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**RUSH TRANSCRIPT: MAYOR, LOCAL ELECTED OFFICIALS AND TENANT LEADERS
ANNOUNCE 20-YEAR AGREEMENT WITH BLACKSTONE AND IVANHOÉ CAMBRIDGE TO
PROTECT MIDDLE CLASS HOUSING AT STUYVESANT TOWN AND PETER COOPER
VILLAGE**

Mayor Bill de Blasio: Thank you. My friends, this is a great day for New York City. This is a great victory for tenants everywhere, and it's a great, great victory for the tenants at Stuy Town and Peter Cooper. We would not be here but for the fact that you wouldn't give up. You believed in protecting housing for the middle class and for working people. You believed that that ideal was not dead in New York City. You did something about it, and that is why today we celebrate a victory – a round of applause for all of you.

[Applause]

Dan Gardonick has done an extraordinary job shepherding this process for years. Dan, thank you. I know this was not easy.

[Applause]

I know it was not easy, and I give you credit for perseverance and creativity and always believing that the mistakes of the past didn't need to be repeated. And it shows that if you hang on, if you believe what a difference it can make.

This fight's been going on for over a decade – the fight to preserve a place that was so quintessentially good and so much a part of what makes New York City good – a place for everyone. And it looked very difficult many a time, but this perseverance counted.

I had the honor of meeting with so many of the tenants over the years, and I saw that there was never a willingness to give up – and what a difference that has made. And I think people understood they're not only fighting for themselves and their families, but for the very idea of this place as a place that would preserve opportunity for all.

In recent years, thousands of families watched people get priced out of the neighborhood and wondered if they would be next. And when you think about it, what a shame it would have been if some place that had done so much good over generations was allowed to slip through our hands.

The numbers were daunting – in the total complex of Stuy Town and Peter Cooper, 11,241 units. Almost half of them had already gone to market rate. And those market-rate units were reaching rents of \$7,000 and \$8,000 dollars a month – obviously far out of reach of working class and middle class people.

But this agreement changes all that.

The city is proud to provide leadership. I want to thank my colleagues who do that in just a moment, all of the folks in our team who did such a great job; Council Member Garodnick's extraordinary leadership – from the inside, because he lives here and feels it all and understands it all. And I want to thank Blackstone as well – we'll hear from them in a moment. I want to thank Blackstone for being a good partner and understanding how important it was to preserve affordability here. And I want to thank Ivanhoé Cambridge, who will be purchasing the property.

We can now say to thousands of hardworking people, thousands of families of Stuy Town and Peter Cooper – your future is now secure. You will be able to afford your housing for the long haul. And this community will continue to be a community for all.

Before today, as I said, 5,000 apartments went to market rate, and those rents skyrocketed. And more than 300 affordable apartments were being lost each year as a result of this trend. Now, 5,000 units will be affordable for at least 20 more years – through 2026 [*sic*]. That's a major part of our goal of reaching 200,000 units preserved or built by 2025 – the most ambitious municipal affordable housing plan in the country.

And there's another moment of history being made here. This is literally the largest city-led preservation project ever – the most units preserved for affordability at one time ever in the history of this city. And that's something to celebrate.

[Applause]

The folks on my team worked extraordinarily hard to achieve this outcome. They don't get the credit they deserve because the mandate they've been given to create and preserve so much affordable housing – no group of public servants has ever been given such a mandate in our history – it's a daunting task, but they live up to it every day – our Deputy Mayor for Housing and Economic Development, Alicia Glen, and her team – give her a round of applause.

[Applause]

Our HPD Commissioner, Vicki Been, and her team – give them a round of applause.

[Applause]

And our Housing Development Corporation President, Gary Rodney, and his team – give them a round of applause.

[Applause]

You're going to hear from some of the elected officials. I want to thank also Borough President Gale Brewer – I know she has been a champion for affordability here. And I want to thank – even though Senator Schumer and Congresswoman Maloney are not here today, they have done extraordinary work, as Dan Gardonick indicated, and they didn't stop fighting either – they believed that we needed a just outcome and helped us get to this day.

