

September 21, 2022

Dear Council Members,

Over the past few months, the Mayor's Office has met with all Council members and has engaged with about 275 members of the public through online and in-person events to hear your thoughts on housing. What we heard from this engagement is a **clear and resounding need for more housing that is affordable to people making low- and moderate- incomes**. We approach the lack of housing affordability from several angles including housing and zoning policies, preservation of housing, and tenant and resident support. This proposal addresses one critical approach to housing: **increasing the housing supply**.

Following the adoption of the Affordable Housing Development Plan in 2021, the City sought qualified developers to construct new affordably priced housing. The City had a wish list for this development that included maximizing units for low-income and moderate income residents, commercial spaces, environmentally friendly designs, homeownership opportunities, and designs that fit in Hudson. We challenged developers to create proposals that met this wish list on sites that are less than ideal for development. **We are excited to share the proposal we selected from Kearney Realty & Development Group (Kearney) and Hudson River Housing (HRH)**. Their proposal fulfilled our ambitious list of criteria and their portfolio of work matches our vision of creating high-quality housing that is affordable to our residents.

This proposal utilizes a **scattered-site** approach to housing. We heard from the community that people prefer smaller buildings scattered across different sites, which allows for more gentle density that fits with the surrounding neighborhood and allows households seeking affordably priced housing more choice in the neighborhoods they live in. This plan proposes to create over eighty new rental units priced for households with extremely low- to moderate- incomes as well as two commercial spaces for community businesses and two affordable townhomes.

The following pages lay out the rationale and process that have gotten us to this development proposal, as well as details of the proposal itself and next steps. We hope that you will reach out with any questions or concerns, and that you are as excited as we are by this opportunity to create beautiful housing so that our residents can afford to live in Hudson.

Sincerely,

Kamal Johnson
Mayor
City of Hudson

Michelle Tullo, AICP
Housing Justice Director
City of Hudson

Project Purpose

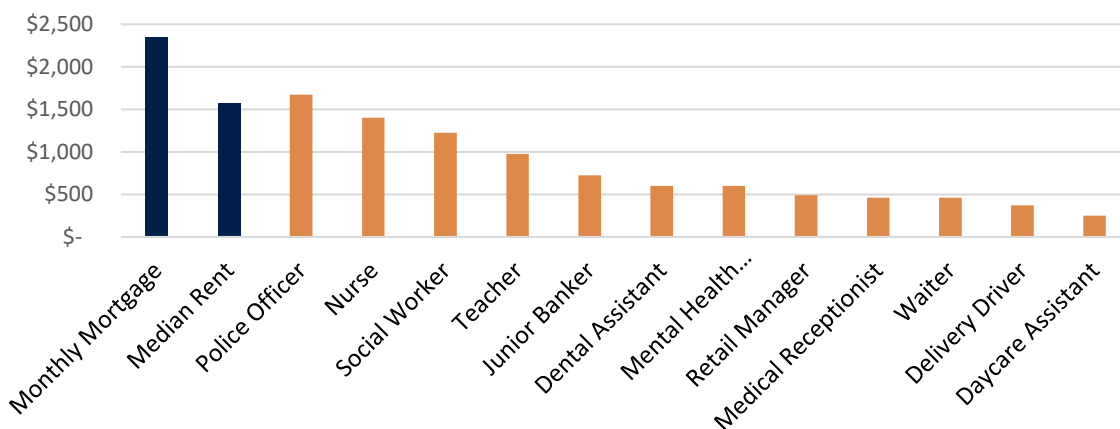
The goal of this development proposal is to address the lack of stable housing in Hudson by creating new rental and for-sale housing units. These units will be priced to be affordable to a variety of incomes, ranging from extremely low- to moderate- incomes.

The lack of housing and its consequences has been well-documented.

Housing prices of rental and for-sale units have increased to be significantly higher than the wages of our residents. As a result, many residents have been displaced which harms not just those individuals, but our community. This displacement has led to employee shortages at our major industries like Columbia Memorial Hospital and the Hudson City School District. Many other residents (over half) are cost-burdened, paying more than a third of their monthly income on housing, which leads to housing precarity.

