

Third Party Transfer Working Group Final Report

November 8, 2021

Section I.

TPT History, Definitions, and Context for Change

History and Definitions

The Third-Party Transfer program (TPT), also known as modified in rem tax foreclosure, was created by the NYC Council in 1996 as a tax enforcement program, designed to also address crisis conditions in the physical and financial health of New York City properties that were creating risks to residents, communities, and the city as a whole.

The goals and intent of the program, in addition to property tax enforcement, were (and remain) to create and maintain affordable housing by stabilizing properties' physical and financial health, and to keep properties safe, habitable, and affordable for those who live there. Specifically, TPT pursues these goals by:

- 1) Collecting municipal arrears (including arrears held by properties ineligible for the tax lien sale, such as HDFC co-ops) to ensure ongoing quality City services.
- 2) Investing in and rehabilitating properties to improve resident living conditions and housing viability (both physical and financial).
- 3) Establishing regulatory protections and improved property and asset management to protect residents from displacement, disinvestment, and speculation.

TPT is codified in City law and rules. Generally, a property can be included in TPT, and ultimately transferred, if the property has owed tax arrears for **one year**, *unless* the property is

- a one- to three-unit residential property (Tax Class 1),
- a residential vacant land parcel (Tax Class 1 or 2),
- a co-op, a condominium, or a rental owned by an HDFC (Tax Class 2),

in which case the property must have owed tax arrears for **three years**.

Any property that meets the criteria above and is on the same block as a property identified for inclusion in TPT must also be included in TPT; the intent of this “block pick-up requirement” is to treat all properties on a block that owe tax arrears in the same manner.

The TPT program is administered by the NYC Department of Finance (DOF) and the NYC Department of Housing Preservation and Development (HPD). DOF and the NYC Department of Environmental Protection (DEP) arrange payment plans for municipal arrears. HPD manages the administrative aspects of the transfer, stabilization, rehabilitation, and affordability regulation processes.

Since inception of the program in 1996, a typical TPT foreclosure timeline has averaged about 2.5 years from the point the City commences the foreclosure action to foreclosure judgment and transfer of the property to Neighborhood Restore HDFC, a non-profit organization, which acts as the interim owner.

Neighborhood Restore HDFC works with HPD and the selected qualified third parties to stabilize, manage, and plan for the rehabilitation and future ownership of these properties.

The key stages of the process are as follows.

Commencement of the In Rem Foreclosure Action through Judgment of Foreclosure: After selecting and determining the eligibility of properties, the City commences an *In Rem Foreclosure Action* (the Action). HPD reaches out to owners throughout this period to inform them of opportunities and resources to avoid foreclosure. In the last TPT round, the City reached out to the owners of record with DOF arrears and DEP arrears a minimum of 70 times.

- The City sends notice to owners before and upon filing the Action.
 - a. About six weeks prior to commencement of the Action, although not required by law, the City sends a *Notice of Possible Foreclosure* to owners of record.
 - b. When the Action has been filed, the City sends a *Notice of Foreclosure*. The Notice of Foreclosure gives owners a statutorily-prescribed period of time to submit an answer in the foreclosure proceeding; this answer may assert legal defenses against the foreclosure. Submission of an answer severs the property from the proceedings.
- In the approximately 15-18 months after the Action is commenced, but before the City files an application to the Court for a *Judgment of Foreclosure*, an owner may pay the arrears in full or enter into a statutorily-prescribed payment agreement with DOF and/or DEP. Prior to its application to the Court for a Judgment of Foreclosure, although not required by law, the City sends a *Final Warning Notice* to property owners.

Judgment of Foreclosure to Transfer of Property: There are additional statutorily-prescribed opportunities for owners to avoid transfer of their properties after entry of a Judgment of Foreclosure.

- **Mandatory Redemption Period:** This four-month period follows the entry of the Judgment of Foreclosure (which is issued upon the City's application, including a final judgment list of properties to be foreclosed). During this period, an owner can redeem a property by paying arrears in full or entering into a statutorily-prescribed payment agreement with DOF and/or DEP. Although not required by law, the City sends a *Post-Judgment Notice of Foreclosure* to owners.
- **Transfer Period:** This four-month period follows the Mandatory Redemption Period; during this period, the City, at its discretion, may allow payment in full of all arrears to avoid transfer of the property and remove the property from the Action.
- **City Council Review:** The Transfer Period is tolled by a 45-day review period, during which the City Council has 45 days to review the transfer of each property.

The City must transfer title to the property by the end of the Transfer Period (as tolled by the City Council review).

The City has a broad range of programs designed to assist owners through education, outreach, enforcement, and financing / financial incentives, as well as programs designed to deter owner negligence through penalties and litigation (see graphic below). TPT, however, is the only program designed to provide comprehensive property stabilization. Through investment and rehabilitation by a new qualified owner, TPT goes beyond collecting taxes: it is a tool to protect residents against safety hazards, loss of residential affordability, and/or transfer of property to owners lacking requisite management skills or intending to let the property deteriorate.

City Resources

The City has several ways to engage with owners whose properties are approaching crisis or that are in crisis



Context for Change

In 2018 and 2019, elected officials, advocates, and community groups voiced concern that various components of TPT needed updating and suggested certain key elements for potential re-examination, including (but not limited to):

- *The eligibility and selection process*, because the tax arrears threshold for including properties in TPT results in the inclusion of buildings with nominal tax delinquencies that fall outside the goals of the TPT program.
- *Outreach and navigation*, because although outreach is consistent and conducted in various forms, the clarity of the information on notices and other documents could be improved, as could the owner’s access to knowledgeable individuals who can provide direct support and solutions. Moreover, the information needs to be available in a wider range of languages; the communications about TPT should be simplified and avoid “legalese;” and information about buildings (such as arrears and payment plans) that is managed by multiple agencies should be consistently shared in a way that sufficiently facilitates redemption of properties.
- *Financial and technical assistance*, because there are currently no comprehensive City-wide services to assist property owners with early diagnosis and management of issues that may lead

to crisis; and loan programs are needed to help owners address their properties' municipal arrears and physical conditions.

