

Regular Meeting

These minutes are for the regular meeting of the Beacon City Council, held in the Municipal Center at One Municipal Plaza on April 17, 2017. Please note that the video recording of this meeting is available at <http://vimeo.com/channels/40154>.

Council Members Present:

Lee Kyriacou, At Large
George Mansfield, At Large
Peggy Ross, Ward One
Omar Harper, Ward Two
Pamela Wetherbee, Ward Three
Ali Muhammad, Ward Four
Randy Casale, Mayor

Also Present:

Anthony Ruggiero, City Administrator
Nick Ward-Willis, City Attorney

Council Members Absent/Excused:

A moment of silence was observed for those who work to protect human rights

First Opportunity for Public Comments: Each speaker may have one opportunity to speak up to three minutes on any subject matter other than those which are the topic of a public hearing tonight.

Speakers:

Mike DiPompo: The ICE officers have been picking up illegal immigrants. Council is working on laws that have no use but to take up time.

Dennis Pavelock: All speakers should be given respect.

Community Segment:

Tina Lee: Spoke about NAMI and the history of the organization. May is Mental Health Awareness Month.

Mayor Casale read the proclamation

Brian DiFeo: Gave details of the upcoming Earth Day event.

- **Public Hearing No. 1: Continuation of the Public Hearing Regarding Workforce Affordable Housing**

Mayor Casale asked Nick Ward Willis and John Clarke, Planner to explain the intent of the local law.

Speakers:

Samantha Brit: Middle class and lower class renters are being forced out of their homes due to increases in rental costs. Gave statistics about the number of people who have no home of their own. The City does not need any more high-end units or artists' lofts. Asked if the City stands for profits or for community. Thanked the rec department for offering tuition assistance for after-school program. Also

thanked the Common Ground Farm for their help with providing food assistance through the farmers market. (Attachment No. 1)

Theresa Kraft: The City if being overdeveloped and the tall buildings will block views. City needs to stop developers from having the max density. This will be a drain on City resources.

Taylor Palmer, Representative of the Development Community: Appreciates the work that has been done on the local law. Advised that there are four points that the development community would like to make development feasible for them.

1. 2 for 1 density bonus
2. Remove the density cap
3. Increase 80% to 100% of AMI
4. Would like "for sale" units to be excluded from this local law and tabled for separate discussion.

Rodney Weber: Has done a lot of his own research on this issue. Increasing the supply of housing lowers the prices. Fighting gentrification by blocking development has the opposite effect. Beacon has a 2% vacancy rate; healthy cities have a 6% rate.

Clark Gebman: Met with Mary Paden last week. Advised that he is a certified appraiser. Gave details about appraisals of properties. Gave an option about how affordable housing can work. The Beacon Code has no provision for four-family houses.

The public hearing was adjourned until May 1. Motion Council Member Kyriacou, second Council Member Wetherbee

5-2 (Mayor Casale and Council Member Muhammad voted no)

- **Public Hearing No. 2: 2017 Capital Plan**

Speakers:

Clark Gebman: Asked what project would benefit the residents' real estate values. Recalled a story from the 1970s when the developer was going to provide a separate stormwater facility (Hugo Jensen). Feels that the City needs water pollution monitoring devices in our capital plan. We should be planning first for our safety.

Motion to close: Council Member Mansfield, second by Council Member Wetherbee
7-0

Council Member Reports:

Ali Muhammad: Suggested that the City create a dedicated Recreation Fund. Would like to talk about the differences between Section 8 and Affordable Housing. The Terrence Wright Memorial Basketball League is stating in May.

Omar Harper: Had no comments.

Lee Kyriacou: Advised that traffic and parking problems are manifest. Retracted his earlier statements on emergency access on 9D after walking and driving the route. Gave details of obtaining access. When he was a child, his family owned a 7-family house and they lived in one unit and they rented out the other six. Gave specifics about his four-family house's tax costs. Added that council might want to add more density closer to Main Street.

George Mansfield: Would like to review the Central Main Street Plan with regarding to setbacks. Negative dialog does no good. Feels it is ironic that Facebook is called Facebook when nothing about it is face to face. Attended the Chronogram Magazine symposium about what makes Beacon special and it is clear that it is our volunteerism and community involvement. Encourages the community to interact face to face rather than on Facebook. Likened the work that they are doing now to "planting trees that we may not get to experience the shade in their lifetime".

Pam Wetherbee: Agrees with George about the plans that are being made today. Encourages people to attend Planning Board meetings.

Peggy Ross: Encourages everyone to attend the planning board meeting where they will discuss Edgewater. The Earth Day clean up promises to be a nice day.

