

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON FINANCE

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February 1, 2017
Start: 10:43 a.m.
Recess: 11:11 a.m.

HELD AT: Committee Room - City Hall

B E F O R E: JULISSA FERRERAS-COPELAND
Chairperson

COUNCIL MEMBERS:
Ydanis A. Rodriguez
James G. Van Bramer
Vanessa L. Gibson
Robert E. Cornegy, Jr.
Laurie A. Cumbo
Corey D. Johnson
Mark Levine
I. Daneek Miller
Helen K. Rosenthal
Steven Matteo

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

Morris Benjamin

President

Penn South Mutual Redevelopment Houses

[sound check]

[gavel]

CHAIRPERSON FERRERAS-COPELAND: Good

morning and welcome to today's Finance Committee hearing. I'm Council Member Julissa Ferreras-Copeland and I am the chair of the Committee. We've been joined by Minority Leader Matteo, Council Members Johnson, Cornegy, Rosenthal, Levine, and Miller.

Today we have three items on the agenda: one land use item, a transparency resolution and a resolution related to the establishment of the New Dorp BID.

First we will consider a land use item concerning the Penn South project in Council Member Johnson's district. Penn South is a 2,820-unit cooperative housing development in which the City has had an agreement for several decades to impose income limits and sale price restrictions.

Penn South is taking out a new loan insured by the Federal Housing Administration of the United States Department of Housing and Urban Development (HUD) and is seeking to remain affordable through the term of its loan. HUD is requiring

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2 several conditions for providing the loan. To that
3 end, HPD is requesting that the Council approve an
4 extension of the development's tax exemption until
5 2052. It is also requesting that the Council allow
6 Penn South to retain all surcharges in collections
7 from over-income shareholders.

8 Additionally, HPD is requesting that the
9 Council amend its contract with Penn South to allow
10 the housing company to impose an annual 1% increase
11 in carrying charges through June 30, 2052. These
12 increases are not automatic but will enable the co-op
13 to impose them without having to go back to the
14 Council. HUD will also require the discretionary
15 authority to mandate from time to time, and without
16 any further City Council approvals, that Penn South
17 increase its carrying charges if necessary for
18 purposes of paying expenses.

19 Council Member Johnson supports the
20 proposed changes and will address us shortly.

21 Next up is a transparency resolution
22 which sets forth the new designation and changes in
23 the designation of certain organizations receiving
24 local aging and youth discretionary funding and
25 funding pursuant to certain initiatives in the

1 budget. Organizations appearing in resolution that
2 have not yet completed the prequalification process
3 conducted by the Mayor's Office of Contract Services,
4 the Council or other entity are identified in the
5 attached chart with an asterisk (*).

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7 As with all transparency resolutions,
8 Council Members will have to sign a disclosure form
9 indicating whether or not a conflict exists with any
10 of the groups on the attached list. If any Council
11 Member has a potential conflict of interest with any
12 of the organizations listed, he or she has the
13 opportunity to disclose the conflict at the time of
14 their vote.

15 As a reminder, please disclose any
16 conflicts you may have with the proposed
17 subcontractors that are used by organizations
18 sponsored by discretionary funding. These
19 disclosures must be made before the subcontractor can
20 be approved. Wilham [sic] Grant from the General
21 Counsel's Office can assist you with any questions or
22 concerns regarding the disclosures.

23 The final item is a preconsidered
24 resolution that sets forth that on February 15, 2017
25 at 10:00 a.m. in this room there will be a public

1 hearing to consider the local law that would
2 establish the New Dorp Business Improve District
3 (BID) in Council Member Matteo's district. The BID
4 would be located in an area with a commercial strip
5 containing restaurants, boutiques and other
6 specialized retail, health, legal and real estate
7 services, beauty salons, and dance, yoga and karate
8 studios, as well as a number of banks, churches and
9 public library, gas stations, and a Staten Island
10 Railway station. The commercial area is surrounded
11 by a low-density residential neighborhood. The BID
12 projects a first-year budget of \$135,000 in which it
13 would propose to offer such things as sanitation
14 programs to supplement the City's sanitation
15 services, marketing and promotion services,
16 beautification, economic development initiatives,
17 (including free Wi-Fi), storefront façade design, and
18 heritage tourism links, and advocacy.

