CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

of the

COMMITTEE ON HOUSING AND BUILDINGS

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April 7, 2010 Start: 1:09pm Recess: 1:50pm

HELD AT: Council Chambers

City Hall

B E F O R E:

ERIC MARTIN DILAN

Chairperson

COUNCIL MEMBERS:

Council Member Leroy G. Comrie, Jr.
Council Member Elizabeth Crowley
Council Member Lewis A. Fidler
Council Member Robert Jackson
Council Member Letitia James
Council Member Rosie Mendez
Council Member James S. Oddo
Council Member Joel Rivera
Council Member Eric A. Ulrich
Council Member Thomas White, Jr.
Council Member Jumaane D. Williams

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

Joseph Rosenberg
Deputy Commissioner of Intergovernmental Relations
Department of Housing Preservation and Development

Kenneth Fisher Attorney Cozen O'Connor

Nick Palufo Representative 1078 Fulton Street Project

Robert Altman Representative Vernon Jackson Development, LLC

Michael Gutterman Representative Vernon Jackson Development, LLC

Martin Weber Representative 40 Gold Street Project

[background noise]

3	CHAIRPERSON DILAN: Okay. [gavel]
4	Good morning, and I'd like to convene this
5	Committee Hearing on the New York City Council's
6	Housing and Buildings Committee. Good afternoon,
7	actually. My name is Eric Martin Dilan, and I'm
8	the Chairperson of the City Council's Housing and
9	Buildings Committee, and I'd like to thank you all
10	for attending today's initial hearing on Intro 66,
11	which is a local law to amend the Administrative
12	Code of the City in relation to benefits pursuing
13	Section 421-A of the Real Property Tax Law. I
14	view this bill as a technical correction to the
15	421-A law. This bill would remove the requirement
16	that plumbing plans for the construction of a new
17	building on alteration permit for multiple
18	dwelling must be approved by the Department of
19	Buildings in order for a project's eligibility
20	into the tax benefit program. Projects that
21	include new residential construction and
22	concurrent conversion, alteration or improvement
23	of a preexisting building or structure, would also
24	be eliminated if architectural and structural
25	plans are approved by DOB and the actual

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construction begins in good faith as certified by an architect or a professional engineer licensed by the State of New York, provided that that construction is completed without undue delay. So, at this point, we would be willing to begin, and if anyone wishes to testify on the item before the Committee's agenda today, please see the Sergeant-at-Arms, and fill out an appearance card, and please indicate whether you're in favor or in opposition of the bill. Again, we'd like to ask all members of the audience to please put their cell phone on vibrate, or shut off. And if there is a need for private conversation, if it could happen outside of the chamber. At this point, I'd like to turn it over to HPD. We have with us Deputy Commissioner Joseph Rosenberg, and even though I acknowledged you by name, you have to do so in your own voice for the record, and you can acknowledge the young lady next to you. JOSEPH ROSENBERG: Thank you. Good

JOSEPH ROSENBERG: Thank you. Good afternoon, Chairman Dilan, I'm Joseph Rosenberg, Deputy Commissioner of Intergovernmental Relations at the Department of Housing Preservation and Development. Sitting to my left Miriam Colon, our

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Assistant Commissioner of our Housing Incentives Division. I am pleased to be here to discuss Intro 66, which clarifies the definition of commencement of construction when applying t receive 421-A benefits. This bill rectifies an inequity in existing law. When the language was drafted, it was assumed that the building or alteration permit issued from the Department of Buildings, which is needed for commencement of construction under the 421-A tax incentive program, would be based upon architectural, structural and plumbing plans approved by the Department of Buildings. Although well intentioned, linking commencement of construction to the approval of three sets of plans has proven to be an inaccurate measure of constituting when construction starts. The architectural and structural plans are approved before the building or alteration permits are issued, but the plumbing plans are not approved until much later. As a result, although physical construction of the development has occurred due to the issuance of the building or alteration permit, based upon approved architectural and structural plans, the

