

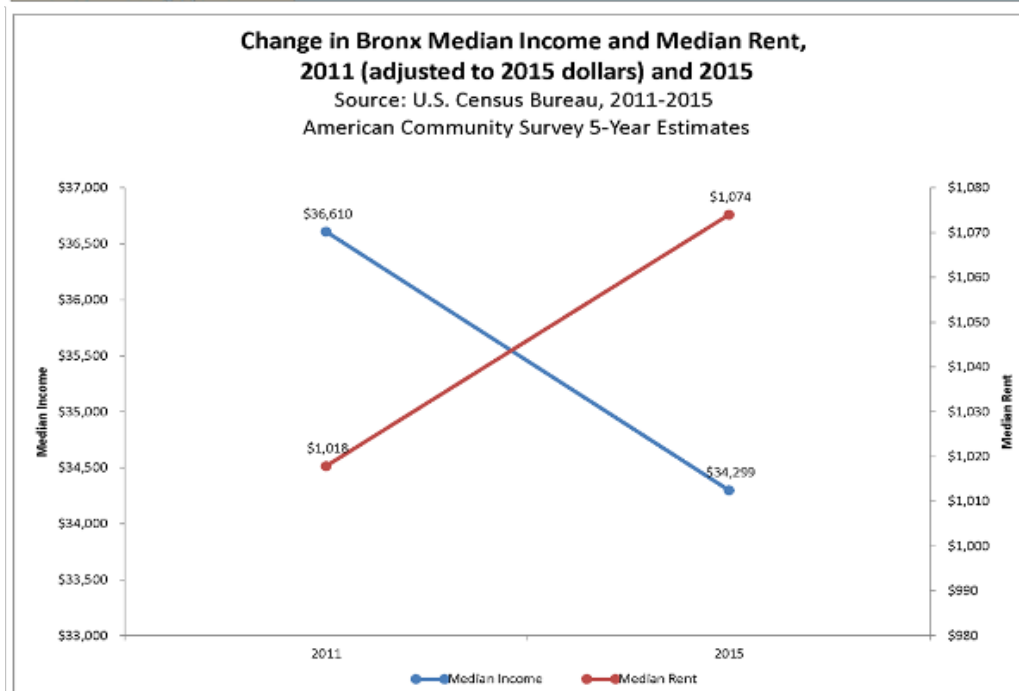
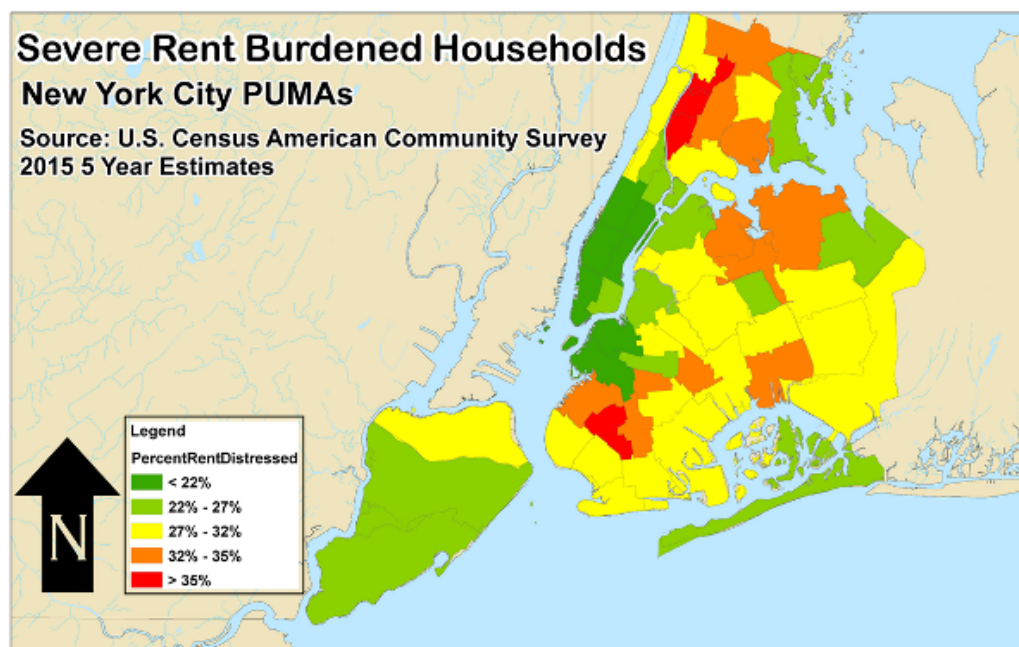
6.2M PIP Data Points; More Needed to Improve NYC Rental Housing UNHP

