Application to

Jefferson County Industrial Development Agency (JCIDA)

For

Tax Exempt Bond Financing

and/or

Sale Leaseback Transaction

And

Fee Schedule

Please contact the agency for more information regarding project eligibility and application process.

Jefferson County Industrial Development Agency (JCIDA)
800 Starbuck Avenue, Suite 800
Watertown, New York 13601
www.jcida.net

Taxable and Tax Exempt Industrial Development Revenue Bonds

Application Fee: A non-refundable fee of $2,500.00 is payable to the JCIDA at the time the application is submitted. This fee will be credited towards the total fee at closing.

Fee: 2% of the principal amount of the bond series.

Point of Contact: Donald Alexander, 315-782-5865

Tax Exempt Civic Facility Bonds

Application Fee: A non-refundable fee of $2,500.00 is payable to the JCIDA at the time the application is submitted. This fee will be credited towards the total fee at closing.

Fee: First $10 million - 2% of the bond series.
Over $10 million- .5% of the bond series.

Point of Contact: Donald Alexander, 315-782-5865

Sale Leaseback Transactions

Application Fee: A non-refundable fee of $2,500.00 is payable to the JCIDA at the time the application is submitted. This fee will be credited towards the total fee at closing.

Fee: With a PILOT:
First $10 million – 2%
Second $10-$20 million - .5%
Anything greater than $20 million - .25%

No PILOT – 25% of the abatement value (based on savings from mortgage tax and sales tax).

Point of Contact: Donald Alexander, 315-782-5865

INSTRUCTIONS

1. The Agency will not approve any applications unless, in the judgment of the Agency, said application contains sufficient information upon which to base a decision whether to approve or tentatively approve an action.

2. Fill in all blanks, using "none" or "not applicable" or "N/A" where the question is not appropriate to the project which is the subject of this application (the "Project").

3. If an estimate is given as the answer to a question, put "(est)" after the figure or answer, which is estimated.

4. If more space is needed to answer any specific question, attach a separate sheet.

5. When completed, return this application to the Agency at the address indicated on the first page of this application.

6. The Agency will not give final approval to this application until the Agency receives a completed environmental assessment form concerning the Project.

7. Please note that Article 6 of the Public Officers Law declares that all records in the possession of the Agency (with certain limited exceptions) are open to public inspection and copying. If the applicant feels that there are elements of the Project which are in the nature of trade secrets or information, the nature of which is such that if disclosed to the public or otherwise widely disseminated would cause substantial injury to the applicant's competitive position, the applicant may identify such elements in writing and request that such elements be kept confidential in accordance with Article 6 of Public Officers Law.

8. The applicant will be required to pay to the Agency all actual costs incurred in connection with this application and the Project contemplated herein (to the extent such expenses are not paid out of the proceeds of the Agency's bonds issued to finance the project. The applicant will also be expected to pay all costs incurred by general counsel and bond counsel to the Agency. The costs incurred by the Agency, including the Agency's general counsel and bond counsel, may be considered a part of the project and included as a part of the resultant bond issue.

9. The Agency has established an application fee of $2,500 to cover the anticipated costs of the Agency in processing this application. A check or money order made payable to the Agency must accompany each application. THIS APPLICATION WILL NOT BE ACCEPTED BY THE AGENCY UNLESS ACCOMPANIED BY THE APPLICATION FEE.

10. The Agency has established a project fee for each project in which the Agency participates. UNLESS THE AGENCY AGREES IN WRITING TO THE CONTRARY, THIS PROJECT FEE IS REQUIRED TO BE PAID BY THE APPLICANT AT OR PRIOR TO THE GRANTING OF ANY FINANCIAL ASSISTANCE BY THE AGENCY.

This application should be submitted to the Jefferson County Industrial Development Agency, 800 Starbuck Avenue, Suite 800, Watertown, New York 13601 (Attn: Chief Executive Officer).