Mayor Casale: Read the ratification of the firefighters. Advised that the High School is holding a career fair on May 25.

Appointments:

1. Resolution Appointing Carl Garofolo as a police officer.

- Motion by Council Member Mansfield, second by Council Member Harper
7-0

2. Resolution Appointing Alyssa Orsetti as a police officer.

- Motion by Council Member Muhammad, second by Council Member Wetherbee
7-0

Captain Junjules introduced Police Officer Orsetti.

Resolutions, Ordinances and Local Laws:

3. Resolution Adopting the 2017 Capital Plan

- Motion by Council Member Muhammad, second by Council Member Mansfield
7-0

4. Resolution to Authorize the Settlement of a Tax Certiorari Matter with JP Morgan Chase Bank

- Motion by Council Member Mansfield, second by Council Member Muhammad
7-0

5. Resolution to Authorize the Settlement of a Tax Certiorari Matter with M&T Bank

- Motion by Council Member Muhammad, second by Council Member Mansfield
7-0

6. Resolution to Set a Public Hearing for May 1, 2017 to Receive Comments Concerning a Local Law to Amend Chapter 223, Article III, Section 26, Subsection C Concerning Off-Street Parking

- Motion by Council Member Wetherbee, second Council Member Ross
7-0

Approval of Minutes of March 20, 2017:

- Motion by Council Member Kyriacou, second by Council Member Muhammad
7-0

Second Opportunity for Public Comments: Each speaker may have one opportunity to speak for up to three minutes on any subject matter on which the Council can take action.

Speakers:

Clark Gebman: The Grovesville Dam sediment is a danger to the City of Beacon. The Texaco site attorney is the City Attorney. Feels that this creates a conflict of interest. Would like the City to do things in the interest of the City taxpayers.

George Mansfield commented that the comments should not be directed to individuals but to the council as a body.

Theresa Kraft: Encourages the public to come to council meetings and participate.

Lisa-Marie Martinez: Thanked the council for their time and attention with regard to the Safe City resolution. Would like to think that is more than just words on paper.

Adjournment:

- Motion by Council Member Muhammad, second by Council Member Wetherbee
7-0

Next Workshop: April 24, 2017

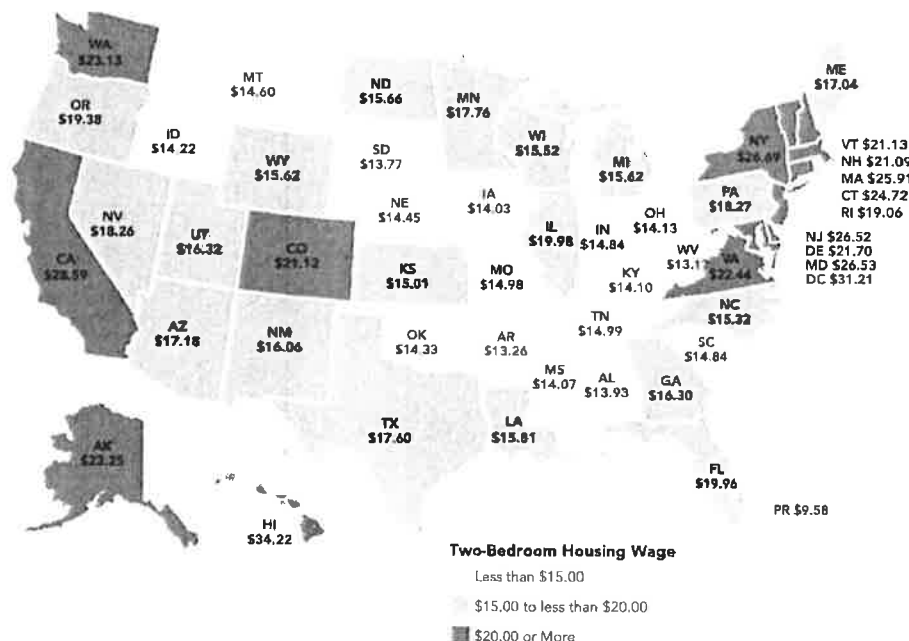
Next Meeting: May 1, 2017

OUT OF REACH 2016 FACTS OVERVIEW



THERE IS A FUNDAMENTAL MISMATCH BETWEEN THE WAGES PEOPLE EARN
AND THE PRICE OF DECENT HOUSING

WAGES NEEDED TO AFFORD RENT ACROSS THE U.S.



