

JJK  
I have a  
COPY FOR MYSELF  
SMS.  
3/5/83

JISAM,  
SURE IF YOU CAN  
SET UP BRANFEST ON  
WHEAT MARKET WE  
FRANK, 1312 FORT  
I GO AWAY



**THE CITY OF NEW BRUNSWICK**

CITY HALL • 78 BAYARD STREET • NEW BRUNSWICK, N. J. 08903

OFFICE OF  
ECONOMIC DEVELOPMENT  
(201) 745-5050

TO: JOHN HELDRICH

FROM: FRANK R. NERO

*Frank R. Nero*

DATE: MARCH 3, 1983

JJK MAR 4 1983

RE: HOUSING INITIATIVES FOR NEW BRUNSWICK

I have enclosed for your information and review a copy of a report which I prepared for Mayor Lynch. This document outlines potential housing initiatives which may be undertaken in the City of New Brunswick this coming calendar year. It also includes several proposals which outline ideas concerning innovative techniques to develop housing in New Brunswick.

Our approach is to develop a comprehensive housing strategy, utilizing as many individual components as we can.

I would be most happy to brief you on this initiative at your earliest convenience.

FRANK R. NERO

FRN:eks  
encl.

*He was set up back in February already!*

*Hus. 3/17 /*

*7:30*

"1983 HOUSING INITIATIVES"

CITY OF NEW BRUNSWICK

A G E N D A

(Feb. 25, 1983, 11:00 A.M.)

Meeting: "1983 Housing Initiatives"

City of New Brunswick

I ----- Purpose of Meeting -- Mayor Lynch

II ----- 1983 Housing Initiatives

An Overview -- F. Nero  
R. Keefe  
D. Gatarz

III-----City/redevelopment Agency

Role in Funding -- Mayor Lynch  
R. Keefe  
F. Nero

IV----- Discussion -

V ----- Follow-up



## THE CITY OF NEW BRUNSWICK

CITY HALL • 78 BAYARD STREET • NEW BRUNSWICK, N. J. 08903

TO: HON. JOHN A. LYNCH  
FROM: FRANK R. NERO  
DATE: FEBRUARY 2, 1983  
RE: "1983 HOUSING INITIATIVES"

OFFICE OF  
ECONOMIC DEVELOPMENT  
(201) 745-5050

At your direction, I have developed a number of Housing initiatives targeted for initiation and implementation in 1983. It must be noted that this is not a comprehensive housing strategy for the City of New Brunswick but rather a realistic appraisal of what might be accomplished in 1983, given available funding resources, physical constrictions, land availability and infra-structure support.

It is our hope that the "1983 Housing Initiatives" will be undertaken by a multitude of both public and private entities. In order to conform with the City's housing priorities, it is suggested that the Housing Initiatives be coordinated by the Housing Authority under the direction of Dick Keefe. The Housing Authority already has the administrative resources to assume this responsibility. The utilization of the Housing Authority would also insure limited resources being directed towards program implementation as opposed to administrative overhead. It will be important for Mr. Keefe to assign necessary staff resources with direct responsibility concerning the 1983 Housing Initiatives. Among the potential entities which could implement the Housing proposals are both private and public non-profit organizations, Rutgers University, independent developers and the Housing Authority in conjunction with the City. Funding resources for these housing initiatives would include, but not necessarily be limited to, HUD, Community Development Block Grants, neighborhood preservation funds, various State and Federal funding sources, City Bonding, private contributions, LISC, SBA/MBES, and private developer resources. Based upon preliminary discussions with Mr. Keefe and contingent upon obtaining required approvals, it would be appropriate for the re-development agency to provide financial support for the "1983 Housing Initiatives." This financial support could be in the form of direct grants, loans, or both.

It is very important that any of the housing initiatives be complimentary and viewed as an appropriate step in meeting the long-range housing priorities of the City. The material which was prepared for the January 7th meeting with Federal and State officials could serve as a guide to a comprehensive housing program for New Brunswick. (I have attached a summary of that report).



## THE CITY OF NEW BRUNSWICK

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I recommend that any local financial contributions relative to establishing a local LISC program also attempt to leverage SBA moneys for the development of a New Brunswick Minority Enterprise Opportunity Program (NBMEOP). The NBMEOP would be developed for the purpose of assisting in the implementation of the Housing Initiatives and other on-going revitalization and economic development programs. Initial conversations with the National LISC Staff indicates that local contributions and the LISC funds can be jointly utilized to "draw down" SBA financing for the establishment of an NBMEOP. I would further recommend that any New Brunswick LISC/NBMEOP Program utilize an open process of soliciting grand proposals. Contracting and the monitoring of performance must be measured against the prospect of any proposal to properly and successfully spend money to address City-wide housing priorities. Any proposal funded by a local LISC-NBMEOP Committee should compliment overall housing priorities established by the City, the DevCo Housing Committee and NBT. Any eligible organizations should be encouraged to submit for review their housing proposals. The LISC-NBMEOP funding should provide a vehicle not only to assist in the development of housing but also to provide seed money for venture capital for New Brunswick minority businessmen. I would caution that these funds not be viewed as merely a vehicle to finance a particular organization's projects. Rather, it should be viewed as a method to help finance needed housing projects and minority business entrepreneurship within the City of New Brunswick. Criteria for awarding proposals need to be measured against established criteria and an overall City housing strategy. Projects must be evaluated from a comprehensive perspective. Any organization which would seek to participate by submitting a proposal for either the LISC and/or SBA Funds should be able to stand a vigorous test of competing with other proposals for funding.

A review process for proposals would need to be established. Procedures and criteria for review must be well-documented at each stage of the evaluation. Lack of procedure and documentation would subject the whole process to major criticism. Contracts must also be developed with an emphasis on past, current and potential performance measurement and evaluation with criteria which could facilitate program monitoring and implementation.

Fiscal controls also need to be developed. A full review, audit and assessment of fiscal accountability need to be established. Each component which would utilize a non-profit sponsor would contain a variety of program components. These components should be evaluated



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independently. Each program should be measured against the type and scope of the project the individual program sponsors are seeking to implement.

The funding sources which would need City support and approval would also need to comply with similar performance and audit guidelines. Coordination of the housing initiatives will be critical to insure that limited resources are utilized for maximum impact. It will also allow for cooperative development strategies which would allow us to target resources where needed. Flexibility of the LISC and private funds would allow their use where State and Federal dollars were unavailable.

I have included for your review several proposals which have been presented and developed based upon your past directions in regard to the development of various housing initiatives within the City.

Many of these proposals are reflective of activities, reports, research and proposals that have been reviewed over the past several years. It may now be appropriate, based upon your initiative, to begin to implement these proposals, either in whole or in part.

I suggest you convene a meeting, as soon as your schedule allows, with the individuals you deem appropriate so that we may review this initiative.

FRANK R. NERO

FRN:eks

On January 7, 1983 Mayor John Lynch presented to State and Federal representatives an Investment Approach to Target Resources Via Private/Public Initiative. Included in the report was an overview of New Brunswick's assets, recent accomplishments and proposed Phase II Revitalization projects. Major emphasis was placed on the fact that "the key component in Phase II Revitalization is to provide adequate housing for present residents and, likewise, additional housing to meet market demands." The following is an excerpt from the report designating some of the housing opportunities available:

#### HOUSING OPPORTUNITIES

The Housing & Urban Development Authority of the City of New Brunswick has been actively participating in the City's revitalization process. The Authority's Goals and Accomplishments from July 1980 to date are summarized in Exhibit A (Richard M. Keefe's December 13, 1982 memorandum) attached to this report. It is anticipated that HUDA will continue within their financial limitations to assist in meeting housing needs, but it is likewise recognized that the Revitalization Process requires a major commitment of private and public sectors at this time.

It is now recognized that the key component in Phase II/Revitalization is to provide adequate housing for present residents and, likewise, additional housing to meet market demands. Without sufficient housing, particularly owner-occupied units, the city will return to a 9 to 5 weekday employment center devoid of the amenities that a true urban center must possess. Housing and residential neighborhood stabilization will also counter the criticism that urban revitalization is restricted to the Central Business District and cannot succeed in addressing a City's overall problems.

With the convictions that New Brunswick has the assets, the track record, the cohesive meld of private/public sector participation and, most importantly, the obligation to demonstrate that it will be a Model City of Urban America, Mayor John Lynch has, in his January 3 Inauguration Address, identified adequate housing as the City's next major goal.

In 1981, Rutgers University's President Bloustein convened a Housing Summit Conference with public and private sector representatives. The Summit resulted in a clear recognition that:

- a. Housing is an extremely complex urban issue and New Brunswick is experiencing competing local market demands for available housing.
- b. The present housing stock is insufficient in quantity and quality to satisfy present and projected needs.
- c. In order to provide new housing in New Brunswick, with few exceptions, major land acquisition/assemblage is necessary; and land costs are prohibitive unless high density housing is constructed.

d. Adjoining communities are not faced with the high land acquisition costs and, therefore, rental and owner-occupied units continue to be constructed along the major arteries leading into the City. Although housing demands could be satisfied in these communities, this solution will be to the ultimate detriment of New Brunswick.

