



CITY OF HOBOKEN

Public Hearing for Section 108 Loan Application to Acquire 601
Jackson Street

Discussion of the proposed activities in the context of the Applicant's community development objectives as included in its HUD Consolidated Plan

The City of Hoboken will purchase the Jubilee Center at 601 Jackson Street, Hoboken, NJ to formally convert this nonprofit owned community center into a City-owned Public Facility. Approximately 6,000SF of the building will be dedicated to a new use – the consolidation of Hoboken Public Schools' Head Start program. The remaining 3,000SF of the building will be leased to nonprofits serving low and moderate income households and/or "special populations" as defined by CDBG regulations. The project is well-supported by the City's 2020-24 Five Year Consolidated Plan. Specifically, Goal #2 "Improvement of Public Spaces & Facilities" the Plan strives to *"identify projects that improve public spaces and facilities that meet a CDBG National Objective. Projects may include further investment into the Hoboken Housing Authority as well as improvements to facilities owned by nonprofits that primarily serve low and moderate income residents."* Throughout its history, the Jubilee Center has been the hub of valuable programs and services to the low and moderate income residents and is directly adjacent to the Hoboken Housing Authority. The future of the building has been jeopardized, in part, due to the COVID-19 pandemic. Purchasing the building will ensure it continues to remain in service and financially stable.

The City of Hoboken has approximately 56,000 residents occupying 1.25 square miles and is the third most densely populated municipality in the United States. The City has undergone tremendous population growth since 1990, with a 30% population growth. 27% of the population are low and moderate income. A large part of the population growth has resulted in gentrification but there are 1,353 units of public housing in the City.

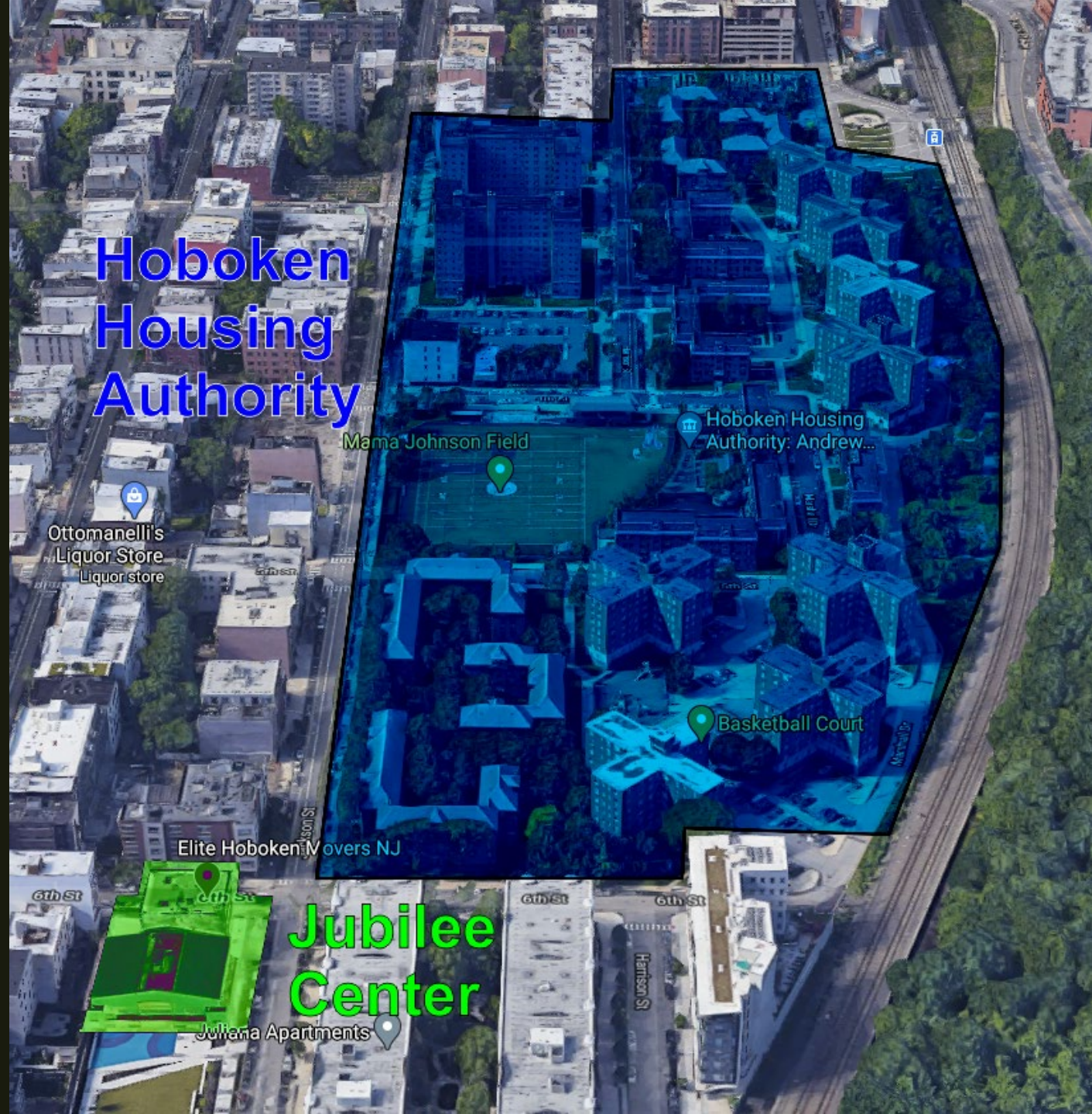
The requested amount of the Section 108 Loan is \$3,065,000 plus the financing fee of (2.15%) which is \$64,500 for a total request of \$3,065,000. This amount is lower than its capacity for borrowing under the program as the City's entitlement allocation in 2020 was \$1,091,007, giving the City a Section 108 capacity of \$5,455,035. The City's has no outstanding 108 loans.