STAFF USE ONLY

			Staff Initials
1.	OSC Project Number Assigned	2201-1204	
2.	Retail Determination (Y/N) Retail Exception used: Housing	_____, 20____	
3.	Date Application Assigned to Agency Counsel	Sept. 23, 2011	
4.	UTEP Deviation (Y/N)	_____, 20____	
5.	IRB – Volume Cap Needed (Y/N) N/A	_____, 20____	
6.	IRB/501c3 – TEFRA Required (Y/N) N/A	_____, 20____	

Public Hearing - 5/25/12; published 5/7/12

Resol. 6/7/12

Jefferson County Industrial Development Agency (JCIDA) Application for Tax Exempt Bond Financing and/or Sale Leaseback Transactions

I. APPLICANT INFORMATION

Company Name: Morgan Watertown Townhomes, LLC

Address: 1170 Pittsford Victor Road

Pittsford, NY 14534

Phone No.: 585.419.9630

Fax No.: 585.419.9636

Federal Tax ID: [redacted]

Contact Person: Kevin Morgan

E-Mail: [redacted]

Date: 9-23-11

a. Form of Entity:

_____ Corporation

_____ Partnership (General ___or Limited ___; Number of General Partners ___ and, if applicable, Number o Limited Partners ___, List Partners in section below.

_X_ Limited Liability Company, Number of Members __1

_____ Sole Proprietorship

b. Principal Owners/Officers/Directors: (List owners with 5% or more in equity holdings with percentage of ownership)

Name	Address	Percentage Ownership/Office
Robert C. Morgan	[redacted]	100%

(Use attachments if necessary)

c. If a corporation, partnership, limited liability company:

What is the date of establishment? 6-6-11 Place of organization NYS

If a foreign organization, is the Applicant authorized to do business in the State of New York? _____

(Attach organizational chart or other description if applicant is a subsidiary or otherwise affiliated with another entity)

See project description narrative.

d. Attach certified financial statements for the company's last three complete fiscal years. If the company is publicly held, attach the latest Form 10K as well.

NA

II. APPLICANT'S COUNSEL

Name/Firm: James J. Bonsignore, Fix Spindelman Brovitz & Goldman

Address: 295 Woodcliff Drive, Suite 200

Fairport, NY 14450

Phone No.: 585.641.8000

Fax No.: 585.641.8080

E-Mail: [redacted]

III. PROJECT INFORMATION:

a. Please provide a brief narrative description of the Project (attach additional sheets or documentation as necessary).

See attached.

b. Location of Project

Project Address: County Route 202 (57.09 acres undeveloped)

Town/Village of: Town of Watertown

Name of School District: Watertown City School District

Tax Map No.: 82.11-1-35.221 (portion)

c. Are Utilities on Site? No Water:_____ Electric:_____ Gas:_____ Sanitary/Storm Sewer:_____ Telecom:_____

d. Present legal owner of the site if other than Applicant and by what means will the site be acquired for this Project: Assignment of purchase contract with Route 57 Development, LLC (owner)

e. Zoning of Project Site:

Current: Neighborhood Commercial Proposed: Neighborhood Commercial

f. Are any zoning approvals needed? Identify: _____No; zoning permits multi-family with special use permit

g. Local Permitting and Approvals – Does the project require local planning or permitting approvals? If so, please explain. Building permit Will a site plan application need to be filed? Final site plan approval received. If so, please include copy if prepared.

h. Has another entity been designated lead agent under the State Environmental Quality Review Act ("SEQRA")? Town of Watertown; If yes, please explain:
Negative declaration issued, dated 9-8-11 (see attached)

i. Will the Project result in the removal of a plant or facility of the Applicant or a proposed Project occupant from one area of the State of New York to another area of the State of New York? No; If yes, please explain:

j. Will the Project result in the abandonment of one or more plants or facilities of the Applicant or a proposed Project occupant located in the State of New York? No; If yes, explain:

k. If the answer to either question i. or j. is yes, indicate whether any of the following apply to the Project:

1. Is the Project reasonably necessary to preserve the competitive position of the Company or such Project Occupant in its industry? Yes_____; No_____. If yes, please provide detail:

