LISC 30+ Years in the Northwest Bronx

Gambling with Homes, or Investing in Communities

How speculation drives evictions and poor housing quality, and how affordable housing protects neighborhoods of color

LISC

David M. Greenberg
Vice President, Knowledge Management and Strategy

Julia Duranti-Martínez
Program Officer for Capacity and Research

Francisca Winston
Senior Research Associate

Spenser Anderson
Research Associate

UNHP

Jacob Udell
Director of Research and Data

Caroline Kirk
Data Analyst

NSU

Richard D. Hendra
New School University

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Executive Summary

Housing speculation has been broadly understood to be a major driver of displacement and hardship for Black, Indigenous, and People of Color (BIPOC) communities and individuals. Speculation in the multifamily housing market has also been defended as a way to spark investment in older buildings where lower-income people of color often live. This research examines that assumption, by asking about tenant outcomes in buildings with the fastest-rising property values. In so doing, it is among the first to empirically analyze the association between apartment building finances and indicators of tenant stability and well-being. It builds on a groundbreaking set of databases created by the University Neighborhood Housing Program (UNHP), known as the BIP (Building Indicator Project), through which UNHP has been tracking and analyzing patterns of physical and financial distress in multifamily housing in New York City since 2008, and sales and debt events in the multifamily market since 2003. Our goal is to understand patterns of speculation over time, and their impact on tenants in the form of housing maintenance quality and evictions. Because we combine these data with building-level information on affordable housing investments, we also explore how acquisition of distressed housing by nonprofits, tenant cooperatives, and other forms of affordable community stewardship may disrupt cycles of speculation and disinvestment and contribute to positive tenant outcomes. Understanding these patterns is particularly urgent given the ongoing impacts of COVID-19 on the housing market and low-income and BIPOC communities, including the looming eviction crisis and the threat of increased investor acquisitions of distressed multifamily buildings in communities still struggling to recover.

Major findings

Real estate speculators can realize profit by acquiring a property at some risk, and re-selling it for a higher price. They can also take out additional *debt* on a property, which provides an owner with low-cost capital that may be used for other profitable investments. Both strategies involve exploiting rising *asset values*—either the value realized in selling a property, or the assumption of increased value that may justify a higher mortgage amount. Accordingly, our report focuses on rising asset values as an observable measure of speculation and as the major mechanism by which investors realize steep profits. We identify speculative events in the already super-heated New York City market by observing where sale prices or mortgage amounts have increased the most since 2003. We then ask questions about the communities where speculation has most frequently occurred, and trace outcomes for tenants in these buildings. Although New York is an extremely expensive real estate market, it is important to note that rental properties as an asset class continue to increase in value around the country, even through the pandemic.[1]

- **Lower-income, Black and Latinx neighborhoods seeing signs of gentrification experienced more speculation than whiter, wealthier areas.** Despite the super-charged luxury housing market in Manhattan, over the entire study period (2003-2020), apartment buildings were more likely to be resold for the greatest increase in price in census tracts with higher poverty, higher Black-identified populations, higher Latinx-identified populations, a higher percentage of adults with college degrees, and

Our goal is to understand patterns of speculation over time, and their impact on tenants in the form of housing maintenance quality and evictions.

A collapsed ceiling in 321 E. 10th Street, one of over 100 buildings owned by Steven Croman.

STOP CROMAN COALITION

Buildings that were sold for the highest price increases or that took on the greatest amount of additional debt had up to 2.7x the number of New York City Department of Housing Preservation and Development (HPD) violations per unit in 2018-2020 than those that did not.

a growing population. These factors were also associated with a greater amount of debt being taken out on apartment buildings: going from 20 to 30% in a census tract's poverty rate was associated with a 14% increase in the likelihood that a landlord will take out the highest additional amount of debt, other factors held constant.

- **Tenants suffered in buildings that were sold for higher values and that took on more debt.** Buildings that were sold for the highest price increases or that took on the greatest amount of additional debt had up to 2.7x the number of New York City Department of Housing Preservation and Development (HPD) violations per unit in 2018-2020 than those that did not. Even controlling for community characteristics, buildings with the highest increase in debt had about .78 more maintenance violations per unit per year than properties in similar areas. The finding that taking on more debt is a leading indicator of poorer maintenance quality undercuts the argument that increased investment and loans to multifamily buildings tend to benefit tenants, and reinforces the notion that additional debt taken on by landlords is more commonly used to extract profit rather than reinvest in properties. This finding suggests a need for greater policy attention to how lending and reinvestment capital is used in privately owned rental housing. Since low interest rates are a major driver of speculation, it also suggests a need to attend to the destabilizing consequences of potential future rate increases, and to the role of government-sponsored enterprises (GSEs) in backing multifamily mortgage debt.

Our statistical estimates of the impact of speculation on eviction may understate its effect on displacement, as these analyses do not consider how tenants may be forced out in other ways, outside of eviction judgments.

- **Landlords who acquired properties at higher values or who took on more debt evicted their tenants at 1.5x the rate of others who owned similar properties in comparable neighborhoods**. Our data draw on eviction warrants executed by a New York City marshal. As such, the analysis captures a very direct measure of displacement, but in some ways may underestimate the extent of harm that may be associated with speculation, as displacement may also occur as tenants leave after an eviction filing or judgment but before a warrant is enforced, or through non-eviction-based displacement, such as tenants pressured or forced to move due to rising rents, landlord harassment, or deteriorating building conditions.

- **In contrast, properties that received affordable-housing investments were significantly better maintained than properties in similar neighborhoods without such investments. They were also less likely to be acquired at higher values or to take on higher debt levels than properties in similar neighborhoods—in other words, they were more likely to be removed from the cycle of disinvestment and speculation.** When looking across all private rental housing units—including luxury apartment buildings, and newly constructed apartments—there can be up to three-quarters fewer violations in subsidized apartments than in unsubsidized apartments, depending on the year. This finding cuts against the popular image of affordable housing as being of lower quality, despite it being occupied, by definition, by households earning lower wages, producing more limited rental income streams for maintenance purposes. Future research will examine how nonprofit and community ownership produces these better outcomes.

In summary, private and corporate landlords have generated substantial returns by extracting wealth from low-income and Black and Latinx communities, while this speculation demonstrably harms and destabilizes the tenants who enable these profits.

Recommendations

Preventing the looming eviction crisis requires immediate actions to keep tenants housed, and strategies to combat the speculative ownership that drives evictions and poor housing quality. Investments in nonprofit and community ownership, and in social housing models that remove properties from the speculative market and promote community wealth building – rather than wealth extraction – should be prioritized as part of an equitable housing recovery.

- **State legislatures and local governments should bolster tenant protections and address rent arrears.** Because the pandemic has resulted in significant tenant arrears, both tenant assistance and rental protections are critical to prevent a wave of eviction and displacement. These can include additional funding for effective rental relief funds (including for those excluded from federal initiatives), good-cause eviction protections, rental regulation, right-to-counsel initiatives, harassment protections, and similar measures. New York City approved an expansion of right-to-counsel to all

low-income city residents during the pandemic, and upstate cities Albany, Hudson, Newburgh, Kingston, and Poughkeepsie recently passed good-cause eviction ordinances. Advocates are urging New York lawmakers to enact good-cause eviction (NYS **A.5573**/**S.3082**) and right-to-counsel protections (**A.7570**/**S.6678**) statewide. While these universal measures are important, additional focused protections may be needed for properties that saw speculative investments prior to the pandemic, and are therefore likely to be sites of displacement. Because tenant protections are not always enforced in practice, government at all levels can fund tenant organizing to hold landlords accountable who would not otherwise meet these requirements.

- **Government at the federal, state, and local level should support large-scale acquisition funds, to bring distressed rental housing into community and nonprofit ownership and to promote its permanent affordability.** To expand permanent affordability in distressed rental housing and to curb speculative sales, policies like those found in the model Tenant Opportunity to Purchase Act (TOPA) and Community Opportunity to Purchase Act (COPA) are a particularly promising preservation tool, when combined with adequate funding and technical assistance for tenant organizing and decision-making.[2] TOPA has a 40-year track record of preventing displacement and preserving affordable housing in Washington, DC, including helping create over 4,000 units of limited-equity cooperative housing.[3] San Francisco passed COPA in 2019, and Massachusetts (**H.1426**/**S.890**) and New York (**A.5971**/**S.3157**) are considering statewide TOPA legislation, while Berkeley, Los Angeles, Oakland, New York City (**Int. 1977-2020**), and Minneapolis are exploring local opportunity-to-purchase policies.[4] New York governor Kathy Hochul's FY 2023 executive budget has also proposed $400 million for homeownership and community stabilization statewide, including a $50 million pilot for shared-equity homeownership. This funding could potentially start to support tenant and community acquisition of rental housing, though advocates note that significantly more and multi-year funding is needed to acquire housing at a scale to meet statewide needs. At the federal level, a proposal for a Social Housing Development Authority would create a new federal entity empowered to acquire distressed multifamily housing and transfer it to the social-housing sector.[5] Broadly, investments at the federal level in affordable housing—which have declined significantly over time—can be used to acquire and rehabilitate rental housing, and should be increased, as LISC has called for in its **2021–2022 policy platform**.[6] LISC also fully supports affordable housing programs targeted to provide flexible acquisition resources to mission-based housing organizations, such as the Housing Investment Fund and other housing resources initially proposed through the federal Build Back Better legislation. Cases cited throughout this report show how tenant, nonprofit, and community ownership, including community land trusts, mutual housing associations, and limited-equity cooperatives, are particularly beneficial to residents, and should be prioritized in these forms of investment.

When looking across all private rental housing units—including luxury apartment buildings, and newly constructed apartments—there can be up to three-quarters fewer violations in subsidized apartments than in unsubsidized apartments, depending on the year.

- **Local government should expand enforcement actions in properties that are perennially in poor maintenance condition, and explore ownership transfer from predatory landlords into community and nonprofit ownership.** Increased code enforcement focused on poorly maintained portfolios and owners who have histories of neglecting properties would both improve tenant quality of life and potentially disincentivize speculators from deferring maintenance as a profit-making strategy. Code enforcement can create escalating civil penalties for deferred maintenance and tenant harassment, and even involve receivership programs to assign property management of highly distressed buildings to a third-party administrator. In New York, groups have also called for an expansion of receivership programs to wrest

control of distressed buildings away from negligent landlords, with the potential to eventually transfer these properties to community ownership.[7] Tenant organizing is a valuable tool that can leverage code enforcement policies and promote tenant self-determination, and should be supported through government funding.

- **State governments should use taxation to discourage speculative sales and debt.** Vacancy and warehousing taxes, flip taxes, and out-of-state transaction taxes all seek to discourage speculative behavior and capture at least some public value from investor ownership.[8] In addition, closing the loophole that multifamily landlords employ to pay partial mortgage recording tax – called a Consolidation, Extension, and Modification Agreement, or CEMA – would discourage frequent refinancing to unnecessarily increase debt levels. Other taxation proposals focus on the value that accrues to privately held property as a result of public investment, infrastructure, and land-use actions.[9]

Over the past decade, the GSEs have become major lenders in the rental market, and have recently come under scrutiny for financing provided to large private equity landlords who displaced tenants..

- **State and federal agencies should use a range of regulatory tools and oversight mechanisms to ensure that mortgage lending benefits tenants – particularly in rental properties where people with lower wages and incomes live.** Regulators should ensure that greater debt taken out on rental housing results in improvements for tenants, and lenders should be held accountable, as other investors are, for the quality of the properties on which loans are placed. This can happen in a number of ways. First, they should strengthen the way that the Community Reinvestment Act (CRA) provides incentives for responsible lending to rental housing and regulates investments in housing that receive CRA credit. Second, regulators should examine how the government-sponsored enterprises' (GSEs), Freddie Mac and Fannie Mae, multifamily loan purchase activity impacts tenants and rents. The GSEs provide large sources of liquidity in the rental market, and have recently come under scrutiny for financing provided to large private equity landlords that have displaced tenants. The Federal Housing Finance Agency should work with the GSEs to examine existing loan portfolios to ensure tenant well-being; scrutinize new prospective lenders for their track record and to make sure that new debt is used to preserve the quality of property and its affordability, and to prevent displacement; and move the GSEs to prioritize racial equity goals by advancing low-cost financing for high-quality, deeply- and permanently-affordable affordable development and social housing projects. Advocacy around bank lending to rental housing has long been a priority of New York City tenant groups, and this research confirms the urgency of shifting the way that lenders finance multifamily housing.[10]

For practitioners, especially tenant and community organizers, the report's general findings suggest that the finances of rental buildings can provide keys to understanding risks to tenants and tools around which advocacy may be possible. Future studies will refine these analyses and examine additional questions about the drivers and impacts of speculation, and the policies and investments that can benefit tenants and communities.

Affordable housing owned by Banana Kelly, Bronx, NY

RICKY FLORES

Introduction

Black and brown neighborhoods, where COVID-related deaths and job losses have been concentrated, are also ones where evictions and affordability are persistent issues, and where evictions were more likely to be filed even during pandemic-related restrictions. This report adds to the conversation by exploring the market causes and market actors that drive evictions and housing quality at the building level.

The COVID-19 pandemic not only exposed racial and economic inequities but exacerbated them. Higher-wage jobs have increased by about 10% since the beginning of the pandemic, but lower-wage jobs are still down by over 25%.[11] Wealth of American billionaires has risen 70%, to over $5 trillion,[12] while renters around the country owe landlords $23 billion,[13] with losses concentrated in Black, Indigenous, and people of color (BIPOC) communities and areas where wages and income are lower.[14] In New York City, the focus of this report, Black and brown neighborhoods, where deaths and job losses have been concentrated, are also ones where evictions and affordability are persistent issues, and where evictions were more likely to be filed even during pandemic-related restrictions.[15] For example, the Bronx's unemployment rate is approximately 12%,[16] and recent Census estimates show approximately 93,000 (or 23% of) renter households now owe a total of over $353 million in rent.[17]

These pandemic hardships are compounding persistent challenges of affordability and inequality among renter households. On average, a minimum-wage worker in the U.S. would need to work about 97 hours a week to afford a modest two-bedroom apartment.[18] Over half of low-income Native households, 45% of Latinx households, and about a third of non-Hispanic Black households had worst-case housing needs before the pandemic, meaning that they paid more than 50% of their income in rent and/or experienced severe housing quality issues.[19] This combination of pre-pandemic factors and pandemic impacts has policymakers fearing a flood of increased evictions in 2022. After the U.S. Supreme Court, hearing a lawsuit brought by realtors and for-profit property management groups, held that the nationwide eviction moratorium ordered by the U.S. Centers for Disease Control and Prevention (CDC) was illegal, evictions increased by 20%, driven mainly by jurisdictions without local protections.[20]

While public alarm is rightly focused on those most impacted—that is, on tenants themselves—it is important to understand how broader market forces drive these outcome: in other words, who benefits from these negative outcomes. In this assessment of market forces, housing speculation has long been seen as a major driver of displacement and inequitable outcomes.[21] Speculation is defined in different ways, but is a term applied to the acquisition of properties at some risk to the investor, which also offers an opportunity for greater returns than can be expected from safer investments. It is not a new phenomenon—in many ways speculation has driven the settlement and development of the United States, influencing everything from the economic motivations of settler colonialism and the American Revolution[22] to the explosive growth of major cities like Chicago and Los Angeles.[23] In recent years, however, institutional investors and private equity have accelerated speculative dynamics in the housing market, in some cases driving housing bubbles such as the one that sparked the Great Recession.[24] After the Great Recession, institutional investors and private equity also capitalized on homeowner distress, particularly among homeowners of color, who suffered much higher rates of foreclosure than white homeowners and lost $400 billion in collective wealth.[25] In markets as diverse as the Twin Cities, Detroit, Atlanta, and New York City, bulk buyers and speculative investors purchased large volumes of residential property,[26] and between 2011 and 2017 some of the world's largest private-equity groups and hedge funds, as well as other large investors, spent a combined $36 billion on more than 200,000 homes in markets across the country,[27] on some occasions becoming landlord to the occupant who once owned the property.[28]

Fueled in part by investments from pension funds, hedge funds, and wealthy individuals, speculation has also impacted the rental market.[29] Even before the foreclosure crisis, large investors bought hundreds of thousands of units from local landlords. In a booming market such as New York in the mid-2000s, the expectation of ever-increasing rental income inflated purchase prices even beyond their projected property values, loading properties with high levels of debt. For such investors, there are significant economic advantages. But even outside of New York, rental properties as an asset class continue to increase in value around the country, including through the pandemic.[30] While most people treat homeownership as providing a place of security for them or loved ones and an opportunity to build longer-term family wealth, commercial landlords treat their investments not just as a source of rental income but also as a commodity that can be financialized, either through re-selling or by "pulling out equity," achieving a low-cost source of capital in the form of debt—a dynamic we describe below.

