Financing Mixed-Use Development: Accommodating the New Market

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Case Study of Mixed-Use, Transit Oriented Development Project

Hudson Park, Yonkers, New York

Colllins, LL.C.

The City of Yonkers, New York, adopted a highly detailed master plan for its central commuter rail station area that contained certain specifications regarding the types of development the city wanted on available vacant land in the area. The zoning for the area was amended to provide as-of-right status for developments that conform to the design standards contained in the master plan. Compliance with New York State’s extensive environmental review requirements was waived for such projects, since the impacts of development contemplated by the master plan had already been studied in detail and mitigation of adverse environmental impacts provided.

Early in this process, a developer was selected through a request-for-proposals process to plan the redevelopment of two centrally located sites, immediately adjacent to the train station. As the city developed its plan and conducted its environmental impact review, the private developer began site planning and provided information to the city planners regarding economic and market realities. Information provided by citizens, environmental consultants, other professionals, and the developer were integrated as the process progressed and the master plan and designs for the two sites were adjusted.

The result is the development of Hudson Park, a two-phase project that contains 560 middle-income rental residential units, public pedestrian access to a renovated waterfront, restaurants, office and retail space, and immediate access to the train station through carefully designed walkways and entrances that provide security to riders. Hudson Park is a dramatic transit oriented development where parking provided is approximately 50 percent less than the amount required by traditional urban zoning. This is possible because the buildings and area appeal to commuters who travel to work by train and the developer’s marketing was designed to attract them. The developer saved $25,000 in development costs for each parking space not constructed, and residents save $6,000 annually for owning one car instead of two. Three high quality restaurants and a number of retail stores catering to the middle-income populations of these buildings have appeared in the neighborhood. This project and the public amenities provided by the government to support it are credited with sparking considerable additional private sector interest in the area.

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1 Phase 3 may be under construction in 2013.
Corollary Environmental Benefits of Such Projects

The corollary environmental and economic benefits of using land use controls to shift settlement patterns to urban-oriented living are equally dramatic. At a density of 15 rather than 7.5 dwelling units per acre, 40 million new households will consume half as much land. At 7.5 units per acre, these households will occupy nearly 5.5 million acres for housing alone. If we double the net density per acre, that figure is cut to roughly 2.5 million acres, a savings of nearly three million acres, just under 5,000 square miles: an area about the size of the state of Connecticut. Not developing three million acres saves the materials needed for the construction of, and the vehicle miles travelled on, thousands of miles of roads. It also saves millions of tons of salt and sand, hundreds of thousands of acres of wetlands and habitats, and millions of square feet of impervious surfaces, thereby reducing stormwater runoff and surface water pollution.

Less water use and better water quality are two of the main corollary benefits of compact, mixed-use development. Historically, single-family, suburban homes use more than 100 gallons of water per capita per day, while multifamily housing can use as little as 45-75 gallons. Lawn care alone is responsible for up to 50% of annual household water usage, with car washing and swimming pools responsible for about 20% more. Studies have shown that at higher densities water use drops to half the amount of lower density areas.

Moreover, costs for installing water infrastructure to houses in dispersed suburban neighborhoods can cost a municipality $10,000 more than the infrastructure in urban areas and water service costs are proportionately lower in denser developments. More compact development allows for shorter transmission systems, making them more efficient to operate and less susceptible to water loss through leakage. Encouraging compact neighborhood design on smaller lots reduces water demand for landscaping. Directing development to areas served by existing infrastructure and maintaining that infrastructure can make systems more efficient.

Local actions that facilitate green buildings, green construction technology, solar and wind facilities, and other green initiatives add to the positive transformation of the domestic economy and complement efforts to increase the local tax base, building public support for the associated environmental benefits of climate change mitigation. In fact, jobs in the emerging green economy are among the most robust employment sectors. Action at the local level can embody both environmental and economic objectives: the two are not necessarily in opposition. Economic growth can follow adoption of climate mitigation strategies.

Illustrative of the type of development that is within the power of municipalities to encourage, and that reduces energy consumption and CO₂ emissions, is Hudson Park, which is an enhanced transit oriented development (TOD) project in Yonkers, New York. Located next to the main commuter rail station in the downtown, it is designed for and marketed to young professionals, most of whom commute to Manhattan or one of
the other New York City boroughs. Hudson Park occupies 4.362 acres and contains 560 rental apartments, along with 15,000 square feet of commercial and office use.

