

CITY COUNCIL
CITY OF NEW YORK

----- X

TRANSCRIPT OF THE MINUTES

of the

SUBCOMMITTEE ON PLANNING,
DISPOSITIONS AND CONCESSIONS

----- X

June 3, 2014
Start: 1:00 p.m.
Recess: 4:15 p.m.

HELD AT: Council Chambers
250 Broadway - Hearing Room,
16th Fl

B E F O R E:
INEZ E. DICKENS
Chairperson

COUNCIL MEMBERS:

Darlene Mealy
Ydanis A. Rodriguez
Andrew Cohen
Mark Treyger
David G. Greenfield

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

Ardie Pearson
Office of Policy and External Affairs
Housing Preservation and Finance

Kimberly Darga
Assistant Commissioner
Preservation Finance
Housing Preservation and Finance

Ken Wray
CATCH

Ken Morrison
Lemor Realty

2 [sound check]

3 CHAIRPERSON DICKENS: [gavel] Good
4 afternoon. I'm Council Member Inez E. Dickens, as
5 the Chair of the Subcommittee on Planning,
6 Dispositions and Concessions. I would like to
7 welcome everyone to today's hearing, and apologize
8 for the lateness of getting started, but we had to
9 wait for a quorum. I'd like to thank and acknowledge
10 the Sergeant at Arms, Eddy Callozzo [sp?], and my
11 phenomenal Land Use staff, Amy Leviton, and Ann
12 Lacorhey[sp?], and Gail Benjamin, who at every
13 hearing I say we're about to lose, and I'm so sorry.
14 And I want to acknowledge the other members of the
15 Committee. Council Member Rodriguez and Council
16 Member Treyger, who today gets the Gold Star for
17 being on time. Thank you.

18 We have numerous items on our calendar
19 today. Some we will be hearing and voting on, and
20 others are being laid over for a future hearing of
21 the Subcommittee. We are laying over the following
22 items:

23 Land Use Item 70, the Dean Atlantic
24 Project for Section 577 Tax Exemption for Properties
25 in Council Member Mealy's district.

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Land Use Item 71, the Maple Court Project

for a Section 577 Tax Exemption for Properties in my district.

Land Use Items 75 and 76, which are related, a UDAAP application concerning Form 92 Saint Nicholas Avenue also in my district.

Land Use Item No. 80 in the 127th Street Cluster Project for a Section 577 Tax Exemption for properties also in my district.

Land Use Item 83, 2015 Monterey Avenue for a Section 577 Tax Exemption for properties in Council Members Torres and Arroyo's district.

Land Use Item 72, a UDAAP concerning properties located in Council Member Treyger's district.

And again, these items are being laid over to our next hearing, which is on June 17th, as the members, including myself, gather the necessary information to move these projects forward. We will now proceed to the items that we are holding public items on for today. And Chair Greenfield, the Chair of the Full Land Use Committee, has also joined us.

COUNCIL MEMBER GREENFIELD: I'm here.

1

2

3

CHAIRPERSON DICKENS: He didn't get the

gold star today.

4

5

COUNCIL MEMBER GREENFIELD: I heard you

needed a quorum. I thought I'd come on in. [sic]

6

7

8

9

10

11

12

CHAIRPERSON DICKENS: First, we will hear

Land Use Item 57, a UDAAP Application concern 611

Pennsylvania Avenue in Council Member Inez Barron's

District. We have to testify on behalf of that

Kimberly Darga, Assistant Commissioner at HPD, and

Director of Land Use at HPD, Ardie Pearson. Please

identify yourselves for the record.

13

14

15

16

17

18

19

20

21

22

23

24

25

ARDIE PEARSON: Good afternoon Chair

Dickens, Chair Greenfield and members of the

subcommittee. I'm Ardie Pearson of HPD's Office of

Policy and External Affairs, and I'm joined by

Kimberly Darga, Assistant Commissioner of

Preservation Finance. Land Use Number 57 consists of

a privately owned building located at 611

Pennsylvania Avenue, also known as Lillian Ware

[sp?]. This building is part of a cluster of

buildings within an overall low income housing tax

credit project of 63 buildings that received the

refinancing through HDC and HPD's Year 15 Program in

December 2013.

