

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

SUBCOMMITTEE ON PLANNING, DISPOSITIONS AND
CONCESSIONS

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January 30, 2019
Start: 1:15 p.m.
Recess: 2:12 p.m.

HELD AT: 250 Broadway - Committee Rm.
15th Fl.

B E F O R E: BEN KALLOS
Chairperson

COUNCIL MEMBERS: Chaim M. Deutsch
Ruben Diaz, Sr.
Vanessa L. Gibson
Andy L. King

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

Lacey Tauber, HPD.

Arlo Chase, Services for the Underserved

Margarita Pajaro, CB Emmanuel Realty, LLC

Brian Newman, A.I.A. Director Architectural
Services, Newman Design

Theresa Cassano, Director, Supportive Housing
Loan Program, HPD

Christine Retzlaff O'Connell, Housing Finance and
Community Development Specialist, SMJ Development

Juan Barahona, Principal, SMJ Development

Genevieve Michel, Housing, Preservation and
Development, HPD

Kevin Parris, Housing, Preservation and
Development, HPD

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2 CONCESSIONS

3

2 [sound check] [pause]

3 CHAIRPERSON KALLOS: [humming] [gavel]

4 Good afternoon and welcome to the Subcommittee on
5 Planning, Dispositions and Concessions. I am Council
6 Member Ben Kallos, the Chair of this Subcommittee.

7 You can Tweet me at Ben Kallos. We are joined here
8 by Council Member Ruben Diaz, Sr. and Council Member
9 Inez Barron. Today we'll be holding hearings on two
10 projects with several applications Land Use Items
11 326, 327 and 328 for 61 Alabama Avenue and 3-Land Use
12 Item 329 East Village Housing ANCP. If you're here
13 to testify, please fill out a white speaker slip with
14 the sergeant-at-arms and indicate the Land Use Number
15 of the item you wish to testify on that slip. Our
16 first hearing today is for Land Use Items 326, 327,
17 328 461 Alabama Avenue in Council Member Barron's
18 district in Brooklyn. The applications filled-filed
19 by HPD will facilitate the development of a proposed
20 7-story mixed-use affordable and supportive housing
21 development containing approximately 70 dwelling
22 units and community facility space. Sixty percent of
23 the apartments will be for supportive housing for
24 formerly homeless, and the remaining 40% will be
25 affordable to those earning at or below 60% of AMI.

1
2 I want to compliment my colleague on these numbers.
3 I have not seen numbers like these in many other
4 projects, and she—my—my colleague an outspoken
5 advocate for affordable housing, and often asking
6 affordable for whom, and ensuring that it is actually
7 helping communities versus gentrifying them. So, I—
8 I—I am impressed by her being such a strong advocate
9 for her community and delivering and acting on her
10 word. The building's design will incorporate
11 sustainable features to conserve energy, reduce
12 environmental impacts and promote the health of
13 residents. The first application is for a special
14 permit pursuant to Section 74-903 of the Zoning
15 Resolution to modify the requirements of Section 24-
16 111 to allow community facility bulk regulations to
17 apply to a non-profit institution with sleeping
18 accommodations. HPD also seeks approval from an
19 Urban Development Action Area Designation Project
20 approval and disposition approval of Block 3803, Lot
21 6 and an amendment to the East New York One Urban
22 Renewal Plan. I will now open a public hearing on
23 Land Use Items 326, 327, 328 461 Alabama Avenue.
24 First, I'd like to invite Council Member Barron to
25 provide some remarks. Council Member Barron.

2 COUNCIL MEMBER BARRON. Thank you, Mr.
3 Chair and thank you to the panel. This is a project
4 in my district, and each time that developers come
5 with projects, I'm always mindful of the fact that
6 the median income in community is about \$34, \$35,
7 \$36,000, which is about half of what is the AMI for
8 New York City. So, as developers come with their
9 first initial offerings, it sometimes is not
10 reflective of what it is that exists in my community
11 at present. It's my belief that as the incomes that
12 are required for housing developments coming into a
13 community do not match what already exists, that you
14 are encouraging either calling it gentrification or
15 calling it ethnic cleansing. Oh, I've seen a new
16 phrase now from the federals, which is called Poverty
17 Deconcentration. All of that means that you're
18 displacing people who presently live there: Poor
19 people and predominantly Black and Latino people. So
20 I'm very concerned about maintaining the opportunity
21 for people who presently live in the community to be
22 able to now enjoy the benefits and—and the amenities
23 that are coming in new facilities. So, this is a
24 building that's a little taller than what I would
25 normally be comfortable with, but it is a building

2 that does provide units for the supportive housing
3 population and as has been said, there will be units
4 set aside designated at 40% of the AMI; 50% of the
5 AMI and 60% of the AMI, and the additional height of
6 this building beyond what I initially wanted to have
7 was so that we could incorporate some 1 and 2-bedroom
8 units. They wanted all studios, and I did not feel
9 that that kind of composition encourages family and
10 building community. So, they did make some
11 accommodations that we were able to settle on what we
12 presently have, and I look forward to the project
13 being approved and moving forward. Thank you, Mr.
14 Chair.

15 CHAIRPERSON KALLOS: Thank you. I will
16 now ask the Committee Counsel to swear in the large
17 panel.

18 LEGAL COUNSEL: Before--please state your
19 name--before answering the following question: Do you
20 affirm to tell the truth, the whole truth and nothing
21 but the truth in your testimony before this
22 subcommittee, and in response to all Council Member
23 questions?

24 LACEY TAUBER: Lacy Tauber, HPD. Yes.
25

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2 ARLEN CHASE: Arlen Chase, Services for
3 the Underserved. Yes.

4 MARGARITA PAJARO: Margarita Pajaro—
5 sorry. Margarita Pajaro, CB Emmanuel. Yes.

6 BRIAN NEWMAN: Brian Newman, Newman
7 Design. Yes.

8 THERESA CASSANO: Theresa Cassano, HPD.
9 Yes. [pause]

10 LACEY TAUBER: Should I get started?

11 CHAIRPERSON KALLOS: Yes, please.

12 LACEY TAUBER: We're waiting for IT but I
13 guess, okay. My part doesn't have the visual so I
14 can to the other units. Land Use Items Number 326,
15 327 and 328 are related ULURP actions seeking UDAAP
16 designation, disposition of project approval as well
17 as a Zoning Special Permit and Urban Renewal Plan
18 Amendment in order to develop a project located at
19 Block 3803, Lot 6 in Brooklyn Council District 42.
20 Know as 461 Alabama Avenue, the project will be
21 developed under HPD's Supportive Housing Loan
22 Program, SHLP. Through this program, HPD funds the
23 creation of rental units that provide supportive
24 housing for the homeless, people with special needs
25 and other persons of low income. As party of the

1 program, HPD works with the Department of Homeless
2 Services and other public agencies to ensure that the
3 completed projects receive appropriate building
4 security and social services. The project site of
5 the 10,000 square foot vacant city-owned site that
6 was part of an HPD issued request for qualification
7 geared towards certified MWBE organizations inviting
8 them to submit proposals to develop low-income rental
9 housing. HPD selected the development team of CB
10 Emmanuel Realty, LLC and Services for the Underserved
11 or SUS in 2017, to develop the site of supportive
12 housing with on-site services. Before ULURP
13 certification, the sponsor met with Council Member
14 Barron and her office three times in 2017 and most
15 recently in October 2018, as the Council Member
16 mentioned in response to her feedback as well as
17 input from Brooklyn Community Board 5. The sponsor
18 and HPD worked together to update the project to
19 include multi-family units, a wider range of
20 affordability tiers, an additional energy efficient
21 design feature such as solar panels, and thank you,
22 Council Member for your partnership on this project.
23 Land Use Item No. 327 seeks UDAAP designation,
24 project approval and disposition of the site. The
25