IN 2016,
THE
2-BEDROOM
NATIONAL
HOUSING WAGE IS

\$20.30

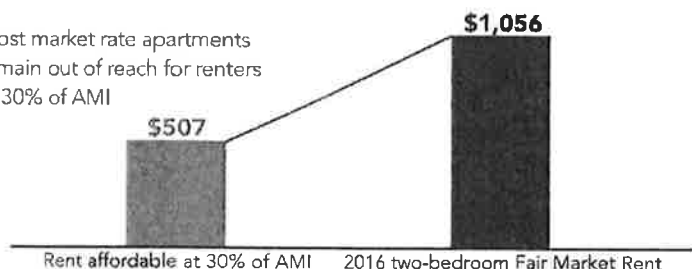
An American household
must earn at least **\$20.30**
an hour to afford a
modest, two-bedroom
apartment without
spending **more than**
30% of income on rent.
This wage varies from
state to state.

DID YOU KNOW?

1 in 4
RENTER HOUSEHOLDS OR
10.4 million
HOUSEHOLDS

**HAVE INCOMES AT OR BELOW 30%
OF AREA MEDIAN INCOME (AMI) AND
CANNOT AFFORD THE RENT**

Most market rate apartments
remain out of reach for renters
at 30% of AMI



MINIMUM-WAGE WORK DOESN'T PAY THE RENT IN MOST AREAS:

Federal minimum wage:	Annual income:
\$7.25	\$15,080

2016 one-bedroom Housing Wage:	\$16.35
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Number of hours at minimum wage needed to afford rent:	90
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S1901

INCOME IN THE PAST 12 MONTHS (IN 2015 INFLATION-ADJUSTED DOLLARS)

2011-2015 American Community Survey 5-Year Estimates

Supporting documentation on code lists, subject definitions, data accuracy, and statistical testing can be found on the American Community Survey website in the Data and Documentation section.

Sample size and data quality measures (including coverage rates, allocation rates, and response rates) can be found on the American Community Survey website in the Methodology section.

Tell us what you think. Provide feedback to help make American Community Survey data more useful for you.

Although the American Community Survey (ACS) produces population, demographic and housing unit estimates, it is the Census Bureau's Population Estimates Program that produces and disseminates the official estimates of the population for the nation, states, counties, cities and towns and estimates of housing units for states and counties.

Subject

ZCTA5 12508

Households

Families

Married-couple
families

	Estimate	Margin of Error	Estimate	Margin of Error	Estimate
Total	7,152	+/-364	4,271	+/-282	2,740
Less than \$10,000	4.9%	+/-2.1	3.7%	+/-2.1	0.2%
\$10,000 to \$14,999	6.7%	+/-2.5	4.5%	+/-2.7	0.0%
\$15,000 to \$24,999	11.3%	+/-2.8	9.0%	+/-3.7	4.3%
\$25,000 to \$34,999	9.0%	+/-2.4	5.4%	+/-2.7	3.9%
\$35,000 to \$49,999	8.0%	+/-2.4	9.4%	+/-3.4	6.9%
\$50,000 to \$74,999	13.3%	+/-2.5	12.2%	+/-3.0	11.1%
\$75,000 to \$99,999	15.1%	+/-3.6	16.2%	+/-3.6	19.0%
\$100,000 to \$149,999	21.0%	+/-3.3	25.0%	+/-4.4	33.0%
\$150,000 to \$199,999	7.5%	+/-2.1	11.2%	+/-3.0	16.5%
\$200,000 or more	3.3%	+/-1.3	3.4%	+/-1.4	5.0%
Median income (dollars)	68,965	+/-6,704	84,048	+/-7,350	(X)
Mean income (dollars)	81,959	+/-6,023	93,528	+/-7,843	N
PERCENT IMPUTED					
Household income in the past 12 months	34.0%	(X)	(X)	(X)	(X)
Family income in the past 12 months	(X)	(X)	33.0%	(X)	(X)
Nonfamily income in the past 12 months	(X)	(X)	(X)	(X)	(X)

