

Martin Luther King Boulevard / Historic High Street NSP2 Application.

Census Tracts: 0062.00 and 0067.00

NSP is a component of the Community Development Block Grant (CDBG). The CDBG regulatory structure is the platform used to implement NSP and the HOME program provides a safe harbor for NSP affordability requirements.

NSP grantees develop their own programs and funding priorities. However, NSP grantees must use at least 25 percent of the funds appropriated for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of the area median income. In addition, all activities funded by NSP must benefit low- and moderate-income persons whose income does not exceed 120 percent of area median income. Activities may not qualify under NSP using the "prevent or eliminate slums and blight" or "address urgent community development needs" objectives.

Under NSP2, HUD allocated \$1.93 billion on a competitive basis to states, local governments, and non profit organizations.

The Newark Housing Authority, along with its development partner Pennrose Properties, LLC, will complete an NSP2 redevelopment effort that will return vacant housing and vacant land along the Martin Luther King / Historic High Street corridor to productive use. The development will consist of 282 new and rehabilitated units, 250 rental and 32 for-sale units.

The Newark Housing Authority is seeking \$23 million in NSP2 funding in support of these activities.

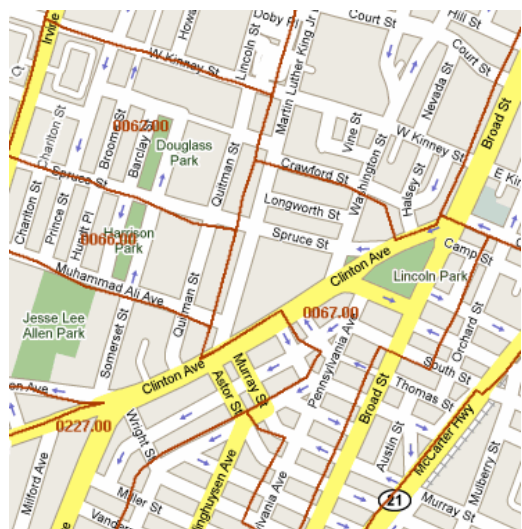
The total cost of the redevelopment activities contemplated under this proposal is \$97 million.

Citizen comments and complaints will be processed within fifteen days by sending an email to customercare@newarkha.org (with NSP2 application in the subject line), or call NHA toll free at (1-877) 642-4373.

Factor 1: Need/Extent of the Problem

A. Target Geography

The target geography for this NSP2 application is the Martin Luther King Boulevard / Historic High Street Corridor, an area of approximately one square mile, located in the heart of Newark, NJ's Central Ward. The proposed development sites along Martin Luther King Boulevard span two adjacent census tracts, 0062.00 and 0067.00. Census Tract 0066.00 is also along the corridor and targeted for redevelopment, though it is not part of this application.



The target area has been chosen both because of the extent of the need for NSP2 resources and because of the potential for revitalization. Blocks from the center of downtown Newark, the Historic High Street Corridor, with its stunning views of the New York City skyline, was once one of the grandest addresses in all of Newark.

Located in Newark's Central Ward High Street, now Dr. MLK Boulevard, suffered significant economic loss and began destabilizing following the civil unrest that Newark experienced in the late 1960s. Urban decay, crime, poverty and a loss of population followed. This destabilization continued through the 70s and 80s. Only in the

1990s did Newark, the Central Ward and High Street begin to see a halt to this economic and social decline due to the renewed efforts of the City and major institutions to adapt to market forces.

One of the key symbols of this destabilization was the number of non-performing properties financed by the Federal Home Administration that went into foreclosure along MLK Boulevard. The MLK corridor has recently begun to experience renewed economic growth. The Newark Housing Authority just completed two hundred and twenty (222) new rental and home ownership units within the last three years (Cottage Place - 100 mixed-income rental townhomes and City View Landing 106 mixed income rental townhomes and sixteen for-sale homes). And Treetop, a private landlord, invested in eight of the areas decaying rental apartment complexes and began a massive rehabilitation effort. But as in most areas of the country, the economic downturn of 2008 impacted High Street's promising rebirth.

