



Homes and Community Renewal

ANDREW M. CUOMO
Governor

RUTHANNE VISNAUSKAS
Commissioner/CEO

February 13, 2020

FROM: Madeline Fletcher
Director, Distressed Asset Preservation

TO: HFA Members

SUBJECT: Resolutions, Authorizing the Financing for 387 -389 Main Street,
Poughkeepsie, Dutchess County

Project Summary

387 -389 Main Street (the “Project”) will use the Agency’s investment to fund the adaptation of an office building and warehouse space into a mixed-use building with nine (9) studios, ten (10) one-bedroom, and three (3) two-bedroom apartments and 3,800 square feet of ground floor commercial/retail space in the City of Poughkeepsie, Dutchess County. All twenty-two units are expected to be reserved for households earning less than 80% of the Area Median Income (“AMI”) adjusted for family size for the Poughkeepsie-Newburgh-Middletown NY Metropolitan Statistical Area.

The Project is proposed to be funded under the Small Building Participation Loan Program (“Small Building Program”), which assists in financing the rehabilitation of buildings of 5 to 40 units outside of New York City. This investment will be combined with a conventional construction and permanent loan from Community Preservation Corporation (“CPC”) and an equity contribution from the developer/owner.

Project Location: 387 -389 Main Street, Poughkeepsie, NY 12601

Unit Distribution:	<u>Size</u>	<u># of Units</u>	<u>Income</u>
	Studio	9	<80% AMI
	1 Bedroom	10	
	2 Bedroom	2	

Funding Recommendation

- \$1,100,000 estimated Small Building Program subsidy loan (\$50,000 per unit)

387 -389 Main Street

Agency Priorities

- ✓ Address Specific Local Housing Needs
- Prevent and End Homelessness & Support Vulnerable Populations
- ✓ Preserve Housing and Promote Community Revitalization
- Promote Racial and Economic Integration

Projected Job Creation: 35 Construction

HFA Type: All Affordable Mixed Income 80/20

Construction Type: New Construction Adaptive Reuse Preservation

Energy Efficiency Standard & Features:

- New York State Energy Research & Development Authority (NYSERDA) Incentive Programs
- U.S. Environmental Protection Agency (EPA) ENERGY STAR Programs
- Enterprise Green Communities Criteria
- Passive House Institute US (PHIUS) or Passive House Institute (PHI)
- National Green Building Standard
- Leadership in Energy and Environmental Design (LEED)
- Moderate Rehabilitation
- HFA Green & Energy Conservation Features

Key features:

- All replacement windows to be new, double-glazed, industry standard
- Energy star labeled appliances
- LED interior and exterior lighting
- WaterSense certified low flow toilets with 1.28 gallons per flush
- WaterSense certified low flow kitchen faucets
- WaterSense certified low flow lavatory faucets
- WaterSense certified low flow showerheads
- Low-VOC paints, adhesives, and sealants
- No products with added urea-formaldehyde are specified

387 -389 Main Street

Total Development Cost (“TDC”): \$4,442,960 (\$200,952 per unit)

HCR Subsidy Program (amount approximate)

- Small Building Program: \$1,100,000 (\$50,000 per unit)

Other Sources and Subsidies (amounts approximate)

- The construction loan will be provided by CPC of an approximate amount of \$2,150,000, which will convert to a SONYMA-insured permanent loan held by New York State Common Retirement Fund, in the approximate amount of \$2,150,000.
- The project has been approved for an IDA Tax PILOT that exempts the property from any increase in taxes years 1 & 2 with incremental increases in year 3, year 4, etc. until 100% full taxes in year 11.
- Owner equity of an approximate amount of \$1,192,960 at the permanent conversion. Owner equity represents 26% of the TDC.

Project Team

Borrower and Developer: 387-397 Main Mall Partners LLC; RL Baxter Building Corporation
General Contractor: RL Baxter Building Corporation
Management Company: Amaric, Inc.
Architect: M. Gillespie & Associates Consulting Engineering PLLC

Project Description

The Agency’s investment will help finance the creation of twenty-two affordable housing units. All the units (9 studios, 10 one-bedrooms, and 3 two-bedrooms) will be set aside for households earning no more than 80% AMI, adjusted for family size, for the Poughkeepsie-Newburgh-Middletown, NY Metropolitan Statistical Area.

