

**Testimony of Vicki Been, Commissioner of the
Department of Housing Preservation and Development
City Council Subcommittee on Zoning and Franchises
Hearing on the East New York Community Plan
March 7, 2016**

Good morning, Chair Richards and members of the City Council. I am Vicki Been, Commissioner of the Department of Housing Preservation and Development. The current affordable housing crisis threatens to harm the quality of life, and limit the opportunities, of New York City's lowest income residents, hurts the city's economic competitiveness, and contributes to the growing inequality gap that undermines our ideals and unravels the social fabric of our neighborhoods. The proposed rezoning in East New York is one step of many towards resolving that crisis by allowing our neighborhoods to grow, while protecting the distinct architecture, street life, historic significance, and mix of housing types and uses, and preventing the displacement of current residents. In response to concerns we've heard from the community, we've crafted a set of strategies that will use permanently affordable housing to allow existing residents to stay in the neighborhood they love even as the neighborhood changes, and to ensure that future development results in an even more diverse and livable community.

SLIDE: THE PLANNING PROCESS

As Chair Weisbrod just described, the East New York Community Plan is the result of an extensive community planning process that spanned a number of years. The mayor's Housing New York Plan started with neighborhoods, and committed the City to "thoughtfully planned development" which has led to an unprecedented degree of interagency collaboration and engagement with local communities. At HPD, the Mayor's focus on neighborhoods led us to form a new Office of Neighborhood Strategies to focus on community engagement around the development of neighborhood plans, such as this one [point to Plan], that speak directly to community needs and concerns. We began in 2014 with "desktop research" – an analysis of the existing housing stock, the demographics of the community, and the threats and opportunities for affordability that

East New York faces. Throughout 2015, along with many of our sister agencies, we conducted a series of listening sessions, workshops, and stakeholder meetings to get feedback on the extent to which the preliminary research resonated with community members based on their “lived experience” of the neighborhood. Last summer, we also participated in a series of working meetings with the East New York Coalition for Community Advancement, where HPD Deputy and Assistant Commissioners were on hand to brainstorm creatively about how to work together with the community to achieve common objectives. Based on the ideas developed at these meetings, we drafted a Housing Plan specifically for East New York. The Housing Plan outlines and will continue to guide and focus our housing policies, programs, and investments in the community. The process has been very iterative – while we were crafting the Housing Plan, we met with local elected officials, the Coalition, and others to provide updates and gather additional input. We have copies of the Housing Plan available here today.

SLIDE: WHAT WE LEARNED

As we are all aware, Brooklyn’s population has grown considerably in recent years. The borough is seen as one of the most desirable places to live in this country, and is one of the most expensive. East New York is often cited as one of the few remaining affordable neighborhoods in the borough, attracting people priced out of other areas. In addition, existing residents are remaining in place as they have children, and increasingly are aging in place, so East New York is growing even without in-migration. Between 2000 and 2010, the area’s population increased at a rate of 11% – faster than Brooklyn and the city as a whole, which only grew by about 2%.

As population grows, the increased demand for housing is putting pressure on the area’s housing supply. Between 2000 and 2013, prior to the announcement of any rezoning, median home values in East New York increased by over 100%. Median rents increased by approximately 26% in East New York over the same period, compared to 16% in all of Brooklyn.

The median household income in the neighborhood is about \$33,000, but in order to afford current asking rents in East New York, one would need to earn at least \$44,000 for a one-bedroom or \$56,000 for a two-bedroom apartment. Indeed, over two-thirds of East New York households are already spending more than what the federal Department of Housing and Urban Development (HUD) defines as “affordable.”

Many of you may have seen a statistic quoted in the press that says 50,000 East New York residents are going to be displaced as a result of the proposed community plan. That figure, taken out of context from the Draft Environmental Impact Statement, has been grossly misrepresented. What the report actually says is that 50,000 people are *already* at risk of displacement. Because so much of the housing in East New York is in small buildings, there are 50,000 people in East New York today who do not live in housing that is regulated by a government agency or rent stabilized and, because of their low incomes, cannot afford the increasing rents I described just a moment ago. Those people are at risk of displacement as pressure continues to rise on rents because the demand for housing in New York City outstrips supply.

