



**TESTIMONY OF THE URBAN HOMESTEADING ASSISTANCE BOARD  
RE: STRENGTHENING NEW YORK'S HOUSING PRESERVATION PROGRAMS**

April 27, 2007  
12 noon- 4 p.m.  
New York City Council Hearing Room, 14<sup>th</sup> Floor  
250 Broadway  
New York, NY 10003

I am Andrew Reicher, Executive Director of UHAB, The Urban Homesteading Assistance Board. I would like to thank Senator Liz Krueger for giving us the opportunity to testify at this public forum investigating methods to maximize the efficiency and benefits of the State's affordable housing preservation programs. UHAB was established more than 30 years ago as a city-wide, not-for-profit organization committed to creating cooperative homeownership opportunities for low-income families. Since that time we have helped in the creation and the ongoing preservation of more than 1,000 limited equity cooperatives, serving more than 30,000 low income families throughout New York City.

Over the past several years, UHAB has expanded its focus to become very active in organizing and providing technical assistance to residents living in Mitchell-Lama and project-based Section 8 buildings where owners are attempting to terminate existing affordability restrictions. As you know, the Mitchell-Lama program created roughly 65,000 units of affordable housing throughout NYC. Despite the success of the program, today, landlords have the legal right to prepay their subsidized mortgages prior to mortgage maturity, which terminates regulatory oversight and results in the permanent loss of this badly needed affordable housing stock.

The loss of this critical housing portfolio, more than 21,000 units since 2001, is changing the face of New York City. Once celebrated for its diversity, the City of New York is fast becoming affordable only for the rich. In recent years, gentrification has seeped off the island of Manhattan and made its way to every corner of every borough. It is clear that the responsibility for providing the tools to preserve this housing stock, as well as the obligation to protect the massive public investment that this housing represents, now lies squarely with the city, the state and the federal governments, who must act swiftly in order to stem this crisis.

Further, while resources and creative financial tools are critical to addressing the state's overall preservation goals, UHAB's experience working directly with residents has shown that this problem cannot be adequately addressed solely by providing financial incentives to entice owners to remain in these programs. It is without question that large scale preservation can only be achieved by coupling

incentives with regulatory mechanisms which will force owners to provide residents and their non profit partners with competitive, non-speculative opportunities to acquire these projects.

For example, in 2005, UHAB was contacted by the residents of Ocean Towers, a 360 unit Mitchell-Lama located in Coney Island. The residents had just received notice that the owner of the complex was planning to buy-out of the Mitchell-Lama program. This being a post 1974 Mitchell-Lama, residents understood that they would not be protected by rent stabilization and were terrified of being displaced from their homes following the buy-out. In effort to preserve the project as a limited-equity cooperative, UHAB partnered with the residents and attempted to negotiate a sale with the owners of Ocean Towers. Following repeated and unsuccessful attempts to get a price from the owners, the Congressman representing the project was able to force a meeting at which a sale could be discussed. Through a financial analysis of the project, UHAB determined that the building could support a sales price of between \$85,000 and \$100,000 per unit.

At the meeting, which took place in the Congressman's office, we offered the owners \$30,000,000 for the project. In no uncertain terms, we were told, less than politely that our offer was "on the wrong planet". In December of 2006 the building was taken out of the Mitchell-Lama program and tenants began the arduous and complicated process of applying for Section 8 vouchers, a short-term protection, at best, against now unaffordable rents.

The story of Ocean Towers clearly illustrates the desperate need for a regulatory framework that provides tenants and their partners with clear and feasible opportunities to preserve their homes.

As I am sure this Committee is aware, this was an especially grim week for the larger preservation movement as a result of the NYS Supreme Court's decision to invalidate Local Law 79. While we are terribly saddened by this serious setback, we were also encouraged by the court's decision to challenge the State and the Federal government to take up the cause for preservation: I quote the judge from page 12 of the decision:

*Whether it be by creating a right of first refusal or by extending rent stabilization, the State Legislature may well have the ability to protect low and middle-income residents of Mitchell-lama buildings, as it has done in the past. In failing to do so, or to permit the City of the New York to do so, the State Legislature has failed the residents of the City of New York. The recent sales and proposed sales of major assisted rental housing complexes in this City and the likely devastating impact of those sales on low and moderate income residents of New York may and should function as a wake-up call for the need for immediate action by the State.*

For this reason, UHAB and our allies in the **PIE** campaign are calling on the State of New York to enact a comprehensive **Protection, Incentive and Enforcement, PIE**, agenda consisting of the following proposals:

### **1) Most Importantly, Preserve Mitchell-Lama housing in its current form:**

Rent stabilization provides important protections for tenants in Mitchell-Lama buildings that leave the program. But it is also important to protect the massive public investment that created this housing stock by preserving Mitchell-Lama buildings as Mitchell-Lama.

The state should immediately declare a moratorium on all Mitchell-Lama buy-outs until such time that all land-use, regulatory, and legislative restrictions on all buildings are examined to determine if the owner's

right to buy-out is substantiated. In addition, all buy-outs should be suspended until such a time that the state has developed a comprehensive program, combining incentives and regulation, to keep Mitchell-Lama buildings as an affordable housing resource for low and moderate income families.

Without hesitation, as noted in the Local Law 79 Decision, the state must initiate and pass Right to Purchase legislation, giving tenants or tenant-selected qualified buyers the opportunity to prevent buyouts through acquisition of Mitchell-Lama buildings at fair market value determined by an impartial appraisal panel.

**2) At a bare minimum, the State must extend rent stabilization to the post-1973 buildings and eliminate the “Unique or Peculiar” loophole for ALL Mitchell-Lamas**

Any Mitchell-Lama building that leaves the program must be subject to rent stabilization, regardless of the date of occupancy.

The initial rent stabilized rent on any Mitchell-Lama building that leaves the program must be the last Mitchell-Lama rent, not subject to “unique or peculiar” rent increases. This must include buildings that already have applications pending at DHCR.

Yesterday, it was made known that Larry Gluck of Stellar Management, who has already bought out 3,000 units of affordable Mitchell-Lama housing over the past 5 years, has filed a motion in court asking a judge to force DCHR to rule on his Unique and Peculiar Increase requests for 11 of these buildings currently protected by Rent Stabilization. We hope the Commissioner of DCHR and the Governor will use this opportunity to administratively terminate the Unique and Peculiar increase option for ALL Mitchell-Lama buildings.

In closing, I would just like to say that for the last 30 years, UHAB has assisted thousands of low and moderate income families in their efforts to take control of and preserve their housing through conversion to limited equity cooperative housing. The State has an important role to play, not only in preserving the Mitchell-Lama and project based Section 8 housing, but in making it possible to preserve all affordable housing permanently. We are prepared to work with you and we look forward to the day when the State of New York will take the necessary steps to ensure that over the coming 30 years, low and moderate income families will still have a place to call home in New York City.

Respectfully submitted,

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