

NY REAL ESTATE RESIDENTIAL | July 3, 2010

Luna Park Reaches for Stars With New Funding Plan

By JOSH BARBANEL



Luna Park Board Vice President Anna Treybich wants the MTA to help block out subway noise at the co-op.

Luna Park, a large co-op in Coney Island in need of urgent building repairs, had been threatening to drop out of a state housing program for middle-income residents and to convert to market-rate apartments.

Instead, the board of Luna Park, a development with 1,576 units in five megalithic towers, closed on a \$47 million bank loan on Monday.

It was the last piece of an aid package that also includes commitments for \$21 million in government grants and loans for the complex that will eventually be forgiven.

As part of the funding package—worked out after months of negotiations involving city, state and federal officials—Luna Park agreed to remain in the state's Mitchell-Lama program for at least another 20 years, with incentives to remain an additional 10 years.

The \$21 million in public grants and loans is one of the largest direct subsidies to be provided to a Mitchell-Lama project, city officials said.

But it was never really clear that Luna Park was in a position to withdraw from the program. Although the co-op's board prepared a plan for withdrawal, a lawyer familiar with the complex said that Luna Park faced legal roadblocks that could have prevented the change until at least 2017.

About a decade ago, engineers discovered that the facades of the buildings, built in the early 1960s, were failing. Since then, the complex—which is home to 5,000 people, mostly immigrants from Russia—have been struggling to find a way to fund repairs.

The funding package will be used to strip off all the bricks from the buildings and replace them.



Sketches of new brick facades.

New windows and roofs will also be installed. The co-op board said that because of the large grants, the repair work won't require any increase in co-op charges.

"They used their moxie, their chutzpa, their belief in the American way," said **Adam Leitman Bailey**, the Luna Park board's attorney, "as well as political skills honed back in Russia."

The unusual funding deal shows both the importance the Bloomberg administration has placed on preserving affordable housing, and how effective a concerted

lobbying effort by a large swarm of constituents can sometimes be.

Eric Bederman, a spokesman for the city's Department of Housing Preservation and Development, said that deal was a good one for the city, which has been working to maintain and expand the supply of housing for people on limited incomes. He said that 30% of the families at Luna Park had very low incomes of less than \$23,000 for a family of four.

While Luna Park struggled to develop a plan to fix the problem, alarms were being sounded across the city over the efforts of other Mitchell-Lama developments to leave the program to take advantage of then-rising property values.

City officials say that so far New York has lost 18,000 affordable apartments in 60 Mitchell-Lama developments, and they were working to stem further losses.

A few years ago, the private owners of Brooklyn's Starrett City, the largest federally subsidized development in the country, tried to sell it for \$1.3 billion, a move that was eventually blocked by federal housing officials.

Instead city, state and federal officials developed a plan to keep Starrett City in the middle-income housing programs. The government provided a \$513 million refinancing, which allowed Starrett City's owners to take \$200 million in profit out of the project.

At Luna Park, board members and their lawyers began having weekly meetings with elected officials and discussed their plans to withdraw from the Mitchell-Lama program.

Eventually, the elected officials began searching for funding sources to help.

The city agreed to convert a debt of about \$5 million into a forgivable loan, and provided \$9 million in direct aid, including \$1 million provided through the intervention of the local City Council member, Domenic M. Recchia Jr.

State Sen. Diane J. Savino agreed to find state funds for \$1 million. U.S. Rep. Jerrold Nadler found federal funds to provide \$2 million, and Brooklyn Borough President Marty Markowitz provided \$2 million in city funding commitments. The total in direct aid: \$21 million.

In the meantime, Luna Park is still seeking additional help from elected officials, and even from the Metropolitan Transportation Authority.

Anna Treybich, vice president of the co-op, said the board was seeking \$1 million through a local assemblyman for a new security system. In addition the board has filed a complaint about subway-car noise from elevated tracks renovated two years ago that curve around Luna Park.

"We want them to pay for double-paned windows," she said.

Charles Seaton, a spokesman for the transit authority, noted, however, that the subways had been there since 1918, long before Luna Park.