

F E A S I B I L I T Y S T U D Y

Redevelopment of 202-204 Front Street, Owego, New York

THE GATEWAY BUILDING



PREPARED BY:

PLANIT MAIN STREET, INC.

SHUSTER ASSOCIATES

&

NATIONAL DEVELOPMENT COUNCIL

PREPARED FOR:

HISTORIC OWEGO MARKETPLACE, INC.

&

NEW YORK STATE DEPARTMENT OF STATE

3-29-11

Feasibility Study for the Redevelopment of 202-204 Front Street, Owego, New York

Acknowledgements

This Feasibility Study for the Redevelopment of 202-204 Front Street was prepared for the Historic Owego Marketplace, Inc. (HOM) with funding provided by the New York State Department of State. The Project Consulting Team and Village representatives that provided assistance for the Study are identified below.

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Christine Baust
Jeffrey Smith
Kris Stevens
Kim Trahan
James Welsh
Suzanne Welsh

Consulting Team

Alan J. Sorensen, AICP - Project Lead - President, Planit Main Street, Inc.
Dan Shuster, AICP - Project Coordinator - President, Shuster Associates
Daniel Marsh III - Financial Plans – Director, National Development Council & President of NDC Housing and Economic & Development Corporation, 708 Third Ave., Suite 710 New York, NY 10017

With Supporting Documentation from

J•H•L TECTURE, Architect-Engineer, P.C., - The Hayner Hoyt Corporation – Port City Preservation, LLC.

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EXECUTIVE SUMMARY

A fire destroyed two buildings in the core of Owego's central business district on July 1, 2000. This Feasibility Study for the redevelopment of 202-204 Front Street evaluates the potential for development of a new mixed-use building on these two (2) vacant building lots (hereinafter referred to as "Property") owned by Historic Owego Marketplace, Inc. (HOM) on the south side of Front Street. As part of the Study, the Property was analyzed and existing conditions and development requirements including zoning restrictions, historic district review, site plan review, etc. were identified.

The architectural firm J•H•L TECTURE, Architect-Engineer, P.C. was previously retained by HOM to prepare detailed plans for a mixed-use retail and residential building on the Property. Building plans were created to illustrate how a mixed-use retail and residential building could be developed on the Property. Building façade elevations were also prepared for the front facing Front Street and the rear facing the Owego Riverwalk. The architectural firm also developed conceptual floor plans for the Lower Level, First Floor, Second Floor and Third Floor of the proposed infill building hereafter referred to as the "Gateway Building." The original building design included four (4) retail units on the First Floor with access to Front Street. An additional retail space was envisioned on the Lower Level with direct access to the Owego Riverwalk via a handicap accessible ramp. Seven (7) market-rate apartments were included in the upper floor plans. The building also included an elevator serving all floors.

The original concept plan for The Gateway Building provided the basis for preliminary construction cost-estimates and financial pro formas for a mixed-use development with retail on the first floor and market rate housing on the upper floors. However, the financial feasibility analysis for this plan revealed a significant gap in financing. Due to these findings, two alternatives were subsequently prepared and evaluated to arrive at more financially viable scenarios. One of the alternatives involves the development of Low Income Housing Tax Credit (LIHTC) Senior Housing on the Property. The other alternative involves a mixed-use building with retail on the First Floor and LIHTC Senior Housing above. The ability to finance each of these alternatives is far more likely than the original plan.

The findings within this Feasibility Study should be considered preliminary. Further design work, estimating and financial due diligence, should be completed before seeking financing from either public or private sources. Once completed, HOM can initiate a developer solicitation process for construction of the Gateway Building.

1.0 INTRODUCTION

On July 1, 2000, a fire destroyed two historic buildings at 202 and 204 Front Street in the heart of Owego's Historic District and central business district. The loss of these buildings has had a deleterious effect on the business district by leaving a gaping hole in the row of historic mixed-use buildings, which lie between Front Street and the Owego Riverwalk along the Susquehanna River. The loss of these buildings also resulted in the loss of two retail businesses on the first floor and the loss of apartments on the second and third floor of these buildings, thereby diminishing the economic and social vitality of the business district.