2. Is the Project reasonably necessary to discourage the Company or such Project Occupant from removing such other plant or facility to a location outside the State of New York? Yes_____; No_____. If yes, please provide detail:

l. Does the Project include facilities or property that are primarily used in making retail sales of goods or services to customers who personally visit such facilities? ____; If yes, please explain:

_____

_____

m. If the answer to l. is yes, what percentage of the cost of the Project will be expended on such facilities or property primarily used in making retail sales of goods or services to customers who personally visit the Project? _____%

n. If more than 33.33%, indicate whether any of the following apply to the Project:

1. Will the Project be operated by a not-for-profit corporation? Yes ___; No____. If yes, please explain:

   _____

2. Is the Project likely to attract a significant number of visitors from outside the economic development region in which the Project will be located? Yes_____; No _____. If yes, please explain:

   _____

3. Would the Project occupant, but for the contemplated financial assistance from the Agency, locate the Project and related jobs outside of New York State? Yes _____; No _____. If yes, please explain:

   _____

4. Is the predominant purpose of the Project to make available goods or services which would not, but for the Project, be reasonably accessible to the residents of the City, Town or Village within which the Project will be located because of a lack of reasonably accessible retail trade facilities offering such goods or services? Yes____; No____. If yes, please explain:

   _____

5. Will the Project be located in one of the following: (i) an area designated as an Empire Zone pursuant to Article 18-B of the General Municipal Law; or (ii) a census tract or block numbering area (or census tract or block number area contiguous thereto) which, according to the most recent census data, has (x) a poverty rate of at least 20% for the year in which the data relates, or at least 20% of households receiving public assistance, and (y) an unemployment rate of at least 1.25 times the statewide unemployment rate for the year to which the data relates? Yes_____; No_____. If yes, please explain:

   _____

o. Does the Company intend to lease or sublease more than 10% (by area or fair market value) of the Project? Yes X__; No ____. If yes, please complete the following for EACH existing or proposed tenant or subtenant:

Sub lessee name: 394 apartment units will be leased for 1 year renewable terms_____

Present Address:_____

City:_____ State:_____ Zip:_____

Employer's ID No.:_____

Sub lessee is a: _____ (Corporation, LLC, Partnership, Sole Proprietorship)

Relationship to Company:_____

Percentage of Project to be leased or subleased:_____

Use of Project intended by Sub lessee:_____

Date and Term of lease or sublease to Sub lessee: _____

Will any portion of the space leased by this sub lessee be primarily used in making retail sales of goods or services to customers who personally visit the Project? Yes___No_X_. If yes, please provide on a separate attachment (a) details and (b) the answers to questions I. 1-5 with respect to such sub lessee.

p. Project Costs (Estimates):

Category	Amount
Land-acquisition	3,152,000
Buildings-Construction/Renovation	42,268,861
Utilities, roads and appurtenant costs	6,883,100
Machinery and Equipment	
Soft Costs (Architect and Engineering Fees)	307,950
Costs of Bond issue	
Construction Loan Fees and interest	1,217,221
Other (specify)	825,995
Total Project Costs	54,655,127

q. Job Creation:

Construction jobs created by the Project:150 Anticipated Dates of Construction: Upon Housing Development Financing award by the Development Authority of the North Country.

Permanent jobs created by the Project

Column A: Insert the job titles that exist within the company at the time of application, as well as any job titles that will be established as a result of the Project.
Column B: Indicate the entry level wage for each listed job title either in terms of hourly pay or annual salary.
Column C: For each listed job title insert the number of positions that exist at the time of application.
Column D: Insert the number of jobs to be created during year one of the Project for each listed job title.
Column E: Insert the number of jobs to be created during year two of the Project for each listed job title.

