

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

SUBCOMMITTEE ON PLANNING, DISPOSITION AND
CONCESSIONS

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May 30, 2018

Start: 2:17 p.m.

Recess: 5:26 p.m.

HELD AT: 250 Broadway-Committee Rm, 16th Fl.

B E F O R E: BEN KALLOS
Chairperson

COUNCIL MEMBERS:

CHAIM M. DEUTSCH

RUBEN DIAZ SR.

VANESSA L. GIBSON

ANDY L. GIBSON

MARK LEVINE

ANDY KING

BRAD LANDER

A P P E A R A N C E S (CONTINUED)

Lacey Tauber
Development and Planning Director at the
Department of Housing Preservation and
Development

Lenny Seif
Deputy Director at the Department of Housing
Preservation and Development

Larry Hirschfield
President of ELH Management LLC

Avrohom Jaffe
Executive Director of Southern Brooklyn Community
Organization, SBCO

Nick Simmons
Landlord Ambassador at Mutual Housing Association
Of New York

Carolyn Williams
Director, HUD Multifamily Program at New York
City Department of Housing Preservation and
Development

Peggy Waddell
Berean Gardens

Mary Bruch
Assistant Counsel at the New York City Department
Of City Planning

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CONCESSIONS

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[gavel]

CHAIRPERSON KALLOS: Good afternoon.

Welcome to the Subcommittee on Planning, Disposition and Concessions. I'm Council Member Ben Kallos, Chair of the Subcommittee. We're joined by Council Member Andy King and Ruben Diaz Senior. Thank you, Ruben Diaz Senior, for always being the first one here. So, today we're holding five public hearings and we'll be voting on a number of projects. Our first hearing will be on Land Use Item 102, the Berean Gardens application for the property located at 1479 and 1497 Saint Marks Avenue in Council Member Amrpy-Samuel's district in Brooklyn. HPD seeks... actually I'm going to swap it around and we will start with Land Use Item 105, the NIHOP-Van Buren/Greene application for properties located on seven blocks in Council Member Cornegy's district in Brooklyn. HPD seeks amendments to a previously approved urban development action area of projects, UDAAP in order to avoid punitive taxes being imposed on future owners of... sorry, let me strike that, not punitive taxes, in order to avoid taxes being imposed on the future homeowners of ten two family homes. A change to the project will allow HPD to reduce the land dept bringing the cumulative

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1
2 value of the subsidies below a level that incurs a
3 mansion tax. A mansion tax is in New York any
4 property with a value over one million dollars
5 includes an additional one percent transfer tax over
6 and above the existing New York State one percent
7 transfer tax which takes it from a two percent... from
8 a one percent tax to a two percent tax. And future
9 homeowners will have incomes between 80 percent and
10 130 percent of AMI. I will now open the public
11 hearing on Land Use Item 105 and we have Lacey Tauber
12 from HPD and Lenny Seif, Seif, Seif... Lenny Seif from
13 HPD. I now will ask the counsel to swear you in.

14 COMMITTEE CLERK: Please state your
15 names.

16 LACEY TAUBER: Lacey Tauber, HPD.

17 LENNY SEIF: Lenny Seif, HPD.

18 COMMITTEE CLERK: Do you affirm to tell
19 the truth, the whole truth and nothing but the truth
20 in your testimony before this committee in response
21 to all Council Member questions?

22 LENNY SEIF: Yes... [cross-talk]

23 LACEY TAUBER: Yeah... [cross-talk]

24 LENNY SEIF: ...I do.
25

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2 LACEY TAUBER: We also have a
3 representative from the sponsor here, I think he is
4 filling out the form but he's going to join us on the
5 panel.

6 CHAIRPERSON KALLOS: Okay, we will...
7 [cross-talk]

8 LACEY TAUBER: Sorry, about that... [cross-
9 talk]

10 CHAIRPERSON KALLOS: ...ask him to complete
11 that form. In the meantime, do you have a copy of
12 your written... [cross-talk]

13 LACEY TAUBER: Yes... [cross-talk]

14 CHAIRPERSON KALLOS: ...testimony to be
15 entered into the record.

16 LACEY TAUBER: Uh-huh... [cross-talk]

17 CHAIRPERSON KALLOS: You may hand it up
18 because I see that our Sergeant at Arms is otherwise
19 occupied. Thank you.

20 LACEY TAUBER: Alright.

21 CHAIRPERSON KALLOS: And if the sponsor
22 can join you at the table and we'll take her name and
23 swear you in as well. We have Larry Hirschfield; the
24 developer and I will ask the Counsel to swear you in
25 as well.

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COMMITTEE CLERK: Please state your name.

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LARRY HIRSCHFEILD: Larry Hirschfield.

4

5

COMMITTEE CLERK: Do you affirm to tell the truth, the whole truth and nothing but the truth

6

in your testimony before this Subcommittee and in

7

response to all Council Member questions?

8

LARRY HIRSCHFEILD: Yes, I do.

9

CHAIRPERSON KALLOS: You may begin.

10

LACEY TAUBER: Okay, Land Use Item 105

11

consists of the proposed amendment project for the

12

disposition of seven city owned sites located at

13

block 1791, lot 17, 18, and 19; block 1814, lot 15;

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block 1852, lots eight and nine and block 1641, lot

15

68 known as Van Buren/Greene in Brooklyn Council

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District 36. On June 8th, 2016 the council approved

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an amended UDAAP for the Van Buren/Greene new

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construction project and given the original proposal

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to develop sites under the new foundations program

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installed during the 2008 economic downturn. Therefore

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the decision was made to complete the project's

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construction under HPD's New Infill Homeownership

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Opportunities Program or NIHOP term sheet. The

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project comprises ten two family homes for a total of

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20 units, construction is anticipated to be completed

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2 for the first group of homes this summer and end
3 purchasers have been selected for nine of the ten
4 homes. Targeted household income for homebuyers
5 ranges between 80 to 130 percent AMI. Each home will
6 have a rental unit that will be affordable to
7 families earning no more than that same AMI as the
8 purchasing homeowner. The estimated development cost
9 of the project is about 7,500,000 dollars. Purchase
10 price... sorry, purchase prices for the homes range
11 between 407,000 to 439,000 at the 80 to 90 percent
12 AMI tier and 605,000 to 623,083 at the 110 to 130
13 percent AMI tier. Currently the project summary
14 requires further amending in order to address an
15 unforeseen issue related to the New York State
16 mansion tax. Accordingly, when the total
17 consideration or contract price, which includes
18 subsidized sales price plus all subsidies sales price
19 plus all subsidies and land value, exceeds one
20 million dollars, it triggers a surcharge to the
21 ordinary New York State transfer tax of one percent
22 of the total consideration, the minimum, minimum of
23 which is 10,000 dollars. This surcharge is a burden
24 to low income end purchasers increasing down payment
25 and closing costs. To avoid subjecting purchasers to

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2 the mansion tax, HPD is submitting an application to
3 amend the current public approvals to obtain
4 authorization to reduce land debt to lower the total
5 consideration under one million dollars. Other
6 aspects of the project will remain unchanged.

7 CHAIRPERSON KALLOS: Do we have testimony
8 from the developer?

9 LARRY HIRSCHFEILD: I'm prepared to
10 answer, answer various questions. I can only add that
11 deep affordability is the goal of this project and
12 any undue additional expenses on be... that would be
13 incurred by the homebuyer will lessen the
14 affordability and in that... I'll, I'll say that the,
15 the true price is, is... to the buyer is below a
16 million dollars, I, I, I think that the, the relief
17 should be granted.

18 CHAIRPERSON KALLOS: This is targeting at
19 individuals making 130 percent of AMI, these are
20 three and four-bedroom units so at the 130 percent
21 AMI what income is that?

22 LARRY HIRSCHFEILD: We have a range from
23 80 to 130 percent, I don't actually have income
24 figures in front of me, I don't... oh, you've got them
25 over there...

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LENNY SEIF: This is Lenny Seif from HPD.

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So, of the ten two family homes, three of the homes

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achieve deeper affordability between 80 and 90

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percent AMI adjusted based on family size and the

6

other seven of the ten homes are affordable to folks

7

between 120 and 130 percent of AMI and your question

8

is about the income equivalence to those after

9

mentioned AMI bands?

10

CHAIRPERSON KALLOS: So, can a single

11

person apply for these house... this housing?

12

LENNY SEIF: We apply in the marketing

13

of, of these homes, we have occupancy standards that

14

apply... [cross-talk]

15

CHAIRPERSON KALLOS: So, the occupancy...

16

[cross-talk]

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LENNY SEIF: ...the minimum is one person...

18

[cross-talk]

19

CHAIRPERSON KALLOS: So, one person...

20

[cross-talk]

21

LENNY SEIF: ...per bedroom... [cross-talk]

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CHAIRPERSON KALLOS: Yep, okay... [cross-

23

talk]

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LENNY SEIF: ...and the max is two persons

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per bedroom.

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2 CHAIRPERSON KALLOS: So, for a family of
3 three for a three bedroom at 130 percent of AMI what
4 is the income?

5 LACEY TAUBER: 80 percent of AMI for a
6 family of three based on the updated numbers is
7 75,120 dollars.

8 CHAIRPERSON KALLOS: And then for the 130
9 percent?

10 LACEY TAUBER: For 130 it's 122,070.

11 CHAIRPERSON KALLOS: And that is
12 considered deeply affordable?

13 LACEY TAUBER: It is considered
14 affordable for our homeownership program and this is
15 consistent with our term sheet for this.. for this
16 particular program.

17 CHAIRPERSON KALLOS: Okay.

18 LENNY SEIF: That's correct.

19 CHAIRPERSON KALLOS: And so, you, you,
20 you... I, I heard the word mansion multiple times,
21 these are... what makes these mansions?

22 LENNY SEIF: You... the, the mansion tax
23 which is an emotionally charged appalachian
24 particularly in context with affordable housing is,
25 is triggered arithmetically and you take the

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2 subsidized sales price or the cash price to the end
3 purchaser and you add in the city subsidy which is
4 70,000 per DU or, or 140,000 dollars then you add in
5 the state affordable housing corporation grant funds
6 which are between 25 and 32,500 per unit and then you
7 add in prorates subordinate land debt and when you
8 hit the button on the excel machine the aggregate
9 comes out over a million dollars so when the folks
10 fill out the real estate transfer forms it
11 automatically triggers a surcharge to the transfer
12 tax which is called the mansion tax which is one
13 percent of that total amount so the total
14 consideration is, you know a million and 100 it's
15 going to be a minimum, a 10,000 dollar extra burden
16 to these working class folks who have dedicated
17 themselves to saving for a down payment and closing
18 costs so, you know it's just not acceptable. So, in
19 the short term the project as some of the other folks
20 may not know is cooked, nearing completion, has been
21 successfully marketed, we're kind of proud of the
22 project, excited about the project, first time
23 homebuyer opportunities and then when this issue with
24 this one percent, this extra 10,000 bucks that an end
25 purchaser would have to pay when that crystalized and

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2 became an issue we, we needed to do something and
3 that's why we're here before the council with this
4 amended project to give, give us that tool.

5 CHAIRPERSON KALLOS: And so, folks are
6 able to purchase something worth 1,100,000 dollars
7 for 407,000 dollars?

8 LENNY SEIF: The cash price to the
9 purchaser, uh-huh, yeah.

10 LARRY HIRSCHFEILD: If I could add to
11 that...

12 CHAIRPERSON KALLOS: Yeah, go ahead.
13 Make, make sure you speak into the microphone.

14 LARRY HIRSCHFEILD: Sorry, the city
15 requires that when they, they convey property at what
16 they... that they, they do an internal appraisal and if
17 it's conveyed for an amount that's less than their
18 internal appraisal they add on this soft second
19 mortgage. The goal... the city's goal... I should really
20 work for HPD but is that these buyers stay in the
21 homes long term and that this soft second is never
22 paid and it does evaporate over time so for example
23 if the homebuyer sells... don't really remember the
24 years exactly, within a few years afterwards they
25 have... actually have to pay that soft second back but

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2 the longer they stay in the home and I think it's up
3 to 20 years or so then it fully evaporates. So, it,
4 it, it is a function of the how the city conveys
5 property but these are buyers who are... cannot afford
6 more than a certain level and it's targeted towards
7 them and it, it, it is really as, as Lenny said is a
8 function of how you put these numbers in the system
9 but they are being conveyed for that amount of money
10 and they are afford, affordable to folks in those
11 income ranges, 80 percent of AMI is in, in my history
12 with the agency the lowest that I've seen
13 homeownership projects, it's not deep affordability
14 as a tax rental but homeownership that has been a...
15 and...[cross-talk]

16 LENNY SEIF: I just wanted to clarify, I
17 may have misspoken hopefully I didn't but the mansion
18 tax or the transfer tax surcharge is one percent of
19 the total consideration for the home, for the end
20 purchaser.

21 CHAIRPERSON KALLOS: I, I, I think that
22 was clear and it just... [cross-talk]

23 LENNY SEIF: Oh, that was clear, okay...
24 [cross-talk]

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CHAIRPERSON KALLOS: I think so and so...

[cross-talk]

LENNY SEIF: I just wanted to be careful...

[cross-talk]

CHAIRPERSON KALLOS: At, at the 407,000 mark we're looking at, at least 600,000 dollars in subsidies and... is that same 600,000 applicable to the four-bedroom units...

LARRY HIRSCHFEILD: No... [cross-talk]

CHAIRPERSON KALLOS: ...as well?

LARRY HIRSCHFEILD: I'm sorry, I, I...

[cross-talk]

CHAIRPERSON KALLOS: So, for the three bedrooms and I'm, I'm just doing math here and asking you to confirm so... [cross-talk]

LENNY SEIF: Sure... [cross-talk]

CHAIRPERSON KALLOS: ...so, if the mansion tax is only triggered at a million dollars... [cross-talk]

LENNY SEIF: Well yes... [cross-talk]

CHAIRPERSON KALLOS: ...if you're charging 407,000 dollars for the home... [cross-talk]

LENNY SEIF: Correct... [cross-talk]

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2 CHAIRPERSON KALLOS: ...then that means
3 that there's 600,000 dollars in subsidies that are
4 being recognized... [cross-talk]

5 LENNY SEIF: The subsidies are also a...
6 you know the mansion tax is attached to the... to the
7 home, the subsidies are attached to the units.

8 LACEY TAUBER: I think the confusion
9 might be about whether it's a per unit subsidy or for
10 the development as a whole but... [cross-talk]

11 CHAIRPERSON KALLOS: No, it's, it's... this
12 is... so, this is per unit.

13 LARRY HIRSCHFELD: If I could add sir?

14 CHAIRPERSON KALLOS: Sure.

15 LARRY HIRSCHFELD: Okay, so the homes
16 are being... so, they are all two family homes, nine of
17 them are three... with... the owners unit is three
18 bedrooms in one of the houses because a change in
19 zoning had to go up a story it became a four bedroom
20 but the homes are... were priced at 80 and 130 percent
21 AMI, we had to make judgements as to which homes
22 would sell also based on the size of the rental unit
23 and the location so the, the price to the buyer is...
24 in these... for these homes range between... in, in the
25 400,000's to the high... in the high end to the low

1
2 sixes so the subsidies then are between four and..
3 four and 600,000.

4 CHAIRPERSON KALLOS: Okay and so if a
5 person is... has... is making 100... so, if somebody's
6 watching at home they just found out that they can
7 get a two... a, a two-family home, a, a three-bedroom
8 home for... from the city for 40 cents or so on the
9 dollar so they make 122,070 dollars a year, they... how
10 much do they have to put down as a down payment and
11 how much to close?

12 LARRY HIRSCHFEILD: The contract
13 deposits... [cross-talk]

14 LENNY SEIF: I mean it depends on the
15 mortgage product, it can be five percent. We
16 generally work with marketing agents that have a lot
17 of knowledge in the end loan world.

18 CHAIRPERSON KALLOS: So, so they need..
19 they need 20,000 dollars cash to buy one of these?

20 LARRY HIRSCHFEILD: Five percent... [cross-
21 talk]

22 LENNY SEIF: Yes, there's, there's
23 closing costs as well, there's five percent down..
24 [cross-talk]

25 CHAIRPERSON KALLOS: Uh-huh... [cross-talk]

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LENNY SEIF: ...in, in many cases and then there are closing costs as well that they have to have to get to the closing table. Is, is that correct Larry?

6

LARRY HIRSCHFEILD: That's about right.

7

CHAIRPERSON KALLOS: So, so how much are the closing costs for the 20,000 dollars down payment?

10

LARRY HIRSCHFEILD: Those numbers...

11

[cross-talk]

12

LENNY SEIF: I don't have that number in, in my... in my head... [cross-talk]

14

LARRY HIRSCHFEILD: It could easily, easily be another 5,000 and we can get back to you with exact numbers. I would also add that the affordability requirement applies to the rental unit so that the homebuyer is getting a great deal, but they're required to rent the rental unit to an occupant that's at the same affordability level as they're buying at.

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CHAIRPERSON KALLOS: So, the person who's purchasing they're getting a three bedroom and then how much is the rental unit, is that a one bedroom or a studio?

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LARRY HIRSCHFEILD: Those are studios and ones.

CHAIRPERSON KALLOS: And what is the AMI target for those one bedroom and studios?

LARRY HIRSCHFEILD: The, the percentage is... go hand in hand with the homebuyer's percentage so they're 80 percent and 130 percent.

CHAIRPERSON KALLOS: So, for the 80 percent band how much is it and for the 130 percent band how much is it?

LARRY HIRSCHFEILD: Can you bring up those figures again... [cross-talk]

LACEY TAUBER: I am... [cross-talk]

LARRY HIRSCHFEILD: Yeah. Do you want the rental amount of the income, the dollar... or the income amount?

CHAIRPERSON KALLOS: The, the... so, if, if somebody's watching at home and they are at, at 80 percent what is the 80 percent income?

LACEY TAUBER: Oh, I thought you were asking about the rent.

CHAIRPERSON KALLOS: I will... I will ask about the rent next.

LACEY TAUBER: Okay...

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CHAIRPERSON KALLOS: We can do it in
whichever... I, I, I... [cross-talk]

LACEY TAUBER: For one-person 80 percent
of AMI is 58,480.

CHAIRPERSON KALLOS: 58,000?

LACEY TAUBER: 480.

CHAIRPERSON KALLOS: Now, now correct me
if I'm wrong but half of New York City makes almost
half of... it, it is... makes less than 30,000 dollars a
year so half of the city can't afford it at the 80
percent level.

LACEY TAUBER: Well I think that this is
as he was saying the homeownership because it has
this... these requirements for a certain amount of
money down etcetera... [cross-talk]

CHAIRPERSON KALLOS: What... and, and
what's the rental amount?

LACEY TAUBER: For the... for a one
bedroom?

CHAIRPERSON KALLOS: For the one bedroom.

LACEY TAUBER: At 80 percent?

CHAIRPERSON KALLOS: Uh-huh.

LACEY TAUBER: That would be 1,509.

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1 CONCESSIONS 20

2 CHAIRPERSON KALLOS: And then at the 130
3 percent how much do you need to make for that one
4 bedroom and... [cross-talk]

5 LACEY TAUBER: 2,487.

6 CHAIRPERSON KALLOS: 2,487 is the rent?

7 LACEY TAUBER: I mean this is approximate
8 and it's calculated about... at 30 percent of the
9 income, you know at these AMIs.

10 CHAIRPERSON KALLOS: And this is in what
11 part of Brooklyn?

12 LARRY HIRSCHFEILD: Bedford Stuyvesant.

13 CHAIRPERSON KALLOS: I, I would say that
14 you're one bedrooms are competitive with the Upper
15 East Side one bedrooms at the 130 percent
16 affordability market rate. So, on, on that... and how
17 much do you have to make in order to qualify to pay
18 2,487 dollars a month for a one bedroom in Bedford
19 Stuyvesant?

20 LACEY TAUBER: 2,000... that was the 130
21 AMI?

22 CHAIRPERSON KALLOS: Yes, what's the...
23 [cross-talk]

24 LACEY TAUBER: For, for one person?

25 CHAIRPERSON KALLOS: Yes.

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LACEY TAUBER: 95,030.

CHAIRPERSON KALLOS: So, that is... that is three times more than the average New... than, than half of New York City makes and so the mortgage on 360,000 is... and, and let's just call it at four percent but... do you know what the interest rate is going to be, is it four percent or is it lower? Do... will the buyers get a, a subsidized mortgage or not?

LENNY SEIF: Hopefully a mortgage with favorable terms, I wouldn't... I wouldn't call it a subsidized mortgage per se.

CHAIRPERSON KALLOS: Okay, so let's just say they're paying more than market because let's say they have lower credit so they're paying four percent interest on 360,000 so they're monthly payment for a two family will be 1,719 dollars, is that accurate?

LARRY HIRSCHFEILD: That sounds about right.

LENNY SEIF: That sounds... [cross-talk]

CHAIRPERSON KALLOS: And their income at the lowest AMI is going to be 1,500 dollars and... one... 1,509 dollars a month so they will only have to pay 210 dollars out of pocket every month and then for

1
2 the higher AMI it's... they, they will actually be
3 making 700 dollars a month.

