July 23, 2019

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 July 23, 2019 – Resolution approving a tax exemption for five Land Use items (Council Districts 8, 9, 16, 17)

**Item 1: St. Ann’s Apartments**

St. Ann’s Apartments is comprised of 90 residential units across six buildings in the Longwood, Claremont Village, Melrose, and Mott Haven neighborhoods of the Bronx owned by St. Ann’s Apartments LLC. The project contains four studio units, 19 one-bedroom units (inclusive of one superintendent unit), and 67 two-bedroom units (inclusive of two superintendent’s units).  There are also four commercial units throughout the properties.

Currently, a portion of the project receives an Urban Development Action Area Program (UDAAP) exemption from real property taxation which will expire in 2020, and another portion receives a J-51 exemption and/or abatement. The remainder of the portfolio receives both the UDAAP and J-51 Benefits.

The Department of Housing Preservation and Development (“HPD”) is requesting the Council to approve a full, 40-year Article XI property tax exemption. St. Ann’s Portfolio Housing Development Fund Corporation (“HDFC”) will acquire the properties and St. Ann’s Apartments LLC would be the beneficial owner and would operate the properties. The HDFC and the LLC would finance the acquisition and rehabilitation of the properties with loans from HPD and the New York City Housing Development Corporation (“HDC”), and an equity contribution from CPC Community Capital Advisors. The HDFC, LLC, and HPD would enter into a regulatory agreement that would require that five units be rented only to households earning up to 50% of the Area Median Income (“AMI”), 53 units be rented only to households earning up to 60% of AMI, and 29 units be rented only to households earning up to 80% of AMI. Additionally, there would be a 15% homeless set aside of 14 units in the project. Upon approval of the Article XI property tax exemption, the UDAAP exemption would be terminated and replaced with the new Article XI tax exemption, which would be reduced by an amount equal to any concurrent J-51 Benefits.

Summary:

* Borough – Bronx
* Block 2550, Lots 7 and 17; Block 2612, Lot 35; Block 2676, Lot 85; Block 2685, Lots 50 and 51; Block 2700, Lot 53
* Council District(s) – 8, 16, 17
* Council Member(s) – Ayala, Gibson, Salamanca
* Council Member approval – Yes
* Number of buildings – 6
* Number of units – 90
* Type of exemption – Article XI, full, 40-years
* Population – affordable rental housing
* Sponsor – St. Ann’s Portfolio HDFC, St. Ann’s Apartments LLC , SMJ Development LLC
* Purpose – preservation
* Cost to the City – $5.1 million
* Housing Code Violations
  + Class A – 6
  + Class B – 13
  + Class C – 8
* AMI targets – 5 units at 50% of AMI, 53 units at 60% of AMI, and 29 units at 80% of AMI.

**Item 2: 603 Pontiac Place**

603 Pontiac Place is located at the corner of Jackson Avenue and Pontiac Place in the Morrisania neighborhood of the South Bronx. Once developed, 603 Pontiac Place will include

On June 21, 2016, the Council approved Resolution No. 1148 approving a full, 40-year Article XI property tax exemption for 603 Pontiac Place in the Bronx. The exemption was provided to facilitate the construction of a seven story building containing 25 residential rental units comprised of a mix of 15 one- and 10 two-bedroom apartments, and a community facility space, a commercial space, and a tenant storage space. HPD is now requesting that the Council approve a technical amendment to the prior resolution to include reference to the community facility space and to clarify that it is subject to the property tax exemption.

Summary:

* Borough – Bronx
* Block 2623, Lot 213
* Council District No. 8
* Council Member – Ayala
* Council Member approval – Yes
* Number of buildings – 1
* Number of units – 25
* Purpose – technical amendment to prior Council resolution

**Items 3-5: Putnam Portfolio (The Heritage, River Crossing, Miles and Parker)**

L+M Workforce Housing Fund, LP (“L+M WHF”), along with its partner Invesco VAF V Investments LLC (“Invesco”) is acquiring a 1,619-unit, four-property portfolio (River Crossing, Miles, Parker, and The Heritage) located in Central Park North and East Harlem.

The four properties were constructed between 1975 and 1980 and were operated separately as Mitchell-Lama rentals until 2005. In that year, Cammeby’s International Group (“Cammeby”) purchased all the properties and removed them from the Mitchell-Lama program. The units were not required to be rent-stabilized at Mitchell-Lama exit due to the building’s construction after 1974. As a result, the properties are not currently regulated, although tenants in occupancy at Mitchell-Lama exit earning less than 95% AMI received Enhanced Section 8 Vouchers. The properties have since changed ownership twice.

Under the proposed project, 1,084 of the units of rental housing would be preserved by placing all properties under separate Article XI regulatory agreements. The transaction would be structured as three separate Article XI preservation transactions. Upon acquisition, the new owners would invest approximately $45 million across the portfolio on repair and upgrade work, including roof and façade work, elevator upgrades, in-unit work, green upgrades, and the addition of amenities for tenants including gyms and co-working spaces for the properties with available space. All tenants who currently receive Section 8 vouchers would continue to do so and all other existing tenants would be subject only to rent increases within the Rent Guideline Board allowances for the duration of their tenancies.

