



NASSAU CAPITAL ADVISORS, LLC

MEMORANDUM

TO: JONATHAN E. DRILL, ESQ.

FROM: ROBERT S. POWELL, JR.
MANAGING DIRECTOR

RE: IN THE MATTER OF THE BOROUGH OF CHATHAM MOUNT LAUREL
COMPLIANCE – DOCKET NO. MRS-L-1906-15

DATE: OCTOBER 19, 2022

You have asked me to review that certain status report on the matter captioned above, prepared by Special Master Joseph Burgis dated October 3, 2022 and addressed to Judge Hansbury. In particular, you requested that I respond to the following portion of Mr. Burgis's letter at page 4:

In this instance, the Borough is providing the site for development under a 45 year lease for nominal consideration, and the pro forma submitted by BC UW also anticipates reliance on an estimated \$853,301 as a Borough subsidy. Additionally, on September 12, 2022 the Borough passed on first reading a \$6 million bond ordinance for the purposes of funding any shortfall that may arise if other funding sources such as those BC UW has relied upon on other projects as noted above are not secured.

Based on the above, it appears the project is feasible. It is noted that the BC UW pro forma identifies a total development cost of \$5.87 million. While it would appear the \$6 million bond ordinance provides a cushion for any overage, the Borough should comment on where any additional funding may come from if the \$6 million is inadequate to cover any shortfall.

My Review and Response:

I have discussed in some detail with Tom Toronto, principal manager of BC UW, the development costs of this project as well as likely sources of funds for the development other than the Borough of Chatham.

Based on those discussions, and my professional experience in financing dozens of similar 100% affordable housing projects in New Jersey, I have prepared the attached worksheets. I believe the financial information contained in the attachment here reasonably-summarizes the likely sources and uses of funds for the project.

As Joe Burgis noted, the total cost of project is approximately \$5.87 million. The attached budget indicates a number of sources of funds other than Borough bond proceeds. Of these other sources, several are quite credible and feasible in my professional experience, including:

- \$983,897 in proceeds from a mortgage loan; and
- \$3,000,000 from the NJ Department of Community Affairs Affordable Housing Fund which recently received an infusion of several hundred million dollars in federal funding. This 15-unit project fits squarely within the eligibility standards for funding by this program.

Jonathan E. Drill, Esq.
Re: Borough of Chatham
Page 2

BCUW has considerable experience securing funds from Morris County's HOME program and from the Federal Home Loan Bank; but if these sources are not available for this project, the Borough's required subsidy would rise to approximately \$1.9 million.

The Borough's \$6,000,000 funding commitment in my professional opinion far exceeds any realistic shortfall the developer might encounter.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'R. Powell, Jr.', with a stylized, cursive script.

Robert S. Powell, Jr.
Managing Director

Attachment

In the Matter of Borough of Chatham Mt. Laurel Compliance						
Financial Plan - 15 100% Affordable Units						
Developer: Bergen County United Way						
Rev 10.19.22						
		2022 NJ Affordable Housing Professionals		Annual		
		Allowable Rents		Annual		
		Mo. Rent		Gross Inc.		
		Util. Allow		Net Rent		
				Gross Inc.		
1 Bdrmm Very Low 30%	# of Units	0	647	89	558	\$0
1 Bdrmm Low 50%	1	1,079	89	990		\$11,880
1 Bdrmm Mod 60%	1	1,295	89	1,206		\$14,472
2 Bdrmm Very Low	1	777	119	658		\$7,896
2 Bdrmm Low	4	1,295	119	1,176		\$56,448
2 Bdrmm Mod	5	1,555	119	1,436		\$86,160
3 Bdrmm Very Low	1	898	148	750		\$9,000
3 Bdrmm Low	1	1,497	148	1,349		\$16,188
3 Bdrmm Mod	1	1,797	148	1,649		\$19,788
Total	15					\$221,832
Operating Expenses	7,500	per unit	Previous Model Submitted 3-8-22			
NOI Calculation						
Gross Potential Income		221,832				
Vacancy	10%	(22,183)				
Effective Gross Income		199,649				
Operating Expenses	7,500	(112,500)				
Net Operating Income		87,149				
Development Costs						
Construction		4,950,000				
Total Land/Site Acquisition:		0				
Total Professional Services:		397,500				
Developer Fee		247,500				
Furniture		10,000				
Contingencies		267,375				
Total Development Costs		5,872,375				
Sources of Funds						
Mortgage Loan		983,897				
Morris County Home		200,000				
Federal Home Loan Bank		500,000				
NJ DCA Affordable Housing Fund		3,000,000				
Borough of Chatham Subsidy		1,188,478				
Total		5,872,375				

MAXIMUM LOAN SIZING ANALYSIS			
Annual Revenue Increase		2.00%	
Annual Expense Increase		3.00%	
Net Operating Income			Stress
Gross Potential Rental Income	Stabilized	Trended Yr 20	
Other Income	221,832	329,631	
Vacancy	0	0	
Effective Gross Income	10.00%	(22,183)	(32,963)
Operating Expenses		199,649	296,668
Replacement Reserves		(112,500)	(203,186)
Net Operating Income		0	0
Stress Year	20	87,149	93,480
Maximum Loan is the lesser of Stabilized NOI with a 1.20 First Year Debt Service Coverage Ratio: OR Stress Trended NOI with 1.0 Debt Service Coverage in Year 20			
Maximum Loan		983,897	
Stabilized Net Operating Income		87,149	
Loan Rate		5.50%	
Insurance		0.00%	
Amortization		30	
Payments per Year		12	
Debt Service Coverage YR 1		1.30	
Available for Debt Service		67,038	
Mortgage Constant		6.8135%	
Maximum Loan Amount	No Stress	983,897	
Payment		67,038	
Trended Net Operating Income	Stress	93,480	
Loan Rate		5.50%	
Insurance		0.00%	
Amortization		30	
Payments per Year		12	
Debt Service Coverage YR 20		1.00	
Available for Debt Service		93,480	
Mortgage Constant		6.8135%	
Maximum Loan Amount	Stress	1,371,990	
Payment		93,480	