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

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."

"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.”



The exterior of 2178 Atlantic Avenue.

“I applaud the tenacity of the 2178 Atlantic residents. From the first meeting that I had with residents of 2178 Avenue HDFC, I knew that this situation was one that we collectively could resolve. The saving of 2178, should serve as a notice to real estate predators that we will fight for our community, and to residents to not give up hope and seek help as soon as possible. Housing should not be an option but a human right, as Former President Jimmy Carter has said. I want to thank Habitat for Humanity for stepping in and assisting with the saving of this 16-unit familial building. Their assistance has been imperative in this fight. I will continue to advocate and support any and all efforts through education, helping obtain financial resources, and speaking up as often as is needed so that our future generations can live and work in Brooklyn and call their houses homes. I also will continue to support any and all efforts to help stabilize our community and offer fair, affordable and adequate housing to the residents of Brownsville, Brooklyn. It is a right, not an option,” Assembly Member Walker said.

“We are very pleased with the outcome of this matter and grateful for the opportunity to advocate on behalf of the HDFC in its chapter 11 case,” said Douglas H. Mannal, a partner at Kramer Levin Naftalis & Frankel LLP. “The successful reorganization of the HDFC would not have been possible without the tenacity of the HDFC’s tenants, community support for the HDFC, and the financing made available through the Community Fund,” said Joseph A. Shifer, a special counsel at Kramer Levin Naftalis & Frankel LLP and the HDFC’s lead trial attorney.

“The resilience of the residents at 2178 Atlantic Avenue to fight to preserve their housing in the face of predatory land practices is extraordinary,” said Greg Maher, the Leviticus Fund’s Executive Director. “We welcome the opportunity to partner with The Habitat NYC Community Fund to provide our type of highly flexible capital that will maintain their housing as affordable for generations to come.”

“These tenacious homeowners have faced so many hurdles in their fight to hold onto their homes. I am so proud that Habitat for Humanity New York City was able to support them in winning this decades-long struggle,” said Karen Haycox, CEO of Habitat for Humanity New York City and President of the Community Fund. “Across the five boroughs there are so many multi-family developments that lack access to the capital and technical assistance necessary to stabilize their buildings physically and fiscally. Through our Community Fund, Habitat NYC is leveraging our brand, bandwidth and our balance sheet in order to provide these buildings with the resources that they need, helping to improve communities and maintain stable, resilient and safe homes for hardworking, low-income families.”

Habitat for Humanity New York City launched the Community Fund in 2018 to develop or preserve more than 1,500 units of affordable housing through \$4.5 million in loans within the next five years. The Community Fund promotes community development and homeownership and expands the availability of affordable housing by providing financing and technical assistance and other educational and development services. The Community Fund achieves this largely by providing homeowners, co-operatives or similar entities with the capital necessary to escape arrears or make capital improvements. The Community Fund can also provide critical assistance to not-for-profit developers who build and preserve affordable housing in communities outside the five boroughs, opening up the opportunity for greater impact in the development and preservation of affordable housing across the State of New York.

CDFIs are certified by the U.S. Department of the Treasury’s [Community Development Financial Institutions Fund](#). Certified CDFIs must have a primary mission of promoting community development in distressed communities; provide financial products and services; and maintain accountability to the communities they serve. The Habitat NYC Community Fund will provide low- to moderate-income (LMI) New York homeowners in income-restricted cooperative developments with financial lending and technical assistance designed to strengthen their ability to remain in their homes.

About The Habitat NYC Community Fund

[The Habitat NYC Community Fund](#) is the critical component of [Habitat for Humanity New York City’s](#) Preservation Program, which provides access to affordable, small-scale financing. The Community Fund extends credit to communities that traditionally have limited access to capital, including resident-owned affordable housing developments or non-profit organizations that create and preserve affordable housing. The Community Fund is a market-based and sustainable approach to supporting, preserving and creating affordable housing, with a goal to support the development or preservation of more than 1,500 units of long-term LMI affordable housing within its first five years.

About Habitat for Humanity New York City

Habitat for Humanity New York City transforms lives and communities by building and preserving affordable homes with hardworking families—and by uniting all New Yorkers around the cause of affordable housing and homeownership. With the help of thousands of volunteers each year, Habitat NYC builds and repairs homes for families across the five boroughs. Learn more at www.HabitatNYC.org and connect with us on [Facebook](#) or follow us on [Twitter](#) and [Instagram](#) at @HabitatNYC.

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