In order to understand both threats to tenants, and to assess what tools can promote better outcomes, it is important to understand these market-facing trends. Looking at the case of New York City apartment buildings, the report asks three major questions:

1. Which neighborhoods have seen the most speculative activity in the multifamily market? What neighborhood characteristics are associated with higher levels of speculation?

2. What are the consequences of speculation for tenants, for the quality of their homes, and for their likelihood of being evicted?

3. What is the role of community-development and affordable-housing investments in promoting positive outcomes for tenants and communities, or mitigating negative effects of speculation?

There are several features of this study that contribute to the field's understanding of the interplay between market forces and tenant outcomes. First, we draw on and build upon a unique longitudinal data set on building conditions and market forces. Since 2003, the University Neighborhood Housing Program (UNHP) in the Bronx has used City of New York records to create the groundbreaking Building Indicator Project (BIP) to track physical and financial distress indicators on over 70,000 multifamily properties—those with five or more residential units—throughout New York City, as described in the text box below. More recently, UNHP has added a database of sales and mortgages since 2003 to BIP for that same universe of multifamily properties, relying on raw property-record data from the Automated City Register Information System (ACRIS).

LISC's Research and Evaluation team complemented these data with Census records that matched apartments to their community characteristics. To this analysis file, we added building-level records of executed evictions carried out by New York City marshals, drawn from a database maintained by the Housing Data Coalition.[31] The combined data set lets us understand where speculation occurs, and its potential impact on evictions and maintenance quality. Finally, we combined these data with information from the Subsidized Housing Information Project (SHIP) of the Furman Center of New York University.[32] As the SHIP also records investments in affordable housing at the building level, this addition to the data lets us understand how community investments may interrupt negative outcomes for tenants, and promote positive ones.

The report starts by describing how we operationalize the concept of speculation in our data, drawing attention not just to higher sales prices but also to ways that landlords take on

THE BUILDING INDICATOR PROJECT (BIP) is a database developed by the University Neighborhood Housing Program (UNHP) to identify multifamily properties in New York City that are in physical and/or financial distress. In its current form, BIP has aggregated more than a decade of data for 70,000+ rental buildings in NYC, tracking more than 120 data points for each building. BIP also employs a scoring system, developed in collaboration with financial institutions, advocates, property managers, and researchers in order to identify buildings likely or highly likely to be in distress. The database is updated quarterly, and used by a wide variety of partners including 40 community organizations and advocacy groups, 35 financial institutions, and major bank regulators at the state and federal levels. Nonprofits use BIP to identify distressed buildings in their catchment areas for organizing and outreach, to build portfolios by landlord or lender, and to conduct analysis to support advocacy. Financial institutions use the data to monitor properties in their lending portfolios and hold their borrowers accountable for building violations or unpaid property charges. Regulatory bodies look at BIP scores for buildings within a bank's portfolio during Community Reinvestment Act (CRA) examinations, in order to ensure that the loans that receive CRA credit do indeed meet the needs of the community. UNHP has been compiling BIP data for more than 10 years, during which time NYC housing data has undergone major changes. Recognizing this, UNHP is working to make the entire decade of BIP data available in a flexible format, allowing partners to analyze and identify trends in multifamily rental housing since 2008.

increasing amounts of debt. We continue with an analysis of *where* debt rose fastest and where sales prices increased the most from 2003-2020. We then describe outcomes for tenants living in buildings that are resold for higher values or that take on more debt, in terms of the quality of their homes and successful attempts by their landlords to evict them. After this analysis, we describe the role of affordable housing investments in promoting better housing quality, and in reducing the likelihood that a building will be resold for higher amounts—in other words, removing it from cycles of speculation and disinvestment. We conclude with recommendations about intervention strategies to create new paths to permanently affordable housing, prevent evictions, and support community ownership.

Because we envision our primary audience to be practitioners and policymakers, we include basic descriptive tables and interpretations of statistical analyses in the body of the report, with more detailed regression tables in an appendix. Future studies will refine these analyses and examine additional questions about the drivers and impacts of speculation, and the policies and investments that can benefit tenants and communities. For suggestions or questions about these analyses, please contact the authors.

Understanding dimensions of speculation

The importance of rising asset values in the New York City rental housing market

Speculation is difficult to define, identify, and measure. Building from the work of advocates and community groups,[33] we define speculation in rental housing as an investment with the expectation of a rapid profit increase, often predicated on a business strategy that causes negative outcomes for existing tenants. In our study, a critical market fact in New York City is the sharp and consistent rise in property (or asset) values over the last three decades. According to one indicator, between 2000 and 2018, multifamily property values in Queens, Brooklyn, Manhattan, and the Bronx increased by between 400% and 600%.[34] This overall increase is felt more strongly in some places than others: UNHP's own data on rent-stabilized multifamily rental properties shows that the nominal average sale price per unit in the Bronx rose from about $10,500 in 1996 to approximately $175,000 in 2020, during a period when the median household income in the borough actually dropped in constant 2020 dollars (from about $44,000 to $42,000)

According to one indicator, between 2000 and 2018, multifamily property values in Queens, Brooklyn, Manhattan, and the Bronx increased by between 400% and 600%

This trend is a departure from the relatively static property values of the preceding decades, and represents an enormous shift that is intertwined with the connected crises of rising rents, gentrification, and displacement that plague cities like New York. That is, rising rents are a major driver of evictions and homelessness for individual families and communities. But rising rents also perpetuate the speculative market activity that drives up property values, which in turn exacerbates these hardships, because speculators count on the ability to continually increase profit to justify ever-higher sales prices. Importantly, property value increases over this period did not simply parallel increases in rent level, but outpaced them. Indeed, long-term trends in the value of New York City multifamily housing exhibit the classic signs of a speculative market, where large increases in profitability in one part of the market spills over into the rest of the market, creating a tidal wave of asset price increases. (For more on the relationship between asset prices of multifamily buildings and increases in net income, please see the report's Appendix.)

Changes in asset values are central to our definition of speculation because increasing asset values are measurable on a building level. That is, data regarding operating profit for a given rental property are generally not available, but changes in asset values are reflected at the building level in public property records. But we also focus on increased assets because the *goal* of speculative investment in housing is in fact the increase of a given property's value. Even though many imagine net income (rental income after building expenses) to drive profit, in markets like New York City, where apartment buildings are treated as an asset class, landlords and investors see the rising value of their buildings both as a reflection of potential profit and as the main mechanism through which they actually profit.

In rental housing, there are two types of speculative strategies predicated on a rapid increase in asset values. One involves purchasing a property and expecting that its value will rise quickly, simply because it is a desirable asset in the current housing market. In this type of speculation, an owner may realize higher rents and therefore greater operating profit, but the business strategy relies primarily on the assumption that, as property values rise, another investor will be willing to pay a premium for the building in a few years.[35]

When apartment buildings are treated as an asset class, landlords and investors see the rising value of their buildings both as a reflection of potential profit and as the main mechanism through which they actually profit.

The other speculative strategy involves debt, as illustrated in the infographic below. When buyers acquire buildings at ever-higher prices, they often do so with loans from a bank or non-bank financial institution. In this situation, the financial institution is incentivized to agree that the market value of a property has risen, because it profits from the higher loan amount if it is repaid. Over time, the same owner may come back to a financial institution to claim that the value of the property has risen again, which justifies adding to the mortgage to reflect its new assumed value. Many owners refinance their mortgages as often as every few years, and profit by taking out those new debt proceeds as payouts or to cheaply fund other profitable investments—often while neglecting the properties themselves. This financing mechanism, referred to in the real estate industry as "cashing out" or "pulling equity out," is by far the most common instance of converting an increased asset value into profit, and as such figures prominently in our analysis below.

Asset values and negative tenant outcomes

Tenants, organizers, and advocates all have documented how a landlord's efforts to raise net income leads to displacement—by attempting to attract higher-paying tenants through formal or de facto eviction, or by reducing expenses by neglecting properties. In contrast with attempts to raise rental income, the connection between higher asset values and negative tenant outcomes is less obvious, but equally important to explore.

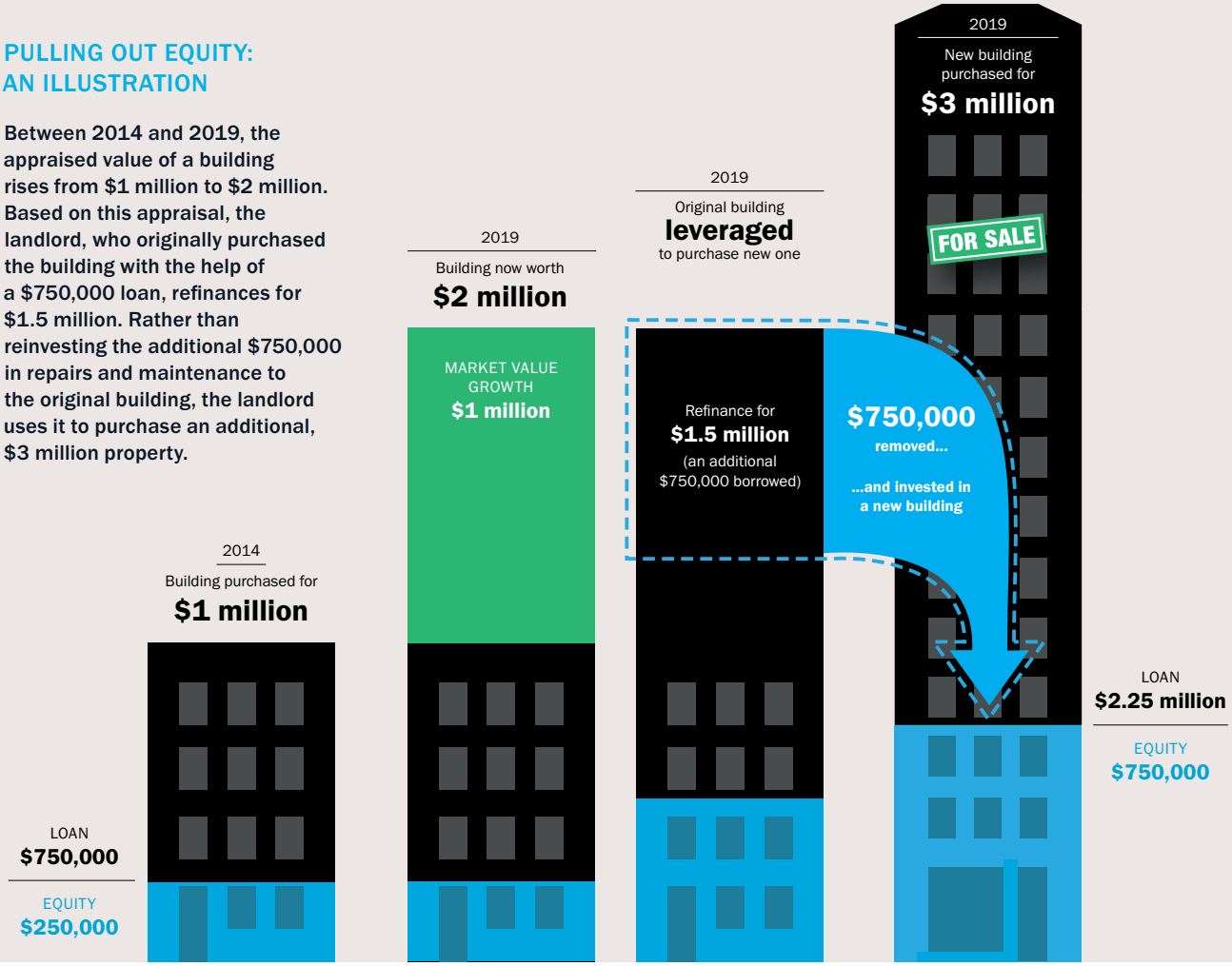
Rising asset values may serve to *lock in* profit-maximizing, abusive management strategies, even though they may do so in different ways. In a building that has been identified as "gentrify-able"– gentrify-able because it is possible to remove tenants and raise rents – buying at a high sale price means that the new landlord accepts they will need to *continue* to displace existing tenants and attract higher-paying ones for the foreseeable future. This self-perpetuating market dynamic has been a major driver of rising rents, and our research explores how it also may directly result in more evictions.

In a building which is *not* seen as "gentrify-able," because it is less feasible to attract tenants who pay higher rents, rising assets may force a landlord to permanently reduce maintenance expenses. That is, unable to raise income after acquiring a building at significant cost, a landlord may reduce regular expenses, defer repairs, or reduce any contributions to capital reserves. In these situations, buildings with high levels of debt—particularly those with lower-income tenants—are more likely to be locked into cycles of neglect and disrepair because landlords will prioritize meeting their debt service over other expenses.

These two potential outcomes of quickly rising asset values—one related to displacement, and the other related to property maintenance—drive the research questions explored below.

PULLING OUT EQUITY: AN ILLUSTRATION

Between 2014 and 2019, the appraised value of a building rises from $1 million to $2 million. Based on this appraisal, the landlord, who originally purchased the building with the help of a $750,000 loan, refinances for $1.5 million. Rather than reinvesting the additional $750,000 in repairs and maintenance to the original building, the landlord uses it to purchase an additional, $3 million property.



The report empirically examines not only the harm that speculation can cause, but also the ways that affordable housing investments can act as a protective force in communities of color.

Tenants and community organizations have drawn attention to the ways that large landlords extract profit from their buildings while harming residents.

CASE STUDY

Examples of speculation in New York City

Case studies of predatory landlord behavior illustrate these dynamics, and the relationship between speculation and its impact on tenants.

Ved Parkash has been seen as one of the city's worst landlords in recent years, with the Northwest Bronx Community & Clergy Coalition (NWBCCC) and Community Action for Safe Apartments (CASA) actively organizing the Parkash Tenant Coalition across Parkash's approximately 71 buildings, mostly in the Bronx. Property records of individual buildings in Parkash's portfolio show that he has owned many properties for decades, and uses a strategy of pulling out equity at three- to five-year intervals to profit from their rising values and to acquire more buildings, while neglecting maintenance and upkeep in his existing portfolio.[36] He is aggressive in filing evictions against tenants, and has gone on record saying he focused on buying buildings in the Bronx because he perceived housing court there to be friendlier to landlords.[37] At one point Parkash had a cumulative total of over 2,200 open housing maintenance violations with the city, and filed more evictions than families housed in his buildings from 2013–2015.[38] In 2019, he evicted 158 families.[39] Documented building conditions include tenant harassment, mold, collapsing ceilings, trash, cockroaches and rats—including a tenant in 750 Grand Concourse sickened by a rat-borne disease[40]—as well as leaks, flooding, and no heat and hot water during New York City winters.[41] Parkash has also been sued for lead paint violations and Section 8 discrimination, and fined for illegally subdividing apartments.[42] During the first year of COVID (from March 2020 to April 2021), Parkash filed at least 650 petitions in housing court, which was about 5% of all Bronx cases during that period. In October 2020, he applied for tax relief with the NYC Tax Commission, arguing that his Bronx portfolio is worth less than it was assessed for.[43]

BELOW: Ved Parkash has been named among New York City's worst landlords in recent years, with Bronx-based Community Action for Safe Apartments and the Northwest Bronx Community & Clergy Coalition organizing tenants across Parkash's buildings. STABILIZING NYC

Unsurprisingly, in our analysis, identified buildings in Parkash's portfolio have much worse violations and evictions than the average both citywide and for the Bronx as a whole (which is already significantly higher than NYC multifamily averages.) From 2014 to 2020, the 56 buildings we identified in Parkash's portfolio had an average of 7.5 violations per unit, compared to 1.14 average across the city. Between 2017-2019, Parkash-owned buildings had roughly 4 times as many completed evictions per unit as an average Bronx multifamily, and 11 times the citywide average. One example of Parkash's debt activity is 835 Walton Ave in the Bronx. Parkash purchased the 60-unit property in 2004 for $3.2 million (under the PARKASH 835 LLC). His initial mortgage was $2.4 million in the same year. In 2008, he refinanced for $3.4 million and again for $3.2 million in 2012. In 2015, he refinanced for $6.3 million.

