

LOWER MANHATTAN DEVELOPMENT CORPORATION

Revised Partial Action Plan No. 6

For

Affordable Housing for Low, Moderate and Middle Income Residents

Overview

The Lower Manhattan Development Corporation (LMDC) has prepared the following Partial Action Plan with regard to the \$2 billion Federal grant for the World Trade Center disaster recovery and rebuilding efforts administered by the United States Department of Housing and Urban Development (HUD). LMDC received additional funding from a subsequent \$783 million grant from HUD for damaged properties and businesses (including the restoration of utility infrastructure) as well as economic revitalization related to the terrorist attacks at the World Trade Center. This plan details the proposed expenditure of \$52,631,578.95 of the remaining amounts from the \$2 billion grant to fund the following items:

1. **Affordable Housing**
2. **Planning and Administration**

To date, HUD has approved ten Partial Action Plans totaling nearly \$1.96 billion out of the \$2.78 billion allocation. To date, LMDC has issued a total of twelve Partial Action Plans and, as of June 29, 2005, has amended or revised five Partial Action Plans. The approved, amended, revised and pending Partial Action Plans are listed in the table below:

PAP No.	Purpose of Partial Action Plan	Date Approved	Total Expenditure for PAP
1	Residential Grant Program, Employment Training Assistance Program, Interim Memorial, and Planning and Administration	9/25/2002	\$305,892,500.00
2	Business Recovery and Economic Revitalization	11/22/2002	\$350,000,000.00
3	Cultural and Community Development	6/14/2003	\$24,047,048.42
4	Short Term Capital Projects, Long Term Planning, Supplemental Funds for Business Recovery Grant Program	8/6/2003	\$156,105,103.00
S-1	New York Firms Suffering Disproportionate Loss of Life	9/15/2003	\$33,000,000.00
S-2	Utility Restoration and Infrastructure Rebuilding	9/15/2003	\$750,000,000.00
5	Tourism and Communications	1/28/2004	\$2,421,052.63
6	Revised Affordable Housing Program	Draft for public comment released 6/29/2005	\$52,631,578.95
7	WTC Memorial and Cultural Program and Lower Manhattan Tourism	7/6/2004	\$176,134,105.26

	Amendments to WTC Memorial and Cultural Program	6/08/2005	\$45,305,031.58
8	The WTC Memorial and Cultural Program, Related Initiatives, and Lower Manhattan Tourism	11/23/2004	\$64,259,895.74
	Memorial Foundation (<i>Funds generated from program income and not 2.78 billion allocations.</i>)		\$1,000,000.00
	Amendments to WTC Memorial and Cultural Program, and Lower Manhattan Tourism	Draft for public comment released 5/17/2005	\$44,631,578.95
9	WTC Memorial and Cultural Program, Tribute Visitors' Center, Lower Manhattan.info, Pace Green Roof	3/8/2005	\$51,442,105.26
	Amendments to WTC Memorial and Cultural Program	Draft for public comment released 6/29/2005	\$21,052,631.58
Total Funding Allocated through approved, amended and revised Partial Action Planned from \$2.78 billion allocation			\$2,076,922,631.37
Total Funding Allocated to Date			\$2,077,922,631.37

Versions of these plans are viewable on the LMDC website at http://www.renewnyc.com/FundingInitiatives/partialact_plans.asp

Future Partial Action Plans will detail the projected expenditure of the remainder of funds available from the \$2.78 billion grant, and will be subject to a public comment period with later submission to HUD.

This revised Partial Action Plan details the proposed allocation of up to \$50,000,000.00 of the remaining Federal grant to the City of New York for the implementation of an Affordable Housing Program. This program proposes the creation of new affordable units at Site 5B in Tribeca, and the implementation of the Fulton Corridor Residential Rehabilitation and Conversion Program. It also includes the preservation and rehabilitation of existing affordable housing units through the Chinatown/Lower East Side Acquisition and Rehabilitation Program, as well as the provision of funds for Masaryk Towers and Knickerbocker Village housing developments on the Lower East Side. The revised Partial Action Plan also proposes the allocation of \$2,631,578.95 for planning and administration activities of the LMDC.

