

CITY COUNCIL
CITY OF NEW YORK

----- X

TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON HOUSING AND BUILDINGS

----- X

May 30, 2024
Start: 10:19 a.m.
Recess: 12:32 p.m.

HELD AT: COUNCIL CHAMBERS - CITY HALL

B E F O R E: Pierina Ana Sanchez, Chairperson

COUNCIL MEMBERS:

Shaun Abreu
Alexa Avilés
Eric Dinowitz
Oswald Feliz
Crystal Hudson
Lincoln Restler

OTHER COUNCIL MEMBERS ATTENDING:

Gale A. Brewer

A P P E A R A N C E S

Kim Darga, Deputy Commissioner for the New York City Department of Housing Preservation and Development

Lucy Joffe, Associate Commissioner for the New York City Department of Housing Preservation and Development

Tricia Dietz, Assistant Commissioner for the New York City Department of Housing Preservation and Development

Emily Klein, Senior Policy Associate at the Community Preservation Corporation

Amber Nicosia, Board President of Penn South

Sharon Brown, self

Adam Roberts, Policy Director for the Community Housing Improvement Program

Ed Yaker, Chair of the Coordinating Council of Cooperatives

2 SERGEANT-AT-ARMS: This is a microphone
3 check for the Committee on Housing and Buildings,
4 recorded by Layla Lynch in the Council Chambers on
5 May 30, 2024.

6 SERGEANT-AT-ARMS: Good morning. Welcome
7 to the hearing on the Committee on Housing and
8 Building.

9 At this time, please silence all
10 electronics.

11 If you wish to testify, please fill out a
12 slip at the back of the room. If you want to testify
13 online, you may do so at testimony@council.nyc.gov.
14 That is testimony@council.nyc.gov.

15 At this time, no one is to approach the
16 dais. I repeat, no one is to approach the dais. If
17 you need any assistance, please contact a Sergeant.

18 Chair, you may begin.

19 CHAIRPERSON SANCHEZ: [GAVEL] Thank you,
20 Sergeant, and good morning. I am Council Member
21 Pierina Sanchez, Chair of the Committee on Housing
22 and Buildings. Thank you for joining us today for our
23 hearing on the J-51 tax program.

24

25

2 I would like to thank all of our
3 Colleagues who are present, Council Member Hudson,
4 Council Member Avilés, and Council Member Abreu.

5 As always, I want to begin by setting the
6 stage. New York's intersecting crises of rising
7 evictions, record homelessness, and housing
8 unaffordability are worsening. The most recent Income
9 and Affordability Study by the Rent Guidelines Board,
10 released just last month, highlights that nonpayment
11 filings in housing court increased by 23 percent in
12 2023 while nonpayment cases heard increased by 34.5
13 percent, and the number of residential evictions has
14 risen by 195.4 percent between 2022 and 2023,
15 concentrated in communities of color and low- and
16 modern-income communities across the city. The HVS,
17 the Housing Vacancy Survey, also showed us earlier
18 this year that we are confronting the lowest vacancy
19 rate on record since the 1960s, at 1.4 percent, with
20 nearly 90 percent of unassisted, low-income
21 households severely rent-burdened, and housing for
22 low-cost rentals at a functional zero. That means
23 that unless you live in an affordable apartment in
24 New York City, you basically cannot find one. As the
25 demand for housing continues to surge and supply

2 remains severely constrained, low-income and working-
3 class New Yorkers are leaving in record numbers. In
4 charting the path forward, we must increase housing
5 supply, increase New Yorkers' ability to afford their
6 homes so we can stay and contribute to our city's
7 vibrancy, and invest in building upgrades and tenant
8 protection so that tenants may remain safely in their
9 homes. That is why we are here today to discuss the
10 J-51 tax incentive.

11 The J-51 program has historically been a
12 tax abatement and tax exemption program. It provides
13 tax incentives for building owners to rehab their
14 buildings, make repairs, and upgrades by providing
15 temporary relief from an increase in annual real
16 estate taxes that would otherwise result from the
17 increase in assessed value of the property due to
18 conversion, alterations, or improvements. In the
19 past, the incentive reduced or eliminated existing
20 real estate taxes, usually on both buildings and
21 land, based on a percentage of the cost of the work
22 that was performed. J-51 has existed for about 70
23 years in various iterations to respond to housing
24 shortages and housing conditions. Every few years,
25 the State enacts legislation that enables the City

2 Council to pass legislation extending the J-51
3 program in New York City within the confines of the
4 State law. This fall, Governor Hochul signed into law
5 the Affordable Housing Rehabilitation Program, which
6 allows the City to pass legislation by June 30, 2025,
7 to provide the J-51 tax abatement. The last J-51
8 extension expired on June 30, 2022. The Affordable
9 Housing Rehab Program alters the J-51 program to try
10 to address concerns raised by advocates over the
11 years, including criticisms over enforcement
12 mechanisms, tenant protections, and the exemption
13 portion of the program. When we provide tax breaks
14 that reduce the tax collection by the City, we must
15 ensure that the benefit is targeted and fulfills the
16 goals of the program. By looking back on how the
17 program has performed historically, we can make
18 changes where necessary to ensure that the abatement
19 program allows building owners to make necessary
20 repairs to their buildings, improve living conditions
21 for tenants, while also providing adequate oversight.
22 To that end, we will hear Intro. number 654 in
23 relation to the abatement of taxation for alterations
24 and improvements to certain multiple dwellings.

2 I would like to thank my team, Sam
3 Cardenas, my Chief-of-Staff, Kadeem Robinson, or as
4 my child calls them, Kim, Kadeem, our Legislative and
5 Communications Director, my Deputy Chief of Staff, as
6 well as the Housing and Buildings Committee staff,
7 Taylor Zelony, Austin Maloney, Austin Malone, Jose
8 Conde, Andrew Bourne, Dan Kroopp, and Reese Hirota.

9 I will now turn it to Committee Counsel
10 to administer the oath.

11 Also, just before we start with the
12 Administration, I want to acknowledge that we've been
13 joined by the Battery City Middle School in Council
14 Member Marte's District. Hello, welcome.

15 COMMITTEE COUNSEL MALONE: Please raise
16 your right hand.

17 Do you affirm to tell the truth, the
18 whole truth, and nothing but the truth before this
19 Committee and to respond honestly to Council Member
20 questions?

21 ADMINISTRATION: (INAUDIBLE)

22 COMMITTEE COUNSEL MALONE: You may begin
23 when ready.

24 DEPUTY COMMISSIONER DARGA: All right.
25 Good morning, Chair Sanchez and Members of the

2 Committee on Housing and Buildings. My name is Kim
3 Darga, and I am the Deputy Commissioner for
4 Development at the Department of Housing Preservation
5 and Development. I'm joined by my colleagues, Lucy
6 Joffe, our Associate Commissioner of Housing Policy,
7 and Tricia Dietz, our Assistant Commissioner for
8 Housing Incentives. We thank you for the opportunity
9 to testify in Introduction 654, sponsored by Chair
10 Sanchez.

11 A significant part of HPD's focus is on
12 housing quality and stabilization. J-51 has long been
13 one of the agency's most important tools for that
14 purpose. Following enactment of authorizing
15 legislation by the State Legislature in 2023, this
16 bill would authorize New York City to once again
17 implement J-51, a longstanding as-of-right
18 preservation program. The program incentivizes and
19 partially offsets the cost of major capital
20 improvements in low-cost residential buildings that
21 otherwise struggle to fund this type of work. Through
22 J-51, we ensure that residents in low-cost housing
23 can live in safe, quality, and energy-efficient
24 buildings. Since J-51 lapsed at the State level in
25 2019, there has been no as-of-right preservation tool

1 available. This followed years in which we allowed J-
2 51 to become outdated and underutilized, leaving a
3 significant gap in our arsenal of resources to ensure
4 the quality and longevity of our remaining low-cost
5 housing.
6

7 While J-51 has been used in a range of
8 housing types, it plays a critical role in the
9 ecosystem of rent stabilization in particular. As you
10 know, for decades, we saw rising rents across our
11 rent-stabilized housing stock and the loss of
12 hundreds of thousands of low-cost rental homes. In
13 2019, the State Legislature passed the Housing
14 Stability and Tenant Protection Act, HSTPA, limiting
15 owners' ability to increase rents or to exit rent
16 stabilization. We want to ensure, however, that
17 owners of rent-stabilized buildings also continue to
18 invest in and improve building quality, particularly
19 as our rent-stabilized buildings age. Our rent-
20 stabilized stock is typically older than our market-
21 rate housing. While, on a whole, it is in relatively
22 good shape, as measured by the New York City Housing
23 and Vacancy Survey, it is generally occupied by older
24 New Yorkers, lower-income New Yorkers, and households
25 that are more likely to have a member with a

2 disability, making it especially important that we
3 maintain building quality to protect those New
4 Yorkers who are most vulnerable to poor building
5 health. Major capital improvements such as
6 installation or replacement of heating systems,
7 plumbing, wiring, elevators, windows, or roofing are
8 exactly the types of critical upgrades that impact
9 housing quality for residents of the entire building.
10 These types of improvements ensure that New Yorkers
11 get to live in safe, quality, and more sustainable
12 housing.

13 The new J-51 program, which the Council
14 has the opportunity to authorize for use in New York
15 City, offers a well-targeted resource that partially
16 offsets the cost of major capital improvements, while
17 critically prohibiting those costs from getting
18 passed along to current or future rent-stabilized
19 tenants. Rather than financing the improvements
20 through higher rents, the building owner can qualify
21 for a property tax abatement, reducing the cost of
22 operations. For our rent-stabilized stock, J-51 is
23 therefore a critical complement to HSTPA, allowing
24 New Yorkers to live in and benefit from low-cost

2 housing for decades to come without sacrificing
3 building quality or sustainability upgrades.

4 While J-51 is a critical tool for rent-
5 stabilized housing, the program will also benefit
6 other multifamily housing, such as Mitchell-Lamas,
7 other affordable regulated housing, and lower-cost
8 cooperatives, many of which are also struggling to
9 keep up with ongoing major capital work and invest in
10 improvements that improve sustainability. Here, too,
11 J-51 creates opportunity for work that is central to
12 ensuring building health and stabilization without
13 passing those costs on to low- and moderate-income
14 residents.

15 To be eligible for J-51, the owner must
16 first notify tenants within 30 days and no more than
17 180 days after commencement of work. The owner must
18 submit an application, along with proof of payment,
19 to HPD within four months of completing the work. As
20 part of the application review, HPD physically
21 inspects to ensure the work is complete. Once deemed
22 eligible, HPD issues a certificate of eligibility and
23 notifies the Department of Finance of the approved
24 maximum amount of the abatement. DOF applies the J-51
25 benefit to the building's property taxes, reducing

1 taxes by 70 percent of the total eligible costs,
2 applied at 8-1/3 percent each year for up to 20
3 years. HPD also notifies New York State Homes and
4 Community Renewal, HCR, so that they can ensure that
5 J-51-covered work is not eligible for Major Capital
6 Improvement increase, MCI increases. None of the work
7 covered by J-51 can be passed along to tenants as
8 rent increases.
9

10 This version of J-51 is better than the
11 old version. First, it's better targeted to buildings
12 with low-cost housing, those buildings that might
13 otherwise struggle to pay for these types of
14 improvements, and in which we are very focused on
15 keeping our low-cost housing low-cost. The eligible
16 building types are, one, those already receiving
17 substantial government assistance, such as the City's
18 Affordable Housing and Mitchell-Lamas, two, rental
19 buildings in which 50 percent of the units are low-
20 cost, which is defined here as having rents lower or
21 equal, sorry, lower or equal, no, that's, okay, below
22 80 percent of AMI. There's some typos in the text.
23 Cooperative and condo buildings with an average
24 assessed value of less than 45,000 per unit.
25

2 Second, the CRC schedule will remain
3 relevant and appropriate as scopes of work and costs
4 change. If passed as designed, we believe that owners
5 will find it more beneficial to use J-51 than MCI
6 increases, but only if the CRC schedule is up to
7 date. J-51 was once a program designed to help
8 encourage indoor plumbing. It was created in 1955.
9 Now we expect many buildings will be using it not
10 only to replace major building systems like roofs and
11 heating, but also to improve building efficiency and
12 meet their new Local Law 97 mandates. If passed, HPD
13 will create a greened CRC schedule so that users are
14 making the more sustainable and efficient choices
15 whenever possible and helping the City meet its
16 carbon reduction and Local Law 97 goals. As our City
17 evolves, so must J-51.

18 Third, it's easier to use and provides a
19 more predictable benefit. The prior J-51 program had
20 both an exemption and abatement component, in
21 addition to complex eligibility requirements based on
22 project type and the scope of work provided. Users
23 often had a difficult time determining whether
24 assessed value would increase and assessing the
25 impact of the exemption on future property taxes. In

2 the new program, the user can assess their scope of
3 work, their costs, and the CRC schedule and know if
4 they are eligible and the amount of the benefit and
5 plan accordingly.

6 Fourth, it is more protective of tenants.
7 Owners will not be able to apply to HCR for MCI
8 increases for the work covered by J-51. When owners
9 opt to use J-51 instead of MCIs, there will be no
10 rent increases for current or future tenants
11 associated with the J-51 scope. There are also new
12 provisions to guard against tenant harassment.

13 Finally, this version of J-51 gives HPD
14 new and enhanced tools for enforcement oversight and
15 procedures, up to and including revocation of the
16 benefit in cases of noncompliance or harassment.

17 There are also two new timing
18 requirements. Owners are required to complete work
19 started under a J-51 scope within 30 months and are
20 required to submit an application to HPD within four
21 months of completion. Together, these requirements
22 will allow HPD to more fully review and inspect work
23 scopes and ensure that the work submitted was
24 completed in a timely manner.

While we are often before City Council talking about new housing, preservation of existing low-cost housing is one of our critical goals. While we continue to invest in housing preservation through various HPD loan programs, we have been missing J-51, one of the most impactful programs in terms of supporting investment in housing quality. Over the last 15 years, more than 9,600 buildings use J-51, resulting in increased building health for more than 300,000 households. After five years without an as-of-right preservation tool, we finally have an opportunity to bring back J-51, and not just the J-51 of the past. This will be a better, more efficient, more targeted J-51 that we think more building owners will choose to use, helping us meet many of our housing goals at once, investing in and improving building health and quality, keeping rents and common charges low, particularly in our low-cost housing, and advancing our sustainability goals to benefit all New Yorkers, but we can only do that if this bill is passed as soon as possible. State law authorizes J-51 through June 2026 so we are already two years into the eligibility period. We want to take full

2 advantage of the remaining time that we have to
3 benefit as many New Yorkers as possible.

