

VIA ELECTRONIC DELIVERY

September 27, 2022

Mayor Noble
City Hall
420 Broadway
Kingston, NY 12401

RE: Golden Hill Apartments Request for Article XI Real Property Tax Exemption

Dear Mayor Noble,

I am writing as a follow up to our discussions in recent months regarding the proposed PILOT for Golden Hill (the, "Project"). The Golden Hill mixed-use project envisions a comprehensive approach to the transformation of the former site of the Ulster County Jail. The vision for Project includes delivery on Ulster County's Green New Deal initiatives and providing new intergenerational mixed-income housing opportunities for the Hudson Valley region. Since commencing public community engagement in July 2021, Pennrose has actively worked with the Ulster County Housing Development Corporation (UCHDC), the County of Ulster, the City of Kingston, Family of Woodstock, elected officials, local community-based organizations, and residents to craft a unified vision in support of the City of Kingston's 2025 Comprehensive Plan, and to promote the community's diverse needs and nurture residents for generations to come.

The fruition of those efforts is a 100% affordable, 164-unit mixed-use community that will provide housing for seniors, families, and special needs populations. Jointly, Pennrose and its non-profit joint venture partner, Family of Woodstock, are working alongside the County of Ulster to demolish the old Jail building and develop this new neighborhood. The property has been designed with input from community members and is envisioned to be net-zero energy property with integrated renewable energy generation. Residents will enjoy an inviting community center, a fitness center, a new childcare center operated by Family of Woodstock, programmed open space, and a trail connection to the Empire State trail network

To meet these goals, Pennrose respectfully requests consideration of a real property tax abatement pursuant to Article XI of the New York Private Housing Finance Law ("Article XI"). Under Article XI, a complete or partial Payment In Lieu of Taxes ("PILOT") can be authorized to an affordable housing project in order to ensure its ongoing financial viability during the term of its regulatory agreement. The terms of the requested PILOT, which are more fully described in the draft resolution attached herewith as **Exhibit A** and a draft form of PILOT agreement enclosed as **Exhibit B**, would include:

- i. Annual taxes beginning in the first calendar year following 100% occupancy of \$350 per dwelling unit per year, with the possibility of increasing to \$619 per unit per year in the event that the

- project is competitively awarded eight (8) Project-based Section 8 Vouchers from New York State Homes and Community Renewal ("HCR");
- ii. Escalation of 2.00% per year;
 - iii. A term of 40 years, coinciding with the period of the affordable housing regulatory agreement to be recorded against the property by HCR at the time of construction finance closing; and,
 - iv. Profit sharing by the City in the amount of 6.00% of Surplus Cash Flow from annual property operations.

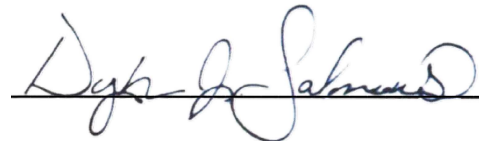
In support of the ongoing consideration of the PILOT requested herein, please find the Project's financial projections included hereunder as **Exhibit C**.

The Development Team is committed to making a substantial positive impact for the City of Kingston. In addition to ongoing PILOT payments, the Project will provide greater than \$1 Million in revenue to the City of Kingston via an investment into the City's Recreation Trust Fund of \$480,000, and upfront PILOT fee of \$250,000, Building and Planning Department fees and various other payments. The project will ensure that 20% of the dollar value of covered construction contracts, and 50% of the aggregate number of new construction hires comes from local workers and businesses. The Kingston School District has reviewed the project and determined it will not have an adverse impact on the District's capacity. Lastly, the Development Team is committed to installing the improvements required by the Planning Board including the emergency gate at Glen Street, the traffic signal at the intersection of State Route 32 and Golden Hill Drive, and the property's stormwater management system prior to issuance of a Certificate of Occupancy.

We thank the City of Kingston for its continued support of the Project and consideration of this proposal.

Sincerely,

PENNROSE NY DEVELOPER, LLC

A handwritten signature in blue ink, appearing to read "Dylan Salmons", written over a horizontal line.

