May 29, 2019

TO: Hon. Daniel Dromm

Chair, Finance Committee

Members of the Finance Committee

FROM: Rebecca Chasan, Senior Counsel, Finance Division

Noah Brick, Assistant Counsel, Finance Division

Stephanie Ruiz, Assistant Counsel, Finance Division

RE: Finance Committee Agenda of May 29, 2019 – Resolution approving a tax exemption for eight Land Use items (Council Districts 3, 7, 8, 9, 10, 16, and 17)

**Item 1: Fairstead-48th Street**

The Fairstead-48th Street project is comprised of 54 units in seven buildings on a single tax lot at 414-424 West 48th Street in Manhattan. It consists of 19 one-bedroom apartments (inclusive of one superintendent unit, 20 two-bedroom apartments, 14 three-bedroom apartments and one four-bedroom apartment).

In 1978, the City conveyed the property to 414-24 West 48th Street Redevelopment Company, L.P. (Owner), an Article V redevelopment company, and approved a Shelter Rent tax exemption that will expire in 2020. The property is also under a Housing Assistance Payments (HAP) Section 8 contract, under which tenants pay only 30% of their income in rent and the U.S. Department of Housing and Urban Development (HUD) makes payments to the landlord.

The Department of Housing Preservation and Development (HPD) is requesting that the Council approve the dissolution of the Article V, the termination of the Article V property tax exemption, and the grant of a 40-year partial Article XI property tax exemption, with annual taxes of $290,838 plus 25% of any appreciation in the HUD-authorized rent roll. HP W48 Housing Development Fund Company, Inc. (HDFC) would acquire the exemption area and 414 West 48th Owner LLC (LLC) would be the beneficial owner and operate the exemption area. HPD, HDFC and LLC would enter into a 40-year regulatory agreement that would require that the units be leased only to households with incomes of 50% of the Area Median Income (AMI).

Summary:

* Borough – Manhattan
* Block 1057, Lot 141
* Council District – 3
* Council Member – Speaker
* Council Member approval – Yes
* Number of buildings – 7
* Number of units –54
* Type of exemption – Article XI, partial, 40 years
* Population – affordable Section 8 rental housing
* Sponsor – 414 West 48th Owner LLC, HP W48 HDFC, Fairstead
* Purpose – preservation
* Cost to the City – $3.2 million
* Housing Code Violations
  + Class A – 7
  + Class B – 26
* AMI targets – 50% of AMI

**Item 2: Fairstead-53rd Street**

The Fairstead-53rd Street project is comprised of 51 units in two buildings on a single tax lot at 238-336 West 53rd Street in Manhattan. It consists of eight one-bedroom apartments, 21 two-bedroom apartments (inclusive of one superintendent unit) and 12 three-bedroom apartments.

In 1978, the City conveyed the property to 328-36 West 53rd Street Redevelopment Company, L.P. (Owner), an Article V redevelopment company, and approved a Shelter Rent tax exemption that will expire in 2020. The property is also under a HAP Section 8 contract, under which tenants pay only 30% of their income in rent and HUD makes payments to the landlord.

HPD is requesting that the Council approve the dissolution of the Article V, the termination of the Article V property tax exemption, and the grant of a 40-year partial Article XI property tax exemption, with annual taxes of $219,960 plus 25% of any appreciation in the HUD-authorized rent roll. HP W53 HDFC would acquire the exemption area and 382 West 53rd Owner LLC (LLC) will be the beneficial owner and operate the exemption area. HPD, HDFC and LLC would enter into a 40-year regulatory agreement that will require that the units be leased only to households with incomes of 50% of the AMI.

Summary:

* Borough – Manhattan
* Block 1043, Lot 46
* Council District – 3
* Council Member – Speaker
* Council Member approval – Yes
* Number of buildings – 2
* Number of units –51
* Type of exemption – Article XI, partial, 40 years
* Population – affordable Section 8 rental housing
* Sponsor – 328 West 53rd Owner LLC, HP W53 HDFC, Fairstead
* Purpose – preservation
* Cost to the City – $2.5 million
* Housing Code Violations
  + Class A – 4
  + Class B – 2
  + Class C – 2
* AMI targets – 50% of AMI

**Item 3: Jennings Terrace Gardens**

The Jennings Terrace Gardens project is comprised of 41 cooperative units in three buildings at 749, 759, and 763 Jennings Street in the Bronx. It consists of five one-bedroom apartments, 24 two-bedroom apartments, 12 three-bedroom apartments, and one community room.

The buildings were built in 1904. From 1993 to 2008 they were owned by the New York City Housing Authority (NYCHA) and were operated as scatted-site public housing. Since 2008 they have been owned by Jennings Terrace Gardens HDFC and have been operated under a regulatory agreement between the HDFC and NYCHA that expires in 2028. Two of the three buildings benefit from Division of Alternative Management (DAMP) property tax exemptions that began in 1989 and which are set to expire in 2029. The HDFC is now seeking to finance moderate rehabilitation to the three buildings, including roof replacement, window replacement, façade improvements, and energy and water efficiency measures, through HPD’s Green Housing Preservation Program (GHPP).

