

CITY PLANNING COMMISSION



July 8, 2019 / Calendar No. 1

C 190253 HAM

IN THE MATTER OF an application submitted by the New York City Department of Housing Preservation and Development (HPD):

1. pursuant to Article 16 of the General Municipal Law of New York State for:
 - a. the designation of property located at 201-207 Seventh Avenue (Block 797, Lots 80, 81, 82, 83) as an Urban Development Action Area; and
 - b. an Urban Development Action Area Project for such area; and
2. pursuant to Section 197-c of the New York City Charter for the disposition of such property to a developer to be selected by HPD.

to facilitate the development of a nine-story, mixed-use commercial and residential building, Borough of Manhattan, Community District 4.

Approval of three separate matters is required:

1. The designation of the property located at 201-207 Seventh Avenue (Block 797, Lots 80, 81, 82, 83) as an Urban Development Action Area; and
2. An Urban Development Action Area Project (UDAAP) for such area; and
3. The disposition of such property to a developer to be selected by HPD.

The application for the UDAAP designation and project approval and disposition of city-owned property was submitted by HPD on September 27, 2018. Approval of this application would facilitate the development of a nine-story, mixed-use commercial and residential building on the project site.

HPD states in its application that:

The Project Area consists of underutilized property, which tends to impair or arrest the sound development of the surrounding community, with or without tangible physical blight. Incentives are needed in order to induce the correction of these substandard, insanitary, and blighting conditions. The project activities would protect and promote health and safety and

would promote sound growth and development. The Project Area is therefore eligible to be an Urban Development Action Area and the Proposed Development is therefore eligible to be an Urban Development Action Area Project pursuant to Article 16 of the General Municipal Law.

BACKGROUND

HPD requests approval of the subject UDAAP, property acquisition and disposition to facilitate the development of a nine-story, mixed-use commercial and residential development that will provide 26 affordable homeownership units. The project site is located at 201-207 Seventh Avenue (Block 797, Lots 80, 81, 82, 83), in the Chelsea neighborhood of Manhattan Community District 4.

The 1999 Chelsea Rezoning (C 990453 ZMM) rezoned 201-207 Seventh Avenue (the Project Site) and Surrounding Area from a C6-2M commercial district to an R8A residential district with a C2-5 commercial overlay. The purpose for the rezoning was to preserve neighborhood character while allowing new development to reinforce the existing building form and mixed-use nature, as recommended by Manhattan's Community Board 4's 197-A Plan.

The City assumed ownership of 201, 203, 205 and 207 Seventh Avenue in April 1976, through a tax lien foreclosure. The properties were developed with four contiguous, attached buildings, each with commercial space on the ground floor and four stories of residential units above. The residents of 14 dwelling units within the four buildings successfully formed a Tenant Association and, in September 1997, entered the HPD Tenant Interim Lease (TIL) program. Starting in 2008, HPD began to be relocate tenants due to structural issues with the buildings. At the time of this application, tenants in all but one unit have been relocated and HPD is actively working to relocate the remaining tenant. After the completion of the proposed project, all relocated tenants will have the opportunity to return to the units.

The applicant proposes to demolish the existing structures, which are in extremely poor condition,

and construct a new, 22,274 square foot (6.02 Floor Area Ratio), nine-story building with commercial use on the ground floor and cellar and 26 affordable homeownership units above. The ground floor retail will be approximately 2,030 gross square feet and face on to Seventh Avenue. The residential units will be a mix of studios, one-bedroom, two-bedroom and three-bedroom units. The proposed building would include amenities such as storage, a recreation room, a laundry room, an elevator and an approximately 1,000 square foot rooftop space for the homeowners.

The building will be 85 feet in height, and the street wall will rise to 67 feet with a setback at the 8th floor along West 22nd Street and Seventh Avenue. Access to the rooftop will from the 8th floor, with a 9th-story containing two dwelling units set back from the street wall. The facades of the new building will be detailed in masonry, brick and other materials in keeping with the architectural context of Chelsea.

ENVIRONMENTAL REVIEW

The subject application (C 190253 HAM) was reviewed pursuant the New York State Environmental Quality Review Act (SEQRA), and the SEQRA regulations set forth in Volume 6 of the New York Code of Rules and Regulations (NYCRR), Section 617.00 et seq. and the New York City Quality Review (CEQR) Rules of Procedure of 1991 and Executive Order No. 91 of 1977. The designated CEQR number is 16HPD051M. The lead agency is HPD.

After a study of the environmental impacts of the proposed action, a Negative Declaration was issued on January 25, 2019.

UNIFORM LAND USE REVIEW

On January 28, 2019, this application (C 190253 HAM) was certified as complete by the Department of City Planning and duly referred to Community Board 4 and the Manhattan Borough President, in accordance with Title 62 of the Rules of the City of New York, Section 2-02(b).

Community Board Review

Community Board 4 held a public hearing on this application (C 190253 HAM) on April 3, 2019, and on that date, by a vote of 32 in favor, 0 opposed, 0 abstaining and 0 present but not eligible, adopted a resolution recommending denial of the proposed action with the following conditions:

1. Extend HPD Regulatory Agreement to a minimum of 80 years for income and resale restrictions.
2. Create a new 130% AMI income tier in addition to the 160% AMI tier, and reduce sale price for that lower tier.
3. Require that all units be sold back to the HDFC for resale, and establish resale price caps to prevent windfall profits for all purchasers.
4. Require that the size of units dedicated to returning tenants are adequate for their current household size, not based on the previous apartment size.
5. Make design changes to exterior façade, such as darkening the shade of brick and changing the spandrel material.
6. Relocate three-bedroom units to higher floors and designate a one- and two-bedroom units as ADA accessible.
7. Provide direct entry to outdoor roof garden from main corridor and include roof garden pavers and basic planters.
8. Prohibit large commercial chain stores in the Regulatory Agreement and require space to rent at 75-80% of market rents.
9. Prohibit ground floor courtyard use for commercial tenants and require all retail tenants abide by MCB4's liquor and noise rules.
10. Explore the use of West Chelsea Affordable Housing Funds for gap financing.

Borough President Recommendation

The Manhattan Borough President considered this application (C 190253 HAM) and, on May 10,

2019, issued a recommendation denying the proposed action with the following conditions:

1. Ensure permanent affordability through a mechanism similar to remainder interest and extending the length of the Regulatory Agreement and Article XI tax exemption to the longest period possible.
2. Demonstrate that both initial purchase and resale prices are set at the minimum level that can be afforded by households earning up to 160% AMI.

City Planning Commission Public Hearing

On May 8, 2019, (Calendar No. 1), the CPC scheduled May 22, 2019, for a public hearing on this application (C 190253 HAM). The hearing was duly held on May 22, 2019 (Calendar No. 6). A four-member applicant team spoke in favor of the application and four people testified in opposition, with conditions.

The applicant team included representatives from HPD, the architect, and the selected development team. They spoke in favor of the application, providing an overview of the proposed development, the history of the site and developer, the building program, design consideration, details of affordability and resale, and protections for ensuring long-term affordability through resale restrictions.