In the early 2000s, UNHP began to capture quantitative data to measure [possible speculative](#) investment. This effort was the origin of what would become the [Building Indicator Project \(BIP\)](#). The effort engaged community groups, organizers, financial institutions, and various real estate professionals to develop a scoring algorithm to reflect current building conditions of multifamily properties. After conducting many physical inspections and [years of refinement](#), the UNHP BIP database is generally accepted as an indicator of financial and/or physical distress in a property. BIP is a database that leverages public data to gauge distress; it currently captures demographic data, housing and building code violations, and several city liens from municipal agencies for over 62,000 properties with five units or more in all five boroughs; amounting to a staggering 6.2 million data points. A score of 800 or more is indicative of a property likely to be physically and/or financially distressed. The formula is weighted to prevent disproportionate scoring based on building size.



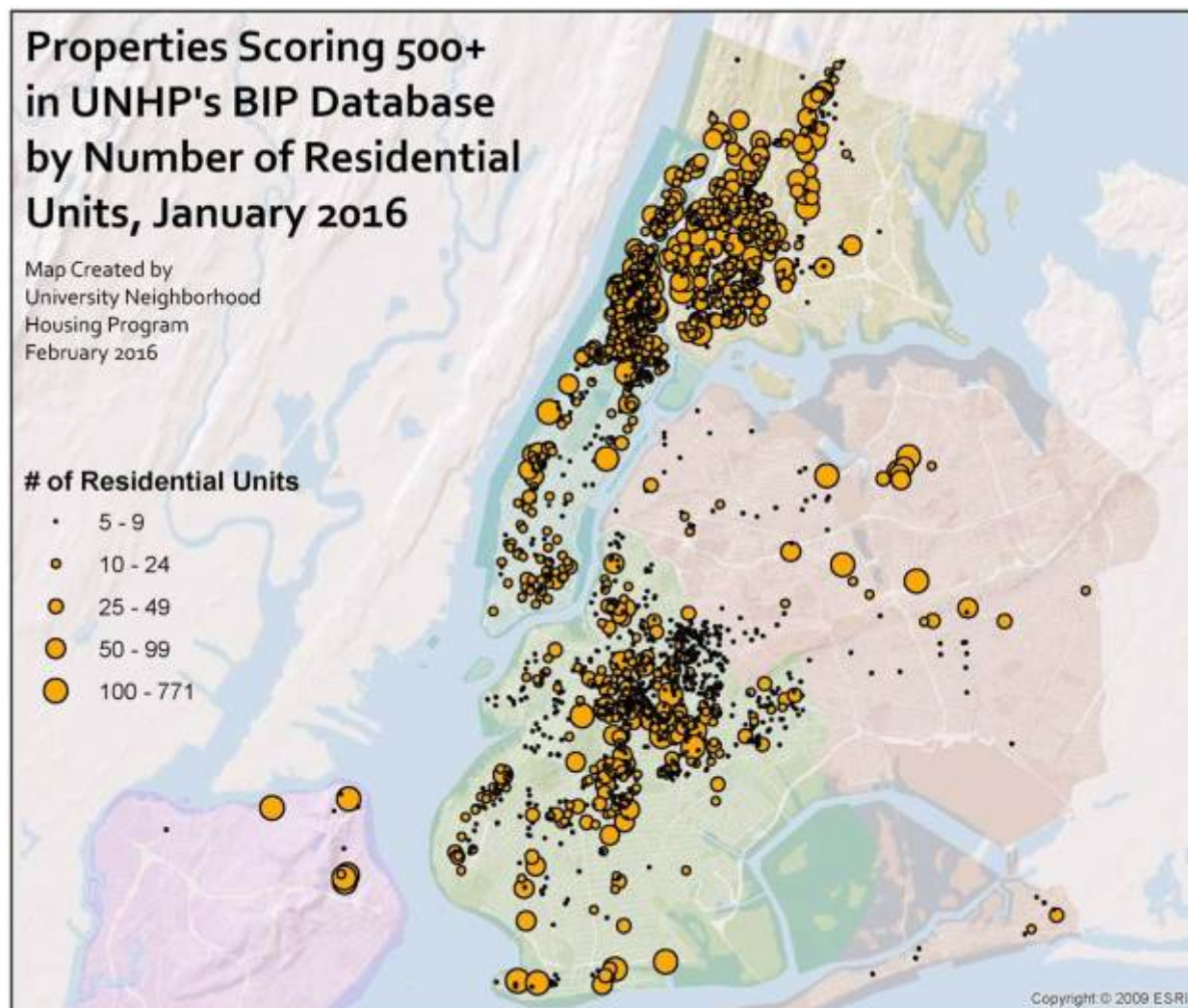
The UNHP Building Indicator Project uses a specially designed scoring system to determine the likelihood of physical and/or financial distress in a multifamily building. The scoring system was created and adjusted by working with a group of bankers, building owners, and community researchers. A sample of high scoring buildings was inspected to make sure a score of 800 or more indicated a strong likelihood of distress.

