SECTION 108 LOAN APPLICATION

Acquisition of 601 Jackson Street, Hoboken, NJ

MARCH 12, 2021
CITY OF HOBOGEN
94 Washington Street, Hoboken, NJ 07030
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A. Loan Request
The City is seeking $3,000,000 for acquisition plus the financing fee of (2.15%) which is $64,500 for a total request of $3,065,000 (rounded). 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.

B. Project Description
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 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.

C. Project History
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. Its proximity to a significant portion of the Hoboken Housing Authority’s properties, make it an ideal location to serve that population.
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://ascsdc.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.

D. Eligible Activity

The City will own the building and will least 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 building’s current owners. The remaining 2,5000SF 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
- Hoboken Family Practice
- The United Way
- Act Now
The proposed project will meet the **Public Facilities and Improvements** eligible activity (24 CFR § 570.703(l)) and meet the National Objective for **Low/Mod Limited Clientele Benefit** (570.208(a)(2)).

All programming at the project site will primarily serve low and moderate income households. The primary tenant in the building, the Hoboken School District, will run a Head Start program which serves low and moderate income families. The remainder of the space will be rented to nonprofit organizations that serve households earning less than 80% of Area Median Income by household size. Prior to signing a lease, a prospective nonprofit renter will be required to submit a copy of their by-laws and mission statement clearly indicating their intention to serve low-income populations or other “presumed benefit” populations as defined by CDBG regulations. In order to maintain ongoing compliance with this requirement, non-profit renters will be required to submit annual reports summarizing the income (or presumed benefit status) race and ethnicity of those individuals or households served during the prior 12-month period.

### E. Sources and Uses

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.

#### Project Financing

<table>
<thead>
<tr>
<th>Lien</th>
<th>Amount</th>
<th>Source</th>
<th>Rate</th>
<th>Term</th>
<th>Yearly Pmt.</th>
<th>Monthly Pmt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>$3,065,000.00</td>
<td>108</td>
<td>0.04%</td>
<td>20 years</td>
<td>($153,894.00)</td>
<td>($12,825.00)</td>
</tr>
<tr>
<td>N/A</td>
<td>$20,000.00</td>
<td>Cash</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,085,000.00</strong></td>
<td><strong>Cash</strong></td>
<td><strong>N/A</strong></td>
<td><strong>N/A</strong></td>
<td><strong>($153,894.00)</strong></td>
<td><strong>($12,825.00)</strong></td>
</tr>
</tbody>
</table>

The $20,000 will come from the City’s general fund.

#### Project Costs

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>$3,000,000.00</td>
</tr>
<tr>
<td>HUD Fee</td>
<td>$65,000.00</td>
</tr>
<tr>
<td>Soft Costs</td>
<td>$20,000.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,085,000.00</strong></td>
</tr>
</tbody>
</table>

All project costs are eligible under 570.203(a) and 570.703(i). Soft costs are estimated as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title Search</td>
<td>$385</td>
</tr>
<tr>
<td>Closing Agent</td>
<td>$450</td>
</tr>
<tr>
<td>Insurance</td>
<td>$8,350</td>
</tr>
<tr>
<td>Recording Fees</td>
<td>$315</td>
</tr>
<tr>
<td>Legal Fees</td>
<td>$10,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$20,000</strong></td>
</tr>
</tbody>
</table>

### F. Cash Flow Coverage

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. All expenses will be the City’s responsibility. The projection assumed a 5% vacancy rate and indicated sufficient debt coverage of 1.2 in the first 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.

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

CIDC only looked at the availability of City surplus funds if the project did not cash flow. The projections were discussed in the financial analysis.

G. Repayment Schedule
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.

<table>
<thead>
<tr>
<th>Years 1 through 19 (per year)</th>
<th>$150,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 20</td>
<td>$215,000</td>
</tr>
<tr>
<td>Total Payments</td>
<td>$3,065,000</td>
</tr>
</tbody>
</table>

H. Collateral
Collateral Coverage

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of Property</td>
<td>$ 3,450,000.00</td>
</tr>
<tr>
<td>Total collateral</td>
<td>$ 3,450,000.00</td>
</tr>
<tr>
<td>Collateral available for the 108</td>
<td>$ 3,450,000.00</td>
</tr>
<tr>
<td>Amount of 108</td>
<td>$ 3,065,000.00</td>
</tr>
<tr>
<td>LTV</td>
<td>.89</td>
</tr>
</tbody>
</table>
Value is before demolition of subject property. The appraiser states that the highest and best use of the land is for the construction of luxury housing, with the existing building being demolished.

There will be a **first lien** on the building and the City is the borrower. If requested, the City would also be willing to execute an **assignment of rents**.

### Loan to Value Analysis

The City is requesting that the 88.8% LTV be accepted for the following reasons:

1. The City is the primary repayment source with an AA credit;
2. The Board of Education, a triple AAA tenant is taking the bulk of the space; and
3. Based on the last financials of the City the debt service coverage is 33.2.

