

July 30, 2019

Honorable Corey Johnson
Speaker of the Council
City Hall
New York, New York 10007
Attention: Jonathan Etricks

Re: Harlen House
Block 1736, Lots 1 and 60
Manhattan, Community District No. 10
Council District No. 9

Dear Mr. Speaker:

The referenced property ("Exemption Area") contains two multiple dwellings known as Harlen House which provide rental housing for low income families. Harlen Housing Associates, L.P. ("Current Owner"), a redevelopment company organized pursuant to Article V of the Private Housing Finance Law ("PHFL"), currently owns the Exemption Area.

Under the proposed project, Harlen Housing Development Fund Corporation ("HDFC") will acquire the Exemption Area and Harlen Housing Preservation LLC ("Company") will be the beneficial owner and will operate the Exemption Area. The HDFC and the Company (collectively, "New Owner") will finance the acquisition and rehabilitation of the Exemption Area with a mortgage insured by the United States Department of Housing and Urban Development. The New Owner and HPD will enter into a regulatory agreement establishing certain controls upon the operation of the Exemption Area. Eligible tenants will receive Section 8 rental assistance.

The Exemption Area currently receives an exemption from real property taxation pursuant to Section 125 of the PHFL ("Prior Exemption"). In order to support the continued affordability of the Exemption Area, the Prior Exemption must be terminated and replaced with a new exemption from real property taxation for the Exemption Area that is coterminous with the 40-year term of the new regulatory agreement.

HPD respectfully requests that the Council:

1. Approve the exemption from real property taxation pursuant to Section 577 of the Private Housing Finance Law as follows:
 - a. For the purposes hereof, the following terms shall have the following meanings:
 - (1) "Company" shall mean Harlen Housing Preservation LLC or any other entity that acquires the beneficial interest in the Exemption Area with the prior written consent of HPD.
 - (2) "Contract Rent Deadline" shall mean three hundred and sixty-five (365) days from the date of the HPD letter requesting the information that HPD needs to calculate the Contract Rent Differential Tax for the applicable tax year.
 - (3) "Contract Rent Differential" shall mean the amount by which the total contract rents applicable to the Exemption Area for such tax year (as adjusted and established pursuant to Section 8 of the United States Housing Act of 1937, as amended) exceed the total contract rents which are authorized as of the Effective Date.



- (4) "Contract Rent Differential Tax" shall mean the sum of (i) \$657,204, plus (ii) twenty-five percent (25%) of the Contract Rent Differential; provided, however, that if the New Owner fails to provide the contract rents on or before the Contract Rent Deadline, Contract Rent Differential Tax shall mean an amount equal to real property taxes that would otherwise be due in such tax year in the absence of any form of exemption from or abatement of real property taxation.
 - (5) "Current Owner" shall mean Harlen Housing Associates, L.P.
 - (6) "Effective Date" shall mean the later of (i) the date of conveyance of the Exemption Area to the HDFC, or (ii) the date that HPD and the New Owner enter into the Regulatory Agreement.
 - (7) "Exemption Area" shall mean the real property located in the Borough of Manhattan, City and State of New York, identified as Block 1736, Lots 1 and 60 on the Tax Map of the City of New York.
 - (8) "Expiration Date" shall mean the earlier to occur of (i) a date which is forty (40) years from the Effective Date, (ii) the date of the expiration or termination of the Regulatory Agreement, or (iii) the date upon which the Exemption Area ceases to be owned by either a housing development fund company or an entity wholly controlled by a housing development fund company.
 - (9) "HDFC" shall mean Harlen Housing Development Fund Corporation or a housing development fund company that acquires the Exemption Area with the prior written consent of HPD.
 - (10) "HPD" shall mean the Department of Housing Preservation and Development of the City of New York.
 - (11) "New Exemption" shall mean the exemption from real property taxation provided hereunder with respect to the Exemption Area.
 - (12) "New Owner" shall mean, collectively, the HDFC and the Company.
 - (13) "PHFL" shall mean the Private Housing Finance Law.
 - (14) "Prior Exemption" shall mean the exemption from real property taxation for the Exemption Area pursuant to Section 125 of the PHFL approved by the Board of Estimate on October 9, 1980 (Cal. No. 11), as amended by the Board of Estimate on April 29, 1982 (Cal. No. 55).
 - (15) "Regulatory Agreement" shall mean the regulatory agreement between HPD and the New Owner establishing certain controls upon the operation of the Exemption Area during the term of the New Exemption.
- b. All of the value of the property in the Exemption Area, including both the land and any improvements (excluding those portions, if any, devoted to business, commercial, or community facility use), shall be exempt from real property taxation, other than assessments for local improvements, for a period commencing upon the Effective Date and terminating upon the Expiration Date.
- c. Commencing upon the Effective Date, and during each year thereafter until the Expiration Date, the New Owner shall make real property tax payments in the sum of the Contract Rent Differential Tax. Notwithstanding the foregoing, the total annual real property tax payment by the New Owner shall not at any time exceed the lesser of either (i) seventeen percent (17%) of the contract rents in the applicable tax year, or (ii) the amount of real property taxes that would otherwise be due in the absence of any form of exemption from or abatement of real property taxation provided by an existing or future local, state, or federal law, rule, or regulation.