Requested Amount of Section 108 Assistance

Detailed
description of
project(s) to be
financed with the
Section 108
guaranteed loan
with any relevant
information to
support the
project need

The City of Hoboken intends to acquire a financially-unstable community center owned by a local nonprofit to allow it to continue to serve the surrounding low and moderate income population. The site consists of a three-story, 9,000SF building, on .11 acres with enough open space to erect an addition. Acquiring and converting it to a City of Hoboken Public Facility will allow the Jubilee Center (601 Jackson Street) to remain a hub of valuable programs and services for City residents for years to come. It's proximity to a significant portion of the Hoboken Housing Authority's properties, make it an ideal location to serve that population.

601 Jackson Street



Detailed
description of
project(s) to be
financed with the
Section 108
guaranteed loan
with any relevant
information to
support the
project need

While the highest and best use of the subject property may be to tear it down and build luxury residential housing, the City intends to purchase the building and lease 6,000SF to the Hoboken School District to allow it to consolidate its multiple Head Start locations into a single place. The remaining 3,000SF will be rented at market rents to nonprofits serving low and moderate income populations. Over the history of the City's CDBG program, the City has invested in dozens of public services run out of Jubilee Center and made investments to replace the building's major systems.

The owner of the building, All Saints Community Service and Development Corp. (<http://ascsd.org>) currently occupies a small part of the building (less than 500SF) and will be given the option of leasing their space at market rate rent.

Estimated timeline for project

The City has prepared an Environmental Review record for the Jubilee Center Section 108 Loan Project. The project has been classified as a Categorically Exempt Subject To review. Please note that the ERR has been prepared in IDIS, however, the Signature Page and the Request for Release of Funds forms have not been completed or uploaded yet. They have not been completed yet because an Eight Stage Flood Review is required. The Final Notice is scheduled for publication on March 17th. Upon completion of the Flood Review, the City will publish a Notice of Request for Release of Funds.

The 108 funds will be lent to the City of Hoboken. For the \$3,065,000 108 loan, it will be lent out at a rate of the three-month LIBOR rate, plus 2 basis points (currently .04%) adjustable monthly, or at the election of the borrower, and HUD, a fixed rate determined by HUD.

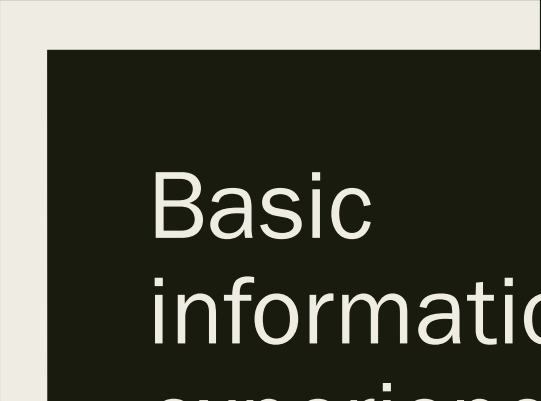
If applicable,
how assistance
will be provided
by Applicant/its
DPA to a third
party (e.g. loan,
grant,
guarantee)

Identify entity or entities carrying out the project or project components

Overall management of the building will be by the Department of Community Development, which will supervise the three Departments providing services for the operation of the building:

- The Department of Environmental Services will be responsible for maintenance of the building including maintenance of the common areas and the grounds. It will be responsible for arranging for trash removal and lighting and security for the common areas. Insurance coverage will be provided by this Department. It will make repairs as necessary to the building.
- Corporation Counsel, the City's Law Department, will draw up all leases, and enforcing rental provisions, which includes eviction, as necessary.
- The Department of Revenue and Finance will collect the rent, pay the HUD debt service and pay all bills related to the operation of the building. It will maintain the financial records and provide for auditing of the books.

