Third Party Transfer Program

Working Group Session 1 - September 10, 2019
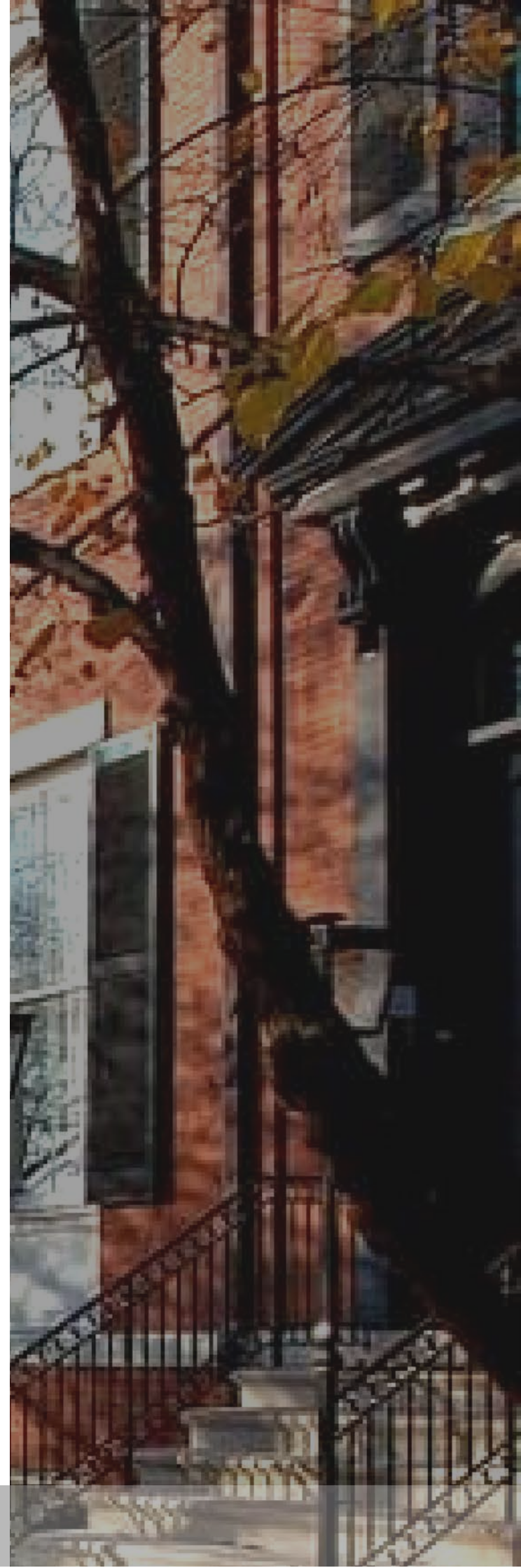
Co-Chairs:

Louise Carroll, Commissioner of NYC Housing Preservation & Development

Council Member Robert E. Cornegy, Jr., Chair of Housing and Buildings Committee of NYC Council

Agenda

1. Working Group Purpose and Goals
2. TPT Overview
3. TPT Context: The City, The Challenge
4. Break
5. TPT Discussion
6. Working Group Next Steps

TPT Working Group: Purpose and Goals

▼ **Purpose:**

To update the TPT program such that it achieves its intended impact of stabilizing properties in crises

▼ **Goals:**

1. Discuss the housing context and challenges the program is intended to address.

2. Receive actionable feedback from Working Group members to enhance the program.

3. Discuss potential program enhancements based on Working Group feedback.

TPT Overview

Managing residential properties in New York City…

is challenging

City Resources

The City has several ways to engage with owners before the properties reach the point of crisis.
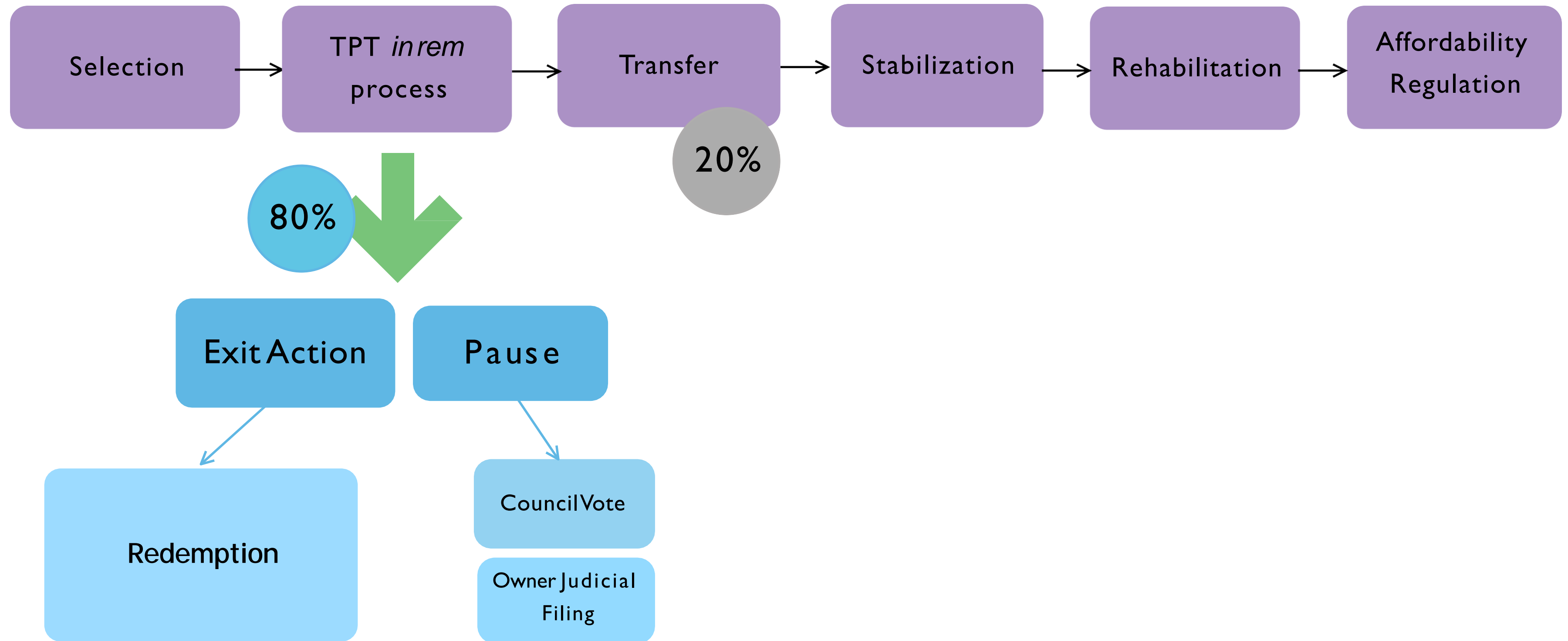
TPT Overview: Mission and Objectives

The purpose of the Third Party Transfer Program is to enforce tax collection and address crisis conditions with the goal of stabilizing the physical and financial health of the property and keeping it safe, habitable, and affordable for its occupants. It does so by...
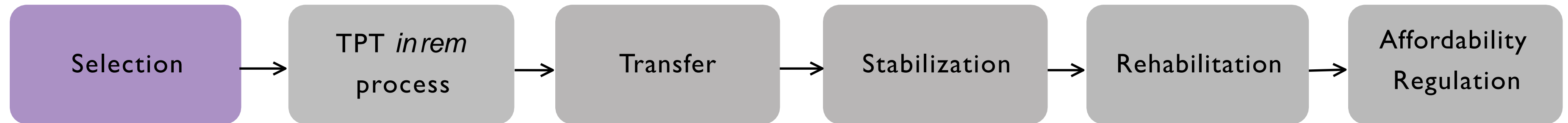
★ **Improving living conditions**
   through investment and rehabilitation

★ **Ensuring ongoing quality City services**
   through the collection of municipal arrears

★ **Protecting residents from displacement, disinvestment, and speculation**
   through improved property and asset management

TPT Overview: Most Recent Process

Selection → TPT *in rem* process → Transfer → Stabilization → Rehabilitation → Affordability Regulation

80%

20%

Exit Action

Pause

Redemption

Council Vote

Owner Judicial Filing

TPT Overview: Most Recent Process - Selection

Selection	→	TPT *in rem* process	→	Transfer	→	Stabilization	→	Rehabilitation	→	Affordability Regulation

Tax Class 2
1 year of arrears

Tax Class 1 & HDFC Coops
3 years of arrears

Block Rule
Must pick up entire block

Sold Tax Liens
Cannot foreclose on a property with a sold lien

Administrative Code

11-404(a)

"Whenever it shall appear that a tax lien or tax liens has or have been due and unpaid for a period of at least one year …may be summarily foreclosed in the manner provided in this chapter, notwithstanding the provisions of any general, special or local law…"
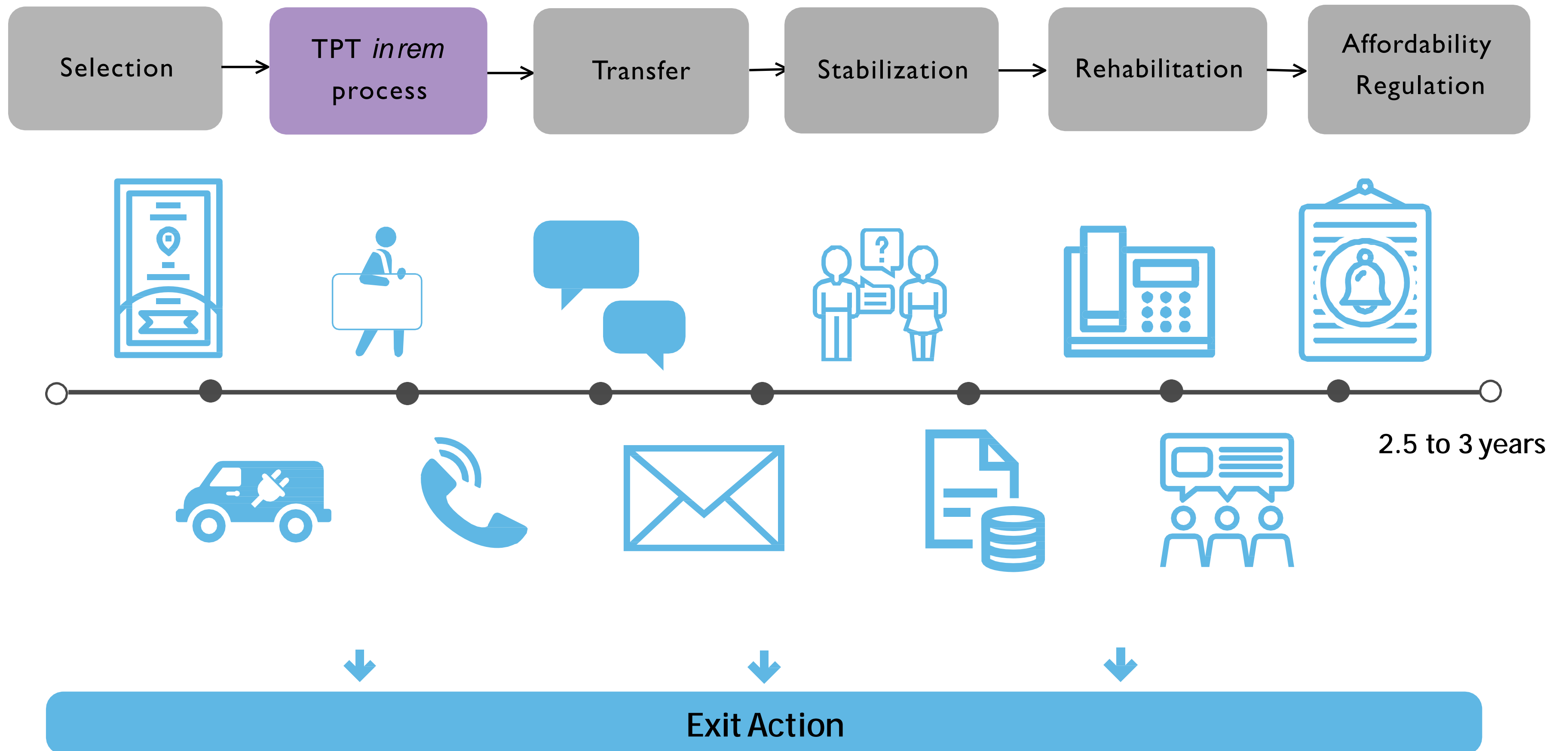
11-405(a)
"The commissioner of finance from time to time shall prepare a list…on which there are tax liens subject to foreclosure pursuant to this chapter, provided, however, that no such portion shall be smaller than a block…"
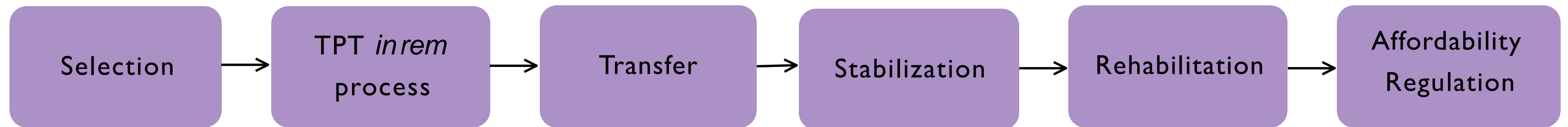
11-402(a)

"The provisions of this chapter shall be applicable only to tax liens owned by the city."

TPT Overview: Most Recent Process - TPT *in rem* Process

Selection → TPT *in rem* process → Transfer → Stabilization → Rehabilitation → Affordability Regulation

2.5 to 3 years

Exit Action

TPT Overview: Most Recent Process - Post-Transfer

Selection → TPT *in rem* process → Transfer → Stabilization → Rehabilitation → Affordability Regulation

TPT Context:
The City, The Challenge

CONTENT

1. Definitions & Housing Stock Typology

2. Signs of Financial & Physical Challenges

3. Historic Context of Properties with Challenges

4. City Goals, Compliance, & Enforcement

5. Distribution of Financial & Physical Challenges

6. Recap and Summary

Housing Stock Typology

Deining Key Terms

What Is Administrative Data?

Agencies collect data about their operations, these data are called administrative data, and they can inform how well agency goals are being met

Why Use Administrative Data?

These data are available on every building in the city

New Yorkers can access these data and challenge their veracity

Housing Stock Typology

Property
A lot with one or many buildings, owned by the same entity

Co-op
Owner owns a share in a cooperative with other shareholders, can be a Housing Development Fund Corporation (HDFC) or not

Rentals
Small or large-scale tenant-occupied properties, can be a HDFC or not

Condo
Owner owns a single unit in a building with other individual unit owners

Small Homes
One-to three-unit properties, can be owner-occupied or a rental

Homeowner Tax Exemption Status
We use exemption status as a proxy to identify owner-occupied properties

Housing Stock Typology
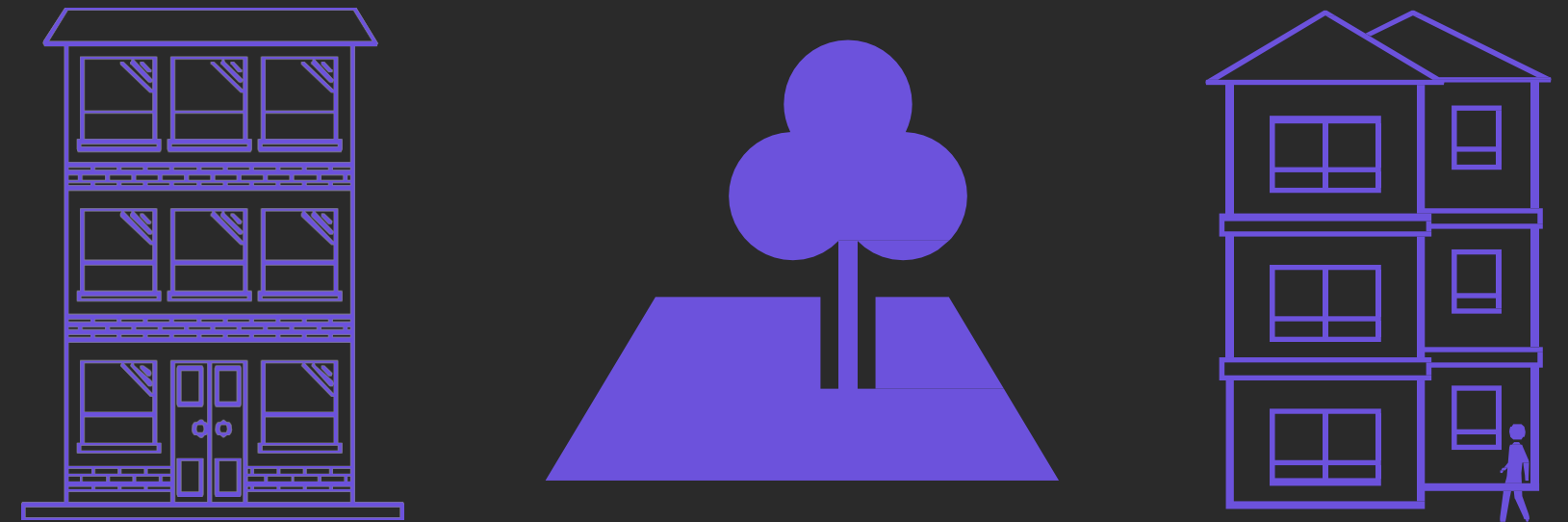
Deining Key Terms Cont.

DOF Tax Classes

NYC Properties are divided into 4 classes

Classes 1 and 2 are the City's residential properties, Classes 3 and 4 are utility and other commercial property types (e.g., office buildings, hotels, stores, etc.)