In response to these calls for change, the City, in collaboration with NYC City Council, proposed the convening of a TPT Working Group, hosted by NYC Councilmember Robert E. Cornegy, Chair of the Housing and Buildings Committee, and HPD Commissioner Louise Carroll. The Working Group process is described in detail in the next section.

Section II.

TPT Working Group Process

The purpose of the Working Group was to elicit ideas for operational improvements, ensure that the program achieves its secondary intended purpose of stabilizing properties in crisis, and contemplate changes in the criteria for inclusion in TPT. Its specific goals were to:

- 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; and
- 3) Discuss potential program enhancements based on Working Group feedback.

Working Group participants included elected officials, members of the HDFC Coalition, legal services providers / tenant advocates, M/WBE developers, property management firms, and community-based organizations, with information provided by HPD, DOF, DEP, and the NYC Law Department. Participant names, and the entities they represented, are included in Appendix A.

The Working Group convened in four sessions (between 2.5 and 4 hours each) between September 2019 and February 2021. (The first three sessions were held live, and the fourth session, due to COVID restrictions, was held virtually.) All four were conducted by an outside facilitation team using collaborative techniques with opportunities for small group and large group conversations, with portions of each session devoted to Agency presentations on use of data and/or program process specifics.

The four Working Group sessions covered the following topics.

- *Session 1 (9/10/19)*: Discussed history of the TPT Program, current state of NYC housing stock, and characteristics of properties in crisis.
- *Session 2 (11/13/19)*: Proposed interventions and resources to assist owners (or HDFC co-op shareholders) of properties in crisis.
- *Session 3 (2/19/20)*: Considered specific recommendations for developing and / or improving programs to support properties.
- *Session 4 (2/11/21)*: Proposed and discussed specific recommendations to TPT legislation, in particular the criteria for entering TPT.

Between sessions, HPD provided additional information about TPT, answered Working Group participant questions, held informal listening sessions with individual participants, and received / discussed feedback and ideas beyond what was shared during session time. Presentation decks are included in Appendix B, and notes from the sessions (as generated by the participants and recorded by facilitators) are included in Appendix C.

Following the sessions, Working Group members were provided with a survey that contained a series of proposals for change; these proposals were made by, or made in response to, Working Group members' recommendations and comments during the sessions. These proposals appear in a later section, along with a note about the quantity of support for each as expressed in the collected surveys.

(93% of Working Group participants who were active through the full Working Group process responded to the survey, representing a broad cross-section of stakeholder groups.)

Section III.

Key Data on NYC Housing¹

As noted above, the first Working Group session provided an opportunity for a discussion of the history of the TPT Program, current state of NYC housing stock, and characteristics of properties in financial and/or physical crisis. Below is an overview of the key information presented by HPD at this session, which grounded the participants in an understanding of the conditions of housing in NYC. This information is based on administrative data (e.g., DOF property tax arrears, HPD Housing Maintenance Code violations, and Emergency Repair Program (ERP) charges) that are maintained citywide and can be used to determine property health.

- Summary of Key Points of the approximately 775,000 residential properties in New York City:
 - more than 85% of property owners paid their property and water charge liabilities on time and maintained units that had no outstanding housing code violations against them.
 - 15% have financial issues, physical issues, or both financial and physical issues.
- The top 1% of properties in crisis (e.g., those in the top 1% on an index using indicators of property health) were dramatically worse than those in the lower 99%; for example, the top 1% of properties in crisis:
 - owed, on average, \$110,000 in municipal arrears per property.
 - had, on average, 40 B (hazardous conditions) and C (immediately hazardous conditions) outstanding violations registered per property.
 - owed, on average, \$5,000 in ERP charges.
- Moreover (using this same index), the top 0.1% of properties in crisis were dramatically worse even than those in the rest of the top 1%; specifically, those top 0.1% of properties in crisis:
 - each had at least \$800,000 in arrears.
 - each had at least 110 B and/or C outstanding violations on record per property.

Key Points in Detail

Understanding the New York City Housing Stock

Administrative data (records collected by City agencies) can be used to identify residential properties and monitor building quality; the following information is based on the use of administrative data.

¹ All data presented in this section of the report were analyzed in December 2018, as explained in note 3, and exclude, roughly, 8,000 condo buildings because they are not part of TPT.

New York City residential properties are generally classified as either small homes, rentals, cooperatives (co-ops), or condos. Residential properties that are not condos can be identified using DOF tax classes; specifically:

- Smaller properties (1-3 units) are Tax Class 1.
- Larger properties (4 units or more) are Tax Class 2.

Rentals and co-ops can also operate as Housing Development Fund Corporations (HDFCs).

The city's housing stock contains approximately 775,000 properties and of these:

- 87% are Tax Class 1, and 13% are Tax Class 2.
- 92% percent of Tax Class 2 properties are rentals and 8% are co-ops.

Measuring Property Health

The physical and financial health definitions in this section are used to actively monitor the city's housing stock to identify properties that may be showing signs of challenges or crisis, and thereby compromising the quality of life for residents living in those properties.

The *physical health* of a property can be measured using two key metrics: the number of Housing Maintenance Code Violations² (Violations) issued to a property, and the amount of Emergency Repair Program (ERP) charges owed by the property.

