



NEW YORK STATE SENATOR

Thomas K. Duane

## State Senator Duane Joins Senator Schumer, Local Elected Officials and Advocates to Preserve Stuyvesant Town/Peter Cooper Village As Haven for Middle Class

THOMAS K. DUANE January 30, 2010

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SCHUMER LEADS RALLY WITH STUYVESANT TOWN AND PETER COOPER VILLAGE TENANTS TO PRESERVE MASSIVE COMPLEX AS HAVEN FOR MIDDLE CLASS FAMILIES IN NEW YORK

Schumer, Garodnick, Duane Make Direct Appeal to Heads of Fannie and Freddie; Agencies

Are Best Hope to Keep Complex Middle Class As They Are the Largest Creditors

Fannie and Freddie Have Leverage Over Servicer CW Capital who Lawmakers Insist Must Install New Management that Keeps Building Affordable and Not Let Building Maintenance and Repairs Slip During Transition and Sale

Schumer Successfully Led Similar Effort at Starrett City to Preserve Middle Class Affordability

U.S. Senator Charles E. Schumer, Councilman Daniel Garodnick, Senator Thomas K. Duane and dozens of tenants and local leaders today made a direct appeal to the heads of Fannie Mae and Freddie Mac demanding that, as the largest creditors who now effectively control Stuyvesant Town and Peter Cooper village, they ensure that new management is installed, building maintenance is kept up during the transition and the sale process is conducted to ensure that whoever ends up buying the buildings keeps them affordable for middle class families. Last weekend, the owners of one of the largest affordable housing complexes in the world announced that they turned over the massive complex to their creditors, after defaulting on their highly-leveraged multi-billion dollar mortgage.

CW Capital, as special servicer representing the creditors, is now in charge of operating the properties and will be responsible for hiring new management and managing the sale process. Fannie and Freddie, both of which are now in conservatorship and majority-owned by the federal government, are the largest and most senior creditors and stand to get paid first on any sale of the properties. Schumer today said that Fannie and Freddie both have an obligation now to actively insert themselves in the negotiations, and work to ensure the buildings don't fall in to disrepair during the default process. In addition, Schumer strongly

urged the heads of the agencies to craft a sale process that will ensure whoever buys the properties keeps them affordable in the long term. Since the current management has indicated it will no longer manage the properties, Schumer also called on servicer CW Capital to install new management to ensure residents' needs continue to be met.

"At the end of the day we have to put the needs of thousands of middle class residents and the need for New York City to maintain middle class housing first. They were caught up in a high stakes real estate gamble that ended up going bust. Now Fannie and Freddie must guide this process to a conclusion with the least amount of impact on current tenants and families. I am going to watch them like a hawk to make sure they do just that."

"Preserving affordability is Fannie and Freddie's core mission-there are 25,000 tenants who are watching to make sure they don't cut and run on us now," said Council Member Garodnick. "These two government-owned corporations, along with their agent CW Capital, are in the unique position of being able to steer the long-term future of this community, to keep these apartments affordable and to bring in responsible management, and we will hold them to that."

"I join Senator Schumer and my colleagues here today in calling upon Fannie Mae and Freddie Mac to protect the interests of Stuyvesant Town/Peter Cooper Village (ST/PCV) tenants," said State Senator Thomas K. Duane. "Certainly, as the complex's largest debt holders and as quasi-public enterprises that have received \$110.6 billion in taxpayer-funded aid, they have the leverage as well as the obligation to do so. Indeed, to all the complex's creditors as well as their special servicer, CW Capital, I say first and foremost that the affordability, upkeep, and open layout of ST/PCV must not be compromised."

"Since the initial sale of Stuyvesant Town and Peter Cooper Village nearly four years ago, the Council has been working to ensure that the rights of tenants are being protected," said City Council Speaker Christine C. Quinn. "Today we're standing with those tenants, and sending the message that we will not allow anything to jeopardize Stuyvesant Town as a home for middle class New Yorkers. We need Fannie Mae and Freddie Mac to use their power and leverage to ensure that tenants' needs are being met right now, and that any buyer keeps these apartments affordable long into the future."

"For too long, the residents of Stuyvesant Town and Peter Cooper Village have been living under the shadow of an impending default," said Manhattan Borough President Scott M. Stringer. "Now that Tishman Speyer has turned over the keys, we need to come up with a long term plan to keep this community a bastion of middle class Manhattan. I want to thank Senator Schumer for dealing with the immediate concerns of residents and for maintaining the quality of life at this one-of-a-kind New York City neighborhood."

"There was a time when a sense of stability and security pervaded Stuyvesant Town and Peter Cooper Village-when individuals and families could live here without fearing that an extraordinarily aggressive landlord would eventually succeed in its relentless efforts to push them and their neighbors out of the community," said Assemblymember Brian Kavanagh, who represents all of Stuyvesant Town and Peter Cooper Village. "I call on the creditors who are now taking ownership of the complex to work with me and the other elected representatives of the residents, and with the residents themselves, their great Tenants Association, and their attorneys to ensure that the new owners do not replicate the mistakes of their predecessors. It is my hope that by closing watching and working with CW Capital, Fanny Mae, Freddie Mac, and other interested parties, this community can regain a sense of

relative peace, stability, and long-term affordability."

Together, the Stuyvesant Town and Peter Cooper Village complexes account for 56 buildings and 11,227 apartments. They were originally purchased by private real estate developers back in 2006 for \$5.4 billion, comprising the most expensive real estate deal of its kind. The buyers hoped to profit by replacing rent-regulated residents with residents paying market-rate rents. With the real estate downturn and the decline in New York City rents in the last several years, the owners were not able to convert enough apartments to market-rate, and they quickly fell behind on their mortgage payments. The owners also lost a court case, overturning the conversion of over 4,000 units and requiring that those units remain rent-stabilized.

After the real estate bust and court decision, the private developers were unable to pay the interest on their massive mortgage because profits from rents were far less than expected. Eventually, the developers defaulted on the mortgage payments, which had been expected for several months, and over the weekend announced that they would turn over the properties to their creditors. Fannie and Freddie are two of the largest senior creditors, both of which are now in conservatorship and majority-owned by the federal government, now effectively controlling the properties, and CW Capital is the special servicer representing the creditors.

Schumer today said that he has led efforts to monitor the sale of similar affordable housing complexes across the city that successfully ensure that a preservation buyer was brought in and the building remained affordable for its tenants. He pointed to the federal intervention he spearheaded at Starrett City in 2007, as a successful model for retaining affordable housing as well as efforts to preserve other multi-family housing that were over-leveraged,

like Ocelot in the Bronx. Schumer worked with officials at the federal, state, and community level to craft a bidding and sale process that ensured a preservation buyer was able to buy the property and keep it affordable.

"The tenants stand with their elected leaders in calling on Fannie and Freddie to preserve this community for the middle class people of this city," said Al Doyle, President of the Tenants Association. "We are determined to make certain that our homes remain the stable, family-oriented, park-like place that it has been since 1947. Fannie and Freddie, and CW Capital, must ensure that tenants do not feel any effects from a change in management, that the buildings do not fall into disrepair, that our open spaces are kept open and that affordability is maintained for the long-term."

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