

November IURA Questions/Issues to the Two Top-Ranked Project Sponsors

At their October 25, 2018 meeting, the IURA selected proposals submitted by Vecino and Visum/Newman Development Group as the two top-ranked projects. Prior to making a final single preferred developer selection, the IURA offers the opportunity to the top-ranked projects to clarify aspects of their projects and make any revisions to further enhance their project.

To this end, please address the following issues/questions and submit responses no later than **3 PM, Friday, November 30, 2018.** Additionally, please describe any new project enhancements you wish to offer.

1. Public Grant Funding

Vecino anticipates receipt of \$10 million in “grant” funding for the public/private project and the Visum/Newman expects receipt of \$2 million of grant funds. If only 50% of grant funds requested are awarded, please explain how such reduced grant funding would impact your project. In your response, please include a listing of any physical changes to the project, especially identifying any elements to be omitted or significantly reduced. Additionally, please address how reduced grant funding would impact financial feasibility of the project and update any increased costs to be borne by the City, the conference center sponsor, or a non-profit entity owning public parking under this scenario.

2. Transient & Long-Term Residents

Many households composed of undergraduate college students qualify for income-restricted housing units and may potentially compete for housing with retirees and residents employed in the local workforce seeking long-term affordable housing. Based on your prior experience and project design, please discuss your expectations regarding the breakout between transient and long-term residents to be living in the project. Does the project include any policies to manage the balance between transient and long-term residents?

3. Local Labor

Both developers have committed to utilize local construction labor. Please explain what concrete steps you plan to utilize to maximize local labor utilization and estimate the minimum percent of local labor you expect will be utilized on the project.

Local labor is defined by the Tompkins County Industrial Development Agency as any worker on the project residing in Tompkins County or any of the six contiguous counties of Cayuga, Seneca, Schuyler, Chemung, Tioga, and Cortland counties as defined by zip codes. Take note that “local” is not defined by the business address of a contractor, but rather the address of each individual worker.

4. Ithaca Green Building Policy

The City of Ithaca recently adopted the [Ithaca Green Building Policy](#) to reduce greenhouse gas emissions from new construction. The policy is expected to be converted into legislation prior to building permits are issued for project construction. Discuss how your project complies or deviates from the Ithaca Green Building Policy, and identify any significant unanticipated project costs or savings.

Policy compliance pathways are summarized on the following table:

EASY PATH - Buildings must achieve six points			
Category	Improvement	Points	Details
EFFICIENT ELECTRIFICATION			
EE1	Heat pumps for space heating	2 - 4	2 points (Commercial) or 3 points (Residential) for air source heat pumps. 3 points (Commercial) or 4 points (Residential) for ground source heat pumps.
EE2	Heat pumps for domestic hot water	1	1 point for water heating systems that use heat pumps (Residential).
EE3	Electric stove and ventless heat pump clothes dryer	1	1 point total for electric stoves AND ventless heat pump clothes dryers (Residential). Requires EE1 as prerequisite, and no fossil fuels in the building.
AFFORDABILITY IMPROVEMENTS			
AI1	Smaller building/room size (residential/hotel)	1 - 2	1 point for building/room size 15% smaller than reference size. 2 points for building/room size 30% smaller than reference size.
AI2	Heating systems in heated space	1	1 point for placing heating/cooling systems and distribution inside actively heated and finished spaces.
AI3	Efficient building shape	1	1 point if exterior surface area divided by gross floor area is less than maximum value provided in table.
AI4	Right-lighting	1	1 point for reducing overlighting and other lighting improvements (Commercial).
AI5	Modest windows with views and natural light	1	1 point for overall window-to-wall ratio less than 20% (individual spaces may exceed 20%).
RENEWABLE ENERGY			
RE1	Renewable energy (non-biomass) systems.	1 - 3	Electric Systems (on-site or remote): 1 point per 1.2 kwh/sf/year renewable energy capacity (Residential) or per 2.4kwh/sf/year (Commercial). Thermal Systems: 1 point per 4.0 kBtu/sf/yr renewable energy capacity (Residential) or per 8.0 kBtu/sf/year (Commercial).
RE2	Renewable energy biomass	3 - 4	3 points (Commercial) or 4 points (Residential) for approved biomass space heating systems.
OTHER POINTS			
OP1	Development density	1	1 point for density of more than 7 dwelling units per acre.
OP2	Walkability	1	1 point if the property is on the walkability map.
OP3	Adaptive reuse	1	1 point for substantial re-purpose of existing building.
OP4	Meet NY Stretch Code	1	1 point for complying with 2015 NY Stretch Energy Code
OP5	Custom energy improvement	1 - 2	1 point for each 1.2 kwh/sf/year (Residential) or 2.4 kwh/sf/year (Commercial) reduction in energy use. Prerequisite: no fossil fuels.
WHOLE BUILDING PATH			
WB1	Comply with recognized high performance building standard	N/A	Commercial: Passive House OR min. 17 energy points per LEED V4. Residential: Passive House OR RESNET HERS/ERI max. 40 points OR National Green Building Standard min. 80 energy efficiency points
WATER EFFICIENCY REQUIREMENTS			
WE1	Use EPA Water Sense/ other efficient fixtures	N/A	All buildings must meet this requirement, regardless of which compliance path is used.

