



Department of
Housing Preservation
& Development
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LOUISE CARROLL
Commissioner

Office of the Commissioner
100 Gold Street
New York, NY 10038

SEP 09 2019

Honorable Corey Johnson
Speaker of the Council
City Hall
New York, New York 10007
Attention: Jonathan Ettericks

Re: Knickerbocker Village, Inc. ("Housing
Company")
Block 253, Lot 0001
Manhattan, Community District No. 3
Council District No. 1

Dear Mr. Speaker:

Article IV of the Private Housing Finance Law ("PHFL") authorizes the formation of limited dividend housing companies in order to encourage investment in low rent housing accommodations. Rental limited dividend housing developments created pursuant to PHFL Article IV or its statutory predecessor, the State Housing Law of 1926, are similar to Mitchell-Lama rental developments in that both types of developments were authorized to receive partial real property tax exemptions from the City, and the rents in such companies are statutorily restricted to meet operating expenses and other legally required payments. All Article IV corporations are supervised by the State Division of Housing and Community Renewal ("DHCR").

Most of the limited dividend housing companies formed pursuant to PHFL Article IV have been released from the supervision of DHCR or are ineligible for, or are not seeking, new tax exemptions for other reasons. The Housing Company is a limited dividend rental housing development ("Project") comprised of two buildings containing 1,590 units and is located in Lower Manhattan. The original tax exemption expired in 1954, and both buildings are now paying full real property taxes.

In Chapter 389 of the Laws of 2003, the State Legislature authorized an additional period of up to fifty years of tax exemption for PHFL Article IV limited dividend housing companies upon the expiration of their tax exemption period. The Department of Housing Preservation and Development ("HPD") has determined that, in order to address continuing increases in operating expenses, maintain affordable rents, and fund capital work for the preservation of the Project, it is in the best interests of the City to grant a tax exemption to the Housing Company to be computed on the basis of its being billed for real property taxes in an amount equal to not less than two and five-tenths percent (2.5%) of the annual shelter rent for the Project.

HPD respectfully requests that the Council approve an exemption from real property taxation as follows:

1. (a) All of the value of the property in the Project, including both the land and the improvements (excluding those portions, if any, devoted to business or commercial use) shall be exempt from real property taxes, other than assessments for local improvements, commencing on January 1, 2019 ("Commencement Date") and such exemption shall continue so long as the Housing Company continues to operate the Project as a limited



housing company development pursuant to the provisions of Article IV of the PHFL or until a date fifty years from the Commencement Date, whichever is sooner ("Expiration Date").

(b) Commencing on the Commencement Date and during each year thereafter until the Expiration Date, the Housing Company shall make real property tax payments in the sum of two and five-tenths percent (2.5%) of the Project's annual Shelter Rent; provided, however, that no refunds or credits shall be available for any period in which the Housing Company paid full real property taxes for the Project.

(c) For purposes of this paragraph, "Shelter Rent" shall mean the total rents received from the occupants of the Project less the cost of providing to the occupants electricity, gas, heat and other utilities. Total rents shall include rent supplements and subsidies from the federal government, the state or the City on behalf of such occupants, but shall not include interest reduction payments pursuant to subdivision (a) of § 201 of the Federal Housing and Urban Development Act of 1968.

2. The tax exemption granted herein shall be limited by the provisions of PHFL § 93(4) in that such exemption shall not exceed one hundred percent (100%) of the value of property included in the Project representing an increase over the assessed valuation of the real property, both land and improvements, acquired for the Project at the time of its acquisition by the Housing Company.

3. Such tax exemption is further subject to and conditioned upon compliance with the requirements of the PHFL and the applicable rules and regulations promulgated thereunder.

4. If the Housing Company fails to comply with the requirements of the PHFL and the applicable rules and regulations promulgated thereunder, including, but not limited to, reviews of its financial condition and the requirements governing billing, collection, and remittance of surcharges, then HPD may terminate the tax exemption approved herein for the Housing Company.

5. In consideration of the tax exemption provided for hereunder, the Housing Company shall waive the benefits of any additional or concurrent exemption from or abatement of real property taxation which may be authorized under any existing or future local, state, or federal law, rule, or regulation. Notwithstanding the foregoing, nothing herein shall prohibit the granting of any real property tax abatement pursuant to Sections 467-b or 467-c of the Real Property Tax Law to real property occupied by senior citizens or persons with disabilities.

HPD recommends approval of this matter and requests that it be referred to the appropriate committee at the next scheduled meeting of the Council.

Sincerely,



Louise Carroll

NYC



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