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

In 1991, the New York State Urban Development Corporation acquired this property through condemnation from the City and subsequently conveyed the property to an HDFC controlled by Eastern New York Urban Youth Corporation. The Condemnation Order gave the City a reversionary interest, which the City could exercise if the sponsor failed to comply with the following provisions:

Failed to commence the construction of the building within one year of such conveyance.

Failed to complete the construction of the building within three years of such conveyance.

Failed to comply with the terms of an Article 3a of the New York Private Housing Finance Law; and any documents entered into in connection with certain permanent housing for homeless program funding agreement between New York State Housing Finance Agency and the City and affecting the property.

The first two provisions have been met.

On December 27, 2013, the property was conveyed to a new sponsor, the Housing Partnership Eastern New York, HDFC, which will redevelop the property along

1
2 with the overall project. Given the property
3 continues to be encumbered by the reversionary
4 interest condition, at this time HPD is seeking
5 Council approval to sell the reversionary interest to
6 the sponsor for a dollar. The building will be part
7 of the overall project, which is controlled by an
8 HPD/HDFC joint regulatory agreement. Therefore,
9 making the third provision no longer necessary.
10 Council Member Barron has been briefed, and has
11 indicated her support. And we're available to answer
12 any questions.

13 CHAIRPERSON DICKENS: Thank you very much
14 for your testimony. Are there any questions from my
15 colleagues?

16 [Pause]

17 CHAIRPERSON DICKENS: Seeing none, we
18 will now-- Is there anyone else who wishes to
19 testify on behalf of this. Seeing none, I'm going to
20 close the public hearing on this item, and now we
21 will open on Land Use Item 82, Central Harlem MHA
22 submitted by HPD for a Section 577 Tax Exemption for
23 the properties in my district.

24 ARDIE PERASON: Good afternoon Chair
25 Dickens, Chair Greenfield, and members of the

1

2 subcommittee. Again, I'm Ardie Pearson of HPD's
3 Office of Policy and External Affairs, and I'm joined
4 by Kim Darga, Assistant Commissioner for Preservation
5 Finance.

6 Land Use 82 consists of a proposed tax
7 exemption for the exemption area located at 234
8 Bradhurst Avenue; 201 West 144th Street; 261 West
9 116th Street; and 377 Edgecombe Avenue also known as
10 Central Harlem Mutual Association. The sponsor is
11 proposing to rehabilitate the exemption area
12 containing four occupied residential buildings with a
13 total of 77 units for low-income families. The
14 renovations will include heating system upgrades;
15 roof replacement; building facade repair; replacement
16 of building entrance doors; sidewalks and upgrades to
17 building lobbies and common areas. The incomes for
18 the families will be earning up to 100% of AMI. And
19 that concludes my statement. Do you have any
20 questions?

21 CHAIRPERSON DICKENS: No. I'm going to
22 ask Ken Wray to please come up. Please go up to the
23 table and identify yourself.

24

25

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

KEN WRAY: Thank you Chair Dickens. I

have a prepared statement. Should I just go ahead and read it or ... ?

CHAIRPERSON DICKENS: Did you submit a prepared testimony to the Sergeant at Arms to be distributed, or you just brought one?

KEN WRAY: I just brought it.

CHAIRPERSON DICKENS: Would you proceed to read it, please?

KEN WRAY: Sure. Thank you. And thank you again for allowing us to present today, and thank you to the rest of the committee as well. CATCH, the organization that I represent, Community Assisted Tenant Controlled Housing is a 501(c)(3). For the last 20 years, we have been transforming distressed properties in New York City into decent affordable resident controlled housing. Since 1991, CATCH has preserved and maintained nearly a thousand units of housing in close to four dozen buildings in Manhattan, Brooklyn, and in the Bronx. We don't have a direct ownership role in the buildings that we develop. Rather, we create mutual housing associations, which are resident controlled corporations that run the housing much like a co-op.