Dylan Salmons
Regional Vice President

Exhibit A – Common Council Resolution

RESOLUTION NUMBER _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KINGSTON
AUTHORIZING THE EXECUTION OF A PAYMENT-IN-LIEU OF TAX (“PILOT”)
AGREEMENT BY AND AMONG THE CITY OF KINGSTON, GOLDEN HILL
HOUSING DEVELOPMENT FUND CORPORATION AND GOLDEN HILL OWNER
LLC**

WHEREAS, the City of Kingston (the “City”) desires to encourage a sufficient supply of adequate, safe and sanitary dwelling accommodations properly planned for persons with low income; and

WHEREAS, Golden Hill Housing Development Fund Corporation (the “HDFC”), a to-be-formed New York not-for-profit corporation to be sponsored by the Family of Woodstock, Inc. and established pursuant to Article XI of the New York Private Housing Finance Law (the “PHFL”), and Golden Hill Owner LLC (the “LLC”), a New York limited liability company, have identified property located at [_____] Golden Hill Drive (Tax Identification Number 56.40-1-19.300 Lot 3A), City of Kingston, County of Ulster, State of New York, as described on Exhibit A attached hereto and made a part hereof (the “Land”), which Land and improvements thereon are now commonly known as the Old Jail site, for the purpose of redeveloping a housing project for persons of low income, said project to consist of: (i) the acquisition of leasehold title to the Land; and (ii) the construction of several new, highly efficient buildings containing 164 units of housing for persons of low income and related improvements to be known as Golden Hill (the “Project”); and

WHEREAS, the LLC and the HDFC have been, or will be, formed for the purpose of providing residential rental accommodations for families and persons of low income; and

WHEREAS, the HDFC will acquire fee title to the Land, as nominee for the LLC, and will convey its equitable and beneficial interests in the Land to the LLC in furtherance of the development of the Project; and

WHEREAS, the HDFC’s and the LLC’s plan for the use of the Land constitutes a “housing project” as that term is defined in the PHFL; and

WHEREAS, the HDFC will be organized as a “housing development fund company” as the term is defined in Section 572 of the PHFL and Section 577 of the PHFL authorizes the City Council to exempt the Project from real property taxes; and

WHEREAS, the HDFC is, or will be, on the commencement date of the PILOT Agreement contemplated herein, a managing member of the LLC; and

WHEREAS, the LLC and the HDFC will be willing to enter into a PILOT Agreement whereby they will make annual payments in lieu of taxes to the City, for the benefit of the City, the County of Ulster, the Kingston City School District and all other applicable Taxing Jurisdictions as set forth in the PILOT Agreement presented to the City Council for approval;

NOW THEREFORE, BE IT RESOLVED that the City Council hereby exempts the Project from real property taxes to the extent authorized by Section 577 of the PHFL and approves the proposed PILOT Agreement by and among the City (on behalf of itself and all other Taxing Jurisdictions), the LLC and the HDFC, in substantially the form presented at this meeting, providing for annual payments as set forth in such agreement; and it is

FURTHER RESOLVED, that the Mayor of the City is hereby authorized to execute and deliver the foregoing PILOT Agreement on behalf of the City; and it is

FURTHER RESOLVED, that this resolution shall take effect immediately.

Approved as to form, _____, 2022

Barbara Graves-Poller, Esq., Corporation Counsel

Duly adopted by the City Council
on the ____ day of _____, 2022.

Approved: _____
Veto: _____
Not Endorsed: _____

CERTIFICATION

The undersigned, being the duly elected Clerk of the City of Kingston, hereby certifies that the attached is a true, correct and complete copy of certain resolutions unanimously adopted by the City Council of the City of Kingston on _____, 2022 and such resolutions have not been modified, amended or repealed and are in full force and effect as of the date hereof.

Name:
Title:

EXHIBIT A

Description of the Land

Exhibit B – PILOT Agreement



**AGREEMENT FOR PAYMENT IN LIEU OF TAXES (PILOT)
BY AND AMONG THE CITY OF KINGSTON, GOLDEN HILL HOUSING
DEVELOPMENT FUND CORPORATION AND GOLDEN HILL OWNER LLC**

THIS AGREEMENT FOR PAYMENT IN LIEU OF TAXES (the “Agreement”), dated _____, 2022, by and among the **CITY OF KINGSTON, NEW YORK**, a New York incorporated municipality, having its principal office located at 420 Broadway, Kingston, New York 12401 (the “City”), **GOLDEN HILL HOUSING DEVELOPMENT FUND CORPORATION**, a to-be-formed New York not-for-profit corporation formed pursuant to Article XI of the Private Housing Finance Law of the State of New York (the “PHFL”), having its principal office located at c/o Family of Woodstock, Inc. 31 Albany Avenue Kingston, NY 12401 (the “HDFC”), which HDFC will hold title to the Property (as hereinafter defined) for the benefit of **GOLDEN HILL OWNER LLC**, a New York limited liability company, having its principal office located at 230 Wyoming Avenue, Kingston, Pennsylvania 18704 (the “LLC”).

