

## F. Nassau County HDFC - Village Lofts Capital (X247)

November 18, 2010

### General Project Plan

**Grantee:** Nassau County Housing Development Fund Corporation  
("Nassau County HDFC" or the "Organization")

**Beneficiary Company:** Village Lofts, LLC

**ESD Investment:** A grant of up to \$1,000,000 to be used for a portion of the construction costs of a moderate-density rental housing project.

**Project Location:** 479 Front Street, Hempstead Village, Nassau County

**Project Completion:** September 2012

**Grantee Contact:** Daniel Martin, President & CEO  
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**Beneficiary Contact:** Daniel Bythewood, Manager  
Village Lofts, LLC  
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**Project Team:**

Project Management	Brendan Healey
Affirmative Action	Denise Ross
Design & Construction	Barbara Helm
Environmental	Soo Kang

### **Project Description:**

#### Background

The NYC Partnership Housing Development Fund Company, Inc., an affiliate of the Housing Partnership Development Corporation (the "NYCP HDFC" or the "HPDC"), is New York City's primary intermediary for the development of affordable workforce homeownership housing. Since 1982, the HPDC and its partners have created more than 28,000 units of affordable housing throughout the New York metropolitan area. The Nassau County Housing Development Fund Corporation, which was newly formed in 2009, is a wholly owned subsidiary of the NYCP HDFC, established for the purpose of facilitating the development of affordable workforce housing in Nassau County. The Nassau County HDFC acts as an intermediary between the public and private sectors to assist in the development of projects with an affordability component.

## **Nassau County HDFC - Village Lofts Capital (X247)**

November 18, 2010

Housing developed by HPDC is assisted by subsidies for affordable housing development, and each year they help to secure approximately \$15 million in New York State subsidies for affordable housing from a variety of state sources. Their goal is to produce at least 1,200 units of affordable housing annually through an assortment of new construction or other housing programs.

The Village Lofts project will be developed by Village Lofts, LLC, a limited liability company, which is based in New York City and was formed for the purpose of developing the project. La Cite Development (“La Cite”), LLC and the Nassau County HDFC are the sole members of the Village Lofts, LLC. La Cite is a New York City-based real estate development firm. The Nassau County HDFC is the owner of the property.

According to the Nassau Urban County Consortium’s Five Year Consolidated Plan & Annual Action Plan for 2005 – 2009, low-income residents falling in the 31-50% area median income (“AMI”) category with a household cost burden in excess of 30% of total income, is assigned a high-priority rating. Households who are of low-income are paying more than they can afford for housing, such as seniors living on fixed incomes, young families starting out with their first homes and families and individuals with marginal employment. Furthermore, moderate-income residents making between 51 – 80% AMI also experience a high-cost burden, spending in excess of 30% of total income on household costs. According to U.S. Census data, 36.6% of the primary market area rental households are categorized as cost burdened. Few new housing projects have been constructed in the market area in the last ten years, and the majority of rental options were built between 1950 and 1970, with only 3.4% built between 1990 and 2000.

As a result of this data, the Nassau County HDFC and Village Lofts, LLC will construct twenty-nine units in Hempstead Village, Nassau County, called the “Village Lofts”, which will provide new housing stock at rental rates affordable to residents making 60% and 90% of the AMI, meeting the demand for new, quality housing stock, and the demand for low and moderately priced housing units.

In September 2010, the ESD Directors approved a \$1,000,000 Economic and Community Development Projects Grant to be used for the acquisition and closing costs of four abandoned and blighted residential structures for the project. The Organization acquired the property in September 2010.

### The Project

The project involves the construction costs for the Village Lofts, a mid-rise residential complex on Front Street in Hempstead Village. The final project will result in the creation of a mid-rise building of approximately 32,263 square feet to consist of twenty-nine rental units including 1- and 2-bedroom layouts, and several duplex units. The majority of units

**Nassau County HDFC - Village Lofts Capital (X247)**

November 18, 2010

will be leased at prices targeting a moderate income level of the housing market, in line with a “workforce housing” target, and will be affordable to residents making less than 90% of AMI. 20% of the units will be marketed at rates affordable to residents making less than 60% of AMI.

During the pre-development stage, La Cite will commission market studies, surveys and environmental studies. The team will select the architects, engineers and project consultants, carry out feasibility studies and financial underwriting, and will oversee the design and planning stages of the project, including submission of all applications for zoning and planning approvals. STUDIOS Architecture (“STUDIOS”), headquartered in San Francisco, California with offices in New York City, was selected as the lead architect for the project. To date, STUDIOS has completed the schematic design of the project, and full architectural designs are expected to be completed in January 2011. Demolition is expected to begin in the winter of 2010. Construction of the Village Lofts is expected to begin immediately thereafter and is expected to be completed in September 2012.