1
2 The difference between mutual housing and a co-op is
3 that there is no buying and selling of shares.
4 Everyone in the housing retains their status as a
5 rent-stabilized tenant. We're here today to discuss
6 four buildings that we first developed almost 20
7 years ago and those are the 377 Edgecombe, 261 West
8 116th Street, 234 Bradhurst, and 261 West-- 201 --
9 excuse me -- West 144th Street.

10 A little bit of history is probably very
11 helpful at this point. When we first were developing
12 those buildings with HPD, and through the
13 Participation Loan Program, we had underwritten
14 together with the City expecting that we would be
15 able to bring Section 8 assistance to the residents
16 who were living in those buildings. They were
17 occupied buildings and needed substantial rehab. At
18 that time, unfortunately, the Newt Gingrich
19 Republican folks were newly ascended, and took over -
20 - gained control, rather, of Congress and cut out all
21 Section 8 funding, as you may recall.

22 So our project was halfway through being
23 underwritten, and we were suddenly forced to
24 drastically reduce the scope. Now it's 20 years
25 later. Those items in the scope that we weren't able

1

2 to do them are catching up to us. Unfortunately,
3 it's not Newt any more, but the same kind of
4 situation or a similar one exists in Washington. And
5 as you know, there's no new Section 8.

6 So we're in a position of needing to
7 renovate these buildings and do fairly substantial
8 rehab. And we're very grateful to HPD for
9 underwriting this as part of their PLP Program.
10 However, because we have no rental assistance that we
11 can bring to the existing tenants, we need every
12 possible break we can get. And that would include
13 Article 11 assistance as well.

14 So a little bit about the tenants. Most
15 of the folks that have been in the buildings that are
16 living in the buildings now are long-term tenants.
17 The average rents are below \$1,000 dollars. Some of
18 the rents are as low as \$200 or \$300, and that's for
19 two, three, and four-bedroom apartments. Our tenants
20 have been primarily low and very low-income
21 residents, and they continue to be that way to this
22 day. We look forward to having a new regulatory
23 agreement with HPD as well so that in the future
24 those units will be preserved for very low and low-
25 income tenants in the next few decades. So we really

1
2 need this assistance and I thank you for your
3 consideration.

4 CHAIRPERSON DICKENS: Thank you so much,
5 Mr. Wray, for your testimony. I have a couple
6 questions before I ask my colleagues. The work that
7 -- the scope of work that you're about to do will be
8 building wide, roofing, electrical, et cetera. Now
9 how is the electrical and the plumbing -- is there
10 going to be plumbing upgrades?

11 KEN WRAY: In some of the buildings yes.
12 In 377 Edgecombe it's primarily a boiler and a roof,
13 and some other work. But the other places we expect
14 the plumbing and electrical work will be in 261 West
15 116th Street, 234 Bradhurst, and 201 West 144th
16 Street.

17 CHAIRPERSON DICKENS: In those buildings
18 where the scope of work includes boiler and
19 electrical, what is the impact upon the residents?
20 How long would they be without service? Will they
21 continue to get water even if it's cold or will they
22 be able to get hot water? Are you going to be
23 utilizing a temporary boiler? And what is the length
24 of time we're talking about?

25

1

2 KEN WRAY: We're talking about since the
3 buildings are nearly completely occupied, it's going
4 to really stretch out the amount of time it's going
5 to take to do this work. So we're looking at three
6 to four years to do the entire project. We will be
7 utilizing vacancies. Unfortunately, we only have
8 four at the moment. Ideally, if you can empty out an
9 entire line in a building and checkerboard people
10 back and forth, no one would go without any services
11 at any time. It's our intention to do the
12 construction using that method. So every tenant will
13 have heat and hot water, electrical power, all of the
14 things that are necessary to a livable home for the
15 entire time.

16

17 CHAIRPERSON DICKENS: So no one will be
18 displaced at all, and checker boarding is not going
19 to be feasible when you have such few vacant units.