SLIDE: HOUSING STRATEGIES

So what are we proposing to do about that risk? Doing nothing is not an option – if the supply of housing is not increased, rents will rise, and displacement will occur. Protecting residents who are vulnerable to displacement is our number one priority. So first and foremost, we will preserve the existing stock of regulated housing and ensure that homeowners and rent protected tenants have the resources to enforce their legal rights and resist pressures to move.

But to keep rents from skyrocketing, we must ensure that we are allowing the supply of housing to increase to meet demand, and that any new housing built must include affordable homes.

SLIDE: PRESERVING EXISTING REGULATED HOUSING

A large proportion of the homes in the East New York rezoning area – over 40%, or about 25,000 homes – are already affordable because of existing regulatory restrictions that require the housing to serve low income families, or limit rent increases. These units are regulated by government agencies, and we are monitoring these properties and reaching out to owners with regulatory agreements that are near the end of the affordability period to let them know about the financial incentives we can provide to preserve affordability. Approximately 1,100 homes will reach the end of their existing regulatory period by 2020, and we are doing everything we can to keep those homes under regulatory protections.

SLIDE: BRINGING UNREGULATED HOUSING INTO AFFORDABILITY PROGRAMS

We are also working to identify opportunities to protect the affordability of buildings that are *not* currently regulated. We are taking a much more proactive and strategic approach than ever before to target building owners who could benefit from our financing and tax incentives in exchange for agreeing to maintain the affordability of their units. Many owners are either not aware of our products or feel uncomfortable working with a public agency, but we are trying to better serve those owners. One example is the new Green Housing Preservation Program, which targets small buildings of 5 to 50 units with low interest loans that will make buildings more energy efficient in exchange for maintaining the affordability of their units; in the Spring, we will be launching a comprehensive outreach and technical assistance campaign specifically targeting East New York property owners who could benefit from this new program.

SLIDE: RESOURCES FOR HOMEOWNERS

There is also a significant stock of unregulated housing in East New York – predominately in owner-occupied, small, one- to four-family homes. We have heard from

homeowners that they are being approached to sell their homes on a daily basis, and many do not have the resources to make critical repairs or protect themselves against this sometimes aggressive form of harassment. So we are prioritizing several programs. First, we will be dedicating a “Homeowner Helpdesk” in the community, with financial and legal counselors to help homeowners modify mortgages, prevent foreclosures, access home repair and weatherization loans, and address scams such as deed thefts and other issues. This responds to an issue the Coalition explicitly raised in our working meetings, and will be an important resource to help protect homeowners and their tenants.

We are also working to increase awareness of and access to our range of small home repair loan programs, as well as to expand our down payment assistance program for first-time, low- and moderate-income homebuyers in the neighborhood.

SLIDE: PROTECT TENANTS

Protections for tenants in rental housing are also critical. The City is deploying immediate, proactive tools to protect residents from landlords that engage in harassment or do not maintain the safety of their buildings:

- Free legal services are available to any tenant in East New York facing harassment – Mayor de Blasio has increased funding for these programs by ten-fold;
- We are participating in the first ever task force dedicated to investigating and bringing enforcement actions – including criminal charges – against landlords who harass tenants;
- Among other tools, the new Tenant Support Unit goes door-to-door in neighborhoods across the city, informing tenants of their rights, documenting building violations, soliciting complaints related to harassment and eviction, and making referrals to free legal support whenever necessary. Since it launched in July 2015, the Unit has identified 2,400 New Yorkers that needed help. 1,000 of those cases have been resolved so far, and agencies and legal service providers are addressing the remainder.

With these kinds of programs in place, we are pleased by the recent announcement that evictions citywide decreased by 18% last year.

SLIDE: ZONING FRAMEWORK

We must also create opportunities for new housing, and especially new affordable housing, to relieve the demand pressures that are driving up rents in East New York. In this way, we view the zoning proposal before you as an additional and important preventative measure to *combat* residential displacement.

The zoning proposal has been crafted to ensure new development is only permitted along the major commercial corridors – Atlantic, Fulton, Liberty, and Pitkin – that currently contain very few residential units.¹ Residential areas on the side streets are *not* being rezoned to allow for greater density, thereby ensuring that the existing low-scale character of these residential areas is preserved, and ensuring that the rezoning will provide no incentive for owners to change the nature of the housing.