Three individuals representing Manhattan Community Board 4 (MCB4) testified in opposition to the application. Although they all stated that they are generally supportive of the project and wish to see it finally come to fruition, they believed that the conditions expressed by MCB4 are vital to the success of the affordable housing project. A MCB4 committee member and longtime Chelsea neighbor spoke about the history of the block and how the property fell into poor condition in the mid-1970's. She stated that she strongly supports the project and likes the design but wants permanent affordability. The Co-Chair of the Chelsea Land Use Committee thanked the applicant team for working so closely with MCB4 but had building design concerns, including moving the three-bedroom units to the higher floors to be closer to building amenities. A representative from the MCB4 Housing Committee reiterated their requirement for permanent affordability, both

through the HPD enforcement mortgage and the regulatory agreement. He believed that the current mechanism to limit resale windfalls, especially for the existing TIL tenants, through the incorporation document would not be enforced. He also believed there was a need for tax incentive exemptions as well as the potential to subsidize further affordability through the West Chelsea Affordable Housing Fund.

There were no other speakers and the hearing was closed.

CONSIDERATION

The Commission believes that this application (C 190253 HAM) for UDAAP designation, project approval and the disposition of City-owned property, is appropriate.

The requested actions will facilitate the development of a nine-story, mixed-use commercial and residential building at 201-207 Seventh Avenue (Block 797, Lots 80, 81, 82, 83). The property is currently City-owned and is proposed for disposition to a developer to be selected by HPD. The current site is improved by four contiguous residential buildings with ground floor retail, each of which is largely vacant and in very poor condition. At the time of the application, all but one tenant have been relocated and HPD is actively working with the remaining tenant to relocate prior to construction.

The Commission recognizes this is a rare opportunity for the City to create affordable homeownership in one of the most expensive neighborhoods in the City. The proposed development will improve this underutilized City-owned site, which has seen decades of disinvestment, with 26 units of affordable housing and ground floor commercial space to further enhance the already vibrant, transit-rich neighborhood of Chelsea. The Commission notes that HPD has worked diligently to ensure that all previous TIL owners have been actively involved in HPD's design and development process and will have the option to return to the site post construction. While recognizing this is a challenging project, the Commission urges HPD to explore every possible

measure to extend the affordability protections and avoid disproportionate owner windfalls to ensure this remains a permanently affordable asset in the Chelsea community.

RESOLUTION

WHEREAS, the Department of Housing Preservation and Development has recommended the designation of property located at 201-207 Seventh Avenue (Block 797, Lots 80, 81, 82, 83) in Community District 4, Borough of Manhattan, as an Urban Development Action Area; and

WHEREAS the Department of Housing Preservation and Development has also recommended the approval of an Urban Development Action Area Project for such property;

THEREFORE, be it **RESOLVED** that the City Planning Commission, after due consideration of the appropriateness of the actions, certifies its unqualified approval of the following matters

pursuant to the Urban Development Action Area Act:

- a) the designation of property located at 201-207 Seventh Avenue (Block 797, Lots 80, 81, 82, 83), as an Urban Development Action Area; and
- b) an Urban Development Action Area Project for such area;

BE IT FURTHER RESOLVED by the City Planning Commission, pursuant to Section 197-c of the New York City Charter, that based on the environmental determination and the consideration described in this report, the application of the Department of Housing Preservation and Development for the disposition of City-owned property located at 201-207 Seventh Avenue (Block 797, Lots 80, 81, 82, 83), Borough of Manhattan, Community District 4, to a developer to be selected by HPD is approved (C 190253 HAM).

The above resolution (C 190253 HAM), duly adopted by the City Planning Commission on July 8, 2019 (Calendar No. 1), is filed with the Office of the Speaker, City Council, and the Borough President in accordance with the requirements of Section 197-d of the New York City Charter.

MARISA LAGO, *Chair*

KENNETH J. KNUCKES, ESQ., *Vice Chairman*

**ALFRED C. CERULLO, III, MICHELLE R. DE LA UZ, JOSEPH DOUEK,
RICHARD W. EADDY, HOPE KNIGHT, ANNA HAYES LEVIN,
ORLANDO MARIN, LARISA ORTIZ, RAJ RAMPERSHAD**, *Commissioners*



CITY OF NEW YORK

MANHATTAN COMMUNITY BOARD FOUR

330 West 42nd Street, 26th floor New York, NY 10036
tel: 212-736-4536 fax: 212-947-9512
www.nyc.gov/mcb4

BURT LAZARIN
Chair

JESSE R. BODINE
District Manager

April 8, 2019

Marisa Lago
Chair New York City Planning Commission
120 Broadway 31st Floor
New York, NY 10271

Maria Torres-Springer
Commissioner
NYC Department of Housing Preservation & Development
100 Gold Street New York, NY 10038

**Re: ULURP Application No. 190253HAM
201-207 7th Avenue
Affordable Neighborhood Cooperative Program**

Dear Chair Lago and Commissioner Torres-Springer,

On the recommendation of its Housing, Health, and Human Services (HHHS) and Chelsea Land Use (CLU) Committees, Manhattan Community Board 4 (MCB4) voted 32 to approve, 0 opposed, 0 abstaining, and 0 present not eligible to recommend **denial** of the 190253HAM Uniform Land Use Review Procedure (ULURP) application for the proposed development at 201-207 7th Avenue (the "Site") – **unless the conditions and recommendations are met** as set forth below in the Approval Conditions section.

Background

The Site is on the southeast corner of 7th Avenue and West 22nd Street and is currently occupied by four 5-story tenement buildings located at 201 7th Avenue, 203 7th Avenue, 205 7th Avenue, and 207 7th Avenue. These contiguous buildings currently contain 14 residential apartments. Built around 1870, they are pre-old law tenements. Following years of landlord abandonment, the City foreclosed on the buildings on April 28, 1976. Over the next few decades, the buildings were entered into several different HPD programs, beginning with the Tenant Interim Lease (TIL) Program in 1978. The buildings left the TIL Program in the mid-1980s and were then directly managed by HPD

until the late 1990s. At that point, they were briefly placed in the Neighborhood Redevelopment Program (NRP). In 1997 the buildings re-entered the TIL Program.

For Profit Developer Designated

From 1997 until present, as the TIL Program changed, the buildings were moved to the Affordable Neighborhood Cooperative Program (ANCP) and a private developer was designated in 2013. HPD began relocating tenants in preparation for the renovation of the Site.

New Not for Profit Developer Designated

ANCP later determined the developer was not performing and designated Asian Americans for Equality (AAFE) as the new developer in 2017. At the request of then Council Member—now Council Speaker—Corey Johnson, ANCP and the new developer met with representatives of MCB4 on August 7, 2017 to discuss plans for redevelopment. At that meeting, ANCP and the development team informed MCB4 that the buildings could not be preserved and required demolition.