20

21 KEN WRAY: We are looking to see if we
22 can identify apartments in the neighborhood that we
23 would be able to temporarily transfer people out of
24 the buildings into those apartments. The issue
25 there, of course, is that we would have to provide a
rent subsidy between -- for the difference between

1

2 what tenants are paying in the buildings and what the
3 rent would be in those outside buildings.

4 CHAIRPERSON DICKENS: So if they're moved
5 to outside buildings, who is covering their moving
6 expense?

7 KEN WRAY: We are. So we cover the-- We
8 do a relocation agreement that guarantees them the
9 right to return to their original apartment. We pay
10 for the rent -- We pay for the moving to the
11 temporary apartment, and moving back from the
12 temporary apartments as well as all of the boxes, and
13 everything else that's needed.

14 CHAIRPERSON DICKENS: When they return to
15 the newly renovated units or within the building,
16 will their rents remain the same as they were before
17 they were displaced?

18 KEN WRAY: Yes, unless their lease was
19 up, and then the normal rent stabilization increases
20 would apply. We have no plans to do anything higher
21 than that.

22 CHAIRPERSON DICKENS: Now, these units or
23 these buildings are considered MHA HDFC's--

24 KEN WRAY: [interposing] Yes, they are.

25

CHAIRPERSON DICKENS: --is that correct?

Now HDFC usually applies that the residents own the affairs in the building. This is not the case.

Please explain to me the difference so that I understand why it's an MHA and the residents are considered rent-stabilized tenants only.

KEN WRAY: An HDFC does not have to be a co-op. It does not require ownership of the corporation, ownership of the shares. When we originally set up CATCH, our organization, the idea was that we would create housing that was a blend of the affordable models that we knew at the time, and this was in the early '90s. And we were concerned that there were a number of low-income co-ops that were stand-alone co-ops, much like these buildings would have been. And the problem was that for them there were, for the most part, what we would say the renovation that was done on those buildings before it was transferred to tenant ownership was not extensive enough.

22 So there were problems that plagued these
23 buildings over the years. It's also buildings where
24 a great number of low-income people concentrated in a
25 small building. And the inability to put aside money

1
2 for reserves, or even the ability to handle any kind
3 of a substantial mortgage, even one with the kinds of
4 subsidies that come with an HPD mortgage. So our
5 model was and is to create housing that groups
6 buildings together. That's part of the mutual
7 housing aspect of it so the buildings can support one
8 another. The other key component to this is that we
9 believed and continue to believe that housing that's
10 controlled by the residents is better housing. It
11 makes for better neighborhoods, for a better city
12 overall.

13 And so, you can have an ownership model,
14 and a practical approach to it that works much like a
15 co-op. And so I'm here today representing the
16 Central Housing -- the Central Harlem MHA because the
17 board members are at work. They couldn't be here to
18 do this. They are the decision makers. They decide
19 who is going to move into the buildings. They adopt
20 the annual operating budgets, the capital budgets.
21 They hire the property managers. Very much like you
22 would see a co-op doing, and we think that model
23 works very well.

24 CHAIRPERSON DICKENS: These renovations
25 that will be done are there violations currently on

1

2 any of these buildings? And if so, how many are
3 classed A, B, and C?

4 KEN WRAY: I'm sorry. I don't have the
5 total in front of me yet, the answer.

6 CHAIRPERSON DICKENS: HPD, do you have
7 those answers, please?

8 KIMBERLY DARGA: Yes. Hi, good
9 afternoon, everybody. 234 Bradhurst Avenue has five
10 open violations, of which one is a C violation. 201
11 West 144th Street has 24 open violations of which
12 seven are C. 261 West 116th Street has 11 open
13 violations, of which 11 are C violations. 377
14 Edgecombe Avenue has 31 open violations, of which 21
15 are C. What we are saying are most of these-- the C
16 violations are lead violations. So any time you see
17 peeling paint, HPD will basically issue a lead
18 violation. And then, the owner has to test, and show
19 that there's no negative findings in order to clear
20 the violation. We are requiring that all of the
21 violations, to submit dismissal request, prior to
22 closing on the financing for all of the violations of
23 record today.