Column F: Insert the number of jobs to be created during year three of the Project for each listed job title.
Column G: Indicate the total number of jobs to be created for each listed title as a result of the Project. (Column D + Column E + Column F = Column G)

(A) Job Title	(B) Annual or Hourly Wages	(C) Current Number of Positions	(D) Jobs Created: Year One	(E) Jobs Created: Year Two	(F) Jobs Created: Year Three	(G) Total Jobs Created
Property Manager	60,000					
Leasing Consultant	42,500					
Leasing Consultant	42,500					
Maintenance Superintendent	65,000					
Maintenance Staff	52,400					
Maintenance Staff	52,400					
Maintenance Staff	52,400					
Maintenance Staff	52,400					
Maintenance Staff	52,400					
TOTALS:	472,000	0	9			9

Potential JCIDA Financial Assistance

A. Estimated Project Costs eligible for Industrial Development Agency Financial Assistance

1. Sales and Use Tax
   - A. Amount of Project Cost Subject to Sales and Use Tax: $19,676,800
   - Sales and Use Tax Rate: 7.75 %
   - B. Estimated Sales Tax (A X .0775): $ 1,475,760
2. Mortgage Recording Tax Exemption
   - A. Projected Amount of Mortgage: $46,036,119
   - Mortgage Recording Tax Rate: .075 %
   - B. Estimated Mortgage Recording Tax (A X .0075): $ 345,271
3. Real Property Tax Exemption
   - A. Projected Increase in Assessed Value on Project: $ 16,429,100
   - B. Total Applicable Tax Rates Per $1000: $ 24.434674
   - C. Estimated Annual Taxes without PILOT (A X B)/1,000: $ 464,526 (see assessor's letter dated 7/30/11)
4. Interest Exemption (Bond transactions only)
   - a. Total Estimated Interest Expense Assuming Taxable Interest: $
   - b. Total Estimated Interest Expense Assuming Tax-exempt Interest Rate: $

B. Estimated Benefits of Industrial Development Agency Financial Assistance

1.	Current Company employment in Jefferson County	0
2.	Current Company payroll in Jefferson County	$0
3.	Project Jobs to be Created over 3 years	150 construction & 9 permanent

r. **For Industrial Revenue Bonds ONLY, including this project,** list capital expenditures of the company at Project location:

Category	Last Three Years	Next Three Years
Land		
Building		
Equipment		
Soft Costs		
Other		
Total		

s. List any other positive impacts that the Project may have on Jefferson County:

V. REPRESENTATIONS BY THE APPLICANT

The Applicant understands and agrees with the Agency as follows:

A. **Job Listings:** In accordance with Section 858-b (2) of the New York General Municipal Law, the applicant understands and agrees that, if the Project receives any Financial Assistance from the Agency, except as otherwise provided by collective bargaining agreements, new employment opportunities created as a result of the Project will be listed with the New York State Department of Labor Community Services Division (the "DOL") and with the administrative entity (collectively with the DOL, the "JTPA Entities") of the service delivery area created by the federal job training partnership act (Public Law 97-300) ("JTPA") in which the Project is located.

B. **First Consideration for Employment:** In accordance with Section 858-b (2) of the New York General Municipal Law, the applicant understands and agrees that, if the Project

receives any Financial Assistance from the Agency, except as otherwise provided by collective bargaining agreements, where practicable, the applicant will first consider persons eligible to participate in JTPA programs who shall be referred by the JTPA Entities for new employment opportunities created as a result of the Project.

C. **Annual Sales Tax Filings:** In accordance with Section 874 (8) of the New York General Municipal Law, the applicant understands and agrees that, if the Project receives any sales tax exemptions as part of the Financial Assistance from the Agency, in accordance with Section 874 (8) of the General Municipal Law, the applicant agrees to file, or cause to be filed, with the New York State Department of Taxation and Finance, the annual form prescribed by the Department of Taxation and Finance, describing the value of all sales tax exemptions claimed by the applicant and all consultants or subcontractors retained by the applicant.

D. **Annual Employment Reports:** The applicant understands and agrees that, if the Project receives any Financial Assistance from the Agency, the applicant agrees to file, or cause to be filed, with the Agency, on an annual basis, reports regarding the number of people employed at the project site.