MCB4 was not pleased to hear that assessment, considering that it had advocated for the renovation of the buildings for over two decades. MCB4 requested that the sponsor undertake a full review to determine whether the structures could be preserved. MCB4 did not hear from HPD and the development team again until November 2017, when the sponsor informed MCB4 that after completing a full review of the structural condition of the buildings, they could not be preserved. MCB4 asked HPD and the development team to meet with the HHHS Committee for a full presentation. That presentation finally took place on February 13, 2018. At the conclusion of that meeting MCB4 requested that the team return within the coming months to provide project updates¹.

At HPD's presentation to the HHHS Committee on February 13, 2018, two tenants were present. Both tenants expressed dissatisfaction with HPD's lack of communication, clarity, and lack of developed plans. One tenant stated that they did not receive a notification from HPD about the public meeting and was instead informed by someone living in their building. Tenants noted they had been presented with multiple plans but the project had never started. Both tenants stated that they had not had regular meetings with HPD for years. In its letter to HPD on March 2018, MCB4 requested that HPD keep the buildings' tenants informed to ensure their ongoing participation in the development process. In light of this request, MCB4 was very disappointed to see that no tenants were present at the MCB4 HHHS and CLU Committee meeting on April 17, 2018. At the April 17th, 2018 meeting, the development team presented initial apartment layouts and massing diagrams. MCB4 felt that neither was detailed enough to comment and

¹ [MCB4 Letter to HPD dated March 13, 2018.](#)

requested that MCB4 be provided with further updates and information from the development team as the proposed plan progressed. Following the meeting, MCB4 requested two specific items in the May 14th, 2018 letter²:

- All relocation and all communication to be handled by Asian Americans for Equality (AAFE), the not for profit developer.
- Design Changes: 3 bedroom apartments to be included in the building program and HPD and AAFE to work with MCB4 to obtain a Mayoral override to maximize the project's residential floor area.

Following the April 17th, 2018 meeting, HPD, AAFE, Aime Gross Architects (AGA), the project architect, and MCB4 continued to work diligently together through a series of briefings and conference calls on:

- August 14th 2018
- November 16th 2018
- December 19th 2018
- January 23rd 2019
- March 14th 2019

During the course of these briefings and conference calls, the main focus was always on the building design, where all parties worked together to produce a proposal that would be acceptable to the Chelsea community. A great deal of progress was made regarding building design to make the proposal acceptable to the Chelsea community and MCB4. Throughout the process, MCB4 made the incorrect assumption that the affordable housing program component would be consistent with other affordable rental or co-op developments previously proposed by HPD to the Board and would not require much further discussion.

ULURP Action for Disposition of City Owned Property

This ULURP application was certified by the Department of City Planning for review on January 28th 2019. The application is a designation and project approval pursuant to the NYS Urban Development Action Area Act Program (UDAAP), in conjunction with the disposition of city-owned property. The proposed development is part of the HPD Affordable Neighborhood Cooperative Program (ANCP) that supports the development of affordable co-op apartments. Following this certification, as part of the mandated public review process, MCB4 held two public hearings for on February 21st 2019 and March 18th 2019. These public hearings were held in joint meetings of MCB4's Housing, Health, and Human Services and Chelsea Land Use Committees. These meetings were exceptionally well-attended by the majority of both MCB4 committees, representatives of elected officials, neighboring residents, and community residents including representatives of the Chelsea West 200 Block Association, the Council of Chelsea Block Associations, and Save Chelsea, totaling over 40 attendees present in both meetings.

² [MCB4 Letter to HPD dated May 14th, 2018](#)

During the February 21st, 2019 meeting, the focus was predominantly on the physical building design that was proposed by HPD, AFEE, and AGA. This was well-received by Committee members with very little left to comment, reflective of the long iterative process that was done prior to the meeting. Minimal information regarding the housing program was presented and discussed during this meeting.

The March 18th, 2019 meeting, which focused largely on the housing program, resulted in numerous serious questions from Committee members and the public regarding income bands, permanent affordability, household/apartment size, and preventing windfall profit upon resale.

Proposed Development

Public Hearing – February 21st 2019

Building Design

During the prior briefings and conference calls, MCB4 had communicated concerns for the building design, i.e. concern that the building mass might be overwhelmed by its surrounding context, considering the Site's position on a prominent corner but its bulk limitations due to the Site's limited floor area ratio. MCB4 requested the architect use existing mid-block loft typologies throughout the district as a model reference for the design. The design team came back with multiple design studies and reference photos which were used in the presented proposed design. The result was a modern interpretation of an early 20th century loft building.

The proposed exterior design focuses on conveying a strong sense of presence through a 7-story base with an approximately 70-foot high streetwall. The roof bulkhead is set back and further elongated to create the illusion of additional mass. Pilasters continuing from the ground floor to the top of the building further strengthen the building's solid mass, accentuated on the corners with the use of glazed bricks of a darker color. To avoid a large slab-like structure, the exterior masonry material is articulated with brick color variation between beige and a darker earth tone.

This overall development will comply with Enterprise Green Communities requirements for sustainability measures.³

Commercial Space and Amenities Layout

The ground floor facing 7th Avenue is designed as 3 small commercial spaces to promote smaller neighborhood business use. A portion of the building's cellar is allocated as storage space for these commercial spaces.

³ [HPD Enterprise Green Communities Criteria](#)

The residential lobby and an outdoor residential courtyard are also on the ground floor, with the residential entrance from West 22nd street. The residential lobby has a refuse room and package room. Bicycle parking for the residents is located in the cellar, accessible by elevator. The 8th floor of this building has a laundry room, community room, and a roof garden. Access to the roof garden is through the recreation room or laundry room.

Apartment Layout

The proposed development will have 26 apartments. The apartment distribution is as follows:

Floor	Studio	1-Bedroom	2-Bedroom	3-Bedroom
2 nd Floor	2	1	-	1
3 rd Floor	2	1	-	1
4 th Floor	1	2	1	-
5 th Floor	1	2	1	-
6 th Floor	1	2	1	-
7 th Floor	1	2	1	-
8 th Floor	-	-	-	-
9 th Floor	1	-	1	-
Total	9	10	5	2

All apartments and all floors will be ADA-accessible with elevator service. The proposed development will provide accessible apartments: 5% for the mobility-impaired (1 apartment) and 2% for the audio visually-impaired (1 apartment). All other apartments will also be adaptable for future full accessibility.

Public Hearing 2 – March 18th 2019

Housing Program

The March 18th 2019 meeting focused on HPD’s proposed Affordable Housing Program.

Income Restrictions

As part of the HPD Affordable Neighborhood Cooperative Program, the proposed development will create 26 affordable co-op apartments for purchase. Five of the 26 apartments are reserved for the returning existing tenants, regardless of their current income. The remaining 21 apartments will be available through lottery for purchase to the general public, with a maximum income of 160% Area Medium Income (AMI).

Purchase Price

All returning tenants will be eligible for a purchase price of \$2,500, regardless of apartment type or size. The proposed monthly maintenance fees and outsider purchase price are as follows.

