

CITY COUNCIL
CITY OF NEW YORK

----- X

TRANSCRIPT OF THE MINUTES

Of the

SUBCOMMITTEE ON PLANNING, DISPOSITIONS AND
CONCESSIONS

----- X

August 14, 2018
Start: 3:00 p.m.
Recess: 5:12 p.m.

HELD AT: Committee Room - City Hall

B E F O R E: BEN KALLOS
Chairperson

COUNCIL MEMBERS: Chaim M. Deutsch
Ruben Diaz, Sr.
Vanessa L. Gibson
Andy L. King

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

Lacey Tauber, Housing, Preservation and
Development, HPD

Jeremy Hoffman, Director, Multi-Family
Housing, Preservation and Development, HPD

Alex Schaefer, Housing BFC Partners

Dan Capoccia, Principal, BFC Partners

Kim Darga, Assistant Commissioner
Preservation Programs
Housing, Preservation and Development, HPD

Nelson Chan, Director, Third Party Transfer Program
Housing, Preservation and Development, HPD

Sal D'Avola, Neighborhood Restore

Rick Gropper, Principal of Camber Property Group

1 SUBCOMMITTEE ON PLANNING, DISPOSITIONS AND
2 CONCESSIONS

4

2 [sound check] [gavel]

3 CHAIRPERSON KALLOS: Good afternoon and
4 welcome to the Committee on Planning, Dispositions
5 and Concessions. I'm Council Member Ben Kallos. You
6 can Tweet me at Ben Kallos. We are joined today by
7 Council Member Vanessa Gibson, who got here very
8 early as we waited for this meeting to start as well
9 as Ruben Diaz, Sr. and congratulations on his bill
10 signing in the City Hall Rotunda surrounded by three
11 bills. [applause] [background comments, pause] And
12 not only doing the ceremony, but making it here in
13 time to help us make a quorum. Today, we'll be
14 holding a hearing on many projects. If you're here
15 to testify on any item on the calendar, please fill
16 out a white speaker slip with the sergeant-at-arms,
17 and indicate the Land Use number or project name of
18 the item you wish you testify on that slip. Before
19 we begin on our hearings, we will vote on Land Use
20 Item 157, the 286 West 151st Street Tax Exemption
21 Application for property in Council Member Perkins'
22 district in Manhattan. This application is for the
23 termination of the prior exemption of this fully
24 occupied 12-unit resident co-op for low-income
25 households. A new Article XI tax exemption is

2 proposed. The Subcommittee held a public hearing on
3 this item on July 17th. The Council Member is
4 supportive of this application as is the practice on
5 hearings where I was not chair for that, and I was
6 actually out on paternity leave. We generally just
7 move it straight to a vote, and so I'd like to now
8 instruct the Counsel to please call the roll to vote
9 to approve Land Use Item 157.

10 LEGAL COUNSEL: Kallos.

11 CHAIRPERSON KALLOS: Aye.

12 LEGAL COUNSEL: Gibson.

13 COUNCIL MEMBER GIBSON: I vote aye.

14 LEGAL COUNSEL: Diaz.

15 COUNCIL MEMBER DIAZ: Aye.

16 LEGAL COUNSEL: By a vote of 3 in the
17 affirmative, 0 in the negative and 0 abstentions, the
18 item is recommended for approval by the full Land Use
19 Committee.

20 CHAIRPERSON KALLOS: Thank you. We will
21 now close that item, and we'll start our public
22 hearings with hearings of six item-related. We will
23 actually, um--[background comments] We will keep
24 that vote open for a member to come and join us, and
25 we will skip to Land Use Item 177.

1 SUBCOMMITTEE ON PLANNING, DISPOSITIONS AND
2 CONCESSIONS

6

3 LEGAL COUNSEL: [off mic] 183.

4 CHAIRPERSON KALLOS: Land Use Item 183 a
5 triple HDFC application in relation to properties
6 located at 235 East 105th Street, 230-2232 First
7 Avenue, 2295 First Avenue and 349 East 118th Street.

8 HPD seeks approval of a new Article XI tax exemption
9 for a period of 40 years. Pursuant to section 575 of
10 the Private Housing Finance Law the exemption area
11 includes three fully occupied buildings to line 68
12 rental units and one superintendent unit in the East
13 Harlem neighborhood of Manhattan. The developer is
14 moderately rehabbing the buildings including energy
15 efficiency and façade restoration, and seeking HPD
16 and HDC loans to refinance the properties as well as
17 the Article XI tax exemption to coincide with the
18 term of the loans. Properties include 44 2-bedroom,
19 22 1-bedrooms and two studio unit. I will now open
20 the public hearing on this item and invite HPD and
21 the developer to present testimony [background
22 comments] and I will ask committee counsel to swear
23 in the panel.

24 LEGAL COUNSEL: Please state your names
25 and raise your right hand.

AL SCHAEFER: Al Schaeffer.

1 SUBCOMMITTEE ON PLANNING, DISPOSITIONS AND
CONCESSIONS

7

2 LACEY TAUBER: Lacey Tauber.

3 JEREMY HOFFMAN: Jeremy Hoffman.

4 DON CAPOCCIA: Don Capoccia.

5 LEGAL COUNSEL: Do you affirm to tell the
6 truth, the whole truth and nothing but the truth in
7 your testimony before the Subcommittee and in answer
8 to all Council Member questions.

9 PANEL MEMBERS: Yes.

10 LACEY TAUBER: Okay.

11 CHAIRPERSON KALLOS: You may begin.

12 LACEY TAUBER: Okay. Land Use Item No.
13 183 consists of an exemption area know as Triple HDFC
14 located at 235 East 105th Street, 2232 First Avenue
15 and 2095 First Avenue, 349 East 118th Street in
16 Manhattan Council District 8. The exemption area
17 contains four multiple dwellings on three tax lots of
18 which two were required from the City of New York by
19 the current owner in 2001. Triple HDFC is a
20 preservation project slated for rehabilitation under
21 HPD's Housing Preservation Opportunities Program or
22 HOP. As part of the program sponsors can refinance
23 loans and obtain Article XI tax benefits in an effort
24 to help maintain long-term affordability of rental
25 units. In total, there are 69 units of rental

2 housing across the four buildings, two of which are
3 currently vacant as well as two commercial spaces.
4 Of the total unit count, approximately 10% will be
5 set aside for formerly homeless households and seven
6 units. HPD's Homeless Placement Unit works with the
7 Department of Homeless Services to, um, match such
8 families. There is a mixture of unit types including
9 two studios, 22 1-bedroom, and 44-2-bedroom
10 apartments, plus a superintendent's unit. Proposed
11 rent restrictions including tiers at 30%, 70%, 95%
12 and 150% of AMI of their income. Depending on unit
13 type and initial occupancy, rents average \$1,397 to
14 \$1,722 and upon vacancy incomes will be restricted to
15 those making between 42 and 150% of AMI. It is
16 anticipated that work salted for the building
17 includes restoration of the façade and upgrades to
18 energy efficiency including installing new windows,
19 installing lipless (sic) faucets to open shower heads
20 and updating the electrical system. Currently, the
21 building located at 235 East 105th Street has 421-A
22 tax exemption that was approved in July of 2004. Upon
23 approved-upon approval of the new exemption, the 421-
24 A exemption will be terminated and replaced with the
25 Article XI exemption. The property located at 2232

2 First Avenue and 2295 First Avenue, 349 East 118th
3 Street both have J-51 tax exemptions and abatement.
4 The J-51 exemption will continue to be in place until
5 it expires in Fiscal Year 2037, 2038 and Fiscal Year
6 2036 and 2037 respectively. There is also a J-51
7 abatement, which expires in three years. This
8 reduces the value of the Article XI by approximately
9 \$443,000. Taking this into account, the cumulative
10 value of the Article XI is currently at \$14,423,490,
11 and the net present value is \$4,112,381. In effort
12 to help facilitate continued affordability of the
13 residential units upon completion of the
14 rehabilitation, HPD is seeking Special Article XI tax
15 benefits for the exemption area.

16 CHAIRPERSON KALLOS: Thank you very much.
17 I appreciate that the testimony—well, this is my
18 first hearing back since leave, and the testimony
19 continues to be more robust and robust leaving me
20 with fewer questions and more disclosure for the
21 public. So, I appreciate that. Something—I think
22 one thing that caught my attention was the area
23 median incomes of the vacant units. So, I'm—I'm
24 happy to see that there will be restrictions for
25 Tiers at 30%, 70%, 95%, but I am concerned about

2 Tiers at nearly double and—and five times the lowest
3 rate at 150%. What income rates does that translate
4 for a 1-bedroom or a 2-bedroom?

5 LACEY TAUBER: I have to get—I have to
6 get my—I forgot my—to bring my notebook with this
7 little card in it, my AMI cheat sheet. One second.

8 CHAIRPERSON KALLOS: Okay. While we are
9 waiting for that, I will just put a hold on this
10 public hearing, and I will instruct the Committee
11 Counsel to complete the calling of the roll.

12 LEGAL COUNSEL: Council Member Deutsch.

13 COUNCIL MEMBER DEUTSCH: Aye.

14 LEGAL COUNSEL: By a vote of 4 in the
15 affirmative, 0 in the negative and 0 abstentions, the
16 item is approved for the Full Land Use Committee.

17 CHAIRPERSON KALLOS: Than, you to the
18 Committee Counsel. I now close this vote on that
19 matter. I also want to extend a huge thank you to
20 Council Member Chaim Deutsch for his chairing this
21 committee in my absence, and continue to move
22 affordable housing forward in the city if we can all
23 join in thanking him. Back to the hearing at hand on
24 Land Use Item 183 Triple HDFC, we were asking about
25 what the 160% of AMI translates for a single person.

2 How much income that is a year, and then I guess for
3 a 4-person household how much income that is, and
4 what they corresponding rents would be, and how many
5 of these units are being set aside at 150% of the
6 AMI, and whether or not that exceeds the local rents
7 in the neighborhood. [background comments]

8 JEREMY HOFFMAN: There are a number of
9 units that currently are rented at I believe 100% or
10 150% of AMI, 325.

11 DAN CAPOCCIA: There are currently four
12 units that are currently leasing at that level. Um,
13 the currently restrictions on those units are
14 actually at 250% of AMI, and it is now currently—
15 there are only four actual tenants who pay that rent,
16 but that, but there's actually 34 units that are
17 restricted at 250. All of those will be reduced to
18 get them even lower with only four staying at 150
19 being the—the rents for the tenants who are currently
20 paying rent.

21 CHAIRPERSON KALLOS: How much is 250% of
22 AMI for a single individual?

23 DAN CAPOCCIA: 250%.

24 CHAIRPERSON KALLOS: Yes.
25

2 LACEY TAUBER: I mean I think that--that's
3 important to give some background about this project
4 came to have these levels in it, and I think what
5 they're trying to do as part of the restructuring of
6 these AMI levels as part of this process is to more
7 closely--

8 JEREMY HOFFMAN: Yeah, match.

9 LACEY TAUBER: Match what the current
10 tenants are paying. Do you want to say some more
11 about that?

12 JEREMY HOFFMAN: We'll get that for you.
13 Right now the AMI for a family of four in New York
14 City SMSA is \$105,000 a year, right. So the
15 arithmetic on \$150, let's see 1-5--sorry.

16 CHAIRPERSON KALLOS: Is about \$250?

17 JEREMY HOFFMAN: It would be \$157,000 a
18 year in income times .3, which is \$47 a year divided
19 by 12 is approximately \$3,800 a month for a family
20 for a 2-bedroom apartment of which we have four in
21 this project.

22 CHAIRPERSON KALLOS: And tenants are
23 making a quarter of a million dollars a year?

24 JEREMY HOFFMAN: That's at 250. At 150
25 you've got 100 in the--

2 CHAIRPERSON KALLOS: So, I guess who
3 approved affordable housing for families making a
4 quarter of a million dollars a year.

5 JEREMY HOFFMAN: Well, it's--it's not a
6 quarter of a million. Oh, the original--the original
7 regulatory agreement was--

8 CHAIRPERSON KALLOS: You currently have
9 units that you're--you are not seeking to--to refinance
10 with Article XI support.

11 JEREMY HOFFMAN: Correct.

12 CHAIRPERSON KALLOS: But so the current
13 tenants so...wo where did the program come from that
14 considered, and I assume you're--you're this was all
15 affordable housing at the time but--

16 JEREMY HOFFMAN: Right.

17 CHAIRPERSON KALLOS: So, \$3,000 a month
18 for a 2-bedroom, which is in excess of market rate on
19 the Upper East Side, and people are making a quarter
20 of a million. So, who's program is this?

21 LACEY TAUBER: [interposing] It's a PV-

22 CHAIRPERSON KALLOS: Is this Mayor de
23 Blasio or--

24 LACEY TAUBER: PV (sic) has funds for it.

2 DAN CAPOCCIA: So, we—we acquired these
3 properties the 105th Street was acquired 17 years
4 ago, and it was—it was a—it was four or six abandoned
5 buildings that we demolished, and we used the New
6 York State Housing Finance Agency under the Housing—
7 the New York State Housing Tax Credit Program to do a
8 mixed-income project there. The State's Regulatory
9 Agreement allowed us to do 20–22 of those units or 15
10 of those units. I mean, the—that program allowed us
11 to do 200–up 250% of AMI. The—that's 105th Street.
12 We have a building on First Avenue and 100—between
13 115th and 116th and another building both walk-ups on
14 the corner of 119th and First. Those two buildings
15 were acquired through the Third-Party Transfer
16 Program from HPD I think 20 years ago. They had to
17 do substantial—you know, they require substantial
18 work, and the—the—the-at that time they allowed us
19 AMIs of up to 250%—affordability up to 250%.

20 CHAIRPERSON KALLOS: That was HPD 20
21 years ago?

22 DAN CAPOCCIA: Correct. So, so, so let
23 me explain to you what happened here. So, after we—
24 we got a low-income tax credit investor into our
25 105th Street project 15 years ago. We're not at the

2 end of the 15-year compliance period. So, we knew we
3 were going to have to do something with the property.
4 So, we lumped it together with the other two
5 properties getting a total of 68 units plus a super's
6 unit, and in-in every case, we have reduced the AMIs
7 from what ranged from 90 to 250%. We've agreed
8 voluntarily to reduce those AMIs from 30% to 150%.

9 CHAIRPERSON KALLOS: So, a quick question
10 back to HPD. I just learned of a term sheet that
11 allowed for some things to be considered affordable
12 housing at 250% of AMI for families making a quarter
13 of a million a year. Are there any current term
14 sheets that allows somebody to call 250% of AMI
15 affordable housing from HPD, HDC or to your knowledge
16 the state?

17 JEREMY HOFFMAN: To my knowledge no.

18 LACEY TAUBER: No.

19 CHAIRPERSON KALLOS: Okay, what is the
20 maximum AMI that HPD is willing to do a term sheet at
21 this point?

22 LACEY TAUBER: 165.

23 JEREMY HOFFMAN: 165% of AMI.

24 CHAIRPERSON KALLOS: Okay, I think that's
25 still high, but that's far preferable to the 250% of

2 AMI, and so how many of the units are going to be
3 160% of AMI?

4 DAN CAPOCCIA: They're set for at 150% of
5 AMI.

6 JEREMY HOFFMAN: With incomes at \$160.

7 CHAIRPERSON KALLOS: Okay, the testimony
8 I have from HPD says 160% of AMI.

9 LACEY TAUBER: It's the income. So, it's
10 the rents at 150 and there's a range of income that
11 sort of broadens out how--

12 JEREMY HOFFMAN: [interposing] The
13 marketing, the marketing there.

14 LACEY TAUBER: [interposing] The
15 marketing if you were to set it high. (sic)

16 JEREMY HOFFMAN: Where it's up to 160.

17 CHAIRPERSON KALLOS: I-I--

18 JEREMY HOFFMAN: [interposing] So the
19 rent--the rent is key to 150% of AMI, but the
20 marketing band is up to 160.

21 CHAIRPERSON KALLOS: What is the area
22 median income for people in the surround
23 neighborhood?

24 JEREMY HOFFMAN: It's--

25

2 LACEY TAUBER: [interposing] So, so the
3 median income in the community district is about
4 \$30,400, but we—it's hard to translate that into AMI
5 because for AMI you need a family size, and that's
6 not based on family size, but if it were a family of
7 three that would be about 30 to 40%.