HPD is requesting that the Council approve a 32-year full Article XI property tax exemption. The DAMP exemptions would expire. Incomes would continue to be capped at 80% AMI, and upon conversion maximum resale prices would be set at $21,296 for one-bedroom apartments. $27,478 for two-bedroom apartments, and $32,974 for two-bedroom apartments.

Summary:

* Borough – Bronx
* Block 2962, Lots 52, 54, and 60
* Council District – 16
* Council Member – Gibson
* Council Member approval – Yes
* Number of buildings – 3
* Number of units –41
* Type of exemption – Article XI, full, 30 years
* Population – affordably limited-equity cooperative apartments
* Sponsor – Jennings Terrace Gardens HDFC, Midas Management NYC, and the Urban Homesteading Assistance Board (UHAB)
* Purpose – preservation
* Cost to the City – $1.8 million
* Housing Code Violations – N/A
* AMI targets – 80% of AMI

**Item 4: Walton Avenue Senior Housing (Fannie Lou Hammer Apartments)**

The Walton Avenue Senior Housing project, also known as Fannie Lou Hammier Apartments, is comprised of 75 units of Section 8 housing. It consists of 18 studio apartments, 56 one-bedroom apartments, and one superintendent studio apartment.

In 1991, the City conveyed the property to Walton Ave Senior HDFC and approved a partial tax exemption for 40 years which will expire when the mortgage is refinanced. The property is also under a HAP Section 8 contract, under which tenants pay only 30% of their income in rent and HUD makes payments to the landlord.

So that the HDFC may refinance its mortgage with a HUD 223f loan without losing its property tax benefits, HPD is requesting that the Council approve a 40-year partial Article XI property tax exemption with taxes due equaling 10% of the gross rent. HPD and HDFC would enter into a 40-year regulatory agreement that will require that the units continue to be leased only to households with incomes of 50% of the AMI, and the HDFC would be required to renew the HAP.

Summary:

* Borough – Bronx
* Block 2479, Lot 29
* Council District – 16
* Council Member – Gibson
* Council Member approval – Yes
* Number of buildings – 1
* Number of units –75
* Type of exemption – Article XI, partial, 40 years
* Population – affordable Section 8 senior rental housing
* Sponsor – Walton Ave Senior HDFC, Mid-Bronx Senior Citizen Council, Inc.
* Purpose – preservation
* Cost to the City – $2.4 million
* Housing Code Violations
  + Class A – 1
  + Class B – 5
  + Class C – 1
* AMI targets – 50% of AMI

**Item 5: Black Spruce – Central Harlem**

The Black Spruce-Central Harlem portfolio consist of 21 mixed-use buildings comprised of 224 residential units and 30 commercial spaces located across seventeen individual lots in Central Harlem. The 224 residential units consist of eight studio units, 52 one-bedroom units, 119 two-bedroom units (inclusive of three superintendent units), 43 three-bedroom units, and two four-bedroom units. Of the current 221 non-super units, 61 are market-rate, 158 are rent-stabilized, and two are rent-controlled.

Built in approximately 1910, the buildings in the portfolio require varying levels of rehabilitation. The work is already in progress and is expected to be completed in three months.

HPD is requesting that the Council approve a 30-year, partial Article XI property tax exemption for the portfolio. Currently, seven of the properties have J-51 exemptions. Upon approval of the new exemption, the J-51 exemptions would continue until they phased out by 2029. HPD and the HDFC would enter into a regulatory agreement for the project that would require that 36 units be made available to households earning up to 50% of AMI, 21 units be made available to households earning up to 60% of AMI, 22 units be made available to households earning up to 70% of AMI, 15 units be made available to households earning up to 105% of AMI, 22 units be made available to households earning up to 120% of AMI, 80 units be made available to households earning up to 135% of AMI, and 25 units be made available to households earning up to 160% of AMI.

Summary:

* Borough – Manhattan
* Block 1917, Lots 2, 4, and 64, Block 1937, Lot 36, Block 1938, Lots 33, 34, 35, 36, 39, and 41, Block 1941, Lots 29, 30, 31, 32, 33, and 34, Block 2030, Lot 31
* Council District – 9
* Council Member – Perkins
* Council Member approval – Yes
* Number of buildings – 21
* Number of units – 224
* Type of exemption – Article XI, partial, 30 years
* Population – affordable rental housing
* Sponsor – HP ACP HDFC
* Purpose – preservation
* Cost to the city – $17.6 million
* Housing Code Violations – N/A
* AMI Targets – 36 units at 50% of AMI, 21 at 60% of AMI, 22 units at 70% of AMI, 15 units at 105% of AMI, 22 units at 120% of AMI, 80 units at 135% of AMI, and 25 units at 160% of AMI.

**Item 6: Black Spruce – Washington Heights**

The Black Spruce-Washington Heights portfolio consist of nine mixed-use buildings comprised of 420 residential units and 50 commercial spaces located in the Washington Heights, Hudson Heights, and Fort George neighborhoods of upper Manhattan. The portfolio was bundled together between 1985 and 1994 by the Iskander family’s Intervest Development Corp. and subsequently sold in 2016. Only one building, 1083 St. Nicholas Ave, has previously been held by the City through In-Rem Tax foreclosure and was sold at public auction in 1993.

