

Mamdani's Plan to Seize Property, Explained

new york city's mayor wants to take private properties and transfer their ownership to nonprofits. the city's recent history shows why that's a terrible idea

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Last month, New York City Mayor Zohran Mamdani announced that he will take “aggressive legal action to remove negligent owners and property managers,” transferring buildings “that have suffered chronic neglect” from bad landlords to “responsible stewards” — a coalition of nonprofits and tenant groups aligned with his base.

He neglected to mention that, five decades ago, New York City tried something very similar, taking possession of abandoned properties and eventually turning many of them over to nonprofits. Public

again.

Mamdani's plan calls for using the Article 7A program, enacted in 1965, which allows housing-court judges to appoint administrators to operate "effectively abandoned" buildings. These city-appointed administrators collect rents and redirect them toward repairs — but these rents tend not to cover all of a building's expenses. Administrators often can't pay property taxes, so they accumulate substantial tax arrears.

New York saw this happen during the 1970s and '80s, when rent regulations, rapidly rising heating-oil costs (which quadrupled in just 10 years), the outmigration of wealthier residents, and an influx of lower-income newcomers left many owners unable to maintain their buildings. They deferred repairs, collected rents, and stopped paying property taxes for as long as they could. Then, they walked away.

With tax arrears piling up and a humanitarian crisis brewing, the fiscally strapped city seized ownership through *in rem* tax foreclosure. The newly established Department of Housing Preservation and Development (HPD) acquired tens of thousands of apartments from insolvent owners who'd abandoned their buildings.

The program was a massive money pit. A 1995 HPD-commissioned study found the city had taken over these properties after an average tax delinquency of \$36,000. It held them for an average of 19 years and spent an average of \$2.2 million each to acquire, manage, repair, and dispose of them — not to mention an additional \$209,000 per property in forgone taxes. A 1995 study estimated the program's total cost at \$10.6 billion (\$22 billion in 2026 dollars).

Rents stayed low for tenants, and even with billions in public money, building conditions were deplorable. In a 1991 survey, rodents were present in 77 percent of city-managed units. In 1993, an overwhelmed city declared a moratorium on taking title. By then, it owned 5,458 buildings and roughly 51,672 units, about three-quarters of them occupied. Nearly all rented for less than \$600 in 1996 (about \$1,250 today), and 80 percent for under \$400. At those rents, the buildings couldn't generate enough income to sustain adequate maintenance, no matter who held title.

In 1996, the city created the "Third Party Transfer Program" to get these buildings into more responsible private management. Tax foreclosures moved buildings to neighborhood entrepreneurs and nonprofit housing operators, backed by private financing. This took years — and, once buildings were finally transferred out of city ownership, many continued to fall behind on their payments. A 2000 audit by the state comptroller of 258 buildings that had been transferred found a quarter were behind on real-estate taxes, and over half on water and sewer charges.

In 2019, the city paused the Third Party Transfer Program following backlash for dispossessing minority owners who owed only modest tax arrears. Now, Mamdani seems poised to revive its core logic



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change buildings' underlying needs — or their economics.

New York's progressive left either doesn't know or hasn't acknowledged the lessons of 50 years ago. Regulated buildings are in distress and disrepair today as a predictable result of the 2019 state overhaul to rent stabilization, which sharply limited rent increases. Owners cannot reset rents between tenancies or recoup renovation costs enough to warrant the investment. The Bronx faces the steepest decline — including for nonprofit operators — given its aging housing stock, where the median rent of \$1,154 in stabilized buildings cannot cover operating costs and repairs.

Now that these changes have effectively broken the regulated housing market, Mamdani wants to place buildings into 7A administration, ultimately transferring their ownership to quasi-public housing NGOs to build his electoral base.

To help achieve that, on May 14, leftist councilmembers reintroduced the Community Opportunity to Purchase Act (COPA), which would require owners selling certain distressed and affordability-restricted buildings of four or more units to first notify HPD and a select group of housing nonprofits. The bill would give those NGOs an exclusive window to bid before any private sale can proceed, along with a right of first refusal for the first nonprofit bidder (which would be given an opportunity to match a private offer afterward).

These added delays and costs would pressure already financially strained landlords to sell to city-approved nonprofits at depressed prices — the real point of the law.

NGOs anchor New York City's progressive political ecosystem. As my colleague Stephen Eide noted in December, expanding the nonprofit sector serves the administration's interests well beyond housing. It creates jobs for political allies — free of the pension and benefit costs that come with public employment — and cultivates a constituency that reliably votes and lobbies for government expansion.

But when nonprofits and tenants take over distressed buildings, they'll face the same economic pressures as their supposedly "bad" private predecessors. They'll ask Mamdani for subsidies, ensuring their dependence on him. He doesn't have the money to bail them out, so he'll likely ask Albany for more funding and tax hikes.

Almost a half-century ago, New York City spent tens of billions of dollars to learn that public control doesn't magically make distressed housing solvent. The city escaped that trap. Mamdani is resetting it for the benefit of his political allies.

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