



**Colvin Institute of Real Estate Development
2022 Case Study Challenge
Team #20 Submission**



Executive Summary

The Kira is a new \$80 million affordable housing residential development project completed in 2022 consisting of 21 stories and offers 139 affordable units. It is located in the Jamaica, Queens. The Kira is one block from Rufus King Park and sits one block from the E, J, and Z trains at the Jamaica Center-Parsons station.

The 139-unit affordable and supportive housing development was developed by New Destiny Housing, BFC Partners, and SMJ Development and designed by GF55 Partners. Out of 139 units, 69 units are reserved for low-income households, and the other 69 are occupied by survivors of domestic violence who need homes and supportive services for them and their children.

Developer partners with the help from the New York State subsidiaries successfully broke ground in 2019. After two years, amid the global pandemic Covid-19, the Kira team acquired the Temporary Certificate of Occupancy.



QUICK FACTS

Location

Jamaica, New York

Project Type

Mixed Use

Site size

12,900 sq ft

Land uses

Multifamily, Office, Retail

Special features

Onsite for family supportive services, mixed-use development, affordable housing

Website

<https://www.livethekira.com/>

Project address

153-24 90th Rd, Queens, NY 11432

Developer

SMJ Development
BFC Partners
New Destiny Housing

Investor / owners

SMJ Development
BFC Partners
New Destiny Housing
Wells Fargo

Architect / Master Planner

GF55 Architects
New Destiny Housing

Engineering Consultants

Skyline Engineering
Severud Associates
Steven Winter Associates
William Vitacco Associates



Development Team

The Kira was developed through the joint efforts of SMJ Development (“SMJ”), BFC Partners (“BFC”), and New Destiny Housing Corp. (“New Destiny”). Juan Barahona, principal of SMJ Development, was the leading force behind this project from inception to completion. After starting his career at the New York City Department of Housing Preservation, Juan spent over a decade managing affordable housing deals at BFC partners. He became interested in Jamaica Queens in 2007 when the Jamaica Plan, one of the largest comprehensive rezoning plans, was approved.

The neighborhood had similar fundamentals to the locations in Brooklyn where he had previously been doing most of his projects. He began studying the area looking for an opportunity to get involved in the neighborhood. Juan founded SMJ in 2014 and identified the site for the Kira the next year. While Juan’s background was in affordable housing, the property was Juan’s first supportive housing project.

BFC Partners worked as the other general partner and the sole guarantor for the building. The firm focuses on a full-service for mixed-use and mixed-income developments around New York. Their focus is community-driven developments with affordable housing, the diverse retail, and engaging cultural amenities. They provided the backing, as they had the balance sheet and track records of working on similar projects. BFC had a strong relationship with the state while SMJ mostly worked with the city throughout the project.

The third partner in this venture was New Destiny, a nonprofit that works to create housing and services for victims of domestic violence and their children. In New York City, domestic violence is the source of 40% of homeless families. New Destiny is the only organization in NYC that is completely dedicated to providing affordable housing for this community. They approach the problem in three ways: developing and managing new affordable housing, creating family support programs for those in shelters transitioning to permanent shelters and residents in their building, and helping to





place domestic violence survivors in safe, affordable, permanent housing through their HousingLink system. New Destiny was the common denominator on the project that connected the developers with Empire State Supportive Housing Initiative (“ESSHI”), selected and placed tenants in the building, and provided support services within the Kira.

Developer’s Vision

The developers’ vision for the Kira began with the rezoning of Jamaica, New York in 2007. Jamaica is located in Queens, NY. As one of the boroughs of New York City, it is one of four commercial and cultural centers in Queens. Jamaica as a regional transit hub serves more than 50 bus, subway, and commuter trains, as a regional employment hub includes 11,000 jobs from major municipal and civic offices, and as a cultural and educational hub comprises King Manor Museum, York College, Queens High School for the Sciences, and Jamaica Center for Arts and Learning.