4 LACEY TAUBER: Off of the rental income
5 you're saying?

6 CHAIRPERSON KALLOS: Yeah.

7 LARRY HIRSCHFELD: That doesn't sound...

8 [cross-talk]

9 LENNY SEIF: I, I can't keep up with your
10 calculations.

11 CHAIRPERSON KALLOS: I just did three...
12 360,000 dollars... [cross-talk]

13 LENNY SEIF: I mean respectfully I can't...
14 [cross-talk]

15 CHAIRPERSON KALLOS: No, its fine.

16 LENNY SEIF: Yeah, it... [cross-talk]

17 CHAIRPERSON KALLOS: So, on a 360,000-
18 dollar mortgage, four percent interest over 30 years
19 the payment is 1,719 dollars a month and so if your
20 rental income is 2,487 a month then it seems that
21 200... 2,500 dollars minus 1,700 is, is 800 dollars, I,
22 I rounded down to 700 dollars that they'll have in
23 income per month.

24 LARRY HIRSCHFELD: The, the... I take it
25 that that math makes sense, but the end loans are

1
2 sized since 2008, when... before 2008 there was a pity
3 reduction which meant you took your... basically your
4 expenses and you did exactly what you did which was
5 subtract the rental income and that's how much you
6 had to make. After 2008 where the banks said you made
7 a big mistake, they changed the calculations so that
8 the rental income is added to the homebuyers income,
9 it's not subtracted so their... so their mortgage is
10 sized based off their income so it provides a little...
11 a little bit of a boost but not nearly what it did
12 when you... when you took... did that math and just... and
13 just wiped it off the mortgage payment.

14 CHAIRPERSON KALLOS: And then... so you
15 need 40,000 dollars down to buy one of the 400,000-
16 dollar units, what is the asset cap?

17 LARRY HIRSCHFEILD: For all things I
18 wasn't ready to answer today... [cross-talk]

19 CHAIRPERSON KALLOS: What's that... [cross-
20 talk]

21 LARRY HIRSCHFEILD: ...but we'll get to it.

22 LENNY SEIF: It is... it's 100... it's a...
23 I'll give you the, the answer I have in the back of
24 my head, it's 175 percent of the AMI for a family of

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2 four plus a down payment but I'd need to translate
3 that into discreet dollars for you I'm sure, right?

4 CHAIRPERSON KALLOS: If you... if you... yes
5 please.

6 LENNY SEIF: We'll have to get back... have
7 to get back to you on that unless it's in our, our
8 sheet in front of me but that... it is fixed at said
9 cap and it is as I mentioned 175 percent of AMI for a
10 family of four plus the down payment.

11 CHAIRPERSON KALLOS: So, I'm... I will if,
12 if you... [cross-talk]

13 LENNY SEIF: Yeah... [cross-talk]

14 CHAIRPERSON KALLOS: ...if you can look
15 into that number and... [cross-talk]

16 LENNY SEIF: Yes... [cross-talk]

17 CHAIRPERSON KALLOS: ...so, the, the reason
18 we are dealing with this... okay and then the, the
19 other question just... I have lots and lots of
20 questions. So, you have the per unit subsidy so... it...
21 and, and so I guess one question I, I got is of these
22 600,000 dollars in subsidies how much is the city
23 going to get paid back in 20 years?

24 LENNY SEIF: Well I think as, as, as the
25 sponsor was... mentioned before the, the prorate of

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS 25

2 the, the construction subsidies from the city and the
3 state and a portion of the land get... debt gets
4 attached to each home with an enforcement mortgage at
5 the end loan closing and if the... and the debt and if
6 the owner... the debt is in place for 20 years it does
7 not reduce... is that correct... it stays... it stays
8 level, if the owner tries... if the owner wishes to
9 refinance in years one through five or sell they,
10 they have... they would... they're obligated... compelled
11 to pay back 100 percent of any appreciation realized
12 from resale profit that's how we... that's a
13 disincentive speculation.

14 CHAIRPERSON KALLOS: So, year 21 how much
15 do they have to pay back?

16 LENNY SEIF: Zero.

17 CHAIRPERSON KALLOS: Okay and so of the..
18 so, so, this project... now in your testimony you noted
19 2008 in the economic during... downturn, my
20 understanding is that Van Buren/Greene started in
21 2007 prior to the 2008...

22 LENNY SEIF: That's when the project was
23 awarded through a competitive process, that's
24 correct.

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SUBCOMMITTEE PLANNING, DISPOSITION AND

CONCESSIONS

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CHAIRPERSON KALLOS: So, it was awarded in 2007?

LENNY SEIF: Yes.

CHAIRPERSON KALLOS: Okay, why did it take 11 years to close and why did it take until 2018 for us to be in a place where people could purchase and occupy... [cross-talk]

LENNY SEIF: That's a fair question, so, 2008 there were... the, the world changed with respect to the economy, there was no appetite for home ownership, there was an overhang of foreclosure, banks would not provide any construction financing and it was very difficult if not impossible to get an end loan so that overhang didn't dissipate right away and I, I can't remember exactly when but maybe in 2013 or 2014 we reached out to, to various developers that were awarded projects under, under the old home ownership program that stalled and we gave them the opportunity to, to resurrect and resume development if they could demonstrate interest and capacity and that's something that this, this gentleman was able to do, we closed the project in 2016 after solving various issues and getting the financing in place, there was some... still... there's still residual or

1
2 there was in 2016, skittishness as it relates to for
3 sale housing but we did close and we do have a
4 successful project. I think construction proceeded at
5 a decent pace, I would say that this is end fill
6 development and there's properties and structures on
7 either side of these tax lots which is a challenge in
8 itself with underpinning and foundation issues and
9 this is a poster child for a scattered site project
10 where you lose some of the efficiencies with respect
11 to mobilization etcetera that you might have with a,
12 a midrise building so I think all in all I think the
13 developer's done a, a, a good job, the construction,
14 the project is being construction monitored, we're
15 all about paramount is quality construction... quality
16 affordable housing.

17 CHAIRPERSON KALLOS: And so ULH
18 management has been on this since day one, the BID in
19 2007?

20 LARRY HIRSCHFEILD: Correct.

21 LENNY SEIF: Yeah... [cross-talk]

22 LARRY HIRSCHFEILD: The, the project
23 literally... was awarded under the old new foundations
24 project... program and literally homeownership came to...
25 projects really came to an end except in maybe very

1
2 select neighborhoods, there were no end loans and the
3 banks went through this rethinking process where they
4 eliminated the pity reduction and they, they played
5 with other calculations as part of the affordability.
6 It, it went to sleep and then, then we also had a new
7 mayor who came out with new term sheets, reduced the
8 affordability and then we had to re-UDAAP the
9 projects so we're... once we... once HPD and, and I
10 decided okay, we can do this then there was the
11 process.

12 CHAIRPERSON KALLOS: Do you have any
13 other projects that date back more than three years
14 that still haven't become occupied?

15 LARRY HIRSCHFEILD: I could... well I could
16 tell you that when I was... I was awarded four projects
17 around that time, two of them were large, larger for
18 sale projects that... where the city came to me a
19 number of years... closer to 2008 said you're just
20 going to do these as rentals and they've been done...
21 or they've been done very successfully, large multi-
22 family. When I was awarded this project, I was
23 awarded another ten sites also, those are in
24 Brownsville where the homeownership market for homes
25 will not support given the level of subsidies

1
2 currently offered homeowner... new homes. So, we're in
3 conversation now with HPD as to whether or not they
4 should... that should go forward as a multi-family... I
5 did have them redesigned as multi-family whether it
6 could be a multi-family rental or an affordable co-op
7 so that's an ongoing conversation. Right?

8 LENNY SEIF: That's correct.

9 CHAIRPERSON KALLOS: So, what's the
10 location for that and how do we get that project out
11 of sleep, wake... how do we wake that project up and,
12 and not just leave... [cross-talk]

13 LENNY SEIF: We, we... [cross-talk]

14 CHAIRPERSON KALLOS: ...project... [cross-
15 talk]

16 LENNY SEIF: ...we've, we've woken... that,
17 that's alright... is that... is that a word, woken? The
18 project is awake and... [cross-talk]

19 LARRY HIRSCHFELD: It got out of bed and
20 dressed.

21 LENNY SEIF: ...it's, it's in its pajamas
22 and we're... [cross-talk]

23 CHAIRPERSON KALLOS: So, we're going to
24 see it in July?

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LENNY SEIF: We're, we're work... it will enter more active predevelopment in July, pre-development, we still have a lot of decisions to make regarding typology, what the market can bear, availability of construction financing from for sale housing in, in, in this particular neck of the woods so that's what we're working on and we have project managers and, and... that we plan to pick up the pace on that activity in July.

CHAIRPERSON KALLOS: What are the hard costs on this project?

LARRY HIRSCHFEILD: The hard costs are, you know... well for, for this... we're in the multifamily version where we're... [cross-talk]

LACEY TAUBER: Are you... are you... [cross-talk]

LARRY HIRSCHFEILD: ...well North of... [cross-talk]

LACEY TAUBER: ...asking about this project or the, the other... [cross-talk]

LARRY HIRSCHFEILD: The thing about Van Buren... [cross-talk]

LACEY TAUBER: ...the Brownsville one?

SUBCOMMITTEE PLANNING, DISPOSITION AND

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CHAIRPERSON KALLOS: The, the, the
existing project.

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LARRY HIRSCHFEILD: The existing project
the hard costs we close this at a loss based on the
money spent years ago so they're under 200 dollars a
foot that are costing us well over 200 dollars a
foot.

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11

CHAIRPERSON KALLOS: So, the hard cost
just for construction and, and what have you is 200
dollars a foot for how much total?

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13

LARRY HIRSCHFEILD: The job by square
foot is in front of you.

14

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LACEY TAUBER: Total development cost is
estimated around 7,600,000.

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CHAIRPERSON KALLOS: So, what would be
the hard cost of that?

18

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LARRY HIRSCHFEILD: The hard costs are
five and a half million.

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CHAIRPERSON KALLOS: Okay and then what
are the soft costs, two million?

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LACEY TAUBER: I don't have that... [cross-
talk]

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LARRY HIRSCHFEILD: It's about... [cross-
talk]

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LACEY TAUBER: I, I don't... [cross-talk]

LARRY HIRSCHFEILD: It's about two million in the bank interest, we would also include architect's fees as a big piece, sometimes considered hard cost but it's not construction.

CHAIRPERSON KALLOS: And... [cross-talk]

LARRY HIRSCHFEILD: Environmental... [cross-talk]

CHAIRPERSON KALLOS: And what was the value of the Article 11 you received during construction and didn't have to pay any taxes, so you had a tax abatement from 2007 to today?

LARRY HIRSCHFEILD: Well we didn't own the... [cross-talk]

LENNY SEIF: No, the Article 11 was, was not implemented until not so long ago, I don't have the exact... [cross-talk]

LARRY HIRSCHFEILD: I think actually there was an old UDAAP exemption which was pulled after we closed and then I had to pay back that money.

CHAIRPERSON KALLOS: So, you've been... you're paying taxes on the construction site because

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2 I think in the materials received it said you weren't
3 paying taxes until the units became occupied.

4 LARRY HIRSCHFEILD: The real estate
5 taxes.

6 CHAIRPERSON KALLOS: That's correct.

7 LARRY HIRSCHFEILD: I think we
8 ultimately... once we closed we got a new... got a new
9 exemption.

10 LENNY SEIF: My, my recollection is there
11 was an amended project that included an Article 11
12 tax exemption.

13 LACEY TAUBER: Yeah, the... it says here
14 the project was awarded an Article 11 tax exemption
15 during the construction and marketing period along
16 with a UDAAP tax exemption for the end purchasers so
17 it's two separate kinds of things be... [cross-talk]

18 CHAIRPERSON KALLOS: Okay, so for the
19 first tax exemption... so, it sounds like at least
20 according to HPD you weren't supposed to be paying
21 your back taxes because you... from 2007 till now you
22 didn't have to... [cross-talk]

23 LENNY SEIF: Well we didn't... we didn't...
24 this, this gentleman's company didn't own the
25 property until we closed in 2016.

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CHAIRPERSON KALLOS: Okay, so it was city owned... [cross-talk]

LENNY SEIF: ...so it was all city owned, there were no taxes owing.

CHAIRPERSON KALLOS: Okay, I... in terms of the land value I'm seeing 322... is the... what is the land value per house?

LENNY SEIF: The subordinate debt is 300... round, rounding up... my eyes are... 382,000 dollars per two family home.

CHAIRPERSON KALLOS: Is that a 2007 valuation or 2016 valuation, a 2018 valuation, is it based on vacant land or based on the property with the building on it?

LENNY SEIF: I... that would... in terms of the date of the... of the appraisal, I'd, I'd have to get back to you on those, I don't want to give you any misinformation.

CHAIRPERSON KALLOS: We're, we're voting on this today.

LENNY SEIF: Yes... [cross-talk]

CHAIRPERSON KALLOS: So, we need the answers.

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2 LENNY SEIF: Okay, we, we may have done
3 the appraisal when we came back for the amended
4 project if there was a mayoral hearing we would have
5 done an appraisal when we last came back.

6 CHAIRPERSON KALLOS: In 2016?

7 LENNY SEIF: Yes, so that... [cross-talk]

8 CHAIRPERSON KALLOS: Okay... [cross-talk]

9 LENNY SEIF: ...that answers that question.

10 CHAIRPERSON KALLOS: And that's based on
11 the vacant land or... [cross-talk]

12 LENNY SEIF: That's based on the as is
13 highest and best use.

14 CHAIRPERSON KALLOS: I...

15 LACEY TAUBER: The original city council
16 resolution was approved on June 8th, 2016 so... [cross-
17 talk]

18 LENNY SEIF: Yes... [cross-talk]

19 CHAIRPERSON KALLOS: Okay... [cross-talk]

20 LACEY TAUBER: ...all... the records should
21 be accessible.

22 CHAIRPERSON KALLOS: We, we were joined
23 by Council Member Lander and Council Member Andy King
24 has a question.

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COUNCIL MEMBER KING: Thank you Chair
Kallos, appreciate your talents and your information
on today's hearing. To the developers I want to thank
you and commend you for the energy that went into
develop and help build New York but I do have one or
two questions that I'm just going to be the first
grader in the room because I just need to understand
what you're talking about because you've asked for
some lenience on the New York State mansion tax, you
asked for the leniency too... so we can just forgive it
and so you don't have to engage in that, I understand
that but I just want to understand what, what do you
think the purpose of this tax was originated for by
the state, what was the purpose of it all together
and I, I want to understand as why you believe it
should be exempt, who is building the houses, is the
developers building the houses or the homeowners
because as I hear you talk about how it's going to be
a burden on the homeowners I just want... [cross-talk]

LENNY SEIF: Right... [cross-talk]

COUNCIL MEMBER KING: ...to understand how
does that play out because if you're building the
property, if you purchased the property and you're
responsible for building on it how do you transfer

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2 that million dollar tax, how you transfer it to the
3 homeowner who is not even in the house right now if
4 they're not even building the property, you're the
5 one responsible for building, I mean you're
6 responsible for everything so how do you pass that on
7 to the person who is going to come in, own the home
8 or either renting the home so I'm just, just need to
9 get clarity on that?

10 LACEY TAUBER: I mean on the first part
11 of your question I would... I mean I don't want to
12 comment on what the tax is for, but I can tell you
13 what it's not for and that's affordable... [cross-talk]

14 COUNCIL MEMBER KING: Okay... [cross-talk]

15 LACEY TAUBER: ...housing and that's why
16 we're here today because we believe that... you know
17 what we're trying to do is make sure that we can keep
18 the costs down so that these income... the, the
19 properties can be income restricted and that folks at
20 these certain incomes can afford to buy these
21 properties and so, you know we're here today to try
22 to get... to make sure that that tax isn't passed onto
23 those folks. As far as how that would work I, I
24 would... [cross-talk]

1
2 LARRY HIRSCHFEILD: Well it, it is a... it
3 is a tax for the buyer it's not for the developer or
4 the seller, it's, it's our concern because we're
5 trying to create affordable housing and not create
6 any additional burden for the... for the buyer also
7 based on the, the post 2008 underwriting the
8 standards are very rigorous so any additional burden
9 is, is an extra hardship. In terms of what the tax is
10 for it is... it's called the mansion tax and, and I, I
11 think that... at some point somebody said well if, if
12 someone can afford a million dollars for a house then
13 they can... you know the government always needs money,
14 let's, let's add this tax and these are not the folks
15 who can afford a million dollar house, they may be
16 getting a million dollar house but they can't afford
17 a million dollar house.

18 COUNCIL MEMBER KING: So, this is where
19 I'm... this is where I'm... I have some concerns... [cross-
20 talk]

21 LENNY SEIF: Yes... [cross-talk]

22 COUNCIL MEMBER KING: ...and I'm not mad at
23 the state, I'm not mad at you or, you know anybody
24 who's trying to build and help New York but I
25 understand that we do build tax laws in specific

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2 areas and property because in the state of New York
3 which transfers down to the city of New York we need
4 certain funding and certain areas require certain
5 taxes that they put in place so if we're going to
6 build in certain areas that this is the tax code how
7 do we say I want to build here but I want to change
8 the tax code because we're going to bring in people
9 who can't afford it and I listen to my chair, you
10 know as President Clinton said the, the... you know the
11 arithmetic and the math doesn't lie so if you have
12 numbers that don't equate to people... what people are
13 earning to what you're selling to them and saying
14 this is what it's going to cost them and, and it's
15 still going leave them with 800 dollars to try to
16 figure out how to live something is off with the
17 numbers so I'm just trying to help, help you help me..

18 [cross-talk]

19 LENNY SEIF: Yeah... [cross-talk]

20 COUNCIL MEMBER KING: ...understand...

21 [cross-talk]

22 LENNY SEIF: And let me... [cross-talk]

23 COUNCIL MEMBER KING: ...your selling point
24 on why we support this... why we should support this
25 project.

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2 LENNY SEIF: Our selling point or our
3 messaging is, I think it's the manner in which this
4 transfer tax is calculated, it... this surcharge, the
5 transfer tax. It's not just based on the cash price
6 for the end purchaser, we talked about the... if the
7 house sells for 400,000 there wouldn't be any mansion
8 tax, if the house sold for 600,000 to the end
9 purchaser, working class New Yorker, income
10 restricted there wouldn't be no mansion tax but when
11 the Department of Finance working with these transfer
12 forms when they count the subsidies, the subordinate
13 land value and the construction subsidy that the city
14 puts in the project and the construction subsidy that
15 the state puts in the project as a grant that's what
16 inflates the, the contract price above a million
17 dollars so we think and I'm not a lawyer and I, I
18 would think will pursue an legislative remedy maybe
19 in the summer but it's probably the manner in which
20 the, the basis is calculated on which the mansion tax
21 is based is something that we have an issue with,
22 that we don't think is equitable, we don't think it
23 is the intention of the mansion tax.
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SUBCOMMITTEE PLANNING, DISPOSITION AND

CONCESSIONS

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COUNCIL MEMBER KING: So, then I would
ask you to go back to the state to find that out
because as I'm listening to you... [cross-talk]

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LENNY SEIF: Yes... [cross-talk]

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COUNCIL MEMBER KING: ...the mansion tax
only kicked in after all these... all this funding came
in and it... [cross-talk]

9

LENNY SEIF: That's correct... [cross-talk]

10

COUNCIL MEMBER KING: ...and it... and it
kicked in so at that point... I'm just listening to
your conversation, even if those numbers went over a
million dollars how do you transfer it back to the
homeowner who... that, that, that wouldn't be able to
afford it, why wouldn't it come out of the grants
that are kick... being kicked in that are coming to
you, is not coming to the homeowners it's coming to
you?

19

LARRY HIRSCHFEILD: That was... well
here's, here's... so, this is a two-part answer...
[cross-talk]

22

COUNCIL MEMBER KING: Okay... [cross-talk]

23

LARRY HIRSCHFEILD: ...also to your first
question... [cross-talk]

25

COUNCIL MEMBER KING: Okay... [cross-talk]

SUBCOMMITTEE PLANNING, DISPOSITION AND

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LARRY HIRSCHFEILD: ...is... it's sort of... I,
I wouldn't call it... it's like an imaginary subsidy,
it's a requirement that HPD sort of tacked this on,
I'm not getting it, it's not going to me, it's, it's
just something... [cross-talk]

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COUNCIL MEMBER KING: Who's it going to?

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LARRY HIRSCHFEILD: ...it's going to
nobody, it's, it's... it'll go to HPD if, if the
homebuyer... I... look I have... I participated in a
variety of HPD programs... [cross-talk]

12

COUNCIL MEMBER KING: Okay... [cross-talk]

13

LARRY HIRSCHFEILD: ...they, they give me
soft mortgages something that basically says you pay
no interest, you pay no principle and in 30 years
this, this mortgage will evaporate... [cross-talk]

17

COUNCIL MEMBER KING: It sounds like
dividends no one can explain it.