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development for the purpose of receiving 421-A benefits is not considered to have started construction since the plumbing plans have not yet been approved. The problem that this bill addresses is that since a number of developers do not have all three sets of their plans approved-i.e., structural, architectural and plumbing, before they began their construction, both HPD and the New York City Law Department have concluded that they did not commence construction before the new restrictions imposed on 421-A tax exemption benefits took effect. There are approximately four projects that applied for 421-A benefits, and when deemed not to have commenced before the new 421-A restrictions took effect, because their plumbing plans were not yet approved. If Intro 66 is passed, these projects will be considered to have fallen into the pre-July 1, 2008 category and would get an as of right benefit, ten or 15 years, depending on location, or a longer benefit period if they decide to provide affordable housing. This bill corrects a well intended but factually inaccurate requirement and it provides some much needed clarity to the definition of commencement

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of construction. For this reason, we are in strong support of Intro 66. Thank you, and I'll be happy to answer any questions you might have.

CHAIRPERSON DILAN: Okay, thank you, Commissioner, and just for the benefit of Members, this is an initial hearing on this bill, at the conclusion of what I perceive to be a brief This item will be later signed and hearing. hopefully be before the Committee for disposition at a future date. We've been joined by Council Member Leroy Comrie of Queens, Council Member Joel Rivera of The Bronx, as well as Council Member Jumaane Williams of Brooklyn. So, Commissioner, I just want to start by something that you stated in your testimony, and I believe it's, you know, I believe it's the second page of your testimony. You say generally that the architectural and structural plans for a building are approved well in advance of a plumbing permit. Do you have a general idea of the time gap between when the architectural and structural plans are filed, as to when the plumbing permit is filed?

Yes, there's JOSEPH ROSENBERG: quite a discrepancy here. The, the plans for

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architectural and structural can be approved within several weeks of the submission; plumbing can be as often as eight months after the initial submission. We strongly support the bill because we feel that although plumbing is one of the requirements for commencement of construction, to get the benefit of 421-A, many buildings proceed, an should proceed, without getting a plumbing permit. As soon as structural and architectural is issued, they can go into the ground.

CHAIRPERSON DILAN: Okay, we perceive, at least here in the Council, and maybe this could be, I would imagine this will be addressed before disposition of the bill, if we get to that point, but you stated approximately four projects—

JOSEPH ROSENBERG: That's right.

CHAIRPERSON DILAN: --are eligible, and I guess what would be the revenue impact to the City if this bill was enacted?

JOSEPH ROSENBERG: We're looking at it, it'd be relatively minor. Currently, they would not receive a 421-A benefit, if the law is not passed. If the law is passed, the benefit

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2	would be of the shorter variety. One of them
3	would get a ten year benefit, which is a two year
4	full benefit and an eight year phase out, and the
5	other three would get a 15 year tax exemption
6	benefit, which is eleven year full and a four year
7	phase out. It's not the deep 25 year benefit that
8	many owners attempt to get.

CHAIRPERSON DILAN: Okay, and in general, at what stage of construction do developers generally apply for the 421-A benefit? And what impact, if any, would this legislation have on such a practice?

JOSEPH ROSENBERG: Well, we think this wouldn't really have much of--once the architectural and, unless I'm, unless I'm missing your question, once the architectural and structural permits are issued, then the excavation starts, and the foundation is laid. So it starts quite quickly after those permits are issued. These projects are all quite advanced at this point.