In the early 20th century, Jamaica grew actively with the development of mass transit. However, in the late 1960s, major economic and cultural shifts associated with suburbanization and urban disinvestment led to a gradual decline of Jamaica's downtown. As part of the State’s effort, in 2000, Jamaica has seen a renewed focus on downtown revitalization. Outcome of the investment

resulted in substantial investments around the Long Island Railroad station area, which solidified Jamaica’s status. In addition, the \$350 million AirTrain terminal connecting the Jamaica Station to every terminal at JFK Airport in 2003 has catalyzed the rezoning of Jamaica's downtown. In 2007, as part of the rezoning of Jamaica’s downtown, the city of New York enacted a 368-block rezoning to allow increased density in the Downtown area, which included 1,500 apartments, 2,000 hotel rooms, and hundreds of thousands of square feet of commercial space. Since the rezoning, Jamaica has experienced more than \$1 billion in private development, and leaders are continuously seeking out the growth of the neighborhood, as improving livability is still a challenge for the area.



Now, approximately 176,000 people live within the Downtown Area. With the most active utilization



concentrated along two main Avenues - Jamaica and Archer Avenue, the Kira located at 153-24 90th Road, Queens, NY, was initially introduced by the brokerage Pascal Levy, Besen & Associates to SMJ Development in 2015 after searching for the project site for the past three years. Surrounding neighborhoods of the Downtown mainly consist of one- and two-family homes and downtown is predominated by six- to eight-story multi-family structures. Juan initially had a vision of converting the potential site to multi-story mixed-income housing. Despite having the fundamentals, he was looking for, mixed-income development did not work out.

Then, SMJ learned about ESSHI. ESSHI is a New York State's effort to lead the nation in affordable housing preservation and construction by ensuring New Yorkers have access to safe and secure housing. The State has committed the funding to create and preserve affordable and supportive housing units. With the investment from the State, SMJ was able to begin its journey with the Kira. After engaging ESSHI about the site in Queens, SMJ then reached out to his previous employer BFC. BFC has a great track record with the State and with mixed-use and mixed-income housing in Brooklyn. As BFC had not been active in Queens previously, BFC decided to partner with SMJ for new affordable housing in Jamaica, NY.

To qualify for ESSHI, there is a list of tenant criteria that needs to be met. The motivation for the development came from Juan's experience. When Juan was growing up, he had a close relative who experienced domestic violence. In the United States, there are more than 10 million adults experiencing domestic violence annually. Domestic violence is often a pattern; many experiences repeated acts of abuse and often do not report the violence. As a support of the survivors, SMJ approached New Destiny, a New York City non-profit organization that provides on-site services to end the cycle of violence in low-income families. Discussion with New Destiny led to the knowledge of demand for permanent housing for the survivors, as only the temporary housings like shelters are available. New Destiny also joined the SMJ and BFC as a partner and will be





providing and managing on-site services for the people in the development.

Detailed Project Description

The development site also known as the Kira is an affordable housing and supportive housing for domestic violence survivors located in Jamaica, Queens. The Kira, A 21-story mixed-use building, consists of 69 residential units that are designated for the domestic violence survivors as supporting housing, 69 residential units as affordable housing, 1 unit for the in-house superintendent, and 6,000 square feet of ground floor retail space. A total of 139 units are available as either studio or 1 bedroom. 69 of affordable housing units are available on NYC Housing Connect at 80 percent of the area median income (“AMI”), ranging from \$57,326 to \$85,920 as eligible annual household income.

The Kira is designed by a team of consultants: from architectural firm GF55 Architects, engineering consultants include Severud Associates and Skyline Engineering, and specialty consultants such as Steven Winter Associates and William Vitacco Associates. In addition to playing the developer role, BFC also was the general contractor for the project. The design of the facade is a complex pattern of textured brick and smooth metal panels intended to push a modern aesthetic for downtown Jamaica, Queens.

In the Kira, amenities such as a landscaped outdoor terrace, gymnasium, children’s playroom, and laundry room

on each floor. There is also a community center and on-site resident manager to engage and assist the residents. Within the Kira, there is also 4,000 sf of office space for New Destiny, an on-site place to provide trauma-informed services for the residents. High-end kitchen appliances along with high-end countertops and finishes, and energy-efficient HVAC and appliances to ensure a high quality of living at the Kira.

Although the Kira was not on the main avenue along the transportation hub and Archer Avenue, Jamaica Avenue was the back service road of Archer Avenue. Considering the location of Jamaica, which is a high-density area, the development team purchased approximately \$100 PSF for the 12,300 square feet of the rectangular-shaped lot. The area is under the zoning of DX, or Special Downtown Jamaica District to support the downtown business district, expand housing and economic opportunities, protect adjacent low-density neighborhoods, and create





affordable housing. Under the C6-3 districts, which is equivalent to R9, a commercial FAR of 6.0 is allowed.