1 sponsor is proposing to construct a 7-story building
2 with 70 rental units plus a unit for a
3 superintendent. As is typical of the Supportive
4 Housing Program, 60% of the units or 43 units will be
5 reserved for formerly homeless individuals while 40%
6 of the units, 27 units will be non-supportive units
7 that will be available through HPD Lottery. There
8 will be a mixture of unit types including 55 studios,
9 14 1-bedroom and two 2-bedroom apartments. Targeted
10 incomes for the affordable units will range from 40%
11 to 60% of AMI, and all tenants including formerly
12 homeless tenants will pay up to 30% of their income
13 in rent. The proposed development will participate
14 in Enterprise Green Communities Program. Therefore,
15 the design will incorporate sustainable features that
16 conserve energy, reduce environmental impacts and
17 promote residents' health. Amenities will include-
18 include a lounge and multi-purpose room, tenant
19 storage, a laundry room and an outdoor landscaped
20 courtyard. The estimated total development costs is
21 \$28,132,000, which is subject to change. The
22 permanent funding sources include HDC Long-Term Bond
23 and HDC's Second Mortgage, together an estimated 29%
24 of TDCs, tax credit equity estimated 42% of TDC, a
25

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2 credit (sic) and deferred consortium interest, a
3 deferred develop-developer fee, and HPD SHLP loans.
4 The city subsidies are approximately \$6,185,000 or
5 22% of the TDC. The project has 43 NYC 15/15 Rental
6 Assistance Vouchers to support rents for the
7 supportive units, and it will receive and as-of-right
8 tax exemption under 420-c. Please note that this
9 building is-sorry-that this budget is preliminary,
10 and subject to change as the project moves close to
11 closing. The on-site Social Services will be
12 provided by Services for the Underserved, SUS to
13 include recover oriented case management for
14 residents, daily light skills training, employment
15 services, social, recreational and cultural
16 activities, substance abuse services and 24/7 front
17 desk security. The following actions are necessary
18 for development of the project: Land Use No. 326
19 seeks a special permit of the Zoning Resolution in
20 order to modify the maximum floor area ratio for
21 certain community facility uses. The modification
22 will apply to a non-profit institution with sleeping
23 accommodations in order to enable construction of the
24 proposed development. Land Use No. 327 as mentioned
25 above takes UDAAP designation project approval and

1 disposition of the site. Land Use No. 328 seeks
2 approval of—of the fourth Amended East New York One
3 Urban Renewal Plan, which will change the land use
4 designation of 461 Alabama Avenue from open space to
5 residential use. HPD is before the Council's
6 Planning Subcommittee seeking approval of Land Use
7 Nos, 326, 327 and 328 in order to move forward with
8 the next steps in the development process for the 461
9 Alabama Avenue Supportive Housing Project, and the
10 development team is here, and they have a
11 presentation they would like to go through now.

12
13 MARGARITO PAJARO: Thanks Lacey. My name
14 is Margarita Pajaro. I'm Vice President of
15 Development for CB Emmanuel Realty, the co-developer
16 on this deal. Lacey already mentioned the land use
17 actions, a UDAAP designation project approval and
18 disposition special permit, Urban Renewal Plan
19 Amendment. So, I won't reiterate that, but I'm going
20 to who CB Emmanuel is. We are a 14-year-old
21 development company, minority certified through the
22 state and SBS. We developed over 2,300 units with a
23 total of \$400 million development costs. We were
24 awarded this project through an HPD Initiative for
25 minority developers, and we co-own a large project on

1 the safe block [coughs] that straddles Georgia Avenue
2 and Alabama. [pause] So, as you can see, the project
3 site is surrounded by multiple-various uses including
4 Success Garden across the street, an educational
5 facility across the street diagonally, and—I don't
6 have a pointer but it's—it's the—the block surrounded
7 by the red lines right in the center of the—of the
8 circle. Also, midrise residential--[background
9 comments] contiguous to—to-to the—to the lot. The
10 lot is a 10,000 square foot lot between Dumont
11 Lavonia and has subway access on Pennsylvania on the
12 3 and Lavonia Avenue on the L. As I mentioned,
13 there—there are buildings—residential buildings of
14 comparable height within a one-block radius. The
15 Success Gardens across the street we have Lions Pride
16 Playground I think less than a quarter mile away as
17 well as Martin Luther King, Jr. Playground in the
18 immediate vicinity. We met with Council Member
19 Barron multiple times. We appreciate her input. We
20 highly respect her views, and share much of the same
21 concerns for the community since we own and manage
22 there already. So, thank you, Councilwoman. We met
23 with the Land Use Committee of the Community Board 5
24 on April 24, 2018, and the members provided their
25

2 support in May of 2018. With-with the community
3 engagement it resulted in the inclusion of multi-
4 family units, a wider rate of AMI tiers, additional
5 energy efficient design. We are committed to
6 providing greenery on an annual basis to Success
7 Gardens across the street, and SUS has committed to
8 use reasonable efforts to employ community members at
9 the property. We're also open to having community-
10 the community use the community rooms to the extent
11 that it doesn't interfere with the programs going on
12 at the building at the time. The unit mix we have 43
13 studios all of which are 350 square foot or larger.
14 So 43 studios, which would be the supportive units,
15 and then the-the Delta will range from 40,50 and 60%
16 of AMI, and you can see the distribution on the-on
17 the screen, and with that I'll-I'll give the mic over
18 to Arlo Chose of SUS who will explain the services,
19 and their organization.

20 ARLO CHASE: Thank you Margarita and good
21 afternoon everyone. Services for the Underserved is
22 a 40-year-old not-for-profit organization that
23 specializes in providing housing and Social Services
24 for people with disabilities, people facing
25 homelessness and other life challenges. We have a

2 pretty large portfolio of programs throughout the
3 city with a concentration in Central and east
4 Brooklyn, East Harlem, and the West Bronx. We have
5 over 2,400 employees in our organization scattered
6 throughout the city, and I'm proud to say that 130 of
7 those employees called Brooklyn Community Board 5
8 home. Sorry.

9 CHAIRPERSON KALLOS: Sorry to interrupt.
10 I just want to recognize that we've been joined by
11 Council Member Chaim Deutsch. Please continue.