Financing Uses	Amount	Financing Sources	Amount	Percent
Property Acquisition	\$1,020,877	ESD Grant	\$1,000,000	11%
Predevelopment Costs	275,020	ESD Grant (Economic and Community Development Projects; W901; approved September 14, 2010)	1,000,000	11%
Working Capital	970,566	NYS Assembly*	1,000,000	11%
Reserve and Financing Fees (Including Development Fee and Contingency)	1,149,218	Nassau County OHIA Home Grant	800,000	9%
Construction Costs (Including Construction Contingency)	5,479,985	Citi Community Capital Loan**	4,595,666	52%
		Developer Equity	500,000	6%
<b>Total Project Costs</b>	<b>\$8,895,666</b>	<b>Total Project Financing</b>	<b>\$8,895,666</b>	<b>100%</b>

\*Anticipated

\*\* Construction Loan - 30 months term/30-day LIBOR plus a spread of 350 bps. Construction Loan will be converted to a permanent loan following completion of construction and stabilization of the project. The permanent loan rate will be determined at rate lock, but is estimated to be 4.25%. The permanent loan will be amortized based upon a 360 month amortization period with a 60 month term.

**Financial Terms and Conditions:**

1. Upon execution of the grant disbursement agreement, the Grantee shall reimburse ESD for all out-of-pocket expenses incurred in connection with the project.

## **Nassau County HDFC - Village Lofts Capital (X247)**

November 18, 2010

2. The Grantee will be obligated to advise ESD of a material adverse change in its financial condition prior to disbursement.
3. Up to \$1,000,000 will be disbursed to Grantee during the course of the project, no more frequently than quarterly and in proportion to ESD's funding share, in compliance with the Design & Construction Requirements and assuming that all project approvals have been completed and funds are available. Payment will be made upon presentation to ESDC of an invoice and such other documentation as ESDC may reasonably require. Expenses must be incurred on or after April 1, 2010 to be considered eligible project costs.

### **Design and Construction:**

The project includes the creation of the Village Lofts, which will be a mid-rise building on Front Street in Hempstead Village. The building will be approximately 32,263 square feet with twenty-nine rental units including 1 and 2 bedroom layouts, including several duplex units.

The project will be owned by Nassau County HDFC and the development partner is Village Lofts, LLC. STUDIOS Architecture, headquartered in San Francisco, California with offices in New York City was selected as the lead architect. Schematic design of the project is complete and final documents are expected to be completed in January 2011. Demolition is expected to begin in the winter of 2010 and construction to be completed in September 2012.

ESDC will reimburse up to \$ 1,000,000 for construction costs. Payments will be made when Design and Construction requirements have been met.

### **Environmental Review:**

Pursuant to the State Environmental Quality Review Act ("SEQRA"), Article 8 of the Environmental Conservation Law, and its implementing regulations (6 NYCRR Part 617), and in connection with the approval of funding for the proposed project, the Directors made a Determination of No Significant Effect on the Environment at their meeting of September 14, 2010. This determination addressed all aspects of the proposed project. Therefore, no further environmental review is required in connection with this action.

### **Affirmative Action:**

ESD's Non-Discrimination and Affirmative Action policy will apply. The Grantee is encouraged to use its best efforts to achieve a Minority Business Enterprise participation goal of 10% and a Women Business Enterprise participation goal of 5% of the total dollar value of work performed pursuant to contracts or purchase orders entered into in connection with the project, and to include minorities and women in any job opportunities created by the project.

**Nassau County HDFC - Village Lofts Capital (X247)**

November 18, 2010

**Statutory Basis – Section 10 Findings – New York State Economic Development Program:  
Land Use Improvement Project**

1. That the area in which the project is to be located is a substandard or unsanitary area, or is in danger of becoming a substandard or unsanitary area and tends to impair or arrest the sound growth and development of the municipality.  
The project is comprised of four abandoned residential properties which were purchased out of bank default. The four properties had been left vacant and blighted for several years and have become a security concern for the neighborhood. The project will be developed to create a newly constructed mid-rise residential complex, offering much-needed affordable and moderately priced rental housing within Hempstead Village.
2. That the project consists of a plan or undertaking for the clearance, replanning, reconstruction and rehabilitation of such area and for recreational and other facilities incidental or appurtenant thereto.  
The construction of the complex to be installed as a result of the project will be done by private enterprise. The objective of the project is to promote accessibility and interaction with the city's major economic, cultural and evolving residential assets and is intended to enhance the value of the private enterprises, including commercial real estate, that are within the project area.
3. That the plan or undertaking affords maximum opportunity for participation by private enterprise, consistent with the sound needs of the municipality as a whole.  
Work for the design and construction phases of the project will include requests for proposals to local suppliers and contractors. Award for contracts will be consistent with regulations governing municipal bid processes.
4. That the proposed facilities or project is consistent with any existing local or regional comprehensive plan.  
According to the Nassau Urban County Consortium's Five Year Consolidated Plan & Annual Action Plan for 2005-2009, low income residents falling in the 31-50% AMI category with a household cost burden in excess of 30% of total income is assigned a HIGH priority rating. The Nassau County HDFC is in the process of developing a site located on Front Street in Hempstead Village to create a moderate density rental housing complex to target a middle-income or "work force housing" marketing segment.
5. The requirements of Section 10(g) of the Act are satisfied.  
No residential relocation is required because there are no families or individuals residing on the site.

**Nassau County HDFC - Village Lofts Capital (X247)**  
November 18, 2010

**Disclosure and Accountability Certifications:**

The Grantee and Beneficiary Company have provided ESD with the required Disclosure and Accountability Certifications. Grantee's and Beneficiary Company's certifications indicate that Grantee and Beneficiary Company have no conflict of interest or good standing violations and, therefore, staff recommends that the Corporation authorize the grant to the Grantee as described in these materials.