8 CHAIRPERSON KALLOS: So, it seems like
9 these numbers would—might have a gentrifying impact
10 in this community.

11 LACEY TAUBER: Well, one of the things
12 that we spoke about with the Council Member is who
13 represents this area, Diana Ayala, was that she feels
14 that, you know, about 30% AMI Tier is important to
15 her and she negotiated to make sure that the—the unit
16 where the rent is currently set there stays there,
17 and we were able to do that. And then I would also
18 mention that we have the homeless set-aside as well.
19 There will be seven units that will be pulled from
20 the 70% AMI Tier. So when those units become vacant
21 the 10% will be filled with formerly homeless
22 families.

23 CHAIRPERSON KALLOS: How much work are
24 you putting into the buildings?

25 LACEY TAUBER:

2 DAN CAPOCCIA: We're—we're doing
3 approximately a million dollars worth of work,
4 \$16,000 a unit.

5 CHAIRPERSON KALLOS: About a million.

6 DAN CAPOCCIA: \$16,000 per unit. A total
7 a million dollars.

8 CHAIRPERSON KALLOS: Okay, and I guess
9 since you had these units before why did \$16,000 in
10 work accrue in work? Why couldn't—why wasn't it—

11 DAN CAPOCCIA: Well, you know, a lot—
12 there's been a lot of developments in your energy
13 efficiency. So, new windows, new—in some of the
14 building new boilers. We've improved, you know, the
15 exterior improvements. What else is there Alex?

16 ALEX SCHAEFER: Low-flow fixtures, low-
17 flow toilets.

18 DAN CAPOCCIA: Yeah, just most energy.

19 CHAIRPERSON KALLOS: In terms of work
20 that's going to be done for this—this million dollars
21 of work, will people from the local neighborhood be
22 hired or will this be people from out of state?
23 Where will people be hired for this work?

24 DAN CAPOCCIA: Well, we always use people
25 in the local community. We do a lot of this so we

2 consider preservation work. We've got about 3,500
3 units of preservation we've done in the city over the
4 last I don't know, seven or so years. So we have a
5 preservation team, but when we go into, you know, any
6 community we go into, we hire from the community.
7 We'd be doing the same thing here.

8 CHAIRPERSON KALLOS: If somebody is
9 watching at home right now, and they're interested in
10 a job doing rehabilitation work in their own
11 community, where do they reach out got get a job?

12 DAN CAPOCCIA: Well, what works? We want
13 to give them the contact information for our office
14 and Al does that.

15 AL SCHAEFER: Yeah, our head of
16 Compliance Rick Meister he deals with all local
17 hiring, and all hiring is done through him, and we're
18 happening to give you or anyone his contact
19 information, and he could be in touch directly with
20 our head of construction who will be running the
21 project.

22 CHAIRPERSON KALLOS: Do you have a
23 website or a phone number or what should somebody do?

24 DAN CAPOCCIA: Our website is bfynyc.com,
25 and the phone number is 7187-422-9999, and the

2 contact person is Rick Meister. I don't have his
3 contact—his extension. Do you Alex?

4 ALEX SCHAEFER: I don't, but I can get
5 it.

6 DAN CAPOCCIA: Okay, we can get that to
7 you.

8 CHAIRPERSON KALLOS: And they can just
9 call and say we—we saw this on TV and you've got
10 jobs. So, so then the next question is in terms of
11 the quality of the jobs. Will the people who are
12 doing this work be able to afford to live in your
13 affordable housing? Will they be able to have health
14 insurance so that if they get hurt on the job they
15 can see a doctor, and God forbid they get disabled,
16 but have access to disability, and other—and, and
17 once they've worked for you hopefully for a long
18 career retire one day?

19 DAN CAPOCCIA: Uh-hm. So, they will be
20 able to afford to live in these buildings. We've got
21 units at 70% of AMI and 30% of AMI. So, they will be
22 able to afford to live there. If anyone is ever
23 injured on any of our jobs, and we have one of the—we
24 have a very, very good safety record, but when an

2 injury does happen, it does--it--the--the employee is
3 covered totally for the--for the injury.

4 CHAIRPERSON KALLOS: Not Workers Comp?

5 DAN CAPOCCIA: Be it--no Workers--Workers
6 Comp and Disability is what we provide to field--field
7 personnel.

8 CHAIRPERSON KALLOS: But not health
9 insurance?

10 DAN CAPOCCIA: No.

11 CHAIRPERSON KALLOS: Okay, and--and these
12 buildings who--are they maintained by you or somebody
13 else?

14 DAN CAPOCCIA: They're managed by a third
15 party. They're by PW--PWB Management from the Bronx.

16 CHAIRPERSON KALLOS: And do you know if
17 their workers are also able to afford to live in your
18 affordable housing, whether or not they get hurt
19 takin out the trash or cleaning up, whether or not
20 they have health insurance or disability or if
21 they're able to retire on a pension?

22 DAN CAPOCCIA: I--I know that they can
23 afford to live there. Well, you know, that we--we
24 don't have a lot of employees in these--we don't have
25 a lot of employees in these--in these buildings. You

2 know there's one super, right and one super and--and
3 probably one or two porters.

4 CHAIRPERSON KALLOS: Okay. Thank you.
5 Those are my questions. We may follow with
6 additional ones. Seeing no one from the public to
7 testify on this matter, I will now close this
8 hearing, and to back to our regular agenda. Thank
9 you.

10 DAN CAPOCCIA: Great. Thank you.

11 CHAIRPERSON KALLOS: We'll now hear six
12 items related to the city's Third Party Transfer
13 Program. HPD created the Third Party Transfer
14 Program in 1996 as an alternative to owning and
15 managing in rem, otherwise referred to as abandoned
16 properties. Under Third Party Transfer when New York
17 City forecloses on properties for unpaid real estate
18 taxes or water bills or other liens ownership is
19 transferred directly to the Neighborhood Restore, a
20 non-profit organization. Neighborhood Restore in
21 turn works with a qualified non-profit and for-profit
22 developers to stabilize a management plan for the
23 rehabilitation of future ownership of these
24 properties. This includes arranging financing, which
25 may include HPD sources. Neighborhood Restore then

2 transfers ownership of the property to the qualified
3 developer who must rehabilitate the building if
4 necessary and continue to manage the property as
5 affordable housing. The Third Party Transfer items
6 we will hear today all relate to properties against
7 which the court has issued an In Rem Judgment of
8 Foreclosure and the Council's approval is required to
9 order--in order to facilitate the financing required
10 to transfer the buildings to Neighborhood Restore for
11 their future rehabilitation and management. We'll be
12 hearing six applications related in rem actions in
13 Queens, Brooklyn and the Bronx, and I hope to have
14 HPD back here again for items in Manhattan, and
15 because we are a five borough city, if there is an
16 opportunity to do so in Staten Island, we would also
17 hope to see that perhaps not in Round 10 but in Round
18 11. The first two items we will hear are Land Use
19 Items 177 and 178, which related to Queens In Rem
20 Action 56. Land Use item 177 is the application for
21 approval of a new Article XI tax exemption for
22 properties subject to a final judgment of foreclosure
23 in the Third Party Transfer Program located at 3
24 Morrissey Street in Council Member Richards'
25 district. The property is a vacant lot, and is

2 \$295,309 in arrears. Land Use Item 178 requests
3 approval of a new Urban Development Area Project and
4 exemption from real estate taxes pursuant to Section
5 696 of the General Municipal Law. Article XI the
6 Private Housing Finance Law for six properties
7 subject to a final judgment of foreclosure in Queens,
8 In Rem Action No. 56 located in Council Member
9 Richard's and Van Bramer's districts. The six
10 properties are more than \$7 million in arrears. I
11 know open the public hearing on Items 177 and 178 and
12 ask the Counsel to administer the oath to the
13 applicants.

14 LEGAL COUNSEL: Please state your—please
15 state your names.

16 KIM DARGA: Kim Darga. (sic)

17 NELSON CHAN: Leslie Katz.

18 LEGAL COUNSEL: Please raise your right
19 hand. Do you affirm to tell the truth, the whole
20 truth and nothing but the truth in your testimony
21 before this Subcommittee and in answer to all Council
22 Member questions?

23 ASSISTANT COMMISSIONER DARGA: Yes.

24 NELSON CHAN: Yes.

25 CHAIRPERSON KALLOS: You may being.

2 ASSISTANT COMMISSIONER DARGA: Good

3 afternoon, Chair Kallos and members of the
4 Subcommittee. I'm Kim Darga, Assistant Commissioner
5 for HPD's Preservation Programs. I'm joined today by
6 Sal D'Avola of Neighborhood Restore, and Nelson Chan,
7 Director of our Third Party Transfer Program. HPD is
8 before the Planning Subcommittee today on six Land
9 Use items related to the Third Party Transfer
10 Program, also know as TPT. This administration has
11 invested significant resources in creating and
12 preserving affordable housing as part of our broader
13 strategy that includes robust measures to prevent
14 displacement, protect tenants from harassment and
15 revitalize neighborhoods. The TPT program plays a
16 key role in this holistic approach by stabilizing and
17 improving-improving conditions in some of the worst
18 buildings in the city. It is a vital tool to keep
19 people in their homes and to safeguard the quality
20 and affordability of those homes. TPT is a public-
21 private partnership created by City Council through
22 Local Law in 1996 to rehabilitate buildings with
23 significant delinquent municipal charges and for
24 housing conditions, and to ensure that residents
25 remain in place with affordability and rent

2 stabilization protections. Under TPT, a final
3 judgment of foreclosure authorizes the Commissioner
4 of Finance to execute and deliver deeds to a
5 transferee Neighborhood Restore HDFC. Neighborhood
6 Restore will stabilize and manage the occupied
7 buildings as well as maintain any vacant lots. Once
8 tasks of work are completed and construction
9 financing is finalized by a third-party entity
10 selected through an RF—an HPD Request for
11 Qualifications, Neighborhood Restore will then convey
12 title to the new owner, which will operate and own
13 the rental building. The actions that are on the
14 agenda today are part of Round 10 of the TPT Program.
15 On June 5th of 2018, HPD submitted a request to this
16 Council's Committee on Housing and Buildings to
17 transfer properties under Round 10 Transfer list to
18 Neighborhood Restore. This began that committee's
19 statutory 45-day review period. On July 18, 2018,
20 the Housing and Buildings Committee and Full Stated
21 Council voted to approve the transfer. HPD is before
22 the Planning Subcommittee seeking approval of Urban
23 Development Action Area Project, UDAAP findings and
24 tax benefits as well as Article XI Tax Exemptions for
25 the 87 properties in order to facilitate

2 redevelopment and long-term affordability of the
3 residential units. There are six actions before the
4 committee today including Land Use Nos. 177, 178,
5 179, 180, 181, and 182 for the—~~for~~ Queens, Brooklyn
6 and the Bronx. Land Use Nos. 187 and 188 consists of
7 the proposed transfer of Queens properties under
8 HPD's Third Party Transfer Program. The Commissioner
9 of Finance included the parcels in a final judgment
10 of foreclosure known as In Rem Foreclosure Action No.
11 Queens 56 located in Council Districts 26 and 31 in
12 Queens. Land Use No. 177 includes one vacant lot and
13 Land Use No. 178 includes six buildings slated for
14 redevelopment. Land Use Nos. 179 and 180 consists of
15 the proposed transfer of Brooklyn properties under
16 HPD's Third Party Transfer Program. The Commissioner
17 of Finance included the parcels in a final judgment
18 of foreclosure known and In Rem Foreclosure Action
19 No. Brooklyn 53 located in Council Districts 34, 35,
20 36, 37, 38, 40, 41, 42, and 47 in Brooklyn Land Use
21 No. 179 includes four vacant lots and Land Use No.
22 180 includes 41 buildings slated for redevelopment,
23 and Land Use Nos. 181 and 182 consists of the
24 proposed transfer of Bronx properties under the—~~HPD's~~
25 Third Party Transfer Program. The Commissioner of

3 Finance included the parcels in the final judgement
4 of foreclosure known as In Rem Foreclosure Action No.
5 Bronx 52 located in Council Districts 8, 11, 12, 14,
6 15, 16, and 17 in the Bronx. Land Use No. 181
7 includes eight vacant lots and Land Use No. 182
8 includes buildings 27 slated for redevelopment. The
9 judgment authorized the Commissioner of Finance in
10 each of these cases to execute and deliver a deed to
11 a transferee Neighborhood Restore HDFC. The
12 Committee on Housing and Buildings commenced and
13 completed their review of the actions and approved
14 the transfer to Neighborhood Restore HDFC.
15 Neighborhood Restore will stabilize and manage the
16 properties until the third-party entity has finalized
17 the scopes of work and construction financing, at
18 which time Neighborhood Restore will convey title to
19 the new owner. Currently HPD is before the Planning
20 Subcommittee seeking approval or the Urban
21 Development Action Area Project tax benefits as well
22 as the Article XI tax exemptions in order to
23 facilitate redevelopment and long-term affordability
24 of the residential units.

24 CHAIRPERSON KALLOS: Thank you. It
25 appears that well, you've—you've testified on a

2 number of the different items. So, just give me a
3 second to catch up so I can read what we have. So
4 give me a moment. So, I'm going to expand the
5 hearing, which was initially on Land Use Items 179
6 and 180 to include the items that you just testified
7 to including Land Use Item 179, an application
8 requesting approval of the new 40-year tax exemption
9 under Article XI for five vacant lots subject to a
10 final judgment of foreclosure as part of the Brooklyn
11 In Rem Action 53. The foreclosed property are
12 collectively more than \$350,000 in arrears. I'm
13 sorry. I already read this one. 181 is—Land Use Item
14 181 is an application where—by HPD requesting
15 approval of a new 40-year tax exemption under Article
16 XI for eight properties that are the subject of a
17 final judgment of foreclosure as part of the Bronx In
18 Rem Action No. 52. The properties district
19 represented by Council Members Cabrera, Gibson and
20 Salamanca. The final item in the Third Party
21 Transfer Program is Land Use Item 182, HPD's request
22 for approval of the new Urban Development Action Area
23 Project and exemption from real property taxes to
24 Section 696 of the General Municipal Law and Article
25 XI of the Private Finance—Housing Finance Law. The

2 34 buildings with 856 units that are the subject of
3 final judgment of foreclosure as part of Bronx In Rem
4 Action No. 52. The properties are in districts
5 represented by Council Members Ayala, Cohen, King,
6 Cabrera, Torres, Gibson and Salamanca. And so, we
7 will combine Land Use Items 179 through 182 that--
8 which you are combining.