	Studio	1 Bedroom	2 Bedroom	3 Bedroom
Monthly Maintenance (40% AMI)	\$688	\$860	\$1,033	\$1,193
Purchase Price	\$391,822	\$489,777	\$587,732	Not available for purchase ⁴

Project Regulatory, Real Estate Tax & Mortgage Structure

- An Article XI Housing Development Company (HDFC) will place income restrictions on future owners, limiting ownership to households making no more than 165% AMI
- As an affordable housing development funded by HPD, the HDFC will execute a Regulatory Agreement with HPD detailing the nature and term of affordability of this development.
- To support the long term affordability of this development, HPD will request a full 40-year Article XI tax exemption for the residential portion of the building. The commercial portion will pay full real estate taxes, passed along to the commercial tenants.
- Real Estate taxes will commence upon the conveyance of the properties to Restoring Communities HDFC⁵.
- HPD will also have an Enforcement Mortgage⁶ for 40 years for the appraised value of the property less nominal acquisition cost of \$1. The Enforcement Mortgage is due and payable if there is a default of the Regulatory Agreement.

Income Band

Up to 160% of AMI

Resale Restrictions

Resale restrictions would be for a 40-year term. Profit would be split between the HDFC and exiting shareholder and the percentage to the shareholder would increase over time. There would be more profit for an original tenant reselling, due to the original nominal purchase price of \$2,500.

⁴ The 2 available three-bedroom apartments are designated for 2 of the 5 returning tenants, hence are not available for purchase to outsiders. The estimated price for outsiders would have been \$679,158.

⁵ An interim ownership step during construction, prior to project completion and coop conversion

⁶ An Enforcement Mortgage will be the value difference between the appraised market value and the nominal purchase price, an amount upon which no payments are due and exist solely to enforce regulatory provisions for income bands, affordability terms, and building operations. In the case where those requirements are not met, the Enforcement Mortgage is the mechanism which ensures compliance of the project.

Committee Discussion

The majority of the Committee and public discussion regarded permanent affordability, broader income bands and preventing windfall profits to current tenants and future coop owners. The Chelsea community is committed to affordable home ownership which promotes affordability as its goal, not building wealth. Also, given the extreme shortage of family-sized affordable housing, the Committee and the public opposed HPD's proposal to have current single person household tenants return to 2-bedroom apartments.

The majority of comments are summarized as follows:

- Permanent affordability has been and continues to be a linchpin of securing community support for this proposed project. A 30 year affordability restriction is not sufficient.
- The income bands should be in tiers with apartments both for up to 130% of AMI and 165% AMI.
- Windfall profits must be prevented through strong and well-monitored resale restrictions for both current long term tenants and future owners.
- Apartment size for existing tenants should reflect current household composition: 1-bedroom apartments for single persons and 2 or 3-bedroom apartments for families depending upon household size.
- Use restrictions on proposed commercial spaces.

The lack of definitive response by HPD representatives has resulted in more extensive conditions to approval and the decision to deny this ULURP application unless the conditions detailed below are met.

MCB4 Approval Conditions

Building Design

Façade Exterior

- Change the façade brick to a darker shade of brown for the upper floors
- Replace the current proposed panel material for the 1st to 2nd floor spandrels with material less shiny and reflective

Apartment Layouts

- Relocate the 3-bedroom apartments⁷, from the lower floors to the higher floors, closer to the tenant amenities.
- Designate, for the two ADA accessible apartments provided, a 1-bedroom apartment and a 2-bedroom apartment.

⁷ MCB4 recognizes that although MCB4 will always advocate for more 3-bedroom family sized apartments AAFE, the NFP developer is not able to accommodate this request and maintain project feasibility.

Tenant Amenities

- Modify the design of the amenities floor to provide direct entry to the outdoor roof garden without needing to go through the laundry or community room.
- Include roof garden pavers and basic planters as part of the development cost. Such work should be basic, in consideration of project feasibility challenges.

Commercial Space

- Prohibit use of the ground floor tenant courtyard for any commercial use in conjunction the adjacent commercial space.
- Require all retail tenants to abide by MCB4 rules and regulations regarding liquor⁸ and noise⁹.

Housing Program

Permanent Affordability

MCB4 requests regarding permanent affordability are as follows:

- The HPD Regulatory Agreement as well as the Enforcement Mortgage needs to be extended to a minimum of 80 years for both income and resale restrictions

Income Restrictions

- Include income bands in two tiers at 130% AMI and at 160%, to accommodate a broader range of affordability, so the incoming purchasers are not only at the highest AMI band.
- Reduce the proposed sale prices for the 130% AMI units to ensure affordability for that income band.

Resale Restrictions

- Have all apartments sold back to the HDFC for resale. Do not allow sales directly between incoming and prospective purchasers to eliminate under-the-table payments.
- Establish apartment resale price caps to maintain affordability.

⁸ [MCB4 Policy Regarding Concentration and Location of Alcohol-Serving Establishments](#)

⁹ [MCB4 Bar and Restaurant Nuisance Reporting Protocol](#)

- Prevent any ability for windfall profits upon resale for all purchasers: both long term tenants and new purchasers.
- Prevent windfall profit for long term tenant purchasers by including a higher percentage of profit for the HDFC on insider, i.e. \$2,500 purchase price resales.
- Consider the resale model used at the Penn South Redevelopment Houses, which has been proven to support both long term affordability and neighborhood stability.

Household/Apartment Size

- Allocation of apartments for returning tenants should be appropriate to their current household size, and not to their previous apartment size.

Commercial Spaces

- Include a provision in the Regulatory Agreement to prohibit large commercial chain stores. The private market in Chelsea is saturated with such uses; this provision will promote small businesses.
- Include a provision in the Regulatory Agreement to have commercial spaces rented at 75% to 80% of market rates. The current per square foot commercial rents in Chelsea on 7th Avenue average from \$165 to \$200 per square foot. Even with a 20% to 25% reduction, the HDFC can generate substantial commercial income for its reserve fund, while promoting affordable small business use.

Project Feasibility and Financing

MCB4 recognizes the high development cost of this project given:

- the physical limitations of the lot size
- the limited FAR at 6.02
- the adjacency to the West Side IRT tunnel
- the demolition cost premium, further exacerbated by the requirements of the MTA adjacency
- tenant relocation costs

Given that the project financing already includes an HPD capital subsidy of \$430,000 per unit (\$230,000 over the ANCP per unit funding guidelines), MCB4 remains seriously concerned that project feasibility may be lost as the development proceeds from planning to execution.

To ensure project feasibility and successful completion, the Board requests AAFE and HPD work with the Board and the Council Speaker's office to discuss and explore use of

the *West Chelsea Affordable Housing Fund (WCAHF¹⁰)* for gap financing as needed. As the project budget is further developed, if gap financing is needed, MCB4 asks both HPD and AAFE to return and present such need in a public committee meeting to present such request regarding the use of the WCAHF.