4 We're grateful to this Committee and the
5 Council more broadly for your shared focus on
6 preservation and stabilization. Thank you for the
7 opportunity to provide you with an overview of the
8 agency's support of this critical program. We welcome
9 any followup questions that you may have.

10 CHAIRPERSON SANCHEZ: Thank you so much,
11 Deputy Commissioner.

12 I'd like to acknowledge that we've also
13 been joined by Council Member Dinowitz.

14 Okay, so thank you. So to start, I want
15 to just focus in on the past administration of the
16 program so that we can have that baseline among
17 Colleagues and the public today, and then I'll give a
18 chance for my Colleagues to ask any questions that
19 they have, and then I'll follow up on questions about
20 the new version and the changes that have been
21 proposed.

22 You've answered my first question, how
23 many buildings over the course of the program have
24 applied? You said 9,600, I believe, so can you share,
25 just breaking that down, how many buildings applied

2 to the program and what were some reasons for denial
3 in the previous versions of the program?

4 DEPUTY COMMISSIONER DARGA: The universe
5 that applied was certainly greater than the universe
6 that received benefits. The 9,600 buildings are those
7 that actually applied and were deemed eligible. There
8 were more that applied and have either not completed
9 the process, right, we're still processing
10 applications for work through the June 2022 deadline,
11 and also there were buildings that were not eligible,
12 and that's for a few reasons. Sometimes people apply
13 for work that's not actually eligible based on the
14 CRC schedule, or they don't meet certain other
15 eligibility provisions of the programs. For example,
16 a condo or cooperative building that has an assessed
17 value above the AV cap. Those are two of the biggest
18 reasons, but I'll turn it over to my colleague,
19 Tricia Dietz, in case she has anything else to add.

20 ASSISTANT COMMISSIONER DIETZ: Yeah, one
21 of the other pieces of the J-51 program is that it is
22 for specific work that is done so a project can also
23 apply more than once, and so for different scopes of
24 work, so that the application numbers do include also
25 projects that have applied for more than one time.

2 CHAIRPERSON SANCHEZ: Do you have data on
3 how many properties received different rounds of J-
4 51?

5 ASSISTANT COMMISSIONER DIETZ: We don't
6 have that with us today.

7 CHAIRPERSON SANCHEZ: Okay, so when we
8 look at, I have some data that was shared here from
9 2014 to present in terms of the cost of the program,
10 the number of properties that are participating,
11 these number of properties could be inclusive of
12 properties that received the benefit more than once?

13 DEPUTY COMMISSIONER DARGA: Yes.

14 CHAIRPERSON SANCHEZ: Okay.

15 DEPUTY COMMISSIONER DARGA: And I would
16 just add some color to that. I think this is one of
17 the benefits of J-51, that an owner that has an issue
18 with one system today can focus on that one system.
19 The way that owners actually do work, they usually
20 are not doing everything at once, right? The roof
21 starts to have issues, they want to focus on
22 replacement of the roof, right? The heating system is
23 having some issues, they want to focus on the
24 heating. Those may not happen at the same time, and
25 so this is one of those programs where you might have

2 somebody today apply for the roof, and in five years,
3 focus on the heating system.

4 CHAIRPERSON SANCHEZ: Got it. In the
5 proposed version, there's a 1,000-dollar application
6 fee, so an owner would have to pay 1,000 dollars each
7 time that they're reapplying?

8 DEPUTY COMMISSIONER DARGA: Yes.

9 CHAIRPERSON SANCHEZ: Got it. There's no
10 limit on your reapplications if you are applying for
11 different scope?

12 DEPUTY COMMISSIONER DARGA: Nope. If the
13 owner is interested in applying for discrete
14 renovation projects, they can do so.

15 CHAIRPERSON SANCHEZ: Got it. Thank you.
16 Next few questions are more in line with some of the
17 criticisms that we've heard from advocates regarding
18 enforcement as I mentioned in my testimony so just
19 for sake of background, how many buildings over the
20 last 10 years or how many properties over the last 10
21 years that were approved for the J-51 abatement and
22 exemption lost the tax benefit during the abatement
23 or exemption period, and if so, why?

24 DEPUTY COMMISSIONER DARGA: Unfortunately,
25 I don't have that information. Tricia and I have been

2 overseeing this program for a couple years. We cannot
3 speak back. We do know that there have been some
4 instances where we have known compliance issues of
5 revocation. They've been fairly limited. We are
6 actually, and I would say in part, like our
7 enforcement options were really limited in the old
8 program. It was really, if there was noncompliance,
9 the option was revocation, right? The new program, we
10 are actually really, one of the things we're most
11 excited about is that there are a wider array of
12 enforcement options available to the agency so we not
13 only have the ability to revoke, as we have had in
14 the past, but we can also impose fines for
15 noncompliance, we can require an owner to add
16 affordable rent-stabilized units rather. We could add
17 the time for compliance, right, to extend the period
18 of compliance, and we are starting to think about how
19 we would actually operationalize some of those new
20 enforcement provisions that we have. We've had the
21 benefit in the last few years of having a Compliance
22 and Enforcement Team that we created within the
23 Office of Development that's focused on other as-of-
24 right tax exemption tools, and so we now have some
25 models for how we would actually be able to

2 operationalize compliance and review on a larger
3 scale.

4 CHAIRPERSON SANCHEZ: Got it. Can you just
5 for a moment share a little bit more about that new
6 function? You said the Office of Development has a
7 new Compliance Team.

8 DEPUTY COMMISSIONER DARGA: Yeah.

9 CHAIRPERSON SANCHEZ: What kind of
10 professionals do we have?

11 DEPUTY COMMISSIONER DARGA: Yeah, this
12 originally came out of concerns around another as-of-
13 right tax exemption program, 421-A, where there were
14 concerns that owners were getting a significant City
15 tax benefit without complying with regulations, first
16 and foremost, the biggest one being rent
17 stabilization, and so the unit was created a little
18 more than five years ago now in order to specifically
19 ensure or set up procedures for ensuring compliance
20 with 421-A, and that requires a fair amount of data
21 coordination between HPD and HCR, right? HCR is the
22 body that actually, where owners enter units into
23 rent stabilization. They do their annual registration
24 process. HPD doesn't collect that data separately, so
25 for us to be able to monitor compliance, we have to

2 have data sharing agreements with HCR, get that data,
3 and then analyze it, compare it to the buildings that
4 have received a benefit, so we have some experience
5 with that now for 421-A, and our hope would be to set
6 up similar types of compliance regimes for J-51 going
7 forward. Generally speaking, the way it works is that
8 if we find noncompliance once we've evaluated the
9 data, we notify the building owner, and they have an
10 opportunity to cure or address that compliance issue.
11 Our primary goal is always to get the building owner
12 into compliance with the requirements of the program
13 and, if not, we would potentially then take
14 enforcement action.

15 CHAIRPERSON SANCHEZ: So just staying on
16 this theme for a second, does HPD and DHCR, do you
17 currently have a memorandum of understanding
18 regarding sharing of information of rent
19 registration?

20 DEPUTY COMMISSIONER DARGA: We do.
21 Certainly, I can't speak to all of this... wait a
22 minute. Actually. This is where maybe Lucy Joffe can
23 speak.

2 ASSOCIATE COMMISSIONER JOFFE: Yes, and we
3 can use it for enforcement purposes. It's one of the
4 primary uses of the shared data.

5 CHAIRPERSON SANCHEZ: In connection to J-
6 51, will the Agency require or need any additional
7 new different information from DHCR?

8 ASSOCIATE COMMISSIONER JOFFE: We do not
9 anticipate that, no.

10 CHAIRPERSON SANCHEZ: Can the Council
11 receive a copy of the MOU, just to understand?

12 ASSOCIATE COMMISSIONER JOFFE: I will have
13 to talk to our legal folks but happy to follow up on
14 that.

15 CHAIRPERSON SANCHEZ: Great, thank you.
16 Okay, jumping back, so can you help us understand, so
17 you cited the 9,600 properties number for the last 15
18 years. Whether it's 15 years or a 10-year period, can
19 you tell us what the cost of the J-51 program has
20 been?

21 DEPUTY COMMISSIONER DARGA: Sure, this is
22 a little complicated, so bear with me for a moment,
23 but on average, the annual cost over the last 15
24 years had been about 270 million dollars a year. Keep
25 in mind there's a cumulative impact, right, of

2 providing a benefit under a program like this,
3 because you're talking about buildings during that
4 15-year period that received a benefit, right,
5 applied and received a benefit back to like the
6 1990s, right, so you have some buildings that might
7 be in the final year of a benefit period, some that
8 are midway through, and some that are just commencing
9 so that is the overall cost to the City on average.
10 There's been some ebb and flow in use of the program,
11 as we discussed during the testimony. The program was
12 used at a much larger scale in the '90s and into the
13 early to mid-2000s, and then we've seen a very
14 significant, I'd say pretty significant decline in
15 usage since then, and we would expect, I think, going
16 forward that costs will be on par with what we've
17 seen in the past.

18 CHAIRPERSON SANCHEZ: Do you have any
19 explanations or understanding for why there was a
20 decline in usage since the early 2000s?

21 DEPUTY COMMISSIONER DARGA: I think
22 there's a few things. There's probably some
23 macroeconomic issues there, certainly, that impact
24 use, right? For instance, can an owner get a low-cost
25 loan to do the work, right? If they can, then they

2 don't have any restrictions imposed by the City in
3 participating in a City program, right, so they go
4 out and get a loan, and they may then apply for an
5 MCI increase in order to help cover some of the costs
6 of the work so there's certainly macroeconomic
7 issues. I would also say that the program got stale.
8 The MCI and the costs were because, the process by
9 which we were able to update them was extremely
10 challenging, right? You had regulations, rules. Our
11 intent going forward is that we lay out the
12 methodology for updating the CRC in the rules. We'll
13 go through a public process. People will be able to
14 see what that methodology is, but we outline the
15 methodology, and then we can just update it as
16 necessary without going through a brand-new
17 rulemaking process or something that would take a lot
18 more work and would make us less nimble.

19 CHAIRPERSON SANCHEZ: Thank you. Can you
20 give us a breakdown of where previous J-51
21 beneficiaries were located by borough, and I'm sure
22 you don't have 51 Council Districts today, so can you
23 follow up with 51 Council District data?

24 DEPUTY COMMISSIONER DARGA: I think we
25 have information by Borough. The heaviest use of the

2 program has been in Queens. The second highest use
3 has been in Brooklyn, then the Bronx, then Manhattan,
4 then Staten Island and, interestingly, this is a
5 program, we talk about this a lot as being a critical
6 tool for lower-cost rent-stabilized housing in the
7 city. It's also an extremely useful tool when it
8 comes to helping low-cost multi-family homeownership
9 properties, so co-ops and condos, mostly
10 cooperatives, and also some regulated housing so, for
11 example, Mitchell-Lamas can qualify for a partial tax
12 exemption under Article II. That's a 10 percent
13 shelter rent tax generally. They could actually apply
14 for J-51 if they're doing major capital improvements
15 to reduce their tax liability so you see use in some
16 parts of the city that you don't actually see
17 participation in some other programs.

18 CHAIRPERSON SANCHEZ: Thank you. That's
19 helpful to understand. Can you share now about the
20 characteristics of the buildings that were approved
21 in the past year, so the age of buildings, if you, do
22 you require information on financial distress from
23 applicants, or did you in the past?

24 DEPUTY COMMISSIONER DARGA: We do not,
25 this is not, because it's an as-of-right program,

2 it's not a program where we're underwriting a
3 benefit, right, so we have other programs like that
4 where we're providing loans or discretionary tax
5 incentive, and so we are structuring that financial
6 assistance to address both the financial and physical
7 needs. This is different in that an owner self-
8 identifies as wanting and needing the assistance, and
9 they apply based on work they are planning to do, and
10 they complete that work, and then we process an
11 application. There are requirements that I think
12 speak to financial conditions within the building so,
13 first, because this is a reimbursement program, the
14 owner has to be able to actually secure some
15 financing up front to do the work. That could be that
16 they're getting a loan, a bridge loan, maybe they
17 have some savings so that's number one. Two, in order
18 to be eligible for the benefit at the end of the day
19 and for us to process the certificate of eligibility,
20 the owner cannot owe the City for any municipal
21 charges so I think those two things speak to
22 financial conditions, but it's certainly possible
23 that owners are struggling with other things that we
24 wouldn't see.

2 CHAIRPERSON SANCHEZ: I know in the new
3 version, the last point that you mentioned is still
4 in there about not allowing any debts to the City, so
5 does that include just property taxes and sewer, or
6 is that also violations and fees and other debts to
7 the City?

8 DEPUTY COMMISSIONER DARGA: In order to be
9 eligible, an owner cannot have any B and C violations
10 with HPD, cannot have any DOB violations, cannot owe
11 municipal charges. They could have a payment
12 agreement, and that includes charges associated not
13 just with property taxes, but programs like ERP have
14 to be paid or any relocation liens.

15 CHAIRPERSON SANCHEZ: Playing advocate
16 here, but isn't it possible or plausible that they
17 are seeking the J-51 incentive because they have a
18 certain B and C class violations that they want to
19 address?

20 DEPUTY COMMISSIONER DARGA: Yeah, so they
21 could have violations that they are trying to address
22 and, at the start of the work, they have those
23 violations. In fact, I would encourage owners that
24 have violations to consider this program. They don't
25 have to clear them until they submit the application

2 to us. They don't submit the application until the
3 work is done so, at the end of the day, for us to
4 issue a certificate of eligibility, they have to have
5 cleared the violations but, at the start, they may
6 actually be there, and so it's a weird process, like
7 the way we typically operate is owner comes to us,
8 they have a need, like for a loan, let's say. We
9 review it, we underwrite it, we provide the loan,
10 then they go do the work. This is the opposite. An
11 owner deems that they are going to apply for J-51.
12 They have made an assessment. They notify the tenant.
13 They notify the agency. They go out and do the work.
14 When they have completed the work, then they submit
15 the application to us.

16 CHAIRPERSON SANCHEZ: So they have to
17 notify HPD of their intent to use J-51 prior to the
18 commencement of the work?

19 DEPUTY COMMISSIONER DARGA: Yeah, and this
20 is one of the things that we're trying to clarify in
21 the local law that isn't, I don't think, totally
22 clear in State law, but they have to notify both
23 tenants and they have to notify the agency of the
24 intent to apply to the program.