1.1 Creation of Historic Owego Marketplace

Shortly after these buildings were destroyed by fire, the Historic Owego Marketplace, Inc. (HOM) was formed by a group of concerned business owners and residents to redevelop the Property at 202 and 204 Front Street. In 2004, HOM purchased the two burnt out lots for the purpose of redeveloping these sites with a new mixed-use building on the Property. Since acquiring the land, HOM has cleaned up the site and spearheaded a number of initiatives to advance the goal of erecting a new building on the Property.

1.2 Design Competition

After purchasing the Property, HOM sponsored an international design contest in which architects were asked to submit conceptual building designs for a new infill building. The goal was to design a building, which furthered the community's goals for redeveloping these lots while complementing the existing historic character of the central business district. The design contest was an overwhelming success with proposals submitted from architects and students from all over the world.

The international design contest was successful in that it yielded a variety of interesting and well-designed concepts for new mixed-use buildings. However, not all of the contest submissions were economically viable. In the end, the preferred alternative was determined to not be financially feasible, nor complementary to Owego's Historic District, which is a National Register of Historic Places designated district. In fact, the New York State Historic Preservation Office (SHPO) did not approve of the preferred alternative and requested that HOM pursue a more traditional design in keeping with the character of historic buildings along Front Street.



Above: The preferred alternative based upon the international design contest submissions, which was subsequently rejected due to financial feasibility and inconsistency with historic district objectives.

1.3 New York State Department of State Grant

Based upon these findings, HOM applied to the New York State Department of State (NYS DOS) to secure funding through the Qualities Community Program to further study the redevelopment of 202-204 Front Street. In 2005, HOM was awarded a NYSDOS Grant to develop a viable concept plan for an infill building on the Property, which was economically feasible and in keeping with the character of Owego's Historic District.

The NYSDOS funding was used, in part, to retain the architectural firm J•H•L TECTURE, Architect-Engineer, P.C. who created conceptual plans and intended use plan for a new mixed-use building on the Property, which included detailed building elevations and floor plans. These drawings were then used by The Hayner Hoyt Corporation to develop a detailed scope of work and cost proposal to construct the new Gateway Building. The above work formed the basis for this feasibility study.

1.4 Study Scope and Purpose

Planit Main Street, Inc. in conjunction with Shuster Associates and the National Development Council (hereafter referred to as the "Consultant Team") was retained by HOM in February of 2011 to complete a feasibility study based upon conceptual plans for the development of an infill building on the Property.

The consultant team assessed the Property to identify its community context, infrastructure needs, legal and regulatory constraints and other issues, which could affect development. The consultant team was also asked to investigate potential sources of funding, assess the financial feasibility of constructing and operating the Gateway Building based upon the original intended use plan and to explore alternatives, which could enhance the feasibility of financing the Gateway Building project.

Pro formas were then prepared for the proposed Gateway Building, which evaluated the financial feasibility of several different use plans for the Property. The three alternative use plans evaluated are as follows: 1) mixed-use with retail on the first floor and market rate housing on upper floors, 2) affordable senior housing on all floors, and 3) mixed use with retail on first floor and affordable senior housing on the upper floors. Due to the potential for periodic flooding, the financial analysis for each alternative does not include rental income from the Lower Floor and therefore represents a worst-case scenario in terms of financing.

The following section of this report discusses the community setting and description of the Property, including the regulatory framework affecting the proposed redevelopment of 202-204 Front Street.



Above: The Property at 202-204 Front Street as seen from The Owego Riverwalk looking toward Front Street. The loss of the buildings in the July 1, 2001 fire has created a gaping hole in Owego's Historic District.

2.0 COMMUNITY SETTING AND PROPERTY DESCRIPTION

2.1 Community Setting

The Property is located in the heart of Owego's Historic District and central business district on Front Street. There are three-story historic mixed-use buildings on either side of the subject site. The Property has frontage on Front Street and also abuts the *Owego Riverwalk*, which recently opened in June 2010. The Owego Riverwalk runs along the Susquehanna River and has become an important recreational amenity for Village residents and a visitor attraction.



