HOUSING AS A PUBLIC GOOD

A SOCIAL HOUSING PLAN FOR NYC

a plan by

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for NYC Comptroller

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HOUSING AS A PUBLIC GOOD:
A SOCIAL HOUSING PLAN FOR NEW YORK CITY

Long before the pandemic, New York City was facing a growing housing affordability crisis. Rents were on the rise alongside a booming real estate market whose shiny, new market rate developments were inaccessible to many New Yorkers. The relatively small stock of limited equity or rent-regulated housing in the city, which long provided a more affordable option, was steadily shrinking as time-limited affordability restrictions expired or developers sought to deregulate units. New construction of truly affordable units fell far short of replacing those lost.

New Yorkers are struggling to pay rent and mortgages, and tens of thousands are doubling up with family, living in shelters or on the street. The for-profit, private-sector model for addressing our housing challenges, utilized by the Giuliani, Bloomberg, and de Blasio Administrations, has done too little for those who need it the most and, in too many cases, accelerated gentrification and displacement. The pandemic has now deepened the crises of affordability and homelessness facing tenants and homeowners alike, while leaving empty hotels and debt-ridden properties pockmarking the city.

We will need many tools to prevent a massive wave of evictions in the wake of COVID-19, stave off a private equity feeding frenzy like the one that followed the 2008 mortgage crisis, end the homelessness crisis, and make housing more affordable to working families. Tenants and small landlords who have been unable to pay during the pandemic need immediate relief. The State Legislature must pass a statewide "just cause" eviction law to better protect tenants who are not covered by rent stabilization. We should provide stable, permanent housing for the nearly 80,000 of our fellow New Yorkers who are homeless every night. We should plan for the future of our neighborhoods within a citywide comprehensive planning process that makes sure all communities have a voice, centers racial equity, and insists on sustainability to address the coming threats of climate change. That way, future development can create new housing that genuinely meets our needs and helps us face our future. All of this will take significant investment: the United for Housing coalition calls for a $4 billion per year investment in NYCHA, preservation, development, and rental subsidies.

But to truly confront the scale of New York City's affordability and homelessness crises, we also need a bold new vision for developing and preserving affordable and supportive housing that guarantees permanent affordability, prioritizes community ownership and democratic control, and permanently insulates units from the speculative real estate market.

BRAD'S PLAN

Brad is advancing a bold and detailed plan to create and preserve 542,000 units of social housing—democratically-owned, permanently-affordable rental and cooperative units removed from for-profit speculation—all across New York City. By:

- creating a NYC land bank to purchase real estate assets that fall into default (including hotels),
- requiring that all housing built on city-owned land be social housing,
- dedicating a greater share of city capital funding to social housing,
- ending the speculative lien sale,
- preserving every unit of social housing we already have,
- and launching a new citywide shared equity homeownership program for working-class families,

Brad's plan aims to double the footprint of social housing in New York City over the next generation, creating a robust option for housing for all New Yorkers, including our lowest-income and homeless neighbors.

THE STATUS QUO

When Mayor Ed Koch created New York City's groundbreaking "ten year plan" to confront the crisis of abandonment in the wake of the fiscal crisis of the 1970s, he centered the city's nascent nonprofit community development corporations and built on the city's tradition of cooperative ownership to renovate abandoned buildings into vibrant homes and neighborhoods. Through the Giuliani, Bloomberg, and

de Blasio Administrations, however, there has been an increasing "for-profitization" of the city's affordable housing program, relying on tax breaks and zoning rules to coax private market actors to build affordable units, and increasingly giving city-owned land and capital subsidies primarily to for-profit developers. In recent years, for-profit private developers have received nearly 80% of the city-backed subsidies to create new affordable housing.

A range of programs administered by city agencies (especially the New York City Department of Housing Preservation and Development) subsidize for-profit and non-profit construction and preservation in exchange for long-term regulatory agreements that regulate rents (or sale prices) and protect renters. These programs have created and preserved housing that provides affordable homes to hundreds of thousands of low- and moderate-income New York families. Most of the housing has time-limited restrictions that will expire in the next few decades, at which point those that are in for-profit hands could well cease to provide affordable housing. 234,520 city-backed affordable units will reach (or have already reached) the expiration of their initial affordability between 2017 and 2037.

Some argue that the city's affordability crisis is merely a problem of supply and demand, and that the city should simply upzone all neighborhoods and promote aggressive private development. However, the development of new market-rate units by private developers, of which New York City adds about 20,000 each year, has done very little to meet the needs of those who need it most, or to bring prices down overall. The high costs of land and construction in New York City, coupled with investor appetite for New York real estate, means that market-rate units generally come onto the market at prices far beyond the reach of average New Yorkers, let alone low-, extremely low-income, or homeless New Yorkers. There is little evidence of "filtering," the process through which new supply might filter through the marketplace and result in other units becoming more affordable, within New York City's densely-built, competitive housing market. Even if supply-side conditions were normalized, decades of stagnant wages and rising costs would leave too many New Yorkers out in the cold. Simply upzoning and building more market-rate housing just won't cut it.

To be clear, that doesn't mean that we should discourage all development. Brad has been a champion for thoughtful, equitable development in Gowanus, in his own district, which has the potential to generate 8,000 new housing units, 3,000 of them affordable (including all those on city-owned land), along with the infrastructure needed for sustainable growth. And he has led the fight for comprehensive planning to guide long-term decisions on land use, zoning, and

investments in infrastructure. We will need new development to meet the needs of a growing city in the decades ahead; we must work to align it better with our goals and values. Still, even with regulatory tools and programs that allow the city to get more public benefits, new private sector development alone will not solve the immense challenges of affordability, equity, and sustainability facing our city, and especially not for those with the greatest need. Moreover, without a new approach that builds more confidence in genuinely affordable housing, skepticism about development is likely to continue to constrain what can get built.

