



City of Rochester

City Hall Room 308A, 30 Church Street
Rochester, New York 14614-1290
www.cityofrochester.gov

INTRODUCTORY NO.

347

Lovely A. Warren
Mayor
City Council

September 14, 2020

TO THE COUNCIL

Ladies and Gentlemen:

Re: Statement of Necessity

This Statement of Necessity is being submitted so that action may be taken during the September 15, 2020 Council Meeting on the attached legislation.

This is regarding the Inner Loop Parcel 2 affordable housing project. The project has changed from what was originally approved by Council to increase the number of units that are affordable to low and very-low income tenants. The project was approved by the State for their financing under the new configuration and the previous legislation approving the project needs to be amended to reflect the modifications.

The urgency is driven by a deadline of September 29th set by the project stakeholders to have all required closing materials (including City legislation) completed and in hand.

Respectfully submitted,

Lovely A. Warren
Mayor

Loretta C. Scott
President

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September 14, 2020

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TO THE COUNCIL

Ladies and Gentlemen:

Re: Amending Ordinance Nos. 2017-165 and 2019-86 – 270 East Avenue Affordable Housing Project – Inner Loop Site 2

Council Priority: Rebuilding and Strengthening Neighborhood Housing

Comprehensive Plan 2034 Initiative Area: Reinforcing Strong Neighborhoods

Transmitted herewith for your approval is legislation amending Ordinance Nos. 2017-165 and 2019-86, related to 270 East Avenue Apartments, an affordable rental housing development located on Inner Loop Site 2. The affordable project, which was initially proposed to develop market rate rental housing, is being undertaken by Christa Development Corporation, LLC (David Christa, Principal) and CSD Housing, LLC (Michael F. Dehmler, Keri Curtis, Mark Shortino, Co-Principals).

Specifically, this legislation will amend Ord. No. 2017-165, Section 1, to accommodate implementation of low-income housing tax credits by authorizing sale of the parcel to 270 on East Housing Development Fund Corporation, a New York not-for-profit corporation (“HDFC”), formed by Christa Development Corporation, whose President and sole Director is David Christa:

Further, this legislation will amend Ord. No. 2019-86 as follows, to:

1. Amend Section 2, to reduce the annual interest rate from 3% to 2%;
2. Amend Section 2, to extend the permanent loan term from fifteen years to thirty years;
3. Amend Section 2, to replace “IL2 LLC” with “270 on East, LLC, or an affiliated entity or housing development fund corporation formed by Christa Development Corporation;”
4. Amend Section 2, to reflect the permanent loan will be a 30 year, 2% interest-only, with cash flow dependent loan payable annually in years 1 through 15, and must-pay loan interest payable annually in years 16 through 30, with the outstanding principal balance and any accrued interest due at the end of the thirty year term.

Additionally, this legislation will:

5. Authorize a property tax exemption and payment-in-lieu of taxes agreement for the 270 East Avenue Apartments project, which will provide a 30-year exemption for an annual in-lieu payment equal to 10% of the project shelter rents (gross rents minus utility costs);
6. Authorize the Mayor to execute such agreements and other documents as may be necessary to effectuate the agreement authorized herein;
7. Authorize the Mayor to adjust the interest rate and other terms and conditions of the loan in order to conform to legal and other requirements for the Project.

Ordinance No. 2019-86 authorized a loan of \$1,500,000 to IL2 LLC for the new construction of 270 East Avenue Apartments. That loan was approved in April 2019, and, in Summer and Fall of 2019, Christa worked with funders, investors, and local stakeholders to develop the project as it was originally envisioned. However, due to changes within the housing market and with their financing options, the



development team submitted an amended project structure. The project was changed from a market-rate housing development to an affordable, workforce housing development. After receiving feedback from community stakeholders, lenders, investors, and the State, Christa determined that this was the type of project most needed and most likely to be funded by New York State Housing Finance Agency.

