



East Harlem's Overleveraged House of Cards At Risk of Tumbling; Tenants Face Maintenance and Repair Cutbacks

A Report By Hope Community Executive Director Robin LeBaron

The shock waves from the economic crash of the past few months are shaking the financial foundations of many of East Harlem's rent stabilized buildings. The properties most at risk are those recently purchased by "predatory equity" investors. Tenants living in these properties may soon see maintenance and repair cutbacks.

According to a report released last October by the Association for Neighborhood and Housing Development (ANHD), over 2,200 units in East Harlem are in jeopardy because the investors who bought them have taken on levels of debt they cannot sustain. Faced with a credit crunch and declining real estate values, owners are likely to experience cash shortages, which may prevent them from keeping their properties in good condition.

The silver lining in these threatening clouds is that the economy may discourage further predatory equity purchases, at least in the short term.

"Predatory equity" is a term coined to describe an investment strategy that has become common in East Harlem and other "up-and-coming" New York

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Trees Galore in the East Harlem Gateway

Over the last few months, Hope Community, Inc with Trees New York, a nonprofit organization that trains volunteers to care for city trees, have been making improvements to the street trees in the East Harlem Gateway, the area on Lexington Avenue between 102nd and 105th streets. So far, Trees New York has planted over 800 daffodil bulbs in the concrete planters on 104th Street between Park Avenue and Lexington Avenue and made soil amendments to many of the street trees in the East Harlem Gateway neighborhood. These soil amendments are necessary for ensuring that our street trees retain the nutrients they need to remain healthy and strong.

Trees New York has also been installing tree pit guards, improving the look and health of the trees by pruning branches, and conducting tree care workshops for



Volunteers plant daffodil bulbs in planters on 104th Street

kids and adults. In fact, you may have seen volunteer staff from Trees New York out in the Gateway area recently doing work on your street trees. Trees New York has also made available bilingual brochures (English and Spanish) for those who want to learn more about how our trees contribute to the health and wellbeing of the neighborhood. Feel free to stop by Hope Community to pick up a brochure for you or your children on tree maintenance.

Additionally, you will soon notice new, high-end litter receptacles on the corners of Lexington Avenue and 103rd, 104th, and 105th streets. We asked you last summer to tell us which streetscape improvements you would like to see in the Gateway area. In response to your desire for a cleaner East Harlem, Hope Community is using part of the New York Main Street grant to replace the traditional New York City trash



Newly amended soil beds protect trees and bulbs.

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A Special Thanks to Our Program Donors

Hope Community, Inc. would like to thank and acknowledge the following supporters. These organizations have partnered with Hope in helping to build a better East Harlem and enrich the lives of the people who live and work in the community.

- Bank of New York Mellon
- Capital One Foundation
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- JPMorgan Chase
- Local Initiative Support Corporation
- M&T Bank
- Manhattan Borough President Scott M. Stringer
- National Opportunities Fund
- New York Community Trust
- The Upper Manhattan Empowerment Zone Development Corporation
- Washington Mutual

Highlights of Recent Community Development Grant Awards

Hope Community has been awarded \$40,000 through the **New York Community Trust's Neighborhood Revitalization Program**, which supports agencies working in low-income communities to engage residents in projects that improve their neighborhoods. Over the next 12 months, Hope will lay the groundwork necessary to assume ownership and undertake the rehabilitation of 100 to 200 units of affordable housing.

JPMorgan Chase recently awarded \$50,000 in support of Hope's Affordable Housing Preservation Project, which is designed to address the challenges of finding appropriate properties for affordable housing development and to work to rehabilitate projects by preserving existing federally-subsidized buildings, submitting responses to competitive Requests for Proposals for city-owned properties, and partnering with local nonprofit organizations to develop land that they already own.

Hope was also awarded funding from the **Local Initiative Support Corporation NYC's Technology Institute** toward the installation of wireless Internet service for 23 households in four new low-income housing tax credit buildings. The



remainder of the grant will be allocated toward the purchase of a new server and accompanying training and software.

Hope Community is extremely grateful for the generous contributions of these organizations and their commitment to helping us carry out our mission.

A Special Thank You to Our Fourth Quarter Program and Event Donors

We also wish to thank and acknowledge the following supporters whose in-kind donations and monetary contributions helped make possible a number of exterior/interior garden improvements, community programs and events, and holiday meals and gifts for local seniors and youth.

