

**COST BENEFIT ANALYSIS**  
**SUBSTANTIATION OF NEED FOR GLEN COVE IDA FINANCIAL ASSISTANCE**



*Rendering of proposed residential condominium building*

**PROJECT APPLICANT AND NAME**

Garvies Block F LLC

**LOCATION**

City of Glen Cove, Nassau County, New York

**PROJECT DESCRIPTION**

56-Unit Affordable/Workforce Homeownership Development  
Site F, Garvies Point

**REQUESTED FINANCIAL ASSISTANCE**

Sales Tax Exemption on Building Materials and Equipment  
Mortgage Recording Tax Exemption

**July 14, 2023**



The National Development Council (“NDC”) is retained by the Glen Cove Industrial Development Agency (the “IDA”) to review and evaluate the proposed project’s IDA application, program, and financial model, and determine the need for IDA financial assistance. The purpose of this memo is to describe NDC’s understanding and findings regarding the proposed Garvies Block F LLC project.

**I. PROJECT SUMMARY**

Garvies Block F, LLC (the “Applicant” and “Developer”), an affiliate of Georgia Green Ventures (GGV), is applying to the IDA for financial assistance, including a sales tax exemption on building materials and equipment and a mortgage recording tax exemption. GGV is an accomplished vertically integrated development company based on Long Island. GGV specializes in complex affordable and mixed-income and mixed-use developments, including a 55-unit affordable rental development at Garvies Point.

The proposed project is a 56-unit, 70,617 square feet, affordable “for sale” condominium housing development, to be situated at Site F, a 2.34± acre parcel, situated on the west side of Dickson Street, north of Herb Hill Road is part of a comprehensive transit-oriented waterfront master plan led by RXR Realty.

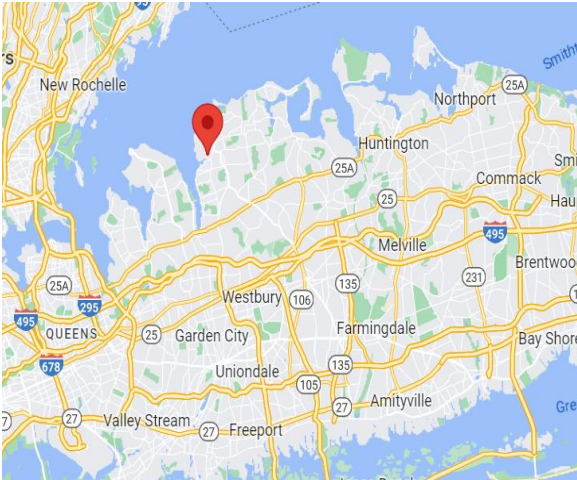
The proposed building(s) is four (4) stories. The project will contain ten (10) 3-room, one-bedroom units; thirty-eight (38) 4-room, two-bedroom units, and eight (8) three-bedroom units. One-bedroom units will average 750± square feet; two-bedroom units will average 1,025± square feet, and three-bedroom units will average 1,200± square feet.

The proposed development will restrict the sale of condominium units to buyers whose households have incomes less than 80% of the Area Median Income (“AMI”). The AMI for Nassau-Suffolk County labor market area is reported at \$156,300 for 2023. The AMI is the midpoint of a region’s income distribution – half of families in a region earn more than the median and half earn less than the median.

A housing unit is considered to be affordable for households below 80% of AMI if a household whose income is at or below 80% of AMI can live there without spending more than 33% of their income on housing costs. With factoring different unit size and household size, the general income band of the individuals and households eligible for these affordable sale prices will be between \$90,000 to \$120,000.

The preliminary targeted sales prices in order for the units to be affordable to households earning between 80% of AMI are the following for this development.

HOMEOWNER SALE ANALYSIS	1 BR	2 BR	3 BR
Mortgage	\$273,125	\$327,750	\$377,625
Homebuyer Equity	\$14,375	\$17,250	\$19,875
Downpayment Assistance	\$0	\$0	\$0
Target Affordable Sale Price	\$287,500	\$345,000	\$397,500



Project Location



Satellite Image of Site

## II. SOURCES & USES

The Developer intends to finance the 56-unit market-rate development a conventional construction loan and a subsidy from New York State Homes and Community Renewal (HCR) through its updated Affordable Housing Ownership Program (AHOP). The AHOP program provides a subsidy of up to \$200,000 for units priced affordable for households earning less than 80% AMI and \$150,000 per unit for units priced affordable to households less than 100% of AMI. HCR recently revised the program to increase the subsidy from \$50,000 to up to \$200,000 per homeowner unit.

The intent is for the affordable sale proceeds to “take out” the construction loan and for the AHOP subsidy to stay in the project after construction. The sales proceeds for the fifty-six units are expected to be comprised of 90-95% mortgage, through a first-time homebuyer mortgage from State of New York Mortgage Agency (SONYMA), and 5-10% equity from the homebuyers.