12 ARLO CHASE: Thank you. So, I wanted to
13 talk a little bit about the service model that we
14 would employing that we expect to employ at this
15 building. So, we've applied for and been awarded
16 funding Social Service and rental assistance funding
17 through New York City's 15/15 Program. So, that
18 provides funds to employ case managers and other
19 service staff at the building as well as rental
20 subsidy for the supportive tenants. So what we do is
21 we begin all of our treatment with sitting down with
22 the individual, these—with all the individual
23 supportive housing residents, and trying to come up
24 with life goals for that person. As everyone in the
25 room I'm sure can appreciate, dictating what a person

1 should do to change their life has really been
2 discredited as a service model. So, what we believe
3 is in people, person-centered and self-directed care.
4 So the goals for the folks that we usually serve that
5 are coming out of homeless shelters that have been
6 there a long time usually include some combination of
7 family re-unification, a job or employment either
8 enhancing or obtaining as well as often some kind of
9 drug or alcohol recovery program. We have a very
10 successful Urban Farms Program that operates both to
11 create healthy food at a number of the buildings we
12 operate as well as therapeutic pastime for many of
13 the residents. We would provide--part of the New
14 York City 15 grant would provide part of the funding
15 to employ 24-hour security staff, which is one of the
16 important features in large supportive housing
17 buildings, which operates both for the benefit of the
18 residents as well as the surrounding community. We
19 would have an extensive amount of--what do you--
20 security cameras both in the building and in the
21 front of the building, which are also a benefit both
22 to the community as well as the residents.
23 [coughing] I think unless there are questions, I'll
24 turn it over to Brian. [background noise, pause]
25

2 BRIAN NEWMAN: Thank you. As you can see
3 behind me, we have a rendering to of the front façade
4 on Alabama. What we tried to do here was help break
5 up the massing of the building. As we've stated
6 before, it's a 7-story building. You can see floor
7 six and seven are actually stepped back approximately
8 20 feet from the front façade. In addition to that,
9 we took the two stair towers, and we did not bring
10 them all the way out to the front. So, each one of
11 those stair towers is approximately 18 to 20 feet
12 step back on—on either side of the building. The
13 whole building itself is additionally pushed back
14 from the street on, or sidewalk approximately three
15 feet. This allow us to introduce landscaping and
16 foundation planting and soften the—the appearance of
17 the building to the pedestrians' experience as they
18 walk by. In addition to enhancing the pedestrian
19 experience, we'd like to break up the façade on the
20 ground floor. You can see some precast piers that
21 are—are breaking up that massing. We have lighting
22 thee as well for security as the pedestrians walk by
23 that front—that front façade. You can see in the
24 main building we use a two-tone brick again just to
25 accentuate to the—the difference and—and accentuate

1 the—the entrance on the right hand side there.
2
3 There's a glass canopy as well for the entrance.
4
5 What you do start to see in this—in the rendering at
6 the very top, we have a public area for the residents
7 to enjoy exterior space on the roof. It's a green
8 roof and those elements that you start to see there
9 are the photovoltaics or solar panels that we've
10 mentioned before. We've actually elevated those so
11 we can still utilize portions of the roof, but they
12 can create shade for the residents if they're
13 standing—standing or sitting up on—on the roof there
14 as well. This is a superimposed floor plan and site
15 plan. You begin to see the first floor plan here,
16 and entrances on the right hand side. Essentially,
17 the first floor is raised approximately four feet
18 from the street level. So grand floor apartments.
19 People walking by will not be able to see directly
20 in, and we achieved accessibility by keeping the
21 lobby at that ground floor level. You'll enter into
22 that lobby past the security. There is an elevator
23 directly there, which will take you up to that first
24 floor residential, which is approximately four feet
25 higher. So, it's somewhat of a—a half of—a half stop
for that elevator. Directly in that top right

1 corner, you'll start to see some program that is a
2 tenant lounge and computer lounge that has access
3 directly to the rear courtyard, which has some
4 exercise equipment, a path and plantings—a planting
5 area, garden area for the residents. On the cellar
6 level on the left hand side is a—is an areaway with
7 setback landscape walls where additional programmatic
8 elements such as the Committee Room and the offices
9 for SUS are located on that level, but we've created,
10 as I've said, that step landscape wall so those
11 community areas are not simply looking to a solid
12 concrete wall only a few feet away. This is a
13 typical residential floor, stairs on either side.
14 The elevator is on the right hand side there, a
15 double loaded corridor and as we mentioned the
16 majority are studio units, but we have been able to
17 incorporate one-one-bedroom and two-bedroom units as
18 well. And this is the roof plan, which I started to
19 mention before. The right hand side the elevator
20 comes out. There is the area in which the residents
21 will be able to walk around, have some seating area,
22 and the solar—the hatched area in the center that
23 dotted area in the center and the top right and left
24 corner that's the green roofs or the vegetative roof
25

2 area, and just below that large rectangle in the
3 front would be the photovoltaics with benches just
4 below that.

5 MARGARITO PAJARO: Thanks Brian. So,
6 where are on the timeline we—we certified for ULURP
7 August 20th? We the Community Board 5 issued
8 recommendations for approval on October 17. The
9 Brooklyn Borough President issued recommendations to
10 approve November 22nd. The city Planning Commission
11 approved the project January 9th of this year, and we
12 are now in City Council review. We anticipate
13 closing, financing and for construction December of
14 this year with a construction completion of December
15 2021. Thank you.

16 CHAIRPERSON KALLOS: Thank you. This was
17 one of the more complete testimonies. I really
18 appreciate that. It saves me a lot of the questions.
19 Who is the contractor you'll be using on this?

20 MARGARITO PAJARO: We haven't gone out to
21 bid yet.

22 CHAIRPERSON KALLOS: What are your—on
23 this \$28.1 million project, what are your hard costs?

2 MARGARITA PAJARO: We—because we don't—we
3 have the assumption, but we don't have final because
4 we don't have—we don't have bids yet.

5 THERESA CASSANO: The assumption right
6 now is about \$16.7 million, but it's obviously very
7 subject to change once we do get final pricing back.

8 CHAIRPERSON KALLOS: So that is—that's
9 \$11.4 million in soft costs?

10 THERESA CASSANO: Approximately with
11 contingency it would about it would be about \$17.5
12 million of construction costs all in. The soft costs
13 are about \$11—almost \$12 million. Yes.

14 CHAIRPERSON KALLOS: What is the
15 developer fee on this project?

16 THERESA CASSANO: That is still being
17 negotiated?

18 CHAIRPERSON KALLOS: But it is within the
19 \$12 million fee? The \$12 million soft costs?

20 THERESA CASSANO: Correct. It is subject
21 to our term sheet restrictions. We are still in
22 negotiation at this point.

23 CHAIRPERSON KALLOS: What are the term
24 sheet restrictions?

2 THERESA CASSANO: Our term sheet
3 restrictions for Supportive Housing Loan Program, and
4 by the way this is Teresa Cassano. I'm the Director
5 of the Supportive Housing Loan Program talking. They
6 require that the developer fee be within 15%
7 inclusive of reserves. Generally, we see fees come
8 in a little bit lower than that.

9 CHAIRPERSON KALLOS: Okay, but there's
10 also a-a developer for the concession. I mean based
11 on this project has testified to.

12 BRIAN NEWMAN: Deferred developer fee I
13 think you're referring to.

14 CHAIRPERSON KALLOS: Okay. So, it's a
15 deferral so you'll take it later.

16 BRIAN NEWMAN: With-with-with the-

17 THERESA CASSANO: Correct.

18 BRIAN NEWMAN: Right.

19 CHAIRPERSON KALLOS: Okay. [pause] As
20 you mentioned, it is a 60-year tax abatement. Do you
21 happen to know what the value of that abatement is?

22 LACEY TAUBER: Because this is an as-of-
23 right under this project, we don't calculate the
24 value of the tax exemption the same way we do with
25

2 Article XIs when those are the Council—when they are
3 subject to Council approval.

4 CHAIRPERSON KALLOS: I still believe that
5 the Council that the city is giving up income, and so
6 it is still important to be aware of the tax income
7 that we will be losing. What do you anticipate the
8 value of the low-income housing tax credit to be?
9 It's 22%--22% of the--so the total association is 22%.
10 How much do you anticipate to get from the Low-Income
11 Housing Tax Credits?

12 THERESA CASSANO: So the Low-Income
13 Housing Tax Credits are financing about 42% of the
14 overall TDC at perm, and so that equity is bringing in
15 the lion's share of the funding on this project.

