

MAY 23 2006

Honorable Melissa Mark-Viverito
Speaker of the Council
City Hall
New York, New York 10007
Attention: Gary Altman

Re: Block 1156, Lot 25
Brooklyn, Community Board No. 8
Council District No. 35

Dear Madame Speaker:

The referenced property ("Exemption Area") contains one multiple dwelling that provides rental housing for low income families.

Under the proposed project, 500 St. Marks Avenue LLC ("Company"), a New York limited liability company, will convey the fee interest in the Exemption Area to 500 St. Marks Avenue Housing Development Fund Corporation, Inc. ("HDFC"). The Company will remain the beneficial owner and will continue to operate the Exemption Area. The HDFC and the Company (collectively, "Owner") will enter into a regulatory agreement with the City of New York Department of Housing Preservation and Development ("HPD") establishing certain controls upon the operation of the Exemption Area.

The Exemption Area currently does not receive any exemption from real property taxation. In order to facilitate the project, HPD is seeking an exemption from real property taxation that is coterminous with the 30-year term of the new regulatory agreement.

HPD respectfully requests that the Council approve, pursuant to Section 577 of the Private Housing Finance Law, an exemption from real property taxation as follows:

1. For the purposes hereof, the following terms shall have the following meanings:
 - a. "Company" shall mean 500 St. Marks Avenue LLC.
 - b. "Effective Date" shall mean the later of (i) the date of conveyance of the Exemption Area to the HDFC, or (ii) the date that HPD and the Owner enter into the HPD Regulatory Agreement.
 - c. "Exemption" shall mean the exemption from real property taxation provided hereunder.



- d. "Exemption Area" shall mean the real property located in the Borough of Brooklyn, City and State of New York, identified as Block 1156, Lot 25 on the Tax Map of the City of New York.
 - e. "Expiration Date" shall mean the earlier to occur of (i) a date which is thirty (30) years from the Effective Date, (ii) the date of the expiration or termination of the HPD Regulatory Agreement, or (iii) the date upon which the Exemption Area ceases to be owned by either a housing development fund company or an entity wholly controlled by a housing development fund company.
 - f. "HDFC" shall mean 500 St. Marks Avenue Housing Development Fund Corporation, Inc.
 - g. "HPD" shall mean the Department of Housing Preservation and Development of the City of New York.
 - h. "HPD Regulatory Agreement" shall mean the regulatory agreement between HPD and the Owner establishing certain controls upon the operation of the Exemption Area during the term of the Exemption.
 - i. "Owner" shall mean, collectively, the HDFC and the Company.
 - j. "Shelter Rent" shall mean the total rents received from the commercial and residential occupants of the Exemption Area, including any federal subsidy (including, but not limited to, Section 8, rent supplements and rental assistance), less the cost of providing to such occupants electricity, gas, heat and other utilities.
 - k. "Shelter Rent Tax" shall mean an amount equal to eight percent (8%) of Shelter Rent.
2. All of the value of the property in the Exemption Area, including both the land and any improvements (excluding those portions, if any, devoted to the business or commercial use), shall be exempt from real property taxation, other than assessments for local improvements, for a period commencing upon the Effective Date and terminating upon the Expiration Date.
3. Commencing upon the Effective Date, and during each year thereafter until the Expiration Date, the Owner shall make real property tax payments in the sum of the Shelter Rent Tax. Notwithstanding the foregoing, the total annual real property tax payment by the Owner shall not at any time exceed the amount of real property taxes that would otherwise be due in the absence of any form of exemption from or abatement of

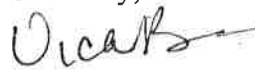


real property taxation provided by any existing or future local, state, or federal law, rule or regulation.

4. Notwithstanding any provision hereof to the contrary:
 - a. The Exemption shall terminate if HPD determines at any time that (i) the Exemption Area is not being operated in accordance with the requirements of Article XI of the Private Housing Finance law, (ii) the Exemption Area is not being operated in accordance with the requirements of the HPD Regulatory Agreement, (iii) the Exemption Area is not being operated in accordance with the requirements of any other agreement with, or for the benefit of, the City of New York, (iv) the Exemption Area is conveyed to a new owner without the prior written approval of HPD, or (v) the demolition of any private or multiple dwelling on the Exemption Area has commenced without the prior written consent of HPD. HPD shall deliver written notice of any such determination to the Owner and all mortgagees of record, which notice shall provide for an opportunity to cure of not less than sixty (60) days. If the noncompliance specified in such notice is not cured within the time period specified therein, the Exemption shall prospectively terminate.
 - b. The Exemption shall apply to all land in the Exemption Area, but shall only apply to a building on the Exemption Area that exists on the Effective Date.
 - c. Nothing herein shall entitle the HDFC to a refund of any real property taxes which accrued and were paid with respect to the Exemption Area prior to the Effective Date.
5. In consideration of the Exemption, the owner of the Exemption Area shall, for so long as the Exemption shall remain in effect, 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.

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,



Vicki Been

