

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



Rendering of proposed residential condominium building

PROJECT APPLICANT AND NAME

RXR Garvies Building F Owner 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 11, 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 RXR Garvies Building E & F Owner 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.

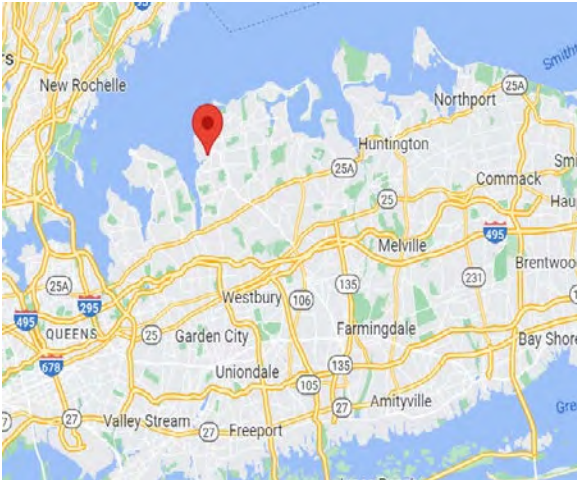
The proposed project is a 56-unit, 70,617 square feet, affordable “for sale” condominium housing development, to be situated at Site G, a 2.34± acre parcel, situated on the west side of Dickson Street, north of Herb Hill Road is part of a comprehensive transit-oriented waterfront master plan led by RXR 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 between 80% - 100% of the Area Median Income (“AMI”). The Area Median Income (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 between 80 -100% of AMI if a household whose income is at or below 100% of AMI can live there without spending more than 33% of their income on housing costs.

The preliminary targeted sales prices in order for the units to be affordable to households earning between 80% - 100% of AMI are the following for this development.

HOMEOWNER SALE SUMMARY	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	\$457,997	\$532,811



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 (\$200,000 per unit) from New York State Homes and Community Renewal (HCR) through its updated Affordable Housing Ownership Program (AHOP), HCR recently revised the program to increase the subsidy from \$50,000 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 56 units are expected to be 90% mortgage, through a first-time homebuyer mortgage from State of New York Mortgage Agency (SONYMA) and 10% equity form 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%
TOTAL	\$35,236,084	\$413	\$629,216	100%
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%
TOTAL	\$30,365,000	\$356	\$542,232	86%
GAP	(\$4,871,084)		(\$86,984)	14%
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%
TOTAL	\$30,365,000	\$356	\$542,232	86%
GAP	(\$4,871,084)		(\$86,984)	14%



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 roughly \$87,000 per unit. The developer reports that the sales prices will not likely be able to be increased, as it needs to demonstrate that the units are affordable to households earning between 80 - 100% Area Median Income (AMI). The AMI for Nassau-Suffolk County SMA is reported at \$156,300. AMI influences the extent or amount that the homebuyer can pay toward housing costs, and can impact unit pricing, financing costs, real estate tax affordability, or all three elements.

As can be seen below, 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. They sale prices may be adjusted upward, but with limitations in order to be compliant with NYS HCR guidelines.

AFFORDABILITY ANALYSIS		1 BR	2 BR	3 BR
Mortgage		\$273,125	\$327,750	\$377,625
Homebuyer Equity		\$14,375	\$17,250	\$19,875
Target Affordable Sale Price		\$287,500	\$345,000	\$397,500
Monthly Principal and Interest Payment		\$1,726	\$2,072	\$2,387
Monthly Real Estate Taxes		\$347	\$355	\$371
Monthly Condo Fees		\$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 increased 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 \$86,000 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 \$2,265,345.

GLEN COVE IDA BENEFITS	
Construction Loan	\$19,165,000
Mortgage Recording Tax (MRT) Less MTA	0.75%
MRT Savings	\$143,738
Construction Costs	\$24,598,350
Sales Tax	8.625%
Sales Tax Savings	\$2,121,608
Total IDA Benefit	\$2,265,345

Given the fact that there is a \$4.8 million gap, there is a need for these 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 savings realized as a result of IDA benefits 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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