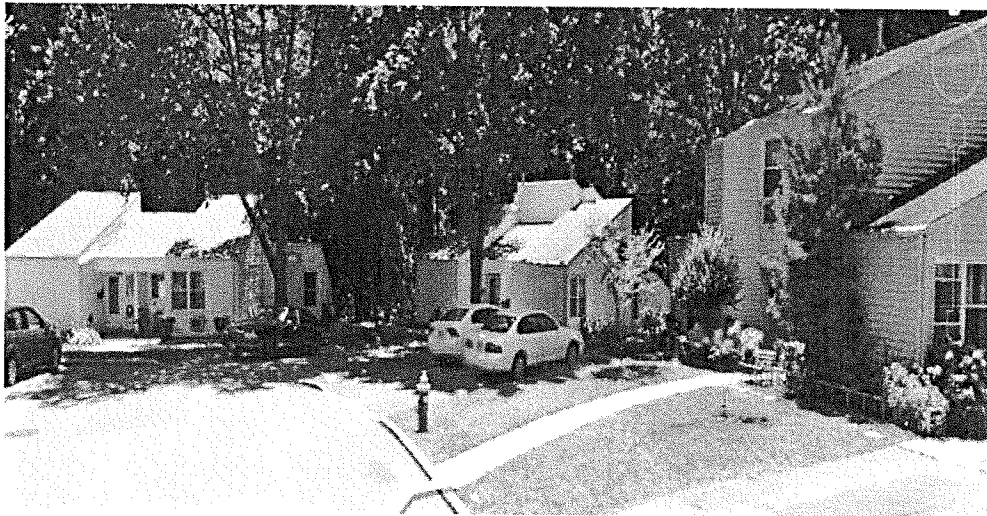


**COST BENEFIT ANALYSIS  
SUBSTANTIATION OF NEED FOR CITY OF GLEN COVE IDA FINANCIAL ASSISTANCE**



**PROJECT APPLICANT AND NAME**  
FAIR HOUSING DEVELOPMENT FUND CORPORATION  
STANLEY PARK

**LOCATION**  
32 JANET LANE

**PROJECT DESCRIPTION**  
54 units of affordable family housing

**REQUESTED FINANCIAL ASSISTANCE**  
Extension of Payment in Lieu of Taxes (PILOT)

**MARCH 11, 2022**



## I. OVERVIEW AND PROJECT SUMMARY

The National Development Council (“NDC”) has a limited engagement with the Glen Cove Industrial Agency (the “IDA”). The IDA occasionally requests NDC to review applications for tax assistance. The purpose of this report is to describe NDC’s project understanding and findings for the subject property.

FAIR HOUSING DEVELOPMENT FUND CORPORATION (“Owner” and “Operator”) developed and currently operates a 54-unit affordable multifamily project, referred to as Stanley Park, located at Janet Lane in the City of Glen Cove. Project operations began in 1973. The project was financed through a U.S. Housing and Urban Development (HUD) under Section 236 of the National Housing Act. The project was subject to restrictions as to rent charges, distributions, and other operating procedures until the mortgage was paid in full which occurred during the 2016. The project is still subject to rent restrictions through Housing Assistance Payment (HAP) contact with HUD. The contract commenced in 2009 and terminates in 2029. Under the terms of the contract, HUD agrees to pay a portion of the rent on a limited number of units through a Section 8 payments on behalf of income qualified tenants. For the most recent year, the average affordable rent per unit was \$1,145 per unit, comprised of both tenant rents and Section 108 contributions. Most tenants have household incomes that are below 50% of area median income.

RENT SUMMARY, 2021		
	Annual	Monthly Rent/Avg.
Rental Revenue Tenant	\$566,810	\$875
Rental Revenue, Assistance Payments	\$175,108	\$270
<b>TOTAL</b>	<b>\$741,918</b>	<b>\$1,145</b>

The HAP contract term expires September 2029.

The property also has a current payment in lieu of taxes (PILOT) with the IDA, commencing on January 1, 2016, and expiring on December 31, 2022. The current PILOT followed the original PILOT that went into service after certificate of occupancy was issued. There were reportedly some missed payments in years past and the IDA reached an agreement to add “arrears” payments on top of the annual PILOT payments, per the following table which reports taxes paid from 2019 – 2021 and the scheduled PILOT payment for 2022.

RECENT HISTORICAL AND CURRENT YEAR PILOT PAYMENT				
YEAR	PILOT	ARREARS	TOTAL	COMMENT
2019	\$52,834		\$52,834	per audited statements
2020	\$54,835		\$54,835	per audited statements
2021	\$56,832	\$30,000	\$86,832	per audited statements
2022	\$69,716	\$30,000	\$99,716	per audited statements

## II. PILOT EXTENSION

The current PILOT agreement terminates in 2022 and the owner has requested an extension of the PILOT in an application to the IDA. NDC has reviewed the audited financial statements (2019, 2020, and 2021), the HAP Agreement, and other documents as part of this analysis.