WHEREAS, the HDFC is, or will become, the nominal fee owner, and the LLC is, or will become, the beneficial and equitable owner, of certain real property located in the City of Kingston, County of Ulster, State of New York, as more particularly described in Exhibit A attached hereto and incorporated herein by reference (the “Property”); and

WHEREAS, the HDFC is a not-for-profit corporation established pursuant to Section 402 of the Not-For-Profit Corporation Law and Article XI of the PHFL; and

WHEREAS, the LLC has been, and the HDFC has been or will be, formed for the purpose of providing residential rental accommodations for persons of low-income; and

WHEREAS, the LLC will develop, own, rehabilitate, construct, maintain and operate a housing project for persons of low income at the Property, anticipated to consist of 164 residential rental units for persons of low income and related improvements to be known as Golden Hill (the “Project”); and

WHEREAS, the HDFC’s and the LLC’s plan for the use of the Property constitutes a “housing project” as that term is defined in the PHFL; and

WHEREAS, the HDFC is, or will be, a “housing development fund company” as the term is defined in Section 572 of the PHFL; and

WHEREAS, pursuant to PHFL Section 577, the local legislative body of a municipality may exempt the real property of a housing project of a housing development fund company from local and municipal taxes, including school taxes, other than assessments for local improvements, to the extent of all or a part of the value of the property included in the completed project; and

WHEREAS, the City Council of the City of Kingston, New York, by Resolution No. _____ adopted _____, 2022, approved and authorized the execution of this Agreement; [CONFIRM THE TAXING JURISDICTION]

NOW, THEREFORE, it is agreed as follows:

1. Pursuant to Section 577 of the PHFL, the City, on behalf of itself, the County, the School District and any other applicable Taxing Jurisdictions (as defined herein) hereby exempts

from local and municipal taxes, other than assessments for local improvements, one hundred percent (100%) of the value of the Property, including both the land and the improvements included in the Project. “Local and Municipal Taxes” shall mean any and all real estate taxes levied by Ulster County (“County”), the City of Kingston (“City”), the Kingston City School District (“School District”) or other affected taxing jurisdiction (as defined in Subdivision 1(b) of Section 577 of the PHFL) which has jurisdiction over the Property (collectively, the “Taxing Jurisdictions”), and intending to bind the applicable Taxing Jurisdictions to the fullest extent provided under Section 577 of the PHFL.

2. This tax exemption will commence on the date of the HDFC’s acquisition of nominal fee title to the Property and shall continue for a period of thirty (30) years from the LLC’s completion of the Project (as evidenced by the City’s issuance of a certificate of occupancy for the Project) or for such longer period as the Property continues to be subject to a regulatory agreement with the New York State Housing Finance Agency. This Agreement shall not limit or restrict the HDFC’s or the LLC’s right to apply for or obtain any other tax exemption to which it might be entitled upon the expiration of this Agreement. The parties understand that the exemption extended pursuant to Section 577 of the PHFL and this Agreement does not include exemption from special assessments and special ad valorem levies. During the period of this Agreement, the LLC shall pay any service charges, special ad valorem levies, special assessments and improvement district charges or similar tax equivalents which are or would be levied upon or with respect to the Project by the Taxing Jurisdictions or any other taxing authority.

3. Commencing in the first full year after the issuance of a certificate of occupancy for the Project, and continuing for so long as the exemption hereunder continues, the LLC shall make annual payments in lieu of taxes (“PILOT”) to the City in the amount set forth in this section, which payments shall be made in satisfaction of all amounts due for and cover all Local and Municipal Taxes owed in connection with the Property and the Project, and which payments shall be shared by the Taxing Jurisdictions on the same basis as property taxes would be shared if the Property and the Project were fully taxed or as otherwise agreed to by the Taxing Jurisdictions. The PILOT shall be in the initial amount of Three Hundred Fifty and 00/100 Dollars (\$350.00) per dwelling unit per year (prorated for the year in which said certificate of occupancy is issued), which amount shall increase annually by two percent (2%).

In addition to the foregoing, the LLC will make an additional PILOT payment on an annual basis retroactively (i.e. for and based on the prior year) to the extent of Surplus Cash, if any, not to exceed six percent (6.0%) of Surplus Cash. For purposes of this Agreement, “Surplus Cash” means (a) net operating income (i.e. revenue less operating expenses) less (b)(i) all principal and debt service under project loans, (ii) deferred developer fees as reported in the annual financial statement, and (iii) proceeds from a sale, refinance or re-syndication.

