



January 17, 2025

Jesse Bodine
District Manager
Manhattan Community Board 4
424 West 33rd Street, Suite #580
New York, New York, 10001

Dear Mr. Bodine,

On behalf of the NYCHA, Essence and Related Companies, the PACT partners for the Fulton Elliott-Chelsea redevelopment ("FEC"), this letter is in response to the questions posed in your email dated December 13, 2024. Some of these questions were addressed in the presentations to the CB4 Land Use Committee meeting on December 16, 2024.

The relevant questions that are answered are those that apply to the proposed project that has been approved by the NYCHA Board subject to the ongoing preparation of an Environmental Impact Statement ("EIS"). Questions around alternate plans are not addressed here. The various other alternatives, including those involving renovation, are being studied as part of the EIS and that data can be viewed in the Draft EIS ("DEIS") when it is completed and released. Thank you.

Costs and Financing

- 1) In NYCHA's history, what has been the highest cost-per-unit that NYCHA has paid for a gut renovation in any NYCHA?

Response: NYCHA does not pay for the renovation. The PACT program enables partner teams to raise debt to pay for renovations at each site. These costs vary due to the capital needs of the development, development typology, interest rates, construction costs, and a number of other factors. In addition, PACT rehabilitation projects are generally conducted with tenants in place and referred to as substantial rehabilitations – not gut renovations. Additional information regarding hard and soft costs and unit counts for each of NYCHA's converted PACT projects can be found here:

https://www1.nyc.gov/assets/nycha/downloads/pdf/PACT_Dataset.pdf

- 2) Will the revenue from the project's mixed-income component be dedicated to rebuilding and/or maintaining the FEC buildings? If so, what percentage? And how will any excess be used?

Response:

Both NYCHA and the project benefit from the value created from the project: if the financing plan for the replacement buildings require it and there is a gap in replacement building financing (due to, for example, HUD rents being lower than requested), the value of the future Mixed Income land will be leveraged to help fill any resulting gap in sources. It is a better outcome for all stakeholders for the current anticipated financing sources to be available as planned rather than fully leveraging the Mixed Income land value to fill potential gaps in replacement building financing. Maximizing other more efficient sources of funding means that there may be more flexibility for the Mixed-Income land value to be invested towards more affordability and provide a more impactful investment into the proposed project.

In all circumstances, revenue generated by the ongoing operation of a building will be sufficiently reinvested into the long-term sustainability of the building and residents of Fulton Elliott-Chelsea as needed. To be clear, for each new building, any excess cashflow will be first reserved for necessary capital improvements before any distributions to NYCHA. Thus, NYCHA can't use funds required for the project towards NYCHA's general needs.

With respect to the Mixed Income land and buildings, NYCHA will reinvest any excess value into those projects as a participant in the project, which ensures both that the value of the land is retained in the neighborhood to facilitate the Mixed Income components of the project but also provide for NYCHA's long-term participation in the revenue generated by the project.

- 3) To better explain the \$556,000 per unit estimated average cost of renovation, please provide a breakdown of the per-unit renovation cost for each of the Fulton Houses, Elliott Houses, Chelsea Houses, and Chelsea Addition.

Response: Not relevant to current proposed project. The current proposed project contemplates the full redevelopment of each campus.

- 4) Will NYCHA be releasing a detailed building-condition and cost survey to better explain why these developments can't be renovated at comparable costs to similar NYCHA projects like the Williamsburg Houses?

Response: NYCHA does not plan to release this type of report.

- 5) What is the projected annual rent-roll revenue for the 2056 RAD units? Is the baseline assumption based on HPD's fair rental value?

Response: Rent roll revenue projection is not finalized.

- 6) How much equity (as a percentage) is Related expected to contribute, and has this changed with revisions to the RFP scope.

Response: Developer's equity commitment of \$63.4M of equity is outlined in the MDA, the same as in the original RFP proposal.

- 7) What is your expected bond term? Will it be 10 years, 20 years, or 30 years?

Response: Bond term is expected to be 33 years.

- 8) Is NYCHA and the Development team able to negotiate bond terms while NEPA is still in its early stages? What gives you confidence in the NEPA decision aligning with your preferred outcome?

Response: No negotiations have begun regarding bond terms, and the decision to negotiate bond terms prior to the completion of the environmental review will be made at a future date. We do not know what the outcome will be but to keep the project on schedule and not delay the construction of new homes for FEC residents, the development team is progressing on predevelopment activities and continuing to engage and plan in partnership with residents.

- 9) What are the terms of the ground lease for Phase 2? Will it be a flat fee or ongoing payments? Will the ground lease be periodically revalued, and if so, how often?

Response: Phase 2 ground leases are expected to have similar terms as phase 1 (both phases are part of the Replacement Project). There will be one upfront fee that will be financed by NYCHA. If the question is about the Mixed Income Project, the upfront fee for ground leases from NYCHA will be determined prior to closing of each site based on fair market value at that time.

Demolition and Construction

- 1) How tall will the NYCHA replacement buildings be?

Response: In the proposed project, the tallest building currently planned is 39 stories, but most are between 20-25 stories.

- 2) Has NYCHA ever wholesale demoed an entire development before, and if so, for what reason?

Response: Over NYCHA's 90-year history there are few examples of full demolition. These demolitions were completed under different HUD programs without the same type of resident protections, federal program support, and without a Master Development Agreement structured like the agreement between NYCHA, Essence, and Related.

- 3) What is the estimated cost of FEC demolition, including asbestos abatement, environmental mitigation, and site reconstruction?

Response: The estimated total development cost for the Replacement Project (including demo, asbestos abatement, environmental mitigation, Bridge Plan work, relocations, design, construction, FF&E, financing, etc) is approximately \$1.8B to \$1.9B.

Master Agreements and Reports

- 1) How does the public obtain a copy of the Master Development Agreement? Will NYCHA send MCB4 a copy?

Response: NYCHA has provided a copy to MCB4 and it has been posted on MCB4's website.

- 2) The RFP states that a third party will provide an Obsolescence Report. When will that report be conducted and how will the public be able to obtain a copy?

Response: Not relevant to current proposed project based on current HUD regulations.

Structural and Building Condition

- 1) Do any of the FEC buildings have significant structural defects, such as issues with concrete, steel framing members, slabs, or foundations, that are uncharacteristic of other NYCHA developments of their age?

Response: We are not aware of any specific significant defects of these kind.

- 2) When was the last Local Law 11 Inspection, and what repairs were needed/completed?

Response: Not relevant to current proposed project

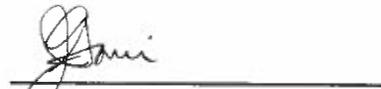
Sincerely,



Jamar Adams
Essence Development



Greg Gushee
Related Companies



Jonathan Gouveia
NYCHA