Since the Housing Summit, a number of workshops and meetings were held to identify all potential housing target areas. The areas are shown on the enclosed key map and a general description is as follows:

1. Church Street Corridor Rehabilitation - from Neilson Street to Spring Street is a mixed use project including new and renovated office, commercial and residential units. The project is proposed as part of an overall Albany North UDAG application including the Golden Triangle (R above) and Hiram Market (2 below) since acquisition relocation and infrastructure costs are prohibitive. There is active developer interest in the project.
2. Hiram Market - The City has proposed major residential and commercial new construction with selective rehabilitation. Some opposition remains from complete restoration proponents although professional analysis has clearly demonstrated that their proposal is not feasible. The project is proposed as part of an overall Albany North UDAG application package as described in 1. above. In addition to funding assistance, State and Federal cooperation on expediting the final Historic Review process is essential.
3. New Brunswick (Memorial) Homes consists of 246 low income housing units in four high rise structures on a limited inner-City site. While the project may have been an acceptable housing solution when constructed, in retrospect it is an inappropriate environment and facility for low income families. Attempts at providing minor physical plant improvements, development of additional community spaces and programs and formation of a more active tenant association will not alleviate the inherent problems at Memorial Homes. The present tenants deserve more suitable quarters and, where possible, to be redirected in self-ownership programs throughout the community. State and Federal assistance is requested to underwrite relocation and replacement housing costs of the present tenants and permit conversion of the existing structures to more appropriate uses.
4. Bishop Towers was originally constructed as a co-op housing facility and eventually converted to a rental structure. HUD in 1982 negotiated a private sale but a final closing has not taken place. A number of investors have expressed interest in acquisition of the property including major rehabilitation and possible conversion to condominiums. This alternative would increase the owner-occupied housing stock in New Brunswick and deserves further consideration by HUD.
5. Commercial Avenue tract was purchased from HUDA and present developer has proposed construction of a neighborhood retail/residential structure. It is possible that this tract, along with adjacent properties on George Street, could be consolidated to provide a number of new housing units in an area contiguous to Douglass Campus.



6. George Street Corridor between the CBD and Douglass Campus presents a number of mixed use neighborhood retail and residential opportunities. The City is continuing to solicit interest in locating a major food market along the corridor. Considering CBD development to the north, a stabilized university campus to the south, the number of existing structures that could be rehabilitated along the west side of the corridor and available land/structures for infill housing along the east side, the corridor has private developer potential.

7. Joyce Kilmer Avenue pilot study area consists of three city blocks on which a housing inventory/rehabilitation estimate was completed in 1982. Thirty-eight structures are feasible for rehabilitation and, once completed, would provide owner-occupied opportunities complimenting existing owner upgrading efforts that are underway. The study area along with 7A - Sacred Heart Tract (proposed twenty-two new townhouses on a vacant site) are under active consideration for funding via City-backed revenue bonds.

8. Paul Robeson Infill Housing area was evaluated in 1980 as construction of the new Community School was in process. The school has served as a catalyst for some rehabilitation of existing housing units in the surrounding neighborhood. Devco has completed a rehabilitation/infill housing study indicating that over 100 additional housing units could be provided in the area, some of which could be made available for Memorial Homes relocations.

9. Nichol to Commercial Avenue sector is immediate to the Douglass Campus. Rutgers has expressed an interest in participating in a pilot study to rehabilitate and upgrade existing units and make them available for purchase by faculty and staff. The pilot study will be initiated in 1983.

10. Georges Road/Reservoir sector has a number of rehab and infill housing opportunities. Private investors are presently developing the area and the reopening of the adjacent Squibb plant by Cell Products should stimulate additional employment and thereby housing demands in the sector.

11. St. Mary's Senior Citizen Housing is underway by retrofitting the original Bond Clothing Factory. The project, by conversion of a vacant factory and relocation of an adjacent junkyard, will be a major stimulant to the neighborhood.

12. Remsen Avenue corridor Rehabilitation and upgrading will evolve by private investment along the corridor as projects 8 and 11 are implemented.

13. Lee Avenue housing - Sixty new units of NSA, Section 8 housing are proposed along with substantial rehabilitation of Lambert Homes, a thirty-two unit project on three separate sites.

14. Livingston Avenue sector contains a number of old prestigious homes and apartments, some of which have been converted to professional office use. Additional office space was constructed in 1981 and a number of structures are presently being altered for mixed office/residential use. The artery, a major access corridor from Route 1 to the central business district, will continue to improve without direct State or Federal funding assistance.

15. Washington School has been declared surplus by the Board of Education. A NJDCA funded study is in process to determine the most appropriate adaptive use and it appears that the structure is suitable for forty-two residential units. Neighborhood groups have expressed support provided the units are owner-occupied and that adequate on-site parking can be provided.

16. Hale & Oxford Street Retrofits - five condominiums were provided in 1982 by conversion of the original Hale Street School; ten additional townhouse fee simple units are proposed on Oxford Street. A portion of the permanent mortgages is being provided through NJMFA.

17. Courtlandt Square - eleven new townhouse units are under construction on a vacant tract with occupancy by mid-1983. Permanent mortgages have been provided through NJMFA.

18. Fifth/Sixth Ward Housing Sectors have an extremely high demand for rental units because of proximity to UMDNJ and Rutgers College Avenue Campus. Absentee landlords find it economically advantageous to convert, oftentimes illegally, single and two-family houses into student group apartments. These conversions diminish the number of owner-occupied units and usually result in poor maintenance in order to maximize return on investment. Both institutions are aware of the trend and are actively engaged in planning major housing facilities to meet their specific needs.

19. Route 27 Corridor is a long-range housing study involving two counties (Middlesex and Somerset) and three communities (New Brunswick, Franklin Township and North Brunswick Township). In 1980, Devco initiated the study, recognizing that Route 27 bisects a major residential community with a complete range of housing types. There are a number of vacant sites, particularly in New Brunswick and Franklin Township, that are appropriate for new affordable housing in addition to existing housing that has rehab potential. Proposed improvements also include major revisions to roadways, controlled access/signalization on Route 27, additional community and recreation facilities and infrastructure upgrading. Two possible New Brunswick projects include sixty Section 8 units (in 19 A area) and 125 Section 8 units (in 19 B area). It is anticipated that community and county meetings will be scheduled in early 1983 to rejuvenate Devco's earlier studies. The New Jersey Department of Community Affairs can assist in the Inter-Municipal/County planning aspects of this project.

CITY OF NEW BRUNSWICK  
DESIGNATES \_\_\_\_\_

ADVISORY & MONITORING BY \_\_\_\_\_  
- MAYOR & CITY COUNCIL  
- LISC ADVISORY COMMITTEE  
- MEBS & OTHER LOCAL ADVISORY  
GROUPS

NON-PROFITS		
←	DEVCO	COINCO
HUDA CORPORATION	5 TOWNHOUSES	AWAITING PROPOSAL
5 REHAB TOWNHOUSES 10 REHAB TOWNHOUSES	\$266,000	
\$700,000		

NOTES:

- A. GRAND TOTAL 1983 PROGRAM EXCLUDING RUTGERS (2)  
AND COINCO PROJECT TOTALS \$22,966,000
- B. POSSIBLE 1984 AND FUTURE HOUSING PROJECTS INCLUDE:
1. MEMORIAL HOMES UPGRADING
  2. ROUTE #27 CORRIDOR PROGRAM
  3. ADDITIONAL HOUSING SECTORS  
DESIGNATED IN MAYOR LYNCH'S  
CONCEPTUAL HOUSING ACTION PLAN

RECEIVED  
SEP 21 1982

# THE HOMEOWNERSHIP GROUP, INC.

2003 Kentmere Parkway • Wilmington, Delaware 19806 • (302) ~~654-5040~~ 731-8411

September 20, 1982

Mr. Frank Nero  
Economic Development Administration  
390 George Street  
New Brunswick, NJ 08901

Dear Mr. Nero:

As you have requested, this is to provide a brief sketch of the type of housing program we are suggesting for New Brunswick, which we modeled after one successfully developed in Wilmington, Delaware. The program consists of a lease/purchase arrangement financed through the sale of short term, tax exempt bonds.

The program contains the following components, many of which would occur simultaneously.

- Non-Profit Homeownership Corporation - a non-profit corporation should be established to assemble the land and administer the program.
- Site/Developer Selection - a site and developer should be selected and plans and specifications finalized. The non-profit corporation would contract with the developer for the construction of the units.
- Short Term Financing - the construction and lease phase would be financed through the sale of tax exempt bonds. The bonds would be guaranteed by the real estate and a letter of credit purchased from a major lending institution. The City could be asked to provide its faith and credit to guarantee a portion of the bond sale. The bond sale would not take place until a predetermined number of units were under contract.
- Long Term Financing - a permanent mortgage commitment would be obtained from a lending institution or other sources. In order to be accepted in the program, tenants would have to be approved in advance for a mortgage after the end of the lease period.
- Marketing - the units would be marketed based on plans provided by the developer. The tenants/homeowners would be required to put up a minimal downpayment (\$1,000.00) and obtain a mortgage commitment. During the lease period the rent would be sufficient to pay the interest on the bonds and the property manager, while allowing an equity buildup sufficient to meet the downpayment requirement for closing on the mortgage. It should be noted that neither the bond sale nor construction would begin until a predetermined number of units were under contract.

Mr. Frank Nero  
New Brunswick, NJ 08901  
September 20, 1982  
Page Two

- Property Manager - a property manager would be selected to manage the property and collect the rents during the lease period.

Ideally, at the end of the 2-3 year lease period, all of the tenants would settle on their properties using the initial deposit, the equity built up through the rents and the mortgage proceeds. The bonds would then be paid off with these proceeds, and the City and/or non-profit corporation would be out of the program.

The primary advantage of the program is the low interest rate (6-10%) on the tax exempt bonds. This amounts to an indirect federal subsidy, which generates a substantial equity buildup for the tenant/owners while allowing them to pay a reasonable rent. Further, the lease/purchase arrangement allows the tenants/homeowners to lock in today's construction price for a home that they won't buy for 2-3 years.

I have enclosed a copy of the proposal we recently submitted to Scranton, PA for the development and implementation of a similar program. I have also enclosed a copy of a New York Times news article about Wilmington's program.

If you have any questions, please do not hesitate to contact me.

