



NEW YORK STATE SENATOR

Brad Hoylman-Sigal

Joint Testimony to the New York City Department of Housing Preservation and Development on East Midtown Plaza Housing Company's Application for a Carrying Charge Increase

BRAD HOYLMAN-SIGAL January 10, 2018



Thank you to the Department of Housing Preservation and Development (HPD) for the opportunity to submit testimony on East Midtown Plaza Housing Company's application requesting a Carrying Charge Increase.

As you know, East Midtown Plaza is a 746-unit Mitchell-Lama building complex located within our districts at 333 East 23rd Street, 400 Second Avenue, 311 East 23rd Street, 401 First

Avenue, 319 East 24th Street, and 320 East 25th Street. While the application describes a need for up to \$22,797,488.16 for various repairs and improvement work, we believe that a Carrying Charge Increase raises funding in a manner that threatens the long-term affordability of East Midtown Plaza and could push the complex out of the Mitchell-Lama program.

Additionally, we believe alternative funding is available that would cover maintenance fees and secure the complex's Mitchell-Lama status. As such, we urge HPD to deny the East Midtown Plaza Housing Company's request for a Carrying Charge Increase until the applicant has demonstrated its best efforts to secure alternative, public financing.

The maintenance fee increase is a direct burden on low- and middle-income residents, and especially on seniors with fixed incomes, all of whom will struggle to afford the increased charge. Currently, the average carrying charge per room per month is \$156.87. If this charge is increased the proposed 27% in the first year, tenants will pay an average carrying charge of \$199.22 per room. For tenants with multiple rooms, this charge quickly adds up to hundreds of dollars, with additional 5% increases in the next two years.

The East Midtown Plaza Housing Company has demonstrated a clear interest in privatizing the East Midtown Plaza complex and in the past, has failed to explore alternative funding. The East Midtown Plaza Housing Company has previously refused grants and low-cost loans from the city government because these funds would commit East Midtown Plaza to remaining in the Mitchell-Lama program for 20 years. Despite the availability of low-interest loans, the East Midtown Plaza Housing Company took out a second mortgage loan from Wells Fargo Bank with a 4.77% interest rate totaling over \$1.5 million in interest payments each year. It now claims that the current carrying charges are insufficient to cover its debt and meet new costs.

We respectfully disagree with this approach and believe the East Midtown Plaza Housing Company should demonstrate it has explored securing available funding before it resorts to

a major financial burden on tenants. Thanks to Mayor de Blasio's Mitchell-Lama Reinvestment Program, Mitchell-Lamas like East Midtown Plaza may receive funding and low-interest loans through HPD and the Housing Development Corporation (HDC). The Mitchell-Lama Reinvestment Program's stated purpose is to reduce costs and keep rents and maintenance fees low. It could fill the funding gap stated by the East Midtown Plaza Housing Company and reduce undue impact on residents. Additionally, it could secure the status of East Midtown Plaza as a Mitchell-Lama for 20 additional years. The East Midtown Plaza Housing Company has an opportunity to apply for this alternative funding to invest in the complex's maintenance while retaining affordability and ensuring low- and middle-income Mitchell-Lama residents remain in their homes.

We ask HPD to deny the maintenance fee increase until the East Midtown Plaza Housing Company can adequately demonstrate that it has made genuine efforts to secure the funding and low-cost government loans available to Mitchell-Lama complexes.

State Senator Brad Hoylman

Congress Member Carolyn Maloney

City Comptroller Scott Stringer

Manhattan Borough President Gale Brewer

Council Member Carlina Rivera