



Legislation Details (With Text)

File #: 19-2019 **Version:** 1 **Name:** United Community Village Subordination of Mortgage

Type: Resolution **Status:** Adopted

File created: 12/23/2019 **In control:** Economic and Housing Development

On agenda: 9/2/2020 **Final action:** 9/2/2020

Title: Dept/ Agency: Economic and Housing Development
 Action: () Ratifying (X) Authorizing () Amending
 Type of Service: Subordination Agreement
 Purpose: To subordinate the City's Affordable Housing Mortgage for property conveyed by City to a non-profit, which is subject to certain conditions.
 Entity Name: United Community Village Urban Renewal Housing, L.P.
 Entity Address: 332 S. 8th Street, Newark, New Jersey 07103
 Lender's Name: Velocity Commercial Capital, LLC
 Lender's Address: P.O. Box 7089, Westlake Village, California 91956
 Contract Period: Mortgage in effect from May 27, 1998 through May 27, 2028
 Contract Basis: () Bid () State Vendor () Prof. Ser. () EUS
 () Fair & Open () No Reportable Contributions () RFP () RFQ
 () Private Sale () Grant () Sub-recipient (X) n/a
 List of Property: (If applicable)
 (Address/Block/Lot/Ward)
 434-442 15th Avenue/ Block 279/Lot 22.01/ Central Ward
 328-334 S. 7th Street/ Block 279/Lot 22.02/ Central Ward
 299-301, 303 S. 7th Street/ Block 280/Lot 1.01/ Central Ward
 307-321 S. 7th Street/ Block 280/Lot 1.06/ Central Ward
 332-340 S. 8th Street/ Block 280/Lot 1.02/ Central Ward
 342-354 S. 8th Street/ Block 280/Lot 1.03/ Central Ward
 356-366 S. 8th Street/ Block 280/Lot 1.04/ Central Ward
 368-374 S. 8th Street/ Block 280/Lot 1.05/ Central Ward
 Additional Information:
 Resolution 7R-x adopted on January 21, 1998 by the Municipal Council authorized the Affordable Housing Agreement.

Sponsors: Council of the Whole

Indexes:

Code sections:

Date	Ver.	Action By	Action	Result
9/2/2020	1	Municipal Council	Adopt	Pass

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Additional Information:

Resolution 7R-x adopted on January 21, 1998 by the Municipal Council authorized the Affordable Housing Agreement.

WHEREAS, on January 21, 1998, the Municipal Council adopted Resolution 7R-x authorizing the execution of an Affordable Housing Agreement and a Multi-Family Rental Mortgage Note (the "Note") dated May 27, 1998 between the City of Newark and United Community Village Urban Renewal Housing, L.P ("United Community") with Federal Home Funds subsidy pursuant to the Home Investment Partnership Program (HOME) enacted under Title II of the Cranston-Gonzalez National Affordable Housing Act (Title II, Pub, L 101-625, approved November 28, 1990, 104 Stat. 4094-4128, 42 U.S.C. 12701-12839 (NAHA)) in the aggregate principal amount of Nine Hundred and Fifty-Six Thousand, Seven Hundred and Thirty-Five Dollars and Zero Cents (\$956,700.00) for the construction of thirty-six (36) units of low income rental housing ("Housing Units") known as United Community Village on properties with a common address of 299-303 S. 7th Street, 332-340 S. 8th Street, 342-354 S. 8th Street, 356-366 S. 8th Street, 368-374 S. 8th Street, 307-321 S. 7th Street, 434-442 15th Avenue, and 328-334 N. 7th Street in the City of Newark, County of Essex and State of New Jersey and identified on the Official Tax Map of the City of Newark as Block 279, Lots 22.01 and 22.02; Block 280, Lots 1.01, 1.02, 1.03,1.04, 1.05 and 1.06 and further described in Exhibit "A" attached hereto (collectively the "Properties");

WHEREAS, security for the repayment of the Note and the performance of the all promises contained in the Note, United Community executed a Mortgage to the City dated May 27, 1998 recorded on May 29, 1998 in the Essex County Register's Office, in Mortgage Book 7023, Page 0907, in the amount of Four Hundred Forty-Four Thousand Three Hundred Thirty-Five Dollars and Zero Cents (\$444,335.00) ("Existing Mortgage"), thereby making the City the "Holder" of the Existing Mortgage; and

WHEREAS, by letter dated March 24, 2015, the limited partners National Equity Fund 1996 Limited Partnership and National Equity Fund 1996 Series II Limited Partnership withdrew from United Community with an effective date of April 15, 2015. A copy of the letter is attached as Exhibit "B"; and

WHEREAS, by Deed dated March 11, 2020, the surviving general partner, United Community Housing Development Corporation conveyed title to the Properties to United Community Urban Housing Corporation (the "Borrower" or "UCUHC"). A copy of the recorded Deed is attached hereto as Exhibit "C"; and

WHEREAS, the Borrower assumed the terms of the Note and the Affordable Housing Agreement; and

