



NEW YORK STATE SENATOR

Velmanette Montgomery

16 Brooklyn Families Save Their Building from Foreclosure, Habitat for Humanity New York City Provides a Life-Line

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Grit and tenacity of the residents of 2178 Atlantic Avenue HDFC pays off as a \$893k Fresh Start Loan from the Habitat NYC Community Fund stabilizes the building after decade-long fight to keep their homes

August 20th, 2020 – Brooklyn, NY – Today, The Habitat NYC Community Fund (Community Fund), a subsidiary of Habitat for Humanity New York City (Habitat NYC), announced the successful preservation of 2178 Atlantic Avenue HDFC (the HDFC) – home to 16 Brooklyn families. The Community Fund, a federally certified Community Development Financial Institution (CDFI), announced today the closure of a Fresh Start loan that provided the critical financing necessary to save the building from foreclosure and bankruptcy.

“Through our expanded work in housing preservation, we have been able to play an integral role in supporting this community’s fight to save itself,” said Chris Illum, Executive Director of the Habitat NYC Community Fund. “For the multiple generations who call 2178 home, the multifaceted support of technical assistance, debt financing, and pro-bono legal has helped provide a stable foundation for the future of 2178 Atlantic Ave HDFC.”

In partnership with the residents, Brooklyn Law School, and Kramer Levin Naftalis & Frankel LLP, which represented the HDFC on a pro bono basis in its bankruptcy case, the Community Fund provided \$893,000 in financing for 2178 Atlantic Avenue, a 16-unit not-for-profit membership co-op in Brownsville, Brooklyn. The predatory actions by a land speculator and some previous failures at multiple government agencies put the building at grave risk of loss to the market, making the units unaffordable for the 16 multi-generational families who call the building home.

“Habitat for Humanity New York City’s commitment to 2178 Atlantic Ave HDFC was simply life changing! After months of facing multiple obstacles and challenges, we were literally weeks away from losing our property,” said Earline King, President of the 2178 Atlantic HDFC. “Habitat NYC stepped in and provided the financing which allowed us to keep our home. Three generations of families are forever grateful.”

The HDFC incorporated in 1980 with the support of U.S. Department of Housing and Urban Development (HUD) as well as NYC Department of Housing Preservation and Development (HPD) as a

Homesteader building. The City of New York granted the building a 20-year tax abatement at the completion of the renovation and co-op conversion.

The co-op was financially stable during the years of their tax abatement; they paid off the entirety of their rehabilitation loan with the City and approximately 90% of their HUD loan. However, after the abatement expired, HUD sold the remaining principle balance in their

publicly financed note to a private debt holder. The building's taxes were incorrectly levied as market-rate and they struggled to keep up. The situation became untenable and the building was destabilized.

For ten years, the HDFC fought to secure tax relief and finally obtained a City Council resolution permitting the HDFC to obtain full and partial real property tax exemptions on the property, running for an aggregate term of 40 years and retroactive to 2005. However, by the time the building secured the tax relief, the private note holder had begun to increasing the negative escrow debt to well above the original note value. The City was unable to release the back taxes they owed the building, which could have satisfied the inflated claims, until the foreclosure action was resolved. The building, and the families who lived there, were caught in an impossible situation.

Council Member Alicka Amprey-Samuel said, "Today I congratulate the families of 2178 Atlantic Avenue and Habitat for Humanity for staying motivated and seeing this much deserved victory. This is a testament of staying the course, not giving up and staying mission driven. Real estate has become so profitable that many people have lost focus on housing as a basic right and see it as a commodity. Preserving and creating opportunities for affordable homeownership for our community members is a priority and I am proud to have partners that are working with and for families."

Despite securing the tax exemption and rebate for improperly collected back-taxes, the residents still needed to cover the required payoff amount to avoid foreclosure. Through a six-month Bridge Loan from the Community Fund, the co-operative is able to pay off the outstanding debts and access approximately \$500,000 in tax refunds to pay down the new financing quickly. Habitat NYC's Housing Preservation Program provided technical assistance (TA) for the co-op so the HDFC could access the necessary financing of \$893,000 and return the building to its resident owners.

The partners involved in this project propose to preserve the building in perpetuity with the Interboro Community Land Trust, New York City's first citywide CLT. Interboro intends to support the co-op in keeping it affordable for many generations of low to moderate income New Yorkers.

"The financing and support from the Community Fund and Habitat for Humanity New York City was the critical piece to the puzzle that allowed these residents to successfully win the long fight for their homes," said Debbie Bechtel, a Professor at Brooklyn Law School and director of its Corporate and Real Estate Clinic which has represented the building for seven years. "Without their support there is strong reason to believe the residents would have lost their building."

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I am overjoyed that the shareholders at 2178 HDFC have been able to save their building. I thank Habitat for their leadership in seeing this project through and securing the funding to get this HDFC out of the hands of a speculative developer. And I thank my colleagues and the young lawyers at Brooklyn Law School who provided assistance every step of the way," said State Senator Velmanette Montgomery. "It is important that we do not forget what happened here. A predatory entity was able to make a huge profit by buying their mortgage at a discount and running the debt up for years. We need to have a real discussion about how to prevent this kind of behavior in the future and support efforts to create and maintain all forms of affordable homeownership."

To read the full press release, click [here](#).