

September 28, 2004

Debra McAllister
Director, Special Incentive Programs
Department of Housing Preservation & Development
100 Gold Street, Room 9V-3
New York, NY 10038

Re: Lower Income Housing Plan at 521 West 42nd Street (Inclusionary Housing)

Dear Ms. McAllister:

The Clinton/Hell's Kitchen Land Use (C/HKLU) Committee of Manhattan Community Board No. 4, at its September 22, 2004 meeting, reviewed the Lower Income Housing Plan first submitted by Atlantic Development Group for 521 West 42nd Street to the Department of Housing Preservation and Development and this Board in May 2004. That submission did not include all of the information required by Section 23-94(e) of the Zoning Resolution and HPD's submission requirements. The applicant and HPD kindly agreed that the applicant would meet with the C/HKLU Committee on September 22, 2004 to provide the missing information, and that the Board's review period would extend to the earliest practicable date thereafter.

The applicant seeks to construct a new 19-story building containing 72 class-A permanently affordable apartments – 39 two-bedroom and 33 one-bedroom units. Except for 3,000 square feet of ground floor retail space, the building will be devoted entirely to lower income housing compliant with inclusionary housing standards of ZR Sec. 23-90. The transferable development rights generated by the project under inclusionary bonus provisions are anticipated to be sold to at least three other developments within Community District No. 4 – projects at 350 W.42nd street, 300 W. 44th Street and 300 W. 52nd Street.

The building will be initially owned by 521 West 42nd Street Associates, LP and managed by Knickerbocker Management. Both entities are affiliated with Atlantic Development Group. For tax purposes, it is the intention of the limited partnership to transfer the land to Senior Living Options, Inc., and then to lease it back. Senior Living Options, Inc. is the intended non-profit administering agent for the project.

This Board is very supportive of affordable housing developments and is pleased that this project will create a significant number of permanently affordable units within its district. This Board is also pleased with the overall quality of the building's design. We have, however, three concerns about the proposed Lower Income Housing Plan:

- The project's housing is intended for low income households making no more than 60% of the area's median income. As this Board has indicated in its Statement of District Needs and elsewhere, the Chelsea and Clinton/Hell's Kitchen community desperately needs housing that is affordable to middle- and moderate-income households, as well as to low-income households. The proposed annual maintenance and operating expenses for this project indicate sufficient flexibility for the project to be made affordable to households making 80% of the area's median income. Specifically, we note that the proposed budget for salaries is unusually high for a building of this size, the reserve fund is incorrectly listed as an expense item, and the budget does not include rent for the building's ground floor commercial space. The applicant has agreed to explore options to create units that are affordable to household earning at least 80% of the area's median income, and we request that HPD require such a structure for this project. We also request that tenants for these new units should be selected by lottery from a pool of persons presently residing within the boundaries of Community District No. 4.
- The applicant advised the C/HKLU Committee that Senior Living Options, Inc. had been formed for tax purposes and has just one employee and no offices. A corporation whose principal purpose is sheltering income from taxes should not be qualified to act as the "responsible 'administering agent'" required by the Inclusionary Housing Program's rules. That agent is responsible for selecting tenants, the annual certification of rents, and generally ensuring compliance with the terms of the Lower Income Housing Plan, and requires more resources and expertise than is apparently available through Senior Living Options, Inc. The applicant has agreed to consider engaging another experienced, independent non-profit organization to act as the project's administering agent, and we request that HPD require this change.
- We note that the project's proposed reserve fund has been calculated at \$250 per dwelling unit, resulting in a fund of \$18,000. The reserves required in other recent inclusionary housing projects in CD4 have ranged from \$400 to \$1500 per dwelling unit. We request that HPD ensure that this project's reserve fund be adequate to address the building's reasonably-foreseeable capital needs.

Thank you in advance for your consideration of these concerns.

Finally, we note that the project includes a community/recreation room of approximately 2200 square feet on the cellar level. The applicant has agreed to make this space available to the broader CB4 community for meetings and similar events sponsored by organized community groups.

Sincerely,



Walter Mankoff
Chair

This letter is subject to ratification by Manhattan Community Board No. 4 at its meeting on October 6, 2004.

cc: MBPO
local elected officials
applicant