



## Written Testimony for the New York City Council Committee on Housing and Buildings

Hearing on Int. 1063 Housing Rescue and Resident Protection Act

September 30, 2024

While the Third Party Transfer Program (TPT) is a difficult subject matter, we are heartened by the Council's willingness to engage seriously with the issues, and maintain the core values of the program to preserve safe, stable, and affordable housing in our City. It is unacceptable for New Yorkers to live through disinvestment, neglect, and abandonment. **The Housing Rescue and Resident Protection Act will uphold a critical tool to improve the living conditions of residents in aging and distressed buildings, and it will reform past mistakes to ensure the program truly prioritizes the most distressed properties, improves outreach and notice to residents, helps homeowners get back on track before a crisis, and protects them from speculators and scams.** We also believe additional improvements are necessary to make this legislation effective and ready for implementation.

For over 20 years, UHAB has empowered tenants to become homeowners through the Third Party Transfer (TPT) Program. We've transformed over 1,000 distressed TPT rental units into safe and stable homes where residents have the opportunity for affordable homeownership. We know firsthand that affordable homeownership has stabilized tens of thousands of low-income New Yorkers. Our work to support this community living in nearly 1,200 HDFC co-ops has proven time and again that investing in the preservation of affordable housing is the most cost-effective way to create and sustain homeownership on a large scale. Preservation also reaches deeper levels of affordability and ensures that low-income New Yorkers have access to the security, empowerment, and intergenerational wealth building that homeownership provides.

Given this, it's important to recognize that Round X of TPT was particularly traumatizing for so many low and moderate income residents and homeowners, especially those of color in communities targeted for speculation and predatory scams. It will take serious work to not only address the issues, but also rebuild trust with communities and move forward. Round X also produced disparate outcomes that meant tenants who've lived through decades of deferred maintenance and distress are still waiting for repairs and a path forward.

Take for example one of the two Round X projects UHAB has been working with. While one was swiftly transferred to Neighborhood Restore in 2018 and is currently completing construction, the other was challenged by its owner and waited for a State Supreme court ruling for nearly five years. This project is now only beginning to create a scope of work and the residents—who are mostly low-income Black seniors—have been without cooking gas for five years after a 2019 gas shutoff that took place while the building was returned to the former owner. We offer this example to emphasize that deferred maintenance can lead to serious health and safety issues when left unaddressed, and ensuring the swift



and legal transfer of buildings in the TPT program is necessary to stabilize conditions and protect residents.

We address the proposed legislation bearing in mind these examples, in order to eliminate such barriers to property stabilization and ensure the security of residents. The Housing Rescue and Resident Protection Act has made necessary changes to the program including:

1. **Focusing on the most physically and financially distressed buildings.** In principle, UHAB agrees that it makes sense to target buildings with high indicators of both financial *and* physical distress to prioritize tenants whose housing is most at risk of critical health and safety factors. However, we would urge the Council to allow agency discretion in the number of buildings to pull for each round, which may fluctuate over time.
2. **Eliminating the “block pickup” requirement.** It is essential that this program targets *only* the most distressed housing. The “block pickup” requirement was an antiquated rule and unfairly targeted small homeowners with far fewer municipal arrears. Retooling the definition of distress and specifying which properties can be selected will ensure only the properties with high indicators of financial and physical distress move through the program.
3. **Improving notice and outreach for owners and residents.** The prospect of foreclosure is a traumatizing event, and is often an avenue for speculators to prey on the vulnerable. Increased notice and outreach to owners and residents is essential to ensure all parties associated with an impacted property understand their rights, responsibilities, and options in the TPT process. It is imperative that owners, HDFC board members, and residents receive adequate and appropriate notice that makes the prospect of municipal foreclosure clear but does not cause undue alarm and panic.
4. **Including community land trusts as qualified third parties.** UHAB is a proud partner and founding member of Interboro CLT, and affirms the need to expand the HPD qualified purchaser list to community-based organizations with interest in preserving community-controlled, affordable homes for future generations.
5. **Restoring the pathway for HDFC cooperatives to reform through the program.** While the overwhelming majority of HDFC cooperatives are healthy, the small proportion of buildings in severe distress should be allowed to reconstitute as new HDFC cooperatives, provided they comply with HPD milestones throughout the process. In 2021, UHAB launched the Co-op Improvement Program, which aims to stabilize approximately 260 at-risk HDFC co-ops through intensive technical assistance, leadership development, and financial guidance. We know through our work that the vast majority of HDFCs with distress indicators do not need the TPT program to get back on track, but for those who have no other way of addressing outstanding issues, this program is a lifeline that preserves shareholder equity and affirms intergenerational wealth building.



