



Real Estate Development

June 4, 2015

Arlo M. Chase

Morris Avenue Project

2264 Morris Avenue, Bronx NY

Morris Avenue: Features of the Deal

- Pipeline initiative subject to HFA Credit Committee, Board approval, NYS Division of Budget/NYC OMB approval
- Joint venture between SUS and Bronx Pro
- Land purchased in November 2014 at 2264 Morris Avenue in the Fordham neighborhood of the Bronx (CB 5)
- 94-unit, 100,000 sq. ft. building over 11 stories with a setback at the 8th floor, outdoor seating, recreation space, below-grade parking, and green design features
- Affordable and supportive housing development:

	Studio	1-BR	2-BR	3-BR	Total
Affordable Units: Low-Income (60% AMI)		19	19	10	48
Affordable Units: Moderate Income (80% AMI)		4	6	4	14
Supportive Housing (OMH)	31				31
Building Superintendent		1			1
					94

Morris Avenue: Building Design



Morris Avenue: Sources and Uses

Construction Sources			per DU	% of total
First Mortgage (Lender: HFA First)	\$ 21,960,000	\$	233,617	49.99%
Second Mortgage (Lender: MRT Capital)	\$ 6,200,000	\$	65,957	14.11%
Third Mortgage (Lender: MRT Interest)	\$ 134,685	\$	1,433	0.31%
Fourth Mortgage (Lender HPD:)	\$ 3,695,309	\$	39,312	8.41%
Fifth Mortgage (Lender: OMH Capital)	\$ 4,650,000	\$	49,468	10.59%
HFA - Middle Income	\$ 1,240,000	\$	13,191	2.82%
Developer Equity	\$ -	\$	-	0.00%
Tax Credit Equity	\$ 1,519,993	\$	16,170	3.46%
Developer Fee Reserve Note	\$ -	\$	-	0.00%
Deferred Developer's Fee	\$ 4,525,967	\$	48,149	10.30%
GAP/ (SURPLUS)	\$ 0	\$	0	0.00%
TOTAL SOURCES	\$ 43,925,954	\$	467,297	100.00%
Permanent Sources				
First Mortgage (Lender: HFA First)	\$ 3,810,000	\$	40,532	8.67%
Second Mortgage (Lender: MRT Capital)	\$ 6,200,000	\$	65,957	14.11%
Third Mortgage (Lender: MRT Interest)	\$ 134,685	\$	1,433	0.31%
Fourth Mortgage (Lender HPD:)	\$ 7,050,000	\$	75,000	16.05%
Fifth Mortgage (Lender: OMH Capital)	\$ 9,300,000	\$	98,936	21.17%
HFA Middle Income	\$ 1,240,000	\$	13,191	2.82%
Developer Equity	\$ -	\$	-	0.00%
Tax Credit Equity	\$ 15,199,929	\$	161,701	34.60%
Developer Fee Reserve Note	\$ -	\$	-	0.00%
Deferred Developer's Fee	\$ 991,340	\$	10,546	2.26%
GAP/ (SURPLUS)	\$ 0	\$	0	0.00%
TOTAL SOURCES	\$ 43,925,954	\$	467,297	100.00%
Uses				
Acquisition Cost	\$ 3,539,050	\$	37,649	8.06%
Construction Cost	\$ 28,277,521	\$	300,825	64.38%
Soft Cost	\$ 6,869,769	\$	73,083	15.64%
Developer's Fee	\$ 5,239,614	\$	55,741	11.93%
TOTAL USES	\$ 43,925,954	\$	467,297	100.00%