E. **Absence of Conflicts of Interest:** The applicant has received from the Agency a list of the members, officers, employees and Counsel of the Agency. No member, officer, employee, or Counsel of the Agency has an interest, whether direct or indirect, in any transaction contemplated by this Application, except as hereinafter described:_____

_____

_____

HOLD HARMLESS AGREEMENT and APPLICATION DISCLAIMER AND CERTIFICATION PURSUANT TO NEW YORK STATE FREEDOM OF INFORMATION LAW ("FOIL")

Applicant hereby releases the Jefferson County Industrial Development Agency and the members, officers, servants, agents and employees thereof (the 'Agency') from, agrees that the Agency shall not be liable for and agrees to indemnify, defend and hold the Agency harmless from and against any and all liability arising from or expense incurred by (A) the Agency's examination and processing of, and action pursuant to or upon, the attached Application, regardless of whether or not the Application or the Project described therein or the tax exemption and other assistance requested therein are favorably acted upon by the Agency, (B) the Agency's acquisition, construction and/or installation of the Project described therein and (C) any further action taken by the Agency with respect to the Project; including without limiting the generality of the foregoing, all causes of action and attorneys' fees and any other expenses incurred in defending any suites or actions which may arise as a result of any of the foregoing. If, for any reason, the Applicant fails to conclude or consummate necessary negotiations, or fails, within a reasonable or specified period of time, to take reasonable, proper or requested action, or withdraws, abandons, cancels or neglects the Application, or if the Agency or the Applicant are unable to reach final agreement with the respect to the Project, then, and in the event, upon presentation of an invoice itemizing the same, the Applicant shall pay to the Agency, its agents or assigns, all costs incurred by the Agency in the processing of the Application, including attorneys' fees, if any.

Through submission of this Application for Financial Assistance (this "Application"), the Company acknowledges that the Agency, as a public benefit corporation, is subject to the New York State Freedom of Information Law ("FOIL") and Open Meetings Law ("OML"), as codified pursuant to the Public Officers Law ("POL") of the State of New York (the "State"). Accordingly, unless portions hereof are otherwise protected in accordance with this Certification, this Application, including all Company-specific information contained herein, is subject to public disclosure in accordance with applicable provisions of the POL, Article 18-A of the General Municipal Law ("GML") and the Public Authorities Accountability Act of 2005, as codified within the Public Authorities Law ("PAL") of the State. Specifically, this Application may be disclosed by the Agency to any member of the public pursuant to a properly submitted request under FOIL and the Agency is

further required to affirmatively disclose certain provisions contained herein pursuant to the GML and PAL, including the identification of the Company, general project description, location proposed capital investment and job estimates.

Notwithstanding the foregoing, the Company, pursuant to this Certification, may formally request that the Agency consider certain information contained within this Application and other applicable supporting materials proprietary information and "trade secrets", as defined within POL Section 87(2)(d). To the extent that any such information should qualify as trade secrets, the Company hereby requests that the Agency redact same in the event that formal disclosure is requested by any party pursuant to FOIL. Application Sections or information requested by Company for Redaction*:

(* - Please indicate specific sections within Application that the Company seeks to qualify as "trade secrets". Additional correspondence or supporting information may be attached hereto. Please also note that notwithstanding the Company's request, the Agency shall make an independent determination of the extent to which any information contained herein may be considered as such)

In the event that the Agency is served with or receives any subpoena, request for production, discovery request, or information request in any forum that calls for the disclosure of the Application, in entirety, specifically including but not limited to any demand or request for production or review of Company-designated trade secrets, the Agency agrees to notify the Company as promptly as is reasonably possible, and to utilize its best efforts to: oppose or decline any such request; preserve the confidentiality and non-disclosure of such requested confidential material; and maintain such information and prevent inadvertent disclosure in responding to any such discovery or information request. The Company understands and agrees that all reasonable costs, including attorney's fees, associated with any such formal undertaking by the Agency to protect the trade secrets from disclosure shall be reimbursed by the Company to the Agency.