2.2 Property Description

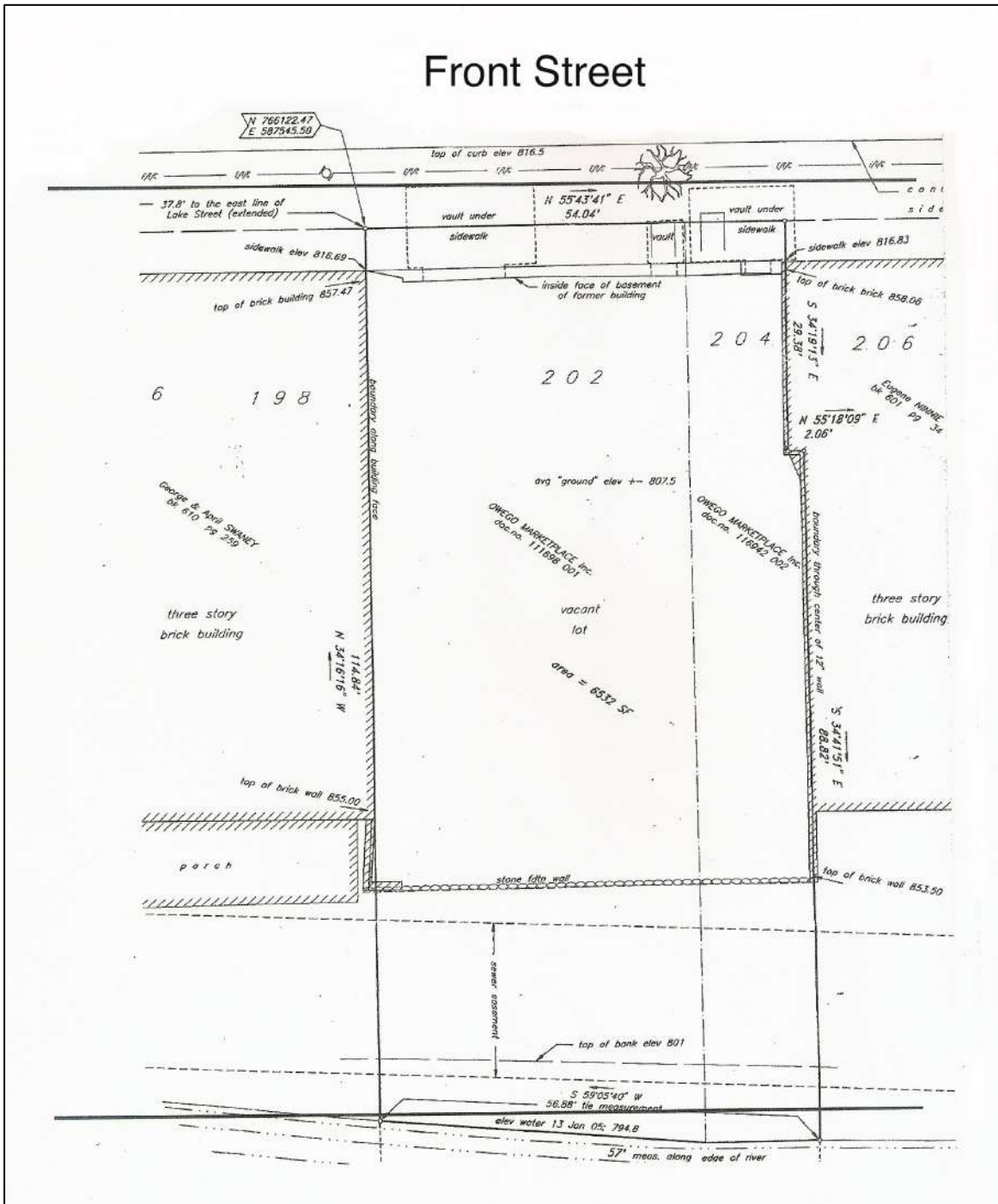
The Property is located on the south side of Front Street and consists of Village of Owego Tax Parcel Numbers S-B-L 128.08-6-49 and S-B-L 128.08-6-50. The Property has a rectangular shape and is roughly 4,785 square feet in size with a lot width that varies from 53'-6" on Front Street to 57'-2" along the Owego Riverwalk and a lot depth that is approximately 87'-1". The Village acquired a portion of the Property for the Owego Riverwalk and reserved a 7' easement nearby for grading and drainage purposes and also to maintain access to lighting conduit and fixtures. The Village easement grants it the right to access in, on and over the Property. However, the easement provides for the owner's right to use said property provided use does not restrict the Village's access for said purposes of the easement. This easement is unlikely to impede redevelopment plans. The Property elevation is a floor below grade at Front Street and approximately six (6) feet above the elevation of the Owego Riverwalk.