24 CHAIRPERSON DICKENS: The lead-based has
25 to be cleared by specifications. Is there any

1

2 guarantee or follow up to ensure that it was done
3 correctly?

4

5 KIMBERLY DARGA: They have to submit
6 dismissal request with the paperwork prior to us
7 closing on the construction financing. And at which
8 time they would enter into the regulatory agreement,
9 which would allow them to qualify for the exemptions.
10 So before they can qualify for the exemption or
11 receive subsidy from the City, they need to take care
12 of the violations. So, yes, the paperwork would be
attached.

13

14 CHAIRPERSON DICKENS: All right. Thank
15 you, and CATCH I attended a couple of your meetings
16 that you held with residents in various buildings,
17 and I'm very pleased with the way you have conducted
18 yourself. Again, that's me meeting with the
19 residents, you know, one or two evenings. I did want
20 to put that on record. Do any of my colleagues have
any questions?

21

COUNCIL MEMBER TREYGER: [off mic]

22

23 CHAIRPERSON DICKENS: Council Member
Treyger.

24

25 COUNCIL MEMBER TREYGER: Thank you,
Chair. So just a quick question to HPD. So if they

1
2 submit a request for dismissal, that in itself
3 absolves the violations, or HPD has to follow up on
4 them to make sure that they are, in fact -- have been
5 resolved.

6 ARDIE PERASON: Yes. Ardie Pearson.
7 Yes, once the request for dismissal has been
8 submitted, the Code Enforcement Officer sends out an
9 inspector to verify that the violations have been
10 removed. Yes.

11 COUNCIL MEMBER TREYGER: Thank you very
12 much.

13 CHAIRPERSON DICKENS: And we've also been
14 joined by Council Member Mealy. Are there any other
15 questions by my colleagues? Seeing none, are there
16 any other members -- any other members of the public
17 wishing to testify on this? Seeing none, I'm going
18 to close the public hearing on this, and I'm going to
19 open on Land Use Item 81, the FS Development
20 submitted by HPD for a Section 577 Tax Exemption.
21 I'd like Mr. Kenneth Morrison to please join at the
22 table. Mr. Morrison, would you identify yourself for
23 the record.

24 ARDIE PERASON: Good afternoon, Chair
25 Dickens, Chair Greenfield and members of the

1
2 Subcommittee. Again, I'm Ardie Pearson from HPD's
3 Office for Policy and External Affairs and I'm joined
4 by Kimberly Darga, Assistant Commission for
5 Preservation Finance. Land use Item 81 consists of a
6 proposed amendment to the previously approved Urban
7 Development Action Area Project [sic] located at 2394
8 7th Avenue, 224, 226, and 228 West 140th Street, also
9 known as FS 140th Street HDFC under the Neighborhood
10 Entrepreneurs Program on May 16, 1995 Res 010-01.

11 The previous approval allows for the
12 rehabilitation of four multi-family building
13 comprising 104 rental units for low income families.
14 The project is receiving J-51 benefits that have been
15 begun to expire. Currently, a new owner will acquire
16 the area and enter into a regulatory agreement with
17 HPD, establishing certain controls. Therefore, HPD
18 is before the Council seeking an Article 11 Tax
19 Exemption in order to continue the affordability of
20 the residential units, which are targeted to
21 households at 50%, 60%, and 160% AMI. Council Member
22 Dickens has been briefed on this project, and has
23 indicated her support.

24 CHAIRPERSON DICKENS: And Mr. Morrison.
25

1

2

KENNETH MORRISON: [off mic] Good afternoon. Good afternoon committee members. My name is Kenneth Morrison. I'm the member of the FS, the new FS140 HDFC. My main company is Lemor Realty Corporation. We are an affordable-- Well, for profit, but an affordable low income housing developer and property manager. I started in the mid '90s as a developer developing actually NP[sic] program. This project here is actually the very first project that we developed on. Subsequently, I've developed in the various -- in three other rounds with NP program. The majority of the apartments have been developed with tax credits. Also, I have participated in the Third-Party Transfer Program, which is the PLP Program, and I've also developed some previously HUD-owned brownstones in Harlem and Brooklyn.