CLASS 1

One-to three-unit, predominantly residential properties and certain vacant land

CLASS 2

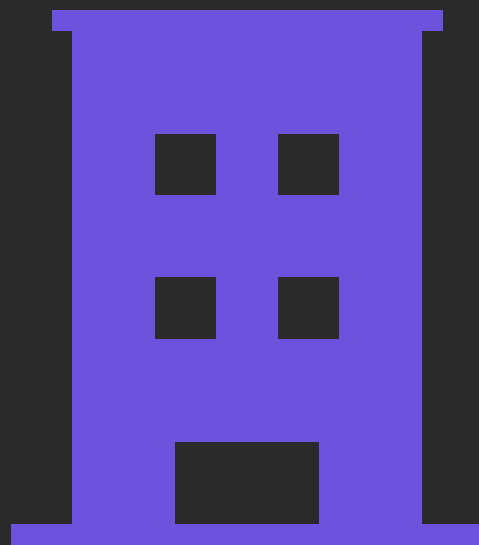Residential properties with 4+ units, including condos and co-ops

Housing Stock Typology

Characteristics of Class 1 and Class 2 Residential Properties

1 **CLASS 1**

87%

of residential properties

2 **CLASS 2**

13%

of residential properties

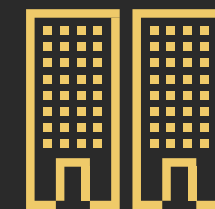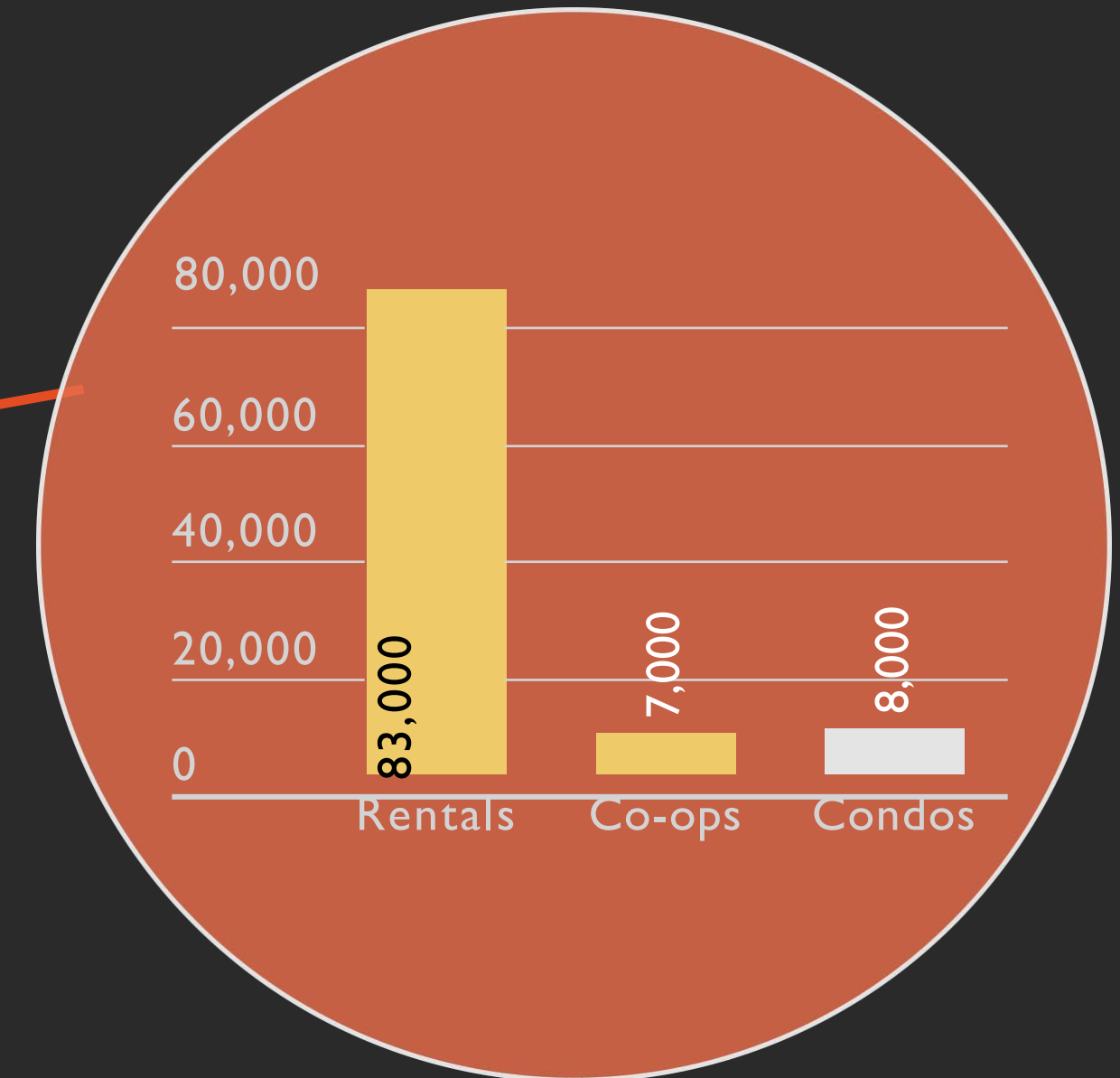|	Rentals	Co-ops	Condos
80,000	83,000		
60,000			
40,000			
20,000		7,000	8,000
0			

NYC Residential Properties

Approx 780,000 residential properties

2 **Class 2 Breakdown**

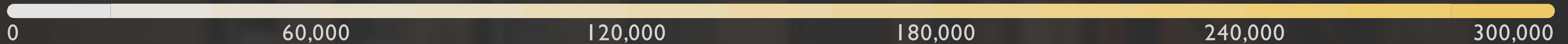85% of Class 2 properties are rentals, 7% co-ops, and 8% condos

Condos

TPT program rehabilitates and stabilizes the entirety of a property, therefore, condos are excluded from all further analyses

Housing Stock Typology
Number of Residential Properties by Borough

775,000 Total Properties

Bronx

Manhattan

Queens

Brooklyn

Staten
Island

| 0 | 60,000 | 120,000 | 180,000 | 240,000 | 300,000 |

Housing Stock Typology
Number of Residential Properties by Borough and Tax Class

CLASS 1

1

CLASS 2

2

Bronx
Manhattan
Queens
Brooklyn
Staten Island

Bronx
Manhattan
Queens
Brooklyn
Staten Island

775,000 Total Properties

| 0 | 60,000 | 120,000 | 180,000 | 240,000 | 300,000 |

| 0 | 5,000 | 10,000 | 15,000 | 20,000 | 25,000 | 30,000 | 35,000 | 40,000 |

Housing Stock Typology
Percent of Homeowner-Occupied Properties by Borough and Tax Class

CLASS 1

CLASS 2

775,000 Total Properties

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%   0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
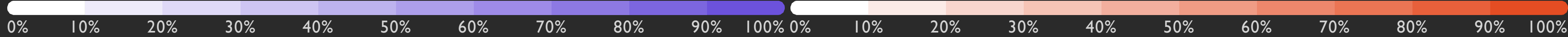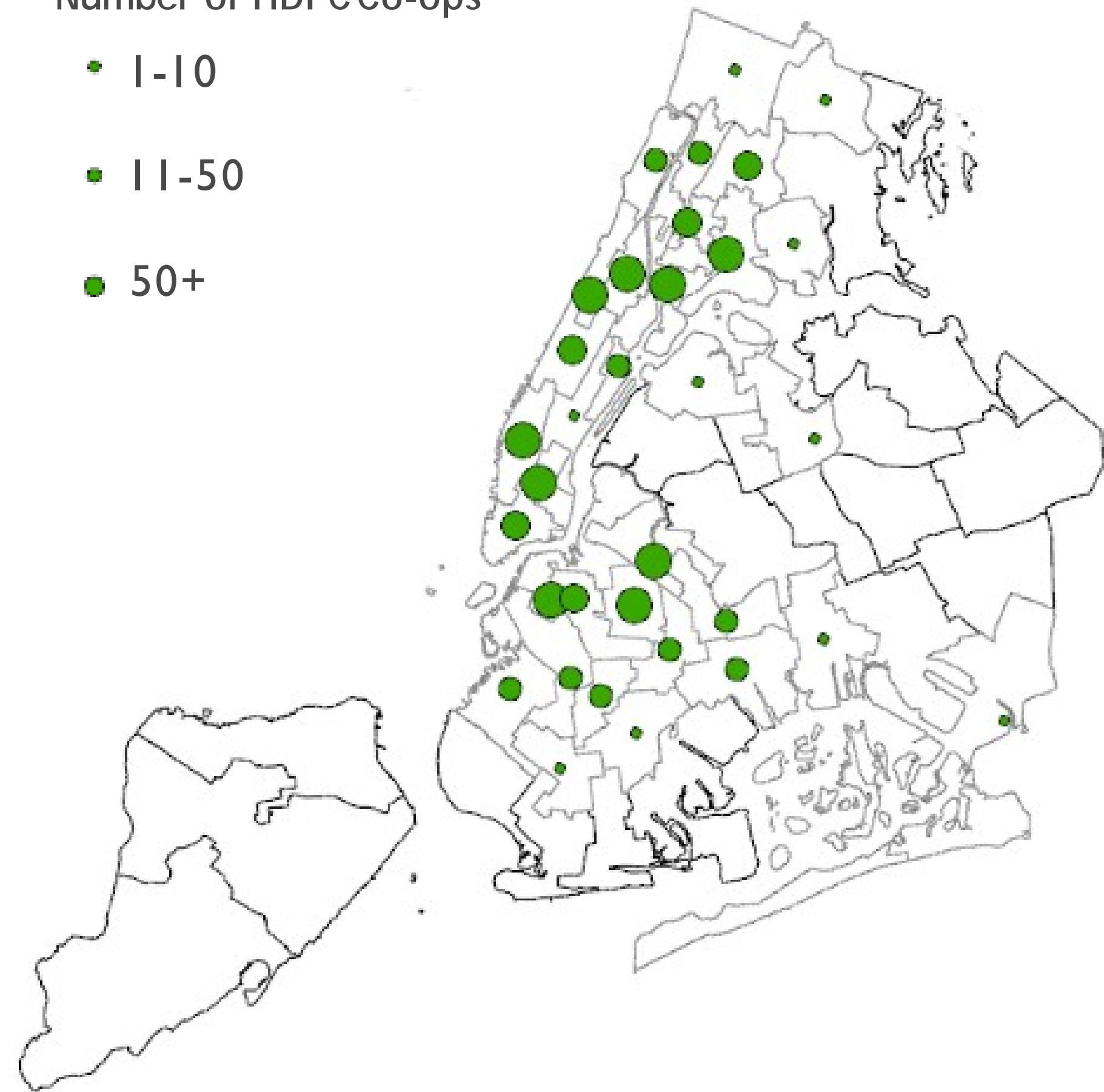
HDFC Co-ops by Council District

Number of HDFC Co-ops

- 1-10
- 11-50
- 50+

Revisiting TPT Objectives

The purpose of the TPT program is to enforce tax collection and address crisis conditions with the goal of stabilizing the physical and financial health of the property and keeping it safe, habitable, and affordable for its occupants. By...

Improving living conditions through investment and rehabilitation

Ensuring ongoing quality City services through the collection of municipal arrears

Protecting residents from displacement, disinvestment, and speculation through improved property and asset management

Signs of Financial and Physical Challenges

Measuring Property Health

PHYSICAL

HPD's Housing Maintenance Code Violations:
- Open B (hazardous) and C (immediately hazardous) violations issued between 2016-2018

HPD's Emergency Repair Program (ERP) Charges:
- HPD administers ERP to correct immediately hazardous conditions

- Charges for required work are billed to the owner's DOF property tax statement

- Unpaid ERP becomes an enforceable lien on the property

Signs of Financial and Physical Challenges

Measuring Property Health

FINANCIAL

City Municipal Arrears:
- Past due DOF property taxes and DEP water and sewage charges

DOF Value:
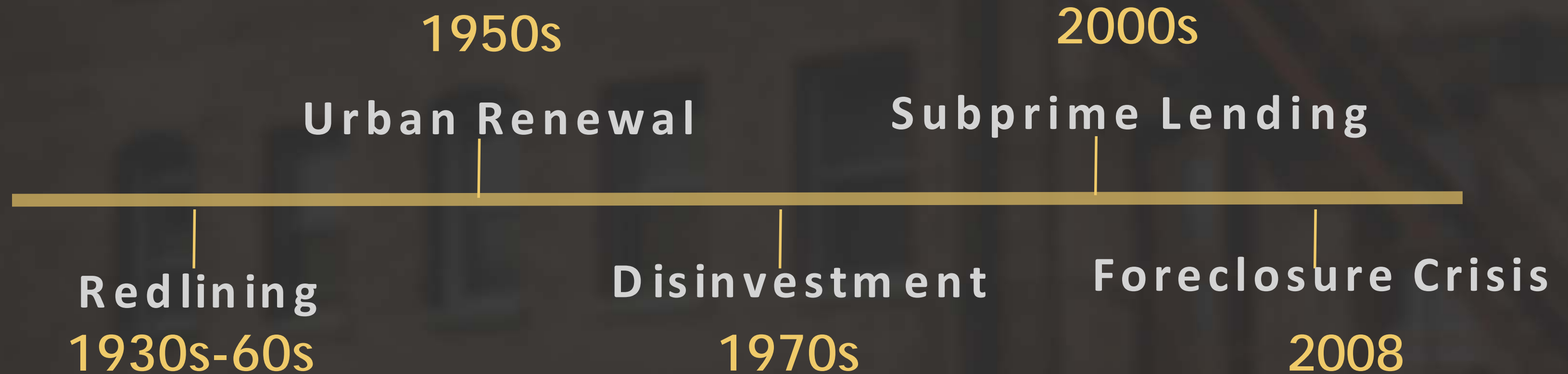- Used to determine property tax liability amount

Lien-to-Value (LTV):
- Ratio of municipal arrears to DOF value

- LTV is a measure of how far behind a property has fallen on their tax liability

Citywide Historic Context of Properties with Financial Challenges

1950s

Urban Renewal

2000s

Subprime Lending

Redlining
1930s-60s

Disinvestment
1970s

Foreclosure Crisis
2008

Citywide Historic Context of Properties with Financial Challenges

Definitions for Working Group Discussion

Lis Pendens Risk

High geographic concentration of properties receiving multiple 90-day private mortgage foreclosure notices

Tax Lien Sale Risk

High geographic concentration of properties appearing on the 90-day tax lien sale at-risk list for the last 3 years
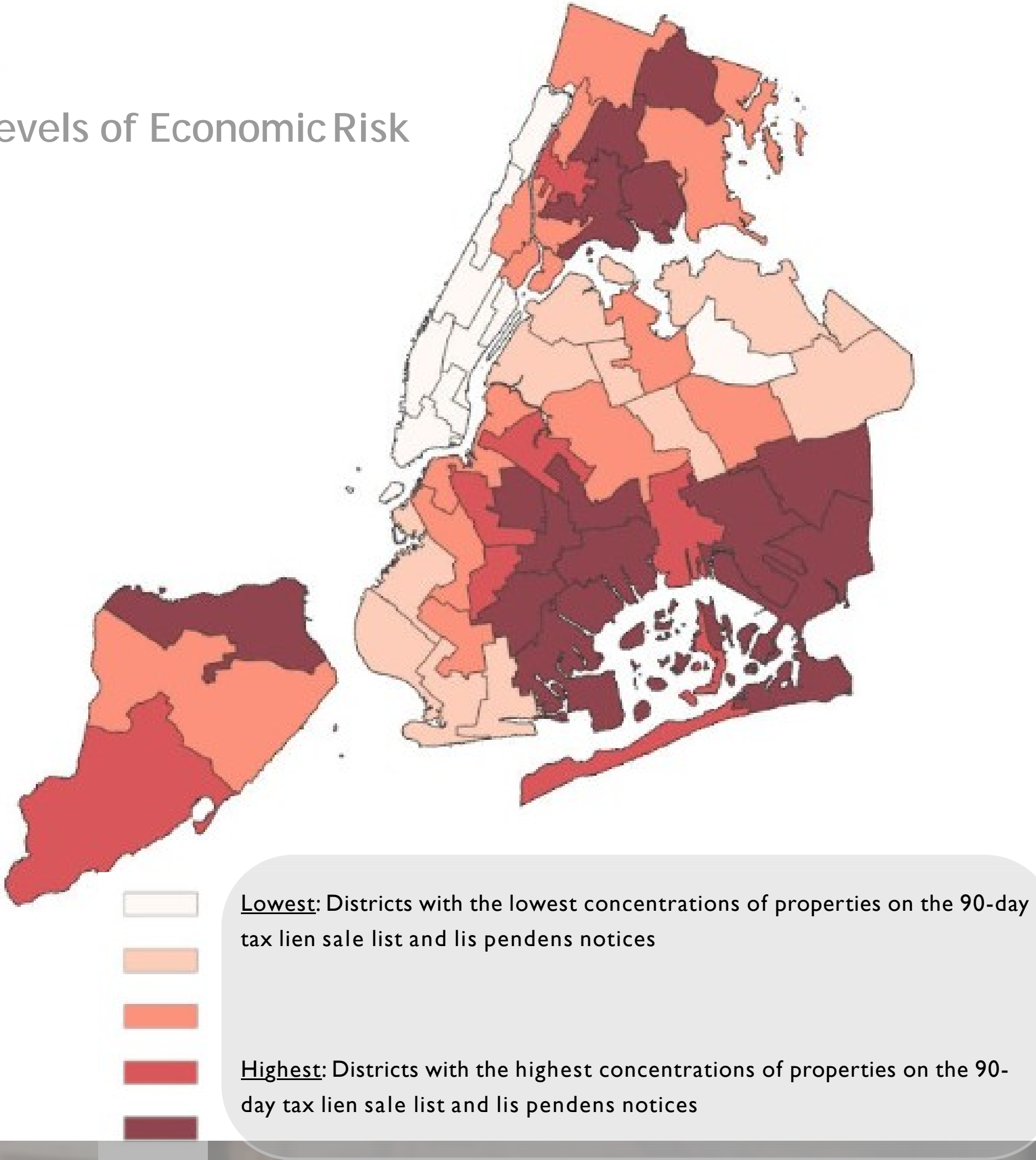
Economic Risk

High geographic concentrations of properties at risk for both lis pendens and tax lien sale risk

Citywide Historic Context of Properties with Financial Challenges

Citywide Properties with Economic Risk

Levels of Economic Risk


Lowest: Districts with the lowest concentrations of properties on the 90-day tax lien sale list and lis pendens notices

Highest: Districts with the highest concentrations of properties on the 90-day tax lien sale list and lis pendens notices

Citywide Historic Context of Properties with Financial Challenges

Investment and Rehabilitation

Through the years, the City has worked to invest and rehabilitate areas with the highest levels of economic risk.
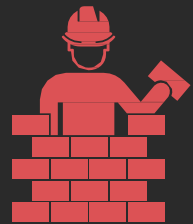
Housing Investment

Since 2000, the city has financed 15,000 properties in these areas

Housing Quality

Emergency Repair Program (ERP): Between 2014 and 2019, more than $84m spent to correct hazardous conditions of 9,300 properties in these areas

Alternative Enforcement Program (AEP): The majority of AEP properties (~700) were in these areas

Citywide Historic Context of Properties with Financial Challenges

Investment and Rehabilitation

Through the years, the City has worked to provide support in the areas with the highest levels of economic risk.

