

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

November 22, 2022

TO: Hon. Justin Brannan Chair, Finance Committee

Members of the Finance Committee

FROM: Michael Twomey, Assistant Counsel, Finance Division

Kathleen Ahn, Counsel, Finance Division

RE: Finance Committee Agenda of November 22, 2022 – Resolution approving a tax exemption for one Land Use item (Council District 34)

**Item 1: BUFF Properties**

BUFF Properties consists of 12 buildings with a total of 251 residential units and is located in the South Williamsburg neighborhood in Brooklyn. The combined DU distribution is 14 studio units, 117 one-bedroom units, 103 two-bedroom units (inclusive of five units reserved for superintendents), and 17 three-bedroom units (inclusive of two units reserved for the superintendent). Additionally, there is a laundry room in each of the buildings that generate income for the Project. Current legal rents average at 80% of AMI and current preferential rents average at 76% of AMI. The market rents in the area average 149% of AMI according to Rent-O-Meter.

236-1 Development Associates (Buff) (“Owner”) purchased the project in 1972. In 1982, the Project was deeded from 236-1 Development Associates to Hermen Kraus, trustee under the trust agreement made by 236-1 Development Associates. A new HDFC (“Grower Housing Development Fund Corporation”) will be formed by the Owner to serve as the fee title owner and will then enter into a nominee agreement with a to be formed beneficial owner (“Development Associates Buff L.P.”).

The Project was originally operated under a Rent Supplement contact with HUD. HPD controlled all rent increases pursuant to its role as Contract Administrator for HUD. There is currently no regulatory agreement on this Project. As such HPD is looking to provide an Article XI tax exemption in order to help facilitate moderate rehabilitation.

In 2009, the City moved forward with foreclosure on the mortgage and property tax liens on the property in the court case City v. Kraus (Index No. 23735/2000), the owner appealed, and the project eventually entered into a settlement agreement with HPD in 2021. To avoid foreclosure, the owner agreed to settle the outstanding tax, water, and sewer arrears at an agreed upon amount of $8,408,884.54 and is required to pursue an Article XI tacx exemption and enter a regulatory agreement with the City.

The Project applied for an Article XI tax exemption through HPD’s Housing Preservation Opportunities (HPO) Program which provides tax exemptions to preserve privately owned multifamily housing to ensure long term-affordability and viable operations. The Project is requesting a full 40-year Article XI tax exemption. The tax exemption will allow for the project to refinance existing debt, pay off existing arrears, conduct a rehab scope, and remain operationally sound.

Summary:

* Borough – Brooklyn
* Block 2396, Lots 21, 24, 25, 26, and 27
* Block 2409, Lots 8, 9, 11, 15, and 27
* Block 2420, Lot 41
* Block 2434, Lot 8
* Council District – 34
* Council Member – Gutiérrez
* Council Member approval –Yes
* Number of buildings – 12
* Number of units – 251 (including seven superintendent units)
* Type of exemption – Article XI, full, 40 year
* Population – affordable rental housing
* Sponsor – The Kraus Organization
* Purpose – preservation
* Cost to the city – $24.89 million (present value)
* Housing Code Violations
	+ Class A – 15
	+ Class B – 27
	+ Class C – 28
* AMI target – 12 units at 50% of AMI; 25 units at 60% of AMI; 195 units at 95% of AMI; 12 units at 115% of AMI.