The project contemplates a gut renovation of a mix-use building into apartments and ground floor retail. Construction is expected to take 12-18 months with a loan term of 24 months that will enable an additional six months for lease up and stabilization before conversion takes place. The ground floor is 3,000 sq. ft and will be leased to one or two tenants, not yet determined. Retail is underwritten at \$12 per square foot, which is below the current market rental rate. There will be a total of 9 studio, 10 one-bedroom and 3 two-bedroom apartments for a total of 22 residential units on the upper floors.

Location: The proposed project is located on Main Street in downtown Poughkeepsie, Dutchess County. The project is surrounded by a mix of uses such as; commercial, cultural, residential, and governmental properties adjacent to the project. Additionally, there are several recent redevelopment

projects located near this property and mirrors larger redevelopment efforts throughout the City working to support the improving market.

Located on a main thoroughfare, the property is a little less than one mile southeast of the Poughkeepsie Metro-North Train Station, and is close to community services and amenities, such as Social Security, Department of Motor Vehicles, City Hall, Vassar Brothers Hospital, a regional theater and concert venue, restaurants, banks and other facilities. The hospital is constructing a medical school scheduled to admit students in 2021, and the City of Poughkeepsie and Dutchess County are working to attract investment to the downtown area. The Hudson River and Walkway Over the Hudson, a regional attraction, are approximately one mile away. Several colleges and universities are also near the Project including Vassar College, Marist College, Dutchess County Community College (SUNY), and the Culinary Institute of America.

Buildings: 387-389 Main Street is a 35,000 square foot four story office building and warehouse space located in downtown Poughkeepsie on a .18-acre site. The previous uses include; a medical office/clinic with patient exam rooms and waiting rooms, a laboratory, and administrative offices on the upper floors and a record filming rooms on the lower levels. The building features five off-street parking spots.

Acquisition: The acquisition cost for the Project was \$1,000,000, which is supported by the bank commissioned appraisal. The developer owner has taken title.

Development Team Capacity

Developer: The Borrower and Developer is 387-397 Main Mall Partners LLC; AE Baxter Holdings LLC a 20% Managing Member (Amanda Baxter 50% Eric Baxter 50%); Michael Cimerring 7.5%, Michael Greenburg 7.5% and the remaining 65% will be a private investor.

General Contractor: The General Contractor for this project will be RL Baxter Building Corp, owned by principals Amanda Baxter, President (60%), Eric Baxter, Vice President (40%) and their father, founder Bob Baxter. The company has operated in the Hudson Valley for over 30 years and has worked on notable commercial and residential projects. RL Baxter is one of the premier real estate development and construction management firms in the Hudson Valley. They specialize in construction management, general contracting, pre-construction services, interior design, and estimating.

Management Company: Amaric, Inc. will be the managing agent for the Project. Amaric, Inc. is also affiliated with the Baxter family. Their growing portfolio includes 70 residential units along with approximately 25,000 square feet of commercial space in the Hudson Valley. They will work with Berkshire Hathaway to provide broker services.

Financing

The requested financing is a subsidy loan of \$1,100,000 through the NYS HFA Small Building Loan Program, at .5% interest only for 30 years. The NYS HFA contribution represents which is 24.76%

of the total development cost (“TDC”). Additionally, the project will receive a construction loan provided by the Community Preservation Corporation (“CPC) in an amount of approximately \$2,150,000, where CPC’s contribution represents 48.39% of the TDC. Owner equity will total \$1,192,960 and represents 26.85% of the TDC. Owner equity will go towards acquisition and soft costs, with primarily all funds will be expensed prior to construction loan closing except for carrying costs and soft costs associated with the permanent loan closing.

As mentioned, the project is approved for an IDA Tax PILOT which will start at \$40,792 in year 1. This IDA Tax Pilot exempts the property from any increase in taxes in years 1 & 2 then incremental increases to 15% exemption in year 3, then a 25% exemption in year 4.

The Agency performed a due diligence investigation of all the relevant parties and entities related to the financing and no issues of potential concern were identified by the Agency.

