



## **MEMORANDUM**

**TO:** Members of the Authority

**FROM:** Melissa Orsen  
Chief Executive Officer

**DATE:** May 29, 2015

**SUBJECT:** Agenda for Special Meeting of the Authority May 29, 2015

### **Notice of Public Meeting**

### **Roll Call**

### **Incentive Programs**

### **Public Comment**

### **Adjournment**



## **MEMORANDUM**

To: Members of the Authority

From: Timothy Lizura  
President and Chief Operating Officer

Date: May 29, 2015

RE: **Ameream, LLC, Meadow Amusement LLC and Affiliates**  
P37504 - Economic Redevelopment and Growth Grant Program ("ERG")

### **Request**

Ameream, LLC, Meadow Amusement LLC and Affiliates (the "Applicant") has requested an extension of time to submit the required documentation in order to execute their ERG Agreement. At this time, the Board is asked to extend the date under the Applicant's ERG commitment letter dated March 14, 2014 ("Commitment Letter") to September 15, 2015.

### **Background**

On November 1, 2013, the Members of the Authority approved an ERG for 17.55% of the eligible costs, not to exceed \$390,000,000 for a mixed use development ("Project") located in East Rutherford, New Jersey. As per this approval and the Commitment Letter, execution of the ERG Agreement and the reimbursement of any taxes thereunder was contingent upon the Applicant meeting certain conditions relating to financing commitments, evidence of site control, executed leases and state and federal permits, among other conditions ("Required Information") regarding the Project by May 1, 2014.

The Commitment Letter also included a provision that the Applicant submit to the Authority for approval any modifications to the Project that changed the Project square footage or reduced the capital investment in the Project by more than 25%.

On April 21, 2014 the Applicant provided a Project update and simultaneous request for an extension of the date to deliver the Required Information and to execute the ERG agreement until December 31, 2014. The request for this extension was primarily driven by the efforts and resulting success in concluding a mutually acceptable settlement agreement on March 10, 2014, which ended certain legal disputes amongst various parties surrounding the Project. As there was significant progress made in advancing the Project at the time the request for extension was made, the

Authority, through delegated authority, approved a six month extension of the date to deliver the Required Information to November 1, 2014.

In a letter dated October 28, 2014, the Applicant requested an additional six month time extension to submit the Required Information. As there was significant progress made in advancing the Project at that time, the Authority, again through delegated authority, approved a six month extension of the date to deliver the Required Information to May 1, 2015.

On March 11, 2015, the Applicant again met with EDA staff and senior management to request an additional extension of time to submit the Required Information and to provide a detailed update on the Project's progress. The Applicant represented that they had closed a \$150 million bridge loan on the Project in January 2015 and estimated that the Applicant had invested approximately \$200 million into the Project at that time. The Applicant also provided an update on securing the permanent financing for the Project. In addition, the Applicant described growth to the site plan of the Project in excess of 25%, and acknowledged that these changes would require Board approval for modification. The Applicant demonstrated that significant progress had been made to date with construction, securing third-party financing and progressing towards bond issuances, albeit slower than expected at the original time of Board approval.

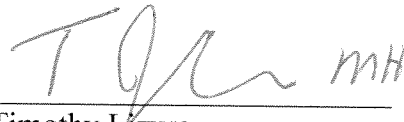
In a letter dated May 13, 2015, the Applicant formally requested an additional time extension to December 31, 2015 to submit the Required Information under the Commitment Letter. Recognizing that the significant growth to the Project will require the Authority to do a full underwriting before it is presented to the Board, the Applicant represented that they will be able to send a full submission update, including an executed agreement with the Borough of East Rutherford, that will allow the Authority to underwrite the modified Project such that staff will be able to present the modified Project to the Board for approval by August 1, 2015. The Applicant would then be able to submit the Required Information under the Commitment Letter by December 31, 2015.

According to the Commitment Letter, the Authority, in its sole discretion, has the authority to extend the expiration date of the Commitment Letter. In light of the Applicant's timely briefings and progress on this complicated project, staff is recommending that this discretion be exercised, with the following conditions. At this time, without having access to the information necessary to undertake a full underwriting, staff does not recommend extending the date of the Commitment Letter to December 31, 2015. Staff recommends an interim approach that extends the date of the Commitment Letter only until September 15, 2015 and giving the Applicant until June 17, 2015 to submit the full submission and staff adequate time to formulate a recommendation to the Board as to whether the Commitment Letter should be extended until December 31, 2015. Although the formal request for the extension postdated the May 1, 2015 date, the Applicant had made a detailed presentation to staff on its progress in March, with a verbal request for an extension, and has also been in written contact with staff. In notifying the Applicant of the recommended extension, if approved by the Board, staff will be very clear that any requests for future extensions must be in writing and must be received in time to allow the extension to be approved by the Board prior to the September 15, 2015 date.