I am here to discuss the issue of affordable housing and gentrification in the city of beacon. For those of you who don't know what gentrification is let me paint a picture for you. ~~Lower~~ middle class and low income families and communities are forced out of their homes due to rising costs of living, once they leave the owners renovate the apartments or houses and triple the costs of rent. People buy apartments and houses for cheap and then rent them out for outrageous prices. This process destroys entire communities. According to the united states census bureau the mean income in ^{the city of} beacon in 2015 was \$81,959, this number is clearly heavily skewed. In 2015 31.8% of the beacon population made more than \$100,000 a year, while about ~~4%~~ ^{22.9%} of the population made under \$25,000 a year. I ask you what are the lives like for that ~~4%~~ ^{22.9%}? 15% of beacon's population is food insecure, that is higher than the national average of 11%. Food insecurity put simply is when someone does not know where their next meal will come from. Research shows that food insecurity leads to academic disparities and behavior issues in children. Currently in this city there are parents living with the trade off of paying bills or feeding their children nutritious meals. Would you want that for your children? Why don't these people move? The fact is many of ~~these~~ ^{the people in this situation} people have their roots in this city, moving to live somewhere more affordable would mean giving up their support systems, giving up their community and losing the roots of generations of their family planted here. I know of a number of people who have gone homeless in the past year living in beacon. When I say homeless I mean ~~these~~ people went from living in their own place to not being able to afford it, to house hopping between friends and family, some of these individuals have children living on others' couches. My generation is viewed as lazy because we live with our parents in our late 20's but I ask you, when you were in your 20's living in beacon was the cost of an apartment ~~\$350,000?~~ ^{over \$1,000} This city does not need anymore luxury buildings, artists lofts or pricy studios. This city needs more affordable housing available. The section 8 wait list is years long. There are three luxury buildings that have gone up this year, so I ask you what do you stand for, profit or community? -Samantha Brittain

a 1 Bedroom

① when proposals for new buildings of gentrification old building are going to be sold about criminal justice system

Erika Gibbs
11 Falconer Street
Beacon, NY 12508
May 1, 2017

Beacon City Council
1 Municipal Plaza
Beacon, NY 12508

Dear Esteemed Members of the Beacon City Council:

Recently the issue of affordable housing has been raised during Beacon City Council meetings. Samantha Brittain has done an amazing job bringing attention to this crucial topic, and I would like to share my personal story in hopes that it brings more awareness and ultimately a reasonable resolution to the ongoing issue.

I have lived in Beacon for the past 25 years, the same city where my father grew up and attended school. There has been substantial progress made in Beacon (progress has been made throughout the city but I will use Main Street as an example) – I remember back when I was attending Rombout and Beacon High in the early 2000's Main Street was unsafe, unclean, and teeming with unsavory characters. In the past 10 years, Main Street has experienced a rejuvenation along with the rest of the city. We've seen an influx in tourism; new shops, restaurants and artist studios have popped up; the city is cleaner and safer for tourists and residents alike.

With all these improvements there has been one downside that affects nearly all residents who have their roots in Beacon – families whose names are a legacy in Beacon, families who have lived in Beacon for generations and whose children grow to live in Beacon. The cost of rent has skyrocketed as Beacon experienced its Renaissance, per se, to the point where locals cannot afford to live in the city they've called home for their entire lives. These people, the backbone of the community, are being forced to move out of their hometown and are being replaced by tourists. In the meantime, they are being burdened with the decision "Do I pay my rent/mortgage and keep a roof over my family's head, or do I buy groceries and keep them healthy and fed?"

In 2007, I moved into my first apartment with my then-boyfriend on Commerce Street, an 800 square foot 1 bedroom apartment with 2 windows – one that looked at a brick wall with no sunlight, and one window in the bedroom with the luxurious view of the parking lot. In 2007, I paid \$800 per month to rent that apartment, no utilities included. It is reasonable for rent to increase over the years, but that apartment is now \$1,600 per month with the same utilities included – zero.

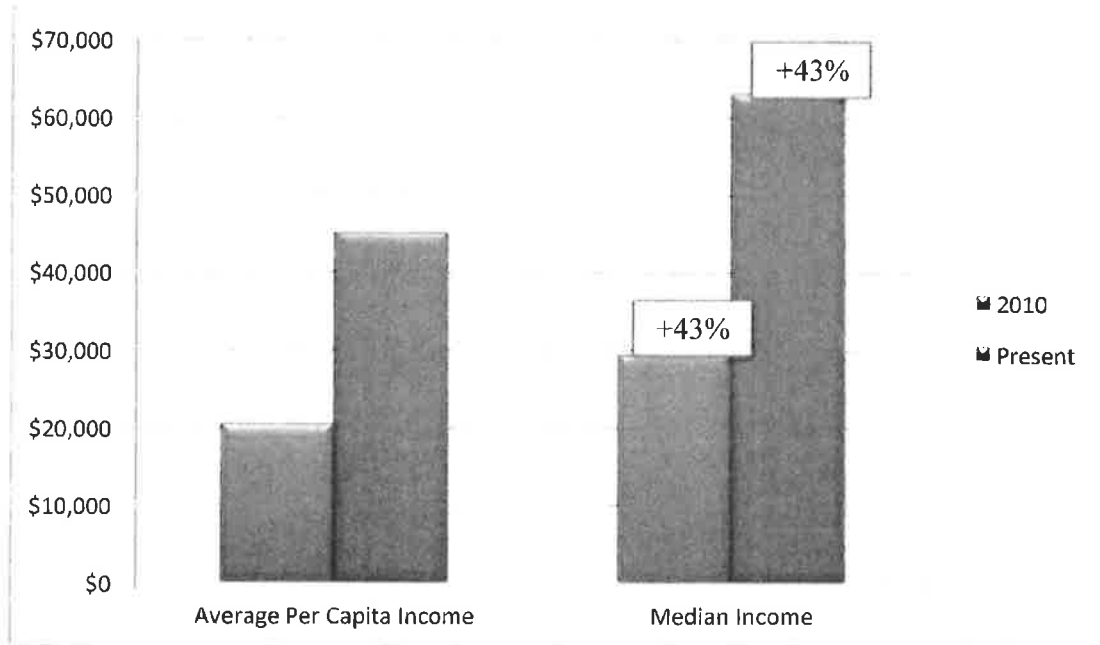
The last apartment we lived in on Main Street was \$875 per month when I first moved there in 2010. I was very lucky to have had landlords who were very conscientious of the rent situation in Beacon and tried their hardest not to gouge the rent, unlike other