16 CHAIRPERSON KALLOS: And any federal or
17 state funding?

18 THERESA CASSANO: Beyond the Low-Income
19 Housing Tax Credits no we are not expecting any
20 federal or state funding at this point.

21 CHAIRPERSON KALLOS: And was this--this
22 area is being rezoned? [pause]

23 MARGARITA PAJARO: No, no there's no
24 rezoning.

25 BRIAN NEWMAN: No. It's totally right.

2 CHAIRPERSON KALLOS: Okay.

3 LACEY TAUBER: One of the actions is a
4 zoning special permit that modifies the FAR for
5 community facility uses. This is a non-profit with
6 sleeping accommodations, which is sometimes typical o
7 our—our Supportive Housing Program. However, the
8 zoning itself does not change. It is with a special
9 permit.

10 CHAIRPERSON KALLOS: So what would be
11 allowed to be built here versus what is currently
12 being built here? What—what is—what is the status
13 quo versus the change that you've made or that you're
14 proposing?

15 BRIAN NEWMAN: I don't have the as-of-
16 right or the smaller FAR in front of me, but I could
17 point out is where it, which it might have been a
18 4.0, I believe off the top of my head. We're only
19 going for a 4.02 compared to the 4.8, which would
20 actually be the total of our re-buildable under the
21 community facility if—if we were to completely max
22 out that community facility.

23 CHAIRPERSON KALLOS: [interposing] Is it
24 too late to add it? So, I understand my colleague is
25 concerned about the high end that this is taller.

2 So, I-I imagine it's not something they would be
3 interested, but if they had the additional .8 FAR
4 what would that-would that allow any additional units
5 or just this is where you are based on the height
6 that you're trying to fit into?

7 BRIAN NEWMAN: We've essentially maxed
8 out the envelope height and discussing with a number
9 of-of parties.

10 CHAIRPERSON KALLOS: Okay. My
11 understanding is this was a bid that was won as a
12 program for MWBEs. So, I-please confirm my
13 assumption that you are an MWBE.

14 MARGARITA PAJARO: Yes. The CB Emmanuel,
15 which is the lead developer we are state-New York
16 State and SBS certified in October (sic).

17 CHAIRPERSON KALLOS: And the architect,
18 the engineer is the folks doing the-the general
19 contractor for the MWBEs?

20 MARGARITA PAJARO: The architect does
21 not. We-we take very seriously the Minority and Women
22 Owned and Veterans set-aside. In our deals we have
23 historically exceeded those carve-outs on our deals.
24 So, what-the-the understanding would be that-or the
25

2 expectation will be that the GC hire from the
3 community and--and meet the minimum set of standards--

4 CHAIRPERSON KALLOS: You're not currently
5 planning for a GC that's going to be an MWBE. So,
6 you'll be the only MWBE on the project except for
7 like the target here.

8 MARGARITA PAJARO: We--we haven't
9 finalized our--our GC list yet. We don't have many
10 MWBE general contractors. We know a lot of
11 subcontractors.

12 CHAIRPERSON KALLOS: Do you think that if
13 companies such as yours were steering business to
14 other MWBEs that there might be more?

15 MARGARITA PAJARO: Sure.

16 CHAIRPERSON KALLOS: Okay. Along those
17 lines, do--do you have health insurance, disability
18 insurance, and the ability retire?

19 MARGARITA PAJARO: Right.

20 CHAIRPERSON KALLOS: Do--do-for CB
21 Emmanuel--

22 MARGARITA PAJARO: Uh-hm.

23 CHAIRPERSON KALLOS: --do you have health
24 insurance?

25 MARGARITA PAJARO: Yes.

2 CHAIRPERSON KALLOS: Disability
3 insurance?

4 MARGARITA PAJARO: Yes.

5 CHAIRPERSON KALLOS: And do you have a
6 retirement vehicle whether it's a 401(k) or--?

7 MARGARITA PAJARO: Yes.

8 CHAIRPERSON KALLOS: Is that going to be
9 offered to everyone on the construction project from
10 top to bottom?

11 MARGARITA PAJARO: I can't speak to the
12 general contractor and their subs and what they offer
13 their laborers. I know that a livable wage will be
14 offered, but I can't speak to health.

15 CHAIRPERSON KALLOS: Do you think that
16 should get--

17 BRIAN NEWMAN: Okay.

18 CHAIRPERSON KALLOS: We can talk about
19 the--

20 BRIAN NEWMAN: Okay.

21 CHAIRPERSON KALLOS: -the supportive
22 housing in a second, but do you think that the folks
23 who are doing the work on the construction site
24 should have--

2 MARGARITA PAJARO: [interposing] Of
3 course.

4 CHAIRPERSON KALLOS: --access to the same
5 health, and will you mandate that your GC and the
6 sub-subcontractors that you work with who are
7 hopefully going to be MWBEs offer their workers
8 health insurance, disability insurance and retirement
9 options?

10 MARGARITA PAJARO: I can't—I can't speak
11 on behalf of the general contractor we haven't chosen
12 yet.

13 CHAIRPERSON KALLOS: But you—you could
14 say that is choosing that these are important values
15 so you have it, right? And—and you want it--

16 MARGARITA PAJARO: [interposing] sure.

17 CHAIRPERSON KALLOS: --for your other
18 employees at your company.

19 MARGARITA PAJARO: Of course.

20 CHAIRPERSON KALLOS: Would you be willing
21 to include in your RFP that you would like your
22 people working on the site to have the same coverage
23 as you?

24 MARGARITA PAJARO: We could—we could
25 discuss what that does as far as increasing hard

2 costs, and we could have a conversation about it.
3 Whether the GC and the subs offer these plans is one
4 thing. Will they buy in? We can't speak to that. I
5 think we should revisit this, but I can't speak on
6 behalf of the general contractors or subs that have
7 not been identified.

8 CHAIRPERSON KALLOS: [interposing] on
9 the—when you said living wage, I think—I'm concerned
10 we may have a different definition of living wage. Do
11 you define living wage as the state's minimum wage of
12 \$15 an hour?

13 MARGARITA PAJARO: Well that's to start,
14 but general—I mean general contractors pay above that
15 per hour.

16 CHAIRPERSON KALLOS: Okay. So, will
17 there be anyone on this construction site earning
18 minimum wage or are you setting a different threshold
19 of what you believe the living wage is?

20 THERESA CASSANO: I think just generally
21 speaking quickly and this is Theresa Cassano again
22 from the Supportive Housing Loan Program. The plan
23 on this project is to wait until the construction
24 documents are developed enough, and then go out to a
25 pool of bidders, and so it's hard to have these

2 conversations when we don't even have these
3 conversations when we don't even have that pool of
4 bidders identified yet, and—and so, you know, while
5 we hear your points, this is very preliminary and
6 it's hard to actually negotiate terms and costs when
7 we don't have the bidders identified nor the
8 documents ready for them to price.

9 CHAIRPERSON KALLOS: So, I guess—my
10 concern is just if you pay people a minimum wage then
11 they're making \$27,300 a year, and at that rate they
12 would be making half the AMI of your project, which
13 would mean they were making the affordable housing
14 crisis much worse. If you paid people \$25.00 an
15 hour, they would qualify for the affordable housing
16 you are building, and so, if you paid the
17 construction workers the wage rate that other
18 construction workers make across the region, then
19 they wouldn't need the affordable housing. So, my
20 concern is just in constructing you could make the
21 affordable housing crisis worse.