CHAIRPERSON DILAN: Okay, we've been joined by Council Member Rosie Mendez of Manhattan, as well as Council Member Tom White of

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Queens. Do any of my colleagues have any questions on the bill at this time? Okay, so then it should be just one or two more, and then we will take testimony from four individuals who signed up to appear before the Committee. Okay, so currently, we know, you've identified four That's right. CHAIRPERSON DILAN: Do we know, is there a potential of other projects arising? And do we know of any other projects that could potentially benefit from this technical - - ? It's something we're looking. We haven't seen any at this point. We expect it's four, there might be, if there are any more, it would be very, very few. CHAIRPERSON DILAN: Okay, so you don't expect a major windfall of buildings coming forward--? No, not, not JOSEPH ROSENBERG: whatsoever. CHAIRPERSON DILAN: Okay. Council Member Williams?

25 COUNCIL MEMBER WILLIAMS: [of mic]

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always an awkward definition. I think that it particularly became noticed due to the changes that were in the 421-A law, both on the State and local level several years ago, where--it was always an important program, but it was basically as of right based on location. With all the substantive changes in 2006/7 and 2008 on the local and State law, it came to our attention as well as I think everyone else's, that this was not an accurate judge of when commencement of construction for the purposes of receiving the benefits, you know, should be used.

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1	COMMITTEE ON HOUSING AND BUILDINGS 12
2	COUNCIL MEMBER WILLIAMS: [off mic]
3	So, it was, it was a working definition until the
4	restriction, the new restriction was
5	JOSEPH ROSENBERG: I think it was
6	always difficult. The new definitions changed
7	things a great deal. I think what we did here,
8	well certainly what the Chairman did here, who's
9	the sponsor of the bill. The, the date that this
10	kicks in is December of '07. So, it evidences a
11	definite sign that the owners involved here
12	started the work long, long before the changes
13	that both the Council and the State did went into
14	effect.
15	COUNCIL MEMBER WILLIAMS: [off mic]
16	Okay.
17	CHAIRPERSON DILAN: Okay, any, any
18	of my other colleagues have anything they'd like
19	to add? Council Member Comrie?
20	COUNCIL MEMBER COMRIE: I just want
21	to be clear that this is, this is to ease
22	restrictions, so that people can get financing for
23	their projects once they're in the ground, or get

the--and so that they can include the 421-A

benefits as an incentive, correct?

JOSEPH ROSENBERG:

Great, thank

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you.

Fisher.

CHAIRPERSON DILAN: Okay, I believe there may be--Well, we, there'll be three panels, it should be quick, I'll do 'em two at a time. [pause] Should I do that, or--Okay, I'm going to call up Ken, Ken Fisher and Robert Altman. no, well, you know what? I'll call up, yeah we'll do it this way, I'll call up Ken Fisher and Nick, forgive me if I pronounce this wrong, Nick Peltho. Yeah, but yeah, just have, just have a seat at the stand and you can give your testimony. [pause, background noise] And we'll start with Mr.

Chairman. In the interest of time, I think I'll just summarize my testimony and I hope you'll take an opportunity to read it, it has more detail in it. I'm a member of the law firm of Cozen O'Connor. Some of you know a lot of my practice involves land use and development work around the, around the City, and also I publish on this, I'm active in civic organizations and a number of other, a number of other fronts. We don't prepare 421-A applications, but I've been consulted on a number of cases, including three that are caught

I think that the number is going to 2 up in this. 3 be more than four, but probably less than a dozen. There are some applicants who may not yet know 4 that they've hit this wall, or they may have not 5 come forward to testify, or they could still be 6 7 being processed by HPD, 'cause there's a little 8 bit of a backlog there. But I don't think it's a very large number. And to speak to Council Member 9 10 Williams' question, the definition under State law 11 for commencement of construction was basically 12 that you had to have started your foundation, you needed to have dug a hole and put a footing in. 13 And when the Council decided to restrict the 14 15 benefits, they felt that they didn't want somebody 16 just going through the motions, if they were going 17 to grandfather somebody, they wanted to make sure that it was actually a building that was going to 18 19 be built. So they put in the requirement for a 20 building permit, but they didn't want it to be 21 just a bare bones building permit, they wanted it 22 to be based on approved architectural and 23 structural plans. And that wall would've been 24 The problem was the plumbing permit fine. 25 requirement because as Commissioner Rosenberg