Conclusion

The Board is grateful for the combined efforts of HPD, AAFE, AGA, and the Speaker's Office in bringing this project to the important milestone in beginning this ULURP public approval process. Due to the agencies', elected officials', and not-for-profit sponsor's willingness to work together with the Board, this unique project has been shaped and developed so that it is a proposal acceptable to the Chelsea community and can be endorsed by MCB4.

The majority of the building design matters have been addressed; the remaining open issues can be easily resolved. However, the Affordable Housing Program still presents major issues that need to be brought to a resolution, which have resulted in the Board's decision to deny this ULURP application unless the conditions above are met. Given the time limitations of the March 18th 2019 presentation within the ULURP timeframe, these conditions could not be fully addressed yet by HPD and the sponsor. MCB4 expects to work with HPD and AAFE to resolve these open items prior to the City Planning Commission hearing.

MCB4 looks forward to working with HPD and AFEE in order to bring this matter to a successful conclusion that benefits the residents and our community.

Sincerely,

Sincerely,

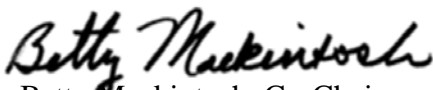
Burt Lazarin
MCB4 Chair

¹⁰ The WCHAF is a provision of the Special West Chelsea District established in 2005. Its effectivity was triggered when 90% of the Highline development rights were purchased. That event occurred in 2017. From that time, developers could now purchase WCAHF development rights, not just Highline development rights. The per-square-foot price for WCHAF development rights was established by the City Planning Commission in September 2017. The WCHAF was established at HPD in March 2019. Currently two developers are seeking to purchase WCHAF development rights.

Signed [4/8/2019]
Maria Ortiz, Co-Chair
Housing, Health &
Human Services Committee



Joe Restuccia, Co-Chair
Housing, Health &
Human Services Committee



Betty Mackintosh, Co-Chair
Chelsea Land Use Committee



Lee Compton, Co-Chair
Chelsea Land Use Committee

cc: Hon. Corey Johnson, Speaker, City Council
Hon. Gale Brewer, Manhattan Borough President
Hon. Brad Hoylman, New York State Senator
Hon. Richard Gottfried, New York State Assembly
Tenants of 201-207 7th Avenue (both on site and relocated)
Save Chelsea
Asians Americans for Equality
NYC HPD



CITY OF NEW YORK

MANHATTAN COMMUNITY BOARD FOUR

330 West 42nd Street, 26th floor New York, NY 10036
tel: 212-736-4536 fax: 212-947-9512
www.nyc.gov/mcb4

Burt Lazarin
Chair

Jesse Bodine
District Manager

March 13, 2018

Maria Torres-Springer
Commissioner
Dept. of Housing Preservation and Development
100 Gold Street
New York, NY 10007

**Re: 201 7th Avenue
Tenant Interim Lease Development
Block 797 – Lots 80, 81, 82, and 83**

Dear Commissioner Torres-Springer,

On February 13, 2018 Manhattan Community Board 4 (MCB4) received a presentation from the Department of Housing Preservation and Development's (HPD) Affordable Neighborhood Cooperative Program (ANCP) regarding the redevelopment of four buildings located at 201 7th Avenue, 203 7th Avenue, 205 7th Avenue, and 207 7th Avenue (the "Site"). These buildings have been in disrepair and have been a major concern to MCB4, the Council of Chelsea Block Associations (CCBA), and the Council Member for many years. Three of the four commercial spaces on the Site are currently vacant, along with a majority of the residential units. The Board has long advocated for these buildings to be renovated for the production of affordable cooperative units and included the Site in its 2014 Affordable Housing Plan.

By a vote of 35 in favor, 0 opposed, 0 abstaining, and 0 present but not eligible to vote, MCB4 voted to **support the development concept with conditions.**

Background

The site is comprised of four five story tenement buildings located at 201 7th Avenue, 203 7th Avenue, 205 7th Avenue, and 207 7th Avenue. The buildings, which contain 14 residential units, are contiguous and sit on the southeast corner of 7th Avenue and West 22nd Street. Built around 1870, they are pre-old law tenements.

Following years of abandonment on behalf of the landlord, the City foreclosed on the buildings on April 28, 1976. Over the next few decades, the buildings were entered into several different HPD programs, beginning with the Tenant Interim Lease (TIL) Program in 1978. The buildings left the TIL Program in the mid-1980s and were then directly managed by HPD until the late

1990s. At that point, they were briefly placed in the Neighborhood Redevelopment Program (NRP). In 1997 the buildings were re-entered into the TIL Program.

From 1997 until present, as the TIL Program changed, the buildings were moved to the Affordable Neighborhood Cooperative Program (ANCP) and a private developer was designated in 2013. HPD began relocating tenants in preparation for redevelopment of the Site.

ANCP later determined the sponsor was not performing and designated a new sponsor in 2017. At the request of then Council Member—now Council Speaker—Corey Johnson, ANCP and the new sponsor met with representatives of MCB4 to discuss plans for redevelopment on August 7, 2017. At that meeting, ANCP and the development team informed the Board that the buildings could not be preserved and required demolition.

MCB4 was not pleased to hear that assessment, considering that it had advocated for the renovation of the buildings for over two decades. The Board requested that the sponsor undertake a full review to determine whether the structures could be preserved.

MCB4 did not hear from HPD and the development team again until November 2017, when the sponsor informed the Board that after completing a full review of the structural condition of the buildings, they could not be preserved. The Board asked HPD and the development team to meet with the Housing Committee for a full presentation.

Proposed Demolition and New Construction

In its presentation on February 13, 2018, HPD and the sponsor stated that the structural reports indicated that the buildings could not be preserved. Both parties proposed to construct a new building with affordable cooperative units and ground floor commercial use. The Board reluctantly agreed to the proposal, noting the condition of the buildings was a direct result of HPD's inaction for over 20 years.

HPD's announcement prompted a great deal of discussion among committee members, members of the public, and HPD regarding future plans for the site¹.

At the presentation, MCB4 requested that the plans for the buildings, which have not been developed, take into consideration the following:

- Apartment layouts that accommodate the buildings' existing tenants as future homeowners
- Compatibility with character of the surrounding buildings of the Chelsea neighborhood
- ADA compliance, including the provision of an elevator

HPD noted, in addition, that with a plan that proposes demolition and construction of a new building would now require a Uniform Land Use Review Process (ULURP). HPD represented

¹ The Board would like to note that the construction of a new building will result in a single structure. That structure could be up to two stories above the five story buildings currently on the Site. However, the Board understands final project massing has not been prepared.

that the ULURP would proceed in 2018, with construction beginning in mid-2019 and finishing at the end of 2020.

Current Tenants

After the November 2017 meeting, the Board discussed the temporary relocation of the three households still on Site. Clinton Housing Development Company (CHDC) offered to assist in the temporary relocation. On January 9, 2018 HPD met with two of the three onsite tenants, who inspected CHDC apartments and stated that they were interested in relocating temporarily.