Sincerely,



Gerald P. Doherty

GPD:wjb  
Enclosures

# URBAN HOUSING

## A Challenge For Today And Tomorrow . . . . .

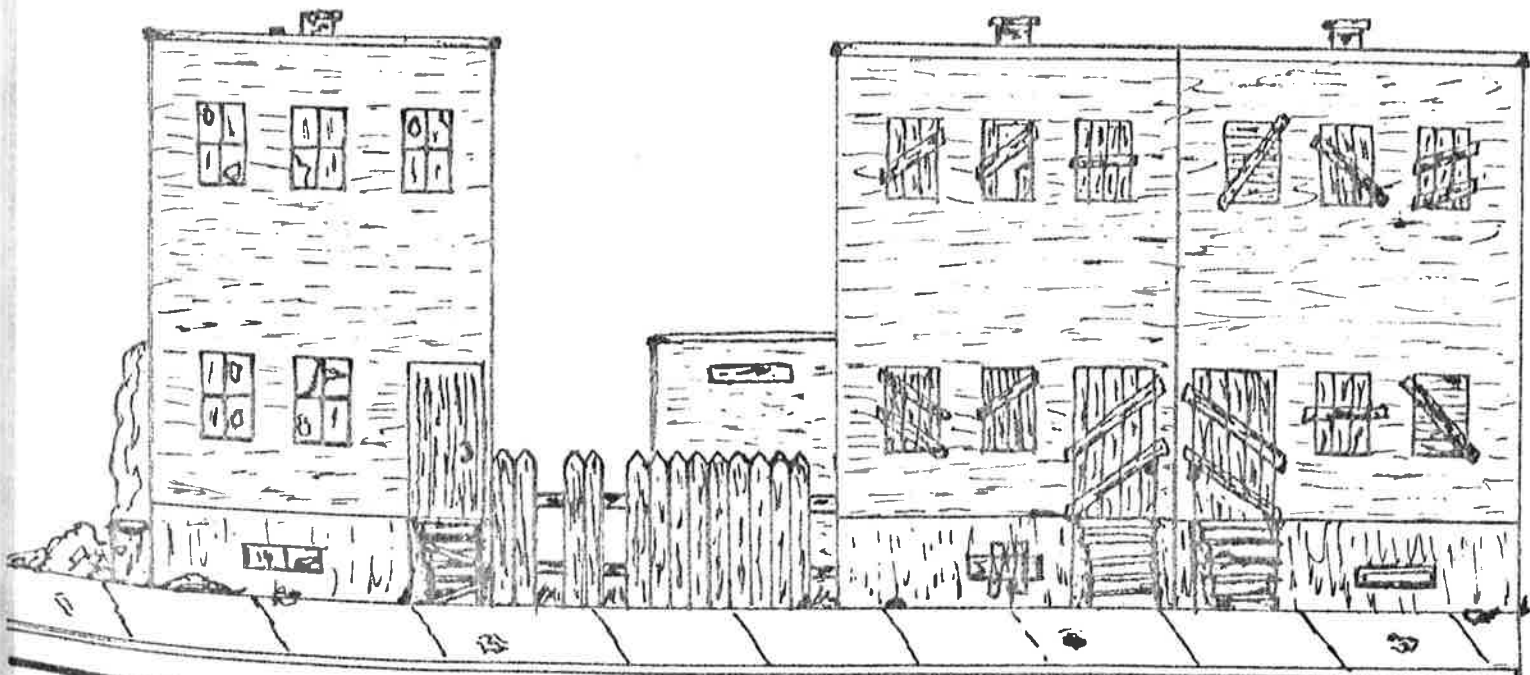
Now, and in the years ahead, American cities face a serious challenge as they try to improve and increase their supply of attractive, affordable housing. Current circumstances have created a four-pronged dilemma for urban planners and officials:

- Cities already have on hand hundreds—in some cases, thousands—of deserted, boarded-up vacant houses and vacant land which are burdensome to inventory, costly to restore and difficult to market.
- Federal aid is increasingly undependable. All of the major traditional sources of funds for housing and community development have either been reduced or face massive restructuring.
- The housing industry is in no position to take the initiative in urban housing. Continued high interest rates and the restricted supply of mortgage money have plunged the industry into an unprecedented slump.
- Even if adequate urban housing was available, low and moderate income families cannot afford to buy their homes because of the prohibitive financing which characterizes today's market.

The results are deplorable . . . Vacant city-owned land remains idle. Restorable city-owned vacant houses continue to decay. The city's tax base and housing supply move further toward stagnation.

Even more importantly, the young working families who represent the city's future are forced to rent because they cannot afford to buy, while senior citizens who rent by choice are faced with the growing problem of displacement as speculators and upper-middle class "urban pioneers" focus attention on depressed urban properties.

Lack of outside funds. A sluggish housing industry. Unstable financing alternatives. These are the components of the very real dilemma facing urban planners and officials. Worst of all, inaction now will only compound the problems in the years ahead.



## New Strategies For Effective Problem-Solving . . .

The Homeownership Group believes that cities do have options . . . if they are willing to break with the past and embrace the creative exploration of new concepts for urban housing.

One such option is the "Homeownership Plan," in which innovative financing mechanisms are developed to support the construction of new moderate-income housing and the restoration of existing housing. Ideally, such construction projects will take place on city-owned property. Simultaneously, a marketing program is developed to reach the pre-selected target group—moderate-income, preferably "first-time" home buyers. As an additional benefit, the construction of new housing serves as an impetus for the rehabilitation of existing vacant housing.

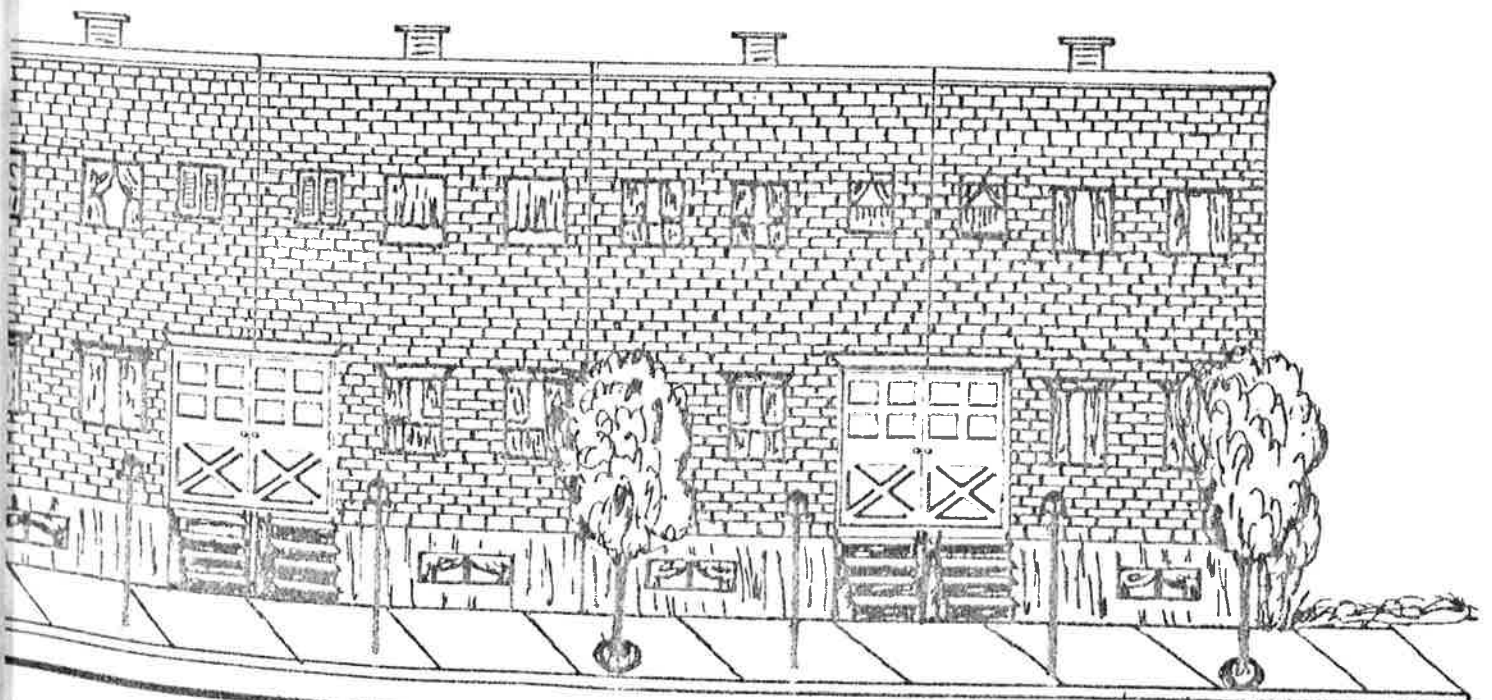
A program of this type need not depend on the availability of federal funds. Rather—and most importantly—it is a joint community effort, bringing together the best forces of the public and private sectors at that level. The benefits are clear:

- The housing supply is expanded.
- The tax base is expanded.

- The city's inventory of vacant properties is reduced.
- Commitment to an urban lifestyle is increased as renters become homeowners.
- The program requires a minimal investment of tax dollars.

The "Homeownership Plan" is sufficiently flexible to serve as the centerpiece of a wider-ranging urban redevelopment plan.

The "Homeownership Plan" is an exciting concept, generated by and for the communities it will help to rejuvenate. As such, it holds great promise as an effective means of meeting the challenge of urban housing in the '80's.



... Wednesday, Jan. 27, 1982

# A one-of-a-kind program

## Plan gives Wilmington residents chance to own a home

First of three articles  
By Theresa Humphrey

Associated Press

William and Barbara Boles had been frantically looking for a year for a house within the city of Wilmington. Arthur and Donna Yancey had been searching for a single-family dwelling in the suburbs since May 1980.

The Boleses have a combined income of \$31,000. The Yanceys' combined income is \$27,000 a year. Neither family, however, could afford the high interest rates needed for a new home.

But the Boleses, the Yanceys and 36 more families are moving into newly-built town houses in the Quaker Hill area south of downtown Wilmington in what is believed to be the first-of-its-kind housing program in the nation.

Under the Wilmington Homeownership Plan, first-time homeowners with yearly incomes from \$23,000 to \$29,000 can put \$1,000 down on a town house on a lease-purchase plan.

The homes, now valued at \$48,350, would normally require a \$10,000 down payment, according to city officials.