HPD is requesting the Council approve a partial, 40-year Article XI property tax exemption for each of the three properties. In each case, an HDFC would acquire the property and an LLC would be the beneficial owner and operate the properties. The HDFC and LLC would finance the acquisition and rehabilitation of the properties with a loan from a private lending institution and would enter a regulatory agreement with HPD establishing certain controls over the property.

**Item 3: The Heritage**

The Heritage is a three-tower complex containing 600 residential units, 267 with tenant-based Section 8 vouchers, and 331 paying market rents. The remaining two units are superintendent units.

The Heritage site has over 200,000 square feet of as-of-right excess Floor Area Ratio (“FAR”) associated with the on-site parking lot. The purchaser proposes that any potential development at The Heritage would be built as per the rent and income restrictions consistent with HPD’s Extremely Low and Low-Income Affordability (“ELLA”) term sheet.

The HDFC, LLC, and HPD would enter into a regulatory agreement that approximately one-third of the units in The Heritage would remain unrestricted, while the remaining units would be restricted by regulatory tiers that would require that 134 units be rented only to households earning up to 80% of AMI, and that 268 units be rented only to households earning up to 145% of AMI. The project also includes a homeless placement requirement equal to 41 units, or ten percent of the affordable units.

Summary:

* Borough – Manhattan
* Block 1616, Lot 1
* Council District – 9
* Council Member – Perkins
* Council Member approval – Yes
* Number of buildings – 3
* Number of units – 600
* Type of exemption – Article XI, partial, 40-years
* Population – affordable rental housing
* Sponsor – Heritage Holdings Housing Development Fund Corporation, Heritage Holdings LLC, L&M Development Partners
* Purpose – preservation
* Cost to the City – $92.8
* Housing Code Violations
  + Class A – 44
  + Class B – 57
  + Class C – 9
* AMI targets – 134 units at 80% AMI, 268 units at 145%, 196 units at market-rate

**Item 4: River Crossing**

River Crossing consists of two 13-story residential buildings totaling 614 residential units and 12 commercial units. Of those units, 195 currently have tenants holding Section 8 vouchers, and 417 units are unrestricted. The remaining two units are superintendent units.

A portion of the River Crossing property is encumbered by a ground lease between the City and the owner of the River Crossing complex. The lease site contains a 147-unit residential project and a commercial parking garage and also provides easements for the City to operate and maintain a school on an adjacent parcel. The ground lease site is not included in this transaction or in the exemption area.

The HDFC, LLC, and HPD would enter into a regulatory agreement where approximately one-third of the units in River Crossing will remain unrestricted, while the remaining units will be rent-restricted and placed in regulatory tiers that would require that 171 units be rented only to households earning up to 80% of AMI, 185 units be rented only to households earning up to 135% of AMI, and that 154 units be rented only to households earning up to 145% of AMI. The project would also include a homeless placement requirement equal to 51 units, or ten percent of the affordable units.

Summary:

* Borough – Manhattan
* Block 1694, Lots 5 and 7
* Council District – 8
* Council Member – Ayala
* Council Member approval – Yes
* Number of buildings – 2
* Number of units – 614
* Type of exemption – Article XI, partial, 40-years
* Population – affordable rental housing
* Sponsor – River Crossing Owner Housing Development Fund Corporation, River Crossing Owner LLC, L&M Development Partners
* Purpose – preservation
* Cost to the City – $88.2
* Housing Code Violations
  + Class A – 96
  + Class B – 34
  + Class C – 52
* AMI targets – 92 units at 80% AMI, 164 units at 135%, 154 units at 145% AMI, 202 units at market-rate.

**Item 5: Miles & Parker**

The Miles is a 32-story residential building with 341 residential units and three commercial spaces. The Parker is a nine-story fully residential building with 64 units. Combined, they hold 405 residential units, 172 units with tenant-based Section 8 vouchers and 231 units paying unrestricted rents. The remaining two units are superintendent units.

The Parker site has at least 51,000 square feet of as-of-right excess FAR associated with under-utilized open space that is currently a parking lot. The project sponsor proposes to develop the excess FAR as per the rent and income restrictions consistent with HPD’s ELLA term sheet.

The HDFC, LLC, and HPD would enter into a regulatory agreement where approximately one-third of the units in Miles & Parker would remain unrestricted, while the remaining units would be placed in regulatory tiers that would require that 86 units be rented only to households earning up to 80% of AMI, 94 units be rented only to households earning up to 135% of AMI, and that 92 units be rented only to households earning up to 145% of AMI. The project would also include a homeless placement requirement equal to 28 units, or ten percent of the affordable units.

Summary:

* Borough – Manhattan
* Block 1645, Lot 15; Block 1770, Lot 158
* Council Districts – 8, 9
* Council Member – Ayala, Perkins
* Council Member approval – Yes
* Number of buildings – 2
* Number of units – 405 (341 units in Miles; 64 units in Parker)
* Type of exemption – Article XI, partial, 40-years
* Population – affordable rental housing
* Sponsor – Miles Parker Owner Housing Development Fund Corporation, Miles Parker Owner LLC, L&M Development Partners
* Purpose – preservation
* Cost to the City – $54.4
* Housing Code Violations
  + Class A – 58
  + Class B – 92
  + Class C – 17
* AMI targets – 86 units at 80% AMI, 94 units at 135%, 92 units at 145% AMI, 131 units at market-rate.