



City of Newark

City Hall
920 Broad Street
Newark, New Jersey 07102

Legislation Text

File #: 12-1345, Version: 1

Dept/ Agency: Economic & Housing Development

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

Type of Service: Private Sale/Redevelopment

Purpose: To Amend the Redevelopment Agreement between the City and 36-54 Rector Street, LLC ,in order to modify the Project, revise the amount and method of satisfying the PLA Increase, revise the method of payment of the Purchase Price for the Property, and to amend certain deadlines relating to the sale and redevelopment of the Property

Entity Name: 36-54 Rector, L.L.C.

Entity Address: 36-54 Rector Street, Newark, New Jersey

Sale Amount: \$2, 750,000.00

Cost Basis: () \$ PSF (x) Negotiated () N/A () Other:

Assessed Amount: \$

Appraised Amount: \$

Contract Period: Construction Start Date - no later than May 2013 and completed within 24 months of start date.

Contract Basis: () Bid () State Vendor () Prof. Ser. () EUS

() Fair & Open () No Reportable Contributions () RFP () RFQ

() Private Sale () Grant () Sub-recipient () n/a

List of Property:

(Address/Block/Lot/Ward)

36-54 Rector Street, Newark, New Jersey; Block 17, Lot 26

Additional Information:

Resolution 7R7-n 080608 , designated 36-54 Rector, LLC. as the redeveloper of the property 36-54 Rector Street..

WHEREAS, on August 6, 2008, the Municipal Council of the City of Newark (the "Municipal Council") adopted Resolution 7R7-n 080608 designating 36-54 Rector, L.L.C. as the redeveloper of the property commonly known as 36-54 Rector Street and identified on the tax map of the City of Newark as Block 17, Lot 26 (the "Property") and authorizing the Mayor and the Deputy Mayor/Director of the Department of Economic and Housing Development to enter into a redevelopment agreement with 36-54 Rector, L.L.C. for the sale and rehabilitation of the Property; and

WHEREAS, pursuant to the authorization set forth within Resolution 7R7-n 080608, the redevelopment agreement was executed by City representatives and became effective on October 8, 2008 (the "Redevelopment Agreement"); and

WHEREAS, the Redevelopment Agreement provided that 36-54 Rector L.L.C. would construct a residential project consisting of approximately 152 new luxury market rate units in a multi-story residential tower to be located on the property with ground floor retail space, residential lobby and amenity space with parking for approximately 154 vehicles (the "Project"); and

WHEREAS, the City and 36-54 Rector, L.L.C. contemplated that the housing units built for the Project would be sold as condominiums and 36-54 Rector, L.L.C. worked diligently to obtain financing for a condominium project; and

WHEREAS, after the execution of the Redevelopment Agreement, the residential condominium market in New Jersey experienced an economic downturn due to the recession and, as a result, 36-54 Rector, L.L.C. now wishes to construct a high rise residential rental project on the Property; and

WHEREAS, the Redevelopment Agreement also provided that in order to compensate 36-54 Rector, L.L.C. for the consequential increase in the cost of the project in the event of a City request that 36-54 Rector, L.L.C. enter into a project labor agreement (“PLA”) governing the workforce requirements for the project, the City would fund, via the issuance of redevelopment area bonds, UEZ grants, or other financial incentives, a PLA Increase in an amount to be agreed upon by the City and 36-54 Rector, L.L.C., but no less than \$11.5 million dollars and no more than \$15 million dollars; and

WHEREAS, after the execution of the Redevelopment Agreement, 36-54 Rector, L.L.C. applied for and received an urban transit hub tax credit award for a residential condominium project in the amount of 20% of the qualifying total project cost; and

WHEREAS, due to a change in law, residential projects may now obtain an urban transit hub tax credit award in the amount of 35% of the total qualifying project cost; and

WHEREAS, 36-54 Rector, L.L.C. has applied to the New Jersey Economic Development Authority (the “NJEDA”) for an increase in its urban transit hub tax credit award to 35% of the total qualifying project cost for a residential rental project consistent with this change in law; and

WHEREAS, as a result of changes in the project costs including an increase in costs due to the need to finance transaction costs related to redevelopment area bonds, subsidies/loans and the receipt by 36-54 Rector, L.L.C. of an urban transit hub tax credit award for this project and costs associated with financing the tax credits through construction, the City and 36-54 Rector, L.L.C. wish to amend the provisions of the Redevelopment Agreement in order to revise the PLA Increase and method of payment of the purchase price of the property; and

WHEREAS, the Redevelopment Agreement also established deadlines for certain redevelopment activities, including the receipt of Governmental Approvals, the closing on the sale of the property, and the Commencement and Completion of Construction; and

WHEREAS, due to changes in the Project, the City and 36-54 Rector, L.L.C. wish to amend the deadlines in the Redevelopment Agreement.

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

1. The Municipal Council of the City of Newark hereby authorizes the Mayor and/or his designee, the Deputy Mayor/Director of the Department of Economic and Housing Development, to

execute the First Amendment to the Redevelopment Agreement with 36-54 Rector, L.L.C. (120 Albany Street, New Brunswick, New Jersey 08901) on behalf of the City in the form attached hereto in order to, among other things, modify the Project from a 152 unit condominium project to a 169 unit rental project, revise the amount of the PLA Increase to six million dollars (\$6,000,000.00) and revise the method of satisfying the PLA Increase, revise the method of payment of the Purchase Price for the Property in order to authorize a Demolition/Remediation Mortgage and a Purchase Money Mortgage, and to amend the deadlines to close on the acquisition of the property and to complete construction of the project.

2. Any subsequent material changes to the Redevelopment Agreement, as amended, must be approved by the City of Newark Municipal Council.

3. The Mayor and/or his designee, the Deputy Mayor/Director of the Department of Economic and Housing Development, are hereby authorized to effectuate certain business terms and conditions related to the First Amendment to the Redevelopment Agreement with 36-54 Rector, L.L.C. on behalf of the City and to enter into any subordinate documents relating to the conveyance of the Property, including but not limited to notes and mortgages, as may be authorized under the Redevelopment Agreement and the First Amendment to the Redevelopment Agreement in forms approved by the Corporation Counsel.

4. The First Amendment to the Redevelopment Agreement with 36-54 Rector, L.L.C., once fully executed, shall be filed with the City Clerk by the Deputy Mayor/Director of the Department of Economic and Housing Development.

STATEMENT

This resolution authorizes the Mayor and/or his designee, the Deputy Mayor/Director of the Department of Economic and Housing Development, to execute a First Amendment to the Redevelopment Agreement with 36-54 Rector, L.L.C. (120 Albany Street, New Brunswick, New Jersey 08901) on behalf of the City in order to, among other things, modify the Project from a 152 unit condominium project to a 169 unit rental project, revise the amount of the PLA Increase to six million dollars (\$6,000,000.00) and revise the method of satisfying the PLA Increase, revise the method of payment of the Purchase Price for the Property in order to authorize a Demolition/Remediation Mortgage and a Purchase Money Mortgage, and to amend the deadlines to close on the acquisition of the property and to complete construction of the project.