The main corridor along Dr. Martin Luther King, Jr. Boulevard is comprised of a series of four and five story walk up rental buildings that stand adjacent to large vacant lots

where apartment buildings have been demolished in the last two to three years. High Spruce Apartments stands abandoned at the corner of a major intersection surrounded by a series of apartment buildings that have been recently purchased and refurbished.

The target area is adjacent to the last phase of the Newark Housing Authority’s Stella Wright HOPE VI Redevelopment, which represents approximately \$100,000,000 in investment activity over five years and will be complimented by the City of Newark’s effort to redevelop the site of the former Douglas Harrison development. The redevelopment efforts proposed in this application will stabilize the neighborhood against the effects of foreclosure, abandonment and neglect, by building on existing investments and positioning the neighborhood to reclaim its historic grandeur.

The target census tracts meet the eligibility thresholds with the following scores:

Census Tract	Foreclosure Score	Vacancy Score	Max Score
62	19	19	19
67	18	15	18
Average Max Score			18.5

Census Tract 66, which is not included in this proposal, though it is immediately adjacent to the other two tracts scores a three (3), and does not meet the threshold. The reason that this Census Tract, though it is coterminous with the other tracts in this proposal, does not generate a high score is that it consists of rental housing (20 units of public housing replacement), vacant structures (Douglas Harrison, 457 units), vacant land (New Horizons site), and a solid cooperative community with very low turnover rates (High Park Gardens, which is one of the neighborhood anchors). The eligibility formula is driven primarily by the preponderance of “high cost” and “highly leveraged” loans primarily between the years 2004-2007, the reason for the low score is that there is virtually no available for sale product in this tract and very few transactions. In 2008, there were no sales in this Census Tract. Vacancy risk is only calculated for Tracts that have at least 75 percent of the total housing units counted in the 2000 Census. This Tract has far fewer due to the demolition of New Horizons and the abandonment of Douglas Harrison. Tract 66 shares the demographic and economic profile of its immediate neighbors, Tracts 62 and 67, and is part of the overall redevelopment strategy for the corridor, though not part of this application.

Extent of Need

The developments in this NSP2 proposal are at the center of any efforts to thwart further destabilization of this once grand community. Sitting along Dr. Martin Luther King Jr. Boulevard (formerly High Street), the address which once was the classiest street in the City of Newark. With its views of New York City and downtown Newark it retains many of the large mansions, distinguished apartments, hotels, community centers and houses of worship in various stages of upkeep. The recent history of the street and the City has been difficult and frustrating.

B. Market Conditions & Demand Factors
Housing Market Data

The housing market in the target census tracts in Newark is characterized by a high rate of foreclosures and sub-prime lending leading to abandonment and blight. However they lie within a more affluent region with strong economic fundamentals so there are opportunities for stabilization that will remove blight, improve housing quality and reconnect to sources of employment. Each of the census tracts contain multi-family developments that were foreclosed property owned by the Newark Housing Authority. These properties, three of which were demolished, contribute to blighted conditions in the neighborhood.

Demographic and Economic Conditions

The tables below outline some of the demographic and economic conditions in the target census tracts in Newark:

Demographic Information for Selected Census Tracts in Newark, NJ					
Census Tract	Property	2000 Population	2009 Population	Projected 2114 Population	5-Year Projected Population Growth
62	Brick Towers, Montgomery Place	2,394	1,992	1,798	-9.7%
67	High Spruce	3,777	3,991	4,114	3.1%
Aggregate		6,171	5,983	5,912	-1.2%

Sources: US Census, Claritas

The census tracts are projected to experience an overall decrease in population in the next five years shrinking by 1.2%. Without a major transformation in the neighborhood, it is unlikely that major in-migration would occur. Claritas population projections bear this out. Based on the projected population decline, demand for abandoned and foreclosed properties is not expected to increase significantly without neighborhood intervention.