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20 Representatives from the Department of
21 Small Business Services are here to answer any
22 questions.

23 I would like to call on Council Member
24 Johnson; followed by Council Member Matteo to make a
25 few remarks about the BID and we will then hear from

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2 Council Member Johnson; followed by Morris Benjamin,
3 President of the Mutual Redevelopment Houses,
4 regarding the Penn South item. So you know, in
5 whichever order you guys... [interpose, background
6 comment] Alright. [background comment]

7 COUNCIL MEMBER JOHNSON: Thank you, Chair
8 Ferreras-Copeland and fellow members of the Finance
9 Committee for giving me an opportunity to testify on
10 the application to extend property tax exemptions at
11 Penn South, which as the Chair said, is a 2,820-unit
12 cooperative that has been a beacon of affordable
13 homeownership in Chelsea for over 50 years.

14 Since receiving its first tax abatement
15 from the City in 1961, Penn South shareholders have
16 consistently voted over the years to accept the
17 City's terms in order to extend its exemption, and
18 that's because of what Penn South represents to these
19 residents and of the Chelsea community. These are
20 folks who bought into the co-op not as an investment
21 that they can flip, but to create a home and a
22 community where they can raise a family and one day
23 retire with dignity, and indeed Penn South's
24 residents really do form the bedrock of the Chelsea
25 community. These are folks who show up at community

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2 board meetings and are quick to let my office know
3 when there's a broken street light or a pothole; they
4 have literally helped build the neighborhood over the
5 course of generations, and they ask only for a
6 modicum of affordability so that they can continue
7 living there with their families in their years of
8 retirement.

9 While the cost of living has skyrocketed
10 all across the city, Penn South has long been a
11 consistent source of affordability for thousands of
12 New Yorkers and passing this land use application
13 would be an important continuation of that great
14 legacy. As we face the very real prospect that our
15 entire nation's affordable housing stock could be
16 jeopardized soon, we need to seize every opportunity
17 to maintain affordability for our most vulnerable
18 citizens and that includes many retirees who call
19 Penn South their home.

20 A lot of people who worked hard on this
21 application -- I'd like to take a brief moment to
22 thank the Penn South Board of Directors; we're going
23 to hear from its President, Morris Benjamin and we're
24 joined by its Treasurer, Walter Mankoff and the co-
25 op's General Manager, Brendan Keany is here with his

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2 team, all of whom have worked tirelessly with the
3 shareholders and my office on this.

4 I also want to acknowledge United States
5 Senate Minority Leader Chuck Schumer and Congressman
6 Jerry Nadler, who have done an outstanding job
7 orchestrating the federal government's role in
8 preserving affordability at Penn South, as well as
9 State Senator Brad Hoylman, Assembly Member Dick
10 Gottfried, and Manhattan Borough President Gale
11 Brewer, who have been stalwart champions of this
12 effort as well.

13 All of these people have put so much work
14 into this effort because of what Penn South means to
15 the Chelsea community and because of what these
16 exemptions mean to thousands of residents at Penn
17 South; for this reason, I hope that this Committee
18 will vote affirmatively for Land Use Item 543. Thank
19 you very much, Madam Chair.

20 CHAIRPERSON FERRERAS-COPELAND: Thank you
21 Council Member. Minority Leader.

22 COUNCIL MEMBER MATTEO: Thank you Madam
23 Chair. Today we begin the legislative process for
24 considering the New Dorp Business Improvement
25 District, which would be located in the heart of my

1 district. This is the second BID I have helped
2 create in my district since taking office and the
3 first of my merchants groups to take this step. I
4 founded the New Dorp Merchants Group with Maria
5 Esposito and many other business owners to help bring
6 foot traffic back to New Dorp Lane and New Dorp
7 Plaza, which formed one of the most successful retail
8 corridors back in its heyday.
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10 Together with the Staten Island Economic
11 Development Corporation we were able to achieve that
12 with a little discretionary funding, generous
13 contributions from merchants and successful events we
14 model for the New York community what a BID could be
15 for them. Now I am extremely pleased to say we are
16 close to our goal of BID formation and even more
17 pleased that we did so with the overwhelming support
18 of the area property owners and commercial tenants.
19 We are also fortunate to have the strong support of
20 the New Dorp Central Civic Association.