Environmental Review

- HFA has determined that the proposed action is a Type II SEQRA action. Type II Determinations are issued for projects determined not to have a significant effect on the environment or otherwise precluded from environmental review pursuant to Part 617 of the SEQRA Regulations. No further action is required to comply with SEQRA.
- The proposed action has been reviewed by the New York State Office of Parks, Recreation and Historic Preservation (“OPRHP”) in accordance with Section 106 of the National Historic Preservation Act of 1966 and has determined that no historic properties will be affected by this undertaking.
- The Agency requires a Phase I Environmental Site Assessment (“ESA”) Report. A Phase I ESA was prepared on October 24, 2019 and a Phase II ESA was conducted in January 2020. Any elevated contamination will be remediated pursuant to a January 2020 Soil Vapor Intrusion Work Plan reviewed and accepted by Staff.
- The Project has been reviewed by the Agency's Smart Growth Advisory Committee, and the Committee has determined that the proposed Agency financing of the Project complies with the State Smart Growth Public Infrastructure Policy Act.

Residential Rents

- Residential rents will average 80% of AMI as required by the Small Building Program. The projected rents are within the range of the current market comps for similar unit types. Current rent assumptions are listed below:
 - Studio: \$1,100
 - 1BR: \$1,225
 - 2BR: \$1,450

Commercial Rents

- Retail rents have been underwritten at \$12 per sq. ft., which is approximately 15% less than the current market average of \$14.25 per sq. ft. Should the retail component of the project become vacant, the property would cash flow at 1:1 DSC.
- Commercial tenants' rents are based on market retail comps. The current retail rents in the City range from \$12 – \$18.86 per sq. ft. with an average of \$14.25 per sq. ft.

Sources and Uses

- Acquisition price of \$1,000,000 (\$45,455 per unit)
- Soft costs: \$504,959 (\$22,953)
- Reserves and Escrows: \$58,996 (\$2,682 per unit)
- Hard costs total \$2,879,005 (\$130,864 per unit)
- Total Development Cost \$4,420,960 (\$200,926 per unit)

387 -389 Main Street

Economic Opportunity & Partnership Development

The Project is anticipated to meet the Agency’s Minority and Women-owned Business Enterprise (“MWBE”) and Service-Disabled Veteran-Owned Business (“DSVOB”) participation goals. A cost analysis has been submitted to the Office of Economic Opportunity and Partnership Development. Prior to closing, an approved cost analysis will set the final levels of participation.

RECOMMENDATION AND REQUEST FOR AUTHORIZATION

Staff has reviewed the preliminary underwriting data supplied by the Borrower and determined that the Project meets the stated mission of the Agency and (i) the projected revenue and expenses are reasonable, and (ii) given these projections, the Project satisfies the underwriting criteria of the Agency.

Therefore, Staff recommends that the Members adopt the resolution transmitted herewith authorizing:

- (i) the making of a Small Building Program subsidy loan in the estimated amount of \$1,100,000 for this redevelopment project.

Attachment A: Schedule of unit types, rents and affordability

Attachment B: Map indicating the location of the Project site, photos, and rendering of the Project.

Attachment C: Schedule of Sources and Uses of Funds.