At the presentation on February 13, 2018, two tenants were present: one currently living onsite and one that had been temporarily relocated eight years ago. Both tenants expressed dissatisfaction with HPD's lack of communication, clarity, and lack of developed plans. The offsite tenant stated that they did not receive a notification from HPD about the public meeting and was instead informed by someone living in their building. Tenants noted they had been presented with multiple plans but the project had never started. Both tenants stated that they had not had regular meetings with HPD for years

Members of the Housing Committee voiced serious concerns that during this redevelopment process there be regularly scheduled meetings with onsite and offsite relocated tenants. The Board requests that the buildings' tenants be kept informed throughout the plan development process.

MCB4 Requests

MCB4 approved the concept of demolition and redevelopment of the Site with the following conditions:

1. HPD meet monthly with onsite and offsite tenants to ensure that they are an integral part of the redevelopment of the site.
2. HPD meet regularly with MCB4 and CCBA throughout the redevelopment process to ensure that proposed redevelopment and ULUP will move forward in a timely manner to ensure expedited public review

The Board expects that the next iteration of the proposal for the Site will include:

- Income bands for the proposed units
- Proposed apartment layouts
- Draft building elevations
- Proposed ULURP timeline

The Board also expects that all future proposals will continue to incorporate the community's concerns and priorities.

Conclusion

MCB4 is pleased the Site will provide much needed affordable housing for low and moderate income households. The Board looks forward to working with you and the developer to improve this prominent block on the corner of West 22nd Street and 7th Avenue. However, considering the extensive delays of this project, the Board requests regularly scheduled meetings or project updates.

Sincerely,



Burt Lazarin
MCB4 Chair



[signed 3/13/18]
Barbara Davis, Co-Chair
Housing, Health &
Human Services Committee

Joe Restuccia, Co-Chair
Housing, Health &
Human Services Committee

cc: Hon. Corey Johnson, Speaker, City Council
Hon. Gale Brewer, Manhattan Borough President
Hon. Brad Hoylman, New York State Senator
Hon. Richard Gottfried, New York State Assembly
Residents of 201-207 7th Avenue, on location and relocated
Save Chelsea



CITY OF NEW YORK

MANHATTAN COMMUNITY BOARD FOUR

330 West 42nd Street, 26th floor New York, NY 10036
tel: 212-736-4536 fax: 212-947-9512
www.nyc.gov/mcb4

BURT LAZARIN
Chair

JESSE R. BODINE
District Manager

May 14, 2018

Maria Torres-Springer
Commissioner
Dept. of Housing Preservation and Development
100 Gold Street
New York, NY 10007

**Re: 201 7th Avenue
Tenant Interim Lease
Affordable Neighborhood Cooperative Program
Proposed Redevelopment**

Dear Commissioner Torres-Springer,

On April 17, 2018 Manhattan Community Board 4 (MCB4)'s Housing Health and Human Services and Chelsea Land Use Committees received a follow-up presentation from the Department of Housing Preservation and Development (HPD) regarding the development of four buildings located at 201 7th Avenue, 203 7th Avenue, 205 7th Avenue, and 207 7th Avenue (the "Site").

By a vote of 43 in favor, 0 opposed, 0 abstaining, and 0 present but not eligible to vote, MCB4 voted to make the requests outlined below:

- Relocation and all communication to be handled by Asian Americans for Equality (AAFE), the developer
- Design Changes: 3 bedroom units to be included in the building program and HPD and AAFE will work with MCB4 to obtain a mayoral override to maximize the project's residential floor area

Background

The Site is comprised of four five story tenement buildings located at 201 7th Avenue, 203 7th Avenue, 205 7th Avenue, and 207 7th Avenue. The buildings, which contain 14 residential units, are contiguous, and sit on the southeast corner of 7th Avenue and West 22nd Street. Built around 1870, they are pre-old law tenements.

Following years of landlord abandonment, the City foreclosed on the buildings on April 28, 1976. Over the next few decades, the buildings were entered into several different HPD programs, beginning with the Tenant Interim Lease (TIL) Program in 1978. The buildings left the TIL Program in the mid-1980s and were then directly managed by HPD until the late 1990s. At that point, they were briefly placed in the Neighborhood Redevelopment Program (NRP). In 1997 the buildings re-entered the TIL Program.

From 1997 until present, as the TIL Program changed, the buildings were moved to the Affordable Neighborhood Cooperative Program (ANCP) and a private developer was designated in 2013. HPD began relocating tenants in preparation for redevelopment of the Site.

ANCP later determined the developer was not performing and designated Asian Americans for Equality (AAFE) as the new developer in 2017. At the request of then Council Member—now Council Speaker—Corey Johnson, ANCP and the new developer met with representatives of MCB4 to discuss plans for redevelopment on August 7, 2017. At that meeting, ANCP and the development team informed MCB4 that the buildings could not be preserved and required demolition.

MCB4 was not pleased to hear that assessment, considering that it had advocated for the renovation of the buildings for over two decades. MCB4 requested that the sponsor undertake a full review to determine whether the structures could be preserved.

MCB4 did not hear from HPD and the development team again until November 2017, when the sponsor informed MCB4 that after completing a full review of the structural condition of the buildings, they could not be preserved. MCB4 asked HPD and the development team to meet with the Housing, Health, and Human Services Committee for a full presentation. That presentation finally took place on February 13, 2018. At the conclusion of that meeting MCB4 requested that the team return within the coming months to provide project updates¹.

Tenant Outreach and Communication

At HPD's presentation to the Housing, Health, and Human Services Committee on February 13, 2018, two tenants were present. Both tenants expressed dissatisfaction with HPD's lack of communication, clarity, and lack of developed plans. One tenant stated that they did not receive a notification from HPD about the public meeting and was instead informed by someone living in their building. Tenants noted they had been presented with multiple plans but the project had never started. Both tenants stated that they had not had regular meetings with HPD for years. In its letter to HPD on March 2018, MCB4 requested that HPD keep the buildings' tenants informed to ensure their ongoing participation in the development process.

¹ [MCB4 Letter to HPD dated March 13, 2018.](#)

In light of this request, MCB4 was very disappointed to see that no tenants were present at the meeting on April 17, 2018. MCB4 understands that tenants have received communications from HPD, the developer, and the Council Speaker's office. MCB4 requests that tenant outreach be managed by AAFE, not HPD, and that AAFE designate a specific staff member to act as tenant liaison. MCB4 believes this arrangement will help to better ensure clear and consistent communication, as well as trust, with the tenants.

Tenant Relocation

HPD has been managing the relocation of the three remaining tenants on the Site. For the same reasons cited above, MCB4 requests that tenant relocation now be managed by AAFE, not HPD, and that AAFE designate a specific staff member to act as tenant liaison for relocation.