19

20

21

22

23

24

25

Basically, my-- what we do now is manage and strictly develop the properties that we developed in the past. And I'm here to discuss the project. Like I said, my first NP project that we've decided to expend the affordability, which we are going to extend the regulatory agreement for another -- an additional 15 years. So it's now going to be a 30-

1

2 year regulatory agreement to keep the affordability
3 in the project, and to do that we would simply need
4 to -- Since the J-51 tax benefits are running out,
5 we are asking -- requesting that we can receive new
6 tax benefits to keep the rents low.

7

8 CHAIRPERSON DICKENS: Thank you so much
9 for your testimony. I was reading the work that you
-- The papers that you submitted. I would note that
10 the 105 units, the residential units that they
11 average anywhere between 30% AMI, and the highest
12 being 50% AMI, is that correct?

13

KENNETH MORRISON: Correct.

14

15 CHAIRPERSON DICKENS: And what about on
the -- so the rents average-- You have some four-
16 bedroom apartments.

17

KENNETH MORRISON: Correct, so at 2390--

18

19 CHAIRPERSON DICKENS: [interposing] Oh,
that's desirable.

20

21 KENNETH MORRISON: They are so at 2394
7th Avenue, that's a 55-unit building located on the
22 corner of 140th and Adam Clayton Powell Boulevard.
23 And it is a pretty large building in the sense that
24 the majority of the units are three and four-bedroom
25 apartments. And the original tenants who lived in

1
2 the building when first took over the property from
3 the City of New York, the majority of those tenants
4 are still there. Hence, the reason why the rents are
5 still at those very low desirable numbers. So we've
6 had-- And this was going back to the mid-90s when we
7 started -- when we took over management of this
8 project.

9 CHAIRPERSON DICKENS: So the tenants will
10 remain, what, rent stabilized?

11 KENNETH MORRISON: They will remain rent
12 stabilized, exactly.

13 CHAIRPERSON DICKENS: So the rents will
14 go up accordingly based up a one to two-year lease --

15 KENNETH MORRISON: [interposing] Exactly.

16 CHAIRPERSON DICKENS: --based upon rent
17 stabilization--

18 KENNETH MORRISON: [interposing] Correct.

19 CHAIRPERSON DICKENS: --numbers. And
20 that the highest rent being what, \$814.67, Is that
21 correct? [sic]

22 KENNETH MORRISON: Correct.

23 CHAIRPERSON DICKENS: And what about the
24 commercials? You have eight commercial units. Are
25 they all occupied?

1

2 Council Members Inez Dickens. I support the projects
3 in my district, which are the FS Development Land Use
4 Item 81, and Central Harlem MHA Land Use 82. And
5 Council Member Barron is in support of 611
6 Pennsylvania Avenue, Land Use Item 57. I now will
7 ask my counsel to call the roll on a coupled vote to
8 approve Land Use Items 81, 82, and 57.

9

COMMITTEE COUNSEL: Chair Dickens.

10

CHAIRPERSON DICKENS: I vote aye, and I
encourage my colleagues to vote aye on all.

12

COMMITTEE COUNSEL: Council Member Mealy.

13

COUNCIL MEMBER MEALY: I vote aye on all.

14

COMMITTEE COUNSEL: Council Member
Rodriguez.

16

COUNCIL MEMBER RODRIGUEZ: Aye.

17

COMMITTEE COUNSEL: Council Member
Treyger.

19

COUNCIL MEMBER TREYGER: Aye.

20

COMMITTEE COUNSEL: By a vote of four in
the affirmative, zero abstentions, and no negatives,
Land Use Items Numbers 57, 81, and 82 are approved
and referred to the Full Land Use Committee.

24

[Pause]

25

1
2 CHAIRPERSON DICKENS: This hearing is
3 hereby adjourned. I'm going to leave the vote open
4 for ten minutes. Thank you, and thank you all for
5 coming. Good afternoon.

6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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 6, 2014