Partial Action Plan Activities	Allocation from \$2 billion
Affordable Housing Program	\$50,000,000.00
Site 5B Tribeca	\$15,000,000.00
Fulton Corridor Residential Rehabilitation and Conversion Program	\$8,000,000.00
Chinatown/Lower East Side Acquisition and Preservation Program	\$16,000,000.00
Masaryk Towers	\$6,000,000.00
Knickerbocker Village	\$5,000,000.00
Planning and Administration	\$2,631,578.95
Total	\$52,631,578.95

Any change greater than 5% in the funding committed to a certain activity, the addition or deletion of any activity, or change in the designated beneficiaries of an activity constitutes a substantial amendment and such amendment will be available for public review and approval by HUD.

National Objective

The LMDC is a subsidiary of the New York State Urban Development Corporation d/b/a Empire State Development that was created in December 2001 to oversee the rebuilding and revitalization of Lower Manhattan. The activities contained in this Partial Action Plan have been designed to meet the particularly urgent community development needs resulting from the September 11th WTC disaster. These activities also have particular urgency because LMDC has determined that existing conditions resulting from the September 11th WTC disaster pose a serious and immediate threat to the health or welfare of the City of New York and the individual residents of the City, and other financial resources are not available to meet such needs. The activities identified as part of this Partial Action Plan may also qualify for the HUD housing national objective for providing low and moderate income benefit. LMDC and its New York City and State partner agencies do not expect the proposed activities outlined in this Partial Action Plan to require relocation. In the event that displacement occurs and relocation is necessary, relocation payments and assistance are eligible project costs. The geographic areas of focus of this and future Partial Action Plans are located in Manhattan, south of Houston Street.

Public Comment to the Partial Action Plan

On January 22, 2004, LMDC submitted for public comment the initial draft of Partial Action Plan 6, which proposed the allocation of funds to New York City Housing Development Corporation to subsidize the creation of 300 units of affordable housing for low, moderate, and middle-income households at Site 5B in Tribeca. The initial draft of Partial Action Plan 6 has been revised and resubmitted to the public for comment.

During the thirty-day public comment period for the initial draft of Partial Action Plan 6, LMDC received a variety of comments and concerns. These comments were submitted by various community stakeholders, including elected officials, civic organizations, residents, and other individuals. Although LMDC received eleven comments expressing support for the initial draft of Partial Action Plan 6, the majority of comments expressed a variety of concerns. One hundred and thirty-nine comments called for adjusting Area Median Income limits (AMI¹) for both low and moderate income segments. Three comments, including a comment from Councilmember Alan Gerson, called upon the LMDC to allocate funds for affordable housing preservation in Lower Manhattan. In an effort to incorporate the broad range of public comments received, where possible, LMDC, in partnership with New York City agencies, has provided revisions and amendments to the Partial Action Plan. These revisions seek to leverage LMDC funds for the creation of up to approximately 318 new units of housing, of which between 212 and 232 would be affordable units, and the preservation and rehabilitation of approximately 2,854 existing units of affordable housing throughout Lower Manhattan.

Partial Action Plan 6 has been resubmitted for public comment. HUD requires that the public comment period extend for thirty calendar days from the date of its publication. Public comment must be made in writing and may be delivered to the LMDC either by posted or electronic mail.

Public Comment on the Revised Partial Action Plan

The revised Partial Action Plan 6 proposes the allocation of funds for an Affordable Housing program for low, moderate, and middle income households. Public comments on the draft Revised Partial Action Plan were accepted from June 29, 2005 through July 28, 2005 by posted mail and electronically. LMDC posted Invitations to Public Comment in English, Spanish, and Chinese in daily newspapers and in weekly community newspapers serving Lower Manhattan. LMDC also delivered and mailed English, Spanish, and Chinese copies of the revised Partial Action Plan to over 90 civic and neighborhood-based organizations throughout Lower Manhattan, including Community Boards 1, 2, and 3, civic organizations, several tenants' associations and public libraries. In addition, LMDC sent electronic notices, fact sheets, and comment cards in three languages to over 150 Lower Manhattan neighborhood organizations and individuals, and elected officials that represent all or parts of Lower Manhattan south of Houston Street.

LMDC received *eight* comments in response to the revised Partial Action Plan 6. These comments have been incorporated into this Partial Action Plan as submitted to HUD, and are presented and responded to in section **III Response to Public Comment on Amended Partial Action Plan**.

