



Department of
Housing Preservation
& Development
nyc.gov/hpd

VICKI BEEN
Commissioner

Office of the Commissioner
100 Gold Street
New York, N.Y. 10038

APR 06 2015

Honorable Melissa Mark-Viverito
Speaker of the Council
City Hall
New York, New York 10007
Attention: Gary Altman

Re: Penn South
212-226 9th Avenue (Block 747, Lot 1)
311-351 West 24th Street (Block 748, Lot 1)
250-268 9th Avenue (Block 749, Lot 1)
313 8th Avenue (Block 749, Lot 24)
270-296 9th Avenue (Block 751, Lot 1)
305 9th Avenue (Block 752, Lot 1)
Manhattan, Community District No.4
Council District No. 3

Dear Madame Speaker:

Mutual Redevelopment Houses, Inc. ("Housing Company") is a redevelopment company organized pursuant to Article V of the Private Housing Finance Law ("PHFL") which owns and operates the 2,820 unit cooperative housing development commonly known as Penn South. Nearly half of its residents are age 60 or over. A majority of the residents have lived at Penn South for many years, some even since its opening in 1962. In accordance with its agreement with the City, Penn South continues to maintain income restrictions, occupancy standards, and resale price limits.

On March 26, 1959 (Cal. No. 26), the Board of Estimate granted a 20-year partial tax exemption to the residential portion of the referenced property ("Exemption Area") pursuant to PHFL Section 125. On August 20, 1981 (Cal. No. 311), the Board of Estimate extended such partial tax exemption for an additional five years. On June 30, 1987 (Cal. No. 167), the Board of Estimate approved an additional 25-years of a partial tax exemption ("1987 Resolution"), and on August 22, 2001, the Council approved an amendment to the 1987 Resolution extending the partial tax exemption for the Exemption Area for the maximum period provided for in PHFL Section 125(1)(a-2), through June 30, 2022.

On May 6, 2011, in Resolution No. 813, the City Council approved, among other things, the Sixth Amendatory Agreement between the Housing Company and the City of New York, acting through its Commissioner of Housing Preservation and Development ("City"), which was executed by the parties on June 24, 2011. Section 1 of the Sixth Amendatory Agreement stated that, subject to State enabling legislation and City Council action, all of the residential portion of the referenced property would be granted an additional real property tax exemption for eight years from July 1, 2022 through June 30, 2030, provided that the Housing Company pay during this period an amount equal to the greater of (i) 10% of the annual rent or carrying charges of the Housing Company, minus utilities for the residential portion of the property, and (ii) the taxes



paid by the Housing Company for the residential portion of the property in the City's 2000-2001 tax year, in the total amount of \$3,477,099.00 ("Additional Tax Exemption").

The City Council's actions in 2011, which also included permission for the Housing Company to impose an annual capital assessment and up to a fifteen percent increase in carrying charges, provided much needed financial support for the Housing Company's replacement of its entire heating and cooling distribution systems (HVAC) from basement to roof. In return for this authority, the Housing Company agreed to remain an affordable housing project for an additional eight years beyond its current expiration date of June 30, 2022. However, under the Sixth Amendatory Agreement, in order for the Housing Company to be obligated and able to comply with this commitment to remain affordable through 2030, it will be necessary for the Council to provide tax relief beyond the current authorization, which expires in 2022. The Council supported this Additional Tax Exemption back in 2011, when it approved the Sixth Amendatory Agreement.

The State Legislature enacted the necessary enabling legislation for the Additional Tax Exemption pursuant to Chapter 531 of the Laws of 2014, which added paragraph (a-4) to subdivision 1 of PHFL Section 125. Due to Penn South's location in Chelsea, an area that has experienced tremendous growth in real property values and generated real property tax increases beyond the means of the primarily low income tenants who reside there, the Additional Tax Exemption is necessary for the maintenance of affordable rents and carrying charges for Penn South's residents.

In addition, the Housing Company has requested the Council's approval, pursuant to Section 209(a)(iii)(C) of the agreement between the City of New York and the Housing Company ("City Agreement") and Private Housing Finance Law Section 114, of a proposed amendatory agreement between the City of New York and the Housing Company in substantially the form submitted ("Seventh Amendatory Agreement"), which would authorize the financing of purchases of apartments at Penn South with loans of up to 75% of the apartment cost.

The City of New York Department of Housing Preservation and Development ("HPD"), which supervises the Housing Company, recognizes the importance of the preservation of the Exemption Area as an affordable housing development and the tax relief necessary for such preservation. HPD also supports the proposed Seventh Amendatory Agreement.

Currently, the guidelines for loans for apartment purchases set forth in the agreement between Penn South and the City, limit purchase loans secured by such apartments in Penn South to one-half (1/2) of the purchase price. Due to increases in those purchase prices resulting from such factors as increases in amortization paid to outgoing cooperators and equity assessments required to be paid by Penn South's cooperators, it has become more difficult for some purchasers to assemble the funds needed to purchase their apartments.