Attachment D: 15-year Cash Flow Pro Forma

ATTACHMENT A

**387 Main St.
Dutchess County**

Unit Types, Rents and Affordability Structure

Residential Units

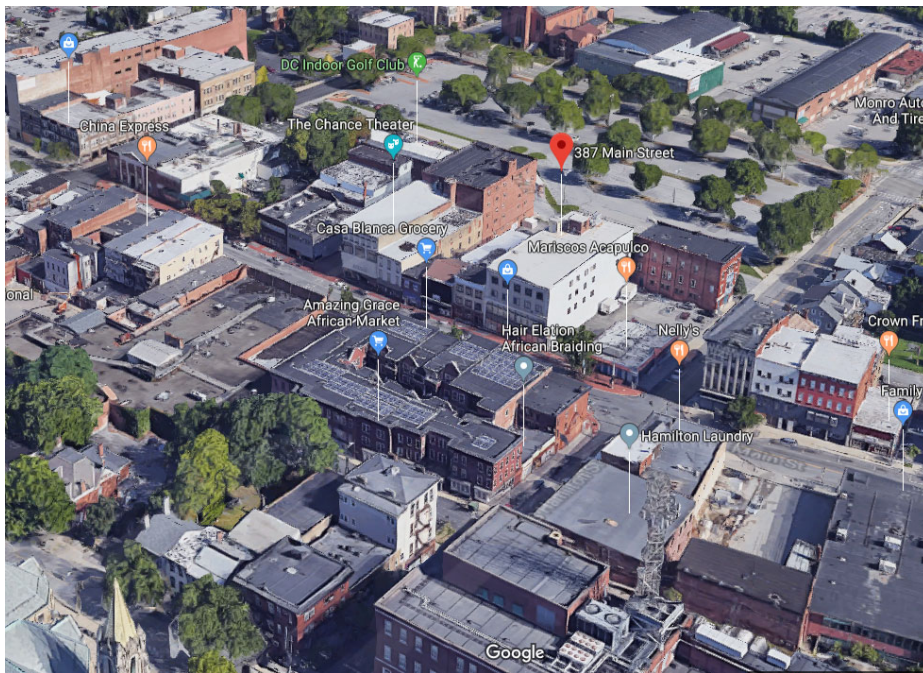
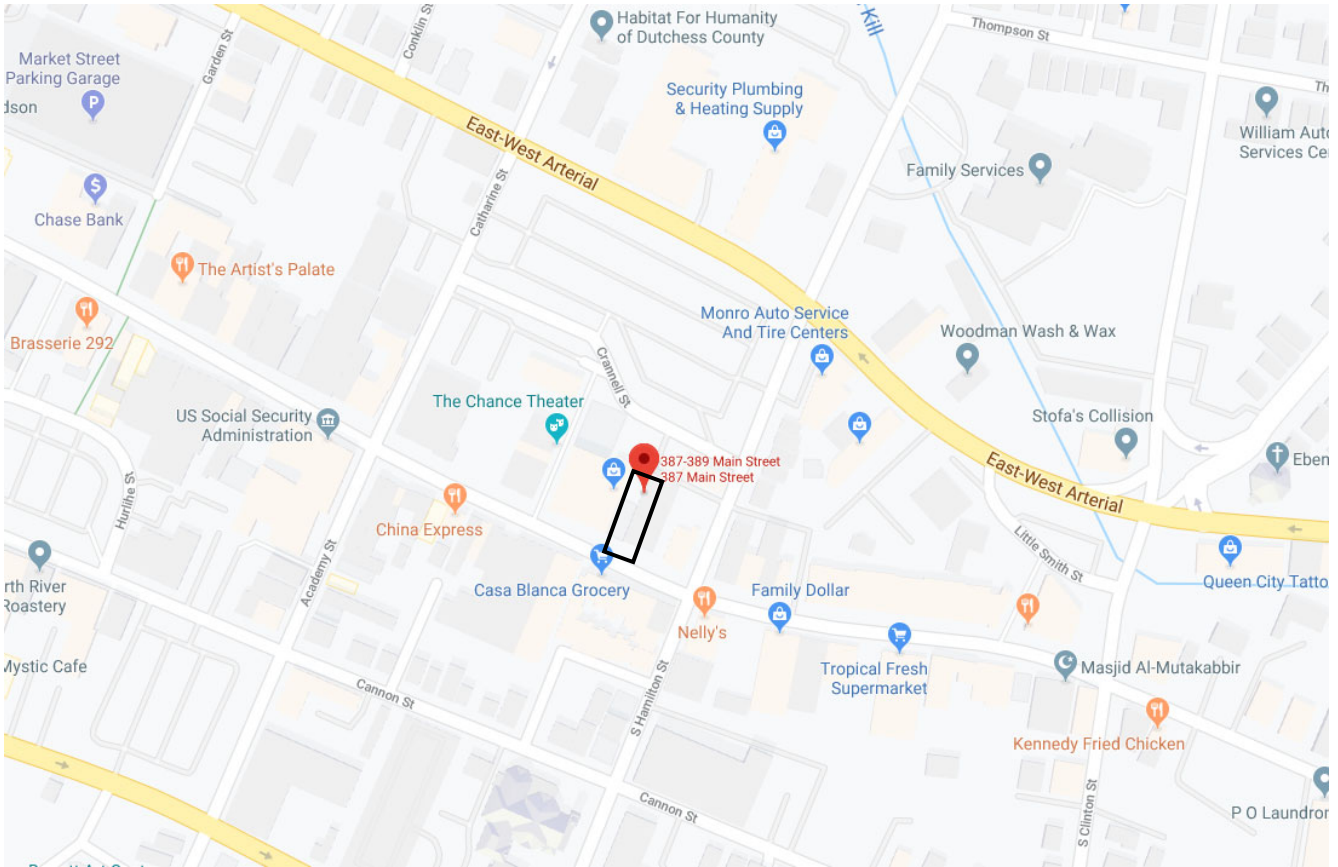
Apartment Type	Income Level	Number of Units	Sq. Ft. per Unit	Rent per Month	Rent per Year
Studio	< 80% AMI	9	500	\$ 1,100	\$ 118,800
1BR	< 80% AMI	10	625	\$ 1,225	\$ 147,000
2BR	< 80% AMI	3	800	\$ 1,450	\$ 52,200
Total		22		\$ 3,775	\$ 318,000