2 CHAIRPERSON SANCHEZ: Got it. They notify
3 tenants of the intent to apply to the program or of
4 the work?

5 DEPUTY COMMISSIONER DARGA: Yeah, so they
6 have to notify tenants that they intend to apply for
7 J-51.

8 CHAIRPERSON SANCHEZ: Got it.

9 DEPUTY COMMISSIONER DARGA: Specifically,
10 and that has to happen in advance of starting the
11 work.

12 CHAIRPERSON SANCHEZ: Okay. Thank you.
13 Just getting back to the question was just seeking a
14 breakdown of what are the characteristics of
15 buildings that receive the incentive, so age of
16 properties, regulatory status, whether they were in
17 regulation or not, or they received other government
18 assistance and whatever we might know about building
19 size and AMI of building residents.

20 DEPUTY COMMISSIONER DARGA: Okay, so I
21 think I have some of that information. J-51
22 applicants, the buildings tend to be older. This is
23 some of our oldest housing stock, oftentimes, that's
24 applying for the program. The median year built for
25 applicants, the 9,600 buildings that were assisted in

2 the last 15 years, the median year built was 1929.
3 The median size was 42 units. The average was below
4 that. We do tend to see a lot of smaller buildings
5 that are using the program, and it was typically like
6 a six-story building. This is not an affordability
7 program. It's a stabilization program. There
8 certainly are benefits from an affordability
9 perspective for the residents because the cost of the
10 work is not passed on to them, not passed on to
11 future residents, but the primary requirement in the
12 past for rental buildings has been rent stabilization
13 or that they are otherwise regulated by the City, and
14 the primary requirement for condos and co-ops was
15 that they had an assessed value under the cap or were
16 otherwise regulated by the City. I don't think I have
17 a breakdown of how many of the properties in the past
18 were regulated affordable housing, but we do know
19 Mitchell-Lamas, for example, have been main users,
20 big users of J-51, and there are some other regulated
21 housing projects that used J-51 in the past or may
22 have had a partial benefit and then had additional
23 work they needed to do after we closed down a loan 10
24 years in and would apply for J-51. Yes, I think
25 that's what I know.

2 CHAIRPERSON SANCHEZ: Okay. Got it. Just
3 on AMI's understanding, the previous version of the
4 program, the agency did not collect this information?

5 DEPUTY COMMISSIONER DARGA: Yeah, the only
6 requirement was that the buildings had to be rent-
7 stabilized.

8 CHAIRPERSON SANCHEZ: Got it.

9 DEPUTY COMMISSIONER DARGA: And so there
10 was beyond that initial eligibility review, there was
11 no additional information about rents that was
12 required.

13 CHAIRPERSON SANCHEZ: Okay. Got it. Okay.
14 I mean, just in terms of intent, I think the Council
15 would probably want to see the buildings that are
16 benefiting from the J-51 program, just targeting that
17 incentive toward the most affordable, lowest income,
18 the buildings that are housing the most, the lowest
19 income New Yorkers, right?

20 DEPUTY COMMISSIONER DARGA: Yeah.

21 ASSOCIATE COMMISSIONER JOFFE: And that's
22 absolutely the change that we've made here, right, so
23 under the old program, we wouldn't have collected
24 rents because that was not part of it, but we are
25 going to be targeting that. That's a huge part of the

2 change for the same reason so here we really do think
3 we're targeting buildings that are serving lower-
4 income New Yorkers and that have lowest-cost rents
5 helps us meet that goal of really helping preserve
6 and keep those low-cost buildings in good shape and
7 really targeting the benefit in a way it wasn't
8 before.

9 CHAIRPERSON SANCHEZ: Okay, got it. Two
10 more and then I'm going to turn it over to Council
11 Member Avilés for some questions.

12 I just want to acknowledge that we've
13 been joined by Council Member Restler.

14 What percentage of buildings in the
15 previous iteration of the program were rent
16 regulated?

17 DEPUTY COMMISSIONER DARGA: I believe
18 about 40... Again, in the last 15, this is a program
19 that's been around for a long, long, long time, so in
20 the last 15 years, I believe 40 percent have been
21 rental properties and 60 percent have been co-ops and
22 condos, mostly co-ops. There's very few condos that
23 have participated.

2 CHAIRPERSON SANCHEZ: Got it. And of the
3 rental properties, do you have the breakdown of how
4 many were under the rent stabilization?

5 DEPUTY COMMISSIONER DARGA: The rental
6 properties have to be either rent-stabilized, right,
7 or they had to be regulated by the agency so, for
8 example, Mitchell-Lama properties, if they're in the
9 Mitchell-Lama program, aren't rent-stabilized, but
10 they are subject to other regulations that limit
11 rents so it was either rent-stabilized or otherwise
12 regulated.

13 CHAIRPERSON SANCHEZ: And do you have that
14 breakdown, rent stabilized or other?

15 DEPUTY COMMISSIONER DARGA: I don't think
16 I have that right now, but we could follow up to see
17 if we have data on that.

18 CHAIRPERSON SANCHEZ: Thank you.
19 Recognizing the types of repairs that could be
20 eligible for J-51 is changing, could you share just
21 whatever information that you can about the kinds of
22 repairs that we were seeing under the old program?

23 DEPUTY COMMISSIONER DARGA: Yeah, so the
24 most common items were pointing, lintel replacement,

2 windows, new roof, roof replacement, and doors. Those
3 were the most common.

4 CHAIRPERSON SANCHEZ: Got it, and I
5 understand that lead abatement work was eligible in
6 the previous version. Did you see applications or how
7 many applications that included lead abatement work?

8 DEPUTY COMMISSIONER DARGA: Very, very,
9 very rare.

10 CHAIRPERSON SANCHEZ: So close to zero?

11 DEPUTY COMMISSIONER DARGA: Yeah. I don't
12 know how many exactly, but it was one of the least
13 commonly applied for types of work.

14 CHAIRPERSON SANCHEZ: And how does the
15 agency understand that?

16 DEPUTY COMMISSIONER DARGA: I don't really
17 know if I have an explanation for that. I mean, I
18 know that there certainly are some buildings that
19 still have lead. There's lead belts across the city
20 with older housing stock. I don't really understand
21 why people are not trying to take advantage of that,
22 but it certainly has not been a main use of the
23 program.

24

25

2 CHAIRPERSON SANCHEZ: Are there other
3 eligible expenditures that were underutilized in the
4 program?

5 DEPUTY COMMISSIONER DARGA: I mean, the
6 big ones, you know, oil tanks, mailboxes, compactors,
7 lead work, and cogeneration, which kind of makes
8 sense. There's not a lot of buildings with
9 cogeneration.

10 CHAIRPERSON SANCHEZ: What was the last
11 one (INAUDIBLE)

12 DEPUTY COMMISSIONER DARGA: Cogeneration.

13 CHAIRPERSON SANCHEZ: Got it.

14 DEPUTY COMMISSIONER DARGA: Yeah, there's
15 not a lot of properties that have cogen.

16 CHAIRPERSON SANCHEZ: Great. Okay. Thank
17 you so much. I'm going to turn it over to Council
18 Member Avilés and, if other Colleagues have
19 questions, I'll turn it over to them before coming
20 back.

21 COUNCIL MEMBER AVILÉS: Thank you, Chair.
22 Good morning, everyone. Thank you for being here.

23 I guess I wanted to follow up along the
24 lines of the compliance elements. Can you explain to
25

2 us how HPD verifies whether the landlords are keeping
3 the units stabilized with the program?

4 DEPUTY COMMISSIONER DARGA: Yeah, I was
5 trying to explain a little bit earlier. That's been
6 one of the things I think that has not, I mean,
7 again, Tricia and I have only been involved the last
8 couple years, but I don't think there's been great
9 systems in the past. We do absolutely, from an
10 eligibility perspective, focus on making sure that
11 the project, at the point in time they're applying,
12 that they meet the eligibility requirements so rent-
13 stabilization certainly was one of those things,
14 clearing violations, all of those things that I
15 mentioned earlier. I think given that we're going to
16 have much, now that we have some models for how to do
17 this for other as-of-right programs, and that we're
18 going to have a much deeper bench of enforcement
19 options, we're actually going through the process
20 now. We're trying to figure out how to operationalize
21 this, given the scale of the program, going forward,
22 and the model I think that most closely resembles
23 what we would consider here is what we do for 421-A,
24 which is that we review annual registration
25 information. Again, that requires us to make sure

2 that we can use the data in that way that we receive
3 through HCR, but we do know that we have a model and
4 systems in place elsewhere that we could look to.

5 COUNCIL MEMBER AVILÉS: Got it, so you do
6 have currently an agreement with DHCR to share data?

7 DEPUTY COMMISSIONER DARGA: Yes, we have a
8 data-sharing agreement for rent-stabilized data, and
9 one of the primary uses is for enforcement.

10 COUNCIL MEMBER AVILÉS: Great. In terms of
11 the unit that will be, I guess, conducting the
12 enforcement and the reviews, is that a repurposed
13 unit? Is this additional work for this group of
14 people? And how many people will be allocated to this
15 function?

16 DEPUTY COMMISSIONER DARGA: That is a
17 great question. We have a division. It's a small
18 division within the Office of Development, mostly
19 made up of attorneys and analysts that do the ongoing
20 compliance work for as-of-right tax incentive
21 programs. Most of the work historically has been
22 around 421-A. Now that we have a wonderful set of new
23 programs and resources that the State Legislature has
24 recently authorized for the City, including 421-A,
25 485-X and, if Council authorizes it, J-51, we are

2 evaluating resources for the team to see if we will
3 need more going forward and certainly would work that
4 through with the Office of Management and Budget.

5 COUNCIL MEMBER AVILÉS: And how many
6 people work in the unit?

7 DEPUTY COMMISSIONER DARGA: I think there
8 is... hang on. I have this data. One second. We have 16
9 staff.

10 COUNCIL MEMBER AVILÉS: Got it. I'm sure
11 more work means more people. We want to keep the
12 staff happy and also to make sure that we fully
13 enforce, given the constant attacks and losses of
14 rent-regulated units in New York City and how
15 important they are to our housing stock.

16 In terms of the data that is being
17 maintained, is there a list of units with either
18 missing information or registration that you keep in
19 order to triage or check into eligibility?

20 DEPUTY COMMISSIONER DARGA: At the point
21 of application, so going forward for the new program,
22 the way this will work is the applicant decides they
23 want to apply for J-51. They do the work. They submit
24 the application to us. Part of what they need to
25 demonstrate is that they meet the eligibility

2 requirements for a rental building. That means they
3 need to show that at least 50 percent of the units
4 are rent-stabilized and that the rent for those units
5 is below 80 percent of area median income, so we will
6 not issue a certificate of eligibility without the
7 owner being able to demonstrate that. Again, there
8 are certainly some rental buildings where that's not
9 the requirement, so Mitchell-Lamas being, I think,
10 the first and foremost example, but generally
11 speaking, that is the requirement.

12 COUNCIL MEMBER AVILÉS: Then what's the
13 general term of the benefit? Is it annual or is it...

14 DEPUTY COMMISSIONER DARGA: The way it
15 works is the owner will do the work. We'll have a
16 certified reasonable cost schedule. Let's say
17 somebody wants to do a roof. It'll say how much we're
18 willing to reimburse. The actual reimbursement will
19 be for the lesser of the actual cost of that work or
20 what we have posted as the reasonable cost and then,
21 once we've deemed the applicant eligible, they met
22 the requirements, we issue the certificate of
23 eligibility, they are eligible for an abatement of up
24 to 70 percent of the work. Okay? They can get up to
25 8-1/3 of that benefit annually for a term of up to 20

2 years so it's 12 to 20 years, however long it takes
3 to pay that out, basically.

4 COUNCIL MEMBER AVILÉS: Got it. Last
5 question, Chair, if I may, just following up on the
6 compliance piece.

7 CHAIRPERSON SANCHEZ: Sure.

8 COUNCIL MEMBER AVILÉS: I think I know the
9 answer to this, but I should ask it very explicitly.
10 Do you feel currently that HPD has sufficient
11 resources to do the appropriate enforcement for this
12 program currently?

13 DEPUTY COMMISSIONER DARGA: We are
14 actively evaluating that right now because we now
15 have more programs to oversee than we had in the
16 past, right? Over the next six months, we are
17 basically launching a 421-A extension program, we
18 have 485-X, the new tax incentive for affordable
19 housing. We have a commercial conversions incentive
20 program, and then we have, if the Council authorizes
21 it, J-51, so there's a lot of new as-of-right
22 programs, and so we are evaluating both our resources
23 to administer those programs and the applications up
24 front as well as our compliance and enforcement
25 resources so I can't say today.

2 COUNCIL MEMBER AVILÉS: Got it. Is HPD
3 actively pursuing additional staff lines from OMB for
4 these programs or operating under the assumption that
5 the programs will be implemented under the current
6 structure?

7 DEPUTY COMMISSIONER DARGA: We aren't sure
8 yet because we're still evaluating if we have the
9 resources to do what we need to do, but we certainly,
10 if we don't believe that that's the case, we will be
11 working with OMB to figure out how we secure the
12 resources.

13 COUNCIL MEMBER AVILÉS: Time is running
14 out. Thank you, Chair.

15 CHAIRPERSON SANCHEZ: Thank you so much,
16 Council Member Avilés.

17 I now want to turn it over to Council
18 Member Restler.

19 COUNCIL MEMBER RESTLER: Thank you so
20 much. I say it at every hearing because it's very
21 true, but we are really lucky in the City Council to
22 have such an exceptional Chair of our Housing and
23 Buildings Committee so thank you.

24 Deputy Commissioner Darga, it's good to
25 see you and HPD team.

2 I wanted to ask about Local Law 97. I
3 feel like over the years there's been different times
4 where there have been more critics of J-51 where
5 other items like 421-A have taken up more energy and
6 gotten, been the recipients of more criticism. I'm
7 really hopeful that we can utilize J-51 to help as
8 much as possible with buildings that are struggling
9 to comply with Local Law 97 and, broadly, I feel like
10 the Administration has not done enough to make
11 financial incentives available to buildings that want
12 to comply with Local Law 97, and I feel like J-51
13 should be a real opportunity for us to do so. So
14 maybe just broad strokes, could you lay out how you
15 believe J-51 should help buildings comply with Local
16 Law 97, and then I'd like to talk to you about some
17 ways where I think we could and should go further.

18 DEPUTY COMMISSIONER DARGA: Great. I
19 actually think this is a very powerful program for
20 building owners to comply with Local Law 97.

