



CITY OF NEW YORK  
**MANHATTAN COMMUNITY BOARD FOUR**

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**JESSICA CHAIT**  
Chair

**JESSE R. BODINE**  
District Manager

June 4, 2024

Adolfo Carrion Jr.  
Commissioner  
NYC Department of Housing Preservation and Development  
100 Gold Street  
New York, NY, 10038

**Re: 351-357 West 45<sup>th</sup> Street  
Services for the Underserved  
Proposed Supportive Housing for Homeless Families**

Dear Commissioner Carrion Jr.:

At Manhattan Community Board 4's (MCB4) Housing, Health, and Human Services (HHHS) Committee meeting on April 4<sup>th</sup>, 2024, the committee received a presentation from Monica Santos and Arlo Chase from Services for the Underserved (S:US) regarding their proposal to acquire and renovate 351-357 West 45<sup>th</sup> Street into an 80-unit supportive affordable housing development. All units will be rent-stabilized, 69 units will be designated for the New York City Human Resources Administration (HRA) homeless shelter referrals, and 11 units will remain rent-stabilized units for existing tenants. MCB4 recommends support of this proposal with the conditions listed below.

**Background**

**351-357 West 45<sup>th</sup> Street**

351, 353, 355, and 357 West 45<sup>th</sup> Street, located between 8<sup>th</sup> and 9<sup>th</sup> Avenues, are 5-story walk-up apartments located in the Special Clinton District<sup>1</sup>. In the last 5 years, these buildings have been the source of illegal activity and have been in extremely poor repair<sup>2</sup>.

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<sup>1</sup> Manhattan Community Board 4 website: [Special Clinton District](#)

<sup>2</sup> West 42<sup>nd</sup> Street, [Hell's Kitchen Residents Demand Immediate Action over Rising Drug Crime](#)

These buildings are owned by Steve Croman, one of the city's worst landlords as documented by The Village Voice<sup>3</sup>. Steve Croman owns multiple properties across New York City and has a documented history of tenant harassment. In 2017, New York Attorney General Eric Schneiderman announced the largest ever monetary settlement with an individual landlord<sup>4</sup>, in which Steve Croman was required to pay \$8 million into a Tenant Restitution Fund. The settlement also required over 100 Croman residential properties to be run by a new, independent management company for 5 years. These properties were managed by New York City Management Company from February 2018 to January 2023. Despite these instances of tenant harassment and subsequent settlements, Steve Croman has continued to operate residential buildings in poor repair, including 351-357 West 45<sup>th</sup> Street. Therefore, the Hell's Kitchen 45<sup>th</sup>/46<sup>th</sup> Street block association (Block Association) has been working diligently to secure repairs and address the illegal activity that has been centered in these buildings. The Block Association documented several issues, including the following:

- The majority of vacant apartments are in a state of disrepair, left unsecured with potential for fires and flooding.
- Vacant apartments have been occupied by squatters. Tenants have continually witnessed trespassers access apartments via fire escapes.
- Unsecured roof access doors allowing access for drug dealers, users, and squatters.
- Trash and human waste have accumulated on the sidewalks, entrance stairs, and in the stairwell leading to the cellar.
- Sidewalks are damaged, creating trip hazards.

The Block Association contacted local elected officials, which responded by convening a multi-agency task force for enforcement. In December 2023, the task force, which consisted of State Senator Brad Hoylman Sigal, Assemblymember Tony Simone, Councilmember Erik Bottcher, NYPD's Midtown North Precinct, NYC Department of Buildings, the Center for Urban Community Services (CUCS), the Office of the Attorney General, the NYC Mayor's Office, and the NYC Special Prosecutor's Office, met to discuss the ongoing issues plaguing the 4 buildings.

Modest improvements to the buildings were made, but the majority remain in overall poor condition and are currently listed for sale by Cushman and Wakefield for \$29.9 million.

### **Services for the Underserved (S:US)**

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<sup>3</sup> The Village Voice, ['There Goes the Neighborhood'](#)

<sup>4</sup> [A.G. Schneiderman Announces Unprecedented Consent Decree with NYC Landlord Steve Croman](#)

S:US is a non-profit organization founded in 1978 in New York City. S:US is a broad-based social service agency providing a wide spectrum of services to all different types of individuals and households with different social service needs. S:US operates in the housing development sector, as well, and a majority of its housing has social services attached to it. Services provided by S:US include:

- development disabilities services,
- homeless services,
- housing,
- behavioral health services,
- veterans' services,
- domestic violence survivors' services, and
- urban farms.

S:US owns, manages, and leases supportive housing in more than 70 buildings across the 5 boroughs and Long Island. The organization employs over 1,800 staff members, providing over \$270 million in social services each year.

