



TESTIMONY REGARDING

Three-Quarter House Task Force
Proposed Int. No. 153-A

PRESENTED BEFORE:
THE NEW YORK CITY COUNCIL'S
COMMITTEE ON GENERAL WELFARE AND
COMMITTEE ON HOUSING AND BUILDINGS

PRESENTED BY:

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APRIL 29, 2019

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I. INTRODUCTION

Mobilization for Justice (“MFJ”) envisions a society in which there is equal justice for all. Our mission is to achieve social justice, prioritizing the needs of people who are low-income, disenfranchised, or have disabilities. We do this by providing the highest quality direct civil legal assistance, conducting community education and building partnerships, engaging in policy advocacy, and bringing impact litigation.

MFJ has long recognized the importance of protecting tenants’ rights in three-quarter houses through advocacy, litigation, and organizing. Since 2009, MFJ has provided legal assistance and representation to three-quarter house tenants through eviction defense and affirmative litigation. MFJ convened the Three-Quarter House Reform Coalition¹ to conceptualize and secure meaningful changes in the policies that have spurred the growth of the three-quarter house industry. Additionally, MFJ partners with the Three-Quarter House Tenant Organizing Project (“TOP”), a tenants’ union of current and former three-quarter house tenants working to improve housing conditions and put an end to the illegal treatment of tenants.

We appreciate the Joint Committee’s important work to elevate the discussion concerning Three-Quarter Houses. People living in three-quarter homes face countless, compounding challenges on a daily basis. They may be recovering from substance dependence. They may live with mental and physical disabilities. They may face stigmas and prejudice from their touches with the criminal justice system, as many have recently been incarcerated. They may be cash-poor, and often must rely on a precarious patchwork of welfare systems for survival. For these reasons, three-quarter house tenants are often overlooked by social institutions. However, their isolation and vulnerability are not inherent. Rather, it is an unjust byproduct of corrupt landlords, mass incarceration, and a lack of regulation and oversight of this industry. We know that all New Yorkers deserve dignity. All New Yorkers deserve respect. And most certainly, all New Yorkers deserve fair treatment under the law. For these reasons, it is imperative that the Council pass Intro. 153-A to ensure that three-quarter house tenants can live in healthy homes, access city services,

¹ Three-Quarter House Reform Coalition members include MFJ, Neighbors Together, Brooklyn Defender Services, Center for Court Innovations, Center for Employment Opportunities, Community Service Society, Correctional Association NY, Federal Defenders, The Fortune Society, Greenhope Services for Women, Legal Action Center, Legal Aid Society, Neighborhood Defender Services, New York City Anti-Violence Project, Office of the Appellate Defender, The Osborne Association, The Prisoner Reentry Institute at John Jay College, The Three-Quarter House Tenant Organizing Project, and VOCAL New York.

and advocate for their rights.

II. MASS INCARCERATION, POVERTY, AND THE NEW YORK CITY HOUSING CRISIS

“Three-quarter houses” are private housing operated under the guise of providing supportive services to its residents. Landlords often falsely pose as social service providers, luring desperate homeless people into dangerous, overcrowded buildings where they are exploited for their government benefits. Our clients are referred to three-quarter houses from jails, prisons, parole programs, substance abuse treatment programs, hospitals, and soup kitchens.

As of 2016, there were over 77,000 incarcerated people in New York State jails and prisons.² 9,674 of those inmates were housed in New York City facilities. Generally, inmate populations have decreased over the past decade. Non-NYC facilities saw an 11% decrease in general population since 2009.³ This follows a state-wide trend of reducing mass incarceration that began in the 1990s, which has led to sweeping changes in police practices, sentencing reforms, and prosecutorial policies.⁴

In sharp contrast, New York City’s homelessness and housing crisis has continued to worsen. Staggeringly, New York City’s homeless population currently exceeds its number of inmates statewide. In 2017, 78,676 New Yorkers experienced homelessness.⁵ New York City’s homeless population accounts for 14% of homelessness nationwide.⁶