Operational Support

Landlord Ambassador Program (LAP)

HDFC Technical Assistance (Provided by UHAB and NHS)

Home Water Assistance Program (HWAP)

DOF Payment Plans & DEP Payment Agreements

Time for a 2-minute stretch break

85% have no arrears or violations

Most properties have no municipal arrears and have no recent open violations

12% owe $1.1 billion

92K properties owe $1.1 billion in total past due property tax and water charges
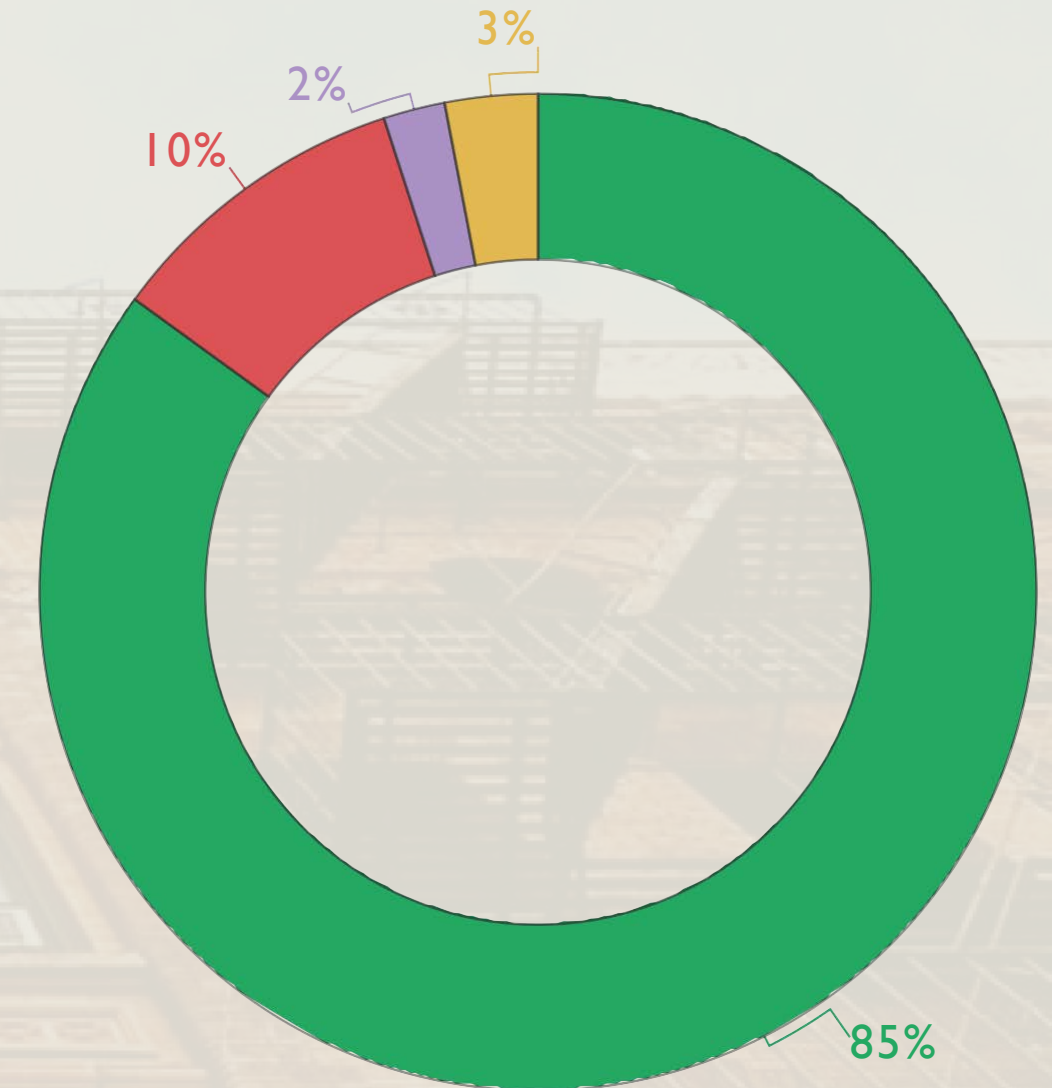
5% have violations

40K were issued more than 430K B and C violations between 2016 and 2018
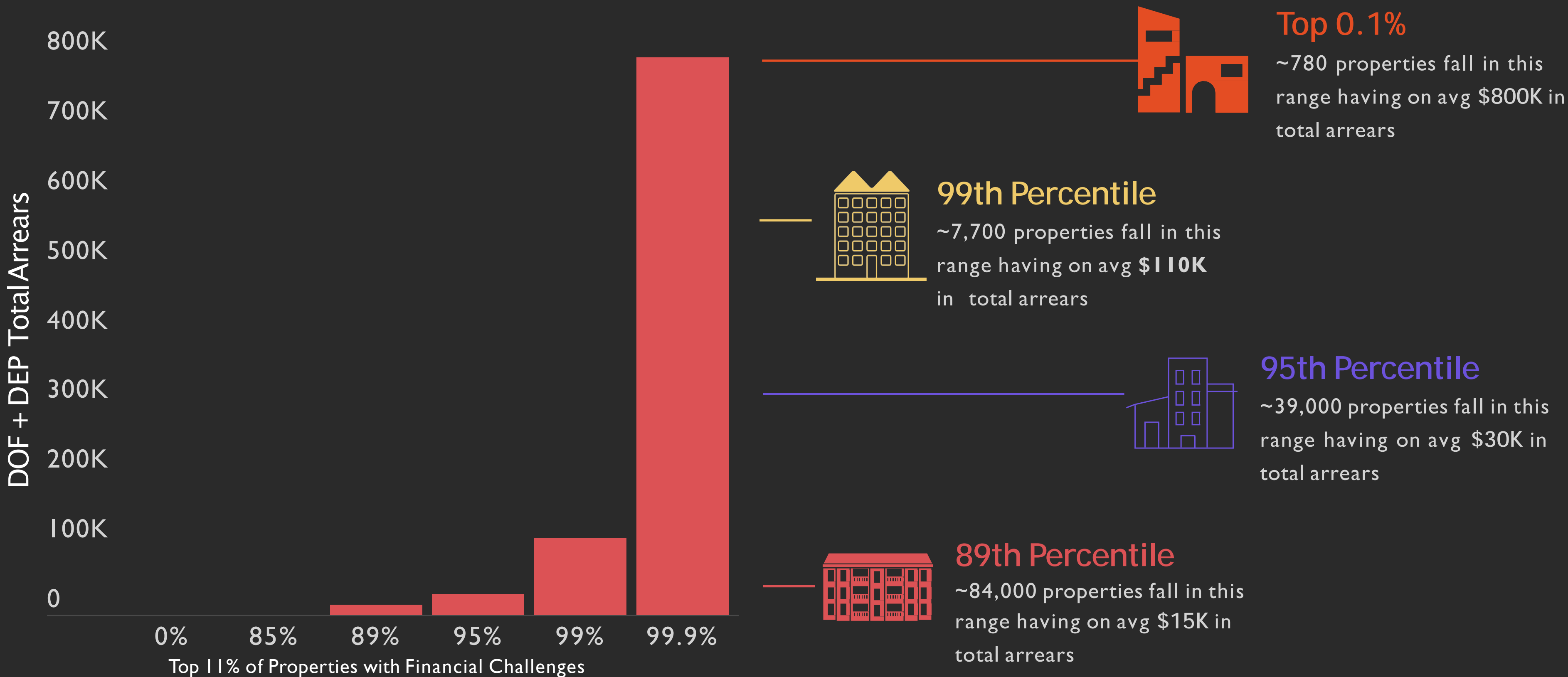
775,000 Residential Properties

- No Challenges
- Only Financial
- Both Financial and Physical
- Only Physical

3%

2%

10%

85%

City Goals, Compliance, and Enforcement

Citywide Distribution of Financial Challenges

DOF + DEP Total Arrears

800K

700K

600K

500K

400K

300K

200K

100K

0

0%   85%   89%   95%   99%   99.9%

Top 11% of Properties with Financial Challenges

Top 0.1%
~780 properties fall in this range having on avg $800K in total arrears

99th Percentile
~7,700 properties fall in this range having on avg **$110K** in total arrears

95th Percentile
~39,000 properties fall in this range having on avg $30K in total arrears

89th Percentile
~84,000 properties fall in this range having on avg $15K in total arrears

Citywide Distribution of Physical Challenges

Top 0.1%
~760 properties fall in this range having on avg 110 **open and recent B + C violations**

99th Percentile
~7,200 properties fall in this range having on avg **40 open and recent B + C violations**

95th Percentile
~31,000 properties fall in this range having on avg 15 open and recent B + C violations

Open and Recent B + C Violations

110
100
90
80
70
60
50
40
30
20
10
0

0%   95%   99%   99.9%

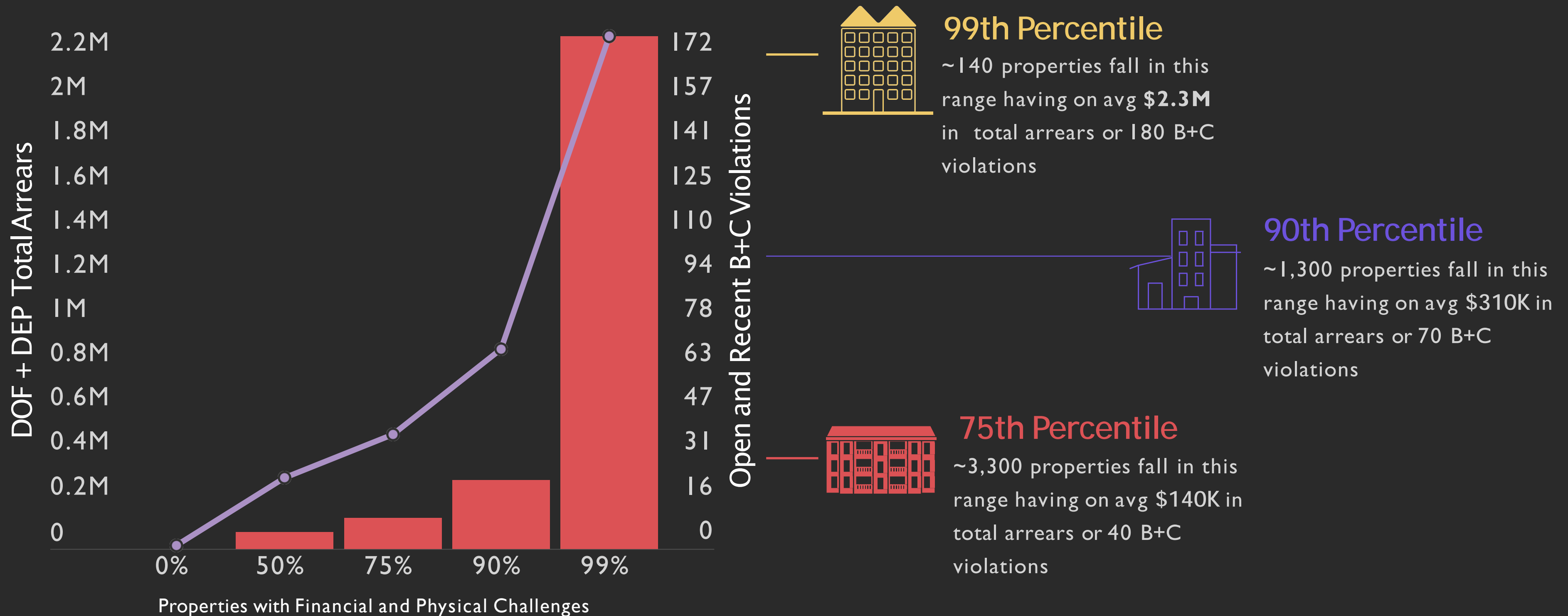Top 5% of Properties with Physical Challenges

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Citywide Distribution of Physical and Financial Challenges

● DOF + DEP Arrears ● B+C Violations

DOF + DEP Total Arrears

2.2M
2M
1.8M
1.6M
1.4M
1.2M
1M
0.8M
0.6M
0.4M
0.2M
0

Open and Recent B+C Violations

172
157
141
125
110
94
78
63
47
31
16
0

0%   50%   75%   90%   99%

Properties with Financial and Physical Challenges

99th Percentile
~140 properties fall in this range having on avg **$2.3M** in total arrears or 180 B+C violations

90th Percentile
~1,300 properties fall in this range having on avg $310K in total arrears or 70 B+C violations

75th Percentile
~3,300 properties fall in this range having on avg $140K in total arrears or 40 B+C violations

City Property Tax and Water Charges
Top 1% of Properties, Property Tax and Water Charge Arrears (Per Dwelling Unit)

Class 1   Class 2

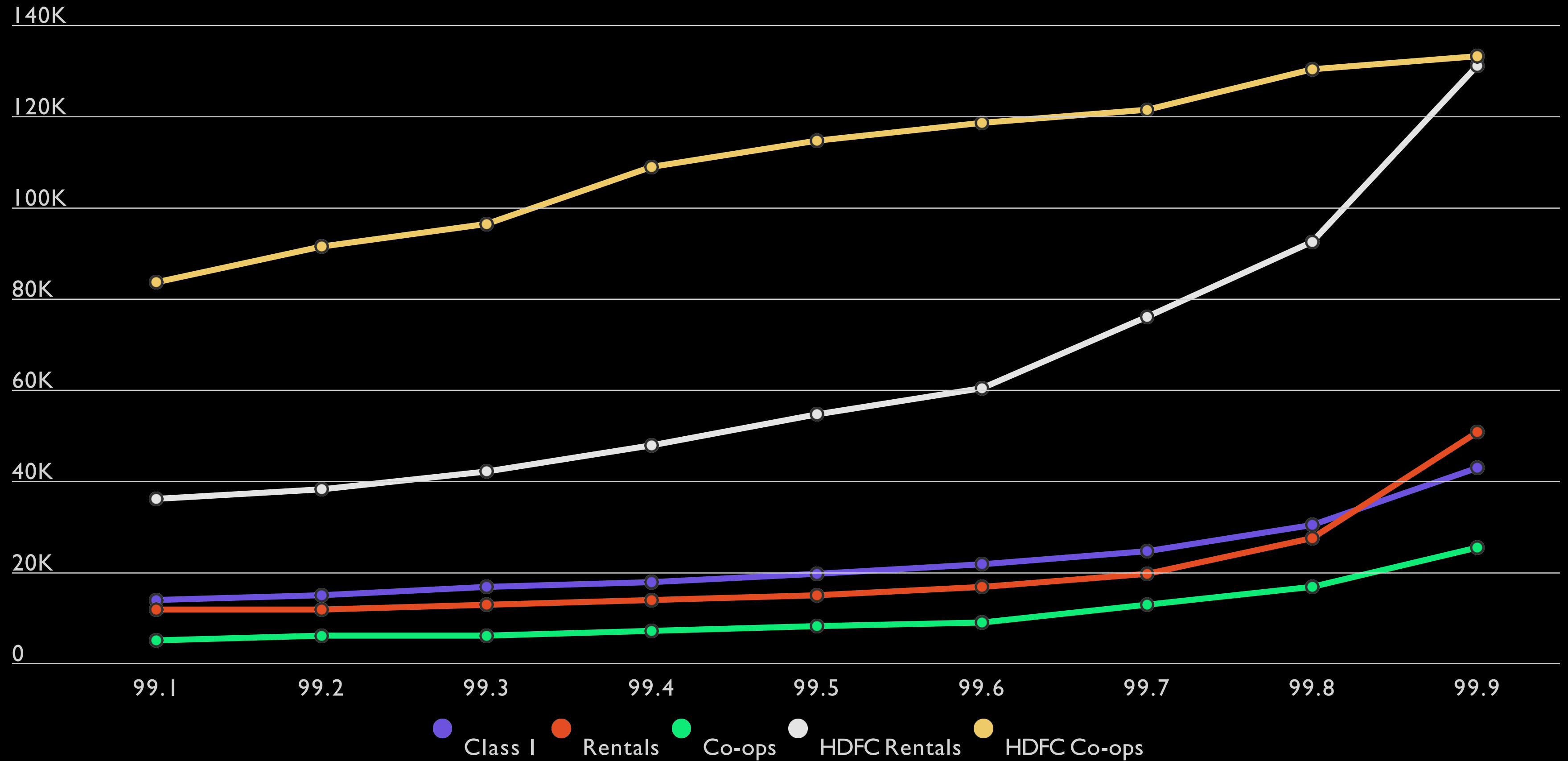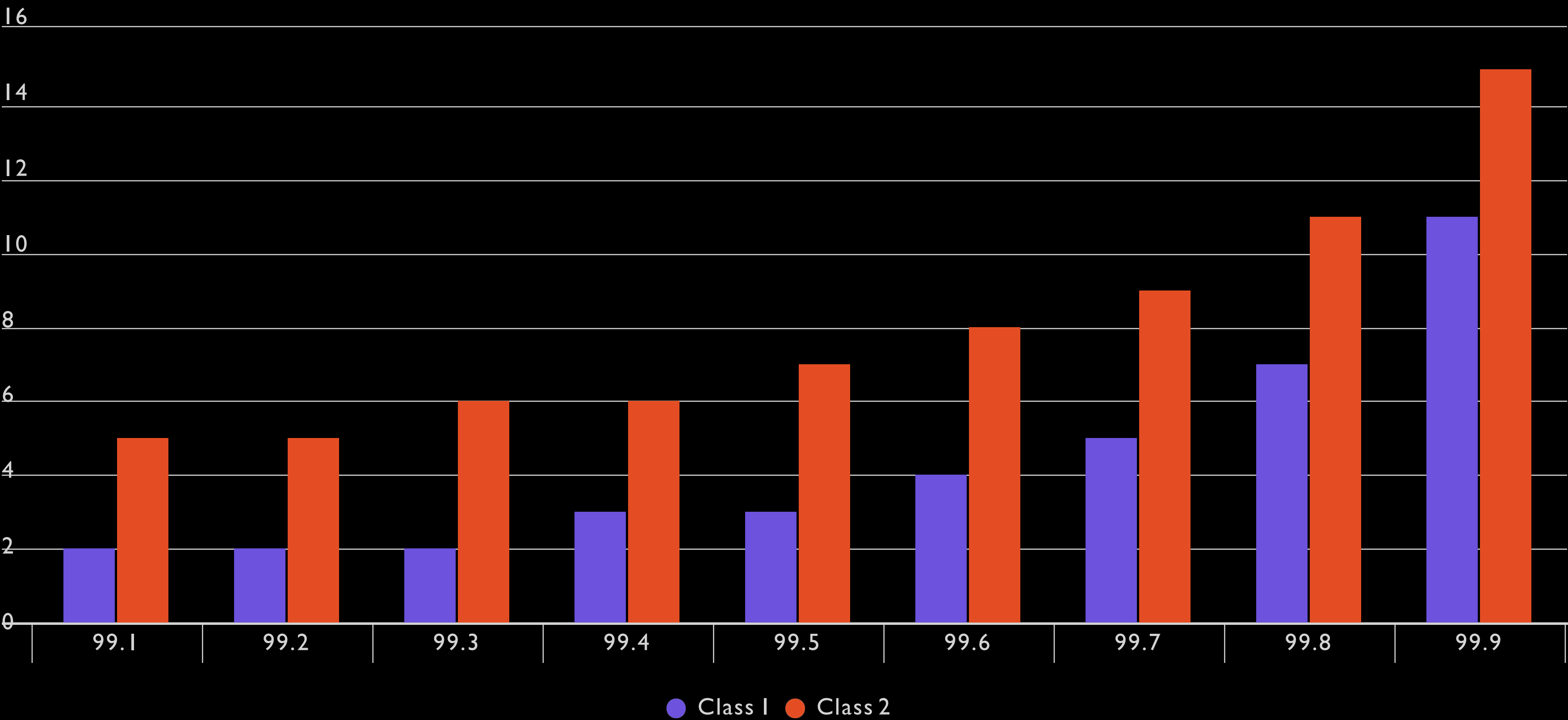City Property Tax and Water Charges