¹ Area Median Income (AMI) estimates are based on 2000 Census data, local Bureau of Labor Statistics, Census. American Community Survey State data, and Census Current Population Survey Data. The New York Metropolitan Statistical Median Income for a family of four is \$ 62,800.

Public Participation to Date

Since its inception, LMDC has solicited and received an unprecedented amount of public comment from all over the world regarding the rebuilding of the WTC Site, the creation of a permanent memorial, and the revitalization of Lower Manhattan. Several Advisory Councils representing a broad spectrum of groups affected by the WTC attacks – including victims’ families, business owners, arts and cultural institutions, and downtown residents – have consulted with LMDC throughout the process on issues of concern to their respective constituencies.

LMDC conducts public meetings that provide an avenue for the public to express their thoughts and concerns about the rebuilding efforts and the revitalization of Lower Manhattan. Public meetings as well as meetings with the Advisory Councils have focused on the redevelopment of the WTC Site, the creation of a permanent memorial, and broader issues such as transportation, cultural and civic issues, and economic development in the aftermath of September 11th.

LMDC conducts additional outreach initiatives, such as mailings to city, state, and federal elected officials and civic and community organizations, participates in Community Board meetings, and meets regularly with community groups, civic organizations, and public officials to ensure that the opinions of those impacted are taken into account. In the summer of 2003, LMDC conducted a series of outreach workshops in the communities of Lower Manhattan. At the workshops, participating members of the community described priorities for their communities and proposed projects to address those priorities.

LMDC has also sponsored several public exhibits that provided visitors with information and the opportunity to submit written comments on the revitalization efforts. LMDC has received nearly 10,000 comments at the exhibits.

On April 13, 2005, the LMDC issued a Draft Funding Allocation Framework, which articulated draft priorities, objectives, and principles with respect to the allocation of the remaining CDBG funds. The LMDC accepted public comment on this draft Framework through May 1, 2005, and held a public forum on the draft Framework on April 27, 2005 in Lower Manhattan. On May 25, 2005, the LMDC released a revised Funding Allocation Framework, which would serve as the basis for allocating remaining CDBG funds. The Funding Allocation Framework can be viewed at the LMDC website at www.renenwyc.com in the Funding Initiatives section.

The LMDC website remains available for the public to provide feedback on a variety of topics related to the redevelopment of WTC Site, the revitalization of Lower Manhattan’s neighborhoods, and LMDC Partial Action Plans. To date, LMDC has received thousands of comments through its website.

LMDC also gathers public input through its Funding Application Process. The Funding Application Process provides an opportunity for members of the public, through their funding proposals and subsequent meetings with LMDC staff, to articulate their perceptions of, and solutions to, the diverse needs of Lower Manhattan.

I. Affordable Housing Program

In the aftermath of September 11th, many members of the Lower Manhattan residential and business communities experienced significant challenges, including financial challenges. These challenges have been and continue to be augmented by an existing need for affordable housing.² To date, LMDC has received specific public comments on the need for affordable housing in Lower Manhattan. In July and August 2003, LMDC and the City of New York held seven community workshops in Lower Manhattan to determine the needs of residents, businesses, and other members of Lower Manhattan communities, and to discuss way in which to address these needs. At the community workshops, residents and community-based organizations voiced concerns about a lack of affordable housing in Lower Manhattan. The need to build new and preserve affordable housing was widely discussed. LMDC has also received comments relating to affordable housing via its Funding Application Process. Moreover, elected officials, community-based organizations, and planning organizations have recommended the creation and preservation of affordable housing in Lower Manhattan. In *New York City's Vision for Lower Manhattan*, Mayor Bloomberg set forth a plan to create new units of housing over the next ten years.

The creation of affordable housing also corresponds with LMDC's early *Principles and Revised Preliminary Blueprint for the Future of Lower Manhattan*, which recommends, "expanding the residential population to create a strong sense of community throughout Lower Manhattan." It also recommends that, ". . . this housing must be for a wide variety of income levels."

Background

On January 22, 2004, LMDC submitted for public comment the initial Partial Action Plan 6, which allocated \$50 million for an affordable housing initiative. LMDC, in coordination with the City of New York, drafted the initial Partial Action Plan, which proposed the development of 300 affordable housing units at Site 5B in Tribeca. Since the board's initial authorization, the City retracted the use of Residential Liberty Bonds for this development. In addition, LMDC received many public comments that expressed varying degrees of concern during 30-day public comment period that ended in February 2004. These factors necessitated the following revisions to the Partial Action Plan. As a result, the revisions to Partial Action Plan 6 leverage LMDC funds to create between 212 and 232 new affordable units, and preserve and rehabilitate 2,854 affordable units throughout Lower Manhattan.