The Kira project began breaking ground in January 2019. During the foundation phase of the construction, the global pandemic COVID-19 hit NYC very hard. However, fortunately, affordable housing was deemed an essential project by NYC and the construction was able to continue. In December 2021, the building acquired its first Temporary Certificate of Occupancy, and currently, the housing lottery for the affordable housing units is in process.

Market Analysis

Jamaica, Queens has become a great investment location for business with rezoning under Jamaica Plan in 2007 and New York State's effort to revitalize Downtown Jamaica under Downtown Revitalization Initiative ("DRI") in 2017.

The strategy encompasses the rezoning of Jamaica for new housing development right next to the special district being rezoned for a stronger downtown that serves as a gateway to the AirTrain area and the transportation hub. It was rezoned for higher housing densities along with wide streets and a good transit system.

In addition, the strategic investment plan DRI seeks to transform communities ripe for development into vibrant neighborhoods where the next generation of New Yorkers will want to live, work, and raise a family. The program allocates \$10 million to support the implementation of catalytic

investment projects in Downtown Jamaica and the development of a longer-term strategy that attracts additional public and private investment to support downtown revitalization. The Kira is one of the great examples of the outcome of the program.

Downtown Jamaica has the same fundamentals as downtown Brooklyn: transportation hub, daytime office workers, and strong retail. There were many similar fundamentals to downtown Brooklyn, except for the proximity to Manhattan. Using BFC's expertise and knowledge in downtown Brooklyn, BFC and SMJ found an approximately 12,300 square-foot rectangular lot through the broker.

They paid more than it was worth at the time, as the price per square foot for P9 or P10 back in 2015 was about \$50 per square foot and the site was purchased for about \$100 per square foot, to purchase the lot to still be on the main avenue of downtown Jamaica as they could not find the deal they wanted on Archer Avenue.

Planning and Entitlement Issues

Prior to Kira's existence, the site consisted of 4 existing commercial tenants at the time of site acquisition, which eventually became the biggest challenge of the development project which SMJ underestimated the difficulty of dealing with the existing retail tenants.

SMJ started by doing his diligence; he got the leases and reviewed them, examining the time remaining and



if anyone was late paying rent. He assumed that with most leases ending soon, all it would take is a bit of negotiation and the tenants would be out imminently. One tenant would not move out, and negotiations dragged on for months. Before the lot can be developed, it took the developers a year's time plus half a million dollars to buy out the contract. Between the delays and the cost of ending the lease, the whole ordeal was much more expensive than anticipated.

In terms of entitlement, the process was much simpler on this property relative to his past projects. No issues arose.

Building & Landscape Designs

This building was designed to maximize comfort and support for low-income households and survivors of domestic violence. For this reason, the building includes a children's recreation room, a fitness room, laundry facilities, and a roof terrace.

One of the most unique features of the building is the fact that there is a dedicated community room that is used as a gathering area for residents. This helps to foster a greater sense of community beyond the expected communal areas of a building. This feature of the design is used to help foster relationships between tenants who are managing similar situations and struggles. There are also offices on site that allow tenants to get treatment and

support without leaving the comfort of this community.



Sustainable Features

The Kira uses an energy-efficient design, which is an important quality to all New Destiny buildings. Their design and features meet Enterprise Green Communities Certification and mandatory Green and Energy Certification Standards for the Homes and Community Renewal Housing Finance Agency. This means that each dwelling unit achieved a HERS Index score of 85 or less, the project is certified through the ENERGY STAR Multifamily High-Rise program and utilizes ENERGY STAR Appliances, the building has high-efficiency lighting controls, environmentally preferable flooring, and



mold prevention surfaces, and there is an electricity meter.

Project Financing

After having identified the ideal location in Jamaica, Queens for the mixed-use retail and 139 residential units set aside for households earning no more than 40% and 80% AMI affordable housing development, SMJ engaged BFC in September 2016 to structure the initial purchase with the use of 1031 exchange knowing BFC had a need for it.