Henry Apartments Project

1676 Broadway & 770 Decatur Street, Brooklyn, NY

Henry Apartments: Features of the Deal

**New construction
on 2 adjacent
corner-lot sites in
Ocean Hill,
Brooklyn**

**Proximity to
other SUS
residential
buildings in
gentrifying area**

**134 units:
78 supportive,
56 for low-
income families
and individuals**

**Amenities:
Commercial
Space,
Community
space, Outdoor
recreational
space, Parking**

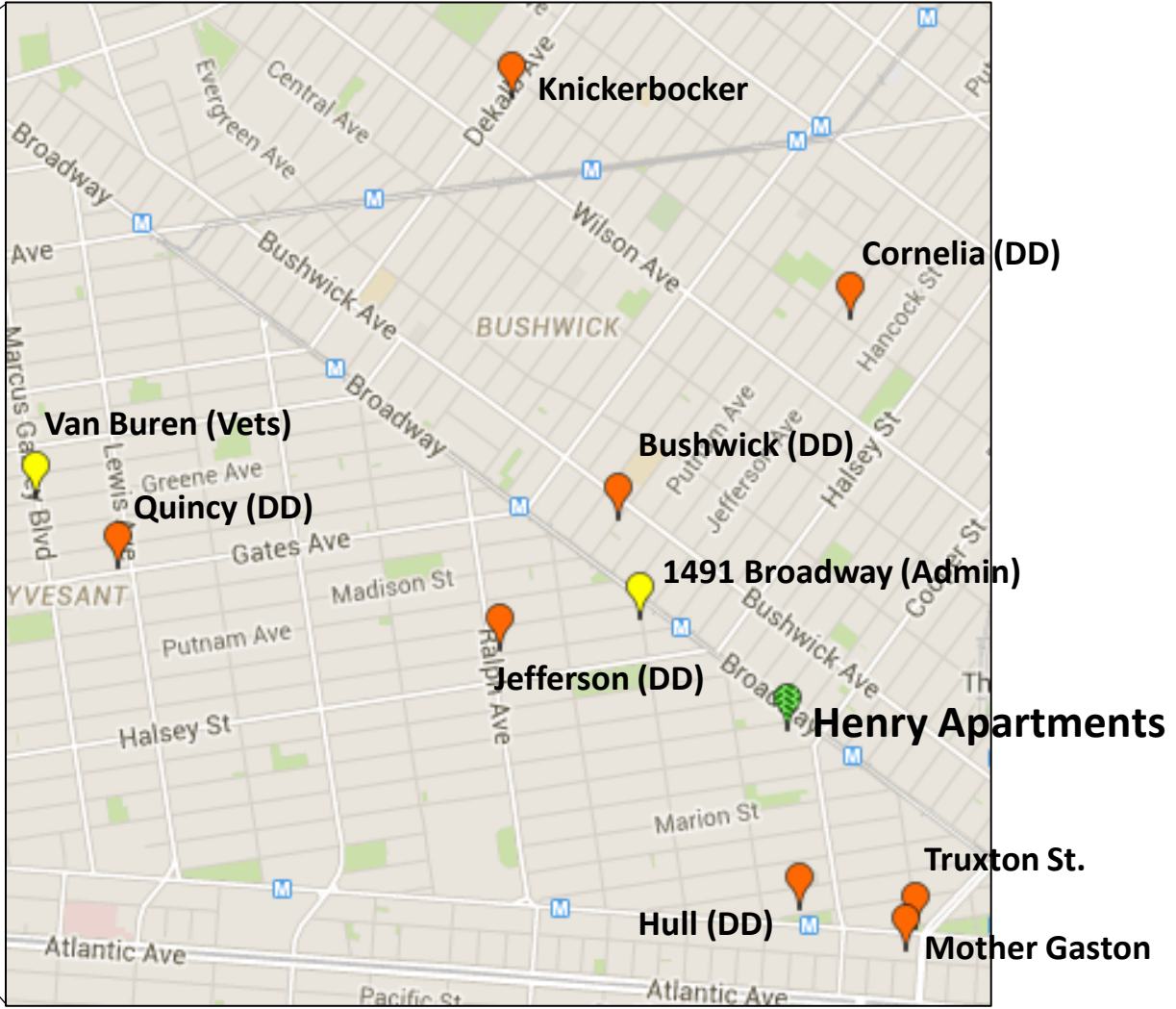
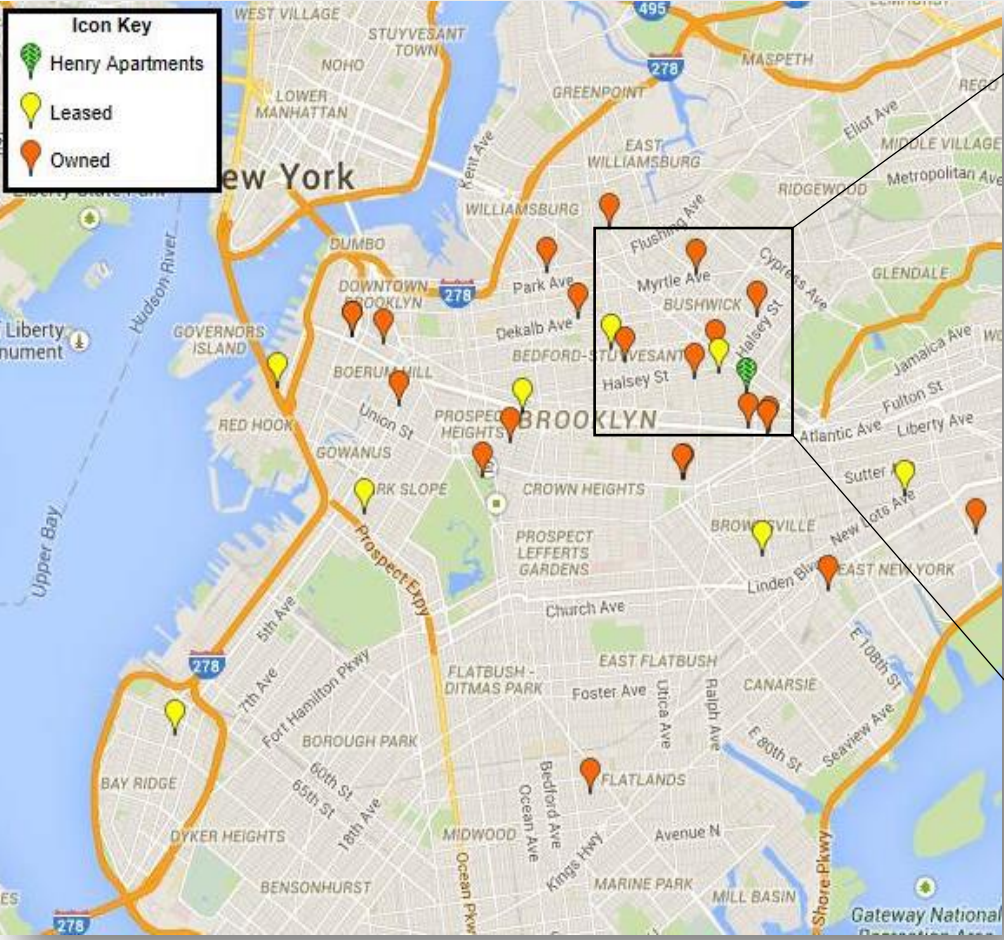
**SUS is:
Co-owner
Property
manager
Services provider**

