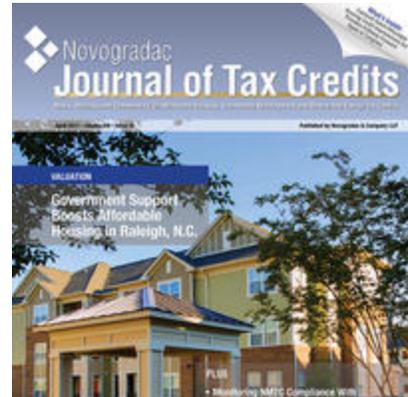


NMTCs, LIHTCs Bring Affordable Housing and Community Services to NYC's Lower East Side

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Three development entities came together with a vision to revitalize New York City's Lower East Side. That vision is a nine-site development known as Essex Crossing, which includes 1.9 million square feet of housing, retail, community service space and much more.

"The vision is to revitalize the Lower East Side," said Isaac Henderson, director of L+M Development Partners. L+M teamed up with BFC Partners and Taconic Investment Partners to form Delancey Street Associates, which owns and operates Essex Crossing.



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That vision is quickly becoming a reality. Essex Crossing Site 6 will be up and running in the third quarter of 2017. Site 6 is a 14-story building that will include 100 units of affordable housing for seniors and four floors of community service and commercial space. "Site 6 is part of a much larger community development plan," said Henderson. "It provides the community with everything it needs. Site 6 helps meet the need for deeply affordable senior housing. And it provides the neighborhood with ample community services. The building has that in spades."

The first four floors will house the community services and commercial space and the affordable housing will be on floors five through 14. Local community services provider Grand Street Settlement will provide onsite community assistance to the residents and the general public. Its community service space will be on the fourth floor and it will run a café on the first floor, called Grandlo Café at Essex Crossing. Grand Street Settlement, which recently celebrated its centennial, provides services from early childhood development through senior services in the Lower East Side and Brooklyn. It has a \$22 million operating budget to run programs at 34 sites with more than 450 employees.

"This is a rare opportunity to expand much-needed services in this neighborhood," said Robert Cordero, executive director of Grand Street Settlement. "We always have more demand than we can meet." Cordero was thrilled to be a part of Essex Crossing Site 6 for two reasons. First because space in Manhattan is at a premium. In addition, Cordero said it is rare to be able to custom design a building to meet the needs of the community the way it is being done at Essex Crossing Site 6.

Grand Street Settlement will use its space at Site 6 to expand services it already provides to the community. During the day, it will use its space for senior services, providing seniors with health and wellness classes, dance classes, bingo, tai chi, health care services and much more. Cordero said the space will allow Grand Street Settlement to serve residents of Essex Crossing, who will have elevator access directly to Grand Street Settlement's fourth-floor space, and the general public. In the afternoon and evening, it will open its doors to children and run an after-school program. "Having

a safe place for kids to go after school is essential,” said Cordero. Grand Street Settlement will offer science, technology, engineering and mathematics (STEM) workshops, computer literacy classes, summer camps, and more.

The Grandlo Café at Essex Crossing is a 2,500 square-foot space that Grand Street Settlement will run as a business open to the public while also using it for job training for 16- to 24-year-olds. “Being able to expand and enhance youth services, job training and workforce development is huge,” said Cordero. Grand Street Settlement expects to serve more than 200 people each year at its services space and more than 20,000 people annually at the café.

“Site 6 really is a home run from an impact perspective,” said Margaret Anadu, managing director, head of the Urban Investment Group at Goldman Sachs. She was thrilled to have Grand Street Settlement as a tenant, noting, “It has been an anchor in the community for over a century.” Goldman Sachs is one owner of the entire Essex Crossing development, providing \$200 million in sponsor equity to the project, including Site 6.

The second floor will feature a 55,000-square-foot medical facility leased by New York University Langone. It will include urgent care and multi-specialty physician practices. The third floor will have a 30,000-square-foot space that is not yet leased. Henderson said Delancey Street Associates is looking to lease to an organization to provide education services. Henderson said Delancey Street Associates may sell this portion of the development.



Image: Courtesy of Dattner Architects

Essex Crossing Site 6 is a 14-story building in New York City's Lower East Side that will include 100 units of affordable housing for seniors and four floors of community service and commercial space.