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testified, very often you don't apply to get your plumbing plans approved until much later in the process. It could be after your foundation is done, steel's coming out of the ground, you're not going to make any more changes to the building. And very often it's not done by the architect, it's done by an engineer or a plumber, 'cause it's a specialized thing. You don't need to have your plumbing plan approved in order to start your, to pull your construction permit. And I think that's where the, where the problem came up. In the cases of the folks that have consulted with me and you'll hear from a couple of them today, their plumbing plans were approved shortly after they pulled their permit. In one case, who's not testifying today, they pull--their plumbing plans were approved the day after they got their building permit. Why? It just really wasn't something that was discussed at the time, there was a lot on the Council's plate, the State Legislature in terms of encouraging affordable housing, dealing with the sort of the development wave that was going on in the City. I think people wanted to, I think there was a fundamental

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recognition that you needed to give people whose jobs were in the pipeline a chance to, to get caught up. They hadn't designed their buildings or planned on financing them without the benefits of 421-A. So that's why you put in a grandfather clause and said, you know, basically, if you started your building by July 1, 2008, you would be okay. At the time, I don't remember any of the industry groups, any of the newsletters that I saw from any of the lawyers or consultants involved, any of the newspaper coverage, any of the testimony that I heard, talk specifically about this plumbing requirement that basically caught people by unawares. The consequences for folks are, you know, would be dramatic. One that I want to call out to you was, you know, Commissioner Rosenberg indicated that in some of these cases, people would get lesser benefits. But I believe in, in the exclusionary zones, they might not be eligible for any benefits whatsoever. And that means there's three possible consequences. they're going to pass the full taxes on to whoever rents those apartments, or buy those apartments, could be as much as \$1,000 a month, which means

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only wealthier people would be able to afford them. Or the market won't bear it, in which case it could be a financial disaster for the owner and the buildings could be in trouble. certainly got enough empty building sites around the City without putting more buildings at risk. And one other thing, which is new construction, a new rental building, that's being built now, or started to be built in 2008, unless it gets 421-A benefits, it's not subject to rent stabilization. It's not subject to any rent regulations at all. So in other words, one consequence of this could be that however many buildings are involved, four, six, eight ten, that to the extent that these are rental buildings, they wouldn't, the tenants in those buildings wouldn't be subject to any rent protections except housing code issues. So, we don't think that that's what the Council intended. We are very happy that HPD is supporting this legislation. We think it's a matter of fundamental fairness. I wanted to thank Chairman Dilan for introducing the bill, and to thank him and the Speaker for scheduling this hearing, and I hope that you'll join with HPD in supporting it.

1	COMMITTEE ON HOUSING AND BUILDINGS 19
2	CHAIRPERSON DILAN: Okay, thank
3	you, Mr. Peflo?
4	NICK PALUFO: Palufo.
5	CHAIRPERSON DILAN: Palufo, okay.
6	Thanks for correcting me.
7	NICK PALUFO: Alright, I'm just
8	going to read this.
9	CHAIRPERSON DILAN: Sure.
10	NICK PALUFO: 'Cause I'd prepared
11	it. So, my name is Nick Palufo and I'm testifying
12	in favor of Intro Number 66. We have a project at
13	1078 Fulton Street in Brooklyn, which clearly
14	demonstrates why the Council should approve the
15	change. The construction in our project began as
16	soon as the building permits were issued, and that
17	was in May of 2007. Three walls and the
18	foundation were completed when the area was
19	rezoned and we had to, and we had to rework the
20	drawings. On October 31 st , the Department of
21	Buildings inspected the property and they noted
22	that the, 75 percent of the foundations were
23	already complete, which means all the, up to the
24	ground. In February 2008, the previously approved
25	architectural plans were amended to comply with

