November 26, 2019

TO: Hon. Daniel Dromm

 Chair, Finance Committee

Members of the Finance Committee

FROM: Rebecca Chasan, Senior Counsel, Finance Division

Stephanie Ruiz, Assistant Counsel, Finance Division

Noah Brick, Assistant Counsel, Finance Division

RE: Finance Committee Agenda of November 26, 2019 – Resolutions approving a tax exemption for eight Land Use items (Council Districts 8, 9, 14, and 17)

**Item 1: HCCI 2 (aka NME I)**

HCCI 2 is a 20-building project comprised of 399 residential units and 17 commercial units in Harlem. The residential units include five studios, 61 one-bedroom units, 178 two-bedroom units, 115 three-bedroom units, 27 four-bedroom units, and six five-bedroom units (inclusive of seven superintendent units).

NME Housing Development Fund Company, Inc. (HDFC) acquired the properties in 2014. Northern Manhattan Equities LLC is the beneficial owner and operates the properties. The HDFC and the LLC financed the acquisition and rehabilitation of the properties with a loan from a private lending institution. On October 7, 2014, the City Council approved Resolution No. 441 providing the project with a 32-year Article XI tax exemption from the date of December 4, 2014, the date the project entered into a new regulatory agreement. The HDFC, LLC and the Department of Housing Preservation and Development (HPD) entered into an amended and restated regulatory agreement on November 30, 2018, requiring that 40 units be leased only to households with incomes up to 40% of the Area Median Income (AMI), 60 units be leased only to households with incomes up to 60% AMI (all permanently), 56 units be leased only to households with incomes up to 90% AMI, 176 units be leased only to households with incomes up to 100% AMI and 67 units be leased only to households with incomes up to 120% AMI.

Subsequently, the project suffered delays in converting to permanent financing and was required to obtain a bridge loan with Merchants Bank of Indiana in November 2018. The project is also planning to obtain a 35-year permanent financing loan with Merchants Bank of Indiana.

HPD is requesting that the Council approve a full, 40-year Article XI tax exemption commencing on November 30, 2018 to replace the prior exemption which would be terminated. The exemption would be coterminous with the term of the permanent financing loan, satisfy the tax benefit conditions of the first position lender, help to leverage private financing, and assure the long-term viability of the project.

Summary:

* Borough – Manhattan
* Block 1718, Lot 69; Block 1903, Lot 29; Block 1904, Lots 33 and 59; Block 1906, Lot 64; Block 2026, Lots 20, 22, 23, 26, 27, and 29; Block 2031, Lot 18; Block 2032, Lot 43; Block 2036, Lot 61; Block 2045, Lots 96, 97, and 100; Block 2046, Lots 7 and 63
* Council District – 9
* Council Member – Perkins
* Council Member approval –Yes
* Number of buildings – 20
* Number of units – 399 (including 7 superintendent units)
* Type of exemption – Article XI, full, 40 years
* Population – affordable rental housing
* Sponsor – NME HDFC, Northern Manhattan Equities LLC, Exact Capital Group LLC
* Purpose – preservation
* Cost to the city - $18.6 million
* Housing Code Violations
	+ Class A – 117
	+ Class B – 241
	+ Class C – 63
* AMI target – 40 units at 40% AMI, 60 units at 60% AMI, 56 units at 90% AMI, 176 units at 100% AMI and 67 units at 120% AMI

**Item 2: HCCI 2 Phase II (aka NME II)**

HCCI 2 Phase II is a seven-building project comprised of 207 residential and five commercial units in Harlem. The residential units include 10 studio units, 10 one-bedroom units, 139 two-bedroom units, and 56 three-bedroom units (inclusive of two superintendent units).

NME II HDFC acquired the properties in 2015. Northern Manhattan Equities II LLC is the beneficial owner and operates the properties. The HDFC and the LLC financed the acquisition and rehabilitation of the properties with loans from HPD and a private lending institution. On April 16, 2015, the City Council approved Resolution No. 663 providing the project with a 31.5-year Article XI tax exemption from the date of July 2, 2015, the date the project entered into a new regulatory agreement. The HDFC, LLC and HPD entered into an amended and restated regulatory agreement on November 30, 2018, requiring that 21 units be leased only to households with incomes up to 40% AMI, 111 units be leased only to households with incomes up to 60% AMI (31 permanently), 41 units be leased only to households with incomes up to 80% AMI, and 32 units be leased only to households with incomes up to 100% AMI.

Subsequently, the project suffered delays in converting to permanent financing and was required to obtain a bridge loan with Merchants Bank of Indiana in November 2018. The project is also planning to obtain a 35-year permanent financing loan with Merchants Bank of Indiana.