Based on the progress that the Applicant has made to date and in expectation of receiving a full package of updated application materials, the EDA is recommending an extension of the date to deliver the Required Information under the Commitment letter to September 15, 2015.

### **Recommendation**

Based on the progress that the Applicant has made to date, the Board is asked to extend the date under the Applicant's ERG commitment letter dated March 14, 2014 ("Commitment Letter") to September 15, 2015. Staff also recommends giving the applicant until June 17, 2015 to provide a full package of updated application materials and that this would extend the time for the Authority to conduct a full underwriting of the Project to be presented to the Members of the Authority for a review of a major modification request for consideration by September 15, 2015. The Authority will also require weekly updates on the construction, leasing and financing activities of the Project until such time as the ERG agreement and financings are closed.

  
Timothy Lizura

**Prepared by:** Michael Conte



## **MEMORANDUM**

To: Members of the Authority

From: Timothy Lizura  
President and Chief Operating Officer

Date: May 29, 2105

RE: **Parkers Walk Urban Renewal, LLC**  
Residential Economic Redevelopment and Growth Grant Program (“RES ERG”)  
P #39160

### **Request**

As created by statute, the Economic Redevelopment and Growth (ERG) Program offers state incentive grants to finance development projects that demonstrate a financing gap. Applications to the ERG Program are evaluated to determine eligibility in accordance with P.L. 2013, c. 161 and as amended through the “Economic Opportunity Act of 2014, Part 3,” P.L. 2014, c. 63, based on representations made by applicants to the Authority. Per N.J.S.A. 52 :27D-489a et seq. / N.J.A.C. 19:31-4 and the program’s rules, developers or non-profit organizations on behalf of a qualified developer, must have a redevelopment project located in a qualifying area, demonstrate that the project has a financing gap, meet minimum environmental standards, meet a 20% equity requirement, and, except with regards to a qualified residential project, yield a net positive benefit to the state. With the exception of Residential ERG projects, grants are made annually based on the incremental eligible taxes actually generated as a result of the project.

The Members are asked to approve the application of Parkers Walk Urban Renewal, LLC (the “Applicant” or “Parkers Walk”) for an Elizabeth Union County residential project (the “Project”) for the issuance of tax credits pursuant to the RES ERG program.

The total costs of the Project are estimated to be \$27,666,244 and of this amount \$22,643,123 are eligible costs under the RES ERG program. The recommendation is to give up to 30% of eligible costs, not to exceed \$6,792,937. A primarily residential project is eligible to receive a RES ERG tax credit of up to 20% of the total eligible project costs. Parkers Walk Urban Renewal, LLC is also eligible for a bonus of an additional 10% (for a total of 30%) because the Applicant has demonstrated they will reserve 40% of the residential units for moderate income housing.

### **Project Description**

Parkers Walk is located at 350 Irvington Avenue in Elizabeth, Union County. The project will consist of demolishing two 60 unit apartment buildings and the new construction of 96 new townhouse rental units consisting of 20 one-bedroom units, 46 two-bedroom units and 30 three-bedroom units. The unit amenities will include blinds, closets, carpet, dishwashers, and central air conditioning. The entire development will continue to be covered by a project based section 8 contract.

Parkers Walk is the third phase of a four phase redevelopment project of an old section 8 apartment complex known as Oakwood Plaza. The first phase known as Oaks at Westminster included the substantial renovation of one building, which is fully leased. The second phase known as Westminster Heights, included the substantial rehabilitation of one building, the demolition of a second building and new construction of twenty-four townhouses units, which are currently being leased.

CIS Oakwood, LLC, a related entity of Community Investment Strategies, Inc., purchased Oakwood Plaza Apartments on June 24, 2009 from Pierce Manor of Elizabeth LLC in an arms-length transaction for \$26 million. CIS Oakwood, LLC financed a large portion of this purchase through a Union County Improvement Authority ("UCIA") mortgage in the amount of \$18.6 million. This loan's debt service is being allocated on a pro-rata basis over the four phases based on each phase as it relates to rental units. The share of the UCIA loan's debt service assigned to Parkers Walk will be paid via an annual lease payment of \$496,000.

The property is located within a Smart Growth Area. This Project will comply with the New Jersey Housing and Mortgage Finance Agency's ("NJHMFA") Energy Star Equivalency Program. An estimated completion date for the rehabilitation of the project complies with the RES ERG deadline of July 28, 2018.