19

LARRY HIRSCHFEILD: Right, we can't
explain it but I, I can tell you this, so nobody gets
this money, the city will get the money that's not
the intention if the... if the homebuyer sells or
refinances in less than 20 years but I will also say
that, you know the numbers don't lie, I'm not
involved in the HPD appraisal process but I know from

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2 time to time that I, I am involved if I'm the buyer
3 and I... and I sometimes have discovered mistakes or
4 there are disagreements of some type, people might
5 say well, you know prices are really inflated right
6 now and that's the... reflected to these appraisals
7 that, you know in two years when mortgage rates are
8 up and, and prices are down appraisals would be less
9 and HPD might appraise a property at that time and
10 if... and the subsidy might then be at a level where
11 it's less than a million dollars. So, it's really a
12 funny mechanism that, that's more art than science
13 and nobody's getting the money.

14 COUNCIL MEMBER KING: Okay but you're
15 asking us to make a decision on something that you're
16 saying is a phantom, I'm trying to understand... I'm,
17 I'm just trying to understand... [cross-talk]

18 LARRY HIRSCHFEILD: Well... [cross-talk]

19 LACEY TAUBER: I mean... [cross-talk]

20 COUNCIL MEMBER KING: ...I'm, I'm just
21 asking to understand because you're... [cross-talk]

22 LACEY TAUBER: ...at, at the end of the
23 day... [cross-talk]

24 COUNCIL MEMBER KING: ...not giving it to
25 the homeowner... [cross-talk]

SUBCOMMITTEE PLANNING, DISPOSITION AND

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LARRY HIRSCHFEILD: Nobody's getting...

[cross-talk]

COUNCIL MEMBER KING: ...but you're saying
no one's... [cross-talk]

LARRY HIRSCHFEILD: ...the money... [cross-
talk]

COUNCIL MEMBER KING: ...getting the money
but you're asking us to relieve... [cross-talk]

LARRY HIRSCHFEILD: Right... [cross-talk]

COUNCIL MEMBER KING: ...you of this
responsibility when you're saying it doesn't... it, it
doesn't really... it exists but it doesn't exist.

LARRY HIRSCHFEILD: There's no cash...
let's say this, there's no cash be, being generated
or moved around or going to anybody... [cross-talk]

COUNCIL MEMBER KING: But your selling
point was to put it on the homeowner though, that's
what I'm say... if... you make it seem like the homeowner
is going to be... is distressed if this... if this
happens but you're saying it doesn't really happen
because it doesn't... it's just in the air but it
doesn't really have any substance...

LARRY HIRSCHFEILD: I said HPD... no,
what's, what's real is the tax but it's based-on a,

1
2 a, a number of dollars that are put on paper as part
3 of this conveyance which is an HPD requirement when
4 they sell property that they appraise it and they
5 then call that a... they create is called subsidy, but
6 no dollars are changing hands for that part of the
7 subsidy which is significant.

8 LACEY TAUBER: But I think the point is
9 at the end of the day what we are asking... the tax is
10 real, and it will be passed on to the homeowners if
11 we're not able to get this project summary updated
12 and what we're trying to do is make sure that we can
13 keep the costs down for the end purchasers of these
14 units because we want them to be affordable to the
15 folks who are buying them.

16 COUNCIL MEMBER KING: I guess my last
17 question would be is why would it be passed down to
18 the homeowners, I didn't get that answer that's why
19 I'm asking again, why would it be passed down to the
20 homeowner?

21 LARRY HIRSCHFELD: Its not passed down
22 to, it, it, it is a function of purchasing property
23 for over a million dollars, we're not passing it
24 down, it is a function of the tax law.

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2 COUNCIL MEMBER KING: Okay, dividends
3 again, the Wall Street crash, I understand. Thank you
4 very much. Thank you, Mr. Chair.

5 CHAIRPERSON KALLOS: Thank you Council
6 Member King and... but we will continue to fight this
7 together and just make sure the public has an idea of
8 what, what's going on. So, the... in 2016 you did an
9 appraisal, it came out at 300 and... sorry, give me one
10 second... when you did the appraisal it came out at
11 382,000 dollars per house and now you've got this
12 mansion tax problem, you, your intent is to have
13 approval to lower the land value?

14 LENNY SEIF: That is correct.

15 CHAIRPERSON KALLOS: Okay. How would you
16 lower the land value?

17 LENNY SEIF: Well the objective is to
18 lower the total contract price under a million
19 dollars so, we... so, we... so, that would be one
20 consideration, we'd probably also take into account
21 the post-construction appraised value and loan to
22 value issues that may come up in terms of the end
23 loan from the end loan provider.

24 LACEY TAUBER: So, we're amending the
25 public approval as... basically we're asking for the

SUBCOMMITTEE PLANNING, DISPOSITION AND

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authorization to reduce the land debt to make sure
that the total consideration is under a million.

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CHAIRPERSON KALLOS: And where does that
land debt go?

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LENNY SEIF: The, the land debt will be
attached to the project.

8

CHAIRPERSON KALLOS: Okay... [cross-talk]

9

LENNY SEIF: The reduced land debt.

10

CHAIRPERSON KALLOS: So, so if somebody

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hands you a pile of 382-dollar bills and, and so

12

you're saying well because we took 382,000 dollar

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bills we, we have to change how much of those dollar

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bills we accepted so, what are you... how are you going

15

to change it from 382,000 or are you just going to...

16

[cross-talk]

17

LENNY SEIF: Are you talking about...

18

[cross-talk]

19

CHAIRPERSON KALLOS: ...say... [cross-talk]

20

LENNY SEIF: ...in terms of the documents,

21

in terms of how we're going to transact that change?

22

CHAIRPERSON KALLOS: Yes.

23

LENNY SEIF: We may put... we may put a

24

balance of the land value into a... into an... a grant

25

1
2 agreement and use that as an instrument, use... that's
3 one path.

4 CHAIRPERSON KALLOS: Okay, so, so there
5 are three... there, there are, are two certainties in
6 life; death and taxes...

7 LENNY SEIF: Correct... [cross-talk]

8 CHAIRPERSON KALLOS: ...and, and so how do
9 you get around... so, so, so the IRS could be watching
10 us right now, how do you get away and, and New York
11 State Tax and Finance could be watching right now or,
12 or likely is, it's public information... [cross-talk]

13 LENNY SEIF: Yes... [cross-talk]

14 CHAIRPERSON KALLOS: ...so, so how does New
15 York State tax and finance look at this hearing and
16 say one day there was a mansion tax and then the next
17 day they changed their document filings to eliminate
18 a tax burden that was there in 2016 but in 2018 they
19 got permission to do something different so that now
20 they don't owe us those 10,000 dollars, how does that
21 work?

22 LENNY SEIF: Well I can tell you that
23 we're here at the... with the guidance of our, our
24 legal department, they're the ones... that is the
25 entity that told us that we have the prerogative

1
2 regulatory or statutory to reduce the land debt only,
3 not the construction subsidies that we have that
4 prerogative... we have that legal... that legal... [cross-
5 talk]

6 CHAIRPERSON KALLOS: So, you're not going
7 to just reevaluate... so are you reevaluating it and
8 saying you know we... in 2016 we were wrong and despite
9 appreciation and inflation and the fact that the
10 market's gone up that, that we're going to go with a
11 lower value, how do you not have to do a new
12 appraisal at the transfer anyway?

13 LENNY SEIF: That's a good question, I,
14 I... we're going to... again the objective is we're going
15 to reduce the land debt to get us under that million
16 dollars, we may use a grant agreement if that's
17 something we can do and move some of the land debt
18 out of... out of the recorded enforcement instrument
19 and into a forgivable grant agreement frankly
20 something we have to discuss with our lawyer in July.

21 LACEY TAUBER: And I mean the reason that
22 we're here in front of the council is because we need
23 authorization to do this reduction of land debt, you
24 know it's not something that's happening behind
25 closed doors, we're here in a... [cross-talk]

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LENNY SEIF: Right... [cross-talk]

LACEY TAUBER: ...public hearing to discuss it with you, explain the issue and ask for your authorization to move forward with this process.

CHAIRPERSON KALLOS: And, and so just to, to be clear regardless of whether you decide to forgive the debt and, and or you decide to set it aside as a separate grant the purchaser is still going to get something that the New York State tax law says is a mansion?

LENNY SEIF: No... [cross-talk]

LACEY TAUBER: No... [cross-talk]

LENNY SEIF: No, the, the whole purpose is to have the... have this tool in our tool kit to be able to reduce this prorate land debt... [cross-talk]

CHAIRPERSON KALLOS: So, so when we... when we reduce this, and the person decides to sell it they're not going to be able to... it, it won't have a value in excess of a million dollars?

LENNY SEIF: They'll have to pay off their enforcement mortgage whatever that is... [cross-talk]]

CHAIRPERSON KALLOS: But you're reducing... [cross-talk]

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CONCESSIONS

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LENNY SEIF: ...whatever, what, what...

3

we're... [cross-talk]

4

CHAIRPERSON KALLOS: ...that enforcement

5

mortgage... [cross-talk]]

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LENNY SEIF: ...reducing that enforcement

7

mortgage by this... [cross-talk]

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CHAIRPERSON KALLOS: By at least... [cross-

9

talk]

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LENNY SEIF: ...by some... [cross-talk]

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CHAIRPERSON KALLOS: ...100,000 dollars.

12

LENNY SEIF: By... say again?

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CHAIRPERSON KALLOS: By at least 100,000

14

dollars?

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LENNY SEIF: We'd get it under a million,

16

whatever, whatever that might take.

17

CHAIRPERSON KALLOS: Okay, so... [cross-

18

talk]]

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LENNY SEIF: At minimum.

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CHAIRPERSON KALLOS: So, just to... and I

21

think to answer Council Member King's question, so

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this ends up being an add... so, there's going to be a

23

lottery for these ten units and a bunch of folks who

24

make 122,000 dollars a year will get these and

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following our action if they sell or when they sell

1 CONCESSIONS 52

2 they will have a reduced amount that they have to pay
3 back if they sell in the first 20 years. I'm going to
4 turn it back to Council Member King.

5 COUNCIL MEMBER KING: So, I just want to
6 ask this, I, I thank you for that... [cross-talk]

7 LENNY SEIF: Yes... [cross-talk]

8 COUNCIL MEMBER KING: ...clarity I'm
9 scratching my head on it still but what happens in an
10 area such as this one that the property is valued
11 more than the houses that are on this so even though
12 if you're saying the houses are 120,000 whatever it
13 is and that the property around it is still valued at
14 a million whether it's next door or two doors, how
15 does the person in there still survive the taxes that
16 come in that community that they have to pay, I'm
17 trying to understand that one because I, I have a
18 home and regardless my taxes have changed due to the
19 property value because of where I live whether it was
20 busted because of the, the, the crash and then as
21 things come up, my taxes have adjusted on me so if
22 you're saying to me in the neighborhood right now
23 that you want to relieve us of this millionaire tax..
24 [cross-talk]

25 LARRY HIRSCHFELD: Yeah... [cross-talk]

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2 COUNCIL MEMBER KING: ...because the... that,
3 that's the land mass in that community even though
4 you take a parcel of it out and built housing that's
5 less that still doesn't devalue the property that's
6 around it so I'm trying to understand what would
7 happen to those homeowners who are in there who
8 built... who buy these houses that you've, you've built
9 but someone around the corner has a house that's
10 worth 1.5 million, I'm just trying to understand, if
11 I'm wrong somebody explain it to me now please?

12 LARRY HIRSCHFEILD: This is a onetime tax
13 when the buyer buys it as... or we do with ongoing real
14 estate taxes or ongoing income taxes.

15 CHAIRPERSON KALLOS: What will the
16 assessment on these properties be for the people who
17 move in, will it be 400,000 purchase price, will it
18 be the million dollar that it's being transferred on
19 or 999,999 dollars, what is their assessment and what
20 is the tax rate that they will be paying when they
21 move in?

22 LACEY TAUBER: Erica can you come up...
23 [cross-talk]

24 LENNY SEIF: Well they're going to...
25 there's... [cross-talk]

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2 LACEY TAUBER: ...I think she wants to
3 answer... [cross-talk]

4 LENNY SEIF: ...a... there's, there's a UDAAP
5 tax exemption for the end purchaser so when the end
6 purchaser and we have as, as was mentioned before
7 nine to ten contracts are out so when the purchaser
8 get... moves in they'll only pay taxes on land value
9 for the first ten years and then in years 11 through
10 20 they'll... their... the, the, the value of the
11 improvements get factored back into the assessment,
12 if that answers your question.

13 CHAIRPERSON KALLOS: Is it a full exempt..
14 is it... is it a full exemption on the additional value
15 or... [cross-talk]

16 LENNY SEIF: For the first ten years it's
17 a full... it's a full exemption, on, on the
18 improvements and then in years 11 through 20 the
19 building value gets factored back in, in equal, equal
20 increments.

21 CHAIRPERSON KALLOS: So, for ten years
22 they are set at 382,000 or whatever the new value you
23 set the land to and that's at 11 percent or... [cross-
24 talk]

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2 LENNY SEIF: That is up to the Department
3 of Finance, they, they have their own... they'll do the
4 assessment and it'll be a tax rate based on
5 residential property class one in this case, whatever
6 that... [cross-talk]

7 CHAIRPERSON KALLOS: On unimproved versus
8 improved?

9 LENNY SEIF: I don't know about that, I
10 mean I... no, I think... [cross-talk]

11 CHAIRPERSON KALLOS: So, so they... [cross-
12 talk]

13 LENNY SEIF: It's taxes on land only
14 when... if the Department of Finance breaks the
15 valuation into land and improvements I don't... it's
16 not always visible, if you go onto their website you
17 don't always see that data...

18 CHAIRPERSON KALLOS: So, quick question
19 to ELH Management because you've paid the taxes on
20 the land only to, to answer my colleague's question,
21 what is the tax going to be for the next ten years
22 for these folks?

23 LARRY HIRSCHFEILD: Well we paid it... what
24 it's going to be I think it's minimal or, or nothing.

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2 LACEY TAUBER: They, they had an Article
3 11 tax exemption during the construction and
4 marketing period and then the end purchasers will
5 have the UDAAP.

6 CHAIRPERSON KALLOS: What is the value of
7 the UDAAP tax exemption?

8 LENNY SEIF: I, I think under the.. under
9 the UDAAP more or less the, the owners will pay
10 probably no more than 100 dollars a month in, in
11 property taxes.

12 CHAIRPERSON KALLOS: And what would their
13 obligation otherwise be?

14 LENNY SEIF: They would pay taxes on the
15 full assessed value which as calculated by the
16 Department of Finance that would include land and
17 improvements, it'd be much, much higher, much, much
18 higher. It's an instrument of affordability.

19 CHAIRPERSON KALLOS: Okay. I still have
20 more questions on this, so I just hopped on street
21 easy because Bedford Stuyvesant like.. I'm, I'm
22 curious what real estate looks like in Bedford
23 Stuyvesant so if I wanted to buy the most expensive..
24 let me just.. sorry, I was.. I was just.. I'm going to
25 take off the limiter but there's a lot of property in

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2 this part of the city for less than 600,000 dollars.
3 If I wanted to buy the most expensive multifamily in
4 Bedford Stuyvesant or... it looks like 10 bedrooms,
5 five bath, many, many baths is, is six million but
6 the, the average price is, is somewhere around less
7 than a million but... so I guess the, the first issue
8 is... let me just put the limiter on, I can buy I
9 believe... give me one moment... so there are 18
10 properties in Bedford Stuyvesant that have more...
11 that, that have multiple bedrooms, three bedrooms or
12 four bedrooms, hold on, sorry... so I can get a two
13 bedroom, two bath, 938 square feet in Bedford
14 Stuyvesant, multi-level for 399,000 dollars, it's 253
15 Hull Street Number B.

16 LARRY HIRSCHFEILD: That's a co-op...
17 [cross-talk]

18 LENNY SEIF: Is that a condo or...

19 CHAIRPERSON KALLOS: That's a condo in
20 Ocean Hill.

21 LACEY TAUBER: Okay, that's... first of all
22 Ocean Hill is different from Bed-Stuy... [cross-talk]

23 CHAIRPERSON KALLOS: I, I, I... [cross-
24 talk]

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LACEY TAUBER: Like in looking.. [cross-talk]

CHAIRPERSON KALLOS: I'm, I'm, I'm going... [cross-talk]

LACEY TAUBER: ...these are... [cross-talk]

LENNY SEIF: No, we're talking two family... [cross-talk]

LACEY TAUBER: No, I mean... [cross-talk]

LENNY SEIF: ...homes with multiple... [cross-talk]]

LACEY TAUBER: Right... [cross-talk]

LENNY SEIF: ...bedrooms.

CHAIRPERSON KALLOS: A three-bedroom one bath is 389,000 so I guess I'm just trying to compare market to affordability, affordable and, and I guess what I'm just seeing is the market right now in, in Stuyvesant Heights which is what... and that was 795 Putnam Avenue Number 2R is just... it seems like even the affordable units seem to be somewhere around what the market is currently.

LARRY HIRSCHFEILD: I, I, I think you're looking at apartments if you look at homes which is what we're selling here with a rental apartment in... while called prime in Bedford Stuyvesant almost

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2 anything under a million is going to be in original
3 condition and need a lot of work, people are doing
4 high end renovations in Bedford Stuyvesant and some
5 of them are going for over two million dollars.

6 LACEY TAUBER: Alright, I just want to
7 stress again, so this, this program is, you know
8 meant to identify city owned property, you know
9 there, there's I think a lot of push for HPD to
10 identify land that we can develop as affordable
11 housing and NIHOP is a program that does that with
12 small lots that might not be appropriate for, you
13 know large multifamily housing for example that turns
14 those city owned lots into affordable homeownership
15 opportunities for families and so, you know that's
16 why it's income restricted, this is consistent with
17 our NIHOP term sheet, it's a program we're using all
18 over the city to try to increase people's access to
19 affordable homeownership.

20 CHAIRPERSON KALLOS: I, I appreciate it
21 my concern is just whether or not it's actually
22 affordable and whether or not anyone would actually
23 choose this unit over, over the market, I, I... [cross-
24 talk]

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2 LACEY TAUBER: We already have marketed
3 these and I think nine of the ten already have folks
4 ready to move in.

5 CHAIRPERSON KALLOS: I'm, I'm talking
6 about the rentals because I see 148 one bedrooms and
7 studios for less than 2,487 dollars a month, they,
8 they actually start... if, if, if you need a, a one
9 bedroom they start at around 1,750 for, for 11 Monroe
10 Street so it's just... we're saying it's affordable but
11 your priced above market in Bedford Stuyvesant so
12 that's a question I have.

13 LARRY HIRSCHFELD: I would say brand new
14 construction will, will achieve the highest rents,
15 it's high quality brand new construction.

16 CHAIRPERSON KALLOS: But the high quality
17 new... brand new construction that you're saying is, is
18 affordable is at the upper end of... [cross-talk]

19 LENNY SEIF: Well what I would say...
20 [cross-talk]

21 CHAIRPERSON KALLOS: ...looking at 148
22 rentals... [cross-talk]

23 LENNY SEIF: Yeah... [cross-talk]

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2 CHAIRPERSON KALLOS: ...there's probably
3 ten or 20 that exceed your price and the rest of the
4 market is, is far below your affordable units.

5 LARRY HIRSCHFEILD: I can say that this
6 is a, a statewide requirement so we basically comply
7 with the state and it's an... it's, it's an older...
8 [cross-talk]

9 LACEY TAUBER: And also... [cross-talk]

10 LARRY HIRSCHFEILD: ...requirements...
11 [cross-talk]

12 LENNY SEIF: Let me just add the bank
13 that did the underwriting provided these rents or
14 accepted these rents, rents and they were based on
15 rental comps at the time, banks are as you might
16 imagine are very risk averse and they, they have
17 no... there's no value in inflating the value of the
18 rents...

19 CHAIRPERSON KALLOS: The, the 1509 is, is
20 on track with market but again I think there's
21 something wrong with affordable housing that is at
22 market.

23 LACEY TAUBER: Well I think that there's
24 a lot of folks in the city that need a place to live
25 and these people can know that they are going to be

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2 paying 30 percent of their income towards their rent
3 which is not something that a lot of people in the
4 city have the opportunity to do.

5 CHAIRPERSON KALLOS: So, let's just... so,
6 I guess I've been paying attention to a lot of these
7 different projects we're up to your, your land use
8 item 105 in this committee.. [cross-talk]

9 LARRY HIRSCHFEILD: Uh-huh... [cross-talk]

10 CHAIRPERSON KALLOS: ...and this is by far
11 the most subsidy I've seen on any project, so this is
12 just what I've been asking so let's just ask about
13 how, how you built these units. So, I guess the, the
14 first question is when you built the, the units did
15 the people who did the construction did they have
16 health insurance so that if they got hurt they could
17 go to a doctor or disability so that if they couldn't
18 keep working anymore they would be able to be
19 supported with their families?