Substantial data documenting the critical need for housing across income levels can be found in the City's November 2021 [Affordable Housing Development Plan](#) and Columbia County's 2022 [Housing Brief](#). The figure below shows the gap between the median housing costs per month and what many of our residents can afford to pay based on profession. This data looks at housing costs in Hudson in a snapshot in time of Summer 2022 and generalizes salaries, but represents a very real truth that most of the wages in our area are below the housing costs.

Figure 1- Gap Between Housing Prices and Wages in Hudson



City of Hudson, Summer 2022

Notes: The median rent was calculated by taking the median of all one-bedroom apartments listed across seven rental websites in the city of Hudson. The median mortgage payment came from looking at the median sales prices from six real estate websites in Hudson and assuming a 19.47% down payment on a 30-year fixed-rate mortgage, plus property taxes. Salaries came from job postings from Summer 2022 from Columbia County Civil Service, from four different job posting sites in Hudson, and from City employment data. For all jobs, the median salary was used. "Affordable rent" was calculated as thirty percent of monthly salary minus \$400 for utilities. This formula, although flawed, is from the U.S. Department of Housing and Urban Development.

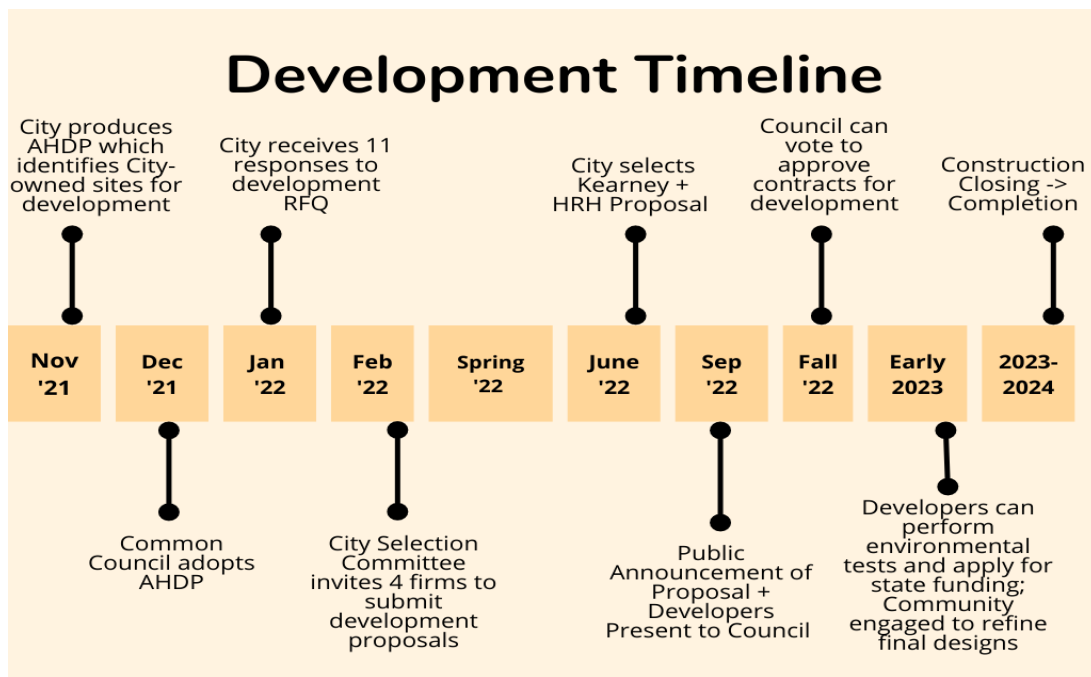
Community Engagement

Over the past year, the Mayor's Office has held ten in-person and virtual events, held over a dozen small stakeholder meetings, and engaged with two hundred people through an online survey. Through this engagement, we heard that the creation of new affordable rental units is a top priority. We also asked people what features in a new housing development are most important to them. The top priority was creating as many new affordable units as possible, followed by engaging the community throughout the process and having a design that fits with the neighborhood. We tried to incorporate this input into selecting this proposal, and will continue engaging with residents over the next few months to incorporate their needs into the development process.