Although applicants for the RES ERG program are not required to maintain certain employment levels, it is estimated that this Project, per the Applicant, will create approximately 180 temporary construction jobs during rehabilitation and retain five full time positions at the project site as a result of the RES ERG subsidy.

Per the appraisal report prepared by a third party consultant, Carduner Valuations Services, Inc., dated December 19, 2014 the "as is" value of the property is \$1.8 million.

### **Project Ownership**

Parkers Walk Urban Renewal, LLC is a subsidiary of Community Investment Strategies Inc. ("CIS"). CIS is located in Lawrenceville, New Jersey and is the developer of the project. Since its founding in 1994, CIS has developed a broad spectrum of multi-family properties, ranging from garden apartments to mid-and high-rise complexes, valued in excess of \$400 million. CIS is a fully integrated real estate organization specializing in multi-family housing, including 55+, senior housing and mixed-use redevelopments, as well as market-rate and affordable housing. The Company's diverse portfolio includes more than 3,000 apartment-rental units located in the northeast, with a high concentration in New Jersey. CIS has successfully completed over 20 Low Income Housing Tax Credit projects with NJHMFA throughout the State.

The Applicant is a single purpose entity that will be 99.99% owned by an Investor Member LLC to be created through RBC Capital Markets and 0.01% by CIS Parker, LLC, a single purpose entity. Community Investment Strategies, Inc. will be the managing member of CIS Parker, LLC with a 20% ownership interest. CIS Parker, LLC will also consist of the following members: CIS Developers, LLC will have a 37% ownership interest, Foglio and Associates, LP will have a 33% ownership interest, and Elizabeth Development Company will have a 9.99% ownership interest.

### **Project Uses**

The Applicant proposes the following uses for the Project:

<b><i>Uses</i></b>	<b><i>Total Project Costs</i></b>	<b><i>RES ERG Eligible Amount</i></b>
Construction & Site Improvements	\$ 17,976,975	\$ 17,976,975
Professional Services	1,086,000	1,086,000
Financing & Other Costs	4,139,669	2,616,548
Contingency	963,600	963,600
Development Fee	3,500,000	
<b>TOTAL USES</b>	<b>\$ 27,666,244</b>	<b>\$ 22,643,123</b>

RES ERG eligible project costs exclude ineligible costs aggregating \$5,023,121, which include the developer fee of \$3,500,000 and Reserve Escrows of \$1,523,121.

<b><i>Sources of Financing</i></b>	<b><i>Amount</i></b>
DCA/Balanced Housing Funds	\$ 4,000,000
NJHMFA Multifamily Rental Financing Production Fund	4,000,000
County HOME Funds	613,110
City HOME Funds	1,182,089
ERG Funds	5,094,703
Equity	
Deferred Developer Fee	2,226,745
LIHTC	9,123,161
Additional Sponsors Equity	1,426,436
<b>Total</b>	<b>\$ 27,666,244</b>

The Applicant received a firm commitment at NJHMFA's May 21, 2015 board meeting. NJHMFA Multifamily Rental Financing Production Fund received commitment in conjunction with NJHMFA's commitment. DCA/Balanced Housing Funds have been allocated for the project but not committed to date. As part of its approval, NJHMFA reviews and approves all components of the financing.

As part of its permanent financing structure the Applicant has received a commitment from the tax credit syndicator, RBC Capital Markets, who will be providing both the Low Income Housing Tax Credit equity and RES ERG Tax Credit equity for a total of \$14.2 Million. The RES ERG tax credits are priced at \$0.75 for each dollar of State Tax Credits allocated to the investment of the project. The applicant has received commitments from the City of Elizabeth's HOME Funds, in addition to Union County HOME Funds.

### **Development Fee**

The amount of developer fee allowed for eligible rehabilitation or new construction costs will be limited to 15% of total development costs excluding land, pre-operational expenses, and escrows and reserves pertaining to permanent takeout financing. Total development fee includes all hard and soft costs, in addition to applicable financing fees. Developer fee at project construction completion or stabilization shall not exceed 8% (out of the 15% total) with the balance being deferred and taken through projected cash flow. This is consistent with NJHMFA's approach.

The Applicant has demonstrated to both NJHMFA and EDA that the project will not generate sufficient cash flow to return the entire developer fee within five years of project stabilization. The maximum developer fee of 15% for this project will not be achieved until year 11.

RES ERG projects are required to have a minimum of 20% equity in its capital structure based on the total projects costs. The two equity sources of capital in Parkers Walk are deferred developer fee of \$2.2 Million and LIHTC equity syndicated by RBC Capital Markets in the amount of \$9.1 million, which collectively is 41% of total project costs.