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the new zoning, and by March the stop work order was rescinded and the construction resumed under the original permit. Prior to the new 421-A rules going into effect, but not until June of 2008, the plumbing plans were already approved by the Department of Buildings. On July 1, 2008 the project had approved architectural, structural and plumbing plans, and construction of the building's foundation was complete. Construction had obviously commenced at that time. Under the rules as they exist today, though, construction wouldn't have technically commenced until March 25, 2009, when the first subsequent permit was pulled by our plumber, and that would've been two years after we began construction. And that would've also been when most of the structural work for the building was already completed. Our project's already suffered through the prolonged construction, and we can't afford any additional setbacks. building is too small to qualify for any affordable housing programs, and we would not be able to get the 421 benefits unless this Intro 66 is adopted. Without the 421-A we would have to set rents high enough to pay the full property

taxes, it could costs hundreds of dollars a unit,
and that would mean either that we would have to
rent to wealthier tenants, if we could find them,
or charge rents that might not cover the costs of
operating the building; and in any event the
tenants would not be covered under rent
stabilization. And I don't think that's the
scenario that was intended when 421-A law was
changed and, you know, we hope you'll help.

CHAIRPERSON DILAN: Thank you.

We've been joined by Council Member Elizabeth

Crowley of Queens, Council Member Robert Jackson

of Manhattan, the Republican leader, Jimmy Oddo of

Staten Island, as well as Eric Ulrich of Queens.

So, I do not have any questions for this panel,

but if my colleagues have anything that they'd

like to ask or follow up on, now is the time. If

not, like to thank you gentlemen both--

NICK PALUFO: Thank you.

in. Okay, next, we have [background noise] Mr.
Robert Altman and Mr. Michael Gutterman. And the final person to testify will be Martin Weber after this panel. We've also been joined by Council

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Member Lewis Fidler of Brooklyn. Oh, you can give that to the Sergeant-at-Arms, Mr. Altman, and he'll distribute it for you. And then you can begin your testimony.

[pause, background noise]

ROBERT ALTMAN: Good afternoon, my name is Robert Altman. I am here representing, with Mike Gutterman, Vernon Jackson Development, LLC. We're here to testify in favor of Intro 66. We believe that, as Council Member, former Council Member Fisher said, it is a bill that corrects a technicality that I think that was not anticipated, and it is a bill which would create a situation, correct a situation where in fairness we could've done everything right, but in trying to do the right thing some other way for another purpose, we wound up doing something wrong. As a result, a project that you're about to hear about was not eligible for the program. So, I think I'll now turn this over to Mike Gutterman and let him explain the situation to you.

MICHAEL GUTTERMAN: Hi, my name is Michael Gutterman, and I'm here today to testify in favor of Intro 66.

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2	CHAIRPERSON DILAN:	Okay, N	Mr.
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Gutterman, if you could adjust the mic, so that we can hear you more--

5 MICHAEL GUTTERMAN: Closer? Is 6 that better.

7 CHAIRPERSON DILAN: Yeah, a little 8 bit better, yes.

MICHAEL GUTTERMAN: Okav. As you know, Intro 66 removes the plumbing approval requirement from the criteria for the start of construction. When beginning construction for a building, two main items are needed: structural plans for the superstructure, and architectural plans for the basic layout of the entire project. Architectural plans include a number of plumbing elements but not the plumbing, mechanical and HVAC components needed for the building to ultimately have such elements. It's rather common to begin without the element, without that element having approval, as plumbing permits are usually pulled, in our case, in any event, by the licensed plumber later in the process. In starting our project in the second quarter of 2008, we obtained a new building permit with the structural and

