



September 11, 2018

Nels Bohn, Director of Community Development
Ithaca Urban Renewal Agency
108 E. Green Street
Third Floor, City of Ithaca (City Hall)
Ithaca, NY 14850

Re: Green Street Garage Mixed-Use Redevelopment - Response to IURA Questions

Dear Mr. Bohn,

We are pleased to respond to your questions dated August 31, 2018. We'd first like to reiterate our strong interest in the project and our unique fit with all of its requirements. We have been in dialogue with the City and its various constituents – including the Strategic Tourism Planning Board – for over a year now. So, we are clearly committed to the project. We'd also like to apologize to anyone who felt that we did not provide enough detail at your last meeting. We mistakenly assumed that most had seen our prior presentations and were fully aware of our offering given our year plus involvement with this effort.

As we originally presented with our February submission, we provide a comprehensive development solution that:

- Fully replaces the Green Street Garage's structurally deficient sections and provides 450 parking spaces back to the community.
- Adds a diverse unit mix of 404 residential units to serve the unmet demand in market rate and affordable housing in downtown Ithaca.
- Provides a well-conceived community center based on much interaction with Strategic Tourism Planning Board.
- Provides an opportunity for retail and activation along Green Street.

We are glad to further clarify our proposal with anyone who feels that they need more information. Please see below for our responses to your recent questions:

Quantified Public Benefits

Your submitted application form quantified the Net Present Value (NPV) of community benefits provided by your proposal at \$17,273,713. Please identify the benefits and provide your calculation for this NPV. Please specify any projected cost savings your proposal offers to the City for construction/renovation of public parking (excluding parking reserved for tenants).

Our calculation above is solely based on the cost to replace the deck which will be borne by us fully as developer. We also relieve the City of on-going maintenance, repair costs, and operating expenses associated with the deck. If we include these and the additional sales tax, lodging tax, and ultimately property tax to be generated by our project, the community benefits are considerably more than the cost

of replacement. Simply quantifying the affordable component of our offering provides approximately \$5.8 M in NPV of reduced rents to Ithaca's affordable residents.

The addition of our community center (with potential to grow this to 30,000 square feet) and efforts to enliven Green Street with additional retail offerings, provides tangible and intangible benefits to the City of Ithaca well beyond the prescribed benefits above. We are the only proposal that includes a community center and retail on Green Street addressing both east and west ends of the parking garage. See the attached Exhibit A for a potential revised plan for the Green Street ground floor. We also stand to create significant jobs during construction and thereafter with permanent additions in employment and the rental housing needed to support downtown Ithaca's growth.

We have the only proposal that offers to fully replace the structurally deficient east and west sections of the Green Street Garage to restore their structural integrity and provide a total capacity of 450 parking spaces. Without full replacement of both of these sections, the life span of the existing parking garage and the parking capacity is very limited.

Project Site

Please clarify the western boundary of the site you seek to acquire. If the project site to be acquired extends significantly beyond the current parking structure, please clarify the proposed uses and management of the westernmost portion of the site nearest City Hall.

The western boundary of the site that we seek to acquire is the current western boundary of the existing parking deck. Our plan does not impact the existing surface parking lot serving City Hall. We also maintain full access to the alley in between the parking deck and buildings fronting the Commons.

Parking Demand

Please estimate the parking demand created by your project for residential use and non-residential use. Please include an estimate of daytime and night time peak parking demands. How much of this demand is satisfied by parking to be construction/rehabilitated by McKinley and reserved for tenants?

We estimate that our 620 residents will demand up to 250 parking spaces based on our experience with similar projects. However, some of this demand could be met by the lower cost Cayuga Street Garage for those who do not need their cars on an everyday basis. Residential demand will be variable throughout the day allowing a portion of our spaces to flex to retail and other parking uses during business hours. The hotel will continue to have access to 90 spaces as it does today and those too will flex. Overnight guests are required to display sticker for use of these spaces, otherwise they are available to the general public for 3-hour temporary use. The remainder of the spaces will be generally available to the public. We also have the ability to reserve a number of monthly spaces for surrounding businesses and residential properties. Upon selection as developer, we will engage a parking consultant to further validate these assumptions along with input from the City.

One key component of our garage design is that we have accommodated a future conversion of the upper floor of our parking deck to other uses in the event that the future demand for parking is less than what it is today. In many of our mixed-use projects, we are seeing reduced demand for parking across all uses – residential, retail, and office – given the advent of ride sharing and other transportation alternatives. Where possible, we try to accommodate future uses of parking infrastructure to stay ahead of this growing phenomenon.