21 COUNCIL MEMBER RESTLER: Help me out on
22 the building owners, because what homeownership, what
23 co-ops and condos are actually eligible for J-51?

24 DEPUTY COMMISSIONER DARGA: Yeah, when I
25 say building owners, I also mean co-op and condos.

2 COUNCIL MEMBER RESTLER: Okay, you mean
3 owners of rentals buildings.

4 DEPUTY COMMISSIONER DARGA: Rentals or...

5 COUNCIL MEMBER RESTLER: Got it. Okay,
6 because there's a very narrow slice of co-ops and
7 condos that are actually eligible here.

8 DEPUTY COMMISSIONER DARGA: So it's co-ops
9 or condos with an assessed value below 45,000 a unit,
10 so these are the low-cost...

11 COUNCIL MEMBER RESTLER: Got it. There's
12 not a lot of buildings in New York City where a unit
13 is worth 45,000 dollars.

14 ASSOCIATE COMMISSIONER JOFFE: This is
15 assessed value, not market value.

16 DEPUTY COMMISSIONER DARGA: Yeah.

17 ASSOCIATE COMMISSIONER JOFFE: And so
18 these are lower cost homeowners, but this is a
19 significant swath of homeowners have been using J-51,
20 as we testified before, even with slightly lower
21 assessed value.

22 COUNCIL MEMBER RESTLER: Even assessed
23 values. Assessed values of 45,000 dollars per unit. I
24 mean, how many units, how many co-ops and condos have
25 assessed value? Do you have a number?

2 ASSOCIATE COMMISSIONER JOFFE: We've had
3 about 60 percent utilization of J-51 historically
4 with a lower assessed value.

5 COUNCIL MEMBER RESTLER: But I'm not,
6 sorry, I'm not asking utilization. I'm asking, it's a
7 pretty narrow universe of buildings where assessed
8 value of a unit is 45,000 dollars.

9 DEPUTY COMMISSIONER DARGA: I actually
10 think that is representative about a fifth of the co-
11 op and condo buildings in terms of assessed value.

12 COUNCIL MEMBER RESTLER: In New York City?

13 DEPUTY COMMISSIONER DARGA: In New York
14 City.

15 COUNCIL MEMBER RESTLER: 20 percent of co-
16 op and condo buildings have assessed values of 45,000
17 dollars per unit or less. That is the most shocking
18 statistic I have heard in a very long time.

19 DEPUTY COMMISSIONER DARGA: Okay...

20 COUNCIL MEMBER RESTLER: I am not easily
21 shocked.

22 DEPUTY COMMISSIONER DARGA: Let me verify
23 that, but I do think we have that information, or
24 maybe we can get back to you in a second.

2 COUNCIL MEMBER RESTLER: You can come back
3 to me on it, but I still can't quite believe that. Is
4 anyone with me? That's crazy. I mean, have you been
5 to the 33rd Council District because, oh my gosh, I
6 wish. But you keep, if you could, I didn't mean to
7 interrupt you on a different...

8 DEPUTY COMMISSIONER DARGA: No, it's okay.
9 As Lucy mentioned, we actually have had pretty
10 significant use by condo and co-op owners. This is, I
11 really think, an amazing program for doing the major
12 systems work that makes a huge difference when it
13 comes to decarbonization of residential property in
14 New York City and, particularly for buildings that
15 have lower rents or do have lower assessed value, for
16 the residents of these buildings, it will make a big
17 difference so we do think that the main things that
18 this can help with are going to be code-compliant
19 windows, heating and hot water systems, high-
20 performance heating equipment including heat pumps,
21 which also can help with cooling, high-performance
22 hot water equipment, electrical upgrades, building
23 insulation and air sealing so a lot of the big
24 system-type work that is necessary to comply with
25 Local Law 97, and we...

2 COUNCIL MEMBER RESTLER: Boiler
3 replacement?

4 DEPUTY COMMISSIONER DARGA: Oh, sorry.

5 COUNCIL MEMBER RESTLER: Right.

6 DEPUTY COMMISSIONER DARGA: Yes.

7 COUNCIL MEMBER RESTLER: That would all
8 be...

9 DEPUTY COMMISSIONER DARGA: Heating
10 systems, all of it. Yes, and we've actually worked
11 really closely with MOCJ and, I mean, I remember back
12 in 2015, we were working with the predecessor to
13 MOCJ, MOS, the Mayor's Office of Sustainability then,
14 to think about J-51 because we knew that the existing
15 residential building stock in New York City was one
16 of the biggest emitters, right, and that this was a
17 program that touched a lot of residential property in
18 New York City and could have a big impact so we've
19 worked really closely with that team to think about
20 what are the eligible items, right, in order to help
21 owners decarbonize their buildings, and I think one
22 of the benefits of the structure that we've outlined
23 here where the CRC and the costs are, the methodology
24 is outlined in rules is that if MOCJ, if we realize
25 there's something that we've missed in terms of a

2 major item that would make a meaningful difference,
3 we have the opportunity to potentially add it, right,
4 by going through the process outlined in the rules so
5 we do think this is impactful. We've already started
6 to think about like how you do outreach to building
7 owners, not just the traditional way about J-51 and
8 doing major kind of housing quality type
9 improvements, but how maybe we work with the
10 Accelerator to make sure that when there's engagement
11 around Local 97 or decarbonization work, that that's
12 another path that owners can find out about J-51.

13 COUNCIL MEMBER RESTLER: Yeah, that was
14 very much my next question, is how do we do a better
15 job of informing building owners and cohorts and
16 condos, because it sounds like there are a lot of
17 buildings with 45,000-dollar unit assessed values,
18 much to my surprise, but how do we do a better job of
19 educating and engaging homeowners about these
20 resources and these opportunities, and we've been
21 hosting building sustainability kind of fairs in our
22 District where we bring together contractors and all
23 the different resources that could be available.
24 We've been holding workshops for co-ops and condos
25 and for building owners on how to try and help

2 decarbonize your buildings, and I really think that
3 we've got to, I actually just wonder if maybe there's
4 in reverse, if anyone's applying for J-51, is there
5 any evaluation for Local Law 97 compliance that's
6 considered as a part of their J-51 abatement
7 application, their progress toward compliance, any
8 mandate or encouragement that they utilize the tax
9 abatement to achieve those necessary goals? How do we
10 reverse it that way to ensure that any building
11 that's coming to HPD, HPD is saying back to them, we
12 actually need you to do a Local Law 97 evaluation or
13 assessment to make sure that you're doing everything
14 you can to decarbonize because I agree, this is one
15 of the best tools we potentially have to decarbonize
16 buildings that really don't have the resources to do
17 it on their own and need our help to make it happen
18 so is that something you all have considered? Am I
19 thinking about it the wrong way?

20 DEPUTY COMMISSIONER DARGA: No, it's an
21 interesting question, and that's actually what we do
22 a lot in the other preservation programs that we
23 administer, right? We've established an assessment
24 methodology. All buildings go through that
25 assessment, and it does take into account what is

2 necessary from a decarbonization perspective. We have
3 like high performance tracks we've laid out. Our
4 Chief Sustainability Officer is amazing, and she's
5 done a lot to move us in that direction.

6 COUNCIL MEMBER RESTLER: That's great.

7 DEPUTY COMMISSIONER DARGA: Here, I think
8 it's not really a like a mandate, right? A lot of
9 these buildings are going to be required to comply
10 with Local Law 97. A lot are not, right? So there are
11 carve-outs to Local Law 97 for certain types of
12 buildings that don't have to comply or have a much
13 longer period to comply so that may not be first and
14 foremost but, regardless, what we've done is say,
15 even if you're replacing the window...

16 COUNCIL MEMBER RESTLER: But even if they
17 don't have an immediate compliance requirement, we
18 want them to decarbonize.

19 DEPUTY COMMISSIONER DARGA: Right,
20 exactly, and that's why we have thought about the
21 specifications so you can't put a window in that's a
22 single pane window. We're not going to reimburse for
23 that, right? We've thought about the specific
24 specification that is required when you are replacing
25 that system to make sure it's an efficient system so,

2 even if a building owner is not thinking first and
3 foremost about that, the program is designed to make
4 that happen.

5 COUNCIL MEMBER RESTLER: Yeah. I hear you,
6 and I just wonder how we can do more because we've
7 got to shift the market in New York City to expanding
8 the number of buildings, especially larger buildings
9 that are actually utilizing heat pumps, that are
10 actually decarbonizing, that are changing the way
11 that they operate, and the J-51 incentives should be
12 a tremendous opportunity for us to get a whole lot
13 more buildings to actually take this leap and to make
14 this happen and make it more affordable for all of us
15 to be successful with Local Law 97 compliance so I
16 just hope that we can continue to talk and explore
17 together on how we can better, if not mandate,
18 incentivize, encourage, facilitate Local Law 97
19 compliance through J-51 and, frankly, and this may be
20 a less popular statement with some of my Colleagues,
21 I actually think that J-51 could be a mechanism to
22 consider Local Law 97 compliance for more buildings
23 and expanding the eligibility for J-51 to help more
24 buildings be able to affordably comply with Local Law
25 97. I think that's one of the things we have to

2 seriously consider if there aren't other effective
3 financial incentives being made available, but that's
4 a conversation for another day, but I just think it's
5 worth putting out there so thank you very much.

6 DEPUTY COMMISSIONER DARGA: Thank you.

7 CHAIRPERSON SANCHEZ: Thank you, Council
8 Member Restler.

9 Any other questions? Okay.

10 I just first wanted to pick up on your
11 question about assessed values, and I know you said,
12 Deputy Commissioner, you would follow up, but can you
13 just remind us of the relationship between assessed
14 value and market value, the market value someone from
15 the public would see on Zillow or Redfin?

16 DEPUTY COMMISSIONER DARGA: Mm-hmm. I'm
17 not an expert in DOF valuation. I will just say that
18 first and foremost, but there's market value out in
19 the market, there's DOF market value, and then
20 there's the Department of Finance's assessed value,
21 right? So what we're talking about here is assessed
22 value, which is certainly not the same thing as like
23 if somebody's going out and selling their condo or
24 co-op unit, what they potentially are going to get

2 for it so I can't speak to the methodology that DOF
3 uses. I'm sorry.

4 CHAIRPERSON SANCHEZ: Okay. Well, I know
5 it's a fractional amount. I just...

6 DEPUTY COMMISSIONER DARGA: It is a
7 fractional amount, which is why it seems shocking
8 that you would have actually a sizable number of co-
9 op and condo units with assessed value under 45,000
10 dollars.

11 ASSOCIATE COMMISSIONER JOFFE: And like I
12 said, it's generally more stable, and so when we talk
13 about sort of having programs that are really people
14 can predict, right, if you think about it, market
15 value changes much less predictably, and so there is
16 a reason why some of these programs are designed
17 around assessed value, though it doesn't always feel
18 as clear to other folks.

19 CHAIRPERSON SANCHEZ: Yeah. Not to shout
20 out CLA, but can you all phone a friend and just, so
21 that we can read into the record that definition of
22 assessed value versus market value? Thank you.

23 Okay. Got a whole color-coding system to
24 make sure I don't miss questions. Let's see if it
25 works this time. It doesn't always.

2 Okay. Going back to some questions about
3 the previous administration of the program and then
4 coming back into the current. Okay, so I did ask
5 about the lead abatement repair. So you mentioned
6 that the lead abatement repair was close, like next
7 to zero applications that came in, including lead
8 abatement work. Is that also true after the new lead
9 laws went into effect after 2019?

10 DEPUTY COMMISSIONER DARGA: Yeah, it is
11 true and, again, it's not clear why, right? You have
12 the new lead laws that certainly impose additional
13 requirements on building owners. I think also at the
14 same time that you have these new laws, we also had a
15 real decline in J-51 usage. Again, and I think this
16 gets to, like, the cost schedule just is stale,
17 right, and, not only that, but the program expired in
18 2019. People had to have completed work by mid-2022,
19 and so it really is not an active program anymore,
20 and so it's hard to tell how much of this is, with
21 the new lead laws, would there be more applicants?
22 It's hard to tell because we're not working with a
23 program that is really up to date.

24 CHAIRPERSON SANCHEZ: Okay. Thank you. I'm
25 just reflecting that, I mean, in the new version of

2 the program, as HPD is proposing to update the cost
3 schedule, it would be very interesting to see if
4 there is uptake for lead abatement work, especially
5 because we hear so many complaints about how
6 expensive that is, and you can cover up to 70 percent
7 of the cost through a J-51 incentive.

8 I asked the version of this already but,
9 just to reiterate, HPD has no information about
10 enforcement actions taken against J-51 beneficiaries
11 in the past 15 years?

12 DEPUTY COMMISSIONER DARGA: We know that
13 there was recent enforcement action a couple years
14 ago against at least one property.

15 CHAIRPERSON SANCHEZ: How recent?

16 DEPUTY COMMISSIONER DARGA: Just before
17 the pandemic. It was a revocation.

18 CHAIRPERSON SANCHEZ: A revocation?

19 DEPUTY COMMISSIONER DARGA: Yes.

20 CHAIRPERSON SANCHEZ: Do you know the
21 reason in that case?

22 DEPUTY COMMISSIONER DARGA: The property
23 was found to be ineligible for the benefit.

24 CHAIRPERSON SANCHEZ: For what reason? Why
25 were they ineligible?

2 DEPUTY COMMISSIONER DARGA: I think we
3 have information. Tricia, do you have information
4 about the basis for that? If not, we can follow up if
5 we don't have it right now. Maybe we can follow up.

6 CHAIRPERSON SANCHEZ: Thank you. Whether
7 through crosstabs or any other method, do you have
8 information on how many tenant harassment or building
9 condition complaints HPD has received during the last
10 15 years in buildings that have received the benefit
11 or after the buildings have begun to receive the
12 benefit?

13 DEPUTY COMMISSIONER DARGA: Yeah, we don't
14 have that. We don't have data on that. I mean, it's
15 certainly possible, these are buildings that are
16 older so I'm sure there are violations that come up
17 after we issue the benefit, and I would hope that
18 those building owners, like they did the first time,
19 would take advantage of the program if they need to
20 in order to address the violations.

21 CHAIRPERSON SANCHEZ: Okay. Will you track
22 this information moving forward? Does the proposed
23 legislation require tracking of this information
24 moving forward?

2 DEPUTY COMMISSIONER DARGA: I think we can
3 look into whether that is possible.

4 CHAIRPERSON SANCHEZ: You have a great
5 Compliance Team that is going to grow from 14 people.
6 It's going to be great.