apartment owners in the area. By the time I moved out in December of 2016, the rent there had steadily increased to \$1,175.

Searching for a new apartment was one of the most difficult tasks. Small studios and one bedroom apartments are going for \$1,300 to \$1,500 (mind you, these aren't luxury apartments either). It took me six months to find an affordable apartment, during which time I was in the midst of a malicious breakup but left with no choice but to stay until I found a new apartment. Eventually I did find one that is barely affordable with my salary. I commute to Westchester on a daily basis, and there have been numerous times where I have had to overdraft to pay for gas because rent and normal, required household expenses exceeded my income. Without children, sustainability is a struggle. I can only imagine the struggles faced by those with children, some of whom have a lower income than myself.

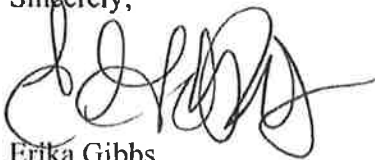
My personal situation is far from uncommon. A large portion of Beacon's population that is in their 20s still live home because financial independence is little more than an unrealistic aspiration. There is a large amount of people in their 30s that still live home because again, independence is as much of a luxury to them as the lavish apartments that keep appearing in Beacon are to the upper class that keep pushing the middle and lower working class deeper into poverty as they struggle to make ends meet with the increasing costs of living in the area they have called home for decades.

Here's a few fun facts to keep in mind: Average rent in Beacon for a 1 bedroom apartment is \$1,320 (this does not include utilities, a necessity). The cost of living in Beacon is 4% higher than the New York average, 25% higher than the national average. The cost of housing is 31% higher than the national average. Below you can see the 43% increase in not only average per capita income, but also in median income, which is largely attributed to people of wealth (i.e. property investors, former NYC-area residents).



The improvements that have been made to Beacon in recent years have made this amazing city into something greater than it ever was. However, at what point will the growth push out the people who *are* Beacon – the ones who planted their roots here so many years ago and have stayed here and raised generations here? These are the Pop Warner coaches, the Little League players, the Green Teen students. At what point will our City Council stand up for its long term residents and say enough is enough, we need to take care of our own? We, the people standing before you today in favor of affordable housing, are the ones who have invested in this city all of our lives. Where is the compassion for the community that attracted all of the tourists, incited all the changes to make Beacon better? It's a beautiful thing that so many outside of our community love to visit and have even moved to Beacon, but if the housing costs continue increasing at the rate they are, at some point soon the very people who created what attracted the positive change will soon no longer be able to afford to live in the city they've taken pride in being a part of. I implore you to take any measures within your power to ensure that this doesn't continue to happen.

Sincerely,



Erika Gibbs

Elizabeth Evans

From: Zev <zev@wolfeny.com>
Sent: Monday, April 17, 2017 2:03 PM
To: Randy J. Casale
Cc: Omar Harper; Pam Wetherbee; Ali Muhammad; George M. Mansfield; Lee Kyriacou; Peggy Ross; Anthony Ruggiero
Subject: workforce housing law

Dear Mayor, Councilmen and Town Administrator,

On behalf of my father, the president and Co-owner of Beacon Hip Lofts, I'm writing the following:

I would kindly request that the council delay the voting on the new local law amending Chapter 223 concerning affordable housing until after the Jewish holidays.

Unfortunately I was not able to attend the prior open workshop session on this law (April 10th) because it also fell on a Jewish holiday. Furthermore, the latest rounds of revisions came in the late afternoon on April 14th. As an observant Jew, I am not allowed to work on religious holidays nor allowed the use of any electronics, including a telephone.

I do care very much about this local law, which will affect my business and decision-making. I would very much appreciate the chance to share my thoughts, as others in the Beacon community have been able to do.