The density of this development is 128 dwelling units per acre, much more than the 15 dwelling units per acre used for the climate change mitigation calculations above, but somewhat typical of the residential density needed around express-stop transit areas to generate the ridership required to make commuter rail service economically viable. If we could shift 25 percent of the nation’s next 40 million households, or 10 million households (27 million people) from single-family dwellings on quarter acre lots to developments such as Hudson Park, the corollary benefits to the environment would be dramatic. To illustrate, such a shift would save 876,951 acres of impervious coverage, 573 billion gallons of annual stormwater runoff, and 394 billion gallons of potable water per year.
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Trust: Building a relationship with your lender is the forefront of creating value

Michael Weinstock
M&T Bank

Trust. You will find the word on a dollar bill and in the names of many financial service companies. You also experience it almost every day in your decision-making process. We choose which news sources to trust from the increasingly segmented media market, which health care providers we trust to treat us and which restaurants we trust to feed us a safe, healthy meal.

Providers of credit also differentiate themselves based on trust. Lenders wishing to establish high levels of trust with their clients refer to themselves as “relationship lenders.” Other lending sources build their business model on the benefits of providing the cheapest money. These are two different approaches, and it’s up to each borrower to decide which model best serves their own business needs.

While the term relationship varies between institutions, its intent is to define a long-term and expansive relationship between the lender and client. The degrees of relationship lending are now more apparent than at any time in the past, which is one of the lessons we can take away from this recession. CMBS lenders are at one end of the spectrum and healthy community lenders are at the other.

While CMBS lenders have, in the past, provided lenient structures and pricing, their ability or willingness to renegotiate terms and provide additional financing is minimal. In many cases, lenient structure and pricing have ended up being a one-shot deal. Likewise, major banks that derived substantial portion of their profits from trading activities may also be inherently more transactional.

Community banks, on the other hand, are driven by a desire to sustain the relationship, and have improved customer service during the past few years in order to be more competitive. Many commercial real estate investors now see the benefit of what they have been paying for from their relationship banks: staving the course, structuring and restructuring to improve a deal, and providing a consistent source of capital throughout the economic downturn of time, and who are knowledgeable about their business and have a long-term vision. By doing this, we have partnered with customers who operate based on similar values and behaviors as ourselves.

These relationships were forged during a period of time where seeking relationships was, quite frankly, difficult at best, due to the prevalence of transactional behavior and its immediate rewards. Consequently, we have been able to support those customers as they have supported us in return. These behaviors have enabled us to have a more stable operating environment.

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The downturn has provided many lessons to reflect upon during the coming months and years. Increased volatility arising from globalized capital highlights the value of forming and maintaining long-lasting relationships. Borrowers now need to be more concerned with the performance and culture of their lenders, making due diligence a two-way street. It is becoming apparent that financial institutions that followed market trends and changed their operations to elicit quick paybacks for risky ventures have been damaged both financially and culturally.

Many of us pursuing a relationship-lending model have remained committed to finding customers who want our consistent behavior over a prolonged period of time, and who are knowledgeable about their business and have a long-term vision. By doing this, we have partnered with customers who operate based on similar values and behaviors as ourselves.

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Michael Weinstock is an administrative vice president and group manager for commercial real estate lending at M&T Bank, Tarrytown, N.Y.
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SPECIAL REPORT: The Real State of Real Estate


John T. Mather, outgoing president, was on the phone, and he was joined by several other speakers from the housing industry. The panelists discussed the current state of the real estate market in the county, including trends in home sales, mortgage rates, and the impact of the pandemic on the industry.

The panelists also touched on the challenges facing the industry, such as the shortage of affordable housing and the need for more investment in infrastructure. They also highlighted the importance of collaboration between developers, investors, and local governments to address these issues.

John T. Mather concluded the panel by thanking the audience for their attention and promised to bring more updates on the industry in future editions of the Business Journal.

The panelists included:
- John T. Mather, outgoing president
- Mary A. Thompson, chief economist
- Michael Vento, president of the National Association of Real Estate Editors
- Brenda M. Smith, chief operating officer of the Metropolitan Housing Council
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