**\$62 million
development**

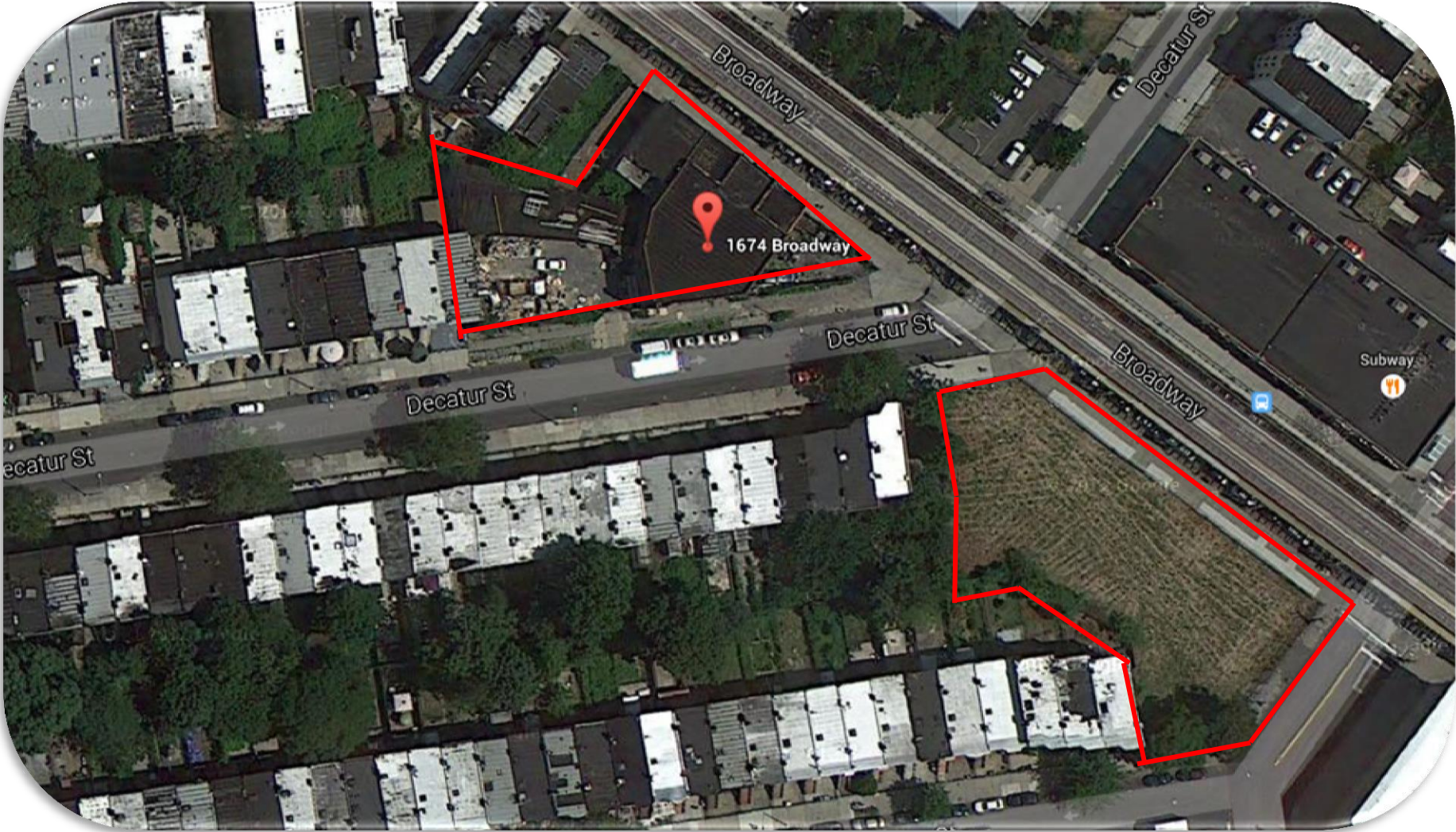
**Largest
development
project SUS has
ever done (115k
residential sq. ft)**