Selection + Development Process

The site and developer selection process has followed the process laid out in the Affordable Housing Development Plan (AHDP), which was adopted by the Common Council in Winter 2021.

Four firms were invited to submit proposals following the successful Request for Qualifications (RFQ) process, to which eleven RFQs were submitted. The proposal by Kearney and Hudson River Housing was selected by the Selection Committee based on a scoring system. The developer and City are presenting this proposal to the Council and public in September. Later in the fall the Council can vote on the proposed contracts of sale and PILOT agreements so that the developers can begin environmental testing and applying for funding in order to break ground as soon as possible. There will be different stages when the community can be engaged to provide their input to shape the project.



Development Team

The development team is Kearney Realty & Development Group and Hudson River Housing (HRH). Kearney has successfully developed over 1,300 units of housing in the Hudson Valley. Hudson River Housing is Dutchess County's largest provider of supportive housing for the homeless population and has expanded their services to include new construction, rehabilitation, and management. They currently manage 893 units across 59 buildings with units dedicated to low-income adults and families, unaccompanied youth, seniors, veterans, formerly incarcerated individuals, and other historically underserved populations.

Project Funding

Funding is anticipated to come from State and Federal Low-Income Housing Tax Credits; the Middle-Income Housing Program; NYSERDA funding, Community Investment Funds; Geothermal Tax Credits, and other loans and developer equity.

Development Proposal

Figure 2- Proposed Development Sites



The proposal takes a scattered-site approach spread across three vacant lots:

Mill Street- across from Charles Williams Park

North 4th and State Street- currently a parking lot across from the former John L. Edwards School

Rossman Avenue- two parcels at the top before the road turns into Van Winkle Road

Development Proposal

N 4th Street and State Street



On the parking lot currently located on North 4th Street and State Street: a two-floor mixed-use, mixed-income affordable housing development with 21 residential units and two community-oriented commercial spaces. The development will be fully electric with green building techniques.

Kearney Realty Group and Hudson River Housing

Mill Street Site

On the Mill Street lot, across from the Charles William Park: three and a half floors of mixed-income affordable housing development with 60 residential units. The development would have parking, a community garden, outdoor greenspace, bike infrastructure, and would be elevated to be resilient to flooding. This development would also utilize green building techniques like solar panels and geothermal heating technology.

Rossman Avenue Sites

At the top of Rossman Ave are two parcels the City owns: two for-sale townhomes with three-bedroom owner-occupied units with attached three-bedroom rental unit. The owners of the townhomes would receive homeowner and landlord counseling through the NeighborWorks Homeownership Center, operated by Hudson River Housing.



Kearney Realty Group and Hudson River Housing

Affordability Levels

The affordability levels and bedroom sizes are based off the needs of our population as identified in the AHDP. Below are tables showing the unit count, bedroom sizes. State Street will have 21 units and Mill Street will have 60 units. Rossman Avenue will have two homeownership units and two rental units. The following pages provides Area Median Income definitions for Columbia County as per the US Department of Housing and Urban Development.

Mill & State Street

Bedroom Size	AMI	Number of Units	Rent	Income Range	
				Low	High
1BR	30%	3	\$499	\$18,630	\$21,300
2BR	30%	1	\$599	\$21,300	\$26,610
3BR	30%	1	\$691	\$23,970	\$30,870
1BR	40%	3	\$665	\$24,840	\$28,400
2BR	40%	2	\$799	\$28,400	\$35,480
3BR	40%	1	\$922	\$31,960	\$41,160
1BR	60%	24	\$998	\$37,260	\$42,600
2BR	60%	14	\$1,198	\$42,600	\$53,220
3BR	60%	1	\$1,383	\$47,940	\$61,740
1BR	70%	4	\$1,164	\$43,470	\$49,700
2BR	70%	3	\$1,398	\$49,700	\$62,090
3BR	70%	1	\$1,614	\$55,930	\$72,030
1BR	80%	4	\$1,330	\$49,680	\$56,800
2BR	80%	2	\$1,598	\$56,800	\$70,960
3BR	80%	1	\$1,845	\$63,920	\$82,320
1BR	100%	3	\$1,330	\$62,100	\$71,000
2BR	100%	2	\$1,598	\$71,000	\$88,700
3BR	100%	2	\$1,844	\$79,900	\$102,900
1BR	110%	4	\$1,497	\$62,100	\$71,000
2BR	110%	2	\$1,797	\$71,000	\$88,700
3BR	110%	2	\$2,074	\$79,900	\$102,900