9 ASSISTANT COMMISSIONER DARGA: [off mic]

10 CHAIRPERSON KALLOS: Okay. Okay.

11 ASSISTANT COMMISSIONER DARGA: [off mic]

12 They all went to the same--

13 CHAIRPERSON KALLOS: Okay, so we'll do a
14 hearing on Items 177 through 182 as combined, and ask
15 if anyone is here to testify on those items to make
16 sure to fill out the slips on all of those items
17 together. So, I guess the first question is: What
18 are the terms of affordability. As of last week, my
19 understanding was according to a term sheet that this
20 affordable housing was going to be for families
21 making as much as 150% of AMI. Is that still the
22 case?

23 ASSISTANT COMMISSIONER DARGA: No.

24 Actually we--most of the preservation programs at HPD
25 are limited to 120% of area median income, and when

2 asked about that, we actually went back and looked at
3 the TPT term sheet and realized it was an anomaly.
4 We also looked at the affordability that we have
5 created through the program historically, and more
6 than 90% is actually affordable at extremely low
7 income, low income and very low income levels. So,
8 150 actually doesn't really make sense here. So, we
9 were happy to make that adjustment.

10 CHAIRPERSON KALLOS: So the adjustment--

11 ASSISTANT COMMISSIONER DARGA:

12 [interposing] It's 120 now.

13 CHAIRPERSON KALLOS: So, okay, so it is
14 now at a lower target of affordability. So, I want
15 to thank you for your partnership on that--

16 ASSISTANT COMMISSIONER DARGA:

17 [interposing] Of course.

18 CHAIRPERSON KALLOS: --and I also want to
19 thank the Land Use staff for following up. Any time
20 we can make the term sheets better. I am--I am hoping
21 that one day somebody will notice that all of a
22 sudden the term sheet jumped--dropped from 250% of AMI
23 down to 150% of AMI down to 120% of AMI as we try to
24 get ever lower. That being said, is the current--
25 what--what will happen to the current tenants in these

2 66 buildings? Will they be at 120% of AMI? How much
3 will those tenants have to pay in these over 1,000
4 units?

5 ASSISTANT COMMISSIONER DARGA: So, the
6 resident, this a non-displacement program. This is—
7 it's actually a really unique program because it is
8 a, you know, it's a foreclosure action, but unlike a
9 traditional foreclosure, the tenants are protected as
10 part of the process. All residents get rent
11 stabilized leases, and they don't pay more than the
12 current rent they pay now or ultimately 30% of
13 income. Their—the Regulatory Agreement that will
14 impact the property is a separate regulatory
15 protection outside of rent stabilization, and, um, as
16 I mentioned the term sheet will now go up to 120% of
17 AMI, but in reality what we do for preservation
18 projects is we look at the distribution of the
19 current rents, and we create regulatory protections
20 to ensure that that level of affordability
21 essentially stay in the project long term. For the
22 most part rents are set somewhere between 50 and 60%
23 of AMI.

24 CHAIRPERSON KALLOS: Is the—is—so
25 typically the City Council is part of the Article XI

2 process. We'll work with HPD and negotiate homeless
3 set-asides. We just had Triple HDFC where a Council
4 Member negotiated a homeless set-aside, and was able
5 to negotiate a deeper level of affordability. Is at
6 this point HPD willing to offer a cap that is lower
7 than 120% and perhaps at this 80% that you typically
8 see or are we being asked to just trust HPD to be
9 somewhere under 120% because that's what the term
10 sheet says?

11 ASSISTANT COMMISSIONER DARGA: Yeah, the-
12 as I mentioned, I mean our goal is first and foremost
13 to ensure that these properties are viable
14 financially and is affordable as possible both for
15 their residents and into the future. As I mentioned,
16 the term sheet is limited to 120. Lowering it
17 doesn't-well 120 certainly makes sense. Lowering it
18 much below that doesn't because what we see in all
19 preservation projects whether in TPT or any other
20 program is the distribution of current rent. You
21 might have somebody in there in a project where the
22 average is 50% AMI. You might see rents ranging from
23 30% AMI to 120% AMI. So, dropping rents doesn't
24 really make sense, right, and without the units just,
25 the city would have to put in-put more resources in

2 in order to stabilize the property. And so, the-
3 going up to 120 ensures that we can basically keep
4 affordability where it exists today within property
5 without having to deepen the amount of subsidy
6 committed on our end to renovate the properties.

7 CHAIRPERSON KALLOS: You mentioned that
8 people either pay their existing rent or 30% of their
9 income. Is it the lower of the two or the higher of
10 the two?

11 ASSISTANT COMMISSIONER DARGA: It's the
12 current percent and not to exceed 30% of incomes. We
13 don't drop somebody's rent if they're already paying
14 it, but they wouldn't increase. We would never
15 increase the rent beyond 30% of income.

16 CHAIRPERSON KALLOS: Do you know many of
17 the existing tenants will see rent increases up to
18 30% from their current rents?

19 ASSISTANT COMMISSIONER DARGA: We don't
20 know because we don't really know who lives in these
21 properties today, because the city doesn't own them.
22 They're private property. Um, once the properties
23 are transferred to Neighborhood Restore, Neighborhood
24 Restore along with the identified developer will
25 start actually working with individual residents to

2 ensure we understand their rent that they have an
3 appropriate lease. Um, and find out all kinds of
4 other information about who lives in the property and
5 the condition of the property. So, we can't say
6 today who exactly lives there.

7 CHAIRPERSON KALLOS: Will people who are
8 rent controlled maintain their—and still have their
9 rent control protections?

10 ASSISTANT COMMISSIONER DARGA: Rent
11 control or rent stabilization protections will exist.

12 CHAIRPERSON KALLOS: So, if somebody I
13 rent controlled and they are paying \$100 a month,
14 they will continue to pay that \$100 a month.

15 ASSISTANT COMMISSIONER DARGA: I'll know
16 in a second. I just wanted to check. Yes, that is
17 what we've done historically.

18 CHAIRPERSON KALLOS: And that is only
19 with the Third Party Transfer Program or is that with
20 other program?

21 ASSISTANT COMMISSIONER DARGA: Any
22 preservation program. If—if they—if it's rent
23 controlled resident, they remain rent controlled. If
24 it's a rent stabilized tenant, they remain rent
25 stabilized, and under the Regulatory Agreement they

2 would continue to have those protections for the
3 duration of that benefit outside of what exists
4 through the Rent Stabilization Control Regulations.

5 CHAIRPERSON KALLOS: And in terms of the
6 rent stabilized units, their rents—so the rent
7 controlled and rent stabilized units remain, their
8 rent stays the same. It's just it could be reduced if
9 their rents are over 30%?

10 ASSISTANT COMMISSIONER DARGA: They won't
11 be reduced, but they won't be increased. So,
12 occasionally what we see is properties where the
13 rents are really low, and it doesn't sustain the
14 operations, and we'll support a small increase. We
15 would either offer preferential rents for residents
16 not to exceed 30% of their income or offer tenant
17 based rental subsidies. So in no case would a tenant
18 pay more than 30% of their income or their current
19 rent.

20 CHAIRPERSON KALLOS: So, in terms of the
21 affordability at 120% of AMI, according to your
22 website, 120% of AMI translates to for a family size
23 of one for an individual at \$87,720 a year and for a—
24 a family for four it's \$125,160 a year. Does HPD
25 consider that low income?

2 ASSISTANT COMMISSIONER DARGA: That's the
3 way HUD defines the income levels, extremely low
4 income. It's below 30% AMI. Below 50%, it's very
5 low income. Low income is below 80% AMI and below
6 120 and from 80 to 120 is considered moderate income.

7 CHAIRPERSON KALLOS: Okay. So this isn't
8 low-income. Some of this might not be low-income
9 housing. It might just be moderate income housing.

10 ASSISTANT COMMISSIONER DARGA: It could
11 be extremely low income, very low income, low income
12 or moderate income.

13 CHAIRPERSON KALLOS: Okay, and then the
14 rents at 120% of AMI are for a one-bedroom \$2,292 and
15 for a two-bedroom, \$2,759.

16 ASSISTANT COMMISSIONER DARGA: That
17 sounds right.

18 CHAIRPERSON KALLOS: And, okay. So, I
19 guess the—the next question is just we have—so how
20 much debt is the city forgiving. Okay, let me—let me
21 rephrase this. How much is the city currently owed
22 for the properties that we're hearing today that are
23 being foreclosed on?

24 ASSISTANT COMMISSIONER DARGA: Can you
25 repeat that question?

2 CHAIRPERSON KALLOS: How much money is
3 owed to the city--

4 ASSISTANT COMMISSIONER DARGA:
5 [interposing] Oh.

6 CHAIRPERSON KALLOS: --from the
7 properties on which we are foreclosing?

8 ASSISTANT COMMISSIONER DARGA: \$64
9 million.

10 CHAIRPERSON KALLOS: Okay, so instead of
11 collecting those \$64--that \$64 million, we are getting
12 that--those--that property instead?

13 ASSISTANT COMMISSIONER DARGA: We are
14 gaining--right, we are transferring the property to
15 Neighborhood Restore, and then the city will invest
16 resources in renovating the properties to ensure they
17 remain viable and affordable buildings long term.

18 CHAIRPERSON KALLOS: Okay, so, one is--so,
19 okay, so then for Neighborhood Restore I guess how
20 long will Neighborhood Restore be holding these
21 properties before handing them to a developer?

22 ASSISTANT COMMISSIONER DARGA: This--this--
23 so Neighborhood Restore is an interim owner right.
24 The predevelopment period on the--I think the quicker
25 side could be a year maybe 18 months. We certainly

2 see projects because of complicated issues.
3 Environmental scoping or other issues can take a
4 couple years to go through the pre-development
5 process. You know, there's been exceptions to that
6 where some property seeks a litigation or other
7 issues. It's taking longer to actually get them into
8 construction.

9 CHAIRPERSON KALLOS: So, it's—so a—a
10 property that doesn't have problems where things are
11 moving as they're supposed to should be no longer
12 than two years?

13 ASSISTANT COMMISSIONER DARGA: It's like
14 three or four years.

15 CHAIRPERSON KALLOS: Okay. So, I guess
16 one question is typically when we've done Article
17 XI's I haven't had a chance to do Third Party
18 Transfers in this volume before. We work with the
19 developer. Often times we've done retroactive. I
20 think we've gone as far back as 10 or 15 years, and I
21 would have to go back to my spreadsheet, which I'm
22 hopefully loading very soon. So, I guess the
23 question is why and Article XI needed at this point
24 versus when the developer takes custody and control
25 of the property?

2 ASSISTANT COMMISSIONER DARGA: Right, so
3 at the point in time that we transfer the property to
4 Neighborhood Restore there will also be a regulatory
5 agreement executed. That's a very standard
6 regulatory agreement. I just want to clarify the
7 property will be owned by Neighborhood Restore HDFC.
8 This is a housing development fund corporation. By
9 law, they can—the—the purpose, the corporate purpose
10 of the organization is to own and manage housing for
11 persons of low-income and low-income in that
12 definition is up to 165% AMI, just so you understand,
13 right?

14 CHAIRPERSON KALLOS: UH-HM.

15 ASSISTANT COMMISSIONER DARGA: So, the
16 purpose of the property and the owner—the corporate
17 purpose of the owner is to own and manage low-income
18 housing. Okay. The—the—at the point in time of
19 transfer they will sign a regulatory agreement and so
20 the regulatory structure will be refined at the point
21 in time that we close on a construction loan with the
22 developer, and the property is then subsequently
23 conveyed to them. But it will be affordable housing
24 from day one. Not only that, but—and the tenants
25 gets, you know, the lease and the rent stabilization

2 and everything else that I've already discussed to
3 ensure that they are protected. In addition to that,
4 if we didn't give an exemption from day one,
5 Neighborhood Restore would have to cover the property
6 tax liability for these properties, and it's not an
7 organization. Neighborhood Restore was set up to be
8 an interim owner of the property. Back in 1990-
9 before 1996 when this program was established, we
10 used to take tax foreclosed properties directly into
11 city ownership, and then we would have to own and
12 maintain, and clearly we didn't collect property
13 taxes, right. So the intent of getting the exemption
14 from day one is to make sure that Neighborhood
15 Restore, who's an interim owner, doesn't have to
16 pay the property tax liability. We were working on a
17 stabilization strategies for the properties, right,
18 and also the intent is to make sure that properties
19 that are serving extremely low income and very low
20 income households that they don't have the burden of
21 the property liability either. I mean and to take it
22 a step further if we didn't grant the exemption the
23 city would-if-You know, since Neighborhood Restore is
24 not an organization that is independently set up to
25 pay the property taxes for properties that they hold

2 an interim basis upon our request, we would have to
3 figure out a way to finance those property taxes. So,
4 the easiest way to do that is to grant an exemption
5 for the properties at the point of transfer.

6 CHAIRPERSON KALLOS: How often do you do
7 the Article XI at the point of transfer versus doing
8 it when you issue the construction loans? And I'm
9 not talking Third Party Transfer. I'm just talking
10 about--

11 ASSISTANT COMMISSIONER DARGA:
12 [interposing] We—we have always done the Article XI
13 from the point of transfer, or third-party transfer
14 properties. We may come back in, you know, 15 or 20
15 years if they are refinancing or something like that
16 or they, you know, and—and renegotiate an exemption,
17 but the intent is always to provide the exemption
18 from day one as these properties are serving low-
19 income households, and this is what is necessary to
20 ensure viability and not transfer the burden to the
21 other property or to Neighborhood Restore.

22 CHAIRPERSON KALLOS: Has HPD ever done an
23 Article XI for less than 40 years?

24 ASSISTANT COMMISSIONER DARGA: Yeah,
25 sure, sure, but, right we want these properties to

2 remain affordable for as long as possible, right. So
3 at a minimum these properties will have to be
4 regulated through the term of any exemption that
5 we're granting. So, if we shorten the term of the
6 exemption, we've just wouldn't necessarily, you know,
7 have the affordability restrictions for longer than
8 that.

9 CHAIRPERSON KALLOS: So, I-I-the-to put-
10 to put it in plain language, why not give
11 Neighborhood Restore a two-year Article XI so they
12 don't have to pay taxes on it, and then when the new
13 developer is selected and brought in, a construction
14 loan is signed, which I believe they're going to get
15 from HPD and HDC, we would get another—we could do
16 the 40-year loan at that—we could do the 40-year term
17 at that point. At this—at point we will have gained
18 another couple of years of affordability--

19 ASSISTANT COMMISSIONER DARGA:
20 [interposing] UH-HM.

21 CHAIRPERSON KALLOS: --and it also
22 accounts for some of the projects that might be
23 slower, and where we may--may need a little more
24 attention.

2 ASSISTANT COMMISSIONER DARGA: Yeah. I--
3 to--to be really honest--

4 CHAIRPERSON KALLOS: Yes.

5 ASSISTANT COMMISSIONER DARGA: Do we know
6 historically the affordability that we have seen for
7 these properties? I can tell you for the properties
8 that were financed right from Rounds 8 and 9 that
9 closed under this administration, that more than 90%
10 of the units are restricted at extremely low income,
11 very low income and low income levels. There are a
12 very negligible number of units that were restricted
13 at moderate income levels, right, and less than a
14 percent with--at levels about 120% AMI. Clearly that
15 won't even be an issue going forward at all, but what
16 I'm tell you is that these properties are going to be
17 affordable, and coming back would just mean that
18 we're all coming back multiple times to--to look at a
19 property again and again. Right, we certainly--we
20 don't want the uncertainty for Neighborhood Restore
21 of, you know, it's a year and a half in and then we
22 have to come back with 45 properties again to ask for
23 another two years. It does--adds a lot of process
24 for us when at the end of the day we know that these
25 properties are going to be extremely low-income, very

2 low-income, low-income properties. So, I don't
3 understand--

4 CHAIRPERSON KALLOS: [interposing] Well,
5 you said that--

6 ASSISTANT COMMISSIONER DARGA: -what the
7 benefit is, right because the--the reality is that
8 these are--

9 CHAIRPERSON KALLOS: [interposing] Sure.

10 ASSISTANT COMMISSIONER DARGA: --these are
11 some of the deepest affordability properties that we
12 actually do in New York City.

