

# STATE OF NEW YORK

1469

2019-2020 Regular Sessions

## IN SENATE

January 15, 2019

Introduced by Sens. SANDERS, SEPULVEDA -- read twice and ordered printed, and when printed to be committed to the Committee on Housing, Construction and Community Development

AN ACT to amend the private housing finance law, in relation to creating the New York City department of housing preservation and development homeowners improvement trust fund and the HPD homeowner standard warranty

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. The private housing finance law is amended by adding a new  
2 article 28 to read as follows:

### ARTICLE XXVIII

#### NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT HOMEOWNERS IMPROVEMENT TRUST FUND

##### Section 1233. Definitions.

7 1234. New York City department of housing preservation and  
8 development homeowners improvement trust fund.

9 1235. Written warranty; contents.

10 1236. Powers of the commissioner.

11 1237. Resolution of disputes regarding HPD projects.

12 1238. Penalties for violation of this article.

13 § 1233. Definitions. For the purposes of this article the following  
14 terms shall have the following meanings:

15 1. "Business entity" means a corporation, association, partnership,  
16 limited liability company, limited liability partnership, or other legal  
17 entity.

18 2. "Delivered condition" means the physical condition of the home  
19 after delivery and installation at the home site has been completed.

20 3. "Department" means the New York State Community Homes & Renewal  
21 program.

EXPLANATION--Matter in italics (underscored) is new; matter in brackets  
[-] is old law to be omitted.

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1 4. "Fund" means the New York City department of housing preservation  
2 and development homeowners improvement trust fund created pursuant to  
3 the provisions of section twelve hundred thirty-four of this article.

4 5. "Sponsor" means any person or business entity, including, but not  
5 limited to, a sponsor, developer, mortgagor, applicant, or general  
6 contractor as defined in section 1-16, 29-01, 30-01, 34-01, and 35-01 of  
7 title twenty-eight of the rules of the city of New York who develops a  
8 home through an HPD project for sale to a buyer.

9 6. "HPD project" means any construction of rehabilitation of any resi-  
10 dential dwelling, in whole or in part, through the programs set forth in  
11 chapters twenty-nine, thirty, thirty-four and thirty-five of title twen-  
12 ty-eight of the rules of the city of New York.

13 7. "Commissioner" means the commissioner of the New York State Commu-  
14 nity Homes & Renewal.

15 8. "Service" means the construction, rehabilitation, modification,  
16 alteration, or repair of an HPD project.

17 9. "State administrative agency" or "SAA" means the New York State  
18 Community Homes & Renewal.

19 10. "Building code" means the uniform fire prevention and building  
20 code promulgated under section three hundred seventy-seven of the execu-  
21 tive law, local building code standards approved by the uniform fire  
22 prevention and building code council under section three hundred seven-  
23 ty-nine of the executive law, and the building code of the city of New  
24 York, as defined in title twenty-seven of the administrative code of the  
25 city of New York.

26 11. "Constructed in a skillful manner" means that workmanship and  
27 materials meet or exceed the specific standards of the applicable build-  
28 ing code. When the applicable building code does not provide a relevant  
29 specific standard, such term means that workmanship and materials meet  
30 or exceed the standards of locally accepted building practices.

31 12. "Material defect" means actual physical damage to the following  
32 load-bearing portions of the home caused by failure of such load-bearing  
33 portions which affects their load-bearing functions to the extent that  
34 the home becomes unsafe, unsanitary or otherwise unliveable: foundation  
35 systems and footings, beams, girders, lintels, columns, walls and parti-  
36 tions, floor systems, and roof framing systems.

37 13. "New home" or "home" means any single family house or for-sale  
38 unit in a multi-unit residential structure constructed or rehabilitated  
39 through an HPD project in which title to the individual units is trans-  
40 ferred to owners under a condominium, cooperative, or individual owner-  
41 ship regime. Such terms do not include dwellings constructed solely for  
42 lease.

43 14. "Owner" means the first person to whom the home is sold and,  
44 during the unexpired portion of the warranty period, each successor in  
45 title to the home and any mortgagee in possession. Owner does not  
46 include the builder of the home or any firm under common control of the  
47 builder.

48 15. "Plumbing, electrical, heating, cooling and ventilation systems"  
49 shall mean:

50 a. in the case of plumbing systems: gas supply lines and fittings;  
51 water supply, waste and vent pipes and their fittings; septic tanks and  
52 their drain fields; water, gas and sewer service piping, and their  
53 extensions to the tie-in of a public utility connection, or on-site well  
54 and sewage disposal system;

1 b. in the case of electrical systems: all wiring, electrical boxes,  
2 switches, outlets and connections up to the public utility connection;  
3 and

4 c. in the case of heating, cooling and ventilation systems: all duct  
5 work, steam, water and refrigerant lines, registers, convectors, radi-  
6 ation elements and dampers.

7 16. "Warranty date" means the date of the passing of title to the  
8 first owner for occupancy by such owner or such owner's family as a  
9 residence, or the date of first occupancy of the home as a residence,  
10 whichever first occurs.