**First SUS
development
project with
permanent
housing for
families**

Henry Apartments: Overview and Features of the Deal



Henry Apartments: Overview and Features of the Deal

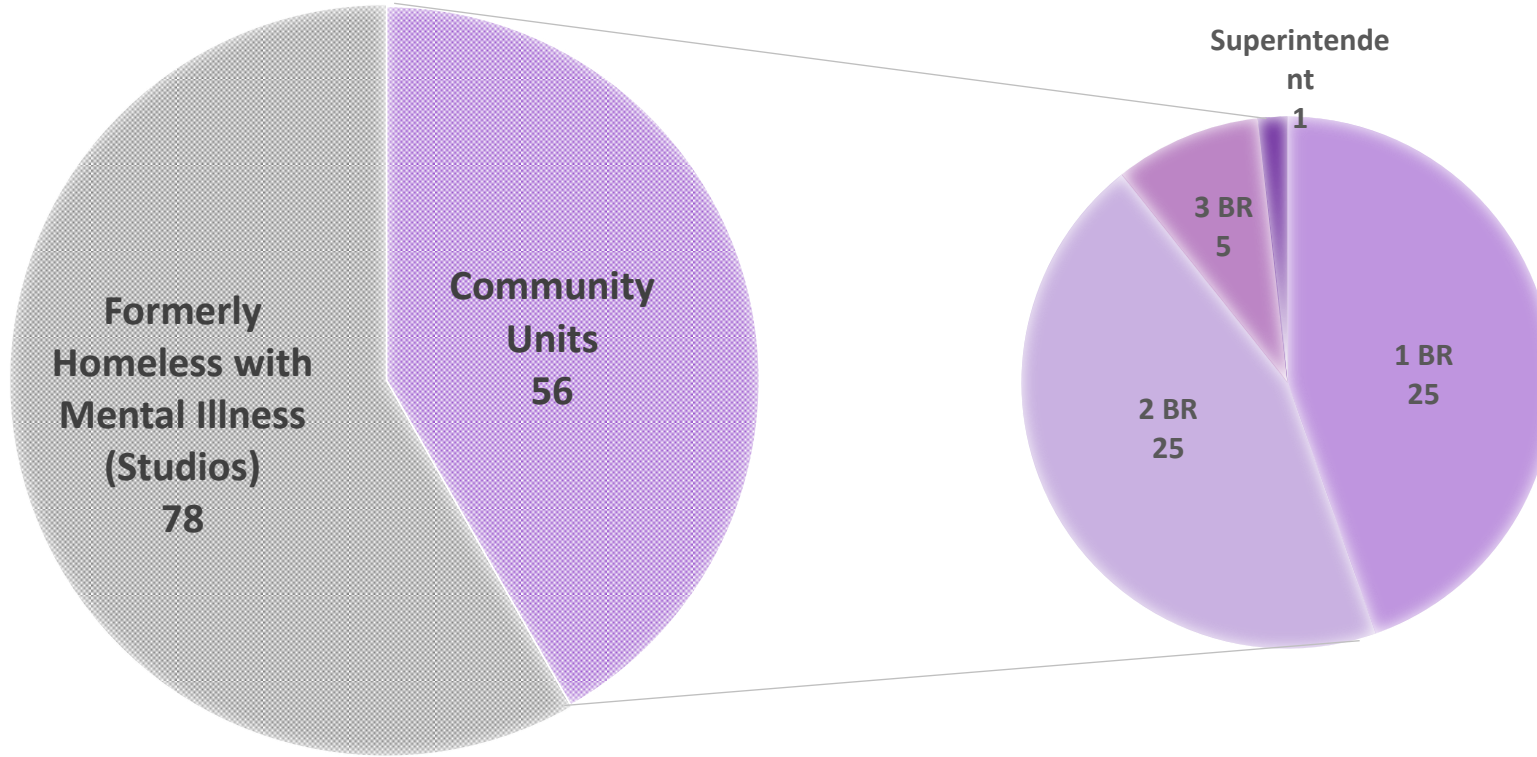


Henry Apartments: Building Design - What we are building

- New construction of two 6-story elevator buildings
 - constructed via concrete block and plank with masonry (brick) exterior in a contextual design
- Amenities for residents include:
 - laundry facilities
 - computer rooms
 - tenant lounge
 - bicycle parking
- Each building has:
 - SUS program space on first floor and in basement
 - landscaped outdoor recreation space with seating and tables
 - urban farming area
- Buildings will meet NYSERDA and Enterprise Green Communities programs
 - Green elements include water-saving fixtures, native paints, energy-efficient heating, cooling and ventilation, highly efficient insulation, and Energy Star appliances
- Challenges include:
 - subway location (benefit as well)
 - existing building demolition
 - construction pricing

Henry Apartments: Target Residents

134
Units
Total



Studios for formerly homeless:

- OMH-funded
- Referrals by DHS; supportive services will include individualized case management and personalized recovery programs based on identified needs.
- Daily life skills training, employment training and placement services, and structured social and recreation activities will also be offered.

Community Units:

- Households earning up to 60% of AMI
- Community Board preference for 50% community units
- Community Board requests

Henry Apartments: The Development Team - SUS' partners

- **Development Team:**

- **Developer:** SUS, Alembic, and Stan Henry
- **GC:** Mega Contracting, Inc.
- **Architect:** Peter Woll, Alphonse Diaz
- **Attorney:** Hirschen, Singer, and Epstein
- **Service provider/managing agent:** SUS

- **Financing Partners:**

- **Government:** HPD, HDC, NYCHA (PB Sec. 8), SONYMA
- **LIHTC Syndicator:** Richman Housing Resources
- **LIHTC Investor/Letter of Credit Provider during construction:** Wells Fargo