Such apartment purchases can be facilitated by increasing the allowed amount of loans from the currently allowed one-half (1/2) of the purchase price to up to seventy-five (75%) percent of



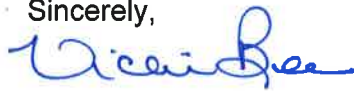
the purchase price. As noted, this change requires the City Council's approval since the loan limit is set forth in the agreement between Penn South and the City.

For the reasons set forth above, HPD respectfully requests that the Council:

1. Approve, pursuant to PHFL § 125(1)(a-4), an additional exemption from real property taxes, other than assessments for local improvements, of all of the residential portion of the Exemption Area for the period commencing with the City's tax year July 1, 2022 through June 30, 2023 and continuing through the City's tax year July 1, 2029 through June 30, 2030, provided, however, that the amount of taxes to be paid during such period of tax exemption shall not be less than an amount equal to the greater of (i) ten per centum of the annual rent or carrying charges of the project minus the utilities for the residential portion of the project, or (ii) \$3,477,099.00, the taxes payable by the Housing Company for the residential portion of the project during the tax year commencing July 1, 2000 and ending on June 30, 2001.
2. Approve, pursuant to Section 209(a)(iii)(C) of the City Agreement and PHFL Section 114, the proposed Seventh Amendatory Agreement between the City of New York and the Housing Company in substantially the form submitted, and authorize the Mayor or any Deputy Mayor or the Commissioner of the Department of Housing Preservation and Development to execute the Seventh Amendatory Agreement, when approved as to form by the Corporation Counsel, and direct the City Clerk or Acting City Clerk to attest to the same and to affix the seal of the City thereto.

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,



Vicki Been
Commissioner



SEVENTH AMENDATORY AGREEMENT

This Seventh Amendatory Agreement dated as of _____, 2015 by and between **THE CITY OF NEW YORK**, acting through the Commissioner of its Department of Housing Preservation and Development, 100 Gold Street, New York, New York 10038 and **MUTUAL REDEVELOPMENT HOUSES, INC.**, a corporation duly organized and existing under and by virtue of the Redevelopment Companies Law of the State of New York, having its principal place of business at 321 Eighth Avenue, New York, New York 10001 (hereinafter called the "Housing Company").

The parties refer to an Agreement dated as of July 1, 1987 between the Housing Company and the City (the "Agreement") as amended by an Amendatory Agreement dated as of November, 1990, and further amended by a Second Amendatory Agreement dated as of July 1, 1995, and by a Third Amendatory Agreement dated as of August 22, 2001, and by a Fourth Amendatory Agreement dated as of October 6, 2005, and by a Fifth Amendatory Agreement dated as of January 17, 2006, and by a Sixth Amendatory Agreement dated as of June 24, 2011 (which Agreement, Amendatory Agreement, Second Amendatory Agreement, Third Amendatory Agreement, Fourth Amendatory Agreement, Fifth Amendatory Agreement, and Sixth Amendatory Agreement are hereinafter collectively called the "City Agreement").

The parties further refer to the Resolution of the New York City Council adopted on _____, 2015 (Resolution No. _____) a true copy of which is annexed hereto, approving an amendment to the City Agreement to modify the provisions regarding guidelines for allowing tenant/cooperators to finance the purchase of their apartments.

NOW, THEREFORE, the parties hereto agree as follows:

1. Paragraph 209(a)(iii)(B)(4) of the City Agreement is hereby amended by replacing the same in its entirety with the following:

"4. The amount of any such loan shall not exceed seventy-five (75%) percent of the price being paid by such tenant/cooperator for such Apartment Documents;"

2. The effective date of this Seventh Amendatory Agreement is the date first set forth above, which is the date by which this Seventh Amendatory Agreement has been fully executed by all parties.

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3. Except as expressly amended herein, the City Agreement shall remain in full force and effect until its termination pursuant to Paragraph 404 of the City Agreement.

ATTEST:

(City Clerk)

THE CITY OF NEW YORK

By: _____

**Vicki Been, Commissioner
New York City Department of
Housing Preservation and
Development**

**MUTUAL REDEVELOPMENT
HOUSES, INC.**

By: _____

Morris Benjamin, President

APPROVED AS TO FORM:

[Acting] Corporation Counsel
Date: _____, 2015

ACKNOWLEDGMENTS

State of New York)
 : ss:
County of New York)

On the _____ day of _____ in the year 2015 before me, the undersigned, a Notary Public in and for said State, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person on behalf of which the individual acted, executed the instrument.

Notary Public

State of New York)
 : ss:
County of New York)

On the _____ day of _____ in the year 2015 before me, the undersigned, a Notary Public in and for said State, personally appeared Morris Benjamin, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person on behalf of which the individual acted, executed the instrument.

Notary Public