20 LARRY HIRSCHFEILD: My staff has health
21 insurance which... as we're general contractors so
22 we're not aware of... I think there's a, a range of
23 subs in, in terms of benefits that they're... that they
24 provide which is my.. [cross-talk]

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CHAIRPERSON KALLOS: Is it important that the folks who put up your building have health insurance?

LARRY HIRSCHFEILD: It's a plus they're well covered... you know there's workman's comp so on and so forth and there... [cross-talk]

CHAIRPERSON KALLOS: Have you ever tried to get covered under workers comp?

LARRY HIRSCHFEILD: You mean make a claim?

CHAIRPERSON KALLOS: Yeah.

LARRY HIRSCHFEILD: Well I'm, I'm not eligible as a... an employer. It's important we, we had a lot of hiring requirements and restrictions, we had an MWBE requirement which we worked hard to fill... [cross-talk]

CHAIRPERSON KALLOS: Did you... did you meet your MWBE requirements?

LARRY HIRSCHFEILD: We, we far exceeded it, we... [cross-talk]

CHAIRPERSON KALLOS: What, what percentage?

LARRY HIRSCHFEILD: I knew you were going to ask that, we are at... for the MBE we have it

SUBCOMMITTEE PLANNING, DISPOSITION AND

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2 divided by MBE and WBE, we are at 304 percent of the
3 requirement and WBE we're at 117 percent of the
4 requirement.

5 CHAIRPERSON KALLOS: And, and the
6 requirement is... [cross-talk]

7 LARRY HIRSCHFEILD: I have it in hard
8 dollars, the, the MBE was 109... 129,800 and we are at
9 1,796,500 and WBE is 59,000 and we're at 692,250...
10 which we, we exceeded by about... which would be 1,000
11 percent not 117 percent.

12 CHAIRPERSON KALLOS: And what was the
13 local hire?

14 LARRY HIRSCHFEILD: The local hire, we
15 didn't have a specific target, but we achieved a
16 significant portion of that through both the MWBE and
17 then relationships... sorry, developed through
18 community board meetings etcetera, we gave a large
19 carpentry contract of 600,000 to a local carpenter,
20 we have electric corporation with a 230,000-dollar
21 contract, the contract they're at... [cross-talk]

22 CHAIRPERSON KALLOS: And all of those
23 employed people who lived in New York City and hired
24 new people off the street from Bedford Stuyvesant?

25

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2 LARRY HIRSCHFEILD: We don't know that
3 all of them do but we believe that the majority of
4 them do and I've been on the site and I've met many
5 of the workers.

6 CHAIRPERSON KALLOS: Okay and how many of
7 the workers who worked on your site can afford to
8 purchase one of these affordable units?

9 LARRY HIRSCHFEILD: I cannot give you a
10 percentage, I would imagine that all the plumbers
11 could and, and none of the laborers could.

12 CHAIRPERSON KALLOS: How much were they
13 making an hour?

14 LARRY HIRSCHFEILD: I... as we said we or
15 the general contractors it's not a prevailing wage
16 job so we're not privy to that information.

17 CHAIRPERSON KALLOS: So, so the majority
18 of the workers on the job could not afford to live in
19 the affordable housing based on what you paid them?

20 LARRY HIRSCHFEILD: Well we, we pay
21 subcontractors, subcontractors pay the, the workers..
22 [cross-talk]

23 CHAIRPERSON KALLOS: But you could pick a
24 subcontractor that would pay people a wage so that
25 they could either afford to live in the city at

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2 market or they could afford to live in the affordable
3 housing they're building.

4 LARRY HIRSCHFEILD: Well now they comply
5 with both the MWBE requirement and remember the
6 construction subsidies would not allow it and the,
7 the soft subsidies have reduced subject to this
8 conversation do not pass through to, you know the
9 builder or the contractor or the subcontractors.

10 CHAIRPERSON KALLOS: Okay, those are all
11 of my questions, are there any other members of the
12 public who wish to testify on this item? Seeing none
13 I will go onto... [cross-talk]

14 COMMITTEE CLERK: Close the public
15 hearing... [cross-talk]

16 CHAIRPERSON KALLOS: I will close the
17 public hearing on this item and move onto Land Use
18 Item 104. We have an opening statement from Council
19 Member Brad Lander.

20 COUNCIL MEMBER LANDER: Thank you Mr.
21 Chair, I'll, I'll be brief on this one, I know you
22 have a long agenda item. This deal, the Culver El
23 deal goes back many, many years, it was actually
24 struck between then Council Member De Blasio then
25 Council Member Simcha Felder about who I'm not going

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2 to say anything today despite his preventing us
3 having speed cameras in front of our children's
4 schools...

5 CHAIRPERSON KALLOS: That counts...

6 COUNCIL MEMBER LANDER: And SBCO,
7 Southern Brooklyn Community Organization and, and HPD
8 before I was in office back in, I don't know, 2008 or
9 nine. The deal reached the council for the first time
10 in this committee I believe back in 2010 and I have
11 the letter from then Deputy Commissioner Holly Leicht
12 to me because at that time the deal had been totally
13 underwritten, it's an affordable homeownership deal,
14 it is therefore above the affordability levels that
15 we love to get down to, you'll hear it's at 90 and
16 110 percent but still very affordable for
17 homeownership, it had already been essentially
18 financed and worked out, SBCO agreed and HPD agreed
19 to double the affordability period, the period of
20 time in which there would have to be repayment from
21 sort of a first period of five years tapering down to
22 15 to a first period of ten years tapering down to
23 30. As you know Mr. Chair I'm a big fan of permanent
24 affordability and in future deals that's what I want
25 to see but, on this deal, underwritten now basically

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2 ten years ago doubling the affordability period was
3 something I was proud of. SBCO has now built 36 of
4 these units, it has taken a long, long, long time for
5 reasons no one not SBCO, not HPD, not I am thrilled
6 about but we are thrilled that we... that they're
7 basically done and that they're ready to be sold and
8 this is at the end of the project the... you'll hear
9 that there's an adjustment needed to the UDAAP to
10 prevent additional tax burden from being placed on,
11 on new homeowners around the project and I
12 wholeheartedly support the project and the
13 application that's before us today. Thank you.

14 CHAIRPERSON KALLOS: Thank you and what,
15 what was going on with the lots during the decade?

16 COUNCIL MEMBER LANDER: These... this is a
17 complicated set of lots truthfully, it's a very
18 narrow strip of land that used to hold the train
19 tracks, the Culver El so the lots are complicated,
20 the transaction was complicated, the financing was
21 complicated, you know both SBCO and HPD can, can go
22 into more details but people were working hard
23 tirelessly over many years to get this done despite
24 the challenges at, at many steps along the way.

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2 CHAIRPERSON KALLOS: Thank you. So, I
3 will read into the record some of the additional
4 information that our Land Use council would like for
5 me to read. This item is Land Use Item 104, the
6 Culver El Phase One for properties located on 37th
7 Street between 12th and 13th Avenue in Council Member
8 Lander's district in Brooklyn. HPD seeks a
9 retroactive Article 11 tax exemption for taxes
10 accrued in the past six years during the construction
11 phase after the developer transfers the property to
12 individual homeowners free and clear of the prior
13 taxes. The new urban development action area project
14 UDAAP tax exemption pursuant to Article 16 of the
15 general municipal level will go into effect.
16 Prospect, prospectively the units will be affordable
17 to homeowners with income ranging from 80 percent to
18 100 percent of AMI and so if you can submit your
19 testimony and I will ask the general... the, the, the
20 committee counsel to swear you in... swear you in,
21 please state your names for the record.

22 LACEY TAUBER: Lacey Tauber.

23 AVROHOM JAFFE: Avrohom Jaffe from SBCO.

24 LENNY SEIF: Lenny Seif, HPD.
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2 COMMITTEE CLERK: Do you swear or affirm
3 that the testimony you're about to give will be the
4 truth, the whole truth and nothing but the truth and
5 that you will answer all Council Member questions
6 truthfully?

7 LENNY SEIF: Yes.

8 AVROHOM JAFFE: I do.

9 LACEY TAUBER: Yes.

10 AVROHOM JAFFE: I do.

11 LACEY TAUBER: Ready?

12 CHAIRPERSON KALLOS: You may begin.

13 LACEY TAUBER: Alright. Land Use Item
14 Number 104 consists of an amendment to an exemption
15 area designated for development under HPD's New
16 Foundations Program for a new construction project
17 known as Culver El Phase One. The project is located
18 at block 5295, lots 4, 104, 105, 106, 107, 108, 111,
19 112, and 113 in Brooklyn council district 39 and on
20 February 2nd, 2011 the city council approved ULURP
21 actions allowing for the UDAAP area designation,
22 disposition and project approval. The project closed
23 in November 2014 and the estimated development cost
24 is 16,831,542 dollars. Culver El Phase One comprises
25 36 condominium units within nine four story buildings

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2 with a mixture of 16 three bedroom and 20 four-
3 bedroom units. Targeted household income will be 80
4 to 110 percent of AMI. It is anticipated that the
5 sponsor will complete the first group of buildings
6 this summer. During construction, the Department of
7 Finance levied the building value on two of the nine
8 buildings resulting in an annual tax liability of
9 approximately 60,000 dollars per building totaling
10 120,000 dollars while the other seven buildings were
11 billed at a nominal rate. Given the sponsor's budget
12 does not include funds to cover this higher level of
13 taxation, an Article 11 tax exemption request is
14 being submitted in order to, to seek retroactive tax
15 benefits commencing from 2014. The article 11 tax
16 exemption of which net present value is approximately
17 978,151 dollars with the cumulative value 1,100,543
18 dollars will terminate when the last condominium unit
19 is sold to the end purchaser. All end purchasers will
20 benefit from the approved UDAAP tax exemption upon
21 expiration of the Article 11.

22 CHAIRPERSON KALLOS: Does the developer
23 have any testimony?

24 AVROHOM JAFFE: Only that what we've been
25 doing for the last 30 years in the city of New York

1
2 is developing affordable housing within the
3 neighborhood, concentrating on neighborhood
4 preservation and this, this project is a long awaited
5 as Council Member Lander can attest, a long awaited
6 project that we're happy to... we're done, we're like
7 97 percent done on the project, we're beginning
8 marketing to marketing process any minute Lenny and
9 I'm prepared to answer any questions that the council
10 will have.

11 CHAIRPERSON KALLOS: I'll turn to Council
12 Member Lander with the first round of questions.

13 COUNCIL MEMBER LANDER: Thank you, I
14 don't really have questions here. I'll add one or two
15 just bits of information for the record. One is that
16 there is no city subsidy in this project, the land
17 was disposed for a dollar or a dollar per lot to the
18 developer but the city is not putting city subsidy in
19 it, of course it's not like an MIH development where
20 there are market rate units and affordable units so
21 that the... you know the affordability levels here are
22 really being set by the cost of construction which
23 is... you know so, I... you know I for one would love to
24 see us reach deeper levels, levels of affordability
25 and permanent affordability but given where things

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2 were at the time without an MIH program, without a
3 city homeownership subsidy program I think this
4 project with just the land being given to SBCO and
5 them cobbling the deal together to enable
6 affordability for families at the best price they
7 possibly could, you know that it's a deal I support
8 and I support giving them this tax exemption, I think
9 your questions about how we want to do homeownership
10 going forward are really good questions and if we
11 were working on this deal today instead of a decade
12 ago and either the possibility of additional subsidy
13 to get to deeper levels of affordability or cross
14 subsidy by having market rate and affordable units
15 would be great ways to think about this project but
16 given how long it's taken to get here and how hard
17 they've worked to do it under the conditions that
18 were granted I remain a supporter and I hope you and
19 the other members of the committee will vote yes.

20 CHAIRPERSON KALLOS: Thank you. For folks
21 watching at home, how much do... what, what is the
22 minimum and what is the maximum incomes for people
23 who wish to purchase these three and four-bedroom
24 units assuming family sizes of three or four?

25 LACEY TAUBER: Do you have that?

SUBCOMMITTEE PLANNING, DISPOSITION AND

CONCESSIONS

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2 LENNY SEIF: Yeah, I have that. For a
3 family of... let's, let's go with the family of four if
4 that's okay.

5 CHAIRPERSON KALLOS: Sure.

6 LENNY SEIF: On the low end 77,800
7 dollars... 77,800.

8 CHAIRPERSON KALLOS: Is that based on the
9 2017 number or the... [cross-talk]

10 LENNY SEIF: No, these are... these are
11 based on the older AMIs... [cross-talk]

12 AVROHOM JAFFE: The new ones... the new
13 ones... [cross-talk]

14 LENNY SEIF: Right... [cross-talk]

15 AVROHOM JAFFE: 80 percent is 83,440 and
16 the one... [cross-talk]

17 CHAIRPERSON KALLOS: Okay... [cross-talk]

18 AVROHOM JAFFE: ...and the 100 percent is
19 104,300, the 110 is not on the chart, we'd have to
20 figure it out.

21 LACEY TAUBER: I have it. We... you said
22 family of four?

23 CHAIRPERSON KALLOS: Yep.

24 LACEY TAUBER: For a family of four, 110...
25 oh, you're right, 110 is not on the chart, I'm sorry,

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS 75

2 I only have 100 and 130, somewhere between 100 which
3 is 104,300 and 130 which is 135,590.

4 CHAIRPERSON KALLOS: Give me one second,
5 I will... I will run it myself. I have... I have 114, is
6 that what you had?

7 AVROHOM JAFFE: That would be correct.

8 LACEY TAUBER: That, that sounds right.

9 CHAIRPERSON KALLOS: Okay, so folks
10 watching at home you're a family of... between 83,000
11 and 114,000 and how much is a three bedroom and how
12 much is the four bedrooms at the 80 percent level and
13 the 110 percent level?

14 AVROHOM JAFFE: The units range from the
15 329,000 and change for the low... for the three, three
16 bedrooms for an 80 percent AMI up to 526,170 for the
17 four bedrooms at the 110 AMI.

18 CHAIRPERSON KALLOS: Sorry, can you
19 repeat the number again, 400 and...

20 AVROHOM JAFFE: It's 329,123... [cross-
21 talk]

22 CHAIRPERSON KALLOS: Yep... [cross-talk]

23 AVROHOM JAFFE: ...and 526,170.

24 CHAIRPERSON KALLOS: Okay and how much do
25 they need to have down to purchase one of your units?

SUBCOMMITTEE PLANNING, DISPOSITION AND

CONCESSIONS

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2 AVROHOM JAFFE: We have a ten percent
3 requirement for the down payment.

4 CHAIRPERSON KALLOS: So, somebody making
5 83,000 dollars a year would need to have 32,000
6 dollars in liquid assets?

7 AVROHOM JAFFE: Sounds correct.

8 CHAIRPERSON KALLOS: And do you know what
9 the closing costs would be?

10 AVROHOM JAFFE: Well there are a lot of
11 first time homebuyer product that we're... we, we... as
12 part of our agency we have homeownership counselors
13 who are working with several different products that
14 we're trying to put together, so they would... it would
15 range I would guess... I would guess we're talking
16 about to 5,000 dollars in closing costs give or take.

17 CHAIRPERSON KALLOS: Okay, so if you're
18 taking out a 300,000-dollar mortgage at four percent
19 over 30 years you're, you're looking at about a, a...
20 an... a, a payment of 1,432 dollars a month for the
21 next 30 years.

22 AVROHOM JAFFE: Correct.

23 CHAIRPERSON KALLOS: For, for a three or
24 four bedroom. We've been joined by Council Member
25 Chaim Deutsch. And, and so you have somebody who is

1
2 earning 83,000 a year at least right now they can
3 earn more, is that correct?

4 AVROHOM JAFFE: Well the asset cap... the
5 asset cap on this project is at 182,525 so they can
6 technically have a larger down payment if they have
7 one, they can have family participation to affect
8 that down payment if, if... [cross-talk]

9 CHAIRPERSON KALLOS: Uh-huh... [cross-talk]

10 AVROHOM JAFFE: ...if, if that's available...
11 if that's available so the asset cap is... does make it
12 easier for people to buy these units.

13 CHAIRPERSON KALLOS: Great and so on a
14 three... at... on a three bedroom a... 30 percent of their
15 income for somebody... so, so what would be affordable
16 to them at 30 percent, so most of these folks will be
17 paying roughly 15 or 20 percent of their income to
18 the mortgage cost?

19 AVROHOM JAFFE: Well that's before the
20 condo... the, the condo fee and the insurance and you
21 know... [cross-talk]

22 CHAIRPERSON KALLOS: What is the condo
23 fee estimated to be?

24 AVROHOM JAFFE: I think with property tax
25 I think was under 500 dollars a month.

1
2 CHAIRPERSON KALLOS: Okay, so now it
3 brings it up to around 20 percent and so it doesn't...
4 this... they will not have property taxes on this
5 because of the Article 11 that we're granting, is
6 that correct or it's partial... [cross-talk]

7 LENNY SEIF: Are we talk... are we talking
8 about the end purchasers?

9 CHAIRPERSON KALLOS: Yes.

10 AVROHOM JAFFE: The, the end purchasers
11 have the UDAAP, there is a UDAAP that's been approved
12 for the... for the end users, the Article 11 is for the
13 developer during construction because the Department
14 of Finance did asses and has built value to two of
15 the properties and that, that added burden is
16 threatening the project.

17 LENNY SEIF: I think we should just take...
18 just to clarify if, if it... if it's required, so the
19 project in, in its first go around was approved for a
20 disposition and was approved for an end purchaser
21 UDAAP tax exemption and then we encountered this
22 circumstance July 2017 where the Finance Department
23 imposed building value, considerable building value
24 on two of the nine identical buildings resulting in a
25 tax liability during construction prior to C of O of

1
2 about 60,000 dollars a year annually and these are
3 amounts that are, are not... there's no funds in the
4 budget. It wasn't anticipated that there would be
5 building value that would have to be paid during
6 construction, it was a surprise to everybody.

7 CHAIRPERSON KALLOS: And what were the
8 hard costs for this 16.8-million-dollar project?

9 LARRY HIRSCHFEILD: Do you have the
10 budget?

11 LENNY SEIF: I, I don't think I have that
12 unless it's in our... [cross-talk]

13 CHAIRPERSON KALLOS: Also interested in
14 the soft costs.

15 LACEY TAUBER: We have the total
16 development cost number that we can share but we
17 don't have it broken down.

18 CHAIRPERSON KALLOS: We appreciate the 60
19 million... so that is why we have the developer who I
20 believe is looking it up. While, while we are doing
21 that so... the... what is the land value for each one of
22 the nine lots or, or for the, the one lot that was
23 subdivided?

24 LENNY SEIF: The land value... the land
25 debt was about 650,000 dollars so that prorated to

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2 the... to the nine buildings would be the prorated land
3 debt, let's see if I have any... a figure that's more
4 exacting but I, I don't think I do.

5 CHAIRPERSON KALLOS: Previous figure we
6 received was 614,000... [cross-talk]

7 LENNY SEIF: Yeah... [cross-talk]

8 CHAIRPERSON KALLOS: ...so I don't know if
9 614 is accurate or... [cross-talk]

10 LACEY TAUBER: That's the... [cross-talk]

11 CHAIRPERSON KALLOS: ...650?

12 LACEY TAUBER: ...number that I have as
13 well.

14 LENNY SEIF: Yeah.

15 LACEY TAUBER: 614... [cross-talk]

16 LENNY SEIF: That sounds right... [cross-
17 talk]

18 LACEY TAUBER: ...I think he just misspoke.

19 LENNY SEIF: Thank you.

20 CHAIRPERSON KALLOS: And then so prorated
21 of that is 68,000 dollars per land... per, per building
22 give or take?

23 LACEY TAUBER: We have it per DU at
24 17,055.

SUBCOMMITTEE PLANNING, DISPOSITION AND

CONCESSIONS

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CHAIRPERSON KALLOS: 17 times nine does
not equal 614... [cross-talk]

LENNY SEIF: No, you divide it by 36, the
number of... [cross-talk]

CHAIRPERSON KALLOS: Oh, these are... these
are condos with... [cross-talk]

LACEY TAUBER: Yeah and I have it per...
[cross-talk]

CHAIRPERSON KALLOS: ...a, a rental income...
[cross-talk]

LACEY TAUBER: ...building as what I'm
saying... [cross-talk]

CHAIRPERSON KALLOS: ...as well... [cross-
talk]

LACEY TAUBER: ...but per dwelling unit
with... [cross-talk]

LENNY SEIF: These are nine 4DU condo
buildings.

CHAIRPERSON KALLOS: And each... [cross-
talk]

LENNY SEIF: 36 condo units... 36 condo
units in total.

CHAIRPERSON KALLOS: Got it, thank you so
it's 17 per DU?

SUBCOMMITTEE PLANNING, DISPOSITION AND

CONCESSIONS

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LACEY TAUBER: Correct.

LENNY SEIF: Yes.