Steve Croman is one of a very few New York City landlords to face criminal and civil penalties for his actions, largely because of intensive tenant organizing by the Stop Croman Coalition and other community-based organizations such as Good Old Lower East Side (GOLES) and the Cooper Square Committee. Croman owns 150 buildings in Manhattan, mainly in Lower Manhattan and the Lower East Side, and has focused on recruiting shorter-term tenants (such as college students, young professionals, and other transient households) to take advantage of vacancy bonuses and raise rents until apartments exited rent stabilization.[44] He developed a business model of harassment, including low buyouts, pressuring tenants, eviction filings, and ongoing construction.[45] He also renovated apartments to squeeze in additional units, and make cosmetic changes to appeal to higher-income tenants. The building at 221 Mott Street in downtown Manhattan is one example of this strategy. Croman's first building, it initially had 11 units, all rent regulated, and ended with 18 units, only two regulated, with a studio apartment renting at $3000 in 2018.[46]

In 2016, then-New York State attorney general Eric Schneiderman brought a civil suit against Croman for harassing rent-regulated tenants. A separate criminal case charged Croman with 20 felonies for tax and mortgage fraud, related to inflating building values by claiming rent-stabilized units were market rate. He pled guilty to three of the felonies and settled civil charges, paid a $5 million tax settlement and set up an $8 million restitution fund for tenants, and spent one year in jail.[47] Croman's company had to temporarily relinquish management of 100 buildings, but was allowed to select its own third-party manager, NY Management Company, and still owns the properties. Croman's company will resume management of all its buildings in 2023,[48] and since leaving prison in 2018, Croman has purchased 12 more buildings (under ECALP Corp., a company he formed while incarcerated) and still owes $2 million of $8 million in restitution for tenants. The original deadline for restitution was the end of 2020, but he was awarded an extension earlier this year by claiming financial hardship due to COVID.[49] Tenants in Croman buildings continue to report lack of repairs, unsafe construction, eviction lawsuits, and lack of gas.[50] In 2019, Croman was the subject of a class action lawsuit filed by Housing Rights Initiative and Norman Ferrara, alleging that Croman illegally charged market rents for rent-stabilized apartments in Harlem while receiving tax breaks from the state.[51]

Analyses within our data find that Croman's buildings had 1.5x the number of yearly violations as the average Manhattan building, and more than the citywide average as well (6.48 violations per building versus 5.56). During the same period, in our data, Croman took out $392 million in additional debt, for a total of over $584 million. While Croman, like Parkash, rarely sells buildings from his portfolio, he recently listed a collection of 14 properties for sale that exhibit the stark rise in asset values that can result from this type of business strategy. According to property records, Croman purchased the 14 buildings, located entirely in downtown Manhattan, for approximately $36.5 million, mostly in the years around 2008. In early 2021, he placed these buildings up for sale with Marcus & Millichap, a prominent real estate brokerage, for over $121 million.

While disinvestment and speculation are sometimes seen as opposite phenomena, in fact these dynamics are closely interrelated. In a critical 1985 essay, Peter Marcuse described how the two contribute to each other in urban markets, as gentrifying households move into areas that once experienced abandonment, such as Harlem and brownstone Brooklyn, in a "vicious circle . . . in which the poor are continuously under pressure of displacement and the wealthy continuously seek to wall themselves within gentrified neighborhoods."[52] In more recent years, advocates have been drawing attention to the fact that the same distressed apartment portfolios of decades ago are sometimes ones that have been acquired by different waves of institutional investors or private equity, and continue to have poor housing quality.

One example of recurring cycles in the multifamily market relates to a portfolio of 47 buildings in East Harlem. Steven Kessner, who was called one of the city's ten worst landlords in *The Village Voice*'s annual spotlight, sold the properties in 2006 to the international real estate firm Dawnay Day for $225 million, despite the fact that the 1,111 apartments in the portfolio had 2,419 maintenance violations on record.[53] Though the firm had a reputation for lavish yacht- and art-buying, Dawnay Day collapsed in 2009 after letting its housing units fall into greater disrepair, and its East Harlem portfolio was acquired in 2016 by Emerald Equity Group, with the help of debt and equity investments from New York Community Bank, Brookfield, Loancore Capital, Mack Real Estate, and others. While Emerald Equity's plan was to force out tenants, and included attempts to report undocumented households and create unbearable living conditions through illegal renovations,[54] the portfolio ran into financial trouble, so much so that its principals considered applying for a tax exemption usually reserved for providers of affordable housing.[55]

Operationalizing a definition of speculation

As described in the above section, it can be difficult to identify speculative investments, because the business strategies and extent of financial risk assumed by an owner can be defined in multiple ways and may inhere in characteristics of a property or strategies for its management that are not easily observable in our data—for example, in rising, realistic projections about net operating income. (On the whole, however, across New York City, net operating income has *not* kept pace with rising sales prices—in other words, the capitalization rate has declined significantly, as described and explained in Appendix 1.) When assessing speculative risk, neighborhood and building context also matters: multifamily buildings in prime locations, with higher-income tenants arriving who may pay higher rents, or of particularly high maintenance quality, may be seen to be safer investments.

To factor in these characteristics of neighborhood and building context, our measure of speculation builds off of the insight that asset value increases are a measure of profit in housing, and examines how much the *same* property increases its sales price from one sale to the next, adjusting for the length of time between the sales. Employing the additional insight that mortgage refinancings are the most common way for landlords to realize asset price increases, we do the same for debt, measuring how much additional debt a property takes on, adjusted for the time between debt events. For example, a 12-unit building that doubled in sales price after a year (2005 to 2006) would be treated the same as a 12-unit building with a sales price that quadrupled in two years between 2014 and 2016. The strategy is similar to other paired-sales indexes (such as the Case-Schiller index), which are used to understand asset inflation in relative terms. While imperfect, the approach holds constant the property itself and its location, and across all multifamily buildings, it is reasonable to assume that higher leaps in sales price or in debt are likely to be signals of greater speculative risk or signs that equity is being extracted based on relatively inflated assumptions of value.

East Harlem, NYC, where a portfolio of 47 buildings purchased by Emerald Equity ran into severe financial problems.

AJAY SURESH
CC BY 2.0

Throughout this report, we focus on properties in the top quartile of increased sales price and increased debt, to provide a clean "cut point" that can be used to describe cohorts of properties over time. This cut-off, while arbitrary, provides a way to identify properties that have been assigned the greatest additional amount of value over time, even in the overheated New York City housing market. This identification lets us illustrate clear differences between this set of properties and others, but it is important to note that findings hold when examining more linear relationships, that is, when increased sales or debt values are expressed as more continuous measures.[56] It is also important to remember that our data are limited to multifamily properties with five or more units—by definition, they do not include the smaller landlords, often people of color, who are sometimes elevated as being harmed by housing policy change. Both our data and our recommendations focus not on very small landlords hoping to maintain their properties but on wealthy actors who capitalize on buying, re-selling, and extracting debt.

Understanding where speculation occurs

As described above, our analyses allow us to explore where per-unit sales prices increased the most over time, and where the greatest additional amount of debt is extracted from properties over time. This exercise is the foundation for later assessments of the potential impact of these events on tenants, but it is also important to measure *where* additional wealth is being generated on properties tenants do not themselves own. If we find that lower-income, Black and brown neighborhoods generate relatively higher sales-price increases and debt amounts, it is a sign of additional wealth generated by and from BIPOC communities that does not benefit them. This phenomenon has been well-documented by writers such as Keeanga-Yamahtta Taylor[57] and Ta-Nehisi Coates,[58] in the exclusion and exploitation of Black families around homeownership, and this study examines the same exploitative dynamic in the case of renters.

Using our measure of *relative* per-unit, time-adjusted sales-price increases, Manhattan and Brooklyn have the greatest share of sales events in the highest quartile. Combined, they account for about two-thirds of properties and units in this top quartile of higher re-sale value. (See Table 1.) The location of these properties in the city's most expensive borough (Manhattan) conforms to the popular image of where already-high housing markets have become increasingly more expensive during the past two decades. The high number of these properties in Brooklyn reflects that during this period areas of Brooklyn accelerated their gentrification. It also corresponds to the fact that Brooklyn is the most populous borough.

TABLE 1 ▶
Proportion of units in changes in sales price by quartile and borough, among units experiencing repeated sales

BOROUGH	Lowest Quartile - Change in Sales Price	2nd Quartile - Change in Sales Price	3rd Quartile - Change in Sales Price	Highest Quartile - Change in Sales Price	All Repeated Sales
MANHATTAN	40%	31%	34%	32%	34%
BRONX	28%	27%	20%	15%	22%
BROOKLYN	21%	28%	38%	41%	32%
QUEENS	11%	14%	7%	12%	11%
ALL BOROUGHS	100%	100%	100%	100%	100%

Data: Repeated sales, weighted by units in building, 2003-2020

At the same time, there is considerable diversity of income, race, and ethnicity *within* boroughs. Because of this, this broad story of Manhattan- and Brooklyn-driven increases obscures a more granular picture of where values are rising most. Accordingly, we ran regressions linking properties to the characteristics of the census tracts in which they were located, using 2019 estimates from the American Community Survey. This analysis lets us see which community factors were associated with buildings that rose the most in price—in other words, which aspects of neighborhood were associated with speculation.

Over the entire study period (2003-2020), multifamily buildings were most likely to be resold for the greatest increase in price in areas that have higher poverty, higher Black-identified populations, higher Latinx-identified populations, a higher percentage of adults with college degrees, and a growing population.[59] (See Appendix Table 1). This finding cuts against the stereotype of the city's white and affluent neighborhoods becoming astronomically more expensive—in relative terms, gains occurred most in Black and brown neighborhoods. At the same time, it is very much in line with what lower-income, BIPOC neighborhood residents and their advocates have been describing: apartment buildings in their communities have been subject to rising prices, which in many cases has put extraordinary pressure on tenants, as we describe in later sections.

Multifamily buildings were most likely to be resold for the greatest increase in price in areas that have higher poverty, higher Black-identified populations, higher Latinx-identified populations, a higher percentage of adults with college degrees, and a growing population.

Also notable in these findings is the statistical association between speculative sales, the proportion of adults with college degrees, and an increasing local population. In our model, we chose to explore the role of college attainment and population increase, as two factors often used to define gentrification. Tenants, advocates, and researchers all have called attention to the role of gentrification in driving housing costs, so it is not surprising that these factors would also be associated with speculation—in fact, without considering this dimension of community, poverty is negatively associated with the likelihood of a building being resold for higher amounts, which means that signals of gentrification in a local population are an especially important predictor of escalating prices.

Our analysis also shows the role of housing market dynamics in driving speculation. Our model explores the role of the market in two main ways. First, we added variables to account for the year in which a property was resold. The point of this exercise was to see whether hot-market periods helped predict speculative sales. In fact, this appears to be true: speculative sales were more likely to occur between 2003 and 2008 and between 2013 and 2017, which were hot-market periods broken by the Great Recession. For example, the odds of a speculative sale occurring in 2014 is 2.16 times that of another year in the study (2003-2020). Similarly, the odds of a speculative sale occurring in 2015 is 3.21 times higher. (See Appendix Table 1, column 2.) Second, we added a variable that accounted for rising rents in the census tract in which the sale took place. We did so to explore whether higher sales prices may be driven by purchasers' expectations of higher rental income, based on market dynamics in the surrounding area.

Indicators of a 'hot' market are associated with greater increases in a property's value, but signals of race, community distress, and gentrification remain important predictors, even when these market signals are factored in.

Rising local rents do contribute to the likelihood that a building will be re-sold for higher amounts (see Appendix Table 1, column 3). However, even when taking both market-cyclical factors and local rent changes into account, race, poverty, and gentrification still predicted speculative sales, though their predictive value decreases modestly. This finding suggests that trends within the housing market at a given point in time do not tell the entire story of sales-price increases. In other words, indicators of a 'hot' market are associated with greater increases in a property's

value, but signals of race, community distress, and gentrification remain important predictors, even when these market signals are factored in.

A very similar pattern emerges when examining characteristics of neighborhoods where greater debt is taken out on the same property over time. As described above, taking out more debt on a property is another dynamic of speculation, as an owner leverages the asset and the expectation of its increasing value for relatively inexpensive capital. Debt can obviously be used to improve the property, as an individual homeowner does when taking out a line of credit secured by their home to invest in repairs or amenities. However, as we shall see shortly, landlords overall do not effectively reinvest resources in this way, if improved housing maintenance is an indicator.

At the borough level, as in the case of rising sales prices, Manhattan and Brooklyn are the places where the highest amount of increased debt occurs, accounting for about two-thirds of the highest per-unit, time-adjusted transactions.[60] (See Table 2.)

TABLE 2 ▶
Debt change by quartile and borough

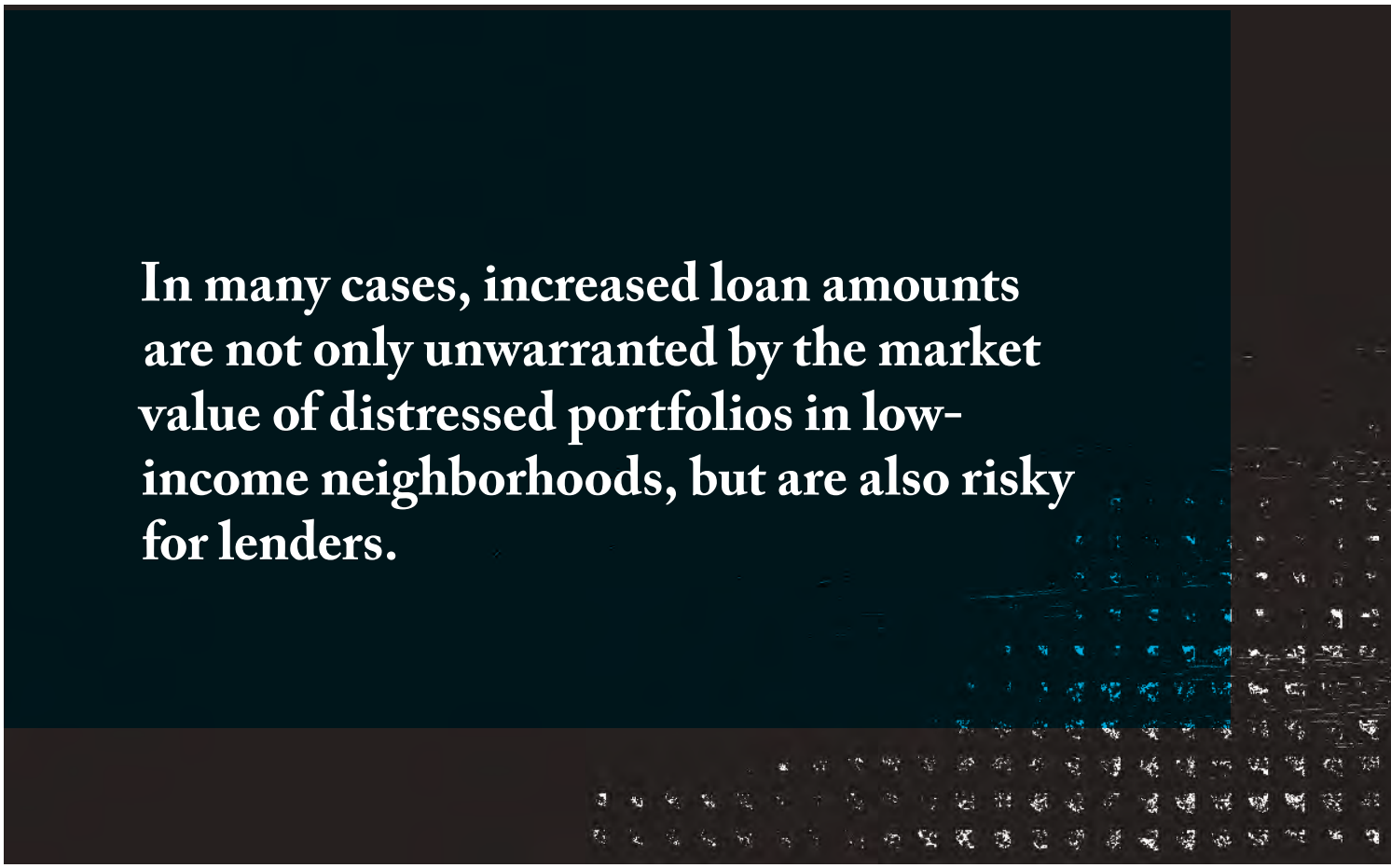
BOROUGH	LOWEST QUARTILE - CHANGE IN DEBT	2ND QUARTILE - CHANGE IN DEBT	3RD QUARTILE - CHANGE IN DEBT	HIGHEST QUARTILE - CHANGE IN DEBT	ALL BBLS WITH CHANGE IN DEBT
Manhattan	45%	34%	33%	38%	38%
Bronx	15%	21%	21%	18%	18%
Brooklyn	26%	25%	30%	30%	28%
Queens	14%	19%	16%	14%	16%
ALL BOROUGHS	100%	100%	100%	100%	100%

Data: BBLs (properties identified by borough-block-lot) with change in debt, weighted by units in building, 2003-2020

More debt is taken out on properties in areas with higher poverty, and higher Black and Latinx populations.