Table 1. Easy Path Summary Table

To comply with the policy, all new buildings must meet the requirements of either the Easy Path or the Whole Building Path, and meet the water efficiency requirement, as summarized on the previous summary table (page 6 of the Policy document). Please review section 2.10 of the Policy for detailed requirements. Please note that compliance with a national “green” certification, such as LEED, does not guarantee compliance with the Ithaca Green Building Policy, which focuses on mitigating climate change.

5. Ithaca Downtown Urban Design Guidelines

Recognizing that the project is in the very early stages of design, please discuss how you anticipate your project to conform to the [City of Ithaca Downtown Design Guidelines](#). Please note if compliance with the design guidelines will require changes to the preliminary design or significantly increase project cost.

6. Project Enhancements

Please identify any additional project enhancements you propose that increase public benefits.

Specific Issues for Visum/Newman Only

A. Affordable Housing

In your October 19, 2018 response, you indicated the possibility of modifying the proposal to include approximately 25 more affordable housing units via a modified financing plan utilizing 4% ‘by-right’ LIHTCs rather than 9% competitive LIHTCs. All other things being equal, increasing the affordable housing count to 75 units increases public benefits from the project.

If you propose to increase affordable housing, please indicate so and submit a revised financing plan and rental housing profile. Address how the financing plan compares to your understanding of New York State term sheet guidelines for financing 4% ‘by-right’ LIHTC projects. Please clarify any changes in the income categories of households served by the affordable housing, if any. Finally, please explain how the addition of 25 additional housing units impacts any other aspects of the project.

B. Conference Center

Your project does not currently include a conference center. Do you have any advice on how an approximately 30,000 SF conference center could be included at the Green Street Parking Garage site? Is it feasible to incorporate the conference center within your project? If so, what are the pros/cons of including a conference center? If feasible, please provide a concept plan and estimate out the annual rent and lease term required to support this element (please specify the assumed level of landlord improvements). Additionally, please indicate how a conference center would impact the remaining project program, such as the total number of housing units or amount of ground floor retail use.

C. Property Tax Revenues

Due to the requested deep, 30-year property tax abatement requested on the project, annual City property tax revenue generated from the mixed-use commercial/192-unit workforce housing element are quite modest. Projected City property tax revenues in year #10 appear to approximate \$80,000, which is roughly equivalent to property tax revenue received from the much smaller, nearby 46-unit Lofts at Six Mile Creek project.

It is not clear why a 30-year PILOT is required to achieve financial feasibility on the mixed-use component when the project is projected in year #10 to generate a sufficient NOI to provide a 1.37 Debt Service Coverage Ratio (DSCR) and a Cash-on-Cash return on equity of approximately 16% prior to any tax abatement.

Reducing the term of your requested tax abatement could significantly increase public benefits derived from your project. Do you propose any modification to your original proposal regarding the requested tax abatement? If so, please specify the minimally required local incentive.

Specific Issues for Vecino Only

A. Family housing

The project includes the following unit sizes:

Type	Number	%
Studio	14	7%
1-bed	152	73%
2-bed	33	16%
3-bed	10	5%

80% of units are 1-bed or less in size, with 43 units sized for families with a child(ren). Members of the public have expressed an interest to increase the number of units available for families. Is increasing the number of 2-bed and 3-bed units a feasible option? If so, how would it impact the total unit count, project design and project financing? If not feasible or inadvisable, please explain how the proposed unit mix was arrived at.

B. Eastern Third of Garage - Restoration

Your project excludes the eastern third of the garage located closest to the Marriott hotel, which will need restoration to extend its useful life. You have indicated a willingness to include restoration of these parking decks in your project subject to a city lease of this parking and rental payments sufficient to secure bank financing and cover the construction costs. Please calculate the lease terms you would require to include a 30-year restoration of the eastern

section of the garage in your project. Assume the restoration costs for Option 3 in the [2016 Stantec Structural Analysis](#) Report:

\$4,023,000	Construction w/overhead & profit & 20% contingency
\$95,000	5-year anniversary repair & maintenance
\$344,000	10-year anniversary repair & maintenance
\$97,000	15-year anniversary repair & maintenance
\$344,000	20-year anniversary repair & maintenance
<u>\$147,000</u>	25-year anniversary repair & maintenance
\$5,050,000	

Please provide both a lease rate for only the eastern section and a blended lease rate for all parking in the project to be constructed/restored and leased to the City.

C. Preliminary Building Code Review

Building plans submitted to date are conceptual, which is acceptable. As a top-ranked project, please investigate basic fire, building, and energy codes and [city housing standards](#) for issues that may significantly modify project cost or reduce the number of housing units provided. Please consider the general issues of fire egresses, housing standard space requirements and occupancy limits, and whether any retrofits to the existing garage would be required due to upper story residential use or adjacent assembly use. Please share the results of your review.

END

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