The changes resulted in a modified rent structure and the addition of units affordable to Very-Low Income households (at or below 50% AMI), as well as 55 units set-aside for supportive housing purposes. Overall, the project rents shifted downward significantly, and now includes units for special needs populations. The change to the project creates new very-low income (50% AMI) affordable and supportive housing units to the Inner Loop Infill project, and will help expand housing options and diversity in downtown Rochester. Landsman Development Corporation (James A. Goff, CEO), 3 Townline Circle, Rochester, NY, 14623, will serve as the property manager for the project. The initial and proposed unit mix is included below:

Affordability	Original	Proposed
50% AMI		8
50% AMI - Supportive		55
60% AMI		36
80% AMI	21	13
Market Rate	82	
Total Units	103	112

270 East Avenue Apartments includes the construction of a new five-story, 118,450 square-foot, 112 unit multifamily structure with 50 indoor parking spaces and a 14 space surface parking lot. The building will offer 49 studios, 36 one-bedroom, and 27 two-bedroom units, with two elevators, main offices on the first floor, a business/computer center, and a patio on the 5th floor. Storage is available in each unit, and laundry/common rooms are located on each floor. Residents will have access to covered seating areas along East Avenue and the corner of North Union Street, and the North Union Street side of the site has a planned artwalk that will tie into the neighboring community and adjacent bicycle lane.

The project involves the creation of 112 new rental units intended for very low-income and low-income households. 55 units will be set aside for special needs populations, and will be targeted to homeless and formerly homeless veterans and frail elderly, including those at-risk of homelessness, who will pay no more than 30% of their monthly income toward rent. The supportive housing service providers for the project, Episcopal SeniorLife Communities (ESLC) and Eagle Star Housing, Inc. (Eagle Star), have been awarded Empire State Supportive Housing Initiative (ESSHI) funding to subsidize both the supportive services required by those tenants and each qualifying households' rent. ESLC will serve 35 formerly homeless or frail elderly households, and services to be offered include a continuum of care to include community wellness. Eagle Star will serve 20 formerly homeless or at risk of homelessness veteran households, with services that include collaboration with a variety of providers to ensure each veteran's needs are met.

The commercial component of the project remained, and Christa released a Request for Proposals (RFP) to secure a tenant for the proposed affordable daycare. The Christa development team selected a partner in late fall/early winter 2020, however, due to the Coronavirus pandemic, the daycare center was unable to obtain financing. A new approach was devised, one which allowed both components of the project to move forward without requiring a loss of affordability or a delay to the timeline. The site will be subdivided, with the larger parcel being used for the residential component and the smaller parcel to be developed and filled by a new commercial tenant.

This \$30.5 million affordable project will utilize the following funding sources; New York State Housing Finance Agency Tax Exempt Bonds, NYS Supportive Housing Opportunities Program (SHOP), City of Rochester loan, deferred developer fee and limited partner equity through the sale of Low Income Housing Tax Credits (LIHTC).

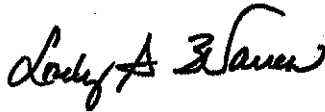
The sources and uses for the project are summarized below:

Uses		Permanent Sources	
Acquisition	600,000	HFA 1 st Mortgage (Bonds)	4,310,000
Soft Costs	5,108,862	HFA – Subsidy - SHOP	13,390,000
Hard Costs	20,401,710	City of Rochester	1,500,000
Reserves	484,263	Sponsor Loan	515,351
Developer Fee	3,853,340	Tax Credit Equity	9,687,766
		Deferred Developer Fee	1,045,057
Total Uses	30,448,175	Total Sources	30,448,175

The development team for 270 On East plans to close on project funding and begin construction in October 2020. Workforce goals for the project are 6.9% women and 20% minorities and 25% City residents, along with a combined goal of 30% for MBE/WBE firms.

