



**FURMAN CENTER**  
FOR REAL ESTATE & URBAN POLICY  
**NEW YORK UNIVERSITY**  
SCHOOL OF LAW • WAGNER SCHOOL OF PUBLIC SERVICE



## LAND USE & HOUSING POLICY BREAKFAST SERIES

**NYU School of Law, New York City**  
**Tuesday, May 5, 2009**  
**8:30 – 10:00 a.m.**

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### **Foreclosures and Neighborhood Stabilization in NYC**

FEATURING:

**Rafael Cestero**

Commissioner, NYC Department of Housing Preservation & Development

**Salvatore D'Avola**

Executive Director, Neighborhood Restore Housing Development Corporation & Restored Homes Housing Development Fund Corporation

**Gail Laster**

Deputy Chief Counsel, Committee on Financial Services, U.S. House of Representatives

**Josiah Madar (Moderator)**

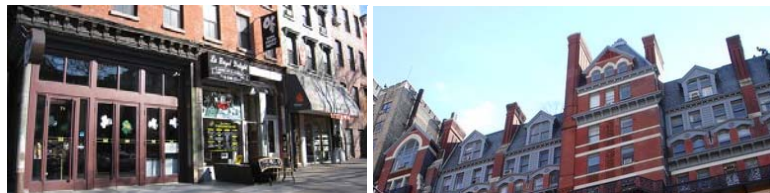
Research Fellow, NYU's Furman Center for Real Estate and Urban Policy

**Harriet Newburger**

Community Development Research Advisor, Federal Reserve Bank of Philadelphia

**Brian Segel**

Director, Neighborhood Stabilization, NYHomes



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Last May, the Furman Center, with support from the Ford Foundation, convened leading housing researchers, policymakers, lenders, and nonprofit housing organizations to discuss how to best leverage public and private resources to reuse foreclosed properties in a manner that helps stabilize neighborhoods. The Furman Center produced a White Paper, *Transforming Foreclosed Properties into Community Assets*, documenting that roundtable conversation. It summarizes much of the discussion’s substance, and includes links to resources that we hope will be useful to practitioners, researchers and policymakers involved in neighborhood stabilization projects. You can download the white paper on our website at:

[http://furmancenter.org/files/FurmanCenterWhitePaper\\_TransformingForeclosedPropertiesIntoCommunityAssets.pdf](http://furmancenter.org/files/FurmanCenterWhitePaper_TransformingForeclosedPropertiesIntoCommunityAssets.pdf).

A year later, much has happened. The foreclosure crisis has worsened as unemployment rates have risen, housing prices have fallen, and subprime and Alt A loans have continued to reset. In response, the federal government has put in place new neighborhood stabilization programs to “provide emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities.”

Our goal for this breakfast is to continue the conversation we began last May on how to best stabilize neighborhoods ravaged by foreclosure. We all know that New York City is different—our housing stock, housing price trends, and government experience and capacity to handle large scale property acquisition all look very different from the rest of the country. As such, we would like to focus today’s conversation on how NSP can best work in New York City.

**Background: Foreclosures in New York City**

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In New York City, foreclosure activity was relatively stable (and relatively low) in the first years of the 2000s. But in 2006, as the subprime mortgage crisis was beginning to unfold, we saw a sizable increase in the number of foreclosure filings, which reached approximately 15,000 in both 2007 and 2008. In the first quarter of 2009, we’ve seen about 3,800 foreclosure filings citywide.

<b>New York City Foreclosure Filings</b>					
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009Q1</b>
Bronx	846	1,268	1,646	1,628	473
Brooklyn	2,687	3,713	5,329	5,067	1,248
Manhattan	184	214	259	334	244
Queens	2,505	3,816	6,033	6,235	1,450
Staten Island	809	1,027	1,262	1,538	366
<b>New York City</b>	<b>7,031</b>	<b>10,038</b>	<b>14,529</b>	<b>14,802</b>	<b>3,781</b>





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Foreclosures in New York are very concentrated, mostly taking place in areas that have seen high rates of subprime lending and in largely minority communities.