Proposed Building Schematics

At the April 17, 2018 meeting the development team presented initial apartment layouts and massing diagrams. MCB4 felt that neither was detailed enough to comment on except for the following:

- 3 bedroom units should be included along with proposed studio, 1, and 2 bedrooms
- Proposed corner setback from the street to accomplish sidewalk widening is neither desirable nor needed
- Elevator core should be shifted south to maximize apartment square footage ²

Consistent Communication and Updates with Board

MCB4 thanks HPD and the developer for returning for the second time in two months to meet and provide updates. However, MCB4 would like to note that on April 13, 2018 it received a presentation from HPD that included massing diagrams and layouts that were dated July 21, 2017. Therefore, this development scheme, for demolition and new construction, was developed prior to our initial meeting in August 2017 ***and not shared with MCB4 for nine months.***

That approach does not indicate transparency or cooperation.

Throughout its communication with HPD, MCB4 has requested frequent updates on the status of the project. MCB4 reiterates its request to be provided with updates and

² The architect responded that the building, as currently designed, is at its maximum zoning floor area. Committee members indicated support for a mayoral zoning override of bulk in order to increase the square footage of affordable housing.


information from the development team as the proposed plan progresses. Doing so would assist the project—which has already experienced extraordinary delays—in going through the public review process in a more speedy and efficient manner.

Conclusion

MCB4 still remains encouraged by the progress HPD and the developer have made on the proposed 201 7th Avenue development. However, in order to have a public and effective process, MCB4 exhorts HPD and the developer to continue discussing the project with MCB4. Most importantly, MCB4 wants to ensure that the tenants—both onsite and relocated—are engaged throughout this process.

MCB4 looks forward to working with HPD and AAFE, in redeveloping this prominent location on the corner of West 22nd Street and 7th Avenue as permanent affordable housing.

Sincerely,




Burt Lazarin
MCB4 Chair


Signed [5/14/2018]
Barbara Davis, Co-Chair
Housing, Health &
Human Services Committee



Joe Restuccia, Co-Chair
Housing, Health &
Human Services Committee



Betty Mackintosh, Co-Chair
Chelsea Land Use Committee



Lee Compton, Co-Chair
Chelsea Land Use Committee

cc: Hon. Corey Johnson, Speaker, City Council
Hon. Gale Brewer, Manhattan Borough President
Hon. Brad Hoylman, New York State Senator
Hon. Richard Gottfried, New York State Assembly
Tenants of 201-207 7th Avenue (both on site and relocated)
Save Chelsea
T. Yu, Asians Americans for Equality
A. Alexopoulos, Asians Americans for Equality
C. Ratzleff, ANCP Program, HPD



OFFICE OF THE PRESIDENT
BOROUGH OF MANHATTAN
THE CITY OF NEW YORK

1 Centre Street, 19th floor, New York, NY 10007
(212) 669-8300 p (212) 669-4306 f
431 West 125th Street, New York, NY 10027
(212) 531-1609 p (212) 531-4615 f
www.manhattanbp.nyc.gov

Gale A. Brewer, Borough President

May 10, 2019

**Recommendation on ULURP Application C190253HAM
201-207 7th Avenue
By New York City Department of Housing Preservation and Development**

PROPOSED ACTIONS

The New York City Department of Housing Preservation and Development (“HPD” or the “Applicant”) is seeking approval for an Urban Development Action Area (“UDAA”) designation, Urban Development Action Area Project (“UDAAP”) approval and disposition of a City-owned property (“Project Site”). The Project Site is currently comprised of four five-story buildings located at 201-207 7th Avenue in the Chelsea neighborhood of Manhattan Community District 4 (Block 797, Lots 80, 81, 82, and 83). The Applicant proposes to redevelop these four buildings to construct a single new building containing 26 affordable cooperative units and three commercial spaces along 7th Avenue (“Proposed Building”).

City-owned properties that are no longer in use or are in deteriorated or deteriorating condition are eligible to be designated as UDAA and UDAAP, pursuant to the Urban Development Area Act (Article 16 of the State General Municipal Law). UDAA and UDAAP provide incentives for private entities to correct substandard, unsanitary, and/or blighted conditions. According to New York State General Municipal Law § 694(4), to receive a UDAA and/or UDAAP designation, the City Planning Commission and the City Council must find that:

- (a) The present status of the area tends to impair or arrest the sound growth and development of the municipality;
- (b) The financial aid in the form of tax incentives, if any, to be provided by the municipality pursuant to [the tax incentive provisions of the Urban Development Action Area Act]... is necessary to enable the project to be undertaken; and
- (c) The area designation is consistent with the policy and purposes [of the Urban Development Action Area Act].

Additionally, § 197-c of the New York City Charter mandates that the disposition of all City-owned real property (other than the lease of office space) be subject to the Uniform Land Use Review Procedure (“ULURP”). While no specific findings need to be made to make a property eligible for disposition under Section 197-c, § 1802 (6) (j) of the City Charter limits HPD to the disposition of residential real property.

PROJECT DESCRIPTION

The Project Site is on the southeast corner of 7th Avenue and West 22nd Street in the Chelsea neighborhood of Manhattan (Block 797, Lots 80, 81, 82, and 83). The four lots contain a total of 3,700 square feet—a small site due in part to the fact that the four lots are only 50 feet deep. On the site there are currently four five-story residential walk-up buildings that contain a total of 14 residential units. As of the date of this recommendation, only one residential unit was occupied. The Project Site is also adjacent to infrastructure serving the 1/2/3 subway line.

Background

The four buildings were constructed in the late nineteenth century. In 1976, after years of neglect from the owner, the City acquired the buildings through foreclosure. Efforts to redevelop the properties began shortly thereafter, when the four buildings were entered into HPD's Tenant Interim Lease (TIL) Program in 1978. During the 1980s, the buildings left the TIL Program and became directly managed by HPD. In 1997, the buildings re-entered the TIL Program. Tenant relocation began in 2008.

The buildings were moved to HPD's Affordable Neighborhood Cooperative Program (ANCP), which redevelops city-owned properties into affordable cooperatives. ANCP designated a developer for the buildings in 2013. The temporary tenant relocation processes commenced shortly thereafter, at which point there were 3 households still living in the site. However, it was subsequently determined that the developer was not performing satisfactorily and they were removed from the project. In 2017, Asian Americans for Equality (AAFE) was chosen as the new developer for the site. AAFE resumed tenant relocation once again in 2018. The final tenant is expected to be relocated within the next 3 months.

Area Context

Chelsea traditionally housed manufacturing buildings in the waterfront area on the west, while the eastern part of the neighborhood contained non-contextual residential and commercial buildings. In 1996, Manhattan Community Board 4 published The Chelsea Plan, a 197-a plan which focused on the eastern portion of the neighborhood and sought to incentivize the creation of new “economically integrated housing” while still preserving the historic character of the neighborhood. That report informed a 1999 rezoning of the area which mapped contextual residential and commercial districts in the neighborhood.

The Proposed Building will be served well by public transit, including the 23rd Street 1 train subway station, which is one block to the north; the 23rd Street F/M/PATH subway station, which is two blocks away on West 23rd Street and 6th Avenue; and the 23rd Street C/E subway station, which is also two blocks away on West 23rd Street and 8th Avenue. The M7 bus provides uptown access on 6th Avenue, while the M20 bus provides downtown access on 7th Avenue and uptown access (to Lincoln Center) on 8th Avenue. Crosstown access is provided by the M23 bus, which runs along East/West 23rd Street.

