

**Testimony of Interboro Community Land Trust
2022 Joint Legislative Budget Hearing on Housing**

January 31, 2022

Introduction

Hello. My name is John Edward Dallas. I am the Coordinator for Interboro Community Land Trust. I would like to thank Chair Krueger, Chair Weinstein, and the members and staff of the Senate and Assembly Committees on Finance and Ways and Means for holding today's hearing on the FY 2022-23 Executive Budget Proposal regarding housing. Also, I thank Governor Hochul and her staff for committing a historic amount of state funding for the promotion of homeownership for low- and moderate-income households statewide.

About Interboro Community Land Trust

Located in New York City, Interboro Community Land Trust was formed in 2017 as a collaborative of four nonprofit affordable-housing organizations: Habitat for Humanity New York City and Westchester County, the Mutual Housing Association of New York (MHANY), the Urban Homesteading Assistance Board (UHAB), and the Center for NYC Neighborhoods.

Balancing permanent affordability and equity-building, Interboro supports New Yorkers and strengthens communities through the development and stewardship of permanently-affordable homes (single-family houses and limited-equity co-ops) for ownership by low- and moderate-income households across the five boroughs of New York City.

Interboro's creation and preservation of opportunities for permanently-affordable homeownership offers a pathway to housing stability, inclusive homeownership, and wealth creation for low- and moderate-income families and individuals while promoting stabilization, diversity, and investment in neighborhoods and communities amid and in spite of unbridled speculation and rampant gentrification.

Our Preservation Pilot

In keeping with our mission, Interboro has developed a program that we call the Preservation Pilot that allows homeowners in mortgage distress who have exhausted traditional loss-mitigation options to preserve their occupancy, ownership, and asset. Distressed homeowners at that stage of foreclosure who want to stay in and keep their homes are normally left with few if any good choices. Entering into a relationship with Interboro offers these hard-pressed homeowners a new, feasible, and proven homeownership-preservation option.

The program's structure can be summarized as follows: A homeowner receives an equity contribution from Interboro. They in turn use it to refinance their mortgage. In exchange for the infusion of funds from Interboro, the homeowner transfers ownership of the *land under their home* to the CLT, while retaining ownership of their home, and executes a renewable 99-year ground lease with resale and other restrictions that support permanent affordability.

To elaborate a bit further, restrictions imposed through the ground lease ensure that as a home brought onto the CLT increases in value over time, the current homeowner will be in a position to receive a financial return at resale. However, the resale price will be capped at a level that guarantees the home's affordability to future lower-income buyers, as well as the retention of any public funds initially invested in the home, *resale after resale*—in perpetuity.

The structure of our preservation pilot is similar when a multifamily property in distress, such as a limited-equity cooperative, opts into the CLT in exchange for financial assistance. Shareholders retain ownership of their individual shares in the cooperative and of their building collectively, whereas ownership of the land on which the building is located is transferred to the CLT. As with a single-family home in distress, the co-op uses the CLT's equity contribution to resolve its financial crisis.

In the past year and a half, we implemented our preservation pilot with two single-family homes whose distressed owners had run out of conventional loss-mitigation options. At the same time, we have been approached by not only distressed single-family homeowners but also distressed multifamily rental buildings and housing cooperatives in hopes that the CLT could purchase the land under their properties in order to stabilize them financially and/or physically.

Unfortunately, however, Interboro's employment of the CLT model as a homeownership-preservation mechanism is constrained by the requirement of large sums of capital upfront. Another significant barrier that we face is that private funding for this type of investment is not readily available—presumably because of the relative novelty of a CLT-based preservation program coupled with the substantial amount of dollars the program customarily requires.

We used private-foundation grant funds to make the two land acquisitions previously mentioned. Because these funds are typically limited in both amount and the timeframe of their expenditure, we must rely on public money to take the place of private-grant funding for future equity contributions and foreclosure interventions. Moreover, an adequate and stable stream of funding is necessary to bring our preservation pilot to scale so that it will have a more meaningful impact.

By our estimate, \$1 million in annual acquisition funding would allow Interboro to create and preserve roughly six units of permanently-affordable homeownership where homeowners are in distress because of mortgage arrears. Additionally, that same amount of money, by our estimate, could be used to preserve three multifamily dwellings in mortgage distress.

I should point out that in comparison to other affordable-homeownership creation programs, the costs associated with a preservation pilot or program are significantly less than those related to the construction of a new unit of affordable homeownership.

Although the financing structures for both programs result in the creation of a new affordable homeownership unit, not only is the preservation pilot the less costly of the two programs in terms of the utilization of public dollars, it alone simultaneously delivers the additional benefit of an anti-displacement outcome. What's more, the enormous, cascading social and personal costs that are averted through the avoidance of foreclosure, housing instability, and homelessness is further, robust testimony to a preservation program as an effective and exceptionally maximizing use of public dollars.

Finally, it should be mentioned that studies show a steep and alarming drop in Black homeownership here in New York City since the 2009 economic crisis. In Queens alone, more than 20,000 Black homeowners lost their homes between 2005 and 2017, according to a report from the Center for NYC Neighborhoods. Had our preservation pilot and others been in place and fully-funded during that time period, it is quite conceivable that fewer Black New Yorkers would have lost their homes—and the personal and generational wealth of those households and their neighborhoods would have been preserved.

Recommendation

In conclusion, because a preservation program simultaneously prevents displacement of homeowners, preserves their wealth-building asset, and expands permanently-affordable homeownership opportunities and community assets that will benefit generations of families and neighborhoods in perpetuity—all of which are key public-policy issues that will tangibly impact the capacity of New York City to successfully rebound from the pandemic and create a future that is truly equitable for all New Yorkers—we are joining other groups across the state in recommending that for fiscal year 2023 \$50 million of the \$400 million allocated for homeownership programs in the Executive Budget be set aside for a fund that would support acquisition and development programs and projects of Interboro and other CLTs throughout the state.

Once again, thank you for holding today's hearing and thank the Governor for her unprecedented investment in affordable homeownership.

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