- **Violations:** Violations are complaint-driven and thus typically imposed on tenant-occupied properties; note, though, that HDFC co-ops generally report complaints at levels similar to rental properties. Violations are issued upon inspection following a complaint or other code enforcement actions.
- **ERP Charges:** HPD administers ERP to correct certain immediately hazardous conditions left unrepaired by property owners. Charges for required contractor work are billed to the owner's DOF property tax statement, and any unpaid ERP charge becomes an enforceable lien on the property.

The *financial health* of a property can be measured using DOF and DEP administrative data. There are three key metrics for determining a property's financial health.

- *City Municipal Arrears* are past due DOF property taxes, other municipal charges like ERP, and DEP water and sewage charges.
- *DOF Market Value* is the value used to determine a property's tax liability amount. Market value is calculated using a statistical analysis that incorporates data such as the recent sales price of similar properties in the same neighborhood.
- *Lien-to-Value (LTV)* is the ratio of municipal arrears to DOF market value (DOF + DEP arrears over DOF market value). LTV is used to signal how far behind a property has fallen on its tax liability and to understand the magnitude of municipal debt the property is facing.

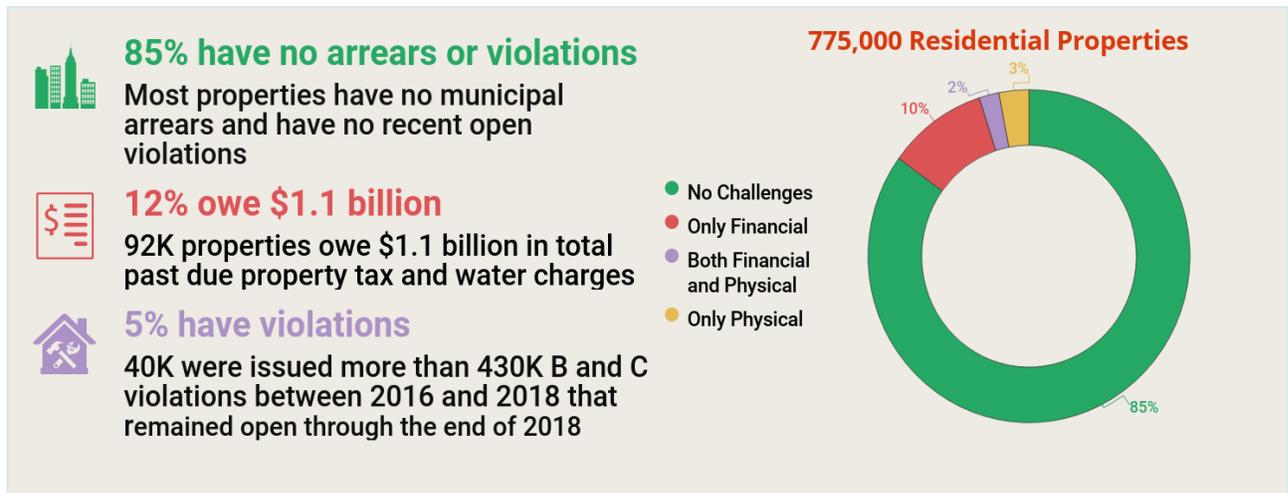
² Open B (hazardous) and C (immediately hazardous) violations issued between 2016-2018. An example of an immediately hazardous violation is not providing adequate heat to apartments during the winter months or failing to provide hot water.

Citywide Scale of Financial and Physical Crises³

The chart below (City Goals, Compliance, and Enforcement) shows that, when examining all city residential properties, more than 85% of property owners paid their property and water charge liabilities on time and maintained units without outstanding housing code violations; this data suggests the majority of New Yorkers maintained their properties in a safe and stable manner. However, 12% of building owners collectively owed more than \$1.1 billion in total past due property tax and water charges, and 5% of buildings had B and/or C violations outstanding.

City Goals, Compliance, and Enforcement

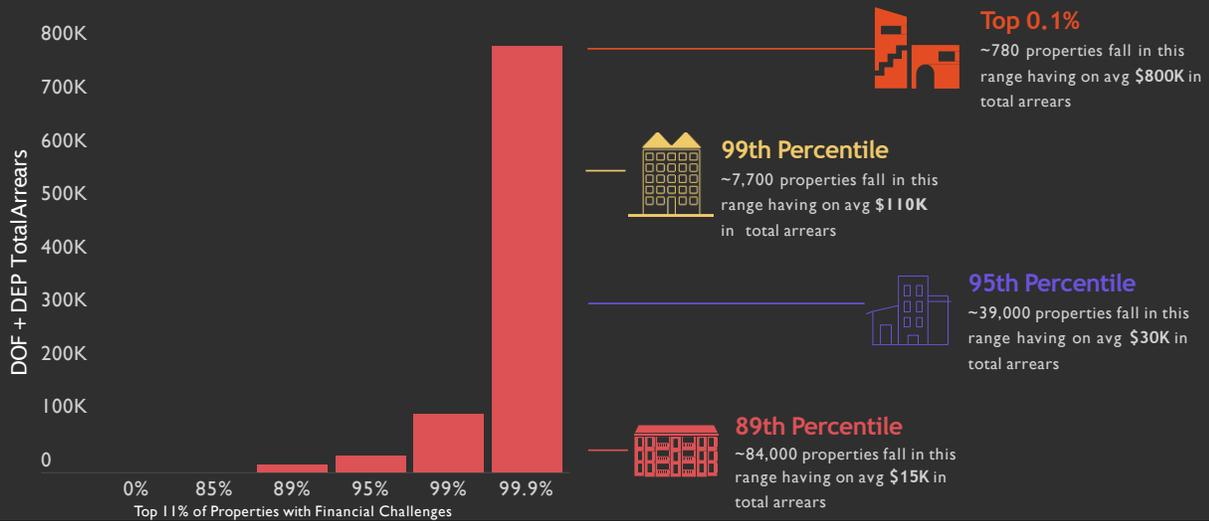
Citywide Scale of Financial and Physical Crises