The following chart illustrates income and employment statistics for the subject census tracts:

Economic Conditions for Selected Census Tracts in Newark, NJ							
Census Tract	Property	2007 Avg. Household Income (\$)	2009 Unemployment Rate	Current Employment of Age 16+	5-Year Projected Employment of Age 16+	% Change in Employment	2008 Est. Tract Median Family Income (\$)
62	Brick Towers Montgomery Place	\$18,692	27.2%	420	384	-8.6%	\$14,196
67	High Spruce	\$19,560	26.4%	606	625	3.1%	\$14,862
Aggregate		\$19,126	26.8%	1,026	1,009	-2.7%	\$14,529

These census tracts have high unemployment rates compared with those in Essex County's rate of 6.6%. Employment growth is projected to be negative over the next five

years. A stabilization strategy that incorporates plans for employment growth is important to improve neighborhood conditions. The average household income in these three census tracts is 35.4% of the average household income in Essex County for 2007. The following table shows a breakdown of households by income brackets. It demonstrates the predominance of lower income households in these census tracts.

Target Census Tract Household Income Breakdowns				
Breakdowns				
Census Tract	Total	<50% AMI	50-80% AMI	80-120% AMI
62	807	647	100	36
67	1649	1492	96	37
Aggregate	2456	2,139	196	73

Essex County is projected to experience job growth between 2006 and 2016, growing 0.4% annually. Goods producing and manufacturing jobs will experience the largest decreases while education and health services and other services will have the greatest increases in jobs, growing by 12.9% and 12.4% respectively. Claritas figures for the target neighborhood show that accommodation and food services will grow considerably (by 37.2%) while most other occupations will experience small decreases.

Essex County Employment Projections by Industry 2006-2016						
Industry Title	2006 Estimated Employment	2016 Projected Employment	Numeric Change	Annual Growth Rate	Percent Change	
Total Employment, All Jobs	412,600	429,950	17,350	0.4	4.2	
Goods-Producing	36,900	31,400	-5,500	-1.6	-14.9	
Construction	11,900	12,350	450	0.4	3.7	
Manufacturing	25,000	19,050	-5,950	-2.7	-23.8	
Services-Providing	345,600	368,650	23,050	0.6	6.7	
Trade, Transportation, and Utilities	79,550	81,400	1,850	0.2	2.3	
Information	7,800	7,000	-800	-1.1	-10.1	
Financial Activities	28,200	27,950	-250	-0.1	-0.9	
Professional and Business Services	52,000	56,750	4,800	0.9	9.2	
Education and Health Services	103,400	116,750	13,350	1.2	12.9	
Leisure and Hospitality	21,250	23,550	2,300	1	10.9	
Other Services (Except Government)	16,250	18,300	2,000	1.2	12.4	
Government	37,150	36,950	-200	-0.1	-0.6	

NJ Department of Labor and Workforce Development Labor Market and Demographic Research Occupational and Demographic Research

The following table shows a breakdown by industry in the target census tracts. It demonstrates a loss of employment in all industries for the target areas overall.