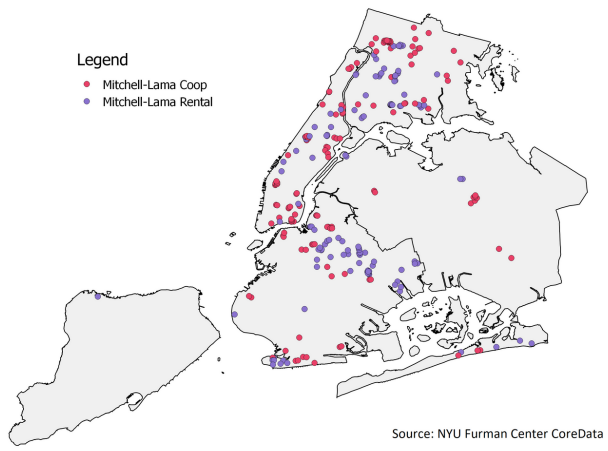
WHY SOCIAL HOUSING

The term social housing is commonly used to describe a range of housing ownership, subsidy, and regulation models. Public housing, limited and shared equity cooperatives, community land trusts, mutual housing associations, and non-profit mission-driven affordable rental housing are some examples of social housing. These models often go beyond what most New Yorkers might consider "affordable housing" because they promote permanent affordability by removing speculative ownership and promoting democratic resident control and social equity. The social housing model aims to redefine housing as a public good and is based on the principle that everyone, no matter their income, background, race, or any other factor, has the right to a decent home (this definition borrows from "Social Housing in the U.S." an excellent primer by Oksana Mironov and Thomas Waters of the Community Service Society).

While social housing is much more widespread in Europe than in the United States, many New Yorkers live in, or close to, social housing developments. The Bronx's Co-op City, Cadman Plaza in Brooklyn Heights, Rosalie Manning on Manhattan's Upper East Side, and Penn South in Chelsea are all examples of limited and shared-equity cooperative and rental housing developments built in the social housing tradition. From 1955 to 1975, nearly 140,000 units of affordable rental and cooperative housing were built in the five boroughs through New York State's Mitchell-Lama Program. There are approximately 30,000 HDFC coops throughout the five boroughs. More than 600,000 New Yorkers live in public housing developments operated by the New York City Housing Authority (NYCHA). The Cooper Square community land trust has saved hundreds of affordable homes on the Lower East Side since 1994. Social housing is scattered throughout New York City; but it has been decades since any level of government has substantially invested in preserving existing units or expanding the model to serve more families.

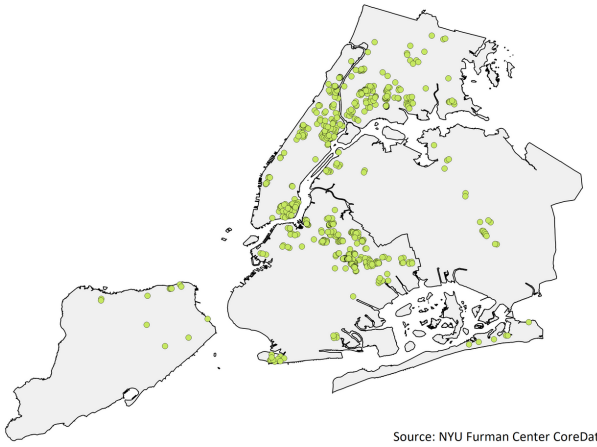
Social housing encompasses both rental units and cooperative homeownership. In homeownership models, like Mitchell-Lama, households buy a share in the development which gives them a right to occupy a unit. They then pay monthly fees to cover maintenance expenses and participate in decision-making around building management. To ensure that limited-equity cooperatives remain affordable, shares have restricted resale values. Potential buyers must meet income limitations, and in the case of Mitchell-Lamas, units cannot be sold on the open market (i.e.

Mitchell Lama Rentals and Coops in New York City
Mitchell Lama housing is one source of social housing in New York City



Source: NYU Furman Center CoreData

New York City Public Housing
Federally-assisted public housing is one form of social housing in New York City



Source: NYU Furman Center CoreData

new homeowners come from a centralized waiting list). The Mitchell-Lama program and other similar models in New York City have provided pathways for affordable homeownership for hundreds of thousands of low- and moderate-income families. Even now in 2020, a two-bedroom unit at Rosalie Manning, a Mitchell-Lama development on Manhattan's east side, costs less than $46,000. The average cost of a market-rate two-bedroom unit in the neighborhood is over $1 million. If we want New York City to be a home for working families, we need 21st century Mitchell-Lamas.

The creation of new social housing (like "public options" in higher education and health-care) will have broad societal benefits that go beyond the families being housed. By establishing a robust public option for housing at a price-point that poor and working-class families can actually afford, a bold social housing program will complement initiatives that increase the private market housing supply. This two track approach offers the best opportunity to drive overall growth so that New York City's recovery from the COVID-crisis is more equitable and just.

The history of Mitchell-Lama also shows that social housing can cultivate solidarity in a way that becomes a genuine, tangible social asset to help the city confront the problems we face. From 1955 to 1981, utilizing subsidized financing and land, the Mitchell-Lama program produced approximately 66,000 subsidized rental apartments (owned by private landlords) and 69,000 cooperative apartments (owned by their residents as social housing) in New York City. Today, about half of the rental units have been privatized by their for-profit owners, who now operate them as market-rate buildings; they are lost to New York City as affordable housing. But despite the overwhelming financial incentive to the cooperators and ongoing efforts by some who favor privatization, only about 7% of cooperative Mitchell-Lama units have gone market-rate, long after they could. Mitchell-Lama residents, organizing together through Cooperators United for Mitchell-Lama, recognize the extraordinary value of social housing—to their families, their communities, and their city—and work tirelessly to preserve it. In addition to financial subsidies, affordable land, zoning, and planning tools, the Mitchell-Lama model of resident solidarity is a social asset that New York City will need to confront our housing challenges in the decades to come.

