



Case Study: The Bronx is Up

Triangle Plaza Hub rejuvenates the neighborhood

By Joel Swerdlow

A young mother working full-time takes classes leading to a degree in emergency response management. With this degree will come a new career and improved life for her family. Before leaving the building, she buys fresh produce and groceries, and at the bus stop on the public plaza near the main entrance, chats with neighbors.

Such scenes will be common in Triangle Plaza Hub, at 459 East 149th Street at Brook Avenue (with a public plaza at 149th and Bergen) in the South Bronx —thanks to \$35 million in New Market Tax Credits (NMTC), which are transforming a vacant lot into 88,000 square feet of commercial and retail space.

"This helps bring new life to an area that had too many closed storefronts," says Kathy Zamechansky, President of KZA Realty Group and Bronx Manhattan North Association of Realtors.

Anchoring the new building, with 26,000 of the 88,000 square feet, will be 400-student capacity Bronx home for the Metropolitan College of New York (MCNY), an accredited, nonprofit, full-year-round institution. Expansion in the Bronx is the college's only outreach beyond its home campus in lower Manhattan. "These will be classes mostly for adults who are working full-time, which is just what the community needs," says City Council member Maria del Carmen Arroyo, who represents the area.

Another 14,600 square feet will be leased to a Fine Fare supermarket, which, as part of the city's Food Retail Expansion to Support Health (FRESH) Program, will address the needs of what many officials call a "food desert," an area whose residents lack ready access to fresh and healthy food. Studies link food deserts to higher rates of heart problems, diabetes, obesity and

Bronx Triangle Market, continued on page 25

Bronx Triangle Market, continued from page 24

other diseases that are costly and shorten lives.

"By providing a permanent home for Metropolitan College, bringing a fresh food grocer into the neighborhood, and creating nearly 300 permanent jobs targeted to low-income residents, Triangle Plaza Hub will be a catalytic project for revitalization in the Bronx," says Sherry Wang, Vice President in the Goldman Sachs Urban Investment Group, which played the lead role in finding and providing the necessary financial resources. Thanks to help from HireNYC, a government agency devoted to local hiring and workforce development, people from the neighborhood will fill many of these newly-created jobs.

Other scheduled tenants include a Vistasite Eye Care, providing examinations, glasses and contact lenses; and a large Boston Market. All tenants will benefit from rooftop parking for 83 cars, and from long-term savings generated by the building's LEED Silver certification.

Upping the Game for New Business

The Triangle Plaza Hub is in the Melrose neighborhood, which in 1977 was a poster child for urban decay when a visit by newly-inaugurated Jimmy Carter made headlines around the world. It is still in one of the nation's poorest congressional districts, and is highly distressed, with poverty rates greater than 48 percent, median family income 40 percent of the metropolitan benchmark, and unemployment at 1.8 times the national average.

But today, notes the real estate publication N.Y. YIMBY, Melrose is "perhaps the epicenter of the city's new affordable housing policy," which emphasizes "mid-rises that max out their zoning allotments." In the past few years alone, nearly 3,200 new residential units have been built here.

Community leaders in the Bronx, and city leaders celebrated the ground-breaking of Triangle Plaza Hub

Bronx Triangle Market, continued on page 26



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Bronx Triangle Market, continued from page 25

on September 26, 2013, and their optimism continues as the project moves towards scheduled completion in the spring of 2015.

"It's much broader than brick and mortar, it's a huge transformation of this entire area," says Councilwoman Arroyo. "The Triangle Plaza Hub aesthetically improves the community, and bring jobs and amenities such a fresh, fairly-priced food and permanent home for a college. It ups the game of every business in the neighborhood, and in a very important way helps to improve the image of the Bronx and spurs the conversation. It's been long overdue."

Enter Triangle Equities

Making it all happen has been Triangle Equities, a real estate company focusing on "value-added" developments in New York City—frequently partnering with what NY YIMBY calls "a whole slew of acronymed agencies." In this case, key partners included the New York City Economic Development Corporation (NYCEDC), and Empire State Development (ESD)—in addition to Goldman Sachs.



Lester Petracca

Lester Petracca, president of Triangle Equities, has told reporters. "We are efficient at obtaining approvals and working with municipal agencies to bring a project to

fruition that utilizes a property to its full potential and realizes the best outcome for tenants and community members. It's a lengthy process. Usually our projects have a lot of hair on them."

"Hair" is industry parlance for complications, such as the need for complicated financial arrangements.

To attract financing for the project, which was first proposed in 2010, Triangle needed tenants, particularly at least one anchor tenant. But rents in the area were too low to support a conventional construction loan



New retail serves affordable housing residents.

(construction costs in Melrose match those in next-door Manhattan). Month after month of conversations with Metropolitan College generated a winning idea: the college would buy space as a commercial condominium. Triangle thus transferred a significant portion of its debt to the educational institution—which receives its own subsidized loans for most of these new obligations, allowing it to own the space at below construction costs. Metropolitan College, furthermore, need never worry about future rent increases.

Sources of Funding

Financing—about \$35 million in total investment—came from New Markets Tax Credits Equity, private equity and conventional debt. Included are a \$14.75 million leverage loan from Goldman Sachs; \$10.3 million of New Markets Tax Credits (NMTC) equity investment, also from Goldman Sachs; \$5.8 million leverage loan through the New York Healthy Food & Healthy Communities (HFHC) Fund—which is led by the Low Income Investment Fund (LIIF) and capitalized by

Bronx Triangle Market, continued on page 27

Bronx Triangle Market, continued from page 26

Goldman Sachs and the N.Y. Empire State Development (ESD); \$3.4 million of direct equity investment from Goldman Sachs; and a \$300,000 grant from the HFHC Fund.

The \$10.3 million of NMTC equity, part of the capital stack mentioned above, was generated from a \$35 million in New Markets Tax Credit allocation, which every participant in the process describes as “crucial” and “essential” to making this project a reality. MNTCs “attract the money and expand the impact of every dollar,” one participant explains. “They get the process going, keep it proceeding, and make it possible for the project to actually happen.” Sources of NMTC allocation for Triangle Plaza Hub are:

- \$19.3 from the National Community Fund (NCF) – an affiliate of United Fund Advisors (UFA) —a fund manager and financial services company that provides tax-advantaged investment capital and advisory services for community development and renewable energy projects

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- \$10 million from the Low Income Investment Fund (LIIF) — which invests capital to support healthy families and communities.
- \$5.6 from the Goldman Sachs Urban Development Group, which makes investments and loans that benefit urban communities, serving as a catalyst in the revitalization of underserved neighborhoods.

Innovative financing was a key reason the Triangle Plaza Hub was honored as “Qualified Low Income Community Investment of the Year” by the Novogradac Journal of Tax Credits in October, 2014. This award indicates the future holds more projects that emulate what Triangle Equity and its partners have achieved. “Triangle Plaza Hub will be catalytic for revitalization in the Bronx,” says Sherry Wang, Vice President in the Goldman Sachs Urban Investment

Group. “We are looking forward to continuing our work in the Bronx to provide the housing, retail and services to allow the neighborhood to thrive.” **TCA**

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