Projected Employment by Industry for Select Census Tracts, Newark, NJ						
Industry	Census Tract 62			Census Tract 67		
	2009 Employment	Projected 2014 Employment	% Change in Employment	2009 Employment	Projected 2014 Employment	% Change in Employment
Agriculture, Forestry, Fishing and Hunting, and Mining	0	0	0.00%	0	0	0.00%
Construction	11	10	-9.09%	24	25	4.17%
Manufacturing	29	27	-6.90%	108	113	4.63%
Wholesale Trade	12	10	-16.67%	19	20	5.26%
Retail Trade	28	25	-10.71%	87	90	3.45%
Transportation and Warehousing, and Utilities	36	33	-8.33%	21	22	4.76%
Information	9	8	-11.11%	23	23	0.00%
Finance, Insurance, Real Estate and Rental and Leasing	37	35	-5.41%	47	50	6.38%
Professional, Scientific, and Technical Services	0	0	0.00%	14	14	0.00%
Management of Companies and Enterprises	0	0	0.00%	0	0	0.00%
Administrative and Support and Waste Management Services	30	28	-6.67%	20	21	5.00%
Services	22	20	-9.09%	58	58	0.00%
Educational Services	95	87	-8.42%	77	78	1.30%
Health Care and Social Assistance	0	0	0.00%	0	0	0.00%
Arts, Entertainment, and Recreation	33	30	-9.09%	39	40	2.56%
Accommodation and Food Services	36	32	-11.11%	44	46	4.55%
Other Services (Except Public Administration)	42	39	-7.14%	25	25	0.00%
Total	420	384	-7.04%	606	625	2.47%

Source: Claritas

Housing Market Data

Absorption analysis from Target Census Tracts ,Newark, NJ

Neighborhood	Census Tract	Number of Housing Units	2008 Est. Number of Foreclosed Properties	Number of REO Sales in 2008	Number of 2008 Residential Sales	Total Number of Sales in 2008	Monthly Absorption Rate	Months of Inventory
Brick Towers, Montgomery Place	62	1470	7	0	1	1	0.1	84
High Spruce	67	1833	23	5	1	6	0.5	46
Aggregate NSP Census Tracts		3303	30	5	2	7	0.6	51
Essex County		302,970	6,362		3,635	3,635	302.9	21

Sources, US Census Bureau, Claritas, New York Times, Garden State MLS

Garden State MLS data shows very few sales in the targeted census tracts in 2008. Therefore absorption rates for foreclosed and abandoned properties would be quite low. The target census tracts have among the lowest median household incomes in Essex County and according to HUD figures have an average sub-prime loan rate of 50%. Given 30 foreclosed homes in 2008 and only seven sales in a one year period, the absorption rate would be 51 months or over four years of inventory without funding to make housing more affordable.

In this area, there are vast discrepancies between income and housing prices. The over-valuation of housing is a critical factor in causing abandonment and foreclosure in this area. The average home listing price in the zip code areas for the week ending July 1, 2009 was \$264,346 and the median sales price for the quarter ending in June 2009 was \$243,383. Reportedly 175 homes are on the market, 62 of which are in the pre-foreclosure, auction, or bank-owned stages of the foreclosure process. The above information was gathered from the Trulia.com website.

We also analyzed the degree of housing cost burden (those spending more than 35% of their income for housing) for households in the selected census tracts. We looked at 2000 Census data, the latest date for which this information is enumerated by census tracts. The following table shows cost burdened owner and renter households:

Housing Costs - All Households NHA Neighborhood Stabilization Program II Area 1999 Household Income - 2000 Census Report						
<i>Housing Costs as Percent of Income</i>	<i>Under 65 Years</i>	<i>Percent of Units</i>	<i>65 Years and up</i>	<i>Percent of Units</i>	<i>Total Households</i>	<i>Percent of Households</i>
Less than 20%	478	27.9%	189	26.3%	667	27.4%
20 to 24%	92	5.4%	70	9.7%	162	6.7%
25 to 29%	96	5.6%	165	23.0%	261	10.7%
30 to 34%	139	8.1%	67	9.3%	206	8.5%
35% or more	682	39.8%	168	23.4%	850	35.0%
Not computed	227	13.2%	59	8.2%	286	11.8%
Total	1,714	100.0%	718	100.0%	2,432	100.0%

Source: US Census Bureau

The above table shows that 35.0% of all households are cost burdened, spending more than 35% of their income on housing. Applying this percentage to the most recent number of households in the target census tracts results in 1,156 cost burdened households in 2009. With the median home sales price of \$243,383, a large portion of the residents of these census tracts would not be able to afford to purchase a home in this area unless they were subsidies to make them more affordable.

