SPEAKER QUINN, COUNCIL MEMBER ANNABEL PALMA, HOUSING ADVOCATES AND TENANTS ANNOUNCE NEW CITYWIDE DISTRESSED HOUSING PROGRAM

Council and advocates will release an extensive study on Milbank’s abandoned Bronx properties, which have forced tenants to live in dangerous conditions

Photo by William Alatriste/New York City Council

City Hall – Speaker Quinn, Council Member Annabel Palma, joined by the Legal Services of New York City in the Bronx, The Northwest Bronx Community and Clergy Coalition, and the Urban Homesteading Assistance Board, announced a new citywide housing program that will help tenants living in overleveraged buildings that are dangerous and in utter disrepair.

This is a program that will enlist the help of pro-bono engineers and architects to survey distressed and overleveraged housing buildings across all five boroughs. Tenants’ ability to access building information is often limited to a list of violations each building has. But with these architectural services, tenants and their partners will...
have explicit information on how extensive the damage is, what repairs are needed and how much repairs will cost.

“We’ve fought Milbank over and over again and we will continue to fight until tenants are in livable conditions,” said City Council Speaker Christine Quinn. “But at least, now, we have one more weapon in our arsenal – information. Having reports detailing the repairs and the cost is essential to helping these tenants; it is bringing knowledge to power. That’s why this program is so important and will continue to be as we try to tackle other over-leveraged buildings across the five boroughs.”

"We stand together today to send a clear message to owners of distress and overleveraged buildings: you will be held accountable for providing tenants with safe and habitable conditions,” said Council Member Annabel Palma, Chair of the General Welfare Committee. "I applaud the Speaker for her leadership on this issue and Baer Architecture Group for their survey, which will empower these tenants and lay the foundation for other residents living in unsafe conditions to challenge irresponsible owners."

“I applaud my colleagues Speaker Quinn and Council Member Annabel Palma for their continued efforts on behalf of tenants living in distressed buildings,” said Council Member Fernando Cabrera. "I have personally visited some of the buildings being discussed today and have been outraged at the conditions many New Yorkers are being forced to endure. I am proud to stand with my colleagues and housing advocates in the fight to help tenants all over the city get what they deserve: acceptable living conditions.”

"This new program will help level the playing field,” said Maggie Russell-Ciardi, executive director of Tenants and Neighbors. "It will arm tenants with the information they need to determine what a truly supportable mortgage or sale price for their buildings would be. And it will help tenants refute false claims by owners and lenders that everything is fine in buildings that are heading rapidly towards financial failure."

“I am elated that the City is stepping up to the plate to tackle predatory equity head-on,” said Bronx Borough President Ruben Diaz Jr. "The Millbank portfolio has been déjà vu all over again, after this borough had to deal with the abandonment by Ocelot and Hunter Property Management. The hard-working tenants of the Bronx have a right to live in clean, safe conditions and not to have their quality-of-life subject to someone’s balance sheet mistakes and bad decisions. The assessment from the pro-bono architects will show what happens, and in order what we need to prevent banks and property owners taking advantage of this City’s residents.”

The citywide program was born out of a pilot where UHAB and The Northwest Bronx Community and Clergy Coalition worked with Baer
Architecture Group to do an architectural and infrastructural study on Milbank’s distressed Bronx properties. To read the entire report, click here.

The portfolio of 10 Bronx buildings with 554 apartments, with almost 3,300 building violations, is in severe physical distress following a previous overleveraging by Milbank Real-Estate, a private equity firm out of Los Angeles. The tenants have endured horrible living conditions since Milbank over-leveraged their buildings. Water leaks, mold, cracked and peeling lead paint, collapsing ceilings, broken locks on entrance doors, useless intercoms, rat and roach infestations, busted boilers, and electrical fires are commonplace throughout the portfolio.