We also believe the bill needs additional improvements to be effectively implemented and accomplish shared goals of creating safe and dignified housing. Specifically, we would like to highlight:

1. **It is of utmost importance that once a building is designated for municipal foreclosure, it is able to move through the TPT program and receive comprehensive repairs as soon as possible.** Imposing a strict timeline will slow down the process and make it more difficult for residents to receive the investments in their homes they desperately need. In order for this program to work, we must ensure the speedy transfer of control to sponsors so they can begin management and emergency repairs. With so many buildings in distressed physical condition, this is essential to tenant health and safety.
2. **We must create off-ramps for HDFC cooperatives that look beyond financial arrears to address governance and long term financial and capital needs planning.** We would propose an additional option where HDFCs work with an HPD-approved monitor to create a Corrective Action Plan. Often, cooperatively-run buildings in physical and financial distress see those symptoms downstream from the root causes of governance issues. Taking a holistic approach will allow buildings to get back on track sooner, meet achievable milestones, and work toward broader goals.
3. **The proposed ability to remove Tax Class 1 properties in an existing HPD loan pipeline from the TPT list should be extended to HDFC cooperatives.** UHAB is currently providing technical assistance to over 40 HDFC co-ops in HPD preservation programs where shareholders are working to address property tax arrears and invest in capital needs, but cannot move forward without adequate City Capital, HPD staffing, and priority for preservation projects. Shareholders making a good faith effort to address tax delinquency and conditions should not be penalized for pipeline delays.
4. **The Third Party Transfer Program is in need of additional capital funding to ensure the pipeline moves smoothly during the next round.** Many projects in Round X waited over five years before a construction loan closing, while buildings sat with deferred maintenance and tenants waited to receive urgently needed capital repairs. If TPT is focused on creating safe and stable housing, the City must be ready to invest in the buildings selected in a timely fashion.
5. **While reform to TPT is a great first step, we must also invest in programs that address the root causes of physical, financial, and organizational distress before a building gets placed on a TPT list.** This is particularly significant for resident-controlled housing models like HDFC cooperatives. We believe the following measures would help target these root causes and prevent foreclosure:
  - a. Additional **capital funding for HPD preservation pipeline programs** like the Green Housing Preservation Program (GHPP) and the Participation Loan Program (PLP). Because HDFC cooperatives do not have a built-in investment point like LIHTC recapitalization at Year 15 and Year 30, it is essential that shareholders be able to access affordable loans to address capital upgrades, building system replacement, as well as energy efficiency and decarbonization measures.



- b. In that vein, the current version of the **HPD cooperative regulatory agreement** is a major barrier for many HDFC cooperatives. HPD must commit to engage directly with HDFC co-ops and advocates to address outstanding issues and work toward a better regulatory document for this essential stock of affordable homeownership.
- c. **More HPD and DEP programs should be expanded to include HDFC cooperatives** and help address physical and financial distress, such as the Unlocking Doors Program, DEP Amnesty Program, and Landlord Ambassador Program (LAP). We are heartened to hear that HPD is already moving to expand LAP to HDFC cooperatives, and hope to see progress in other program areas as well.

These and other reforms will help to ensure that we target the root causes of distress and keep buildings off the TPT list, while allowing for the existing program to function more effectively.

All New Yorkers deserve the right to safe and dignified housing. The City Council's Housing Rescue and Resident Protection Act improves upon the TPT Program with desperately needed fixes to stabilize existing homeowners before they reach the point of foreclosure, while reopening a path to quality housing and ownership for New Yorkers most impacted by legacies of racial disinvestment and redlining. This piece of legislation addresses many of the essential issues, but requires additional tweaks to make it fully effective and ready for implementation. We are eager to continue to dialogue with the Council regarding this essential program.