However, when factoring in the role of neighborhood characteristics, we find a pattern similar to that observed in speculative sales: more debt is taken out on properties in areas with higher poverty, and higher Black and Latinx populations. (See Appendix Table 2.) For example, an increase in census tract poverty rate from 20% to 30% is associated with a 14% increase in the odds of a speculative debt event, other factors held constant. Because the relationship is not strictly linear, an increase in poverty rate from 20% to 40% is associated with a 30% increase in the odds of a speculative debt event. Community-level signals of gentrification-type population change —declining poverty, higher proportions of people with college degrees, and increasing populations—are also associated with higher increases in debt.

In many cases, increased debt is supported by a higher valuation of the property by a lender. The more a property is worth, the easier to take out a loan that corresponds to its higher value. One clear indicator of a property's value is the rent a landlord can collect. And when we added changes in neighborhood rents to the model, we did find that these changes had a statistically significant association with a property's taking on the highest levels of increased debt. (Rising rents, however, did not play as significant a role in predicting increased debt as it did in



predicting increased sales prices.) The rent-change variable also did not seem to impact the role of other variables, such as poverty and race, meaning that even when taking rising rent levels into account, the net effect of a building's location in lower-income, BIPOC communities remained similar.

Advocates have been calling attention to the fact that in many cases, increased loan amounts are not only unwarranted by the market value of distressed portfolios in low-income neighborhoods, but are also risky for lenders, because the new valuation may not be based on realistic changes in asset value—it comes, so to speak, out of thin air. This paper does not show that all refinancing is unrelated to the property's underlying value. But the fact that neighborhood poverty is associated with debt increases suggests that local market fundamentals may not support these higher valuations. Instead, our analysis suggests that in many lower-income neighborhoods of color, landlords extract low-cost debt capital in ways that appear to hurt tenants, as described below.

What are the consequences of speculation for the quality of tenants' homes?

It is important to understand how market forces have impacted BIPOC and lower-income communities—to show that the greatest wealth increases for owners are more likely to have been generated in communities of color, from buildings that likely house some of the city's poorest tenants. (In many ways, this central finding speaks to the goals of LISC's Project 10x—to address the racial wealth gap in transformative ways.) But it is also important to show the *consequences* of property owners' speculative wealth building on tenants and communities. To do so, we draw on the fact that the BIP has since its inception collected information on housing maintenance violations the city has recorded on rental properties. In New York, maintenance code violations are reported by tenants and verified by inspectors from the city's Department of Housing Preservation and Development (HPD), which issues citations to the landlord for these problems. HPD violations include a wide range of issues such as fire safety; heat and hot water problems, defective faucets, drains, and pipes; lead-based paint; vermin such as cockroaches, mice, and rats; broken plaster; or trash accumulation in common areas.[61]

In New York's rental market, the greatest wealth increases have been generated for owners in communities of color, from buildings that house some of the city's poorest tenants. This finding speaks to the motivations of LISC's Project 10x – to address the racial wealth gap.

Although violations are an imperfect measure of housing quality, because they are reactive to tenant complaints, they are the best available data source for maintenance quality across all New York apartment buildings. Our analyses of the relationship between speculation and housing maintenance violations starts in 2014, the point at which city databases provided easier-to-access, higher-quality records. This fact limits the time range of the study, but still provides a recent view of maintenance quality and its association with speculative activity.[62]

Speculative sales and housing quality

One might think that buildings with few maintenance problems would be sold for the highest change in prices, reflecting the value of the property. Looking across New York, this expectation holds somewhat true: during our study period, the highest-reselling quartile (or 25%) of properties have about 17% to 20% of all HPD violations, when weighted by the number of units in the building. These properties' share of violations is slightly less than their overall share of units, but more than one might expect given the fact that these properties escalated the most in value. (See Table 3.)

TABLE 3 ▶

Proportion of HPD violations recorded for the top quartile of increased sales prices, weighted by unit

YEAR	ALL BOROUGHS	THE BRONX	BROOKLYN	LOWER MANHATTAN	UPPER MANHATTAN	QUEENS
2014	19%	25%	14%	5%	18%	28%
2015	20%	17%	21%	31%	16%	27%
2016	19%	18%	19%	27%	16%	31%
2017	17%	17%	14%	15%	25%	14%
2018	17%	23%	13%	16%	21%	11%
2019	17%	19%	14%	29%	21%	13%
2020	19%	18%	22%	17%	20%	7%

Data: All BBLs with a repeated sale in 2016-2017 cohort

One of the reasons that buildings that sold for higher values do not have higher maintenance quality is that in some communities, particularly Lower Manhattan and Queens, there are years when the top 25% of units have *more* than their share of maintenance violations. For example, in 2015, 2016, and 2019, the highest-rising quartile of sales prices carried 31%, 27%, and 29% of HPD violations, among resold units. In other words, in those areas, the highest-rising sales prices appear to be for buildings with relatively *worse* quality.

Multiple factors may contribute to housing maintenance problems. Rental income streams are a major driver: the higher the rent rolls, the more that can be directed toward repair. Another is the properties' age and construction features. To account for these factors, we ran regressions that explored the relationship between speculation (in the form of increased prices) and maintenance

Dust and debris resulting from hazardous construction in 346 E. 18th St, a building owned by Steven Croman.

STOP CROMAN COALITION

quality, while holding constant factors like neighborhood poverty and race. We also included borough-level variables, to account for geographic patterns of development that might capture a property's age and construction methods.

As described above, an apartment's location in a lower-income, BIPOC neighborhood made it more likely to be sold for the highest additional amount. Because these places are also neighborhoods with higher housing maintenance problems, it might be possible that the association between higher sales price and maintenance problems is driven by community characteristics and not by the speculative event itself. By controlling for characteristics of poverty, race, and income, we can look at the impact of speculation on housing maintenance problems, over and above these factors.[63]

We find that even when we take these geographic and community factors into account, a property's being acquired as part of a speculative purchase in 2016-2017 predicts more housing maintenance violations on that building in 2018-2020. When examining these dynamics, borough by borough, we find that this overall, citywide association is driven by speculative purchases in Manhattan and the Bronx. (When running regressions independently for each borough, in Brooklyn and Queens, there is no statistically significant association between speculative purchases and housing maintenance violations, after controlling for community characteristics.)

Overall, parcels identified by borough, block, and lot (BBLs) with at least one speculative sale in 2016-2017 have 1.09 HPD violations per unit in 2018-2020, while BBLs without a speculative sale have .53 violations per unit in the same time period—a difference of about .56 violations per unit. This aligns with the model, where the coefficient for total speculative sales in 2016-2017 is .486, which means that, holding all neighborhood characteristics constant, each speculative sale in 2016-2017 is associated with a .486 increase in HPD violations per unit in 2018-2020. (The model outcome is slightly different from the raw data because we control for neighborhood characteristics.)

TABLE 4 ▶

Speculative sales and violations per unit

BBL with Speculative Sale 2016–2017	Total HPD Violations 2018–2020	Total Units	Total Violations Per Unit 2018–2020
Yes	13,025	11,940	1.09
No	1,389,549	2,610,533	0.53
Total	1,402,574	2,622,473	0.53

Speculative debt and housing quality

As described above, another dynamic of speculation involves taking on increasing debt on apartment buildings—a form of financialization that provides low-cost capital that can be used for higher-return investments. As we described earlier, across the city, from 2014 to 2020, the highest sales-price increases were associated with generally better-maintained buildings, with some exceptions. In contrast to those findings, buildings that take on the greatest increase in debt have *more* than their share of housing maintenance problems, when adjusting for building size. The top 25% of buildings acquiring speculative levels of debt account for about 38% of maintenance violations from 2014 to 2020, with some variations by borough. (See Table 5.)

TOP LEFT: Water leaks through a bathroom light fixture in 346 E 18th St. **RIGHT:** Mold and a collapsed ceiling in 321 E. 10th St. **BOTTOM:** The Stop Croman Coalition organizes tenants in Croman's buildings, with support from Good Old Lower East Side (GOLES) and other community-based organizations.

(TOP) STOP CROMAN COALITION; (BOTTOM) STABILIZING NYC

TABLE 5 ▶

Proportion of HPD violations recorded for the top quartile of increased debt, weighted by units

YEAR	All Boroughs	The Bronx	Brooklyn	Lower Manhattan	Upper Manhattan	Queens
2014	38%	35%	48%	47%	29%	21%
2015	35%	35%	41%	34%	29%	25%
2016	34%	31%	35%	32%	36%	32%
2017	37%	35%	41%	38%	36%	33%
2018	37%	37%	39%	31%	42%	27%
2019	38%	40%	37%	29%	39%	28%
2020	38%	42%	40%	22%	36%	30%

Data: All BBLs with a change in debt in 2016-2017 cohort

It is possible that greater debt can be invested back into properties, especially to repair buildings and provide other forms of property maintenance. For this reason, it might also make sense that more debt is taken out on more distressed properties, and there is some evidence that this also occurs—buildings with more maintenance violations in 2016-2017 are more likely to take on the highest additional debt in 2018-2020, as described in Appendix Table 3. (This also affirms advocates' understanding that it is often the same distressed portfolios that take on more debt over time.) Also, as we described above, lower-income neighborhoods of color were most likely to have properties that took on the greatest amount of debt, and these are also the places with the most housing maintenance issues.

For all these reasons, it is important to understand the *net* impact of taking on higher levels of debt on housing violations, by factoring community context into the model. When we do so, we find that even controlling for factors like neighborhood poverty and race, there remains an impact of speculative debt levels on violations. That is, over and above the influence of poverty and race, a building that takes on higher levels of increased debt in 2016-2017 is more likely to have increased maintenance problems in 2018-2020.

Over and above the influence of poverty and race, a building that takes on higher levels of increased debt in 2016-2017 is more likely to have increased maintenance problems in 2018-2020.

Overall, BBLs with at least one speculative debt in 2016-2017 have 1.37 HPD violations per unit in 2018-2020, while BBLs without speculative debt have .51 violations per unit in the same time period—a difference of about .86 violations per unit. This aligns with the model, where the coefficient for total speculative sales in 2016-2017 is .780, which means that, holding all neighborhood characteristics constant, each speculative debt event in 2016-2017 is associated with a .780 increase in HPD violations per unit in 2018-2020. (The model outcome is slightly different from the raw data because of controlling for neighborhood characteristics.)

TABLE 6 ▶

Speculative debt and maintenance problems

BBL with Speculative Debt 2016-2017	Total HPD Violations 2018-2020	Total Units	Total Violations Per Unit 2018-2020
Yes	95,773	70,001	1.37
No	1,306,801	2,552,472	0.51
Total	1,402,574	2,622,473	0.53

As we describe in the section entitled *Understanding dimensions of speculation*, there may be many reasons for this association between debt and poorer housing quality. In some instances, greater debt may directly *cause* maintenance problems. Because landlords use rental income to make mortgage payments, greater loan amounts mean that a higher proportion of rent rolls may be directed toward debt service over building expenses, resulting directly in deteriorating building conditions. In other instances, taking on high levels of debt may be associated with a kind of extractive behavior on the part of landlords—a strategy of drawing out equity to be used for other investments, as described in the Ved Parkash case above. Regardless of the mechanism, this finding has important policy implications, in that taking on high amounts of additional debt is a leading signal of problems for tenants—more powerful even than a speculative increase in sales price.

Urban Homesteading Assistance Board (UHAB) tenant leaders at a rally in support of stronger tenant protections.

STABILIZING NYC

Speculation and displacement

Displacement of lower-income people of color may occur in many ways. As Marcuse argues in the 1985 paper cited above, it can occur directly, as individuals are forced to leave their homes due to landlord harassment, rent increases, or building conditions that threaten family well-being—in other words, through physical or economic means. It can also occur indirectly, and through a form of exclusionary displacement, as BIPOC individuals with lower wages or income who might otherwise have occupied a unit in a community of color are unable to do so, because a higher-income or white household has moved into that dwelling.[64] Data are not publicly available to measure all these forms of displacement, though they are important dynamics of neighborhood change.

> After controlling for location, poverty, and race, owners who took on the most additional debt or bought their property at the steepest price increase are more likely to successfully evict their tenants.

Among *direct* forms of displacement, eviction is one of the most traumatic—an event that is both caused by and exacerbates poverty by subjecting individuals and families to trauma, work and educational disruptions, and in many cases, great expense.[65] In New York City, the lawful eviction process is supposed to start with a notice from the landlord that they require rent to be paid or some lease violation to be corrected. At that point, rather than undergo a court process, many households will choose to vacate their apartment for another, move in with friends or relatives, or seek to enter a shelter. If they do not, the landlord may file for eviction in housing court. There have been around 175,000 to 190,000 such filings per year in the past decade, with the majority in the Bronx, hovering at around 20 filings per 100 private dwelling units each year. Of these filings, about 60% result in some kind of judgment, but only 10% then proceed to the execution of an eviction through court warrant, in part because not every judgment goes against the tenant and in part because many tenants will leave or otherwise resolve their case before such a warrant is executed.[66] Even with pandemic-era restrictions, there are over 220,000 eviction cases pending in New York City housing courts as of early 2022.[67]

For these reasons, even though eviction warrants represent a very small proportion of eviction filings, and an even smaller subset of displacement activity, they are an important phenomenon to study. In contrast to Census data, which are necessary to understand indirect and exclusionary displacement, completed evictions are available at a level that ties the eviction to a specific property. In New York, officers of the court are known as marshals, and various marshal's offices have recorded the dates and addresses where they were ordered by housing court to execute an eviction and give control of the apartment back to the landlord. Building on New York City marshals' records, New York's Housing Data Coalition created a file of executed eviction warrants.

Tenants, tenant organizers, and community organizations have long documented how landlords who have acquired properties at relatively high values, or who hope to sell at higher values, seek to evict longer-term, lower-income tenants in the hope of renting to higher-income tenants at

higher rents. By adding marshals' data on eviction judgments to the analysis file, we were able to examine whether a speculative event—a building being in the top tier of sales-price or debt increase—increases the likelihood of a landlord filing for eviction. Our dependent variable in this case was the number of eviction judgments per unit. Because pandemic-era restrictions changed eviction dynamics (although the restrictions did not stop eviction filings), we ended our analysis in 2019.

Our findings echo and support advocates' longstanding claims. Overall, properties with at least one speculative event in 2014-2016 experienced .0273 evictions per unit in 2017-2019, compared to .0149 evictions per unit in properties without a speculative event—making the eviction rate almost twice as high in properties with a speculative event compared to properties without, as shown in Table 7.