## **Project Proposal**

### Renovation

At 351-357 West 45<sup>th</sup> Street, there are currently 11 tenants living in the building in rent-stabilized apartments. S:US is proposing to renovate the property and create 80 units of affordable housing with light-touch supportive services<sup>5</sup>. Of those 80 units:

- 11 existing tenants will maintain their rent-stabilized leases and rents, and
- 69 families will be referred from the NYC shelter system.

The renovation scope is still in development. S:US did note they are committed to restoring the existing façade of the building. The heating and hot water in the building will be electrified, converted from natural gas.

The cellar will be renovated for offices for both security and social services, a gym, and a community room with other tenant amenities. The cellar space is not currently accessible, and S:US is working with its other partners to determine how to make the space ADA-compliant.

However, S:US noted they are not driving the design process; instead, the Highpoint Property Group, one of the ownership partners, is leading that effort.

### Existing Tenants and Temporary Relocation

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<sup>5</sup> Light-touch supportive services are services aimed at helping the tenants maintain tenancy.

S:US proposes to renovate the 11 existing rent-stabilized units with the tenants in place. They plan to offer the option for temporary relocation if the tenants choose. The organization does not have a portfolio that would support in-portfolio relocation, so they would work with other providers to secure temporary relocation resources. S:US recognizes that many tenants will not want to be relocated due to the great deal of mistrust between residents and the current owner. S:US has committed to working with tenants to come to an equitable solution.

### Social Services

S:US proposes to offer social services aimed at maintaining the tenancy of the families referred from the NYC shelter system. These services will include budgeting, employment assistance, and food security.

### Rental Subsidy

This project proposes to use a new program from HRA that uses HRA CityFHEPS vouchers funding to build or renovate affordable housing to serve households coming out of shelters. The CityFHEPS voucher is a housing rental subsidy funded by the City of New York for homeless households. The vouchers are awarded to the households who then seek an apartment within the city.

In this case, however, the rental subsidy will be attached to the apartment, not to the household. Further, the rate of the rental subsidy is higher, which allows non-profit organizations to secure mortgages for building acquisition and renovation. The increased rental income will also pay for building operations.

### Development Structure

S:US is partnering with two private entities, SMJ Development and Highpoint Property Group, with the following distribution of roles:

- Minority-owned development company: SMJ Development
- General Contractor: Highpoint Property Group
- Property Management: Highpoint Property Group (Maintenance) and S:US (Leasing and Compliance)

S:US will be the sole owner of a not-for-profit Housing Development Fund Corporation (HDFC) entity which will own the bare title<sup>6</sup>. HDFC ownership exempts the property from mortgage recording tax, sales tax, and real estate tax.

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<sup>6</sup> Bare Title refers to the legal ownership of a property without any accompanying rights or responsibilities. It means that the owner has the right to sell or transfer the property but does not have any other rights such as possession or use.

The three partners will create a limited liability company (LLC) to own the beneficial interest<sup>7</sup>, divided among the three partners, majority control of which is still being negotiated.

**Project Development Financing**

The proposed redevelopment will receive financing from various sources:

<b>Loan Source</b>	<b>Loan Amount</b>	<b>Use</b>
NYC Department of Housing Preservation and Development (HPD) Participation Loan Program (PLP)	\$25.9 million	Acquisition and renovation of the properties – funding will be finalized in December 2024.
HPD Acquisition Program	\$2.8 million	Acquisition and renovation of the properties – funding will be finalized in December 2024.
HPD Retrofit Electrification Pilot	\$1 million	Retrofitting for electrification (heat and hot water)
Private loan	\$18 million	Mortgage to acquire the properties in June 2024 and close in December 2024.

S:US has requested from HPD a full property tax exemption under Article XI. They have also requested support from Councilmember Erik Bottcher to obtain this exemption.

**Operating Funding and Services Contract**

S:US applied for service contract with HRA to subsidize rents and provide social services to the future homeless tenant referrals at 351-357 West 45<sup>th</sup> Street. After negotiations are complete, S:US and HRA will execute a 30-year regulatory agreement for the property, allocating 69 rent-stabilized units for households transitioning for homelessness, while the 11 rent-stabilized tenants currently in place will remain unchanged. If during the course of the 30 years any of the 11 rent-stabilized units become vacant, those apartments will be used for homeless referrals.

**Management and Operation**

Highpoint Property Group will oversee building maintenance and S:US will oversee leasing and regulatory compliance.

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<sup>7</sup> Beneficial Interest is a legal construct in which an owner of the bare title conveys all rights, responsibilities, and benefits to another ownership entity, either for a temporary or permanent period of time. (e.g., a not-for-profit owns bare title to meet requirements of a real estate tax exemption, but a for profit investor may own beneficial interest for profit sharing, income tax benefits such as real estate losses or depreciation).

The LLC will execute individual rent-stabilized leases, new rent-stabilized leases with the 69 homeless referral units, and lease renewals with the 11 existing rent-stabilized tenants. The homeless referral tenants will pay 30% of their income toward rent. S:US will provide staffing and on-site offices to support tenants to maintain their household income and navigate challenges to ensure they uphold responsibilities under their lease. S:US noted that tenants not meeting the terms of their lease will be subject to legal action and eventual eviction if they are not acting in a responsible manner.