Though the project provides a snapshot of building conditions citywide, it was born of concern for the Bronx multifamily market. Indications of speculative investment, high rent-burden, and displacement pressures in the city's last affordable borough led UNHP to create a tool to proactively identify problem buildings. The rising sales prices of Bronx multifamily housing stock [do not seem to be supported by the economic conditions of existing tenants](#). The Bronx has had negative growth in median household income over the past twenty years; when adjusted for inflation [incomes fell 20 percent from 1989 to 2015](#). Over 30 percent of Bronx households live below the federal poverty line and the majority of new residents coming into the borough are making even less than our current residents. Many residents are extremely rent-burdened: households pay in excess of 50 percent of income toward housing expenses. [The Bronx has experienced real estate speculation in the past](#) and the tenants in such buildings are the ones who suffer the most. Landlords who engage in this type of speculative real estate investment sometimes improve their cash flow by neglecting the physical needs and repairs of the building, saving on operating costs, and encouraging tenants to move—ultimately resulting in higher rents.



Rising sales values of Bronx multifamily housing stock does not seem to be supported by neighborhood demographics. The Bronx has the highest number of severely rent-burdened households in the City and Bronx median income continues to fall while rents rise.

Multi-generational ownership and traditional financing are increasingly becoming behaviors of the past. A combination of real estate as a short-term investment and the [rise of non-traditional lending](#) expose our already competitive real estate market to greater risk. As the nature of multifamily ownership and lending transforms in New York City, renters, community groups, and municipalities must ensure soundness and affordability. UNHP now disseminates BIP data to 39 financial institutions, 4 regulators, and 46 community groups on an ongoing basis to identify and intervene in troubled properties. Our data-driven approach is an effective tool for organizers to target their on-the-ground work, for lenders to prioritize poorly managed properties, and for regulators to examine Community Reinvestment Act (CRA) ratings.

