



**Testimony before the New York City Council Housing and Buildings Committee
Regarding Int 1004-2018: Establishing a program for basement legalization in East New York**

November 13, 2018

Good morning. My name is Braden Listmann, and I am a Deputy Director in Homeowner Services at the Center for NYC Neighborhoods. I want to thank Chair Cornegy and the members of the Housing and Buildings Committee for holding this hearing on this exciting pilot program and for allowing us the opportunity to provide testimony.

About the Center for NYC Neighborhoods

The Center promotes and protects affordable homeownership in New York so that middle- and working-class families are able to build strong, thriving communities. Established by public and private partners including the City Council, the Center meets the diverse needs of homeowners throughout New York State by offering free, high quality housing services. Since our founding in 2008, our network has assisted over 50,000 homeowners. We have provided more than \$30 million in direct grants to community-based partners, and we have been able to leverage this funding to oversee another \$30 million in indirect funding support. Major funding sources for this work includes the New York City Council, the New York City Department of Housing Preservation and Development, and the Office of the NYS Attorney General, along with other public and private funders.

The Need for Basement Legalization

The Center for NYC Neighborhoods is a strong supporter of safe basement legalization. There are an estimated 100,000 illegal basements in New York City.¹ These units are attractive to many New Yorkers because they are significantly cheaper than legal rental units, with one study finding they are as much as one-third cheaper than market-rate rental units.² However, because they are illegal, they are unlikely to conform to modern safety standards, raising the potential for dangerous and health-hazardous conditions. Their illegal status makes renters hesitant to complain about health and safety issues for fear of receiving a vacate order and jeopardizing their housing. Meanwhile, homeowners with illegal basement units are unable to receive City funding for much-needed home repairs, and as a result risk substantial fines.

We also believe that East New York is an ideal neighborhood for this pilot program. East New York has historically been one of the most affordable neighborhoods in New York City, where tens of thousands of

¹ "Renting Cheap Apartments Can be a Cheap Solution, But It's Often Too Risky," New York Daily News, April 23, 2016. Available at:

<http://www.nydailynews.com/new-york/renting-illegal-apartments-cheap-risky-solution-article-1.2612256>

² Chhaya CDC and Pratt Center for Community Development, *New York's Housing Underground*, March 2008. Available at: <http://chhayacdc.org/wp-content/uploads/2014/05/New-Yorks-Housing-Underground.pdf>.



working- and middle-class families own homes. 86 percent of East New York homeowners are Black or Hispanic, and their median household income of \$63,000 is lower than New York City’s median homeowner income of \$78,000. Last year, we released a report on homeowner and tenant stability in East New York, which highlighted that current residents are facing high levels of housing instability.³ We found that 63 percent of East New York homeowners had unmet repair needs, and that a quarter of homeowners had missed a mortgage payment in the last five years. Our study also found that many homeowners depend on income from basement units to remain in their homes. While there is no definitive count of homes in East New York with unapproved basement dwelling units, anecdotal evidence and limited data from the City suggest that a substantial number of homes contain these units. Since 2010, 2,085 one-to-four unit buildings in Brooklyn Community District 5 (East New York/Cypress Hills) have received complaints to the Department of Buildings that are likely related to illegal basement units.⁴ Five percent of single-family homes in the community district have received such a complaint, along with 15% of two-family buildings, and 17% of three-family buildings. We estimate that at least a third — and possibly as many as one-half — of small homeowners have an illegal basement unit.⁵

The Basement Legalization Demonstration Program

When illegal basement units are converted to safe, legal, and affordable apartments, both tenants and homeowners will benefit. The basement legalization pilot will provide an important opportunity for homeowners with illegal basement units to access financing to improve the safety of these units. Additionally, it is a great way to preserve naturally occurring affordable housing by incentivizing homeowners who do not currently rent out their basements to create a new housing unit that is more likely to be affordable than other options. We commend the City Council and the de Blasio administration for their leadership in creating this demonstration program that creates a path forward for preserving affordability.

Ensuring a Successful Demonstration Program

We believe the Basement Legalization Demonstration Program will provide an important opportunity for the homeowners and tenants in East New York, and inform efforts to expand the program citywide. Because of this program’s great potential, it is important that we get this right. Therefore, we encourage the City Council and the de Blasio administration to take the following recommendations into consideration:

- **Limit basement conversion resources and eligibility to owner-occupiers:**
East New York is a major source of one of the most valuable resources in New York City: affordable housing. Yet rising prices and an onslaught of real estate investors puts this affordability at risk. Our East New York study found that the neighborhood has one of the highest rates of flipping activity in New York. We also found that flipping leads to dramatic price increases for both prospective homeowners

³ Center for NYC Neighborhoods, East New York: Preserving Affordability in the Face of Uncertainty, October 2017. Available at: <https://cnycn.org/eastnewyork/>

⁴ The most frequent Department of Building complaint implicating illegal conversions is “Illegal Conversion of Residential Building/Space.”

⁵ Center for NYC Neighborhoods, East New York: Preserving Affordability in the Face of Uncertainty, October 2017. Available at: <https://cnycn.org/eastnewyork/>



and tenants. With such high levels of investor activity, we are concerned that the temporary easing of basement restrictions could lead to even more flipping. Therefore, to the extent possible, we urge City Council to limit program resources and eligibility to owner-occupiers.

- **Ensure that project timing is set up for success:**

With basement conversions, as in any major housing construction program, the devil is in the details. Our experience with past programs like Build it Back has shown that these type of projects are often more complicated than planned for. Providing housing counseling and processing financial information for homeowners, coordinating logistics for homeowners and tenants, meeting language access needs of program participants, and navigating unexpected regulatory hurdles can lead to longer timelines than anticipated. For this reason, we urge City Council and the de Blasio administration to ensure that statutory time frames are reasonable to accommodate challenges both foreseen and unforeseen. This work should not be rushed.

- **Ensure that neighborhoods citywide will eventually benefit:**

For the reasons discussed here we are enthusiastic about the program and especially about the choice of East New York as the location for the basement legalization pilot. However, we know that homeowners and renters in many other New York City neighborhoods would benefit from this program as well. Therefore, we believe that this demonstration program will be an excellent first step towards an eventual citywide expansion.

Thank you very much for the opportunity to testify today. We look forward to working with you to promote affordable homeownership in New York City.