For properties with any physical or financial issues, the top 1% were dramatically worse than the bottom 99%; these properties in the top 1% each (on average) owed \$110,000 total arrears, had 40 B and C violations outstanding in December 2018, or owed \$5,000 in ERP charges. Moreover, and very importantly, the top 0.1% were dramatically worse even than the rest of the top 1%; properties in the top 0.1% each (on average) owed \$800,000 in arrears, had more than 110 B and C violations outstanding, or owed \$60,000 in ERP charges.

³ All data presented in this section of the report were retrieved and analyzed in December 2018. Specifically, a) City Municipal Arrears represent all past due DOF municipal arrears and DEP water charges accrued through December 2018, and b) violations represent all B and C violations issued between 2016 and 2018 that remained open at the time data were retrieved in December 2018.

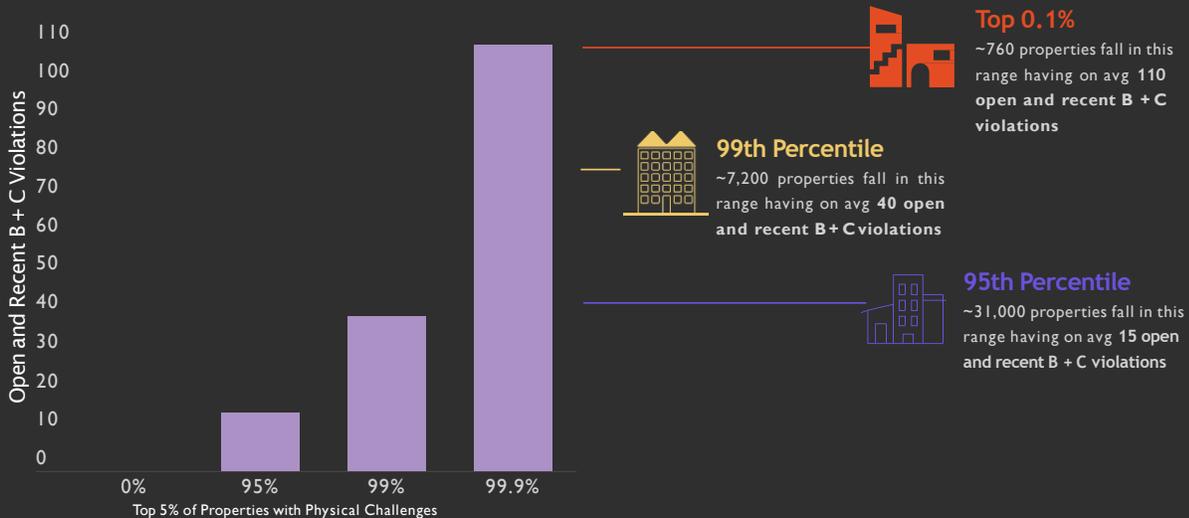
Citywide Distribution of Financial Challenges