During the public comment period, LMDC received comments and concerns from various community stakeholders, including elected officials, civic organizations, residents, and other individuals, submitted these comments. Of these comments, only eleven expressed support for the initial Partial Action Plan, while the majority of comments expressed dissatisfaction. One hundred and thirty-nine comments called for widening the AMI limits for both low- and moderate-income segments outlined in the Partial Action Plan. Three comments, including a comment from Councilmember Alan Gerson, called upon the LMDC to allocate funds for affordable housing preservation throughout Lower Manhattan. One hundred thirty-four comments objected to the reallocation of funds from the Residential Grant Program for the proposed 300-unit project in Tribeca.

The LMDC placed high priority on evaluating these comments, and, where possible, integrated public feedback into a revised Affordable Housing Initiative. LMDC worked closely with New York City Economic Development Corporation (EDC), the NYC Department of Housing Preservation and Development (HPD), the NYC Housing Development Corporation (HDC), and other City agencies to revise Partial Action Plan 6.

² For purposes of this partial action plan, "affordable housing" will mean housing that costs no more than 30 percent annual household income. For more information visit: <http://www.hud.gov/offices/cpd/affordablehousing/index.cfm>.

The revised Partial Action Plan outlines projects designed to create new and affordable housing units, including Site 5B in Tribeca and potential conversions in the Fulton Street corridor. It also outlines a preservation and rehabilitation component for existing affordable housing units through the Chinatown/Lower East Side Acquisition Loan Program, and capital improvements for Masaryk Towers, an existing Mitchell Lama development on the Lower East Side, and Knickerbocker Village, an existing affordable housing development under Article 4 on the Lower East Side.

A. Tribeca Site 5B

Project Description

LMDC proposes the allocation of \$15 million to subsidize the planning and design, and interior fit-out of affordable housing at a new mixed-use development project at Site 5B in Tribeca, known as 270 Greenwich Street. This new mixed-use development project will consist of market rate condominiums, commercial retail space, and a mixed-income residential rental building. The residential rental building will be a mid-rise building facing Greenwich Street above a two-story retail base and underground parking. Prior to September 11, 2001, Site 5B had been planned as an entirely a commercial project. However, shortly after September 11, 2001, the City reexamined its vision for Lower Manhattan and determined that Site 5B was better suited for a mixed-use development that was largely residential, with a goal to include meaningful affordable housing. LMDC funds would be provided to subsidize the planning and design of the rental housing tower, including related portions of the building base, and interior fit out of the affordable housing units.

The residential rental component of the project will include affordable housing. HDC will administer the Mixed Income Program to ensure that the development will meet the following affordability targets. Of the total 163 units in the residential rental component, 85 will be market rate units, 44 will be middle-income units serving households below 175% AMI, 33 will be low-income units serving households at or below 50% AMI, and one will be a superintendent unit. The development will be financed through the use of tax-exempt bond proceeds, 4% tax credit equity, and the LMDC funds. The HDC Mixed Income Program will be administered for a period of 30 years.

Proposed beneficiaries

LMDC funds used for Site 5B would bring much needed affordable housing to Tribeca. A developer was selected as a result of an RFP released by EDC in July of 2000. Although the RFP initially specified a commercial project, shortly after September 11th the City determined that the Site was better suited for a mixed-use development that includes affordable housing. The Tribeca community supports a substantial number of low and moderate wage employment opportunities, yet the community has a considerably limited number of affordable housing units. The Site 5B proposal would benefit 33 low-income households and 44 middle-income households corresponding to the HDC Mixed Income Program. Affordable housing would therefore serve the community and the demand for affordable housing.

Selection of beneficiaries

HDC will administer the program using its established marketing and tenant selection guidelines for tax-exempt projects, and in accordance with LMDC criteria and HUD regulations. The marketing plan includes, but is not limited to, pre-marketing and outreach components and an HDC-supervised lottery process. The developer of Site 5B will be responsible for designing and carrying out a pre-marketing and marketing plan for the affordable rental units, and for selecting tenants according to the income eligibility criteria generally described above. Income verification will be conducted for low and moderate income units. For low-income

units, HDC will provide income verification on an annual basis, while for moderate income verification will be performed prior to occupancy.