Doubling the footprint of social housing in New York City will provide a solid stock of affordable housing that is not vulnerable to loss through speculation, will create stability for families and communities in the face of displacement, offer a much greater portfolio of units that are genuinely affordable to extremely low-income families and homeless New Yorkers, and provide a path to cooperative homeownership for tens of thousands of working-class families who currently have no such option. It can also help provide a platform for the genuinely equitable growth our city sorely needs as we work to recover from the COVID-19 crisis, reckon with racial equity and economic disparity, and prepare our coastal city for climate change.

AFFORDABLE TO WHOM?

The current private-sector model of developing affordable housing has done far too little to produce units affordable to very low-income, extremely low-income, and formerly homeless New Yorkers who need it the most. Analysis from the New York City Comptroller's Office found that only one third of new housing units produced through the de Blasio Administration's housing plan were within the reach of extremely low and very low- income households (households making 0-30% and 31-50% respectively of HUD-defined Area Median Income, or $28,830 and $48,050 for a family of three). While this improved in the later years of the Administration, production remains skewed toward low-income households making $76,880 for a family of three. The families at 0-50% of AMI make up some of our city's most essential workers: home health aides, retail workers, building cleaners, and childcare providers. These workers have kept New Yorkers safe during the COVID-19 crisis and continue to power our economy, but have the fewest options for safe, quality, and affordable housing. They are also most likely to be rent-burdened, doubled up, or living in more dilapidated conditions. And while an average of 60,000 New Yorkers slept in New York City shelters each night between 2015 and 2019, only 2,618 homeless households were placed in units created through HPD's affordable housing programs.

Not only has the depth of affordability produced through city programs been inadequate in creating safe, affordable housing for the lowest-income New Yorkers, but there has also been a significant mismatch in what has been built in individual neighborhoods versus what the residents in that neighborhood can afford and/or qualify for. A 2019 IBO Report showed that most extremely low and very low-income units built or preserved by the city since 2014 are within neighborhoods with higher incomes; while most moderate-income units are within lower-income neighborhoods. To be clear: we should be

creating low-income units in wealthier neighborhoods. But low-income families facing displacement from their neighborhoods as a result of rising rents should not find that even the affordable housing created through city programs is beyond their reach.

For-profit, private developers are often reticent to house the lowest-income New Yorkers, sometimes even when they have rental subsidies. Source-of-income discrimination remains rampant in New York City. Further, while Local Law 19 of 2020 was a huge win in guaranteeing that any city-subsidized development above 40 units would include 15% of housing units for homeless New Yorkers (and, to be clear, all new social housing would be subject to this requirement) only significant new investment in democratically-controlled, mission-driven, and market-insulated housing will allow us to move beyond the private actor-driven strategy that has left out the lowest-income New Yorkers.

Social housing, developed and managed not by private actors motivated by profit—but by non-profit, cooperative, or government entities focused on protecting a public good—provides an opportunity for the city to create hundreds of thousands of units for very low-income, extremely low-income, and formerly homeless New Yorkers. In addition, eligibility requirements and applications that preclude many folks from accessing private housing (like credit checks that restrict the unbanked and undocumented) could be lifted, thereby increasing access to safe housing for the most housing-insecure New Yorkers.

RECOMMENDATIONS

New York City won't address its affordability and homelessness crises by relying on the same old private market-driven strategies. We need new strategies that meet the moment. Brad's plan provides detailed recommendations to preserve the entire footprint of existing social housing in New York and build over 150,000 units of new social housing. These units will be permanently insulated from the speculative real estate marketplace, allowing them to be affordable to New Yorkers in perpetuity. Much of the financing for the program relies on existing programs; where new costs are needed they are detailed below (and fall within the new funding levels proposed by the United for Housing NYC coalition).

SECTION I

CREATE AND ACQUIRE NEW RENTAL AND COOPERATIVE HOMES, WITH THE GOAL OF DOUBLING THE FOOTPRINT OF SOCIAL HOUSING IN NEW YORK CITY.

Brad is proposing a plan to create and acquire approximately 15,000 new units of social housing each year, with the goal of doubling the footprint of social housing—from 10% to 20% of New York City's housing stock—over the next generation.

This housing will be created and stewarded by mission-driven nonprofits, community land trusts, and limited-equity cooperatives, with support from the City of New York and federal and state partners. Much of this new social housing will be produced by shifting HPD's existing tools (e.g. city capital subsidies, disposition of city-owned land) from an overwhelming focus on private, for-profits developers toward social housing developers. Brad also proposes the new tools needed, including a New York City land bank and a new shared equity homeownership program, to grow the city's social housing stock significantly.

Financing for this plan will largely come from building on the city's existing commitment to affordable housing with additional city capital commitments. Brad's plan aligns with the proposal from United for Housing NYC (a broad coalition of housing groups) to expand on New York City's existing annual expenditure of approximately $1.5 billion in city capital for affordable housing with an additional $1 billion for HPD program, and $1.5 billion for NYCHA (to be matched by $1.5 billion from New York State). At this moment, an annual increase of $2.5 billion in city capital spending for affordable, supportive, social housing is a smart investment in our city's future. As Brad recently demonstrated in a detailed policy brief entitled "A Capital Mistake for NYC," the city has room to increase capital spending by this amount while still remaining well below the 15% threshold for operating expenses toward long-term debt (New York City is currently at 12%), preserving the city's bond rating, and keeping our budget in balance.

With interest rates at historic lows, a strong desire for counter-cyclical economic stimulus to help the city's economy recover, and a demonstrable long-term need to improve affordability, increased investment in capital assets—and especially in social housing, a permanent public asset to support inclusive growth—makes economic sense for the future of New York City.