33

TPT Working Group: Discussion Purposes Only 9.10.19

Citywide Distribution of Physical Challenges

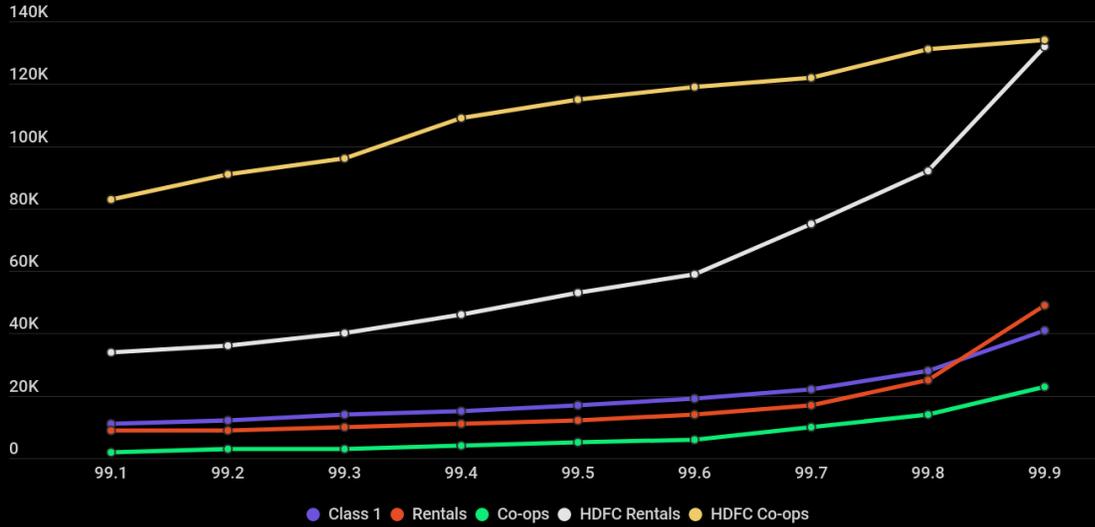


34

TPT Working Group: Discussion Purposes Only 9.10.19

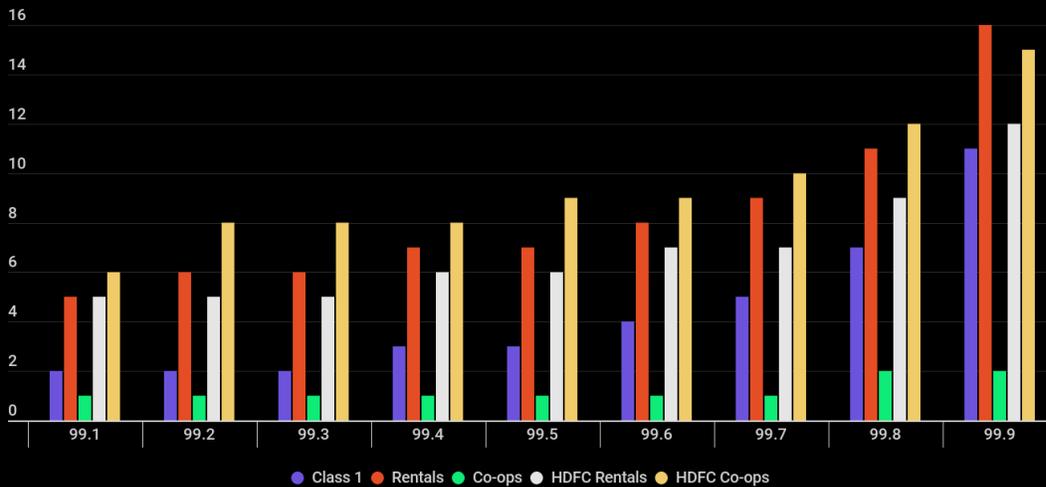
Average City Property Tax and Water Charges

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



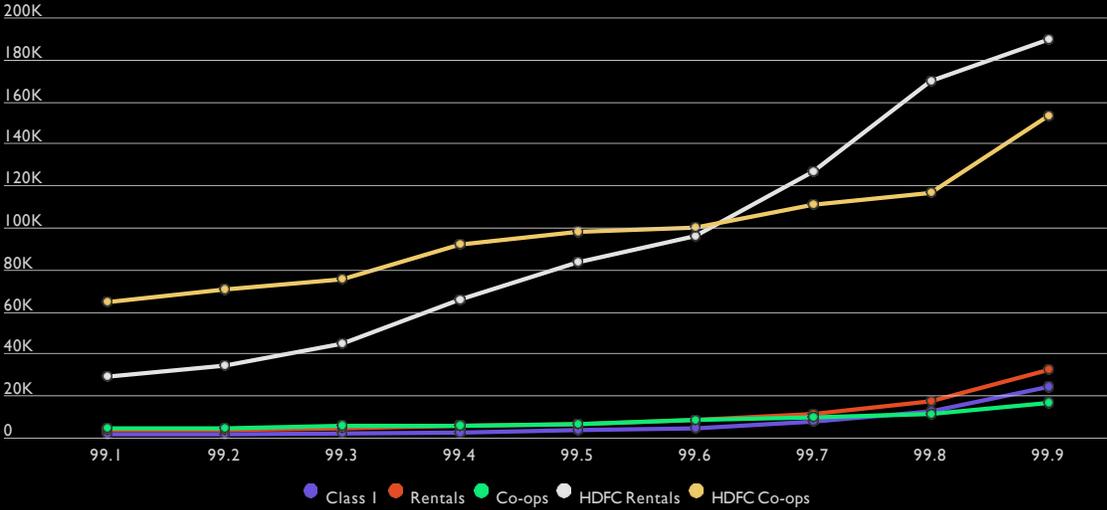
Average Open B+C Housing Maintenance Violations

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



Emergency Repair Program (ERP) Charges

Top 1% of Properties, ERP Charges



Section IV.

Takeaways and Proposals

Process Modifications and Program Enhancements to Support Owners

With some nuance by property type, there were three major themes raised by all members of the TPT Working Group in these sessions -- the need for **Proactive Outreach, Enhanced Technical and Financial Assistance**, and **Improved Customer Service**. Working Group members also expressed an overall desire for clear, solution-oriented communication from City agencies, as well as a desire that these agencies view themselves as supporters rather than exclusively as enforcers. In some instances, these proposals build on existing programs and/or the City has already taken steps to expand existing programs and resources (as footnoted below where applicable).⁴

*Proactive Outreach*⁵

- 1) The City will explore a range of approaches to outreach, including expanding existing programs and resources to:
 - include partners, such as Community Based Organizations (CBOs) and the offices of elected officials, in outreach efforts. The outreach partners will be vetted by the City to ensure that homeowners will not be victim to predatory action by untrustworthy actors.
 - employ various engagement techniques, such as additional mailings, door-knocking, phone calls, and in-person engagement.
 - direct outreach, in the case of co-ops, where feasible to all shareholders (not only to Board members).

Among Working Group members who reacted to this proposal as described here, there was unanimous support for or comfort with the proposal.

*Enhanced Technical and Financial Assistance*⁶

⁴ The Working Group also raised various TPT-adjacent topics not addressed in this report, including (but not limited to) HDFC regulatory structures, which are within the purview of other initiatives and community engagements currently underway.

⁵ Existing outreach programs/resources include:

- 1) Mailings and robocalls to eligible property owners alerting them to upcoming deadlines and inviting them to clinics at 100 Gold Street where they can meet directly with HPD Code Enforcement, DOF, DEP, and other organizations that can assist owners in remediating issues.
- 2) outreach and counseling conducted through City agencies for properties with municipal or mortgage delinquencies, via the Center for New York City Neighborhoods (CNYCN) and partner organizations,
- 3) outreach conducted as part of the City's Landlord Ambassador Program, and
- 4) outreach conducted by Neighborhood Housing Services and UHAB to HDFC co-ops.