On the avenues, we are proposing to implement the Mandatory Inclusionary Housing program, also known as MIH; if approved, this will represent the first neighborhood-scale implementation of the ambitious new program. Through MIH, any new development in these locations would be required to set aside at least 25% of the units as affordable for a family of three making, on average, \$47,000 per year, or 60% of the Area Median Income (AMI). Remember that the MIH program would require these units to be *permanently* affordable. To average at 60% of AMI, a 100 unit building could include 25 units, for example, with 10 for families making \$31,000; 5 for families making \$47,000; and 10 for families making \$62,000.

¹ The Draft Environment Impact Statement catalogues each of the buildings that could potentially be redeveloped as a result of this plan and counts all of the units (53 units).

SLIDE: AFFORDABILITY COMMITMENTS

But in East New York, MIH is only the floor – not the ceiling. When developers come to HPD for financing, we will only finance buildings that are 100% affordable, and at levels that target low and extremely low incomes. Within these 100% affordable buildings, we are committing that at least 40% of all units will be reserved for households earning as little as \$23,000 to \$39,000 for a three-person family (30-50% of AMI). The remainder of the units in each building would primarily be affordable to households making less than \$47,000 for a three-person family (60% of AMI). We have Fact Sheets available in the room today [point to Fact Sheet] describing precisely what rent levels and income qualifications we will require of developers.

I cannot stress enough; asking rents for apartments on the market in East New York today are significantly higher than the affordable housing we will finance, so the new housing we will support will create more, not less, opportunity for current residents to find an apartment they can afford.

One example of the type of development we expect the rezoning will encourage is the project we just funded at the corner of Pitkin Avenue and Berriman Street – and which is shown here. Cypress Hills Local Development Corporation is the developer of this project, which is starting construction this year; when completed, it will include 60 units of affordable housing for families at the income levels I just described, as well as 12 units for formerly homeless tenants. It will also include a new supermarket. This site was rezoned about two years ago to the zoning districts that are now being proposed for all of Pitkin Avenue (R7A/C2-4), which allows 8 to 10 stories of residential uses with commercial and community uses on the ground floor.

SLIDE: 1,200 UNITS IN 2 YEARS

As a down payment on our commitment to affordability, we are seeking to expedite the construction of over 1,200 units of deeply affordable housing, plus other facilities in the

neighborhood – including a new 1,000-seat public school – over the next two years. But we need the proposed zoning plan approved so we can move forward with these projects, as housing and educational uses are not permitted under the current zoning.

These sites include the publicly owned site at Dinsmore Place and Chestnut Street, and the former Chloe Foods facility, now owned by the non-profit affordable housing developer, Phipps Houses, who will develop 100% affordable housing serving the incomes described on the Fact Sheet. To meet calls from the community that more housing should serve the lowest earning families, on public sites we are committing to finance even more units at the 30% and 40% AMI bands.

SLIDE: 1,200 UNITS IN 2 YEARS (AFFORDABILITY BREAKDOWN)

Here you can see those 1,200 units broken out by affordability level. Within the next two years, we are proposing to finance the construction of 480 homes serving families earning less than \$39,000, and 686 homes for families earning between \$39,000 and \$47,000 (all incomes assuming a household of three). A remaining 45 homes will serve homeowners and renters in one- to four-family buildings throughout the district.

SLIDE: LOOKING AHEAD

Lastly, as part of our housing plan for the neighborhood, we are committing to full transparency in the projects we invest in and the programs we are deploying in East New York so that the public can keep us accountable to what we say we are going to do and track whether we are making progress towards our goals. We will also continue to evaluate market and demographic trends in the neighborhood on an ongoing basis – and make those analyses public as well – in order to determine whether policy refinements or new tools are required to address changing needs. We are not walking away from East New York once this plan is approved; to the contrary, our work is only beginning, and we are going to shift into implementation mode. I'm including a chart here showing HPD's capital budget allocation over the next five years, which totals \$3.8 billion, to re-iterate

that our capital funding remains stable and the Mayor's commitment to Housing New York, *and* East New York, remains fully funded.

Thank you for the opportunity to testify today. I would be happy to take any questions.