Then, the total initial acquisition costs were refinanced as part of the project development on Dec 17, 2018, through various sources including both long-term first-lien mortgages and short-term construction tax-exempt bonds funded through The State of New York Mortgage Agency Mortgage Insurance Fund (“SONYMA MIF”) and Housing Finance Agency (“HFA”), low-income housing tax credit (“LIHTC”) equity from Voluntary Inclusionary Housing (“VIH”) Program with NYC Department of Housing Preservation & Development (“HPD”), Wells Fargo being the tax credit equity investor and Supportive Housing Opportunity Program (“SHOP”) funding from New York State Homes and Community Renewal (“NYS HCR”) which is only available to projects awarded through ESSHI.

The total amount of the tax-exempt bonds with HFA was also credit enhanced by a letter of credit provided by Wells Fargo and mortgage insurance by SONYMA MIF.

Project financing was made possible after meeting all requirements such as affordability measured by % of AMI, the bedroom mix, unit size, tenant conditions, length of the regulatory agreement, and underwriting models specified from multiple sources such as NYS HCR. Developers were able to obtain financing for the entire Kira project without any sponsor equity.

Uses of the construction financing were strictly monitored, and all tax credit equity contributions were held in an escrow account and disbursed as directed by HFA. A construction monitor was also approved by SONYMA MIF to provide monthly construction reports to HFA.





Marketing, Management and Leasing

A total of 69 units will be set aside for survivors of domestic violence with income at or below 40 percent of the AMI. At least 20 of the 69 units will be set aside for households' incomes at or below 30% of the AMI as adjusted for family size and 49 of the units will be set aside for households in which incomes are set at or below 40% of AMI, as adjusted for family size. New Destiny obtains referrals directly from the NYC domestic violence shelters and Department of Homeless Services ("DHS") shelters.

The remaining affordable units are set aside for households with income at or below 80 percent of the AMI through a housing lottery by NYC Housing Connect, while 5% of the 69 units are set aside for mobility-disabled applicants and 2% for vision/hearing-disabled applicants.

Current Operational Issues

Rental income from tenants is largely supported by rental subsidies or rental assistance programs paid directly from Section 8 or CityFHEPS. The other

portion of the rent not subsidized by these programs is the tenants' responsibility, but collection can be challenging at times.

Even with onsite services funded by office of temporary and disability assistance through ESSHI, operating expenses are coming in higher than originally underwritten. The project was completed during the time when supply chain issues started which triggered inflation that affected some expenses such as utilities and insurance premiums.

Lease up period is significantly delayed due to the governmental red tape. The total lease-up period is longer than expected, the projected period was 6 months but turned out to be more than 10 months. Current occupancy is at 81% as of as of October 2022.

Short-term financing has yet to be converted into permanent financing since DSCR and the income-to-expense ratio is falling short of original projections. This is due to profitability being under pressure when the rental income is coming in slowly and expenses are higher than expected.

AVAILABLE UNITS AND INCOME REQUIREMENTS

Unit Size	80% AREA EDIAN INCOME (AMI)	Units Available	Monthly Rent ¹	Household Size ²		Annual Household Income ³ <i>Minimum - Maximum⁴</i>
Studio		37	\$1,599	1 Person	→	\$57,326 - \$66,880
				2 People	→	\$57,326 - \$76,400
1 Bed		32	\$1,708	1 Person	→	\$61,406 - \$66,880
				2 People	→	\$61,406 - \$76,400
				3 People	→	\$61,406 - \$85,920

¹ Tenant pays electricity including electric stove.

² Household size includes everyone who will live with you, including parents and children. Subject to occupancy criteria.

³ Household earnings includes salary, hourly wages, tips, Social Security, child support, and other income. Income guidelines subject to change.

⁴ Minimum income listed may not apply to applicants with Section 8 or other qualifying rental subsidies. Asset limits also apply.



Exit strategy

SMJ mentioned that this is a hold investment for them, the holding period of this investment is 15 years+ minimum, which is in line with the length of the compliance period as set forth in the regulatory agreement with HFA. There will be very little incentive for any of the developers to exit this development project given the financing structure for this mixed-use retail and affordable housing development.

Development Impact

When this building was coming to fruition, the team went beyond building apartments and built safe, and supportive homes and communities. This building creates affordable and available housing for those with financial struggles or those without homes, while also providing services, safe spaces, and communities for those in need. The Kira is the first New Destiny supportive residence in Queens.