Thank you,

Jack

--

Zev Werberger

Project Manager | The Lofts at Beacon

C: 646.799.3346

O: 845.202.7752

To whom it may concern:

As I am unable to make it due to the Jewish holidays, and the one reason I made it the week prior was by telling my family that I was unable to make the seder, please include these comments in the public record.

While the pursuit of Workforce Housing is both noble and a necessity, the current proposal put forth by the Beacon City Council does little to address the issue on either the actual need for Workforce Housing Units to be developed in Beacon, and how best to incentivize a developer to take on the task of it's creation. As the legislation currently is drafted, It actually disincentivizes development, namely condo development, altogether for developers who are choosing to put their money into Beacon, rather than somewhere else with more security, like a Brooklyn or a Bronx project.

Not only has a study not been done to conclude how many additional Workforce Housing Units the city needs, the numbers for a developer, simply put, do not work. It requires a developer to concede a substantial part of their profits for units that to the user very well could be unaffordable, all while the city foregoes tens of thousands of dollars in taxation up front, and hundreds of thousands of dollars in just a few years. Moreover, the demand for such units is not there, nor do they make much financial sense to the potential purchaser of a condominium.

What is not understood by many who support this legislation is that every dollar in profits in Beacon, the driving motivation behind development, is worth MORE than dollars in a place like Brooklyn for condo development or the Bronx for rental unit development. The potential loss of every dollar, as demonstrated below, is a substantial loss to the developer. This makes the risk for every development where an issue in something so basic as a construction hiccup can come up, that much greater. In fact, it brings the risk level to the point that Beacon becomes a high risk place for rental units, and a place not worth going into for condominium development.

Development Costs

For any developer, there are a multitude of costs associated with any development. Outside of the hard costs, like construction, there are soft costs that are factored into it, like the architect and engineering fees. Often, a developer will come in with around 30% of the money required for a development project. The other 70% will be financed by a lending institution.

Above, I used the example of Brooklyn and the Bronx because that is where there is next to no risk. There will always be a buyer for a condo unit and a renter for a rental unit, and no unit will be vacant. The same cannot be said about Beacon. Albeit there is a thriving housing market, Beacon is still a greater risk for developers than New York City. While the overhead, namely the construction costs are less in Beacon than in the City, the thing that incentivizes development is profit margin.

Hypothetically, let's say two developers were building two different condo projects with the same square footage, one in Williamsburg, the other in Beacon. Each building will be 20,000 sf and consist of 19, 1,000 sf units, and each will borrow 70% of the money needed at a 5% interest rate on construction, and let's assume that each project takes one year.

Note: In any development of residential units, you have to remove space for common areas like lobbies, elevators, mechanical rooms and hallways that cannot be counted into the sellable square footage. Often, this number is about 7.5% of the building.

Developer A: Williamsburg

Upfront Costs

Cost to Purchase Land: \$2,500,000

Additional Cash Investment for Development Needed (30% of construction): \$3,300,000

Construction Assumptions:

Average construction cost per sf in NYC: \$550/sf¹

Total Construction Cost: \$11,000,000

Total Construction Loan: \$7,700,000 at 5%

Sale Assumptions:

Average condo per sf cost in Williamsburg: \$1,072/sf²

Value of 20,000 sf: \$21,440,000

Unsellable square footage due to common areas: 1,000sf

Value of Unsellable square footage: (\$1,072,000)

Average Sales Price per unit: \$1,072,000

Full Building Sellout: \$20,368,000

Expenses:

Repayment of Construction Loan: (\$8,085,000)

Building Profit Pre Tax and Fees: \$12,283,000

Capital Gains (31.5%): (\$3,869,145)³

3% Brokers Fees: (\$611,040)

Repayment of Initial Investment: (\$5,800,000)

Developer A Profit: \$2,002,815

Cash-on-Cash Return: 34.53%

¹ Parker, Will and Putzier, Konrad "Construction in Trump's Crosshairs, 4/1/2017 https://therealdeal.com/issues_articles/construction-in-trumps-crosshairs/

² Corcoran Realty, 4th Quarter Report, 2016 http://media.corcoran.com/pdf/reports/2016_Q4/Brooklyn_Q42016.pdf

³ https://ballotpedia.org/Tax_policy_in_New_York

Developer B: Beacon

Construction Assumptions:

Average condo construction cost per sf in Beacon: \$240/sf (all in including land purchase, debt)

Hard Construction Cost: \$200/sf

Total Construction Cost: \$4,000,000

Loan Required: \$3,000,000 at 5%

Sale Assumptions:

Average condo per sf cost in Beacon: \$280/sf

Value of 20,000 sf: \$5,600,000

Unsellable square footage due to common areas: 1,000sf

Value of Unsellable square footage: (\$280,000)

Average Sale Price per unit: \$280,000

Full Building Sellout: \$5,320,000

2 Units for WFH Max Sale: \$208,000

LOSS due to WFH: (\$144,000)

Full Building Sellout with WFH: \$5,176,000

Expenses:

Repayment of Construction Loan: (\$3,150,000)

Building Profit Pre Tax and Fees w/o WFH: \$2,170,000

Building Profit Pre Tax and Fees with WFH: \$2,026,000

Capital Gains (31.5%) w/o WFH: (\$683,550)

Capital Gains (31.5%) with WFH: (\$638,190)⁴

3% Brokers Fees w/o WFH: (\$159,600)

3% Brokers Fees with WFH: (\$155,280)

Repayment of Initial Investment: (\$1,000,000)

Developer B Profit w/o WFH: \$326,850

Cash-on-Cash Return w/o WFH: 32.69%

Developer B Profit with WFH: \$232,530

Cash-on-Cash Return: 23.25%

Actualized developer losses: (\$94,320)

Percentage of profits lost: 28.86%

Beacon Taxation w/o WFH: \$159,600/yr

Beacon Taxation with WFH: \$155,280/yr

Beacon Annual Loss in Taxation: (\$4,320/yr)

Beacon Percentage Loss in Taxation: (2.7%)

Beacon Annual Loss over 10 years: (\$43,200)

⁴ https://ballotpedia.org/Tax_policy_in_New_York

As you can see, without a Workforce Housing component, Beacon condo developments rival the returns seen in Williamsburg. Adding such a component makes Beacon far less attractive to develop, to the point of not being even worth the time for a developer or investor to leave New York to put their money into work.

There are other, and significantly better ways to address the need for Workforce Housing. In fact, being that the law is written in such a way that for every 10 units, 1 unit must be made for Workforce Housing, how many Workforce Housing units does the City feel need to be created for this demand to be met? Doesn't it make more sense to establish this number first? Further, wouldn't it make more sense to incentivize a developer to create the same amount of units needed in one or two potential sites than to scare away all developers and face the larger macroeconomic ramifications? Has the study even been done to figure out how many Workforce Housing units the city needs?

As I said above, there is nothing wrong in the very noble pursuit to Workforce Housing. In fact, I support it, but not in the way that it is currently drawn up. To any specialty housing it has to come with an incentive to developers to actually take it on. In New York City, it was 421-a, a program that abated property taxes for the creation of affordable housing rental apartments. Putting the onus of responsibility solely on developers to create these units at the expense of one-third of their profits will scare away all developers, sending them into other areas where development can rival or best New York. This is not the way forward.

The way forward is in working with developers to come up with an incentive to create affordable/workforce housing units. If there is such demand for these housing units, then it should be incentivized, not forced onto developers at the sacrifice of their profits, as well as the city's tax revenue. This is not just bad for developers in the short term, it is seriously damaging to Beacon in the long term. If there is a disincentive to develop in Beacon, the potential additional taxation revenue will disappear because the projects will not be done, and the developers will abandon Beacon for another city or community looking to attract developers to it. That is how seriously damaging this Workforce Housing component is to developments in Beacon.

What the City Council might not fully recognize is that scaring away developers has many more macroeconomic effects on Beacon as well. If there are no developers building at the rate they currently are, there will be less revenue for the directly effected business industries like: real estate brokerages, architects, engineers, construction workers, plumbers, electricians, etc. This means less business taxes to the county and the city, less money in the pockets of the workers and business owners, and possibly the need to shut their doors or let some of their workforce go. It means that there are fewer housing units, which means less patrons sampling the shops and restaurants on the street on a permanent basis, less tax revenue to the city, and potentially higher business turnover and longer sit times for empty apartments or commercial units, forcing rental rates to drop and real estate values with it. With less units available to purchase and a high demand to live in the area, a real estate bubble forms with artificially inflated home values, and with less revenue coming in from the businesses, the onus often gets put onto home owners who now will not be able to afford the tax increases, meaning that the only people capable of living there are those who can afford high property taxes and those who live here will need to sell their homes at a loss or below the market value (this is not very different than New Paltz where there is segregation by taxation).

This is not hyperbolic, these are the actual macroeconomic effects seen in other communities who have scared away developers. I point to someone like Peter H. Brown who wrote the book How Real Estate Developers Think: Designs, Profits and Community, and said, “throughout the history of the United States, where the great majority of land is privately owned, the buildings that make up American cities have been planned, designed and built almost entirely by developers, using private capital, one project at a time.” Moreover, he added in an interview with MinnPost, “A real estate development is a business venture financed by private investors and lenders who take serious risks with the objective of earning significant profits...development affects everything from home values and views to the use and enjoyment of public streets.”⁵ Why would Beacon take such a risk in turning away development for an undetermined amount of units that may not even be in demand? There are too many loose variables in play to set this precedent for developers.