When taking these trends into account, it is not surprising that the three-quarter house industry has flourished in recent years. When MFJ first undertook this specialized housing work in September 2009, the Coalition for the Homeless estimated that there were sixty-two houses citywide.⁷ In 2015, that number mushroomed to 600 estimated three-quarter houses in Brooklyn

² New York State Commission of Correction, *Inmate Population Statistics, Inmate Population Statistics*, available at <https://scoc.ny.gov/pop.htm>

³ New York State Commission of Correction, *Jail Daily Population Reporting System (as of 1/15/2019)*, available at https://www.criminaljustice.ny.gov/crimnet/ojsa/jail_pop_y.pdf

⁴ “How New York City Reduced Mass Incarceration: A Model for Change?” Vera Institute, Jan. 2013, available at https://storage.googleapis.com/vera-web-assets/downloads/Publications/how-new-york-city-reduced-mass-incarceration-a-model-for-change/legacy_downloads/how-nyc-reduced-mass-incarceration.pdf

⁵ HUD, The 2018 Annual Homeless Assessment Report (AHAR) to Congress, Dec. 2018, available at <https://www.hudexchange.info/resources/documents/2018-AHAR-Part-1.pdf>

⁶ Kristin Toussaint, *14 percent of the nation's homeless population are in New York City*, Metro, December 19, 2018, available at <https://www.metro.us/news/local-news/new-york/homelessness-in-nyc-hud-report>

⁷ Coalition for the Homeless, *Warehousing the Homeless: The Rising Use of Illegal Boarding Houses to Shelter*

alone.⁸ And these are only the three-quarter houses that we have learned about. We believe that there are many more and that their numbers are continuing to grow.

Referrals to three-quarter houses from New York City Department of Homeless Services (“DHS”) have diminished in the last few years. The City and State also have aggressively prosecuted the most corrupt and criminal three-quarter house owners. Nonetheless, the three-quarter house industry shows no signs of disappearing. The lack of truly affordable housing in New York City, combined with a severe shortage of meaningful housing assistance for very-low-income single adults without children, perpetuate the existence of three-quarter houses. The industry’s existence is a symptom of the affordable housing crisis—an epidemic that has left very low-income single adults without any viable alternative or pathway to stable housing.

III. THE TASK FORCE ENFORCES HOUSING STANDARDS, PROVIDES ESSENTIAL SERVICES TO THREE-QUARTER HOUSE TENANTS, AND MONITORS ABUSIVE OPERATORS

A. Hazardous Conditions

Virtually all of MFJ’s three-quarter house clients report hazardous living conditions, such as extreme overcrowding, no heat or hot water in cold weather, and vermin infestation. Sleeping rooms are often crammed with two to four bunk beds for up to eight individuals, impeding access to doorways and windows. Closets and kitchens are turned into bedrooms. Prevalent substandard conditions also include jury-rigged electrical wiring, plumbing back-ups, and buildings housing dozens of tenants with no fire escapes or sprinklers. New York City Department of Housing Preservation and Development (“HPD”) and Department of Buildings (“DOB”) records confirm that such violations are widespread in three-quarter houses.⁹

Homeless New Yorkers (hereinafter “Warehousing the Homeless”) 2 (January 2008), available at http://coalhome.3cdn.net/ddc8dd543ded03ff12_lpm6bh1cr.pdf.