13 CHAIRPERSON KALLOS: So, for the sake of
14 expediency and--and not going back and forth and
15 trying to get a specific question answered--

16 ASSISTANT COMMISSIONER DARGA: Sure.

17 CHAIRPERSON KALLOS: --so you're saying
18 that moving--looking backwards, history has shown that
19 90% of your projects have had affordability rates
20 below 80% .

21 ASSISTANT COMMISSIONER DARGA: Yes, and--

22 CHAIRPERSON KALLOS: [interposing] Would
23 you be willing to stipulate that on all 88 of these
24 projects and 1,200 and I think 47 apartments that at
25 least 90% are below--be below 80%?

2 ASSISTANT COMMISSIONER DARGA: I can
3 agree because the term sheet says that all of it will
4 be under 120%.

5 CHAIRPERSON KALLOS: I'm—I'm saying 80.
6 90% under 80?

7 ASSISTANT COMMISSIONER DARGA: Right. I
8 can't without who lives in these buildings and what
9 their rents are today, and what kind of impact it
10 would be to have—make that commitment from a
11 budgetary perspective. I can't commitment to deeper
12 than 120 today. I can certainly tell you that it's
13 an historic norm, and I can tell you that we set
14 regulatory restrictions to protect the existing
15 residents and ensure that level of affordability
16 going forward. So, if the properties that we see
17 coming into this round have affordability that
18 generally has matched the types of affordability
19 we've seen before, that should be an easy thing for
20 us to actually do, but I can't commit to that today
21 without knowing who lives in that building—these
22 buildings and what rent they actually are already
23 paying?

24 CHAIRPERSON KALLOS: So, you're
25 representing that you don't want to come back to this

2 body for additional approvals on the affordability.

3 You've shown that the past is a good predictor, but

4 you're not willing to give a commitment and this body

5 as a Council our authority is over Article XI. It's

6 around the land use rationale and specifically we get

7 to look at whether or not the affordability rates

8 have a land use rationale in their communities. So,

9 I guess the—the thing that I'm just pushing is just

10 you are asking us to sign off, and I'm much happier

11 that we're signing off on 120% than 150%, but we both

12 agree that moderate income at 120% is not affordable.

13 Sorry, is not low income housing, which is what we a

14 mandate to do that our Mayor wants to do. So, I

15 guess I would just say that if we can work together

16 with—with you and Neighborhood Restore to figure out

17 a—a shorter term or—or what have you, when will you

18 know the incomes of the people in the building and

19 what terms might work?

20 ASSISTANT COMMISSIONER DARGA: After

21 transfer to Neighborhood Restore and the developer,

22 we'll start making sure they work with every resident

23 to identify what rent they are supposed to be paying,

24 make sure they have an appropriate lease, try to

25 understand their income information. That happens

2 after transfer and can happen for some period of time
3 after that depending on how willing the residents are
4 to provide the access to that information.

5 CHAIRPERSON KALLOS: Is it--so, okay we
6 are--we are in August--

7 ASSISTANT COMMISSIONER DARGA:
8 [interposing] That's what happened through the--the--

9 CHAIRPERSON KALLOS: [interposing] Okay.
10 So we're in August.

11 ASSISTANT COMMISSIONER DARGA: Yep.

12 CHAIRPERSON KALLOS: This come back to
13 the Council perhaps for a vote in September where we
14 have these 45 days to act. When--when is your
15 scheduled transfer date?

16 ASSISTANT COMMISSIONER DARGA: Transfers
17 are taking place right after Labor Day.

18 CHAIRPERSON KALLOS: Okay. So,
19 September--right after Labor Day that week
20 Neighborhood Restore is going to have 88 properties?

21 ASSISTANT COMMISSIONER DARGA: Yes, or
22 slightly less depending on if anybody redeems, but
23 approximately 80 something properties.

24 CHAIRPERSON KALLOS: And then how long
25 does it take Neighborhood Restore to find out from

2 the tenants what their income is, how many vacant
3 apartments there are, how long does that process
4 take?

5 ASSISTANT COMMISSIONER DARGA: The—the
6 rent information will be easier to get. The income
7 information can take a while and residents don't have
8 to provide it, to be quite honest, right? So--

9 CHAIRPERSON KALLOS: [interposing] It's
10 weeks, months, years?

11 ASSISTANT COMMISSIONER DARGA: The rent
12 information should be within months. (sic)
13 (background noise)

14 CHAIRPERSON KALLOS: I—I—I could not hear
15 what you said--

16 ASSISTANT COMMISSIONER DARGA:
17 [interposing] Months.

18 CHAIRPERSON KALLOS: --due to the--

19 ASSISTANT COMMISSIONER DARGA:
20 [interposing] The rents, the rent information what
21 the current rents are should be within months.

22 CHAIRPERSON KALLOS: Okay. So like
23 November/December?

24 ASSISTANT COMMISSIONER DARGA:
25 Approximately.

2 CHAIRPERSON KALLOS: And the--the tax bill
3 comes out in January?

4 ASSISTANT COMMISSIONER DARGA: Tax?

5 CHAIRPERSON KALLOS: We--we send our tax
6 bills. So, I'm a renter. I can barely afford to
7 live here, and I don't--

8 ASSISTANT COMMISSIONER DARGA:

9 [interposing] Yeah, but it's not a transfer they're
10 liable for the property taxes.

11 CHAIRPERSON KALLOS: But so rent--so the
12 property tax bills come out from the Department of
13 Finance like January or is it later in the year?
14 Does anyone know? Because I'm--I wish I was a
15 homeowner. The state said no.

16 ASSISTANT COMMISSIONER DARGA:

17 [interposing] Yes, normally they come out right, you
18 know--

19 SAL D'AVOLA: [off mic] It would be--it
20 would come out in October the next tax bill.

21 ASSISTANT COMMISSIONER DARGA: Yeah,
22 right or quarterly.

23 SAL D'AVOLA: Quarterly.

24 CHAIRPERSON KALLOS: And then when are
25 they--when is the first tax bill due?

2 SAL D'AVOLA: October 1st.

3 CHAIRPERSON KALLOS: So, Tom, so is your
4 mic on?

5 SAL D'AVOLA: Um, no. Sorry, it—taxes
6 are quarterly. So, it—it would due October 1st I
7 think or November 1st.

8 CHAIRPERSON KALLOS: Okay. So, and—and
9 you are concerned that if you did not pay on October
10 1st that all the properties would be put back in in
11 rem and HPD would go through the process of third
12 party transferring it back. Like I guess if you
13 don't pay your taxes on these properties, which
14 everyone watching at home has to do, but you are
15 basically an appendage of the city. What—what
16 happens if Neighborhood Restore didn't pay the taxes
17 on these properties?

18 SAL D'AVOLA: I think as a non-profit we
19 want to—we want to be a good actor, and we want to
20 pay our taxes like everyone else who is responsible
21 to pay their taxes. So, the extra--

22 ASSISTANT COMMISSIONER DARGA:
23 [interposing] We have more authority to waive their
24 responsibility to pay taxes outside of granting them

25

2 a property tax exemption. They're still going to be
3 responsible for it.

4 CHAIRPERSON KALLOS: But when we--when--
5 when in December they know how many units they have.
6 Okay, in December you know how many--how many units
7 you have that are vacant with the--you have an idea
8 that some of the incomes of the tenants. You know
9 what their rents are. You know what the rent roll is
10 per building. At what point are you able to start
11 putting together the financing and what the
12 affordability is going to look like in each building?

13 ASSISTANT COMMISSIONER DARGA: What are
14 you trying--I mean what are you trying to solve for
15 here and we can--

16 CHAIRPERSON KALLOS: I'm trying to solve
17 for if we didn't give you the Article XI in
18 September, if we did it in January--

19 ASSISTANT COMMISSIONER DARGA: Yes.

20 CHAIRPERSON KALLOS: --if we might be
21 able to have more information and be able to start
22 talking about terms and say this group of 12 is
23 capped at 80% and it's going to have 30% then 10%.

24 ASSISTANT COMMISSIONER DARGA: We can't--
25 until we go through the full process--we understand

2 the rents and we go through the process of
3 understanding the property in full--

4 CHAIRPERSON KALLOS: [interposing] Uh-hm.

5 ASSISTANT COMMISSIONER DARGA: --we
6 cannot finalize the regulatory restrictions that are
7 going to be in every one of these regulatory
8 agreements. Okay, that's what we're trying to solve
9 for. I don't think we're going to solve for that in
10 a few months. That's what happens in that pre-
11 development stage, which can take a couple of years,
12 right?

13 CHAIRPERSON KALLOS: UH-HM.

14 ASSISTANT COMMISSIONER DARGA: When in
15 this point of time we know that, you know the 17
16 Council Members that have properties in their
17 districts supported the transfer of these properties,
18 right, and we know that these are--because we've done
19 this for decades now we know that that these are an
20 aggregate extremely low-income, very low-income, low-
21 income households, right? Why do we want to saddle
22 Neighborhood Restore with the tax liability?

23 CHAIRPERSON KALLOS: My--my suggestion
24 might be to give Neighborhood Restore a--a two-year
25 regulatory--a two-year Article XI and you can do

2 whatever what you want with the regulatory agreement,
3 and when the developer has been selected, and we've
4 finished the—the pre-development process, at that
5 point we empower the member to have a little bit more
6 say than just 120% of AMI.

7 ASSISTANT COMMISSIONER DARGA: But that's
8 not what I'm saying. I'm saying that that that's the
9 maximum and we know that 90% of the units
10 historically have been under 80% AMI, right and that
11 we—and as I explained, we're going to look at—every
12 resident here is going to get a rent stabilized lease
13 at their current rent, right. So if their current
14 rent is \$300 a month, they're getting a rent
15 stabilized release of \$300 a month. We can't—we're
16 not—there's no negotiating around that level of
17 affordability because that's what exists, and we're
18 going to create a regulatory structure around those
19 units. Right, so if the average is 50% AMI and the
20 range is from 30 to 120, we're going to group them
21 and have groups of units that are affordable at
22 around 30% AMI, some in the middle and some on the
23 higher end because lowering rents for somebody that's
24 already paying that, right, that's not necessarily a
25 burden. It just means that then the city was

2 shifting the responsibility of that affordability
3 from the city for somebody that can afford it.

4 CHAIRPERSON KALLOS: So, I-I-I think we-
5 we disagree. I think my preference is to give-have a
6 shorter lease and have more power in the Council to
7 be involved in each of the buildings because I think
8 these buildings are meaningful to members. One thing
9 I-I want to-that was pointed out by counsel was just
10 I understand where we're going back and forth on the
11 buildings, and there's 78 buildings in this whole
12 set, and but there's ten vacant lots. So, surely you
13 have-you are able to, um, tell us what the AMIs are
14 for the vacant lots, and that what the as-of-yet
15 unbuilt buildings will look like.

16 ASSISTANT COMMISSIONER DARGA: Yeah, so
17 the-there are 80-well, 87 properties that are still
18 eligible. Thirteen of those are vacant lots. We-we
19 don't own the property. So we haven't done a
20 complete analysis, but our-we have done some very
21 preliminary analysis on what the, um, the potential
22 is for a development on the site. There-it looks
23 like there are three main options, right. There are
24 some lots that look like they are extremely small,
25 and they are best suited as open space, and so they

2 remain part of the TPT projects that we have
3 outlined. So there will be a number of buildings and
4 then there will be a lot. Right, so this is all in a
5 geographic area in neighborhood, and those will be
6 part of the TPT projects that we have identified for
7 a certain developer. Okay, so those are the
8 unbuildable sites essentially. For the buildable
9 sites based on what we've seen as the—the likely
10 development potential, these are smaller buildings
11 that can be developed on the site—on the site, and
12 they are most suited for two main programs at HPD.
13 Either our Neighborhood Construction Program, our NCP
14 program, or Open Door programs. So, depending on
15 whether or not, which program is selected, that will
16 really define the affordability. There's a few
17 sites, and we won't know until we do more analysis on
18 the development potential. There's a couple sites
19 that are potentially large enough to do a larger
20 multi-family project in which case the development
21 program would be ELLA.

22 CHAIRPERSON KALLOS: So, many questions.

23 ASSISTANT COMMISSIONER DARGA: And, but—
24 what was that?

2 CHAIRPERSON KALLOS: I have so many
3 questions.

4 ASSISTANT COMMISSIONER DARGA: Okay,
5 regardless, all-if these-the properties are going to
6 be clustered in an NCP or Open Door project, right
7 because these are not going to be big enough for the
8 most part to be standalone projects. They will need
9 to come back to-the overall project will be coming
10 back to Council. The clustering will have to happen
11 with city-it will be other city-owned sites that are
12 going through Open Door or NCP.

13 CHAIRPERSON KALLOS: So, for Open Door
14 and NCP, will have to come back to the Council?

15 ASSISTANT COMMISSIONER DARGA: If they-if
16 they're clustered with other buildings, which all of
17 these right now look like they are two small-too
18 small as stand-alone properties. They will come back
19 to Council because they'll be part of a cluster with
20 city-owned sites. So, that will be a-a disposition
21 approval and depending on the type of exemption that
22 they qualify for maybe a tax exemption for the
23 project.

24

25

2 CHAIRPERSON KALLOS: How—how many out of
3 the 10 or so are unbuildable, and how many do you
4 think would be insecure Open Door candidates.

5 ASSISTANT COMMISSIONER DARGA: Again,
6 this is really, really preliminary analysis, but it
7 looks like there were one. I don't actually—I don't
8 have that also, but there were a couple that were
9 just sliver lots, and they would be opens space, and
10 I think 10 or 11 of them have potential to develop
11 somewhere between 8 and 12 units. So, those are not
12 stand-alone projects.

13 CHAIRPERSON KALLOS: Are you familiar
14 with a community group called 4596 Acres?

15 ASSISTANT COMMISSIONER DARGA: No.

16 CHAIRPERSON KALLOS: Um, that they are a
17 group that works with Antonio Reynoso's Office with
18 as—and many others around converting vacant spaces
19 and lots and what have you for community use as a—
20 [beeping] There's a flood warning in effect for
21 anyone watching at home. Avoid areas—like Flood
22 Areas MWS. I guess if the bill—lots are unbuildable.
23 Is it possible that instead of transferring it to
24 third-party, transferring the Neighborhood Restore
25 which is not in the business of managing unbuildable

2 lots or transferring it to a developer as part of
3 affordable housing that they can't use, could it be
4 transferred to Parks Department or to another non-
5 profit like 596 Acres to set up community gardens, do
6 urban agriculture, connect residents in low-income
7 housing to their land and even offset expenses by
8 having access to the urban agriculture and local
9 grown food?

10 ASSISTANT COMMISSIONER DARGA: So, just
11 to be clear, the, um, open space or this sliver lot,
12 they're already designated to a developer, right that
13 was identified when the transfer packages came to
14 Council, and those developers basically they would
15 be—the open space would be part of the housing
16 development. As I mentioned, all of these properties
17 are owned for—by Housing Development Fund
18 Corporation. So, the primary use of the overall
19 project has to be housing development. It can be
20 used, the open space can be used as ancillary use,
21 right, for the residential project.

