

**THE COUNCIL OF THE CITY OF NEW YORK**

May 19, 2022

TO: Hon. Justin Brannan

 Chair, Finance Committee

Members of the Finance Committee

FROM: Malcom Butehorn, Interim Counsel, Finance Division

RE: Finance Committee Agenda of May 19, 2022 – Resolution approving a tax exemption for one Land Use item (Council District 8)

**788 Fox Street**

 *Project Description Narrative*

788 Fox Street is a five-story building with 52 units located in the Longwood section of the South Bronx. The building has 30 one-bedroom units, 17 two-bedroom units (one of which is reserved for the superintendent), and five three-bedroom units. The property has five commercial spaces with a gross square footage of 3,420 SF. The residential square footage is 36,980 SF.

The project closed on a construction loan in 2017 under the HUD Multifamily Program and a Rental Assistance Demonstration (RAD) conversion. The scope of work was a moderate rehabilitation of the building as well as upgrades to apartment interiors. This work included, kitchen and bathroom refurbishments, replacement of the existing boiler, apartment air sealing, replacement of refrigerators with Energy Star models and replacement of lighting with LED fixtures and devices. The scope of work also included roof replacement with the addition of Energy Star aluminum coating and replacement of all apartment and hallway windows. Pursuant to RAD program requirements, the construction labor was paid prevailing wage. The project completed construction in January of 2018 and restructured rents in February of 2019 with legal rents set at 120% of the restructured contract rents.

The current Article XI is expiring in 2034, and the sponsor is seeking a new 30-year Article XI to match the loan term and a new HPD regulatory agreement. HPD would like to provide a partial exemption at four percent Gross Rent Tax for 30 years to allow the project to leverage debt to pay for expenses incurred and successfully convert the project. There are 52 units and all are currently rent stabilized with AMIs ranging from 50 percent to 80 percent.

*History of the property, prior exemptions, and prior Council action*

The project was constructed in 1939 and rehabilitated in 2004. The site was conveyed to 788 Fox Housing Development Fund Corporation in 1981 (Board of Estimate Cal. No. 53 dated October 22, 1981) for $10,000. All the units are currently rent stabilized. City Council approved a full 40-year Article XI tax exemption on May 28, 2003 (Resolution No. 918). Then on December 15, 2003, City Council approved a full 40-year Article XI with an effective date of July 1, 1994 (Resolution No. 1217). The current Article XI is set to expire in 2034.

The project sponsor refinanced and rehabilitated the property with $5.6 million in conventional financing from The Community Preservation Corporation and a $1,820,000 loan from HPD through the HUD Multifamily program which closed in fiscal year 2017. The owner also converted the Project’s existing mod SRO contract (covering 47 of the 52 units) to a long-term HAP contract by participating in HUD’s RAD program. The project now has a Section 8 Project-Based-Voucher contract.

*Summary*

* Borough – Bronx
* Block 2720, Lot 69
* Council District – 8
* Council Member – Ayala
* Council Member approval – Yes
* Number of buildings – 1
* Number of units – 52
* Type of exemption – Article XI, partial 30-years
* Population – affordable rental housing
* Sponsor – Banana Kelly Community Improvement Association
* Purpose – renovation
* Cost to the City – $2,341,975
* AMI target – 50% AMI to 80% AMI (47 units – 50% AMI; 2 units – 60% AMI; and 2 units – 80% AMI). Tenants will not pay more than 30% of income toward rent.