HPD is requesting that the Council approve a full, 40-year Article XI tax exemption commencing on November 30, 2018 to replace the prior exemption which would be terminated. The extension would be coterminous with the term of the permanent financing loan, satisfy the tax benefit conditions of the first position lender, help to leverage private financing, and assure the long-term viability of the project.

Summary:

* Borough – Manhattan
* Block 1823, Lot 18; Block 2025, Lots 44, 46, 47, and 49; Block 2031, Lots 7 and 12
* Council District – 9
* Council Member – Perkins
* Council Member approval –Yes
* Number of buildings – 7
* Number of units – 207 (including 2 superintendent units)
* Type of exemption – Article XI, full, 40 years
* Population – affordable rental housing
* Sponsor – NME II HDFC, Northern Manhattan Equities II LLC, Exact Capital Group LLC
* Purpose – preservation
* Cost to the city - $8.4 million
* Housing Code Violations
	+ Class A – 24
	+ Class B – 45
	+ Class C – 9
* AMI target – 21 units at 40% AMI, 111 units at 60% AMI, 41 units at 80% AMI and 32 units at 100% AMI

**Item 3: Jamie’s Place Apartments**

On June 14, 2018, the Council approved Resolution No. 411, which provided a 40-year Article XI tax exemption for Jamie’s Place Apartments in East Harlem. Jamie’s Place Apartments is a five-building development comprised of 126 units of affordable housing. HPD is requesting that the Council approve an amendment to the prior resolution to decrease the partial property tax payment that would be required by the HDFC in order to increased labor costs.

Summary:

* Borough – Manhattan
* Block 1645, Lots 12 and 59; Block 1768, Lots 1 and 7; Block 1767, Lot 60
* Council Districts – 8 and 9
* Council Members – Ayala and Perkins
* Council Member approval –Yes
* Number of buildings – 5
* Number of units – 126 (including 2 superintendent units)
* Type of exemption – Article XI, partial, 40 years
* Purpose – amendment of prior resolution
* Cost to the City – $1.5 million

**Item 4: 1415-1417 Wythe Place Pillars**

1415-1417 Wythe Place Pillars is comprised of 58 residential units and a commercial space. The residential units include 35 one-bedroom units, 10 two-bedroom units, five three-bedroom units, and one four-bedroom unit (inclusive of one superintendent unit).

The building is owned and managed by 1415 Wythe HDFC. The HDFC will finance the rehabilitation of the property with loans from HPD and a private lending institution.

HPD is requesting that the Council approve a full, 40-year tax exemption to support affordability. The HDFC, the New York City Housing Development Corporation (HDC) and HPD would enter into a regulatory agreement that would require that seven units be leased only to households with incomes up to 60% AMI, 21 units be leased only to households with incomes up to 80% AMI, 25 units be leased only to households with incomes up to 90% AMI, three units be leased only to households with incomes up to 120% AMI, and one units be leased only to households with incomes up to 125% AMI.

Summary:

* Borough – Bronx
* Block 2843, Lot 93
* Council District – 14
* Council Member – Cabrera
* Council Member approval –Yes
* Number of buildings – 1
* Number of units – 58 (including 1 superintendent unit)
* Type of exemption – Article XI, full, 40 years
* Population – affordable rental housing
* Sponsor –Wythe HDFC; Settlement Housing Fund, Inc.
* Purpose – preservation
* Cost to the city – $3.9 million
* Housing Code Violations
	+ Class A – 3
	+ Class B – 20
	+ Class C – 11
* AMI target – 7 units at 60% AMI, 21 units at 80% AMI, 25 units at 90% AMI, three units at 120% AMI, and one unit at 125% AMI.

**Item 5: West 141 Street Cluster**

The West 141st Street Cluster is located at 111 West 141st Street and 148 West 141st Street in Harlem. It is comprised of two buildings with 89 residential units, including 38 studio units, 35 one-bedroom units, 15 two-bedroom units, and one three-bedroom units (inclusive of one superintendent unit).

Under the proposed project, CLOTH Pillars I HDFC will acquire the properties and Monad Pillars I LLC will become the beneficial owner and will operate the buildings. The HDFC and LLC will finance the acquisition and rehabilitation of the buildings with loans from HPD and a private lending institution.

HPD is requesting that the Council approve a partial, 40-year tax exemption to support affordability. The HDFC, LLC, and HPD would enter into a regulatory agreement that would require that seven units be leased only to households with incomes up to 60% AMI, 33 units be leased only to households with incomes up to 85% AMI, 42 units be leased only to households with incomes up to 95% AMI, and six units be leased only to households with incomes up to 130% AMI.