7 DEPUTY COMMISSIONER DARGA: Yes.

8 CHAIRPERSON SANCHEZ: Thank you. Finally,
9 on the retrospective look, can you share on HPD's
10 work to monitor existing repair conditions after the
11 rehab work? Does HPD go and review or inspect the
12 work that was promised?

13 DEPUTY COMMISSIONER DARGA: Oh, so for our
14 other programs, absolutely. This is different because
15 the work has to be done before we grant the benefit,
16 and the other programs that we administer in
17 preservation, we provide a benefit, people do the
18 work, and then they have to certify that the work is
19 complete or, if it's a loan, we are actually
20 processing requisitions based on completion of the
21 work so, yes, either way there's a process. It's just
22 it differs a little bit whether it's a loan or, in
23 this case, the abatement program.

24

25

2 CHAIRPERSON SANCHEZ: So in the case of J-
3 51, does HPD physically go and inspect that the work
4 was?

5 DEPUTY COMMISSIONER DARGA: Yes, we do. We
6 inspect to make sure. In the new program, we're
7 actually really excited that owners, they have to
8 apply to us within four months of completing the work
9 so that we can actually get out there pretty quickly
10 after they've finished the work to verify that it has
11 been done.

12 CHAIRPERSON SANCHEZ: I'd like to
13 acknowledge that we've been joined by Council Member
14 Feliz, and I'm going to turn it quickly over to
15 Council Member Restler, who is unsuspecting, for a
16 followup question.

17 COUNCIL MEMBER RESTLER: I just had one
18 question. I apologize. I think our Committee Counsel
19 very smartly explained to me that the assessed value
20 is just 6 percent of the market value, I think for, I
21 don't know if that's right.

22 DEPUTY COMMISSIONER DARGA: I'd have to
23 Google it.

24 COUNCIL MEMBER RESTLER: If you could
25 confirm, it would be helpful.

2 The thing I wanted to ask is I would love
3 to work closely with all of the buildings in my
4 District that are eligible for J-51, especially
5 because they have a lot of anxiety about Local Law
6 97, to help them take advantage of this opportunity.
7 Do you have a list of either co-ops and condos that
8 have assessed values at 45,000 dollars per unit by
9 Council District or by Community District, or you
10 could give me all of Brooklyn and I could just sift
11 through it, or some other list of buildings that are
12 J-51 eligible that you can share with me?

13 DEPUTY COMMISSIONER DARGA: I assume we
14 could access that data, but I'll turn it over to my
15 colleague.

16 ASSOCIATE COMMISSIONER JOFFE: For this,
17 we look at publicly available Department of Finance
18 records so probably what we would do is we should
19 work with you and with the Department of Finance to
20 make that information available.

21 COUNCIL MEMBER RESTLER: Okay, but you
22 think it is feasible to provide me with a list, or?

23 ASSOCIATE COMMISSIONER JOFFE: I think
24 it's public information, so we should be able to, but
25 we should check with folks to make sure.

2 COUNCIL MEMBER RESTLER: Okay, it would be
3 very helpful, and we're trying our absolute best to
4 do very aggressive outreach to all of our property
5 managers, all of our building owners, our co-op and
6 condo boards, to help facilitate sharing of
7 information about Local Law 97 compliance, and I
8 think this is critically important so the sooner that
9 we could work together on that, I would be greatly
10 appreciative.

11 DEPUTY COMMISSIONER DARGA: That's great.
12 That sounds wonderful.

13 COUNCIL MEMBER RESTLER: Thank you.

14 ASSOCIATE COMMISSIONER JOFFE: We think
15 this is a great program, and so we really do want to
16 work with you guys to make sure as many buildings and
17 as many New Yorkers benefit from this as possible.

18 COUNCIL MEMBER RESTLER: Thank you. Thank
19 you, Chair.

20 CHAIRPERSON SANCHEZ: Thank you. I want to
21 turn it over to Council Member Feliz for a question.

22 COUNCIL MEMBER FELIZ: Thank you. Thank
23 you so much, Chair, for this hearing, and also thank
24 you, HPD, for all the work you're doing, especially
25 on the issue of homeownership. We are finally, after

2 many meetings and conversations and hearings, finally
3 making some progress on the issue of homeownership,
4 especially in the Bronx, and specifically in the
5 central Bronx, one of the areas in the city that has
6 the lowest amounts of homeownership in the city.

7 Just curious, on the issue of
8 homeownership, we have different programs, including
9 the Open Door program that relate to the construction
10 of new buildings, which could potentially include
11 homeownership, but just curious, are there any
12 programs that relate or that involve converting
13 existing buildings into buildings that could offer
14 homeownership? Let's say, for example, a bad
15 landlord, whether private or, let's say, a non-
16 profit. I have a non-profit in my District that has
17 about 10 buildings, some of them with over 300
18 violations, so any programs that could potentially
19 help turn those buildings into opportunities for
20 homeownership for those tenants?

21 DEPUTY COMMISSIONER DARGA: That's a good
22 question. We don't have a specific program that does
23 that but, if there is a building where the residents
24 are interested in doing that and they are able to
25 organize and meet the request so, for example, if

2 it's a rent-stabilized building, it would have to
3 meet the requirements to convert under State law. If
4 they're able to do that, we certainly would be open
5 to that conversation, and we have heard from some of
6 the organizations out there that work on
7 homeownership projects, that they are interested in
8 working with residents to do that, and there's a
9 couple projects that have come to us where that is
10 what the residents would like to do, and we are
11 supporting those projects.

12 COUNCIL MEMBER FELIZ: Okay, good. Have we
13 done that before, though? Have we actually completed
14 any projects that we could use as a model?

15 DEPUTY COMMISSIONER DARGA: Sure. The
16 agency has a long history of actually doing this, but
17 not as common on privately-owned property, right? So
18 there's like three parts to this, so it'll take me a
19 moment to explain it. First, we are very concerned
20 with maintenance of affordable rental housing in the
21 city given that there is not enough of it, based on
22 the demand, right, the vacancy rate for low-cost
23 units is extremely, extremely low so that's certainly
24 something the agency is concerned about, and loss of
25 that housing would be a concern to us. That said, we

2 absolutely have examples. For City-owned property, we
3 have buildings that we foreclosed on and, as part of
4 the Affordable Neighborhood Cooperative Program, have
5 the ability to become limited equity cooperatives,
6 and we have supported and put tremendous resources
7 into making good on those promises. For properties
8 that we have foreclosed on through a third-party
9 transfer, residents have the ability to petition
10 there to become a cooperative going forward, and
11 there have been buildings that have taken advantage
12 of that in the past so we absolutely do have some
13 examples of this.

14 COUNCIL MEMBER FELIZ: Okay, good. Well, I
15 look forward to continuing that conversation offline.
16 We have this large non-profit, Aquinas, I don't know
17 if all of you have been working with them, but they
18 have a large portfolio. Their top 10 buildings have
19 over 200 to 300 violations each. That's completely
20 unacceptable. If they can't manage the building, then
21 they shouldn't have it so we look forward to
22 continuing those conversations with all of you and,
23 yeah, seeing how we could create a building system
24 that works for the tenants. Thank you so much.

25 DEPUTY COMMISSIONER DARGA: Thank you.

2 COUNCIL MEMBER FELIZ: Actually, sorry,
3 one more question. How long does that process
4 generally last? Are we talking about a two- to three-
5 year process, getting the tenants involved?

6 DEPUTY COMMISSIONER DARGA: To convert?

7 COUNCIL MEMBER FELIZ: Yeah.

8 DEPUTY COMMISSIONER DARGA: It can take a
9 really long time. I think one of the challenges is
10 that we don't want it to drag out, right? There are,
11 we think, good practices when you have a rental
12 property that is looking to convert, and these
13 practices we have used in some of the programs I've
14 mentioned, so in the Affordable Neighborhood
15 Cooperative Program and TPT Tenant Petition, 80
16 percent of the residents have to be interested in
17 converting, 80 percent of the residents have to be in
18 good standing on their rental payments, and we need
19 80 percent of the residents to attend training so
20 there are some best practices that we've used.
21 Sometimes, residents are not able to meet those
22 requirements, and so it can take a long period of
23 time, depending on how much buy-in and how much
24 residents are able to comply with that requirement.

2 COUNCIL MEMBER FELIZ: All right. Thank
3 you so much.

4 CHAIRPERSON SANCHEZ: Thank you, Council
5 Member Feliz.

6 I was doing some math in the background
7 here so, if it is 6 percent of the market value, then
8 we're talking, and that's in 45 percent, so high
9 school algebra, right, means 750,000 dollars, but
10 Council Member Restler is not here, but 750,000-
11 dollar market value approximately for a condo or co-
12 op unit is what is eligible, roughly.

13 Okay, so thank you, Council Member Feliz,
14 and agree on all points.

15 Now looking forward into the new program.
16 Has HPD conducted an analysis to determine how many
17 buildings would be eligible for the new program?

18 DEPUTY COMMISSIONER DARGA: We believe
19 there are roughly, I don't think I have the building
20 data, but I think there are roughly 700,000
21 residential units in New York City that we think
22 could be eligible.

23 CHAIRPERSON SANCHEZ: Got it. Can you
24 break that down for us by co-op, condo, Mitchell-
25 Lamas, other?

2 DEPUTY COMMISSIONER DARGA: We believe
3 about 70-ish percent of those represents rental
4 housing and 30 percent homeownership, so cooperatives
5 or condos. Within that large universe, there are
6 approximately 90,000 Mitchell-Lama units in New York
7 City so that would be a subset of the rental and
8 cooperative housing.

9 CHAIRPERSON SANCHEZ: Got it. What about
10 just rent-stabilized at the affordability levels
11 defined in the bill?

12 DEPUTY COMMISSIONER DARGA: The
13 requirement is that the buildings have to be at least
14 50 percent rent-stabilized, and the rents in those
15 units have to be below 80 percent of area median
16 income, which I believe is about 2,300 for a one-
17 bedroom.

18 CHAIRPERSON SANCHEZ: It's an and? It's
19 not an or?

20 DEPUTY COMMISSIONER DARGA: It's an and.
21 Rent-stabilized and the rents need to be below 80
22 percent.

23 CHAIRPERSON SANCHEZ: How many units in
24 the city have 50 percent rent-stabilized units and
25 are renting for under?

2 DEPUTY COMMISSIONER DARGA: That is what
3 we believe, so that 700,000 of potentially eligible
4 units includes the universe of what we believe are
5 potentially eligible rent-stabilized housing. That
6 being said, an owner that doesn't meet the 50 percent
7 requirement today could, going forward, say, I would
8 like to qualify for J-51, I will enter some units
9 into rent stabilization.

10 CHAIRPERSON SANCHEZ: Okay.

11 ASSOCIATE COMMISSIONER JOFFE: If I may,
12 of that estimate, what I think you're asking, Council
13 Member, about 360,000 is our estimate, so about half
14 of what we're talking about are rent-stabilized
15 units.

16 CHAIRPERSON SANCHEZ: Do you have a sense
17 of how many properties that corresponds to?

18 ASSOCIATE COMMISSIONER JOFFE: We don't
19 actually have building level data today. We have been
20 focused on looking at this at a unit level of
21 measurement for a long time so it would take us a
22 while to change that in terms of buildings. We'll
23 have to get back to you on that.

24 CHAIRPERSON SANCHEZ: I believe in y'all.
25 I believe in you.

2 DEPUTY COMMISSIONER DARGA: I mean I think
3 one way to think about it is, if the future use is
4 similar to past use, the average building size in the
5 last 15 years is 31 units and the median is 42, so
6 that gives maybe an approximate sense of the number
7 of buildings that we're talking about.

8 CHAIRPERSON SANCHEZ: Yeah, that's
9 helpful. Thank you.

10 Do you anticipate any differences in
11 where applicants will come from in terms of
12 geography?

13 DEPUTY COMMISSIONER DARGA: I'll turn it
14 over to my colleague. I mean, I think we do expect
15 that past usage is probably a decent indication of
16 future. That being said, you know, now that the
17 requirement is that 50 percent of the units need to
18 be rent-stabilized and that the rents need to be
19 below 80 percent AMI, that may limit participation of
20 some buildings where the average rent-stabilized rent
21 was above that. Also, the co-op condo assessed value
22 is slightly higher so there may be some buildings
23 that were not eligible historically that will now be
24 eligible.

2 CHAIRPERSON SANCHEZ: Got it. Sorry,
3 clarifying question on the affordability restriction.
4 Is it 100 percent of the units must rent at under 80
5 percent of AMI?

6 DEPUTY COMMISSIONER DARGA: 50 percent, so
7 50 percent of the residential units have to be rent-
8 stabilized and have rents below 80 percent of area
9 median income.

10 CHAIRPERSON SANCHEZ: Got it. Okay. And
11 the rest can be market?

12 DEPUTY COMMISSIONER DARGA: Yes.

13 CHAIRPERSON SANCHEZ: Got it. You
14 mentioned earlier, but just to say again, what's the
15 projected annual costs for the program?

16 DEPUTY COMMISSIONER DARGA: This is where
17 it gets a little tricky. Again, we think it's going
18 to be similar to the past, but there are a couple
19 changes that's somewhat hard to predict. We hope the
20 CRC schedule will be more tuned to actual costs going
21 forward, right, so that means that the costs we're
22 willing to reimburse will be slightly higher. At the
23 same time, this program does not offer the exemption,
24 and the exemption actually drove a significant amount
25 of the cost in the past. We think those things

2 probably offset, and so the cost per unit, let's say,
3 is probably on par, which I think that was a little
4 bit over 7,000 dollars per unit, but we don't know
5 exactly until we put it in practice.

6 CHAIRPERSON SANCHEZ: I saw that there
7 were some years where the average cost per unit was
8 closer to 10,000. Do you know why that would have
9 been? So in 2018, 2019, 10,200. 2020 was 10,600 on
10 average.

11 DEPUTY COMMISSIONER DARGA: So you're
12 looking at the average cost for all properties or
13 those that receive the benefit?

14 CHAIRPERSON SANCHEZ: Average cost for all
15 properties receiving the J-51. Sorry, the cost to the
16 City for providing the incentive.

17 DEPUTY COMMISSIONER DARGA: For all
18 properties in a given year?

19 CHAIRPERSON SANCHEZ: Yeah.

20 DEPUTY COMMISSIONER DARGA: So there's a
21 couple things that could impact the cost per DU. One,
22 building size. The larger the buildings are,
23 generally the lower the cost per unit because this is
24 a program that focuses on major building systems so
25 if you have a 10-unit building putting a boiler in

2 versus a 30-unit building putting the boiler in, the
3 cost per unit, the system is the same, but the cost
4 per unit is certainly less for the larger building.