CHAIRPERSON KALLOS: Thank you. Okay, so we start off with... so, that's actually a much lower subsidy than we saw in the last project so 17,000 for the land view... value, we're giving a retroactive Article 11 which is going to total about 120,000 dollars... [cross-talk]

LENNY SEIF: Uh-huh... [cross-talk]

CHAIRPERSON KALLOS: ...we are then giving an Article 16 tax abatement that is a full tax abatement moving forward..

LENNY SEIF: The Article 16 tax exemption is the UDAAP tax exemption... [cross-talk]

CHAIRPERSON KALLOS: Uh-huh... [cross-talk]

LENNY SEIF: ...that is... will be provided to the end purchaser that, that benefit will be accrued to the end purchaser not to the developer.

CHAIRPERSON KALLOS: Okay and so in your testimony you're saying the net present value is 978,151 but the cumulative is only about 200,000 more, what is the term of the Article 16?

LENNY SEIF: The term of the Article 16 for the end purchasers... [cross-talk]

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CHAIRPERSON KALLOS: Yes... [cross-talk]

LENNY SEIF: ...that's a 20-year exemption,
ten years full exemption on building value... [cross-
talk]

CHAIRPERSON KALLOS: Uh-huh... [cross-talk]

LENNY SEIF: ...and then years 11 through
20 building... the building value is added back into
the base assessment in, in equal increments.

LACEY TAUBER: That number that.. the
numbers that you said though that was for the Article
11.

LENNY SEIF: Let, let me speak to the
Article 11 just for a second so we don't... [cross-
talk]

CHAIRPERSON KALLOS: So, its... [cross-
talk]

LENNY SEIF: So, the Article 11... [cross-
talk]

CHAIRPERSON KALLOS: ...added back over...
[cross-talk]

LENNY SEIF: Sorry.

CHAIRPERSON KALLOS: On the Article 16
it's added back over the remaining ten years did you
say or 30... [cross-talk]

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LENNY SEIF: Say again?

CHAIRPERSON KALLOS: Is it... the Article
16 is it a ten year or 20... sorry, is it a 20 or...
[cross-talk]

LENNY SEIF: It's a 20-year exemption...
[cross-talk]

CHAIRPERSON KALLOS: Perfect.

LENNY SEIF: It's a full exemption for
the first ten years and a reduced exemption over
years 11 through 20.

LARRY HIRSCHFEILD: Chairman I did get
your hard cost and soft cost for you; the hard costs
are 13...

[off-mic dialogue]

LARRY HIRSCHFEILD: ...that's about
13,750,000 dollars and change, now the exact number
I'm looking at bank documents and the soft costs were
about 3,490... 3,492,400 or so.

CHAIRPERSON KALLOS: So, we're talking
about the different tax exemptions, so we have an
Article 16, we have an Article 11 so let's start
adding them together to get the, the full abatements.

LACEY TAUBER: Well it's a little bit
different because as we said the Article 11 is for

1
2 the developer for the term of construction and the
3 UDAAP exemptions are for the purchasers moving
4 forward so they're really two separate things.

5 LENNY SEIF: They can't exist at the same
6 time.

7 CHAIRPERSON KALLOS: Okay, so what is the
8 value that we are giving the developer and what is
9 the value that we are giving the purchaser?

10 LENNY SEIF: The Article 11 will
11 terminate... I'll say it this way, when the last of the
12 36 condominium units is sold to an end purchaser,
13 it's not a function of CO so the Article 11 covers
14 construction and it covers marketing which is going...
15 [cross-talk]

16 LACEY TAUBER: Which is the construction
17 and marketing, thank you, sorry.

18 LENNY SEIF: And marketing which is an
19 important component because the project hasn't
20 started marketing yet, correct Rabbi?

21 LARRY HIRSCHFELD: That's correct.

22 CHAIRPERSON KALLOS: Okay, so... and, and
23 so... okay, so where are you in the construction
24 process so these are... [cross-talk]

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2 LARRY HIRSCHFEILD: We, we are at about
3 95 percent done, we're, we're paving and we're doing
4 the last... we're at... we're at... we're going to be
5 refinishing the floor... the, the hardwood floors and
6 we're, we're prepared... we've already begun the, the,
7 the CO process, we have inspections going, going on
8 so we're, we're, we're done, this is... we hope to
9 start the marketing yesterday or the day before,
10 right Lenny? We're really... we're, we're, we're... the...
11 you know the... [cross-talk]

12 CHAIRPERSON KALLOS: Okay, so it's
13 120,000 dollars in taxes going back to 2014 which... so
14 that's six years... so that's six years, that's 720,978
15 so where's the additional 200,000... [cross-talk]

16 LENNY SEIF: It... the retroactive period,
17 the project closed in November 2014, from November
18 2014 to July 2017 or June 30th, 2017 the taxes owing
19 was nominal, it wasn't until... [cross-talk]

20 LARRY HIRSCHFEILD: They're not owing,
21 they were paid.

22 LENNY SEIF: And, and paid... [cross-talk]

23 LARRY HIRSCHFEILD: They were paid,
24 2,000... at about 2,000 dollars a year... [cross-talk]

25 LENNY SEIF: Right... [cross-talk]

1
2 LARRY HIRSCHFEILD: It wasn't until... per,
3 per lot...

4 LENNY SEIF: Sorry Rabbi.

5 LARRY HIRSCHFEILD: ...and they were paid.

6 CHAIRPERSON KALLOS: So, I'm, I'm just
7 trying to... so, I'm trying to get a sense of... so
8 there's this Article 11 and the value on it is about
9 a million dollars, what is the time period that we
10 are giving to the developer that million dollars,
11 what is that for?

12 LENNY SEIF: I... The million dollars is to
13 take into account and it's conservative, the amount
14 of time it's going to take for SBCO to sell the last
15 of the 36 units so... [cross-talk]

16 CHAIRPERSON KALLOS: So, it's from what
17 date to... [cross-talk]

18 LENNY SEIF: It, it... [cross-talk]

19 CHAIRPERSON KALLOS: ...what date?

20 LENNY SEIF: The commencement date is
21 the, the closing date, November 2014 and, and I, I
22 think the termination, termination date as written
23 into the documents is the date that the last unit is
24 not owned by, by the HDFC that's how it's... [cross-
25 talk]

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CHAIRPERSON KALLOS: What's, what's HD... which, which you believe is going to be sometime this year?

LARRY HIRSCHFEILD: God willing...

CHAIRPERSON KALLOS: God, god, god willing so 2018 so we are... we are looking for... so, I guess what I'm trying to wash is in your testimony you're saying that the annual tax liability is 60,000... [cross-talk]

LENNY SEIF: The, the Article 11 will, will extend... let's think about it this way, the project hasn't started marketing, it's going to take... Rabbi, it's going to take I would think a year to sell these units, is that a... [cross-talk]

LARRY HIRSCHFEILD: I, I don't think so...

LENNY SEIF: I mean the clock hasn't started ticking yet... [cross-talk]

CHAIRPERSON KALLOS: I'm, I'm just trying to wash your testimony, with that said there's 120,000 dollars a year in tax liability and you're estimate that it's going to cost a million dollars because whether it's five, five times 120 so, if we said it was a five-year period to 2019 that, that's still only six... 600,000 dollars...

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LENNY SEIF: I think we're anticipating that the Finance Department may index land improvement... building value on some of the other buildings as we move over time so while SBCOs their HDFC still owns the property, the land, some of the other buildings not the first two buildings but the third or the fourth or the fifth they may be reassessed with, with a high... at a higher level of taxation and that's... I think the Article 11 tax exemption projected value took into account that, that occurrence, that possibility.

CHAIRPERSON KALLOS: And the Article 11 is going to be for two or all nine buildings?

LENNY SEIF: It's, it's for all nine buildings, for all 36... yes.

CHAIRPERSON KALLOS: Okay, thank you.

LENNY SEIF: You're welcome.

CHAIRPERSON KALLOS: So, just going through the financing so we have the tax Article 11, we have the Article 16, did HPD provide any per unit subsidy or any mortgage subsidy or any other type of subsidy?

LENNY SEIF: No.

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CHAIRPERSON KALLOS: Did HDFC provide any loans or subsidy?

LARRY HIRSCHFEILD: No, the AHC is the only one and they gave... that, that subsidy was given directly to the end user, to the... to the purchaser.

CHAIRPERSON KALLOS: So, how much is the New York State Affordable Housing Corporation Grant?

LARRY HIRSCHFEILD: It's 1.26 or something... [cross-talk]

CHAIRPERSON KALLOS: I have... [cross-talk]

LARRY HIRSCHFEILD: It's... [cross-talk]

CHAIRPERSON KALLOS: I believe I have 1.6... [cross-talk]

LENNY SEIF: Uh-huh... [cross-talk]

CHAIRPERSON KALLOS: ...you have 1.26... [cross-talk]

LARRY HIRSCHFEILD: It is 1.26...

LENNY SEIF: 1.26.

CHAIRPERSON KALLOS: Okay, 1... [cross-talk]

LENNY SEIF: 1.26 is correct...

CHAIRPERSON KALLOS: Okay and so that is throughout the entire project?

SUBCOMMITTEE PLANNING, DISPOSITION AND

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LENNY SEIF: Yes, that's for all 36

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units... [cross-talk]

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LARRY HIRSCHFELD: That's correct...

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[cross-talk]

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LENNY SEIF: ...all 36.

7

CHAIRPERSON KALLOS: So, that comes out

8

to about 35,000 dollars per unit...

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LARRY HIRSCHFELD: Well it's... there's...

10

there are 80 percent AMI and there are 110 percent

11

AMI, the 80 percent are getting the, the larger... the

12

larger subsidy and the 110 AMI are getting the

13

25,000-dollar subsidy so the total is the 1.26 but

14

it's... there are 16 units that are available to 80

15

percent AMI and 20 that are available to 110.

16

CHAIRPERSON KALLOS: Do you recall what

17

the higher sub... the... what the subsidy is for the

18

higher units?

19

LARRY HIRSCHFELD: I'm thinking 32,500

20

is that what...

21

LENNY SEIF: Yeah, for, for units that

22

are from 90 plus to 110... [cross-talk]

23

CHAIRPERSON KALLOS: Uh-huh... [cross-talk]

24

LENNY SEIF: ...is 32,500 dollars per DU...

25

[cross-talk]

SUBCOMMITTEE PLANNING, DISPOSITION AND

CONCESSIONS

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CHAIRPERSON KALLOS: And for the lower...

[cross-talk]

LENNY SEIF: That is correct... [cross-talk]

CHAIRPERSON KALLOS: And for the lower AMI?

LENNY SEIF: It is 40,000 dollars per DU and these are single condominium units.

CHAIRPERSON KALLOS: Okay, is there any city capital in this?

LARRY HIRSCHFEILD: Only the land value, the... [cross-talk]

CHAIRPERSON KALLOS: Okay, any private funds?

LARRY HIRSCHFEILD: Well no, I mean there have been some injections that were put in to... in order to structure the financing... [cross-talk]

CHAIRPERSON KALLOS: Uh-huh... [cross-talk]

LARRY HIRSCHFEILD: ...but it'll all be paid from the proceeds.

CHAIRPERSON KALLOS: Developer equity?

LARRY HIRSCHFEILD: Again we... the developer put... we, we put a million dollars in... [cross-talk]

SUBCOMMITTEE PLANNING, DISPOSITION AND

CONCESSIONS

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CHAIRPERSON KALLOS: Uh-huh... [cross-talk]

LARRY HIRSCHFEILD: ...which we hope to take out from proceeds to take it to the next affordable housing project.

CHAIRPERSON KALLOS: Good. The folks who are doing the construction on these projects.

LARRY HIRSCHFEILD: Uh-huh... [cross-talk]

CHAIRPERSON KALLOS: They, they have health insurance and disability if god forbid anything, anything happens will they be able to retire?

LARRY HIRSCHFEILD: Well I can only tell you that I hired a general contractor who in turn hired subcontractors so I'm really not privy to real information as to what they were paid and how they were paid but we complied with whatever we needed to comply with for our closing requirements.

CHAIRPERSON KALLOS: Would you... would you agree at least for moving forward whether or not the people who are working for the people who work for the people who work for you should have access to... should have health insurance and disability and the ability to retire?

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2 LARRY HIRSCHFELD: I believe that that's
3 a requirement in today's approvals, it wasn't at the
4 time that we closed on the project, but I believe
5 that that has become somewhat of a requirement and we
6 would comply with whatever needed to be complied
7 with.

8 CHAIRPERSON KALLOS: HPD is it now a
9 requirement for there to be health insurance and
10 disability for construction workers on these
11 projects?

12 LACEY TAUBER: There are many different
13 kinds of requirements for many different kinds of
14 projects.

15 CHAIRPERSON KALLOS: Does every single
16 HPD project have a health, disability and pension
17 requirement for...

18 LACEY TAUBER: I, I don't know off the
19 top of my head, I'm sorry, you know I'm... [cross-talk]

20 CHAIRPERSON KALLOS: That's okay... [cross-
21 talk]

22 LACEY TAUBER: ...new here. okay, you got
23 information.

24 CHAIRPERSON KALLOS: I, I believe the
25 answer is, is, is no so I think just if we could work

1
2 together to make sure and I think a similar question
3 which I asked the, the previous developer was just
4 will the folks who did the work on your project be
5 able to afford your affordable housing?

6 LARRY HIRSCHFEILD: That would really
7 depend on their assets, that would depend on their
8 family size, it would depend on so many different
9 components that it's impossible to answer it. The... I,
10 I would imagine that if some of them had, had
11 somewhat of a down payment available and had at least
12 a family of four they could possibly afford these
13 units, yes, they... [cross-talk]

14 CHAIRPERSON KALLOS: So, it... so, so
15 these... let's, let's just say that they're at 80
16 percent of AMI so you believe somebody working on
17 this project would be making 83,450 dollars a year?

18 LARRY HIRSCHFEILD: I can't speak for the
19 general contractor, I don't know.

20 CHAIRPERSON KALLOS: But would you agree
21 that moving forward it might be important to make
22 sure that the folks who are building things can, can
23 live in what they're building?

24 LARRY HIRSCHFEILD: In theory, yes but
25 in, in order to affect the stock of affordable

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2 housing in the... in the city of New York you'd have to
3 see if you could make it viable if... and actually
4 viable, in theory I definitely agree with you.

5 CHAIRPERSON KALLOS: I'm, I'm interested
6 in, in, in working with, with you and, and some of
7 the other developers that I've had the occasion to
8 come before me where we share similar values to see
9 because it, it strikes me that you did not get
10 600,000 dollars in subsidies per unit on this
11 project.

12 LARRY HIRSCHFEILD: Any... I don't
13 understand what you're saying.

14 CHAIRPERSON KALLOS: That there may be
15 more money on the table to make these projects not
16 only work but work for lower income New Yorkers and
17 ensure that the people... [cross-talk]

18 LARRY HIRSCHFEILD: That's true, for this
19 particular... [cross-talk]

20 CHAIRPERSON KALLOS: ...who are doing the
21 work... [cross-talk]

22 LARRY HIRSCHFEILD: ...for this... for this...
23 [cross-talk]

24 CHAIRPERSON KALLOS: ...can afford it...
25 [cross-talk]

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2 LARRY HIRSCHFEILD: ...for this program
3 through the city of... [cross-talk]

4 CHAIRPERSON KALLOS: Yeah... [cross-talk]

5 LARRY HIRSCHFEILD: ...New York there was...
6 there was no other funds available, it's all... [cross-
7 talk]

8 CHAIRPERSON KALLOS: Yes... [cross-talk]

9 LARRY HIRSCHFEILD: ...privately borrowed
10 money from a bank so... [cross-talk]

11 CHAIRPERSON KALLOS: I don't... I, I got
12 it... [cross-talk]

13 LARRY HIRSCHFEILD: But going forward if
14 we would be able to, to build... to build equity where
15 the, the city would put in a grant or something I
16 would... I would certainly be willing to, to guarantee
17 whatever I have to guarantee as long as the project
18 worked, we're, we're a nonprofit, there's no profit
19 here, there's nobody making money.

20 CHAIRPERSON KALLOS: I, I, I understand,
21 I, I also ask everyone who comes before me about MWBE
22 and local hire.

23 LARRY HIRSCHFEILD: Okay, local hire I
24 don't know because the general contractor again hired
25 the, the subcontractors... [cross-talk]

SUBCOMMITTEE PLANNING, DISPOSITION AND

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CHAIRPERSON KALLOS: Uh-huh... [cross-talk]

LARRY HIRSCHFELD: ...MWBE we did have from the state, the state had an MWBE requirement which we have far surpassed, we had a five percent requirement, I think for the MBE we're already close, closer to ten and, and, and for the WBE we had a... the requirement I think was for 60,000 dollars, we've already paid over 80.

CHAIRPERSON KALLOS: I think those are my questions, thank you. Do we have any members of the public here on Land Use Item 104? Seeing none I will close this public hearing. We have many, many more today. As we return to the regularly scheduled order we will be holding a hearing on Land Use Item 102, the Berean Gardens application for property located at 1479 to 1497 St. Marks Avenue in Council Member Ampry-Samuel's district in Brooklyn. HPD seeks approval for a new 40-year tax exemption pursuant to Article 11 of the private housing finance law. These existing buildings contain 77 dwelling units for low income seniors eligible for Section 8 vouchers and there is a project rental assistance contract in place. The project currently has outstanding tax liens and the owner is entered into a payment plan.

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2 The new Article 11 tax exemption will facilitate the
3 resolution of the liens for which the HUD will pay
4 the interest and approval of this application will
5 also establish a new regulatory agreement ensuring
6 affordability until 2058. I would like to now open
7 the public hearing on Land Use Item 102. If the
8 applicants could state your names for the record and
9 the committee counsel will swear you in.

10 COMMITTEE CLERK: Please state your
11 names.

12 NICK SIMMONS: Hi, my name is Nick
13 Simmons, I work for Mutual Housing Association of New
14 York and I'm the Landlord Ambassador for this
15 project.

16 LACEY TAUBER: Lacey Tauber, HPD.

17 CAROLYN WILLIAMS: Carolyn Williams, HPD.

18 COMMITTEE CLERK: Do you each... [cross-
19 talk]

20 LACEY TAUBER: Your mic... [cross-talk]

21 COMMITTEE CLERK: ...swear... [cross-talk]

22 CAROLYN WILLIAMS: Carolyn Williams, HPD.

23 COMMITTEE CLERK: Thank you. Do you each
24 swear or affirm that the testimony that you're about
25 to give... oh...

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LACEY TAUBER: One more, sorry.

COMMITTEE CLERK: One more...

PEGGY WADDELL: Peggy Waddell, Berean
Gardens.

COMMITTEE CLERK: Do you each swear or
affirm that the testimony that you're about to give
will be the truth, the whole truth and nothing but
the truth and that you will answer all questions
truthfully?

[panel confirms]

CHAIRPERSON KALLOS: You may begin your
testimony.

LACEY TAUBER: Okay. Land Use Number 102
consists of an exemption area containing one occupied
multiple dwelling located at 1381 St. Marks Avenue,
block 1452, lot 66 and 70 to 78 in Brooklyn council
district 41 known as Berean Gardens HDFC. The Berean
Gardens project is a section 8 development approved
for disposition by the city council on August 3rd,
1993 for low income seniors. The project comprises 77
units of senior housing of which two apartments are
vacant. Additionally, there are two community
facility spaces used by the tenants for recreational
activities. The building contains a mixture of unit

SUBCOMMITTEE PLANNING, DISPOSITION AND

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2 types including 19 studios and 58 on bedroom
3 apartments, including a superintendent's unit. HUD
4 requires the project serve senior citizens with
5 household incomes that do not exceed 50 percent of
6 AMI, which is approximately 41,750 dollars for a two-
7 person household according to the 2018 income limits.
8 Tenants pay no more than 30 percent of their income
9 toward rent. This transaction does not include any
10 construction. In 1993, in designating the project as
11 an UDAAP area, the council also approved the merger
12 of the municipal lots comprising the project, block
13 1452, lot 66 and lots 70 to 78 but the lot merger was
14 not completed. Additionally, the 1993 approval
15 provided the project with a partial tax exemption of
16 20,909 dollars plus 25 percent increases for a period
17 of 40 years. The proposed action is requesting a new
18 Article 11 providing the project with a full tax
19 exemption for the first three years and a seven
20 percent flat gross rent tax for the remaining 37
21 years. Currently there are outstanding property tax
22 liens and the sponsor has entered into payment
23 agreements with all lien holders. While a lot merger
24 is proposed to occur, it cannot happen until the
25 project is clear of all liens. In order to help

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 preserve long term affordability of the low income
3 senior rental units, HPD is before the Planning
4 Subcommittee seeking approval for Article 11 tax
5 benefits that will help maintain affordability of the
6 residential units, the value of which is 7,709,136
7 dollars and the net present value being 2,425,779
8 dollars which is 31,504 dollars per DU. The tax
9 exemption will coincide with a regulatory agreement
10 for a term of 40 years. In addition, the owner will
11 be required to maintain its HAP contract for the
12 remainder of the term.