The City's Loan Review Committee approved the loan on March 20, 2019, and the Committee approved the amended loan terms on September 11, 2020. The PILOT was recommended for approval by the PILOT Review Committee on September 9, 2020. A National Environmental Policy Act or NEPA review is not required, and the City completed a SEQR review and issued a Negative Declaration for the project on December 23, 2013.

Respectfully submitted,



Lovely A. Warren
Mayor

347

Ordinance No.

Amending Ordinance Nos. 2017-165 and 2019-86 and authorizing a payment in lieu of taxes agreement relating to the 270 East Avenue Affordable Housing Project - Inner Loop East Site 2

BE IT ORDAINED, by the Council of the City of Rochester as follows:

Section 1. Section 1 of Ordinance No. 2017-165, authorizing the sale of a land parcel at 270 East Avenue to establish the 270 East Avenue Affordable Housing Project - Inner Loop East Site 2 (the Project), is hereby amended to read in its entirety as follows:

Section 1. The Council hereby approves the negotiated sale with proposal of 270 East Avenue (SBL# 121.25-01-52), comprising approximately 1.37 acres of vacant land that has been assembled from the Inner Loop East Transformation Project, to ~~Rochesterloop 2 LLC~~ 270 on East Housing Development Fund Corporation, a New York not-for-profit corporation formed by Christa Development Corporation (HDFC), to establish a mixed use development extending from East Avenue to Charlotte Street. The sale price shall be \$600,000.

Section 2. Section 2 of Ordinance No. 2019-86, authorizing a loan agreement for the Project, is hereby amended to read in its entirety as follows:

Section 2. The Mayor is hereby authorized to enter into a loan agreement with ~~IL2 LLC 270 on East, LLC~~, the nominating affiliate of HDFC (the Borrower) in the amount of \$1,500,000 to fund a portion of the costs of the residential component of the Project. The loan shall be funded from the amount appropriated in Section 1 herein, ~~have provide permanent financing for a term of fifteen~~ thirty years that commences with the completion of construction, and have an annual interest rate of ~~3%~~ 2%. ~~During the construction period loan repayments shall be interest only payable monthly. Upon conversion to permanent financing, monthly repayments of principal and interest shall be amortized on a 30-year schedule~~ Annual repayments of interest only shall be made in years 1 through 15 if the Borrower has sufficient cash flow. For years 16-30 annual repayments of interest only shall be made without regard to the Borrower's cash flow. A balloon payment of ~~the remainder~~ of the loan principal and ~~any unpaid~~ interest shall be due at the end of the loan term. As a condition of the loan, ~~at least 20%~~ 13 of the Project's dwelling units shall be rented to households with incomes not exceeding 80% of the Area Median Income (AMI), 36 additional dwelling units shall be rented to households with incomes not exceeding 60% of AMI, and 63 additional dwelling units shall be rented to households with incomes not exceeding 50% of AMI. The Mayor is hereby authorized to adjust the loan interest rate and other terms and conditions of the agreement in order to conform to legal and other requirements of the Project.

Section 3. The Mayor is hereby authorized to enter into a payment in lieu of taxes agreement (PILOT Agreement) with HDFC or its affiliate for 270 East Avenue

(SBL# 121.25-01-52) in order to effectuate the Project. The PILOT Agreement shall provide that said parcel shall remain entitled to a real property tax exemption, provided that the HDFC or its affiliate makes annual payments in lieu of taxes to the City of Rochester equal in total to no less than 10% of the Project's annual "shelter rent," a phrase which refers to the amount of gross rents less utility costs.

Section 4. The term of the PILOT Agreement shall run for 30 years, provided that said agreement and the associated real property tax exemption shall cease prior to that time if and when the Project is no longer operated for the purpose of providing affordable leased housing in accordance with the financing as well as other legal requirements.

Section 5. The PILOT agreement shall contain such additional terms and conditions as the Mayor deems to be appropriate.

Section 6. The Mayor is hereby authorized to execute such other agreements and other documents as may be necessary to effectuate the sale and agreements authorized herein.

Section 7. This ordinance shall take effect immediately.