Project area

The project area consists of the City-owned Site 5B, Block 142/Lot 110, in the Borough of Manhattan, located in Tribeca between Warren Street, Park Place, West Street, and Greenwich Street.

Schedule

Activities outlined in the Partial Action Plan for Site 5B in Tribeca for planning and design began in 2002. The affordable housing units are expected to be completed in 2008, with the completion of the entire development project also anticipated for 2008.

Total estimated cost

The total estimated cost for this activity as described above for Site 5B is up to \$15,000,000.

B. Fulton Corridor Residential Rehabilitation and Conversion Program

Project description

LMDC proposes the allocation of \$8 million for the Fulton Corridor Residential Rehabilitation and Conversion Program (Fulton Corridor Program) for the creation of 135 to 155 units of affordable housing. The Fulton Corridor Program is a new HPD administered program that will provide for the adaptive reuse of 4- to 6-story buildings along Fulton Street. It will permit the development of residential units above ground floor retail. The Fulton Corridor Program will provide forgivable loans—ranging from \$25,000 to \$75,000 per residential unit—to owners of small buildings with ground floor retail that desire to renovate upper floor vacant and/or underutilized space.

To be eligible for the program, property owners must spend at least \$25,000 in renovation costs per unit, and must ensure that all necessary work is completed to bring the building into compliance with housing and building codes. The owner must also agree to lease the rehabilitated or converted units as affordable housing for tenants with incomes at or below 120% of AMI. The owners must also maintain buildings with 3 or more residential units as rent stabilized units. Property owners will also be required to sign a regulatory agreement requiring that the affordable units would be guaranteed for a term of 15 years.

Proposed beneficiaries

The Fulton Corridor Program will provide much needed investment in affordable housing through the creation of approximately 135 to 155 new affordable housing units. These units would be affordable to households earning 80%-120% of AMI. The Fulton Corridor Program will be a central component to enhancing the Fulton Corridor, and will help in creating a vibrant 24/7 community.

Selection of beneficiaries

The program will be administered in accordance with HPD-established marketing and tenant selection guidelines. The marketing plan will include, but is not limited to, a pre-marketing and outreach component and HPD supervised lottery process, used for all HPD developments that enter the HPD marketing process. All tenants will be subject to income verification upon occupancy.

Project area

The project area for the Fulton Corridor Program will generally consist of Fulton Street, from South to Broadway Streets, and John Street to Ann Streets.

Total estimated cost

The total estimated cost for the implementation of the Fulton Corridor Residential Rehabilitation and Conversion program component of the Affordable Housing Program is up to \$8,000,000.00

C. Chinatown/Lower East Side Acquisition and Preservation Program

Project description

LMDC proposes the allocation of \$16 million for the preservation and rehabilitation of 160 or more units through the Chinatown/Lower East Side Acquisition and Preservation Program (Chinatown/LES Program). The new HPD administered program would be created with an objective of facilitating the acquisition and rehabilitation of privately owned properties in Chinatown and the Lower East Side. This program will establish housing that is permanently affordable under rent stabilization. The program focuses on the acquisition of mid-size buildings (15-40 units) that currently have all or a portion of the units under rent stabilization, where average rents are under \$1,000. Eligible borrowers for this program would be non-profit residential property managers and developers, who would agree to keep units under rent stabilization for a term of 30 years. Additionally, upon vacancy, non-stabilized units must be lowered to the average stabilized rent and returned to rent stabilization. The Chinatown/LES Program aims to benefit households benefit households up to 80% of AMI.

HPD will use the \$16 million to create a loan pool to assist in acquiring and rehabilitating at least 160 units, a maximum of \$100,000 per unit, over the next two to four years.

Proposed beneficiaries

In response to community concerns regarding the availability and quality of affordable housing, this preservation and rehabilitation program will increase the availability of affordable housing for current residents. The Chinatown/LES Program will create and preserve affordable housing for 160 or more low-to-moderate-income households throughout Chinatown and the Lower East Side. This program aims to benefit 160 or more household at or below 80% of AMI.