Observations and Lessons Learned

SMJ went through painstaking process to marshal resources through multiple government agencies to make this affordable, supportive and well-designed safe haven for domestic violence survivors and homeless individuals. They found an underserved and underrepresented community and made a permanent difference for them by optimizing the spaces and placed onsite supportive services for families in need.

Juan reflects on how the process could have gone smoother with New Destiny coming on board earlier in the process since they specialize in building developments such as these, but only collaborated in the later stages of the project, helping to place tenants, and providing support services in the building. New destiny knew exactly what kind of spaces would be needed most. Studios did not fit the needs of most families making them the hardest to lease. New Destiny could have helped them get subsidized for larger units. This would have given them more guidance on how to best use the outdoor space. They could have helped them design a backyard area that was more friendly for young children and help advise them on outdoor playground equipment.

Timeline

2003 - Air Train Construction

2007 - Jamaica Rezoned

2012 - Juan Starts Search

2015 - Found Site

2016 - ESSHI Created

2016 - SMJ Engaged BFC

2018 - Close Financing with Wells Fargo

2019 - Start Construction

2021 - Completion



Figure #1: Financial Detail of the Kira

	Amount	Per Unit	% of total
Construction Sources			
HFA First Mortgage	\$19,230,000	\$138,345	24.09%
HFA Construction Loan (Short Term Bonds)	\$20,450,000	\$147,122	25.62%
SHOP	\$24,425,664	\$175,724	30.60%
SHOP Accrued Interest during Construction	\$1,890,343	\$13,600	2.37%
Deferred Reserves	\$626,590	\$4,508	0.79%
Federal Low Income Housing Tax Credits	\$3,918,017	\$28,187	4.91%
Deferred Developer Fee	\$9,269,881	\$66,690	11.61%
Total Construction Sources	\$79,810,496	\$574,176	100.00%
Permanent Sources			
HFA First Mortgage	\$19,230,000	\$138,345	24.09%
SHOP	\$27,139,627	\$195,249	34.01%
SHOP Accrued Interest during Construction	\$1,890,343	\$13,600	2.37%
Federal Low Income Housing Tax Credits	\$26,124,385	\$187,945	32.73%
Deferred Developer Fee	\$5,426,141	\$39,037	6.80%
Total Permanent Sources	\$79,810,496	\$574,176	100.00%
Uses			
Acquisition Costs	\$13,841,465	\$99,579	17.34%
Hard Construction Costs	\$39,505,283	\$284,211	49.50%
Soft Costs	\$16,567,277	\$119,189	20.76%
Reserves and Escrows	\$626,590	\$4,508	0.79%
Developer Fee	\$9,269,881	\$66,690	11.61%
Total Uses	\$79,810,496	\$574,176	100.00%