Above: View of Property looking southeast toward the site; view from Front Street looking across site to the Susquehanna River; view of Owego Riverwalk looking east from just behind the subject site and view of site from NYS Route 96 Bridge.

The following figure is a Survey Map of the Property showing the boundaries of the lots and existing features of the site and surrounding properties. A Village of Owego Acquisition Map is provided in Appendix E of this report, which shows the area of the subject site that was acquired by the Village along with the easements for grading, drainage and access purposes.

Figure 1
Survey Map of Property



2.3 Existing Infrastructure

The Property is well served by Village infrastructure including access to water sewer, gas, electric and cable utilities from Front Street. The Village of Owego's water and sewer systems have sufficient capacity to provide service to the proposed Gateway Building.

The completion of the Owego Riverwalk also provided electric conduit behind the subject site and there is also a sanitary sewer line, which runs behind the subject property. There are also a number of fire hydrants along Front Street, which are in close proximity to the subject site. The Property has excellent access to needed utilities and sufficient capacity is available to serve the proposed development of the Gateway Building.

The Property is located on Front Street, which is designated as NYS Route 17C. The subject site is easily accessible from Interstate-86 via Exit 64 to NYS Route 96 (i.e. Tioga Bridge) to Front Street. On-street parking is provided along Front Street and there are municipal parking lots a short distance from the subject site.

The Property has frontage on the Owego Riverwalk, which is integrated into an extensive sidewalk system. Due to its location within the central business district, the Property has excellent pedestrian access to nearby civic and cultural institutions including, but not limited to the Village Hall, Coburn Free Library and Village Parks. From the site, numerous shops and services are only a few steps away.



Above: View of NYS Route 96 Bridge linking Interstate-86 to Front Street in the Village of Owego; and view of highway markers near the entrance to the central business district.

2.4 Regulatory Context

There are several local regulatory programs including Zoning Law, Site Plan Review, Owego Historic Preservation Commission review, that affect development feasibility of the Property. These programs are described below with an analysis of the compliance of the Proposed Action with these regulations.