<b>Ten Community Districts with the Highest Rates of Foreclosure Filings in 2008</b>		
	<b>CD</b>	<b>Rate</b>
1	Bedford Stuyvesant	55.2
2	Brownsville	53.4
3	East New York/Starrett City	52.9
4	Bushwick	52.6
5	Jamaica/Hollis	49.5
6	Highbridge/Concourse	48.3
7	Belmont/East Tremont	38.9
8	Fordham/University Heights	38.2
9	Crown Heights	36.7
10	Rockaway/Broad Channel	36.4

Note: Rates are calculated as the number of Foreclosure Filings per 1,000 1 - 4 Family Properties

<b>Ten Community Districts with the Lowest Rates of Foreclosure Filings in 2008</b>		
	<b>CD</b>	<b>Rate</b>
1	Financial District	0.0
2	Greenwich Village/Soho	0.0
3	Lower East Side/Chinatown	0.0
4	Midtown	0.0
5	Upper West Side	0.0
6	Stuyvesant Town/Turtle Bay	3.0
7	Upper East Side	3.2
8	Clinton/Chelsea	3.9
9	Bensonhurst	3.9
10	Rego Park/Forest Hills	4.5

Note: Rates are calculated as the number of Foreclosure Filings per 1,000 1 - 4 Family Properties

Unlike many parts of the country, where condo foreclosures are more common, in New York City the vast majority (about 91%) of foreclosure filings are on one-to-four family properties. Moreover, 60% of all foreclosure filings are on 2-4 family buildings or 5+ buildings, resulting in many innocent renter households being affected by the foreclosure crisis. The Furman Center estimates that in 2007, at least 15,000 renter households were living in buildings that entered foreclosures. In 2008, that number grew to approximately 16,600 renter households. So far in 2009, we've seen an even greater increase, likely a result of more 5+ multi-family buildings in Brooklyn and the Bronx entering foreclosure.

<b>Estimated Share of Households in Buildings Entering Foreclosure That are Renters</b>			
	<b>2007</b>	<b>2008</b>	<b>Q1 2009</b>
Bronx	59.4%	62.9%	73.8%
Brooklyn	56.0%	57.4%	63.4%
Manhattan	82.2%	87.4%	87.8%
Queens	37.8%	40.0%	37.8%
Staten Island	27.2%	27.1%	24.4%
<b>NYC</b>	<b>49.9%</b>	<b>52.6%</b>	<b>63.8%</b>





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### Overview: Federal Neighborhood Stabilization Programs

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In addition to foreclosure prevention measures, the Federal Government has launched two major neighborhood stabilization programs aimed at helping communities address local gluts of vacant and bank-owned properties. The first program ("NSP I") allocates almost \$4 Billion to state and local governments based on a needs-based formula, including \$24 Million to New York City and \$54 Million to New York State. In April, New York State announced the reallocation of approximately \$9 Million of its funds to four programs in New York City administered by the City or local non-profits.

The second federal program ("NSP II") will make almost \$2 Billion available to local neighborhood stabilization programs on a competitive application basis. The Notice of Funding Availability and application rules are being announced this week and applications for funding will be due this fall.



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### About the Speakers:

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#### **Rafael Cestero**

Commissioner, NYC Department of Housing Preservation & Development

Commissioner Cestero joins the Bloomberg Administration from Enterprise Community Partners, where he served as Senior Vice President and Chief Program Officer overseeing the organization's national programs related to housing production, income targeting and quality of life measures. He spent the majority of his 19-year career at Enterprise, a national organization that has invested more than \$9 billion to build affordable housing throughout the country. Before rejoining Enterprise, he played a central role at HPD as Deputy Commissioner managing the Department's Office of Development from 2004 to 2007. At HPD, Mr. Cestero helped develop the City's \$7.5 billion New Housing Marketplace Plan and employed innovative tools to create affordable housing, including inclusionary zoning. He also helped establish the NYC Acquisition Fund, which makes it easier for developers to create affordable housing by providing them with faster access to equity and predevelopment capital. The fund recently was awarded the Harvard Kennedy School of Government "Innovations in American Government" Award. Mr. Cestero earned a Master of Urban Planning degree with a specialization in community development from the University of Illinois at Urbana-Champaign and a Bachelor of Sciences degree from Cornell University.

#### **Salvatore D'Avola**

Executive Director, Neighborhood Restore Housing Development Corporation & Restored Homes Housing Development Fund Corporation