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- d. Notwithstanding any provision hereof to the contrary:
- (1) The New Exemption shall terminate if HPD determines at any time that (i) the Exemption Area is not being operated in accordance with the requirements of Article XI of the Private Housing Finance Law, (ii) the Exemption Area is not being operated in accordance with the requirements of the Regulatory Agreement, (iii) the Exemption Area is not being operated in accordance with the requirements of any other agreement with, or for the benefit of, the City of New York, (iv) any interest in the Exemption Area is conveyed or transferred to a new owner without the prior written approval of HPD, or (v) the construction or demolition of any private or multiple dwelling on the Exemption Area has commenced without the prior written consent of HPD. HPD shall deliver written notice of any such determination to the New Owner and all mortgagees of record, and, where there has been an unauthorized conveyance or transfer of any interest in the Exemption Area, to the new owner of such interest in the Exemption Area, which notice shall provide for an opportunity to cure of not less than sixty (60) days. If the noncompliance specified in such notice is not cured within the time period specified therein, the New Exemption shall prospectively terminate.
 - (2) The New Exemption shall apply to all land in the Exemption Area, but shall only apply to buildings on the Exemption Area that exist on the Effective Date.
 - (3) Nothing herein shall entitle the HDFC, the New Owner, or any other person or entity to a refund of any real property taxes which accrued and were paid with respect to the Exemption Area prior to the Effective Date.
- e. In consideration of the New Exemption, the owner of the Exemption Area shall, for so long as the New Exemption shall remain in effect, waive the benefits of any additional or concurrent exemption from or abatement of real property taxation which may be authorized under any existing or future local, state, or federal law, rule, or regulation. Notwithstanding the foregoing, nothing herein shall prohibit the granting of any real property tax abatement pursuant to Sections 467-b or 467-c of the Real Property Tax Law to real property occupied by senior citizens or persons with disabilities.
2. Approve, pursuant to Section 125 of the PHFL, the termination of the Prior Exemption with respect to the Exemption Area, which termination shall become effective one day preceding the conveyance of the Exemption Area from the Current Owner to the New Owner.
 3. Consent, pursuant to Section 123(4) of the PHFL, to the voluntary dissolution of the Current Owner.
 4. If the conveyance of the Exemption Area from the Current Owner to the New Owner does not occur either (i) within one day following the termination of the Prior Exemption, or (ii) on the same day as the voluntary dissolution of the Current Owner, then all of the approvals and consents set forth above shall be null and void, the dissolution of the Current Owner shall be rescinded, and both the obligations of the Current Owner to remain an Article V redevelopment company and the Prior Exemption shall be reinstated as though they had never been terminated or interrupted.

HPD recommends approval of this matter and requests that it be referred to the appropriate committee at the next scheduled meeting of the Council.

Sincerely,



Louise Carroll