Activities to Stabilize the Target Area

The NHA is proposing to use the NSP2 funding to replace three developments that represent an "attractive nuisance" in the form of vandalism, squatters, and general eyesores. These developments are Brick Towers, Montgomery Heights and High Spruce.

High Spruce, a 111 unit abandoned development in two buildings, is a major destabilizer in this community. Located at a prime intersection, it presents opportunities for increased criminal elements in the neighborhood and its continued disintegration acts as a depressant to both rental and homeownership properties in the area. The developments at Brick Towers and Montgomery were demolished by the NHA in an attempt to prevent further erosion of the neighborhood and to stalemate some of the nuisance elements.

In a two block area, the NHA is proposing to construct 282 new mixed-income housing units that will include rental and home ownership plus much needed retail and commercial space.

- * Montgomery Heights - 80 units (rental)
- * Brick Towers – 112 units (80 rental, 32 for sale)

It is also proposing to rehabilitate the High/Spruce building to create 90 units of low and moderate income housing for a total in this two block area of 282 units of housing impacted by this proposal. This quantity of new and rehabilitated housing will:

- * rebuild the fabric of the community;
- * restore the confidence of property owners and renters alike that they are part of a viable community;
- * build upon the proven success of the Stella Wright Homes HOPE VI project's which has established two new, vibrant communities within a block of the proposal target for a total of 222 new rental and homeownership units (Cottage Place 100 mixed-income rental units and City View Landing with 106 mixed income rental units and 16 for-sale homes);In addition, there will be another 489 new townhomes within easy walking distance of this target project (Stella Gardens, Charlton Gardens, West Kinney Gardens & Spruce Gardens for 428 units of mixed income rental units and Irvine Turner Homes and 17th Avenue for 61 home ownership units; and
- * give increased synergy to other adjacent projects on the drawing board or in progress such as High Park Gardens and High Park Terrace refurbishment of its community, establishment of new Charter Schools and rehabilitation of businesses/residences along the MLK Corridor.

The three developments in this proposal are at the center of any efforts to thwart further destabilization of this once grand community. Sitting along Dr. Martin Luther King Jr. Boulevard (formerly High Street), this location was once was the classiest street in the City of Newark. With its views of New York City and downtown Newark it retains many

of the large mansions, distinguished apartments, hotels, community centers and houses of worship in various stages of upkeep. The recent history of the street and the City has been difficult and frustrating. The combination of these three projects with a total of 282 housing units would serve to:

- * restore and strengthen the sense of community between residents;
- * recall the rich history of High Street (the architectural grandeur of some of the street's most prestigious buildings is being replicated in three of the proposed developments);
- * integrate ground floor retail in two of the four developments to provide much needed services, vitality, safety and economic opportunity; and
- * Create strong connections to the neighborhood.

Conclusions

Based on the above information, a multi-pronged strategy is necessary to stabilize the target neighborhood. Given projected population decline and no expectation for immigration or job growth as shown above, the market is unlikely to absorb abandoned and foreclosed properties in the next three years without funding. The removal of a large number of blighted affordable housing units combined with high unemployment rates, a high absorption rate and low median incomes points to a strategy of building new mid- and small-scale housing and community infrastructure such as recreation spaces and demolishing extremely blighted structures. In the case of High Spruce Apartments, units will be rehabilitated with 10% of the units reserved for the chronically homeless. Since the broader surrounding area is considerably more affluent, improving neighborhood housing and reconnecting residents to employment would serve to stabilize this part of Newark. Therefore some new construction and rehabilitation should be geared to lower income households and perhaps connected with employment programs. Programs to attract first-time homebuyers should also be employed.

Factor 2: Demonstrated Capacity of the Applicant and Relevant Organizational Staff

A. Past Experience

Newark Housing Authority

The Newark Housing Authority (NHA) will serve as the lead agency for the Martin Luther King/Historic High Street redevelopment effort. NHA will provide guidance and expertise in redevelopment and repositioning of foreclosed and vacant properties and will provide access to capital to support these developments in its capacity as a lender.