11 17. "HPD owner warranty" means the warranty required to be provided to  
12 each owner of a home.

13 § 1234. New York City department of housing preservation and develop-  
14 ment homeowners improvement trust fund. 1. A New York City department of  
15 housing preservation and development homeowners improvement trust fund  
16 (hereinafter, "the fund") is hereby established to provide for the  
17 payment of approved repairs to aggrieved homeowners who are victims of  
18 substandard housing built by a sponsor on an HPD project. The fund shall  
19 be administered by the commissioner of New York State Community Homes &  
20 Renewal.

21 2. a. A sponsor of an HPD project shall be required to participate in  
22 the fund unless a sponsor provides a bond or otherwise meets the warran-  
23 ties set forth in section twelve hundred thirty-five of this article.

24 b. Any sponsor who is granted or receives the right to develop an HPD  
25 project must participate in the fund by submitting to the commissioner a  
26 check in the amount of not less than five percent of the total value of  
27 the HPD project before an HPD project may be awarded to a sponsor.

28 c. The commissioner may, from time to time, amend this section to  
29 require such additional contributions by participants in the fund as the  
30 commissioner determines to be necessary to maintain an amount in the  
31 fund which is adequate to fulfill its purposes and to counteract  
32 depletion of the fund resulting from payments made out of the fund  
33 pursuant to subdivision three of this section.

34 d. Fund participants may discontinue their participation in the fund  
35 at any time by filing a bond in accordance with regulations promulgated  
36 by the commissioner and in effect.

37 e. The funds will be returned to the sponsor as follows: (1) fifty  
38 percent returned after thirty months after completion of the project so  
39 long as there are no unresolved warranty issues; and (2) fifty percent  
40 returned after sixty months after completion of the project so long as  
41 there are no unresolved warranty issues. Under no circumstances shall  
42 funds be returned if there are any outstanding unresolved warranty  
43 issues.

44 f. Participation in the fund does not relieve a sponsor of any obli-  
45 gation to pay awards or fines imposed by the department or judgments or  
46 arbitration awards rendered against a sponsor by a court of competent  
47 jurisdiction.

48 3. a. The commissioner may require that disbursements be made from the  
49 fund to pay outstanding awards to an owner, on behalf of an owner when:

50 (1) the department has conducted an administrative hearing that  
51 results in a decision that a sponsor is in violation of a law, ordinance  
52 or regulation enforced by the department or the HPD owner warranty;

53 (2) the sponsor is ordered by the department to pay an award to an  
54 owner;

55 (3) the sponsor has failed to pay such award to an owner within thirty  
56 days of the date of the department's order; and

1 (4) the sponsor has conducted an administrative hearing that results  
2 in a decision that a sponsor has not remedied material defects in  
3 construction or rehabilitation of an HPD project and is in violation of  
4 the HPD owner warranty.

5 b. Disbursements from the fund will be made at the discretion of the  
6 commissioner or his or her designee.

7 c. The commissioner or his or her designee may order that partial  
8 payment of awards be made from the fund.

9 d. Nothing contained in this subdivision shall be construed to:

10 (1) limit the rights and remedies of any party, including the depart-  
11 ment, to pursue a cause of action against a sponsor who is a participant  
12 in the fund;

13 (2) create a right of any person to a portion of any of the fund,  
14 except in the case of an award duly made by the commissioner pursuant to  
15 the provisions herein; or

16 (3) provide for the payment of awards or judgments rendered against  
17 fund participants in personal injury actions.

18 4. The commissioner shall, by January thirty-first of each year, cause  
19 an accounting to be made of all of the fund's activities during the  
20 preceding calendar year.

21 § 1235. Written warranty; contents. 1. The HPD owner warranty shall be  
22 provided to the owner that accords with the provisions of article thir-  
23 ty-six-B of the general business law, including the following:

24 a. One year from and after the warranty date the home will be free  
25 from defects due to a failure to have been constructed in a skillful  
26 manner;

27 b. Two years from and after the warranty date the plumbing, elec-  
28 trical, heating, cooling and ventilation systems of the home will be  
29 free from defects due to a failure by the builder to have installed such  
30 systems in a skillful manner; and

31 c. Six years from and after the warranty date the home will be free  
32 from material defects, including, but not limited to, any construction  
33 that is not in compliance with the building code or the zoning resol-  
34 ution of the city of New York.

35 2. a. The sponsor shall take appropriate corrective action within  
36 sixty days of receipt of written notification at the site of the home in  
37 instances of substantial defects in materials or workmanship, which  
38 become evident within one year from the date of the delivery of the home  
39 to the owner, provided the owner or his transferee gives written notice  
40 of such defects to the sponsor at their business address not later than  
41 one year and ten days after date of delivery.

42 b. The sponsor will, as a minimum remedy, make repairs or indemnify  
43 the owner for the actual cost of repairing any rust damage covered by  
44 the warranty.