22 CHAIRPERSON KALLOS: So, like a parking
23 lot?

24 ASSISTANT COMMISSIONER DARGA: So, we—no
25 not a parking lot. That's not—certainly not the

2 intent unless that's a desperate need within the
3 community. I think it's certainly worth talking
4 about--talking with--we can encourage the developers to
5 talk with community groups about what the need may be
6 there. So, it doesn't make sense to have, you know,
7 have a community, um, garden or something else on the
8 site.

9 CHAIRPERSON KALLOS: So--

10 ASSISTANT COMMISSIONER DARGA:

11 [interposing] So, the primary use has to be for the
12 residents of the project.

13 CHAIRPERSON KALLOS: Is this to satisfy
14 zoning requirements for open space so that they can
15 build more on the existing buildable lots, or what--?

16 ASSISTANT COMMISSIONER DARGA:

17 [interposing] No, no, it's not that. It's owned by
18 Housing Development Fund Corporation whose corporate
19 purpose is to own and manage housing for persons of
20 low income.

21 CHAIRPERSON KALLOS: So, I--I guess that
22 it's just that these lots are unbuildable. I was
23 just talking to I think either probably NBC and Daily
24 News and several other papers who were talking about
25 why is it that some communities have more parks than

1
2 others, and it seems like HPD has made eight—well,
3 the City and Department of Finance and HPD has said
4 that these uses are better in serving a specific
5 developer and housing development for perhaps even
6 moderate income New Yorkers versus having another
7 park space in the neighborhood or a pocket park or a
8 public open space or a POPs. I love POPs. I have a
9 lot of them in my district. So I guess why can't
10 these spaces be used for the broader community in
11 addition to just the local and accessory use?

12 ASSISTANT COMMISSIONER DARGA: So, how
13 about this: Once we—the transfers take place, and
14 folks have more time to look and more information to
15 do an analysis, for the ones that we would keep its
16 open space, we would be willing—I mean, I think we
17 can come back to the Council and the community and
18 just make sure that the open space use is
19 appropriate.

20 CHAIRPERSON KALLOS: Okay, the
21 information I'm getting from our committee analysts
22 and project managers is just that the lots aren't
23 adjacent to the projects, but they are actually
24 scattered in—in the—in the vicinity.

25

2 ASSISTANT COMMISSIONER DARGA: Yeah, all
3 of the—the clustering is within a neigh—I mean the
4 neighborhood as much as we can define it because, you
5 know, certainly there's 87 buildings across four
6 boroughs. So, they are not always adjacent. It's
7 within a kind of a geographic proximity to each
8 other.

9 CHAIRPERSON KALLOS: Okay. So, I think—I
10 think we've dug in a little bit. I think anyone
11 watching gets that, and so in the interest of
12 expediency if you can get back to us about HPD just
13 exploring whether or not these—if you think—let us
14 know which ones are buildable, which ones are
15 unbuildable, and whether or not Neighborhood Restore
16 is, in fact, the correct partner on this or whether
17 it's—and I can't tell you to work with 596 Acres
18 versus somebody else, but whether or not it may be
19 worth pulling some of these out because they are not
20 developable for affordable housing, and the accessory
21 use may not be--

22 ASSISTANT COMMISSIONER DARGA:
23 [interposing] We have no authority to—I we can—if
24 they're transferred, they're transferred to
25 Neighborhood Restore, right. So, we can identify

2 another party to be the developer of the site if it's
3 affordable housing, but just to be clear,
4 Neighborhood Restore is not the developer of the site
5 or the holder of the open space long term, right.
6 They're an interim only-owner only, but I hear what
7 you're saying about exploring the potential and
8 we'll—we'll certainly do that.

9 CHAIRPERSON KALLOS: In terms of the
10 developers that—so, who decides which developer
11 Neighborhood Restore turns the—turns a property over
12 to?

13 ASSISTANT COMMISSIONER DARGA: So, HPD
14 issued a request for qualifications for the Third
15 Party Transfer Program, and developers applied and
16 then we scored it to ensure that the developers have
17 a sufficient track record, and capacity to actually
18 do what is necessary to renovate the buildings that
19 come through Third Party Transfer, and we take that
20 list, and then we look at—we look first, as discussed
21 in the Council hearing that happened in April of this
22 year, right, we look first for properties that were
23 formerly co-ops for non-strong non-profit partners in
24 the community or MWBEs, and then other qualified
25 developers on the list, and we also look at the

2 geographic area that the developer specializes in as
3 well as other strengths that they that they would
4 bring to a particular project.

5 CHAIRPERSON KALLOS: How--?

6 ASSISTANT COMMISSIONER DARGA:

7 [interposing] So, we do the deter—we do the kind of
8 identification, and then we have informed Council and
9 especially the Council members that have properties
10 in their district of who the developer would be for
11 that site.

12 CHAIRPERSON KALLOS: So, how did you make
13 people aware that they could become a qualified
14 affordable housing developer and receive these
15 buildings for free?

16 ASSISTANT COMMISSIONER DARGA: So, it's
17 not for free, just to be clear. The transfers to
18 Neighborhood Restore, which are really to the
19 foreclosure actions, I don't know.

20 CHAIRPERSON KALLOS: [interposing] But
21 how much does the—how much does one of these
22 developers have to pay to get this—these buildings
23 for free? Or, sorry, how much do they have to pay to
24 get these buildings?

2 ASSISTANT COMMISSIONER DARGA: Right, so
3 the—I'm going to take—so two parts to that question.
4 First, the RQ is—is fully advertised. Any affordable
5 housing developer that thinks they want to apply can
6 apply, right, and I went through the, kind of the
7 selection process a little bit. Their—the price for
8 the developer to acquire the site if they are
9 selected is first to be willing to go through the
10 pre-development process, right. They pay \$8,750. Per
11 residential unit, and they also have to contribute
12 equity to financing the renovation of the property.

13 CHAIRPERSON KALLOS: So, I can buy—if—if
14 I were to become—if I wasn't somehow banned, but I
15 could be come an affordable housing developer and buy
16 a New York City apartment, one bedrooms, two
17 bedrooms, three bedrooms for \$8,750 a unit?

18 ASSISTANT COMMISSIONER DARGA: Yep.

19 CHAIRPERSON KALLOS: Wow.

20 ASSISTANT COMMISSIONER DARGA: And
21 contributed equity, and be there responsible for all
22 the guarantees to ensure completion.

23 CHAIRPERSON KALLOS: Okay.

24 ASSISTANT COMMISSIONER DARGA: So, and
25 securing the financing.

2 CHAIRPERSON KALLOS: Is there a minimum
3 equity for a developer?

4 ASSISTANT COMMISSIONER DARGA: I'm sorry,
5 is there what? Know equity?

6 CHAIRPERSON KALLOS: Is there equity
7 known?

8 ASSISTANT COMMISSIONER DARGA: Yes, for
9 non-profits, it's 2% of the total development costs.
10 For for-profits, it's 10%.

11 CHAIRPERSON KALLOS: And in terms of
12 financing, that's sounds like it might be hard to get
13 especially in properties that have been foreclosed on
14 because obviously the person before them couldn't
15 make money on it. How much of their financing can
16 make up from perhaps HPD itself or HDC?

17 ASSISTANT COMMISSIONER DARGA: So, most
18 of the properties receive a combination of private
19 financing through a lender. We do have a group of
20 lenders that we've worked with historically, and are
21 willing to lend for these types of projects as well
22 as the city. On average, the amount of investment
23 that we put into a property is \$90,000 per
24 residential unit. The term sheet goes up \$120,000
25 per unit. The range of needs that we see in this

2 building is—is, you know, pretty significant, but
3 most of these need a large investment in terms of
4 renovations.

5 CHAIRPERSON KALLOS: In actually, you're—
6 you're—you're saying you—you believe that these
7 buildings need more than \$90 to \$120,000 of work per
8 unit?

9 ASSISTANT COMMISSIONER DARGA: That's
10 seen in a subsidy that this is historically the
11 average amount of subsidy per TPT unit is \$90,000.
12 That's for the most recent rounds.

13 CHAIRPERSON KALLOS: I'm—I'm just trying
14 to figure out whether or not--

15 ASSISTANT COMMISSIONER DARGA:
16 [interposing] The renovation costs--

17 CHAIRPERSON KALLOS: --the renovation
18 costs exceed the subsidy of just how much they need
19 to get from the private market versus getting from
20 you.

21 ASSISTANT COMMISSIONER DARGA: Yeah. I
22 could—I could pull the total development costs from a
23 leverage ratio here, if that's useful for you. I
24 don't have it in front of me, but there are other
25 sources of funds. So, equity and private financing

2 that go in here. So, we're not the sole source of
3 financing the renovations.

4 CHAIRPERSON KALLOS: And the private
5 financing does this part--do these deals qualify for
6 low-income housing tax credits?

7 ASSISTANT COMMISSIONER DARGA: It varies,
8 right. So, certainly if we find a property where it
9 is mostly extremely low income, low income residents
10 and the renovations are significant, they could apply
11 for a low-income tax credits to help finance and
12 defray the--the subsidy costs, and we would certainly--

13 CHAIRPERSON KALLOS: [interposing] I
14 would love to know the--

15 ASSISTANT COMMISSIONER DARGA: Sorry,
16 what was that?

17 CHAIRPERSON KALLOS: I-I-I would love to
18 know how many of these qualify for a LIHTC because
19 that may not be money coming from us, but it is
20 coming from the federal government, and from unpaid
21 taxes by institutions that do business in our city.

22 ASSISTANT COMMISSIONER DARGA: Yeah, we
23 can tell you in the last round approximately how many
24 or how many received low-income tax credits. If, you
25 know, it's not and--and unfortunately it's not a

2 resource that there's an endless pot of, right. So,
3 90% credits are competitive and there's a certain
4 amount of allocation the city gets to award every
5 single year, and on the full percent credit side
6 certainly there's limitations on how much HDC gets in
7 terms of their bond issuance.

8 CHAIRPERSON KALLOS: And in terms of the
9 \$90,000 subsidy, is that a loan at market rate? Is
10 it a low interest loan or is it a--more like the
11 grant. Is--does somebody have to pay interest on it?

12 ASSISTANT COMMISSIONER DARGA: Yeah, it's
13 a low-interest loan. The interest is up to 1%
14 interest. There's a servicing fee, too, and the
15 interest rate is set at the applicable federal rate.
16 We will--we can drop interest rates in order for them
17 to secure additional private financing, but
18 regardless, the--the loans do reverse amortized. So,
19 there is a bigger balloon for the--the property owner
20 to pay in the future.

21 CHAIRPERSON KALLOS: How many times has
22 HPD collected at the end of that amortization versus
23 extended a new loan?

24 ASSISTANT COMMISSIONER DARGA: I don't
25 know that I can tell you that because the policy to

2 actually structure the loans in this way has only
3 existed for the last four or so years. So, we won't
4 really see until we're 30 years when most of these
5 mature

6 CHAIRPERSON KALLOS: [interposing] And--
7 and you--

8 ASSISTANT COMMISSIONER DARGA: --but we
9 do have a number of loans on the older loans that
10 we've made that were either amortizing, partially
11 amortizing or balloons. We've have a number of loans
12 that are--we pay every single year. I'd have to talk
13 with our Asset Management team about how many they've
14 seen.

15 CHAIRPERSON KALLOS: If you could share
16 how many actually got repaid versus just got rolled
17 into further affordability, I guess if you can
18 correct me if I'm wrong, my--my understanding is you
19 as an institution are less interested in getting that
20 \$90,000 back as in using that as leverage to maintain
21 the affordability.

22 ASSISTANT COMMISSIONER DARGA: We're
23 interested in either getting the money back or
24 ensuring it or both.

2 CHAIRPERSON KALLOS: Okay, so, \$8,750 per
3 unit regardless of size, ability to get a \$90,000 to
4 up \$120,000 subsidy with as little as 2% in equity as
5 an up to 10% equity, and then possibly being able to
6 have private lenders who can get LIH-Low-Income
7 Housing Tax Credits sounds pretty lucrative and
8 beneficial. So, for the RFQ, you mentioned it was
9 amortized. Is it—is it—is it in the New York Times?
10 Is it in the Daily News? Is it in El Diario? Is it
11 in like the local newspaper? Like in my neighborhood
12 it would be Our Town. Where do folks find out about
13 these RFQs? If somebody is upset that they missed
14 this Round 10, how do I—how does somebody find out
15 about being a developer for Round 11?

16 ASSISTANT COMMISSIONER DARGA: The RFQ is
17 listed on our website along with all of our—of our
18 RFQ, RFPs, RFEIs. Everything is—is publicly out
19 there. We also do partners, you know. So, for the—
20 all of the affordable housing developers that have
21 worked with the city in the past, they certainly are
22 notified of the opportunity. We also advertise in
23 newspapers. I'd have to confirm which ones.

24 CHAIRPERSON KALLOS: So, it sounds like
25 somebody has already done business with city, they

2 get outreach as a previous partner. How do you reach
3 new partners, new MWBEs or-or new non-profits in
4 communities?

5 ASSISTANT COMMISSIONER DARGA: As I said,
6 we do public outreach outside of that, right, through
7 newspapers, et cetera. I just-I don't have the names
8 of the newspapers here today, but we can certainly
9 check that, but I do want to note that we-and we
10 expect a minimum level of experience in negotiating-
11 in-in doing renovation projects including affordable
12 housing renovation projects. So, certainly there are
13 folks that may have had experience in other states,
14 right, but we want to make sure they could actually
15 successfully navigate the requirements in New York
16 City. So, somebody that's only had experience in an
17 affordable housing development elsewhere, we would
18 have to see that that track record was extremely
19 strong for us to consider bringing in a non-local
20 organization especially in a pipeline like Third
21 Party Transfer.

22 CHAIRPERSON KALLOS: Less concerned about
23 non-locals so much as MWBEs and non-profits
24 throughout the city that I-I see a list that was
25 provided to me of about 39 and with the information

2 we would want to enter that into the public record,
3 but I guess how many people—how many groups applied
4 to qualify for Round 10 and how many were accepted?
5 I did a quick count so I may be off by one or two.

6 ASSISTANT COMMISSIONER DARGA: So, we've—
7 in the mid-50s of the organizations that applied.

8 CHAIRPERSON KALLOS: And—and there were
9 39 that were found eligible?

10 ASSISTANT COMMISSIONER DARGA: There were
11 39 as of today that were deemed eligible.

12 CHAIRPERSON KALLOS: And so for those ten
13 or so that aren't on that list they were disqualified
14 for some reason or--?

15 ASSISTANT COMMISSIONER DARGA: They
16 didn't meet them in the requirements for
17 qualification.

18 CHAIRPERSON KALLOS: And—and they—they
19 understand that they know why. They weren't just--

20 ASSISTANT COMMISSIONER DARGA: Every
21 developer was notified and given an opportunity to
22 appeal, send up additional information. So, yes.

23 CHAIRPERSON KALLOS: And then who makes
24 the decision for the developer? So, you have this
25 list of 39. I noticed that some developers are—so I

2 guess one thing so you're handing it to Neighborhood
3 Restore. Who is on the board of Neighborhood
4 Restore? Is HPD on the board of Neighborhood
5 Restore? How do you know that Neighborhood Restore
6 will give it to who you say they should give it to?

7 ASSISTANT COMMISSIONER DARGA: We—we have
8 a—I think we should maybe talk about the board and
9 the corporate purpose a little bit, but--

10 SAL D'AVOLA: Sure. So, I don't think I
11 announced myself early Sal D'Avola, Executive
12 Director of Neighborhood Restore.

