

# **What Do Default, Foreclosure and Other News Reports Really Mean for Stuy Town-Peter Cooper Tenants?**

## **Frequently Asked Questions February 2010**

*We have received a number of questions from tenants about the legal status of Peter Cooper Village and Stuyvesant Town. We have created this Frequently Asked Questions document to help address them.*

### **Who is the owner of Stuyvesant Town and Peter Cooper Village today?**

Tishman Speyer and its partners. As you recall, there was significant news a couple of weeks ago about Tishman Speyer “walking away from the property.” However, they have not yet transferred the deed to any other party. Tishman Speyer also continues to serve as the manager of the property today.

### **What is the meaning of the news that there was a foreclosure proceeding commenced?**

For tenants, this will have little immediate impact. On February 16, CWCcapital commenced a foreclosure proceeding in Manhattan federal court. Press reports indicate that this proceeding will not be contested by Tishman Speyer, and will result in the transfer of the deed to CWCcapital. A stable, orderly transfer of title is a good thing for tenants, and we are hopeful that this process will be conducted in a smooth and professional manner. The actual foreclosure is expected to take at least two months, and, if successful, will culminate in an affiliate of CWCcapital becoming the owner of the property. That affiliate would then be able to sell the property. As explained below, the Tenants Association expects to participate in this process.

### **Can you explain the structure of this transaction in a way that I can understand?**

If you're confused, it is no surprise. This is one of the most complicated real estate deals in history. The deal was financed with approximately \$1 billion in equity (Tishman Speyer, Black Rock and others). That equity is the “owner” and represents the party that takes the most risk – and is the first to lose out if the property loses money.

Tishman Speyer and BlackRock also borrowed a total of \$4.4 billion to finance their \$5.4 billion purchase. That includes a \$3 billion first mortgage (which includes participation from Fannie Mae and Freddie Mac, two government-sponsored companies) and \$1.4 billion in “mezzanine loans”. On January 8, Tishman Speyer missed a payment to its lenders, creating a “default.”

Generally, a “first mortgage” is the least risky investment to a lender, because it is secured by the property and is the first to get paid if a deal goes sour. The “mezzanine” lenders get paid only after the first mortgage and other property-level debts (e.g. the costs of operating the property) are satisfied. The mezzanine lenders and the first mortgage holders have varying rights set forth in the agreements between them. If the less than \$2 billion current estimate of the property's value contained in recent press reports is accurate, the first mortgage lenders

would be underwater and the investments in the property of everyone below the first mortgage would be worthless.

### **Who is CWCapital?**

CWCapital was appointed as the “special servicer” to represent the interest of all of the first mortgage lenders, including Fannie Mae and Freddie Mac, which were bailed out by taxpayers during the financial crisis and are now effectively owned by the federal government. A “special servicer” gets appointed to service the first mortgage loan if the loan is at risk of an imminent default or is already in default.

### **Has the TA had any contact with CWCapital?**

Yes. At the request of the Tenants Association, our Council Member, Dan Garodnick, met with CWCapital to communicate our priorities. These include protecting the long-term affordability and stability of this community, maximizing choices for tenants, ensuring adequate maintenance and preserving the historic configuration of the property.

### **Will the tenants be proposing their own restructuring plan?**

Yes. The TA has recently retained the New York law firm of Paul, Weiss, Rifkind, Wharton and Garrison LLP in order to advise us, including in connection with proposing our own restructuring plan. The TA will work to try to ensure that tenants will secure additional protections in this process, that we have the maximum number of choices -- which could include buying our own apartments -- that maintenance is secure, and that nobody interferes with the configuration of this community for development purposes.

To help formulate the tenants’ proposal, the TA is distributing a survey seeking your input regarding the community’s future, including whether you would want to buy your apartment. Please fill it out and return it to us promptly.

### **Who will be the next manager of the property?**

Rose Associates, the former manager, has been hired by CWCapital as a “transition consultant” to work with Tishman Speyer as the owner hands over the day-to-day operations of the complex. Rose Associates has agreed to a consultation process with tenants about the status of maintenance today, and where there is room for improvement. We expect the formal transition to a new manager to take place in the next few months. While Rose Associates is serving for now as CWCapital’s “transition consultant,” it is also possible that they may become the next manager.

### **Will there be any time that there is no manager of the property?**

No. Tishman Speyer has pledged to stay on until the next management team is selected. CWCapital’s hiring of Rose Associates as “transition consultant” is helpful in this regard and is

consistent with CWCapital's obligation to the first mortgage lenders to ensure that the property is managed properly – which includes having a well-qualified manager at all times.

### **Why are Fannie Mae and Freddie Mac important here?**

Fannie and Freddie are government-owned companies charged with promoting affordable homeownership. As it turns out, they are reported to have provided approximately \$2.1 billion in first mortgage financing in this transaction and the first mortgage loan is still “in the money.” We and our elected representatives have let it be known that we expect Fannie and Freddie to support a tenant restructuring plan.

### **What is the involvement of Mayor Bloomberg in this?**

Mayor Bloomberg's Housing, Preservation and Development Commissioner, Rafael Cestero, said the following on January 8: "Since the 1940s Stuyvesant Town and Peter Cooper Village have served the housing needs of the hardworking middle-class families of New York, and it is our overriding concern that they remain a key component of the city's affordable housing stock for generations to come." Mayor Bloomberg, however, has not said where he stands on the issue. It is important that we continue to push him to stand with the tenants of ST/PCV. Recently, volunteers slid a set of four postcards — including one to Mayor Bloomberg — under your doors. If you haven't already signed and mailed them, please do so now. Or send your own card urging him to speak up for ST/PCV affordability to: Mayor Michael Bloomberg, City Hall, New York, NY 10007.

### **What is happening with the *Roberts v. Tishman Speyer* case?**

As you know, as part of an agreement between the tenants' lawyers and representatives for the owner, rents were temporarily adjusted for formerly market-rate tenants starting on January 1. That was a temporary agreement which was extended in early February until the end of June 2010. Under the temporary agreement, the 4,400 affected tenants will also continue to be afforded certain rights as if they were covered by the Rent Stabilization Law, including renewal and succession rights.

The attorneys involved in that case anticipate that over the next few months, the rents for the approximately 4,400 affected apartments will be calculated based on the Rent Stabilization Law by an independent consultant, who has been selected but not yet formally retained.

### **What can I do?**

We believe that the future of this community will be determined by a well-organized and unified tenant body. We need to communicate information quickly to tenants, and need considerable volunteer help to do that. If you are willing to volunteer as a Building Leader or Floor Volunteer, please let us know by phoning our Volunteer Line:

1 (917) 388-9558 or electronically through our website at: <http://www.stpcvta.org/kb/contact>. Choose Category: *Organization and Volunteering*, from the drop down list.

Finally, in an effort to demonstrate to would-be future owners the unity of our community, we are asking every apartment to make a contribution – however small – to the Tenants Association between now and April 30th. Your contribution will serve two needs: it will demonstrate your support for an affordable, tenant-led Stuyvesant Town and Peter Cooper and will help us defray some of the expenses that lie ahead. You can also demonstrate support by paying your annual dues - \$35 per apartment. Please—right now—make out a check to: ST/PCV-TA. Mail it, with your name, full address, email and phone to P.O. Box 1202, New York, NY 10009-1202. Or pay online at our website: <http://www.stpcvta.org/donate>.