Henry Apartments: The Development Budget

Sources and Uses

	<u>Per unit</u>	<u>Total</u>	
CONSTRUCTION SOURCES			
HDC First Mortgage	\$227,612	\$30,500,000	49% has to be at least 51%TDC
HDC Second Mortgage	\$65,000	\$8,710,000	14%
Tax Credit Equity	\$27,670	\$3,707,832	6%
Deferred Developer's Fee	\$45,581	\$6,107,913	10%
HPD Capital Funds (SHLP)	\$75,000	\$10,050,000	16%
HPD Accrued Interest	\$9,000	\$1,206,000	2%
Reserve Loan	\$5,910	\$791,970	1%
Deferred Reserves	\$6,775	\$907,913	1%
GAP	<u>\$0</u>	<u>\$0</u>	0%
TOTAL SOURCES	\$462,549	\$61,981,628	100%
PERMANENT SOURCES			
HDC First Mortgage	\$92,724	\$12,425,000	20%
HDC Second Mortgage	\$65,000	\$8,710,000	14%
Tax Credit Equity	\$179,512	\$24,054,594	39%
Deferred Developer's Fee	\$27,882	\$3,736,151	6%
HPD Capital Funds (SHLP)	\$75,000	\$10,050,000	16%
HPD Accrued Interest	\$9,000	\$1,206,000	2%
Reserve Loan	\$12,686	\$1,699,883	3%
NYSERDA Sponsor Loan	\$746	\$100,000	0.2%
GAP	<u>\$0</u>	<u>\$0</u>	0%
TOTAL SOURCES	\$462,549	\$61,981,628	100%
USES			
Acquisition Cost	\$10,527	\$1,410,594	2%
Construction Cost	\$299,328	\$40,110,000	65%
Soft Costs	\$86,278	\$11,561,268	19%
Reserves	\$12,686	\$1,699,883	3%
Developer Fee	\$53,730	\$7,199,883	12%
TOTAL USES	\$462,549	\$61,981,628	100%

Henry Apartments: Uses Detail

	Per Unit	Total
Acquisition Cost	\$10,527	\$1,410,594
Construction Cost	\$299,328	\$40,110,000
Soft Costs	\$86,278	\$11,561,268
Reserves	\$12,686	\$1,699,883
Developer Fee	\$53,730	\$7,199,883

TOTAL USES

\$462,549

\$61,981,628

Acquisition & Refinancing Cost:			
Acquisition	\$9,592.96 /du	\$ 1,285,457	\$1,285,457
Carrying Costs and Taxes		\$ 125,137	\$125,137
Total:	\$10.86 psf	\$1,410,594	\$1,410,594

Soft Cost:			
Architect Fees		\$1,660,000	\$1,660,000
Energy Modelling		\$84,400	\$84,400
Owner's Rep		\$120,000	\$120,000
Borrower's Legal		\$250,000	\$250,000
Appraisal		\$17,280	\$17,280
Survey	(&UCC)	\$16,500	\$16,500
Environmental		\$100,000	\$100,000
420c		\$10,820	\$10,820
Filing Fees		\$6,000	\$6,000
Development Consulting		\$10,000	\$10,000
Partnership Management Fee		\$20,000	\$20,000
Real Estate Taxes	1st yr	\$0	\$0
Test Borings		\$23,000	\$23,000
Water and Sewer		\$10,000	\$10,000
Utilities		\$0	\$0
Title Insurance	1.00% on 1st & 2nd	\$307,823	\$307,823
Fire and Extended Liability		\$426,000	\$426,000
Marketing & Lease up		\$167,500	\$167,500
Controlled Inspections		\$120,000	\$120,000
MTA Monitoring		\$400,000	\$400,000
Furniture & Fixtures		\$359,600	\$359,600
Soft Cost Contingency		\$200,000	\$200,000
Soft Cost Subtotal		\$4,308,923	\$4,308,923

Reserves			
HPD Social Service Reserve	See Dev. Fee breakdown	\$0	\$0
Section 8 Homeless Reserve	See Dev. Fee breakdown	\$ 791,970	\$791,970
Capitalized Operating Reserve	See Dev. Fee breakdown	\$ 907,913	\$907,913
Reserves Subtotal		\$1,699,883	\$1,699,883

Construction Cost:				
	Cost	du		
Contractor Price				
Residential	\$302	\$262,278	\$35,145,273	\$35,145,273
Community Facility	\$302		\$598,407	\$598,407
Commercial	\$120		\$1,486,320	\$1,486,320
Demo & Remediation	\$0		\$ 870,000	\$870,000
Parking	\$20		\$100,000	\$100,000
Permits/Fees (filing costs)			\$0	\$0
Contingency	5.00%		\$1,910,000	\$1,910,000
Total:	\$299,328 /du		\$40,110,000	\$40,110,000