22 MARGARITA PAJARO: The standards—the
23 standard of pay in the construction industry--

24 CHAIRPERSON KALLOS: Uh-hm.
25

2 MARGARITA PAJARO: --tends to skew higher
3 than minimum wage. I could—I could say that
4 generally, but I—as Theresa already pointed out, and
5 as I’ve attempted to—to explain without having a
6 general contract bid list, I can’t even have those
7 conversations with—with—with the—with the GCs to
8 understand what that might do to the bids, which
9 would then increase the overall development costs,
10 which may go ahead and increase our ask for subsidy.

11 CHAIRPERSON KALLOS: I’m—I’m comfortable
12 providing more subsidy if—if the Mayor—the Mayor is.
13 One of the things I’ve heard him say again, and again
14 it’s the best thing we can do to fight the affordable
15 housing crisis is raise wages. I offer SUS the same—
16 same question.

17 ARLO CHASE: All of our employees re
18 entitled to health insurance as well as disability
19 insurance.

20 CHAIRPERSON KALLOS: And those operating
21 the building will have it?

22 ARLO CHASE: That is correct.

23 CHAIRPERSON KALLOS: And will they have
24 retirement accounts?

25

2 ARLO CHASE: There is—there is an option
3 for—for a 3B. Currently, we do not have a match.

4 CHAIRPERSON KALLOS: Okay. I—I would
5 encourage you to do the match, and similarly—do—do
6 you have a wage rate that is tied to others in the
7 community doing similar work?

8 ARLO CHASE: I'm not necessarily
9 following the question. I apologize.

10 CHAIRPERSON KALLOS: If you have some
11 body doing social work with your—your clients some
12 social workers are part of an agreement where they're
13 compensation is tied to other social workers at other
14 sites throughout the city. And so the question is
15 whether or not your social workers have a salary that
16 is tied a citywide or to other sites or if they are
17 just set at whatever rate you want?

18 ARLO CHASE: We have a range of salaries
19 that are set for our organization. I do not believe
20 they are tied to other organizations, as you suggest,
21 but I—I can tell you the—the—the lowest wage for the
22 people we expect to employ would be \$40,000 a year
23 annually.

24 CHAIRPERSON KALLOS: That is—that is what
25 I was looking to hear. That is good. I—I think they

2 would still end up qualifying for this affordable
3 housing, but it is—it is much, a better improvement
4 and then I think the—the favorite piece I like to ask
5 folks is for the developer. You have a local hire
6 requirement. If somebody is watching this near
7 Council Member Barron's district and they have—would
8 like a job building this building who can they call
9 to get that job? What number do they dial if they're
10 watching right now?

11 MARGARITA PAJARO: Well, I don't have a
12 phone number for them, but we will be coordinating
13 with the community board once we have chosen the
14 general contractor, and we will—we're—we're open to
15 having a—an employment fair specific to this deal,
16 and we've already said that to—to Councilman—
17 Councilwoman Barron so--

18 CHAIRPERSON KALLOS: I will now turn it
19 to my colleague for a comment.

20 COUNCIL MEMBER BARRON: Thank you, Mr.
21 Chair. My office number is [laughter] 718-649-9495.
22 718-649-9495, and I just want to say that there was
23 some very productive negotiations that we engaged in.
24 I think the team understood what—what I thought would
25 be best for our community, and they were willing to

2 work to make sure that the final project achieved
3 that--the height. The--the--the fact that it's a little
4 higher was very pleasing to my Chief of Staff because
5 she's always saying people need housing, and also the
6 incorporation of the green features. We have the
7 solar panels. So, generally, I'm very pleased with
8 it. Going forward we want to make sure that we bring
9 to reality all that we say we're going to do, and
10 meet all the goals that we've set. Thank you. Thank
11 you, Mr. Chair.

12 CHAIRPERSON KALLOS: Again, I want to
13 compliment Council Member Barron. This is a very good
14 project. It appears that the folks working in the
15 building--

16 COUNCIL MEMBER BARRON: Uh-hm.

17 CHAIRPERSON KALLOS: --will be doing
18 well. It sounds like you're going to have a fun job
19 fair. Everyone now has your number to call, and make
20 sure that they can get jobs on this site. Do we have
21 any further member of the public who wish to testify?
22 Seeing none, I will now close the public hearing on
23 Land Use Items 326, 327 and 328 and the application
24 will be laid over. Our second hearing today is for
25 Land Use Item 329 East Village Housing ANCP in

1 Council Member Rivera's district in Manhattan. This
2 application will facilitate the development of two
3 new buildings containing approximately 21 units of
4 affordable housing and commercial space. Out of the
5 21 units, 10 will become affordable cooperative
6 units, 11 will be affordable rental units. HPD seeks
7 approval for an Urban Development Action Area
8 designation project approval and disposition approval
9 for lot-for six lots-6 and 47 located at 204 Avenue
10 A, and 535 East 12th Street. These sites are being
11 developed under HPD's Affordable Neighborhood
12 Cooperative Program. I'd like to now-before we open
13 the next public hearing, I will turn back to Council
14 Member Barron.
15

16 COUNCIL MEMBER BARRON: I was remiss.
17 I've got to give Brian Paul great thanks and
18 acknowledgement for the great work that he always
19 does and continues to do. Thank you, Brian. Thank
20 you.

21 CHAIRPERSON KALLOS: I will now open the
22 public hearing on Land Use Item 32 East Village
23 Housing ANCP. I would like to invite HPD to present
24 this testimony. I will ask those on the panel to
25

2 please state your names, and then the Counsel will
3 administer the oath.

4 LEGAL COUNSEL: Just before I swear you
5 guys in, I feel like some of you have not filled out
6 slips. So, if you can just do it afterwards, that
7 would be great. But for the oath will you please
8 state your name before answering. Do you affirm to
9 tell the truth, the whole truth and nothing but the
10 truth in your testimony before this committee, and in
11 all Council Members' questions?

12 CHRISTINE RETZLAFF O'CONNELL: Christine
13 Retzlaff O'Connell, HPD. I do.

14 GENEVIEVE MICHEL: Genevieve Michel, HPD.
15 I do.

16 JUAN Barahona: Juan Barahona, SMJ
17 Development. I do.

18 KEVIN PARRIS: Kevin Parris, HPD. I do.

19 CHAIRPERSON KALLOS: You may begin.

20 CHRISTINE RETZLAFF O'CONNELL: And I have
21 copies here if you—

22 CHAIRPERSON KALLOS: Yes, please.

23 CHRISTINE RETZLAFF O'CONNELL: Land Use
24 Number 2—Land Use Number 329 is related to the
25 proposed ULURP action for a project known as East

1 Village Housing. The ULURP action seeks Urban
2 Development Action Area designation disposition and
3 project approval for a development site consisting of
4 two city-owned buildings located at 204 Avenue A
5 Block 406, Lot 6 and 535 East 12th Street, Block 406,
6 Lot 47 in Manhattan Council District 2. It will be
7 redeveloped under HPD's Affordable Neighborhood
8 Cooperative Program, ANCP. As part of the ANCP
9 program guidelines city-owned multiple dwellings are
10 conveyed to restoring communities' HDFC for \$1.00 per
11 tax lot and then rehabilitated by private developers
12 selected through a competitive process to create
13 affordable cooperatives for low and moderate income
14 households. The developer will sign a site
15 development and management agreement with Restoring
16 Communities. They will be in effect until co-op
17 conversion occurs and title transfers from Restoring
18 Communities HDFC to a newly formed cooperative HDFC.
19 From the time of the cooperative conversion, the
20 developer-developer will remain the property manager
21 for at least one year. After the first year, the co-
22 op will have the choice of keeping the developer's
23 property manager or hiring a new company approved by
24 HPD. The two buildings under Land Use No. 329 are
25