HPD is requesting that the Council approve a 40-year, partial Article XI property tax exemption for the portfolio. HPD and the HDFC would enter into a regulatory agreement for the project that would require that 124 units be made available to households earning up to 55% of AMI, 61 units be made available to households earning up to 65% of AMI, 69 units be made available to households earning up to 75% of AMI, 63 units be made available to households earning up to 90% of AMI, 60 units be made available to households earning up to 120% of AMI, and 37 units be made available to households earning up to 165% of AMI.

Summary:

* Borough – Manhattan
* Block 2122, Lots 84 and 88; Block 2128, Lot 8; Block 2133, Lot 30; Block 2141, Lot 48; Block 2143, Lot 9; Block 2169, Lots 29 and 34; Block 2176, Lot 54
* Council District – 7 and 10
* Council Members – Levine and Rodriguez
* Council Member approval – Yes
* Number of buildings – 9
* Number of units – 420
* Type of exemption – Article XI, partial, 40 years
* Population – affordable rental housing
* Sponsor – HP Washington Heights Portfolio HDFC
* Purpose – preservation
* Cost to the city – $41 million
* Housing Code Violations –
  + Class A – 339
  + Class B – 979
  + Class C – 185
* AMI targets – 124 units at 55% AMI, 61 units at 65% AMI, 69 units at 75% AMI, 63 units at 90% AMI, 60 units at 120% AMI, 37 units at 165% AMI

**Item 7: 5 Tellers HDFC**

The 5 Tellers HDFC portfolio comprises of two adjacent and contiguous five-story walk-up rental buildings with 42 residential units located in the Concourse Village neighborhood of the South Bronx. The project contains two one-bedroom units (inclusive of one superintendent unit), 22 two-bedroom units, and 18 three-bedroom units.

Under the proposed project, 5 Tellers HDFC would acquire the property and 5 Tellers Associates, L.P. (Partnership) would be the beneficial owner and would operate the project. The HDFC and the Partnership (collectively, Owner) will finance the rehabilitation of the Exemption Area with loans from HPD and Community Preservation Corporation. The purpose of the proposed project is to finance the moderate rehabilitation and energy and water efficiency needs of the properties, including the renovation and legalization of two basement units.

Currently, the property receives J-51 tax benefits. In order to ensure the continued affordability of the property, HPD is requesting an Article XI exemption that would be reduced by an amount equal to any concurrent J-51 benefits. The J-51 benefits are set to expire in 2030. HPD is requesting that the Council approve a 40-year, partial Article XI property tax exemption for the portfolio. HPD and the HDFC would enter into a regulatory agreement for the project that would require that all units shall be made available to households earning up 60% AMI.

**Summary:**

* Borough – Bronx
* Block 2421, Lots 22 and 24
* Council District – 17
* Council Member – Salamanca
* Council Member approval – Yes
* Number of buildings – 2
* Number of units – 42
* Type of exemption – Article XI, partial, 40 years
* Population – affordable rental housing
* Sponsor – 5 Tellers HDFC
* Purpose – preservation
* Cost to the city – $2.2 million
* Housing Code Violations
  + Class A – 22
  + Class B – 44
  + Class C – 11
* AMI targets – 60% AMI

**Item 8: Lexington Courts**

Lexington Courts consists of nine buildings and 229 units in East Harlem. The portfolio consists of one studio apartment, 43 one-bedroom apartments, 114 two-bedroom apartments, 40 three-bedroom apartments, 22 four-bedroom apartments, and nine superintendent units.

East Harlem Lexington HDFC acquired the property in 2009. East Harlem Lexington Partners, L.P. (Partnership) is the beneficial owner and operates the property. The HDFC and the Partnership (collectively, Owner) entered into a regulatory agreement dated December 17, 2009 with the New York City Housing Development Corporation (HDC) providing that all units must be rented to families who incomes do not exceed 60% of AMI. The Owner and HPD will enter into a second regulatory agreement for a 30-year term restricting the units in accordance with a HAP contract, and limiting legal rents at 200% of the HAP contract which is to be effective at closing.

HPD is requesting that the Council approve a 30-year, partial Article XI property tax exemption for the portfolio. Upon execution of the regulatory agreement, all units will continue to be rented to families who incomes do not exceed 60% of AMI.

Summary:

* Borough – Manhattan
* Block 1767, Lots 11, 22, 47, and 52; Block 1768, Lots 9 and 11; Block 1771, Lots 14 and 56; Block 1783, Lot 41
* Council Districts – 8 and 9
* Council Members – Ayala and Perkins
* Council Member approval – Yes
* Number of buildings – 9
* Number of units – 229
* Type of exemption – Article XI, partial, 30 years
* Population – affordable rental housing
* Sponsors – East Harlem Lexington HDFC; East Harlem Lexington Partners, L.P.
* Purpose – preservation
* Cost to the city – $14.2 million
* AMI Targets – 60% AMI