Rossman Avenue Homeownership

Bedroom Size	AMI	Number of Units	Rent	Income Range	
				Low	High
3BR	80%	2	N/A	\$63,920	\$82,320
2BR	30%	2	\$599	\$21,300	\$26,610

Community Relationships and Job Creation

The two commercial spaces at 4th and State would be community-oriented businesses. The development team has proposed an affordable daycare and a grocery or commercial kitchen space. The residential components will create 3-5 new full-time positions and the retail component is anticipated to create 10-30 new full and part-time positions.

A "Construction Workforce Plan" will offer local Hudson residents opportunity for employment during the construction phase (which is typically 115 positions). Kearney will also offer two paid internships to Hudson residents to provide an in-depth knowledge of real estate development, general contracting, and property management.

Community Engagement

The development team will meet with community members and stakeholders through one-on-one meetings, focus groups conversations, and other interactive, place-based activities.

Environmental Impacts

Construction will utilize green techniques like solar panels and geothermal heating. The building at 4th and State will be all-electric. Buildings will be LEED certified.

The Mill St building will have a first-floor elevation more than one foot above the 500-year flood elevation. Innovative infrastructure such as water-permeable pavement, infiltration zones, and native landscaping will be used to collect rainwater and/or flood water and reduce the impact of flooding which would benefit neighboring properties as well.

Purchase and Taxing Agreements

Purchase Agreement

Development team has offered to pay \$450,000 for the sites, which is more than the assessed value of the sites.

PILOT Process

The development team is seeking a Payment-In-Lieu-of-Taxes (PILOT) agreement from the Common Council, which they are eligible for under Section 577 of the New York State tax code.

There are different purposes for giving a PILOT, which is a legal agreement to pay a different schedule of taxes. One reason is to help for-profit businesses get started. These are typically the type of projects that go through the Industrial Development Agency (IDA). Another reason to give a PILOT is if a non-profit business like an affordable housing developer and operator earn significantly less money than if charging market-rate rents. In this case, the non-profit housing company, called a "housing development fund company," can either pay taxes each year based on their net operating income from the below-market rents, or they can make a PILOT agreement that sets the taxes ahead of time.

Kearney and HRH proposes to follow this second path- to make a PILOT agreement with the Common Council of paying \$100,000 per year for the rental units, escalating 2% a year, for thirty years. Our City Assessor, City Treasurer, and Legal Counsel are all agreeable to this method, believing that not only will the City receive equal if not more tax revenue than by taking the first path, but also this method will be simple for the City to implement and will help the development team create predictable financial forecasts in order to secure their funding.

The Common Council can vote to pass this PILOT this fall. Should they not pass the PILOT, the development would still pay below-rate taxes. The only difference is that this would be assessed annually rather than agreed upon from the beginning, which could delay securing funding sources for the developer.

Community Impacts

The Mayor's Office has engaged with residents and stakeholders through online surveys, a dozen in-person events, and small group discussions to hear community priorities and concerns related to new housing. We've put together some of the top concerns and questions we've heard with our responses:

["Do we even need more affordable housing?"](#)

Yes! We know we need more housing from long waiting lists at our existing housing developments, from our recent housing studies, from the close-to-zero vacancy rate for apartments in Hudson, and from almost-daily communication with residents who are priced out or struggling to pay rent. We need housing that is priced for our lowest-income residents, as well as housing for our moderate-income residents, and so this proposal provides housing across that range of incomes. We have considered the housing that is currently in the development pipeline and have found that this project would serve an unmet need for low- and moderate- income housing.