### **Other Statutory Criteria**

In order to be eligible for the program, the Authority is required to consider the following items:

#### **The economic feasibility and the need of the redevelopment incentive grant agreement to the viability of the redevelopment project.**

The existing buildings of Parkers Walk were constructed in 1955 and renovated in the 1980's. The buildings are currently in poor condition and only partially occupied. The construction of new units will provide housing to the residents of Elizabeth, NJ. Post-completion, the project is anticipated to operate with sufficient cash flow for the foreseeable future in conjunction with the Applicant's Section 8 contract. However, without the State incentive, the Applicant represents that the Project is not feasible due to the initial funding gap.

The Authority is in receipt of a Market Feasibility Analysis dated December 19, 2014 on the Project prepared by Carduner Valuation Services, Inc, a third party consultant who issued their determination of current and future market conditions. The study demonstrates the continued market demand for the Project and supports the financial assumptions included in the Project pro forma.

#### **The extent of economic and social distress in the municipality and the area to be affected by the redevelopment project. The extent to which the redevelopment project will advance State, regional and local development and planning strategies, promote job creation and economic development and have a relationship to other major projects undertaken within the municipality.**

The Project is located in Elizabeth, NJ, Union County, an area that has struggled economically and socially due to a declining employment base, lack of outside investment and poor schools. As of 2012, the City of Elizabeth had a population of 126,458. The median household income of this population was \$41,986 well below the median household income for the State of New Jersey of \$67,458. Additionally, Elizabeth is ranked # 536 in the MRI index, is a Distressed Community and is designated as an Urban Aid Municipality.



According to the appraisal/market study dated December 19, 2014, the immediate subject neighborhood is a fully developed urban area with good access to area services and employment. The redevelopment of Oakwood Plaza, of which the subject represents the third phase, will substantially improve the housing quality and overall appeal of the greater neighborhood. Local and regional access to the neighborhood is good. Support services are within close proximity. The general outlook for the subject neighborhood is positive. The capture rate is 1.1%, the absorption period is 6 months with an estimated 5% vacancy rate. A rent up period of 10 months has been concluded.

The Project appears to be economically feasible based on the track record of the developer and their management team as well as the numerous funding sources and subsidies that have been made available to this project. The construction characteristics of the proposed housing should mix well with the other projects and will be comparable to most of the existing housing in the neighborhood. The units will be competitive in size with the existing stock; and will aide in revitalizing the City. The project fills the need for affordable housing in the City of Elizabeth.

### **Recommendation**

Authority staff has reviewed the application for Parkers Walk Urban Renewal, LLC and finds that it is consistent with eligibility requirements of the Act. It is recommended that the Members approve and authorize the Authority to issue a commitment letter to the Applicant.

Issuance of the RES ERG tax credits are contingent upon the Applicant meeting the following conditions:

1. Financing commitments for all funding sources for the Project consistent with the information provided by the Applicant to the Authority for the RES ERG; and
2. Evidence of site control and site plan approval for the Project; and
3. Copies of all required State and federal government permits for the Project and copies of all local planning and zoning board approvals that are required for the Project.
4. Evidence that the Project complies with N.J.A.C. 19:31-4.3(a)(3).

Tax Credits shall be issued upon:

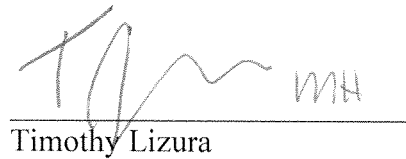
1. Completion of construction and issuance of a Certificate of Occupancy no later than July 28, 2018; and
2. Submission of a detailed list of all eligible costs, which costs shall be satisfactory to the NJEDA.

It is recommended that the members authorize the CEO of the EDA to execute any assignment agreements necessary to effectuate this transaction.

The New Jersey Economic Opportunity Act of 2013 provides a total of \$600 million in tax credits to be utilized towards eligible residential based projects. This allocation is further separated into five additional allocations to assist projects meeting certain geographic and/or economic criteria. This project being located in Elizabeth, Union County, qualifies to be funded under the allocation for projects located in an Urban Transit HUB. The initial total of this allocation was \$250 million. The approval of this project leaves \$113.9 million tax credits remaining.

**Total Eligible Project Costs: \$ 22,643,123**

**Recommended Grant: 30%** of actual costs, not to exceed **\$6,792,937** to be paid over a maximum period of 10 years.



Timothy Lizura

**Prepared by: Matt Boyle**