21 So with the community united, I am
22 excited to see the Council begin its consideration of
23 this proposed BID and to let all my colleagues know
24 that the BID has my complete support. Thank you.
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2 CHAIRPERSON FERRERAS-COPELAND: Thank
3 you. And now we will hear from Mr. Morris Benjamin.

4 MORRIS BENJAMIN: Thank you, Chair
5 Ferreras-Copeland; our Council Member Corey Johnson,
6 who is so amazing -- I could spend 20 minutes just
7 talking about Corey, but I won't delay [sic]; I do it
8 on our co-op and our board -- and other Council
9 Members for giving us this opportunity to speak to
10 you and hopefully to address this issue, which I
11 think will be excellent for us.

12 Penn South, more formally known as Mutual
13 Redevelopment Houses, is a 2,820-unit housing
14 cooperative in the Chelsea section of Manhattan.
15 Completed in 1962, it is organized under the New York
16 State's Redevelopment Companies (Article 5 of the
17 Private Housing Finance Law) and is supervised by the
18 New York City Department of Housing and Development.
19 The City Council is charged by law to approve any
20 changes in Penn South's contract with the City and to
21 implement any changes in our property tax exemptions.

22 We are justifiably proud of our 55 years
23 of providing high-quality, affordable housing to
24 5,000 low- and moderate-income New Yorkers, many of
25 whom are senior citizens on fixed incomes. Acting

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2 responsibly, we have preserved our infrastructure,
3 added modern conveniences and aided our environment
4 while operating in a sound financial manner.

5 Now we have a wonderful new opportunity.
6 We have a commitment for a HUD-insured loan to
7 refinance our mortgage, which we feel is a win-win
8 situation. Let's look at some of the loan's
9 benefits:

10 We will lock in a record low interest
11 rate which will be around 3% and will be 35-year
12 self-liquidating mortgage.

13 We will use the savings to help pay for
14 HUD required infrastructure over the next 20 years.

15 There will be an increase in operating
16 reserves to provide a cushion of emergencies arise
17 also paid out of savings.

18 Paying off the mortgage over 35 years
19 will reduce the amortization (reduction of principal)
20 and in turn reduce the pace at which apartment prices
21 have been rising. This will help cooperators
22 planning to move to larger apartments, particularly
23 growing families.

24 In providing insurance, HUD minimizes
25 risk by imposing several requirements. Since these

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2 require modifications in our contract with the City,
3 we are here today asking the City Council to approve
4 our Eighth Amendatory Agreement that satisfies the
5 HUD requirements and helps keep Penn South affordable
6 in the years ahead. The technical details of our
7 request have been spelled out in a letter addressed
8 to the Committee Chair. I would like to use a moment
9 to share with you an explanation in layman's terms.

10 It provides an additional 22 years of tax
11 exemption so that we remain affordable on Shelter
12 Rent for the full 35 years of the new mortgage, until
13 2052.

14 It authorizes a 1% carrying charge
15 increase every year to offset potential inflationary
16 impact. It may be waived by HUD, if not needed.

17 It allows HUD to impose carrying charge
18 increases if needed to meet expenses without further
19 Council approval.

20 The Amendatory Agreement contains one
21 provision not required by HUD -- elimination of
22 surcharge sharing with the City. Penn South requests
23 the change to provide it with additional funds to
24 meet the costs of potential future capital
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2 improvements and/or replacements of HPD and OMB
3 agreed changes.

4 These contract changes are clearly in the
5 best interest of the City and Penn South. I would
6 urge the Council Members to approve this. Thank you.

7 CHAIRPERSON FERRERAS-COPELAND: Thank you
8 very much; thank you for your testimony. You have
9 additional, Council Member?