The plan calls for monthly rents of \$475 during the first year, \$575 the second year and \$675 the third year. About half of the monthly rents will be set aside by the city for the homeowner's down payment at the end of the three years.

At that time, mortgages will be provided through an agreement with the Wilmington Savings Fund Society at the prevailing interest rate and homeowners will only be required to pay closing costs.

City officials estimate closing costs will be about \$1,100.

And at the end of three years, officials estimate the homes will be worth about \$53,000.

"It's a bit of a godsend," Boles said of the plan in which he and his wife have purchased a three-bedroom home. He added that the couple had even tried renovating a



Staff photo by Chuck McGowan

Donna Yancey and her husband found affordable housing within walking distance of work when they investigated Wilmington's Quaker Hill development.

home but found the cost was beyond their reach.

Mrs. Yancey said that although she had her heart set on a single-family dwelling, her husband persuaded her that the town house could serve as a "starter house."

"We weighed the advantages of having a single family home with living in the city and the price was a big determining factor," she said. Mrs. Yancey added that since she is a Du Pont Co. employee, her new home also will put her within walk-

ing distance of her job.

Frank Cebula, 25, also a Du Pont employee, was about to be married and said he never expected to have his first home this soon.

"I had looked at homes outside the city, but I wanted to live in the city so I could walk to work," he said, adding that with high interest rates, monthly payments on a new home would have been "ridiculous."

"I hadn't expected anything like this. It [the plan] was tailor-made for the situation," he said. "I think it's a great thing for the city to bring people back to the city."

But although the homeownership plan is aimed at middle-income families, city officials also took into consideration low-income families, or those with yearly incomes of \$13,000 to \$18,000.

As part of the contract with the city, the builder, Frank Robles Associates, agreed to rehabilitate nine vacant town houses owned by the city on Church Street. The houses are also within walking distance of downtown Wilmington.

The homes, estimated to be worth \$30,000, are being offered to low-income families on a lease-purchase plan with \$500 down.

Escalating rents begin at \$275 per month for the first year, \$325 the second year and \$375 a month in the third year. At the end of three years, the families can purchase the homes, which may be worth more than \$32,000. The families will only be required to pay closing costs.

Among those taking advantage of the program are Domingo Lopez Jr., 21, and his 24-year-old wife, Luz.

"We weren't looking for a house, but we saw them [on Quaker Hill], but they were too high," he said. But the builders told them about the renovated homes on Church Street and "the rest is history."

Lopez said he thought the city had a good idea.

"They [city officials] should do more of this," he said.

**TOMORROW:** What Wilmington is doing about slums.



# New city housing plan aims to fulfill American Dream

Second of three articles  
By Theresa Humphrey

Associated Press

"The cancerous growth of slums in all cities... is all the testimony needed that private industry has not, cannot now and never will be able to provide decent housing for these [poor] people."

The statement was written in 1948 by William Reinhardt, who was then chairman of the Philadelphia Housing Authority.

According to Harry D. Sewell, director of Wilmington's housing and real estate department, the statement is a call to city officials to ensure decent housing for all.

And Wilmington officials believe Delaware's largest city is on the right track.

In 1974, Wilmington was the first city in the nation to offer 71 houses in the urban homesteading program and its latest project is also believed to be a first — the Wilmington Homeownership Plan.

The plan allows first-time homeowners to purchase newly-built town houses under a lease-purchase plan with \$1,000 down. An offshoot of the program is a similar plan for lower-income families to purchase rehabilitated homes with \$500 down.

Sewell said the city's first priority is to promote home ownership and the new plan was a way to take advantage of city-owned land and city-owned property.

"We want to move as many people as possible into home ownership situations," he said. "It does two things — of course it's the American Dream, but also, as a lot of cities are undergoing displacement problems, certainly the people at least risk of being displaced are homeowners."



Harry D. Sewell

Sewell said the home ownership plan was a way to get around high equity needed for a newly built house. He added that the same home being offered in the plan is being built by the developer on his own and requires a \$10,000 down payment.

Jerold S. Gold, city finance director, was the mastermind behind the plan that was financed through a special \$3 million bond program guaranteed by the Bank of Delaware and Morgan Guaranty Trust. The city put up \$500,000.

Gold gave an example for a house that costs \$58,000. For this transaction, and others, the bond program and its repayments act as a savings account for the city. As the initial borrowers repay their loans, the money becomes available for new borrowers.

"At the end of the program, we



Jerold S. Gold

have enough money to give [borrowers] a down payment so that they only have to take a mortgage for \$48,350... We take the money that we have for them, plus the money the bank gives them — the \$48,350 for the mortgage — and we pay off the bonds," he explained.

"The key here is that the developer has no interest costs, no land costs and he's able to build 35 houses at once and not worry about whether or not they will sell," Gold said.

The city has used various federal funds for housing programs, such as community development funds and Urban Development Action Grants.

But Gold said that finding funds are becoming more important because of cutbacks in federal housing funds.

"In theory, bond money, as long

as you have a good project, is unlimited, because you have a good investment and investors will buy it," he said. "In the last few years, housing bonds have become very popular and there have been a lot of innovative things done, such as mortgage revenue bonds that we did in 1978."

Under the mortgage revenue bond program, he said the city sold 489 homes at 8 1/2 percent interest, and the city did not have to invest any money.

Gold said the city may conduct another mortgage revenue bond program, but only if the state decides not to.

"The state can do it more cheaply," he said.

Mayor William T. McLaughlin describes Wilmington as a small city with big city problems. The city has a population of about 70,000, but it's growing and the mayor speculates it will soon have a housing shortage.

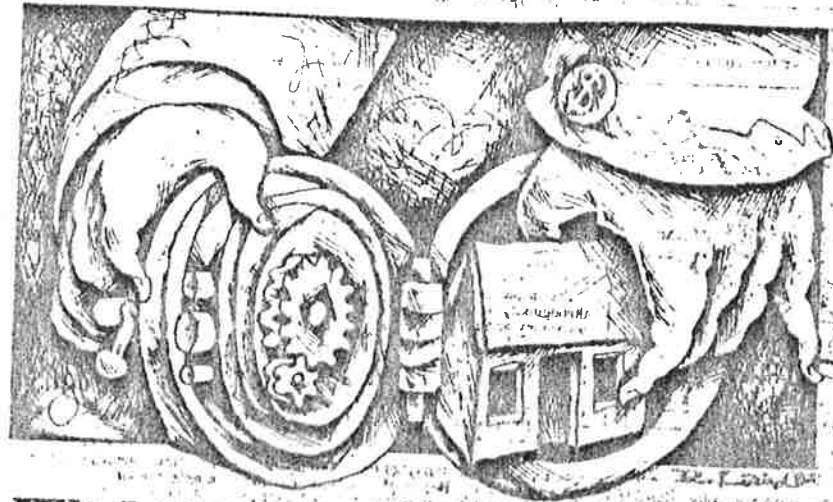
Wilmington has about 1,500 vacant units and Sewell said about 200 to 250 of those are city-owned.

He said the city's housing strategy has three main aims: the re-use of vacant land, assistance to owner-occupants and relocation assistance where necessary.

Next year, the city will receive an \$910,000 UDAG award to be used to rehabilitate 100 vacant homes that will be sold to low-income families.

"We're working with six lenders who will provide 75 percent of the cost to rehabilitate the property," Sewell said, adding that the city will provide the other 25 percent through the grant.

**TOMORROW: Landbanking, and Other Strategies of the Future**



# With less U.S. housing aid, city looks to private sector

Last of three articles

By Theresa Humphrey

Associated Press

Cutbacks in federal funds are forcing cities to find new ways to provide housing for residents.

And Wilmington, which has been considered a leader in innovative housing, is already planning its strategy.

Harry D. Sewell, Wilmington's director of real estate and housing, said he sees a need for the private sector to be involved.

"In the face of less federal money, somebody is going to have to pick up the slack if these programs are going to continue at all," he said.

According to a study conducted by the city, employees of Wilmington's major employers benefit from city housing programs.

"The basic cornerstone of Reaganomics is relying on the private sector," Sewell said. "At some point, we would like to approach the employers and say, 'Your employees take advantage of these programs. There will be less federal money. How can you benefit from this?'"

Sewell said he has been quietly arranging visits on how many people from the various corporations seek housing assistance from the city in addition to keeping abreast of similar corporate and university real estate programs across the country.

He said he has yet to approach the corporations formally but added, "I talk about it when I go out and speak, so it's not like they haven't heard this before."

"I would like to have a pretty well-documented case that, one, we're not asking you to do anything that you don't do already, and, secondly, in the face of declining federal revenues, we just have to look at other sources if we want to continue to provide housing assistance," he said.

Sewell said the federal government has made it clear that it is moving away from housing production, and he's not optimistic that the city will have funds 18 months to

housing bonds are being done now with people who are going to make profit, sharing the up-front cost, such as realtors and developers.

Thomas V. Quinn Jr., chairman of the City Council's housing committee, said he sees the city moving to the private sector for housing production.

"The only marketability we have is on the private market now. Whatever we develop has to be through the private market because -- from what's coming out of Washington -- we will not get help," he said.

As for the city's future housing needs, Quinn said some believe there is not enough land in Wilmington.

"We have a scarcity of land in the so-called neighborhoods that people would like to live in -- the 'right neighborhood,' so to speak. I think we have a lot of room for housing growth in the city," he said. "It definitely has to be planned right."

Quinn said he has the backing of the council to promote a "concentrated effort of landbanking."

Landbanking, he explained, means the city would buy as much property as possible and offer it as a parcel of land to developers. That contrasts with offering smaller, scattered tracts piecemeal.

As for renovation or new housing, Quinn said that if the city can turn over a whole block to a developer, the subsidy will be in the cost of the land sold to the developer. "That's where the low- and moderate-income people can get the break."

He admitted that landbanking would cause administrative problems involving maintenance, "but if we don't control the land, then we don't have a vehicle to provide for the people."