Mr. D'Avola has over twenty years of experience in developing affordable housing in New York City. From 1987-1990, he was with the Office of the City Council President working on land use and housing-related issues and serving as a liaison to the Board of Estimate. From 1990-1997, Mr. D'Avola served HPD in a variety of capacities, including as Director of Redemption Review and Director of Local Government Relations. From 1997-2001, he was a Vice President at the New York City Housing Partnership, a not-for-profit intermediary, managing its homeownership programs. Following his tenure at the Partnership, he was Vice President and Chief Operating Officer at Strategic Development and Construction Group, a local developer of single and multi-family affordable housing. Since 2006, Mr. D'Avola has been the Executive Director of affiliate not-for-profit entities, Neighborhood Restore HDFC and Restored Homes HDFC. Both Neighborhood Restore HDFC and Restored Homes HDFC are supporting organizations of the Local Initiative Support Corporation ("LISC") and Enterprise Community Partners. Neighborhood Restore HDFC was created to assist the City of New York with the maintenance and development of tax foreclosed properties. Through HPD's Third Party Transfer ("TPT") program, Neighborhood Restore HDFC provides oversight of the stabilization, management, and rehabilitation planning for distressed housing. Restored Homes HDFC was created to oversee, in collaboration with HPD, the US Department of Housing and Urban Development's ("HUD") Asset Control Area program to revitalize neighborhoods by acquiring, rehabilitating, and selling HUD-foreclosed homes at affordable levels to create homeownership opportunities for low and moderate-income families.



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### **Gail Laster**

Deputy Chief Counsel, Committee on Financial Services, U.S. House of Representatives

Ms. Laster is a Deputy Chief Counsel for the Committee on Financial Services of the U.S. House of Representatives. The Committee is chaired by Rep. Barney Frank. Ms. Laster served as the General Counsel for the Department of Housing and Urban Development in the second Clinton Administration. A graduate of Yale University and New York University School of Law, she has been a professor of law, and an executive with the Legal Services Corporation.

### **Josiah Madar**

Research Fellow, NYU's Furman Center for Real Estate and Urban Policy

Mr. Madar received his B.S.A.D in architecture from M.I.T. in 1997 and a J.D. from New York University School of Law in 2002. Between his undergraduate and law school years, Mr. Madar worked as an urban planner at Sasaki Associates in Watertown, Massachusetts, where he contributed to several college and university facility and transportation master plans. Before joining the Furman Center, he was an associate at Davis Polk & Wardwell practicing corporate and real estate law for a variety of corporate and private equity clients and, on a pro bono basis, New York non-profit organizations.

### **Harriet Newburger**

Community Development Research Advisor, Federal Reserve Bank of Philadelphia

Before coming to the Bank, Dr. Newburger was a member of the economics department at Bryn Mawr College for twenty years and, earlier, worked as a research economist in HUD's Office of Policy Development and Research. Dr. Newburger has also served as a Senate fellow on the Joint Economic Committee, where she focused on housing issues. Her recent research has examined a number of topics related to low-income homeownership, including housing search, spatial mobility, and the incidence of foreclosure and sheriff's sale. At the Reserve Bank, she participates in a range of outreach and research activities undertaken in response to the ongoing foreclosure crisis. Along with other Community Affairs researchers in the Federal Reserve System, she is currently working on plans for an evaluation of the Neighborhood Stabilization Program. Dr. Newburger received a Ph.D. in economics from the University of Wisconsin-Madison.

### **Brian Segel**

Director, Neighborhood Stabilization, NYHomes

Brian Segel oversees neighborhood stabilization initiatives at NYS HFA, including the state's current NSP program. Through prior managerial and project development positions in the corporate, community development, and government sectors, including HSBC and MetLife, Low Income Investment Fund and the National Equity Fund, The New 42nd Street, Inc. and the Urban Development Corporation, he has been fortunate to participate in New York City's revitalization at the community level. Mr. Segel has volunteered with a variety of housing and service organizations, and is currently a member of the board of New Partners for Community Revitalization and the Supportive Housing Network of New York.



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## ABOUT THE FURMAN CENTER

Since its founding in 1995, the Furman Center for Real Estate and Urban Policy has become the leading academic research center in New York City devoted to the public policy aspects of land use, real estate development and housing. The Furman Center is dedicated to the following three missions:

- **Providing objective academic and empirical research** on the legal and public policy issues involving land use, real estate, housing and urban affairs in the United States, with a particular focus on New York City. At present, our research focuses particularly on measuring the impacts public and private investments such as housing, schools, and changes in services, as well as regulatory interventions such as rezonings and inclusionary housing requirements, have on neighborhoods.
- **Promoting frank and productive discussions** among elected and appointed officials, leaders of the real estate industry, leaders of non-profit housing and community development organizations, scholars, faculty and students about critical issues in land use, real estate and urban policy;
- **Presenting essential data and analysis** about the state of New York City's housing and neighborhoods to all those involved in land use, real estate development, community economic development, housing, urban economics and urban policy. The Furman Center manages two websites that help disseminate information on New York City's housing and neighborhoods to the public:
  - PlanNYC is a comprehensive urban planning website, with news summaries and links to development-related articles, official documents such as environmental impact statements, and a citywide calendar of upcoming planning events, including local community board meetings and public hearings. PlanNYC brings together information from advocacy organizations, government agencies, academic institutions, neighborhood groups, and media organizations, all in one location. Visit plannyc at [www.plannyc.org](http://www.plannyc.org).
  - The New York City Neighborhood Information Service (NYCHANIS) is an interactive website that allows users to obtain data and information about New York City neighborhoods and create custom-made tables, charts, graphs, and maps. The Furman Center also publishes the annual State of New York City's Housing and Neighborhoods to report on housing, demographics and quality of life in the City, its five boroughs and 59 community districts. Visit NYCHANIS at [www.nychanis.com](http://www.nychanis.com).

The Furman Center is a joint research center of the New York University School of Law and the New York University Robert F. Wagner School of Public Service. The Furman Center is directed by Vicki Been, the Elihu Root Professor of Law. Ingrid Gould Ellen, Associate Professor of Public Policy and Urban Planning, is the Co-Director of the Center. More than 15 faculty from the Law School, the Wagner School, and NYU's Faculty of Arts and Sciences are involved in the Center's work.

**For more information about the Furman Center, visit <http://furmancenter.org>.**



### **Why Do Some Sites Remain Underdeveloped in Strong Markets?**

New York City's capacity to grow depends in part upon whether land that is now under-utilized can be developed to its full zoning capacity. We don't know enough about what causes some property owners to develop their land to the fullest FAR (floor area ratio) permitted by the applicable zoning, or about why some owners continue a current use when development to full FAR appears to make economic sense. We are gathering data and constructing models to identify which sites in the City currently are developed under the maximum permitted FAR, and to evaluate the characteristics of the properties, their owners, and the neighborhoods in which they are located. Using information gleaned from our data analysis, case studies and interviews and with owners and real estate professionals, we will construct a model that can predict which lots will build out and which won't, and will suggest policies that the City could adopt to encourage landowners to develop under-used land.

### **What Teardowns Tell Us About Land Value**

In cities with very little vacant land, "teardowns" (acquisitions of existing buildings that are immediately demolished to provide new building sites) represent a unique opportunity to measure land values. The Furman Center is matching property sales data with demolition permit data to compile a list of teardowns in New York City in the past several years. From these observations we will replicate similar research in other cities to estimate land prices and to construct a model that can predict where teardowns may occur.

### **Rezoning & Housing Capacity**

Under the leadership of Mayor Bloomberg, the Department of City Planning has initiated about 90 neighborhood rezonings, affecting more than 7,000 city blocks. These rezonings have increased the amount of permitted building density in neighborhoods the City deems underdeveloped, and decreased the permitted building capacity in neighborhoods the City believes cannot support additional development or should not be developed further in order to protect the neighborhood's character. The Furman Center is analyzing these rezonings to determine their net impact on the City's capacity for new development. We will also evaluate the characteristics of the neighborhoods in which rezonings are designed to spur more development versus those where existing neighborhood character is being preserved.

### **Transferable Development Rights in NYC**

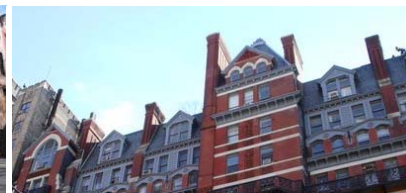
As the New York City real estate market boomed in recent years, countless new construction projects depended on the transfer of unused development rights from existing buildings that were smaller than the applicable zoning allowed. Because most of these transfers were made pursuant to an as-of-right administrative process, there is no centralized tracking of them. In order to better understand where and how development rights have been transferred in New York City, the Furman Center is building a database to systematically track recent development right transfers. We will then use this database to analyze the way the market for transferrable development rights currently works and begin to think about how development rights transfer rules could be changed to facilitate the development of affordable housing.

### **Minimum Parking Requirements: A Continuing Role in a Dense Metropolis?**

New York City contains some of the most transit rich neighborhoods in the country, and its residents are far less likely to own cars than their compatriots elsewhere. Despite this, the City's zoning code still mandates that new residential construction in most neighborhoods be accompanied by a minimum number of new off-street parking spaces. This requires developers to bundle parking spaces with new housing, even if the market does not otherwise demand it. These requirements potentially have significant implications for travel and environmental behavior, housing affordability and density. The Furman Center will investigate whether there is a coherent relationship between minimum parking standards, on the one hand, and the availability of on-street parking and proximity to transit, on the other. We will also collect data from new residential construction to determine whether developers are providing only the minimum amount of required parking spaces (an indication that the requirements are more than the market would dictate) or if they are providing more than is required.