WHEREAS, pursuant to the Affordable Housing Agreement and Note, the Housing Units must remain affordable to low income eligible households for a minimum of thirty (30) years from the date of the Mortgage (the “Eligibility Period”) as required under the Home Funds Program; and

WHEREAS, Borrower sought a New Mortgage in order to take advantage of lower interest rates in the lending markets for the purpose of keeping the Housing Units affordable through the expiration of the Eligibility Period; and

WHEREAS, Velocity Commercial Capital, LLC (“Mortgagee”) is about to make a loan to Borrower as successor in title to United Community; and

WHEREAS, as security for the loan the Borrower is about to give to Mortgagee a mortgage in the amount of Nine Hundred Fifty-Six Thousand Seven Hundred Dollars and Zero Cents (\$956,700.00) (the “New Mortgage”), which is about to be recorded in the public records of the County of Essex, New Jersey, constituting a first lien against the Properties described on Schedule “A”; and

WHEREAS, the Mortgagee, as a condition precedent to the approval of the New Mortgage to the Borrower requires the subordination of the Existing Mortgage (sometimes referred to as “Subordinated Debt”) held by the City and the Mortgagee will not accept the New Mortgage, unless the City’s Existing Mortgage is subordinated to it; and

WHEREAS, in accordance with the Affordable Housing Agreement so long as the Housing Units remain affordable, upon expiration of the Eligibility Period on May 27, 2028, the terms of the Note shall be deemed satisfied and Mortgage paid in full; and

WHEREAS, in order to induce the Mortgagee to make the loan and accept the New Mortgage, the Holder must agree to subordinate the lien of the Existing Mortgage to the lien of the New Mortgage; and

WHEREAS, the City, as the Holder of the Existing Mortgage, in consideration of the mutual promises contained in the Subordination of Mortgage Agreement and in recognition of the need to maintain affordable housing in the City of Newark, agrees to subordinate the Existing Mortgage.

NOW, THEREFORE, BE IT ORDAINED BY THE MUNICIPAL COUNCIL OF THE CITY OF NEWARK, NEW JERSEY, THAT:

1. The Mayor and/or his designee, the Deputy Mayor/Director of the Department of Economic and Housing Development are hereby authorized to enter into and execute a Subordination of Mortgage Agreement with United Community Urban Housing Corporation (UCUHC), 332 South 8th Street, Newark, New Jersey 07103 to facilitate the issuance of a mortgage by the Mortgagee to UCUHC in the amount of Nine Hundred Fifty-Six Thousand Seven Hundred Dollars and Zero Cents (\$956,700.00) for the purpose of maintaining affordable housing units with a common

address of 299-303 S. 7th Street, 332-340 S. 8th Street, 342-354 S. 8th Street, 356-366 S. 8th Street, 368-374 S. 8th Street, 307-321 S. 7th Street, 434-442 15th Avenue, and 328-334 N. 7th Street in the City of Newark, County of Essex and State of New Jersey and identified on the Official Tax Map of the City of Newark as Block 279, Lots 22.01 and 22.02; Block 280, Lots 1.01, 1.02, 1.03, 1.04, 1.05 and 1.06.

2. The Borrower assumes the terms of the Note and Affordable Housing Agreement.
3. The Existing Mortgage lien shall be subordinated in the amount secured by the New Mortgage and interest and advances and any other fees, costs or other charges already paid and to be paid in the future under the New Mortgage. Examples of the advances are real estate and other municipal taxes, insurance, brokerage commissions, fees for making the loan, mortgage recording taxes, documentary stamps, fees for examination of title and surveys.
4. UCUHC acknowledges that, notwithstanding the subordination of the Existing Mortgage, the Housing Units shall remain affordable until the expiration of the Eligibility Period.
5. As long as the Housing Units remain affordable, upon expiration of the Eligibility Period the Note shall be deemed satisfied and Mortgage paid in full and Holder agrees to execute a Discharge of Mortgage in recordable form.

STATEMENT

This resolution authorizes the Mayor and/or his designee, the Deputy Mayor/Director of Economic and Housing Development to enter into and execute a Subordination of Mortgage Agreement with United Community Urban Housing Corporation as successor in title to United Community Village Urban Renewal Housing, L.P. to facilitate the issuance of a mortgage by Velocity Commercial Capital, LLC to United Community Urban Housing Corporation in the amount of Nine Hundred and Fifty-Six Thousand and Seven Hundred Dollars and Zero Cents, \$956,700.00 ("New Mortgage") for the purpose of maintaining affordable housing units with a common address of 299-303 S. 7th Street, 332-340 S. 8th Street, 342-354 S. 8th Street, 356-366 S. 8th Street, 368-374 S. 8th Street, 307-321 S. 7th Street, 434-442 15th Avenue, and 328-334 N. 7th Street in the City of Newark, County of Essex and State of New Jersey and identified on the Official Tax Map of the City of Newark as Block 279, Lots 22.01 and 22.02; Block 280, Lots 1.01, 1.02, 1.03, 1.04, 1.05 and 1.06.