Top 1% of Properties, Property Tax and Water Charge Arrears (Per Dwelling Unit)

Class I · Rentals · Co-ops · HDFC Rentals · HDFC Co-ops

Open and Recent B+C Housing Maintenance Violations

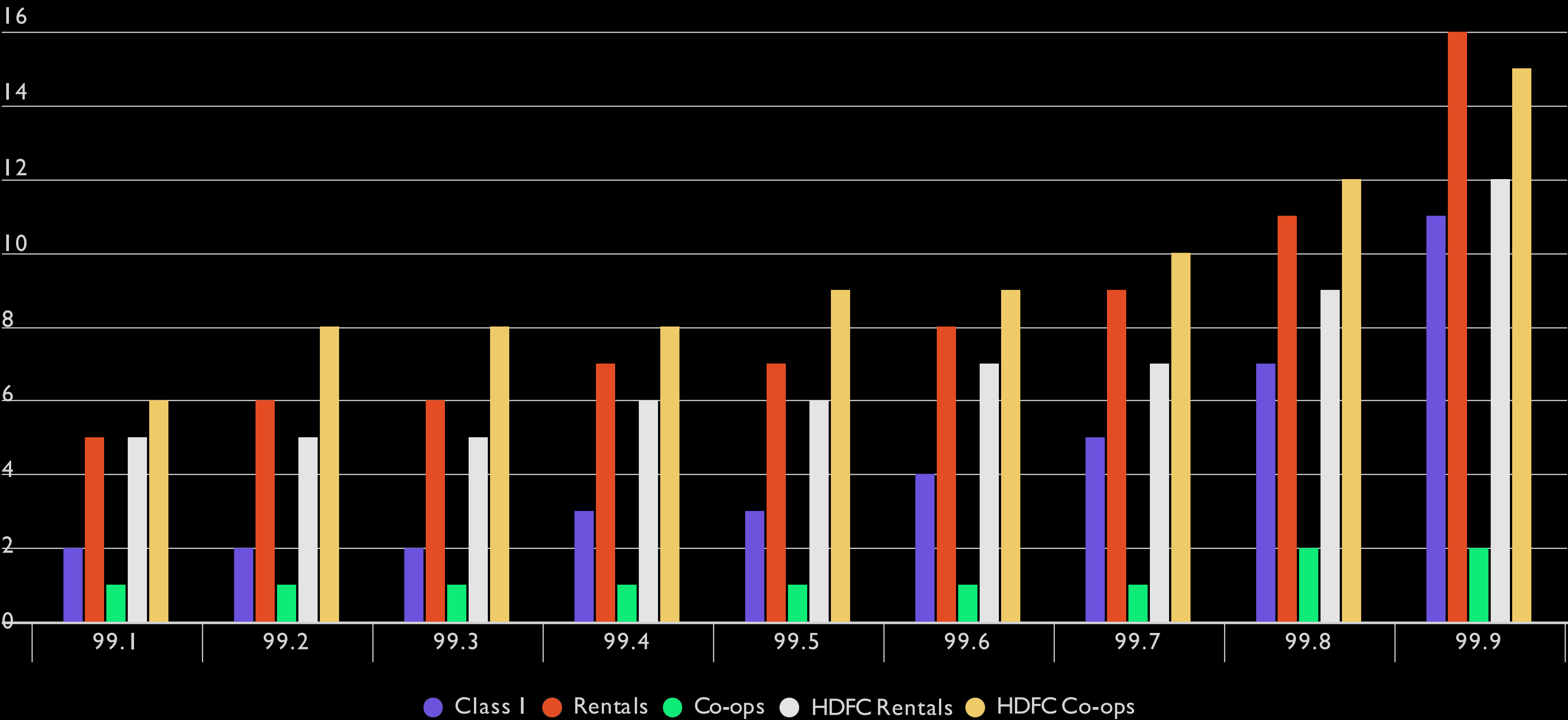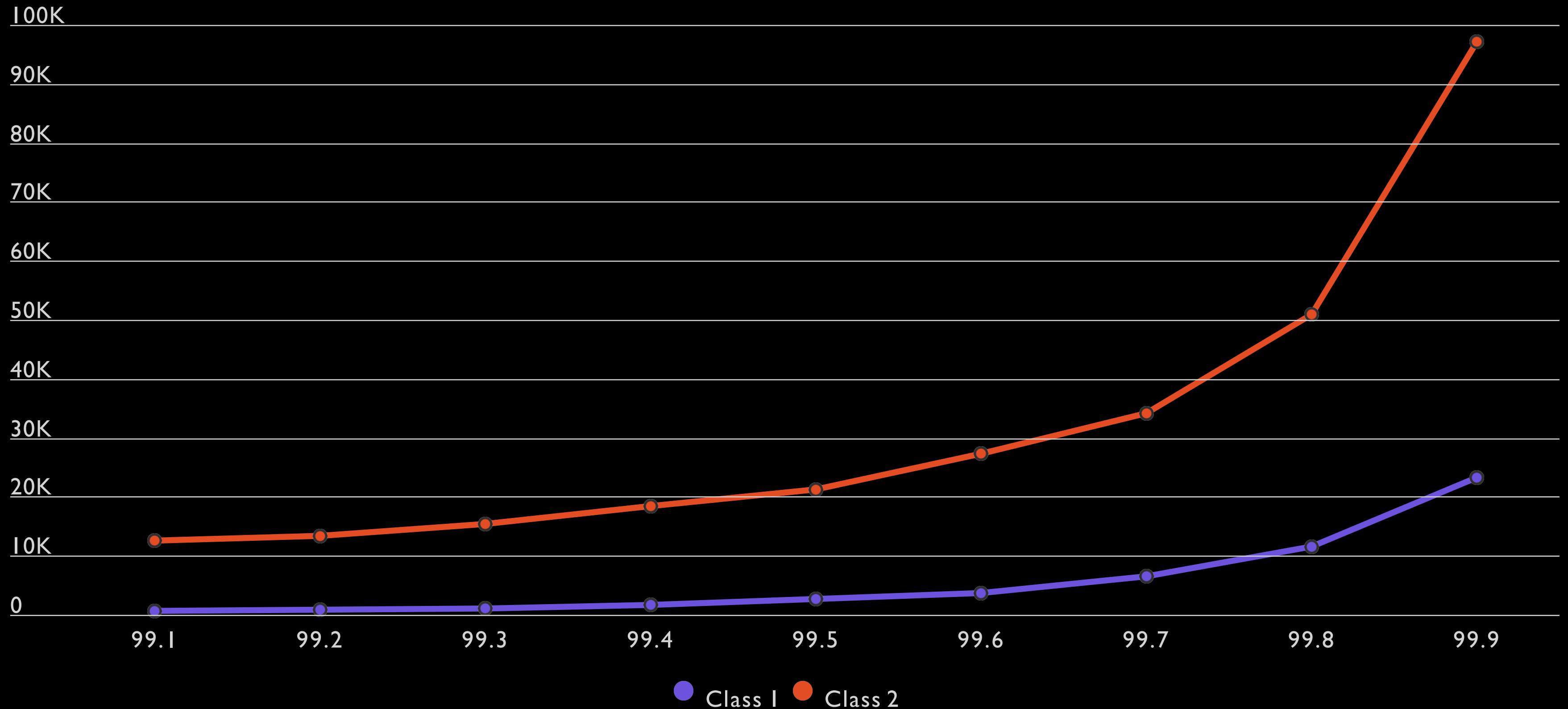## Top 1% of Properties, Open and Recent Violations (Per Dwelling Unit)

Class 1 ● Class 2 ●

Open and Recent B+C Housing Maintenance Violations

Top 1% of Properties, Open and Recent Violations (Per Dwelling Unit)

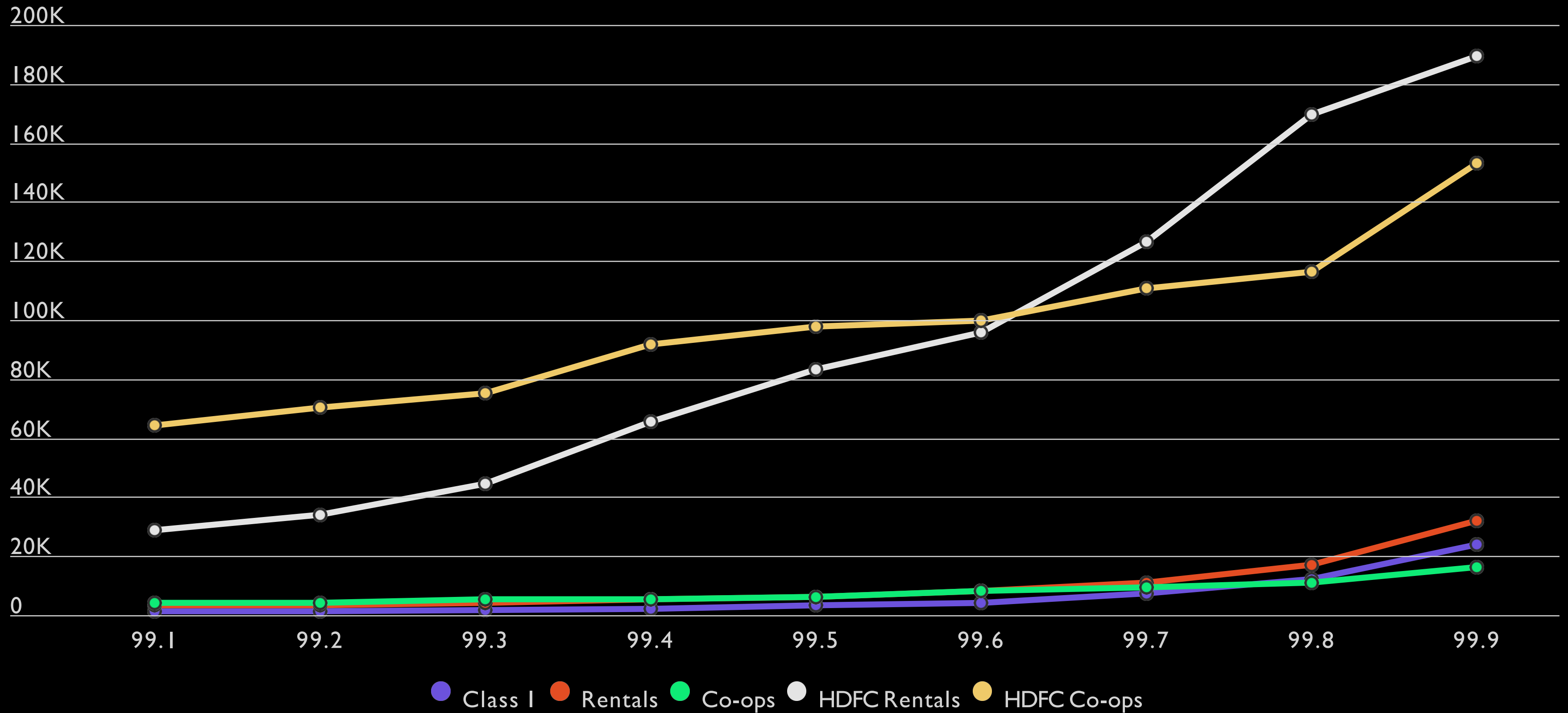Class I • Rentals • Co-ops • HDFC Rentals • HDFC Co-ops

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Emergency Repair Program (ERP) Charges
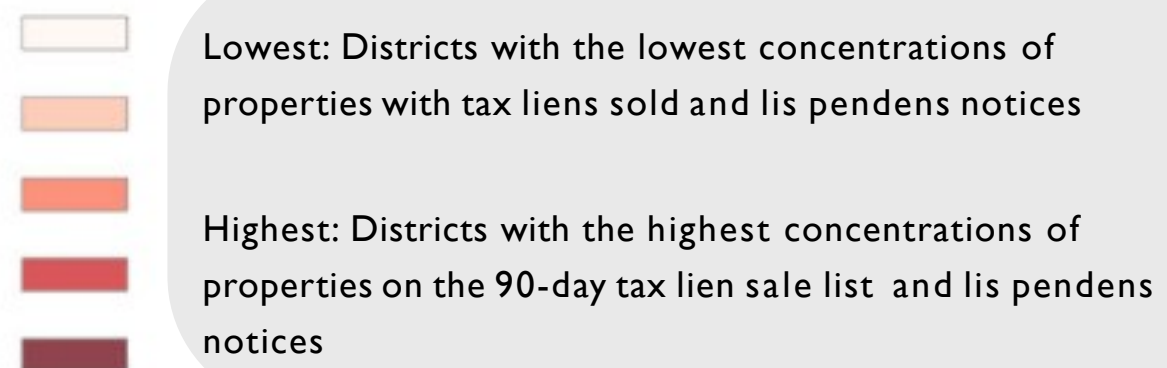
Top 1% of Properties, ERP Charges

Legend: ● Class 1 ● Class 2

Emergency Repair Program (ERP) Charges

Top 1% of Properties, ERP Charges

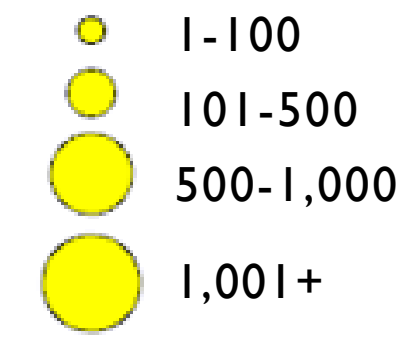Legend: Class 1, Rentals, Co-ops, HDFC Rentals, HDFC Co-ops

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Residential Properties in the Top 1%

○ 1-100
○ 101-500
○ 500-1,000
○ 1,001+

	Lowest: Districts with the lowest concentrations of properties with tax liens sold and lis pendens notices