Other Tenant & Commercial Income	Income per Year
Commercial	\$ 45,600
Commercial	\$ -
Commercial	\$ -
Laundry	\$ 6,000
Total	\$ 51,600

Parking	0 spaces	\$0
---------	----------	-----

Attachment B – Maps, Photos and Renderings

Maps



Photos



Figure 1: Exterior View (Above)



Figure 2: Building Side View

Attachment C

387 Main St.		Units:	22
Dutchess County			
<u>SOURCES AND USES</u>			
	Amount	Per Unit	% of total
<u>Construction Sources</u>			
CPC First Mortgage	\$ 2,150,000	\$97,727	48.39%
Borrower Equity	\$ 1,302,960	\$59,225	29.33%
HCR Subsidy: SBPLP	\$ 990,000	\$45,000	22.28%
Total Construction Sources	\$ 4,442,960	\$201,953	100.00%
<i>GAP</i>		<i>\$0</i>	
<u>Permanent Sources</u>			
CPC First Mortgage	\$ 2,150,000	\$97,727	48.39%
HCR Subsidy: SBPLP	\$ 1,100,000	\$50,000	24.76%
Owner Equity	\$ 1,192,960	\$54,225	26.85%
Total Permanent Sources	\$ 4,442,960	\$201,953	100.00%
<i>GAP</i>		<i>\$ -</i>	
<u>Uses</u>			
Acquisition Costs	\$ 1,000,000	\$45,455	22.51%
Hard Construction Costs	\$ 2,879,005	\$130,864	64.80%
Soft Costs	\$ 504,959	\$22,953	11.37%
Reserves and Escrows	\$ 58,996	\$2,682	1.33%
Total Uses	\$ 4,442,960	\$201,953	100.00%

A RESOLUTION OF THE
NEW YORK STATE HOUSING FINANCE AGENCY
AUTHORIZING THE MAKING OF A SUBSIDY LOAN
FOR THE PROJECT KNOWN AS
387-389 MAIN STREET APARTMENTS

WHEREAS, there has been submitted to the New York State Housing Finance Agency (“Agency”) has received an application to finance a portion of the cost of the rehabilitation of a multifamily housing project comprised of eight (8) units in a residential building, located in the City of Yonkers, Westchester County, and known as 78 Morningside Avenue Apartments (the “Project”), which plan includes the making of a subordinate loan (“Subsidy Loan”) by the Agency in an estimated amount of One Million One Hundred Thousand Dollars (\$1,100,000); and

WHEREAS, the Subsidy Loan will be funded from funds made legally available to the Agency; and

WHEREAS, the Agency has determined that it is appropriate and desirable to make a Subsidy Loan to effectuate the rehabilitation of the Project.

NOW THEREFORE, BE IT RESOLVED, by the Members of the Agency as follows:

Section 1. The Agency hereby authorizes the making of a Subsidy Loan from funds made legally available to the Agency in an estimated amount of One Million One Hundred Thousand Dollars (\$1,100,000) to finance the rehabilitation of the Project.

Section 2. The President and Chief Executive Officer or a Senior Officer of the Agency is hereby authorized, subject to the provisions of this resolution, to approve the form and content of any documents and agreements necessary to effectuate this transaction and to execute on behalf of the Agency any and all documents required to effectuate the making of the Subsidy Loan for the Project.

Section 3. The Agency hereby finds a portion of the Project is to be occupied by persons or families of low or moderate income as required by the Act and that the Agency will impose by contract with the Project owner additional requirements, consistent with the economic feasibility of the Project, which maximize the affordability, period of occupancy and number of units for such low and moderate income tenants and accomplish the public purposes of the Act.

Section 4. The obligation of the Agency to make the Subsidy Loan shall be conditioned upon: (a) the Agency's obtaining sufficient funds to make the Subsidy Loan from sources legally available to the Agency; (b) a background check of the owner of the Project which is acceptable to the President and Chief Executive Officer or a Senior Officer of the Agency; and, (c) satisfaction of the terms and conditions of a commitment of the Agency to make the Loan.

Section 5. This resolution shall take effect immediately.