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architectural approval; but the plumbing component was missing. Such plans were actually submitted in May of 2008, but not approved until July of Theoretically, we could have self-certified 2008. those plans, but we felt at the time that it was better to have DOB approval, and it is understood that I believe most Council Members prefer DOB review to self-certification, as well. But in trying to do the right thing, we unwittingly placed ourselves on the wrong side of the June 30, 2008 deadline for such approvals, as we believed in our new building permit would be sufficient. But under current law it is not. Intro 66 corrects this issue. Our project is in Queens in an exclusionary zone, and to meet the requirements for 421-A in such zone would have disastrous consequences. Like many projects planned in 2007, our project will have its financial difficulties and challenges with our without 421-A. But being forced to forego the 421-A, or meet the requirement of the exclusionary zone will have awful repercussions. The project will lose its viability, possibly not selling at all. would force the loss of jobs in our company and

limit any other projects we might be thinking of
moving forward with. If we had known that our
application suffered such a technical error, we
most probably would have not moved so quickly
forward. HPD pointed this error out to us in
February of this year, and by then we were too far
along in construction to do anything. We would
like to think that our building would be an asset
to the Long Island City community, but we are
concerned that if it is not viable, it will become
a blight. We urge that the Council remove this
technicality from the law and move Intro 66
forward expeditiously. We again thank the Council
and the Committee for this opportunity to comment.

CHAIRPERSON DILAN: Okay, and we are being jointed by Council Member Letitia James of Brooklyn. Do any of my colleagues have any questions for the panel? If not, we'd like to thank, thank you, Mr. Gutterman, Mr. Altman, for coming in and providing testimony.

ROBERT ALTMAN: Thank you.

CHAIRPERSON DILAN: The final person we'll hear testimony from is Mr. Martin Weber. Okay, and I'm assuming at this point that

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there are no other people that are, that want to testify; if you do want to testify, please see the Sergeant-at-Arms; if not, this hearing will conclude at the end of Mr. Weber's testimony. Mr. Weber, even though I've, I guess formally introduced you, you have to introduce yourself in your own voice for the record.

MARTIN WEBER: Good afternoon, my name is Martin Weber, and I'm here today to testify in favor of Intro Number 66. My brother and I manage a family real estate business. We are not major developers. My parents were Holocaust survivors who came here after World War II to live the American Dream. My father bought the first parcel of what is now known as 40 Gold Street just about 30 years ago. It was always his dream to build something there new, and to contribute to the New York skyline, which he loved so much. We began construction pursuant to the architectural and structural plans approved on June 4, 2008, and a building permit issued on June 12, 2008. Our first foundation pile was driven on June 19, 2008, the plumbing plans for the job were approved on June 20, 2008, the very next day.

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According to the standard that was in effect when we drove our first plow, our building commenced construction prior to July 1, 2008. We proceeded based on the understanding that with properly approved plans, a building permit and a foundation that was nearly complete, we would qualify for 421-A benefits as the Council intended, when it changed the law a year earlier. Unlike architectural or structural permits, which the developer or his architect will pull from DOB, plumbers are a skilled trade that typically pull their own permits for the jobs they are hired to work on. As such, plumbing permits are rarely pulled when a foundation's being built, and plumbing plans are often submitted only after the building permit is issued, to take into account any last minute changes. We would not have started construction without believing 420-A was available. Without 421-A, the project will be personally disastrous to our family and possibly nonviable. Thank you for this opportunity to speak in favor of Intro Number 66.

CHAIRPERSON DILAN: And I'd like to thank you, Mr. Weber, for your testimony as well.

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1	COMMITTEE ON HOUSING AND BUILDINGS 28
2	Do any of my colleagues have questions for Mr.
3	Weber? If not, we'd like to thank you for your
4	time.
5	MARTIN WEBER: Thank you.
6	CHAIRPERSON DILAN: And I guess
7	what we'll do is we'll have Mr. Fisher's testimony
8	entered in full for the record, and at this point,
9	Intro 66 will be laid over, and that will conclude
10	this hearing on Intro 66.
11	[gavel]
12	[background noise]
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I, JOHN DAVID TONG certify that the foregoing transcript is a true and accurate record of the proceedings. I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

Signature _____

Date April 23, 2010