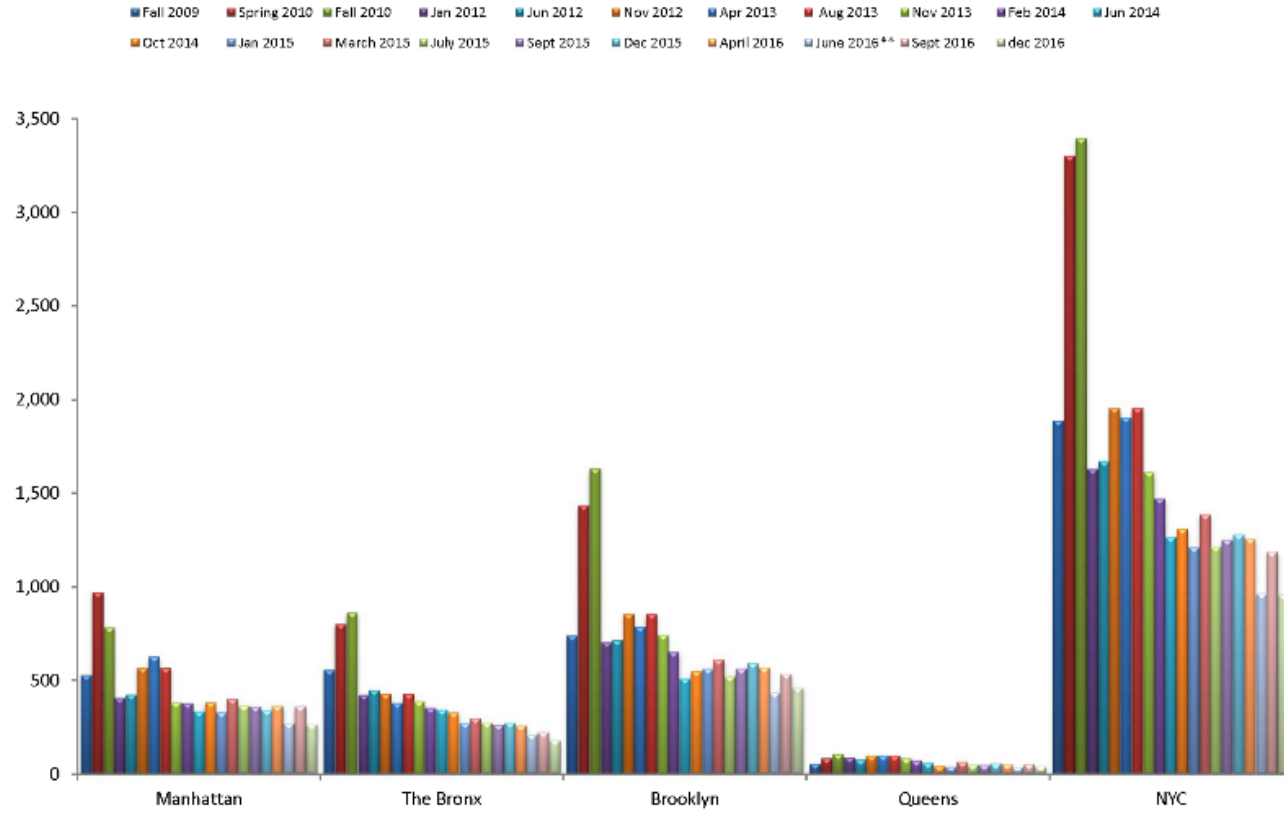


The use of the UNHP Building Indicator Project by lenders and community groups has aided in the improvement of tens of thousands of units in NYC. This map shows the distribution and size of buildings scoring 500+.

While the database is a detailed, informative, and effective tool, the analysis is intentionally conservative and balanced. We maintain that these data points are an indicator of possible distress; new data is thoughtfully integrated and certain indicators of distress are not measured. Certain forms of harassment, displacement, and over-leveraging cannot be captured with available data sources and qualitative data is not considered at all.

UNHP is concerned that the real level of distress in NYC multifamily properties is not entirely captured in our database. The number of apartments that meet our threshold of 800 or more has steadily declined throughout the past few years, though this may not serve as an indication of improved conditions. A decline in Housing Preservation & Development (HPD) violations among the buildings we track is a case in point. The City is notified of potential violations via a complaint-driven system, 311, where the burden is on the tenant to initiate the case. This is problematic for many reasons: tenants may hesitate to act due to fear of harassment or eviction, immigration status, or ['illegal'](#) apartment use (room rentals, dividing apartments, etc.). Another area of concern is the categorization of 311 calls. Housing complaint calls can be directed to HPD, the Department of Environmental Protection (DEP) or the Department of Buildings, and not all complaints result in inspections and violation placement. The department to which the complaint is directed depends both on how the caller describes the complaint and how the 311 operator understands that description. Recent changes in the way the DEP shares its data have resulted in the exclusion of delinquent water and sewer charges in the BIP scores. Given the high cost of water in multifamily properties, this non-payment is an important indicator of distress and can lead to lien sale. There are also issues of access and entry when inspections are made to evaluate if a complaint should be escalated into a violation. [Proactive roof-to-cellar inspections](#) would alleviate some of this burden and may more accurately capture conditions.