USES OF FUNDS	\$	PSF	PER UNIT	%
Acquisition	\$2,800,000	\$33	\$50,000	8%
Residential Construction Costs	\$22,919,167	\$269	\$409,271	65%
Parking Construction Costs	\$1,679,183	\$20	\$29,985	5%
Soft Costs	\$1,826,650	\$21	\$32,619	5%
Financing Costs	\$2,530,943	\$30	\$45,195	7%
Reserves	\$180,141	\$2	\$3,217	1%
Developer Fee	\$3,300,000	\$39	\$58,929	9%
<b>TOTAL</b>	<b>\$35,236,084</b>	<b>\$413</b>	<b>\$629,216</b>	<b>100%</b>
CONSTRUCTION SOURCES OF FUNDS	\$	PSF	PER UNIT	%
Construction Loan	\$15,465,000	\$181	\$276,161	44%
Deferred Costs	\$3,700,000	\$43	\$66,071	11%
AHOP Subsidy	\$11,200,000	\$131	\$200,000	32%
Other	\$0	\$0	\$0	0%
<b>TOTAL</b>	<b>\$30,365,000</b>	<b>\$356</b>	<b>\$542,232</b>	<b>86%</b>
<b>GAP</b>	<b>(\$4,871,084)</b>		<b>(\$86,984)</b>	<b>14%</b>
PERMANENT SOURCES OF FUNDS	\$	PSF	PER UNIT	%
Aggregate Mortgages	\$18,206,750	\$213	\$325,121	52%
Aggregate Homeowner Equity	\$958,250	\$11	\$17,112	3%
NYS HCR AHOP Subsidy	\$11,200,000	\$131	\$200,000	32%
<b>TOTAL</b>	<b>\$30,365,000</b>	<b>\$356</b>	<b>\$542,232</b>	<b>86%</b>
<b>GAP</b>	<b>(\$4,871,084)</b>		<b>(\$86,984)</b>	<b>14%</b>



As can be seen from the summarized sources and uses, the sale proceeds and the AHOP program are insufficient to cover the estimated \$35.2 million development budget. There is currently an approximate \$4.8 million gap, equivalent to approximately \$87,000 per unit.

The targeted affordable sales prices are reaching their limits, as the below analysis demonstrates that the income needed at the current sales prices are near maximum threshold. The sale prices may be adjusted upward, but with limitations to be compliant with NYS HCR guidelines. The developer also is making an appeal to HCR to increase its subsidy beyond the \$2000,000 per unit current limit.

AFFORDABILITY ANALYSIS		1 BR	2 BR	3 BR
Mortgage		\$273,125	\$327,750	\$377,625
Homebuyer Equity		\$14,375	\$17,250	\$19,875
Downpayment Assistance		\$0	\$0	\$0
Target Affordable Sale Price		\$287,500	\$345,000	\$397,500
Monthly Principal and Interest Payment		\$1,726	\$2,072	\$2,387
Monthly Taxes		\$347	\$355	\$371
Monthly HOA Fees (applicant's estimate)		\$524	\$537	\$550
Personal Mortgage Insurance		\$0	\$0	\$0
Monthly Housing Payment (PITI)		\$2,597	\$2,964	\$3,308
Monthly Income Needed	33% ratio	\$7,871	\$8,981	\$10,024
Annual Income Needed to Afford Unit		\$94,449	\$107,767	\$120,285
100% AMI		\$125,040	\$140,670	\$158,300
% of AMI Needed to Afford Unit *		75.53%	76.61%	75.99%
HCR Requirement		< 80% AMI	< 80% AMI	< 80% AMI

The \$35.2 million development cost, equivalent to \$629,000 per unit, is high. The developer reports significant increases above initial the \$30.8 million budget included in its initial IDA application. Reported factors contributing to the higher costs include structured parking (48 spaces), structured piles, irregular topography resulting in additional site work, and increases on construction materials.

To fill the gap, now at approximately \$87,000 per unit, the Developer reports that it will adjust sales prices (within limitations) and seek additional subsidy from HCR and other public sources.

### III. SUMMARIZED BENEFITS PACKAGE AND JUSTIFICATION

The aggregate financial benefit from the Glen Cove IDA is \$1,204,541.

IDA BENEFITS	
Construction Loan	\$19,165,000
Mortgage Recording Tax (MRT) Less MTA	0.75%
MRT Savings	\$143,738
Construction Costs	\$24,598,350
% for Materials	50.00%
Sales Tax	8.625%
Sales Tax Savings	\$1,060,804
Total Savings	\$1,204,541

Given the fact that there is a \$4.8 million gap, there is a need for the savings realized as a result of the exemptions on mortgage recording tax exemption and sales tax. Without the above estimated savings, the funding gap would exceed \$6 million, instead of the current \$4.8 million funding gap reported in the Sources and Uses in Section II. The IDA project savings IDA are considered an essential part of creating financial feasibility for this much-needed affordable housing homeownership initiative in the City of Glen Cove.



## STANDARD DISCLOSURE

Standard disclaimer regarding NDC's compliance with Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") and amended Section 15B of the Securities and Exchange Act of 1934 ("Exchange Act"):

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