Financing Costs			
Construction Interest		\$3,503,942	\$3,503,942
HDC fee	0.75% on HDC 1st	\$228,750	\$228,750
Lender's Commitment Fee	1.00%	\$307,567	\$307,567
LOC Annual fee	1.10% for 36 months	\$1,014,971	\$1,014,971
LOC Application Fee		\$0	\$0
Bond Issuance Fees NYC	1.50% on HDC 1st	\$457,500	\$457,500
Bond Issuance Fees NYS	0.84%	\$256,200	\$256,200
SONYMA Application Fee	0.10%	\$12,425	\$12,425
SONYMA First Year Fee	0.50%	\$62,125	\$62,125
Construction Financing Fee		\$1,099,758	\$1,099,758
Lender's Legal		\$75,000	\$75,000
Bank's Engineer		\$30,000	\$30,000
Investor Legal		\$0	\$0
Predev. Loan Fees & Interest		\$50,757	\$50,757
Cost Cert & Accounting		\$40,000	\$40,000
Tax Credit Application Fee		\$4,000	\$4,000
Tax Credit Allocation Fee		\$109,350	\$109,350
Financing Costs Subtotal		\$7,252,345	\$7,252,345

Developer Fee	13.87%	\$7,199,883	\$7,199,883
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Henry Apartments: Operational Financing – Real Estate Income

Project Income					\$0
<u>Commercial Income:</u>					
	<i># of Spaces</i>	<i>Monthly Rent</i>	<i>Annual Income</i>	<i>Percent of Total</i>	
Parking	14	\$75.00	\$12,600		
	<i>Square feet</i>	<i>Annual Rent/sf</i>	<i>Annual Income</i>		
Community Facility space	1,979	\$0.00	\$0	5.962%	
Commercial Space	7,050	\$17.50	\$123,375		
<u>Ancillary Income:</u>					
	<i># units</i>	<i>Per unit/per year</i>			
Laundry	134	\$100	\$13,400		
Total Ancillary & Commercial Income:			\$149,375		
<u>Residential Income:</u>					
	<i># of Units</i>	<i>Monthly Rent</i>	<i>Utility Allowance</i>	<i>Monthly Rent</i>	
Studio (Section 8)	77	\$1,279	\$60	\$1,219	
Studio (60% AMI)	0	\$837	\$60	\$777	
One Bedroom (Section 8)	24	\$1,336	\$63	\$1,273	
One Bedroom (60%AMI)	1	\$897	\$63	\$834	
Two Bedroom (Section 8)	5	\$1,583	\$67	\$1,516	
Two Bedroom (60%AMI)	20	\$1,077	\$68	\$1,009	
Three Bedroom (Section 8)	0	\$2,037	\$81	\$1,956	
Three Bedroom (60%AMI)	6	\$1,244	\$81	\$1,163	
Total	133				
Total Rental Income upon occupancy:			\$1,919,844		
Total Project Income:			\$2,069,219	\$0	

Henry Apartments: Operational Financing - Building Expenses

Operating Expenses	
Legal	\$ 20,100
Accounting	\$ 12,000
Management Fee (Residential)	\$ 109,431
Management Fee (Commercial)	\$ -
Fire and Liability Insurance	\$ 80,400
Tax Credit Monitoring	\$ 7,500
Heating	\$ 117,975
Electricity	\$ 59,532
Water & Sewer	\$ 88,935
Supplies/Cleaning/Exterminating	\$ 27,225
Repairs/Replacement	\$ 80,400
Superintendent Salary & Benefits	\$ 42,000
Porters Salary & Benefits	\$ 62,000
Security Salary & Benefits	\$ 84,521
Elevator Maintenance & Repairs	\$ 26,400
M & O Before Reserves and Debt Service	\$ 818,419
Replacement Reserve	\$ 40,200
Total Expenses	\$ 858,619

Henry Apartments: Operational Financing-Social Service Budget(S+U)

Item Description	FY			
			# Units	Amount
REVENUE-OMH Service Contract				
On-site Services		11,880	78	926,640
Property Operating		6,399		499,122
Gross revenue		18,279		1,425,762
SSI (living alone rate) 85% collectable		(2,472)		(192,816)
Total revenue		15,807		\$ 1,232,946
EXPENSES	FTE			Salary
Personal Services				
Program Director	1.00			75,000
Assistant Director	1.00			65,000
Nurse/Care Coordinator	1.00			90,000
Wellness Coach	4.00			35,000
Peer Specialist	1.00			30,000
Entitlement Specialist	0.15			45,000
Staff Accountant	0.05			55,000
Help Desk Specialist	0.05			40,000
Intake Staff	0.20			45,000
Quality Assurance Specialist	0.05			65,000
Director of Behavioral Health	0.10			120,000
Deputy Director of Behavioral Health	0.20			85,000
Porter	1.00			31,000
Administrative Assistant	2.00			30,000
Total Personal Services	11.80			811,000.00
Fringe Benefits (27.37%)				\$ 148,824
Other Than Personal Services				
Supplies and Materials				10,000
Petty Cash (travel, etc.)				4,000
IT Infrastructure and Services				185,886
Starter Kits				23,400
Contingency Funds				20,000
Contracted Security- FJC				140,000
Insurance				45,000
Total OTPS				\$ 428,286
Agency Administration (10%)				\$ 112,086
Gross Expenses				\$ 811,000
Surplus/Deficit				(0)