⁸ Kim Barker, *A Choice for Recovering Addicts: Relapse or Homelessness*, New York Times, May 30, 2015, available at <https://www.nytimes.com/2015/05/31/nyregion/three-quarter-housing-a-choice-for-recovering-addicts-or-homelessness.html>

⁹ A total 3,678 agency violations were found by the Task Force in its latest report. See Three-Quarter Housing Task Force, *Three-Quarter Housing Quarterly Report (Report Period: June 1, 2015 - September 30, 2018)*, available at https://www1.nyc.gov/assets/operations/downloads/pdf/2018_10_16_tqh_report_q3_2018_final.PDF; see also Prisoner Reentry Institute, John Jay College of Criminal Justice, *Three Quarter Houses: The View from the Inside* (hereinafter “PRI Report”) 6-7 (October 2013), available at <http://johnjayresearch.org/pri/files/2013/10/PRI-TQH-Report.pdf>, citing an analysis by the Furman Center for Real Estate and Urban Policy, finding that of 317 known three quarter house addresses, 88% had a building code complaint between 2005 and 2012 that resulted in at least one violation or stop-work order by the New York City Department of Buildings.

Owners and operators of three-quarter houses often have no real incentive to maintain their buildings and essential services. As such, the City has to intervene to ensure resident safety. For instance, MFJ clients in a three-quarter house in Canarsie, Brooklyn recently had their electricity shut off without notice because the owner failed to make payments to Con Ed. Already, there was pending litigation with the owner for lack of repairs and failure to maintain essential services. Regardless, the owner ignored the tenants' and their lawyers' demands to restore electricity. Tenants faced that daunting, unfair choice of having to live in a home without essential services indefinitely or move out and give up pursuing their case. MFJ reached out to the Three-Quarter House Task Force. HPD coordinated with us and immediately inspected the building. Less than 24 hours later, HPD had taken over the Con Ed account and electrical services were restored.

Intro. 153-A specifically addresses these sort of emergency hazardous conditions by coordinating between agencies such as HPD, DOB, and the New York City Fire Department ("FDNY"). These agencies, working together, have tremendous power to put pressure on owners to maintain buildings by issuing violations, assessing civil penalties, and vacate orders. Furthermore, HPD has the power to make emergency repairs and take over essential services.

B. Unlawful Evictions

The prevalence of unlawful evictions in three-quarter houses has been documented in the media,¹⁰ published reports,¹¹ and legal decisions.¹² The devastating effects of an illegal eviction on a moment's notice for a tenant struggling to rebuild their life are unimaginable for those who have never been unlawfully evicted. Tenants frequently lose all or most of their belongings, their documents, their ability to maintain participation in medical, mental health, and/or substance

¹⁰ Kathleen Culliton, *Brooklyn Landlord Who Stole Beds And Broke Stoves Sentenced: DA*, Patch.com, Mar 7, 2018, available at <https://patch.com/new-york/brownsville/brooklyn-landlord-who-stole-beds-broke-stoves-sentenced-da>

¹¹ Prisoner Reentry Institute report, *supra* note 6 at 5-6. For background on policies that fed the growth of three quarter houses, see Coalition for the Homeless report, *supra* note 7, at 5-7.

¹²See, e.g. *Ross v. Baumblyt*, 46 Misc. 3d 637, 995 N.Y.S.2d 488 (Civ. Ct., Kings Cty. 2014); *Shearin v. Back on Track Grp., Inc.*, 46 Misc. 3d 910, 997 N.Y.S.2d 227 (Civ. Ct., Kings Cty. 2014); *Cooper v. Back on Track Grp., Inc.*, 45 Misc. 3d 623, 994 N.Y.S.2d 251 (Civ. Ct., Kings Cty., July 25, 2014), Christine Simmons, *Parolee in Drug Treatment Program is Granted Rights of a Tenant*, N.Y. Law Journal, March 20, 2012; *NRI Group LLC v. Crawford, et al.*, 50 Misc.3d 1217(A), 2016 WL 526623 (Sup. Ct. N.Y. Cty. 2016).

dependence treatment and job training programs, and their ability to comply with parole directives requiring them to be at their present address at curfew. Their life is simply thrown into chaos.

