



City Hall Debt Financing Considerations

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City Hall – Project Overview

Property:

- 84 units mixed-income
- Units: 55% restricted at 60% AMI; 45% Mkt
- Amenities: Roof-top courtyard, fitness center, social service coordinator, high-end unit interiors
- 16-month construction

Location:

- Walk Score of 98 - a “walker’s paradise”
- Newark City Hall (across street)
- 2-blocks from Prudential Center
- Transit: Bus stop (0.1 mi), Newark Light-rail, (0.4 mi), Penn Station (0.7mi- Amtrak, PATH and NJtransit)
- 0.6 mi to Whole Foods



City Hall – Capital Stack Overview

Sources and Uses			
First Mortgage	\$11,852,000	Purchase Price	\$2,214,341
LIHTC Equity	10,619,129	Origination Fee	88,890
Sponsor Soft Subordinate Loan	2,631,649	GC Contract	15,000,000
Deferred Developer Fee	1,795,227	Hard Cost Contingency	750,000
Other	-	Soft Costs	6,044,774
Borrower Equity	-	Developer Fee	2,800,000
Total Sources	\$26,898,005	Total Uses	\$26,898,005

- **Developer / GC: Urban Builders Collaborative / Lettire Construction**
- **LIHTC Investor: CREA / Sterling National Bank**
- **Construction Lender: Sterling National Bank**
- **Permanent lender: Capital One, N.A.**
- **Sponsor Subordinate Loan introduces “cash equity” into the transaction.**
- **\$15,700,000 Value vs. 13,450,000 “Net Cost” (Cost less Developer fee less LIHTC)**

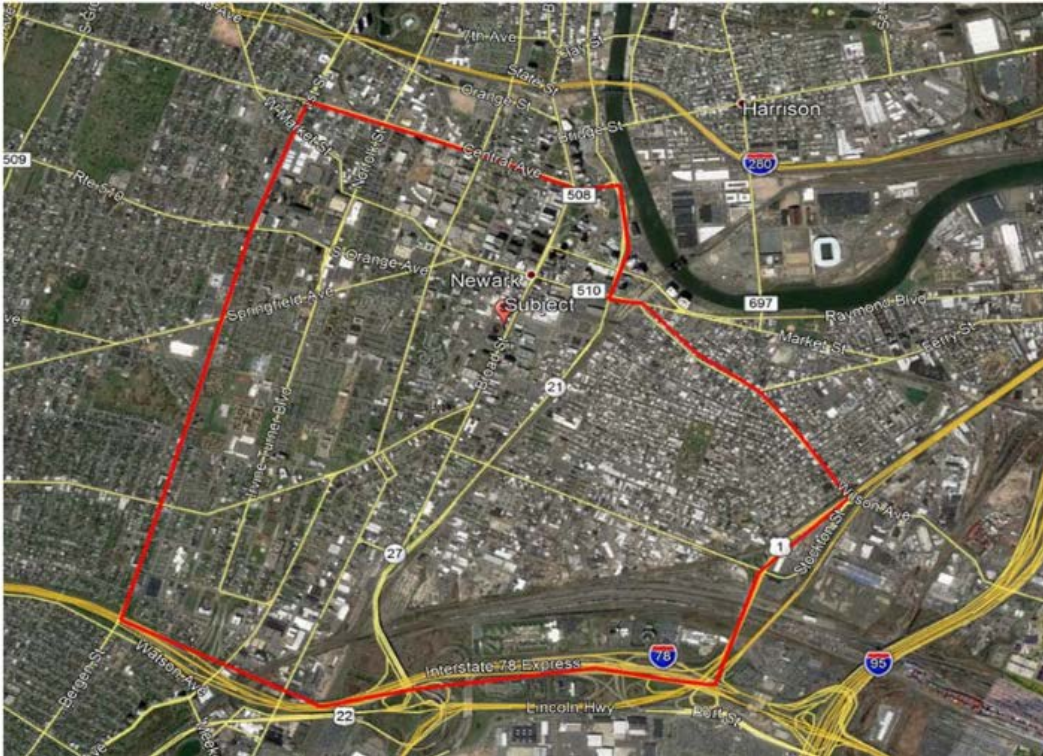


City Hall – Proforma Budget

Income Statements - Summary			
	Budget	Lender's Underwriting	
Market GPR		1,912,800	
LIHTC GPR		1,398,660	
Borrower Proposed GPR		1,379,265	
		/unit	
Underwritten GPR	\$1,379,263	\$1,379,265	\$1,368
Less Vacancy Loss	(68,963)	(68,963)	5.0%
Net Rental Income	\$1,310,300	\$1,310,302	\$1,300
Laundry/Vending Income	\$4,335	\$4,335	\$4
Parking Income	38,760	38,760	38
Commercial Income	224,950	224,950	223
Commercial Reimbursements	24,857	26,319	26
Less Commercial Vacancy	(33,743)	(25,127)	(25)
Total Non-Residential Net Income	\$259,159	\$269,237	267
Effective Gross Income	\$1,569,459	\$1,579,539	\$1,567
Management Fees	\$65,515	\$67,130	4.25%
General & Administrative	55,990	55,990	667
Advertising and Marketing	5,490	5,490	65
Professional Fees	-	-	-
Payroll/Benefits	203,400	203,400	2,421
Utilities	39,900	39,900	475
Water & Sewer	63,000	63,000	750
Repairs and Maintenance	59,885	58,800	700
Property Insurance	50,000	50,000	595
Ground Rent	-	-	-
Real Estate Taxes	136,016	138,258	1,646
CapEx (Replacement Reserves)	25,200	25,200	300
Total Expenses	\$704,396	\$707,168	\$8,419
Expense Ratio			44.77%
Net Cash Flow	\$865,063	\$872,371	\$10,385

- Market Rate units = 60% of GPR
- LIHTC units = 40% of GPR
- Commercial = 14% of GPR
- 50% of commercial space is pre-leased for fast casual dining.
- NJ Tax abatement PILOT for 15 years, followed by 15 year phase out.

City Hall – Primary Market Area



- **Primary Market Area: Renter Occupied residents increase from 18,330 to 21,900 and median household income \$19,479 to \$30,721 between 2000 and 2017.**
- **Market Rate Comp Set = 650 market rate units. 95%+ occupancy, improving lifestyle amenities, and continued investment.**
- **Essex County AMI - \$95,400**
- **Affordable = Workforce**

City Hall – Debt Financing Considerations

- **Perm Loan:**
 - **Freddie Mac 24 + 6 -month Forward Taxable commitment**
 - **15 year term / 35 year amort**
 - **1.15x DSC / 90% LTV (76% Actual)**
 - **Spread 2.56% → 2.51% at Commitment**
 - **Proceeds and rate are locked at construction loan closing**
- **Waivers:**
 - **Subordinate loan from Borrower Managing Member**
 - **Underwrite NJ Tax abatement PILOT**
 - **15 year initial term followed by 15 year phase out.**
 - **LTV: Value based on Mkt taxes + NPV of abatement**
 - **DSCR: Coverage based on Abated taxes**
 - **Commercial Space Master Lease**

City Hall – Debt Financing Considerations

Issue: Retail Commercial income

- Retail section faces many head winds.
- Commercial build out and lease up often takes longer than residential.

Solutions:

+/- 10% Delivery Tolerance at Conversion

50% of Commercial space is pre-leased

Master lease to borrower-related entity

- Preserves full proceeds at conversion, with up to 18 months earn out.
- Commercial Conversion test is based on revenue, not % occupancy.
- Master lease structure in lieu of condo structure, limits income to Borrower.