We have underwritten the parking garage assuming existing parking rates and revenues. So, our plan is to maintain the City's preferred public parking rates and offer monthly rates to our residents and surrounding businesses. We will engage a professional parking operator to operate the garage as we have done on other mixed-use projects. Given the surplus parking available with the Cayuga Garage, we anticipate integrating this facility for valet and overflow parking needs should they occur.

Our construction of the garage has been well planned to maintain its use in phases while the east and west sections are replaced. The center section is to be mostly operational during all construction phases. We will initially demo the east section of the garage leaving the center and west sections usable during this phase. We will next demo the west section of the garage leaving the center section operational. The center section will remain operational until we need to shore it to support the additional parking levels above it. Once this is complete, our goal is to return the entire deck to operational while we complete the residential levels above. In the interim, we see an opportunity to use the Cayuga Street garage to support the phasing of construction. Much of this still needs to be finalized with the City as we further analyze these scenarios.

Affordable Housing

The revised proposal increases the number of affordable housing to 41 studios at 75% AMI rents – 10% of all units. You indicate a willingness to consider an enhanced affordable housing model if additional financial assistance is made available.

Policy guidance provided by the City of Ithaca Planning and Economic Development Committee suggested that a minimum of 50-60 units of below-market rate housing will need to be incorporated into a project to gain Common Council approval. Additionally, the IURA has made clear their expectation that affordable housing units in the project must be distributed across all unit sizes included in the project.

Please provide the additional financial assistance necessary for your project to increase below-market rate housing in the project. Please provide your calculation for this financial gap.

We spent considerable time evaluating the Ithaca housing market and understanding its greatest needs. Based on the City's own commissioned Danter Company study, it has been determined that an unmet demand for over 1,800 market rate apartment units exists in Tompkins County. As for downtown Ithaca, the study determined that an additional 1,000 rental units will be needed in the next five years. Given this study's findings and our own market analysis, we've programmed our residential offering to help address this supply shortfall while also addressing the region's affordable housing needs.

Similar to our recent developments in Charlottesville, Virginia, Chicago, Illinois, and Boston, Massachusetts, we have identified a void in the Ithaca housing supply that appears to be in strong demand – reasonably-priced efficient units to serve the area workforce, university faculty/staff/employees, and graduate students. As a comparison to the City Center project, our market rates are 6% to 29% lower on a unit basis allowing us to be competitive and affordable for even our market rate residents. Our market rates are only slightly higher than the City's own 100% AMI rents for our studios and one-bedroom units.

To establish our affordable offering, we consulted with INHS on multiple occasions to determine the City's greatest needs and how those needs could be met as part of a larger mixed-use development. Through these discussions, it was determined that the strongest affordable demands in the City are between the 80 and 100% AMI rent levels. Based on this feedback and given the dependencies and durations for INHS

to procure its own funding, we volunteered to incorporate 10% of our units as affordable with an average rent at the 75% AMI level. These units are to be distributed throughout our building and financed as part of the broader mixed-use project. This approach eliminates our dependency upon INHS receiving multiple rounds of public financing for the affordable housing component and expedites our ability to deliver the project within a reasonable timeframe. We are the only proposal that includes financing of the affordable component as part of the overall financing effort. Our preference is to engage INHS for enrolling and vetting our affordable residents.

We are willing to provide up to 60 units (approximately 15% of all units distributed across our studio, one bedroom, and two-bedroom unit types) at an average rent based upon 75% AMI if desired by the City. In order to recover the lost rental income from our base case of 41 studio units with average rents based upon 75% AMI, the project will need an additional 30% abatement (above and beyond the baseline Property Tax PILOT) on the full market value of the housing component for a 30-year period to accommodate 60 affordable units. This assumes that our baseline, unabated tax load, is \$1,650,000 in operating year 1. If the City desires more affordable units than this, the project will need additional public subsidies and/or affordable housing grants which could delay the project's financing and construction schedule.

Incentives – Property Tax PILOT

Please confirm if the local incentive assumed in your proposal is the CIITAP incentive program (up to 10-year tax abatement on new valuation, sales tax exemption and ½ mortgage recording tax exemption). If not, please specify the terms requested.

We have assumed a standard 10-year tax abatement on new valuation, sales tax exemption and ½ mortgage recording tax exemption in our base case proposal. To accommodate the additional affordable request as mentioned above, the project will need an additional 30% abatement (above and beyond the baseline Property Tax PILOT) on the full market value of the housing component for a 30-year period.

We simply have provided the most comprehensive proposal to the City's RFP and stand ready to execute upon our plan once selected. We greatly appreciate your consideration of our proposal.

Best Regards,



Jeff Githens,
President
McKinley Development Companies, LLC (DBA Peak Campus)
Ithaca-Peak Development, LLC

Exhibit A