Preserving and Expanding Social Housing in New York City					
	Units Produced Each Year	Units Produced over 10 Years	Average Cost Per Unit	New Costs Per Year	Existing Funding
New Social Housing					
Land Bank: Hotels, etc.	1,000	10,000	$100,000	$100,000,000	
Land Bank: City Owned Land	3,000	30,000	$150,000	$0	$450,000,000
Neighborhood Pillars	2,000	20,000	$150,000	$300,000,000	
Half of Projects to Nonprofits	5,000	50,000	$150,000	$0	$750,000,000
Transfer MIH to Social Housing	400	4,000		$0	
Shared Equity: 1-4 Family	2,000	20,000	$140,000	$280,000,000	
Shared Equity: Multifamily	2,000	20,000	$150,000	$300,000,000	
Subtotal New Social Housing	**15,400**	**154,000**		**$980,000,000**	**$1,200,000,000**
	Units Preserved Each Year	Approx. Total Universe*	Average Cost Per Unit	New Costs Per Year	Existing Costs
Preservation					
ML Cooperatives	3,000	65,000	$30,000	$0	$90,000,000
HDFC Cooperatives	3,000	30,000	$30,000	$0	$90,000,000
Nonprofit preservation	3,000	123,000	$30,000	$0	$90,000,000
NYCHA	17,000	170,000		$1,500,000,000	
Subtotal Preservation	**26,000**	**388,000**		**$1,500,000,000**	**270,000,000**
Total Preservation + New	**41,400**	**542,000**			

STRATEGIES

CREATE A NYC LAND BANK TO ACQUIRE DISTRESSED ASSETS

Policymakers in Washington, Albany, and New York City must do everything they can to help financially strapped tenants and homeowners pay their rent, their bills, and weather the current economic storm. However, given the magnitude of the crisis, and public sector inaction on substantial tenant and property owner relief, it is unfortunately likely that a significant number of properties will fall into distress in the months ahead. Instead of allowing those properties to be scooped up by speculators, Brad proposes that the city purchase them through a land bank for conversion to permanently affordable social and supportive housing. The New York City land bank, which could be created through City Council Intro. 118 (authored and sponsored by Brad), would have the authority and capacity to purchase private properties that fall into distress and transfer them to community land trusts, CDCs, or supportive housing providers.

For its first act, the land bank should prioritize the purchasing of distressed hotels that could be converted into permanent affordable and supportive housing for homeless New Yorkers and others in need. With tourism and occupancy rates down and a predicted devastating long-term outlook, an estimated 10-20% of New York City hotels could permanently close leaving as many as 25,000 rooms available for conversion. (Some of these hotels were rented by the NYC Department of Homeless Services during the height of the COVID-19 pandemic as the city moved many congregate shelter residents to hotel rooms to allow for social distancing.) For $100 million each year, the city could acquire approximately 1,000 former hotel units that can be converted into permanently affordable and supporting housing. This would likely be a time-bound program with purchases being made within the next five years.

The city should immediately provide a pool of capital for the land bank to acquire these units, establish a fair per-unit price, and make a time-limited offer to

hotel owners (focusing on hotels of under 200 rooms, outside of the Manhattan core). The city and state should then work aggressively together to enter into a "New York/New York IV" agreement to provide the resources for renovation, operating subsidies, and social services. It is essential that new resources be provided, and not cut into the current pipeline for supportive housing, which SHNNY and its members have worked tirelessly to win. As part of this program, the city must also ensure that hotel workers have the ability to transition into other industries, including priority for new building service and other jobs in their buildings.

Over the longer term, the land bank will develop other strategies for acquisition of distressed or vacant properties, including privately-owned distressed multifamily buildings, and potentially office or manufacturing properties, which would then be transferred to social ownership for publicly beneficial uses.

The land bank would have a strong focus on affordable housing, but not an exclusive one. The success of the Brooklyn Navy Yard shows the promise of a land bank strategy for mission-driven job creation and economic development.

REQUIRE ALL HOUSING DEVELOPED ON CITY-OWNED LAND TO BE SOCIAL HOUSING

While city-owned property is not nearly as central to the city's affordable housing strategy as it was in the years after the fiscal crisis, developments on city-owned land have accounted for one third of the city's total affordable housing development in recent years, according to the Association for Neighborhood and Housing Development. During the de Blasio Administration, roughly 75% of these projects were awarded to for-profit developers (and this is consistent with the roughly 75% of city-subsidized affordable housing units that have been awarded to for-profit developers during the same period).

A 2016 report from the New York City Comptroller's office found that New York City could develop almost 60,000 units of housing on land that it already owns, including vacant or otherwise underdeveloped properties. Brad proposes that any new housing developed on city-owned land, including land controlled by HPD, NYCHA, EDC, or DCAS, should be built as social housing, permanently affordable and immune to the speculative pressures of the real estate market. This could be achieved by passing City Council Intro. 2197 (authored and sponsored by Brad).

For years, the city has sold its land to private developers in exchange for commitments to set aside a percentage of affordable units for a limited duration. While this model has created below-market rate units, they have generally not been affordable in perpetuity (or affordable for the lowest-income New Yorkers), the deals require meeting the profit thresholds of for-profit developers, and they do not embrace the principles of democratic governance and equity that are foundational to social housing.

New York City can develop social housing, including limited and shared equity homeownership and rental housing, on city-owned land by partnering with mission-driven CDCs and other affordable housing nonprofit groups. The city could either retain ownership of the land or transfer it to a community-land trust, limited equity cooperative, or non-profit, mission-driven organization with appropriate deed restrictions and regulatory agreements. The new units developed on city-owned land should be income-targeted at low- and extremely-low income AMIs (0-51% of AMI) to help fill the significant gap between "units needed" and "units produced" for New Yorkers in these income bands. Brad estimates that over 10 years, approximately 30,000 new units could be developed on city-owned land.

EXPAND NYC'S NEIGHBORHOOD PILLARS PROGRAM

In 2018, the New York City Department of Housing Preservation and Development (HPD) announced the launch of its Neighborhood Pillars Program. Funded by Wells Fargo Foundation and the Community Preservation Corporation, the program helps finance nonprofit acquisition and rehabilitation of existing rent-stabilized and unregulated rental buildings to preserve affordability in neighborhoods across the city. Since its creation, the Neighborhood Pillars Down Payment Assistance Fund, which provides financial and technical assistance to participating non-profit housing organizations, has facilitated the acquisition of 10 buildings and a total of 339 apartments. The buildings will ultimately undergo renovations, tenants will receive rent-stabilized leases, and half will be permanently affordable.

