

PROJECT DESCRIPTION

52nd Street Homes

West New York, New Jersey

Homeownership Urban Residential Redevelopment

by Dean Mon, DR Mon Group

52nd Street Homes is a 70 unit condominium homeownership project.

63 of the units will be "Affordable" (Income Restricted) units and 7 "True Market" units.

The project consists of 57 two-bedroom units, 12 three-bedroom units and one 1-bedroom unit. 7 units will be affordable to low income families making no more than 45% of median income, 28 units will be affordable to moderate income families making no more than 80% of median income, 28 units will be affordable to moderate income families making no more than 100% of median income, and 7 units will be at market prices. There will be 4 buildings, with each having an accessible unit on the ground floor as well as covered parking. The project is providing 96 parking spaces, with 72 covered.

Some of these units qualified as first time homebuyers with 100% financing through the NJ HMFA Home Buyers program.

Sales started in 2009, and as of September 14, 2011, project is Sold Out! Mortgages provided by Wells Fargo Home Mortgage and NJ HMFA.

We started working with the town of West New York in 2005, conceptualizing and developing a project that would fit the community. This area is 1.1 acres, and consisted of 12 different properties that needed to be acquired. It included 4 residential dwellings, an embroidery factory & store, welding shop, 3 body shops and 2 mechanic shops. All these businesses were barely surviving. And in the middle of the block, an abandoned warehouse owned by the city, on .2 acres, which ended up as one of the town's contribution to the project. Tax abatement of 5 years, and reduced building permit fees were also granted by the Commissioners.

The area was declared in need of redevelopment, and Mon Group was designated redeveloper by resolution of the Commissioners. Although the resolution also mentioned the use of Eminent Domain, we understood the sensitivity of using it, but everyone knew it was there, and it did help in our acquisition negotiations with the land owners. Our strategy from day one was to always use "replacement" values, since they eventually had to buy a replacement property and move out. Our land acquisition budget, including relocation, was \$4.5 million. We had all properties under contract within 6 months.

We also had to clean up the site and obtain an NFA letter in order to obtain financing commitments. There were two serious spills of transmission fluid and underground oil tanks.

Because of the area and its values, it became obvious that subsidies were needed to be able to provide affordability and cover acquisition costs. The project's total development costs were \$19,400,000 and we were able to secure grant moneys of 5,930,015, approx. 30% of total cost. These grants came from NJ HMFA, Balanced Housing and County HOME funds programs. We also utilized New Jersey Redevelopment Authority's land acquisition loans of \$1.2 million.

We are developing Jaelyn Heights, also in West New York, which is 155 unit project we received approvals on in March 2011. Phase I, currently under construction, will include two buildings of 15 and 40 units. All our buildings are either 3 or 4 stories over parking, wood construction.

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Redevelopment without Blight (and Some of the Headaches)

by Josh Mann Esq., Budd Lerner, PC



When a developer (or potential objector) hears the term "redevelopment," the thought immediately turns to condemnation and all of its legal and political implications. However, the Local Redevelopment and Housing Law, N.J.S.A. 40A:12A-1 et seq. ("LRHL"), allows for the redevelopment of specific areas without the threat of condemnation. This form of redevelopment is called rehabilitation, and while it also forgoes certain significant financial incentives, it can be a powerful tool for developers looking to bring

certainty to the approval process.

The statutory powers granted to a redeveloper in an area in need of rehabilitation are similar to those powers granted to a redeveloper in an "area in need of redevelopment," or blighted area. While these powers are often utilized by larger developers, they could be of great advantage to a small or medium-sized developer.

First, a rehabilitation designation does not require any public notice beyond a newspaper advertisement. Second, it allows for significant flexibility in the zoning process for a particular site, allowing a developer to work with a municipality's professional staff and political leadership to tailor the zoning regulations to a particular project. Third, if there are publicly owned properties that would be beneficial to a development, the municipality does not have to place those properties up for public bid; the municipality may negotiate directly with the redeveloper.

There are two significant differences between a redevelopment and rehabilitation designation. In contrast to the situation that exists with a redevelopment designation, a redeveloper of property in an area in need of rehabilitation may not use eminent domain for property acquisition. Moreover, a redeveloper in a rehabilitation area may not utilize redevelopment area bonding or qualify for long-term tax abatements. The simple reason for this is that those statutorily available financial incentives are available only in blighted areas. If an area is designated only as an area in need of rehabilitation, there are no requirements that the property be blighted. Nevertheless, public financial incentives are available to a designated redeveloper in an area in need of rehabilitation. The five-year ("short-term") tax abatement is available, as are what are known as "Economic Redevelopment Growth Grants," or ERGGs. Simply, an ERGG allows a redeveloper to capture up to 20% of certain new additional tax revenues from a project and reinvest them into the project.

N.J.S.A. 40A:12A-14 sets forth two situations in which an area in need of rehabilitation may be declared. A "significant portion" of structures within the proposed area must be in a deteriorated or substandard condition and there must be a "continuing pattern of vacancy, abandonment or underutilization of properties in the area" that contains a "persistent arrearage of property tax payments thereon." Alternately, "more than half the housing stock" or a "majority of the water and sewer infrastructure" within the area is at least 50 years old "and is in need of repair or substantial maintenance." The program of rehabilitation must prevent further deterioration and promote "the overall development of the community." In practice, the first condition is rarely utilized because most areas do not contain such widespread property tax arrearages.

We are starting to see small and midsize developers working with suburban municipalities and utilizing the rehabilitation process effectively. While the process does contain some added up-front costs, those costs are well offset by the certainty gained in the zoning process. Done correctly, the rehabilitation process can add value to a project that would be difficult, if not impossible, to complete utilizing traditional zoning.