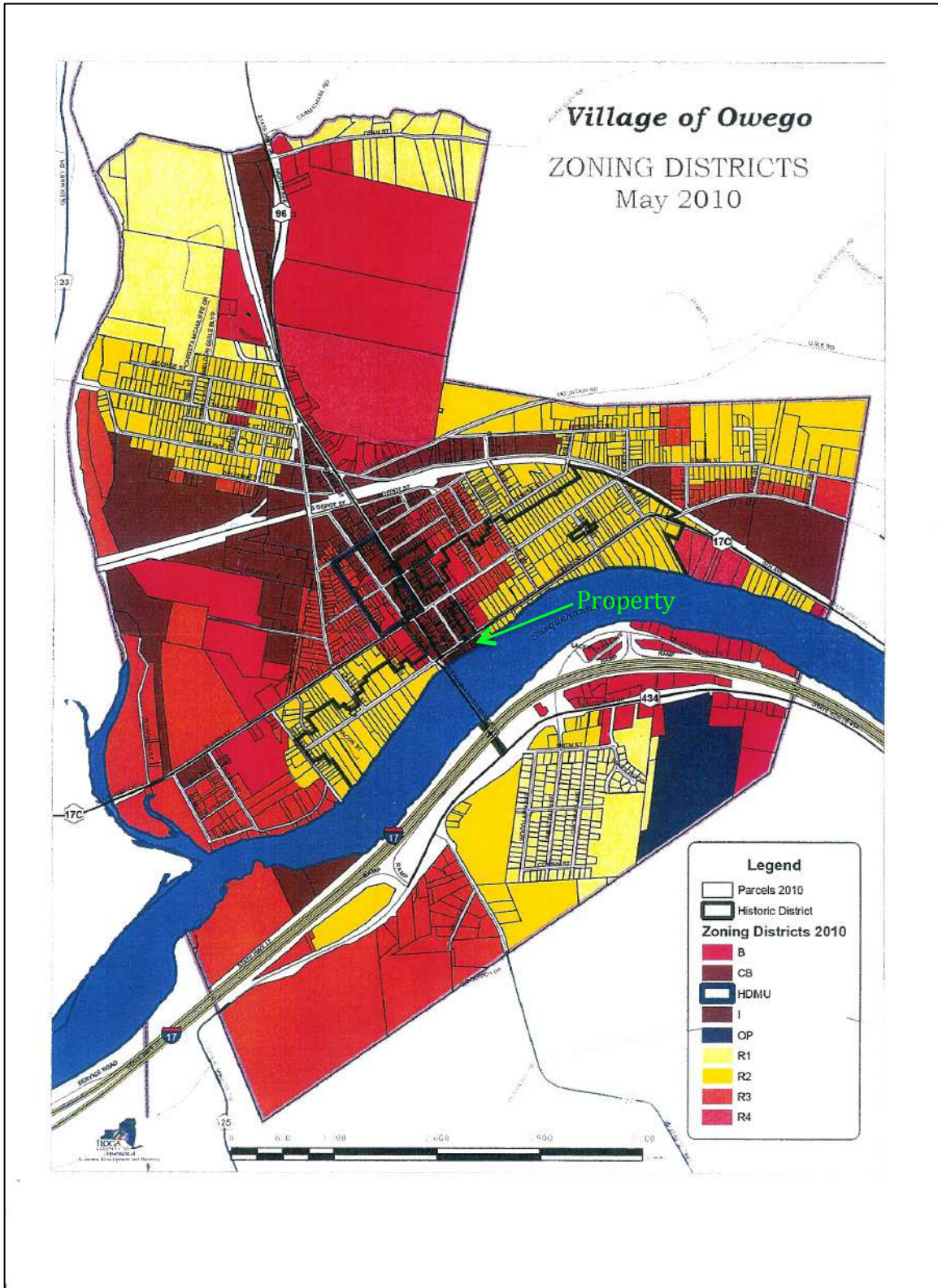
2.4.1 *Property Zoning Classification*

The Village of Owego's Zoning Law includes provisions that regulate land use and impose dimensional requirement for development. The Property is situated within the CB-Central Business Zoning District (see Section 195-83 of the Zoning Law and Figure 2 – Zoning Map), which allows for a variety of commercial uses (i.e. banks, office, personal service, retail, etc.) and multiple dwelling housing. The Zoning Law defines a multiple dwelling as "A building or portion thereof containing three or more dwelling units." The utilization of The Gateway Building with the lower floors devoted to retail and upper floors to housing complies with the permitted uses within the CB District.

Within the CB District, yard requirements only apply if a building site abuts on a residential street. Thus, the Gateway Building may be constructed to the property lines of the site. The maximum permitted building height in the CB District is limited to 50 feet. In accordance with Section 195-3 of the Zoning Law, building height is defined as "The vertical distance from the main finished grade to the highest point of the building on any side under construction." The concept plan for The Gateway Building has a building height of 48.5' as measured from the finished elevation of Front Street to the highest point on the building. The proposed height complies with the dimensional requirements of the Zoning Law and is also in keeping with the scale of abutting buildings.

Based upon our preliminary assessment, the Proposed Action appears to comply with most of the applicable land use and dimensional requirements of the CB Zoning District. However, it appears a variance may be needed with respect to Section 195-86 of the Zoning Law, which states that any building in the CB District used for residence purposes shall have a lot area and width equal to that required in the R3 Zoning District. An interpretation of this section should be sought from the Zoning Board of Appeals (ZBA) to see if it was intended to apply to mixed-use buildings. If so, an application to the ZBA for an area variance may be required since application of the R-3 standard of 3,000 sq. ft. of lot area per dwelling unit would allow only two apartments. The merits for granting the variance are very strong given the existing development on abutting properties, which is consistent with that proposed for the Gateway Building.

Figure 2
Zoning Map



2.4.2 Site Plan Review

Projects that propose new structures on vacant land must comply with provisions of the Site Plan Law recently adopted by the Village Board. The development of the Gateway Building will require Site Plan approval from the Planning Board. Section 195-112 (C) of the Zoning Law provides for a waiver off street parking requirements for new structures. A waiver of the off-street parking requirement is needed for this project.

2.4.3 Historic Preservation Commission Certificate of Appropriateness

In March of 2011, Historic Owego Marketplace, Inc. submitted an application for a Certificate of Appropriateness to the Owego Historic Preservation Commission (OHPC) for the Gateway Building. The OHPC Board deliberated the merits of the conceptual design for the Gateway Building (designed the architectural firm of J•H•L TECTURE, Architect-Engineer, P.C.) and subsequently issued a *Certificate of Appropriateness* for the conceptual design (see Appendix E).

