



MINUTES

PROJECT DEVELOPMENT COMMITTEE MEETING

Thursday, November 17, 2022 – 9:00 AM

Zoom Videoconference

Dulles State Office Building

317 Washington Street, Watertown, New York

The Development Authority of the North Country Project Development Committee met in regular session in person and via Zoom Videoconference, at the Dulles State Office Building, 317 Washington Street, Watertown, New York on Thursday, November 17, 2022 at 9:00 am.

Committee Members - Present

Alex MacKinnon, Chairman
Nancy Henry
James Hollenbeck
Eric Virkler *
Thomas Hefferon

Committee Members - Absent

Mark Hall
Steve Hunt

*Attended via videoconferencing

Other Board Members Present

Margaret Murray – Board Chairperson
Dennis Mastascusa
Kenneth Bibbins
Mary Doheny

Staff Present:

Carl Farone, Executive Director
Michelle Capone, Director of Regional Development
Matt Taylor, Senior Project Development Specialist
Angela Marra, Executive Assistant

Guests:

Dave Carlon, Consultant, Newmark

1. A. MacKinnon called the meeting to order at 9:01 AM.
2. M. Capone introduced M. Taylor, Senior Project Development Specialist with the Development Authority, who works with many of the Authority housing programs and is a representative on the Points North Housing Coalition. She continued with an explanation of the twofold purpose of the study results being presented today; to have a better understanding of the market since COVID, and to provide a senior housing analysis. This study is specific to the Watertown/Fort Drum housing market, and can be shared with developers to help make decisions about how they may like to move forward.

M. Capone introduced Dave Carlon with Newmark Valuation & Advisory. She explained that Newmark was selected for this study because they have significant experience with the housing market in the North Country.

3. D. Carlon offered a brief background of his history and the previous market studies he has worked on in Watertown and the Fort Drum region. He also reviewed different terminology, such as affordable housing, public housing, subsidy housing, workforce housing, and area median income (AMI).

D. Carlon continued with explaining that much of the public housing, or deep subsidy housing, was built in the 1960's and 70's and the state has been allocating money for preservation and renovation of these already existing facilities. New construction is mainly being seen in middle income or workforce housing because there is more funding available to developers in these areas.

M. Doheny arrived at 9:14 am.

D. Carlon explained that for this study they were asked to take a look at the current market and evaluate what had changed since 2017 when the last study was completed, and determine what is needed going forward so that the Authority funds can be allocated to the proper types of projects. The first notable change was that Fort Drum has stabilized its troop strength and deployments. COVID has also helped stabilize the market because people were not able to move and evictions weren't allowed until March of 2022, but this may result in significant changes over the next 6 to 12 months as restrictions have lifted. There is also not a growth in population meaning the additional housing would pull from the existing population resulting in movement from substandard housing to newer construction. Substandard is not poor quality or in disrepair, but not the same level of amenities or finishes as new housing.

K. Bibbins left the meeting at 9:27 am.

D. Carlon continued with the findings from this study, specifically the mental health population and homeless, and there not being many options available to provide them with the services and supportive housing they need. The state has allocated many funds toward new projects that can provide housing with these supportive services to help them successfully find a place to live. Delinquency is another problem that has grown since COVID as many were told to not pay their rent, and while it isn't currently being discussed or presented as a major issue it is going to move to the forefront in the near future. This is a problem being noted with the Watertown Housing Authority, and will soon trickle down to workforce housing projects and market rate projects.

He continued by reporting that occupancy levels have stabilized from affordable housing to market rate properties, showing this is a very stable market and a need for more affordable housing because the current situation could be considered substandard. In the study area, a 30-mile radius from Fort Drum, there is an unmet need in this market for affordable housing from 0% to 60% of AMI for 730 apartment units. They suggest targeting families with an income at or below 60% AMI for 460 of these units. The other 268 units could be designated as below 30% AMI, targeting the homeless or mentally disabled population. They would need staffing dedicated to supportive housing services to maintain this population base and a rental subsidy to offset the stated rent. As developers come through the market, this information can be used to ensure their criteria meets the determined need.

M. Taylor asked if the percentages of tenants that may be facing possible evictions or having to move because of other COVID related things were factored into the reported

high occupancy numbers. D. Carlon responded no, but there is at least a 5% to 15% swing on units where tenants are at risk. He further stated that if 15% of the rental units are evicted they will need to move somewhere, but for this study they only reviewed whether the unit was vacant or occupied. This is another reason the market appears to be stable right now, because people can't move because they either owe money or are in the process of being evicted. With a stable market there is not much availability meaning there is no place for them to move into.

E. Virkler left the meeting at 9:38 am.

M. Capone stated that the rent in the Watertown/Fort Drum market are higher than what some can afford, and this plays into the movement discussion with the fact that people will begin looking for truly affordable housing.

M. Murray asked if affordable housing included utilities, or if that is extra. D. Carlon responded that every property is different. There is a utility allowance where the utility bills are studied based on average use to determine allowances for heat and electric. Then when affordable housing projects look at the cost of housing utilities they determine what would be included, but this may or may not be included in the actual rent.

T. Hefferon stated that he has managed these type of projects before and there were times he would cut checks back to the tenants based on a formula and a reimbursement. D. Carlon commented that this is more common in deep subsidy public housing where the federal government sets all the rent, rental subsidy, and utility allowance.