13 CHAIRPERSON KALLOS: How and why did this
14 affordable housing, senior housing development accrue
15 property taxes and fall behind in paying them?

16 NICK SIMMONS: Well at first when we
17 first owed, and they first applied for an Article 11
18 with this committee and was approved they were only
19 receiving taxes on one lot and that was lot 66 and so
20 all the taxes were being... for ten lots were being
21 billed to one lot. In year 2013 when the taxes were
22 starting to get dispersed across ten lots the
23 majority of these lots do not even have a building,
24 some of them are vacant... like parking lots or
25 community facility space so they were not receiving

SUBCOMMITTEE PLANNING, DISPOSITION AND

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2 these bills. When the time came when they started
3 realizing how much arrears they figured out that
4 there, there are four liens on the property that are
5 in jeopardy of being sold to two different lien
6 servicers and that's when myself as the Landlord
7 Ambassador and we were pulled in with the HPD to
8 figure out what was the dilemma, at first we thought
9 it was the taxes were too high since the taxes just
10 dispersed across from year '12... 2012, 2013 and we
11 thought that they were wrongfully charged. After
12 debating this with HPD and Department of Finance for
13 some time, a few months we realized that they were
14 not wrongfully charged but they were just spread out
15 across all ten lots and so in order to... we, we
16 realized that we couldn't do a retroactive what we
17 initially wanted to do when we first heard about this
18 case so what we ended up doing was we started, you
19 know going back through the paperwork and figuring
20 out when this problem started and trying to figure
21 out how to get, get into payment plans with the lien
22 servicers and Department of Finance because they were
23 in jeopardy of foreclosure with four of the liens
24 that were sold to the lien servicers from the last
25 lien sale.

SUBCOMMITTEE PLANNING, DISPOSITION AND

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2 CHAIRPERSON KALLOS: Is the property
3 being transferred to Mutual Housing Association of
4 New York from Berean HDFC or... [cross-talk]

5 NICK SIMMONS: No.

6 CAROLYN WILLIAMS: No.

7 NICK SIMMONS: We are... it's a new program
8 with HPD where a couple community organizations, non-
9 for profits like our self who have affordable housing
10 not really exact circumstances but have experiencing
11 circumstances throughout the years so we were given
12 this opportunity by HPD to help out small homeowners,
13 non-for profits who've fallen into hardships with
14 the... with taxes, this goal distress... financial
15 distress and, you know work with them to action plan
16 and try to figure out the best route to get from
17 behind all those arrears that accumulated over time.

18 CAROLYN WILLIAMS: Councilman... [cross-
19 talk]

20 CHAIRPERSON KALLOS: So... [cross-talk]

21 CAROLYN WILLIAMS: ...the, the MHANY is a
22 consultant only, they have no ownership in the
23 project and will not have any ownership in the
24 project, they are strictly a consultant.
25

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 CHAIRPERSON KALLOS: And so, they... and so
3 they are being compensated by... [cross-talk]

4 CAROLYN WILLIAMS: Enterprise... [cross-
5 talk]

6 CHAIRPERSON KALLOS: ...Berean or by HPD
7 or...

8 CAROLYN WILLIAMS: Enterprise has a
9 program which they fund with... they got a grant and
10 they fund the activities of MHANY on behalf of the
11 owner.

12 CHAIRPERSON KALLOS: Who's Enterprise?

13 CAROLYN WILLIAMS: Enterprise Community
14 Partners is a national non-profit that works in the
15 affordable housing field.

16 CHAIRPERSON KALLOS: Okay, so do we have
17 somebody from Berean HDSC here?

18 LACEY TAUBER: Yes.

19 CHAIRPERSON KALLOS: Great... [cross-talk]

20 CAROLYN WILLIAMS: Yes.

21 CHAIRPERSON KALLOS: Okay, let's get
22 everyone at the table together if possible, great. I,
23 I just want to thank Mutual Housing Association of
24 New York, MHANY for being at this table, I'm a huge
25 fan of your organization and of your executive

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 director, Ismene she is absolutely amazing and, and
3 she's, she's gotten tough questions too and she, she
4 is one of the only people who's ever come back after
5 the tough questions to suggest that perhaps my
6 questions weren't tough enough. So, I want to just
7 thank you for that. So, this is a rehabilitation and
8 so I guess another question is... the project property
9 is split among numerous zoning and property lots, why
10 were the lots never merged, is a merger necessary to
11 grant the Article 11 and address the outstanding tax
12 issues?

13 CAROLYN WILLIAMS: The lot merger cannot
14 be effectuated until the tax liens are basically gone
15 and the taxes are current on the tax lots.

16 CHAIRPERSON KALLOS: Okay, how much are
17 the tax liens on this property?

18 CAROLYN WILLIAMS: They're currently
19 approximately 762,000 totals.

20 CHAIRPERSON KALLOS: And... I was just
21 looking to see if that was on... in your testimony. So,
22 you have 762,000 dollars in tax liens and so the city
23 said the taxes are due, they didn't get paid and I
24 guess while we have Berean here can you share what...
25 why they weren't paid?

SUBCOMMITTEE PLANNING, DISPOSITION AND

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PEGGY WADDELL: We took over management

in... two years ago and we found that... I mean documents
were all over the place but it appeared that only one
lot was receiving... was, was being charged and it
looked like the previous management company was
paying that particular lot which was 66 and then I
could find in the records where they began to get...
they... to get charges for the other lots, nine other
lots because there are ten in total so I could see
where they tried to pay but it was just too, too much
because each lot now was being charged and they had
gone into installment payments but they weren't able
to keep them up because it is low income and the
rents weren't enough to sustain it and maintain the
property so it just got to a point where I guess they
just gave up, I don't know.

CHAIRPERSON KALLOS: Okay... [cross-talk]

PEGGY WADDELL: ...so, we... when we took
over we tried to straighten things out and it, it's,
it's a monumental task that we took on and then I
think Council Member Mealy had a session or... you know
counseling session that I attended and that's how I
was informed about MHANY and reached out to them and
everybody else that I could reach out to, to get help

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 to, to figure it out. Christine El Shahat from HUD,
3 everybody has been really working with us very hard
4 to do this.

5 CHAIRPERSON KALLOS: You just mentioned
6 one of my favorite Council Members, I'll make sure to
7 reach out and let her know that the project that got
8 started with her is... sorry, so you met with Darlene
9 Mealy, so the 762,000, so the city put liens on it,
10 you reached out and so the city can just forgive
11 those liens and, and we don't need to pay it back,
12 right?

13 CAROLYN WILLIAMS: No, sorry, the way it
14 works is that the DOF is the entity... the agency
15 responsible, HPD does not have the authority to waive
16 tax liens, we can make recommendations to OMB for
17 them not to be sold but we do not have the authority
18 as an agency to say whether or not a tax lien is
19 waived or not.

20 CHAIRPERSON KALLOS: So... okay, so the
21 city sold those tax liens for 762,000 dollars and we
22 got dollar for dollar full cash value and now we can
23 use that to pay for affordable housing, right, is
24 that how it works?

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 CAROLYN WILLIAMS: So, the general budget
3 that's a... that's more of an OMB question, I'm sorry.

4 CHAIRPERSON KALLOS: Fair enough... [cross-
5 talk]

6 CAROLYN WILLIAMS: How the... how the money
7 is funneled back through agencies and through OMB is...
8 [cross-talk]

9 CHAIRPERSON KALLOS: So, so that, that
10 was a little bit of sarcasm, please correct me if I'm
11 wrong but these tax liens are sold at pennies on the
12 dollar?

13 LACEY TAUBER: Do we have that
14 information... [cross-talk]

15 CAROLYN WILLIAMS: My understanding is,
16 is that they're sold, I'm not certain how.

17 CHAIRPERSON KALLOS: Okay, my belief...
18 [cross-talk]

19 CAROLYN WILLIAMS: Unfortunately, that's
20 not a function of HPD how they're sold.

21 CHAIRPERSON KALLOS: It looks like MHANY
22 may have an answer... [cross-talk]

23 NICK SIMMONS: I, I, I... from my
24 experience, how I believe it works is that if you
25 accumulate too much arrears whether it's through

SUBCOMMITTEE PLANNING, DISPOSITION AND

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2 taxes, water and sewage over time if you don't make
3 any attempt to get in a payment plan and to come up
4 with the arrears whether you pay in full, come up
5 with a payment plan, put a down payment then you
6 receive the 90 day, 30... 60 day, 30 day, ten day
7 notice for the upcoming lien sale, of course though
8 you do need to have accumulated arrears of those
9 taxes, they're not going to put a lien sale for 2,000
10 dollars for your taxes when your property is worth
11 over a million, it usually tends to be when it starts
12 getting above kind of like a ball park figure around
13 like 20,000, 10,000 from my experience is when they
14 start getting sold to the lien servicers.

15 CHAIRPERSON KALLOS: But the lien
16 servicers aren't paying full cash value, they're,
17 they're buying them at auction for less than their
18 value?

19 NICK SIMMONS: I, I don't have the answer
20 for that but the, the amount of interest rate that
21 are on the... that the lien servicers have on a daily
22 rate I would assume that they buy for cheaper, so
23 they can make some sort of a... you know make some sort
24 of... [cross-talk]

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SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 CHAIRPERSON KALLOS: I, I think your
3 assumption and, and my belief are, are the same and
4 seeing that no one's corrected me so I guess the next
5 question is has, has anyone... has anyone at HPD
6 reached out to OMB or Department of Finance to say
7 what are you doing, you're selling liens on
8 affordable housing and now we have to go pay somebody
9 tax dollars for something so, so we were owed 762,000
10 dollars that we shouldn't have really gotten paid for
11 anyway, we sold it for less but now we're going to
12 have to go pay somebody, why, why can't we just
13 refund them the money that they paid in error and
14 cancel the transaction?

15 LACEY TAUBER: Well we spoke to the
16 Department of Finance and there's a couple of
17 situations in which, you know liens can be forgiven
18 and unfortunately this is not those situations. One
19 is if the liens were given in error which as they
20 stated they were not, the second is if there is a
21 non-profit organization they have a process they can
22 go through to... if there... if they were given liens in
23 error, HDSC's are not considered non-profits in the
24 same way so... [cross-talk]

25

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 CHAIRPERSON KALLOS: So, I, I would just
3 say that if we have another one of these I'd like
4 Department of Finance and OMB to be at this table, I,
5 I have been fighting these lien sales along with
6 Council Member Antonio Reynoso who had a very amazing
7 legislative director who is also fighting on this
8 issue and I think it's ridiculous that we're putting
9 liens on churches for an 8,000 dollar water bill
10 which happened in my district and affordable housing
11 so that we're in a situation where we now have to
12 give up additional money from tax dollars to pay
13 people back for them giving us minor money on the
14 dollar and we're... the city's losing money on this
15 deal. So, with that being said just going into the
16 rest of the project, what was the land value when
17 this was transferred over?

18 CAROLYN WILLIAMS: It was done in 1993,
19 hold on one second..

20 CHAIRPERSON KALLOS: The next question is
21 going to... [cross-talk]

22 CAROLYN WILLIAMS: The... in 1994 the
23 project was conveyed by the city of New York to the
24 Berean Missionary Housing Development Fund Company
25 for 38,500 dollars.

SUBCOMMITTEE PLANNING, DISPOSITION AND

CONCESSIONS

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2 CHAIRPERSON KALLOS: So, that was the
3 price or that was the value?

4 CAROLYN WILLIAMS: That was the price,
5 38,500 dollars in 1994.

6 CHAIRPERSON KALLOS: Okay, what was the
7 value, do we know?

8 CAROLYN WILLIAMS: I'm not certain of the
9 value in 1994.

10 CHAIRPERSON KALLOS: Okay and then we're
11 looking to do a partial tax abatement for a term of
12 40 years and you've already testified on that value,
13 so I appreciate that and the subsidy that you're
14 doing is under the Landlord Ambassador Program and
15 what is... are there any HPD subsidies?

16 LACEY TAUBER: Actually, this is... the,
17 the HUD Multifamily Program, the Landlord Ambassador
18 Program is a different thing.

19 CAROLYN WILLIAMS: The Landlord
20 Ambassador is a consultant that works with the owner
21 to help them get... [cross-talk]

22 CHAIRPERSON KALLOS: Okay... [cross-talk]

23 CAROLYN WILLIAMS: ...through their
24 challenge, the program is the HUD Multifamily Program

SUBCOMMITTEE PLANNING, DISPOSITION AND

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2 but there are no additional capital dollars being
3 provided.

4 CHAIRPERSON KALLOS: How many class A, B
5 and C violations are there on the property?

6 LACEY TAUBER: Right now, there are three
7 class A, 15 class B and two class C.

8 CHAIRPERSON KALLOS: Any ECB violations?

9 LACEY TAUBER: Two, either DOB or ECB,
10 DOBECB.

11 CHAIRPERSON KALLOS: And what will be the
12 cost of fixing all of those violations?

13 LACEY TAUBER: That's actually something
14 that they're working on if you want to talk a little
15 bit about... [cross-talk]

16 NICK SIMMONS: The... well like did, did
17 you want to... [cross-talk]

18 LACEY TAUBER: what you're looking at
19 doing, it's not part of this application but they are
20 looking at renovation as the next step.

21 NICK SIMMONS: Yeah, so I think Peggy had
22 talked about it a little... [cross-talk]

23 CAROLYN WILLIAMS: May, may I speak to
24 that?

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 CHAIRPERSON KALLOS: Is, is the purpose
3 of why you're here today just to wipe out the
4 outstanding tax liens or is it to deal with the
5 violations or both?

6 CAROLYN WILLIAMS: Neither, the tax liens
7 are not being wiped out, the tax liens are being paid
8 back... [cross-talk]

9 CHAIRPERSON KALLOS: Yes... [cross-talk]

10 CAROLYN WILLIAMS: ...the... as a part of the
11 closing the owner is required to show dismissal
12 requests and resolution of every violation just
13 listed as part of the closing process.

14 CHAIRPERSON KALLOS: But if you don't
15 know how much money they need for the rehabilitation
16 then why are we here today?

17 CAROLYN WILLIAMS: There's no
18 rehabilitation to this project, this is simply a
19 financial transaction to alleviate the tax burden on
20 the project... [cross-talk]

21 CHAIRPERSON KALLOS: Okay... [cross-talk]

22 CAROLYN WILLIAMS: ...there's no
23 construction.

24 CHAIRPERSON KALLOS: So, what, what are
25 the type A violations that we're looking at here and

SUBCOMMITTEE PLANNING, DISPOSITION AND

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how much are, are they easy to fix, are we talking about a, a broken lightbulb here or are we talking about...

CAROLYN WILLIAMS: We don't have specific information on the exact violations, but we just know the number of violations.

CHAIRPERSON KALLOS: So, I, I think MHANY had some info... had some ideas.

PEGGY WADDELL: On the violations and I don't have a document with me but most of them have been cleared up over the last month or so. I don't know when... [cross-talk]

CAROLYN WILLIAMS: That's required as per the closing that the owner address each one.

PEGGY WADDELL: Right and then I have a project needs assessment that we've just recently done, we, we had done, I'm sorry and it's going to run about, about a million dollars.

CHAIRPERSON KALLOS: Is the Article 11 going to be sufficient to cover... to, to allow you to repay the 762,000 in liens that the city could have just forgiven instead of making it get paid and then also do these million dollars in work?

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 CAROLYN WILLIAMS: So, let me speak to
3 that please, so what the... what the HPD is planning to
4 do is we're requesting zero taxes for three years so
5 that during the period in which they pay back the
6 liens there are no additional taxes assessed and then
7 from year four to year, year four through the end of
8 the tax exemption the owner will pay seven percent of
9 their gross rent as a tax going forward from year
10 four through year 40.

11 CHAIRPERSON KALLOS: Okay, so there was a
12 HUD Multifamily Program, do we remember... do we know
13 what the value of the HUD Multifamily Program was?

14 LACEY TAUBER: It is just the program
15 that's not like the name of a subsidy.

16 CHAIRPERSON KALLOS: Okay, was there a
17 sub... what was, was there a HUD subsidy?

18 CAROLYN WILLIAMS: The HUD... the HUD
19 provided the subsidy in 1994 to build the building..

20 CHAIRPERSON KALLOS: Uh-huh...

21 CAROLYN WILLIAMS: ...and there is an
22 operating subsidy that provide the rent for the
23 building to operate.

24 CHAIRPERSON KALLOS: And how much is that
25 operating subsidy?

SUBCOMMITTEE PLANNING, DISPOSITION AND

CONCESSIONS

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2 PEGGY WADDELL: It's not a subsidy, the
3 building is, is operated on the rents, the incomes...
4 [cross-talk]]

5 CHAIRPERSON KALLOS: Uh-huh... [cross-talk]

6 PEGGY WADDELL: ...that's what the
7 operating budget is based on and then there's... and we
8 also have to contribute to an operating reserve
9 account.

10 CHAIRPERSON KALLOS: Sure, so how much do
11 you get from HUD each year?

12 LACEY TAUBER: It's... so, it's, it's a
13 section 8 program so that's what subsidizes the rents
14 because it's for low income seniors so basically,
15 they can qualify if they make up to 50 percent AMI
16 and the difference between 30 percent of their income
17 and 50 percent of AMI is subsidized through the
18 Section 8 program.

19 CHAIRPERSON KALLOS: Is there a New York
20 State subsidy on the project?

21 PEGGY WADDELL: No.

22 CHAIRPERSON KALLOS: Any city capital,
23 any private funds, any developer equity?

24 PEGGY WADDELL: No.
25

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 CHAIRPERSON KALLOS: Was there an
3 increase in FAR in the original project way back
4 when? Okay, in terms of the million dollars in work
5 do you know if the folks who are doing the work will
6 receive health insurance or disability or pension?

7 PEGGY WADDELL: We're not at that point
8 yet but they will, we have two employees that... the
9 maintenance workers, they're union, it's a union
10 building they're... that's under 32 BJ and we have one
11 employee that we pay full medical for, all of the
12 employees of my company have... we pay 100 percent
13 medical.

14 CHAIRPERSON KALLOS: Thank you.

15 PEGGY WADDELL: You're welcome.

16 CHAIRPERSON KALLOS: And so that's,
17 that's the service workers, are the 32 BJ workers
18 going to be able to do the maintenance... the million
19 dollars or so in maintenance or who... are the folks
20 who do that maintenance work going to also have
21 health insurance and disability and pension benefits?

22 PEGGY WADDELL: We'll, we'll... the, the
23 maintenance workers won't be doing the work, we'll
24 have to contract that out and then having set through
25 two previous interrogations I will probably try to

SUBCOMMITTEE PLANNING, DISPOSITION AND

CONCESSIONS

1
2 enter into a contract with the contractors to make
3 sure that everybody's covered. We... they will all be
4 able to afford living in there so...

5 CHAIRPERSON KALLOS: I appreciate it and
6 if... I, I appreciate the commitment, if you run into
7 any trouble please let Ismene know and we will come
8 to the table and I will personally work with, with
9 you and Ampry-Samuels to make sure that we can find
10 somebody who can do the work at a rate that can be
11 afforded and if not we may come back to the table to
12 see if HPD can be a little bit more generous with the
13 Article 11 terms so to the extent we can get those
14 numbers sooner. We, we just came from one of the most
15 generous subsidies programs I've seen at 600,000 per
16 unit which will continue to be my high-water mark and
17 we will... at, at 31,000 per dwelling unit you are... you
18 are 20 times less expensive than other affordable
19 housing and then similarly for the folks that you'll
20 contract out will you consider working with
21 subcontractor... contractors or subcontractors that are
22 MWBEs?

23 PEGGY WADDELL: Absolutely.
24
25

SUBCOMMITTEE PLANNING, DISPOSITION AND

CONCESSIONS

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CHAIRPERSON KALLOS: And would you consider bringing in local hires for other service workers or during the construction work?

5

PEGGY WADDELL: We're committed to that.

6

7

CHAIRPERSON KALLOS: I think those are... oh, so the... when does the HAP contract expire?

8

CAROLYN WILLIAMS: The, the HAP contract is an annual contract so every year the owner applies to HUD for the rent for the next year.

10

11

CHAIRPERSON KALLOS: When, when does the HUD program expire?

12

13

PEGGY WADDELL: The... there is... the HAP contract is generally... I don't... I don't even have it with me but... [cross-talk]

15

16

CAROLYN WILLIAMS: The use restriction on the property are for a minimum of 40 years...

17

18

PEGGY WADDELL: Right... [cross-talk]

19

CHAIRPERSON KALLOS: And that's 40 years... [cross-talk]

20

21

CAROLYN WILLIAMS: So, from 1994 to 2034 but usually with a crack they are senior and perpetuity which means that it will remain a senior project in perpetuity.

22

23

24

25

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 CHAIRPERSON KALLOS: So, I guess one
3 question is, if we do nothing today, it is 2018 we
4 could walk away for 16 years and it would stay
5 affordable under the HUD program for 40 years... for,
6 for... until 2034?