The conceptual design of the Gateway Building complements the existing mixed use buildings along Front Street and will help to restore the fabric of this block of buildings, which is affectionately known as the River Row.



Above (left to right): Photo taken in February of 2011 showing the Property (i.e. 202-204 Front Street), which is presently a vacant lot followed by a photo simulation of the Gateway Building erected on this site. The construction of the Gateway Building will help to re-establish the cohesive building fabric of the River Row along Front Street, while restoring business and residential opportunities on the Property.

2.4.4 NYS Historic Preservation Office Review

The New York State Historic Preservation Office (SHPO) will have an opportunity to comment on the Gateway Building during the environmental review since the Property is within the Owego Historic District.¹ It is our understanding SHPO is supportive of the concept plan for the Gateway Building.

¹ The redevelopment of the Property will also be subject to State Environmental Quality Review Act review.

Figure 3
Photo Simulation of the Gateway Building on the Property



Above (left to right): Photo taken in February of 2011 showing the Property (i.e. 202-204 Front Street), which is presently a vacant lot followed by a photo simulation of the Gateway Building erected on this site. The construction of the Gateway Building will help to re-establish the cohesive building fabric of the River Row along Front Street, while restoring business and residential opportunities on the Property.

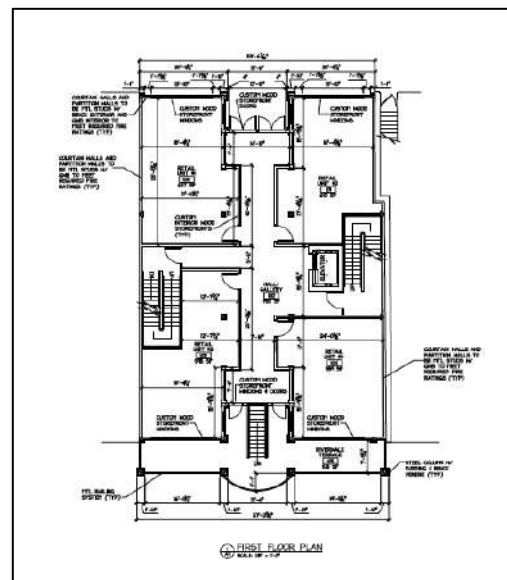
3.0 CONCEPTUAL BUILDING PLANS

3.1 Building Design

The conceptual design of the Gateway Building respects the historic character of the Owego Historic District and complements the adjacent building on Front Street. “The proposed building maintains the approximate height, scale, rhythm and proportion of the slightly earlier buildings to the west. The proposed building is more decorated than the westerly group of buildings, and is in harmony with its neighbors on both sides of Front Street” (Owego Historic Preservation Commission Notice of Determination date 3/16/2011).

The building design will continue the sightlines that prevailed along Front Street before the fire, but do not attempt to copy what was there. The Gateway Building was carefully designed to fit into the existing streetscape, while also making a statement of its own. The building design provides storefronts on the first floor facing Front Street with residential on the upper floors, consistent with abutting properties. The building also makes an important statement toward the Riverwalk.

Handicap accessible ramps will be provided from the Owego Riverwalk to the Gateway Building. The lower floor of the building will include *public bathrooms* and an elevator, which will provide access to the retail stores on the first floor. Access to the upper floors via elevator will be restricted to residents. A discussion of alternative uses of the building follows.



Above: Proposed front elevation of Gateway Building as seen from Front Street; rear elevation of Gateway Building as seen from the Owego Riverwalk and First Floor Plan.

3.2 Alternative Use and Functions Considered

Three alternative use plans were considered for the Gateway Building in order to evaluate development feasibility as follows: 1) mixed-use with retail on the first floor along with market rate housing on upper floors, 2) affordable senior housing on all floors, and 3) mixed use with retail on first floor along with affordable senior housing on the upper floors.

3.2.1 *Original Proposal - Mixed Use Retail and Market Rate Housing*

The original use plan for the Gateway Building is reflected in the conceptual plans provided in Appendix B of this report. These plans include detailed elevations of the Front Street and Owego Riverwalk facades, building sections, basement plan (i.e. lower level), first floor plan, second floor plan and third/fourth floor plans. The original use plan for the Gateway Building envisioned handicap accessible public access from the Owego Riverwalk to the lower level floor, which would consist of a retail space and public bathrooms. An elevator would provide public access between the lower level and first floor of the building. The original use plan provides four (4) retail spaces on the first floor with two retailers having storefronts on Front Street and the remaining retail spaces having access from a center hall/gallery. This alternative provided two (2) market rate one-bedroom apartments and one (1) two-bedroom apartment on the second floor. Another four (4) market rate one-bedroom apartments were provided on the third floor with a walk up to a penthouse loft with a second bathroom and rooftop terrace garden.

