May 12, 2021

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

RE: Finance Committee Agenda of May 12, 2021 – Resolutions approving a tax exemption for two Land Use items (Council Districts 3 and 31)

**Item 1: Seagirt Senior Housing**

Seagirt Senior Housing is comprised of 151 residential units, which includes 43 studios and 108 one-bedroom units (inclusive of one unit reserve for the superintendent).

The property had previously received a partial tax exemption on September 15, 1983 (Cal. No. 183) from the Board of Estimate, and it expired by the repayment or refinance of a mortgage used to finance the project. Subsequently, a partial, 30-year Article XI tax exemption was granted by the City Council to Seagirt Senior Housing on May 6, 2009 and is currently set to expire in 2040.

Under the proposed project, Seagirt Housing Development Fund Corp. (HDFC) will retain the fee interest in the building and Seagirt Senior Housing L.P. (Partnership) will be the beneficial owner and will operate the building. The HDFC and the Partnership (collectively, “Owner”) will finance the rehabilitation of the building with a mortgage insured by the United States Department of Housing and Urban Development (HUD).

The New York City Department of Housing Preservation and Development (HPD) is requesting that the Council approve a partial, 40-year Article XI tax exemption to support affordable rental housing at Seagirt Senior Housing. The Owner and HPD will enter into a regulatory agreement establishing certain controls would require that all units be leased to households with incomes up to 50 percent of the Area Median Income (AMI). Additionally, the regulatory agreement would require that eligible tenants receive Section 8 rental assistance. Upon execution of the new regulatory agreement, the prior 30-year Article XI tax exemption will expire.

Summary:

* Borough – Queens
* Block 15810, Lot 30
* Council District – 14
* Council Member – Brooks-Powers
* Council Member approval –Yes
* Number of buildings – 1
* Number of units – 151 (including one superintendent unit)
* Type of exemption – Article XI partial, 40 years
* Population – affordable rental housing
* Sponsor – Seagirt Housing Development Fund Corp. and Seagirt Senior Housing L.P.
* Purpose – preservation
* Cost to the city – $2.6 million
* Housing Code Violations
  + Class A – 4
  + Class B – 2
  + Class C – 2
* AMI target –50% of AMI

**Item 2: Penn South**

Mutual Redevelopment Houses, Inc. (“Penn South” or “Housing Company”) is a redevelopment company organized pursuant to Article V of the Private Housing Finance Law. The Housing Company owns and operates the 2,820-unit cooperative housing development commonly known as Penn South. The Housing Company has an agreement with the City (dated July 1, 1987), which amended its original Redevelopment Agreement with the City (dated March 25, 1959), and which has been further amended to date by an eighth Amendatory Agreement.

The Housing Company is seeking to refinance its mortgage insured by HUD for a four-year period, extending the current maturity date from 2052 to 2056, at a lower interest rate. The extended loan will again be insured by HUD. As a precondition to the Housing Company’s obtaining financing, with its reduction in mortgage loan costs, the Housing Company has been advised by its lender to obtain a five-year extension of the City Agreement and Penn South’s current Article V real property tax exemption in order to assure satisfaction of HUD’s requirements for mortgage insurance. These extensions would run from the current expiration date of June 30, 2052 for both the City Agreement and the real property tax exemption, to June 30, 2057, which is one year beyond the extension of the Housing Company’s mortgage financing.

Additionally, HPD is requesting that the City Council approve an amendment to its agreement with Penn South to increase the residential carrying charges paid by tenant-cooperators. which would (1) impose a 9% residential carrying charge increase, effective June 1, 2021, replacing a 10-year capital assessment authorized by the City Council in 2011 (Res. No. 813) that expires on May 31, 2021, and; (2) in consultation with HPD, to implement further carrying charge increases in future years up to a total of 15% if and when as needed to meet operating expenses.

Summary:

* Council District – 3
* Council Member – Johnson
* Council Member approval – Yes
* Borough – Manhattan
* Block/Lot: Block 747, Lot 1; Block 748, Lot 1; Block 749, Lot 1; Block 749, Lot 24; Block 751, Lot 1; Block 752, Lot 1
* Number of Buildings – 1
* Number of Units – 2,820
* Type of Exemption – Article V partial, five-year extension
* Population Served – Co-op
* Sponsor/Developer – Mutual Redevelopment Houses (Penn South)
* Purpose – preservation
* Cost to the City – $15.1 million
* Housing Code Violations
  + Class A – 1
  + Class B – 3
  + Class C – 0
* Income Limitation: 130% of AMI