7 CAROLYN WILLIAMS: There's one caveat to
8 that if this project were to be subject to
9 foreclosure the way it was in danger of because of
10 the way the HUD regulations are stipulated the
11 project will be free from all of its restrictions,
12 that was the, the dire circumstances that we were
13 trying to avoid.

14 CHAIRPERSON KALLOS: So, somebody can buy
15 700,062... 762,000 dollars in debt for pennies on the
16 dollar, use that to force it into foreclosure, buy it
17 at foreclosure and then force all of the affordable
18 housing tenants out?

19 CAROLYN WILLIAMS: Worst case scenario,
20 yes.

21 CHAIRPERSON KALLOS: Okay and, and so
22 without this additional Article 11 layered over the
23 HUD you can't fix... you, you would not be able to pay
24 back that 762,000 dollars?

25 CAROLYN WILLIAMS: That is correct.

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 PEGGY WADDELL: Correct.

3 CHAIRPERSON KALLOS: And so, I guess the
4 other question is, so we have 762,000 dollars that
5 needs to be repaid and then we have about a million
6 dollars in work but the net present value of the
7 Article 11 benefit that you testified to is 2.425
8 million dollars so why aren't we just doing 1,762,000
9 dollars in subsidies instead of 2.4 and it's actually
10 7.7 million dollars over the course of the Article
11 11?

12 CAROLYN WILLIAMS: Why... I would like to
13 just say that so these things happen in stages, one
14 thing doesn't happen all at one time so the physical
15 needs assessment was a requirement from HUD to
16 ascertain the future needs of the project and to help
17 them figure out going forward how much money HUD
18 would need to set aside on an annual basis to pay for
19 the repair that... and this PNA that she just discussed
20 or the one million dollars would not happen all at
21 one time it would happen slowly over time. What
22 typically happens is through years one through five
23 the immediate needs are addressed right away so
24 whatever the cost is from year one through five and
25 then from years five through ten the next set of work

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 begins so this is not something that happens all at
3 once it usually happens over time as the money from
4 HUD becomes available.

5 CHAIRPERSON KALLOS: But we're giving
6 seven million... 7.7 million dollars over the next 40
7 years so does this location need 7.7 million dollars...
8 sorry, let's discount the 762 so does this site need
9 seven million dollars in new work?

10 PEGGY WADDELL: This site needs a lot of
11 work because, because all of the money that the... it,
12 it seemed that the previous management company was
13 getting was going to try to pay the, the taxes so the
14 building just went... it needs everything; roof, water
15 tank, it needs structural repairs, it just needs a
16 lot so... and as Miss Williams said it's... you, you
17 can't do it overnight so it's going to be stretched
18 out over a period of time.

19 CHAIRPERSON KALLOS: So, I, I, I'm
20 incredibly supportive of the project, I guess I'm
21 just concerned that we're writing a check for 7.7
22 million dollars today... [cross-talk]

23 PEGGY WADDELL: Uh-huh... [cross-talk]

24 CHAIRPERSON KALLOS: ...but we don't
25 actually know how much money you need and we're doing

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 a partial tax abatement, so we could be giving you
3 more money, a roof is expensive, we know that from
4 NYCHA, we... boilers are expensive so we're either
5 being... we're either get... being too generous or not
6 generous enough but we don't know, do we?

7 CAROLYN WILLIAMS: One of the ways that
8 we mitigate against that is that if there are any
9 savings in the building HUD will require the owner to
10 put those monies in a reserve for those... for that
11 work. So, for instance if the taxes that they were
12 supposed to pay in one year just for example were
13 1,000 dollars but they... but we because of our tax
14 exemption they paid 50 dollars that 50 dollars will
15 go into a reserve for the project to build up cash to
16 pay for those reserves on its own, I mean the work
17 rather on its own.

18 CHAIRPERSON KALLOS: If, if we... if we
19 didn't vote on this today but we gave you time to go
20 figure out how much the value... how much work needed
21 to be done and, and we voted on it in... on June 7th is
22 that A enough time... sorry, not June 7th but after
23 June 7th would that be enough time to close, is it
24 enough time to find out what the real cost of the
25 improvements are, could we do it in July, what, what

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 is stopping us from getting the information that we
3 need before we vote on it?

4 LACEY TAUBER: I mean I think it... as, as
5 Carolyn is saying it's a complicated process, it
6 takes more time than that, you know they just
7 finished the needs assessment and I think... you know
8 the, the point of this is really to address the lien
9 issue first, also to address the tax law issue that
10 can then be addressed once the liens are taken care
11 of and then that's going to get them, you know in
12 good footing to even consider the next phase of the
13 project which is going to be, you know the next
14 phase... [cross-talk]

15 CAROLYN WILLIAMS: Some scope of repairs
16 that we're discussing today.

17 CHAIRPERSON KALLOS: Could, could we...
18 could we approve the partial exemption for the first
19 three years... sorry, the full exemption for the first
20 three years and then have you come back?

21 CAROLYN WILLIAMS: The, the way that HPD
22 typically operates is that we approach counsel at the
23 onset for the long term so that we don't have to
24 approach again because we feel that all the analysis
25

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 that we do in the background is supportive of the.. of
3 the proposal that we've put before you.

4 LACEY TAUBER: And I also think you.. we
5 just... [cross-talk]

6 CHAIRPERSON KALLOS: So, this... [cross-
7 talk]

8 LACEY TAUBER: ...don't want to take a
9 chance in waiting on this, you know I think the, the
10 more the liens are not addressed the more chance they
11 have of, you know predatory equity and things like
12 that and you know we don't want to see any of these
13 seniors lose their homes.

14 NICK SIMMONS: And I just wanted to..
15 [cross-talk]

16 CHAIRPERSON KALLOS: How long would it
17 take to find out how much it will cost to actually do
18 the improvements that are needed?

19 LACEY TAUBER: I mean we would have to..
20 we can't answer that right now, it, it depends on the
21 scope, we'd have to talk to our development teams,
22 you know we really... there's a lot that goes into that
23 work.

24 CAROLYN WILLIAMS: And this also has to
25 be HUD approved as well.

SUBCOMMITTEE PLANNING, DISPOSITION AND

CONCESSIONS

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2 CHAIRPERSON KALLOS: So, that sounds like
3 months not days or weeks.

4 CAROLYN WILLIAMS: Yes.

5 LACEY TAUBER: Correct.

6 CHAIRPERSON KALLOS: So, why isn't it
7 more appropriate to come back once that work is done?

8 CAROLYN WILLIAMS: Because the tax liens
9 are still... the tax liens are still generating
10 interest and they have to be paid off, isn't there a
11 court order?

12 [off-mic dialogue]

13 LACEY TAUBER: The...

14 NICK SIMMONS: About... I'm sorry, that... I
15 was... yeah, so I was... I was trying to explain that.
16 So, I... why there's a... the underlying issue, why it's
17 a partial... full first three years, partial for year
18 four through 40 is because we're... they're not only in
19 to deplore payment plans with the lien servicers
20 also... we also assisted Peggy and the owners in
21 getting to the six additional payment plans with the
22 Department of Finance, those also generate interest
23 on a daily basis, the lien servicers accumulate so... I
24 mean so that's why year one through three is getting...
25 we are requesting a full exemption because that's the

SUBCOMMITTEE PLANNING, DISPOSITION AND

CONCESSIONS

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2 biggest portion that they're going to be paid and
3 then from year four through ten that's when they're
4 going to be paying off the arrears for the remaining
5 six lots that they also got into payment plans with
6 so that's, that gives like why they're requesting
7 that type of... [cross-talk]

8 CHAIRPERSON KALLOS: So, that was not
9 included in the testimony, how much wasn't sold at
10 tax liens, what is the outstanding tax liability for
11 Department of Finance and why aren't we just
12 forgiving that retroactively instead of... [cross-talk]

13 NICK SIMMONS: We, we... [cross-talk]

14 CHAIRPERSON KALLOS: ...getting a tax
15 abatement so that you can pay those liens with...
16 sorry, pay DOF back taxes with interest?

17 NICK SIMMONS: Well because once again it
18 was... it was charged correctly, it was just dispersed
19 across plenty of lots... [cross-talk]

20 CHAIRPERSON KALLOS: We... but we can do a
21 retroactive tax abatement.

22 NICK SIMMONS: And that's what we tried...
23 and that's what we were trying to pursue from the...
24 you know when I first jumped on and heard about this
25 case is started working with Peggy and the owners but

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 it was... they, they weren't able to... we weren't able
3 to take that action plan or that path, the only plan
4 we were able to do was become current on what we were
5 rightfully charged but wrongfully addressed to.

6 CHAIRPERSON KALLOS: What is the DOF tax
7 liability on this project?

8 NICK SIMMONS: So, we got into six
9 payment plans for six of the other ten lots, the
10 payment plans are... well two lots we paid in full, lot
11 73 and 74 that was \$27,489.62 for lot 73, lot 74 was
12 also paid in full and that was \$24,994.12, for lot 71
13 we entered into a ten year payment plan, we had to
14 put a down payment of... well they, they currently paid
15 4,888 and they have quarterly payments of 653 dollars
16 for ten years so that'd be 40 payments and these are...
17 all the Department of Finance payment plans are on
18 quarterly basis. The next one is lot 76, it's also in
19 a ten-year payment plan, we already paid 5,059 and
20 it's 675 on a... and 99 cents on a quarterly basis for
21 ten years, 40 payments.

22 CHAIRPERSON KALLOS: How much was that
23 one?

24

25

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 NICK SIMMONS: The quarterly payments are
3 \$675.99 for 40 payments and we already paid 5,059,
4 not me, I'm sorry, I keep including myself.

5 CHAIRPERSON KALLOS: Yeah... no, I got it.

6 NICK SIMMONS: So, then lot 78 since they
7 never defaulted on a payment plan we didn't have to
8 put a down payment down, I would preferably like to
9 but the proper... [cross-talk]

10 CHAIRPERSON KALLOS: What's, what's the
11 total value of the outstanding DOF liabilities
12 because so far, we're... [cross-talk]

13 NICK SIMMONS: It's a lot bigger, I'm
14 only... [cross-talk]

15 CHAIRPERSON KALLOS: I'm, I'm not... no, I
16 got it but so far, you're, you're saying things that
17 are in tens of thousands and payments that are three
18 figures and, and hundreds of dollars and that still
19 doesn't come out to either the 2.4-million-dollar net
20 present or the 7.7... [cross-talk]

21 NICK SIMMONS: Right... [cross-talk]

22 CHAIRPERSON KALLOS: ...full value so I'm
23 just... [cross-talk]

24 NICK SIMMONS: I can answer that. So,
25 the... currently just to sum it up they currently paid

SUBCOMMITTEE PLANNING, DISPOSITION AND

CONCESSIONS

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2 62,430 dollars, the down payments were 60,000 dollars
3 and 252 dollars so that's already 120,000 and...

4 [cross-talk]

5 CHAIRPERSON KALLOS: Uh-huh... [cross-talk]

6 NICK SIMMONS: ...122,000... 123,000... [cross-
7 talk]

8 CAROLYN WILLIAMS: Nick... [cross-talk]

9 NICK SIMMONS: They're... [cross-talk]

10 CAROLYN WILLIAMS: I'm, I'm sorry, I have
11 the exact numbers right here... [cross-talk]

12 NICK SIMMONS: Okay... [cross-talk]

13 CAROLYN WILLIAMS: ...I'm sorry, so for
14 Department of Finance total liens are 415,000 at 18
15 percent interest for ten years, the two other lien
16 holders one has... Tower Capital has liens of 157,285
17 at 18 percent interest for three years and MTAG is
18 another servicer that has total liens of 190,000 at
19 18 percent interest for three years.

20 CHAIRPERSON KALLOS: And is that the 762
21 or is... [cross-talk]

22 CAROLYN WILLIAMS: Yes.

23 CHAIRPERSON KALLOS: Is there any... okay.
24 So, I guess for HPD why can't we... the Article 11
25 forgive the DOF portion for 415,000?

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 CAROLYN WILLIAMS: My understanding is
3 because of the length of the time that has gone by
4 and that... the fact that they were court actions going
5 on that we were unable to... we were unable to... excuse
6 me, we were unable to, to pull the liens back.

7 CHAIRPERSON KALLOS: Okay, but if we do a
8 retroactive Article 11 which we've done multiple
9 times today and we'll be voting on multiple times
10 today regardless of whether or not the lien is valid
11 doesn't that blow away the tax liability?

12 CAROLYN WILLIAMS: Well HUD has agreed to
13 repay the tax liability because it was due, the... it
14 was no missed billing... [cross-talk]

15 CHAIRPERSON KALLOS: So, if HUD is paying
16 it why do we have to do... pay it out of the Article...
17 why, why do we have to do the Article 11 so that
18 Berean Gardens can do it?

19 PEGGY WADDELL: HUD is... HUD is... HUD is
20 helping in the form of a rent increase to give us
21 additional revenue to pay off the liens as well as to
22 try to maintain the buildings so we still have to pay
23 them, we have... in the... it's a two year... two... three,
24 three years for the two that... the four lots that were
25 sold so we have to make that, that's, that was the

SUBCOMMITTEE PLANNING, DISPOSITION AND

CONCESSIONS

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2 court... I didn't realize that, so you were telling me,
3 that was the court order that we had and so we can't
4 renege on that and then of course we have to pay the
5 installment for the Department of Finance so we're
6 doing that and everything is done through rents and,
7 and the... and the HUD subsidy so we just need the
8 time... [cross-talk]

9 CHAIRPERSON KALLOS: No, I, I get it I'm
10 just... I'm almost tempted to step out and call the
11 Commissioner of Tax and Finance right now and just
12 ask him... well HPD should be able to answer why are we
13 able to do an Article 11 retroactively for... [cross-
14 talk]

15 CAROLYN WILLIAMS: This property... [cross-
16 talk]

17 CHAIRPERSON KALLOS: ...taxes owed... [cross-
18 talk]

19 CAROLYN WILLIAMS: ...has court orders that
20 they have to pay, the property was almost in
21 foreclosure, we pulled it back... [cross-talk]

22 CHAIRPERSON KALLOS: Okay, so... [cross-
23 talk]

24 CAROLYN WILLIAMS: ...from foreclosure.
25

SUBCOMMITTEE PLANNING, DISPOSITION AND

CONCESSIONS

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2 CHAIRPERSON KALLOS: So, there's a court
3 order that says the city of New York may not offer an
4 Article 11 to forgive retroactive tax... [cross-talk]

5 CAROLYN WILLIAMS: No, it's a court order
6 that they have to pay the taxes that were due not
7 that we can't provide an Article 11 but... [cross-talk]

8 CHAIRPERSON KALLOS: If we did... [cross-
9 talk]

10 CAROLYN WILLIAMS: ...that they have to pay
11 their taxes... [cross-talk]

12 CHAIRPERSON KALLOS: ...if, if we did an
13 Article 11 that was retroactive would the court
14 still... if, if, if they are ordered to pay the taxes
15 that are due, and we say there's now an Article 11
16 that is retroactive, we're doing one moving forward
17 but we're doing it retroactive that the... they
18 wouldn't have to pay it anymore.

19 PEGGY WADDELL: I don't understand that,
20 if, if you do it retroactive and monies have already...
21 the city has already gotten the money from the...
22 [cross-talk]

23 CHAIRPERSON KALLOS: Have you already
24 paid the 400... so, you've already paid a bulk of it?

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 PEGGY WADDELL: No, we paid the down
3 payment, I think it was like 15... a percent down and
4 we've been making the monthly payments, I think this,
5 this is like maybe the third month.

6 CHAIRPERSON KALLOS: So, we're giving... we
7 are taking our income so our income comes from real
8 estate taxes so that... so, we're, we're saying to you,
9 you don't have to pay us taxes so that you can take
10 the additional money that you have to pay us again
11 through the Department of Finance to pay your back
12 taxes and then you're giving them 18 percent interest
13 using tax... for... using the excess money you will have
14 from not having to pay taxes, does that... does that
15 sound strange to anyone other than me?

16 CAROLYN WILLIAMS: Sir unfortunately we
17 can't USURP the, the court orders that require them
18 to be paid so that's the challenge that we have, that
19 we have no choice but to make sure that the property
20 does not go in foreclosure, we pulled the property
21 back from foreclosure by... the owner pulled the
22 properties back from foreclosure by agreeing to the
23 payment that were due over years, this was not just
24 one year of taxes, I don't remember how far back the
25 taxes went but it's over multiple, multiple years

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 that the taxes were, were not paid so unfortunately
3 because they were... the liens were so far gone and
4 they were in court about to be foreclosed upon we at
5 HPD do not have the authority to USURP a court order.

6 CHAIRPERSON KALLOS: Has H... I...

7 CAROLYN WILLIAMS: As triangulated as it
8 is sir I understand your frustration, but we don't
9 have the ability to USURP a court order.

10 LACEY TAUBER: Again, I just want to
11 stress that, you know this is... I, I think Carolyn
12 said it the other day when we were talking about this
13 that, you know this is triage but we're doing what we
14 can to save this property from foreclosure... [cross-
15 talk]

16 CHAIRPERSON KALLOS: Has, has... [cross-
17 talk]

18 LACEY TAUBER: ...the... this is the tool
19 that we have to do it... [cross-talk]

20 CHAIRPERSON KALLOS: Has HPD ever issued
21 a retroactive Article 11 on a lien?

22 CAROLYN WILLIAMS: Before but... [cross-
23 talk]

24 CHAIRPERSON KALLOS: On a tax lien...
25 [cross-talk]]

SUBCOMMITTEE PLANNING, DISPOSITION AND

1 CONCESSIONS

2 CAROLYN WILLIAMS: ...the... just remember
3 that the liens were not sold and when, when, when HPD
4 had the authority to do a retroactive to Article 11
5 the liens are not already sold and in servicing and
6 in default, these liens were also sold, they were in
7 servicing and they were in default by the time HPD
8 became involved.

9 CHAIRPERSON KALLOS: But only 340,000
10 have been sold to Tower and MTAG, DOF still has the
11 majority at 415,000.

12 LACEY TAUBER: Again, we don't have the
13 authority to USURP a court order.

14 CHAIRPERSON KALLOS: Do you have a copy
15 of the court order?

16 PEGGY WADDELL: Oh, I didn't... [cross-
17 talk]

18 LACEY TAUBER: Do you have the... yeah...
19 [cross-talk]

20 NICK SIMMONS: I'm, I'm not sure...

21 CHAIRPERSON KALLOS: I, I have never seen
22 a court order that says that... I've never seen a court
23 order that can't be modified, I have never seen a
24 court order where if two parties to the court order
25 have a settlement agreement that those parties can't

SUBCOMMITTEE PLANNING, DISPOSITION AND

CONCESSIONS

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2 do that never in my life and I, I have never seen a
3 judge who allows... who, who would say to somebody, I'm
4 sorry you can't satisfy the, the judgement through
5 another means and I think that if the judge in this
6 matter saw that the city through HPD is giving a tax
7 abatement so that you have income so that you can
8 then pay 18 percent interest on money that you owed
9 to Department of Finance at the same time as you're
10 not going to be paying taxes moving forward they
11 would say, to, to quote Emma Wolfe, "we have a right
12 hand left hand problem here" and it's, it's... [cross-
13 talk]

14 CAROLYN WILLIAMS: I agree... sir, I agree
15 but at the same time in order for us to get this
16 property on good financial standing these are the
17 elements... [cross-talk]

18 CHAIRPERSON KALLOS: Okay... [cross-talk]

19 CAROLYN WILLIAMS: ...of the transaction
20 that... [cross-talk]

21 LACEY TAUBER: And... [cross-talk]

22 CHAIRPERSON KALLOS: Do you have another
23 item... [cross-talk]

24 LACEY TAUBER: I think that you're...
25 [cross-talk]

SUBCOMMITTEE PLANNING, DISPOSITION AND

CONCESSIONS

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CHAIRPERSON KALLOS: ...before us today?

CAROLYN WILLIAMS: Yes, we do.

CHAIRPERSON KALLOS: Okay, so what we'll do is we'll hear the next item, we will... we still have I think two... you, you're, you're Hudson Piers?

LACEY TAUBER: Yes.

CHAIRPERSON KALLOS: And 501 West 51st Street is not your... it's you?

CAROLYN WILLIAMS: No, it is not.

CHAIRPERSON KALLOS: During 501 51st which we'll put last if you can get on the phone with HPD, if you can get on the phone with DOF, if I need to recess and call the Commissioner my... the, the Finance Commissioner myself I feel that first I want to support Berean however I can it's just that it seems like HPD and Department of Finance are not communicating, if I need to call the judge's chambers I can but like there needs to be an adult in the room trying to... [cross-talk]

LACEY TAUBER: Again I... [cross-talk]

CHAIRPERSON KALLOS: ...make sure that... [cross-talk]

LACEY TAUBER: ...talked to Department of Finance this week about this... [cross-talk]

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CHAIRPERSON KALLOS: Yes... [cross-talk]

LACEY TAUBER: ...project, I asked them to explain the questions that you asked us about why the liens cannot be forgiven again there are... excuse me... are two ways that they are empowered to do that, it is if the liens are, are given in error or if there is a non-profit who shouldn't have gotten liens in the first place... [cross-talk]

CHAIRPERSON KALLOS: But they're not...