3.2.2 *Option 2 - LIHTC Senior Housing*

In order to enhance financing opportunities development of the Gateway Building for affordable senior housing was explored under the Low Income Housing Tax Credit (LIHTC) program for *seniors* earning 60% of the Area Median Income (AMI). The AMI for Tioga County is presently \$60,400 so a senior with a fixed income of \$36,240 would qualify to rent these units. Under this alternative, the exterior design of the Gateway Building will be the same as the original use plan. The intended use of the lower level would still provide public access and public bathrooms. However, the interior layout of the first and upper floors would change with one storefront devoted to senior-related services and the other retail spaces used for housing. The large upper floor apartments would be converted to housing for senior residents in a combination of one (1) bedroom and studio apartments. This use plan results in seventeen (17) senior apartments and one (1) commercial space for senior-related services. The financing benefits are discussed on Section 4.0 below.

3.2.3 Option 3 - Mixed Use Retail and LIHTC Senior Housing

Like the original use plan, this alternative would provide for public access and restrooms on the lower level and provide four (4) retail spaces on the first floor. However, this alternative differs from the original plan in that the upper floors will be devoted to affordable housing for seniors, in a combination of one-bedroom and studio apartments. This plan provides for four (4) retail spaces and fourteen (14) senior apartments on the upper floors.

For the purpose of assessing the financial feasibility of each of the intended use plans, the construction cost estimates developed for the original use plan were held constant. However, the senior housing units will not have the high-end finishes (e.g. granite countertops, tile floors, etc.) of the market rate units and will result in much lower costs per square foot for the affordable senior apartments.

Summary of Alternative Uses of the Gateway Building		
Intended Use Plan	Commercial Units	Residential Units
<i>Option 1 – Retail and Market Rate Housing</i>		
- Lower Floor	0	0
- First Floor	4	0
- Upper Floors	0	7
<i>Option 2 – LIHTC Housing for Seniors</i>		
- Lower Floor	1	0
- First Floor	1	3
- Upper Floors	0	14
<i>Option 3 – Retail w/ LIHTC Housing for Seniors</i>		
- Lower Floor	0	0
- First Floor	4	0
- Upper Floors	0	14

The original use plan meets the optimal use objectives of HOM by providing retail spaces on the first floor and expanding market-rate housing opportunities within the central business district. The second option, expands affordable housing opportunities for senior residents, but introduces residential on the first floor, which is not in keeping with adjacent buildings. The third option strikes a balance between the first two in that it provides for retail spaces on the first floor while providing affordable senior housing opportunities on the upper floors. Each option achieves the community objective of erecting a new building on the Property, which complements the historic character of the River Row along Front Street. However the economic feasibility of each of these options must be carefully considered. The following is a summary of the financial feasibility analysis, which was performed for each of these options.

4.0 FINANCIAL FEASIBILITY ANALYSIS

The National Development Council completed (3) three development projections for the Gateway Building infill project (see Appendix A). The development concepts presented are meant to be illustrative in nature. Without further design work, estimating and financial due diligence, they should not be relied upon to seek financing from either public or private sources. The development scenarios presented start with a restatement of the project as originally conceived with two alternative development concepts based on scenarios, which are more likely to attract the capital subsidies that are required to close the “project financing gap” identified in the original proposed mixed-use project.

4.1 Option 1 - Mixed Use Retail and Market Rate Housing

The original project design contains (7) seven market rate rental units constructed in 9,929 square feet located on floors 2 through 4 in the new building, (4) four first floor commercial rental units containing 2,449 square feet and a basement commercial rental unit containing 1,231 square feet.

The pro-forma, is based on the following underlying assumptions: Maintained the unit mix as originally presented, reused the construction estimate prepared by Hayner Hoyt, modified the revenue estimates derived from the rental of the commercial space, modified the operating expense assumptions, eliminated the NYSERDA interest subsidy, eliminated the NYSERDA Grant and modified the mortgage assumptions.