Number of Properties Scoring 800+ by Borough
UNHP Building Indicator Project Data, Fall 2009 December 2016



UNHP Building Indicator Project Database, Fall 2010

	Total Properties	Properties 800+	Percent Properties 800+	Total Units	Units 800+	Percent Units in 800+ Properties
Manhattan	20,893	785	3.76%	725,849	17,645	2.43%
The Bronx	7,906	865	10.94%	319,311	48,862	15.30%
Brooklyn	23,299	1,634	7.01%	466,497	27,524	5.90%
Queens	10,143	109	1.07%	320,182	1,962	0.61%
Staten Island	--	--	--	--	--	--
NYC	62,241	3,393	5.45%	1,831,839	95,993	5.24%

UNHP Building Indicator Project Database, April 2013

	Total Properties	Properties 800+	Percent Properties 800+	Total Units	Units 800+	Percent Units in 800+ Properties
Manhattan	20,509	630	3.07%	721,412	20,595	2.85%
The Bronx	7,966	382	4.80%	337,514	11,625	3.44%
Brooklyn	22,722	789	3.47%	438,335	11,835	2.70%
Queens	10,003	102	1.02%	320,817	3,496	1.09%
Staten Island	526	4	0.76%	21,017	45	0.21%
NYC	61,730	1,875	3.04%	1,795,238	53,048	2.95%

UNHP Building Indicator Project Database, April 2016

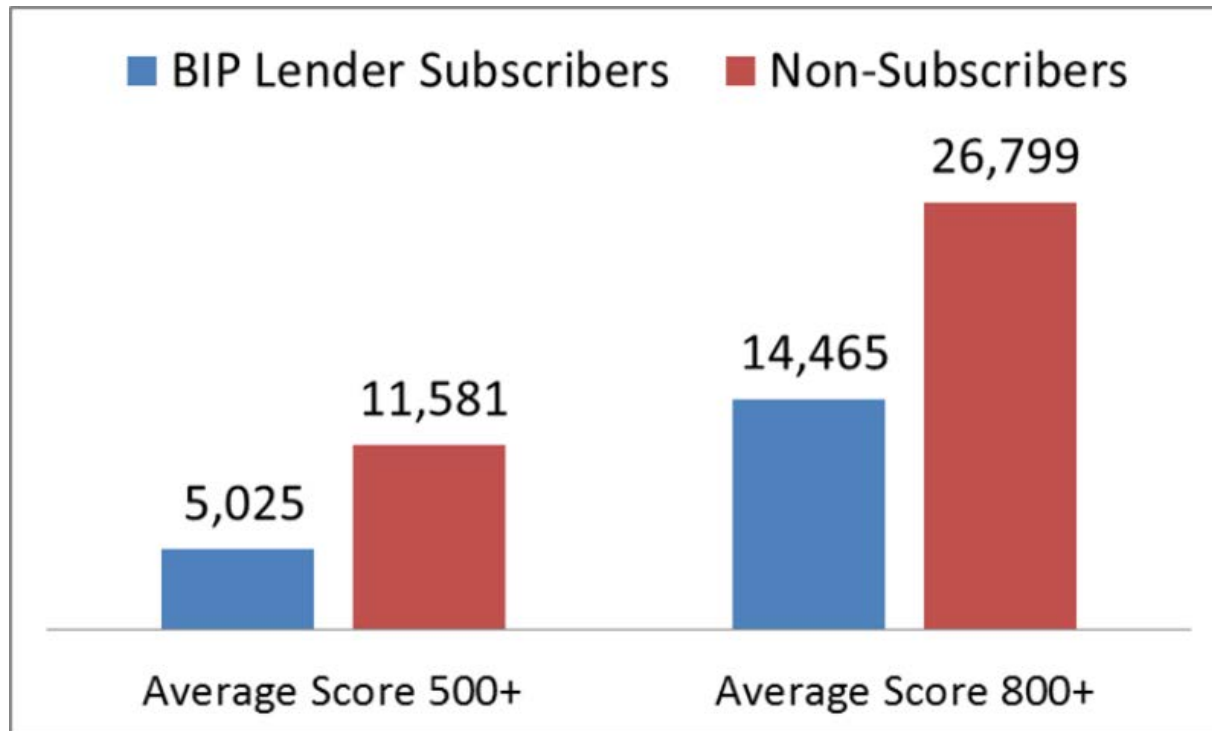
	Total Properties	Properties 800+	Percent Properties 800+	Total Units	Units 800+	Percent Units in 800+ Properties
Manhattan	20,523	366	1.78%	741,436	9,497	1.28%
The Bronx	8,166	261	3.20%	413,092	7,537	1.82%
Brooklyn	22,959	571	2.49%	490,900	8,108	1.65%
Queens	10,077	56	0.56%	336,782	1,432	0.43%
Staten Island	525	6	1.14%	20,652	153	0.74%
NYC	62,250	1,260	2.02%	2,002,862	26,727	1.33%