45 c. The sponsor will honor all valid claims under the warranty regard-  
46 less of their number.

47 d. Nothing contained in this section shall be deemed to preclude a  
48 sponsor from entering into a contract requiring a financially solvent  
49 contractor who worked on the home to be initially responsible for the  
50 cost of any corrective action as a result of the negligence of the  
51 contractor.

52 3. a. The warranty under this article shall be in addition to and not  
53 in derogation of all other rights and privileges which such owner may  
54 have under any other law or instrument. Waiver of any rights by the  
55 owner under this article shall be deemed contrary to public policy and  
56 shall be unenforceable and void.

1 b. The provisions of this article shall preempt any local law incon-  
2 sistent with the provisions of this article. This article shall not  
3 preempt any builder subject to its provisions from complying with any  
4 local law with respect to the regulation of sponsors except as expressly  
5 provided herein.

6 c. Nothing in this article shall be construed to repeal, invalidate,  
7 supersede or restrict any right, liability or remedy provided by any  
8 other statute of the state, except where such construction would, as a  
9 matter of law, be unreasonable.

10 § 1236. Powers of the commissioner. The commissioner shall have the  
11 following powers and duties with respect to HPD projects:

12 1. To create and maintain a registry accessible to the public which  
13 shall include, but not be limited to the following information:

14 a. a listing of all pre-approved, pre-qualified, or approved sponsors  
15 for HPD projects and all sponsors awarded HPD projects; and

16 b. records of all violations issued, disciplinary action taken and  
17 penalties paid and levied pursuant to this article;

18 2. To retain records and all application materials submitted to it;

19 3. To receive complaints, conduct investigations and establish proce-  
20 dures for the resolution of disputes relating to the construction of HPD  
21 projects and to resolve such complaints and disputes pursuant to section  
22 twelve hundred thirty-four of this article;

23 4. To promulgate rules and regulations relating to the provisions of  
24 this article;

25 5. To conduct adjudicatory hearings, pursuant to the state administra-  
26 tive procedure act to resolve violations of this article and the rules  
27 and regulations promulgated thereunder;

28 6. To seek injunctive relief in the supreme court in the county where  
29 the complainant resides; and

30 7. To promulgate rules and regulations to require bonding, minimum  
31 capital requirements or other reasonable methods to ensure that sponsors  
32 are financially responsible to fully comply with this article and have  
33 the financial resources to meet their warranty, contractual and other  
34 obligations required under this section. In connection therewith, the  
35 commissioner may require the posting of surety bonds to ensure the  
36 satisfactory completion of HPD projects.

37 § 1237. Resolution of disputes regarding HPD projects. 1. Any owner  
38 may file a complaint with the commissioner as a state administrative  
39 agency seeking resolution of an allegation that a substantial defect  
40 exists in the delivered condition, installation, service or construction  
41 of an HPD project. The commissioner shall promulgate forms for such  
42 complaints and such forms shall also be available on the department's  
43 web-site. For the purpose of this article, a substantial defect shall be  
44 a defect or a number of defects or other conditions which collectively  
45 can reasonably be expected to cost one thousand dollars or more to cure.

46 2. Complaints filed with the commissioner relating to the delivered  
47 condition or construction of an HPD project shall be made within one  
48 year and ten days after the date of the delivery of title, or of a  
49 certificate of occupancy, or the expiration of any applicable provision  
50 of a contract or warranty, whichever is later.

51 3. a. Upon the department's determination that a complaint, on its  
52 face, alleges a substantial defect in the delivered condition or  
53 construction of an HPD project, the department shall notify the owner  
54 and sponsor.

55 b. Initially, the department may attempt to informally resolve the  
56 complaint. If informal resolution of the complaint is unsuccessful, the

1 department shall resolve such complaints and disputes by administrative  
2 hearing, pursuant to the state administrative procedure act.

3 c. The decision shall provide compensation to the aggrieved party in  
4 an amount which shall include, but not be limited to:

5 (1) Filing and recording fees, inspection fees and other required  
6 costs that the aggrieved party would not have incurred had the home met  
7 applicable standards; and

8 (2) The cost of conforming repairs or replacements.

9 d. The department may apportion liability between two or more parties  
10 or business entities where appropriate.

11 e. The decision resolving the complaint shall be in writing and shall  
12 provide the reason therefor, a copy of the decision shall be provided to  
13 all interested parties, including the sponsor and owner.

14 f. Any party may seek judicial review of the administrative determi-  
15 nation pursuant to article seventy-eight of the civil practice law and  
16 rules.

17 § 1238. Penalties for violation of this article. Any person or busi-  
18 ness entity found guilty, after a hearing, of a violation of this arti-  
19 cle, may be required to pay a civil penalty of not more than ten thou-  
20 sand dollars for each such violation, but not more than fifty thousand  
21 dollars for more than one violation relating to each HPD project. Such  
22 fine shall be collected and deposited in the fund.

23 § 2. This act shall take effect on the first of January next succeed-  
24 ing the date upon which it shall have become a law.