Quinn said he has seen landbanking in other cities, but not Wilmington because of available land. "We're and because 'the city has to try to meet the needs of low- and moderate-income people.'"

It would have to be especially in the inner city, he said, against the speculative and the displacement of our long-term city residents," he said. "The so-called good, affluent neighborhoods are going to take care of themselves."

two years from now to continue to produce housing units.

"In their [federal] analysis, the program is no longer the availability of decent units. It's the cost of those units," he said. "And therefore, they're moving toward direct cash assistance -- housing vouchers to help people buy what units exist."

"While I do agree that there is a problem with the cost, I do not agree that no further production is needed," he said. "A city like Wilmington, where we still have vacant properties, has an opportunity to use the city to purchase land on a market basis."

Jerold S. Gold, city finance director, said he sees a trend moving away from bonds as federal funds dry up.

"We go for the imaginative and innovative. The trend I see is more sharing of financial responsibility and risk in the public and private sector," Gold said. "Some of these

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# Program in Wilmington, Del., Helps Homeless

By WILLIAM ROBBINS

Special to The New York Times

WILMINGTON, Del., Nov. 27 — It was an unusual sight in these days of stratospheric mortgage rates, squeamish lenders and gloomy builders. Young buyers beamed at the progress on prospective homes as they picked their way across the bare earth where they could visualize their own grass growing, while all around them was the din of construction work.

"I can't wait to get in," said Janet Mease, an expectant mother holding the hand of her 4-year-old daughter. Held, as she spoke of a purchase made possible by an innovative housing program under way here, a development called Penn Square on Quaker Hill. The project is in a former urban renewal area in a resurgent section that took its name from the Friends Meeting House, a 169-year-old brick landmark.

Mayor William T. McLaughlin of Wilmington, other city officials and the builder said the program had been made possible by devices that had been used elsewhere and in some instances for other purposes, but never before, so far as they could determine, in the same combination.

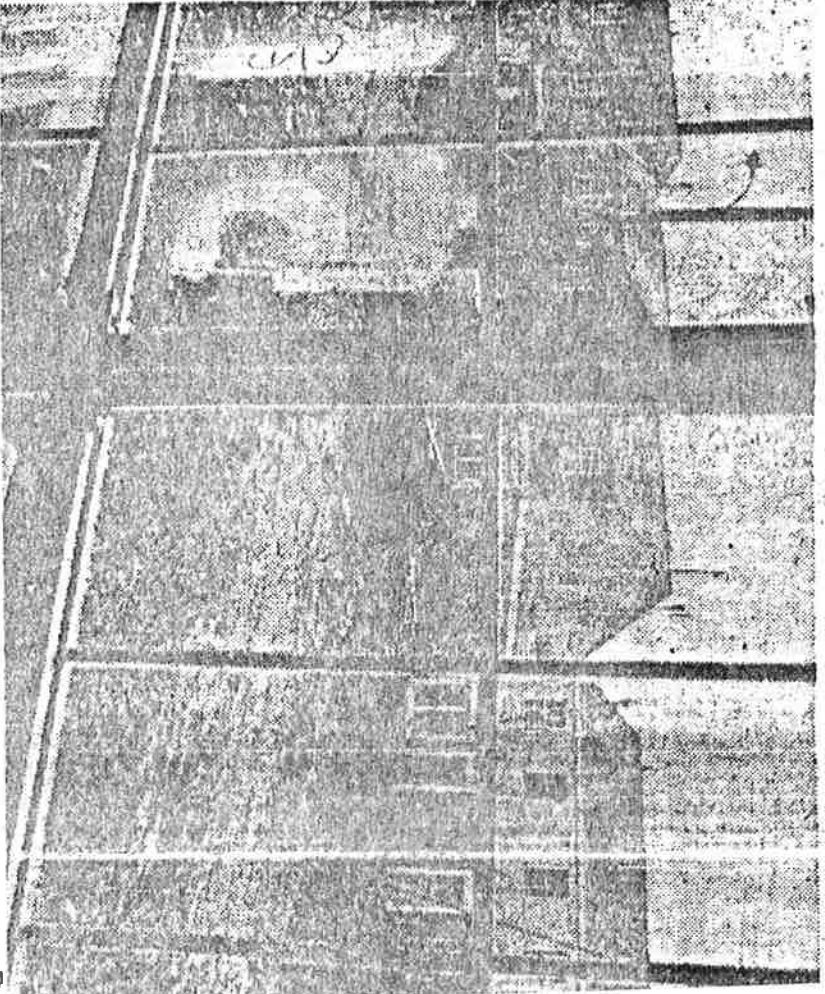
The construction site for 38 row houses for lower-middle-income families was city-owned land that had lain vacant for about 15 years, the product of an urban reconstruction program that failed to materialize. Now, as the first part of the plan, the city was contributing the land for the houses.

## Lease-Purchase Arrangement

The second device was a tax-free municipal bond, called a revenue bond, a type often used to encourage commercial development. Proceeds of the bonds were used to provide low-interest construction money for the builder, Frank Robino Associates. Similar bonds have been used in other cities to provide mortgage money at low interest rates for individual homes.

The third and most crucial part of the plan was an approach, sometimes used by private builders, a lease-purchase arrangement under which a portion of monthly rents accumulated over the first few years of the arrangement is applied to down payments.

The plan for the construction project was designed



Houses under construction at the Penn Square on Quaker Hill development in Wilmington, Del. Urban renewal area. At right, Janet and Eric Mease inspect one of the houses with their daughter.

novations. In 1974, for example, Wilmington was the first city to offer urban homesteading, a program under which lower-income buyers were offered run-down inner-city houses for as little as \$1 on the condition that they be renovated.

Wilmington's broader program includes the use of the same financing plan offered at the construction site for purchases of renovated homes, as well as aid for nonprofit renovation companies. It also includes practices that have become standard in other cities, among them the use of Federal grants for home and apartment improvements.

## \$1,000 Deposit Required

Under the Wilmington plan, buyers like Janet Mease and her 28-year-old husband, Eric, deposit \$1,000 toward a down payment and pay rent for three

months. In the second year about \$475 more and in the third year about \$100 more.

To be eligible, city officials said, buyers of the new houses must have annual incomes ranging from \$23,000 to \$29,000. Under a similar plan, at lower prices and rental rates of about \$275 a month, buyers with incomes of \$13,000 to \$18,000 a year can qualify to buy renovated homes.

The rental rates are higher than average for comparable housing in the area, according to local experts, but the rates are scaled so that, with about half the rents applying to purchase costs, the buyers will accumulate their total down payments through the rents by the end of the third year.

As part of the plan, a Wilmington lender has guaranteed to provide, at the

end of the three-year mortgage loans a rent with rates to cover) falling at the time of By that time, Mr. an have paid about \$20,7 tion to their \$1,000 dep

## Total Cost

With half the rent to their deposits, the making a down payment on a house that cost the proceeds of their down payment of that than 20 percent of the normal rate for this Mr. Mease said that Wilmington program, he have waited for a but "We had been looking



# THE HOMEOWNERSHIP GROUP, INC.

2003 Kentmere Parkway • Wilmington, Delaware 19806 • (302) ~~654-5049~~  
731-8411

## A PROPOSAL:

*To provide technical assistance and staffing for the development and implementation of a lease/purchase housing program in the city of New Brunswick, New Jersey.*

December 30, 1982

## I. INTRODUCTION

The Homeownership Group, Inc. of Wilmington, Delaware is pleased to submit this proposal to provide technical assistance and staffing for the implementation of a lease/purchase housing program in New Brunswick, New Jersey.

It is anticipated at this point that the program will consist of 22 units of new construction at the Sacred Heart townhouse site, and up to 38 units of rehabilitated housing in the Joyce Kilmer Pilot Housing area.

The program contains the following components, many of which would occur simultaneously.

Non-Profit Sponsor - a non-profit sponsor should be selected to administer the program and acquire land and units for rehabilitation.

Site/Developer Selection - the site or sites for new construction and the units for rehabilitation should be finalized and a developer/contractor should be selected.

Short Term Financing - the construction and lease phase would be financed through the sale of tax exempt bonds. The bonds would be guaranteed by the real estate along with a letter of credit from a major lending institution and/or the faith and credit of the city. The bond sale would not take place until a predetermined number of units were under contract for lease/purchase.

Long Term Financing - a permanent mortgage commitment would be obtained from a lending institution or other sources. In order to be accepted in the program, tenants would have to be approved in advance for a mortgage, to be provided after the term of the lease.

Marketing - the units would be marketed based on plans provided by the developer. The tenants/homeowners would be required to put up a minimal downpayment (\$500.-\$1,000.), be approved by the tenant selection committee and obtain a mortgage commitment. During the lease period, the rent would be sufficient to pay the interest on the bonds, the property manager's fee, insurance and maintenance while allowing equity to build up sufficient to meet the downpayment requirement for closing on the mortgage. It should be noted that neither the bond sale nor construction would begin until a predetermined number of units were under contract.

Property Manager - a property manager would be selected to manage the property and collect rents during the lease period.

At the end of the lease period the tenants would settle on their properties using the initial deposit, the equity generated through the rents, and the mortgage proceeds. The bonds would then be paid off with these proceeds, and the city and/or sponsor would be out of the program.

The primary advantage of the program is the low interest rates (7-9%) on the tax exempt bonds which allows the tenants/owners to pay a reasonable rent while permitting equity to build up at the same time. The lease/purchase arrangement also allows the homeowners to lock in today's prices on a home that will not actually be purchased for 2-3 years.

In addition, if the housing market allows for a sales prices sufficient to pay all costs including those for consultants and the administration of the program, funds used for these purposes could be re-used to expand this program or develop new housing programs.

What follows is a more detailed description of the program and the proposed role of The Homeownership Group, Inc. throughout the process.

## II. Program Components

### A. Non-Profit Sponsor

The Homeownership Group will assist in selecting the most appropriate entity (sponsor) to oversee the New Brunswick Homeownership Program. The potential sponsor could be the city of New Brunswick, a non-profit corporation similar in structure to the city government, the New Brunswick Housing Authority, or the New Brunswick Redevelopment Authority.