Highest: Districts with the highest concentrations of properties on the 90-day tax lien sale list and lis pendens notices
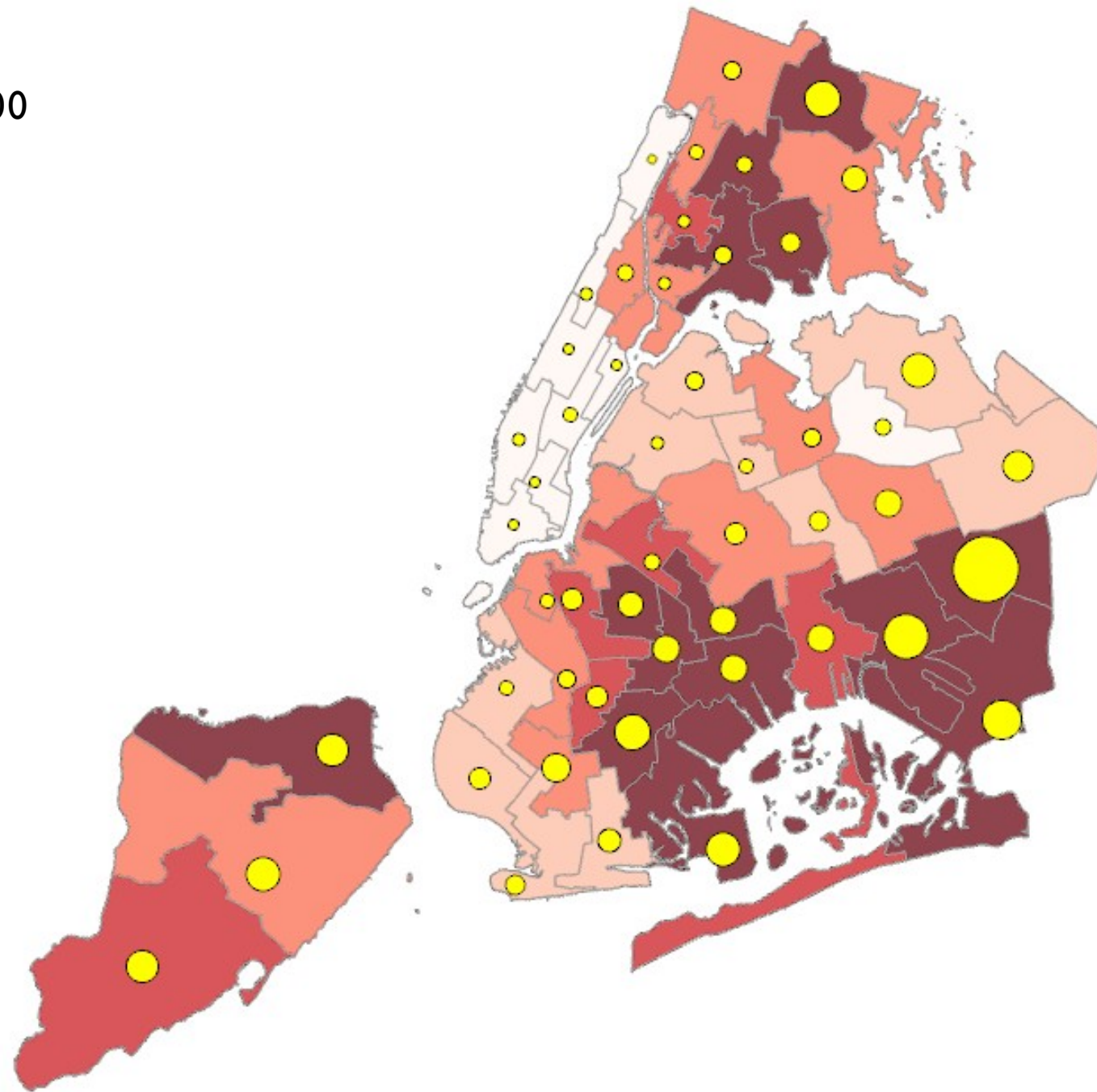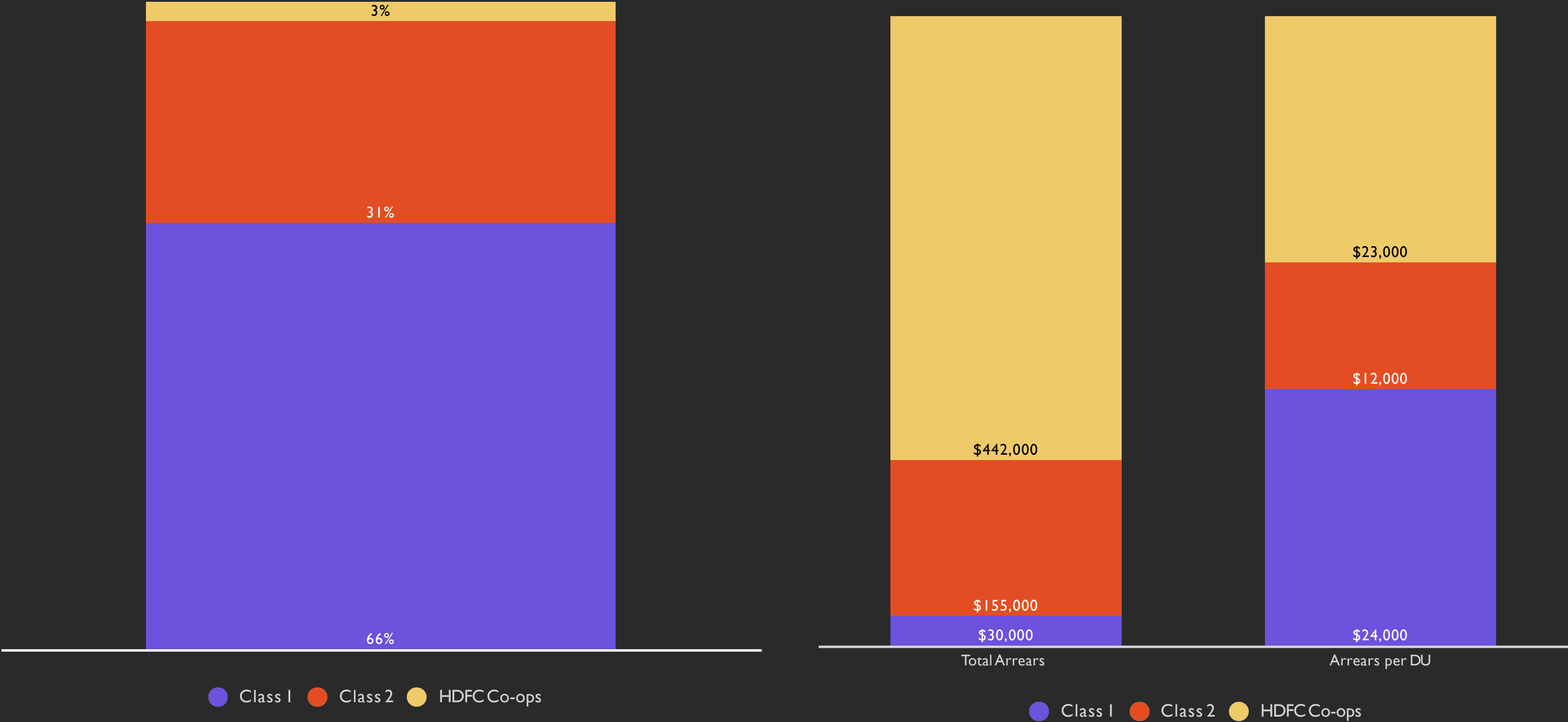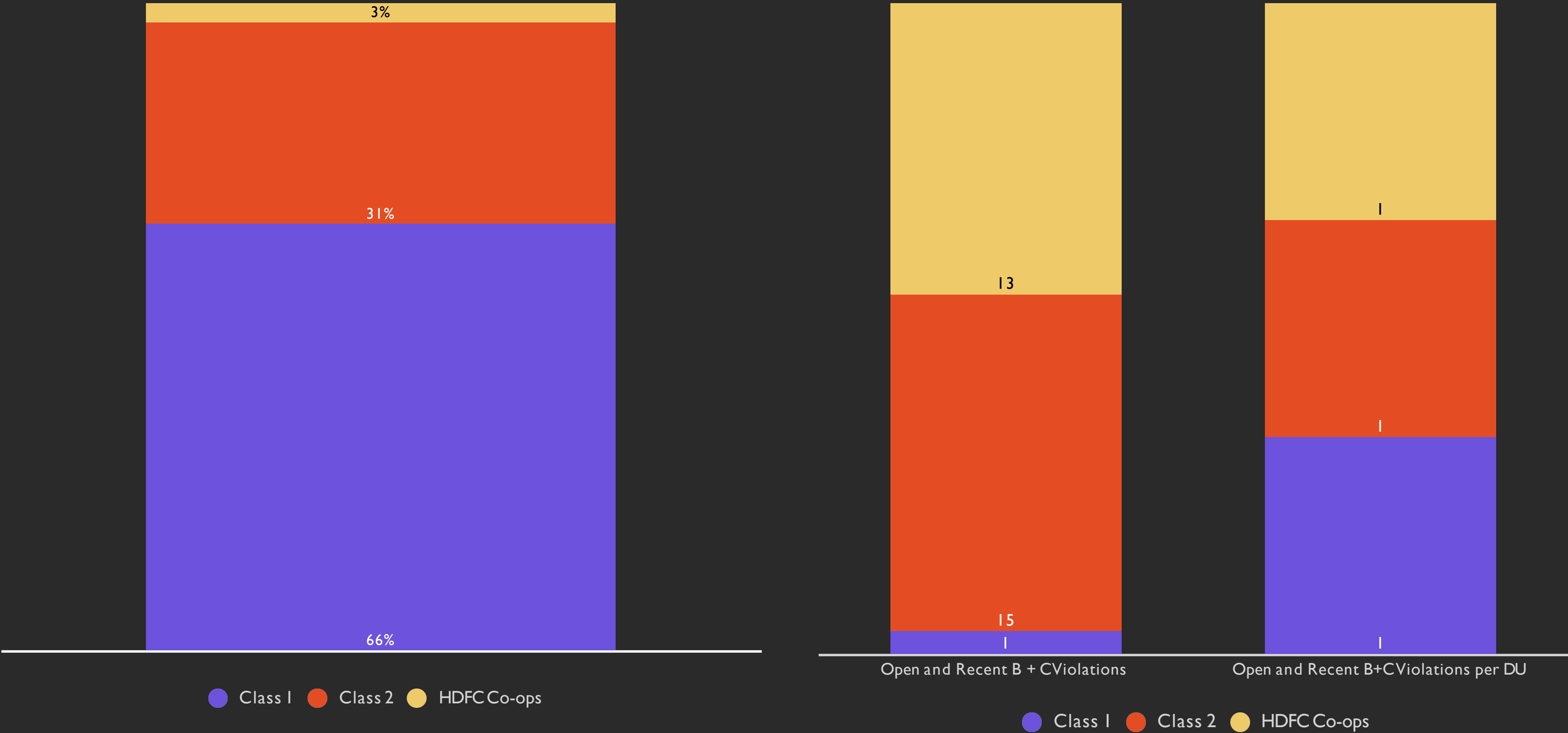
Top 1% of Properties
Financial Only or Financial and
Physical Challenges*

*Measured per Dwelling Unit

Composition of Top 1% of Properties with Financial Challenges

Left chart (composition):
- 3% — HDFC Co-ops
- 31% — Class 2
- 66% — Class 1

Total Arrears:
- $442,000 — HDFC Co-ops
- $155,000 — Class 2
- $30,000 — Class 1

Arrears per DU:
- $23,000 — HDFC Co-ops
- $12,000 — Class 2
- $24,000 — Class 1

Legend: Class 1, Class 2, HDFC Co-ops

Composition of Top 1% of Properties with Physical Challenges

Left chart:
- 3% — HDFC Co-ops
- 31% — Class 2
- 66% — Class 1

Legend: ● Class 1 ● Class 2 ● HDFC Co-ops

Right charts:

Open and Recent B + C Violations:
- 13
- 15
- 1

Open and Recent B+C Violations per DU:
- 1
- 1
- 1

Legend: ● Class 1 ● Class 2 ● HDFC Co-ops

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Recap

- Administrative data (e.g. property tax arrears, Housing Maintenance Code violations) are maintained Citywide and can be used to measure property health.

- More than 85% of properties have no financial or physical challenges.

- For properties with challenges, physical and financial challenges escalate dramatically at the 99th percentile ($110K total arrears and 40 B+C violations).

Recap Cont.

- **The scale of crisis looks different for Class 1 and Class 2 properties.**
  - □ **-Top 0.1% of Class 1 properties owe over $41,000 per unit.**
  - □ **-Top 0.1% of Class 2 properties owe over $61,000 per unit.**
- **80% of HDFC co-ops are high functioning co-ops, but 20% of the HDFC co-ops owe significant arrears (greater than $1 million).**
- **Crisis presents differently across different property types.**

Questions

5 Minute Break

TPT Discussion

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Identifying Crisis: Part I(10 Minutes)

Find Your Teammates. Break into your first set of assigned groups, and go to the area of the room where your property type is posted. Groups have been designated to speak about the following property types:

A) Tax Class 1
B) Tax Class 2
C) HDFC Co-op

Create a Property Profile. Discuss a set of characteristics for your property type, and *as a group* select the characteristics that you would like your group's example property to have.

Identifying Crisis: Part II (30 Minutes)

Determine "Crisis Criteria". For the property profile you have created:

- *As individuals*, jot down 2-3 criteria (physical, financial, or otherwise) that you believe would indicate that this is a *property in crisis*.

- Discuss these criteria *with your group*, seeing how many you have in common and / or if you have questions about each other's ideas.

- Record each crisis criterion on a piece of card stock, and affix it to the applicable flip chart sheet.

Select Critical Crisis Criteria. *As individuals,* vote for the three criteria that you believe are *most critical to address in order to stabilize the property.* Use the blue dots to cast your votes.

Provide Detail About Crisis Criteria. Identify the 3-4 crisis criteria with the most overall votes, and discuss the following in your group:

- What do you believe should be *the threshold for considering this criterion a crisis* (versus a manageable challenge or problem)? Write your answer on the yellow sticky, and affix to the card stock.

- What *information would you need* to measure or analyze this criterion, and where would you find that information? Write your answer on the mint sticky, and affix to the card stock.

Next Working Group Meetings

☐ <u>Meeting 2</u>: Conduct conversations about the types of outreach and support that can / should be offered to owners in the initial stages of the TPT process, and the partners and stakeholders who can provide resources and support at key points.

☐ <u>Meeting 3</u>: Discuss a summary of the information and recommendations shared in meetings 1 and 2 (criteria, outreach / support / partnerships), and provide next steps regarding implementation of those suggestions.

Third Party Transfer Program

Working Group Session 2 – November 13, 2019

Co-Chairs:

Louise Carroll, Commissioner of NYC Housing Preservation & Development

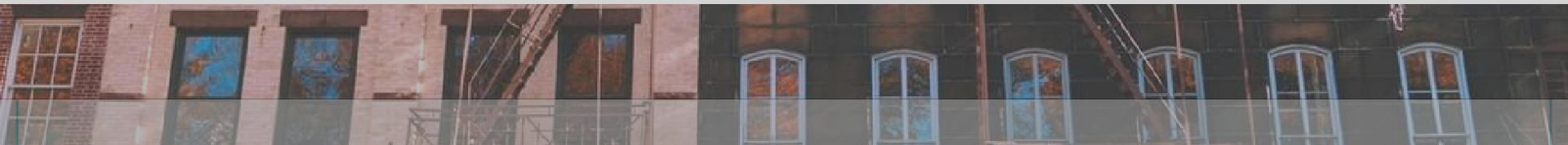Council Member Robert E. Cornegy, Jr., Chair of Housing and Buildings Committee of NYC Council

Agenda

1. **TPT Working Group Process: Goals Reminder / Overview**
2. **Actions & Resources for TPT: Past Approaches**
3. **Discussion, Part I: Resolving Crisis (TPT and Before)**
4. **Break**
5. **Discussion, Part II: Resolving Crisis (TPT and Before)**
6. **Next Steps / Providing Additional Feedback**
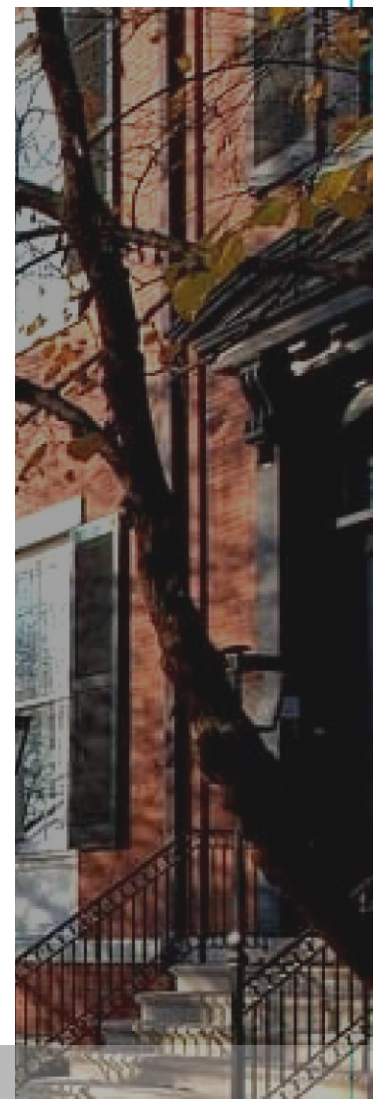
TPT Working Group Process

TPT Working Group:
Purpose and Goals Refresher

Purpose: To update the TPT program such that it achieves its intended impact of stabilizing properties in crisis.

Goals:
1) Discuss the housing context and challenges the program is intended to address.
2) Receive actionable feedback from Working Group members to enhance the program.
3) Discuss potential program enhancements based on Working Group feedback.

TPT Working Group Process: Overview

Previous Session: Program Context and Defining Crisis

Provide working group participants with information regarding the current state of New York City's housing stock and relevant historical background for TPT. Discuss what an individual residential property in "crisis" looks like.

Current Session: Interventions and Resources

Discuss about what resources are available for properties in crisis, and what actions associated parties can take to alleviate the conditions.

Upcoming Session(s): Working Recommendations and Next Steps

Discuss recommendations to TPT legislation and programming.
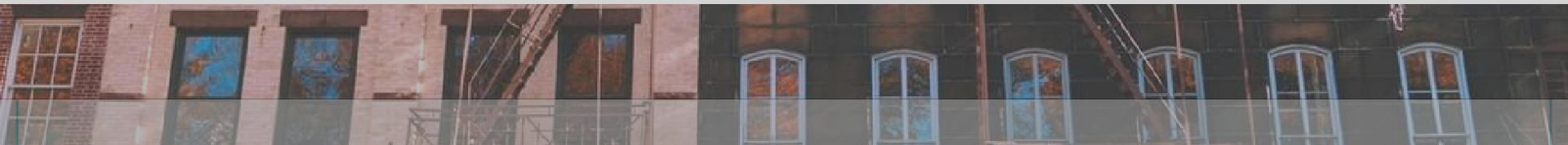
Between Sessions

Provide additional information about TPT, answer Working Group participant questions, and receive / discuss feedback and ideas from participants beyond what was shared during session time.
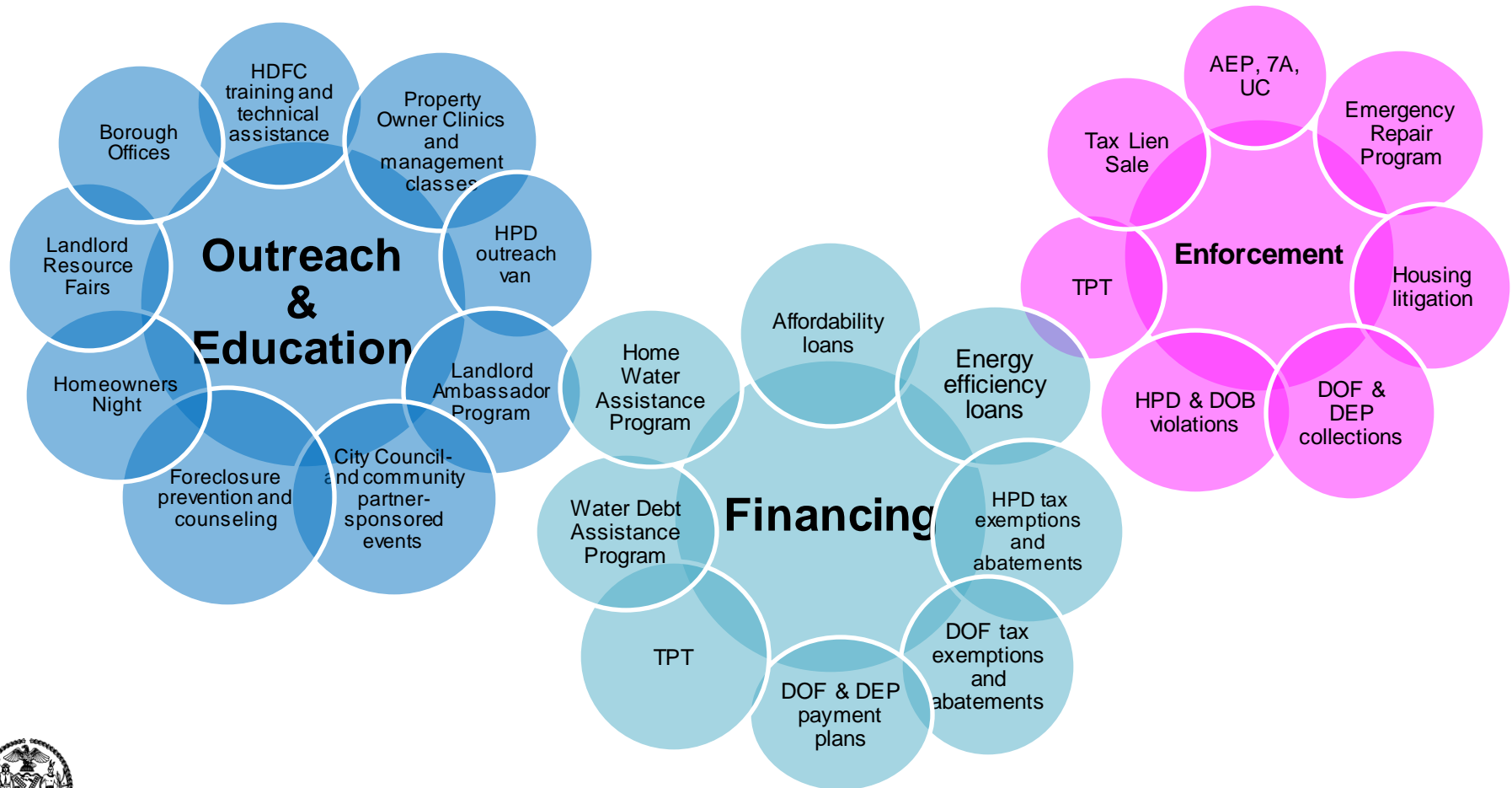
Actions and Resources for TPT:
Past Approaches

City Resources

The City and community partners have several ways to engage with owners before properties reach the point of crisis.