Please also see the chart on page 3 of this report for additional examples of existing outreach work.

⁶ Existing and anticipated technical and financial assistance includes:

- 1) An expanded Homeowner Help Desk which launched in March 2021 and will be deployed in Central Brooklyn, Southeast Queens, and the North Bronx for one year. The Homeowner Help Desk services will be open to all, but tailored to meet the specific challenges of communities in these priority areas.
- 2) Outreach specific to Tax Class 1 properties with municipal liens that may result in eligibility for tax enforcement programs, including the tax lien sale. (NOTE: This work has currently been funded only for FY21 and FY22.)

2) The City will create a Citywide Homeowner Helpdesk, in which CBOs will:

- Provide intensive on-the-ground outreach (through a variety of methodologies) to homeowners of 1-4 unit homes, and help those homeowners navigate and access available resources and services.
- 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.
- Provide one-on-one housing, financial, and legal counseling to homeowners on a variety of topics (including scam prevention, mortgage counseling, mortgage / municipal payment assistance, repair financing, and estate planning), and refer homeowners to available resources.
- Assist homeowners in navigating and accessing government and private resources, such as applying for DOF/DEP payment plans, DOF property exemptions / benefits, HPD repair loans (and other type of government assistance programs), and/or private financing.

Among Working Group members who reacted to this proposal as described here, there was unanimous support for or comfort with the proposal. One or multiple Working Group respondents had suggestions about the scope of services in the proposal, recommending that CBOs involved in the program should be appropriately certified.

3) The City will explore marketing, expanding, and/or developing low-cost financial assistance programs to help homeowners, including financing to reduce operating costs, address municipal or mortgage delinquencies, and/or undertake home repairs.

Among Working Group members who reacted to this proposal as described here, there was unanimous support for or comfort with the proposal. One or multiple Working Group respondents had suggestions about program features in the proposal, recommending that income eligibility and/or use of funds not be overly restrictive.

4) The City will create an Owner Resource Center (ORC) for multi-family properties to:

- Provide and expand direct technical and financial support through CBOs to owners of multi-family properties citywide, including rentals and HDFC co-ops. Expanding on and modifying the City’s current successful Landlord Ambassador Program, a time-limited program available at a limited scale to small rental buildings, the ORC would serve rental owners and HDFC co-ops citywide. Specifically, the ORC would provide direct technical assistance to identify operational improvements, determine appropriate financial assistance, and help owners navigate government programs, including those administered by DOF, DEP, and HPD. Technical assistance and training might include:

3) Homeowner Hub, a program of CNYCN providing foreclosure prevention.

4) HomeFix, a program providing home repair/rehab loans and housing counseling for 1-4 unit homes. (NOTE: Funding for this program, provided by Enterprise Community Partners, will conclude in mid-FY22.)

5) Newly-announced Federal funding for homeowners, administered by New York State and CNYCN, for mortgage, municipal, and related homeowner delinquencies.

6) Continuation and expansion of the Landlord Ambassador Program pilot and demonstration programs. (NOTE: Funding for the City-funded demonstration program is expected to end in FY22 without renewal; funding must be renewed and expanded in order to address the proposals outlined in this section.)

- Physical: Assistance in assessing conditions; developing capital plans; removing HPD, DOB and ECB violations; and identifying third-party vendors (such as licensed architects, contractors and engineers).
- Financial: Assistance in assessing financial conditions; assessing and entering into payment plans; preparing for and applying for loans, exemptions, and tenant subsidies; and securing financing for repairs.
- Operational: Training and assistance in bookkeeping and expense tracking; hiring staff and vendors (including third-party property managers); leasing; coordinating landlord/tenant relations; and assisting with registration and compliance.
- Provide assistance tailored to HDFC co-ops with regard to governance, regulatory compliance, legal or estate planning.

Among Working Group members who reacted to this proposal as described here, there was unanimous support for or comfort with the proposal. One or multiple Working Group respondents had suggestions about the proposal, particularly with regard to i) ensuring that the scope of services involves organizing and supporting HDFC co-op shareholders in shared governance, and ii) providing the technical support identified without requiring a new regulatory agreement.

Improved Customer Service⁷

- 5) The City will recommend that the City Council adjust payment plan terms to be the same throughout the in rem process.

Among Working Group members who reacted to this proposal as described here, there was unanimous support for, comfort with, or neutrality on the proposal.

- 6) The City will commit to enhancing collaborative interagency action in order to better assist owners in navigating City agencies. Collaborations that will be explored might include, for example:

- Agency or inter-agency ambassadors or ombuds-roles to facilitate navigation between agencies on owner-related topics.
- A portal that would allow owners and agency staff to view applicable, real-time data about properties, as well as relevant resources (including payment plans, etc.).
- Cross-training for applicable City agencies (DOF, DEP, and HPD) such that each of the agencies understands the others' processes that pertain to TPT (including potential resources for owners).

Among Working Group members who reacted to this proposal as described here, there was unanimous support for or comfort with the proposal.

Revised Timelines and Timing

- 7) The City will endeavor to make additional proactive outreach to each applicable owner (as described above) before initiating a TPT round. Currently, the City sends a final warning notice to owners that are eligible for TPT approximately 6 weeks prior to initiating the action.

⁷ Each City agency involved in TPT currently has a team that is responsible for administering the TPT program, sharing information across agencies, and addressing the needs of eligible owners; however, this arrangement could be further enhanced/fortified.

Among Working Group members who reacted to this proposal as described here, there was unanimous support for or comfort with the proposal.

