<u>THE COUNCIL OF THE CITY OF NEW YORK</u>

March 26, 2025

TO: Hon. Justin Brannan Chair, Finance Committee
Members of the Finance Committee

FROM: Brian Sarfo, Committee Counsel

RE: Resolution approving a tax exemption for Morningside Heights II (Council District 7)

HPD provided the following information to the Council in relation to the request to approve a real property tax exemption for this project:

<u>Morningside Heights II</u>

Morningside Heights II (the "Project") consists of nine buildings with a total of 214 residential units inclusive of one super's unit. The Project is in the Morningside Heights and Manhattan Valley neighborhoods of Manhattan. Of the 214 units, there are 44 one-bedroom units, 82 two-bedroom units (inclusive of the Super's Unit), 74 three-bedroom units, 11 four-bedroom units, and three five-bedroom units. Additionally, there are eight commercial units in this Project. The rents average 90% AMI and the market comp for the area is 132% AMI. There are currently 82 rent stabilized units and 131 unregulated market units. The Project has four vacant units currently which are currently unregulated units.

The Project was purchased by HP MJM Housing Development Fund Company, Inc. a New York not-for-profit corporation organized under Article XI of the Private Housing Finance Law of the state of New York, in October 2021. These buildings were purchased with a combination of debt and equity. As part of the acquisition, the Project received $83.2MM in total from Signature Bank.

The current owner of the properties area is HP MJM Housing Development Fund Company, Inc. with Manhattan Avenue Affordable Holdings LLC, Amsterdam Affordable Holdings 2 LLC, and 105th Morningside Holdings LLC are the beneficial owners. There are currently no regulatory agreements on these properties.

The Project is seeking a 40-year Article XI tax exemption for a 10% Gross Rent Tax ("GRT") for the first five years and 1.0% GRT for the remaining 35 years of the regulatory agreement, which has been sized based on the HPO Term Sheet's Method 2 and will require the owner to enter a regulatory agreement for the term of the tax exemption. As part of the regulatory agreement, HPD will require income and rent restrictions for 193 units, allowing 20 units to remain unregulated post-closing.

The scope of work will be determined by the results of the Integrated Physical Needs Assessment (IPNA) report. All critical and immediate work identified in the IPNA will be required to be completed within an agreed upon timeframe with HPD post-closing. The anticipated scope will include repairing cellar walls and ceilings, repointing of the building stoops, and repairing the stucco bulkhead. Additionally, Aging-in-Place work will be required based on the results of a survey distributed to the building's tenants. Furthermore, there is a minimum of 20% homeless set-aside (43 units).

Summary:

- Borough – Manhattan
- Block 1843, Lots 17 and 51; Block 1859, Lot 39; Block 1860, Lots 61, 63, and 64; Block 1862, Lots 3, 63, and 64
- Council District – 7
- Council Member – Shaun Abreu
- Council Member approval –Yes
- Number of buildings – 9
- Number of units – 214
- Type of exemption – Article XI, partial, 40 year
- Population – Rental
- Sponsors – Black Spruce Management LLC
- Purpose – preservation
- Cost to the city – $98.805 million (present value)
- Housing Code Violations
  - Class A – 2
  - Class B – 10
  - Class C – 12

- Anticipated AMI Targets:

Rent Limits (% of AMI)	**Income Limits (% of AMI)**	**# of Units**
60%	70%	64
80%	100%	20
100%	130%	109
unregulated	unregulated	20
Total		**213**