1 multiple dwellings taken into city ownership in the
2 late 1970s. In the early 2000s, the building
3 entered into the Tenant Interim Lease Program TIL,
4 which required the tenants to form tenant
5 associations to self-manage their buildings and
6 collect rents under a net lease agreement like HPD.
7 Both buildings are vacated due to structural
8 integrity issues. So, they are currently empty.
9 Generally, buildings in ANCP undergo substantial
10 rehabilitation. However, in this case the building
11 will be demolished and in that place the developer
12 SMJ Development will construct two new buildings thus
13 requiring ULURP. As a result of working with the
14 occupants and Council, HPD and the developer agreed
15 that 204 Avenue A will be become a fully cooperative
16 building and the prior occupants will return. 535
17 East 12th Street will remain a rental under the
18 ownership of the developer. The cooperative building
19 at 204 Avenue A will be a 7-story building with 8 1-
20 bedroom and 2-bedrooms and one commercial space. The
21 cooperative interest should be able to occupy.
22 Apartments will be sold to existing tenants for
23 \$2,500 per apartment. Anticipated income targets for
24 this building will be no less that 80% of AMI for a
25

1 1-bedroom and the initial maintenance for existing
2 tenants to share and shareholders will be at 40% of
3 AMI. Therefore, maintenance for a 1-bedroom
4 apartment will be \$786 and \$958 for a 2-bedroom
5 apartment. Plans for the commercial unit have yet to
6 be determined. The rental building at 535 East 12th
7 Street will be a 6-story building with one studio and
8 10 1-bedroom apartments and a super's unit.
9 Anticipated income targets will be up to 40% of AMI
10 for a 1-bedroom. It's \$109,620 per year with initial
11 rents at 130% of AMI, which is approximately \$2,301
12 for a studio and \$2,469 for a 1-bedroom. Both
13 buildings will be fully accessible. The estimated
14 total development cost for the new construction is
15 \$14,226,128, which is subject to change. Funding
16 sources include \$10,819,557 I city subsidies, which
17 represents about 76% of the total development cost.
18 Land Use Number 329 also seeks approval of Article XI
19 tax benefits for 204 Avenue A and 535 East 12th
20 Street for 40 years that will coincide with the term
21 of the regulatory agreement. The cumulative values
22 totals approximately \$6,369,526 and the net present
23 value is \$1,779,462. HPD is excited to move the
24 project forward after extensive collaboration with
25

1
2 both former Council Member Mendez and current Council
3 Member Rivera. As with many ANCP projects, the
4 financial crisis in 2008 and problems with lending
5 for homeownership as a result stalled this project,
6 and we're glad to be on track without further delays.
7 In order to facilitate the construction of East
8 Village Housing Project—Housing ANCP project, HPD is
9 before the Council seeking approval of Land Use No.
10 329. [pause]

11 JUAN BARAHONA: Alright, great. I'm
12 just going to run through this—this presentation that
13 we've—we've been making for a few years now with the
14 community board and all of our stakeholders. So,
15 the—the development team consists of myself SMJ
16 Development a minority business enterprise for -
17 applied by New York City SBS. They're one of the
18 few, you know, developers that you probably see
19 before you with any frequency. We hire our
20 Shakespeare Board (sic) Oh, Sorry.

21 CHAIRPERSON KALLOS: I'd like to
22 recognize we've been joined by Council Member Vanessa
23 Gibson. Please continue.

24 JUAN BARAHONA: Sure. We retain
25 Shakespeare Gordon Vlado Architects, and that's

1 certified by SBS, and New York--New York State as
2 well and like we said, we're using Restoring
3 Communities to that of the HDFC. These are the
4 actions. It's a--it's a very straight forward ULURP
5 and DISBO (sic) and UDAAP Designation. As was
6 previously stated--previously stated, these, you know,
7 these projects have been around for a while. HPD has
8 had them since the '70s, and I guess unfortunately
9 they were vacated and so the tenants have been
10 quote/unquote temporary--temporarily relocated since
11 2008. Having talked and met with them for a few
12 years now, they're very, very eager to get back to--
13 get back home and to have their project finally cross
14 the finish line. From a zoning perspective, you've
15 got Avenue A with an R7A designation with on-site
16 inclusionary option, and East 12th Street is an R8B,
17 which are both, you know, zoning--zonings that--zoning
18 that was put in place in 2009 with the East Village
19 Lower East Side Rezoning. As you can see, these are--
20 these are photos of the properties on Avenue A. It's
21 a 4-story building. It's been vacant and the 5-story
22 building on--on 12th Street. On Avenue A we're--we're
23 able to get a little--a little slightly taller like 7
24 stories with 10 apartments over about 1,000 square
25

1 feet of commercial. Of the ten cooperative units,
2 there's two-two 2-bedrooms and one-sorry. Two-2-
3 bedroom and 8 1-bedrooms, a ground floor commercial
4 space of approximately 1,000 square feet will retain-
5 will remain with the co-op, and they will have their
6 open space, and then on the roof level on 12th Street
7 it's a 6-story building with 11 apartments and no
8 commercial appurtenances (sic) and it's only six
9 stories and, you know, Avenue will be a cooperative
10 and, you know, Christine my colleague here can speak
11 to-to the ANCP restrictions and-and the purpose of
12 the program, and then the maintenance levels and then
13 12th Street will be a middle-income rental, which
14 will be subject to the Housing-Housing Connect
15 program, and here's your typical layouts. They're
16 25-footers so there's nothing really special in terms
17 of design here, or the layout perspective. I think
18 that's it.

20 CHAIRPERSON KALLOS: Thank you for
21 answering so many of my questions ahead of time. I
22 appreciate you're flagging the fact that this has
23 taken ten years. Where have the residents been in
24 the interim, and can you get into a little bit of the
25 details? I guess HPD shouldn't be-I guess how did

1
2 the Financial Crisis—how did the Financial Crisis
3 stop HPD from moving this forward. I—I don't believe
4 we stopped doing affordable housing financing. So,
5 if I can get a little bit more details on (a) where
6 would a tenant—where are the tenants currently, and
7 when will they get to move into these new apartments
8 and then why did it take 11 years and with
9 construction going to take? Two years. So, it's
10 going to—13 years of Diaspora.

11 CHRISTINE RETZLAFF O'CONNELL: So the 10
12 residential families have been out since 2008 due to
13 structural instability. They are relocated into
14 other TIL properties. So other city-owned properties
15 in the Lower East Side. The tenants have been very
16 participatory in this process. Actually, in 2008
17 there really wasn't a development program for TIL
18 properties. We—we sort of tailed off or tapered off
19 the—the program in 2006 due to the cost associated
20 with the renovation of these buildings. It's very
21 substantial in most cases and in this—this rare case
22 it's actually new construction, and then in 2008 we
23 had the Financial Crisis. The Office of Management
24 and Budget did not feel the comfort with financing
25 these kinds of projects any longer due to the cost,

2 and also due to the fact that, you know, financing
3 for homeowners in—in the market really wasn't
4 available. So, this program sort of was at stall,
5 and in 2012 ANCP was born. It was sort of redrafted,
6 the TIL Government program. This project was
7 actually assigned to SMJ in 2016. That's when we
8 really got the program up and running. We had an RFQ
9 list. SMJ was qualified, and so here we are about 2-
10 1/2 years later with a plan and an expectation to
11 close in June of this year. [pause]

12 CHAIRPERSON KALLOS: I'd like to thank
13 you for sharing the MWBE status and all of this. In
14 terms of the cooperative tenants, why are they in one
15 building versus the original buildings they came
16 from?