Recently, MFJ represented a group of over twenty-five tenants who reside in an unlicensed three-quarter house in Lefferts Gardens, Brooklyn. Unbeknownst to the tenants, the building owner had sued the three-quarter house operator in a commercial eviction case. The owner got a judgment and eviction warrant that, if executed by a New York City Marshal, would have led to a wholesale eviction of the entire building -- including the tenants -- who were never even notified of the case. When the tenants' parole officers got word of the pending eviction, they made arrangements for emergency relocation -- which likely would have meant entry into the homeless shelter system. When tenants reached out to MFJ for help, we knew that we had to move fast to avoid displacement. Neighbors Together reached out to the New York State Department of Corrections and Community Supervision ("DOCCS") and was able to get in touch with a parole supervisor to hold off on the emergency relocations. MFJ then moved to intervene for the tenants in the commercial case, and won a decision dismissing the entire case against the tenants, thus completely removing their risk of eviction.

Had MFJ and Neighbors Together not been able to work directly and quickly with DOCCS on this matter, then twenty-five tenants would have been unlawfully evicted and moved into shelters. Intro. 153-A adds a DOCCS member to the Task Force. Having a dedicated point person from DOCCS will enable three-quarter house tenants to avoid such unlawful practices by abusive three-quarter house landlords in the future. This legislation will help three-quarter house tenants avoid having to make the impossible choice between fighting an unlawful eviction and meeting with their parole obligations.

C. Relocation Services

Three-quarter house tenants are often afraid to report hazardous conditions to the City because they do not want to wind up on the street. Before the Task Force and recent law reforms were passed, three-quarter house tenants had to navigate a labyrinthine welfare system to be able to relocate into safe, affordable, and stable housing. Often, they were disqualified because they simply could not meet documentation requirements (usually because the owner or operator refused to provide the documents). And even if tenants could secure relocation assistance from the City, the widespread discriminatory practices of private landlords and brokers made it impossible for

them to find alternate permanent housing.

Now, with the Task Force, City agencies, vital to providing assistance to three-quarter house tenants, actively participate in helping tenants secure rent vouchers and find permanent housing. With the Special Exit and Prevention Supplement (“SEPS”) Program, the City has been able to transition relocated tenants to stable permanent housing that they can afford—a crucial opportunity otherwise unavailable for the affected tenants. The City’s efforts to identify and address exploitation within the three-quarter house industry and assist three-quarter house tenants are unprecedented and have been welcomed by advocates and tenants alike. The effect is remarkable: from 2015 – 2018, the Task Force reported 792 tenant placements from three-quarter homes into permanent housing.¹³ The vast majority of those placements were a direct result of the tenant qualifying for a SEPS voucher.¹⁴

Importantly, Intro. 153-A adds the Commission on Human Rights (“CHR”) as an agency member to the Task Force. CHR can help three-quarter house tenants overcome the barrier of discriminatory landlord practices in finding new housing. New York City Human Rights Law prohibits discrimination in rental units based upon a person’s lawful source of income.¹⁵ Despite lawful source of income discrimination being banned for over a decade now in New York State, tenants with rent subsidies all too often hear “we don’t take programs” from brokers and landlords. CHR recently created a unit dedicated to combatting income discrimination. Having CHR on the Task Force will be indispensable to addressing discriminatory practices by landlords and brokers. CHR can provide three-quarter house tenants with invaluable resources and information which can help tenants understand their rights and advocate for fair treatment. And, most importantly, CHR can receive complaints and investigate landlords or brokers who engage in unlawful discrimination. Identifying and prosecuting landlords and brokers who unlawfully discriminate against tenants ultimately helps not just for three-quarter house tenants, but all of the City’s renters.

D. Identifying and Monitoring Three-Quarter Houses

Given their ability to evade oversight, three-quarter houses are inherently susceptible to

¹³ Three-Quarter Housing Task Force, *Three-Quarter Housing Quarterly Report (Report Period: June 1, 2015 - September 30, 2018)*, available at https://www1.nyc.gov/assets/operations/downloads/pdf/2018_10_16_tqh_report_q3_2018_final.PDF.