Regardless, there are ways forward, but it is not currently how the legislation is written. I sincerely hope that this legislation will be tabled, and a task force created between City Council members, community activists, and developers to:

- 1) Determine how many Workforce Housing Units the city of Beacon actually needs
- 2) Build such units in a mix of private/public funding
- 3) Create an incentive program that makes such a development attractive to a developer

Thank you.

Sincerely,

Zachary Lewis
249 Main Street LLC
328 Main Street Beacon LLC

⁵ Callaghan, Peter “What most neighborhood activists don't understand about real estate development”, *MinnPost*, 4/06/16 <https://www.minnpost.com/politics-policy/2016/04/what-most-neighborhood-activists-dont-understand-about-real-estate-developme>

Note: In any development of residential units, you have to remove space for common areas like lobbies, elevators, mechanical rooms and hallways that cannot be counted into the sellable square footage. Often, this number is about 7.5% of the building.

Developer A: Williamsburg

Upfront Costs

Cost to Purchase Land: \$2,500,000

Additional Cash Investment for Development Needed (30% of construction): \$3,300,000

Construction Assumptions:

Average construction cost per sf in NYC: \$550/sf¹

Total Construction Cost: \$11,000,000

Total Construction Loan: \$7,700,000 at 5%

Sale Assumptions:

Average condo per sf cost in Williamsburg: \$1,072/sf²

Value of 20,000 sf: \$21,440,000

Unsellable square footage due to common areas: 1,000sf

Value of Unsellable square footage: (\$1,072,000)

Average Sales Price per unit: \$1,072,000

Full Building Sellout: \$20,368,000

Expenses:

Repayment of Construction Loan: (\$8,085,000)

Building Profit Pre Tax and Fees: \$12,283,000

Capital Gains (31.5%): (\$3,869,145)³

3% Brokers Fees: (\$611,040)

Repayment of Initial Investment: (\$5,800,000)

Developer A Profit: \$2,002,815

Cash-on-Cash Return: 34.53%

¹ Parker, Will and Putzier, Konrad "Construction in Trump's Crosshairs, 4/1/2017 https://therealdeal.com/issues_articles/construction-in-trumps-crosshairs/

² Corcoran Realty, 4th Quarter Report, 2016 http://media.corcoran.com/pdf/reports/2016_Q4/Brooklyn_Q42016.pdf

³ https://ballotpedia.org/Tax_policy_in_New_York

Developer B: Beacon**Construction Assumptions:**

Average condo construction cost per sf in Beacon: \$240/sf (all in including land purchase, debt)

Hard Construction Cost: \$200/sf

Total Construction Cost: \$4,000,000

Loan Required: \$3,000,000 at 5%

Sale Assumptions:

Average condo per sf cost in Beacon: \$280/sf

Value of 20,000 sf: \$5,600,000

Unsellable square footage due to common areas: 1,000sf

Value of Unsellable square footage: (\$280,000)

Average Sale Price per unit: \$280,000

Full Building Sellout: \$5,320,000

2 Units for WFH Max Sale: \$208,000

LOSS due to WFH: (\$144,000)

Full Building Sellout with WFH: \$5,176,000

Expenses:

Repayment of Construction Loan: (\$3,150,000)

Building Profit Pre Tax and Fees w/o WFH: \$2,170,000

Building Profit Pre Tax and Fees with WFH: \$2,026,000

Capital Gains (31.5%) w/o WFH: (\$683,550)

Capital Gains (31.5%) with WFH: (\$638,190)⁴

3% Brokers Fees w/o WFH: (\$159,600)

3% Brokers Fees with WFH: (\$155,280)

Repayment of Initial Investment: (\$1,000,000)

Developer B Profit w/o WFH: \$326,850

Cash-on-Cash Return w/o WFH: 32.69%

Developer B Profit with WFH: \$232,530

Cash-on-Cash Return: 23.25%

Actualized developer losses: (\$94,320)

Percentage of profits lost: 28.86%

Beacon Taxation w/o WFH: \$159,600/yr

Beacon Taxation with WFH: \$155,280/yr

Beacon Annual Loss in Taxation: (\$4,320/yr)

Beacon Percentage Loss in Taxation: (2.7%)

Beacon Annual Loss over 10 years: (\$43,200)

⁴ https://ballotpedia.org/Tax_policy_in_New_York