Brad proposes expanding the Neighborhood Pillars Program, affording more community development

corporations and non-profit housing organizations the opportunity to purchase buildings, preserve affordability, and protect communities from displacement. The expansion, funded through New York City pension fund investments and an expansion of the NYC Acquisition Fund, would require the creation of 100% permanently affordable social housing managed by community land trusts and nonprofits. With an investment of $300 million each year, the city could develop approximately 2,000 new market-insulated units annually.

Additionally, Brad recommends that the City Council pass the Community Opportunities to Purchase Act (COPA, Intro. 1977), sponsored by Council Member Carlina Rivera, and that the State Legislature pass the corresponding Tenant Opportunities to Purchase Act (TOPA), sponsored by State Senator Zellnor Myrie. These bills would provide "qualified entities" such as non-profit affordable housing developers, CLTs, and tenants themselves (through a limited equity cooperative HDFC) the first opportunity to purchase a building should it come up for sale. Opportunity-to-purchase legislation has been proposed in cities and states around the country, building on Washington DC's TOPA law, passed in 1980, which has helped to preserve thousands of units as low-income, limited-equity cooperatives.

RESTORE THE BALANCE OF CITY SUBSIDY DOLLARS FOR AFFORDABLE HOUSING, SO THAT HALF GOES TO SOCIAL HOUSING

During the Koch and Dinkins Administrations, CDCs, nonprofit organizations, and cooperative HDFCs were the predominant partners for affordable housing created through the renovation of city-owned buildings or built on city-owned land. The Giuliani Administration pivoted the focus of affordable housing development away from nonprofit CDCs and cooperatives and toward for-profit private developers and investors. The Bloomberg and de Blasio Administrations both continued this "for-profitization" of the city's affordable housing programs.

Currently, the majority of city subsidies for affordable housing go to for-profit developers. Analyzing Fiscal Years 2015-2018 (roughly the first term of the de Blasio Administration), the Association for Neighborhood Housing Development found that 79% of city subsidy ($1.76 billion) for new production of affordable housing units went to for-profit developers, and only 21% to nonprofits ($480 million). ANHD also found that for-profit developers were less likely than nonprofits to produce the extremely and very low income units that are most in need.

Brad therefore proposes to restore parity between nonprofit and for-profit developers, with 50% of funds going to non-profit, mission-driven developers. For-profit developers (including MWBEs) would continue to be able to participate equally in city programs, but CDCs, supportive housing groups, community land trusts, and other nonprofit housing providers would be able to play a far greater role. Using the FY15-FY18 numbers, this strategy would have resulted in more than doubling the resources for new social housing, from $120 million to $280 million each year, creating more than 5,000 units of additional social housing every year (or 50,000 units over 10 years) without allocating any additional city subsidy.

Brad also proposes to increase access to opportunities for capacity-building, training, and resources for non-profit developers. A modest increase in funding to organizations providing technical assistance, training, and education to CDCs and non-profit developers will provide a strong platform for them to succeed.

TRANSFER FUTURE AFFORDABLE UNITS CREATED THROUGH INCLUSIONARY ZONING TO SOCIAL OWNERSHIP

New York City has a range of "inclusionary zoning" (IZ, also referred to as inclusionary housing, or IH) programs that either require or incentivize developers to include affordable units in new development. The Koch Administration established the first IZ program in 1987, offering a voluntary 20% density bonus in the city's R10 zoning districts. The Bloomberg Administration established the "designated areas" IZ program in 2005, applied in the Hudson Yards, Greenpoint Williamsburg, and other rezonings, which offered a voluntary 33% density bonus in exchange for 20% affordable housing (at 80% of AMI). The de Blasio Administration established the Mandatory Inclusionary Housing (MIH) program in 2016, which requires development in upzoned areas to dedicate 20% - 30% of new units as affordable, under a range of affordability models.

These programs have created over 5,000 units of affordable housing to date, a relatively modest share of the city's affordable housing production. Inclusionary zoning has generated substantial controversy, since it comes along with density increases that allow developers to create far larger buildings than they would have otherwise. But inclusionary units have some appealing features, since they create units that are permanently affordable without necessarily requiring HPD subsidies.

Since these units are already permanently affordable, and therefore removed from speculative pressure, they could be transferred smoothly from for-profit private ownership into social ownership for long-term stewardship as social housing. Indeed, two recent limited-equity cooperative projects sponsored by the Urban Homesteading Assistance Board (UHAB) were accomplished with resources provided through inclusionary zoning. To increase the city's social housing footprint and ensure effective stewardship, Brad proposes transferring all future units created through inclusionary zoning from for-profit private ownership to a community land trust or mission-driven non-profit for permanent preservation as social housing. This should be done as part of a comprehensive overhaul and consolidation of the city's three inclusionary housing programs. This strategy would cost no additional money and would bring approximately 4,000 units into permanent social ownership over the next 10 years.

REPLACE THE TAX LIEN SALE WITH A SOCIAL HOUSING APPROACH

Rudy Giuliani established the city's "tax lien sale" program in 1996, as part of the "for-profitization" of affordable housing programs. Prior to that time, if property owners fell behind on their property taxes, and failed to pay after multiple opportunities, the city would eventually place a lien on the property, foreclose, and take the property into city ownership (where they often languished for years, before being disposed into new ownership through one of the city's affordable housing programs).

Under Giuliani's new approach, the city began to sell the liens at a discount to a private trust, made up of private investors. The trust employs private debt collectors to seek to recover the full amount of the outstanding debt with interest continuing to accrue at rates as high as 18%, making it hard for homeowners to catch up and establish a feasible payment plan. If property owners still do not pay, the trust forecloses on the property, and it is sold at auction to the highest bidder.