4. The tax exemption provided by this Agreement will continue for the term described above provided that the Property and the Project continue to be used as housing facilities for persons of low income and (i) the HDFC and the LLC own and operate the Property and the Project in conformance with Article XI of the PHFL; or (ii) the HDFC and the LLC assume legal and beneficial fee ownership of the Property and the Project, respectively, and operate the Property and the Project in conformance with Article XI of the PHFL; or (iii) in the event an action is brought to foreclose a mortgage upon the Property, and the legal and beneficial interest in the Property and the Project shall be acquired at the foreclosure sale or from the mortgagee, or by a

conveyance in lieu of such sale, by a housing development fund corporation organized pursuant to Article XI of the PHFL, or by the Federal government or an instrumentality thereof, or by a corporation which is, or by agreement has become subject to the supervision of the superintendent of banks or the superintendent of insurance, and such successor in interest operates the Property and the Project in conformance with Article XI of the PHFL.

5. The failure to make the required payment will be treated as failure to make payment of taxes and will be governed by the same provisions of law as apply to the failure to make payment of taxes, including but not limited to enforcement and collection of taxes to the extent permitted by law.

6. All notices and other communications hereunder shall be in writing and shall be sufficiently given when delivered to the applicable address stated above (or such other address as the party to whom notice is given shall have specified to the party giving notice) by registered or certified mail, return receipt requested or by such other means as shall provide the sender with documentary evidence of such delivery.

7. This Agreement shall inure to the benefit of and shall be binding upon the City, the LLC, the HDLC and their respective successors and assigns, including the successors in interest of the LLC and the HDLC. There shall be no assignment of this Agreement except with consent of the other party, which consent shall not be unreasonably withheld.

8. If any provision of this Agreement or its application is held invalid or unenforceable to any extent, the remainder of this Agreement and the application of that provision to other persons or circumstances shall be enforced to the greatest extent permitted by law.

9. This Agreement may be executed in any number of counterparts with the same effect as if all the signing parties had signed the same document. All counterparts shall be construed together and shall constitute the same instrument.

10. This Agreement constitutes the entire agreement of the parties relating to payments in lieu of taxes with respect to the Property and supersedes all prior contracts, or agreements, whether oral or written, with respect thereto.

11. Each of the parties individually represents and warrants that the execution, delivery and performance of this Agreement, (i) has been duly authorized and does not require any other consent or approval, (ii) does not violate any article, by-law or organizational document or any law, rule, regulation, order, writ, judgment or decree by which it is bound, and (iii) will not result in or constitute a default under any indenture, credit agreement, or any other agreement or instrument to which any of them is a party. Each party represents that this Agreement shall constitute the legal, valid and binding agreement of the parties enforceable in accordance with its terms.

12. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

13. Any litigation arising out of this agreement shall be venued in Ulster County Supreme Court or the appropriate federal district court exercising jurisdiction over Ulster County.

Signatures on following page

IN WITNESS WHEREOF, the City, the HDFC and the LLC have caused this Agreement to be executed in their respective names by their duly authorized representatives and their respective seals to be hereunder affixed, all as of the date above-written.

CITY OF KINGSTON, NEW YORK

By: _____

Name:

Title:

STATE OF NEW YORK)
) SS.:
COUNTY OF _____)

On the ____ day of _____ in the year 2022 before me personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that s/he executed the same in her/his capacity, and that by her/his signature on the instrument, the individual, or person upon behalf of which the individual acted, executed the instrument.

NOTARY PUBLIC

Signatures continue on following page.

**GOLDEN HILL HOUSING DEVELOPMENT
FUND CORPORATION**

By: _____
Name:
Title:

STATE OF NEW YORK)
)
COUNTY OF _____) SS.:

On the _____ day of _____ in the year 2022, before me personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that s/he executed the same in her/his capacity, and that by her/his signature on the instrument, the individual, or person upon behalf of which the individual acted, executed the instrument.

NOTARY PUBLIC

Signatures continued on following page.

GOLDEN HILL OWNER LLC,

By: Golden Hill MM LLC, its Managing Member,

By: Pennrose NY LLC, its Member,

By: Pennrose Holdings, LLC, its Managing

Member

By: _____

Name:

Title:

STATE OF NEW YORK)
) SS.:
COUNTY OF _____)

On the _____ day of _____ in the year 2022, before me personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that s/he executed the same in her/his capacity, and that by her/his signature on the instrument, the individual, or person upon behalf of which the individual acted, executed the instrument.