TABLE 7 ▶

Speculative events and eviction warrants

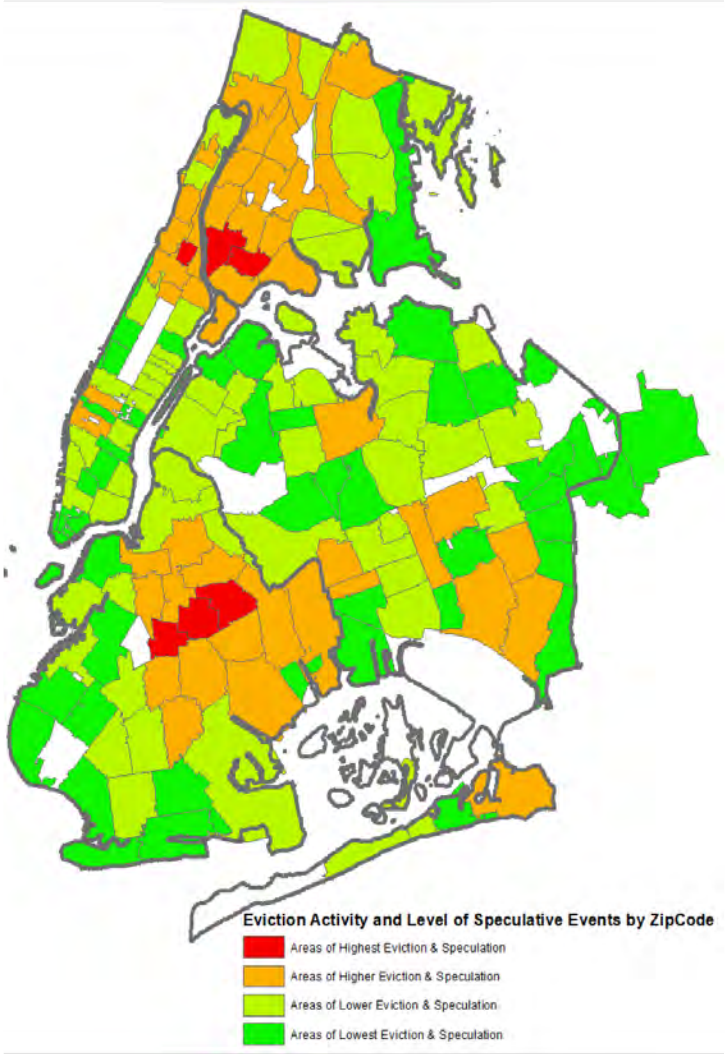
Any Speculative Event (Sale or Debt) 2014-2016	Total Evictions 2017-2019	Total Units	Total Evictions Per Unit 2017 - 2019
Yes	4,355	159,782	0.0273
No	34,661	2,462,691	0.0141
TOTAL	39,016	2,622,473	0.0149

Overall, without introducing control variables, we find that a speculative event in 2014-2016 predicted the rate of eviction judgments per unit in 2017-2019. That is, even when looking only among buildings that experienced some kind of debt or sales event during the time period, being in the top quartile of increased debt and sales-price levels increased the number of evictions per unit. We then introduced community-level controls to show the *net* effect of speculation, over and above neighborhood-level factors such as race and poverty—an especially important comparison, as speculation tends to occur in the same neighborhoods that also see greater levels of poverty and higher levels of eviction. *Even when controlling for the size of the property, poverty, and race, speculation predicts greater evictions per unit—an association that remains even when adding rent change into the model, to account for local market effects.* (See Appendix Table 6.)

Even with pandemic-era restrictions, there are over 220,000 eviction cases pending in New York City housing courts.

When we look at an ordinary least squares (OLS) regression model on number of evictions between 2017 and 2019 with neighborhood characteristics, and apply the mean observations for properties with at least one speculative event and properties with no speculation, properties with speculation have approximately 53% more evictions. Similarly, with a Poisson distribution of the same model, the relative rate of evictions is 1.498 times higher for properties with a speculative event, an outcome similar to the OLS regression and raw data table.

In other words, over and above the effect of location, poverty, and race—and even taking into account signals of gentrification such as rent change—owners who took on more debt or bought their property at more steeply increased prices are more likely to file to evict tenants. There is a straightforward economic logic to this finding—owners hoping to realize greater value on their



SPECULATION AND EVICTION FILINGS IN NEW YORK CITY

This figure examines which zip codes saw the most speculation, measured by the proportion of residential units that saw the greatest time-adjusted, proportional increase in sales price or debt amounts. It then layers this with eviction filings at the zip code level.

Consistent with the experiences of tenants and advocates, our research shows that Upper Manhattan, the Bronx, and Central and Eastern Brooklyn saw the highest amount of speculation and the greatest number of eviction filings, among other places.

properties, or who are feeling the pressure of increased debt, are more likely to initiate eviction proceedings, which results in more completed evictions. Even though the path between these filings and an executed warrant is indirect, the fact that speculation is associated with this level of observable trauma and harm to tenants adds evidence to the need to address it, as described below.

How do affordable housing investments break cycles of speculation and distress?

The findings above grimly illustrate challenging realities for lower-income communities of color in New York: not only is more additional wealth generated (for others) from their homes, but the properties that generate this wealth and capital are more poorly maintained than comparable buildings, and evict a higher proportion of their tenants. At the same time, while New York City has a long history of affordability challenges, housing speculation, and predatory ownership in different forms, it also has a long history of activist tenant and affordable housing movements, which have generated public support for relatively high levels of housing investment—approximately $19 billion from the city's own capital budget in the years from 1987 to 2018. Combined with federal and state resources, this has resulted in approximately 17,000 annual affordable housing units produced or preserved, though at different levels of affordability. [68]

New York City, like other places in the country, has a long history of activist tenant and affordable housing movements.

One opportunity posed by this research is to understand the difference that these affordable housing investments can make. Our preliminary analyses examine how affordable housing investments may be associated with better-quality housing, and with fewer speculative events.[69] We examined this question by merging the data above (about financial and building characteristics) with data from New York University's Furman Center, which collected information about various kinds of affordable housing subsidies directed toward apartments. There are many forms of housing subsidies included in the database, including tax abatements such as 421-a that have been criticized for producing very little meaningfully affordable housing.[70]. Because our primary concern was to identify forms of tenant, community, or nonprofit ownership, we limited our analyses to certain subsidy streams, and excluded other forms of affordability subsidies from the analysis, though for-profit affordable housing owners are also included.[71] Finally, it is worth remembering that we examine only privately-owned buildings, whether they are owned by a for-profit or not-profit entity. We do not include public housing, because it operates through a separate regulatory regime where a lack of funding has resulted in severe housing maintenance issues, and because our overall analysis and the BIP data set is focused on the private market.

When looking across all private rental housing units—including luxury apartment buildings, and newly constructed apartments—there are about one-half to two-thirds fewer violations in subsidized apartments than in unsubsidized apartments.

Affordable housing subsidies and housing quality

A stereotype of affordable housing is that it is of poor quality and is poorly maintained. The opposite appears to be the case. When looking across all private rental housing units—including luxury apartment buildings, and newly constructed apartments—there are about one-half to two-thirds fewer violations in subsidized apartments than in unsubsidized apartments, as shown in Table 8. On the one hand, one might assume that the presence of affordable investments should be associated with better housing quality, because these investments were provided public subsidy for the property's repair or for new construction. On the other hand, many of

ABOVE: Banana Kelly co-founder Harry De Rienzo at affordable housing owned by Banana Kelly in the Bronx.
RICKY FLORES

the buildings that were designated for such efforts had significant maintenance problems to begin with, as described in the case studies below, and they house people with low incomes at affordable rents, meaning that there is not significant, ongoing cash flow to devote to their maintenance. This speaks to the power of these investments and/or their community stewardship in maintaining not just affordability but also residential quality of life for tenants.

TABLE 8 ▶

Total violations per unit for subsidized and non-subsidized properties

YEAR	Total HPD Violations in Non-Subsidized Properties	Total HPD Violations in Subsidized Properties	Total HPD Violations	Total Units in Non-Subsidized Properties	Total Units in Subsidized Properties	Total Units
2014	283,957	18,320	302,277	2,058,499	407,586	2,466,085
2015	357,974	23,517	381,491	2,046,335	419,750	2,466,085
2016	352,024	27,992	380,016	2,027,315	438,770	2,466,085
2017	380,879	36,724	417,603	2,014,032	452,053	2,466,085
2018	427,142	45,213	472,355	1,999,855	466,230	2,466,085
2019	449,411	52,588	501,999	1,986,910	479,175	2,466,085
2020	298,294	39,991	338,285	1,971,335	494,750	2,466,085

Data: BBLs with a selected subsidy vs. all other BBLs (removed BBLs with other forms of subsidy)

The superior maintenance quality of affordable housing versus unsubsidized housing is even more marked when comparing units in lower-income areas. In the Bronx, the city's poorest borough, we see that subsidized units have one-third to one-fifth the violations per unit than those that do not receive subsidies. (See Table 9.) For example, we see that in 2019, there were about 128,000 violations recorded in about 250,000 unsubsidized units, compared to about 21,000 recorded in about 150,000 subsidized units.

TABLE 9 ▼

Total violations per unit for subsidized and non-subsidized properties, in the Bronx

YEAR	Total HPD Violations in Non-Subsidized Properties	Total HPD Violations in Subsidized Properties	Total HPD Violations	Total Units in Non-Subsidized Properties	Total Units in Subsidized Properties	Total Units	HPD Violations Per Non-Subsidized Unit	HPD Violations Per Subsidized Unit
2014	103,694	8,189	111,883	277,611	127,763	405,374	37%	6%
2015	113,112	9,282	122,394	272,939	132,435	405,374	41%	7%
2016	121,454	11,403	132,857	270,165	135,209	405,374	45%	8%
2017	121,941	13,893	135,834	266,265	139,109	405,374	46%	10%
2018	125,724	16,657	142,381	262,618	142,756	405,374	48%	12%
2019	128,472	20,956	149,428	256,651	148,723	405,374	50%	14%
2020	82,429	15,284	97,713	251,514	153,860	405,374	33%	10%

Data: BBLs with a selected subsidy vs. all other BBLs (removed BBLs with subsidy)

When we run regressions that factor in community conditions such as race and poverty, we also find these subsidies are associated with significantly fewer violations. That is, when compared to unsubsidized buildings in similar communities, units with affordable-housing subsidies still are shown to have significantly fewer violations. (See Appendix Table 7.)

For example, BBLs with at least one subsidy in 2014-2015 overall have .086 HPD violations per unit, while BBLs without a subsidy have .326 violations per unit in the same time period, a difference of about -.24 violations per unit. This aligns with the model, where the coefficient for subsidy in 2014-2015 is -.653 (actually larger than the raw difference). Holding all neighborhood characteristics constant, a BBL with a subsidy in 2014-2015 is associated with a .653 decrease in HPD violations per unit. (The model outcome is slightly different from the raw data because it controls for neighborhood characteristics.)

TABLE 10 ▶

Affordable subsidy and HPD violations

Subsidized BBLS 2014-2015	Total HPD Violations 2014-2015	Total Units	Total Violations Per Unit 2014-2015
Yes	43,519	504,008	0.086
No	640,249	1,962,077	0.326
Total	683,768	2,466,085	0.277

Subsidized BBLs include properties that had an active subsidy in either year.

Removing buildings from cycles of speculation

Subsidized properties not only have better maintenance quality, but also are less likely to experience a debt increase or spike in sales value, when compared to all other properties. Overall, about 1.12% of units with a subsidy in 2016-2017 had a speculative event in the same time period. About 3.14% of units without a subsidy in 2016-2017 had a speculative event in the same time period, as shown in Table 11.

TABLE 11 ▶

Speculative events and subsidy

TOTAL UNITS		ANY SPECULATIVE EVENT 2016-2017			% UNITS EXPERIENCING SPECULATIVE EVENT
		Yes	No	Total	%
Subsidized 2016-2017	Yes	2,908	256,190	259,098	1.12%
	No	70,936	2,186,280	2,257,216	3.14%
	Total	73,844	2,442,470	2,516,314	

These data show that buildings with affordable-housing investments—at least while the subsidy is in place—are as a whole removed from the cycles of disinvestment and speculation that so negatively impact tenants and communities. This appears to be driven by a reduction in speculative sales, as owners of affordable housing are less likely to re-sell for higher amounts, though some may take on additional debt that is channeled directly into property improvements, as described in some of the case studies below, as illustrated in the cases below.

The Kelly Street Garden behind the affordable housing owned by Banana Kelly.
RICKY FLORES

Case studies of the protective power of affordable housing investments

Following decades of discriminatory policies such as redlining and urban renewal, the 1970s and 1980s were a period of intense disinvestment, abandonment, and neglect in communities of color in cities across the U.S. In New York City, deindustrialization, white flight, federal funding cuts, and a shift from direct public subsidy to incentivizing private-sector-led development contributed to the city's fiscal crisis and near-default on its debt in 1975. During this time, in a strategy known as planned shrinkage, the city cut public services in low-income BIPOC and immigrant neighborhoods, and many landlords abandoned their buildings or burned them for the insurance payout, particularly in Brooklyn, upper Manhattan, and the Bronx, where some census tracts lost as many as 97% of their buildings to fires.[72] One study estimated that from 1970 to 1983, the city lost 310,000 units of affordable housing to abandonment and demolition.[73]

At the same time, communities devastated by disinvestment organized and fought back, hosting block cleanups, rebuilding homes and businesses, providing needed services, and leading community planning initiatives. Many of New York City's community development corporations (CDCs) and housing organizations were founded as part of these efforts. Groups also engaged in direct actions, including property takeovers and squats, and using sweat equity to repair and rebuild abandoned buildings. Largely because of this organizing, the city's use of *in rem* foreclosure to take ownership of abandoned and tax-delinquent buildings and transfer them to nonprofit or tenant ownership created thousands of units of social housing for low-income tenants of color, including limited-equity cooperatives and mutual housing associations that survive to this day.[74]

The three case studies that follow reflect this history of powerful organizing and advocacy, and illustrate how public subsidy has preserved long-term affordability and improved housing quality. They also underscore the urgent need for bold policies to support nonprofit and community acquisition, and increased investments to make housing affordable to the lowest-income residents and maintain buildings when net operating incomes are limited.

The Cooper Square Committee formed in 1959 to resist Robert Moses's urban renewal plans for Manhattan's Lower East Side.

CASE STUDY

Cooper Square, Lower East Side, Manhattan

Cooper Square on Manhattan's Lower East Side illustrates how community ownership and organizing amplifies the impacts of affordable-housing investments, and preserves public subsidy over the long term. This example involves the dedicated work of three complementary organizations: the Cooper Square Committee, which is the oldest anti-displacement organization in the country; the Cooper Square Mutual Housing Association, a tenant-governed nonprofit that owns and manages affordable housing; and the Cooper Square Community Land Trust, which stewards the land underneath the mutual housing association buildings and protects permanent affordability.

The Cooper Square Committee formed in 1959 to resist Robert Moses's urban renewal plans for Manhattan's Lower East Side, which would have displaced hundreds of working-class and low-income immigrant families, and to promote a community-led alternative plan to preserve affordable housing and keep existing residents in place. The organization successfully blocked Moses's plan and, after over a decade of organizing, won city approval of its alternative plan in 1970. In the ensuing years of disinvestment, New York City's fiscal crisis, and gentrification of Lower East Side neighborhoods, Cooper Square Committee continued its work to fight displacement and organize local residents. As New York City took ownership of thousands of distressed and abandoned multifamily properties through *in rem* foreclosure, Cooper Square Committee began exploring the formation of a community land trust (CLT) paired with a mutual housing association (MHA) to convert distressed properties into tenant-run, permanently affordable housing. The Cooper Square MHA was established in 1991, and the CLT was formed in 1994. Shortly thereafter, the NYC Department of Housing Preservation and Development transferred 20 multifamily buildings to the CLT and MHA at no cost.[75]

COOPER SQUARE COMMITTEE

ABOVE: Tenants in 336 W 17th Street protest construction as a form of tenant harassment.
COOPER SQUARE COMMITTEE

Today, Cooper Square CLT and MHA own nearly 400 units of deeply affordable housing across 24 buildings, affordable on average to households earning 28% of area median income (AMI)—about $30,000 a year for a family of three—and over 20 below-market commercial spaces for local businesses.[76] In addition to providing much deeper affordability than the surrounding area, which has largely gentrified, Cooper Square housing appears to be of higher quality than typical unsubsidized multifamily homes in New York City. LISC's analysis found that Cooper Square buildings averaged roughly one violation per year from 2014 to 2020, compared to 3.5 average violations for Lower East Side buildings of similar sizes and 5.6 violations on average for multifamily buildings citywide. One 14-unit building managed by Cooper Square, located at 65 East 4th Street and acquired in 1996, reflects this finding, with an average of 1.1 violations per year (0.07 violations per year per unit). From 2017 to 2020, there was only one completed eviction among all of Cooper Square's buildings, compared with a citywide multifamily average of .13 evictions per building, and as many as 67 evictions per building per year. Cooper Square Committee continues to provide support to the Cooper Square MHA residents through case management, benefits assistance, and senior services including a visiting nurse program. Cooper Square Committee has also enrolled numerous MHA buildings in the Weatherization Assistance Program and HPD's Green Housing Preservation Loan Program, resulting in the installation of several new high efficiency boilers and other energy efficiency upgrades. The MHA will be installing rooftop solar panels on 5 buildings in the first half of 2022 to power the common areas.

Los Sures has rehabilitated nearly 3,000 homes in over 300 buildings, including 1,000 units of cooperative housing across 43 buildings.