#### I. Project Schedule

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 6th. Upon completion of the Flood Review, the City will publish a Notice of Request for Release of Funds.

#### J. Project Management

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. 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.
Certifications to Accompany HUD Section 108 Loan Guarantee Program Applications for Entitlement Public Entities

Instructions for Use

Entitlement public entities, which are metropolitan cities or an urban counties receiving a Community Development Block Grant (as defined in 24 CFR 570.701), can use the certifications in this form as well as the attached form containing certifications regarding lobbying when submitting an application for Section 108 Loan Guarantee Program assistance.

The Section 108 Loan Guarantee Program is authorized by Section 108 of the Housing and Community Development Act of 1974, as amended, 42 USC §5308. The program’s authorizing statute and governing regulations at 24 CFR part 570, subpart M, and in particular 24 CFR 570.704(b), require applications for loan guarantee assistance submitted by these entities to be accompanied by certain certifications.

States or non-entitlement entities should not use this form, as there are different requirements for these entities when submitting an application. For more information on the requirements for States and non-entitlements, please email section108@hud.gov.

HUD will normally accept the certifications submitted with the application; however, HUD may consider relevant information which challenges the certifications and require additional information or assurances from the public entity as warranted by such information.
Certifications to Accompany HUD Section 108 Loan Guarantee Program Applications for Entitlement Public Entities

ENTITLEMENT PUBLIC ENTITY CERTIFICATIONS

In accordance with the applicable statutes and the regulations governing Section 108 application submission requirements, the undersigned certifies, on behalf of the entitlement public entity and to the best of his or her knowledge and belief, that:

1. It possesses the legal authority to make the pledge of grants required under 24 CFR 570.705(b)(2);

2. It has made efforts to obtain financing for activities described in the application without the use of the loan guarantee, it will maintain documentation of such efforts for the term of the loan guarantee, and it cannot complete such financing consistent with the timely execution of the program plans without such guarantee;

3. It possesses the legal authority to submit the application for assistance under 24 CFR Part 570, Subpart M and to use the guaranteed loan funds in accordance with the requirements of Subpart M;

4. Its governing body has duly adopted or passed as an official act a resolution, motion or similar official action:
   
   (a) Authorizing the person identified as the official representative of the public entity to submit the application and amendments thereto and all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the public entity to act in connection with the application to provide such additional information as may be required; and

   (b) Authorizing such official representative to execute such documents as may be required in order to implement the application and issue debt obligations pursuant thereto (provided that the authorization required by this paragraph may be given by the local governing body after submission of the application but prior to execution of the contract required by §570.705(b));

5. Before the submission of its application to HUD, it has:
   
   (a) furnished citizens with information required by 24 CFR 570.704(a)(2)(i);

   (b) held at least one public hearing to obtain the views of citizens on community development and housing needs;

   (c) prepared its application in accordance with the citizen participation requirements and made the application available to the public;

6. It is following a detailed citizen participation plan that meets the requirements described in 570.704(a)(2);

7. It will affirmatively further fair housing, and the guaranteed loan funds will be administered in compliance with:
   
   (a) Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.); and

   (b) The Fair Housing Act (42 U.S.C. 3601-3619);

8. In the aggregate, at least 70 percent of all CDBG funds, as defined at §570.3, to be expended during the one, two, or three consecutive years specified by the public entity for its CDBG program will be for
Certifications to Accompany HUD Section 108 Loan Guarantee Program Applications for Entitlement Public Entities

activities which benefit low- and moderate-income persons, as described in criteria at §570.208(a);

9. It will comply with the requirements governing displacement, relocation, real property acquisition, and the replacement of low- and moderate-income housing described in §570.606;

10. It will comply with the requirements of 24 CFR 570.200(c)(2) with regard to the use of special assessments to recover the capital costs of activities assisted with guaranteed loan funds;

11. (Where applicable, the public entity may also include the following additional certification.) It lacks sufficient resources from funds provided under this subpart or program income to allow it to comply with the provisions of 24 CFR 570.200(c)(2), and it must therefore assess properties owned and occupied by moderate income persons, to recover the non-guaranteed loan funded portion of the capital cost without paying such assessments in their behalf from guaranteed loan funds;

12. It will comply with the other provisions of title I of the Housing and Community Development Act of 1974 as amended (42 U.S.C. 5301 et seq.) and with other applicable laws.