5 Second, I think the cost in aggregate for the City is
6 a function of also how many buildings have the
7 benefit in a given year so what we saw is in the old
8 program, the benefit was for 14 or 34 years, up to 14
9 or 34 years and so, in the 1990s, we were granting
10 benefits, or early 2000s, where there was huge usage
11 of J-51. Those buildings were still getting benefits
12 a few years ago so it's a little bit of a function of
13 how many benefits were granted in the past as well as
14 the characteristics of the buildings in a given year.

15 CHAIRPERSON SANCHEZ: That's helpful to
16 understand. We've been talking about the size, like
17 the cost to the City, the annual cost to the City
18 but, in terms of the average benefit to a unit, do
19 you have that, like over the lifespan of the program
20 or like their duration in the program?

21 DEPUTY COMMISSIONER DARGA: That's
22 actually an interesting question. I'm not sure if I
23 have exactly that data. We could think if we could
24 get it to you, but I do know the cost of the systems
25 that we have approved varies by size of the property

2 so smaller buildings, for example, the average cost
3 over the recent period has been about 10,000 a unit,
4 whereas the larger buildings have been somewhere
5 between just over 1,000 to 10,000. That's for the
6 work we're reimbursing for so the benefit is
7 stretched over a period of time, and they also
8 qualified for the exemption in the past so that's
9 where it gets complicated.

10 CHAIRPERSON SANCHEZ: Got it. In the new
11 program, is there a difference in the timeframe of
12 the benefit versus the timeframe for rent regulation?

13 DEPUTY COMMISSIONER DARGA: The
14 requirement for rent regulation is for the duration
15 of the benefit, and that is between 12 and 20 years.

16 CHAIRPERSON SANCHEZ: Got it. Thank you. I
17 think I know the answer to this, but does HPD have a
18 way of knowing what is the status of financial
19 reserves in buildings?

20 DEPUTY COMMISSIONER DARGA: In J-51, no.
21 In other programs we administer, yes. If we are a
22 lender, we do require reserves for projects and,
23 actually, where we're providing a discretionary tax
24 benefit, we require reserves, and we often, as a
25 lender, either hold the reserves or have designated a

2 servicer to do so, and so we have visibility into
3 what resources the property has.

4 CHAIRPERSON SANCHEZ: Thank you, but,
5 citywide, we don't have anything via the HVS or the
6 RGB or any other public source?

7 DEPUTY COMMISSIONER DARGA: Sorry, what
8 was that?

9 CHAIRPERSON SANCHEZ: Citywide. Citywide
10 estimates of building reserve situations.

11 DEPUTY COMMISSIONER DARGA: I don't think
12 we have a way to answer that question. Lucy also just
13 clarified something for me. The benefit period and
14 the restriction period for rent-stabilization are not
15 exactly the same.

16 ASSOCIATE COMMISSIONER JOFFE: The
17 restriction period is 15 years.

18 DEPUTY COMMISSIONER DARGA: Is 15 years.

19 CHAIRPERSON SANCHEZ: 15?

20 DEPUTY COMMISSIONER DARGA: Yes.

21 ASSOCIATE COMMISSIONER JOFFE: Yes.

22 CHAIRPERSON SANCHEZ: And the benefit
23 period?

24 DEPUTY COMMISSIONER DARGA: It could be
25 less.

2 ASSOCIATE COMMISSIONER JOFFE: Right, so
3 as Kim explained before, we're abating the taxes over
4 a period of time, and that will depend on an owner's
5 individual tax liability and how long that will take,
6 but it will be up to 20 years. Many of these units,
7 obviously, are permanently rent-stabilized so some of
8 that is a different calculation.

9 CHAIRPERSON SANCHEZ: Got it. Thank you.

10 ASSOCIATE COMMISSIONER JOFFE: And no, we
11 don't, unfortunately, have the ability through the
12 New York City Housing and Vacancy Survey to get that
13 building level data, and I don't know of another
14 source through which we could reliably get it, but
15 that might be a question for other City agencies,
16 such as the Department of Finance.

17 CHAIRPERSON SANCHEZ: Okay. Smaller
18 properties. So smaller properties have a more
19 difficult time. These repairs on a per-unit basis, as
20 you mentioned, are more expensive. Does HPD have
21 planned any additional outreach, any extra resources,
22 special resources to reach these smaller properties?

23 DEPUTY COMMISSIONER DARGA: There's a
24 regular outreach that the agency does through our
25 Office of Neighborhood Strategies and to some degree

2 through our enforcement teams as well, and we will
3 absolutely continue that work, the resource fairs,
4 the property education clinics, etc., and attending
5 events. I think we are certainly open to discussion
6 if we think there's other ways that we can get the
7 word out. I would say in addition to all of that, in
8 the case, again, of the fact that J-51 also helps
9 with decarbonization, we are trying to think about
10 other ways that we can get to owners that may not
11 just be through HPD and through housing quality-
12 related issues and so trying to figure out how we
13 could use the Accelerator potentially as well.

14 CHAIRPERSON SANCHEZ: Got it. What is the,
15 I'm sorry, the minimum threshold? How many, what's
16 the minimum unit count for an eligible property?

17 DEPUTY COMMISSIONER DARGA: Multi-family
18 buildings.

19 CHAIRPERSON SANCHEZ: So six plus?

20 DEPUTY COMMISSIONER DARGA: No, three
21 plus.

22 CHAIRPERSON SANCHEZ: Three plus, okay.
23 Got it. Then the accelerator and Local Law 97 sort of
24 outreach doesn't really help with reaching those
25 folks, right?

2 DEPUTY COMMISSIONER DARGA: Not the really
3 small ones. Certainly, that's not a target for Local
4 Law 97, but there's technical assistance that's still
5 available outside of Local Law 97.

6 ASSOCIATE COMMISSIONER JOFFE: And I think
7 as Council Member Restler was mentioning, you all
8 have deep knowledge of buildings in your District
9 that might be in need and eligible, and so certainly
10 partnering with you all to help whatever resources
11 that we can make available to also sort of extend our
12 reach that way would certainly be really helpful
13 because, yes, there are buildings who are eligible
14 for J-51 who aren't normally used to working with
15 HPD.

16 CHAIRPERSON SANCHEZ: Got it. Thank you.
17 Is there outreach planned in connection with the
18 passage of J-51?

19 DEPUTY COMMISSIONER DARGA: I mean, well,
20 assuming Council authorizes, yes, we are going to
21 have to get the word out because it has been a while
22 so we are certainly doing some communications-related
23 work around the other as-of-right benefits, and this
24 is certainly one of the programs we will be doing
25 that for.

2 CHAIRPERSON SANCHEZ: Got it. What metrics
3 of success will HPD use for J-51 program?

4 DEPUTY COMMISSIONER DARGA: If we see an
5 increase based on recent usage, I think that will
6 absolutely be a success. We've seen a real decline,
7 and I think given the fact that this program benefits
8 the property from a housing quality perspective,
9 helps with decarbonization, and also means that the
10 cost of those improvements is not passed on to
11 residents, it's a really critical tool.

12 CHAIRPERSON SANCHEZ: Thank you. I'm going
13 to turn it over to Council Member Feliz for another
14 question, and I'll come back.

15 COUNCIL MEMBER FELIZ: Thank you. Thank
16 you again, Chair.

17 Going back to the topic related to
18 homeownership and also repairs cases against
19 landlords. Again, Aquinas Housing in my District,
20 they have about 40 buildings, if I'm correct. Their
21 worst building has about 350 violations. Their second
22 worst building, about 280 violations. Their third
23 worst building, the same amount, about 280 more
24 violations. Just curious, how long does a general 7-A
25 proceeding take to litigate and fully resolve from

2 beginning to end, and I know it ranges. I was a
3 tenant lawyer, depending on, but generally.

4 DEPUTY COMMISSIONER DARGA: Yeah. I
5 oversee the financing programs, not the enforcement
6 programs at HPD so I can't really speak to the 7-A
7 process. I do know that the agency is working very
8 closely to monitor that portfolio, including with
9 lenders, and this is across both the Asset Management
10 Team and the Development Team to try to figure out
11 how do we stabilize operations there.

12 COUNCIL MEMBER FELIZ: Okay. Have we ever
13 seen 7-A proceedings lead to the conversion of
14 homeownership programs in these buildings that are
15 grossly mismanaged by landlords or different
16 processes not related to each other?

17 DEPUTY COMMISSIONER DARGA: Yeah. I
18 certainly don't know the full universe of 7-A
19 buildings so I can't speak to that. I know some 7-A
20 buildings have ended up in third party transfer in
21 the past, and those buildings have had the ability to
22 petition. Outside of that, I don't really have
23 knowledge of that issue.

24 COUNCIL MEMBER FELIZ: All right. Thank
25 you.

2 CHAIRPERSON SANCHEZ: Thank you, Council
3 Member Feliz.

4 Okay. Some more specific questions. The
5 new benefit is an abatement, not an exemption. Is HPD
6 confident that the new structure will be a sufficient
7 incentive for owners to undertake rehab at their
8 properties?

9 DEPUTY COMMISSIONER DARGA: Yeah. I think
10 there's a couple things, and maybe Lucy can step in
11 in a second, so we think there's really, for rent-
12 stabilized housing, there are a couple ways to
13 finance improvements, right? One, the main one today
14 is that an owner goes out and finances the works,
15 hopefully they can secure financing in a higher
16 interest rate environment or they have some resources
17 themselves, and then they could apply for an MCI
18 increase, right? The MCI increases are certainly more
19 limited than they have been in the past, but that
20 still is a way in which an owner could recoup some of
21 the cost of the investment. J-51 provides an
22 alternative to that, and we do believe that providing
23 a benefit for 70 percent of the cost of the work and
24 having the owner realize the benefit of 8-1/3 of that

2 from 12 to 20 years will be a significant benefit,
3 and we think competitive with the alternative.

4 CHAIRPERSON SANCHEZ: We were talking
5 about this internally, so 8-1/3, that means that
6 that's what percentage of the cost you can recoup on
7 any given year in your taxes?

8 DEPUTY COMMISSIONER DARGA: Yes.

9 CHAIRPERSON SANCHEZ: Okay. Good job.

10 ASSOCIATE COMMISSIONER JOFFE: One more
11 note about the exemption. The exemption was really
12 unpredictable. People did not know at the outset
13 whether they would receive it, whether they would
14 qualify, so it wasn't really something enticing
15 people to do it so that's sort of a long way of
16 saying, in addition to the fact that the exemption
17 wasn't luring people in, we do think that the
18 abatement will provide an incentive people will want
19 to participate in this new program.

20 CHAIRPERSON SANCHEZ: Got it. Thank you.
21 In addition to Local Law 97 related work, are there
22 other new categories of work that are going to be
23 eligible for J-51?

24 DEPUTY COMMISSIONER DARGA: I think the
25 major systems work that has been there, that has been

2 commonly used by building owners will remain. I think
3 what we've been looking to do is make sure that the
4 requirements for the replaced system are also
5 efficient, meaning you can't do a single pane window,
6 right? That's a very good example. When you're doing
7 the roof, we're looking at insulation as well, so
8 it's really additive, but the standard, the big
9 systems that building owners have that they have to
10 replace or repair over a long period of time will
11 remain.

12 CHAIRPERSON SANCHEZ: Got it. Thank you.
13 Going back to the questions that Council Member
14 Avilés was asking around rent regulation, so moving
15 forward, and you mentioned about the 421-A compliance
16 program, but can you tell us a little bit more about
17 what they do, so are they requesting information from
18 owners on a regular basis, are they sharing
19 information about, tell us information about what
20 this State is sharing through the MOU, which you may
21 or may not be able to get me a copy of? Just a little
22 bit more about that piece of it.

23 DEPUTY COMMISSIONER DARGA: I mean, the
24 big thing that we're looking at, so again, this is a
25 little bit different because the example we're

2 working from is a slightly different program with
3 different requirements, but the basic information is
4 are the units rent-stabilized as they are required to
5 be, right, and that is fundamentally for like a rent
6 stabilized building in J-51 that is the requirement,
7 right, so that's the big thing. Are they entering the
8 units into rent-stabilization annually? In this case,
9 if it were J-51, is it at least 50 percent of the
10 units.

11 CHAIRPERSON SANCHEZ: How often does HPD
12 receive data from DHCR?

13 ASSOCIATE COMMISSIONER JOFFE: We receive
14 that data. I just jumped to answer it and now I'm
15 pausing. There's multiple methods by which we
16 actually receive this data. We can access it
17 sometimes, some of it through live systems, and then
18 we actually also get an annual feed or drop. My
19 research team is sitting here cringing, watching me
20 mess up how to exactly describe this, but we can
21 access enforcement data on a regular basis.

22 CHAIRPERSON SANCHEZ: Okay. There have
23 been several examples of J-51 tenants suing because
24 they haven't had coverage of rent regulation so, just
25 in terms of mechanism and how HPD would know to

2 check, is that something that tenants are calling to
3 3-1-1 and then you have the ability to see the
4 information in real time?

5 DEPUTY COMMISSIONER DARGA: Yes. So we
6 certainly can do... That's interesting. I need to think
7 about a mechanism to get complaints. I'm not sure
8 that that's really existed the way you're talking
9 about it right now in the past, but it's an
10 interesting idea. Complaint-driven enforcement has
11 probably been the main way that we have functioned in
12 the past. What we're talking about is thinking about
13 now if there's also more proactive ways that we can
14 monitor. One of the things that has changed, I
15 mentioned that this has much broader options for
16 enforcement, in addition to the agency being able to
17 enforce and having a range of mechanisms, imposing
18 fines and extending time period and other provisions,
19 there is an option for private right of action by the
20 resident as well so not that we would rely on that
21 exclusively, but it is another tool by which we can
22 hold owners to complying with the requirements of the
23 program.

24 ASSOCIATE COMMISSIONER JOFFE: And I'll
25 just add, I think because there are certainly

2 enforcement efforts that we do, we've been talking
3 about that today, I just don't think that HPD
4 necessarily gets a ton of those calls through 3-1-1
5 since I think a lot of tenants think to call HCR or
6 the State if they're concerned about their rent-
7 stabilization status so I think it's a number of, on
8 any of these enforcement actions, a mix of what the
9 State is doing and what HPD is doing proactively, and
10 all that's really important for us and something that
11 we think we can really build on with these new
12 enforcement tools.