The study found that estimated costs for repair will be:

- Average of $26,500 of repairs in each unit
- $500,000 – $1 million for building-wide repairs
- To fix all 10 buildings will cost between $19.7 million to $24.7 million

The study confirmed tenant concerns and found that every roof, entry door exterior window, heating supply line and electrical system for each of the 10 buildings needs to be replaced. And that the building’s kitchens and bathrooms are in desperate need of renovation as they are in utter disrepair.

“During our tour of the individual units and buildings, what surprised me the most has the lack of attention that the property owner(s) paid to what at one point was a small repair issue,” said Brian Baer, of the Baer Architect Group who did the analysis on Milbank portfolio. “It was clear that the “do nothing” approach was their modus operandi, which caused these little problems to escalate into building-wide systemic problems. The owners could have spent very little to repair the small problems when they first surfaced. Due to the neglect and the method of operating, the next owner will need to spend much more, for much larger problems.”

“Arming tenants with concrete information that allows them to better advocate on their own behalf is exactly in line with the self-help philosophy that is at the core of UHAB’s mission,” said Andrew Reicher, Executive Director of UHAB. “We also believe that residents are necessary partners in the redevelopment of any distressed property, so this is a very important tool for the Milbank tenants.”

The Milbank properties are expected to be sold next week to an entity that has refused to be identified despite repeated requests from the tenants and the elected officials for the buyer to come forward.

"LNR has stalled in court for months & tried to pass the buck by
arranging this sale & transfer,” said James Jantarasami, attorney from Legal Services- NYC. “If LNR weasels out of the case by selling before the court decides our motion, we will make sure the new owner’s feet are held to the same fire by filing 7A proceedings."

Milbank Real Estate purchased the rent stabilized properties in 2007 during the height of the real-estate bubble. Advocates questioned the financial sustainability of the $35 million mortgage debt, and placed the portfolio on their “watch list” of potentially troubled buildings.

“The tenants have been fed up for a long time, and now they’re also knowledgeable. Whoever buys these buildings better consider themselves warned, because we will not rest until every repair in every single unit is complete,” said Sergio Cuevas, a tenant leader at one of the Milbank buildings and a member of The Northwest Bronx Community and Clergy Coalition.

The portfolio has been in a steady state of decline since its owner, Milbank Real Estate, defaulted on its $35 million mortgage. In March of 2009, the mortgage holder, a $3 billion commercial mortgage-backed security trust controlled by Wells Fargo and serviced by LNR Partners, Inc., initiated foreclosure proceedings. The foreclosure judge appointed a receiver who is charged with collecting rents and managing the properties, but due to the high number of vacancies in the buildings, along with the already severely distressed conditions in most of the units, the income from rent collection is not adequate to properly maintain the portfolio.

LNR, the financial company that controls the $35 million mortgage, is planning to transfer the property, leaving the properties saddled with excessive debt. The tenants represented by Legal Services NYC-Bronx are planning to file what is known in NYC as a 7a motion, which is an application to have a court-appointed building manager who will then ensure that all rent will go toward repairs and maintenance.

Milbank unfortunately is not an isolated problem. In December, Speaker Quinn announced the formation of a new Predatory Equity Task Force, which has and will continue to monitor problems resulting from the continued fallout of the housing bubble, and perform rapid response when these problems threaten the welfare of building tenants.

The Task Force has two main goals. First, it tracks buildings that are currently – or at risk of becoming – physically or financially distressed, and responds quickly to urgent problems. The Task Force pressures owners and lenders to maintain their buildings or sell to a responsible owner approved by the City. Second, the Task Force will continue to explore the core issues behind these problems, and propose new initiatives and policy changes at the federal, state, and
city levels.

The Task Force has brought together a number of housing advocates and experts, and is co-chaired by Housing and Buildings Committee Chair Erik Martin Dilan, Council Members Inez Dickens and Annabel Palma, and New York City Department of Housing Preservation and Development (HPD) Commissioner Rafael Cestero.

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