As I said, this place is historic. This place means something special in the history of New York City because it was built for working people, it was built for the emerging middle class in the 1940s. And it worked – it worked. You talk to people who've lived here their whole lives and it really represents the ideal of this city. There's a lot of emotion about this place because it was a place where people got to realize that dream of being in the middle class.

Now, over 70 years, watching that dream almost on the verge of being lost – but we now know for 20 more years, the affordability will be protected. The kind of families that you heard about – the teachers, the

firefighters, the police officers, the nurses – everyday people who make this city great will be able to live right here in the middle of Manhattan.

And we knew that this was about these families and their futures, but it's about something greater – it's about the soul of our city, it's about the values of our city, ensuring that our city truly is for everyone and that everyone has a home here.

Let me say a few words in Spanish –

[Mayor de Blasio speaks in Spanish]

Now it's my honor to represent some of the people who made this possible. I mentioned Blackstone before – I've had the honor of working with Jonathan Grey, the global head of real estate at Blackstone. We've worked together to improve the life of people in this city, and I know he understood from the beginning that there was an opportunity to do something good and lasting here – and he put his heart into it, and I want to thank him for his leadership. Ladies and gentlemen, welcome Jonathan Grey.

[...]

Mayor: Alright, we're going to take questions from the media on this topic – on this topic.

Question: [inaudible] some clarity on the costs. The price tag [inaudible].

Mayor: Alicia – hold on, they're working it out. Okay, come on up.

Jonathan Grey, Blackstone Group: [inaudible] did we disclose this publicly? I think it's been rumored – it's been in the paper. \$5.3 billion. Just –

Question: By today?

Jonathan Grey: The deal was executed last night and it will close at the end of the year.

Question: You said that the majority of these affordable apartments will be [inaudible]. What will the rent be on those apartments and how does that [inaudible]?

Alicia Glen, Deputy Mayor, Housing and Economic Development: Sure. The terms of the regulatory grant for the 5,000 units is that when a – the terms of the agreement with respect to the affordable units – the 5,000 units – is that when a unit becomes vacant – these are not for the current tenants who enjoy all the protections that rent stabilization [inaudible] – but when there's a vacancy, 90 percent of those units will be set aside for families earning no more than about \$130,000 dollars a year. And the rent, like all rents in affordable housing, will be set at no more than 30 percent of your income. So, right now, \$130,000 actually happens to be about the average of the families living here in Stuy Town. So upon a vacancy, we know that the same kinds of folks will have an opportunity to live here. 10 percent of the units will be set aside for families earning as little as \$68,000 dollars a year, and, again, those rents will be set at no more than 30 percent of that number.

Question: That'd be about \$3,200 [inaudible] –

Deputy Mayor Glen: For a two-bedroom right now, that would be a little over \$3,000 dollars. Correct.

Question: [inaudible] market rate [inaudible] –

Deputy Mayor Glen: Right now, our market-rate units here are as high as \$7,000 dollars. That's not the average, but they are raised [inaudible] \$7,000 or \$8,000 – some of the units are being rented right now.

Question: [inaudible]

Deputy Mayor Glen: I think [inaudible]?

Jonathan Grey: Yeah, I think the average savings here would be more than 30 percent. I think, on average, [inaudible] the smaller units, you'd be about \$3,000 dollars. What these folks would pay versus a market apartment of say \$4,300 [inaudible]. So it's pretty significant savings.

Council Member Daniel Garodnick: And I guess I would only add, just for a little of the local color, when people walk into the leasing office today to rent an apartment in Stuyvesant Town or Peter Cooper Village, you could see the rents for a two-bedroom in Peter Cooper Village – it's not uncommon to see \$5,000, \$5,500 or \$6,000. For a one-bedroom in Stuyvesant Town, you might see \$3,000, \$3,500, \$4,000 dollars. That's what you're seeing out there today. So that gives you some sort of a baseline.

Question: [inaudible]

Council Member Garodnick: We're going to do – Arlene, we're going to do questions from press first. Then we're going to answer – we're going to answer your questions all week.