Summary:

* Borough – Manhattan
* Block 2009, Lot 45; Block 2010, Lot 21
* Council District – 9
* Council Member – Perkins
* Council Member approval – Yes
* Number of buildings – 2
* Number of units – 89 (including one superintendent unit)
* Type of exemption – Article XI, partial, 40 years
* Population – affordable rental housing
* Sponsor – CLOTH Pillars I HDFC; Monad Pillars I LLC; Monadnock Development
* Purpose – preservation
* Cost to the city – $6.6 million
* Housing Code Violations
	+ Class A – 28
	+ Class B – 64
	+ Class C – 9
* AMI targets – 7 units at 60% AMI, 33 units at 85% AMI, 42 units at 95% AMI, and 6 units at 130% AMI.

**Item 6: 1015 Anderson Avenue**

1015 Anderson Avenue is a single-building limited equity HDFC located in Highbridge. Its 22 units include one one-bedroom unit, 16 two-bedroom units, and five three-bedroom units.

HPD is requesting that the Council approve a full, 40-year Article XI tax exemption. HPD would finance a moderate rehabilitation of the building and address the energy and water efficiency needs of the building. The HDFC would enter into a regulatory agreement with HPD that would require that the all units be sold only to households with incomes up to 120% AMI. The project currently receives a partial Article XI property tax exemption, which would terminate upon commencement of the new exemption.

Summary:

* Borough – Bronx
* Block 2508, Lot 41
* Council District – 8
* Council Member – Ayala
* Council Member approval – Yes
* Number of buildings – 1
* Number of units – 22
* Type of exemption – Article XI, full, 40 years
* Population – affordable homeownership
* Sponsor – 1015 Anderson Avenue HDFC
* Purpose – preservation
* Cost to the city – $900,000
* Housing Code Violations
	+ Class A – 6
	+ Class B – 3
	+ Class C – 9
* AMI targets – 22 units at 120% AMI

**Item 7: 1045 Anderson Avenue**

1045 Anderson Avenue is a single-building limited equity HDFC located in Highbridge. Its 49 units include two studio units, 34 one-bedroom units, and 13 two-bedroom units (inclusive of one superintendent unit).

HPD is requesting that the Council approve a full, 40-year tax exemption. Existing HPD debt would be modified and extended though a purchase and sale agreement with HDC. Other City arrears would be refinanced with two loans from Habitat for Humanity NYC and Leviticus Fund. The HDFC would use the savings to finance a moderate rehabilitation of the building and address the energy and water efficiency needs of the building. The HDFC would enter into a regulatory agreement with HPD that would require that the all units be sold only to households with incomes up to 120% AMI. The project currently receives a a partial Article XI property tax exemption, which would terminate upon closing.

Summary:

* Borough – Bronx
* Block 2508, Lot 26
* Council District – 8
* Council Member – Ayala
* Council Member approval – Yes
* Number of buildings – 1
* Number of units – 49 (inclusive of one superintendent unit)
* Type of exemption – Article XI, full, 40 years
* Population – affordable homeownership
* Sponsor – 1045 Anderson Avenue HDFC
* Purpose – preservation
* Cost to the city – $1.9 million
* Housing Code Violations
	+ Class A – 27
	+ Class B – 191
	+ Class C – 9
* AMI targets – 48 units at 120% AMI

**Item 8: Timpson**

Timpson HDFC is a portfolio of four buildings comprised of 178 residential units and three commercial units located across four separate lots in the Woodstock neighborhood. Its residential units include two one-bedroom units, 101 two-bedroom units (inclusive of one superintendent unit), 68 three-bedroom units (inclusive of one superintendent unit), and seven four-bedroom units.

Timpson HDFC is a subsidiary of SEBCO Development, Inc., a not-for-profit organization formed in 1978 to create and rehabilitate low income housing in the South Bronx

HPD is requesting that Council approve a full, 32-year Article XI tax exemption. The HDFC would enter into a regulatory agreement with HPD requiring that 69 units be leased only to households with incomes up to 50% AMI, 66 units be leased only to households with incomes up to 60% AMI, and 41 units be leased only to households with incomes up to 105% AMI. HPD would provide subsidy to finance the moderate rehabilitation and energy and water efficiency needs of the buildings, and would extend and modify an existing loan through a Purchase and Sale Agreement with HDC.

Summary:

* Borough – Bronx
* Block 2573, Lots 49 and 71; Block 2603, Lot 35; Block 2691, Lot 67
* Council Districts – 8 and 17
* Council Member – Ayala and Salamanca
* Council Members approval – Yes
* Number of buildings – 4
* Number of units – 178 (inclusive of two superintendent units)
* Type of exemption – Article XI, full, 32 years
* Population – affordable rental housing
* Sponsor – Timpson HDFC, SEBCO Development, Inc.
* Purpose – preservation
* Cost to the city – $9.1 million
* Housing Code Violations
	+ Class A – 13
	+ Class B – 14
	+ Class C – 5
* AMI targets – 69 units at 50% AMI, 66 units at 60%, 41 units 105% AMI.