August 14, 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

RE: Finance Committee Agenda of August 14, 2019 – Resolutions approving a tax exemption for four Land Use items (Council Districts 9, 14, 15, and 34)

**Item 1: Harlen House**

Halen House is comprised of 212 residential units across two building in Harlem, Manhattan. The project contains six studios, 94 one-bedrooms, 95 two-bedrooms (excluding two superintendent units), and 17 three-bedrooms. The project is presently owned by an Article V Housing Redevelopment Company and all units are low-income rentals subject to a Housing Assistance Payments (“HAP”) Section 8 contract, under which tenants pay a fixed portion their income in rent and the U.S. Department of Housing and Urban Development (“HUD”) makes payments to the landlord for any remaining markup-to-market contract rent.

The Department of Housing Preservation and Development (“HPD”) is requesting that the Council approve a partial, 40-year Article XI property tax exemption. The Article V tax exemption, which would otherwise expire in 2022, would be terminated and the Article V Housing Redevelopment Company would be dissolved. Harlen Housing Development Fund Corporation (“HDFC”) would acquire the properties and enter into a regulatory agreement with HPD that would require the apartments be rented only to households earning less than 60% of the Area Median Income (“AMI”). The HDFC would also renew the HAP contract for 20 years.

Summary:

* Borough – Manhattan
* Block 1736, Lots 1 and 60
* Council District – 9
* Council Member – Perkins
* Council Member approval – Yes
* Number of buildings – 2
* Number of units – 212
* Type of exemption – Article XI, partial, 40-years
* Population – affordable rental housing
* Sponsor – Harlen HDFC, Fairstead Affordable LLC
* Purpose – preservation
* Cost to the City – $6.8 million
* Housing Code Violations
  + Class A – 8
  + Class B – 47
  + Class C – 1
* AMI targets – 60% of AMI

**Item 2: Olinville Manor**

Olinville Manor is a six-story walkup building in the Williamsbridge section of the Bronx comprised of 46 units, including 20 studios, six one-bedrooms, and 20 two-bedrooms, as well as a small meeting space and ten parking spaces available for rent by residents.

The project has been a limited equity HDFC coop since 1984 and requires moderate rehabilitation, including façade work and asbestos removal from the roof and parapet walls. HPD proposes to finance the renovation with a $1.7 million loan. HPD is requesting that the Council approve a full, 32-year Article XI property tax exemption. The property currently receives a partial Article XI property tax exemption that the Council granted in 1989 pursuant to a request from HPD’s Division of Alternative Management Program (DAMP). The existing exemption, which is set to expire in June 2029, would be terminated upon the approval of the new Article XI exemption. Currently, there is no existing regulatory agreement for the property. At closing, HPD and the HDFC would enter into a regulatory agreement ensuring that the units not be sold to households whose annual household incomes exceed 120% AMI.

Summary:

* Borough – Bronx
* Block 4594, Lot 44
* Council District – 15
* Council Member – Torres
* Council Member approval – Yes
* Number of buildings – 1
* Number of units – 46
* Type of exemption – Article XI, full, 32 years
* Population – affordable homeownership
* Sponsor – Olinville Manor HDFC, Newgent Management
* Purpose – preservation
* Cost to the City – $1.6M
* Housing Code Violations
  + Class B – 2
* AMI targets – 120% AMI

**Item 3: 340 South Third Street**

340 South Third Street is a six-story, 41-unit rental building located in the Williamsburg neighborhood of Brooklyn consisting of 14 one-bedrooms, 13 two-bedrooms, and seven three-bedrooms. It has been an HDFC since 1994. The HDFC began to accumulate property tax arrears in January 2016, six months after its J-51 tax abatement expired, but it entered into a ten-year payment plan with DOF and has been paying down the arrears.

HPD and the HDFC propose a coop-conversion simultaneous with a moderate rehabilitation. To help finance this project, HPD is requesting that the Council grant the property a full, 40-year Article XI tax exemption. The exemption would be retroactive to January 2016 and would result in a refund of $160,000 that the HDFC already paid towards its ten-year payment plan, which would instead be used to pay water and sewer debt, establish reserves, contribute towards soft costs to the renovation, and be applied to owner-equity requirements.

The HDFC and HPD would enter into a regulatory agreement that anticipates two possible scenarios. If the project successfully converts to a limited-equity coop by the first quarter of 2021, initial maintenance fees would be set at $175 per room, sales prices would be capped at 80% AMI, and incomes would be capped at 120% AMI. However, if the project does not become a limited-equity coop, then rents would be capped at 60% AMI and incomes would be capped at 70% AMI.

Summary:

* Borough – Brooklyn
* Block 2437, Lot 11
* Council District – 34
* Council Member – Reynoso
* Council Member approval – Yes
* Number of buildings – 1
* Number of units – 41
* Type of exemption – Article XI, full, 40 years
* Population – affordable homeownership, with affordable rental fallback
* Sponsor – 340 South Third Street HDFC
* Purpose – preservation
* Cost to the City – $1.6M
* Housing Code Violations
  + Class A – 25
  + Class B – 79
  + Class C – 16
* AMI targets – 120% AMI (homeownership) or 70% AMI (rental)

**Item 4: Langsam 4 (1975 Davidson Ave., Bronx)**

In December 2018, Council approved partial 30-year Article XI tax exemptions for each of 17 buildings in the “Langsam Portfolio,” comprised of 745 rent-stabilized residential units, 14 superintendent’s units, and 22 commercial units located in the Bronx. One of those properties was Langsam 4, located at 1975 Davidson Avenue. In order to correct a typographical error, HPD is requesting that Council approve a technical amendment to the prior resolution approving the partial, 30-year Article XI property tax exemption for Langsam 4.

Summary:

* Borough – Bronx
* Block 2870, Lot 61
* Council District – 14
* Council Member – Cabrera
* Council Member approval – Yes
* Number of buildings – 1
* Number of units – 33
* Type of exemption – Article XI, partial, 30 years
* Purpose – technical amendment