City Outreach

TPT usually provides **two and a half years** for owners to pay their outstanding bills. In the most recent round, owners had **over three years**:

2-3 years

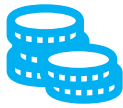| **Beginning** (6 weeks)	**Middle** (1½ - 2½ years)	**End** (9 months)

Beginning (6 weeks)

- DOF sends Notice of Possible Foreclosure to owners
- DOF sends Notice of Foreclosure to owners

Middle (1½ - 2½ years)

- HPD sends tax exemption (Article XI) notifications for eligible buildings & application deadline extension notices
- UHAB provides technical assistance to HDFCs
- HPD sends invitations to Property Owner Clinics
- HPD conducts robocalls
- HPD staff is available by phone
- DOF and DEP staff is available at Borough Offices for payment plan inquiries

End (9 months)

- DOF sends Final Warning notices
- City files for foreclosure against properties that remain eligible
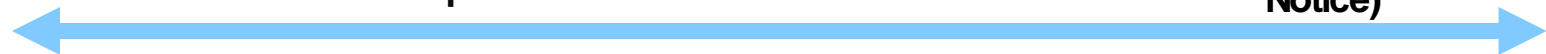- HPD flyers buildings that remain eligible
- City Council reviews & votes; approves or creates a Local Law
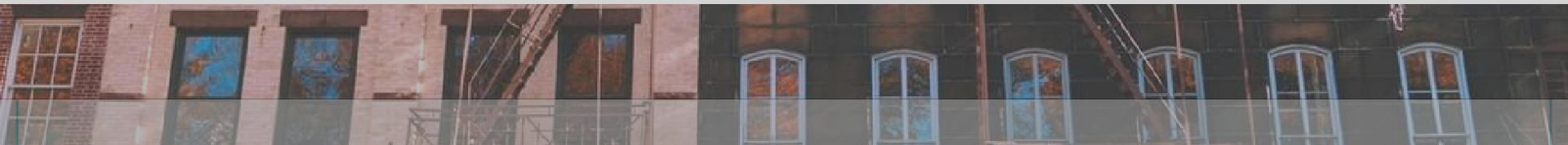- DOF sends final notice for transfer (Post-Judgment Notice)

Consistent DOF mailings plus HPD & Council communication throughout

Resolving Crisis:
TPT and Before

Resolving Crisis: Part I (30 Minutes)

Reconvene with your team members from the first session.

- **Discuss with your team the suggested <u>Key Actions</u> and <u>Important Resources</u> from the "List of Interventions" that you created between sessions.**

  - Review through the crisis conditions that your group generated in the previous session. Make sure they are still clear.

  - Consider, as a group, which suggestions you believe best support your team's building type experiencing those crisis conditions.

  - Note duplicate suggestions from your team members' lists, as well as instances where you and your team members agree or disagree on the impact / feasibility of a suggestion.

- **Write each Key Action and Important Resource from your collective lists on one of the placards at your table (one Action or Resource per placard).**

  - Indicate on the placard which crisis condition(s) that action / resource is intended to address.

  - Place the placards on the wall.

Resolving Crisis: Part II (15 Minutes)

Together with your team members, designate each of the Key Actions and Important Resources on your flip chart accordingly.

- **Green Dot = Early Engagement.** This action / resource would be particularly useful when certain crisis conditions are present but the <u>owner has not received notification</u> of potential loss of ownership or *in rem* foreclosure (nor would it be the first step in receiving said notification).

- **Yellow Dot = Heightened Risk**. This action / resource would be particularly useful when certain crisis conditions led to the <u>owner having recently received notification of potential *in rem* foreclosure</u>.

- **Red Dot = Immediate Risk.** This action / resource would be particularly useful when the <u>owner's actions after notification were insufficient</u> to address crisis conditions, and the property is now in the final stage of the *in rem* foreclosure process.

| Pre-notification | Beginning (6 weeks) | Middle (1½ - 2½ years) | End (9 months) |
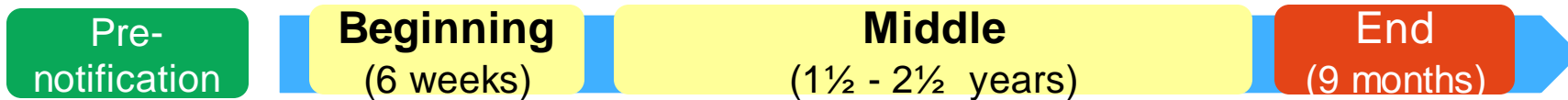
NOTE: Your team can put more than one color of dot on any placard.

Resolving Crisis: Part III (20 Minutes)

Using the Post-It pads, collaborate with your team to provide additional notes as necessary for each of the actions / resources. Specifically…

- If an action or resource would be particularly useful at more than one point in time (e.g., has more than one dot), how would it be applied differently under those different circumstances?

- If it is a resource, does it already exist? (If it doesn't exist, is it in the process of being developed / rolled out? If it does exist, has it already proven effective?)

- If it is an action, is it being offered on a regular basis by an organization already? (If it isn't offered, is an organization considering or in the process of developing a program to offer it? If it is offered, has it already proven effective?)

After placing your Post-Its, vote as individuals with the Blue Dots for your top three most critical actions / resources the owner needs to take or access to resolve their property's crisis conditions.

TEN MINUTE BREAK

Resolving Crisis: Part IV (30 Minutes)

REPORT OUT (1-2 Minutes Per Group): Describe your teams' choice of actions / resources, the best timing for taking action / providing resources, and which actions / resources your team considers "critical".

ROUND ROBIN: Consider what each of the other teams besides your own have shared. Would you add any actions / resources to the collections assembled by the other groups? Do you support their suggestions?

Next Steps and Follow-Up

Next Steps and Follow-Up

Session 3 will be scheduled for early 2020. Stand by for information about the date.

Should you wish to share additional ideas and feedback with HPD, please contact Xiomara Pedraza at pedrazax@hpd.nyc.gov, and an HPD staff member will give you a personal call back.

Please provide a copy of your List of Interventions to the facilitator at your table. Thank you!
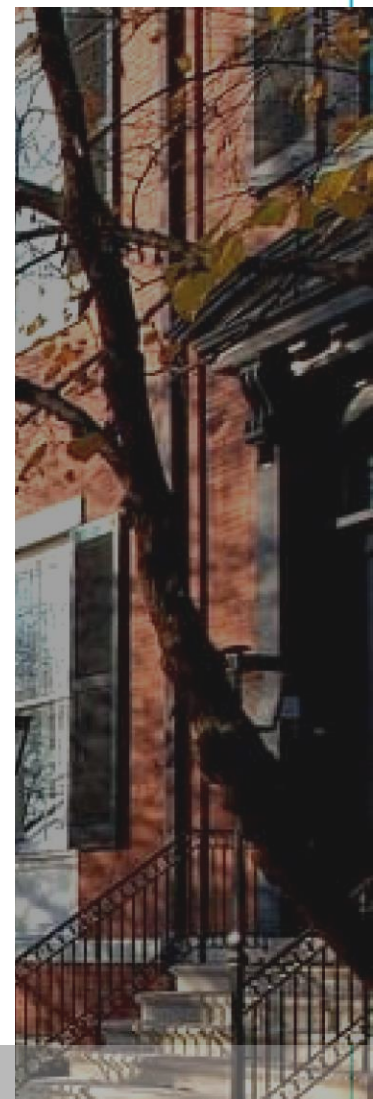
Third Party Transfer Program

Working Group Session 3 – February 19, 2020

Co-Chairs:

Louise Carroll, Commissioner of NYC Department of Housing Preservation & Development

Council Member Robert E. Cornegy, Jr., Chair of Housing and Buildings Committee of NYC Council

Agenda

1. **TPT Working Group Process: Goals Reminder / Overview**

2. **Session 2 Recap: Actions and Resources for Properties in Crisis, Suggested by the Working Group**

3. **Presentation from HPD: Owner Support Programs**

    - **Overview of Existing Models**

    - **Initial Concepts for Program Expansion and Modification**

4. **Presentations from DOF and DEP: Programs and Enhancements**

5. **TPT Working Group Discussion: Feedback on Expansion and Modification Concepts**

6. **Next Steps and Follow Up**
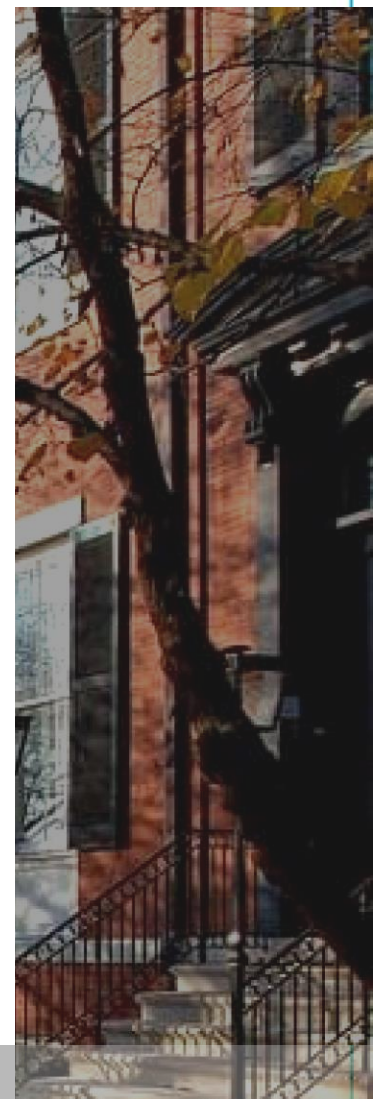
TPT Working Group Process

TPT Working Group:
Purpose and Goals Refresher

Purpose: To update the TPT program such that it achieves its intended impact of stabilizing properties in crisis.

Goals:
1) Discuss the housing context and challenges the program is intended to address.
2) Receive actionable feedback from Working Group members to enhance the program.
3) Discuss potential program enhancements based on Working Group feedback.

TPT Working Group Process: Overview

Session 1: Program Context and Defining Crisis

Provide working group participants with information regarding the current state of NYC's housing stock and relevant historical background for TPT. Discuss what an individual residential property in "crisis" looks like.

Session 2: Interventions and Resources

Discussed available resources for properties in crisis, and what actions associated parties can take. Solicited ideas for interventions and resources to assist owners and HDFC co-op shareholders of properties in crisis.

Session 3: Concepts for New / Updated Support Programs

Present overviews of current owner-supporting HPD programs, and plans for building upon and improving those programs. Solicit reactions and ideas to refine those plans. Present on other programs and process enhancements at DOF and DEP.

Upcoming Session(s): Concepts for New / Updated Legislation

Propose and discuss recommendations to TPT legislation, specifically the criteria for entering TPT.

Between Sessions

Provide additional information about TPT, answer Working Group participant questions, and receive / discuss feedback and ideas from participants beyond what was shared during session time.

Session 2 Recap:
Suggested Actions and Resources

Suggested Actions and Resources: Tax Class 1 Properties

The Tax Class 1 team suggested the following actions and resources.

- **Conduct targeted outreach** to…

    - **owners with small arrears** via letters and calls; raise awareness of the importance of addressing arrears early.

    - **hard-to-reach owners** overall via door-knocking, PSAs (ethnic radio / news sources / TV); communicate a message of support and willingness to help.

- **Train CBO-based "community navigators"** who understand multiple agencies' processes and can provide targeted assistance to homeowners.

- **Create "interagency ambassadors"** within each agency that communicate between agencies, with City Council, and with the Mayor's Office (or conduct cross-training within and between agencies).

- **Provide greater access to…**

    - **repair capital and affordable home repair resources.**

    - **housing counseling and legal services.**

Suggested Actions and Resources: Tax Class 2 Properties

The Tax Class 2 team suggested the following actions and resources.

- **Develop an "early warning" system**; conduct targeted outreach, via a variety of methods, to owners with arrears or other indicators of potential crisis. Recommend applicable properties for the Landlord Ambassador Program.

- **Enhance City customer service (inter-agency) and navigation (agency-to-CBOs)** to provide clear, judgment-free, "frictionless," solutions-oriented assistance, reframing City agencies as resources rather than enforcers.

- **Expand and provide more access to services and financing** that address crisis, such as the Landlord Ambassador Program (case management) or the 8A Loan Program (capital resources).

- **Incentivize owners to invest in property resources** that improve their ability to successfully manage properties in the long-run, e.g., property management training and/or asset management services / systems.

Suggested Actions and Resources: HDFC Co-op Properties

The HDFC Co-op team suggested the following actions and resources.

- **Establish means for managing properties in a leaner way**, such as pooled resources (fuel co-operatives, shared legal / property management services) and/or access to affordable technical assistance (attorneys, property managers, forensic accountants, etc.).

- **Develop training and best practice exchanges for shared governance models,** designed to address their unique challenges and to identify methods to maximize Boards' effectiveness.

- **Enhance the City's customer service and support.** Help properties to identify and strategize around underlying physical and financial conditions; improve and expand communication between the City and co-op shareholders.

- **Explore new forms of regulatory agreements** that protect shareholders and provide tiered intervention; incentivize compliance by creating performance-based regulatory tiers and/or aligning requirements with loan terms.

- **Diversify and expand financial resources;** develop loan products specifically for limited-equity housing programs.

Suggested Actions and Resources: Big Themes from All Three

With some nuance by property type, there were four major topics raised by all three groups.

- **Proactive Outreach**

- **Customer Service**

- **Technical Assistance**

- **Financial Assistance**

HPD's Owner Support Programs:
Current and Proposed

Overview of Existing Models:
East New York Homeowner Help Desk

- <u>What It Is</u>: The **East New York Homeowner Help Desk** was launched in 2016 to provide housing counseling, financial counseling, and legal services to vulnerable homeowners.

- <u>How It's Run</u>: Center for New York City Neighborhoods (CNYCN) administers the Help Desk in coordination with HPD.

- <u>What It's Accomplished</u>: To date, the Help Desk has

  o engaged over 1,900 homeowners through a combination of phone calls, door-to-door canvassing, and Help Desk events.

  o assisted over 900 homeowners with foreclosure prevention, tax lien resolution support, home repair grant and loan applications, enrollment in benefit and property tax exemption programs, and other services.

Overview of Existing Models: Landlord Ambassador Program (LAP)

- <u>What It Is</u>: The **LAP pilot** was launched in 2017 to assist owners of small multifamily buildings to improve their building operations and to access financial assistance.

- <u>How It's Run</u>: Various community-based organizations administered the pilot in collaboration with HPD.

- <u>What It's Accomplished</u>: Over the two year pilot, LAP:

  - Provided 55 building owners with technical assistance to address building conditions, pay municipal arrears and other charges, improve operations, an apply for financing.

  - Is developing an emergency loan fund to address urgent financial and physical conditions including building systems, vacant unit repair, and down-payment to enter payment agreements.

New Program Concepts: Citywide Homeowner Help Desk

- <u>What It Could Be</u>: A **Citywide Homeowner Help Desk** (expansion of ENY pilot) could provide intensive, on-the-ground assistance to homeowners of 1-4 unit homes, helping them navigate and access available resources.

- <u>How It Could Work</u>: A community-based organization(s) (TBD) would administer this program in collaboration with HPD.

- <u>What It Could Do</u>: A Citywide Help Desk would

  - Conduct outreach to homeowners of 1-4 unit homes and provide a series of Help Desk "pop-up" events where homeowners receive advice, assistance, and referral for a variety of issues.

  - Counsel, and provide legal services, on topics such as scam prevention, reverse mortgages, property management, mortgage counseling, mortgage/municipal payment assistance, and home repair financing, and refer homeowners to available resources.

  - Assist homeowners in navigating and accessing government as well as private resources, such as applying for 1) DOF/DEP payment plans, 2) DOF property exemptions / benefits, 3) HPD repair loans (and other type of government assistance programs), 4) private financing.

New Program Concepts:
Owner Resource Center

- <u>What It Could Be</u>: An **Owner Resource Center** would expand technical and financial support to owners of multi-family properties city-wide and include access for HDFC co-ops.

- <u>How It Could Work</u>: A community-based organization(s) (TBD) would administer this program in collaboration with HPD.

- <u>What It Could Do</u>: Similar to LAP, the Resource Center would provide direct technical assistance to identify operational improvements, determine appropriate financial assistance, and help owners navigate governmental programs, including those administered by DOF, DEP, HPD. Technical assistance can include:
  - **Operational**: bookkeeping and expense tracking, hiring staff and vendors, establishing leases, coordinating landlord/tenant relations, assisting with registration and compliance
  - **Physical**: assessing conditions, developing short and long-term capital plans, performing repairs (and securing repair funding as needed), clearing violations
  - **Financial**: assessing financial conditions, developing workout plans / payment plans, refinancing debt, leasing vacancies, applying for loans, exemptions, and tenant subsidies
  - **Additional services for HDFC co-ops** (governance, regulatory compliance, legal)

DOF and DEP
Programs and Enhancements

Programs and Enhancements: DOF

The Department of Finance provides new and enhanced opportunities, support, and outreach for property owners, including…

- **Facilitating homeowner budgeting:** In January, DOF launched a monthly payment tool that provides automatic payment deduction, as well as payment reminders and receipts.

- **Allowing low- and moderate-income owners to defer property tax and interest** if they are: 1) seniors, 2) experiencing extenuating circumstances, or 3) need a one-year deferral for any reason.

- **Providing direct service and outreach** through a variety of community engagement events, including:
  - Notice of Property Value Season
  - Lien Sale Outreach Sessions
  - CNYCN Financial Counseling Network Partners
  - Exemptions
  - Multi-program enrollment events

Programs and Enhancements: DEP

The Department of Environmental Protection currently provides or has in place...

- **An Ombuds Unit**, which reviews accounts in response to customer inquiries and concerns.

- **A Collections Unit**, which attends customer outreach events in support of the lien sales and prior TPT rounds. (DEP may also participate in additional TPT-related outreach events and activities going forward.)

- **Payment Agreements** for up to 10 years with as little as zero down payment.