In addition, the Department of Community Development will ensure that all HUD Regulations and reporting Requirements are met.



Basic information on experience or capacity of parties involved to carry out this type of activity

The City, both through its Division of Environmental Services and the Department of Community Development have considerable real estate experience. The Department of Environmental Services currently maintains 442,285 square feet of buildings, some containing private vendors.

The Department of Community Development provides the bulk of its assistance and funds to the Hoboken Housing Authority which manages 1,353 units and well as several thousand square feet of rental space to non-profits, the majority servicing the needs of the elderly. The Community Development Department in its oversight role assures that all of the space is properly maintained, that financial controls are in order and that the necessary services are provided to the tenants, both residential and non-profit.

If multiple parties
will own/lease the
property during
development,
identify when and
how
ownership/leases
will be transferred.

The City will own the building and will lease 6,000SF to the Board of Education for its Head Start Program. 500SF of space will be made available for market rate lease to the All Saints Community Service and Development Corporation, the buildings current owners. The remaining 2,500SF of space will be other nonprofits with missions to serve low and moderate income residents. Since negotiations began, the Department of Community Development has found a number of potential, including:

- True Mentors
- The Waterfront Project
- The Boys and Girls Club of Hudson County
- Big Brothers/Big Sisters
- Hoboken Board of Education
- Hoboken Family Practice
- The United Way
- Act Now

Information for Financial Underwriting

Item	Amount
Acquisition	\$3,000,000.00
HUD Fee	\$65,000.00
Soft Costs	\$20,000.00
Total	\$3,085,000.00

Lien	Amount	Source	Rate	Term	Yearly Pmt.	Monthly Pmt.
1st	\$ 3,065,000.00	108	0.04%	20 years	(\$153,894.00)	(\$12,825.00)
N/A	\$ 20,000.00	Cash	N/a	N/a	N/A	N/A
Total	\$ 3,085,000.00				(\$153,894.00)	(\$12,825.00)

Information on estimated revenue and operating expenses

The City's Section 108 consultant, CIDC, analyzed the historic cash flow of the City to determine whether the debt could be paid out of existing cash flow. In determining whether the City could pay the debt out of existing cash flow, we reviewed the City's audited statements, which showed no outstanding problems. In 2017, the City showed a surplus of \$11,360,000, in 2018 \$8,142,271 and in 2019 \$5,161,349, indicating a 33.21 debt coverage as shown below.

CIDC also did an analysis based on projections provided by the City's appraisal. Income over the first five years averaged slightly more than \$200,000 a year. With the exception of a payment of \$5,000 a year to the Department of Environmental Services, all expenses will be the City's responsibility. The projection assumed a 5% vacancy rate and indicated sufficient debt coverage of 1.24 in the second year of operation.

The last credit rating that the City received was an AA+ rating from Standard and Poors in 2018, which indicated that the City had made great strides after emerging from State receivership several years ago. It has issued no debt since then.

Cash Flow Coverage

Item	Amount
City Surplus	\$5,161,349.00
Plus, Depreciation	n/a
Plus, Interest	n/a
Cash Flow Available For D/S	\$5,161,349.00
Existing D/S	0
Plus, New D/S	\$150,631.00
Total Cash Requirements	\$150,631.00
Surplus cash flow	\$5,001,718
Debt service coverage	33.21

Collateral Coverage

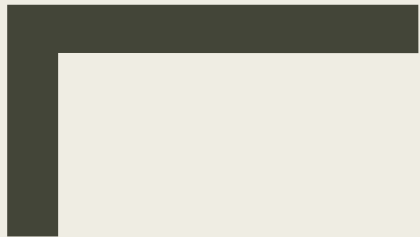
Item	Amount
Value of Property	\$ 3,500,000.00
Total collateral	\$ 3,500,000.00
Collateral available for the 108	\$ 3,500,000.00
Amount of 108	\$ 3,100,000.00
Collateral Coverage	1.2

Proposed Securities and Guarantees for the 108 Loan:

- a) First lien on land and building;
- b) Assignment of rents to HUD; and
- c) As the highest and best use of the site is the land, the City shall guarantee to demolish the structure at no cost to HUD in the event of a foreclosure. Thus, the value is restored to \$3,500,000 as there is no cost of demolition.

Identification of repayment source(s) for Section 108 loan (e.g., project revenue, grant funds, other source)

The primary repayment is from the tenants. However, should there be a shortfall the City will have to make that up as they are the borrower.



COMMENTS, QUESTIONS & ANSWERS