[Laughter]

Council Member Garodnick: Okay – well, wait – it's very simple – the AMIs are set for families of four, three, or for singles, and it's all set out – there's specific rental guidelines that exist for each – for each category, and we actually have a – we can give you a whole spreadsheet as to what that looks like [inaudible].

Manhattan Borough President Gale Brewer: It's on the website.

Council Member Garodnick: It's on the website.

Question: Can you talk about how you came from the [inaudible]?

Mayor: Well, I'll let – I'll let Alicia, and Vicki, and Gary talk about the specifics of the thinking, but I think the broad point is clear. This is housing that has been for middle class people. And if it were not protected, it would no longer be for middle class people. It's as simple as that. And our affordable housing plan is meant to try and keep all of our neighborhoods available to people who have historically lived in them. This was a way to do it. And we think it's a worth investment and a very efficient investment.

Deputy Mayor Glen: I mean, let me use some framework. I mean, when this asset traded about ten years ago, the conversations I think were around whether or not the city would actually purchase the assets. So that was a completely different – and more recently, some of the discussions we had had about a year ago were around a tax exemption that could have gone north of a billion dollars of taxpayer dollars. And what we've been able to structure with Blackstone and their partner is essentially about \$25,000 to \$28,000 a unit being spent to preserve these units, which, if you think about it, is just extraordinary. And Stuy Town will continue to pay full taxes. There is no real property tax exemption being granted to this project. So it's – it's really fundamentally structured very differently than any other preservation deal. And the taxpayer is getting a significantly better bang for their buck per affordable unit here.

Question: Just a follow-up on that for Alicia – what – so what is the total cost [inaudible]? And then, additionally, the families that are going to be in these affordable units for 20 years, if their income exceeds

that, what happens? Does their rent go up? Does another unit become affordable? How does that work? How does [inaudible]?

Deputy Mayor Glen: Right, so there are two questions in your question – for existing tenants, they are subject to rent stabilization and there's no in coming out. So if you are here, and you're one of those 5,000 units, it's not income-based – you'll just be subject to regular rent-stabilization increases. Upon a vacancy, the family who will be chosen will be subject to that income test of either 165 percent of AMI or 80 percent of AMI to maintain that upon entrance. And then there are all sorts of federal rules that will be, you know, in terms of income. You're allowed to make a little more money and not be kicked out of your apartment – that would be crazy. With respect to how the actual dollars that we're spending, we are in essence providing them with a mortgage recording tax exemption, which all affordable housing preservation deals get, which is worth roughly \$75 million dollars and a real property transfer tax equivalent, which is about \$144 million dollars. So in total, the city is looking at, you know, less than \$250 million dollars to preserve over 5,000 units in the middle of Manhattan. It's really an extraordinary, as I said, deal for the city.

Question: So what is the savings to taxpayers?

Deputy Mayor Glen: Well, what I meant by that is the deals that had been originally contemplated was giving the entire complex a tax exemption in return for preserving X number of units, and that could have run the taxpayers north of a billion dollars. This transaction is costing the city about \$250 million dollars, not even. So we substantially saved the taxpayer a lot of money, and getting the same number of units [inaudible].

Question: [inaudible]

Council Member Garodnick: So for the existing tenants many of them – they're all technically rent stabilized today for the Roberts agreement – about 4,600 or 4,700 of them are renting at the market more or less. There's the additional group of Roberts tenants whose rents are somewhere below the market. In this deal, they get additional security in that their rents will be capped in 2020 when they would otherwise be able to be raised to the market. There rents will be capped at a rate of no more than five percent increases per year for five years. So it creates stability for that group, and then of course the 5,200 or so units, which are today the ones that are traditionally rent stabilized and would continue to be rent stabilized even after the Roberts settlement expires they would be continued to be covered by rent stabilization in the traditional sense.

Question: In your opinion, what makes [inaudible]?

Jonathan Grey: So, I think the important thing to note here is the kind of capital we're using. You think about us typically often buying troubled assets, taking more risk, more of a turnaround nature. In this case we're buying a very stabilized long-term asset. And we started a business about two years ago focused on core real estate investing – raised from very similar investors, but we're looking for different type of return – lower returns – wanted us to use less debt on the property, take less risk, and have much longer hold periods. So this kind of asset – irreplaceable asset is really perfect. I think it goes it to the return expectations we're looking for here – how we've capitalized the asset. We set up the transaction premise on the deal we made here with the city and the tenants that there would be a large component of affordability. And I really think it speaks to the kind of money we had to invest here. That's what makes this thing really work.