[cross-talk]

LACEY TAUBER: ...that can go through a...

[cross-talk]

CHAIRPERSON KALLOS: But, but HPD...

[cross-talk]

LACEY TAUBER: ...whole process, this does...

[cross-talk]

CHAIRPERSON KALLOS: ...can forgive...

[cross-talk]

LACEY TAUBER: ...not apply in either one of those cases.

CHAIRPERSON KALLOS: Right, but Article...

but HPD can grant Article 11's with council approval, okay, so I will... [cross-talk]

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1 CONCESSIONS

2 CAROLYN WILLIAMS: Recess this hearing
3 and... [cross-talk]

4 CHAIRPERSON KALLOS: So, we, we will
5 recess this, and we will go on to the next item and
6 so the next item... [cross-talk]

7 PEGGY WADDELL: Can I... can I... [cross-
8 talk]

9 CHAIRPERSON KALLOS: ...first... yeah.

10 PEGGY WADDELL: ...request a three-minute
11 break.

12 CHAIRPERSON KALLOS: Yes, sure.

13 PEGGY WADDELL: Okay, because I really
14 don't understand... but the court order, you know you
15 go... how do we get back in court to reverse that, I
16 mean if, if, if this is the judgment how does... how do
17 you do that, I mean what, what authority?

18 CHAIRPERSON KALLOS: Oh, no worries so a
19 lot of times you can just agree to a settlement
20 between parties, you don't generally have to go back
21 to court, the court order is about a party using it
22 for enforcement purposes, if you are uncomfortable
23 you can go back to the court to ask for it to be so
24 ordered but in this case the city would just be... I...
25 you...

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2 CAROLYN WILLIAMS: Sir, it's not that
3 simple so...

4 PEGGY WADDELL: I'm telling... and then in
5 the meantime we still have to pay... [cross-talk]

6 CHAIRPERSON KALLOS: Which supreme court
7 judge is this in front of?

8 PEGGY WADDELL: Oh, I don't... let's...
9 Andrea a Brooklyn Legal services representative, I, I
10 pulled in everybody that I could think of..

11 CHAIRPERSON KALLOS: No worries... [cross-
12 talk]

13 PEGGY WADDELL: ...so Brooklyn Legal
14 Services... [cross-talk]

15 CHAIRPERSON KALLOS: So, we're, we're
16 going to recess, we'll, we'll work with you, I'm an
17 attorney... [cross-talk]

18 PEGGY WADDELL: You got to work with me,
19 you just have to, I got LECs that... [cross-talk]

20 CHAIRPERSON KALLOS: Yes... [cross-talk]

21 PEGGY WADDELL: I... this, this is a big
22 problem... [cross-talk]

23 CHAIRPERSON KALLOS: You, you have an
24 amazing... you have... you, you've had the luck of two
25 amazing Council Members between all of us, we're

SUBCOMMITTEE PLANNING, DISPOSITION AND

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2 going to... whether we move forward today or it just...
3 that just want folks to come knowing how much the
4 work is going to cost, if we have a weird situation
5 of where we're borrowing from Peter to pay Paul I
6 just want to make sure we've engaged it and if the
7 Commissioner of HPD and the Commissioner of
8 Department of Finance aren't able to work together on
9 this I need to bring in OMB and Melanie Hartzog to
10 figure this out because the idea of not taking income
11 so that we can pay ourselves back it's just... it is...
12 it is ludicrous so let's recess, we'll do a, a five
13 minute break and then we'll take on the next item
14 which would be Hudson Piers.

15 LACEY TAUBER: Thank you.

16 [off-mic dialogue]

17 PEGGY WADDELL: Sorry.

18 CHAIRPERSON KALLOS: We are back from a
19 five-minute recess that lasted longer than five
20 minutes. I want to thank the last panel and that
21 public hearing has been recessed and we're having
22 conversations with the Department of Finance and HPD
23 to see if we can't get around what looked like a, a
24 counterintuitive process of differing the city's
25 income from our tax base in order to pay ourselves

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2 back at 18 percent so we hope to get that resolved
3 and so the next item is in Council Member Levine's
4 district, I think this is his third or fourth item
5 before this committee. He is somebody who really
6 engages and generally has the best deals, Council
7 Member Levine do you have any opening that you'd like
8 to give before I read into the record?

9 COUNCIL MEMBER LEVINE: Thank you, just
10 very, very briefly Mr. Chair, I appreciate the
11 opportunity to talk about this proposed Land Use Item
12 103. It's for twin buildings that which are a block
13 from my district office, so we know them well, it's
14 on Amsterdam Avenue 1626 and 1640, it's an 83 unit
15 building. We talk often about our desire to, to serve
16 truly low income New Yorkers in our affordable
17 housing and this is a building where that's actually
18 happening. The average income is 25 percent of AMI,
19 the maximum is capped at 50 percent so this is truly
20 a building serving people who might have nowhere else
21 to live and this item would in addition to extending
22 affordability from the perspective of the current
23 residents would have the benefit of bringing in an
24 infusion of resources for upgrading, there are
25 apartments including new kitchens, new baths, there

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2 are a lot of ADA accessibility problems in the
3 building which, which I believe this would fix, some
4 modernized lighting as well. So, this really would
5 bring about a quality of life improvement for these
6 83 families and in addition to locking in
7 affordability through, I believe another 40 years
8 and, and why I'm pleased to support this project.
9 Thank you, Mr. Chair.

10 CHAIRPERSON KALLOS: Thank you. Land Use
11 Item 103, Hudson Piers II for property in Council
12 Member Levine's district, Manhattan. A new partial
13 Article 11 tax exemption is sought for two fully
14 occupied buildings with 83 units at... located at 1626,
15 1640 Amsterdam Avenue. There is an existing Article 5
16 tax exemption which will be terminated and replaced
17 with the Article 11, this will extend affordability
18 as the Article 5 tax exemption expires in 2024. All
19 units will remain income restricted at 50 percent of
20 AMI with tenants paying 30 percent of their income as
21 rent. I will now open the public hearing and ask the
22 Committee Counsel to swear in this panel.

23 COMMITTEE CLERK: Please state your names
24 before you give the affirmation. Do you swear or
25 affirm that the testimony that you're about to give

SUBCOMMITTEE PLANNING, DISPOSITION AND

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2 will be the truth, the whole truth and nothing but
3 the truth and that you will answer all Council Member
4 questions truthfully?

5 CAROLYN WILLIAMS: Carolyn Williams, yes.

6 LACEY TAUBER: Lacey Tauber, yes.

7 MARY BRUCH: Mary Brook, yes.

8 CHAIRPERSON KALLOS: You may begin.

9 LACEY TAUBER: Land Use Item Number 103
10 consists of an exemption area containing two fully
11 occupied multiple dwellings located at 1626 and 1640
12 Amsterdam Avenue in Manhattan Council District 7 and
13 is known as Hudson Piers II. The project is a low-
14 income Section 8 development currently owned by an
15 Article 5 housing redevelopment company approved for
16 disposition by the Board of Estimate on December 4th,
17 1980. At the time of the disposition approval, the
18 housing company also received a property tax
19 exemption which is set to expire on March 31st, 2024.
20 The two buildings that make up Hudson Piers II
21 contain a mixture of unit types including 48 one
22 bedroom, 29 two bedrooms, five three bedrooms and one
23 superintendent's unit for a total of 83 units. There
24 is an existing housing assistance program HAP
25 contract with HUD and under the contract, household

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2 incomes do not exceed 50 percent of AMI and tenants
3 pay no more than 30 percent of their income toward
4 rent. Under HPD's HUD Multifamily Program, the
5 current owner will convey the project to a new entity
6 formed under a housing development fund corporation,
7 HDFC and the acquisition will utilize private
8 financing. The HDFC will enter into a new HAP
9 contract with HUD for an additional 20 years upon
10 expiration of the current agreement when it reaches
11 the end of its term March 31st, 2030. Eligible
12 tenants will receive Section 8 rental assistance. A
13 moderate rehabilitation is planned for the project
14 that includes making the units ADA adaptable.
15 Additional work will be upgrades to the kitchens and
16 bathrooms, new LED lighting and code compliant
17 switches and outlets as well as replacing smoke
18 detectors and plastering and painting. There are very
19 few housing code violations and the rehab will
20 address any that are outstanding. In order to
21 facilitate redevelopment of the project, HPD is
22 before the Planning Subcommittee seeking approval for
23 the housing company to voluntarily dissolve their
24 status as an Article 5, terminate their current tax
25 exemption and enter into a new Article 11 tax

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1 CONCESSIONS

2 exemption for a term of 40 years coinciding with the
3 regulatory agreement. The net present value of the
4 tax exemption is approximately 3,024,575 dollars,
5 cumulative value is approximately 8,646,149 dollars.

6 CHAIRPERSON KALLOS: I understand that
7 this Section 8 contract which runs through 2038
8 restricts all the units to 50 percent of AMI, the
9 Article 11 runs to 2058, what will be the AMI
10 restrictions in the regulatory agreement?

11 CAROLYN WILLIAMS: Good afternoon, the
12 regulatory agreement will match the HUD restrictions.

13 CHAIRPERSON KALLOS: There is currently a
14 Section 8 contract which runs through 2038, when does
15 the Article 11 tax exemption begin and why not just
16 have it start in 2038 when the existing subsidy
17 expires?

18 CAROLYN WILLIAMS: This is an opportunity
19 for the city of New York to obtain additional
20 affordability on a project that could potentially opt
21 out in the future years, with the current Mayor's
22 housing plan the idea is to preserve as many units as
23 possible for the longest period possible so the
24 environment is conducive to the transaction happening
25 now.

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1 CONCESSIONS

2 CHAIRPERSON KALLOS: What is... in, in
3 science we, we use a, a hypothesis where we, we have
4 the, the null statement, we have a control so the
5 status quo, what is the control, if we do nothing do
6 we lose all the affordable housing today?

7 CAROLYN WILLIAMS: No.

8 CHAIRPERSON KALLOS: Tomorrow?

9 CAROLYN WILLIAMS: The affordability
10 would not be in jeopardy until the Article 5
11 expiration date.

12 CHAIRPERSON KALLOS: Which is in 2038?

13 CAROLYN WILLIAMS: Which is... one second...

14 LACEY TAUBER: 2024... [cross-talk]

15 CHAIRPERSON KALLOS: Sorry, 20... [cross-
16 talk]

17 LACEY TAUBER: No... yeah, 2024.

18 CHAIRPERSON KALLOS: Okay, so there,
19 there is no... so the next... so, so why are we doing it
20 now instead of in 2024?

21 CAROLYN WILLIAMS: The environment in
22 which the city is acting to preserve affordability
23 is... this is one of the means that... the tool that they
24 use to preserve affordability for the long term.

25 MARY BRUCH: Can I add to that?

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CHAIRPERSON KALLOS: Yes, please.

MARY BRUCH: So, I'm not sure if this is on... okay. As Council Member Levine referred to there are many seniors aging in place in this building and the building doesn't produce enough income to rehab, rehab every unit that may need to get closer to ADA standards to keep those seniors in their homes so now in addition to the regulatory environment being favorable and our partners at HPD seeming favorable to this Article 11 formation we also have in place a HUD refinancing mortgage insurance commitment and a rate lock that may not exist in 2024 further down the road so now really is the time for many reasons to keep the tenants in place as well as to keep financing in place that enabled them to stay.

LACEY TAUBER: Yeah and we have obviously a willing sponsor who's, you know working with us to go through that process and you know we can't guarantee that that will be the case at the time the other... the Article 5 expires so why would we take the chance if we're able to guarantee this into the future now.

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1 CONCESSIONS

2 CHAIRPERSON KALLOS: So, I, I... and so
3 then the question is so we're doing a partial Article
4 11 why not start it in 2024 versus now?

5 CAROLYN WILLIAMS: The, the tax exemption
6 basically starts over again, that's, that's the
7 reality of it. the tax exemption starts over again.
8 So... [cross-talk]

9 CHAIRPERSON KALLOS: I'm not following.

10 CAROLYN WILLIAMS: Another word the
11 formula under Article 5 is the taxes increase over
12 time so by restarting the tax exemption you're
13 lowering the taxes in year one and you're allowing
14 the taxes to escalate as the years go out as a result
15 of that the project is able to have more net
16 operating income where it can afford the loan to do
17 the rehab and the transaction.

18 CHAIRPERSON KALLOS: Okay. Some
19 additional questions, so the total project cost... what
20 are the total project costs of what you're doing?

21 CAROLYN WILLIAMS: It's an 18-million-
22 dollar loan that's all private.

23 CHAIRPERSON KALLOS: And what work is
24 making the building ADA adaptable, are they getting
25

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2 an elevator, is this a walk up, what's, what's the
3 story here?

4 CAROLYN WILLIAMS: The... I believe it's
5 ADA complaint doors, bathroom subfloors and
6 countertops.

7 CHAIRPERSON KALLOS: Okay, so you have...
8 [cross-talk]

9 CAROLYN WILLIAMS: Demolition... [cross-
10 talk]

11 CHAIRPERSON KALLOS: ...an elevator...
12 [cross-talk]

13 CAROLYN WILLIAMS: ...of existing buildings
14 and bathrooms.

15 CHAIRPERSON KALLOS: Okay, so it's
16 expanding... so, there, there is an elevator and it's
17 expanding the bathrooms so that folks can get in with
18 a wheelchair or other assisted device. I, I, I
19 recognize Council Member Levine is, is well expert
20 and has likely... [cross-talk]

21 CAROLYN WILLIAMS: There... [cross-talk]

22 CHAIRPERSON KALLOS: ...been in this
23 building and... [cross-talk]

24 CAROLYN WILLIAMS: There are... [cross-
25 talk]

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1 CONCESSIONS

2 CHAIRPERSON KALLOS: ...and just want to
3 take a moment. We, we see a lot of these and there
4 aren't very many Council Members who are... who can
5 tell you what each apartment looks like in these
6 developments so that, that means a lot. Okay, so
7 there's 18 million dollars in private project costs
8 to do these improvements, what are the hard costs,
9 what are the soft costs?

10 CAROLYN WILLIAMS: The hard costs are...
11 just one moment... the construction costs are, are 1.6
12 million, the closing costs are 300,000 and the
13 balance is basically purchase price.

14 CHAIRPERSON KALLOS: so, the remain... so,
15 1.6 million construction costs, closing.. [cross-talk]

16 CAROLYN WILLIAMS: 3,000 in closing costs
17 and then 16.5 million in acquisition price.

18 CHAIRPERSON KALLOS: So, so there aren't
19 really any soft costs on this project?

20 CAROLYN WILLIAMS: According to my budget
21 I have purchase price, closing costs and construction
22 costs.

23 CHAIRPERSON KALLOS: Okay and so the
24 construction is it going to have... you don't have to
25 pay architects, you don't have to pay engineers, okay

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2 great. Is there any commercial property on this... in
3 this project?

4 CAROLYN WILLIAMS: No, no commercial
5 space.

6 CHAIRPERSON KALLOS: Is there any HPD
7 subsidy beyond the Article 11?

8 CAROLYN WILLIAMS: No.

9 CHAIRPERSON KALLOS: Is there any HDC
10 financing?

11 CAROLYN WILLIAMS: No.

12 CHAIRPERSON KALLOS: Any low-income
13 housing tax credits?

14 CAROLYN WILLIAMS: No.

15 CHAIRPERSON KALLOS: Any federal
16 subsidies?

17 CAROLYN WILLIAMS: No.

18 CHAIRPERSON KALLOS: State subsidies?

19 CAROLYN WILLIAMS: No.

20 CHAIRPERSON KALLOS: Did Mark give you
21 any money?

22 CAROLYN WILLIAMS: No.

23 CHAIRPERSON KALLOS: No, no, it's, it's a
24 good thing, Council Member Levine has a record of
25 putting capital member item discretionary funding

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2 into affordable housing in his district. Are there..
3 is there any developer equity in this, it's...

4 CAROLYN WILLIAMS: Developer would likely
5 put in equity as a part of the condition of the loan.

6 CHAIRPERSON KALLOS: Okay, these are the
7 questions for the developer. The rehabilitation
8 that's going to happen, there will be construction
9 workers who do this, will those folks have health
10 insurance, disability insurance and have the ability
11 to retire one day with a pension?

12 MARY BRUCH: The short answer is yes, the
13 long answer is that the management company who is a
14 partner in the deal is Metropolitan Realty, their
15 employees are likely to perform most of the work
16 because it is as you intimated not a new construction
17 project it's mostly minor to medium repairs so most
18 of their in house maintenance staff can perform the
19 construction work needed and those folks are
20 absolutely paid a living wage at or above union scale
21 and do receive health insurance and benefits.

22 CHAIRPERSON KALLOS: And those folks also
23 maintain the building so that answers both questions.

24 MARY BRUCH: They do.
25

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2 CHAIRPERSON KALLOS: And the, the next
3 question is do... for, for your definition of living
4 wage we have had folks come in and define living wage
5 as the minimum wage and so will the folks who are
6 doing this work and who work in this building be able
7 to afford the affordable housing in this building,
8 will they meet a minimum of the 50 percent AMI, I'm
9 okay if they exceed 50 percent of AMI?

10 MARY BRUCH: Right, so what I'm told is
11 that building workers are paid at or above minimum..
12 I'm sorry, not minimum wage but union scale wages so
13 I would certainly hope that they would be at least at
14 50 percent of AMI if not, not qualifying because of
15 their income being too high.

16 CHAIRPERSON KALLOS: That is a good
17 problem to have, that is one of the ways out of the
18 affordable housing crisis which is to actually pay
19 people enough to not need to have affordable housing.
20 Do you have an MWBE commitment on this project or do
21 you have an MWBE goal?

22 MARY BRUCH: So, the project is not
23 required to have a commitment because it's not hard
24 subsidy from the city, so I'm told that the managing
25 agent uses MWBE and local hires as much as possible

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2 although not all are certified MWBE in, in the case
3 of some subcontractors but it's certainly something
4 that is top of mind.

5 CHAIRPERSON KALLOS: That is, it for my
6 questions.

7 COUNCIL MEMBER LEVINE: All excellent
8 questions, thank you. I have nothing further to add
9 but remain very supportive of the project.

10 CHAIRPERSON KALLOS: Are there any
11 members of the public here to testify on this item?
12 Seeing none I close this hearing, thank you.

13 MARY BRUCH: Thank you.

14 [off-mic dialogue]

15 CHAIRPERSON KALLOS: Our next public
16 hearing will be on Land Use Number 106. The 501 West
17 51st Street application for property in Speaker
18 Johnson's district in Manhattan. HPD seeks a new
19 Article 11 tax exemption for a term of 40 years for a
20 fully occupied building with 22 residential units.
21 The building which was once two buildings which have
22 now been combined was rehabilitated previously, some
23 tenants were relocated during the rehabilitation have
24 returned to the building and the rest of the
25 rehabilitated units were marketed to families with

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1 CONCESSIONS

2 incomes of 80 percent of AMI. The tax exemption would
3 be retroactive, something that I would love to see on
4 another project we heard today to 2010, it is going
5 back eight years, easily something we could do in
6 another project we heard today since this building
7 has existing tax arrears, very similar to another
8 project we heard today. We'd like to open the hearing
9 on Land Use Item 106 on the advice of our Land Use
10 Counsel, the Speaker is supporting this item and we
11 will ask if HPD would consider submitting testimony
12 into the record and we will waive the hearing... sorry,
13 let me just see if we have anyone in the public who's
14 here to testify, with that being said we would... if
15 you would agree to enter it into the record we would
16 waive hearing on this item... [cross-talk]

17 COMMITTEE CLERK: No, we're not waiving
18 the hearing, we are holding the hearing and she's
19 going to submit her written testimony and then we're
20 going to close the hearing.

21 CHAIRPERSON KALLOS: What the Committee
22 Counsel said. So... [cross-talk]

23 LACEY TAUBER: Do you want to repeat that
24 for the record?
25

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1 CONCESSIONS

2 CHAIRPERSON KALLOS: As the Committee
3 Counsel has advised we will open the hearing which we
4 have just done, if you would agree to submit the
5 testimony and then we will close the hearing since
6 there is no one to testify on it.

7 LACEY TAUBER: That's fine.

8 CHAIRPERSON KALLOS: Thank you... [cross-
9 talk]]

10 LACEY TAUBER: I have it here, I will
11 submit it to the Sergeant at Arms.

12 COMMITTEE CLERK: Say I now close the
13 public hearing on these items.. [cross-talk]]

14 CHAIRPERSON KALLOS: I now close the
15 public hearing on this item, all items have been
16 heard today and will be laid over. I'd like to thank
17 the counsel and Land Use staff for preparing today's
18 hearing and the members of the public and my
19 colleagues for attending. This meeting is hereby
20 adjourned.

21 [gavel]

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C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.



Date

June 22, 2018