By executing and submitting this Application, the applicant covenants and agrees to pay the following fees to the Agency, the same to be paid at the times indicated:

(a) The sum of $2,500 as a non-refundable processing fee, plus the sum of $500 if Agency assistance in retaining professionals is requested, to be paid upon submission of the Application;

(b) An amount equal to __% of the total project costs for projects with bond financing, and an amount equal to __% of the total project costs for all other projects for which the Agency provides financial assistance, to be paid at transaction closing;

(c) An amount equal to $_____ payable to the Agency's bond/transaction counsel for the preparation and review of the inducement resolution, the environmental compliance resolution, TEFRA hearing proceedings and the tax questionnaire assuming no further activity occurs after the completion of the inducement proceedings, to be paid within ten (10) business days of the receipt of bond/transaction counsel's invoice;

(d) All fees, costs and expenses incurred by the Agency for (1) legal services, including but not limited to those provided by the Agency's general counsel or bond/transaction counsel, and (2) other consultants retained by the Agency in connection with the proposed project; with all such charges to be paid by the applicant at the closing or, if the closing does not occur, within ten (10) business days of receipt of the Agency's invoices therefore please note that the applicant is entitled to receive a written estimate of fees and costs of the Agency's bond/transaction counsel;

(e) The cost incurred by the Agency and paid by the applicant, including bond/transaction counsel and the Agency's general counsel's fees and the processing fees, may be considered as a cost of the project and included in the financing of costs of the proposed project, except as limited by the applicable provisions of the Internal Revenue Code with respect to tax-exempt bond financing.

The applicant further covenants and agrees that the applicant is liable for payment to the Agency of all charges referred to above, as well as all other actual costs and expenses incurred by the Agency in handling the application and pursuing the proposed project notwithstanding the occurrence of any of the following:

(a) The applicant's withdrawal, abandonment, cancellation or failure to pursue the Application;

(b) The inability of the Agency or the applicant to procure the services of one or more financial institutions to provide financing for the proposed project;

(c) The applicant's failure, for whatever reason, to undertake and/or successfully complete the proposed project; or

(d) The Agency's failure, for whatever reason, to issue tax-exempt revenue bonds in lieu of conventional financing.

The applicant and the individual executing this Application on behalf of applicant acknowledge that the Agency and its counsel will rely on the representations made in this Application when acting hereon and hereby represents that the statements made herein do not contain any untrue statement of a material fact and do not omit to state a material fact necessary t[redacted] herein not misleading.

Company A[redacted].

By: [redacted]

Name: Robert Morgan

Title: Manager

Sworn to before me this
28th day of September 2011.

[redacted]

Notary

JILL E GARVEY
NOTARY PUBLIC STATE OF NEW YORK
MONROE COUNTY
LIC. [redacted]
COMM. EXP. JULY 19, 2013

PROJECT DESCRIPTION

Applicant Name: Morgan Watertown Townhomes LLC
Project Name: Morgan Watertown Townhomes

1. General Project Description. The proposed Morgan Watertown Townhome Project ("Project") will be located on the west side of County Route 202, just north of Arsenal Street (Route 3), Watertown, NY. It is a 394-unit townhome rental project. The project is 100% market rate. Sixty-six (66) townhome buildings plus a community building with pool and maintenance building will be constructed on the 57.09 acre site, Total residential square footage is 584,792 SF and the community building is 5,495 SF. Unit sizes will be a mix of two and three bedroom floor plans. There will be 164 two-bedroom/1.5 bath units, 198 three-bedroom/2.5 bath units and 32 two-bedroom/1 bath ranch units. There are 650 exterior parking spaces provided in addition to 394 private garages integral to each unit.

2. Project Design and Use. The property complies with Neighborhood Commercial (NC) zoning, which permits the proposed multi-family Project with the issuance of a Special Use Permit. Roughly 30 percent of the site is being improved (17 acres of the 57.09 acres); zoning density of 6.90 units per acre is met with the development of the 394 units. Water, sewer, electric, gas and cable service are available to the site. Storm water will be collected, detained by ponds and released to wetlands at preconstruction rates.

All engineering, architectural, MEP plans and specifications are complete. The Project provides an architecturally pleasing residential community. Townhome buildings house a small number of units in each building. There are thirty-four (34) 5-unit townhouse buildings and thirty-two (32) 7-unit buildings. The 7-unit building include one (1) 2-bedroom end building ranch unit. All other unit floor plans will be two- story with bedrooms and full bathrooms located on the second floor. The buildings will be wood construction and finished with vinyl siding, brick masonry water table material of 28" above grade and architectural roof shingles. The buildings will have varying roof lines.