S:US will contract an outside vendor to provide security for the building. The building will have a key fob system and extensive camera coverage. Security will maintain incident reports and call police if necessary. Visitors will be required to sign in and out of the building. S:US will not allow guests to stay longer than 30 days.

### **Project Development Timeline**

S:US proposes the following timeline:

- June 2024: Building acquisition by S:US through a bridge loan.
- July-December 2024: Repairs and stabilization work for existing tenants.
- December 2024: Complete HRA/HPD closing for rehabilitation funds.
- January 2025: Begin substantial renovation work on a 12 to 18-month construction timeline.
- June 2026: Begin rent-up of 69 rent-stabilized homeless referral units.

### **Conditions for Support**

There was an active and full discussion among members of the HHHS Committee and S:US regarding the proposed development and management and operations of the project. After the discussion, the HHHS Committee **recommended support of the proposal under the following conditions:**

#### **Long-Term Affordability**

- MCB4 requests that the housing at 351-357 West 45<sup>th</sup> Street have permanent affordability, since the current proposal only calls for a 30-year regulatory agreement for affordability. MCB4 will work with Councilmember Erik Bottcher and Manhattan Borough President Mark Levine to assist in securing that this HRA program provide permanent affordability.
- MCB4 will also work with Councilmember Erik Bottcher to help S:US secure the maximum length 40-year Article XI real estate tax exemption so that it can provide permanent affordable housing at 351-357 West 45<sup>th</sup> Street.

#### **Tenant Population**

- MCB4 and S:US request that the 11 rent-stabilized units remain as affordable community apartments, and if and when they become vacant, they be marketed through HPD Housing Connect.

- Maintaining those 11 rent-stabilized units will create a balance and continue the proposed integrated housing model.
- The 69 homeless referral units shall be permanent members of the community. Securing a longer regulatory agreement will extend affordability and create permanent tenancy.
- MCB4 will request from HRA that referrals from shelters come first from shelters located within Manhattan Community District 4 (MCD4).
- MCB4 strongly encourages S:US to give priority consideration to families with children attending schools in in MCD4 (e.g., P.S. 11, 51, or 33) so that they may remain living in the community and can provide stability for the children.

#### Management Structure and Control

- S:US shall secure full majority control interest of the LLC. Securing the majority controlling interest will ensure that funds come back to S:US to fund programs and services.

#### Renovation

- Highpoint Property Group shall attend future MCB4 meetings to present on both the exterior and interior renovation plans.
- S:US shall develop a plan to provide ADA-accessibility to the cellar, which is currently inaccessible.
- The redevelopment of the property shall maintain the façade of the building, as it reflects the character of the neighborhood.
- S:US shall provide Wi-Fi per HPD Design Guidelines requiring wireless service in project common amenity areas<sup>8</sup>.

#### Tenant Relocation

- S:US shall provide a full tenant relocation plan at a follow-up HHHS Committee meeting, prior to starting the renovation, including where tenants will be relocated to, how relocation will be financed, the length of relocation, and a proposed tenant relocation agreement.
- The HHHS Committee strongly encourages S:US to work with Housing Conservation Coordinators to relocate the current tenants so they are not living onsite during renovation.

#### Management and Operations

- The proposed house rules for tenants referred from homeless shelters, including prohibiting extended stays, shall not apply to the rent-stabilized tenants residing in the building.

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<sup>8</sup> [HPD Design Guidelines for Moderate Rehabilitation](#)

**Conclusion**

MCB4 is pleased to be working with S:US and its partners on an affordable housing solution for these four troubled buildings on West 45<sup>th</sup> Street and appreciates S:US for engaging with the MCD4 community, completing the MCB4 social services provider checklist in advance, and considering the concerns mentioned during the HHHS Committee meeting. MCB4 looks forward to future meetings with S:US, its partners, and HRA to develop permanently affordable, responsibly managed, social service supported housing in Hell’s Kitchen. As we jointly proceed, we will include other stakeholders including the Block Association and elected officials in our discussion to help ensure the project’s success.

Sincerely,



Jessica Chait  
Chair  
Manhattan Community Board 4



Joe Restuccia  
Chair  
Housing, Health, Human Services  
Committee



Maria Ortiz  
Chair  
Housing, Health, Human Services  
Committee

Cc:

- Jerry Nadler, Congressman
- Brad Hoylman, NYS State Senator
- Linda B. Rosenthal, NYS Assemblymember
- Tony Simone, NYS Assemblymember
- Erik Bottcher, City Councilmember
- Gale Brewer, City Councilmember
- Mark Levine, Manhattan Borough President
- Eric Adam, NYC Mayor



Molly Park HRA

S:US

Dave Stuart