The sponsor would be given the overall policy making and administrative responsibilities for the program which would include:

- land and housing unit assembly, including their ownership during construction and lease phase
- selection of a builder/developer
- rent/price structure
- establishment of a tenant selection committee
- selection of a property manager
- scope of program

Staff support for the sponsor would be provided by The Homeownership Group along with someone appointed by the sponsor to act as the liaison with The Homeownership Group.

B. New Housing Construction/Rehabilitation

The Homeownership Group will work with the sponsor to select a developer/builder for the construction of the estimated 22 units of new construction and up to 38 rehabilitated units.

It is anticipated that the units of new construction will be located on the Sacred Heart Townhouse Tracts located at Commercial Avenue at Suydam Street. If for any reason this site proves to be unsuitable, The Homeownership Group will evaluate alternate sites.

Based on the information that has been provided to us, it would appear that the targeted area for the rehabilitation component of the program will be in the Joyce Kilmer Pilot Housing Area. The area is bounded by Joyce Kilmer Avenue, the Pennsylvania railroad tracks, Redmond Street and Seaman Street. Mr. Richard Keefe, Executive Director of the New Brunswick Housing Authority, has identified 38 housing units in this area as having immediate potential for rehabilitation at an average cost of \$11,000 per unit. The Homeownership Group will assist the sponsor in further evaluating this area and a determination will be made as to the marketing feasibility of the specific units already identified.

The Homeownership Group will then develop an acquisition strategy for the units to be included in the program. The legal work associated with acquiring the units would be provided by the sponsor's attorney.

C. Short Term Financing Mechanism

The Homeownership Group will structure a financing mechanism that permits the construction/lease phase to take place. The mechanism will likely take the form of short term tax exempt bonds. The bonds will be supported by the economic viability of the project along with other backing as may be required, such as a letter of credit from a major lending institution or corporation, or the faith and credit of the city of New Brunswick.

An economic analysis of alternate rent structures will be prepared by The Homeownership Group based on projected housing prices, interest rates and the downpayment requirements of the bank providing the mortgages.

D. Mortgage Commitment

A commitment for personal financing for the program in the form of mortgage commitments for the purchase will be negotiated by The Homeownership Group with local lending institutions. The purchasers will agree to lease the unit for a period of up to 3 years at an agreed upon rental. A portion of the

rent will be used to meet the downpayment requirements for the mortgage.

While it is assumed that the mortgages will carry an interest rate equal to the lending institution's prevailing rate for residential mortgages, the best possible financial arrangement for the buyer will be sought.

Although the sponsor's tenant selection committee will have to approve each tenant, final approval will rest with the lending institution.

#### E. Alternate Sources of Financing

The Homeownership Group, on behalf of the sponsor, will explore alternative sources of funding with the specific goal of making a portion of the units more affordable to lower income people. Such funds could be used to buy down the price or interest rates on a certain number of houses and/or subsidize the program in other ways such as paying for a portion of the land or housing unit acquisition costs.

In addition, the administrative costs, including consulting services, could be funded from other sources.

#### F. Marketing Plan

A marketing plan will be developed and implemented. It may be desirable to establish certain priority groups both in terms of advertising and approval for purchase such as income level, first time homebuyers or current city residents. Final approval for such criteria will be required by the sponsor.

All media outlets will be utilized and extensive use will be made of community based referral organizations and private industry to identify potential buyers. The media campaign will be designed to emphasize the unique character of this program and its appeal for households who do not consider themselves able to purchase a new home.

Efforts will also be made to reach potential homebuyers attracted to New Brunswick as part of the economic development program. It is anticipated that the program will begin with a major publicity effort on the part of the city government, i.e., press releases, briefings and press conferences with city officials. Such a publicity campaign will also help publicize the city's economic development efforts.

Advertising and production costs, if any, would be borne by the sponsor or developer and later refunded from the proceeds of the bond sale.



### G. Tenant Selection

A committee that could include representatives from the lending institution, the property management firm, the sponsor and appropriate city departments will be responsible for selecting the tenants. The Homeownership Group will not be represented on the committee, however, it will provide staff assistance to the committee.

The sponsor and the lending institution will be responsible for establishing eligibility criteria and in establishing procedures for applying the criteria for individual applications. The criteria, at a minimum, should ensure that the applicant meets the various priorities established and that the household income meets program standards.

Final approval, however, will rest with the lending institution.

### H. Property Manager

An experienced property management firm will be selected to oversee the management of the units during the lease phase. The projected rental fees will include allowances for a management fee and maintenance expenses.

In order to encourage homeownership responsibility, the occupant will be responsible for all maintenance and repairs (interior and exterior) not covered by a warranty. The occupants would also be expected to pay for all utility costs.

The management firm will collect rents, maintain common areas, prepare a unit in the event of turnover, handle rental delinquencies, and respond to occupant complaints and questions.

The management firm will be expected to report on a regular basis to the sponsor on the status of the units to include physical condition, status of rental payments, and problem areas requiring special action.

## III. SCOPE OF WORK

The Homeownership Group will work closely with the sponsor and other appropriate city agencies in all phases of the program. Outlined below are the specific activities to be performed by The Homeownership Group.

- A. Assist in selecting an appropriate sponsor to have policy and administrative authority for the program.
- B. Evaluate potential sites and units for rehabilitation.
- C. Prepare a rent and economic analysis.
- D. Negotiate with local lending institutions for a commitment for permanent

financing.

- E. Negotiate an agreement to monitor the construction project.
- F. Develop and assist in carrying the bond sale through to completion.
- G. Work with the sponsor to develop and implement a marketing strategy.
- H. Assist the sponsor in selecting a developer or developers.
- I. Establish tenant selection criteria and assist in the formation of a tenant selection committee.
- J. Assist in the selection of a property management firm.
- K. Review and evaluate sources of supplemental funding.
- L. Work closely with bond counsel and bond underwriters throughout all phases of the program.

#### IV. TIMETABLE

The program is divided into a developmental phase, a marketing phase and a construction phase. The budget for this proposal will provide assistance through the development and marketing phases.

The development phase will last approximately three months. During this period, The Homeownership Group will assist in identifying the most appropriate sponsoring agency, negotiation of the long and short term financing commitments, the completion of a full legal analysis with bond counsel and an economic and rent structure analysis, completion of site/rehab unit selection and contractor selection, establishment of the tenant selection committee, the review of supplemental funding sources and the development of a marketing strategy.

The marketing phase will last approximately two months. The Homeownership Group will assist the city and the contractor in the implementation of the marketing strategy. It is anticipated that the costs of the marketing plan will be borne by the building contractor. During the marketing program, the long term financing arrangements will be completed.

The construction phase will last approximately four to six months. This proposal provides for activities up to the beginning of the construction phase. If any services are required on the part of The Homeownership Group by the sponsor during the construction phase, they will be negotiated at that time, and the costs will be included in the bond sale. In addition, in the event outside engineering consultants or appraisers are required, this cost will be initially borne by the sponsor, and also recovered in the bond sale.

#### V. STAFF

Three senior members of The Homeownership Group, Mr. Gerald P. Doherty, Mr.

Edward J. Freel and Mr. J. Brian Murphy, will have overall responsibility for the implementation of this proposal.

Mr. Doherty is an economic consultant with extensive experience in housing market analysis. He was the chief legislative assistant for U.S. Senator Joseph R. Biden of Delaware in Washington, D.C. from December 1976 through February 1979. He worked as the Policy Advisor to Mayor Thomas C. Maloney of Wilmington, Delaware from 1972 through November 1976, during which time he was also chairman of the task force that developed the nation's first urban homesteading program. He has a Master's Degree in Economics from the University of Connecticut.

Mr. Freel has served as the Deputy Director of the Delaware State Office of Economic Opportunity, Special Assistant to the Assistant Director of the Federal Community Services Administration and the Director of two major national programs; the 1980 Emergency Crisis Assistance Program and the 1981 Low Income Energy Assistance Program. He left the federal government in August 1981, and in addition to his work with The Homeownership Group, is a consultant to the National Alliance to Save Energy and has recently completed a project for the District of Columbia City Government under contract to the Syracuse Research Corporation.

Mr. Murphy served as an Assistant to Mayor William T. McLaughlin of Wilmington, Delaware from 1979 to March 1982 where his duties included Communication Director, special projects coordinator and legislative liaison with the State legislature. Prior to that time Mr. Murphy administered the City's Tax Incentive Program for new and rehabilitated structures. Mr. Murphy was involved in the development and implementation of the Wilmington, Delaware lease/purchase housing program.

#### VI. BUDGET

The Homeownership Group will carry out the scope of work outlined in this proposal for a fixed fee of \$53,300.00.

The fee is based on a 5 month work period with the following budget:

Labor	\$35,250.00
Benefits (20%)	7,050.00
Travels/Meals/Lodging	6,500.00
Overhead	<u>4,500.00</u>
TOTAL	\$53,300.00

As previously mentioned, it is assumed that the costs of all other professional services such as engineering, appraising and legal work will be borne by the sponsor and reimbursed from the bond proceeds. These costs can be minimized by using pro-

professionals currently on the staff of the city government, the Housing Authority and other agencies that may be involved in the program.

VII. PAYMENT SCHEDULE

The following payment schedule for services performed by The Homeownership Group is suggested based on a projected 5 month completion period:

20% within ten days after starting work

20% on February 15, 1983

20% on March 15, 1983

20% on April 15, 1983

20% upon completion



Housing and Urban Development Authority  
OF THE  
City of New Brunswick

January 14, 1983

Richard M. Keefe  
Executive Director

MEMO

TO: MAYOR JOHN A. LYNCH  
FROM: PETER J. HENDRICKS  
SUBJECT: NEW BRUNSWICK NEIGHBORHOOD HOUSING CORPORATION'S  
PROPOSED HOUSING STRATEGY

John:

I was unable to reach you by phone, so I am writing.

