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NEW JERSEY HOUSING FINANCE AGENCY

OPERATIONS ALTERNATE SUBSIDY REPORT - SECTION 8  
PILGRIM BAPTIST VILLAGE I, HFA #615  
PILGRIM BAPTIST VILLAGE II, HFA #618  
CITY OF NEWARK, COUNTY OF ESSEX, NEW JERSEY

Blocks: 2572, 2575, 2574/2598, 2599; Lots: Portions Thereof

June 19, 1980

A determination was made by the Agency's Management Division that Pilgrim Baptist Village I and Pilgrim Baptist Village II projects be converted to the Section 8 Program to prevent these projects from operating at a deficit. This deficit would create extended financial problems for the projects and result in an ongoing future consideration of prolonged financial assistance by the Agency. A proposal for transfer of Section 8 subsidy funding has been developed in order to provide monies for project feasibility.

These projects were financed under Section 236 in May, 1978. The closing Form 10 operating and management expenses were found to be insufficient to meet projected operating and management expenses of the projects as these currently exist in June, 1980. As of February 1, 1980, Pilgrim Village I was 93% complete and Pilgrim Village II was 68% complete for an average of 80.5% completion.

PROJECT DESCRIPTION: Pilgrim Baptist Village I and Pilgrim Baptist Village II are located in the Central Ward in the City of Newark. Specifically, the projects are located on an Urban Renewal Site (NJR-32) bordered by Avon, Jelliff, 18th Avenues, and Bergen, Waverly, Hunterdon and Rose Streets. The projects jointly contain 305 units of family housing. In a total of 26 three-story town-house structures, there are 58 one-bedroom units, 177 two-bedroom units, 53 three-bedroom duplex units and 10 four-bedroom duplex units. Two apartments, (each with two bedrooms) have been provided for onsite superintendents. Parking spaces have been provided establishing a parking ratio of approximately 108%. Community space, laundry facilities, and recreation areas are available on site.

PROJECT HISTORY: The New Jersey Housing Finance Agency finalized mortgage financing arrangements with Pilgrim Baptist, Inc., a non-profit housing organization on May 1, 1978 to provide construction monies to develop the subject properties. Construction loan amounts of \$8,055,000 for Pilgrim Village I and \$7,995,000 for Pilgrim Village II represented 100% of the total development costs of the projects.

The Sponsor received a HUD '236' Interest Reduction subsidy allocation of \$394,669 for Pilgrim I and \$391,729 for Pilgrim II and for the initial rent-up and marketability, a 20% RAP (Rental Assistance Payment) allocation was available to assist families with incomes below the established HUD limits.

In May, 1980, Pilgrim Baptist Village I received a Certificate of Occupancy. The Pilgrim Baptist Village II project is approximately 85% complete and initial rent-up may begin in the fall of 1980.

Syndication proposals were received and accepted for the project as it existed without Section 8 subsidy. The Sponsor and syndicator have agreed to renegotiate and perhaps rebid the syndication terms upon approval of the Section 8 subsidy for the development.

NEED FOR AN ALTERNATE SUBSIDY REQUEST: The initial project application determined a market existed capable of paying the projected basic 236 rents.

The present market for the two Pilgrim Baptist projects was finalized by a recent study by McKinnon and Calendar, with a determination that between 49% and 55% of gross family income was needed to meet established rents. The difference between actual and allowable rent levels of 25% would have to be funded through RAP and would affect 90-95% of the units.

The projected outlook for a 236 market in this area is not encouraging due to lower rents for similar units outside of the project, and a decrease in market competition for the area.

Operating and maintenance costs today are 80-100% greater than 1978 projections. This includes utilities (although individually metered, affects feasibility), salaries for on-site staff members, general repairs and additional security personnel. With basic rents established as a function of the above expenses, along with mortgage amortization, it has been determined that rent levels established at closing will not support the project. Increased unit rents under the 236 program would make the project infeasible.

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<u>Expenses</u>	<u>1978</u> <u>Section 236</u>		<u>1980</u> <u>Section 236</u>	
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Interest & Amortization	\$212,119	\$210,539	\$212,119	\$210,539
Maintenance & Administration	113,840	114,280	254,264	253,602
Utilities *	22,638	21,720	28,000	26,073
Other	123,567	122,997	141,065	140,290
Total - annual	<u>\$472,164</u>	<u>\$469,536</u>	<u>\$ 635,448</u>	<u>\$ 630,504</u>

	<u>No. of</u> <u>Occupants</u>	<u>1978</u>		<u>Pilgrim Village I and II</u>	
		<u>Income Limit</u>	<u>Basic Rent - 1978</u> **	<u>Basic Rent - 1980</u> **	
1 BR	1 - 2	\$10,900 - \$12,500	\$209+32=\$241	\$249+72=\$323	\$253+72=\$325
2 BR	2 - 4	12,500 - 15,600	261+40=\$301	342+91=\$433	\$340+91=\$431
3 BR	4 - 6	15,600 - 17,550	292+52=\$344	439+119=\$558	\$439+119=\$558
4 BR	6 - 8	17,550 - 19,550	322+62=\$384	512+141=\$653	\$513+141=\$653

\* Does not include tenant contribution for utilities.

\*\* Basic rent - includes shelter rent plus tenant contribution for utilities.

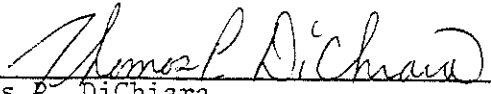
PROPOSAL: This transfer would be implemented as follows:

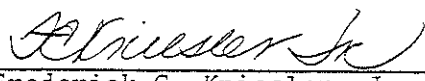
a) The Section 8 rent subsidy term will be for 40 years at a rate of 7.08%. The present mortgage term is 48 years. An appropriate amount will be escrowed from syndication proceeds and invested in long-term treasury certificates to provide sufficient funds to retire the \$7,207,968 unamortized mortgage balance due.

b) The payment-in-lieu-of-taxes is projected at 7.4% of the total gross annual income which is approximate to the payments under Section 236. A new tax abatement agreement with the City of Newark will have to be negotiated based upon this figure.

c) The Section 8 subsidy request will total \$2,442,084, reflecting 100% of the established HUD Fair Market Rents for these particular projects in the Newark market area (subject to the fair market rents applicable to this proposal).

d) Syndication terms will be renegotiated and rebid, if possible to do so without jeopardizing the tax benefits of the development.

  
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