17 CHRISTINE RETZLAFF O'CONNELL: So the—the
18 buildings had five and five families. So 5 in each
19 building. Through conversations with former Council
20 Member Rosie Mendez and her team, the residents
21 expressed some concern about moving back into their
22 buildings and—and feeling like they may be half of
23 the new occupancy. So, feeling like they might—might
24 be a minority in their own building, and so with the
25 support of the Council Member they actually wrote to

1
2 HPD requesting that they—they all move together into
3 204 Avenue I (sic) which is the building with the
4 commercial space. So they have that added benefit to
5 help finance their operational costs, which left 12th
6 Street vacant. IT's—it's a little more difficult,
7 it's a little more costly to create new co-ops. So
8 we decided 12th Street would—would be that rental,
9 and really what we have here just to touch on the
10 financing because this is a pretty expensive project.
11 It's more expensive than we typically see in ANCP.
12 What we have here is a rental building that's really
13 financing the cost and the affordability of the co-op
14 building. So, both buildings—12th Street will go
15 through Housing Connect as Juan mentioned. So, it
16 will be a lottery process, but essentially what—what
17 we have is one building subsidizing the other.

18 CHAIRPERSON KALLOS: What are the hard
19 costs on the project?

20 CHRISTINE RETZLAFF O'CONNELL: So, the
21 hard costs are \$9.5 million, which is approximately
22 67% of the budget.

23 CHAIRPERSON KALLOS: And what are the
24 soft costs?

25

2 CHRISTINE RETZLAFF O'CONNELL: The soft
3 costs are \$4.6 million, which is about 33% of budget.

4 CHAIRPERSON KALLOS: And what is the
5 developer fee?

6 CHRISTINE RETZLAFF O'CONNELL: The
7 developer fee here is \$864 K. It's in line with the
8 ANCP term sheet. We renegotiate the fees but it's up
9 to 10% of total development costs.

10 CHAIRPERSON KALLOS: Is there a developer
11 concession or deferral?

12 CHRISTINE RETZLAFF O'CONNELL: Can you
13 elaborate?

14 CHAIRPERSON KALLOS: Is the developer
15 taking their full 10% or what have you or is it in
16 the previous project that the developer had a
17 deferral?

18 CHRISTINE RETZLAFF O'CONNELL: We are
19 deferring half the fee of construction on closing in
20 anticipation of the permanent loan conversion when
21 the full fee will be disbursed.

22 CHAIRPERSON KALLOS: The location it is
23 very hard to find affordable office—it's not office
24 space, commercial space especially in this
25 neighborhood. Will there be any restrictions on the

2 rent so that a mom and pop can afford to use it or is
3 it going to be like \$10,000 or something--\$10,000 a
4 month for somebody to rent that space.

5 CHRISTINE RETZLAFF O'CONNELL: Our Market
6 Analysis shows that we could obtain about \$75 a
7 square foot for this particular location, but what we
8 actually include in our budget is no more than a
9 quarter of the total commercial space at a total of--
10 the total revenue should come from commercial
11 revenue. So, we are restricting in the budget so we
12 do some leeway in where we actually set the rent.

13 CHAIRPERSON KALLOS: Okay. So, you will
14 hopefully set it so that we--we don't need another
15 Starbucks in that part of the city--

16 CHRISTINE RETZLAFF O'CONNELL: Uh-hm.

17 CHAIRPERSON KALLOS: --or a bank. Okay.
18 You answered a lot of the questions. I think the
19 remaining questions are--are the standard questions
20 relating to the--the construction work whether the
21 folks doing the construction work and operating in
22 the building will have health insurance or if they
23 will have disability insurance, and that they'll have
24 a--a vehicle to retire.

2 JUAN BARAHONA: So, I mean I've got a
3 tentative agreement with a general contractor right
4 now. You know, I've been talking to a few people and
5 nobody really kind of—the—the site it's not a big
6 construction project so it doesn't really—it's not
7 demanding a lot of interest. And so we haven't
8 really talked about—about wage rates and benefits
9 for—for employees, but I imagine, you know, that
10 could be part of the conversation. You know it's
11 important to me. I don't think it—it makes sense,
12 but just, you know, to be very realistic with you,
13 it's going to—like Christine said, it's already a
14 very expensive project in terms of—in terms of the
15 constructability and so, you know, the—the retirement
16 benefits is probably, you know, being stretched and
17 I—I could see how—how health benefits may be part of
18 the equation for the contractor, but I just don't
19 know if, you know just how many benefits are
20 necessarily something I can make it into something of
21 scale.

22 CHAIRPERSON KALLOS: Do—do you have
23 access to a 401(k) or a 403(b) or other retirement
24 vehicle?

2 JUAN BARAHONA: I don't and also I'm an
3 independent LLC.

4 CHAIRPERSON KALLOS: Wow.

5 JUAN BARAHONA: So, I-I have an IRA that
6 I fund for the-for myself.

7 CHAIRPERSON KALLOS: Okay.

8 JUAN BARAHONA: But, you know, but I hear
9 what you're saying.

10 CHAIRPERSON KALLOS: Sure and to HPD it
11 sounds like we've got a developer who's interested in
12 paying people higher wages so that the people working
13 on the project won't make the affordable housing
14 crisis worse. Are you able to add additional
15 subsidies so that we're paying people the rates they
16 need so that they don't need to come back to HPD for
17 more affordable housing?

18 CHRISTINE RETZLAFF O'CONNELL: We're not.

19 CHAIRPERSON KALLOS: [pause] We will-I
20 imagine we will continue this conversation, but that
21 was the most definitive response I've ever received
22 from you or HPD. Can you please elaborate?

23 GENEVIEVE MICHEL: Yeah, I mean I think
24 certainly on this project as we've mentioned it's
25 already, you know, above what we target for term

2 sheets on these projects. There certainly isn't any
3 more room in the budget on this one.

4 CHAIRPERSON KALLOS: How-how can we get
5 to a place where HPD is considering whether or not
6 those working on their project will they themselves
7 need affordable housing and whether or not we're-I-I
8 guess the-the large question. So, we-we-do we agree
9 that there is an affordable housing crisis?

10 GENEVIEVE MICHEL: We do.

11 CHAIRPERSON KALLOS: And do we agree that
12 if we pay people more they will not need as much of
13 that affordable housing? That that is one of the key
14 elements? We can build more and we can also-that one
15 solution is building more affordable housing.
16 Another solution is paying people more.

17 GENEVIEVE MICHEL: I think it is all part
18 of an equation. I think, you know, it's
19 unfortunately not going to be just about paying
20 people more if you don't actually have safe and
21 quality housing for people to live in.

22 CHAIRPERSON KALLOS: Would you agree that
23 if we pay people more they have more access to more
24 housing options?

2 GENEVIEVE MICHEL: Sure but that, you
3 know that still doesn't solve the supply question.

4 CHAIRPERSON KALLOS: Sure. I guess my
5 concern is just that as you've heard at many hearings
6 before and we will discuss at many hearings after
7 this one the—how—how many folks are we expecting to—
8 are you expecting to employ on this project?

9 JUAN BARAHONA: I mean frankly it's not
10 going to be a lot. I mean I think that the biggest
11 trade here will be carpentry, and I would expect that
12 we would have probably five or six carpenters here
13 working the longest.

