homeowners decreased by 18 percent over the same time period, even though the total number of Latino households increased by two percent. The

decrease can be attributed to forces making homeownership more difficult for existing homeowners and increasing barriers to homeownership for renters hoping to buy.

Many Homeowners Struggle to Keep Up with Property Taxes

When discussing TPT, it's important to acknowledge that many NYC homeowners struggle to afford property tax, water, and other municipal charges. These charges can be a substantial burden for homeowners trying to keep their properties amid rising real estate values and maintenance costs. We recently surveyed homeowners in East New York, Brooklyn, a community home to thousands of working- and middle-class homeowners, most of whom are people of color. Only 18% of homeowners surveyed reported that they had income left over each month after paying all their bills, while 58% said they break even, and 24% reported that they have to borrow or use credit cards to cover their regular expenses.¹

A recent report from the NYC Comptroller demonstrated that property taxes place a disproportionate burden on lower-income homeowners. For homeowners making below \$50,000 per year, their property tax burden is 12.7%, as compared to higher income homeowners, whose burdens are between 2% and 6%. The study also found that property taxes have soared since 2005 for homeowners across the income spectrum, while incomes have only risen moderately overall and have actually decreased for the lowest income homeowners.²

Rising tax burdens also put LMI homeowners at risk of having their liens sold through the City's annual tax lien sale but generally do not result in their inclusion in TPT. TPT eligibility criteria exclude almost all small homes. Instead, small homeowners have liens sold on their properties in the annual lien sale. As we have testified at previous hearings, the lien sale causes severe financial hardships for the hundreds of homeowners who have their liens sold each year, and thus presents significant challenges to our mission of promoting and protecting affordable and sustainable homeownership in New York City. In November 2016, the Center joined with our fellow members of the Coalition for Affordable Homes to release an analysis of the tax lien sale's impacts on homeowners of Class 1 properties (properties with 1-3 units).³ We found that the tax lien sale disproportionately impacts communities of color. The City is six times more likely to sell a lien in a majority African American neighborhood than in a majority white neighborhood. We also found that once sold to private investors, debts to homeowners mount quickly. Finally, we found that the tax lien sale contributes to property turnover and speculation: of Class 1 liens sold in Brooklyn in the 2011 lien sale, nearly half (42 percent) were sold within five years of the lien sale, compared to 13 percent of all such properties in the borough during that period.

¹ Center for NYC Neighborhoods, East New York: Preserving Affordability in the Face of Uncertainty, Oct. 2017. Available at: <https://cnycn.org/eastnewyork/>

² Office of Comptroller Scott Stringer, Growing Unfairness The Rising Burden of Property Taxes on Low-Income Households, September 6, 2018. Available at: <https://comptroller.nyc.gov/reports/growing-unfairness-the-rising-burden-of-property-taxes-on-low-income-households/>

³ Coalition for Affordable Homes, Compounding Debt: Race, Affordability, and NYC's Tax Lien Sale, Nov. 2016. Available at: <https://cnycn.org/report-compounding-debt-tax-lien/>

What We Do to Prevent Tax Foreclosure

The Center's goal is to keep homeowners in their homes whenever possible, and we work to help homeowners address delinquent taxes before they lead to negative consequences. Each year, the Center works to keep as many homeowners as possible out of the tax lien sale by conducting direct outreach to homeowners on the pre-lien sale lists, and by coordinating with our network partners to assist homeowners in obtaining a payment plan or by qualifying for an exemption. We also support homeowners who have had tax liens sold by connecting them to foreclosure prevention services.

The Third Party Transfer Program

The City's Third Party Transfer program has primarily been used to stabilize distressed multifamily buildings. Few single family homes meet the definition of statutory distress that defines eligibility for TPT and single-family owner-occupied homes are typically subject to the tax lien sale and mortgage foreclosure proceedings when a homeowner is in deep distress.

However, the attention this hearing is drawing to mechanisms for the preservation of safe, affordable housing is critical to small homes in addition to large multifamilies. As the primary source of naturally occurring affordable housing in NYC, homeowners and the rental units they host are in need of our support. We respectfully submit the following recommendations to help NYC homeowners avoid tax delinquency and foreclosure.

Recommendations: Prevent Homeowner Tax Delinquency and Foreclosure:

1. Conduct an Intensive Outreach Campaign to NYC Homeowners

As a city, we must fully commit to making sure that all NYC homeowners who are at risk of foreclosure, deed theft scams, TPT, or who simply live in a neighborhood being targeted by investors know where they can turn to for free, trustworthy help. We recommend conducting a multi-faceted outreach campaign that reaches homeowners using a variety of methods, from advertising and door knocks to community events. The campaign would inform homeowners about services available and how to access them, and let them know that they should never sign anything relating to their home, mortgage, or deed before getting in touch with us.

2. Continue to Invest in Homeowner Services

The Center for NYC Neighborhoods has developed innovative, high-quality services to help keep New York City homeowners in their homes, with a track record of success on behalf of LMI homeowners. This year the Center received \$2,000,000 in City Council funding to support a streamlined approach to financial and physical resiliency for homeowners across New York City through a single point of entry, an increase of \$1 million. These resources will be put to use to ensure that no small homes ever qualify for TPT. Furthermore, for homes who may fit the eligibility criteria, homeowner stabilization services are the critical intervention that can prevent foreclosure and preserve ownership.

3. Fix Tax Lien Policy

The tax lien sale has functionally pushed homeowners to sell rather than being a force for the preservation of naturally occurring affordable housing. The City should prioritize our severe need for affordability by reshaping how tax debts are treated for small homes. Exempting them from the lien sale would be an important step. The lien sale is only one way to collect tax arrears and was only established in 1997. Other strategies are possible that would ensure that LMI homeowners have every opportunity to pay their overdue taxes and also stay in their homes.

Last fall, the City expanded financial options for homeowners at risk of default on municipal charges by introducing means-based and deferred payment options, providing crucial assistance to low-income NYC families. We commend the de Blasio administration for seeking new options for LMI homeowners struggling with delinquent taxes, as well as the Council Finance committee for its advocacy on this issue. Given the negative consequences of the lien sale, the Center strongly supports further reforms to ensure that the lien sale supports the City's affordable housing preservation strategy.

We look forward to partnering with the City Council and the de Blasio administration to continue to champion affordable homeownership in New York City. Thank you for the opportunity to testify today.