Tax lien sales have disproportionately impacted low- and moderate-income Black homeowners (and Black renters in buildings that get bought by investors and cycle through the lien sale multiple times) in Central Brooklyn and South East Queens. As property values increase through gentrification, property taxes rise faster than the incomes of working-class homeowners, leaving them vulnerable to predatory lenders, property flippers, and deed thieves, which have become rampant in some Black neighborhoods.

Renters in buildings where liens are sold also suffer as maintenance declines, abandonment ensues, and new speculative buyers seek to evict them.

Most cities do not sell their tax liens to a private trust. It is, of course, important to have a system that requires property owners to pay their taxes or ultimately face consequences, to preserve overall tax collections. But the lien sale itself is not necessary for the city's fiscal health. The 2019 tax lien sale brought in just $74 million (on tax lien debt of $120 million), and projections for the current year are just $57 million (out of nearly $30 billion that the city collects in property taxes).

Brad proposes ending the lien sale program and replacing it with a social housing model. Instead of being sold to the private trust, liens would be transferred (at no cost) into the new NYC land bank. Homeowners would have an additional, time-bound opportunity to enter into a payment plan, thus preserving their ownership and providing a revenue stream to the land bank to utilize for affordable housing.

Where homeowners are still unable to pay, the property would be transferred into a community land trust, as proposed by the NYC Community Land Initiative. The homeowner would be able to retain their home under a "shared equity homeownership" model (outlined in more detail in the shared equity homeownership section). They would no longer be able to sell the property at market-rate. Instead, it would become subject to resale restrictions designed to preserve permanent affordability. Any future sales would be subject to resale restrictions providing an affordable homeownership opportunity to a subsequent low-income or working-class family. The homes would thus become part of the city's permanently affordable social housing stock. A similar approach could be applied to tax delinquent multi-family housing as well. Foreclosures and mortgage delinquency rarely occur on CLT-owned land, illustrating how a mission-driven stewardship program can help stabilize the volatility present in the private market.

ESTABLISH A NEW "SHARED EQUITY HOMEOWNERSHIP" PROGRAM

The social and economic benefits of sustainable homeownership, including the potential for wealth-building among low-income and working-class BIPOC New Yorkers, has been well documented. However, in the ten years since the 2008 financial crisis, tens of thousands of Black homeowners have lost ownership over their homes and the related accumulated equity.

The city's homeownership programs must not contribute to gentrification in low-income communities. City funding designated for first-time home ownership must reduce purchase prices to make them affordable to community residents currently residing where homes are being built or acquired. Regulatory agreements, base sale prices, tax abatements, down-payment, and closing costs must be available to ensure affordability applies both to initial purchasers and to future purchasers upon resale. Homeownership programs must provide opportunities to enter the homeownership market for low- and moderate- income people and provide a balance between individual wealth building and long-term affordability.

"Shared equity homeownership" provides an alternative to renting and traditional homeownership that offers many of the material and non-material benefits of homeownership, with the additional benefits of reducing risk to homeowners, while still preserving the city's affordable housing stock, and creating affordable homeownership opportunities for generations to come.

Brad proposes a new citywide shared equity homeownership program created for low-income and working class households, for both 1-4 family homes and multifamily cooperatives. The program, which would be available to families earning from 50% to 100% of AMI, would subsidize the purchase price of both newly developed and existing homes to a level at which they would be affordable with a modest down payment and FHA or conventional mortgage financing. With an investment of $580 million per year, 4,000 units (2,000 from 1-4 homes and 2,000 from multifamily cooperatives) of new shared equity homes could be developed.

Resale restrictions would be structured to keep the home affordable to future buyers, while also enabling owners to share meaningful benefits of home price appreciation. While owners will not realize the outsized returns available in the unsubsidized private market, this model also offers the benefits of a substantially subsidized sale price, which protects the owner against the loss of equity resulting from periodic market downturns. The use of long-term fixed rate mortgage financing means that the bulk of the owner's monthly housing cost is fixed (versus rents, which increase each year). When inflation is taken into account, the owner's housing monthly costs go down each year. The larger initial subsidy—when compared to traditional down payment assistance programs—yields significant long-term benefits to the city by increasing the social housing stock, and ensuring that lower income families who are too often left out of the private market have opportunities to own and that the homes will remain affordable now and into the future.

THE SHARED EQUITY HOMEOWNERSHIP PROGRAM COULD BE UTILIZED IN SEVERAL WAYS:

- **Purchase of a 1-4 family home, cooperative, or condominium units:**
  An income-eligible family would be able to receive the acquisition subsidy, enabling them to purchase a 1-4 family home, co-op, or condo unit that otherwise would have been beyond their reach. If there are rental units in the home, they could be rented as affordable and regulated rents as provided in the regulatory agreement.

- **Development of new multifamily cooperatives:**
  HPD would partner with CDCs and CLTs to develop new affordable, shared equity cooperative buildings, offered at affordable prices, with resale restrictions.

- **Conversion of existing multifamily rental buildings into cooperatives:**
  HPD would provide subsidy for the acquisition (and, where necessary, rehabilitation) of existing multifamily rental buildings, which would be converted to cooperative ownership. This model would work in tandem with the COPA/TOPA legislation sponsored by Council Member Carlina Rivera and State Senator Zellnor Myrie (discussed above).

Homes purchased through the program would become part of a community land trust ensuring enforcement of resale restrictions and access to support for owners in the event of financial hardship.

Given the diversity of models, neighborhoods, and income levels, the program would work differently for a wide variety of families and building types. Here is one model for what it might mean for a family earning $63,000 (80% of AMI) to purchase a single-family home, co-op, or condominium unit.