- Cervantes Society
- Cullen & Troia
- Dr. David Eastzer
- Fidelis Cares
- Forest City Ratner Companies
- Maxwell Pharmacy
- NBC-TV/Dimitris Garden Center
- Nets Basketball/Brooklyn Sports & Entertainment
- Norris McLaughlin & Marcus
- NYS Assemblyman Adam Clayton Powell IV
- Stuart J. Vogel



Trees Galore in “Gateway”



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cans with a newer and more modern model that can be seen around Union Square. Each high-end litter receptacle will ask residents to keep the East Harlem Gateway clean. We will also be installing four new bike racks on 103rd and 104th Streets between Park Avenue and Third Avenue later this year, and will continue to assist property and small business owners improve the look of their buildings with New York Main Street funds.

About the Main Street Program

New York Main Street is a state program that provides matching grants to property and business owners to renovate the exterior and interior of their buildings or storefronts. It also provides funds to nonprofit organizations to implement streetscape improvements. Hope Community has received funding from both the Main Street program and the Upper Manhattan Empowerment Zone to make improvements to the East Harlem Gateway, the three-block contiguous area around Lexington Avenue and 102nd and 105th Streets.

To find out more information about the New York Main Street Program and how you can get involved, contact Nellie Plumey or Julie Caracino at (212) 860-8821 or visit: www.hopeci.org/biz_gateway.php.

Hope & Neighbors Keep the Lights Burning on East Harlem’s Holiday Tree



East Harlem Tree Committee members at lighting ceremony on December 15

Last December, it seemed likely that the East Harlem Holiday Tree would not be realized as the usual sponsor, the East Harlem Board of Tourism, was unable to raise logistical support and funding in the face of a faltering economy.

Led by Hope Community, neighborhood residents, and local businesses and nonprofit agencies quickly stepped up to support the East Harlem tradition. Hope staff carried out much of the planning and helped raise over \$9,000 to make the December 15th tree lighting possible.

“We’ve been lighting a tree at Franklin Plaza for the past four years,” said José Carrero of the East Harlem Board of Tourism and co-chair of the tree committee, who helped to found the tradition. “We didn’t want this holiday to be an exception.”

“In the end, Hope was able to rally support from many local residents and organization that reached into their pockets to have a holiday tree light up the public square until the Three Kings Day parade on January 6.

Major support was provided by State Senator José M. Serrano, Upper

Manhattan Empowerment Zone Development Corp., Banco de Ponce de Leon, Con Edison, East Harlem Business Capital Corp., Harlem Community Development Corp., Manhattan Youth Baseball, Mount Sinai Medical Center, Manhattan Community Board 11, El Barrio’s Operation Fightback, Lott Community Development Corp., and La Voz Hispana.

“The tree has become a symbol of the neighborhood’s efforts to maintain its rich cultural heritage in the face of rapid change,” said Roger Cabán, chair of Hope Community’s board of directors and co-chair of the tree committee.

“Hope is proud to have been able to get involved at such a critical point and lend support in order to keep this tradition alive.”

“The tree gives those of us who live and work in East Harlem a chance to join together and celebrate our community,” said Kathy Benson of the Museum of the City of New York, who volunteered hours of her time on the project.



Highlights of Recent Hope Community Events



East Harlem residents were treated to lots of fun activities during Hope Community's Annual Fall Festival on East 104th Street. Among the festivities at the October 13th, 2008 event were free puppet shows (pictured above), and musical performances by local artists.



Visual Artist, Eduardo Rabel conducted chalk drawing sessions with local children during the day-long Fall Festival. During his spare time, Eduardo worked on several of his own creations, including an interesting rendition of the Hope Community logo (pictured above).



Loopsey Loo of Confetti Clowns was among the many performers to entertain local youth with magic shows, balloon art, face paintings, arts and crafts, and an outdoor art gallery hosted by artist Angelo Romano. The youth were also treated to a free lunch.



From left: Honorees artist Marcos Dimas, Hope Deputy Executive Director Carmen Vasquez, filmmaker Iris Morales, and musician Aurora Flores, at the opening of the latest installment of Community Works' "Latin Roots: East Harlem" exhibition on September 22nd, 2008.



Hope Deputy Executive Director Carmen Vasquez accepts a Community Works award as one of four "local heroes" that were honored for exemplifying the best of East Harlem during a ceremony held at the Julia de Burgos Latino Cultural Center.



Rei Pérez, Citi Community Relations VP/Director, with honoree Carmen Vasquez and Hope Executive Director Robin Vasquez at the Citi-sponsored Community Works awards ceremony and exhibition celebrating the "Living Latin History of East Harlem."



Hope Executive Director Robin LeBaron (center) makes the first slice into the Thanksgiving Day turkey as Deputy Executive Director Carmen Vasquez (right) and board members Roger Caban and Haydee Areizaga (left) look on.



Hope's Haydee Areizaga greets tenants from Carlos Rios Senior Residence at the agency's annual Thanksgiving Day dinner on November 26th, 2008. Haydee, her sisters, and friends regularly volunteer at holiday events.