Selection process

Income verification will not apply for current tenants of rent-stabilized units. However, all new tenants will be subject to income verification upon re-rental of vacant units.

Project area

The project area for the Chinatown/LES Program will be target the Chinatown and Lower East Side communities, South of Houston Street.

Schedule

Activities outlined for the Chinatown/LES Program will begin in 2005, and are anticipated to continue over the next two to four years.

Total estimated cost

The total estimated cost for the Chinatown/LES Program is up to \$16,000,000.00.

D. Masaryk Towers (Mitchell Lama) Preservation

Project description

LMDC proposes the allocation of \$6 million in LMDC for the rehabilitation of Masaryk Towers, a 1,110-unit Mitchell-Lama development located on Columbia Street on the Lower East Side. This cooperative development primarily consists of low-income tenants, where more than half of the shareholders qualify for Section 8 vouchers. Moreover, based upon an analysis performed in 2000, 45% of the households earned below 50% AMI and 65% of the families earned below 80% AMI.

Masaryk Towers was built in the 1960's and many of its systems have outlived their useful life, potentially warranting a significant rent increase. The much needed repairs include, but are not limited to, underground water system repair, façade repair, terrace and original window replacement, subsurface issues, electrical work, and repairs necessary to bring the development into compliance with New York City Local Law 11/98. Although Masaryk Towers has raised carrying charges and imposed a capital assessment, an estimated \$6 million in capital work is still needed.

The \$6 million in LMDC funds would be provided to Masaryk Towers as a grant, since shareholders cannot afford additional debt service to address these issues. These funds would have a tremendous impact on preserving the affordability of the development to its tenants. In addition, this investment would preserve the units for the foreseeable future. HPD will implement a 15-year agreement that will assure that Masaryk Towers will not opt-out of the Mitchell-Lama program following capital repairs.

The City of New York has worked to preserve Masaryk Towers by restructuring their mortgage in order to lower the debt service, and has also made attempts to limit carrying charge increases to 27%, phased in over three years. Despite these attempts the development remains in financial difficulty and is now facing an additional 20-30% increase in carrying charges. HPD believes that the shareholders cannot manage the burden of more than a 50% total increase in carrying charges over an 8-year period. LMDC funds for this project would allow the City to preserve the existing affordable units in a building that would otherwise continue to deteriorate, and would also assist in the City's efforts to limit the increase in carrying charges to the 27% as previously approved.

Proposed beneficiaries

The proposed beneficiaries for this project include low- and moderate-income households. The Masaryk Towers cooperative development primarily consists of low-income tenants, where more than half of the shareholders qualify for Section 8 vouchers. Moreover, based upon an analysis performed in 2000, 45% of the households earned less than 50% AMI, and 65% of the families earned below 80% AMI.

Selection of beneficiaries

Funds allocated for Masaryk Towers would have a tremendous impact on preserving the affordability of the development to its tenants, and preserving the existing affordable units in a building that would otherwise continue to deteriorate. The City would sign a 15-year assurance to guarantee that Masaryk Towers remains in the Mitchell-Lama program.

Project area

Masaryk Towers is located south of Houston Street, on Columbia Street, bound by Pitt, Stanton and Delancey Streets.

Schedule

Activities related to Masaryk Towers outlined in the Partial Action Plan are scheduled to begin in 2005, and are anticipated for completion in 2010.

Total estimated cost

The total estimated cost for the Masaryk Towers component of the Affordable Housing Program is up to \$6,000,000.00

E. Knickerbocker Village

Project Description

Knickerbocker Village is a 1,584-unit development built in 1934, which consists primarily of low and moderate income tenants. Located on the Lower East Side, Knickerbocker Village is operated by a Limited Dividend Housing Company (Housing Company) under Article IV of the New York State Private Housing Finance Law (Article IV), and supervised by the New York State Division of Housing and Community Renewal (DHCR). LMDC proposes to allocate up to \$5 million for necessary capital improvements at Knickerbocker Village. These funds would serve to benefit the primarily low and moderate income residents by providing for necessary capital improvements that would otherwise be paid from tenants' rents. Such improvements would include [exterior and interior building repairs, and system-wide repair or replacement of mechanical systems, electrical work, and elevators].