Discussion

Open Discussion: Gathering Feedback on New Program Concepts

Having reviewed these concepts for expansion and modification of its owner-supporting programs, and based on the original actions and resources that you recommended in Session 2…

1) **What are some additional best practices that the City should consider from similar programs (current or former) in other agencies / organizations? In other cities?**

   - **Follow Up to 1): Are these programs missing any key features, and/or might there be any unintended consequences to these programs as designed?**

2) **If the City offered these or other programs, what do you believe is the best approach to engaging owners to utilize the resources these programs provided?**

3) **Who are some key sources of expertise or experience that the City should consult when building out new program elements?**

Next Steps and Follow-Up

Next Steps and Follow-Up

We anticipate scheduling Session 4 for April, 2020. Stand by for information about the date.

We will be reaching out individually to members of the Working Group to obtain feedback about the content that we will be presenting in that session; stand by for more information.

Should you wish to share additional ideas and feedback with HPD, please contact Xiomara Pedraza at pedrazax@hpd.nyc.gov, and an HPD staff member will give you a personal call back.

Please feel free to share any additional suggestions, recommendations, or ideas as you exit. Thank you!
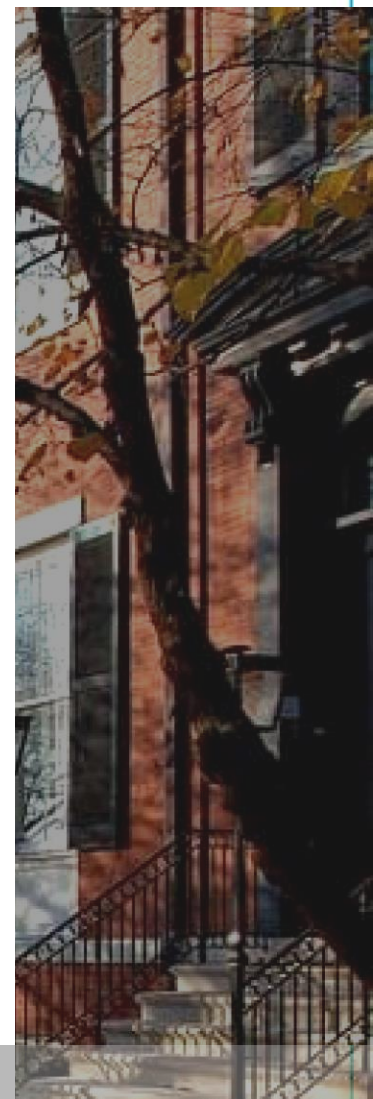
Third Party Transfer:
Working Group Session 4 Discussion
February 11, 2021
Confidential & Privileged: For Discussion Only

New York City Council

NYC Department of Housing Preservation & Development

NYC Department of Housing Preservation & Development

Agenda

1. **Welcome, Introductions & Goals**

2. Presentation and Q&A

3. Discussion

4. Debrief

5. Next Steps & Closing

Working Group Participants

- **Eva Alligood**, LISC

- **Victoria Barreca**, Enterprise Community Partners

- **Chris Bramwell**, CB Emmanuel Realty

- **Sal D'Avola**, Neighborhood Restore

- **Sandra Erikson**, Sandra Erickson Real Estate & Bronx Chamber of Commerce

- **Bernell Grier**, IMPACCT Brooklyn

- **Derrick Griggs**, Neighborhood Housing Services

- **Michael Grinthal**, TakeRoot Justice

- **Glory Ann Kerstein**, HDFC Coalition

- **Sandra Lobo**, Northwest Bronx Community and Clergy Coalition

- **Derrick Lovett**, MBD Community Housing Corporation

- **Christie Peale**, Center for New York City Neighborhoods

- **Harold Shultz**, Benavi Advisors & Citizen's Housing and Planning Council

- **Ismene Speliotis**, Mutual Housing Association of NY

- **April Tyler**, HDFC Coalition & Community Board 9

Department of Housing Preservation & Development

Overview of Our Session

Goals

- Provide TPT Working Group members an opportunity to:
  - Review goals of TPT program
  - Provide input on selection criteria for TPT

Mode

- We will achieve this goal through a mix of presentation, small-group, and large-group discussion

Facilitators Role

- Our role is to make sure we get through our agenda, ensure everyone's voices are heard, and move the conversation along as needed

TPT Overview and Context

Purpose and Objectives of TPT

Created by the NYC Council in 1996 as a tax enforcement program, HPD has used the Third-Party Transfer (TPT) Program to **address crisis conditions in New York City properties**, with the goal of stabilizing the properties' physical and financial health, and keeping properties safe, habitable, and affordable for residents.

The TPT Program achieves this purpose by…

- **Improving living conditions and housing viability** through investment and rehabilitation.

- **Ensuring ongoing quality City services** through collection of municipal arrears (including arrears held by properties made ineligible for the tax lien sale, such as HDFC co-ops).

- **Protecting residents from displacement, disinvestment, and speculation** through regulatory protections and improved property and asset management.

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Statutory Criteria Governing TPT

TPT is codified in statute and rule. Highly simplified, the current criteria for possible transfer via TPT are:

- The property is a 4+ unit residential property that has owed tax arrears for 1 year and is not an HDFC.

- The property is a 1-3 unit residential property, a residential vacant land parcel (Tax Class 1 or 2), a co-op, a condominium, or an HDFC rental or co-op that has owed tax arrears for 3 years.

- The property meets the criteria above and is on the same block as a property identified for TPT; the intent of this "block pick-up requirement" was to treat all similarly-situated properties in the same manner.

TPT Working Group: Refresher on Content

The purpose of the Working Group is to elicit changes in the criteria for TPT, as well as ideas for program or operational improvements, **to make citywide administration of the TPT Program fairer and more equitable, and to ensure that the program achieves its intended purpose of stabilizing properties in crisis**.

The three Working Group sessions conducted thus far covered the following topics.

- Session 1 (9/10/19): Discuss **history** of the TPT Program, **current state** of NYC housing stock, and **characteristics of properties in crisis**.

- Session 2 (11/13/19): Propose **interventions and resources** to assist owners (or HDFC co-op shareholders) of properties in crisis.

- Session 3 (2/19/20): Consider **specific recommendations** for developing and / or improving programs to support properties.

With some nuance by property type, there were **four major themes** raised by all members of the TPT Working Group in these sessions, those being **the need for…**

- **Proactive Outreach, Customer Service, Technical Assistance, Financial Assistance**

Department of Housing Preservation & Development

TPT Working Group: Suggested Actions & Resources

The following actions and resources were suggested for Tax Class 1 Properties.

- **Conduct targeted outreach** to owners with **small arrears** including **hard-to-reach owners** via letters, door knocking, PSAs etc.

- **Train CBO based "community navigators"** and create interagency ambassadors within each agency that will communicate between agencies, with City Council, and with the Mayor's Office (or conduct cross- training within and between agencies).

The following actions and resources were suggested for Tax Class 2 Properties.

- **Develop an "early warning" system** and expand and provide more access to services and financing that address crisis.

- **Enhance City Customer Service (inter-agency) and navigation (agency-to-CBOs)** to provide clear, judgment-free, "frictionless" solutions-oriented assistance, reframing City agencies as resources rather than enforcers.

The following actions and resources were suggested for HDFC Co-op Properties.

- **Develop training and best practice exchanges for shared governance models,** designed to address their unique challenges and to identify methods to maximize Boards' effectiveness.

- **Enhance the City's customer service and support.** Help properties to identify and strategize around underlying physical and financial conditions; improve and expand communication between the City and co-op shareholders.

TPT Overview and Context
TPT Working Group: Potential Programmatic Enhancements

Citywide Homeowner Help Desk

- <u>What It Could Be</u>: A **Citywide Homeowner Help Desk** (expansion of ENY pilot) administered by community based organization(s) could provide intensive, on-the-ground assistance to homeowners of 1-4 unit homes, helping them navigate and access available resources.

- <u>What It Could Do</u>: A Citywide Help Desk would Conduct outreach to homeowners of 1-4 unit homes and provide a series of Help Desk "pop-up" events. Counsel, and provide legal services. Assist homeowners in navigating and accessing government as well as private resources, such as applying for 1) DOF/DEP payment plans, 2) DOF property exemptions / benefits, 3) HPD repair loans (and other type of government assistance programs), 4) private financing.

Owner Resource Center

- <u>What It Could Be</u>: An **Owner Resource Center** administered by community based organization(s) would expand technical and financial support to owners of multi-family properties city-wide and include access for HDFC co-ops.

- <u>What It Could Do</u>: Similar to Landlord Ambassador Program, the Resource Center would provide direct technical assistance to identify operational improvements, determine appropriate financial assistance, and help owners navigate governmental programs, including those administered by DOF, DEP, HPD. Technical assistance can be operational, physical and financial. The Resource Center would also provide additional services for HDFC Co-ops such as governance, regulatory compliance and legal.

NYC Department of Housing Preservation & Development

TPT Overview and Context
City Goals, Compliance, and Enforcement / Citywide Scale of Financial and Physical Crises

85% have no arrears or violations

Most properties have no municipal arrears and have no recent open violations

12% owe $1.1 billion

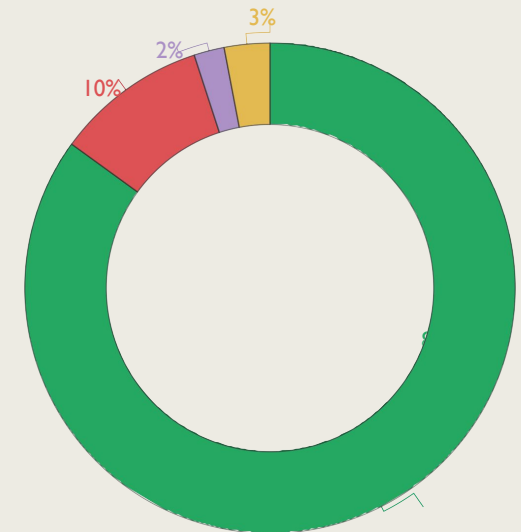92K properties owe $1.1 billion in total past due property tax and water charges

5% have violations

40K were issued more than 430K B and C violations between 2016 and 2018

775,000 Residential Properties

- No Challenges
- Only Financial
- Both Financial and Physical
- Only Physical

10% 2% 3%

TPT Potential Selection Criteria

TPT Potential Selection Criteria
Models: Session 1 Review

The goal of determining TPT eligibility is to identify properties with crisis conditions beyond those addressed by traditional municipal enforcement measures.

"Crisis" was broadly defined in working group session 1 as:

- A property with **unsustainable debt:** debt is growing, and operating expenses exceed income
  - *Specific threshold of debt in excess of 1 year property tax liability for rentals and 2+ years of property tax liability for other property types was incorporated in models*

- A property with **visible distress:** a building with a high number of B+C violations and ones that are identified by the community
  - *B+C violations data incorporated in models*

- A property with **unreliable ownership:** owners are not present or responsive
  - *Emergency repair program usage data incorporated in models*

- A property that is **under-resourced:** the owner, residents, and community do not have access to the resources that would help them out of the crisis

Department of Housing Preservation & Development

TPT Potential Selection Criteria
Models: Overview, Main Outcomes

1. *Financial:*
    a.   Identify properties with highest municipal debt, in order to collect

2. *Physical and Safety:*
    a.   Identify properties demonstrating habitability concerns, in order to protect residents and enforce safety
    b.   Identify properties where HPD made the deepest investments to address housing quality conditions

TPT Potential Selection Criteria
Models: Overview, Distribution

Any criteria applied citywide will affect city populations differently. When choosing a criteria, it's important to be conscientious of the distribution.

    a.   Racial Inclusion & Equity Areas (RIE)
          i.   A mayoral taskforce created in response to disparate Covid-19 impacts in the same areas with historic racial & economic inequality.
    b.   Homeownership
    c.   Building Size
    d.   Housing Type
    e.   History of Enforcement Programs
    f.   Borough/Council District/Community Board
    g.   Economic Risk

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TPT Potential Selection Criteria
Models: Process

1. Identified reliable and valid data sources
   a) Administrative data: DOF, DOB, DEP, DCP, HPD

2. Considered data that are feasible to obtain and would capture properties according to TPT principles:
   a) Municipal debt, Housing Maintenance Code (HMC) violations, Emergency Repair Program (ERP) use

3. Identified potential methodologies that would capture properties in accordance with TPT principles
   a) Applied baseline metrics to citywide property list to determine properties considered 'eligible' for modeling
      - Note only properties with total DOF+DEP > 1yr/3yr of the property's annual tax liability and no liens sold
      - Total properties at this step = 11k (2k Tax Class 2)
   b) Index, thresholds, ratios, weighting systems; layering of principles with methodologies

   Continues on the following slide…

TPT Potential Selection Criteria
Models: Process (cont.)

4. Compared models based on measurements across main principles and other impacts:
   a) Minimum, maximum, mean, median arrears owed, total outstanding violations, and ERP use per property
      - Discuss metrics "per DU" vs "total sum"
   b) Number of HDFC coops, locations, size, and other impacts
      - Note HMC and ERP data for HDFC coops

5. Reduced model options to models with the greatest impact according to TPT principles
   a) Which models were not included? *(e.g., model with LTV > 15% was low across metrics with lowest minimum arrears identified)*
   b) Final models need to be considered further for most impactful according to main principles and with consideration of other impacts

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Models: Comparison, Principles

After many models, 3 new models emerged (in addition to 1 existing model):

1. A **high financial impact** model: Index NYC by high to low total municipal debt owed
2. The **most balanced** model: Index NYC by high to low municipal debt x Index NYC by high to low total maintenance code violations
3. A **high physical impact** model: Ratio of total municipal debt to total housing maintenance code violations to emergency repair program use
4. **Statutory Distress** model: Threshold of 15% Lien-to- Value with an overlay of either: (a) 5 B+C HMC violations per dwelling unit or (b) $1,000 ERP charges

| Models | Property Count | Financial | | Physical/Safety | |
| | | DOF & DEP Total Arrears | | HMC Violations & ERP Identified | |
		Total Potential Collection	Minimum Arrears Owed per Property	Total Potential HMC Violations Clearance & ERP Identified	Average Open HMC Violations & ERP per Property
1. Highest Financial	500	$$$$$$ ($503m)	$$$$$$ ($126k)	(12k, $6m)	(24, $11k)
2. Most balanced	500	$$$ ($487m)	$ ($10k)	(26k, $7m)	(25, $14k)
3. Highest physical	500	$$ ($221m)	$ ($4k)	(30k, $16m)	(61, $32k)
4. Statutory Distress	103	$ ($85m)	$$ ($21k)	(8k, $7m)	(78, $71k)

TPT Potential Selection Criteria
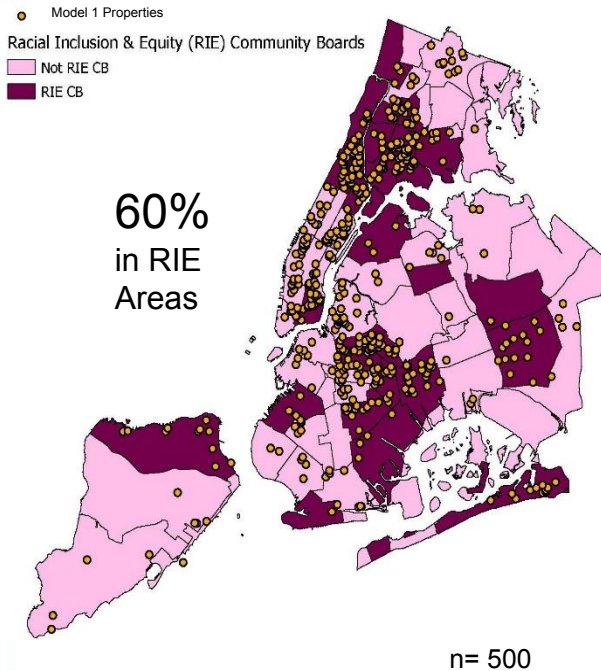# Models: Comparison, Distribution

Models	Property count	Building Size Median of Units	Tax Class 2 Proportion of group	Vacant Lots Proportion of group	HDFC Coops Proportion of group	% of properties in RIE Areas Proportion of group	Geographic Impact Borough Distribution	Enforcement Programs Proportion of group
1. Highest financial	500	14	72%	15%	20%	60%	Higher proportion in MN than other models	6%
2. Most balanced	500	14	79%	8%	19%	67%	Lower in QN than other models	13%
3. Highest physical	500	5	57%	3%	9%	72%	Higher concentration in BK than other models	16%
4. Statutory Distress	103	8	69%	12%	19%	83%	High concentration in BK	25%

The following slides highlight distribution by model in further detail.

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NEW YORK CITY COUNCIL

Models: RIE Areas

1. Highest Financial

60% in RIE Areas

n= 500

2. Most Balanced

67% in RIE Areas

n= 500

3. Highest Physical

72% in RIE Areas

n= 500

Models: RIE Areas

4. Statutory Distress

- ○ Model 4 Properties

Racial Inclusion and Equity (RIE) Community Boards
- Not RIE CB
- RIE CB

83%
in RIE
Areas

n = 103

TPT Potential Selection Criteria
Models: Homeownership Rates

1. Highest Financial

2. Most Balanced

3. Highest Physical

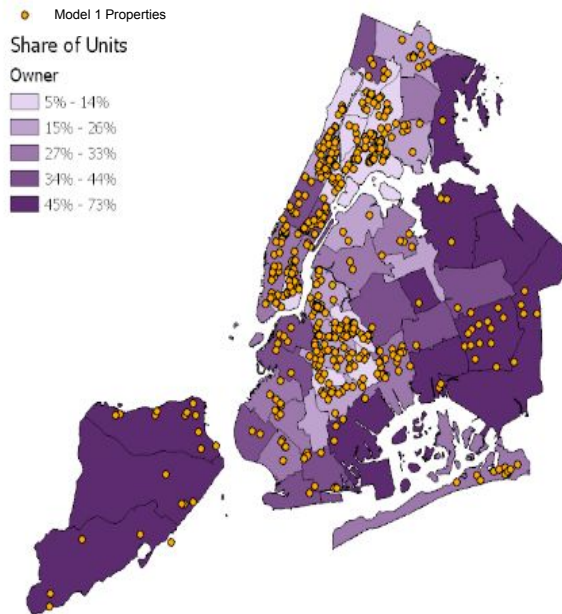n = 500

n = 500

n = 500

Models: Homeownership Rates

4. Statutory Distress

n = 103

TPT Potential Selection Criteria
Homeownership & Racial Inclusion and Equity (RIE) Comparison

- Models with the highest financial outcomes return the lowest proportion of properties in RIE community boards (60%).
- Approximately 20% of properties identified by the models in RIE areas show evidence of homeowner occupancy.
  - Of those that show homeowner occupancy, most (55-95%) are HDFC Coops

	# Total	% in RIE CBs	Homeowner-Occupied Proxy		No Indication Homeownership**	
			% Total RIE + Homeowner HDFC	% Total RIE + Homeowner TC1	%Total RIE + TC1 Rental	% Total RIE + TC2 Rental
1. Highest Financial	500	60% (302)*	17% (85)	1% (3)	17% (85)	25% (129)
2. Most Balanced	500	67% (333)	16% (82)	2% (5)	15% (73)	35% (173)
3. Highest Physical	500	72% (361)	7% (37)	6% (26)	28% (140)	32% (158)
4. Statutory Distress	103	83% (86)	18% (19)	4% (2)	22% (23)	39% (42)

	# Total	% in RIE CBs
Citywide	773K	39% (332K)
Properties with $1,000+ in DOF & DEP Arrears***	21K	52% (11K)
Top 500 properties with $1,000+ in DOF & DEP Arrears****	500	62% (312)

*Numbers in parentheses are property counts

**Homeowner Occupancy is determined by proxy- HDFC Coops or TC1 Properties with tax exemptions requiring homeowner occupancy. There may be properties with no indication of homeowner occupancy that are owner-occupied.