Each unit has the following features:

- Separate private entrance (no common corridor)
- One-car integral garage/storage area
- Central air conditioning, individual Energy Star HVAC and hot water tanks
- Energy Star appliances and fixtures (including dishwasher, refrigerator, microwave, and self-cleaning oven)
- Ample closet and storage space
- Private patios
- Full size washer/dryer equipment included
- Cable and internet available

Safety measures include the community building being fully sprinklered, and the units will have a two hour fire separation between each unit.

There are two entrances to the property along Route 202. The community building located at the south entrance features a community room with fireplace overlooking the veranda and swimming pool. There is a community kitchen, public bathrooms, exercise room, library/conference/business center with computer equipment for resident's use, leasing and management offices. Adjacent to the community

building is a playground. There will be walking paths at the perimeter of the property and sidewalks throughout the property leading to townhouse buildings and trail. Resident gang mailboxes will be located near the buildings adjacent to walkways.

To accommodate the handicapped and senior residents and visitors the exterior paved areas, community building and ranch style townhome units will meet handicap accessibility requirements of the 2010 Building Code of New York State and usability requirements per ICC/ANSI A 117.1 .

Land Information. Subdivision was approved on 8/1/11 from a 120.05 acre parcel for the Project to be built on a 57.09 acre site. The site is currently vacant and undeveloped The site is under contract for sale in the amount of $3,152,000 or $55,211 per acre. The purchase price is substantiated by a per acre appraised value of $60,086. The Project Developer is not taking a development fee for this Project. There are no environmental issues, as the site has a clean Phase 1 ESA and SHPO issued a No Impact upon cultural resources in or eligible for inclusion in the State and National Register of Historic Places. A Wetland Delineation and Ecological Resources Report were completed. The sites 2.15 acre wetlands will remain undisturbed along with a 7.92 acre area around the perimeter; thereby there is **no Wetland Permit requirement.** The project received County and Town final site plan approval and a SEQR negative declaration has been issued.

3. Project Location and Market. The Subject property is located on the newly installed County Route 202 in the Town of Watertown, just north of Arsenal Street (Route 3). This asphalt paved, four-lane highway is bounded by Route 12F to the north and Route 3 to the south. The Subject parcel is ideally located within one-mile of Interstate Route 81 exit 45, three-miles from the City of Watertown and ten-miles from Fort Drum. Most of the newer commercial development in Watertown has occurred within a one-mile radius of the site including a Wal-Mart Super Center, Sam's Club, Salmon Run Mall, Ramada Inn, Texas Roadhouse restaurant, Towne Center, which includes a Kohl's, Bed, Bath & Beyond, Target, Old Navy, Starbucks and Panera Bread, and Pioneer Plaza (K-Mart).

Over the last 20 plus years, Fort Drum has transformed into the employment and economic center of the NYS North Country. With more than 18,000 soldiers assigned to the base and 4,782 (September 2009) civilian employees, Fort Drum has brought more than $9 billion in total spending to the region since1988. With the addition of the third Brigade Combat Team to the base in 2004, the number of soldiers assigned to the base has increased 45 percent. In addition, more than $1 billion has been committed to construction projects on Fort Drum, creating opportunities for local and regional companies. Fort Drum's growth will continue to play an increasingly significant role in the North Country Economy. The Soldiers, spouses and their children stationed at Fort Drum, the majority whom live in the communities surrounding Fort Drum, will be the driving force to economic growth and development in the tri-county area.