From left: Hope Project Manager Nellie Plumey, CFO Marie Iammatteo, Controller Allyn Salpeter, and other volunteers help serve Thanksgiving dinner along the buffet line at Carlos Rios Senior Residence.

2008 Annual Meeting



Hope Community held its 40th Annual Meeting of Members at the Carlos Rios Senior Residence. During the November 20th gathering, board members Miguel Calderon, Ann C. Henderson, William Ofenloch, Haydee F. Areizaga, and Rubye C. Wright (pictured above), were sworn in to serve another two years.



Prior to the board appointments, Hope Executive Staff (including Executive Robin LeBaron, pictured above), each reported on their respective department's accomplishments over the last 12 months.



And, several staff members, including Hope superintendent Richard Ruiz (pictured above), were acknowledged for their hard work and commitment to the agency's goals during the Annual Meeting. Also cited were Construction Manager Sam González and Property Manager Regina Mendoza.

Iris Marines (Feb. 25, 1966 – Jan. 10, 2009)



Hope Community employees were saddened by the untimely passing of former Property Manager Iris Marines on Saturday, January 10th, 2009.

Iris first joined Hope Community in 2003 as a customer service representative/assistant property manager and quickly proved to be adept in handling her responsibilities.

In April 2005, Iris was promoted to Property Manager. "I am very proud to be a staff member of Hope Community, and I welcome the opportunity to continue to serve our tenants and the community with pride," she shared.

Originally from the Lower East Side, Iris developed a great compassion for the East Harlem community of which she became a member. In December 2007, for instance, she and other employees visited several Hope Community tenants to donate free turkeys in an effort to ensure the holidays would be complete for those families in need.



Iris (top, 2nd from right) with co-workers in 2007

Earlier in the year, Iris and other members of the Property Management Department had been cited for their work during the agency's 2007 Annual Gala.

In April 2008, however, Iris was forced to retire from Hope Community for health reasons. Prior to her departure from the agency, employees held an intimate farewell party during which Iris was personally commended for her years of service.

"Iris was a really hard worker and will be missed," commented Marisa Fundora, the agency's Accounting Manager. "She was



April 2008 Farewell Party for Iris Marines

a giving individual who worked tirelessly to help provide affordable housing to all those who came to Hope," Marisa added. "May she rest in peace and may her journey be one without obstacles."

Hope Executive Assistant Camille Parker holds similar fond memories. "I remember last New Year's Day I got a call from Iris wishing me a great year," shared Camille. "I was really touched by her thoughtfulness. She made me feel welcomed at Hope Community."

A funeral service was held for Iris Marines on January 13th at the Ortiz Funeral Home in the Lower East Side. Executive Director Robin LeBaron was joined at the memorial by a number of other Hope Community staff and board members.

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neighborhoods over the past five years. Buyers purchase large portfolios of rent-stabilized properties for high prices with a mix of conventional financing and equity raised on Wall Street. The equity investors are typically promised very large returns on investment.

The problem with these deals – and the reason that they have become known as “predatory” is that the owners are able to promise large returns only through the use of very questionable assumptions. The most serious problem is that the new owners promise to raise income – by displacing low-income tenants and raising rents. But they also make a number of other dubious promises – to cut expenses to unreasonably low levels, for example.

At least two major East Harlem landowners meet the definition of a predatory equity investor. The best known of these is Dawnay Day, a British investment firm that owns properties worth \$10 billion in the U.K., Germany, Russia, India, Australia, and other countries. In March 2007 Dawnay Day purchased 47 buildings with 1,137 units from landlord Steven Kessner, who had previously made the Village Voice's 2006 list of 10 worst landlords due to his record of displacing low-income tenants.

The other locally active major predatory equity investor is Pinnacle, which owns the Manhattan Apartment Portfolio, a group of 36 buildings with 1,083 units predominantly located in East Harlem. Pinnacle owns hundreds of buildings throughout northern Manhattan and the Bronx, and has been the target of extensive tenant organizing initiatives and very critical media coverage due to its failure to maintain its buildings properly and its aggressive efforts to displace low-income residents.

A third investor, Tahl-Propp, the recent buyer of the UPACA buildings on Lexington Avenue, appears to be acting very much like a predatory equity investor, although the owners insist that their underwriting is sound.



UPACA VII tenant leader Alvin Johnson at press conference to protest HPD's proposed \$1 sale of a corner lot to a predatory investment firm

Over the long run, there are two possible scenarios for the properties owned by Dawnay Day, Pinnacle, Tahl-Propp and other similar investors. Both are extremely bad for East Harlem.

The first is that the new owners succeed in raising rents and meeting their financial targets. This will result in the displacement of thousands of long-term East Harlem residents.