- 8) The City will evaluate whether the amount of time provided to owners to address crisis conditions between initial outreach and foreclosure should be changed (historically this period was a little more than 2 years).

Among Working Group members who reacted to this proposal as described here, there was unanimous support for, comfort with, or neutrality on the proposal.

Other Program Modifications

- 9) The City will consider allowing HDFC co-ops to petition to have an opportunity to become an HDFC cooperative again upon meeting certain requirements after transfer.

Among Working Group members who reacted to this proposal as described here, 92% supported, were comfortable with, or were neutral on the proposal. One or multiple Working Group respondents had suggestions or concerns about the proposal that could be addressed via the establishment of specific, clear, consistent timelines for meeting requirements to become a cooperative again, or requiring third-party professional management in such instances.

- 10) The City will explore transferring properties, in particular Class 1 properties, to Community Land Trusts (CLTs), among other qualified organizations, as the ultimate owner (after the interim ownership stage).

Among Working Group members who reacted to this proposal as described here, 92% supported, were comfortable with, or were neutral on the proposal. One or multiple Working Group respondents had suggestions or concerns about the proposal related to transferring properties exclusively to nonprofits and/or CLTs, noting that HPD should engage a variety of entities for this purpose.

Revised Selection Methodology

Concurrently with the Working Group, HPD explored the concept of properties in crisis (as expressed in the Working Group sessions, and internally to HPD) and reviewed data across city agencies. HPD created potential criteria using a variety of data-based approaches including indexing, weighted ratios, and thresholds. A variety of models were generated to select properties that aligned with the overarching goals of TPT. Some models, such as the threshold of Lien to Value over 15%, captured properties with minimal arrears. Similarly, criteria with a “per Dwelling Unit (DU)” standardization also captured properties with, on average, lower arrears and fewer violations on record, as these models repeatedly identified small properties. The models with the lowest levels of arrears, smallest number of violations on record, and most limited ERP use were rejected, and the models with the highest of these were presented at the third Working Group session.

General

TPT is a tax enforcement program with property stabilization goals, which can also provide significant benefits to residents, with full rehabilitation and rent-stabilized apartments post-foreclosure. To help meet these goals, the updated selection process will use objective criteria set forth in statute, including specific thresholds, and will be based on specific administrative data. In accordance with TPT principles

and Working Group feedback, TPT selection will focus on financial conditions to identify unsustainable debt, and may focus on physical conditions to identify properties demonstrating habitability and safety concerns.

- 11) The City will recommend that the City Council eliminate the current statutory “block pick-up” and replace it with a more refined selection methodology. “Block pick-up” can sometimes result in concentrated geographic selection of properties and result in inclusion of properties with relatively low municipal arrears.
Among Working Group members who reacted to this proposal as described here, there was unanimous support for or comfort with the proposal.

12) For properties with tax arrears over the threshold amount, the City will seek to employ a selection methodology:

- [OPTION 1: 12a] with a balance of considerations related to the physical and financial crisis conditions of a building.
Among Working Group members who reacted to this proposal as described here, 92% supported, were comfortable with, or were neutral on the proposal.
- [OPTION 2: 12b] based entirely on building financial data.
Among Working Group members who reacted to this proposal as described here, 54% supported, were comfortable with, or were neutral on the proposal.
- [OPTION 3: 12c] heavily weighted towards consideration of building physical factors.
Among Working Group members who reacted to this proposal as described here, 62% supported, were comfortable with, or were neutral on the proposal.

One or multiple Working Group respondents had suggestions or concerns about the use of physical crisis conditions. Specifically, respondents expressed that i) the data used should focus only on conditions of life and safety in the building, and ii) heavy or over-reliance on physical conditions per unit would create a disproportionate focus on smaller buildings. However, nearly all Working Group respondents were more concerned about a heavy or over-reliance on a narrow set of data/criteria overall, hence the near-universal interest in a balance of considerations.

Sources of Data

Administrative data applies to all properties citywide, is feasible to obtain, and is transparent. For these reasons, administrative data can create universally applicable, reproducible criteria. The administrative data used for selection will identify properties in accordance with TPT principles, which seek to protect residents and collect outstanding debt. Based on feedback from the Working Group, HPD Housing Maintenance Code violations, ERP use, and DOF and DEP outstanding debt are possible administrative data sources for identifying properties’ financial and physical conditions.

13) The City will use issued Housing Maintenance Code violations as its source of data regarding building physical crisis conditions. Specifically, the City will include buildings with a significant quantity of:

[OPTION 1: 13a] all open immediately hazardous (C) and hazardous (B) violations. Among Working Group members who reacted to this proposal as described here, 62% supported, were comfortable with, or were neutral on the proposal.

[OPTION 2: 13b] only those B and C violations issued and still open in the past 5 years. Among Working Group members who reacted to this proposal as described here, 77% supported or were comfortable with the proposal; none were neutral.

Working Group respondents had conflicting suggestions and concerns about the choice of violation data to use; specifically, while some respondents advocate for the use of recent data only, others believe that a longer-term profile provides for a more thorough evaluation of crisis conditions. Working Group respondents re-iterated the importance of ensuring that violation data used focus on only conditions of life and safety in the building.

14) The City will use municipal debt as its source of data regarding building financial crisis conditions. Specifically, the City will:

[OPTION 1: 14a] use municipal (DOF and DEP) debt, with a set threshold. Among Working Group members who reacted to this proposal as described here, 77% supported or were comfortable with the proposal; none were neutral.

[OPTION 2: 14b] use properties with the highest municipal (DOF and DEP) debt. Among Working Group members who reacted to this proposal as described here, 77% supported or were comfortable with the proposal; none were neutral.