In 2002, the Housing Company submitted an application to dissolve its status under Article IV and enter into rent stabilization, including a five year Physical Condition Survey describing and estimating the cost of projected capital repairs. To mitigate related rent increases, LMDC funds would be used for capital repairs and improvements, including, but not limited to, those identified in the Physical Condition Survey and other necessary improvements. The Housing Company may be required to make the repairs identified in the Physical Condition Survey at its own cost, as is required by DHCR regulations. LMDC funds would not be used for repairs required to be paid for at the Housing Company's own cost, but rather necessary capital improvements, which would otherwise be paid from tenants' rents.

Proposed Beneficiaries

The capital improvements at the development would benefit the tenants of Knickerbocker Village. Based on 2004 submissions regarding 2003 income for 1213 households, only 149 households reported incomes greater than 80% of AMI. Knickerbocker Village is also the home of 207 tenants that are on SCRIE (Senior Citizen Rent Increase Exemption).

Selection of beneficiaries

Knickerbocker Village was identified by the city as a means to preserve affordable housing units. The LMDC grant would be a neutral source of money where the owner would not be obligated to remain in Article IV, but the money could be used to offset any major capital improvement assessments if the development is allowed to buy out and enter rent stabilization, decreasing the carry-over costs to tenants.

Project area

Knickerbocker Village is located within the LMDC catchment area south of Houston Street on Monroe Street, bound by Catherine, Cherry, and Market Streets.

Schedule

Activities related to Knickerbocker Village outlined in the Partial Action Plan are scheduled to begin in 2005, and are anticipated for completion in 2010.

Total estimated cost

The total estimated cost for the Knickerbocker Village component of the Affordable Housing Program is up to \$5,000,000.

II. Planning and Administration

LMDC engages in broad planning and administration activities relating to the recovery, remembrance, and rebuilding efforts in Lower Manhattan, defined by the LMDC's bylaws and charter, as the entire area of Manhattan south of Houston Street.

LMDC's planning activities began with the site planning for the WTC Site and the areas immediately surrounding the site. The agency's off-site planning activities include the other neighborhoods in Lower Manhattan that have been affected by September 11th and its aftermath. Specifically, LMDC's off-site planning activities include analyses of Lower Manhattan's transportation, traffic, housing and related amenities, open space, and economic development capacity, needs, and potential. LMDC will continue to develop and propose plans for areas and projects in Lower Manhattan.

LMDC's administrative activities include, and will continue to include, extensive public information and coordination activities relating to its LMDC planning work. As part of its coordination activities, LMDC serves as a facilitator of outreach and discussions between affected communities as well as the public at large and government agencies and officials. LMDC's public information work will continue to include large-scale public meetings and hearings; periodic printed newsletters and reports; an up-to-date, comprehensive, and interactive web site (www.renewnyc.com); extensive electronic communications; and other public outreach and participation efforts. In addition, LMDC continues to maintain its network of community contacts through its advisory councils. Additionally, legal, audit, and investigation activities are performed on an ongoing basis in relation to programs funded by the LMDC CDBG allocation.

HUD has authorized the use of up to 5% of the total grant to LMDC for costs associated with planning and administration activities, including costs for overhead, personnel, and consultants. This Partial Action Plan proposes the allocation of \$2,631,578.95 towards LMDC's planning and administrative activities.

III. Responses to Public Comment

This section addresses the comments received from the public following the release of the Revised Partial Action Plan No. 6, from June 29 through July 28, 2005. The following details *eight* comments received and responses to those comments.

Tribeca Site 5B

LMDC received one comment stating that funding for affordable housing at Site 5B is not the best use of funds. This comment further states that, given the cost of new units at Site 5B, funds would be better used to create affordable units in Chinatown and the Lower East Side.

As mentioned in Section IA, the Tribeca community supports a substantial number of low and moderate wage employment opportunities, yet the community has a considerably limited number of affordable housing units. The Site 5B proposal seeks to assist in providing affordable housing units in the area. This Partial Action Plan also proposes the allocation of funds for programs that seek to rehabilitate and preserve affordable housing units in the Chinatown and Lower East Side communities.

LMDC received one comment from a New York City teacher interested in applying for a unit at Site 5B in Tribeca. The comment further requests that careful consideration be given to New York City employees for all the LMDC affordable housing projects.