Floors five through 14 will feature the 100 affordable housing units for seniors, who will have direct elevator access to the fourth floor, where they will receive free services and care from Grand Street Settlement. The housing portion will feature a community room, laundry facility and much more. The mixed-income development will have 10 units at 80 percent of the area median income (AMI) and below, 69 units at 60 percent AMI and below, 20 units at 40 percent AMI and below and one superintendent's unit.

Henderson expects construction will be substantially complete in late 2017, with residents moving in to the housing portion before the end of the year. At press time, the shell of the building was complete as windows were recently installed.

Essex Crossing as a whole

In total, Essex Crossing will feature multifamily housing, office space, community space, a movie theater, a bowling alley, residential condominiums, a public park, a new Essex Street Market and a cultural facility. Half the 1,000 apartments at Essex Crossing will be affordable for low-, moderate-, and middle-income residents, according to Delancey Street Associates. Henderson said the Essex Crossing development will be completed in 2024.

Financing

Essex Crossing Site 6 was made up of two major transactions and a smaller third transaction, all three of which Wells Fargo had heavy involvement in funding. On the low-income housing tax credit (LIHTC) transaction, which financed the development of the affordable housing component, Wells Fargo provided \$25.8 million in LIHTC equity (\$23.3 million in federal 9 percent LIHTC equity and \$2.5 million in state LIHTC equity) and a \$16.9 million construction bridge loan.

With so many sources of funding, Duane Mutti, senior vice president at Wells Fargo, said, “This deal couldn’t get more complex.” But he said it was worth it. “There are not many opportunities to get this much done in one project,” said Mutti. “You have to do [a project like this] because you believe in the impact it will have on the community. It took all hands on deck.”

“We don’t get to do a lot of low-income housing and community benefit focused housing in the heart of Manhattan,” said Liz Oakley, vice president at Wells Fargo Community Lending and Investment.

On the new markets tax credit (NMTC) side, which helped finance the development of the New York University Langone medical center and Grand Street Settlement’s community service and café space, Wells Fargo provided a \$17.1 million leveraged loan, an \$11.7 million NMTC equity investment and a \$7.5 million NMTC allocation. L+M was looking for a bank that could participate in all the forms of funding and, “We could provide every piece,” said Oakley. Oakley said that partnerships played a big role in getting the development underway. She said Wells Fargo’s Community Lending and Investment group has worked with L+M on 17 developments over the past several years.

Low Income Investment Fund (LIIF) was another community development entity (CDE), providing a \$15 million NMTC allocation as well as a \$6 million leveraged loan. Kirsten Shaw, director, eastern region at LIIF, said that it was important that, “Everyone’s interests are aligned,” because Site 6 is made up of three different developments with three different capital stacks that are sharing the same building. “This is a long-awaited and high-impact project for lower Manhattan. We are excited to have the opportunity to be a part of it,” said Shaw. “Projects that combine affordable housing with services and other community support organizations are always a high priority for NMTCs.”

The third and final CDE is Enterprise Community Partners, which provided a \$12 million NMTC allocation. “Essex Crossing will bring so much to the Lower East Side—much-needed senior housing

combined with health services and nonprofit space, all of which will deeply benefit the community,” said Judi Kende, vice president and New York market leader for Enterprise Community Partners. “NMTCs and LIHTCs were fundamental to the completion of this development. They create jobs, bring services in and benefit people living in low-income communities.”

Goldman Sachs also provided a construction loan, a NMTC allocation and NMTC equity to the development at large. “Our focus is not just on the return, but on the social impact,” said Anadu. “This is a very significant plot of land in a great part of the city. This development was designed so that the space could be used to its fullest potential.”

The much-smaller third transaction covers costs for the 30,000-square-foot third floor that has not yet been leased to a tenant.

“Essex Crossing Site 6 will have an immeasurable impact on New York City’s Lower East Side,” said Matt Meeker, partner in the Dover, Ohio, office of Novogradac & Company LLP, which provided the NMTC financial forecast and consulted on the tax structuring for this development. “It is rare to see a single development that offers this many services, in addition to offering 100 units of affordable senior housing.”