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.ManhattanCB4.org

J. LEE COMPTON
Chair

ROBERT J. BENFATTO, JR., ESQ.
District Manager

April 2, 2007

Priscilla Almodovar
President and Chief Executive Officer
New York State Housing Finance Agency
641 Lexington Avenue, 4th Floor
New York, NY 10022

Re: NYS HFA Funding for Westside 80/20 Housing Developments

Dear Ms. Almodovar:

Manhattan Community Board #4 has been following with interest the recent news reports concerning your agency's re-evaluation of the funding available for developers of 80/20 housing developments. According to these reports, more than $4.8 billion worth of projects are seeking HFA approval for tax-exempt bonds, but less than $600 million is available for funding. We understand that HFA is considering how best to allocate the available funds, with the long-term goal of increasing the number of affordable units. While we applaud your efforts to drive tougher deals with developers, so that the available funds are used as effectively as possible, we are concerned about the inevitable impact of the volume cap limitations in our district.

The 80/20 program has been the workhorse of affordable housing development in our district, and is being counted on by the City and our community to produce a significant number of the affordable units committed to the district as part of the recent Hudson Yards and West Chelsea rezonings. It now appears that at least six of the reported nine 80/20 projects being reconsidered by HFA are located within our district, most in the Hudson Yards and West Chelsea areas:

- 316 11th Avenue (30th Street)--Douglaston Development
- 453 West 37th Street (Tenth Avenue) -- Midtown West A LLC/Rockrose Development Corp.
- Hudson Mews (37th /38th Streets, 9th & 10th Avenue)--Dermot Companies
- 600 West 42nd Street (Eleventh Avenue) aka River Place II--Silverstein Properties
- 304 West 44th Street (Eighth Avenue) -- The Witkoff Group
- 333-345 West 37th Street/310 West 38th Street – Glenwood Management.

Over the course of its regular business in recent years, the Board has reviewed each of these projects in various ways. Our reviews have included Lower Income Housing Plans for Inclusionary Housing, Cure for Harassment Housing, Special Permits for Parking, Authorizations for Open Space, and Applications for 421-a Tax Exemptions. As these projects have developed, the Board has met with the developers, their architects and attorneys, and participated in discussions with the New York City

Department of City Planning and Housing Preservation and Development, and City and State elected officials on the various matters raised by each development.

News of HFA's bonding limitations has caused the Board to re-evaluate and prioritize these projects based on the following criteria, which have been established by the Board's Housing Development Task Force:

1) Number of Affordable Units produced,
2) Permanency of Affordability,
3) Integration of Affordable Units into the entire Development,
4) Unit Size Distribution, with a preference for family size units,
5) Community Impact, and
6) Construction Readiness.

Using these criteria, Manhattan Community Board Four recommends the following developments for priority funding:

- 453 West 37th Street--Midtown West LLC/Rockrose Development Corp.
- Hudson Mews (37th /38th Streets, 9th & 10th Avenue)--Dermot Companies

453 West 37th Street

This project produces:

- **80 affordable units,**
- **all are permanently affordable,**
- **the project is of modest size**, for Hudson Yards, at 28 stories, **and occupies the full blockfront on the east side of Tenth Avenue** between 37th and 38th Streets (the building form was the product of extensive discussion involving the developer, the city, and the community),
- **construction is underway,** and
- **an important first step in the City's Hudson Yards plan,** as the first residential building to begin construction and the first project to use the Hudson Yards District Improvement Bonus.

However, on two criteria the Board requests that HFA require the following as a condition of funding:

- **Fully integrate the affordable units throughout all floors of the building**. The developer first proposed integration on 50% of the floors and now has made a subsequent submission to NYC HPD for integration on 80% of the floors. These affordable units satisfy not only the 80/20 financing requirements, but also the Inclusionary Housing requirements under the Hudson Yards zoning. The upper floors of this building *exist only because of the Hudson Yards bonuses* and should be fully integrated.

  Integration is the key point of Inclusionary Housing—to include low income and market rate renters throughout the development. The twelve (12) upper floors (floors 12-23) should not be reserved and segregated as a private club with low income renters relegated to Lincoln Tunnel views. As the first project of this type, the tone set on integration will be widely viewed.

