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**Gale A. Brewer, Borough President**

**Manhattan Borough President Gale A. Brewer  
Testimony to the New York City Council Committee on Housing and Buildings  
On the Oversight of the Tenant Interim Lease (TIL) Program  
April 27, 2017**

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Thank you to Chair Williams and members of the Committee on Housing and Buildings for holding this important oversight hearing to discuss the Tenant Interim Lease (TIL) program and its successor, and Affordable Neighborhood Cooperative Program (ANCP).

TIL was established in 1978 as a rent-to-own affordable homeownership program during a time when New York City was seeking to shed ownership of its portfolio of tax-foreclosed *in rem* properties. In its almost 40 years of existence, the program has created over 9,700 homeownership units for low-income households in Manhattan alone, and over 17,000 units citywide, according to 2015 data provided by HPD on the number of HDFC co-op units that were established through TIL. Today, about 150 TIL buildings totaling just under 2,500 units citywide remain in the pipeline to be converted into HDFCs.<sup>1</sup>

**Transition from TIL to ANCP**

The housing market crash in 2008 put a halt to TIL. Financing became scarce, and HPD was unable to move ahead with capital repairs to prepare buildings for HDFC conversions. Furthermore, upon evaluation of the TIL program, the City's Office of Management and Budget recommended HPD to either discontinue or restructure TIL for financial sustainability reasons. As the housing market recovered in early 2010s and low-income homeownership became once again a viable initiative for HPD, the agency opted to keep low-income homeownership as a priority and transitioned TIL into ANCP.<sup>2</sup>

While ANCP is far from perfect, I do commend HPD for adhering to two of the core goals of ANCP: 1) commitment to homeownership opportunities for low-income New Yorkers and 2) commitment to full rehabilitation to ensure residents begin their tenure as shareholders with a structurally sound building. The question is how to achieve homeownership and good quality of life without compromising the ability of low-income households to afford living in their units for the long term.

**TIL Problems**

I have seen many TIL buildings that were deemed financially unfit to move ahead with ANCP because they had been left languishing in TIL for so long. Over the years, tenants moved out or

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<sup>1</sup> 150 TIL buildings based on HPD at March 15, 2017 preliminary budget hearing.

<sup>2</sup> Information about TIL and ANCP's history from a presentation by HPD Deputy Commissioner of Asset and Property Management Anne-Marie Hendrickson, on May 8, 2014 at a TIL/ANCP Forum jointly-sponsored by then-NYS Assembly Member Keith Wright and PALANTE, a housing advocacy group.

passed away, but HPD would not permit tenant leaders to fill the vacancies. In fact, as of 2016, out of approximately 2,500 units in HPD's TIL portfolio throughout New York City, almost 900 units were vacant.<sup>3</sup>

HPD maintains that vacant units are needed to facilitate tenant relocation when a TIL building undergoes rehab. But relocation alone does not warrant such a high percentage of vacancy, nor does it address why HPD would not allow short-term leases within TIL buildings. HPD is essentially warehousing vacant units so that there is insufficient rental income to sustain even basic operations of TIL buildings, let alone addressing the repair needs that would come up as the housing stock continues to age.

Currently, "failed" TIL buildings do not move onto ANCP but are placed into a multifamily preservation program. Buildings in this track would not become a co-op but would remain an affordable rental building under third-party ownership and management. For these "failed" TILs, rather than relying on SCRIE and Section 8 (though good programs) to guarantee tenants' continued ability to afford their units, I want to suggest the possibility of allowing tenants to choose to enter into a Community Land Trust (CLT). Many of the recently formed CLTs throughout New York City are committed to sustained, deeply affordable housing for households in the lowest income brackets, i.e., the income levels of many TIL tenants. They can be the ideal mechanism to ensure TIL remains a program true to its purpose of providing housing to truly low-income tenants.

The East Harlem El Barrio CLT, for example, has for years expressed interest to HPD in bringing TIL buildings under CLT ownership. It has developed a financial model to demonstrate how it can maintain TIL units as housing for the very and extremely low income populations via a mutual housing association model. For TIL buildings that are never going to become HDFCs, CLTs should be an option available for tenants' consideration.