13 CHAIRPERSON SANCHEZ: What does HPD do
14 today if you receive rent-regulation complaints? Do
15 you just tell people to call the State?

16 ASSOCIATE COMMISSIONER JOFFE: To the
17 extent we get them, they could be for a wide range of
18 reasons, and we might not have any access or
19 relationship to that building or access to that
20 information that we can share with the public so,
21 yes, certainly if 3-1-1 were to receive a call or
22 someone were to reach out to HPD on this, typically
23 that would be a State enforcement issue.

24 CHAIRPERSON SANCHEZ: Okay. When you talk
25 about the MOU that you have with DHCR that allows HPD

2 to act on data for enforcement purposes, it is
3 specifically on the universe of buildings with which
4 HPD has a relationship, regulatory agreements?

5 ASSOCIATE COMMISSIONER JOFFE: Right. We
6 don't have broad scale enforcement authority around
7 rent-stabilization generally, so we wouldn't be able
8 to take action in a case where HPD is not otherwise
9 involved.

10 CHAIRPERSON SANCHEZ: Got it. Thank you.
11 Is there any way that HPD will be keeping track of
12 apartments that become vacant during the J-51
13 abatement period?

14 DEPUTY COMMISSIONER DARGA: No. I mean,
15 again, if we can figure out ways to operationalize
16 and review of rent-stabilization data, certainly
17 somebody's registered vacancy at a moment in time and
18 that would show up, but outside of the moment in time
19 the data captures, there's not way for the agency to
20 monitor that.

21 CHAIRPERSON SANCHEZ: Okay, so something
22 like checking on the affordability levels and rent-
23 stabilization status, that's something that's going
24 to happen in the initial application and not again?

2 DEPUTY COMMISSIONER DARGA: The initial
3 application, all of the eligibility requirements need
4 to be met, including the rent-stabilization
5 requirement and the requirement for rents to be under
6 80 percent of area median income for at least 50
7 percent of the units. What we are trying to figure
8 out is, given the scale of the program, how to also
9 think about operationalizing ongoing monitoring of
10 the primary requirements of the program, so the main
11 requirement, again, for rent-stabilized buildings is
12 rent stabilization.

13 CHAIRPERSON SANCHEZ: Thank you. When you
14 say that you are trying to figure out how to
15 operationalize that, are we trying to work this out
16 in the legislative discussions, which I would hope so
17 and I definitely would want to see, or is your
18 current proposal to do that via rules?

19 DEPUTY COMMISSIONER DARGA: I think we
20 would have to talk internally and with our legal team
21 to figure out what makes sense.

22 CHAIRPERSON SANCHEZ: Okay. Everybody
23 thinks it's a good time to call me so I'm going to
24 put my phone on do not disturb. We're talking about
25 J-51 here. Okay.

2 Okay. The relationship between MCIs and
3 J-51, how would HPD and DHCR prevent property owners
4 from simultaneously receiving both benefits?

5 DEPUTY COMMISSIONER DARGA: There's
6 actually a requirement. I mean, HCR is notified if a
7 building receives J-51 for a particular work.

8 CHAIRPERSON SANCHEZ: What do they do with
9 that information?

10 DEPUTY COMMISSIONER DARGA: I don't think
11 I can answer for HCR, but maybe Lucy has a sense of
12 that.

13 ASSOCIATE COMMISSIONER JOFFE: We can't
14 speak to their individual systems, but they will not
15 issue an MCI if J-51 has been applied for that work.

16 CHAIRPERSON SANCHEZ: Now, this isn't new
17 to this legislation, so do we have any information
18 about how this has taken place in the past, how many
19 buildings have applied to HCR for an MCI while
20 receiving the benefit?

21 ASSOCIATE COMMISSIONER JOFFE: Is actually
22 is different.

23 DEPUTY COMMISSIONER DARGA: It is
24 different, yeah. It's different.

2 ASSOCIATE COMMISSIONER JOFFE: You were
3 able to apply for a partial for the amount that was
4 not covered by J-51 before. Now, it's just entirely
5 off the table so that is new and something that we
6 are excited about and, while we are not aware of that
7 as an issue in the past, the newer system is even
8 cleaner and so we don't expect there to be a lot of
9 issues with that.

10 CHAIRPERSON SANCHEZ: And you've had
11 conversations with our partners at HCR, and they're
12 ready, willing, and able to work to decline these
13 kinds of applications?

14 ASSOCIATE COMMISSIONER JOFFE: Yes.

15 CHAIRPERSON SANCHEZ: Okay. Good. Thank
16 you for putting that on the record.

17 What about Individual Apartment
18 Increases? Is there any relationship between J-51 and
19 IAIs?

20 DEPUTY COMMISSIONER DARGA: The J-51 is
21 intended for major capital improvements, which are
22 building-wide improvements, so that is not interior
23 apartment work, other than there may be a couple
24 things where there's overlap. I would have to verify
25 this, but, for example, like apartment doors are

2 eligible through J-51. Windows are also, you have to
3 get into the unit to install a new window, so I
4 don't, I'd have to double-check if any of those are
5 eligible for IAIs.

6 CHAIRPERSON SANCHEZ: Okay. Got it.

7 DEPUTY COMMISSIONER DARGA: But the intent
8 of J-51 is not to do apartment renovations.

9 CHAIRPERSON SANCHEZ: Okay, but there's a
10 per-unit cost requirement of 1,500 dollars, and so
11 you can reach part of that, right, via apartment
12 doors, windows. I guess, has there been any thought
13 by the agency on just potential double-dipping
14 between gaining an IAI and benefiting from J-51?

15 DEPUTY COMMISSIONER DARGA: I want to
16 reframe a little bit the per-unit requirement. That
17 really functions to make sure there's sort of a
18 minimum scope of work versus that there is
19 necessarily going to be work done within the units.
20 We really don't see that that often as part of J-51
21 and, with an IAI, for example, you need a tenant's
22 consent if they're in place so there are a number of
23 ways in which these programs deviate. We don't have
24 any reason to think that there is going to be overlap
25 or sort of a workaround using IAIs, but we can

2 certainly talk more to our partners at HCR and just
3 make sure that we're not missing something here.

4 CHAIRPERSON SANCHEZ: Got it. Thank you.

5 Yep, I would love to hear the followup on that
6 assessment.

7 For co-op and condo properties that will
8 not be eligible for the J-51 abatement, are there
9 other City programs that are available to them?

10 DEPUTY COMMISSIONER DARGA: HPD's work
11 focuses primarily on affordable properties, so most
12 of our other work on the incentive side is for HDFC
13 cooperatives and for Mitchell-Lama cooperatives.
14 Otherwise, another co-op or condo building that is
15 not regulated through one of those programs or a
16 similar program is generally not available for other
17 forms of assistance from HPD. That being said, there
18 are other programs that may benefit those properties
19 so, for example, a lot of the decarbonization and
20 efficiency programs that exist today are more widely
21 available, solar credits, for example, so I would
22 certainly encourage those buildings to look at some
23 of the other programs and speak to the Accelerator
24 folks if that's the type of work they're interested
25 in doing.

2 CHAIRPERSON SANCHEZ: Got it. Okay, thank
3 you. How are the enforcement mechanisms in this
4 iteration of the program different from the previous
5 version?

6 DEPUTY COMMISSIONER DARGA: These are much
7 more expansive and let me just pull it because I
8 have, there's a long list of things here so
9 historically our main enforcement option was around
10 revocation, and now there's a lot of interim other
11 options that we have available to us so we can revoke
12 if the owner fails to comply with rent-stabilization
13 requirements, engages in tenant harassment, or
14 commits other substantial violations of the program
15 requirements. HPD can also, though, extend the
16 restriction period, increase the number of qualifying
17 rental units, impose a fine, or appoint a receiver.
18 We also, there is ability to look at criminal
19 liability for unauthorized uses of the property,
20 which could include renting units through Airbnb, for
21 example. Also possible misdemeanor with possible
22 fines of two times the value from unauthorized use or
23 90 days imprisonment. We also now have, there's an
24 ability for a tenant right of private action as well.

2 CHAIRPERSON SANCHEZ: Thank you. We like
3 to hear these things. In connection to the tenant
4 private right of action, is there assistance or help
5 that HPD is going to be providing for residents that
6 want to pursue a private right of action?

7 DEPUTY COMMISSIONER DARGA: That is
8 something that I certainly have not considered in the
9 past. I think we have other teams at the agency that
10 oversee programs to help tenants organize and to
11 advocate as well as there's some other agencies that
12 do that work so I think we could think about whether
13 there's ways to connect those resources to these
14 buildings.

15 ASSOCIATE COMMISSIONER JOFFE: But I think
16 part of that's why we do have the private right of
17 action so it is something that a tenant, for whatever
18 reason, if they do not want to be waiting on or
19 working through government channels, can avail
20 themselves of but, primarily, we're focused on
21 handling it through our enforcement tools, and we
22 plan to be assertive and aggressive with that so
23 hopefully most tenants won't be relying on that
24 anyway.

2 CHAIRPERSON SANCHEZ: Just in the case
3 that a tenant is relying, what kind of complaints
4 would they be bringing to the courts under this
5 private right of action?

6 ASSISTANT COMMISSIONER DIETZ: I think one
7 of the main reasons and the ways that we think that
8 this will be used is when there is other litigation
9 regarding a tenant's rent, and so I think one of the
10 ways that this can be used is to also challenge the
11 rent that is being requested of the tenant, if it's
12 not in accordance with the J-51 requirements, so I do
13 think we would be helping to provide information
14 about what the J-51 requirement would be in that
15 case, but this could be added in addition to the
16 other types of violations being imposed against the
17 owner.

18 CHAIRPERSON SANCHEZ: Thank you. Is HPD
19 going to conduct outreach to inform tenants of this
20 new right, or I guess inform tenants or inform
21 organizations that you work with?

22 ASSISTANT COMMISSIONER DIETZ: It is part
23 of the lease. Part of the notification requirement is
24 that the tenant was notified that the project is
25 receiving J-51 so they will know that they have J-51

2 applied, and they also are required to be notified of
3 their rights under J-51.

4 CHAIRPERSON SANCHEZ: Okay. Got it. Thank
5 you.

6 It's one of my gripes with Article XI is
7 that tenants don't know that their building is
8 receiving this benefit.

9 DEPUTY COMMISSIONER DARGA: We do require
10 a notification, just so you know.

11 CHAIRPERSON SANCHEZ: Thank you. We can
12 talk more about that...

13 DEPUTY COMMISSIONER DARGA: Okay, good.

14 CHAIRPERSON SANCHEZ: Because people don't
15 know. Maybe that's just an existential New York City
16 problem.

17 DEPUTY COMMISSIONER DARGA: Yeah.

18 CHAIRPERSON SANCHEZ: Yeah. Okay. Almost
19 through with my list, and my Colleagues have left so
20 that means we're almost through so the usual HPD
21 hearing with me. Thank you. Sorry.

22 Regarding the checklist that requests
23 additional information or documentation, can you
24 provide an example of a situation where the checklist
25 would be used, what would be included in the

2 checklist, and is this an existing document that HPD
3 has?

4 DEPUTY COMMISSIONER DARGA: I'm going to
5 turn it over to my colleague, Tricia.

6 ASSISTANT COMMISSIONER DIETZ: Yeah, sure.
7 I think when we review an application, we're taking a
8 look at all of the different eligibility requirements
9 and the documentation that's provided and, when we
10 review that, there are oftentimes questions that come
11 up that have to do sometimes with inconsistency
12 across documents, whether or not the documents are
13 reflective of the work, and I think that those types
14 of questions are then provided within what we would
15 call a checklist that's then sent to the owner or the
16 filing representative to then respond to those
17 questions within that kind of process where we go
18 back and forth to get all of the information
19 necessary before we can approve a project.

20 CHAIRPERSON SANCHEZ: Got it. Okay. Thank
21 you. You're essentially following up on
22 inconsistencies?

23 ASSISTANT COMMISSIONER DIETZ: Right.

24 CHAIRPERSON SANCHEZ: Okay. Regarding the
25 certified reasonable cost for alterations, what

2 methodologies will you use to determine these
3 reasonable costs?

4 ASSISTANT COMMISSIONER DIETZ: We will use
5 a system called RSMMeans that is really the market
6 equivalent of really a system that estimates
7 construction costs, and so that is what we will use
8 to really establish what those costs should be.

9 CHAIRPERSON SANCHEZ: One piece of
10 feedback that we received from advocates prior to the
11 hearing is concerns about how regularly the cost
12 schedule will be updated so the bill right now is
13 says just regularly, but what's the intent here?

14 DEPUTY COMMISSIONER DARGA: Yeah. We
15 definitely want to do it more regularly than it has
16 been in the past. I mean, I think we're going to try
17 to do it as often as makes sense. In the last couple
18 of years, for example, costs went up very quickly,
19 and so being able to update more regularly would have
20 been useful in terms of helping owners actually be
21 able to address the work. There have been times when
22 costs have not changed very much at all so going
23 through an entire process to update would not have
24 made sense. I think it is really as needed and as

2 appropriate based on what we're seeing in terms of
3 construction costs.

4 CHAIRPERSON SANCHEZ: Okay. One of the
5 organizations has recommended an annual check-in so
6 we can discuss that further and just make sure, you
7 know, Kim Darga is there today and this team is there
8 today, but we want to make sure that we stay on top
9 of J-51 and make sure that it's an attractive
10 incentive.

11 I've asked a lot of these so I'm trying
12 not to duplicate questions.

13 The application for the program requires
14 evidence of eligibility as is satisfactory to HPD
15 showing the cost of construction. Can you provide
16 examples of what HPD considers to be satisfactory
17 evidence of eligibility?

18 ASSISTANT COMMISSIONER DIETZ: Yeah, I
19 think we have actually a couple different types of
20 evidence that we would accept. One is a statement
21 from a CPA that lays out the different costs
22 associated with payments made for work.

23 CHAIRPERSON SANCHEZ: I'm sorry, from who?

24 ASSISTANT COMMISSIONER DIETZ: A CPA.

25 CHAIRPERSON SANCHEZ: A CPA, okay.

2 ASSISTANT COMMISSIONER DIETZ: But we also
3 accept receipts, the invoices for work that's paid,
4 and so we kind of compile a lot of different
5 documents so that we can understand and make sure
6 that the work that's being inspected represents the
7 work that is being provided by the owner and that we
8 can kind of come to what those costs are and then I
9 think, as Kim kind of described, we take the lesser
10 of the actual costs and that certified reasonable
11 cost.