One or multiple Working Group respondents had suggestions or concerns regarding i) using building value, building size, and/or an arrears floor to ensure that selection and inclusion criteria are meaningful for any individual building, and/or ii) setting a maximum TPT round size that may not capture all buildings that could benefit from the program, which would be balanced against administrative feasibility for the City. Some of the remarks pertinent to i) were satisfied via a proposal described below (#17).

15) The City MAY use Emergency Repair Program (ERP) charges data as a supplementary source of data regarding building physical and financial crisis conditions. Specifically, the City may include only those instances occurring in the past 5 years.

Among Working Group members who reacted to this proposal as described here, 85% supported or were comfortable with the proposal; none were neutral. Working Group respondents had conflicting suggestions and concerns with regard to this proposal; specifically, while some advocated for eliminating altogether the use of ERP as a supplementary source of data, others suggested expanding its use such that the data would not be limited to only the past five years.

Inclusions

The City will recommend that the City Council change TPT's selection and inclusion criteria as follows:

16) The selection process will be applied to:

[OPTION 1: 16a] 1-3 family properties (Tax Class 1), and multifamily rentals and co-ops (Tax Class 2), if such properties exhibit crisis conditions.

Among Working Group members who reacted to this proposal as described here, 54% supported or were comfortable with the proposal; none were neutral.

[OPTION 2: 16b] 1-3 family properties (Tax Class 1) and multifamily rentals (Tax Class 2, *excluding* co-ops), if such properties exhibit crisis conditions.

Among Working Group members who reacted to this proposal as described here, 46% supported or were neutral on the proposal.

[OPTION 3: 16c] 1-3 family properties (Tax Class 1), multifamily rentals (Tax Class 2), and co-ops, if such properties exhibit crisis conditions, and *excluding* 1-3 family properties (Tax Class 1) that have certain homeowner property tax benefits or exemptions (e.g., the Senior Citizen Homeowners' Exemption) that require homeowner occupancy, as filed with DOF.

Among Working Group members who reacted to this proposal as described here, 77% supported or were comfortable with the proposal; none were neutral.

Working Group respondents had conflicting suggestions and concerns regarding the populations that each of these options impact; these concerns related to potential loss of equity for lower-income homeowners and homeowners of color, as contrasted to consistent treatment of all property ownership classes. Most Working Group respondents who were concerned with the inclusion of HDFC co-ops indicated that their concerns would be eliminated or substantially mitigated with robust technical assistance and support, per a proposal above (#4) and an opportunity for HDFC co-ops to become co-ops again, per a proposal above (#9). (Note that Working Group respondents concerned with the inclusion of co-ops were specifically concerned with HDFC co-ops, not all co-ops.)

17) The selection process will include all properties with debt in excess of 1-year (Tax Class 2) or 3-years (Tax Class 1/Co-ops) of their tax liability. Specifically: Instead of applying a specific threshold citywide, the threshold for inclusion will be based on a property's individual annual tax liability.

Among Working Group members who reacted to this proposal as described here, 92% supported, were comfortable with, or were neutral on the proposal. One or multiple Working Group respondents had suggestions or concerns (noting, for example, the risk of allowing debt to accrue to an insurmountable level, and the importance of early intervention to avoid this circumstance); however, controlling for building typology and opining strictly on the concept of the proposal related to the minimum threshold for inclusion, respondents expressed near-universal support for this proposal.

Appendix A: List of TPT Working Group Members

Co-Chair: Louise Carroll, Commissioner, NYC Department of Housing Preservation and Development
Co-Chair: Council Member Robert Cornegy, Jr., Chair of Housing and Buildings Committee, New York City Council

Eva Alligood* / **Valerie White**, Interim Executive Director, Local Initiatives Support Corporation New York City / Executive Director, Local Initiatives Support Corporation New York City
Chris Bramwell, Vice Chairman, Shinda Management Corporation (M/WBE)
Salvatore D'Avola, Executive Director, Neighborhood Restore Housing Development Fund Corporation
Emilio Dorcely, President and CEO, Bridge Street Development Corporation
Sandra Erickson, President, Sandra Erickson Real Estate Inc. (M/WBE)
Bernell Grier, Executive Director, IMPACCT Brooklyn
Derrick Griggs, Chief Executive Officer, Neighborhood Housing Services of New York City
Michael Grinthal, Supervising Attorney, Take Root Justice (Formerly: Supervising Attorney, Community Development Project, Urban Justice Center)
Judi Kende* / **Victoria Barreca**, Vice President and New York Market Leader, Enterprise Community Partners, Inc. / Director, Capital Solutions and Partnerships, Enterprise Community Partners, Inc.
Glory Ann Hussey Kerstein, Representative, HDFC Coalition
Sandra Lobo, Executive Director, Northwest Bronx Community and Clergy Coalition
Derrick Lovett, President and Chief Executive Officer, MBD Community Housing Corp.
Christie Peale, Chief Executive Officer and Executive Director, Center for New York City Neighborhoods
Harold Shultz, Principal, Benavi Advisors, LLC
Ismene Speliotis, Executive Director, Mutual Housing Association of New York Management, Inc.
April Taylor ^, Member, Manhattan Community Board 9 / Member and Representative, HDFC Coalition
Tremaine Wright, Assemblymember, New York State Assembly

Notes:

- *Asterisk (*) indicates that Working Group members from the named organization changed during the Working Group process.*
- *Carrot (^) indicates that Working Group member passed away prior to conclusion of the Working Group process. We were deeply saddened by the sudden and untimely passing of Working Group member April Tyler in February of 2021. We are grateful for her contributions to this process, and for her many years of service to our city. She will be missed.*