February 11, 2020

TO: Hon. Daniel Dromm

Chair, Finance Committee

Members of the Finance Committee

FROM: Rebecca Chasan, Senior Counsel, Finance Division

Noah Brick, Assistant Counsel, Finance Division

RE: Finance Committee Agenda of February 11, 2020 – Resolution approving a tax exemption for two Land Use items (Council Districts 2 and 39)

**Item 1: 528 East 11th Street**

538 East 11th Street Housing Development Fund Corporation (HDFC) acquired its 33-unit residential building from the City in 1981. These units include 25 two-bedroom apartments and eight three-bedroom apartments. Since the 1981 acquisition, the HDFC has encountered various delays reincorporating and converting from affordable rental to affordable limited-equity homeownership. The HDFC is now assisted in this effort by the Brooklyn Law School Corporate and Real Estate Clinic.

The New York City Department of Housing Preservation and Development (HPD) is requesting that the Council approve a full, 40-year Article XI exemption, retroactive to July 1, 1998. The HDFC’s Division of Alternative Management (DAMP) tax partial abatement, in place since March 20, 1989, would be terminated as of June 30, 1998.

HPD and the HDFC would enter into a regulatory agreement that would restrict the sales of shares corresponding to each unit to households with income at or below 120% of the Area Median Income (AMI). While current renters who exceed the 120% AMI income threshold would be permitted to purchase shares, resale of their shares would be restricted by the terms of the agreement.

Summary:

* Borough – Manhattan
* Block 404, Lot 18
* Council District – 2
* Council Member – Rivera
* Council Member approval –Yes
* Number of buildings – 1
* Number of units – 33
* Type of exemption – Article XI, 40 years
* Population – affordable homeownership
* Sponsor – 538 East 11th Street HDFC, Urban Property Management Corp, Brooklyn Law School
* Purpose – preservation
* Cost to the city - $5.6 million
* Housing Code Violations
  + Class A – 13
  + Class B – 37
  + Class C – 3
* AMI target – 120%

**Item 2: Carroll Gardens Portfolio**

The Carroll Gardens Portfolio is a 31-unit project across three buildings (361 Court Street, 239 Carroll Street, and 213 Sackett Street) in Carroll Gardens. Of the 31 units, three are studios, 22 are one-bedroom units, and six are two-bedroom units.

Court Carroll Sackett HDFC acquired this portfolio in August 2019 with a Community Preservation Corporation acquisition bridge loan. At acquisition closing, the HDFC and HPD entered into a regulatory agreement. At permanent closing, the HDFC will replace its bridge debt with a loan from the New York City Housing Development Corporation (HDC) and receive HPD subsidy to complete moderate rehabilitation work, including roof replacement, window replacement, electric upgrades, and boiler replacement.

HPD is requesting that Council approve a full, 40-year Article XI exemption. HPD, HDC and the HDFC would enter into a superseding 40-year regulatory agreement that would require that 10 units be leased to households with incomes up to 60% of AMI, 15 units be leased to households with incomes up to 80%, and six units be leased to household with incomes up to 135%. Half of each tranche of units would remain permanently affordable. Ten of the units would be reserved for referrals of formerly homeless families.

Summary:

* Borough – Brooklyn
* Block 332, Lot 52; Block 435, Lot 1; Block 449, Lot 12
* Council Districts – 39
* Council Members – Lander
* Council Members approval – Yes
* Number of buildings – 3
* Number of units – 31
* Type of exemption – Article XI, full, 40 years
* Population – affordable rental
* Sponsor – ELH Management LLC
* Purpose – preservation
* Cost to the city - $1.9 million
* Housing Code Violations
  + Class A – 5
  + Class B – 13
* AMI targets – 10 units at 60% AMI, 15 units at 80% AMI, 6 units at 135% AMI