

EXECUTIVE SUMMARY

4 NOV 1973

November 9, 1973

PROJECT: Riverton
DEVELOPER: Riverton Properties
APPROVAL: Commitment: December 20, 1971
Project Agreement: May 2, 1972
AMOUNT OF GUARANTEE: \$12 Million

A. Background and Summary of Program

1. Background

Riverton, a 2335 acre new community located 10 miles south of Rochester, N.Y., was the seventh new community to receive a Federal guarantee. It is proposed to be developed over a 16 year period and will house approximately 25,600 people. Between 30 and 40 percent of the 8010 dwelling units proposed will be for low and moderate income families.

Basic land uses are 1046 acres for residential, 170 acres for several neighborhood village centers, a 400 acre industrial area, 85 acres for educational use, 424 acres for open space and recreational purposes and a 210 acre land reserve directly across the Genessee River. The New York State Thruway runs along the northern perimeter of the project.

The Riverton developers intend to provide an 18-hole golf course, 11 outdoor and one indoor swimming

pools, three lakes for recreation use and storm drainage overflow, a marina and a riverside park open to residents and non-residents. Fourteen miles of walkways will link homes, schools, shopping centers and industrial parks. All walkways will tunnel under or bridge major roads.

Innovations planned or to be studied by the developers for Riverton are: pre-paid health care and medical insurance for all new community residents, a two-way cable communication system to each home; and use of the existing Erie-Lackawanna rail line as a rapid transit link to downtown Rochester, 10 miles away, and to the Rochester Institute of Technology.

2. Developer

Principals of the new community Developer, Riverton Properties, Inc., include new town pioneer Robert E. Simon, Jr., founder of Reston, Va., and former Commerce Under Secretary and Small Business Administrator Howard J. Samuels. Other principals, all of Rochester, are: the Sibley Corporation, a wholly-owned subsidiary of the Security Trust Company; businessmen Henry Hamlin, Sheldon Lane, Burton and Charles August, Attorney Manuel D. Goldman and others. An experienced staff has been organized to manage the project. Most senior staff members have substantial development and administrative backgrounds.

3. Development Progress

Land has been sold in Phase I for 321 dwelling units consisting of 240 rental garden and townhouse units, 61 single family attached units, and 20 single family detached units. However, all but 5 single family attached and 16 single family detached lots were sold to Riverton-related Joint Ventures. An additional 54 single family lots are under option to independent builders.

Of the 240 rental units, 90 are completed and rented, 14 are vacant and 136 are under construction. Single family sales total 5 completed and occupied, 21 sold and under construction, and 24 under construction. Two and a half acres have been sold to a related Joint Venture on which a 20,000 sq. ft. speculative industrial building is 60% complete. 2000 sq. ft. have been leased. The first 20,000 sq. ft. neighborhood center located on 2-1/2 acres of commercial land is 75% complete with 14000 sq. ft. leased and another 2000 committed.

Completed amenities include 9500 linear ft. of walkways, a 3-pool swimming complex, 4 tennis courts, a ball field, and 3 tot lots. A nine-hole golf course and 4 more tot lots are 80% complete. All Phase I water and sewer facilities are complete with roads and streets about 75% complete.

B. Financial History

The minimum equity required for a 4 to 1 debt equity ratio was \$3,000,000. The Developer provided this as \$250,000 initial capitalization; \$1,250,000 in debt subordinated to New Community debentures; and \$1,500,000 in land represented by the difference between the Secretary's valuation and acquisition price.

The Developer is using Title VII funds for general land development activities and for construction of off site utilities required by various levels of government. Federal grants amounting to \$6,090,650 have been approved for construction of basic water and sewer facilities.

The proposed amenities will be constructed by the developer to be turned over to the community association at cost. The developer will receive an unsecured note from the association to be paid from the assessments made by the association. The association will be responsible for operation and maintenance of amenities.

As of June 30, 1973, the escrow balance was \$4,031,000. The developer has estimated that all escrow funds will be drawn down and operating funds exhausted by January of 1974. An application for an additional \$8 million guarantee bringing the total guarantee amount to \$20 million was submitted to NCA on September 12 and is under staff review.