[“Who funds this project?”](#)

Most funds for this project are coming from state and federal programs that fund affordable and mixed-income housing. Other sources of funding are coming from loans and developer's equity. The City of Hudson is not paying and would in fact making a profit from the sale of land and from receiving taxes on currently vacant land.

[“I own my home or business in Hudson and pay my taxes. I feel like I'm covering the share of these developers and low-income renters.”](#)

The City is not paying for this development so it is not costing taxpayers to construct or maintain. In fact, the development will bring new tax money into the City from the development. Also, our population has been shrinking: adding more units brings in more people who both pay property taxes via their rent, and also pay sales taxes which brings revenue into the City.

[“Will there be enough parking?”](#)

Yes. The largest site, the Mill Street site, will include its own parking on-site. The units on Rossman Avenue have their own parking. The development at North 4th and State Street have some parking. This site will also be clearly marketed to attract residents who do not need two dedicated parking spaces. There is ample space along that corridor and the City's parking feasibility study will consider this proposed development.

[“I'm concerned new development like this will impact the charm and character of Hudson.”](#)

We very intentionally selected a proposal that takes a scattered-site approach in order to have smaller buildings that each fit into their surrounding neighborhoods. The proposed brick design for North 4th and State fits with the surrounding rehabbed brick warehouses and buildings on Columbia and State Street. The fourplexes on Rossman Avenue would fit with the scale and design of neighboring houses. The Mill Street site is designed to emphasize the green spaces around the building and to scale the design to try and fit in as best as possible with the quieter, bungalow feel of the Mill Street.

[“Why aren't there more homeownership units?”](#)

The creation of homeownership units requires different funding sources than rental units and so it's hard to combine those types of projects on one site. We're excited that this proposal would create two new units, and would introduce Hudson River Housing's NeighborWorks Homeownership Center into Hudson. We think this is a positive step and are actively thinking about how to create more homeownership opportunities.

“Is the developer looking for a PILOT?”

The developer is legally eligible to pay reduced taxes than if they were assessed at market-value, since they are charging below-market rents. The developer is looking for the Common Council to approve this reduced tax schedule through a PILOT agreement. You can read more on Page 8.

“Will this place a burden on our infrastructure?”

No. Our Public Works Department said that our City's infrastructure (sewage, water, roads) is more than capable to handle these developments. The Mill Street site may need some flood mitigation efforts, which will be undertaken by the developer but which would benefit the rest of the street.

“Why does the City have to sell its land?”

Selling the land rather than long-term leasing provides the developer with site control to assemble the needed financing but more importantly allows the development team, who have decades of experience developing and managing high-quality housing, to make the decisions needed to manage their properties well. This method also brings new revenue into the City on otherwise vacant and difficult-to-develop land.

“What guarantees are there that this housing will stay affordably priced?”

The proposed development hopes to win financing from federal and state programs for affordable housing, which are closely regulated by New York State for fifty years. This development team has not turned over any of their other properties, but there are also measures to renew the affordability requirements when it gets closer in time.

“What about possible environmental issues with these sites?”

The City and the developers are aware that these sites may have environmental challenges. Kearney and HRH have an impressive record of working with brownfield and other challenging sites in other Hudson Valley cities. One of the reasons we selected this development team is because they provided several ways of mitigating or working with challenging sites. These sites have sat vacant for many years, and we are excited that they could be reactivated as asset to our community.

Next Steps

Over the next few weeks, the City will continue sharing details of the proposal engaging with stakeholders and residents and to answer any questions. The next step is for the Common Council to consider the sale of land of the three sites and the proposed tax agreement. If the Common Council approves, then the development can move forward into site control and securing funding. The Mayor's Office is happy to answer any questions and can be contacted at 518-828-7217, or can email Housing Director Michelle Tullo housing@cityofhudson.org.