13 CHAIRPERSON KALLOS: Good to see you

14 SAL D'AVOLA: Nice to see you. So, our
15 board is a—we are a corporate board. We are a
16 501(c)(3) charitable organization that was formed in
17 1999 under the auspices of HPD. We were created
18 specifically to—to perform this role in the Third
19 Party Transfer Program. HPD is a board member on our
20 board. Our board is—is a—we are considered a
21 supporting organization of Lisk and Enterprise, which
22 are these national non-profit organizations of which
23 have local chapters in New York City. They—Lisk and
24 Enterprise were—are the ones who appoint our Board of
25 Directors, and the—the board consists of other non-

2 profits, government officials, lending institutions
3 who—who are providing, you know, private financing on
4 different affordable housing projects.

5 CHAIRPERSON KALLOS: Suffice to say
6 because HPD is on your board they have control to—to
7 ensure that there—there is no regulatory or other
8 signed agreement that says this is the developer they
9 selected. It's just like—to do with the fact that
10 you're basically—that they sit on your board and
11 you're basically there to serve them?

12 SAL D'AVOLA: Yes, the transfer requires
13 HPD's approval, but—but you—

14 ASSISTANT COMMISSIONER DARGA: [off mic]
15 [interposing] and any subsequent.

16 SAL D'AVOLA: Any subsequent transfer
17 required a consent from HPD to actually convey the
18 property to another party. So, HPD would have to
19 approve that process, but on the—on the front end
20 side, before we actually take title to the
21 properties, the city has—has designated these sponsor
22 managers who will be managing the properties on our
23 behalf while they're working on the predevelopment
24 aspects of the property. And while they are managing
25 the properties for us, we enter in agreements with

2 those property manager that lay out all the terms
3 under which they are to manage those properties, and
4 HPD is intimately involved in those negotiations
5 early on.

6 CHAIRPERSON KALLOS: And how large is
7 your—what—how large is your staff or your annual
8 budget? Save me time on Guide Star.

9 SAL D'AVOLA: My—we are a staff of 12
10 people. Our annual budget is somewhere around \$2
11 million a year.

12 CHAIRPERSON KALLOS: And is it funded
13 through taxpayers through the city of New York or is
14 it—or what is the funding stream?

15 SAL D'AVOLA: For the Third Party
16 Transfer Program it's 100% funded by HPD.

17 CHAIRPERSON KALLOS: Okay, so the time
18 you spend on Third Party Transfer is funded through
19 HPD on that?

20 SAL D'AVOLA: Correct.

21 CHAIRPERSON KALLOS: Okay and so who—so—
22 so in looking at it, I—I guess did all of the 39
23 developers who applied get assigned a property
24 through Third Party Transfer?

2 ASSISTANT COMMISSIONER DARGA: They—well,
3 we—all of the TPT Round 10 properties have not been
4 identified yet. To be clear, we're still working
5 through Manhattan, right. Those transfer requests
6 have not yet gone to Council. Not all of the
7 developers will actually get a project. We have more
8 developers than we have potential projects.

9 CHAIRPERSON KALLOS: Are there any
10 developers that are getting more than one Third Party
11 Transfer property?

12 ASSISTANT COMMISSIONER DARGA: There may
13 be a couple instances where there is a former co-op,
14 where it is the only property in a geographic area
15 and because it ends up being a very small project, we
16 give two of those to a non-profit organization.

17 CHAIRPERSON KALLOS: Who decides which
18 non-profit gets which Third Party Transfer
19 properties? Because I believe there's a handful that
20 got I think five or six maybe eight. I would have to
21 double check.

22 ASSISTANT COMMISSIONER DARGA: Yeah, so
23 we—just to be clear, we cluster the buildings into a
24 project to finance. Right, financing standalone
25 buildings is inefficient. So, we cluster them. The

2 number of buildings in a cluster will vary depending
3 on the building size and the geographic proximity of
4 the properties. As I said, there are some areas
5 where we literally there's only one building in, you
6 know, half of the borough, and there's some where
7 there's like a critical mass, and so we're able to
8 actually cluster in multiple buildings to create a
9 project. We also don't know how many properties, but
10 the point in time we're setting this up, right?

11 CHAIRPERSON KALLOS: Uh-hm..

12 ASSISTANT COMMISSIONER DARGA: So, we
13 take the total list. We identify geography. We look
14 at which ones were formerly co-ops, which ones were
15 rentals, and some other characteristics, and then we
16 try to cluster them into financeable projects. So,
17 cluster them somewhere between 75 and 100 units. We
18 don't ultimately know which properties are going to
19 redeem, right, and so we're still working through it.
20 There are still owners that are working through the
21 process. They've made a request for payments for
22 installment agreements. We are still reviewing
23 those, right, and so there's still some properties
24 that could redeem. So, ultimately, we don't know
25 until the transfers take place how many buildings are

2 going to be in each cluster, but when we're setting
3 them up, which happens prior to the transfer packages
4 going to Council, the ones that were—went to Council
5 for these three boroughs in the beginning of July and
6 that were voted out, or sorry, the beginning of July—
7 June.

8 SAL D'AVOLA: [off mic] June.

9 ASSISTANT COMMISSIONER DARGA: June.

10 Sorry, and voted out in July, right, those will be
11 finalized at the actual, upon the actual transfers.

12 CHAIRPERSON KALLOS: So, in the
13 representations you provided to the Council, you have
14 assigned developers, but those assigned developers
15 are not final?

16 ASSISTANT COMMISSIONER DARGA: No, the
17 developers are determined, but which properties are
18 ultimately going to be transferred, won't be
19 finalized until the transfers take place.

20 CHAIRPERSON KALLOS: Okay, so, I'm—I'm
21 seeing a lot of developers that are getting at least
22 six properties.

23 ASSISTANT COMMISSIONER DARGA: Right.

24 CHAIRPERSON KALLOS: And so, what you are
25 saying is just that it is likely that folks aren't

2 going to get all six, that pieces will—properties may
3 drop off?

4 ASSISTANT COMMISSIONER DARGA: What I'm
5 saying is that we cluster intentionally. We take
6 multiple properties because many of these properties,
7 and I have the list here. Two units, 9 units, 8
8 units. You know, some are bigger. Some are like 50
9 units, right?

10 CHAIRPERSON KALLOS: Uh-huh.

11 ASSISTANT COMMISSIONER DARGA: So, a
12 project is going to consist sometimes of one or
13 multiple buildings. So, in some cases a developer of
14 a project will have six buildings. In some cases the
15 developer of a project will get one or two buildings,
16 and that's because we're trying to collect—cluster so
17 we have a project that is of a size that is
18 reasonable to finance.

19 CHAIRPERSON KALLOS: And—and in terms of
20 it so that you mentioned that you group co-ops
21 together with one developer. Will the co-ops be
22 maintained as cooperatives where the tenants will
23 have an ownership interest, and just have a—I guess
24 ostensibly a new managing agent, or are people who
25

2 are in co-ops be losing their ownership interest in
3 their property?

4 ASSISTANT COMMISSIONER DARGA: So, the
5 HDFC Co-op, the entities that are currently co-ops
6 cannot reconstitute as co-ops after the transfer.

7 CHAIRPERSON KALLOS: And what will they
8 become?

9 ASSISTANT COMMISSIONER DARGA: They will
10 become affordable rentals. So, this is a non-
11 displacement program. All of the residents will have
12 rent stabilized leases, and be protected pursuant to
13 our regulatory agreement with the city of New York.

14 CHAIRPERSON KALLOS: So, all the—all the
15 co-ops that we're looking at are those folks who are
16 losing their equity?

17 ASSISTANT COMMISSIONER DARGA: I think we
18 could discuss whether or not there's actual equity
19 given the condition of these properties. The average
20 amount of arrears for the properties that remain in
21 the action is over \$700,000. For the co-ops, it's
22 actually higher than that. The lien to value ratio
23 for the co-ops in the action is over 100%. The
24 average number of violations per unit for the
25 properties remaining in the action is at least four B

2 & C violations per units. It's slightly less for co-
3 ops, but it's also unusual for a shareholder in a
4 cooperative unit to complain about conditions when
5 they're responsible for managing them on an ongoing
6 basis. So, typically, what we see with the HDFC co-
7 ops is that there are--there are not a lot of
8 shareholders remaining in these buildings. It's a
9 little inconsistent from building to building. What
10 we see is actually a fair number of renters.

11 CHAIRPERSON KALLOS: I want to first just
12 thank you for the transparency in getting me some of
13 this information so I can actually ask these
14 questions, but I guess I'm looking at like 2000 Daly
15 Avenue in the Bronx. It's got 50 units. They only
16 have about \$188,000 in debt to--to the Department of
17 Finance.

18 ASSISTANT COMMISSIONER DARGA: Uh-huh.

19 CHAIRPERSON KALLOS: So, there--if--if
20 everyone reached into their pocket and--and pulled out
21 \$4,000, and we can just set up a payment plan, then
22 folks--if \$4,000 was--was a burden they could each pay
23 \$400 over a year and--and keep their equity.

24 ASSISTANT COMMISSIONER DARGA: Yeah. So,
25 you know, we've talked about this, and you're

2 definitely not the first person that has, as part of
3 this process asked these questions, and, you know, we
4 have—we started this action in the mid-2015. So,
5 it's been over three years now since we first
6 submitted five property owners of their status. We
7 have actually done more than 70 different types of
8 outreach to these building owners. All of the owners
9 had the kind of—the option to enter into payment
10 agreements like any property owner does whether it's
11 with DEP or the Department of Finance, and we have
12 more. We flyer the buildings. We've done robo
13 calls. We've—we actually offered all of these—the
14 existing HDFCs an opportunity to apply for an Article
15 XI exemption. So, we've done extensive outreach to
16 inform each of these property owners including the
17 shareholders within—of the—the options available to
18 them. At the end of the day, the properties that
19 remain are properties that are unable to address the
20 conditions that exist within their properties.

21 CHAIRPERSON KALLOS: Thank you and I—I
22 appreciate your answering these questions that you've
23 gotten before. I'm just—I would be reticent to move
24 forward without asking these questions. Um, in terms
25 of the cost of this, how—how much. So, it's \$64

2 million that we are not going to collect. We're
3 taking the properties instead. We're giving them to
4 Neighborhood Restore. You are asking for Article XIs
5 for all these properties. What is the cost going to
6 be over the next 40 years, and what would be your
7 calculation for it and that present value, but that
8 may be a calculation I disagree with for these
9 purposes.

10 ASSISTANT COMMISSIONER DARGA: So a
11 couple of things. The DOF charges are actually
12 eliminated as part of the foreclosure process. DEP
13 actually the charges are not completely—the liability
14 is not completely eliminated. It is on the property
15 level, but DEP actually does retain some of the
16 outstanding amount that's required to be paid, and I
17 think it's about \$2,600 per unit or the current
18 charges whichever is less. We have just—I just want
19 to reiterate we have as part of the action we've
20 collected about \$30 million in unpaid municipal
21 charges.

22 CHAIRPERSON KALLOS: Over and above the
23 \$64 million or--?

24 ASSISTANT COMMISSIONER DARGA: Yes. So we
25 have—so since the beginning of the action, right that

2 300 and some odd properties at the beginning of the
3 action--

4 CHAIRPERSON KALLOS: Okay.

5 ASSISTANT COMMISSIONER DARGA: Right, of
6 the properties that have redeemed so far, they have
7 paid \$30 million to approximately \$30 million in
8 unpaid municipal charges. Okay, as part of the
9 process going forward for the properties that have
10 been unable to get out of the actions because they're
11 unable to pay the--the charges, as I mentioned. So,
12 the property taxes and DOF charges will be
13 eliminated. The DEP charges on the building basis
14 will be eliminated, but there will still be a payment
15 to DEP. We will be helping to subsidize renovations
16 and we will be providing a property tax exemption I
17 hope. The--for the 87 properties that remain in the
18 Bronx, Brooklyn and Queens, the estimated not present
19 value of the tax exemption over 40 years would be \$41
20 million, which is approximately just over \$30,000 per
21 residential unit.

22 CHAIRPERSON KALLOS: That was 40 years
23 and what was your net present value?

24 ASSISTANT COMMISSIONER DARGA: \$41
25 million.

2 CHAIRPERSON KALLOS: And \$41 million at
3 present and then over 40 years it's--?

4 ASSISTANT COMMISSIONER DARGA: No, that's
5 the net present value of the benefit--

6 CHAIRPERSON KALLOS: Okay.

7 ASSISTANT COMMISSIONER DARGA: --for 40
8 years.

9 CHAIRPERSON KALLOS: Okay, but how much
10 is it if we added up all 40 years?

11 ASSISTANT COMMISSIONER DARGA: I don't
12 have the cumulative with me.

13 CHAIRPERSON KALLOS: I may have the
14 cumulative.

15 ASSISTANT COMMISSIONER DARGA: We may
16 have it in our computer.

17 CHAIRPERSON KALLOS: [laughs] Give me one
18 moment.

19 ASSISTANT COMMISSIONER DARGA: But the
20 net present value per unit is about \$33,000.

21 CHAIRPERSON KALLOS: Hold on one second.
22 I'm just going to.

23 ASSISTANT COMMISSIONER DARGA: Yeah, we
24 have a hard copy here with the cumulative balance,
25

2 but it's not summed unfortunately. I can send it to
3 you afterward if you would like.

4 CHAIRPERSON KALLOS: I think I came up
5 with \$129.7 million over the 40 years.

6 ASSISTANT COMMISSIONER DARGA: I can't
7 verify that right now because I don't have--

8 CHAIRPERSON KALLOS: [interposing] I
9 appreciate the transparency.

10 ASSISTANT COMMISSIONER DARGA: --but I
11 have a hard copy, but I can check later.

12 CHAIRPERSON KALLOS: You can let me--does--
13 does it sound like it's in the ballpark or does it
14 sound like it's way out?

15 ASSISTANT COMMISSIONER DARGA: I don't--I--
16 I can't--I can't tell. I'll have to check.

17 CHAIRPERSON KALLOS: And then I guess for
18 this for the selection of it, if you can just do the
19 groups that are getting these properties whether
20 they're non-profits or for-profits, do-do they just
21 apply and work with you? Do they get recommendation
22 letters? Do they get recommendation letters from
23 tenants? Do they get recommendation letters from
24 elected officials? What is--what is the process for
25 it. So, somebody is watching at home. They've

2 decided they want to do Round 11. What else do they
3 do after they apply to get selected?

4 ASSISTANT COMMISSIONER DARGA: Well--

5 CHAIRPERSON KALLOS: [interposing] Are--
6 are--so, I guess the question is are tenant
7 recommendations involved? Are elected official
8 recommendations involved? Are other processes
9 involved, other external--externalities involved?

10 ASSISTANT COMMISSIONER DARGA: Yes,
11 certainly any questions or concerns from the City
12 Council member around the developer that was selected
13 we would look at very seriously, and any questions
14 raised by residents. HPD actually does the
15 recommendations based on the RFQ. Somebody that's
16 interested in can apply at the other website.
17 There's information there, and we'll be certainly
18 refreshing the list prior to the next round. For TPT
19 tenant petition, so there's a process by which
20 residents in the building that's a rental today can
21 petition to become a cooperative. Those residents
22 actually select their sponsor.

23 CHAIRPERSON KALLOS: Okay, so the
24 residents select their sponsor, elected officials can
25 raise questions about somebody who is selected, but

2 elected officials don't have a role in actually in a
3 form of this electing, the--

4 ASSISTANT COMMISSIONER DARGA:

5 [interposing] Well, the--the Council Members that have
6 the--the 87 buildings in the Bronx, Brooklyn and
7 Queens were all already notified of our
8 recommendation, and there were no concerns that were
9 raised.

10 CHAIRPERSON KALLOS: There were no

11 concerns?