Given the historic rents, the owner’s intent to keep the units as affordable, and the HAP agreement which imposes restrictions on a limited number of units, NDC suggests the extension agreement that will extend



the PILOT through to 2029 and be coterminous with the HAP Agreement. As such, the PILOT would extend through the year 2029. It is suggested that the new/extended PILOT be sized at 10% of “shelter rent,” defined as effective gross income less utilities. 10% of shelter rent is a common approach for sizing PILOTs for affordable housing developments, as it sets the PILOT at a predictable annual amount based upon the gross income stream generated by the affordable units.

10% of shelter rent based upon the owner’s projected rents and utilities is equivalent to \$73,442, as illustrated in the following table.

PILOT CALCULATED at 10% SHELTER RENT	
Projected Effective Gross Income	\$759,822
Utilities	(\$25,400)
Projected Shelter Rent	\$734,422
	10%
PILOT	\$73,442

The annual PILOT payment (\$73,442) in the first year (2023) of the new PILOT represents a 5.34% increase from the 2022 scheduled PILOT payment. It is recommended that a 2% escalator be applied annually from 2024 through 2029. The PILOT schedule per the assumptions would be as follows.

PROPOSED PILOT EXTENSION SCHEDULE, 2023 - 2029				
YEAR	PILOT	PER UNIT		COMMENT
2023	\$73,442	\$1,360		5.34% increase from 2022
2024	\$74,911	\$1,387	based on 10% shelter rent with 2% escalators	
2025	\$76,409	\$1,415		
2026	\$77,937	\$1,443		
2027	\$79,496	\$1,472		
2028	\$81,086	\$1,502		
2029	\$82,708	\$1,532		
TOTAL	\$545,990			

The historical financial statements for the last three years and the pro forma operating statement for the next year are summarized in Exhibit 1 on the next page. The owner’s projections reflect a negative net operating income. The owner understands that it will need to address and lower expenses, particularly projected property insurance and operations and management which are now extremely high and substantially higher than previous years.

There are some capital improvement needs that will need to be addressed. Ownership and management expect to be able to address what they can in capital improvements through its cash account by expensing for repair and replacement reserves.



## APPENDIX 1: HISTROCAL FINANCIAL STATEMENTS OF STANLEY PARK

BALANCE SHEET	FROM AUDITED STATEMENTS				
	2019	2020	2021		
Cash	\$673,120	\$649,833	\$640,661		
Accounts Receivable	\$7,150	\$86,520	\$41,311		
Deposits	\$84,598	\$33,081	\$76,367		
Current Assets	\$764,868	\$769,434	\$758,339		
Property and Equipment	\$3,257,210	\$3,312,157	\$3,343,605		
Less Accumulated Depreciation	(\$2,575,050)	(\$2,669,762)	(\$2,755,746)		
Total Property and Equipment	\$682,160	\$642,395	\$587,859		
Other Assets	\$21,952	\$15,825	\$9,698		
Total Assets	<u>\$1,468,980</u>	<u>\$1,427,654</u>	<u>\$1,355,896</u>		
Liabilities	\$185,512	\$147,774	\$141,715		
Net Assets	\$1,282,468	\$1,279,880	\$1,214,181		
Total Liabilities and Net Assets	<u>\$1,467,980</u>	<u>\$1,427,654</u>	<u>\$1,355,896</u>		
STATEMENT OF ACTIVITIES	FROM AUDITED STATEMENTS			PROJECTED	
	2019	2020	2021	2023	
Rental Revenue Tenant	\$549,870	\$562,739	\$566,810		
Rental Revenue, Assistance Payments	\$149,626	\$171,594	\$175,108		
Gross Rental Revenue	\$699,496	\$734,333	\$741,918	\$789,036	\$1,218 per unit monthly rent.
Vacancies/Uncollected	(\$2,674)	(\$4,821)	(\$5,656)	(\$39,452)	5%
Other Income	\$16,906	\$13,520	\$287	\$10,238	
Effective Gross Income	\$713,728	\$743,032	\$736,549	\$759,822	
Admin Expenses	(\$193,108)	(\$181,926)	(\$179,526)	(\$209,782)	\$3,885 per unit annual avg.
Utilities	(\$17,977)	(\$20,380)	(\$24,383)	(\$25,400)	\$470 per unit annual avg.
O&M	(\$133,506)	(\$152,033)	(\$199,953)	(\$245,700)	\$4,550 per unit annual avg.
Property Insurance	(\$205,332)	(\$206,292)	(\$216,844)	(\$252,000)	\$4,667 per unit annual avg.
RE Taxes/PILOT	(\$52,834)	(\$54,835)	(\$56,832)	(\$73,442)	\$1,360 per unit annual avg.
Other Expenses	(\$31,664)	(\$30,304)	(\$32,596)	(\$42,900)	\$794 per unit annual avg.
Total Expenses	<u>(\$634,421)</u>	<u>(\$645,770)</u>	<u>(\$710,134)</u>	<u>(\$849,224)</u>	\$15,726 per unit annual avg.
Net Operating Income	\$79,307	\$97,262	\$26,415	(\$89,402)	
Debt Service	\$0	\$0	\$0	\$0	
Cash Flow	\$79,307	\$97,262	\$26,415	(\$89,402)	



APPENDIX 2  
NDC DISCLAIMER

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"):

The National Development Council is not a Registered Municipal Advisor as defined in Dodd-Frank and the Exchange Act and therefore cannot provide advice to a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including structure, timing, terms, or other similar matters concerning such financial products or issues.

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