Mayor: Let me just quickly add on this. Two points, Dave – one, John made the point about patient capital, which I think is an important phrase in understanding the mindset of the investors, and also that help of petition fund were involved that bring a lot of different values to the process including appreciating the importance of housing for middle class people.

Yeah?

Question: [inaudible]?

Jonathan Grey: I think it should let the politician pay. I'm sure they don't want these guys to talk about it. By the way, going back for one minute to Alicia's comments on the cost of this, I think it's important to note that this was just a onetime cost. Most of the transactions that are done around affordability involve very long term commitments about property tax savings. In this case, the city reached this onetime contribution, and that's why the cost is so much lower than almost everything else you see in this area.

Mayor: I'm going to let Alicia [inaudible], but look, I think we're constantly looking for ways to foster affordable housing, and certainly the pension funds are one of those options – there's something I've seen a lot of promise in. It comes down to each individual opportunity, each individual deal.

Deputy Mayor Glen: Well, I would just add that in fact the pension funds are heavily involved in affordable housing. It's not that there aren't additional opportunities, but we've had relationships with the pension funds here both in the state and the city for decades where they provide permanent affordable mortgages on properties not [inaudible]. I think it's sure that there is more to be done and there are more creative ways for us to engage with the pension funds, but I don't want people to think that New York City and New York State are not engaged. I think it's a question again of how much they want to allocate to affordable housing, and I know the mayor has made this a huge priority, along with the controller, to continue to increase the amount of affordable housing with the pension fund's demand. But again, they do have to look at their basic [inaudible] of allocation and New York real estate is a good place to invest right now.

Question: As far as the [inaudible] vacancy and new families come in it – exactly how is that going to work when they have to, I guess, provide paperwork [inaudible]

Deputy Mayor Glen: I'm really hogging it here, sorry. The – apparently, we've entered into a [inaudible] is that the marketing process will be subject to approval by the housing agencies. So, they'll be putting together a marketing plan that will include a lottery, and, like in any of our other city programs, there'll be an income verification methodology, and then the managing agent will work with the city to, again, actually identify the tenants. But this – again, [inaudible] deals been closing for a couple of months, so all of these details will be worked out over the next few months, but should not be much dissimilar from any other housing lottery [inaudible]

Question: Will there be a waiting – a waiting list? Is there [inaudible]

Deputy Mayor Glen: Generally speaking, [inaudible] marketing plan in a lottery [inaudible]

Question: What happened after [inaudible]

Mayor: Part of why it was so important to not take the path from the 2005 – you know, the mistake that was almost made was to lose an incredibly precious asset such as affordable housing, and then it would be gone forever. And one of the things that motivated us in this was to preserve the 5,000 units for a substantial period of time – the most we could get done in this field. But it also means that future leaders will have an opportunity to come back to this and see if there's other ways to extend affordability further. So, this is the right thing to do for the families here now and it's the right thing to do for preserving affordability under our vision of affordable housing, but also [inaudible] in the future to look for ways to continue to deepen that affordability, going forward.

Council Member Garodnick: So, one additional point, which is after 20 years [inaudible] people who live in the applicable units – the group of 5,000 – there will be a phase-in of increases that would go from years '20 to '25. So, it doesn't go directly from a regulatory protection to the market. There would be a phase-in over five years, but, as the mayor pointed out, 20 years is a long way away and we have a lot of units that will now be

subject to a regulatory agreement, which will be an important group of units for the city of New York. And we certainly can – and I suspect our successors will – continue this conversation about how to protect the people in Stuyvesant Town and the next generation of people in Stuyvesant Town at that moment. One additional point is that the regulatory agreement that is being entered into between Blackstone and the city is one which runs with the property. Blackstone has expressed their intention to be a long-term owner here. But if they were to sell the property at some point in the interim, these rules would apply to the property regardless of who the owner is. I think that that’s an additional important point.