NOTARY PUBLIC

EXHIBIT A

Description of the Property

Exhibit C – Project Cash Flow

EFFECTIVE INCOMES		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
	Increases															
Residential	2%	2,246,199	2,291,123	2,336,945	2,383,684	2,431,358	2,479,985	2,529,585	2,580,176	2,631,780	2,684,415	2,738,104	2,792,866	2,848,723	2,905,698	2,963,812
Community Facility	2%	29,459	30,048	30,649	31,262	31,887	32,525	33,175	33,839	34,516	35,206	35,910	36,628	37,361	38,108	38,870
Total Income		2,275,658	2,321,171	2,367,594	2,414,946	2,463,245	2,512,510	2,562,760	2,614,015	2,666,296	2,719,621	2,774,014	2,829,494	2,886,084	2,943,806	3,002,682
Per du		13,876	14,153	14,437	14,725	15,020	15,320	15,627	15,939	16,258	16,583	16,915	17,253	17,598	17,950	18,309
EXPENSES																
Management Fee	2%	134,012	136,692	139,426	142,214	145,058	147,960	150,919	153,937	157,016	160,156	163,359	166,627	169,959	173,358	176,825
Administrative	3%	250,283	257,791	265,525	273,491	281,696	290,146	298,851	307,816	317,051	326,562	336,359	346,450	356,844	367,549	378,575
Utilities	3%	209,543	215,829	222,304	228,973	235,842	242,918	250,205	257,711	265,443	273,406	281,608	290,057	298,758	307,721	316,953
Repairs & Maintenance	3%	541,696	557,947	574,686	591,926	609,684	627,974	646,814	666,218	686,205	706,791	727,994	749,834	772,329	795,499	819,364
Reserves	3%	41,000	42,230	43,497	44,802	46,146	47,530	48,956	50,425	51,938	53,496	55,101	56,754	58,456	60,210	62,016
Taxes	2%	57,400	58,548	59,719	60,913	62,132	63,374	64,642	65,935	67,253	68,598	69,970	71,370	72,797	74,253	75,738
Total Expenses		1,233,934	1,269,038	1,305,156	1,342,320	1,380,558	1,419,903	1,460,386	1,502,042	1,544,905	1,589,009	1,634,392	1,681,091	1,729,143	1,778,590	1,829,472
Per du		7,524	7,738	7,958	8,185	8,418	8,658	8,905	9,159	9,420	9,689	9,966	10,251	10,544	10,845	11,155
NOI		1,041,724	1,052,133	1,062,438	1,072,626	1,082,687	1,092,607	1,102,374	1,111,973	1,121,391	1,130,612	1,139,622	1,148,403	1,156,941	1,165,216	1,173,210
Per du		6,352	6,415	6,478	6,540	6,602	6,662	6,722	6,780	6,838	6,894	6,949	7,002	7,055	7,105	7,154
DEBT SERVICE																
1st Mortg. Debt Service		852,399	851,217	849,968	848,648	847,254	845,781	844,225	842,582	840,846	839,011	837,074	835,027	832,864	830,580	828,167
HCR SHOP		44,659	44,659	44,659	44,659	44,659	44,659	44,659	44,659	44,659	44,659	44,659	44,659	44,659	44,659	44,659
HCR CIF		8,487	8,487	8,487	8,487	8,487	8,487	8,487	8,487	8,487	8,487	8,487	8,487	8,487	8,487	8,487
Total DSCR		1.15	1.16	1.18	1.19	1.20	1.22	1.23	1.24	1.25	1.27	1.28	1.29	1.31	1.32	1.33
Available Cash Flow		136,178	147,770	159,324	170,832	182,287	193,680	205,002	216,245	227,399	238,454	249,402	260,231	270,930	281,489	291,897
Per du		830	901	971	1,042	1,112	1,181	1,250	1,319	1,387	1,454	1,521	1,587	1,652	1,716	1,780
Deferred Fee Note	3,231,119	136,178	147,770	159,324	170,832	182,287	193,680	205,002	216,245	227,399	238,454	249,402	260,231	270,930	281,489	291,897
DDF Note Balance	3,231,119	3,094,941	2,947,171	2,787,847	2,617,015	2,434,728	2,241,049	2,036,047	1,819,802	1,592,403	1,353,949	1,104,547	844,317	573,387	291,897	-
Cash-On-Cash Return		4.21%	4.57%	4.93%	5.29%	5.64%	5.99%	6.34%	6.69%	7.04%	7.38%	7.72%	8.05%	8.39%	8.71%	9.03%
Average Cash-On-Cash Return	6.67%															