14 CHAIRPERSON KALLOS: Yeah.

15 JUAN BARAHONA: You know, for the—the
16 longest duration. I mean the trades here are going
17 to be pretty compact, and it would, you know, there's
18 going to be—you know, it's going to be hard enough to
19 kind of have people working on top of each other just
20 to—to get through it. We've got 25 feet to work
21 with. It's not, you know—there's not a lot of
22 opportunity. I think, you know, just to reiterate
23 Christine's point, what the challenge with this
24 project and I think HPD—I—I understand HPD's dilemma
25 is that the—you have really one building paying for

1 the cost of two. I mean I think it shouldn't be—it
2 shouldn't be discounted and forgotten that the—the
3 ten returning households are—are basically purchasing
4 brand new apartments for \$2,500.
5

6 CHAIRPERSON KALLOS: Uh-hm.

7 JUAN BARAHONA: So, a lot of that, you
8 know that—a lot of that cost is—is-is there—it's
9 being absorbed by them. If there was a way to offset
10 that, I think there might be an ability for HPD to
11 have some more flexibility, but that is—and that's
12 kind of unprecedented that you don't really see that
13 where you're getting because each unit is going to
14 cost probably on the order of half a million dollars
15 just to build. So, and they're going to get that for
16 \$2,500, you know so--

17 CHAIRPERSON KALLOS: [interposing] I—I
18 see it more frequently than most. I guess the
19 question is so they're going to get an apartment for
20 \$2,500 that's having been displaced from their home
21 for over—within 13 years. In a—in another TIL
22 building I guess. Now is this a windfall? Do they
23 get to turn around and sell it for a million dollars
24 or is it something where they're going to have to be
25 a co-op owner? They're going to be pay maintenance.

2 They're going to have sweat equity. They're--they've
3 already likely have sweat equity, and where there
4 will be an incentive not to just sell a unit, and
5 even when they do will there be income restrictions?

6 CHRISTINE RETZLAFF O'CONNELL: Yes. So
7 this is an ANCP Co-op. Every co-op created through
8 ANCP has a foot tax schedule. We apply this in foot
9 tax schedule. It can also be called a profit sharing
10 schedule. So that means that at any point when a
11 purchaser sells, they will recoup what they've paid
12 for, \$2,500. They will also recoup closing costs,
13 which is usually about 13% of the sale price, and
14 then the profit over and above is subject to a
15 percentage that's split between the co-op and the
16 seller. The longer they stay, the more they keep.
17 In year 15, they actually maxed out. They'll get 80%
18 of their profit and then the other 20 comes back to
19 the co-op to help pay down debt and it also goes into
20 the reserves of the co-op.

21 CHAIRPERSON KALLOS: Thank you. In terms
22 of the operations of the building, will those folks
23 have health insurance, disability or a retirement?

24

25

2 JUAN BARAHONA: The--so the--the
3 cooperative like--like was stated before, I will
4 solicit proposals from a qualified property manage--

5 CHAIRPERSON KALLOS: Got it.

6 JUAN BARAHONA: -- and then that property
7 manage will--will be, you know, on the hook for a year
8 at least. I mean there will be a 30-day out or
9 something like that, but if it really doesn't work
10 out, and then the, you know, so we'll set a budget
11 for the first year of operations, which will, you
12 know, will--will speak to staffing levels and whatever
13 benefits that the property manager thinks are
14 commensurate with the market. And then the, you
15 know, ultimately the co-op will take over, and then
16 they'll decide whether or not they can continue that
17 or afford that. And then, you know, I'll probably
18 just- And it will probably be a similar approach for
19 the rental building frankly speaking. I mean I don't
20 see a need for two different property managers.

21 CHAIRPERSON KALLOS: Uh-hm.

22 JUAN BARAHONA: I've--so I've--I've worked
23 in this neighborhood with this kind of smaller
24 project mix for a couple of years now, and what I've
25 found is that there really isn't a lot of--a lot of

2 takes for these affordable cooperatives. They're--
3 they're--they're kind of regulatory heavy in terms of
4 reporting--

5 CHAIRPERSON KALLOS: Uh-hm.

6 JUAN BARAHONA: --and so--and, you know,
7 and then there are some challenges in terms of the--
8 the--the residents kind of transitioning from being
9 long-term renters to--to cooperative owners. And
10 so,, you know, it kind of limits your options, but,
11 you know, I--I think whatever the--whatever the market
12 is--is offering I think is--is fair in terms of these
13 are--you know, you're not going to get a large
14 property manager who's going to want to take a run at
15 a 10-unit co-op or an 11-unit rental. So, it's going
16 to be a small--small players. You know, Community
17 Board 3 asked me the same question and I said I'd be
18 happy to open it up to, you know, to local--local like
19 their--their thing was like local non-profit like
20 local non-profit property managers And I--and I was
21 very frank with them. I was very frank with them. I
22 did a similar cooperative conversion rehab project a
23 few years ago, and I opened it up to non-profit
24 manager bidders, but they ultimately didn't bid on
25 that project. So, you know, I'll--I'm more than happy

2 to—to offer the opportunities to folks and if they,
3 you know, if they would want--

4 CHAIRPERSON KALLOS: [interposing]
5 Speaking of local opportunities, you may have heard
6 my favorite question that I get to ask: Does your
7 project have a local hire requirement?

8 JUAN BARAHONA: No, we—I'd be subject to
9 Hire NYC.

10 CHAIRPERSON KALLOS: Great. So, if
11 somebody is watching at home right now and they live
12 in the Lower East Side, and they are interested in
13 being one of those five carpenters of one of those
14 few folks on these small sites that can help build
15 something in their neighborhood, what number should
16 they call?

17 JUAN BARAHONA: Well, can I give them
18 your phone number or give them mine?

19 CHAIRPERSON KALLOS: Okay, what's it.

20 JUAN BARAHONA: So, it's right here. So,
21 I mean I'm I'll—I'll be, you know, so I've been
22 working with the Council Member's office pretty—
23 pretty extensively for a couple of years now, and so—
24 and I have a very open line of communication with
25

2 Council Member Rivera's Office on this particular
3 project in particular and--

4 CHAIRPERSON KALLOS: [interposing] So
5 people should free to--

6 JUAN BARAHONA: [interposing] Sure.

7 CHAIRPERSON KALLOS: --to call there and
8 call the Council Member?

9 JUAN BARAHONA: [interposing] Or call--
10 call the Council Member who put me in touch with--or
11 and then I--you know, like I said I've been--I've been--

12 CHAIRPERSON KALLOS: [interposing] You
13 bring experience to the record. (sic)

14 JUAN BARAHONA: Correct, and I've been
15 doing some projects in--in the neighborhood already.
16 So, folks have seen me walking around--around the
17 neighborhood a lot.

18 CHAIRPERSON KALLOS: And so what you've
19 displayed for the public and what will be scanned
20 into record is so you can--you can reach Juan at 646--
21 644-0449, and let him know you were watching this on
22 TV or online, and that you're interested in working
23 on putting these buildings up. I want to thank you.
24 Is there any member of the public who would like to
25 testify on these items? Seeing none, I will now

1 SUBCOMMITTEE ON PLANNING, DISPOSITIONS AND
2 CONCESSIONS

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3 close the public hearing Land Use Item 329 and the
4 application will be laid over. This concludes
5 today's hearing, and I would like to thank the
6 Counsel and Land Use staff for preparing today's
7 hearing and the members of the public and my
8 colleagues for attending. This meeting is hereby
9 adjourned. [gavel]

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C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.



Date February 28, 2019