Despite its 6.2 Million data points, UNHP is concerned that the BIP is not capturing the real level of distress in NYC multifamily buildings. The graphs and charts above show a decline in BIP scores over time. UNHP questions whether the decrease in scores is a real reflection of improvements in buildings. The Bronx has fewer total multifamily buildings than Brooklyn or Manhattan, but consistently has a higher percentage of distressed properties. Note: the BIP did not capture data in Staten Island in 2010.

UNHP has successfully garnered support through our [Multifamily Assistance Center](#) meetings where we collaborate with banks to pursue improvements in distressed properties. UNHP has distributed and discussed BIP data with multifamily mortgage lenders since

2007, observing improvements in properties where the bank follows-up with the owner to address physical and financial distress. In 2014, [The New York State Department of Financial Services](#) began to use BIP data to access not just the quantity of loans in low-income communities but also the quality of those loans and their impact. The use of the BIP by regulators has increased the interest and depth of its use as an asset management tool by lenders.

Of additional concern is the rise in unregulated non-traditional lenders, foreign investment, and private equity in the multifamily real estate market. These entities provide financing and are not constrained by the same regulatory restraints as traditional lenders. Preliminary BIP analysis indicates that properties financed by non-traditional lenders are in worse condition than properties financed by traditional lenders. [Predatory equity can take many forms](#) but the end result is often displacement of low-income tenants in the pursuit of higher profits. There are efforts citywide to identify and prevent this activity, however there are not many good and accessible data points.



In the period from February 2014 through April 2015, we witnessed higher levels of improvements in properties financed by lenders who reported integrating BIP data into their asset management. For properties that scored over 500 points in February 2014, there was an average decrease in score of 3% in properties where we worked with the lender compared to a 38% rise in score for properties where we don't have a relationship with the lending institutions.

Much of the Building Indicator Project's success is due to collaboration. Public-private partnerships helped create a robust, useful tool for many stakeholders. We have used our Multifamily Assistance Center and Building Indicator Project to partner with lenders, regulators, community groups, and the City of New York to aid in the improvement of tens of thousands of rental units in the Bronx and across the City. As the lending landscape changes, so must the tools we use to protect and preserve safe and affordable housing in New York City. Existing tools measure units that are often already lost or where the homeless lived before they went to a shelter. We need to proactively identify, protect, and preserve this affordable, privately owned multifamily rental housing stock, as it is vital to prevent further loss of affordable units and increased homelessness. [This blog series](#) has offered many suggestions for how to "keep the homeless at home," and as part of that effort, UNHP would like to see an increased emphasis on proactive code enforcement with roof-to-cellar inspections made in buildings identified as at-risk, a move towards the regulation of non-traditional lenders, and more accessible data around tenant complaints, and NYC water and sewer data.



UNHP holds yearly Multifamily Assistance Center meetings with lenders to share BIP lending portfolios, updated Bronx multifamily market and demographic information. HPD Commissioners and Deputy Commissioners have joined our meetings over the years to provide information on violations removal and public programs for multifamily building improvement. Attendance at our Multifamily Assistance Center meetings as well as the number of banks that receive the BIP data has increased since 2007. UNHP provides BIP information to 39 banks, 46 community groups, the four banking regulators and HPD.