But the more likely outcome, especially given the current economic conditions, is that these buildings run deficits and the owners find themselves unable to make debt payments. Foreclosures and the uncertainties associated with bank ownership are a real possibility. In these situations, it is likely that the owners will cut back substantially on necessary maintenance and repairs, compromising tenants' quality of life, and even basic health and safety.

Manhattan predatory equity investors are already showing signs of serious strain. The buyers of the Stuyvesant Town, the biggest “predatory equity” purchase, have not come close to realizing their financial goals. The owners of Riverton have indicated that they will soon run out of money, and it remains unclear whether

Dawnay Day will try to sell its portfolio. What can be done about this increasingly serious problem? At this point, it is important to monitor what is occurring and ensure that the cutbacks that jeopardize tenants' health and safety do not occur – even if this means financial restructuring or even title transfer of the buildings from investment firms such as Dawnay Day to local nonprofit housing agencies such as Hope Community.

Tenants in one of the Tahl-Propp properties at UPACA VII have already come together under the leadership of Alvin Johnson. As members of the broader group, Harlem Tenants Against Tahl-Propp, UPACA VII residents have joined with other community leaders and affordable housing groups to increase public awareness.

While affordable housing advocates continue working at different levels to protect the affordability and physical integrity of East Harlem's most threatened properties, support from the entire community is vital if these efforts are to succeed.

For more details on the subject visit ANHD's “Resources and Research” section online at www.anhd.org.

Challenging Predatory Equity ... From the Ground Up

A Report by Hope's Community Organizer Brodie Enoch

Over the past year, we've witnessed the fall of quite a number of major lending institutions and have heard all about those home foreclosures. As media reports continue, so do the terms "predatory equity" and "predatory lending."

Aside from the basic understanding that private homeowners are being forced to default on their mortgages because of inflated interest rates set by those very failing banks, many of us still don't fully understand how "predatory equity" or "predatory lending" affects the life of an average East Harlem resident.

Like most of my friends, I rent an apartment and I already owe too much money to qualify for any more credit. So, how can the issue of predatory equity" or "predatory lending" affect someone like me?

The reality is that there are thousands of rental buildings in Upper Manhattan owned by private investors whose sole purpose is to convert the monthly fees for every unit in each apartment building from affordable to unregulated market rates once the monthly rents go beyond the \$2,000 threshold set by the New York State Rent Guidelines Board.

Unlike most private homeowners, investors who have knowingly purchased rental properties at inflated rates generally take on a more predatory approach that goes beyond simply meeting the mortgage and ensures a "healthy return" on their investment.

Unfortunately, in East Harlem this usually means that landlords will opt-out of Mitchell-Lama and Section 8 rent federal and state subsidy programs so that tenants will eventually be forced to pay market-rate rents. More immediate and severe tactics run the gamut from illegal evictions to tenant harassment and intimidation to denial of basic services



East Harlem resident protests HPD's proposed \$1 sale of a corner lot to Tahl-Propp investment firm

(heat and hot water) to outright building neglect and "abandonment."

As a community organizer at Hope Community, I meet regularly with tenant associations and housing organizations that are working collectively to curb such predatory investor activity. One of the groups we've partnered with is Harlem Tenants against Tahl-Propp (H.T.A.T.P.), an alliance of tenants such as UPACA Tenant Association President Alvin Johnson.

"As services started to dwindle and conditions in some buildings grew worse we knew that we had to work together,"



Brodie Enoch speaking at a January 15th Town Hall Meeting for Housing Justice

Johnson explains. "One of our main goals is to stop predatory conversions."

What began as a two or three tenant associations collaboration has since spread to include 36 or more of the 50+ buildings in the Tahl-Propp East and Central Harlem portfolio. H.T.A.T.P. is now one of the leading community-based groups fighting against predatory landlords in Upper Manhattan.

If there is any bright side to the predatory equity scandal, it would be that tenant groups such as H.T.A.T.P. have started collaborating with larger housing advocacy organizations such as Picture the Homeless and Community Voices Heard. These groups address the broader issue of permanent affordable housing as a human right through their involvement in the El Barrio/East Harlem Anti-displacement Task Force. I encourage you to attend their monthly meetings and get involved.

For more information, call Brodie Enoch at (212) 860-8821, Ext. 143.

LOOK WHAT'S COMING TO THE EAST HARLEM GATEWAY!

Over the next few months, you can expect to see:



- **New High-End Litter Baskets**
- **New Bulbs in Tree Pits & Planters**
- **Pruning for Gateway Street Trees**
 - **New Bike Racks**
 - **New Tree Pit Guards**
- **Tree Care Workshops for Adults and Children**
- **Storefront Renovations & Other Improvements**



For more information about the NY Main Street Program, or to participate in a Tree Care Workshop, contact Julie or Nellie at Hope Community, 174 East 104th Street, NY, NY 10029 (212) 860-8821.