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Starrett City's Tenants Fear That Another Buyer Will Appear

By [CHARLES V. BAGLI](#)

The tenants at Starrett City, the sprawling middle-income housing development wedged between Canarsie and East New York in [Brooklyn](#), say they know one thing for certain: their fate and that of the 33-year-old complex are still up in the air.

On Monday, federal housing authorities dealt what appeared to be a mortal blow to plans by a real estate investor, David Bistricher, to buy the 46 buildings, with 5,881 apartments, at Starrett City for \$1.3 billion, formally rejecting his plan for a second time.

But many tenants and politicians said that decision was only a temporary reprieve. The longtime owner of the complex, a group led by Disque D. Deane, has made clear its desire to sell, or to pull out of the state's Mitchell-Lama program, which subsidizes middle-class housing, as a prelude to creating a more upscale project.

Indeed, some of the same investment firms and developers that have gobbled up everything from real estate trophies in Manhattan to brick tenements in the Bronx are still circling Starrett City.

"I think we should acknowledge that a sale is inevitable," Marie Purnell, president of the Starrett Tenants Association, said at a Congressional hearing at the complex yesterday. "However, retention of all subsidy programs should be a priority."

For more than seven months, the 14,000 tenants at Starrett City have been racked by rumors and fears that a potential new owner would raise the rents, oust residents and cut services at the 140-acre complex, which is an economically and racially mixed community.

The battle against the sale quickly became a cause célèbre among politicians of all stripes, who were well aware of the growing public dismay over a real estate boom pushing housing prices beyond the pocketbooks of many New Yorkers.

In a statement submitted at the hearing yesterday, Mr. Deane said that his group had invested \$33 million in the 1970s and created a highly rated complex. It was now time, he said, for his 250 investors to profit from their investment.

A spokesman for Mr. Deane, Martin J. McLaughlin, declined to comment further.

Deborah Van Amerongen, the state housing commissioner, who opposed the deal with Mr. Bistricher, said she recently contacted Mr. Deane's group, suggesting a meeting with federal, state and city officials before making any decision on the future. She said she thought there were a variety of ways to ensure that Starrett City remains affordable for teachers, firefighters, retirees and other middle-income residents.

One possible option under discussion would allow the Deane group to get a larger mortgage and take out some cash, while staying within the affordable-housing programs. Mr. Deane, or another owner, would also have the option of building additional housing and stores on the property.

Starrett City, with its manicured lawns and towers with balconies, was designed in the 1970s as a subsidized middle class co-op, not a rental building. But it initially had difficulty attracting residents. Over time, the complex acquired an array of rent subsidies for poor and moderate-income tenants.

Mr. Deane and his group, Starrett City Associates, provided the financial backing for the project. In return for a series of tax breaks, the owners agreed to maintain affordable rents and limit their profit to 6 percent.

"They did better than any other tax shelter in the history of America," said Robert C. Rosenberg, who oversaw construction and management of Starrett City for years.

With rapidly escalating real estate prices, Mr. Deane's group decided to sell the complex last year to benefit his aging investors. Mr. Bistricher, from Brooklyn, won the auction with a \$1.3 billion offer. But state and federal officials, who must approve a sale, said the price was too high because it would require a substantial rent hike or cuts in services. Starrett City already gets roughly \$75 million a year in rent subsidies and tax breaks; Mr. Bistricher's proposal would have required another \$10 million annually.

Mr. Bistricher's contract to buy Starrett City expires next month and no one expects him to try again.

Yesterday, Senator [Charles E. Schumer](#) sent a letter to Mr. Deane asking him to lower his sights from \$1.3 billion. He said he did not object to the owners making a profit. But,

Mr. Schumer wrote, “it cannot be done at the expense of middle class New Yorkers,” nor should the seller’s profit from the sale be reaped from a new infusion of government money.”

In his comments yesterday, Mr. Deane said: “The receipt of those subsidies by the tenants or the project did not transform Starrett City from a privately owned asset to a public work.”

After more than three decades, Mr. Deane’s group now has the right to buy its way out of the Mitchell-Lama program. He could file a notice of his intention to repay his \$234.4 million, no-interest mortgage and begin the yearlong process of leaving the program. Government officials could impose a number of conditions, but many housing experts say that it would be hard to block Mr. Deane.

Since 1990, the owners of more than a quarter of the 119,785 subsidized apartments in New York City have left the programs and another 18 percent may soon follow, according to a report by the Community Service Society, an advocacy group for low-income New Yorkers.

Property taxes at Starrett City would jump from about \$3.7 million a year to at least \$16 million if the Deane group left the program, according to city officials. But the group would then have the freedom to raise rents as high as the market would bear, or to sell to someone else, who would then not have to run the gantlet of government agencies. There are also a number of real estate groups interested in buying the complex, real estate executives said, including the Related Companies and Apollo Real Estate Advisors.