***Properties with aged arrears (1 or 3 years) from the Tax Lien Sale 90 Day list

****Applies the following additional filters: (1) excludes properties with liens sold and (2) includes only the 500 properties that owe the most in total arrears

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TPT Potential Selection Criteria
Models: Economic Risk

1. Highest Financial

2. Most Balanced

3. Highest Physical

n = 500

n = 500

n = 500

Economic Risk is defined by Tax Lien Sale 90 Day Notices and lis pendens issued by council district.

Models: Economic Risk

4. Statutory Distress

% Model 4 Properties

- 1%
- 2.5%
- 5%
- 10%

Levels of Economic Risk

- Lowest
- Low
- Moderate
- High
- Highest

n = 103

Economic Risk is defined by Tax Lien Sale 90 Day Notices and lis pendens issued by council district.

TPT Potential Selection Criteria - Models: Impact Summary

1. Highest <u>financial</u> – Financial Index
- Highest total potential collection and highest minimum to qualify
- Low physical/safety impact based on violations/ERP usage
- More large buildings
- More HDFC Coops
- More vacant lots
- Fewer in RIE areas

2. Greatest <u>physical/safety</u> – Ratio Arrears to ERP to HMC
- Highest total potential HMC violations clearance and average violations
- Low financial impact, including a low minimum to qualify
- More small properties
- More properties in enforcement programs
- Fewer HDFC Coops
- Fewest vacant lots
- More in RIE areas

3. Most <u>balanced</u> – Financial-Physical Index
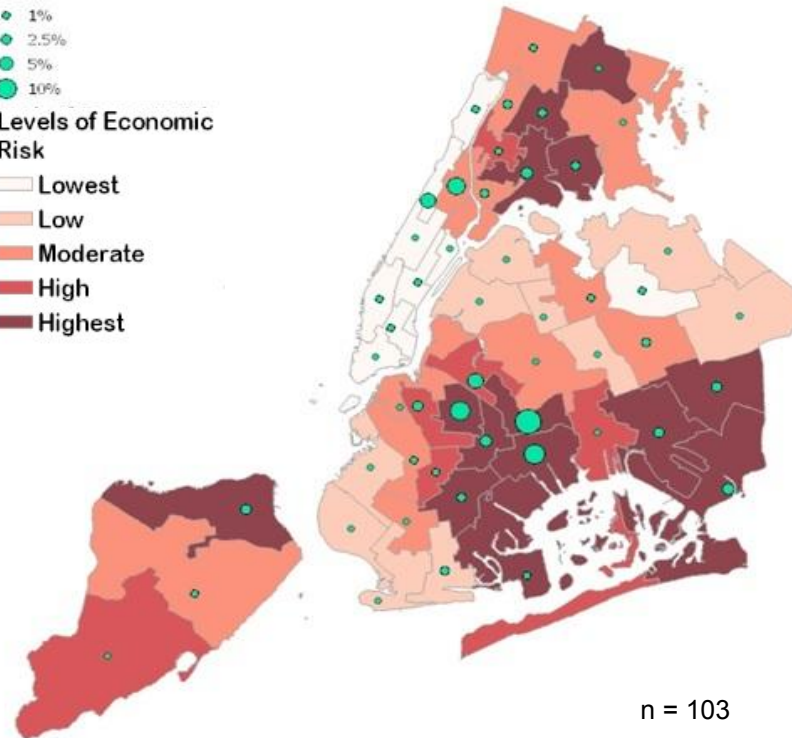- High financial and moderate physical impact
- Lower minimum arrears to qualify
- Slightly more large properties than high financial impact model
- More HDFC Coops than high physical impact model and similar amount as high financial impact model
- Moderate amount in enforcement programs compared to other models
- Moderate amount of vacant lots
- Moderate amount in RIE areas compared to other models

4. Statutory Distress
- Smallest number of properties qualify
- Low total potential HMC violations clearance
- Low financial impact
- High proportion of HDFC coops, similar proportion to high financial impact models
- Greatest proportion of properties in RIE areas
- Greatest proportion of properties in enforcement programs

Discussion

Full Group Q&A

What questions do you have about this content?

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Small Group Discussions

From your perspective...

- Assuming that there are sufficient support/resources for owners in place, do these models and the categories of features:

  - **Provide an effective methodology for achieving the goals of TPT?** If not, why not? If so, what stands out as most pertinent?

  - **Align with the conversations conducted during the Working Group sessions**? If not, why not? If so, what stands out as most pertinent?

- Are there **(unintended) consequences** to the implementation of any of these models that we may not be fully considering?

  - If so, what are they, who might be impacted, and how?

- Are there **additional considerations or information** the City should consider in tandem with these models when determining:

  - 1) which properties avoid / redeem / exit the program?

  - 2) which properties get extra support? (And which kinds of support?)

  - 3) post-transfer outcomes?

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	Data			Methods		Principles	
	DOF and DEP arrears	HPD Housing Maintenance Code Violations	HPD Emergency Repair Program Charges	Total or Per Dwelling Unit (DU)	Index or Threshold	Financial	Physical/ Safety
High Financial	Yes	No	No	Total	Index	$$$$$	🏢🏢
Most Balanced	Yes	Yes (Recent violations only)	No	Total	Index	$$$	🏢🏢🏢
High Physical	Yes	Yes (Recent violations only)	Yes (Recent charges)	Total	Index	$$	🏢🏢🏢🏢🏢
Statutory Distress	Yes	Yes (Recent violation only)	Yes (Recent charges)	Total and Per DU	Threshold	$	🏢🏢🏢

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Full Group Sharing

What were highlights of your group's conversation?

Next Steps

- HPD will share the small-group notes from today's conversation and may follow up with TPT Working Group members for additional input

- HPD will prepare the report summarizing the content of the TPT Working Group conversations and HPD's analysis, and distribute to TPT Working Group members

Appendices

Legal Authorization

The Third Party Transfer program is a tax enforcement method created by the City Council through local law in 1996 (Title 11, Chapter 4 of the City's Administrative Code).

Key elements of this code appear below.

- Administrative Code Title 11, Chapter 4: authorizes the City to bring an in rem foreclosure action against class one and class two properties that have the following tax arrears:

  – Tax Class 2 generally: Tax arrears for one year or more. – Admin Code *§* 11-404(a)

  – Tax Class 1 and Tax Class 2 cooperatives, condominiums, and HDFCs created under the NYS Private Housing Finance Law Article XI: Tax arrears for three years or more.– Admin Code *§* 11-404(b)

- Administrative Code *§* 11-412.1 authorizes a judgment of foreclosure that allows the City to convey foreclosed class one and class two properties* to the City or to a third party deemed qualified and designated by HPD.

*Tax Class 1 and Tax Class 2 properties are residential.

Current Pre-Transfer Process

TPT In Rem Action filing through foreclosure typically takes 2.5 years.
Round X took over 3 years due to increased outreach activities.

In Rem Action is filed by the Law Dept.

Filing to Foreclosure: DOF/Law Dept./HPD prepare notifications, enter into agreements, and oversee redemptions.

Mandatory Redemption Period starts at entry of the foreclosure judgment; owners can still redeem properties.

Foreclosure: Property title is transferred to Neighborhood Restore.

28 properties (7%) exited before filing of the In Rem Action.

3-6 months	15-18 months from filing to foreclosure judgment	4 Months	5 $\frac{1}{2}$ Months

172 properties (41%) exited before the judgement of foreclosure was entered.

Pre-Filing: DOF/Law Dept./HPD select tax blocks; prepare and send warning notices.

Judgment of Foreclosure is requested by Law Dept. to start the foreclosure "clock".

Discretionary Period: The City Council reviews for UDAAP and Article XI exemption, and for final transfer approval.

75 properties (18%) exited during the mandatory redemption period.

83 properties (20%) exited during the discretionary redemption period.

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TPT Potential Selection Criteria
Models: Assumptions

Before applying any potential proposed criteria, HPD started with the following baseline assumptions.

- The analysis uses a baseline of approximately **11,500** properties; this baseline resulted from taking the *773,000* properties* citywide and *excluding*:
  - Condos
  - Properties with active liens sold through the tax lien sale
  - Properties in HPD's Development pipeline
  - Properties that have not accrued debt in an amount equivalent to or greater than their property tax liability for one or three years depending on property type *(per a recommendation from the TPT Working Group)*

- The analysis is based on the top 500 properties (for all models except D2, for which only 103 properties met the criteria).
  - The figure of 500 is based on *administrative feasibility* (specifically, the volume of properties that HPD estimates could transfer, taking into account anticipated early warning outreach and the capacity of overall program administration).

*773,000 properties reflects residential tax lots, except condo lots. ~200k tax lots (~8k buildings) were removed from this analysis.

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TPT Potential Selection Criteria
Models: Methodology

- A base file was compiled from the FY21 PTR and 2020 Pre-90 Day List of properties that meet the following:
    - Not a condo (Condos were removed using the following building classes: R0, R1, R2, R3, R4, R6, R7, R8)
    - Not in HPD pipeline
    - No active liens at Lepercq (liens sold through the NYC Tax Lien Sale)
    - Have accrued 1 year or 3 years of debt
        - For rentals, properties were required to have DOF+DEP charges in excess of 1 year of accrued property charges as defined above.
        - For coops (HDFC Coops or properties with building class A8, D4, and C6) and Tax Class 1 properties, properties were required to have DOF+DEP charges in excess of 3 years of accrued taxes, as defined above.
        - A year of debt was estimated by multiplying the FY21 tax rate by the Assessed Value from the FY21 Public Tax Roll (PTR).
            - Because ~3% of properties were absent from the FY21 PTR, the 2020 Pre-90 Day Tax Lien Sale (TLS) list was used to identify additional properties. For these properties, the FY19 Assessed Value was used.

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Models: Methodology (Cont.)

- Once the base file was compiled, the following data points were added for:
  - Financial criteria:
    - Estimated municipal arrears collection based on the accrued tax debt.
  - Physical and safety criteria:
    - Total Housing Maintenance Code (HMC) Violations that were opened in the past 3 years and are still open.
    - Total Open Market Orders (OMOs), which record ERP charges, from the past 3 years were added to the file for Model calculations.
- Models were calculated as described in the model overview slides of this deck and indexed based on the top 500 properties.
- Additional data points were added to provide context about the properties impacted including: 1) Property size, 2) Geography, 3) Housing and homeownership type, 4) HPD enforcement programs.

RIE Methodology

COVID - 19 Racial Inclusion and Equity Taskforce
Priority Neighborhood List
Draft: 5/10/2020

Context for Racial Inclusion and Equity Taskforce –

"Neighborhoods with the highest range of positive cases are home to communities of color whose residents are disproportionately employed in frontline service occupations and face among the highest rates of rent burden. COVID-19 has revealed the racial and economic inequity that's deeply embedded in our city's socio-economic infrastructure. This pandemic is not only a public health crisis, but a crisis of racial and economic justice" (Source: Association of Housing and Neighborhood Development)

Racial Inclusion and Equity Taskforce – Priority Neighborhood List:
- Neighborhoods in white reflect the results from a multivariate analysis conducted by NYC DOHMH which include social, economic, and health (including COVID) indicators
- Neighborhoods in green reflect additions based on additional health, social, and economic indicators of structural inequities.
- All metrics used to identify the following neighborhoods reflect both direct, indirect, or risk factors for adverse impacts of COVID-19

*Important Note – DOHMH's analysis was conducted by using zip codes and UHF demarcations, additional neighborhoods were selected based on data analyses conducted at the CD level. For communications purposes neighborhoods that share a community district were grouped together. The community district in parentheses should be used as a reference ONLY. Neighborhoods listed do not reflect the entire CD.

Row Number	Borough	Neighborhood	Justification
1	Bronx	Van Cortland Park and Jerome Park (BX CD 8)	
2	Bronx	Soundview and Soundview Bruckner (BX CD 9)	
3	Bronx	Mott Haven and Melrose (BX CD 1)	
4	Bronx	Longwood and Hunts Point* (BX CD 2)	• 29% of residents live in poverty (Source: Community Health Profile, 2018) • Hunts Point and Longwood's unemployment rate is higher than the citywide average (Source: Community Health Profile, 2018) • 58% percent of Hunts Point and Longwood residents are rent burdened, a higher rate than residents citywide (Source: Community Health Profile, 2018) • High rate of jail incarceration – *higher than overall Bronx and Citywide rates* (Source: Community Health Profile, 2018) • **Fourth highest** percentage of adults ages 18 and older who report ever being told by a healthcare professional that they have diabetes.(Source: DOHMH Community Health Atlas, 2018)

RIE Methodology (Cont.)

Row Number	Borough	Neighborhood	Justification
4 (cont.)		Longwood & Hunts Point (BX CD2) cont.	• **Fourth highest** percentage of adults ages 18 and older who report ever being told by a healthcare professional that they have hypertension, also known as high blood pressure. (Source: DOHMH Community Health Atlas, 2018)
5	Bronx	Highbridge (BX CD4)	
6	Bronx	East Tremont (BX CD6)	
7	Bronx	Morris Heights (BX CD 5)	
8	Bronx	Morrisania and Crotona* (BX CD 3)	• Has the **largest share of residents working in frontline service sector occupations** and the second largest share of people of color in New York City (Source: Association of Housing and Neighborhood Development,2020) • Neighborhood with **fourth highest** Percentage of people living below 100% of New York City's calculated poverty threshold based on income and necessary expenses (Source: DOHMH Community Health Atlas, 2018) • Neighborhood with **highest** percentage of the civilian (non-military) labor force (ages 16 and older) who are unemployed. (Source: DOHMH Community Health Atlas, 2018) • Neighborhood with **highest** Percentage of adults ages 18 and older who report ever being told by a healthcare professional that they have diabetes. (Source: DOHMH Community Health Atlas,2018) • Neighborhood with **second highest** Rate of premature deaths (before the age of 65) per 100,000 people. (Source: DOHMH Community Health Atlas, 2018) • 60% of Morrisania and Crotona residents are rent burdened (Source: Community Health Profile, 2018) • Predominately Latinx (60%) and Black neighborhood (37%) (Source: Community Health Profile, 2018)
9	Manhattan	Washington Heights and Inwood (CD 12)	
10	Manhattan	Hamilton Heights and Morningside Heights (CD 9)	
11	Manhattan	LES and Chinatown* (CD 3)	• Chinatown is adjacent to LES, and has experienced economic burden via very low restaurant patronage (possible closures)
12	Manhattan	East Harlem (CD 11)	
13	Manhattan	Central Harlem (CD 10)	
14	Brooklyn	Brighton Beach (BK CD 13)	
15	Brooklyn	Brownsville (BK CD 16)	
16	Brooklyn	East New York and Starrett City (BK CD 5)	
17	Brooklyn	Sunset Park* (BK CD 7)	• 57% percent of Sunset Park residents are rent burdened, a higher rate than residents citywide (Source: Community Health Profile, 2018) • In Sunset Park, 22% of adults are uninsured, higher than the rest of NYC (Source: Community Health Profile, 2018) • Predominately Latinx (42%) and Asian (30%) neighborhood (Source: Community Health Profile, 2018)

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RIE Methodology (Cont.)

Row Number	Borough	Neighborhood	Justification
18	Brooklyn	Canarsie* (BK CD 18)	• 50% of Flatlands and Canarsie residents are rent burdened (Source: Community Health Profile, 2018) • 37% of adult residents have been told they have hypertension (Source: Community Health Profile, 2018) • Predominately Black (59%) neighborhood (Source: Community Health Profile, 2018)
19	Brooklyn	Bushwick* (BK CD 4)	• In Bushwick, 25% of residents live in poverty. (Source: Community Health Profile, 2018) • 55% of Bushwick residents are rent burdened, a higher rate than residents citywide (Source: Community Health Profile, 2018) • In Bushwick, 18% of adults are uninsured, higher than the rest of NYC (Source: Community Health Profile, 2018) • Predominately Latinx (65%) neighborhood (Source: Community Health Profile, 2018)
20	Brooklyn	Bed-stuy* (BK CD 3)	• Bedford Stuyvesant's unemployment rate is higher than the citywide average (Source: Community Health Profile, 2018) • 53% of Bedford Stuyvesant residents are rent burdened (Source: Community Health Profile, 2018) • High rate of jail incarceration – higher than overall Brooklyn and Citywide rates (Source: Community Health Profile, 2018) • 34% of adults have been told they have hypertension (Source: Community Health Profile, 2018) • Predominately Black (64%) neighborhood (Source: Community Health Profile, 2018)
21	Brooklyn	East Flatbush* (BK CD 17)	• 54% of East Flatbush residents are rent burdened (Source: Community Health Profile, 2018) • East Flatbush's adult obesity rate is 34%, which is higher than the rest of NYC (Source: Community Health Profile, 2018) • 36% of adults have been told they have hypertension (Source: Community Health Profile, 2018) • High rate of jail incarceration – higher than overall Brooklyn and Citywide rates (Source: Community Health Profile, 2018) • Predominately Black (88%) neighborhood (Source: Community Health Profile, 2018)
22	Queens	Corona (Queens CD 4)	
23	Queens	Briarwood (Queens CD8)	
24	Queens	Jamaica (Queens CD12)	
25	Queens	Rockaway and Far Rockaway (Queens CD 14)	
26	Queens	Queensbridge* (Queens CD1)	• Queensbridge houses is the largest public housing development in the United States (Source: NYT, 2018) • Mostly Black and Latinx population with a median household income of $15,843, well below the federal poverty line for a family of four (Source: NYT, 2018) • Nearly 60 percent of its households rely on food stamps (Source: NYT, 2018)
27	Staten Island	Stapleton – St. George (SI CD 1)	