- **Provide a unit distribution with more family size units.** Only 50 of the building's 394 units will have more than one bedroom, and there is only one three-bedroom unit. This distribution which is unfortunately typical of 80/20 developments in our district risks creating a dormitory community for recent graduates. The community and the city are better served with a broader mix of units which allow both market rate and low income households to grow, integrate into, and develop a stake in the neighborhood. Although such a change will result in fewer units, the Board believes it will promote more opportunity for families of all kinds to gain access to these developments.

Hudson Mews

This project produces:

- **162 affordable units,**
- **affordable units are integrated throughout all floors of the building,**
- **the project is of modest size** for Hudson Yards, at 18 stories, **and will platform over the Dyer Avenue approaches to Lincoln Tunnel from mid-block 36th Street to 37th Street** (the site plan was the product of extensive community discussion),
- **the platforming and new construction restores the streetscape continuity now broken by the Lincoln Tunnel underpass approaches, and**
- **the project creates 2 new public parks of 30,000 square feet**

However, on two criteria the Board requests HFA require the following as a condition of funding:

- **Require the 20% lower income units be permanently affordable.** From a slow start in the early 80's to the clearly demonstrated success it has been in the 90's and into the new century, this program continues to produce lower income housing. In the early years of this financing mechanism, the financial and social viability of such projects was questioned. Today they are considered sound financial investments, and a success in social integration. However, we continue to be short sighted in the extent of the affordability requirements. What happens to the lower income tenants after the 30 year length of the bond? Does the State of New York really want to continue to create the Mitchell-Lama type buyouts and tenant displacement of the future?

  Based on information provided by both the development community and NYC HPD during the Hudson Yards rezoning, we have learned that the financial return on equity in most 80/20 projects ranges between 25% and 28%. The affordable units are cast at breakeven. With such robust returns, there is simply no harm to the long-term viability of these 80/20 developments by lengthening the affordability requirements. The only financial change will be the loss of the upside after the expiration of the bonds. The Board believes the cost of the NYS mortgage subsidy and the NYC 421-a tax expenditure merits the upside accruing to the public benefit of maintaining the lower income housing as permanently affordable.

  In this particular instance, where the deal is based on a ground lease with the Port Authority of New York and New Jersey, the terms would have to be renegotiated to reflect a lower income stream. We ask HFA to request the Governor's office to assist in such discussions, to achieve the social goal of permanency in affordability.

- **Provide a unit distribution with more family size units.** Only 25% (approximately 202) of the building's 809 units will have more than one bedroom, there are no three-bedroom units. As noted above in our comments on 453 West 37th Street, the community and the city are better served with broader mix of units which allow all households to grow and promote more opportunity for families of all kinds to gain access to these developments.

In our reevaluation, the other projects have raised the following issues:

- **Lack of permanency of affordability**—300 West 44th Street,
- **Lack of Integration of Affordable Units into the entire Development—**316 11th Avenue, 601 West 41st Street & 300 West 44th Street,
- **Lack of family size units--**316 11th Avenue, 601 West 41st Street & 300 West 44th Street,
- **Community Impact--**316 11th Avenue, 601 West 41st Street, and
- **Construction Readiness**--316 11th Avenue, 601 West 41st Street & 300 West 44th Street, 333-345 West 37th Street/310 West 38th Street.

Thus the Board cannot support these developments as priorities for NYS HFA 80/20 as financing, until these issues are addressed by the respective developers. We look forward to working with each development team to address the above issues and anticipate their willingness to assist in meeting the Board's goal for the production of affordable housing in the district.

This letter has been approved by the Board's Executive Committee in order to arrive at the NYS HFA before April 3, 2007; it is subject to ratification by the full Board at its meeting on April 4, 2007.

Sincerely,

J. Lee Compton
Chair
Manhattan CB 4

Walter Mankoff
Co-Chair
Chelsea Preservation and Planning

Lynn Kotler
Co-Chair
Chelsea Preservation and Planning

Anna Hayes Levin
Chair
Clinton/Hell's Kitchen Land Use

Joe Restuccia
Chair
Housing Development Task Force

cc: Electeds
HPD
Project Developers