[Applause]

Assembly Member Brian Kavanagh: Can I add [inaudible] again, all of this rent regulation continues to be [inaudible] 2035 or so [inaudible]

Mayor: And let me affirm that we will be right there with you, working to strengthen those rent laws in Albany many times. Yes?

Question: These next 20 years [inaudible] have you thought about – are there ways that you plan on revisiting the terms to extend the affordability after 20 years –

Mayor: I think that we are right now focused on finishing this deal – it is a long period of time. I think the opportunities to add onto it will come to the future administrations. I think that’s the practical reality, but that still leaves the door open for extending the affordability further.

Question: [inaudible]

Mayor: Let’s do this first and then I’ll finish it.

Commissioner Vicki Been, Department of Housing Preservation and Development: So, the average cost of preserving, which often means making some investment in the [inaudible] etcetera, is – in just HPD and HDC capital – it’s usually about \$28,000 in Manhattan, but that doesn’t include what is usually given as also a tax exemption. And here, remember, there is no ongoing tax exemption being given as part of this deal.

Question: [inaudible]

Commissioner Been: That varies so much it’s really hard to come up with an average, but, you know, it adds enormously onto that \$28,000 dollars of just the capital dollars that are invested.

Mayor: Yes?

Question: [inaudible]

Johnathan Grey: For the market-rate units we expect continuity. I mean, we don’t expect any dramatic changes. The market is – people know here is tight, and that’s one of the reasons this has happened here. There is a shortage of apartments in New York City, and, today, for-sale residential is generally more economic than building rental housing. So, there’s a shortage really across the city and that’s putting upward pressure on rents.

Question: You’re projecting that rents are going to keep going up?

Johnathan Grey: We think rents will go up. That’s part of the reason we been investing so much in New York City. We bought some market rate apartments. That is part of the investment thesis here, but we don’t expect anything dramatic.

Mayor: Okay, last call. These are media questions. I just want to make sure we get them all.

Question: Mayor, do you see this happening throughout the rest of the city in the next several years?

Mayor: Look, we're always looking for opportunities to foster preservation, and again, our affordable housing plan is 120,000 units preserved and 80,000 units built new. So as you've seen so far within, you know, all different parts of the city – with some smaller buildings, some larger buildings looking for preservation opportunities. You know, this is the mother of all preservation deals, right? This is the one that we were focused on from day one – talked a lot about in 2013, looking for a way to preserve affordability here; to unmake the mistake of a decade ago that could have lost all the affordable units. So, it's a very, very gratifying day. I give tremendous – tremendous credit to Alicia Glenn and all of the folks from my administration that worked with this because they believed there would be a way to get it done, and they were right. But we're going to go on and look for every other opportunity to preserve from this point forward.

Last call for media questions, any other media questions?

I got one here. I got one here, go ahead.

Questions: [inaudible]

Deputy Mayor Glen: [inaudible] is the only investor who we've spoken to [inaudible] buyer over the past 10 days, two weeks, and it became clear that the intention of the current owner was to put the property up for auction. And we made a decision based on the preliminary conversation that this buyer had the intention to negotiate in good faith with us because the result we got today. And so we feel very comfortable with the way the process has unfolded.

Mayor: Last call, Erin.

Question: [inaudible]

Council Member Garodnick: So, look once there is a vacancy – Stuyvesant Town and Peter Cooper Village have been losing rent stabilized apartments essentially at the rate of about 300 a year based on all the various tools that have been employed by landlords. And their available under the rules that Assemblyman Kavanagh is focusing us on, but when those units become vacant they get replaced back into the system under this new regulatory setup, and those are the folks who would need to income qualify and the rents would be capped for them at the 30 percent to 165 or the 30 percent to the 80 percent. For the existing rent stabilized tenants the status quo for them. Rent stabilization continues to apply, and this setup goes in for the folks who are coming in as their successors.

Question: [inaudible]

Council Member Garodnick: Yes – yes, that is the case and also additional protections because nothing could be deregulated even with the overlay of the [inaudible] protections too.

Mayor: Final word is congratulations, everyone.

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