CASE STUDY

Los Sures/Southside United HDFC, Williamsburg, Brooklyn

Home to many working-class and low-income Puerto Rican and Dominican families, the Southside of WIlliamsburg, Brooklyn, was targeted for intense abandonment, planned shrinkage, and illegal evictions in the 1970s. In 1972, community residents came together to found Los Sures/Southside United Housing Development Fund Corporation (HDFC) to rebuild their community, becoming the first community organization to enter into an agreement to manage city-owned property in 1975 and then one of the first to take on a significant rehabilitation project.[77]

LOS SURES

Since then, Los Sures has rehabilitated nearly 3,000 homes in over 300 buildings, including 1,000 units of cooperative housing across 43 buildings, and now manages nearly 30 properties, representing over 800 households in North Brooklyn.[78] In addition to affordable housing development, Los Sures offers tenant organizing, community outreach, senior services, a hydroponic farm, and a community food pantry, and initiatives like the Museo de Los Sures and a collaboration to restore the 1984 documentary *Living Los Sures* and make it available online keep neighborhood stories and histories alive. As Williamsburg rents have skyrocketed—New York University's

ABOVE: In addition to developing affordable housing and limited-equity cooperatives, Los Sures organizes tenants on the Southside of Williamsburg, Brooklyn.
LOS SURES

Furman Center named it among the city's most gentrified neighborhood in 2016[79]—Los Sures continues to fight to prevent displacement and keep longtime residents in place.

One Los Sures building, located at 101 S 3rd Street in Brooklyn, illustrates the challenges of rehabilitating distressed properties with expiring subsidies, as well as the protective power of affordable investments. Los Sures acquired this 35-unit building in 1997, using a combination of Low-Income Housing Tax Credit (LIHTC) 9% credits and 420-c tax exemptions to keep the building affordable. In the years following LIHTC expiration in 2012, Los Sures requested permission from HPD to access reserve funds to make capital improvements to the building, which was built in 1915 and needed systemic upgrades.

In November of 2016, LISC New York City made a $5 million loan to make upgrades to the 101 S 3rd St and ensure it remains affordable into the long term. This investment appears to have protected housing quality as well as affordability: the building averaged just 4 violations per year from 2017-2020 (0.43 violations per year unit)—the period following the loan. This post-investment average is comparable to the average of 4.5 violations for Los Sures properties of similar sizes, and better than the average building in the surrounding neighborhoods of Greenpoint and Williamsburg, where there are 6.9 violations each year, as well as the citywide average of 5.6 violations per year for multifamily buildings.

Banana Kelly's portfolio includes 58 buildings representing over 1,400 affordable homes, with meaningful decision-making occurring through the Banana Kelly Resident Council.

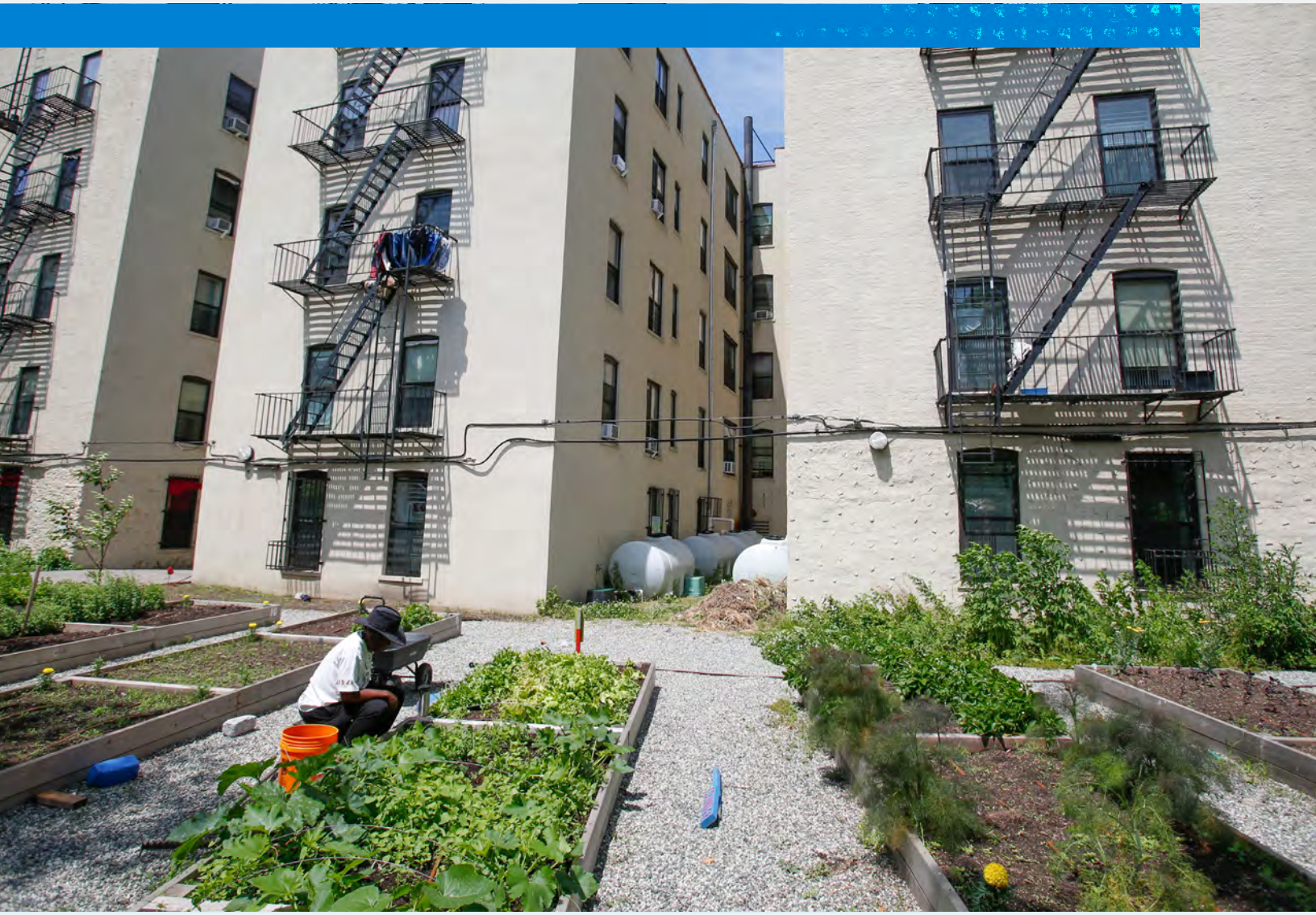
CASE STUDY

Banana Kelly Community Improvement Association, Longwood, The Bronx

The South Bronx was among the neighborhoods hardest hit by disinvestment, landlord abandonment, and fires. The Hunts Point and Longwood neighborhoods lost 70% of their housing stock to fires, and the population declined from 105,000 to 30,000 between 1970 and 1980.[80] In 1978, a group of residents from the banana-shaped block of Kelly Street founded Banana Kelly Community Improvement Association to reclaim and renovate abandoned buildings, adopting the motto, "Don't Move, Improve." Initially a volunteer-led self-help and sweat-equity initiative to rebuild a neighborhood devastated by racist policies and disinvestment, Banana Kelly quickly grew into one of the largest community development organizations in the Bronx.

RICKY FLORES

Today, Banana Kelly's portfolio includes 58 buildings representing over 1,400 affordable homes, which promote resident leadership development and meaningful decision-making through the Banana Kelly Resident Council.[81] Along with affordable housing development, Banana Kelly provides community organizing, case management, supportive housing rental assistance, youth education, and community health initiatives and community gardens. Banana Kelly has also promoted innovative approaches to



ABOVE: The Kelly Street Garden, formed with support from Banana Kelly and Workforce Housing, promotes access to green, healing space and free healthy food for Longwood residents.
RICKY FLORES

community ownership in New York City, both as a founding member of the Joint Ownership Entity of New York City (JOE NYC), a consortium of CDCs that provides shared asset management, and as a member of the NYC Community Land Initiative and developer partner to the East Harlem El Barrio Community Land Trust.

One example of higher-quality affordable housing in Banana Kelly's portfolio is 830 Fox Street, a 58-unit building transferred from city ownership to Banana Kelly in 1995. Since that time, the building has received a mix of LIHTC 4% credits, city 420-c tax exemptions, New York City Housing Development Corporation funds, and HUD HOME program financing to keep it affordable. The property is somewhat unusual for Banana Kelly's portfolio in that it is new construction rather than preservation and rehabilitation, and received substantial investments. LISC's analysis found that 830 Fox Street had significantly fewer violations than similar buildings in the surrounding neighborhood, with 2.7 average violations per year (0.04 violations per year per unit), compared to 16.8 violations per year for buildings in the Hunts Point, Melrose, and Longwood neighborhoods of the Bronx.

Conclusion and recommendations

This report details the costs of speculation to tenants and BIPOC communities. In essence, we find that the greatest increases in landlord wealth are extracted from buildings in the communities of color where tenants receive the lowest wages and income, that buildings that generate the greatest added wealth also hold the most harm for their tenants, and that affordable housing investments provide far superior living standards and remove buildings from cycles of speculation and disinvestment. For practitioners, especially tenant and community organizers, the report's general findings suggest that the finances of rental buildings can provide keys to understanding risks to tenants and tools around which advocacy may be possible.[82] Stemming from those findings, several potential recommendations emerge:

- **State legislatures and local governments should bolster tenant protections and address arrears.** Our research found that higher sales prices and higher debt levels were associated with more eviction filings. Because the pandemic has resulted in significant tenant arrears—in the Bronx, for example, recent estimates are that 23% of rental households are in arrears, with approximately $350 million in total arrears—both tenant assistance and rental protections are critical to prevent a wave of eviction and displacement. These can include extensions of effective rental relief funds, including for those excluded from federal initiatives; good-cause eviction protections; right-to-counsel initiatives; harassment protections; and similar measures. New York City approved an expansion of right-to-counsel to all low-income city residents during the pandemic, and upstate cities Albany, Hudson, Newburgh, Kingston, and Poughkeepsie recently passed good-cause eviction ordinances. Advocates are urging New York lawmakers to enact good-cause eviction (NYS **A.5573**/**S.3082**) and right-to-counsel protections (**A.7570**/**S.6678**) statewide. An additional measure that appears to have been effective in curbing speculation is rent regulation. The 2019 NYS Housing Stability and Tenant Protection Act expanded rent regulations statewide, and the effects of the law can already be seen in a reduction in multifamily rental building sales in 2019. Because tenant protections are not always enforced in practice, government at all levels can fund tenant organizing to hold landlords accountable who would not otherwise meet these requirements.

The greatest increases in landlord wealth are extracted from buildings in communities of color where tenants receive the lowest wages and income; buildings that generate the greatest added wealth also hold the most harm for their tenants; and affordable housing investments provide far superior living standards and remove buildings from cycles of speculation and disinvestment.

- **Government at the federal, state, and local level should support large-scale acquisition funds, to bring distressed rental housing into community and nonprofit ownership and to promote its permanent affordability.** Our research shows how community development investments created better-maintained properties and removed them from cycles of speculation. To expand permanent affordability among distressed rental housing and to curb speculative sales, Tenant Opportunity to Purchase Act (TOPA) and Community Opportunity to Purchase Act (COPA) policies are a particularly promising tool.[83] To be effective, TOPA and COPA policies must be accompanied by significant acquisition funding as well as support for ongoing organizing, capacity building for nonprofit developers, and technical and legal assistance to help tenants and community partners navigate the purchase and rehabilitation process. They can be further strengthened by requirements that housing remain permanently affordable and provide for meaningful resident governance. TOPA has a 40-year track record of preventing displacement and preserving affordable housing in Washington, DC, including helping create over 4,000 units of limited-equity cooperative housing.[84] San Francisco passed COPA in 2019, and Massachusetts (**H.1426**/**S.890**) and New York (**A.5971**/**S.3157**) are considering statewide TOPA legislation, while Berkeley, Los Angeles, Oakland, New York City (**Int. 1977-2020**), and Minneapolis are exploring local opportunity-to-purchase policies.[85] New York governor Kathy Hochul's FY 2023 executive budget has also proposed $400 million in capital funding for homeownership and community stabilization statewide, including a $50 million pilot for shared-equity homeownership, which could potentially start to support tenant and community acquisitions, though advocates note that significantly more and multi-year funding is needed to support acquisitions at the scale required to meet statewide housing needs. Along with TOPA and COPA, preservation purchase programs, like the NYC Acquisition Fund and NYC Pillars, both support nonprofit acquisition of rental buildings, and could be expanded to make nonprofit offers more competitive. Another proposal, for a Social Housing Development Authority, would create a new federal entity empowered to acquire distressed multifamily housing and transfer it to the social-housing sector. But broadly, investments at the federal level in affordable housing—which have declined significantly over time—can be used to acquire and rehabilitate rental housing, and should be increased, as called for in LISC's policy recommendations.[86] LISC also fully supports affordable housing programs targeted to provide flexible acquisition resources to mission-based housing organizations, such as the Housing Investment Fund, and other housing resources initially proposed in the federal Build Back Better legislation. Cases cited throughout the report show how tenant, nonprofit, and community ownership, including community land trusts, mutual housing associations, and limited-equity cooperatives, are particularly beneficial to residents, and should be prioritized in these forms of investment.

- **Local government should expand enforcement actions in properties that are perennially in poor maintenance condition, and explore ownership transfer from predatory landlords into community and nonprofit ownership.** Both speculative purchases and extractive debt were associated with poor housing maintenance. Increased code enforcement focused on poorly maintained portfolios and owners who have histories of neglecting properties would both improve tenant quality of life and potentially disincentivize speculators from deferring maintenance as a profit-making strategy. Code enforcement can create escalating civil penalties for deferred maintenance and tenant harassment, and even involve receivership programs to assign property management of highly distressed buildings to a third-party

Increased code enforcement focused on poorly maintained portfolios and owners who have histories of neglecting properties would both improve tenant quality of life and potentially disincentivize speculators from deferring maintenance as a profit-making strategy.

administrator. Such enforcement programs should focus on investor owners and large property owners with the worst impact on communities. In New York, groups have also called for an expansion of the 7A receivership program to wrest control of distressed buildings away from negligent landlords, with the potential to eventually transfer these properties to community ownership. Tenant organizing is a valuable tool that can leverage code enforcement policies and promote tenant self-determination, and should be supported through government funding.

- **State government should use taxation to discourage speculative sales and debt.** Vacancy and warehousing taxes, flip taxes, and out-of-state transaction taxes all seek to discourage speculative behavior and capture at least some public value from investor ownership.[87] In addition, closing the loophole that multifamily landlords employ to pay partial mortgage recording tax – called a Consolidation, Extension, and Modification Agreement, or CEMA – would discourage frequent refinancing to unnecessarily increase debt levels. Other taxation proposals focus on the value that accrues to privately held property as a result of public investment, infrastructure, and land-use actions. Because even the announcement of proposed land-use changes can drive up property values, as investors seek to capitalize on the possibility of high future returns, land value uplift taxes can recapture some of this increase in value for the public and potentially direct it to affordable housing.[88]

Vacancy and warehousing taxes, flip taxes, and out-of-state transaction taxes all seek to discourage speculative behavior and capture at least some public value from investor ownership.

- **State and federal agencies should use a range of regulatory tools and oversight mechanisms to ensure that mortgage lending benefits tenants – particularly in rental properties where people with lower wages and incomes live.** The fact that increasing debt was a leading signal of maintenance quality problems suggests not only that financing is not generally being directed toward property improvements, but also that it may in fact be harming tenants, as greater mortgage payments take up revenue streams that might otherwise be used for repairs and maintenance. Regulators should ensure that greater debt taken out on rental housing results in improvements for tenants, and lenders should be held accountable, as other investors are, for the quality of the properties on which loans are placed. This can happen in a number of ways. First, they should strengthen the way that the Community Reinvestment Act (CRA) provides incentives for responsible lending to rental housing and regulates investments in housing that receive CRA credit. Currently, as long as a rental housing mortgage is provided in a low- to moderate-income (LMI) census tract and to a building with lower-income tenants, that mortgage is often *assumed* to be community reinvestment. CRA regulators must raise the burden of proof to include commitments to mortgage lending in a manner that does not incentivize displacement or harm for tenants, transparent benchmarking of expense minimums that are consistent with safe housing in all loan underwriting, and clear processes for holding landlord borrowers accountable when

ABOVE: Loans from LISC NYC and the West Side Federation for Senior and Supportive Housing financed upgrades and improvements at Borinquen Court, which provides 145 affordable apartments to seniors in the South Bronx
LISC NYC

they fail to responsibly steward the rental housing against which the mortgage was originated.[89] CRA ratings should also pay much greater attention to lending decisions that advances stable and affordable housing, like financing for non-profit preservation, TOPA acquisitions, or deeply affordable income-restricted units. Banks should also receive CRA credit for creating and expanding "first look" programs to give nonprofit housing developers and local government agencies the first opportunity to purchase distressed debt, with the goal of rehabilitating the properties and keeping tenants in place. Another avenue to ensure that multifamily mortgage lending promotes safe, stable, and affordable housing for regulators to examine how the government-sponsored enterprises' (GSEs), Freddie Mac and Fannie Mae, multifamily loan purchase activity impacts tenants and rents. Over the past decade, the GSEs have become major lenders in the rental market, and have recently come under scrutiny for financing provided to large private equity landlords.[90] The Federal Housing Finance Agency, the agency that oversees *Freddie Mac* and *Fannie Mae*, should work with the GSEs to lead the way in implementing many of the practices described above in the context of the CRA. One way this can happen is through the GSE's examining existing loan portfolios to ensure tenant well-being; scrutinizing new prospective lenders for their track record and to make sure that new debt purchases are used to preserve the quality of property and its affordability, and to prevent displacement; and moving the GSEs to prioritize racial equity goals by advancing low-cost financing for high-quality, deeply- and permanently-affordable affordable development and social housing projects. Advocacy around bank lending to rental housing has long been a priority of New York City tenant groups, and this research confirms the urgency of shifting the way that lenders financing multifamily housing.[91]

Future studies will refine these analyses and examine additional questions about the drivers and impacts of speculation, and the policies and investments that can benefit tenants and communities.