Henry Apartments: Benefits to SUS

The Developer Fee

Paid Developer Fee										
	Split	#1	Adjustments	Revised #1	#2	#3	#4	#5	DDF	TOTAL
Alembic Community Development	45%	\$ 135,000.00	\$ 72,970.14	\$ 206,135.62	\$ -	\$ -	\$ 210,566.57	\$ 450,000.00	\$ 1,681,267.95	\$ 2,547,970.14
Services for the Underserved, Inc.	30%	\$ 90,000.00	\$ 5,087.40	\$ 93,864.38	\$ -	\$ -	\$ 140,377.72	\$ 300,000.00	\$ 1,120,845.30	\$ 1,655,087.40
HKL Development Group LLC	25%	\$ 75,000.00	\$ (78,057.54)	\$ -	\$ -	\$ -	\$ 112,904.71	\$ 250,000.00	\$ 934,037.75	\$ 1,296,942.46
Reserves		\$ -			\$ 791,970.00	\$ -	\$ 907,913.00	\$ -	\$ -	\$ 1,699,883.00
Total		\$ 300,000.00	\$ -	\$ 300,000.00	\$ 791,970.00	\$ -	\$ 1,371,762.00	\$ 1,000,000.00	\$ 3,736,151.00	\$ 7,199,883.00
Milestone				Closing	80% Completion	TCO	Conversion	Stabilization 8609		
Projected Date				12/30/2014	7/1/2016	10/1/2016	10/1/2017	1/1/2018		

Other benefits to SUS include...

- Management Fee: 6% of Gross rents collected (projected \$100K annual)
- New apartments that we manage for our mentally ill homeless clients and low income families
- Growing neighborhood presence

Henry Apartments: Risks to SUS

Guaranteed Obligations of the GP

Equity Guarantees (Richman)

- “**Equity Completion Guaranty**” to complete the construction
- “**Repurchase Guaranty**” requiring repurchase the Equity Investor’s interest if project falls apart
 - **30% SUS**
- “**Recapture Guaranty**”, requiring reimbursement if IRS recaptures any or all of the LIHTC
 - **100% SUS after turnover**
- “**Downward Timing Guaranty**”, if LIHTC is delivered slower than projected due to construction or lease up delays
- “**Downward Basis Adjuster Guaranty**”, if less credits are delivered than projected because of underspending
 - **30% SUS**
- “**Equity Environmental Indemnification**”, covering any investor losses resulting from environmental conditions
- “**Operating Deficit Guaranty**” if there are operating deficits
 - **100% SUS after turnover**

HDC and Wells Guarantees

- “**Non recourse Carveout Guaranty**” in favor of HDC- losses resulting from fraud or other “bad boy acts”
 - **100% SUS after turnover and 100% due to its acts at any time**
- “**Environmental indemnification**” in favor of HDC and Wells, covering any lender losses result from environmental conditions
- “**Debt Repayment Guaranty**”, repayment for lender losses due to bad acts or project falling apart
 - **SUS (30%)**
- “**Debt Completion Guaranty**” to complete the construction

Henry Apartments: Commercial Space

- Henry Apts. includes 7,000 sq. ft. of commercial space at ground floor
 - Big draw for Community Board
- Business deal was for Alembic and Stan to control risk and reward
- Separate financing is difficult, so costs are included in the HDC first
- Repayment of that portion of the debt will come from commercial rent (or guarantee payments from Alembic/Stan)
- Project includes 4 condominiums (2 residential, 2 commercial)
 - Broadway Decatur Owners LLC owns all of them
 - Commercial condos are Master leased to Alembic entity
 - Lease rate set to repay construction portion (\$17.50 per square foot)
 - Alembic guarantees payment of that rate; anything above is Alembic profit
 - Accounting issues for SUS