As you know, I have had a number of meetings with Don Gatarz, Paul Abdalla, Frank Nero, Dick Keefe and representatives of The Homeownership Group, Inc. of Wilmington, Delaware, for the purpose of obtaining necessary input with regard to our corporation's proposal for a City Housing Strategy; with the information obtained from these parties I believe that the corporation will be in a position to submit a proposal to you and City Council within the next few weeks.

We are thinking about asking the city to issue bonds, making the proceeds of the bond sale available to cover the cost of acquiring the rehabilitated properties as well as doing in-fill housing. We would like to have some indication from the City that they are receptive to this approach.

Is there any chance of you meeting with me in the near future to discuss this matter?

A PROPOSAL:  
TENANTS/OWNERS HOUSING STRATEGY/PROGRAM  
FOR THE  
CITY OF NEW BRUNSWICK

FEBRUARY 1983

Submitted To:

Mayor & Council  
City of New Brunswick

Submitted By:

New Brunswick Neighborhood  
Housing Corporation

Contact Person: Peter Hendricks  
745-5350

## INTRODUCTION

The New Brunswick Neighborhood Housing Corporation is a Title 15 not-for-profit corporation created under the laws of the State of New Jersey for the following purposes:

- .. To perform activities pertaining to development and redevelopment within the City of New Brunswick, including development of residential and other real estate, with emphasis on the improvement and upgrading of the neighborhood residential housing stock of the City of New Brunswick
- .. To undertake community development activities and projects on such scale as may be necessary, appropriate or desirable to improve the social and physical environment of the City of New Brunswick
- .. To undertake any action or participate in any activity deemed necessary or desirable by the members and directors of the corporation to accomplish its purpose
- .. To undertake and accomplish its purposes on its own initiative or for or with the cooperation, assistance or support of any one or more agencies, instrumentalities, organizations, associations, or individuals, public or private

The Directors of the corporation are:

Peter J. Hendricks

P.O. Box 110  
New Brunswick, N.J. 08903

Rev. Lonnie Ford

140 Lee Ave.  
New Brunswick, N.J. 08901

Patrick Fasano

22 Prosper St.  
New Brunswick, N.J. 08901

Jose M. Ramirez

P.O. Box 73  
New Brunswick, N.J. 08903

Paul Collins

262 Powers St.  
New Brunswick, N.J. 08901

Rev. Emilio Allue

89 New St.  
New Brunswick, N.J. 08901

It is to be noted that Messrs Fasano and Ramirez have had extensive experience in the field of Housing Production, particularly with regard to rehabilitated housing.

Mr. Hendricks is a Program Administrator with the City of New Brunswick's Housing & Urban Development Authority and has had extensive experience in the administration of home improvement programs, projects and activities.

Mr. Collins, an active member of a 4th Ward-based Citizens Committee for neighborhood improvement has been instrumental in the preservation of a number of properties within the Joyce Kilmer Park area.

Rev. Ford and Allue are pastors of New Brunswick-based church congregations and are deeply committed to the preservation and upgrading of the quantity and quality of the City's existing housing stock, and to the stabilization of the City's residential neighborhoods by encouraging home ownership.

The New Brunswick Neighborhood Housing Corp. sees the preservation of the City's residential neighborhoods as the most important task facing New Brunswick today. It is a job that government alone cannot tackle. It is a job that requires the efforts of all concerned parties, including property owners, tenants, mortgage lenders, governmental agencies, and housing development corporations, both profit and non-profit.

Much of New Brunswick's housing, particularly within the inner-city residential neighborhoods, requires rehabilitation; worn plumbing and heating systems need to be replaced; electrical systems need to be updated to meet the needs of households with an increasing



number of convenience appliances; and the exterior of many properties are in need of renovation.

New Brunswick has a good existing housing stock that can serve generations to come. But to keep that housing stock in service providing decent, safe and sanitary shelter requires an all out effort on the part of all concerned parties to improve and maintain same.

The need to produce new housing on an in-fill basis within the City's inner-core residential neighborhoods is another important task facing New Brunswick today. If we are to meet the current and projected needs for affordable housing within the city this task must also be given all due attention.

The tenants/owners housing strategy/program proposed herein is designed to provide needed assistance in the production of affordable new and rehabilitated housing within the city of New Brunswick's inner residential neighborhoods; and in the stabilization of these neighborhoods through increased home ownership therein.

PROPOSED TENANTS/OWNERS HOUSING STRATEGY PROGRAM  
FOR THE  
CITY OF NEW BRUNSWICK

The New Brunswick Neighborhood Housing Corporation is pleased to submit this proposal for the implementation of a tenants/owners (lease/purchase) housing program for the City of New Brunswick.

It is suggested that the program be initially implemented within the area bounded generally on the north by New Street between Railroad and Joyce Kilmer Avenues, Welton Street between Joyce Kilmer and Remsen Avenues, Neilson Street between Oliver and Bishop Streets; on the east by the rear property line of properties located on the west of Nichol Avenue between George and Sandford Streets; on the south by Sandford Street; on the west by the railroad elevation (See attached map). It is anticipated that target areas within this neighborhood will be designated by mutual agreement of the City and the New Brunswick Neighborhood Housing Corp.

It is requested that the New Brunswick Neighborhood Housing Corp. be selected as one of the sponsors under this program. As a sponsor the corporation would be responsible for the acquisition, rehabilitation and resale of selected residential properties within the above described area; and for the acquisition and redevelopment of selected cleared sites therein with in-fill housing. It is suggested that the New Brunswick Housing & Urban Development Authority and DEVCO be designated by the Mayor and Council as co-coordinators under this program; and that HUDA, acting on behalf of the City, contract with The Homeownership Group, Inc. of Wilmington, Delaware, to provide needed technical assistance to the City and the sponsor. It is

proposed that short term financing under the program be provided out of the proceeds of a tax-exempt bond issue of the City of New Brunswick, or an instrumentality of the city. It is anticipated that such bonds would be guaranteed by the City and the real estate.

It is proposed that permanent mortgage commitments/ long term financing under the program be provided by local lending institutions.

Completed units under the program would be marketed based on plans provided by the sponsor. The tenants/homeowners (leasees/purchasers) would be required to put up a minimal downpayment; be approved by a tenant selection committee to be designated; and to obtain a mortgage commitment. During the lease period, the rent would be sufficient to pay the interest on the bonds, the property manager's fee, insurance and maintenance, while allowing equity to build up sufficiently to meet the downpayment requirement and closing on the mortgage.

It is proposed that neither the bond sale, nor construction begin until a predetermined number of units are under contract.

A property manager would be selected to manage the property and collect rents during the lease period. At the end of the lease period the tenants would settle on their properties using the initial deposit plus the incurred interest on same, the equity generated through the rent, and the mortgage proceeds.

The primary advantage of the program is the low interest rates that could be expected on the tax exempt bonds which would allow the tenants/owners to pay a reasonable rent while permitting equity to build up at the same time. The lease/purchase arrangement would also allow the homeowners to lock in on today's prices on properties that will not actually be

purchased for two or three years.

The selected sponsors under this program would have the overall policy making and administrative responsibilities for the program, same would include:

- .. land and housing unit selection and assembly, including their ownership during construction and lease phase.
- .. selection of a builder or builders.
- .. rent/price structuring
- .. establishment of a tenant selection committee(s)
- .. selection of a property manager(s)
- .. scope of program

The Homeownership Group, Inc. will work with the sponsor(s) to select properties/sites and builder(s) for the construction of new and rehabilitated units. The Homeownership Group will assist the sponsor in evaluating properties/sites and determinations will be made as to the marketing feasibility of same.

The Homeownership Group will then develop an acquisition strategy for the units to be included in the program. The legal work associated with acquiring the units would be provided by the sponsor's attorney.

The Homeownership Group will structure a financing mechanism that permits the construction/lease phase to take place. The mechanism will take the form of short term tax exempt bonds. The bonds will be supported by the economic viability of the project along with the good faith and credit of the city of New Brunswick.

An economic analysis of alternate rent structures will be prepared by The Homeownership Group on projected housing prices,

interest rates and the downpayment requirements of the banks providing the mortgages.

A commitment for personal financing for the program in the form of mortgage commitments for the individual purchases will be negotiated by The Homeownership Group with local lending institutions. The purchasers will agree to lease the unit for a period of up to 3 years at an agreed upon rental. A portion of the rent will be used to meet the downpayment requirements for the mortgage.

While it is assumed that the mortgages will carry an interest rate equal to the lending institution's prevailing rate for residential mortgages, the best possible financial arrangement for the buyer will be sought.

Although the sponsor's tenant selection committee will have to approve each tenant, final approval will rest with the lending institution.

The Homeownership Group, on behalf of the sponsor, will explore alternative sources of funding with the specific goal of making a portion of the units more affordable to lower-income people. Such funds could be used to buy down the price or interest rates on a certain number of houses and/or subsidize the program in other ways such as paying for a portion of the land or housing unit acquisition costs.

In addition, the administrative costs, including consulting services, could be funded from other sources.

A marketing plan will be developed and implemented. It may be desirable to establish certain priority groups both in terms of advertising and approval for purchase such as income level, first time homebuyers or current city residents. Final approval for such

criteria will be required by the sponsor.

All media outlets will be utilized and extensive use will be made of community based referral organizations and private industry to identify potential buyers. The media campaign will be designed to emphasize the unique character of this program and its appeal for households who do not consider themselves able to purchase a new home.

Efforts will also be made to reach potential homebuyers attracted to New Brunswick as part of the economic development program. It is anticipated that the program will begin with a major publicity effort on the part of the city government, i.e., press releases, briefings and press conferences with city officials. Such a publicity campaign will also help publicize the city's economic development efforts.

Advertising and production costs, if any, would be borne by the sponsor and later refunded from the proceeds of the bond sale.

A tenant selection committee that could include representatives from the lending institutions, the property management firm, the sponsor(s), appropriate city departments and other concerned parties will be responsible for selecting the tenants. The Homeownership Group will not be represented on the committee, however, it will provide staff assistance to the committee.