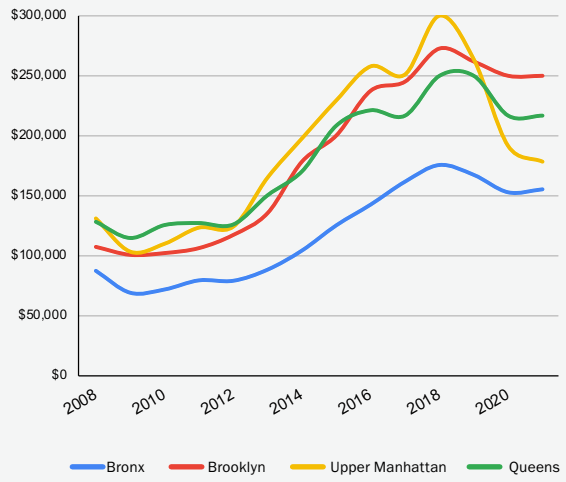
Appendix: Net incomes and asset price increases

At base, rising asset values in New York City multifamily rental housing are a product of rising rents—both through displacement and gentrification and through increasing rent levels on existing tenants—and subsequent rising net operating income, or rental income after expenses. According to the New York City Rent Guidelines Board, between 1990 and 2019, inflation-adjusted rents have increased citywide by over 43%, and inflation-adjusted net income has increased by more than 52%. However, while these increases are significant, they are nowhere near the aforementioned increases in asset values, suggesting that the story of increasing asset values seems to be only partially captured by rent and net-income increases.

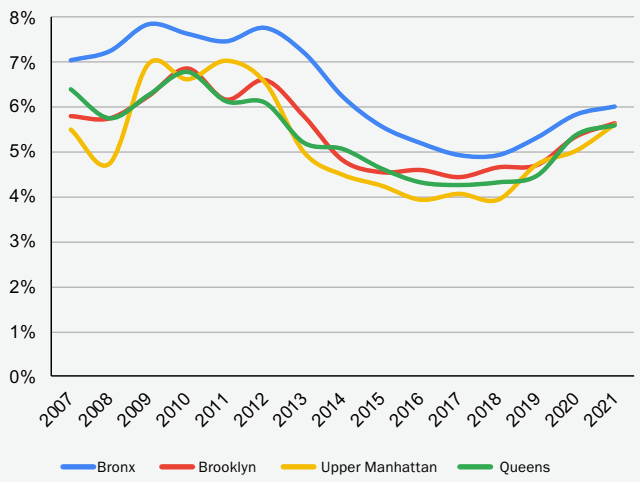
A relatively precise measure of the relationship between asset values and net incomes is a ratio called capitalization (cap) rates. A cap rate is defined as the net income of a property over the sales price; in other words, a cap rate measures what each dollar of net income can carry in terms of prevailing sales price. The two charts below look at changes in sales prices and cap rates in the Bronx, Brooklyn, Upper Manhattan, and Queens, areas with large concentrations of non-luxury multifamily rental housing. The charts show almost parallel movements—as prices rise across all geographies, cap rates fall, and vice versa. This confirms the notion that as prices for multifamily housing rise, they are doing so at a significantly faster rate than net incomes. In the Bronx, for example, cap rates averaged above 8.5% in 2011 and only 5% in 2018, meaning that a Bronx building with $100,000 in annual net income was on average sold for around $1.15 million in 2011, whereas a building with that same net income would have been sold for $2 million in 2018.

Multifamily Median Price Per Unit by Borough

Based on UNJP cleaning & analysis of ACRIS deed data

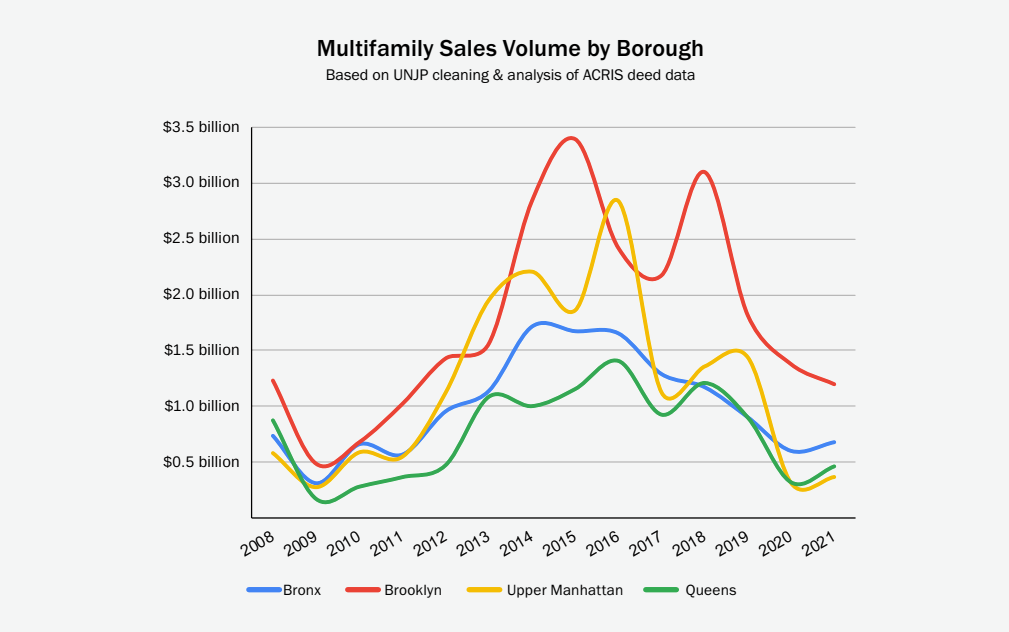


Multifamily Capitalization Rates by Borough



SOURCE: ARIEL PROPERTY ADVISORS HISTORICAL DATA

Given this, what else drives rising asset prices? The most straightforward story, and the one relied on in this report, is that there are significant increases of net income in *some* rental housing—largely those in areas that are gentrify-able—that lead to both a flurry of investment in other potentially gentrify-able housing and a general heating up in the market for any New York City housing, even in areas where rental income increases might be less dramatic. In other words, *future* expectations about the state of the city's housing market are involved in driving up asset prices—expectations that there will be new waves of gentrification in not-yet-gentrified areas, or that the prices of New York City property will simply continue to rise as they have over the previous decades. In this way, the New York City multifamily market exhibits the classic signs of a 'hot' or speculative market, where some huge successes spill over into the market generally and create this tidal wave of price increases. This account is bolstered by the sheer amount of capital flowing into New York City real estate, as shown in the below chart. During the same period where prices per unit increased and cap rates decreased in the above charts, the total sales volume also increased drastically. This would seem to strengthen the story that, as more and more money seeks out profit in a relatively fixed universe of multifamily properties, asset values are bid up beyond net income.



Appendix Tables

APPENDIX TABLE 1 ▼

Community-level correlates of being in top ¼ of increased sales values.

1 is full model; 2 is with a trimmed set of covariates; 3 adds a rent-change variable; and 4 identifies predictors of speculative sales, taking all buildings (not just those with repeat sales) into account.

TABLE 1

LOGIT REGRESSION ON SPECULATIVE SALE	All Covariates, On Repeat Sales	Subset Covariates, On Repeat Sales	Subset Covariates w Rent Change, On Repeat Sales	Subset Covariates w Rent Change, On All Sales
	(1)	(2)	(3)	(4)
Percent Poverty (ACS 2019)	1.3169***	1.0019***	1.0373***	1.3120***
	(3.92)	(3.57)	(3.64)	(5.35)
Percent Poverty Change ACS 2014 - ACS 2019	-0.0625			
	(-1.05)			
Percent Black/African-American (ACS 2019)	0.7381***	0.7635***	0.7697***	1.2255***
	(4.39)	(5.84)	(5.84)	(11.19)
Percent Hispanic/Latino (ACS 2019)	0.5244**	0.5769***	0.5240**	1.1372***
	(2.62)	(3.53)	(3.16)	(8.07)
Percent Asian (ACS 2019)	-0.1451			
	(-0.59)			
Percent Adults w/ College Degree (ACS 2019)	1.3144***	1.4845***	1.2318***	1.1058***
	(4.89)	(7.17)	(5.56)	(5.89)
Percent College Degree Change ACS 2014 - ACS 2019	-0.0638			
	(-1.35)			
Median Household Income (ACS 2019)	0.0000			
	(1.04)			
Population (ACS 2019)	-0.0000***	-0.0000***	-0.0000**	-0.0000
	(-3.74)	(-3.98)	(-2.94)	(-1.05)

TABLE 1

LOGIT REGRESSION ON SPECULATIVE SALE	All Covariates, On Repeat Sales	Subset Covariates, On Repeat Sales	Subset Covariates w Rent Change, On Repeat Sales	Subset Covariates w Rent Change, On All Sales
Population Change ACS 2014 - ACS 2019	0.5379***	0.4713***	0.3900**	0.2816**
	(4.38)	(4.08)	(2.65)	(3.08)
Percent Rent Change ACS 2014 - ACS 2019			0.5547***	0.5638***
			(4.17)	(5.01)
Bronx	-0.5015***	-0.4756***	-0.4455***	-0.4615***
	(-4.21)	(-4.07)	(-3.45)	(-4.10)
Brooklyn	0.0979	0.0741	0.0859	0.1984*
	(1.08)	(0.85)	(0.82)	(2.16)
Queens	0.0094	-0.0231	0.0251	0.1096
	(0.08)	(-0.21)	(0.20)	(1.02)
Upper Manhattan	-0.2546*	-0.2647**	-0.2521*	-0.1455
	(-2.58)	(-2.75)	(-2.32)	(-1.53)
Year 2003	4.8139***	4.8096***	4.8530***	-1.1858***
	(6.44)	(6.44)	(6.47)	(-4.94)
Year 2004	2.6882***	2.6888***	2.7410***	0.3910*
	(14.09)	(14.10)	(13.63)	(2.30)
Year 2005	2.4354***	2.4341***	2.4802***	1.0474***
	(14.59)	(14.59)	(13.92)	(6.44)
Year 2006	1.9136***	1.9110***	1.9334***	1.0367***
	(11.59)	(11.59)	(10.95)	(6.31)
Year 2007	1.1512***	1.1579***	1.1642***	0.7672***
	(6.97)	(7.02)	(6.56)	(4.57)
Year 2008	0.6929***	0.6996***	0.7482***	0.5545**
	(3.96)	(4.00)	(4.00)	(3.12)
Year 2010	0.1849	0.2061	0.2339	0.3327
	(0.97)	(1.08)	(1.14)	(1.70)

TABLE 1

LOGIT REGRESSION ON SPECULATIVE SALE	All Covariates, On Repeat Sales	Subset Covariates, On Repeat Sales	Subset Covariates w Rent Change, On Repeat Sales	Subset Covariates w Rent Change, On All Sales
Year 2011	-0.1161	-0.1218	-0.0093	0.1383
	(-0.61)	(-0.64)	(-0.05)	(0.71)
Year 2012	0.2371	0.2371	0.2568	0.4700**
	(1.39)	(1.39)	(1.40)	(2.66)
Year 2013	0.5228**	0.5303**	0.5508**	0.8332***
	(3.22)	(3.27)	(3.16)	(4.99)
Year 2014	0.7657***	0.7704***	0.7887***	0.9455***
	(4.74)	(4.77)	(4.54)	(5.70)
Year 2015	1.1680***	1.1675***	1.2498***	1.3691***
	(7.35)	(7.35)	(7.33)	(8.41)
Year 2016	0.8588***	0.8568***	0.9156***	1.0995***
	(5.25)	(5.24)	(5.23)	(6.58)
Year 2017	0.5907***	0.6099***	0.6495***	0.8313***
	(3.45)	(3.57)	(3.55)	(4.75)
Year 2018	0.2772	0.2823	0.3567	0.6979***
	(1.58)	(1.61)	(1.90)	(3.88)
Year 2019	0.1048	0.1198	0.2056	0.6059**
	(0.55)	(0.63)	(1.01)	(3.09)
Year 2020	-0.1066	-0.1216	0.0399	0.4090
	(-0.47)	(-0.54)	(0.17)	(1.79)
Constant	-2.9738***	-2.9040***	-3.0485***	-4.6876***
	(-9.68)	(-11.21)	(-11.07)	(-18.96)
Observations	15193	15233	14229	41734
Pseudo R-squared	0.1024	0.1012	0.1020	0.0389

t statistics in parentheses
*** p<0.05, ** p<0.01, *** p<0.001**

APPENDIX TABLE 2 ▼

Community-level correlates of being in top ¼ of increased debt values.

1 is full model; 2 is with a trimmed set of covariates; 3 adds a rent-change variable; and 4 identifies predictors of speculative debt, taking all buildings (not just those with repeat debt) into account.