The estimated project development cost is \$3,308,728 without a developer fee. Based on the projected stabilized net operating income, the project can support a first mortgage of \$1,189,506. The proceeds of the first mortgage combined with an equity contribution of \$400,000 results in a “project financing gap” of \$1,419,223. If a modest developer fee of \$300,000 is added, the gap between cost and supportable debt and equity increases to \$1,719,223.

In today’s austere public financing climate, it is believed that this gap is insurmountable and, therefore, renders the original project as infeasible.

4.2 Option 2 - LIHTC Senior Rental Housing

This alternate development and financing proposal assumes that floors 1 through 4 contain (17) seventeen senior rental units that will qualify for rental at 60 percent of Area Median Income and be supported by Low Income Housing Tax Credits (LIHTC). The total proposed residential square footage is 11,721.

The project will also contain one 657 square foot commercial unit on the first floor, which will be occupied by a tenant providing services to this senior housing project and other affordable housing in the greater Owego market. The basement will not be finished and is projected not to produce operating revenue.

The construction budget remained the same as projected above, but the cost of the additional units was assumed to be made up by not fitting out the basement and reducing the allowances for interior finishes and fixtures.

The estimated project development cost is \$3,875,228 including a developer fee. Although this project can only support a \$368,957 first mortgage, we believe that the project can attract additional grants, cash flow contingent loans and equity which, when combined, will be sufficient to fund the total project costs.

Although this may represent the most plausible funding mechanism, the opportunity to apply for Low Income Housing Tax Credits will not occur until February or March of 2012, with approval by July or August of the same year.

4.3 Option 3 - Mixed Use Retail with LIHTC Senior Housing Rental Units

This last alternative incorporates senior rental units on floors 2 through 4 and commercial/retail on the first floor. The basement remains undeveloped. As with the scenario above, the (14) fourteen senior rental apartments must qualify for rental at rates tied to 60 percent of Area Median Income (AMI). The Tioga County AMI is \$60,400 so a senior with a fixed income of \$36,240 would qualify. The residential rental units will occupy 9,924 square feet and the commercial/retail, including the basement, will occupy 3,685.

This project would be divided into two condominium units, (1) one containing the (14) fourteen residential units and (1) one containing the (4) four first floor commercial/retail rental units and the basement.

The estimated project development cost is \$3,110,183 for the residential and \$665,046 for the commercial/retail portion of the project. Also, like scenario number (2) two above, the LIHTC portion of the project can attract sufficient debt and equity to fund all of the project development costs. However, the commercial/retail portion can support a first mortgage in the amount of \$91,581, which leaves a *project-financing gap of \$573,464*. This gap would have to be filled with public funds committed to the project in the form of either equity, or grant funding through a state or federal program.

5.0 NEXT STEPS

The findings within this Feasibility Study should be considered preliminary. The involvement of the Village Board and Site Plan Review by the Planning Board has not yet occurred. These steps should be undertaken at the earliest possible time to provide input into the planning process and help formulate final conclusions related to the alternatives discussed herein for the Gateway Building and redevelopment of the Property.

5.1 Further Design Work and Cost Estimating

It is recommended the Historic Owego Marketplace retain the services of an architectural firm to complete further design work and cost estimating based upon one of the alternatives described above. These plans are necessary to complete financial due diligence and will also be needed when applying to the Planning Board for Site Plan Review.

5.2 Local Approvals

Based upon our preliminary assessment of the Village's land use regulations, it appears the development of the Gateway Building on the Property will require Site Plan Review before the Planning Board, an area variance from the Zoning Board of Appeals and the issuance of the building permit from the Building Department. The Proposed Action has received a Certificate of Appropriateness from the Owego Historic Preservation Commission (see Appendix D), which is valid through March 16, 2012.

5.3 Developer Solicitation Process

The construction of the Gateway Building will re-establish the integrity of the River Row, help to stabilize abutting buildings, and help to maintain the social and economic vitality of the central business district. HOM must decide whether its organization has the capacity and desire to become the developer of the Gateway Building, or whether it should instead issue a Request for Proposals for development by a designated developer. Once this decision is made, HOM should seek gap financing and/or initiate a solicitation process for a developer to construct the Gateway Building on the Property.



Above: Temporary supports provided to stabilize wall of building adjacent to the Property. The construction of the Gateway Building will help to stabilize adjacent buildings along Front Street.