AN OPEN LETTER FROM STATE SENATOR BRAD HOYLMAN AND CITY COUNCIL MEMBER CARLINA RIVERA ON THE PROPOSAL FOR EAST MIDTOWN PLAZA TO LEAVE THE MITCHELL-LAMA PROGRAM

Residents of East Midtown Plaza

Dear Neighbors:

We write as elected officials representing the residents of East Midtown Plaza to urge you to oppose an exit from the Mitchell-Lama program. We are very concerned that such a decision would incur significant negative consequences to residents who choose to continue living at East Midtown Plaza, which we will enumerate here:

- The privatization process is more expensive than remaining in Mitchell-Lama and residents who stay in the complex after privatization will be stuck with the bill. Last time the Board pursued a buyout, it cost shareholders approximately $1 million. A Feasibility Study conducted by Holland & Knight states that taxes will increase by $10.8 million, that the surcharge income of $915,000 per year will be lost, and projects a budget shortfall of $8,145,847 by the year 2020.
- If tenants choose to remain in Mitchell-Lama, they will save over $1.3 million in debt service each year by obtaining financing from Housing Development Corporation (HDC).
- SCRIE and DRIE benefits are not generally available in private co-ops. The Board says they will work to ensure their continued availability, but would be under no formal obligation to keep that commitment as circumstances and board membership change over time. The only way to guarantee the continued availability of SCRIE and DRIE benefits is by remaining in the Mitchell-Lama program.

For years, some of us have been concerned about East Midtown Plaza Housing Company's focus on privatizing the housing complex and its reluctance to explore or accept 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. And in January 2018, we wrote a letter to the Department of Housing Preservation and Development opposing a carrying charge increase which threatened long-term affordability.
As you are well aware, privatization would not only result in poor financial outcomes for residents who stay in East Midtown Plaza, but also in an overall reduction in affordable housing for the City, an outcome we must avoid. A significant body of research shows that the primary cause of homelessness is a lack of affordable housing. As elected officials representing this community, we cannot countenance a course of action that would exacerbate our current affordability crisis.

Furthermore, privatization is by no means the only method to obtain significant funding for maintenance and repairs. Alternative funding to cover maintenance fees as well as other affordable homeownership programs remain available. Under the de Blasio Administration's Mitchell-Lama Reinvestment Program, complexes such as East Midtown Plaza can obtain low-interest loans and grants through HPD and the Housing Development Corporation (HDC) to fund critical repairs and ensure proper maintenance. The Mitchell-Lama Reinvestment Program's stated purpose is to reduce costs and to keep rents and maintenance fees low. The Holland & Knight memo accurately states that "[m]aintenance costs at Mitchell-Lama cooperative developments are among the lowest in the City."

If East Midtown Plaza privatizes, some residents benefit by cashing out, but the majority who decide to age in place will be left to foot the bill. We urge you to reject privatization, and vow to work with all residents to ensure that your concerns are addressed.

Sincerely,

Brad Hoylman   Carlina Rivera

Brad Hoylman
State Senator, 27th District

Carlina Rivera
Councilmember, 2nd District

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