Shared Equity Homeownership Modeling - Costs			
Initial Cost		**Monthly Costs**	
Home/Unit Price	$390,000	Mortgage Payment	$1,155.54
Subsidy amount	$140,400	Taxes	$326.00
Subsidized sale price	$249,600	Insurance	$163.00
Cost to Buyer	$262,080	Mortgage Insurance	$182.28
Total loan amount *	$257,333		
Down payment	$9,173	Total PITI	$1,826.82

** includes closing costs and FHA upfront mortgage insurance, which is not included in the LTV calculation*

Shared Equity Homeownership Model - Equity and Returns (modeled at 80% AMI, or $62,992)					
Year of Sale	Affordable Income	% AMI	Owner's Equity	Owner's % Return **	Resale Price
Year 1	$62,634	79.60%	$9,173	--	$249,600
Year 5	$68,086	--	$29,748	224%	$270,175
Year 10	$75,678	--	$57,868	531%	$298,295

** not adjusted for inflation*

Assumptions underlying the above modeling:

- *Purchase of a single family detached home or cooperative unit in Queens*
- *FHA financing through a private lender at 96.5% LTV*
- *Affordability calculated assuming a 35% housing cost/income ratio*
- *Resale price increase capped at 2% per year for illustration purposes*

SECTION II

PRESERVE ALL THE SOCIAL HOUSING WE ALREADY HAVE

PRESERVE ALL 65,000 EXISTING MITCHELL-LAMA COOPERATIVES AS PERMANENTLY AFFORDABLE HOMEOWNERSHIP FOR PRESENT AND FUTURE NEW YORKERS

Mitchell-Lama housing cooperatives are one of the best affordable housing models in New York City's history. They are thriving and diverse developments that provide affordable, limited equity homeownership and long-term economic stability to low-income and working-class families. Mitchell-Lama sales prices are maintained by a formula that ensures that shareholders get back what they paid in as a capital contribution, but with no appreciation of the value of that capital. Non-profit operation keeps monthly maintenance charges low for the shareholders (the charges are set at each cooperator's fair share of what it actually costs to operate and maintain the building: no more and no less). The Mitchell-Lama cooperative program has set the gold standard in terms of fairness, decommodification, and preservation of affordability.

Even with the prohibition on equity appreciation, Mitchell-Lama cooperatives have proven far more durable than Mitchell-Lama rentals. Approximately half of the M-L rentals—owned by private developers—have converted to market rate; fewer than 10% of the M-L cooperatives have done so. The original legislation establishing the Mitchell-Lama program did not contemplate privatization; it was intended to provide affordable social housing in perpetuity to future generations of low- and middle-income New Yorkers. However, amendments and rule changes throughout the years now allow Mitchell-Lama owners the ability to either withdraw from the program (resulting in privatization), or reconstitute as less affordable Article XI cooperatives (known as '2 to 11 conversions' or 'semi-privatization').

New York City should make it a policy goal to preserve every single one of the approximately 65,000 Mitchell-Lama cooperatives as permanently-affordable, limited equity homeownership, using the existing Mitchell-Lama formula. They are quite simply too precious to lose, either to privatization or to deterioration.

To help achieve this goal, the New York State Legislature should pass New York State Assembly Bill #A09720A sponsored by Assemblymember Linda Rosenthal to raise the voting threshold currently needed for privatization, and to make rent stabilization automatic for all tenants in Mitchell-Lama rentals whose buildings are privatized. The NYC Department of Housing Preservation and Development should take additional available steps to prevent privatization and rescind the rules that allow for "semi-privatization" through '2 to 11' conversions which increase the resale price as much as twenty-fold.

Alongside the strengthened prohibitions on privatization, the city must provide affordable financing to the Mitchell-Lama cooperatives to allow them to preserve and upgrade their buildings, including the investments needed to comply with the city's new green buildings law, which will reduce operating costs and save energy in the long term.

ENSURE THE LONG-TERM/PERMANENT AFFORDABILITY OF HDFC COOPERATIVES

During the abandonment crisis of the 1970s and 1980s, the city created programs (including the Tenant Interim Lease and Community Management Programs) that allowed residents to acquire their buildings as cooperatives. Known as "HDFCs" (shorthand for Housing Development Fund Corporations, created pursuant to Article XI of New York State's Private Housing Finance Law), these "resale-restricted" cooperative homeownership units, are similar in many ways to Mitchell-Lamas. They require buyers to meet income eligibility requirements, and are often priced much lower than a comparable market-rate unit. Many of these HDFCs were assisted by the Urban Homesteading Assistance Board (UHAB), which continues to support them today.

Currently, New York City is home to approximately 30,000 HDFC co-operative units across 1,300 HDFC co-op buildings. Most buildings receive partial tax exemptions and subsidies to keep operating costs and maintenance charges for shareholders affordable. But HDFCs do not have one consistent regulatory agreement with the city; and individual co-op boards retain significant operational control. Many HDFCs have no restriction in place other than the requirement to sell the units at a price affordable to New Yorkers making no more than 165% of AMI, or $168,960 for a family of three.

Through booms and busts, residential real estate in New York City has experienced substantial price appreciation since the 1980s. As a result, the HDFC cooperatives are under intense market pressures, both internal and external. While HDFC shares can be sold on the open market, there are few regulatory agreements that set clear resale prices and even where those might exist, and there is very little regulatory oversight. Private real estate actors have been targeting HDFC buildings, offering millions of dollars in windfall profits to shareholders by permanently removing buildings from the city's social housing stock. While the Certification of Incorporation (COI) of HDFCs states that HPD must approve any amendment and lays out restrictions for how assets can be disposed, the city and state rarely take enforcement action when buildings are sold at high prices.

Like Mitchell-Lama co-ops, HDFCs were intended to be affordable for low-income and working-class New Yorkers in perpetuity. The city must work with UHAB and HDFC stakeholders on immediate steps to ensure that HDFC resale prices remain affordable to the low- and middle-income families of the future by enforcing the regulatory agreements, providing the resources to make necessary capital repairs and improvements (including those necessary to comply with NYC's green buildings law and modernize for energy efficiency), and developing pathways for stability for HDFCs in financial distress.