12 ASSISTANT COMMISSIONER DARGA: Not that

13 I'm aware of. No.

14 CHAIRPERSON KALLOS: Okay, and--and there

15 was--there was no proactive outreach from any elected
16 officials?

17 ASSISTANT COMMISSIONER DARGA: We reached

18 out to them. So, I don't know if they did additional
19 outreach. We have to discuss with them.

20 CHAIRPERSON KALLOS: Okay, so the--so

21 basically you put out the RFQ, you look at the
22 properties and then you come to the community, to the
23 tenants and the elected official with this is who
24 we've selected?

2 ASSISTANT COMMISSIONER DARGA: This is
3 who our recommended developer is, yes.

4 CHAIRPERSON KALLOS: And is there any
5 official process with tenants who are watching at
6 home or—or what have you or the elected official
7 wants to change the developer or—or what is the
8 process there?

9 ASSISTANT COMMISSIONER DARGA: If the
10 Council Member had concerns, they should reach out to
11 us directly so that we can address those concerns. If
12 a resident has concerns of about—or the—the selection
13 process, they certainly could reach out to us as
14 well.

15 CHAIRPERSON KALLOS: How many of the
16 buildings are—have—so there's 87 buildings. How many
17 of them are accessible and have an accessible
18 entrance and an elevator?

19 ASSISTANT COMMISSIONER DARGA: I have no
20 idea because we have not done due diligence on all
21 these properties yet, but these are still privately
22 owned properties and that owners are trying to figure
23 out how to address the issues. So, they—they—they
24 don't be part—they're not part of this program, but
25 certainly as part of the renovation process on our

2 end the renovations will be required to comply with
3 accessibility requirements.

4 CHAIRPERSON KALLOS: I'm almost certain
5 that there is a data set that I have seen that tells
6 you the number of stories a building is, and whether
7 or not it has an elevator.

8 ASSISTANT COMMISSIONER DARGA: But an
9 elevator doesn't make an accessible building.

10 CHAIRPERSON KALLOS: Because there still
11 might be steps to.

12 ASSISTANT COMMISSIONER DARGA: Right.

13 CHAIRPERSON KALLOS: I guess you have--

14 ASSISTANT COMMISSIONER DARGA:
15 [interposing] and it doesn't ensure accessible units.
16 I mean inside, right. So, when a building goes
17 through a process with HPD is doing renovations, we
18 need to make sure that it complies with accessibility
19 requirements, and so as part of the development
20 process here, the--those--those adjustments will be
21 made to ensure that the building or the project meets
22 the accessibility requirements going forward.

23 CHAIRPERSON KALLOS: My--my--I guess my big
24 concern is a lot of what we're doing as a city we're
25 trying to do 300,000 and what have you but I'm

2 concerned. I want to preserve neighborhoods. I
3 don't want people to be displaced, but I'm also
4 concerned that if we're putting \$193 million into
5 Third Party Transfer, and that might have been going
6 into the money that you're doing for subsidies per
7 unit--

8 ASSISTANT COMMISSIONER DARGA: Uh-huh.

9 CHAIRPERSON KALLOS: --that we're not
10 going to get units that are not even fully accessible
11 with accessible bathrooms, accessible doorways,
12 accessible elevators that can carry a stretcher and--
13 and a ramp, but we're actually not even going to get
14 just an elevator so that somebody who is a senior
15 doesn't have to go up four or six flights of steps,
16 and get trapped in their apartment. So, I guess how
17 can we work together to make sure that all of these
18 buildings either have elevators that if there's an
19 ability to expand the elevator. If there's a gut
20 rehab or what have you, but that you're--we're
21 building, we're investing in preserving buildings and
22 where there's work being done that they're becoming
23 not necessarily fully accessible, but as accessible
24 as we can possibly get them, but at the bare minimum

2 an accessible entrance with a ramp or a floor level
3 of at grade entrance and an elevator.

4 ASSISTANT COMMISSIONER DARGA: Right.

5 Okay, so, just two. I think there were two points
6 there. One, I just be clear, right, the property
7 from those actions, while they certainly are going
8 through TPT and the city helping to finance the
9 renovations of these properties does add a cost,
10 right. These are properties that had over \$90
11 million in delinquent municipal arrears three years
12 ago when we started this process, right. So, they
13 were not paying their property taxes, which means
14 there was not actually revenue to go toward other
15 things, but on the accessibility piece what I am
16 trying to explain is that because of this process,
17 even if the buildings are not accessible today, they
18 will need to be accessible under federal guidelines
19 going forward. Right, so part of the renovation that
20 we're financing includes compliance with
21 accessibility requirements.

22 CHAIRPERSON KALLOS: I have a TPT
23 building in my district across the street from my
24 district office.

25 ASSISTANT COMMISSIONER DARGA: Uh-huh.

2 CHAIRPERSON KALLOS: It's being turned
3 over as part of the--

4 ASSISTANT COMMISSIONER DARGA: That has
5 not been renovated yet, right?

6 CHAIRPERSON KALLOS: As part of the gut
7 rehab, am I getting an elevator in that building
8 because of the ADA?

9 ASSISTANT COMMISSIONER DARGA: If it's
10 required by code we would consider it because the 2-
11 unit building or a 3-unit building, and it's not
12 required by code that would be a substantial
13 investment of the city of New York to install
14 elevators in every single building. So, Sal, do you
15 want to talk or Nelson about the specifics and
16 whether or not there's an elevator going in that
17 building? I just--just generally speaking, right HPD
18 is subsidizing in the city of New York--subsidizing
19 installation of elevators in every single building
20 would be a very expensive thing to do.

21 CHAIRPERSON KALLOS: But worthwhile
22 because we want people to be able to age in place and
23 to have accessible housing for our seniors.

24 ASSISTANT COMMISSIONER DARGA: So, I mean
25 I know that there are other agencies that are

2 responsible for accessibility issues in the more
3 general buildings stock. At HPD when we are
4 financing the building is when we actually are
5 involved in what requirements, and the building needs
6 to comply with upon being renovated. So, I can't
7 speak to every building. I can speak to what we
8 requirement-require as part of our process.

9 CHAIRPERSON KALLOS: Sure. So, just to
10 be clear. So, I am again thankful for the list you
11 shared. Please continue to share it. It makes these
12 faster. You don't want to know how much longer this
13 would have been if I didn't have the information
14 because we would have had to go building by building
15 to get it, but I just did a filter on the list you
16 provided me at the 87, and it looks like there's 52
17 buildings that have more than six units, and you're
18 saying your-your threshold is if it has four units or
19 less that doesn't get an elevator, but six units
20 would or--

21 ASSISTANT COMMISSIONER DARGA:

22 [interposing] No, no, the number of floors.

23 CHAIRPERSON KALLOS: Got it. Give me one
24 second and I have-- So, if it has-if it is four
25 stories, or that-that is a data set that I know I

2 have seen if you are able to just update and append
3 the data set you've given me with how many stories
4 these are, and whether they already have elevators or
5 you're planning.

6 ASSISTANT COMMISSIONER DARGA: Okay.

7 CHAIRPERSON KALLOS: That would be
8 particularly meaningful to me.

9 ASSISTANT COMMISSIONER DARGA: Okay.

10 CHAIRPERSON KALLOS: The—the committee
11 before us ran long. Typically we start at 2:00,
12 which means we have less than we wanted since we
13 started at 3:00. So, I—I could go on. This is
14 interesting to me. I'm sure it's interesting to the
15 folks at home. I really want to value the
16 partnership, the transparency. Any of the
17 information here that we have, we will work with HPD
18 to make sure it is available online as part of the
19 hearing information. People will be able to find
20 that at council.nyc.gov. There's a calendar where
21 folks can click through today's date, which is August
22 14th and the testimony along with the materials that
23 we're able to share with the public will be available
24 for those who want to dig further in. I really do
25 value changing the term sheet from 150% of AMI to

2 120% of AMI. I would urge HPD to come back with a
3 commitment to do 90% low-income and do as little and
4 moderate income in communities where the average
5 income is low, very low or extremely low so this
6 affordable housing does not have a gentrifying
7 impact. Our staff has—I know has had extensive
8 conversations with HPD prior to this hearing, and
9 we'll follow up with additional questions, and I
10 guess just for the sake of transparency, any
11 additional questions that we didn't get to ask today
12 on the record we will submit and those will need to
13 be answered on the record and that will be also
14 available as part of the public record. So, I will
15 excuse the—I don't see anyone else to testify on Land
16 Use Items 177 through 182. So, excuse this panel--
17 and--

18 ASSISTANT COMMISSIONER DARGA:

19 [interposing] Thank you.

20 CHAIRPERSON KALLOS: --thank you. [pause]

21 The next item is Land Use Item 186 related to Nueva
22 Era Apartments, 287-289 Audubon Avenue, Block 2152,
23 Lot 36 and 38 in Council Member Rodriguez's district
24 in Upper Manhattan. HPD seeks approval to terminate
25 a current Article V tax exemption and approve a

2 partial Article XI tax exemption for a period of 40
3 years pursuant to Section 577 of the Private Housing
4 Finance Law to facilitate the acquisition and
5 rehabilitation of a five-story multiple dwelling
6 building containing 34 units with rents currently
7 capped at 30% of household income. In addition
8 because the developer has an additional item, we will
9 also hear Land Use Item 187 related to the Deshler
10 Apartments located at 124 West 114th Street, Block
11 180-1823, Lots 58 and 1871 Adam Clayton Powell
12 Boulevard Block 1823, Lot 61. The properties are in
13 Council Member Perkins' district in Manhattan. HPD
14 seeks approval to terminate the current Article V tax
15 exemption and approve a partial Article XI tax
16 exemption for a period of 40 years pursuant to
17 Section 577 of the Private Housing Finance Law. The
18 subject property consists of two fully occupied 7-
19 story multiple dwelling buildings containing a total
20 of 60 rental units for which rent is capped at 30% of
21 household income. I will now open the public hearing
22 and ask the Committee Counsel to swear in this panel.

23 LEGAL COUNSEL: Please raise your right
24 hands. Do you affirm to tell the truth, the whole
25 truth and nothing but the truth in your testimony

2 before this Subcommittee and in your answers to all
3 Council Member questions?

4 LACEY TAUBER: Yes. Yes. [pause]

5 CHAIRPERSON KALLOS: You may begin.

6 LACEY TAUBER: Oh, okay. So, just to be
7 clear, am I reading testimony for 186 and 187
8 together because we—since we have one presentation.
9 Okay, great.

10 CHAIRPERSON KALLOS: That's correct.

11 LACEY TAUBER: I will bot then. Okay.

12 Land Use Item No. 186 consists of an exemption area
13 containing one occupied multiple dwelling located at
14 287 to 289 Audubon Avenue in Manhattan Council
15 District 9 known as the Nuevea Era Apartments. The
16 project is a low-income Section 8 development, which
17 is currently owned by an Article V housing
18 redevelopment company. As of proof or disposition by
19 the Board of Estimate on June 12, 1980. As a part of
20 the disposition approval of the Housing Committee
21 also received a property tax exemption, which is set
22 to expire in July 2020. The building is fully
23 occupied and contains a mixture of unit types
24 including nine studio, 5 1-bedroom, 13 2-bedroom, 5
25 3-bedroom, and 1 4-bedroom apartment as well as one

2 superintendent's unit for a total of 34 residential
3 units. There is an existing Housing Assistance
4 Program or HAP contract with HUD for all of the units
5 with the exception of the superintendent's apartment.
6 Under the contract, household incomes do not exceed
7 50% of AMI and tenants pay no more than 30% of their
8 income toward rent. Currently, the exemption area is
9 proposed for redevelopment under HPD Multi-Family
10 Program. The current owner will convey the project
11 to a new entity formed under Housing Development Fund
12 Corporation HDFC. Both the acquisition and
13 rehabilitation of the property will utilize private
14 financing. The owner will also be required to enter
15 into a new HAP contract with HUD for an additional
16 term upon expiration of the current agreement in
17 2030. Eligible tenants will continue to receive
18 Section 8 rental assistance. The moderate
19 rehabilitation is planned for the project that
20 consists of boiler repair, installation of LED
21 lighting throughout the building, painting, closet
22 repairs and updates to the tenants community room
23 including new furniture. In order to facilitate
24 redevelopment of the exemption area, HPD is before
25 the Planning Subcommittee seeking approval for the

1 housing company to voluntarily dissolve the status as
2 an Article V, terminate their current tax exemption
3 and enter into a new Article XI tax exemption for a
4 term of 40 years coinciding with the Regulatory
5 Agreement. The cumulative value of the tax exemption
6 is approximately \$2,165,340 and that present value is
7 approximately \$75,213. And then Land Use Item No.
8 187 consists of an exemption area containing one
9 occupied multiple dwelling located at 124 West 114th
10 Street and 1871 Adam Clayton Powell Boulevard in
11 Manhattan Council District 9 known as Deshler
12 Apartments. The project is a low-income Section 8
13 development currently owned by an Article V housing
14 redevelopment company as approved for disposition by
15 the Board of Estimate on December 20, 1979. At the
16 time of the disposition or approval, the housing
17 company also received a property tax exemption, which
18 is set to expire in July 2019. The building contains
19 a mixture of unit types including one studio, 33 1-
20 bedroom, 22 bedroom and 5 3-bedroom apartment as well
21 as one superintendent's unit for a total of 60
22 residential units and one community facility for the
23 residents' use. There is an existing housing
24 assistance program and have a contract with HUD for
25

2 all the units with the exemption-exception of the
3 superintendent's apartment. Under the contract as in
4 the other building we just heard, household incomes
5 do not exceed 50% of AMI and tenants pay no more than
6 30% of their income toward rent. This is also
7 proposed for redevelopment under HUD's-under HPD's
8 HUD Multi-Family Program. The owner will convey the
9 exemption area to the new entity formed under HDFC.
10 In this case as well, bot the acquisition and
11 rehabilitation of the property will utilize private
12 financing. The owner will also be required to enter
13 into a new HAP contract with HUD for an additional
14 term upon expiration of the current agreement in
15 2020. Eligible tenants will continue to receive
16 Section 8 rental assistance. A moderate
17 rehabilitation is also planned here, which includes
18 installation of a new gas main to accommodate a dual
19 fuel heating plant with a dual fuel capable burner.
20 Additionally, the common areas as well as the
21 apartment interiors will be painted and receive new
22 LED lighting. Installing of new flooring is also
23 planned for the apartment interior-apartment
24 interiors. There are very few outstanding Housing
25 Code violations, which will be addressed by the

2 planned rehabilitation. In order to facilitate
3 redevelopment of the project, HPD is before the
4 Planning Subcommittee seeking approval for the
5 housing company to voluntarily dissolve their status
6 as an Article V, terminate their current tax
7 exemption and enter into a new Article XI tax
8 exemption for a term of 40 years coinciding with the
9 regulatory agreement. The accumulate value of the
10 tax exemption is approximately \$5,401,474, and the
11 net present value is approximately \$1,658,575, and we
12 have a representative from the Camber Properties here
13 to give you a little more background on their
14 project.

15 RICK GROPPER: Hi. I'm Rick Gropper one
16 of the principals of Camber Property Group. We're
17 predominantly an affordable housing developer and
18 we've over the past 2-1/2 years have acquired and
19 preserved in partnership with the city housing
20 agencies about 1,600 units both of Mitchell Lama and
21 of rent stabilized housing that we've converted into
22 different affordable structures. The properties
23 today are both located in Upper Manhattan. One of
24 them is in Council Member Rodriguez's district, and
25 the other is in Council Member Perkins' district.