The rental market for this Subject project is very strong. The 2009 Housing Market Analysis Update prepared by Robert D. Niehaus, Inc. (Army Sponsored) includes the following data supporting a need for additional rental units within the 20-mile market area of Fort Drum:

- Population in the market area is projected to grow 0.2 percent per year through 2014
- Total Permanent-Party Personnel (Military and families) is expected to remain at current levels
- An estimated 29.1 percent of the non-mobile rental stock is unacceptable in quality by Army standards

- 1,035 additional housing units are needed
- Two, three and four bedroom units are needed

Applicant has reviewed the GAR market study prepared 2008 and prepared an internal market analysis for comparable new construction projects. There are no market vacancies and Subject rents are comparable to newly constructed market rate properties. Gross rents for subject property (including resident paid utilities) are $1,295 for ranch style townhome units, $1,245 for 2-br townhomes and $1,450 for 3-br townhomes. The 2011 Fort Drum Basic Allowances for Housing is sufficient to cover the proposed rents for all service rank levels with dependents and E-7 and higher without dependents.

4. Project Financing. Development cost risks will be minimized as the development team has 30+ years of experience building housing of this type. The development costs are substantiated by obtaining the contractor's schedule of values (including a 5% contingency) and quotes based upon completed plans and specifications and from other vendors. Further, the clean Phase 1 and completed soil testing minimizes development costs. Operating expense are also substantiated by quotes and the developer's property management division experience in managing 13,900 units, with the majority located in New York State. The real estate tax estimate includes water and sewer debt service for service access and capacity upgrades as evidenced by the Town Supervisors letter enclosed in this application.

The **construction and permanent sources** include equity of $8,619,008 KeyBank Real Estate Capital of $42,296,119 (commitment received), and the requested DANC funds of $3,740,000 ($9,492/unit).

The KeyBank construction loan is for 36 months with one twelve month extension. The permanent commitment has a required 75% LTV, 1.20 Debt service coverage ratio, 30-year amortization, 5-year term, and interest rate of US Treasury +250 basis (5.75% for underwriting). During construction the payment is interest only, the interest rate is LIBOR + 2.5% (3% for underwriting).

The proposed DANC loan terms are interest only during construction at 1% for a term of 36 months with one twelve month extension. The Permanent commitment requested is a 30-year term, 30-year amortization and interest rate of 2%.

5. Project Organization and Implementation. The project owner and developer is Morgan Watertown Townhomes LLC. The sole member is Robert Morgan. He founded Morgan Management, LLC, headquartered in Rochester, NY in 1975 and has more than 30 years of experience as an owner, operator, and developer of investment real estate. He has acquired and presently manages 14,000 multifamily units and is developer on twelve (12) projects comprising 2,067 units. His multi-family portfolio is principally located in New York State. The properties closest in proximity to Watertown are in the Syracuse, NY area; The Onondaga Meadows (408 units purchased in 2006) & High Acres (336 units purchased in 2007) in Syracuse proper, Orchard Estates in Mattydale (300 units purchased in 2008) and starting construction of 416 units in Clay. The project architect is James Fahy, of James Fahy Design and general contractor is DGA Builders. The Developer, builder and architect have worked on seven multi-family comprising 1,402 units. The project engineer is Patrick Scordo, P.E., GYMO Architecture, Engineering & Land Surveying, P.C., with offices located in Watertown, NY. All development team members have extensive multi-family project experience over the past 24-30 year period. The developer is planning to start construction this fall and the first one hundred thirty-one (131) units will be ready for occupancy October 2012. The entire Project will take twenty-four (24) months to complete.

6. Project Impact

With a commitment of funding from DANC the project can proceed to construction this fall. The DANC funding is necessary to make the Project financially feasible for the developer to proceed. The 394 units planned for development will fill a significant portion of the 1,035 additional units identified as needed in the market. Residents will be able to occupy units within 6-9 months (weather permitting) of construction start. The Project's units and site amenities, offered at reasonable rents surpass any other available or planned units in the market area. The location is ideal for households in terms of proximity to services and Fort Drum. The Project has the support of the Town of Watertown.

Other soft costs:

Legal Fees	$90,000
Organizational costs	$2,000
Insurance	$93,000
Taxes	$8,900
Title	$137,480
Mortgage tax	$345,271
Survey	$69,000
Bank pre-construction cost/inspections	$5,000
Transfer tax	$12,608
Misc legal closing costs	$10,016
Phase I environmental	$1,350
Wetland Delineation and Ecological Resources	$10,000
Permits/local approval fees/bldg fees	$41,370
Total	**$825,995**