Figure #2: Map of Jamaica, NY

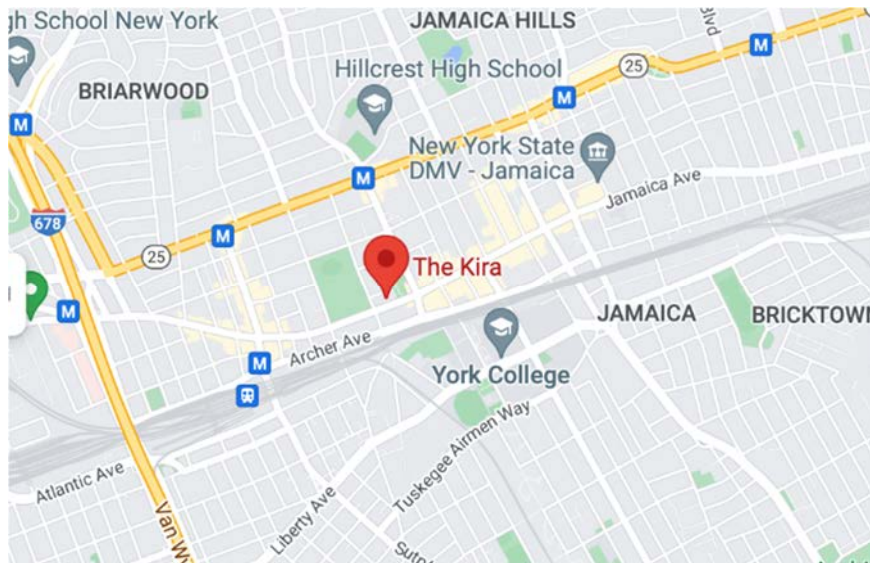




Figure #3: Zoning Map of Jamaica, NY

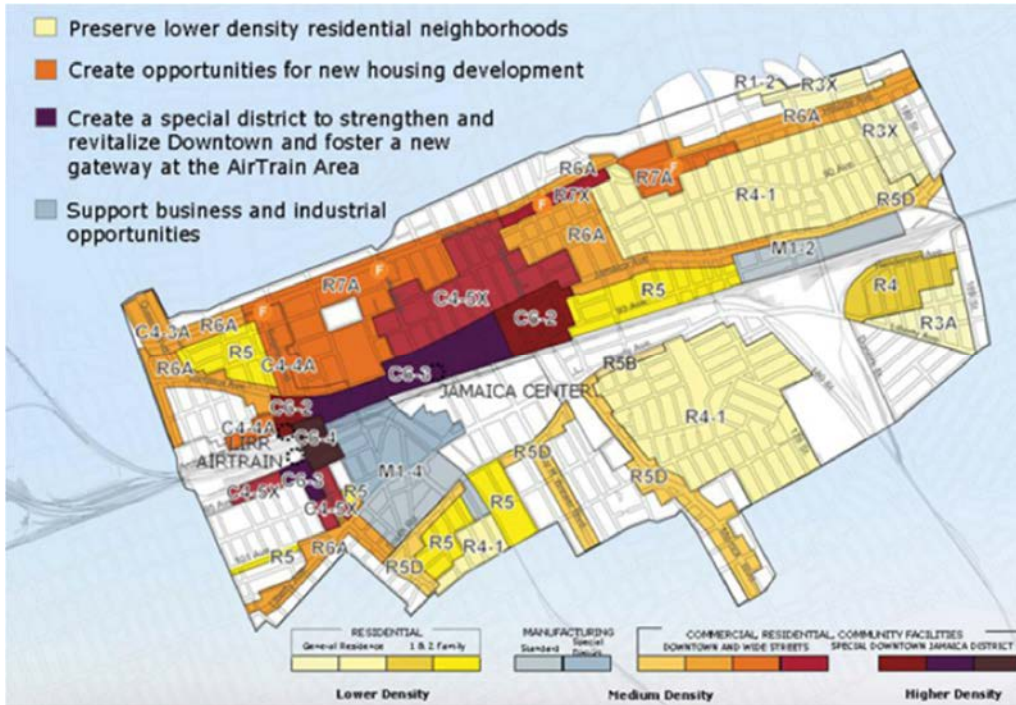
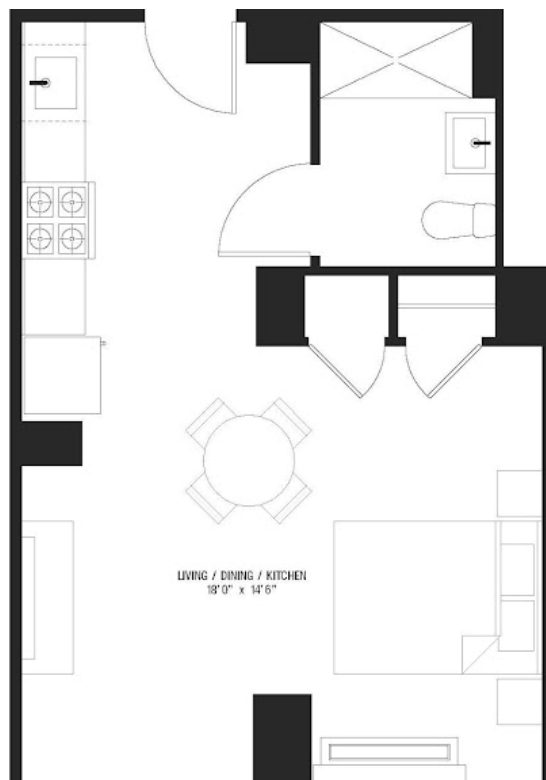


Figure #4: Typical Floor Plan of Studio





Special thanks to Juan Barahona, Principal of SMJ Development, for allowing us to interview him for this project. It would not have been possible without his support and his vision.