The following factors are cited by the developer as causing the need for all additional guarantee

1. Unanticipated and costly off site utilities required to comply with Federal and State environmental and grant approval standards.
2. Upgraded utility standards required by the local government.
3. Completely inaccurate engineering cost estimates for site drainage.
4. Underestimated non-construction costs.

The Developer believes strongly that the HUD approved and prices are low and that the market can support both higher prices and increased pace.

Real Estate Research Corporation has been retained by the Developer to evaluate the newly proposed prices and pace in relation to the Rochester market. In the pending application, the Developer proposes that the additional guarantee be conditioned on its providing an additional \$2,000,000 in hard equity.

A key issue that must be brought to the Board is the question of the additional guarantee. Preliminary indications from Real Estate Research Corporation are that Riverton's projections are in the ball park. Also, GAO, which recently completed a management audit of the New Communities Program using Riverton as one of the projects

selected for study, has advised us that they believe the new cost figures to be sound.

C. Key Issues and Concerns

1. Management

Bob Simon, originally RPI President, is now Chairman of the Board. Andy Goldman, RPI Secretary under Simon, is now President. The project appears well managed.

2. Marketing and Sales

Although the number of sales shown completed is well above the number projected for the first year, optimism is lessened by the fact that 300 of the 321 sales of D.U. lots has been to Riverton-related Joint Ventures. However, the units actually constructed and available, although few in number, have apparently been well received by the market. It is therefore very difficult to give a well founded estimate of market acceptance at this time.

3. Low and Moderate Income Housing

Approval has been received for 23 Section 235 units. Seven units are under construction. An application for 240 units Section 236 units is in the Area Office.

4. Local Government

Generally good relations exist between Riverton and the Henrietta Town government. However, Riverton believes that the town has raised its utility service standards on

the assumptions that Riverton, as a Federally supported project, has great financial resources. The increased standards have resulted in higher land development costs than were originally projected.

As a result of Riverton, Henrietta has received water and sewer grants and a 701 Planning Assistance Grant from HUD.

5. Equal Opportunity

Riverton's efforts in this area are not clearly up to par. While there are minority staff professionals and clericals, the E.O. advertising program must be improved.

6. Service Delivery

Operation and maintenance of amenities will be by the Riverton Community association with capital costs and operational maintenance expenses paid out of assessments.

Agreement has been reached with the Rush-Henrietta School district for donation of the first elementary school site and for Riverton to pay the local share of school construction cost.

7. Environment and Planning

An ongoing environmental monitoring program is underway in cooperation with regional planning and conservation authorities.

The pending application proposed expansion of the project area, however, it has been decided to take this

proposal out due to a probable delay caused by EIS processing and approval requirements. Tentative plans are to request a new amendment bringing in the outlying parcels in 8 to 12 months.

PROJECT NAME Riverton Properties, Inc.

BACKGROUND

1. Commitment (Date <u>December 1971</u>)	\$ <u>12,000,000</u>
2. Projected Cumulative Net Cash Flow (original)	\$ <u>9,784,000</u>
3. Cash Equity	\$ <u>1,682,000</u>
4. Guarantee Issued	\$ <u>12,000,000</u>
5. Interest Rate	\$ <u>7.125%</u>
6. Escrow Balance (Date <u>June 1973</u>)	\$ <u>4,031,000</u>

Cumulative Amount in Thousands

<u>STATUS</u> (Date <u>June 30, 1973</u>)	<u>Budget</u>	<u>Actual</u>	<u>Actual over (under Budget)</u>
Operating Revenues	\$ <u>10,376</u>	\$ <u>884</u>	\$ <u>(9,492)</u>
Less:			
Land Acquisition Costs	<u>2,058</u>	<u>6,597</u>	<u>4,539</u>
Construction Costs	<u>4,055</u>	<u>2,984</u>	<u>(1,071)</u>
Non-construction Costs	<u>1,921</u>	<u>4,882</u>	<u>2,961</u>
Financing Costs	<u>2,104</u>	<u>1,719</u>	<u>(385)</u>
Cash Income (deficit)	\$ <u><u>238</u></u>	\$ <u><u>(15,296)</u></u>	\$ <u><u>15,536</u></u>