Proposed Development

The Project Site is within an R8A/C2-5 zoning district, with an FAR of 6.02. There are 22,274 square feet that are developable as-of-right on the site. The Proposed Building will be 9 stories in height and contain 22,274 zoning square feet. In addition to 26 residential units that range in size from studios to three-bedrooms, there will be three commercial units on the ground floor along 7th Avenue. There will be a separate residential entrance on West 22nd Street.

The building will include an approximately 405 square foot courtyard as well as a roof garden above the 8th floor which will measure approximately 1,050 square feet and will be situated next to a recreation room. These spaces will all be accessible to building residents.

The Proposed Building will be a Housing Development Fund Corporation (“HDFC”) Cooperative. Articles of Incorporation for the co-op will mandate the affordability requirements of the project as an HDFC incorporated pursuant to Article XI of the New York State Private Housing Finance Law and a Regulatory Agreement will detail the affordability levels and establish resale restrictions. An Article XI tax exemption will correspond to that Regulatory Agreement and will be granted to the building in exchange for the affordability and resale restrictions. That tax exemption will also be coterminous with the Regulatory Agreement. The Applicant proposes a Regulatory Agreement/tax exemption period of 40 years. At that point, the building would be eligible to obtain a new tax exemption in exchange for maintaining its resale restrictions.

Of the proposed 26 residential units, 5 will be occupied by returning households that have been temporarily relocated. The other 21 units will be posted on the HPD online housing portal and will be available to households earning up to 160% of the Area Median Income (AMI). Qualifying households will be chosen through a lottery process. Returning tenants will be able to purchase their units for \$2,500. All other units will be priced as follows:

Table 1: Purchase and Maintenance Prices

Unit Size	Proposed Initial Purchase Price	Proposed Maintenance
Studio	\$ 391,822	\$ 688
1 Bedroom	\$ 489,777	\$ 860
2 Bedroom	\$ 587,732	\$ 1,033
3 Bedroom	\$ 2,500 ¹	\$ 1,193

The units will have resale restrictions, with an Affordability Index Formula ensuring that the carrying costs (mortgage plus maintenance) are affordable to households earning up to 160% AMI. This Affordability Index Formula will not apply to initial purchase prices; those prices will be calculated based on the project’s financial need and will partially finance the development. Resale of units would be subject to a standardized flip tax schedule which splits the proceeds of the sale between the co-op and the seller. The seller’s portion increases over time in order to

¹ The two three bedroom units will be occupied by returning tenants.

incentivize long-term ownership and overall neighborhood stability. The chart below shows the flip tax for the first 15 years after purchase.

Table 2: Flip Tax Schedule

Years After Purchase	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Flip Tax (% of sale proceeds going to Co-op)	100%	100%	100%	95%	90%	85%	80%	75%	70%	65%	60%	50%	40%	30%	20%

COMMUNITY BOARD RESOLUTION

On April 8, 2019, Manhattan Community Board 4 voted to recommend disapproval of the application unless a number of conditions were met. The Board listed among its conditions changes to some of the design elements and apartment layouts but also made recommendations regarding the housing program. Among those recommendations were:

- Extend affordability and resale restrictions to a minimum of 80 years
- Add a new income band for households earning up to 130% AMI
- Ensure that the HDFC manages all apartment resales
- Establish apartment resale caps and prevent “windfall profits” for both returning tenants and new purchasers

BOROUGH PRESIDENT’S COMMENTS

I am pleased to see that this site, which has awaited redevelopment for decades, will soon provide much-needed affordable housing. Nonetheless, I believe that the disposition of a City-owned property, particularly in the midst of a housing crisis, should be done on the condition that any housing constructed on that property is permanently affordable. Future generations of lower income New Yorkers need to have the opportunity to live in the Proposed Building.

Neighborhoods across Manhattan—including Chelsea—have seen “affordable” co-ops selling at prices that are out of reach for most low income families. In some extreme cases, sales prices have surpassed \$1,000,000. I appreciate the complexity of the HDFC co-op structure and the various mechanisms used to guarantee and incentivize affordability. I also appreciate the fact that there are laws that mandate how vacant units can be marketed to potential buyers, and that HPD is working to meet those requirements within the compliance period. However, I believe that HPD must extend the affordability of the Proposed Building permanently and ensure that the mission of providing housing for low income New Yorkers remains the primary goal of this Proposed Building.

In January 2018, HPD announced that it would begin using remainder interests as a legal tool to ensure permanent affordability on City-owned properties. Under this arrangement, the City has the right to regain ownership of the property once the regulatory period ends. However, the City can opt to keep the property in private ownership if said owner agrees to extend the length of the

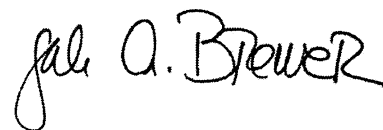
affordability². HPD should make every effort to employ a similar mechanism that could be applied in the HDFC cooperative context—with the specific goal of ensuring that the Proposed Building remains affordable in perpetuity. Moreover, the agency should explore the use of such a mechanism for all ANCP projects.

I understand the Community Board’s position that a portion of the units should be available and affordable to households earning up to 130% AMI. However, I also understand the financial constraints borne out of the Proposed Building’s MTA adjacency, the relatively small size of the site, and the demolition and new construction costs (which are not typically incurred in ANCP projects). The Proposed Building will be financed, in part, by the sale of the new units. I believe that the AMI levels should remain as proposed but that the Applicant should also work to ensure that the initial sale prices start as low as possible in order to ensure permanent affordability. To the extent that there is a budget gap, the Applicant should look to other sources of funding—not raise the sale prices higher than they need to be in order to be to remain affordable. I also exhort the Applicant to look for opportunities to provide affordable homeownership options for lower income households within Community District 4.

BOROUGH PRESIDENT’S RECOMMENDATION

I therefore recommend **disapproval of application No. 190253HAM unless the Applicant meets the following conditions:**

1. Implement a mechanism similar to a remainder interest in order to ensure permanent affordability of the Proposed Building;
2. Extend the length of the Regulatory Agreement and Article XI tax exemption to the longest period possible;
3. Demonstrate that the Articles of Incorporation for the co-op mandate the HDFC to remain affordable in perpetuity³;
4. Demonstrate that the Articles of Incorporation require the units to be sold back to the HDFC, and that unit sales are done by the HDFC in close coordination with the HPD housing portal and the monitoring agent—not the individual shareholders; and
5. Demonstrate that **both initial purchase and resale prices** are set at the minimum level that can be afforded by households earning up to 160% AMI.



Gale A. Brewer
Manhattan Borough President

² <https://www1.nyc.gov/site/hpd/about/messages-from-the-commissioner/01-19-18.page>

³ Upon expiration of the first tax exemption, the co-op would have the opportunity to sign a new Regulatory Agreement in exchange for obtaining a new tax exemption.