City of Hoboken
(Entitlement Public Entity)

[Signature of Authorized Official] 3/5/21 (Date)

Ravi Bhalla, Mayor
(Typed Name and Title of Authorized Official)

February 2020
Certifications to Accompany HUD Section 108 Loan Guarantee Program Applications for Entitlement Public Entities

SECTION 108 LOAN GUARANTEE PROGRAM
Certification Regarding Lobbying

Certification for Contracts, Grants, Loans, and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

City of Hoboken

(Signature of Authorized Official)

Ravi Bhalla, Mayor

(Typed Name and Title of Authorized Official)

3/5/2021

(Date)

February 2020
SECTION 108 LOAN GUARANTEE PROGRAM

Statement for Loan Guarantees and Loan Insurance

The undersigned states, to the best of his or her knowledge and belief, that:

If any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

Submission of this statement is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

 signature

Entitlement Public Entity

(signature of Authorized Official)

Ravi Bhalla, Mayor

Typed Name and Title of Authorized Official

3/5/201

(Date)
### DETAILED REAL ESTATE P&L (FHA)

Revenue is based on 6,000SF at $19.00/SF and 3,000SF at $23.00/SF. Rent increase based on CPI.

#### INCOME

|          | 2022  | 2023  | 2024  | 2025  | 2026  | 2027  | 2028  | 2029  | 2030  | 2031  | 2032  | 2033  | 2034  | 2035  | 2036  | 2037  | 2038  | 2039  | 2040  | 2041  | 2042  |
|----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Rental Income | $183,000 | $188,490 | $194,145 | $199,960 | $205,968 | $212,147 | $218,512 | $225,067 | $231,819 | $238,771 | $245,937 | $253,315 | $260,914 | $268,742 | $276,804 | $285,108 | $293,661 | $302,471 | $311,545 | $320,892 | $330,514 |
| Interest Income | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 |
| Late Charges | $500 | $500 | $500 | $500 | $500 | $500 | $500 | $500 | $500 | $500 | $500 | $500 | $500 | $500 | $500 | $500 | $500 | $500 | $500 | $500 | $500 | $500 |

#### EXPENSES

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<tr>
<th>Expense Type</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
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<th>2037</th>
<th>2038</th>
<th>2039</th>
<th>2040</th>
<th>2041</th>
<th>2042</th>
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<tbody>
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<td>$80,000</td>
<td>$80,000</td>
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<td>$80,000</td>
<td>$80,000</td>
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<td>$80,000</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$81,226</td>
<td>$81,615</td>
<td>$82,080</td>
<td>$82,080</td>
<td>$82,080</td>
<td>$82,080</td>
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<td>$82,080</td>
<td>$82,080</td>
<td>$82,080</td>
<td>$82,080</td>
</tr>
<tr>
<td>Debt Service Coverage</td>
<td>1.19</td>
<td>1.23</td>
<td>1.27</td>
<td>1.31</td>
<td>1.35</td>
<td>1.39</td>
<td>1.43</td>
<td>1.47</td>
<td>1.52</td>
<td>1.57</td>
<td>1.62</td>
<td>1.66</td>
<td>1.71</td>
<td>1.77</td>
<td>1.82</td>
<td>1.87</td>
<td>1.92</td>
<td>1.98</td>
<td>2.05</td>
<td>2.12</td>
<td>2.17</td>
</tr>
</tbody>
</table>
Honorable Ravinder S. Bhalla  
City of Hoboken  
94 Washington St.  
Hoboken, NJ 07030

Re: Section 108 Application  
City of Hoboken: Jubilee Center

Dear Mayor Bhalla:

It is our understanding that the City of Hoboken has filed a Section 108 Application for funds to purchase the Jubilee Center, located at 601 Jackson Street. Please be informed that the City of Hoboken Board of Education intends to lease 6,000 sq ft. of the Jubilee Center from the City of Hoboken, subject to HUD approval, under the following terms and conditions:

1. The lease shall be for a term of 20 years on a triple net basis.
2. The rent shall be $19.00 per square foot on a triple net basis, increasing by CPI each year.

The Board of Education will use the entirely of its leased space within the Jubilee Center for its preschool classes that meet Head Start Program requirements.

Should HUD require any further information from us, let us know.

Yours truly,

[Signature]

Dr. Christine Johnson
March 3, 2021

Mr. Paul Webster
Director, Financial Management Division
U.S. Department of Housing and Urban Development
451 Seventh St., S.W. Room 7180
Washington, D.C. 2041

Attn: Jorge Morales

Re: Section 108 Loan Application
$3,065,000
Jubilee Center Project
Hoboken, New Jersey

Pursuant to your discussion with Bill Loewenstein as you know we have changed the scope of the project. We are submitting to you the following:

1. Revised Application
2. Revised Projections
3. Letter from the Board of Education
4. Letter regarding non-profit tenants.

The Repayment schedule previously sent to you are still valid.

Under separate cover, with a copy to you, we will be addressing the concerns of the Field Office.

Should you have any questions on this matter, please feel free to call on me, or Bill Loewenstein of CIDC at 518-281-8120 or by email at billloewenstein@icloud.com

Thank you for your assistance on this project.

Sincerely,

Christopher A. Brown, AICP, P.P.
Director of Community Development

Cc: Annemarie C Uebbing
Eileen Cummins Lott
Bill Loewenstein