SUPPORT NONPROFIT COMMUNITY DEVELOPMENT CORPORATIONS (CDCS) AND SUPPORTIVE HOUSING GROUPS, AND EXPAND MODELS LIKE JOE NYC

Out of the depth of the urban crisis of the 1960s and the abandonment of the 1970s, a new model of nonprofit organization emerged: community development corporations (CDCs). Established with a mission to build community and create opportunity, CDCs understand the unique character of the neighborhoods in which they operate and are committed to mission-driven development of permanently affordable housing. New York City was home to the first CDC in the country—Bedford-Stuyvesant Restoration Corporation, created in 1967—and residents created many more CDCs through the 1970s, 80s, and 90s to save their neighborhoods. CDCs took over abandoned buildings from New York City and renovated them, built new homes on vacant land, and many have continued to thrive, developing a wide range of workforce and economic development, education, community organizing, and social service programs. Through the Association for Neighborhood and Housing Development (ANHD), founded in 1974, CDCs have also come together to win policies that create and preserve affordable housing and thriving, equitable neighborhoods for all New Yorkers.

Over the past 40 years, CDCs have developed over 100,000 units of affordable housing throughout the city. The vast majority of these are rental units, owned by HDFCs which are subsidiaries of the nonprofit CDC. Because these units are owned by mission-driven, nonprofit organizations, they are generally not vulnerable to speculation, sale, or privatization. In other words, they are social housing. CDCs are uniquely positioned to preserve and expand New York City's social housing stock.

However, with limited scale and access to capital, CDCs face ongoing barriers to preserve the buildings they own. Because they often aim to provide housing to low-income families who need it most, the rent rolls for their buildings often do not cover long-term improvements or upgrades for energy efficiency. CDCs need access to sufficient subsidized capital in order to maintain the affordable units they own and some of these resources must come from New York City. But CDCs are also developing new models of collaboration.

Enter the "Joint-Ownership Entity" or JOE NYC. JOE is a nonprofit membership organization that co-owns a portfolio of affordable multifamily properties originally developed by CDCs across the city. The JOE portfolio provides the scale and balance sheet strength necessary to more favorably finance and recapitalize the properties it owns, without individual CDCs having to resort to joint ventures that require them to cede control to larger for-profit developers. By virtue of its nonprofit ownership and mission, the organizations within the JOE are committed to long-term affordability and are not seeking, as a for-profit developer might, to realize appreciation in market value through sale to the highest bidder. The JOE is an innovative, cost-effective model to preserve and enhance the city's social housing stock.

Supportive housing nonprofits (most of which are members of the Supportive Housing Network of New York, or SHNNY) develop and operate "supportive housing," permanent housing with onsite services that help formerly homeless and disabled tenants live in dignity in their communities. SHNNY members have developed over 50,000 units across the state, many of them in New York City. Supportive housing is social housing for those who need it most. Many of these units have been built through three "New York/New York" agreements, in which New York City and New York State have both provided support. One useful model is that the city has provided capital funds to construct or renovate units, while the state has provided ongoing operating and service funds.

Working together with CDCs and supportive housing groups (without additional city spending), New York City can help preserve every unit of nonprofit affordable and supportive housing we currently have.

RESTORE AND PRESERVE THE NEW YORK CITY HOUSING AUTHORITY (NYCHA) SO IT CAN PROVIDE HIGH-QUALITY, PERMANENTLY AFFORDABLE HOUSING

The largest portion of New York City's existing social housing stock is public housing operated by the New York City Housing Authority, better known as NYCHA. NYCHA's nearly 180,000 units are home to approximately 600,000 New Yorkers. NYCHA is in need of serious operational reform and capital investment. Brad supports calls for a dramatic increase in city, state, and federal resources to significantly improve conditions in NYCHA buildings. Tenant leaders and advocates call for a minimum of $2 billion annually in new investment to meet NYCHA's capital needs. United for Housing has proposed an additional $1.5 billion annually from New York City, with a matching amount from New York State. Congressmember Nydia Velázquez recently introduced federal legislation that would provide $70 billion for public housing nationwide, over $30 billion of it for NYCHA. Operational and structural changes are also necessary to reduce the length of time it takes NYCHA to make repairs and improve overall management.

Alongside any new funding, preservation, and operational changes, NYCHA's activities must be consistently and diligently monitored. NYCHA is on the "agency watch list" of New York City Comptroller Scott Stringer and Brad is committed to continue this practice. Brad will provide aggressive and thoughtful oversight, while fighting alongside residents and advocates for the city, state, and federal dollars needed to meet NYCHA's capital needs, make the upgrades needed to comply with NYC's new green buildings law, restore the quality of residents' homes so they can live with the dignity that all New Yorkers deserve, and permanently preserve NYCHA as the largest stock of social housing in New York City. One that provides a safe, stable high-quality place to live to hundreds of thousands of poor, low-income, and working-class New Yorkers.

CONCLUSION

The pandemic has further destabilized New York City's housing market—leaving us a choice to make and an opportunity to fix long-standing problems. Brad proposes a shift in focus away from the for-profit, private sector model that the Giuliani, Bloomberg, and de Blasio administrations have relied on to produce below-market housing, towards a model that invests in public, non-profit, cooperative, and

community-centered strategies that will curb prices around the city and create long-term affordability for hundreds of thousands of New Yorkers.

New York is no stranger to social housing, and it's time to reinvest in models that preserve permanent affordability as we seek to build a more resilient city for generations to come.

The wheels to put this ambitious and achievable plan in motion are already rolling. Brad has introduced legislation to create a New York City land bank and to require all housing on city land to be developed by non-profits. A citywide campaign is pushing for the lien sale to be replaced with a model rooted in community land trusts. Mitchell-Lama cooperators are organizing against privatization.

By treating housing as a public good rather than a vehicle for speculation, we can ensure that all New Yorkers have a home they can afford. This plan is a concrete step towards that possible future.