



City of Newark

City Hall
920 Broad Street
Newark, New Jersey 07102

Legislation Text

File #: 20-0201, Version: 1

Dept/ Agency: Economic and Housing Development

Action: () Ratifying (X) Authorizing () Amending

Type of Service: Loan Agreement / Promissory Note Pursuant to Section 108 Loan Guarantee Program

Purpose: A resolution authorizing the execution and delivery of Obligor Loan Documents to effectuate a loan awarded under the United States Department of Housing and Urban Development ("HUD") Section 108 Loan Guarantee Program for a Redevelopment Project to be undertaken by Newark Makerhoods Master Lease, LLC.

Entity Name: United States Department of Housing and Urban Development

Entity Address: 451 7th Street S.W., Washington, DC 20410

Loan Amount: Not to exceed \$5,000,000.00

Loan Term: Twenty (20) years

Project Property Information: (Address/Block/Lot/Ward)

597-601 Dr. Martin Luther King, Jr. Boulevard/Block 2508/Lot 29/Central Ward

129-145 Court Street/Block 2508/Lot 52/Central Ward

Additional Information:

Application for loan funds authorized by Resolution 7R2-a(AS) adopted on November 1, 2017.

Contract for Loan Guarantee Assistance authorized by Resolution 7R2-c(AS) adopted on March 6, 2019.

Execution and Delivery of a Variable/Fixed Rate Note and related documents authorized by Resolution 7R2-d(AS) adopted on December 18, 2019.

WHEREAS, Section 108 of the Housing and Community Development Act of 1974 (42 U.S.C. 5308) ("Section 108"), authorizes the U.S. Department of Housing and Urban Development ("HUD") to guarantee loans as part of its Community Development Block Grant ("CDBG") Program; and

WHEREAS, HUD has designated the City of Newark, State of New Jersey ("City"), as an Urban Entitlement Area under the Community Development Block Grant Program; and

WHEREAS, the City has been receiving CDBG Program funds since the program's inception in 1974; and

WHEREAS, HUD administers the Section 108 Loan Guarantee Program, which provides communities who receive CDBG funds with an additional source of financing for economic development, housing rehabilitation, public facilities, and other physical development projects as outlined by 24 CFR 570.202 and 24 CFR 570.702 (the "Section 108 Regulations"); and

WHEREAS, in order to receive loan guarantees under Section 108, an applicant pledges its current and future CDBG funds as the principal security for the loan guarantee, and may be required to pledge additional security for each loan, as determined by HUD on a case by case basis; and

WHEREAS, in accordance with the Section 108 Regulations, the City may utilize the loan

proceeds to fund certain economic development projects, or may lend those loan proceeds to qualified entities to fund economic development projects which meet certain criteria as determined by HUD; and

WHEREAS, by Resolution 7R2-d(AS) adopted on August 2, 2017, the Municipal Council of the City of Newark (the “Municipal Council”) authorized the execution of a redevelopment and land sale agreement (the “Redevelopment Agreement”) with Newark Makerhoods, LLC, (the “Redeveloper”) to provide for the rehabilitation of the Krueger-Scott Mansion, and construction of a project to include 66 units of residential space, including affordable units, and 16 commercial/retail spaces where building tenants will operate small businesses at 597-601 Dr. Martin Luther King, Jr., Boulevard and 129-145 Court Street in the Central Ward of the City (the “Project”); and

WHEREAS, by Resolution 7R2-e(AS), adopted on December 18, 2019, the Municipal Council approved an amendment to the Redevelopment Agreement in order to name Newark Makerhoods Master Lease, LLC, as a co-Redeveloper (“Master Lease, LLC”) on the Project; and

WHEREAS, by Resolution 7R2-d(AS), adopted on December 18, 2019, the Municipal Council approved various documents related to the use of HUD Section 108 Program funds, including the form Note and Attachment 3 related to Section 108 Guarantee Assistance Program funds in an amount not to exceed Five Million Dollars and Zero Cents (\$5,000,000.00), to subsidize the Project, and the disbursement of the same to Master Lease, LLC, subject to further approval of the Municipal Council of certain documents with Master Lease, LLC, including a loan agreement and promissory note (the “Obligor Loan Documents”); and

WHEREAS, the City wishes to authorize and approve the Obligor Loan Documents, and the execution of the same by the Mayor and/or his designee, the Director of the Department of Economic and Housing Development in order to effectuate the loan to Master Lease, LLC.

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

1. The Loan Agreement, the Promissory Note, the Collateral Assignment of Junior Leverage Loan Documents, the Collateral Agency Agreement and the HUD Assignment, each in substantially the form as attached hereto as Exhibit A (the “Obligor Loan Documents”) are hereby approved and authorized and that the Mayor, and/or his designee, the Director of the Department of Economic and Housing Development, are hereby authorized and directed to enter into, execute and deliver, as applicable, the Obligor Loan Documents.

2. The Mayor and/or his designee, the Director of the Department of Economic and Housing Development are authorized to request advances from HUD pursuant to the terms and conditions of the Contract for Loan Guarantee Assistance Under Section 108 of the Housing and Community Development Act of 1974, as amended (42 U.S.C. §5308)(the “Contract”).

3. Disbursement of the HUD Section 108 Loan Guarantee Program funds to Newark Makerhoods Master Lease, LLC, for the Project pursuant to the Obligor Loan Documents, shall be subject to the terms and conditions set forth in the Obligor Loan Documents and the Contract, which is attached hereto and a made a part hereof.

4. A copy of each of the fully executed Obligor Loan Documents, and any related documents and certifications authorized by this Resolution shall be placed on file with the Office of

the City Clerk by the Director of the Department of Economic and Housing Development.

STATEMENT

This resolution authorizes the Mayor and/or his designee, the Director of Economic and Housing Development, to enter into and execute and deliver the Obligor Loan Documents, in connection with the HUD Section 108 loan by the City to Newark Makerhoods Master Lease, LLC, for the benefit of Newark Makerhoods, LLC, in order to finance the proposed Redevelopment Project located at 597-601 Dr. Martin Luther King, Jr. Boulevard and 129-145 Court Street, shown on the Tax Maps of the City of Newark as Block 2508, Lots 29 and 52 in the Central Ward.