The NHA was established by charter in 1938 as both a public housing and redevelopment authority. It has the ability to not only lend money but to issue bonds and bond anticipation notes.

Public Housing Authority

As a public housing authority, the NHA owns and operates roughly 8,000 units of rental housing. The portfolio is divided equally into three categories of housing; low rise family communities, high rise senior housing communities and townhouse style communities. Additionally, the NHA owns a Section 8 senior building and is part owner of a number of mixed income communities.

Urban Renewal Authority

In 2005 the NHA raised over \$200,000 in a bond issue to finance the construction of the Prudential Arena the home of the New Jersey Devils located in the heart of Newark. Construction of this 17,000-seat athletic and entertainment venue was successfully completed in 2007. The NHA is now poised to raise an additional \$68,000,000 to construct a new state of the art police facility housing temporary holding cells, office of emergency management to support Homeland Security activities and a new precinct house.

Lending and Leveraging Funds

Over the past five years the NHA has successfully leveraged its \$35,000,000 Stella Wright Homes HOPE VI Revitalization Grant by lending the proceeds to various development partners. This has resulted in a leveraging ratio of over \$3.50 of private capital raised for every federal dollar. More importantly, this has resulted in the development of over 589 units of housing and the revitalization of former economically deprived public housing sites.

City and Regional Planning

The NHA has extensive experience in working with some of the nation’s most notable urban design professionals. This process has followed the urban design process developed as part of the HUD mixed finance approach to development. This process has entailed meeting with key stakeholders to build consensus with regard to the plans for the communities. Some of the planning areas have included the redevelopment of 45 acres in the Central Ward of Newark as part of the Stella Wright Homes HOPE VI Revitalization, 56 acres in the South Ward as part of the repositioning plan for the Otto Kretchmer and Seth Boyden public housing communities, 20 acres planned in conjunction with the University of Medicine and Dentistry for the United Presbyterian Hospital site, the downtown core of Newark as part of the development of the Prudential Arena home of the New Jersey Devils professional hockey team and the Martin Luther King Jr. corridor.

Partnerships

The NHA has worked effectively with private developer such as Pennrose Properties, Roizman Development, Inc. and Landex of Maryland to develop both rental and for-sale housing. These partnerships have also included the City of Newark, the New Jersey Housing and Mortgage Finance Agency and the New Jersey Redevelopment Authority along with a host of banks to name a few. The NHA is an active member of the Newark Business Partnership which is an association of businesses, educational institutions such as Rutgers University, New Jersey Institute of Technology, the University of Medicine and Dentistry, and Berkeley College along with the major hospitals of Newark. This group meets on a regular basis to discuss development in the city of Newark.

Pennrose Properties, LLC

Pennrose Properties, LLC (“Pennrose”) has developed affordable and mixed-income housing in New Jersey, Pennsylvania, Maryland, New York, Tennessee, Ohio and the District of Columbia. In over 35 years, Pennrose has developed over 10,000 units of housing. Pennrose has an unparalleled track record in obtaining funding for mixed-income/mixed-finance development. Among many other awards, New Jersey Future has twice awarded Pennrose its Smart Growth Award, and The Environmental Protection Agency has also acknowledged Pennrose’s leadership in this area by twice awarding it the prestigious Environmental Quality Award for developments undertaken in New Jersey, Pennrose has received the Energy Star Homes Leadership in Housing award six years in a row, and has recently completed its first LEED Silver certified development. Over the last 24 months, Pennrose has completed 122 units of housing (58 family, 48 Senior, and 16 for sale) at City View Landing, part of the Scudder HOPE VI redevelopment, less than a quarter of a mile from the target area. In addition, it has received an allocation of Low Income Housing Tax Credits and is weeks away from starting construction on Montgomery Heights, an 80-unit family development, which is the first phase of the Brick Towers redevelopment included in this application.