1
2 One of them, which has Neva Era is on Audubon between
3 179th and 180th, and Deshler is two buildings, which
4 are on 114th Street between Saint Nicholas and Adam
5 Clayton Powell. Both of the properties, as Lacey
6 mentioned have HUD housing assistance payment
7 contracts that pay market rent while the tenants'
8 rent—the tenants share of the rent is limited to 30%
9 of the tenant's respective income, and there is no
10 one in the properties, and they're actually
11 restricted to residents who earn at or below 50% of
12 AMI. The building on Audubon, which is Nueva Era,
13 has 34 units including a super. The building on Adam
14 Clayton Powell and Saint Nicholas and Seventh Ave.
15 (sic) has 59 units plus a super and there's some
16 community facility space at grade. We're planning to
17 finance both of these buildings conventionally with a
18 conventional loan, and equity that we're providing in
19 approximately an 80/20 ratio between debt and equity
20 with city subsidy. City—without city subsidy, but
21 with an Article XI term sheet tax exemption. The—the
22 properties have similar unit counts and unit
23 distributions. The buildings on Seventh Ave. and—and
24 Saint Nicolas have more family sized units just as a
25 function of the way that it was built, the way that

2 properties were built in the 70s and 80s. And in
3 order to structure the transaction, we are requesting
4 an Article XI tax exemption. The buildings would be
5 owned by an HDFC owner, which would be Home
6 Congregations for Community Improvement, which is a
7 local non-profit group. Really, that's been around
8 for about 20 years, and in addition to that we're
9 enter into a new 40-year regulatory agreement with
10 HPD. We're signing a new 20-year Housing Assistance
11 Payment or HAP contract with HUD, and registering
12 rents with DHCR. I would also note that the
13 restrictions are—on both of these buildings, they're
14 both an Article V currently, and they're set to burn
15 off over the next five years.

16 CHAIRPERSON KALLOS: Thank you for
17 sharing so much of the finances and being so
18 transparent. That has saved me a lot of the
19 questions that I tend to ask. So, let me just skip
20 them.

21 LACEY TAUBER: I'm just saying the
22 digital property over the presentation is by request
23 of your committee staff.

24

25

2 CHAIRPERSON KALLOS: Folks know me well
3 at this point. [laughter] So, to confirm, any units
4 that become vacant will be restricted to 50% of AMI?

5 RICK GROPPER: Yes.

6 CHAIRPERSON KALLOS: Which translates to
7 an individual making \$36,550 or a family of four
8 making \$52,150, and rents on your 1-bedrooms are \$863
9 a month, which is around market in that area. So,
10 this would not actually have a gentrifying effect in
11 your neighborhood or your building.

12 RICK GROPPER: It-it would not. It's-
13 the-the tenants are paying no more than 30% and 50%
14 is actually the-the maximum income, and the-the
15 properties are subject to waiting lists with HUD.
16 So, the-as tenants move in, as we go down the waiting
17 list, there are tenants on there who might be at 30%
18 of AMI or at lower ranges, and with the HUD HAP
19 contract, HUD actually pays the difference between
20 30% of the tenant's income and what the market is.

21 CHAIRPERSON KALLOS: Will you be doing
22 credit checks on the tenants, or you just have to
23 take people in order based on their list, and how
24 long will that require-how long will that HUD waiting
25

2 list remain before you have to create a new waiting
3 list with HPD?

4 RICK GROPPER: So, the HUD waiting list
5 remains with the—for the life of the HAP contract,
6 and there's a HUD. There are HUD guidelines that we
7 have to follow because that will be a HUD regulated
8 property.

9 CHAIRPERSON KALLOS: But in 2023 when the
10 HAP contract expires, what happens to anyone who is
11 still on that waiting list?

12 RICK GROPPER: So, we're extending the
13 HUD HAP contract when we—well, just to be clear,
14 we're in contract to buy the property today so when
15 we close--

16 CHAIRPERSON KALLOS: [interposing]
17 Congratulations.

18 RICK GROPPER: Thanks. When we close on
19 the property, we're—we'll be simultaneously extending
20 the HAP Contract for 20 years entering into a new
21 regulatory agreement with HPD for 40 years. And with
22 your support, we will be receiving the Article XI Tax
23 Exemption, and we'll—in addition to that, we'll
24 inherit the existing waiting wait from the current
25 owner, and we'll be obligated as part of the

2 regulation that HUD provides to continue to maintain
3 list and add residents to that list as we go forward.

4 FEMALE SPEAKER: And I's also like to
5 add, Councilman that the HAP Contract as a
6 requirement for the whole 40 term. So, at the end of
7 the current HAP contract even if it goes for another
8 20 years, at the end of that HAP contract the owner
9 is required to renew that HAP contract for the entire
10 term of

11 LACEY TAUBER: That's part of the terms
12 of the regulatory agreement that comes with this, but
13 it comes and eases taxes I'm sure.

14 CHAIRPERSON KALLOS: Thank you. Can you
15 pull up the slide that showed the commercial units?
16 You listed one commercial unit on each.

17 RICK GROPPER: Yes.

18 CHAIRPERSON KALLOS: That was not
19 information we previously had. I don't see the room
20 for commercial unit in the drawings. Where are they?

21 RICK GROPPER: So, there's one community
22 facility tenant. It's actually a community facility
23 space.

24 CHAIRPERSON KALLOS: Okay.

2 RICK GROPPER: And it is in the building
3 on Saint Nicholas.

4 CHAIRPERSON KALLOS: Okay, so there's
5 only one commercial, not--?

6 RICK GROPPER: Yes.

7 CHAIRPERSON KALLOS: Okay and what kind
8 of community facility is it?

9 RICK GROPPER: It's through a bank, and
10 they also provide in addition to providing services
11 for formerly homeless and other residents of the
12 area, they provide some job training services, and
13 provide financial literacy training.

14 CHAIRPERSON KALLOS: and do you retain--to
15 you intend to retain them as a--as a tenant?

16 RICK GROPPER: Yes. They're--they've got
17 about another five years on their lease, and we
18 intend to keep them in there as a tenant.

19 CHAIRPERSON KALLOS: Are you willing to
20 commit to maintaining an affordable rent for them as
21 a tenant and to keeping them more and more situated
22 community facility provider?

23 RICK GROPPER: Yeah, we're willing to
24 work with the current tenant so long as they want to
25 maintain their--their occupancy there.

3 CHAIRPERSON KALLOS: The reason why you
4 chose a partial Article XI instead of trying to seek
5 a full Article XI?

6 FEMALE SPEAKER: That has to do with the
7 HPD guidelines and policies because these projects
8 haven't marked up to market contract. They see
9 market rents and they are more than able to pay—make
10 a partial tax payment.

11 CHAIRPERSON KALLOS: Can you pull up the
12 slide that includes the costs of the project
13 including purchase costs and renovation costs? So
14 it—is there any renovation work being done on either
15 of these two buildings?

16 RICK GROPPER: Yes. We're in the building
17 on Audubon. The building on Audubon is in excellent
18 condition. We are upgrading the elevator to be
19 consistent with the 2020 Code and that will be a
20 significant upgrade to the existing elevator system,
21 the cables, the landing system and the safety
22 systems. We're also going to be doing some upgrades
23 to the common areas including painting LED lighting
24 sustainability features, and there's a community room
25 in the basement that we'll providing some furniture
for.

2 CHAIRPERSON KALLOS: And so the Audubon
3 Avenue location is current ADA compliant or will it
4 become ADA compliant?

5 RICK GROPPER: The Audubon location is
6 actually ADA compliant, and it looks—it's compliant
7 with New York City Accessibility Code not ADA. The--

8 CHAIRPERSON KALLOS: [interposing] And
9 the elevator is it big enough to— ? How big is the
10 elevator? Is it big and is it—it's current
11 requirements or will it—can it accommodate a
12 stretcher? Can it accommodate turning around or is
13 it just going backwards and exit forward?

14 RICK GROPPER: No, the elevator does not
15 accommodate a stretcher. It's—it's not fully
16 accessible in terms of code today, but it is
17 accessible in terms of the—the Accessibility Code
18 within New York City Building Code, and that's—that's
19 grandfathered in, and the same is the case for—for
20 the Adam Clayton Powell Building.

21 CHAIRPERSON KALLOS: And that has an
22 elevator?

23 RICK GROPPER: Um, both—both the Adam
24 Clayton Powell Building and the Saint Nicholas

2 Buildings they each have elevators, but they're-
3 again, they're not designed to today's standards.

4 CHAIRPERSON KALLOS: And are the
5 entrances at grade?

6 RICK GROPPER: One entrance is at grade
7 and one entrance is not at grade.

8 CHAIRPERSON KALLOS: Which building is
9 not at grade?

10 RICK GROPPER: The building that's not at
11 grade I believe is the Saint Nicholas Building. The
12 building that is at grade I believe is the Adam
13 Clayton Powell Building.

14 CHAIRPERSON KALLOS: Is-is part of your
15 renovation plan for the Deshler Building on Saint
16 Nick is-is that to include a ramp or bringing the
17 entrance down to grade?

18 RICK GROPPER: No, it's not. It's-
19 there's-the space doesn't exist and it's cost
20 prohibitive to-to make that fully accessible.

21 CHAIRPERSON KALLOS: How much would it
22 cost to have a-a ramp to the front of the building or
23 at an appropriate location to make the building
24 accessible to enter?

2 RICK GROPPER: The rise of the-of that
3 building is so great that the ramp would have to be-I
4 don't know exactly, but it would have to extremely
5 long and would-would actually extend onto the city
6 sidewalk.

7 CHAIRPERSON KALLOS: Would-would you
8 commit to exploring it in the next week or two and
9 working with HPD to see if there are funds available
10 to cover it and if it extends onto the city sidewalk
11 whether or not we can work as a committee to support
12 you, and if there is any waivers that are required to
13 do so, so that your building's entrance can be
14 accessible?

15 RICK GROPPER: We can take a look at it
16 based-and based on what I know, it's going to be very
17 difficult to make it-to make it work, but we'll look
18 at it?

19 CHAIRPERSON KALLOS: Have you had an
20 opportunity to meet with any of the tenants in the
21 Deshler Building?

22 RICK GROPPER: Yes, we've-we've had a
23 tenant meeting. We had a tenant meeting both at
24 Deshler and at Nueva.

3 CHAIRPERSON KALLOS: Do you have any
4 tenants there that are—that currently mobility
5 disability or I believe the Mayor's study from their
6 Department for the Aging found that 75% of seniors
7 consider themselves sot be frail. So, I guess what—
8 what is the makeup of the current tenancy.

9 RICK GROPPER: The tenants who came to
10 the—the meeting there were about 25 tenants who came
11 to the meetings at Deshler, and, um, none of the
12 tenants who came to the meeting used a wheelchair or
13 a walker.

14 CHAIRPERSON KALLOS: Okay, but would you
15 agree that there would be value to—if—if we can at
16 this point with HPD at the table with the City
17 Council at the table and with full support of the
18 city explore trying to make the entrance accessible?

19 RICK GROPPER: Yes, but I said we'll—
20 we'll look at it and we'll have an architect look at
21 it.

22 CHAIRPERSON KALLOS: In terms of the—so
23 only Deshler is going to require renovations. Will
24 the folks doing the renovations be paid a rate that
25 would allow them to afford to live in your building,
an will they have health insurance so that if they

2 get hurt while they're doing work they can go see a
3 doctor or God forbid they get disabled they can get
4 disability and be able to work with you and one day
5 retire?

6 RICK GROPPER: So the tenants—I'm sorry
7 not the tenants. The contractors who are going to be
8 doing work at both Audubon and Deshler are
9 contractors that—that we use regularly. They—the
10 contracts that we use with them require them to pay a
11 living wage, and also require them to maintain good
12 conditions for the workers. The workers that are
13 doing t the construction work at the buildings will
14 be able to live—would be able to live in—in the
15 buildings and the—the work that we're doing is not
16 union, but we do 32BJ in the Deshler buildings.

17 CHAIRPERSON KALLOS: And—and Nueva Era?

18 RICK GROPPER: Nueva Era is non-union—is
19 a non-union building.

20 CHAIRPERSON KALLOS: Do—do the workers
21 there have health insurance or can they afford to
22 live in the buildings that they work in? Do they
23 have disability and—and pensions so that they can
24 retire after working with you?

2 RICK GROPPER: The worker—there's a
3 single super at Nueva Era, and he is an employee of
4 the management company. The management company
5 employees have been there for a very long time, and—
6 but they don't receive a pension or—or a 401(k).
7 They—they can, however, afford to live in the
8 buildings that—that we're—that we're talking about.

9 CHAIRPERSON KALLOS: Are you receiving
10 any subsidies from HPD or HDC on this project beyond
11 the Article XI?

12 RICK GROPPER: No.

13 CHAIRPERSON KALLOS: Are you receiving
14 any LHTC federal or state subsidies?

15 RICK GROPPER: No,

16 CHAIRPERSON KALLOS: Do you have a
17 commitment to hiring local to do the half million
18 dollars in work that you're planning?

19 RICK GROPPER: We're—we're going—we in
20 all of our projects we make a commitment to hire
21 local residents to the extent possible. This is a
22 relatively small scope of work and the boiler work,
23 for example, requires highly skilled people, and—but
24 at the same time we're going to make the commitment
25 to hire some local people.

2 CHAIRPERSON KALLOS: If somebody is
3 watching at home right now and would like a job,
4 where should they reach out?

5 RICK GROPPER: They can email
6 info@Camberpg.com or they call. Can you give me one
7 minute? [pause]

8 CHAIRPERSON KALLOS: I'm just hoping that
9 one day somebody is going to stop me on the street
10 and say, I was watching. I couldn't sleep at night-

11 RICK GROPPER: [interposing] One day, so--

12 CHAIRPERSON KALLOS: I couldn't fall
13 asleep, and--and not only that, but I called the
14 number and I got a job and thank you. Stranger
15 things have happened. While you're looking it up, I
16 think my--my last question is-

17 RICK GROPPER: [interposing] Oh, I got
18 it.

19 CHAIRPERSON KALLOS: Yeah.

20 RICK GROPPER: 646-598-7412.

21 CHAIRPERSON KALLOS: If you're just
22 tuning in, that's the number to call if you'd like a
23 job doing construction and rehabilitation at Camber
24 and so--or with Camber's companies that they work
25 with. I think the only remaining question that I

3 have is whether your—whether Camber is a MWBE,
4 whether you're a contractors' MWBE, whether you're
5 architects where anyone affiliated with it is. To
6 the extent folks don't qualify for MWBE because of
7 whatever reason whether or not the leadership of the
8 organizations are minority or women?

9 RICK GROPPER: Camber is not an MWBE but
10 our local partner Home Congregations for Community
11 Improvement is a local well established non-profit
12 that's Harlem base, and we work with them to source
13 MWBE opportunities for MWBE contractors to work on
14 our projects.

15 CHAIRPERSON KALLOS: Thank you. Those
16 are all of the questions that I—give me one moment. I
17 think those are all of my questions. If we come up
18 with any additional ones we will pass them on. Thank
19 you for passing a lot of the information ahead of
20 time. I would—I am glad that either your—your pay is
21 high enough or that your income is—your income
22 requirements are low enough so that the people who
23 are doing the work and will live and—and support
24 these buildings could actually live there, and I
25 would just urge you to consider health insurance and—
and disability and helping folks to be retired. I

2 think it is something that is important, and I want
3 to thank all of you for participating today. Is
4 there—seeing no one from the public to testify on
5 this item, this concludes today's hearing. I'd like
6 to thank the Council and Land Use staff for preparing
7 today's hearing, the members of the public and my
8 colleagues for attending. This meeting is hereby
9 adjourned. [gavel]

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 August 17, 2018