HDC will administer the program at Site 5B using its established marketing and tenant selection guidelines for tax-exempt projects, and in accordance with LMDC criteria and HUD regulations. The marketing plan includes, but is not limited to, pre-marketing and outreach components and an HDC-supervised lottery process. The developer of Site 5B will be responsible for designing and carrying out a pre-marketing and marketing plan for the affordable rental units, and for selecting tenants according to the income eligibility criteria generally in Section II A. Income verification will be conducted for low and moderate income units. For low-income units, HDC will provide income verification on an annual basis, while for moderate income verification will be performed prior to occupancy.

Knickerbocker Village

LMDC received a total of 6 comments related to proposed allocation of funds for Knickerbocker Village. Five of the comments express various concerns regarding the proposed allocation, including comments from elected officials, the Knickerbocker Tenants' Association, and the Ad Hoc Committee to Preserve KV. One comment from the Board of Directors of Knickerbocker Village expresses support for the proposed allocation.

Four of the comments recommend that LMDC use the proposed \$5 million allocation to retire Knickerbocker Village's outstanding mortgage for past capital improvements. These comments suggest that the elimination of the outstanding mortgage would offset the owners' current application to New York State Division of Housing and Community Renewal (DHCR) for a rent increase, result in an immediate recalculation of the tenants' rent structure, and possible rent reduction for all residents.

In addition to LMDC's efforts at the WTC Site, LMDC continues to place a priority on engaging in activities designed to revitalize and enhance Lower Manhattan as a diverse, mixed-use, 24/7 community. The activities outlined in the Revised Partial Action Plan 6, developed in coordination with the New York City Department of Housing Preservation and Development (HPD) are designed to create new units of affordable housing, and serve as an effort to preserve and rehabilitate existing units of affordable housing.

LMDC has and continues to consider projects and programs that are designed to meet Lower Manhattan community needs, and generally has not provided funds to retire debt. As it relates to Knickerbocker Village, DHCR has expressed its support for any grant provided to housing companies under its jurisdiction, and will seek to assure that such grant be used to preserve affordable housing at Knickerbocker Village. LMDC would work with HPD and DHCR in the identification of needed capital improvements with the objective of improving the development for residents.

Three of the comments recommend that the grant be made available upon the condition that the Knickerbocker Village owners terminate their application to withdraw from regulation under Article IV of the New York State Private Housing Finance Law (N.Y.S. PHFL). These comments further assert that if Knickerbocker is removed from Article IV status and becomes subject to rent stabilization, rent is likely to increase significantly.

Knickerbocker Village is a development organized under Article IV of the Private Housing Finance Law (PHFL), and administered by DHCR. As mentioned in Section 2E, housing company's such as Knickerbocker Village, built before January 1, 1974, if granted dissolution of their Article IV status, become subject to rent stabilization. DHCR promulgates regulations to assure that all residents and the public receive full advance disclosure of plans to dissolve, that there is a smooth transition of management, and that the housing company complies with all legal requirements prior to dissolution. For more information on Article IV and rent stabilization, please visit DHCR website at: <http://www.dhcr.state.ny.us>.

Two comments assert that the owners of Knickerbocker Village submitted to DHCR \$5 million in needed capital improvements as part of the owners' application and its 5 year capital improvement completion requirements. The comments further assert that tenants have agreed to rent increases that were to have financed Knickerbocker Village's capital improvements and replacements for the next 10 to 15 years. The comments further state that sources other than rents must be used to provide these funds, and that LMDC funds would directly benefit the owners.

As described above in Section IE, LMDC will seek to assure that funds proposed in this Partial Action Plan would not be used for repairs required to be paid for at the Housing Company's own cost, but rather towards necessary capital improvements, which would otherwise be paid from tenants' rents. DHCR has expressed its support for any grant to housing companies under its jurisdiction, and will also seek to assure that such grant be used to preserve affordable housing at Knickerbocker Village.

One comment from the Board of Directors at Knickerbocker Village states that the proposed funds would benefit residents by providing for capital improvements. This comment further states that LMDC funds used for needed capital improvements would prevent residents from incurring the costs of these improvements under both the Article IV and rent stabilization scenarios.

LMDC, in coordination with HPD and DHCR, will work to identify needed capital improvement to ensure that the proposed funds will be used to benefit the residents through the preservation and rehabilitation of Affordable Housing. DHCR has expressed its supports for any grant to housing companies under its jurisdiction, and will seek to assure that such grant be used to preserve affordable housing at Knickerbocker Village.