### **Foreclosure & School Performance**

Foreclosures significantly disrupt the lives of children and families. The Furman Center is studying how this disruption impacts the school mobility of children from families who suffered foreclosure. By linking data from the NYC Department of Education to our data on foreclosures, we can examine whether children who live in properties that enter foreclosure are more likely – after the foreclosure notice is issued – to switch schools. For children who moved after a notice of foreclosure, we will look at the characteristics of the school they left, and the school to which they moved.



### **Outcomes of Distressed Mortgage Borrowers**

Once a borrower falls behind on payments, a variety of possible outcomes can occur. Some delinquent borrowers catch up with mortgage payments and remain in their homes, either on their own or through a loan modification. Others refinance or sell the home and repay the loan before foreclosure proceedings are completed. And some borrowers are unable to prevent the foreclosure process from progressing to an auction of the home. For policymakers, the likelihood of these various outcomes have important consequences. Will the property remain vacant? Will a new owner maintain the building properly, and will tenure change from owner-occupied to renter-occupied? The probability of a distressed loan following each pathway likely will be correlated with observable and unobservable characteristics of the borrower, property, neighborhood, lender or loan terms. By combining datasets on foreclosure filings, loan terms, loan performance, initial borrower characteristics, as well as physical and neighborhood characteristics of distressed properties, we will examine which factors are correlated with the pathways and eventual outcomes of distressed loans in New York City.

### **Better Understanding Neighborhood Change**

In recent work, the Furman Center has found that neighborhood economic gain has become more common among poor urban neighborhoods around the country, but no work exists that sheds light on either the underlying factors driving these changes, or their consequences. Popular accounts of neighborhood revitalization frequently use the term gentrification, which implies a particular form of change. Simply put, the conventional view of gentrification describes a process through which the influx of higher income, white households (usually childless) pushes up rents and attracts amenities that cater to more affluent residents. As these changes occur, and housing gets more expensive, the original poorer (minority) residents are pushed out of an increasingly white neighborhood. This stylized story is both undocumented and likely simplistic. We in fact know very little about the underlying dynamics of neighborhood economic transition. Through the use of unique, nationally-representative Census data, the Furman Center aims to shed light on both the residential decisions underlying neighborhood change as well as the consequences of such change.

### **Live and Learn: Does Subsidized Housing Affect Children's School Outcomes?**

The Furman Center, in cooperation with NYU's Institute for Education and Social Policy will study how living in subsidized housing affects the educational experiences and outcomes of school-aged children. The study will exploit the fact that the City of New York uses a lottery system to allocate subsidized apartments. We will compare the school outcomes of school-aged children who receive apartments through the lottery with the outcomes of those children who do not. In cooperation with the NYC Department of Housing Preservation and Development, we are currently undertaking a pilot study of the families who participate in the Williamsburg Community Apartments housing lottery.

### **Starbucks Comes to Harlem: Gentrification & Change in Retail Services**

During the prolonged economic expansion of the late 1990s and early 2000s, a number of formerly run-down central city neighborhoods in the largest U.S. metropolitan areas experienced significant gentrification. One such neighborhood that has received considerable attention is Harlem, which suffered from loss of population, high crime and general disinvestment for several decades. In the late 1990s, however, the neighborhood benefitted from several well-publicized positive investments. Most of the academic literature on gentrification has focused on changes in demographics and housing markets, but almost no academic research has examined whether and how gentrification alters the composition of commercial real estate, including retail stores, entertainment, and various household services. The Furman Center aims to fill this gap by examining the composition, entry, and exit of commercial outlets, and analyzing how changing commercial characteristics have interacted with shifting residential populations in the Harlem area over the past two decades. These changes will be examined in the context of local investments and incentive programs for commercial properties and businesses, such as Business Improvement Districts, Enterprise Zones, rezonings and the Industrial and Commercial Incentive Program.

### **Crime Reduction & City Growth**

During the 1990s, many cities around the country experienced reductions in crime. There was also much talk of an urban comeback during the decade. We are studying if these two phenomena are related – are the reductions in urban crime affecting residential decisions and helping to reverse, or at least abate, urban flight? Specifically, we investigate whether the cities that experienced greater reductions in crime during the 1990s also experience less flight and more rapid population growth as a result.