10 COUNCIL MEMBER JOHNSON: Yeah. Thank
11 you, Morris. I just have one question; I think it's
12 an important point to put on the record, given what
13 we've seen all across New York City. So Chelsea,
14 where you live; where I live, some of the fastest
15 rising property tax values and property values in the
16 City of New York and the cooperators at Penn South;
17 how many times have voted themselves to stay
18 affordable, to not go market, to not flip the
19 apartments; to not be able to sell and make a huge
20 profit; how many times have the residents done that?

21 MORRIS BENJAMIN: Well we had a
22 referendum last November; it was the third time in
23 our history where we could have voted to privatize
24 and have apartments worth millions of dollars; in the
25 referendum in November, 89%, 89% of the cooperators

1 living in Penn South had voted to not privatize; to
2 maintain our waiting list for future generations so
3 that what they've had for -- a lot of our people --
4 we were looking at numbers; we have some people in
5 Penn South that are a 100 plus years old; we have
6 someone that's 105 years old. People that have lived
7 in Penn South over the last 50 years know what
8 affordable housing is and they feel and felt, in this
9 vote of 89%, that what they benefited from over the
10 50 plus years future generations on our long waiting
11 list -- with thousands of people; I would estimate
12 there's about 8,000 people on our waiting list --
13 should have the same opportunity for affordable
14 housing. So to answer your question; 89% in
15 November, for the third time.

17 COUNCIL MEMBER JOHNSON: Thank you very
18 much. Thank you, Madam Chair.

19 CHAIRPERSON FERRERAS-COPELAND: Thank
20 you. Again, this is very important for the record,
21 so we appreciate you coming out and taking the time
22 this morning.

23 MORRIS BENJAMIN: Thank you.

24 CHAIRPERSON FERRERAS-COPELAND: Thank
25 you. And are there any other members of the

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COMMITTEE ON FINANCE

Committee that have any questions; statements?
Seeing none; we will ask Bill Martin, the Committee
Clerk, to call the roll.

COMMITTEE CLERK: William Martin,
Committee Clerk, roll call vote Committee on Finance
-- [clears throat] excuse me -- the items are
coupled. Chair Ferreras-Copeland.

CHAIRPERSON FERRERAS-COPELAND: I vote
aye.

COMMITTEE CLERK: Van Bramer.

COUNCIL MEMBER VAN BRAMER: Aye.

COMMITTEE CLERK: Gibson.

COUNCIL MEMBER GIBSON: Aye.

COMMITTEE CLERK: Cornegy.

COUNCIL MEMBER CORNEGY: Aye.

COMMITTEE CLERK: Cumbo.

COUNCIL MEMBER CUMBO: Aye.

COMMITTEE CLERK: Johnson.

COUNCIL MEMBER JOHNSON: Proudly vote
aye.

COMMITTEE CLERK: Levine.

COUNCIL MEMBER LEVINE: Aye.

COMMITTEE CLERK: Miller.

COUNCIL MEMBER MILLER: Aye.

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COMMITTEE ON FINANCE

COMMITTEE CLERK: Rosenthal.

COUNCIL MEMBER ROSENTHAL: Aye.

COMMITTEE CLERK: Matteo.

COUNCIL MEMBER MATTEO: Yes.

COMMITTEE CLERK: By a vote of 10 in the affirmative, 0 in the negative and no abstentions, all items have been adopted by the Committee.

[background comments]

CHAIRPERSON FERRERAS-COPELAND: Yeah.

We'll keep the roll open for 15 minutes; if Council Member Rodriguez' staff is in the room, he has 15 minutes. Thank you.

[background comments]

[pause]

[laugh, background comments]

COMMITTEE CLERK: Continuation roll call, the Committee on Finance. Council Member Rodriguez.

COUNCIL MEMBER RODRIGUEZ: Aye.

COMMITTEE CLERK: Final vote now, Committee on Finance; all items have been adopted by the Committee 11 in the affirmative, 0 in the negative and no abstentions.

[pause]

[background comments]

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COMMITTEE ON FINANCE

COUNCIL MEMBER CORNEGY: The hearing on
Finance is officially closed.

[gavel]

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 February 9, 2017