

**Michael Blaise Backer Statement on Proposed District Plan Amendments for
Flatbush Avenue and Queens Plaza/Court Square BIDs
Before City Council Finance Committee
May 13, 2021
9 AM**

Good morning Chair Dromm and members of the Finance Committee. I am Michael Blaise Backer, Deputy Commissioner of Neighborhood Development at the Department of Small Business Services (SBS). I am joined by Roxanne Earley and Stephen Lee, Director and Senior Program Manager for the Business Improvement District (BID) program. I wish to express our support for the local law authorizing amendments to the District Plans of the Flatbush Avenue Business Improvement District and the Queens Plaza/Court Square Business Improvement District.

SBS oversees and supports BIDs in the District Plan Amendment process as part of our scope of regular program services. BIDs seek to amend their District Plans for a variety of reasons including to add or remove supplemental services, change their method and formula for assessment, or add or reduce their boundaries. For changes that do not impact their boundaries, BIDs must form an internal steering committee to lead the process, conduct comprehensive outreach for members of the BID, and obtain support for the proposal from local elected officials.

The Flatbush Avenue BID wishes to change its method of assessment and scope of program services to account for changes in the district since its creation in 1988. First, the proposed bill will amend the method of assessment from solely linear front footage to a combination of 60% from front footage and 40% from commercial square footage. When the BID was formed the most prevalent building type was the three- or four-story walk-ups with residential units or storage spaces above ground floor retail premises, single-story buildings, and a few large banks and theatres. However, since 1988 taller and denser buildings have begun to be built, and commercial condos introduced, so the BID feels the current front-footage method of assessment is no longer a fair assessment of its member properties. The proposed amendment will result in a more equitable distribution of the assessment and we believe will result in a fair assessment of district properties. Second, the district plan will include additional supplemental services provided to the district to include, but not be limited to: sanitation, public safety, marketing and promotions, holiday lighting, economic development, administration and advocacy, and other additional services. This update will bring the district plan into alignment with current district plans across the BID program in terms of supplemental services provided.

The Court Square/Queens Plaza BID wishes to change its method of assessment and to account for changes in the district since its creation in 2005 and expansion in 2017. The proposed bill will amend the method of assessment from its current formula, a combination of front footage and assessed value, to assessing mixed-use properties at 80% of assessed value and the square footage rate, and commercial properties from a combination of front footage and assessed value to a combination of building square footage and assessed value. When the BID was formed, neighborhood leaders determined a combination of front footage and assessed value was the most equitable means of assessing properties. However, since 2005 the district has changed and the BID feels that the current method of assessing its properties is no longer a fair assessment of the properties. As more properties in Long Island City are built as mixed-use rentals, more of the overall assessment is borne by fewer commercial properties under the current method of assessment. The proposed amendment will result in a more equitable distribution of the assessment and we believe will result in a fair assessment of district properties.

Both BIDs provided opportunity for discussion and comment on their proposed amendments for membership and adjusted the proposals accordingly. In addition, as required by law, the 2 BIDs published a notice of the public hearing at least once in a local newspaper having general circulation in the districts specifying the date, time, and place of this hearing and stated the proposed modifications to the district plans. In addition, the 2 BIDs certified they have mailed a letter to property owners informing them of the date, time, place, and purpose of this public hearing. These district plan amendments will not impact the tax and debt limits prescribed in the BID law.

It is important to note that this work was completed in 2019, and this legislative approval was delayed during the onset of the COVID-19 pandemic. The incredible toll of the pandemic has only heightened the crucial need to create more fair and equitable assessment formulas for Flatbush Avenue and the Long Island City Partnership and we are pleased to support this legislation before the committee today

At this time, we are happy to answer any questions you might have. In addition, representatives from the 2 BIDs are on hand to provide further clarification.

Thank you.



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Before the City Council of the City of New York
Committee on Finance
May 12, 2021

Statement on Contract Changes by Ambur Nicosia, President Mutual Redevelopment Houses, Inc. (Penn South)

Mutual Redevelopment Houses, Inc. is a limited-equity, affordable housing cooperative occupying six blocks in the Chelsea section of Manhattan. It is organized under New York State's Redevelopment Companies Law and is supervised by the New York City Department of Housing Preservation and Development. Mutual's contract with the City provides tax abatement in exchange for income restrictions on occupancy.

We are justifiably proud of our 59 years providing high-quality, affordable housing to 5,000 low- and moderate-income New Yorkers, many of whom are senior citizens on fixed incomes. We are the first recognized NORC (Natural Occurring Retirement Community) in the country. Acting responsibly, we have preserved our infrastructure, added modern conveniences, and aided our environment while operating in a sound financial manner.

Our community depends on the income from our commercial tenants to keep carrying charges low and affordable. Because of the financial devastation Covid-19 has wrought on these businesses, we are looking for ways to maximize savings where possible. Our best option is to refinance our existing HUD-insured loan with a new HUD-insured loan. Current low-interest rates and an extension of the repayment term would yield significant savings to Mutual and provide additional funds needed for capital projects, while maintaining the affordability of our apartments.

As a condition of this refinancing, HUD requires us to obtain an extension from the City of the Corporation's real property tax exemption for an additional 5 years – from its current expiration date of June 30, 2052 to June 30, 2057, which extends briefly beyond the expiration of the term of the new loan.

Let's look at some of the loan benefits:

- Help the cooperative recover from lost rent from financially stunted and shuttered commercial tenants.
- Lock in a low interest rate on a 35-year self-liquidating mortgage.
- If we let the lender pay the pre-payment premium of \$10.5 million, we can borrow that amount and use it to help pay for our needed capital expenses and boost our reserves.
- The re-financed mortgage will help keep our carrying charges affordable at a time when we are enduring financial problems.
- Paying off the mortgage over a longer period of 35 years will reduce the amortization (reduction of principal) and in sum reduce the pace at which apartment prices have been rising. This will particularly help cooperators planning a move to larger apartments as their families grow.

In providing insurance for the new mortgage, HUD minimizes risk by imposing several requirements. Since these require modifications in our contract with the City, we are here today asking City Council to approve a Ninth Amendatory Agreement that satisfies these HUD requirements and helps keep Penn South affordable. I would like to use my few minutes to share a quick summary of these points:

- Extension of our City contract for an additional 5 years of tax exemption so that we remain affordable and on Shelter Rent for 36 years, until June 30, 2057.
- Replacement of our expiring HVAC assessment with a 9% carrying charge increase.
- Approval for up to 15% in carrying charge increases for future implementation in consultation with HPD.

These contract changes are clearly in the best interest of the City and Penn South. I urge adoption by the Council.