M. Capone suggested we move to discuss the senior study.

M. Doheny asked what the difference is between the two reports. D. Carlon responded that the first report focused on the population from 18 to 62 years old focusing on a family-type workforce environment, while the senior specific report focuses on the 62 and older to see if there is a need for housing in the senior population.

D. Carlon continued by stating there is not as much delinquency in the senior market because most seniors use sources other than work income to pay their rent, and statistically seniors are more diligent in paying their bills. However as the population ages they require more services. There is an aging population in our community without much new housing built. Many seniors are still living in their homes and they are becoming overburdened with cost and maintenance resulting in them moving from homeownership to rental properties. Sometimes this results in them living in a facility that isn't geared toward providing what they need. There is a need in this market for 186 additional affordable senior housing units. Most of the senior housing in the area has been renovated, but nothing new has been built in the market.

K. Bibbins returned to the meeting at 9:48 am.

A. MacKinnon expressed a concern in regard to affordable housing maintenance, and the rental number is not based on operational costs. He further stated he would like to see funding be available for landlords to fully capitalize reserves at the beginning of a project to be able to fully renovate properties in 20 years rather than focus on building new places, especially in a fairly stable market. D. Carlon responded that the state's objective has been preservation of very-low income housing, as opposed to public

housing. Preserving or renovating very-low income housing that was built in the 60's and 70's allows for those projects to be updated and brought to current standards. This is a big objective right now and funding is being provided to housing authorities who are then partnering with the private sector to convert these things to become more well-managed and well-run. Due to their standards being different from the housing authorities, it is much cheaper for the private sector to operate a facility. Over the past 30 years housing authorities have operated these facilities and used their resources on the operating side rather than to maintain them. M. Capone stated that, all of these projects are different, some are on the subsidy side and some on the construction side and we're looking at how much can be subsidized for them to have cash flow to be able to put money into maintenance or operating reserves.

M. Doheny asked if they are required to maintain maintenance and capex for preservation. M. Capone responded that it depends on the funding source as some may require an operating reserve and a replacement reserve, some just one or the other. They do have maintenance budgets but they are usually for turnover or day to day things within the units. A maintenance reserve can include such things as large appliances, carpets, and paving. M. Taylor added that the projects that were financed 20 to 30 years ago were structurally flawed and didn't allow them to put away enough money in reserves to fix them. D. Carlon also stated that the calculation to establish what goes into a reserve fund does not consider a total renovation of the apartment every 15 years, only the replacement of what is already there.

M. Doheny asked if we are going to face a greater need for renovation costs versus new build. M. Capone responded that we have been spending our money on a greater need for renovation over the last five years. She used the example of DGGL in Gouverneur and Bateman where renovations have been done. She further cited Cambray Housing as a new build because the old units were demolished and new units were then built. M. Capone continued by explaining that the Authority's roll has typically been filling the gap after the state figures out how much is needed to complete a project, however we are attempting to be seen more as a partner than a money source.

M. Murray asked if these renters pay a security deposit. M. Capone explained that they do in some cases, but it is minimal based on affordability. This is also a unique market because in the private market the rates can be set to the soldier's basic allowance for housing. When previous projects were done, the rent was set at the highest level of affordability the state would allow. Being set at the highest level, even though at 90% of the income, people within the 90% may not be able to afford this rent resulting in them not truly being affordable resulting in a need for actual affordable units. She further explained that no one is suggesting we go out and build 731 units, and that this study helps to justify the need for these types of housing and why these projects are important. The Authority could help fund these projects, but the state has a great deal of available funding too. Moving forward we will share this report with places such as the Points North Coalition and Jefferson County Homeless, we will work with developers to help guide projects that come to us.

M. Doheny asked where in that process is the Authority's role. M. Capone responded that we provide long-term financing for hard costs or construction costs, upfront before development. We are also helping with the cash flow of the operations, resulting in these people being able to be in this housing. While cash flow based loans are not ideal, we want to support housing for the lowest income individuals. Also, now that we know there

is a need for senior housing we can work with developers to identify locations suitable for this housing development too.

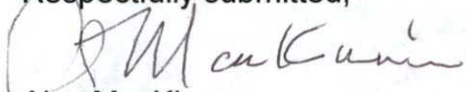
M. Capone concluded the meeting by reiterating why the study was done, and how our funds can be utilized. She further stated that we have good fund balances and plan to continue to look for projects while being as creative as possible within this unique atmosphere to help fill the gaps. M. Taylor stated the model we use when looking at developers looking to build new housing is to help them be affordable asking if there is a long-term project subsidy attached to it.

A. MacKinnon stated that when they build the building, they have to be able to pay the depreciation. They also need to pay to replace carpets or appliances and this money will either come from the rent, the state, or the federal government. If this is not done, this will be a property that is eventually torn down.

D. Carlon commented that in order to build affordable workforce or affordable senior housing, where your starting target is 50% to 60% AMI population where the tenants are actually paying the rent results in there being no rental subsidy because there is very little cash flow to the property owner. The subsidy would have to be provided on the development side so they would not need to take out a mortgage because the rents are so low. A scoring objective of the state when they are looking to finance or fund a project is local support, meaning their city gives them a pilot and the Authority is giving them funding, they will be graded higher against all the other projects in the state. This is a very competitive market with only 20 projects being funded last year from 75 submissions.

4. The meeting was adjourned at 10:16 AM.

Respectfully submitted,



Alex MacKinnon
Project Development Committee Chair