The sponsor and the lending institution will be responsible for establishing eligibility criteria and in establishing procedures for applying the criteria for individual applications. The criteria, at a minimum, should ensure that the applicant meets the various priorities established and that the household income meets program standards.

Final approval, however, will rest with the lending institution(s).

An experienced property management firm will be selected to oversee the management of the units during the lease phase. The projected rental fees will include allowances for a management fee and maintenance expenses.

In order to encourage homeownership responsibilities, the occupant will be responsible for all maintenance and repairs (interior and exterior) not covered by a warranty. The occupants would also be expected to pay for all utility costs.

The management firm will collect rents, maintain common areas, prepare a unit in the event of turnover, handle rental delinquencies, and respond to occupant complaints and questions.

The management firm will report on a regular basis to the sponsor on the status of the units to include physical condition, status of rental payments, and problem areas requiring special action.

The Homeownership Group will work closely with the sponsor(s), HUDA, and other appropriate city agencies in all phases of the program. Outlined below are the specific activities to be performed by The Homeownership Group.

- .. Evaluate potential sites and units for rehabilitation.
- .. Prepare a rent and economic analysis.
- .. Negotiate with local lending institutions for permanent financing commitments.
- .. Develop and assist in carrying the bond sale through to completion.
- .. Work with the sponsor to develop and implement a marketing strategy.
- .. Assist the sponsor in selecting builder (s).

- .. Establish tenant selection criteria and assist in the formation of a tenant selection committee(s)
- .. Assist in the selection of a property management firm(s)
- .. Review and evaluate sources of supplemental funding.
- .. Work closely with bond counsel and bond underwriters throughout all phases of the program.

The program is divided into a developmental phase, a marketing phase and a construction phase.

During the development phase The Homeownership Group will assist in negotiating the long and short term financing commitments, the completion of a full legal analysis with bond counsel and an economic and rent structure analysis; completion of site/rehab unit selection and contractor selection, establishment of the tenant selection committee, the review of supplemental funding sources and the development of a marketing strategy.

During the marketing phase The Homeownership Group will assist the sponsor in the implementation of the marketing strategy. The long term financing arrangements will be completed during the marketing program.







REPORT

of

LEE AVENUE TOWNHOMES

Lee Avenue & Seaman Street  
New Brunswick, New Jersey

January 27, 1983

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## COMMUNITY IMPACT

### LEE AVENUE TOWNHOMES

The project lies within the second ward (first district) of the City of New Brunswick. It is comprised of older, established one and two-family residences. There are various stores throughout the micro-community which serve the needs of the residents.

The project site is within 4 blocks of the New Brunswick Library, the Chester A. Redshaw Middle School and the new Paul Robeson Elementary School. It is also within 3 blocks of Feaster Park, and one block from the main bus line within the City on Livingston Avenue. There are numerous churches of various denominations within a 4 block area.

Very little, if any, new residential construction has occurred in the area over the years. However, some owners have upgraded and modernized their properties. With the completion of the new Paul Robeson School, the first major construction, has been realized within the project area.

The Neighborhood House, which offers the micro-community social and sport activity opportunities is within 3 blocks of the site and across from Feaster Park.

With the realization of the Paul Robeson School and the projected completion of the Lee Avenue Townhomes Project, the area will have received a very vital shot-in-the-arm. It is anticipated, though not the overriding object of this residential project, that existing property owners will, through the incentives established by the new constructions, act to upgrade their properties and provide a grassroot revitalization of the area.

PROJECT ANALYSIS  
LEE AVENUE TOWNHOMES

1. PROJECT SITE AREA.....5,750 sf  
 $100' \text{ w} \times 57.5' \text{ dp} = 5,570 \text{ sf}$
2. TOWNHOME DENSITY.....5 Units  
 (5) 2 Bedroom Units
3. GROUND COVER.....38%
  - a.  $16.33' \text{ w} \times 26.83' \text{ dp} = 438.13 \text{ sf/u}$
  - b.  $438.13 \text{ sf/u} \times 5\text{u} = 2,190.7 \text{ sf}$
  - c.  $2,191/5750 = 38\%$
4. FLOOR AREA RATIO.....70%
  - a.  $809 \text{ usable sf/u} \times 5\text{u} = 4,045 \text{ sf}$
  - b.  $4045 / 5750 = 70\%$
5. PARKING REQUIREMENTS
  - a. Required:  $1 \frac{1}{2} \text{ sp/u} \times 5\text{u} = 7.5 \text{ spaces}$
  - b. Provided  $= 5.0 \text{ spaces}$

COST ANALYSIS

LEE AVENUE TOWNHOMES

1.	LAND COST-TOTAL PARCEL.....	\$15,040*
2.	LAND COST PER INTERIOR UNITS..... (939 sf x \$2.62/sf)	2,460*
3.	LAND COST PER END UNITS..... (1455 sf x \$2.62/sf)	3,841*
4.	BUILDING COST-INTERIOR UNITS..... (1,314 sf x \$32.31/sf)	42,455
5.	BUILDING COST-END UNITS..... (1,314 sf x \$34.60/sf)	45,465
6.	MISCELLANEOUS PROJECT COSTS (PER UNIT).....	2,800
	a. Survey & Subdivision -	\$ 1,600 *
	b. A/E Drawings/Spec. -	2,500 *
	c. Construction Inspection -	15,015 *
	d. Legal	5,000
	e. Permits/Fees	500
	f. Taxes	460
	g. Insurance (+\$200 Home Owners Guarantee)	1,500
	h. Utilities	<u>6,500</u>
	TOTAL	\$13,960

$$\frac{\$13,960}{5} = \$2,800 \pm$$

\*PROJECT COSTS/EXPENSES INCURRED BY DEVCO

RECAPITULATION

LEE AVENUE TOWNHOMES

A. COST OF INTERIOR UNITS (PER UNIT)

1. Land Cost.....	\$ 2,460*
2. Building Cost.....	42,455
3. Miscellaneous Project.....	2,800
4. Construction Interest.....	2,775
(13% - 9 Months) 2/3	
5. Mortgage Placement Fee (2%).....	<u>1,040</u>

TOTAL COST PER INTERIOR UNIT = \$49,070

B. COST OF END UNITS (PER UNIT)

1. Land Cost.....	\$ 3,841*
2. Building Cost.....	45,465
3. Miscellaneous Project Cost.....	2,800
4. Construction Interest (13% - 9 Months) 2/3....	2,970
5. Mortgage Placement Fee (2%).....	<u>1,100</u>

TOTAL COST PER END UNIT = \$52,335

C. TOTAL PROJECT COST..... \$251,880

1. Interior Units: 49,070 x 3 =	\$147,210
2. End Units : 52,335 x 2 =	104,670

D. PROJECTED SALES PRICE

1. Interior Units: \$52,000
2. End Units : 55,000

E. ESTIMATED PROJECT OVER-RIDE

52,000 x 3 =	156,000
55,000 x 2 =	110,000

PROJECTED SALES.....	\$266,000
TOTAL PROJECT COST.....	<u>251,880</u>

PROJECTED OVER-RIDE \$ 14,120

\*PROJECT COSTS NOT INCLUDED IN TOTAL PROJECT COSTS (SUBSIDIZED BY DEVCO)

PROJECT SCHEDULE  
LEE AVENUE TOWNHOMES

1.	HOUSING COMMITTEE/DEVCO BOARD APPROVAL.....	January	1983
2.	BOARD OF ADJUSTMENT SUBMITTAL.....	February	1983
3.	BOARD OF ADJUSTMENT APPROVAL AND WORKING DRAWING COMPLETION.....	March	1983
4.	CONSTRUCTION START.....	April	1983
5.	TOTAL PROJECTION COMPLETION.....	Max Min.	Nov. Sept. 1983 1983



## OUTLINE SPECIFICATIONS

### LEE AVENUE TOWNHOMES

#### 1. Exterior

- a. Foundations: 12" concrete block, dampproofed. Excavation and backfill for footings and concrete walks.
- b. Walls: 2x4-16" o/c wood studs with 2½" thick batt-type insulation. 1/2" plyscord sheathing and 15# building paper. 4" non-load bearing brick veneer of average quality at ground floor level. Wood siding to be standard shingles, shakes or vinyl siding. (above garage level).
- c. Windows: Casement type with interior screens. Windows to be glazed with insulating glass.
- d. Doors: Exterior grade solid core raised-panel type with standard grade hardware.
- e. Roofing: Asphalt shingles (250#/sq.) over 15# building paper and 5/8" plyscord sheathing.

#### 1. Interior

- a. Floors: Select hardwood or average quality wall to wall carpet in all areas except baths, which will have ceramic tile, and entries and kitchen, which will have vinyl asbestos tile.
- b. Walls: Drywall taped, spackled and finished for painting.
- c. Ceilings: Drywall taped, spackled and finished for painting.
- d. Doors: 1 3/8" thick hollow core doors mounted with standard trim and hardware.
- e. Trims/  
moldings: Average quality trim and baseboard moldings, window and door frames and wall openings. Plain moldings at wall ceiling intersections.
- f. Plumbing: One full bath with 3 white fixtures of average quality with cooper or p.v.c. supply piping. All other fixtures such as kitchen sink, hot water heater, laundry tubs, etc., shall be of standard quality.
- g. Heating: Gas or oil fired warm air furnace with forced air supply to all rooms and returns from each major area. Heating system duct work shall have capacity for central air conditioning installation.

Outline Specifications Cont'd

- h. **Electrical:** Service shall be 100 amps. with non-metallic sheathed cable distribution and standard circuit breaker protection at main panel board. All rooms equipped with standard duplex receptacles and switch control for lamp outlets and/or ceiling lighting fixtures. Fixtures shall be of average quality.
- i. **Specialties:** Kitchen cabinets shall be standard, plain hardwood units of average cost with comparable hardware. Countertops shall be formed from plastic laminate finish materials selected from supplier's standard color charts.

Outline Specifications Cont'd

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