### **ANCP and Affordability**

TILs that move onto ANCP have the opportunity to become HDFC co-ops. It is good—and responsible—for HPD to ensure that an HDFC starts off in the best physical condition possible. I am particularly supportive of having mission-driven nonprofits such as community development corporations as rehab partners for ANCP buildings in order to keep costs low.

However, ANCP's model of rehabilitation requires loans to be taken out to sustain rehab. This results in a new HDFC being encumbered with a mortgage on the building from the very beginning. Shareholders will need to pay higher monthly maintenance toward the building's debt service in addition to covering ongoing operating costs.

I have been working closely with tenants of 615 West 150th Street, a TIL building in the beginning stages of rehab. Tenants in this building are mostly elderly and live on very limited income. Without Section 8 assistance, many of them would not be able to afford the projected maintenance once the building becomes an HDFC, calculated at 60% of Area Median Income, which includes anticipated debt service.

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<sup>3</sup> [http://gothamist.com/2016/03/09/nyc\\_affordable\\_housing\\_vacancy.php](http://gothamist.com/2016/03/09/nyc_affordable_housing_vacancy.php)

For buildings like 615 West 150th Street, the best way to ensure affordability is to eliminate the need for a rehab loan. City Council should explore options to ensure ANCP rehabilitations receive the necessary capital funding to cover all eligible items. Additionally, City Council and HPD should jointly explore ways to finance rehab items that are not covered under a Councilmember's or the Borough President's capital grants. I am looking into potential foundation funding to assist 615 West 150th Street. There may be other sources of funding that can be used to offset all or a portion of the loan amount needed to cover a building's rehab.

Securing resources to fully fund building rehab would also eliminate the need to sell vacant units at high prices as a strategy to pay down the loan principal of a building's mortgage. I am strongly against pricing vacant units at prices beyond what most existing tenants in the building can afford. HPD's definition of affordability can be as high as 165% AMI, and for ANCPs that my office has been working with, sale prices are priced at 110% AMI—still very high, since 110% AMI for a family of four means an annual household income of almost \$105,000.<sup>4</sup> These higher income households can afford units at several hundred thousands of dollars, a stark contrast to existing TIL tenants who may have difficulty saving the \$2,500 needed to buy their units under ANCP. The reality of income inequality within a building is going to be immediately felt. It will inevitably lead to financial decisions made by one group that another group cannot afford, most likely resulting in lower income shareholders being priced out of their own homes when maintenance becomes too high to afford.

Finally, if a building is not dependent on high-price sales, then its vacant units can be used to offer housing to working families who do not have a home. New York City has a 60,000-people homelessness crisis. An IBO report released earlier this week estimates that over 33,000 school children have spent at least some of their nights in a shelter. I urge HPD and City Council to explore options with HRA to transition some homeless families and individuals into ANCP buildings ready to become HDFCs. There are working families in our city's shelter system. They can be perfect candidates for one of the only remaining homeownership programs in New York City designed specifically for low-income households. And lest anyone think that ANCP tenants would object to having formerly homeless neighbors, tenants at 615 West 150th Street were very open to the idea of filling their building's vacant units with working people from homeless shelters.

In summary, I believe that ANCP does not have to stick to a model that would create building inhabitants at two tiers of income. There can be creative ways to use ANCP to offer truly affordable homeownership opportunities for the low income population, mitigate the city's homelessness crisis, and to move away from ANCP's current reliance on unit sales and re-sales to maintain a building's viability as a co-op.

Thank you for the opportunity to testify today. I look forward to working with you to make homeownership more affordable for New York City's low-income families.

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<sup>4</sup> Calculations based on FY2017 Area Median Income data from the HUD portal (<https://www.huduser.gov/portal/datasets/il/il2017/2017summary.odn>). FY2017 50% AMI for a family of four is \$47,700; 80% AMI is \$76,300; and 110% AMI would be \$104,940.