¹⁴ *Id.* (736 SEPS placements)

¹⁵ New York City, N.Y., Code § 8-107(5).

corruption. The lack of regulation allows dishonest operators to take advantage of tenants. In the worst case scenarios, operators engage in patterns of criminal behavior.

In 2014, the City's biggest three-quarter house operator, Narco Freedom, was indicted for a kickback scheme.¹⁶ A Narco Freedom trustee later pled guilty to charges of enterprise corruption, grand larceny and filing false paperwork.¹⁷

In 2016, another major three-quarter house operator, Yury Baumblyt, was arrested and charged with fraud after an exposé in the *New York Times* revealed that he was telling tenants to relapse in order to maintain eligibility for outpatient treatment, and thereby avoid immediate eviction.¹⁸ Mr. Baumblyt eventually pled guilty to Medicare fraud and the unlawful eviction of tenants.¹⁹

We applaud the actions taken in the past few years by the U.S. Attorney, New York State Attorney General and District Attorneys. However, given the extensive time and resources necessary for enforcement agencies to investigate and bring action, and the immediate jeopardy tenants face if they refuse to comply with landlords' demands, tenants need a mechanism to challenge this practice firsthand.

Intro. 153-A streamlines identification, monitoring, and enforcement within three-quarter houses. The bill enables the Task Force to conduct regular re-inspections at least every six months, and immediately when three-quarter houses are reported.. It will also allow for information sharing from HRA and HPD about potential three-quarter houses. Many MFJ three-quarter house clients have reported feeling much safer and more informed of their rights after the Task Force has gotten involved in their buildings. Our three-quarter house clients tell us that they are less intimidated by their owners when they face harassment or discrimination, and less concerned that

¹⁶ "A.G. Schneiderman Announces Arrest And Indictment Of Nonprofit Executives Charged In Kickback And Insurance Fraud Schemes," October 22, 2014, available at <http://www.ag.ny.gov/press-release/ag-schneiderman-announces-arrest-and-indictment-nonprofit-executives-charged-kickback>; see also Ben Kochman and Stephen Rex Brown, *Cops Arrest Executives at City Rehab Chain Narco Freedom on New Charges*, Daily News, March 18, 2015, available at <http://www.nydailynews.com/new-york/bronx/cops-arrest-execs-city-rehab-chain-narco-freedom-article-1.2154002>

¹⁷ "NYC rehab chain Narco Freedom pleads guilty to corruption," May 31, 2017, available at <https://www.reuters.com/article/us-usa-crime-narcofreedom-idUSKBN18R3AX>.

¹⁸ Kim Barker, *A Choice for Recovering Addicts: Relapse or Homelessness*, New York Times, May 31, 2015, available at <http://www.nytimes.com/2015/05/31/nyregion/three-quarter-housing-a-choice-for-recovering-addicts-or-homelessness.html>; Kim Barker, *Flophouse Operator Is Arrested in a Scheme to Defraud Medicaid*, New York Times, April 13, 2016, available at <http://www.nytimes.com/2016/04/14/nyregion/flophouse-operator-is-arrested-in-a-scheme-to-defraud-medicare.html>

¹⁹ Kim Barker, *Operator of Notorious Flophouses Pleads Guilty to Medicaid Fraud*, New York Times, Feb. 15, 2018, available at <https://www.nytimes.com/2018/02/15/nyregion/three-quarter-houses-guilty-baumblyt.html>

asserting their rights will result in retaliation.

IV. CONCLUSION

Int. No. 153-A takes important steps toward institutionalizing much-needed regulation and enforcement over three-quarter houses. The bill helps address some of the worst conditions and abuses that three-quarter house tenants endure: unsafe physical conditions, barriers to obtaining permanent housing, and unlawful evictions. Further, the bill helps the City identify new three-quarter houses and streamline regulation and oversight.

We thank the sponsors, the Speaker, and the Committee Members for your leadership on these issues and we urge the Council to pass this important bill.