TABLE 2

LOGIT REGRESSION ON SPECULATIVE DEBT	All Covariates, On Change in Debt	Subset Covariates, On Change in Debt	Subset Covariates w Rent Change, On Change in Debt	Subset Covariates w Rent Change, On All Debt
	(1)	(2)	(3)	(4)
Percent Poverty (ACS 2019)	1.4479***	1.3080***	1.2951***	0.7968***
	(8.04)	(8.24)	(7.97)	(5.43)
Percent Poverty Change ACS 2014 - ACS 2019	-0.0929***			
	(-3.42)			
Percent Black/African-American (ACS 2019)	0.7077***	0.6901***	0.6982***	0.5743***
	(8.12)	(9.71)	(9.71)	(8.79)
Percent Hispanic/Latino (ACS 2019)	0.9020***	0.8834***	0.8840***	0.7165***
	(8.58)	(9.83)	(9.64)	(8.68)
Percent Asian (ACS 2019)	0.1316			
	(1.03)			
Percent Adults w/ College Degree (ACS 2019)	0.9520***	0.8122***	0.7800***	0.6156***
	(6.67)	(7.27)	(6.51)	(5.71)
Percent College Degree Change ACS 2014 - ACS 2019	0.0271			
	(0.94)			
Median Household Income (ACS 2019)	-0.0000			
	(-0.68)			
Population (ACS 2019)	-0.0000**	-0.0000**	-0.0000**	0.0000
	(-3.19)	(-3.18)	(-2.94)	(1.15)
Population Change ACS 2014 - ACS 2019	0.2012**	0.2004**	0.0344	-0.0059
	(2.76)	(2.79)	(0.36)	(-0.07)
Percent Rent Change ACS 2014 - ACS 2019			0.2977***	0.1710*
			(4.02)	(2.54)
Bronx	-0.5164***	-0.5271***	-0.5461***	-0.2825***

TABLE 2

LOGIT REGRESSION ON SPECULATIVE DEBT	All Covariates, On Change in Debt	Subset Covariates, On Change in Debt	Subset Covariates w Rent Change, On Change in Debt	Subset Covariates w Rent Change, On All Debt
	(-8.44)	(-8.81)	(-8.44)	(-4.84)
Brooklyn	0.1479***	0.1483***	0.1086*	-0.0003
	(3.47)	(3.64)	(2.26)	(-0.01)
Queens	-0.1729**	-0.1633**	-0.2086***	-0.2620***
	(-3.10)	(-2.94)	(-3.47)	(-4.74)
Upper Manhattan	-0.2034***	-0.2007***	-0.2349***	-0.0876
	(-4.14)	(-4.13)	(-4.51)	(-1.85)
Year 2003	2.2307**	2.2262**	1.8812*	-3.9386***
	(3.13)	(3.12)	(2.45)	(-7.80)
Year 2004	1.4488***	1.4381***	1.4279***	-1.4394***
	(10.44)	(10.41)	(9.58)	(-12.35)
Year 2005	2.1445***	2.1450***	2.2400***	0.3615***
	(20.87)	(20.91)	(20.26)	(4.26)
Year 2006	1.9280***	1.9235***	1.9870***	0.8226***
	(21.12)	(21.13)	(20.16)	(10.05)
Year 2007	1.4254***	1.4274***	1.4475***	0.9712***
	(17.19)	(17.26)	(16.20)	(12.14)
Year 2008	0.7354***	0.7373***	0.7707***	0.6459***
	(8.82)	(8.87)	(8.56)	(7.78)
Year 2010	-0.0655	-0.0721	0.0037	0.1914*
	(-0.74)	(-0.82)	(0.04)	(2.14)
Year 2011	-0.4565***	-0.4648***	-0.4721***	-0.0664
	(-5.43)	(-5.54)	(-5.18)	(-0.76)
Year 2012	-0.1520	-0.1548*	-0.1397	0.2863***
	(-1.94)	(-1.98)	(-1.65)	(3.57)
Year 2013	0.1930*	0.1873*	0.2189**	0.6720***
	(2.56)	(2.49)	(2.68)	(8.71)
Year 2014	0.6140***	0.6116***	0.6291***	1.0518***
	(8.13)	(8.13)	(7.68)	(13.68)

TABLE 2

LOGIT REGRESSION ON SPECULATIVE DEBT	All Covariates, On Change in Debt	Subset Covariates, On Change in Debt	Subset Covariates w Rent Change, On Change in Debt	Subset Covariates w Rent Change, On All Debt
Year 2015	0.7489***	0.7433***	0.8066***	1.2679***
	(10.07)	(10.02)	(10.00)	(16.74)
Year 2016	0.6987***	0.6940***	0.7371***	1.1365***
	(9.24)	(9.20)	(8.99)	(14.78)
Year 2017	0.2397**	0.2356**	0.2795***	0.7462***
	(3.08)	(3.03)	(3.32)	(9.39)
Year 2018	-0.0895	-0.0910	-0.0634	0.4996***
	(-1.14)	(-1.16)	(-0.74)	(6.19)
Year 2019	-0.2718***	-0.2744***	-0.2552**	0.3394***
	(-3.40)	(-3.44)	(-2.94)	(4.12)
Year 2020	-0.6605***	-0.6667***	-0.6226***	0.0412
	(-7.62)	(-7.71)	(-6.66)	(0.46)
Constant	-2.3881***	-2.2908***	-2.3366***	-3.0715***
	(-15.43)	(-17.32)	(-16.57)	(-23.84)
Observations	51496	51686	45031	77697
Pseudo R-squared	0.0719	0.0716	0.0750	0.0545

t statistics in parentheses
* p<0.05, ** p<0.01, *** p<0.001

APPENDIX TABLE 3 ▼

Exploring temporal relationships between sales, debt, and violations

TABLE 3

	DEPENDENT VARIABLE					
	Total Speculative Sales 2016-2017	Total HPD Violations 2018-2020	Total HPD Violations 2014-2015	Total Speculative Debt Events 2016-2017	Total HPD Violations 2018-2020	Total HPD Violations 2014-2015
OLS REGRESSIONS	(1)	(2)	(3)	(4)	(5)	(6)
Total Speculative Sales 2014-2015	0.008**					
	(3.04)					
Total Speculative Sales 2016-2017		9.195***	7.363***			
		(3.57)	(5.19)			
Total Speculative Debt Events 2014-2015				0.045***		
				(14.36)		
Total Speculative Debt Events 2016-2017					26.693***	13.648***
					(22.64)	(20.99)
Constant	0.006***	18.221***	9.508***	0.027***	17.510***	9.161***
	(21.15)	(89.21)	(84.49)	(42.79)	(85.09)	(80.75)
Observations	76,739	76,739	76,739	76,739	76,739	76,739
R-squared	0.00012100	0.00016600	0.00035000	0.00268000	0.00663000	0.00571000
rmse	0.0790	56.4070	31.0810	0.1720	56.2240	30.9970
F	9.25	12.73	26.89	206.13	512.46	440.77

t statistics in parentheses
* p<0.05, ** p<0.01, *** p<0.001

APPENDIX TABLE 4 ▼

OLS regression results of adjusted violations 2018-2020 on speculative sales 2016-2017

TABLE 4

	DEPENDENT VARIABLE - HPD VIOLATIONS PER UNIT 2018-2020					
	Citywide	Lower Manhattan	Upper Manhattan	Bronx	Brooklyn	Queens
OLS REGRESSIONS	(1)	(2)	(3)	(4)	(5)	(6)
Total Speculative Sales 2016-2017	0.486***	0.418*	1.338***	1.719***	-0.168	-0.038
	(3.74)	(2.48)	(3.60)	(4.72)	(-0.72)	(-0.14)
Percent Poverty (ACS 2019)	0.704***	0.954***	-1.407*	0.546	-0.218	-0.330
	(5.31)	(4.37)	(-2.32)	(1.22)	(-0.77)	(-1.08)
Percent Black/African-American (ACS 2019)	2.008***	-0.542*	1.101*	1.424***	2.082***	0.896***
	(36.90)	(-2.00)	(2.14)	(3.97)	(24.23)	(5.23)
Percent Hispanic/Latino (ACS 2019)	1.208***	0.704***	2.203***	0.591	1.400***	0.799***
	(18.65)	(5.13)	(3.54)	(1.40)	(10.95)	(6.98)
Percent Adults w/ College Degree (ACS 2019)	-0.289***	-0.160	-0.815	-2.521***	-0.855***	-0.280
	(-3.89)	(-1.50)	(-1.19)	(-4.04)	(-5.39)	(-1.82)
Population (ACS 2019)	-0.000	0.000	0.000	0.000	0.000	-0.000***
	(-1.17)	(1.44)	(0.70)	(0.47)	(0.00)	(-3.86)
Population Change ACS 2014 - ACS 2019	-0.227***	0.062	0.007	-0.106	-0.548***	0.131
	(-3.87)	(0.88)	(0.02)	(-0.74)	(-4.51)	(1.50)
Constant	0.304***	0.266*	0.572	1.186**	0.826***	0.470***
	(4.83)	(2.42)	(0.80)	(2.80)	(6.06)	(3.93)
Observations	75,768	17,617	7,132	9,041	29,899	12,079
R-squared	0.047	0.012	0.021	0.021	0.038	0.011
Adjusted R-squared	0.047	0.012	0.020	0.020	0.038	0.010
rmse	2.835	1.215	3.024	3.341	3.494	1.960
F	534.215	30.348	21.680	27.149	167.890	18.740

t statistics in parentheses
* p<0.05, ** p<0.01, *** p<0.001

APPENDIX TABLE 5 ▼

OLS regression results of adjusted violations 2018-2020 on speculative debt 2016-2017

	DEPENDENT VARIABLE – HPD VIOLATIONS PER UNIT 2018-2020					
	Citywide	Lower Manhattan	Upper Manhattan	Bronx	Brooklyn	Queens
OLS REGRESSIONS	(1)	(2)	(3)	(4)	(5)	(6)
Total Speculative Debt Events 2016-2017	0.780***	0.197***	1.454***	1.916***	0.376**	0.177
	(13.09)	(3.50)	(7.91)	(12.14)	(3.20)	(1.26)
Percent Poverty (ACS 2019)	0.672***	0.953***	-1.479*	0.544	-0.229	-0.336
	(5.06)	(4.37)	(-2.45)	(1.22)	(-0.81)	(-1.10)
Percent Black/African-American (ACS 2019)	1.980***	-0.544*	1.049*	1.443***	2.058***	0.890***
	(36.41)	(-2.01)	(2.04)	(4.05)	(23.92)	(5.19)
Percent Hispanic/Latino (ACS 2019)	1.180***	0.705***	2.125***	0.505	1.386***	0.797***
	(18.23)	(5.14)	(3.42)	(1.21)	(10.83)	(6.96)
Percent Adults w/ College Degree (ACS 2019)	-0.317***	-0.159	-0.911	-2.447***	-0.873***	-0.284
	(-4.27)	(-1.48)	(-1.33)	(-3.95)	(-5.50)	(-1.84)
Population (ACS2019)	0.000	0.000	0.000	0.000	0.000	-0.000***
	(-1.33)	(1.46)	(0.45)	(0.30)	(-0.04)	(-3.86)
Population Change ACS2014 - ACS 2019	-0.223***	0.063	-0.001	-0.119	-0.545***	0.132
	(-3.80)	(0.90)	(-0.00)	(-0.83)	(-4.48)	(1.51)
Constant	0.320***	0.260*	0.662	1.164**	0.836***	0.470***
	(5.08)	(2.37)	(0.93)	(2.77)	(6.13)	(3.94)
Observations	75,768	17,617	7,132	9,041	29,899	12,079
R-squared	0.049	0.012	0.028	0.034	0.038	0.011
Adjusted R-squared	0.049	0.012	0.027	0.033	0.038	0.010
rmse	2.83	1.22	3.01	3.32	3.49	1.96
F	557.79	31.23	28.89	45.36	169.33	18.97

t statistics in parentheses
* p<0.05, ** p<0.01, *** p<0.001

APPENDIX TABLE 6 ▼

Association between speculative events and evictions

	OLS	POISSON	POISSON IRR
	(1)	(2)	(3)
	Evictions 2017-2020	Evictions 2017-2020	Evictions 2017-2020
Any Speculative Event (Sale or Debt) 2014-2016	0.293***	0.404***	1.498***
	(10.19)	(9.61)	(9.61)
Units Per Property	0.00957***	0.000514***	1.001***
	(151.45)	(9.07)	(9.07)
Percent Poverty (ACS 2019)	0.420***	0.804***	2.233***
	(4.62)	(3.72)	(3.72)
Percent Black/African-American (ACS 2019)	1.051***	1.862***	6.440***
	(27.94)	(28.42)	(28.42)
Percent Hispanic/Latino (ACS 2019)	0.923***	1.553***	4.726***
	(20.63)	(16.46)	(16.46)
Percent Adults w/ College Degree (ACS 2019)	-0.494***	-1.361***	0.256***
	(-9.62)	(-11.46)	(-11.46)
Population (ACS2019)	0.0000160***	0.0000325*	1.000*
	(5.32)	(2.21)	(2.21)
Population Change ACS 2014 - ACS 2019	0.0890*	0.326***	1.386***
	(2.16)	(9.03)	(9.03)
Constant	-0.169***	-1.525***	70174
	(-3.90)	(-17.84)	
Observations	70174	70174	
r2	0.283		
rmse	1.865		
F	3461.9		

t statistics in parentheses
* p<0.05, ** p<0.01, *** p<0.001

APPENDIX TABLE 7 ▼

Subsidy and HPD violations, 2014-2015

TABLE 7

OLS REGRESSIONS	DEPENDENT VARIABLE - HPD VIOLATIONS PER UNIT 2014-2015		
	(1)	(2)	(3)
Subsidy 2014-2015	-0.167***	-0.653***	-0.673***
	(-6.39)	(-24.48)	(-23.26)
Bronx		0.181***	0.208***
		(5.48)	(5.43)
Brooklyn		0.095***	0.122***
		(4.25)	(4.26)
Queens		-0.188***	-0.163***
		(-6.76)	(-4.96)
Upper Manhattan		0.072*	0.093**
		(2.46)	(2.78)
Percent Poverty (ACS 2019)		0.309***	0.321***
		(3.52)	(3.38)
Percent Black/African-American (ACS 2019)		1.089***	1.095***
		(30.36)	(28.48)
Percent Hispanic/Latino (ACS 2019)		0.869***	0.865***
		(19.70)	(18.17)
Percent Adults w/ College Degree (ACS 2019)		-0.209***	-0.218***
		(-3.90)	(-3.53)
Population (ACS 2019)		0.000**	0.000**
		(2.85)	(3.08)
Population Change ACS 2014 - ACS 2019		-0.117**	-0.154***
		(-3.17)	(-3.36)
Percent Rent Change ACS 2014 - ACS 2019			0.034
			(0.75)
Constant	0.557***	0.126*	0.085
	(86.84)	(2.24)	(1.33)

TABLE 7

OLS REGRESSIONS	DEPENDENT VARIABLE - HPD VIOLATIONS PER UNIT 2014-2015		
	(1)	(2)	(3)
Observations	65,875	65,860	57,241
R-squared	0.0006	0.0668	0.0591
Adjusted R-squared	0.0006	0.0666	0.0589
rmse	1.596	1.543	1.643
F	40.826	428.201	299.613

t statistics in parentheses
* p<0.05, ** p<0.01, *** p<0.001

APPENDIX TABLE 8 ▼

Subsidy and speculative events, 2016-2017

TABLE 8

LOGISTIC REGRESSIONS	DEPENDENT VARIABLE - ANY SPECULATIVE EVENT 2016-2017			
	(1)	(2)	(3)	(4)
Subsidy 2016-2017	0.526***	0.291*	0.327*	-1.190***
	(3.64)	(1.97)	(2.19)	(-10.27)
Bronx		-0.196	-0.239	0.196
		(-1.40)	(-1.56)	-1.5
Brooklyn		0.232*	0.166	0.124
		(2.29)	(1.37)	(1.17)
Queens		0.11	0.069	-0.092
		(0.84)	(0.48)	(-0.72)
Upper Manhattan		-0.18	-0.216	-0.034
		(-1.48)	(-1.65)	(-0.30)
Percent Poverty (ACS 2019)		1.773***	1.768***	1.275***
		(4.86)	(4.77)	(4.18)
Percent Black/African-American (ACS 2019)		1.360***	1.357***	2.177***
		(7.94)	(7.85)	(15.34)

TABLE 8

LOGISTIC REGRESSIONS	DEPENDENT VARIABLE - ANY SPECULATIVE EVENT 2016-2017			
	(1)	(2)	(3)	(4)
Percent Hispanic/Latino (ACS 2019)		0.947***	0.875***	1.815***
		(4.36)	(3.95)	(9.88)
Percent Adults w/ College Degree (ACS 2019)		1.103***	0.869**	1.342***
		(4.13)	(3.04)	(5.61)
Population (ACS 2019)		0.000	0.000	0.000***
		(-0.28)	(-0.11)	(3.64)
Population Change ACS 2014 - ACS 2019		0.449**	0.322	-0.024
		(2.58)	(1.47)	(-0.16)
Percent Rent Change ACS 2014 - ACS 2019			0.384*	0.14
			(2.10)	(0.93)
Constant	-0.911***	-2.357***	-2.294***	-5.465***
	(-35.99)	(-8.62)	(-7.94)	(-22.51)
Observations	7,832	7,831	6,922	58,210

t statistics in parentheses
* p<0.05, ** p<0.01, *** p<0.001

Endnotes

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63 We also looked at temporal relationships—whether housing violations tend to follow or precede a speculative sale. There is some evidence that in New York, the same set of apartment buildings are being resold for higher and higher values, and also have increased debt taken on them. Appendix Table 3, columns 1 and 4, shows statistically significant correlations between a property being in the top quartile of debt increases in 2014-2015, and *also* being in the top quartile of debt increase in 2016-2017. Across the city, a building that was just sold for a high value in 2016-2017 was more likely to have more housing violations in 2018-2020. This counterintuitive finding (counterintuitive because one might expect that properties sold for escalating amounts are likely to be of higher quality) suggests that speculation may in fact be driving maintenance problems, though we return to this question in a more nuanced way by inserting controls. The same is true, although to a lesser extent, in the reverse direction—buildings with more maintenance problems in 2014-2015 were more likely to be sold for more in 2016-2017. As we describe above, this suggests that in many cases it is the same set of ill-maintained properties that are subject to speculative investments. Looking across the city, there is also an association—a much stronger one—between buildings that took on the most debt in 2014-2015, and those with more violations in 2016-2016. At a high level, this suggests that the value extracted from a property in the form of debt is not on the whole channeled back into its maintenance—instead it is a leading indicator and potential cause of maintenance problems.

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