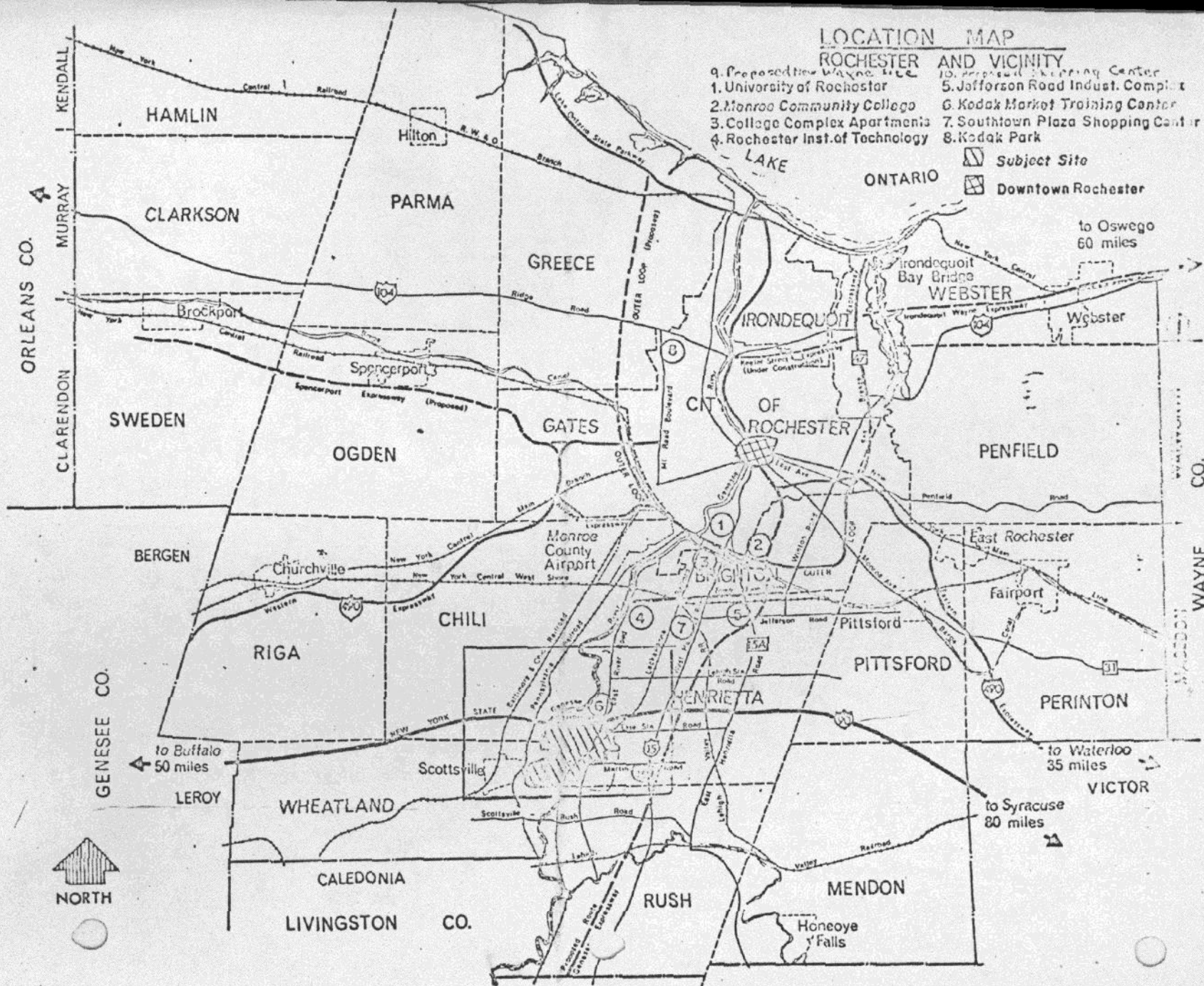
LOCATION MAP

ROCHESTER AND VICINITY

9. Proposed New Wayne, Inc.
1. University of Rochester
2. Monroe Community College
3. College Complex Apartments
4. Rochester Inst. of Technology
10. Proposed Shopping Center
5. Jefferson Road Indust. Complex
6. Kodak Market Training Center
7. Southtown Plaza Shopping Center
8. Kodak Park

Subject Site

Downtown Rochester



NORTH