12 CHAIRPERSON SANCHEZ: Thank you. When will
13 HPD conduct inspections to ensure that the claimed
14 work is completed and for the claimed costs?

15 ASSISTANT COMMISSIONER DIETZ: Yeah, so
16 after a project provides an application, that work
17 has already been completed, and so that's when we
18 would look at the eligibility of the project first so
19 we're using resources well, but then, after that, we
20 would schedule an inspection for an inspector to go
21 out to the site to physically see the work that's
22 been done.

23 CHAIRPERSON SANCHEZ: Thank you. In terms
24 of affordability, it's everything below 80 percent of
25

2 AMI, because I saw there was a change from 20 to 80
3 percent of AMI to 30 to 80 percent of AMI?

4 ASSOCIATE COMMISSIONER JOFFE: I'm not
5 familiar with the change that you're referring to,
6 but 50 percent of the units have to be at rents that
7 are affordable to households earning 80 percent of
8 AMI.

9 CHAIRPERSON SANCHEZ: So including 20
10 percent of AMI?

11 ASSOCIATE COMMISSIONER JOFFE: Yes, up to
12 and including, yes.

13 CHAIRPERSON SANCHEZ: Okay. These
14 affordability levels, it's just looking at the rent
15 rolls. That's the way that you confirm it. It's not
16 that they're necessarily participating in any
17 particular program?

18 DEPUTY COMMISSIONER DARGA: Yeah, it's
19 actually the registration data.

20 CHAIRPERSON SANCHEZ: Okay. One clarifying
21 question I had, I saw that there is a portion, a line
22 that says the abatement does not reduce taxes on the
23 land so is this a change in the formula from the
24 previous version of land and improvements to only
25 improvements?

2 ASSISTANT COMMISSIONER DIETZ: I believe
3 that this is referring to the fact that it is an
4 abatement so the abatement is applied after taxes are
5 imposed upon a property then that's when the
6 abatement is then taken so it's not an exemption
7 anymore, so it's not reducing the tax bill. It's
8 occurring after the tax bill has occurred.

9 CHAIRPERSON SANCHEZ: Okay, thank you. You
10 have answered these earlier.

11 Okay. Thank you. Thank you so much.

12 UNIDENTIFIED: Trump 2024, Trump 2024.

13 CHAIRPERSON SANCHEZ: Sergeants will
14 handle that. Thank you, Sergeants.

15 Okay. HPD, thank you so much for this
16 information. I just want to make sure that in my role
17 as Housing Chair and with my Colleagues in the
18 Council, we just want to make sure that the City is
19 getting bang for our buck, that you have the
20 enforcement mechanisms in place needed to ensure that
21 the program is administered as it should be so the
22 questions that you have answered have been very
23 helpful, and I look forward to further discussion on
24 J-51.

25 DEPUTY COMMISSIONER DARGA: Thank you.

2 ASSOCIATE COMMISSIONER JOFFE: Thank you.

3 ASSISTANT COMMISSIONER DIETZ: Thank you.

4 CHAIRPERSON SANCHEZ: We will be moving to
5 public testimony shortly. Just give us one moment to
6 switch gears.

7 I will now open the hearing for public
8 testimony. I remind members of the public that this
9 is a formal government proceeding and that decorum
10 shall be observed at all times. As such, members of
11 the public shall remain silent at all times.

12 The witness table is reserved for people
13 who wish to testify. No video recording or
14 photography is allowed from the witness table.
15 Further, members of the public may not present audio
16 or video recordings as testimony but may submit
17 transcripts of such recordings to the Sergeant-at-
18 Arms for inclusion in the hearing record.

19 If you wish to speak at today's hearing,
20 please fill out an appearance card with the Sergeant-
21 at-Arms and wait to be recognized. When recognized,
22 you will have two minutes to speak on today's hearing
23 topic, J-51 and Intro. 654. If you have a written
24 statement or additional written testimony you wish to
25 submit for the record, please provide a copy of that

2 testimony to the Sergeant-at-Arms. You may also email
3 written testimony to testimony@council.nyc.gov within
4 72 hours of this hearing. Audio and video recordings
5 will not be accepted. I will now call the first
6 panel.

7 I'd like to call up Amber Nicosia, Emily
8 Klein, and Sharon Brown.

9 Good morning. You may begin when ready.

10 AMBER NICOSIA: Good morning, or I should
11 say good afternoon, Chair Sanchez. My name is Amber
12 Nicosia. I am honored to be the Board President at
13 Penn South. We have 15 buildings and roughly 5,000
14 New Yorkers as residents. We are the largest
15 affordable limited equity housing community left in
16 New York City. We are regulated by HPD, and we are
17 very proud of our affordable status, particularly at
18 this time when the city is seeing a housing crisis.
19 One of the ways that we're able to remain affordable
20 is through programs like the J-51. This program is
21 vital to Penn South and all of our sister co-op
22 communities, and I urge the Council to vote in
23 support of the Affordable Housing Rehabilitation
24 Program. The purpose of J-51 is to assist owners of
25 aging buildings in desperate need of pre-approved

2 repairs, such as lead paint abatement, asbestos
3 removal, and roof replacement. These are vital to the
4 health and safety of our residents. In this way, J-51
5 has been a major success in preserving multifamily
6 housing, and at a small cost to the City since the
7 work is performed by the private sector. Built in
8 1962, Penn South's aging infrastructure requires
9 constant capital improvements to comply with local
10 laws and maintain our property. Losing J-51 has been
11 a severe blow to our economic well-being. In 2017,
12 HPD promised us that underground utilities and
13 (INAUDIBLE) programs would be in the new J-51
14 extension, and here we are halfway through these
15 projects. These are multimillion-dollar projects for
16 which we've budgeted to have the abatement available
17 to us. This year, we've been forced to raise
18 maintenance due to COVID, local laws, and the extreme
19 cost of insurance and utilities. Please help us
20 maintain affordable housing through this program.
21 Thank you.

22 CHAIRPERSON SANCHEZ: Thank you so much
23 for testifying.

24 EMILY KLEIN: Great. Thank you, Chair
25 Sanchez and Council Members of the Committee on

2 Housing and Buildings. My name is Emily Klein. I'm a
3 Senior Policy Associate at the Community Preservation
4 Corporation, a non-profit based in New York City. CPC
5 is honored to provide testimony today in support of
6 Intro. Number 654. New York City has one of the
7 oldest housing stocks in the country, with a median
8 building age of 90 years. These pre-war rent-
9 stabilized buildings are some of the last and largest
10 remaining sources of the city's affordable housing,
11 multifamily rental housing stock, and many of these
12 buildings need major capital investments to address
13 essential repairs and renovations. This need is
14 especially acute for aging multifamily buildings with
15 less than 50 units as they tend to operate on thin
16 margins and are occupied by low-income tenants. As we
17 just heard from HPD, J-51 was a key strategy for the
18 second half of the 20th century in modernizing New
19 York City's rental housing, and its expiration has
20 left building owners without the necessary financial
21 tools to offset the major cost of capital
22 improvements. The new J-51 incentive is structured as
23 a tax abatement with up to 70 percent of the
24 certified reasonable cost of construction, and this
25 incentive includes an updated certified cost schedule

2 that accounts for the current cost of materials and
3 labor in addition to modernized scopes of work that
4 include electrification and decarbonization items,
5 both of which will help buildings comply with Local
6 Law 97. While Intro. 654 currently states that the
7 CRC schedule shall be "updated as necessary," we urge
8 the Council to amend this language to require the
9 relevant City agencies to review and adjust the CRC
10 schedule annually or index rates to keep pace with
11 inflation and price changes. After successful passage
12 by the Council, we at CPC stand ready to support HPD
13 in crafting program guidelines concerning eligibility
14 and proof of completed work. To maximize impact,
15 these program parameters must be thorough enough to
16 discourage abuse, but not so burdensome as to
17 discourage adoption. In conclusion, Intro. 654 meets
18 the needs of our current market and moment, and we
19 urge the Council to pass it with minor edits
20 incorporated. Thank you.

21 CHAIRPERSON SANCHEZ: Thank you so much,
22 and welcome to testifying at the Council.

23 SHARON BROWN: Hello, my name is Sharon
24 Brown. Good afternoon, good morning. I am very
25 disgusted about the housing situation that affects

2 the police, the firemen, and the military. A lot of
3 policemen and military and even firemen are
4 undercover so when they are getting poor housing, it
5 is not just affecting regular people. You have people
6 that are coming into the housing situation who are
7 undercover, and they get to see how regular people
8 are treated so they come in normal clothing, not in
9 uniform, and these undercovers see how people are
10 treated when they file applications and things like
11 that. I believe that housing should not have so many
12 requirements. Mental health system forces people into
13 nursing homes after robbing them, after taking their
14 property, after attempting to debilitate them. Now, I
15 will say the Bible does not concur with mental health
16 as existing. King David pretended to be mentally ill.
17 You can read the story in the Bible where he was with
18 an opposing king, and they were sadistic in nature,
19 so he pretended to be mentally ill. Many of the
20 people that are undercover are pretending or whatever
21 to be mentally ill. Some of the people that are doing
22 things in the stations and things like that, you
23 don't know who are undercover, so when we are
24 declaring people are mentally ill, you do not know if
25 someone just saved somebody else's life who was

2 undercover so when we are declaring people mentally
3 ill and putting them into housing that are
4 debilitating them, you have undercovers in there too,
5 and they're calling them mentally ill also, and
6 they're trying to stop the abuses and things that are
7 happening there. You have people who are underpaid in
8 New York City and in America. You have teachers, you
9 have housing, different things, but they do it across
10 the board. They do it to teachers, housing, students,
11 and so it's across the board. It's not racist that,
12 sorry, just the last thing, it's not racist that the
13 minimum is being paid to everybody. They do it to
14 military, to teachers, to students, and also to
15 housing, so it's across the board. It's not racist.

16 CHAIRPERSON SANCHEZ: Thank you. Thank you
17 for your testimony.

18 SHARON BROWN: Yes.

19 CHAIRPERSON SANCHEZ: Okay, we will now be
20 moving to a Zoom panel.

21 I'll first call up Adam Roberts then Ed
22 Yaker.

23 ADAM ROBERTS: Thank you for holding this
24 hearing today. I am Adam Roberts, Policy Director for
25 the Community Housing Improvement Program, also known

2 as CHIP. We represent New York's housing providers,
3 including apartment building owners and managers. We
4 appreciate that the Council is advocating for J-51 in
5 large part because of the financial crisis hitting
6 rent-stabilized housing. Rent-stabilized housing
7 represents 40 percent of rental housing in the city,
8 which is around 1 million units of housing. However,
9 we have strong concerns that this new J-51 program
10 will not be usable for most buildings with rent-
11 stabilized units. Most glaringly, the bill requires
12 that owners certify the income of tenants in order to
13 qualify for the program. Owners cannot mandate that
14 their tenants provide updated salary information.
15 Without this information, there's no means of proving
16 that tenants fall within the necessary AMI marketing
17 bands to qualify for J-51, even if the legal rents
18 fall into those bans. The AMI bands themselves are
19 also overly restrictive. The bill requires that at
20 least 50 percent of units in a building rent within
21 affordability bands from 20 percent of 80 percent of
22 AMI to 30 percent of 80 percent of AMI. For a single
23 person, this range is 17,392 dollars to 26,088
24 dollars. This would mean that affordable rents would
25 be around 500 dollars per month. No rent-stabilized

2 building could operate with rents so low. The average
3 operating cost for rent-stabilized unit is 1,164
4 dollars. With the rents required to qualify for this
5 new J-51, a building would need to be losing 664
6 dollars in at least half of its units. While there is
7 a substantial government assistance option to
8 qualify, this too is overly restrictive. The
9 definition of government assistance is a regulatory
10 agreement of at least 15 years. This means that
11 accepting voucher holders or having a shorter-term
12 regulatory agreement would still not allow a building
13 to qualify. Even if this program were better
14 designed, it would not solve the structural problems
15 causing the financial crisis in rent-stabilized
16 buildings.

17 SERGEANT-AT-ARMS: Your time has expired.

18 Thank you.

19 CHAIRPERSON SANCHEZ: Adam, do you want to
20 conclude?

21 ADAM ROBERTS: Sure. Many billions of
22 dollars in investment, far more than what J-51 or any
23 government program would provide, are needed to
24 improve rent-stabilized housing. For instance, NYCHA
25 requires 80 billion dollars to improve its 180,000

2 units, which is less than a fifth the number of rent-
3 stabilized housing. The only way to fix rent-
4 stabilized housing is to ensure revenue exceeds
5 operating costs, and this means regular influxes of
6 revenue, whether from tenants or the government, must
7 be provided, and operating costs must be reduced. A
8 one-time tax abatement will not solve the problems
9 that these buildings have, that they do not earn
10 enough revenue to operate. Again, thank you for
11 holding this hearing today.

12 CHAIRPERSON SANCHEZ: Thank you, Adam. I
13 now call up Ed Yaker.

14 SERGEANT-AT-ARMS: Your time has started.

15 ED YAKER: Hello. I'm Chair of the
16 Coordinating Council of Cooperatives, and I see and
17 hear from a lot of co-ops, affordable housing co-ops,
18 in the city, and I don't know if the Council is aware
19 of how unaffordable affordable housing is becoming,
20 and my co-op is HCR-supervised. We're hearing of
21 increases of 40, 45, 50 percent increases. My own co-
22 op is facing an increase of 45 percent now. Much of
23 that has to do with capital work, maintaining our
24 infrastructure. Some of it driven by, much of it
25 driven by local laws, such as Local Law 11, which

2 don't get me started, is overly strictly enforced,
3 but J-51 has been helping us to reduce our cost. If
4 we need J-51 to be reauthorized, and what I would say
5 is if it is not reauthorized, the City Council will
6 be adding another straw or more straws to the camel's
7 back. Please reauthorize J-51. Thank you.

8 CHAIRPERSON SANCHEZ: Thank you. Thank you
9 so much, Ed. Appreciate your testimony.

10 This concludes public testimony. Unless
11 there is anyone else that would like to testify, you
12 should approach the Sergeants and let them know.

13 With that, I want to conclude today's
14 hearing. I think we learned today that the previous
15 iteration of J-51 had left a lot to be desired in
16 terms of enforcement mechanisms and just availability
17 of information about the administration of the
18 program, but there are many changes being considered
19 in the proposed legislation, and I look forward to
20 negotiating with the Administration and with my
21 Colleagues for an improved authorization.

22 Thank you all so much, and have a great
23 afternoon. [GAVEL]

C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.



Date June 29, 2024