Company-wide, Pennrose has completed, or is currently under construction more than 1,950 units of rental and homeownership housing.

City and Regional Planning

Pennrose and the professional planners, engineers, contractors, and other development team members are familiar with and committed to the planning process as part of the development process. Pennrose is accustomed to working with multiple community, governmental, and private sector stakeholders on the execution of successful developments. Pennrose has worked on more than 20 HOPE VI Revitalization efforts. In each case, community planning and stakeholder engagement are an essential and necessary part of grant requirements.

Pennrose believes in an interactive and inclusive development process. The entirety of our team will enact this vision throughout the development process by working closely with the Authority and the community. Pennrose's unparalleled track record supports our commitment to partner meaningfully with the agencies and communities we serve. In the case of the MLK/High Street Corridor, considerable amount of groundwork has been laid with the plan prepared by Rothschild Doyno & Associates on behalf of the Housing Authority. Pennrose has been in frequent contact with architects of this planning process as well as former residents of the Brick Towers site and has gained further perspective on this vision.

Acquisition and disposition of foreclosed real estate

Pennrose has distinguished itself as a leader in redeveloping foreclosed properties. We strongly believe that removing blighted, vacant or foreclosed properties from a neighborhood not only positively impacts the community but also prevents the real estate values in the neighborhood from spiraling downwards. We have worked with multiple single family homes and row homes in inner city areas where foreclosure rates are very high as well as with landmark properties that were foreclosed on and converted them into pillars of local community revitalization efforts. In 1995, Pennrose formed a partnership with Isles, Inc., a community-based nonprofit, to address the derelict housing of the historic district of Old Trenton. This urban redevelopment area consisted of scattered late 1800's structures that were either vacant or in need of serious rehabilitation. It was the goal of the team to stabilize this neighborhood by building a strong community of quality homes.

In Phase I, the Isles/Pennrose partnership acquired 15 buildings and numerous vacant lots to create 40 rental units for families, a police mini-station, a community room, off-street parking, and open space. Thirteen of the buildings were rehabilitated under the historic rehabilitation guidelines of the National Park Service. Two structurally unsound buildings were demolished and replaced with new construction virtually indistinguishable from that, which was historic. In 1999, Academy Place received from the City of Trenton the Landmarks Commission Preservation Award for neighborhood

impact. The State Office of Historic Preservation awarded Academy Place the New Jersey Historic Preservation Award in 2000.

In Phase II, The East Hanover Street Redevelopment Project, the partnership acquired eight buildings and several vacant lots to create 22 rental units for families, off-street parking, and open space. A vacant church was rehabilitated to provide affordable daycare for community residents.

Rehabilitation of Housing

Pennrose has a significant number of rehabilitation projects in its mid Atlantic portfolio and has received numerous awards for the detail oriented energy efficient, modern units we have put in place of blighted, vacant or foreclosed properties that were invariably adversely affecting the neighborhood and bringing the real estate values down. Our 55 unit rehab project in Hagerstown, MD won the National Association of Home Builders/HUD Secretary's Award of Excellence gold medal "Best in American Living Award". In Salem, NJ we did a combination of infill development along with rehabilitation of existing homes that were in various stages of blight. The project received the 2004 New Jersey Future Smart Growth Award, 2005 NJDEP's Historic Preservation Award and the 2006 National Housing & Rehabilitation Association Timmy Award Best Scattered Site Development. In Camden, Pennrose worked on the former Westfield Acres site which consisted of 514 units in 13 barrack style buildings on a 25-acre site. In 2004, Pennrose replaced these with 119 new homeownership units targeted to low, moderate-income as well as market rate buyers. Off site, Pennrose rehabilitated 100 abandoned houses for homeownership and built a new community building on a number of vacant sites, including a remediated Superfund site. The adjacent Stockton Station, a major blighting influence to the neighborhood, is being demolished and a new school constructed in its place. This project received the 2003 HUD "Best in Living" Excellence Award and the 2006 NAHRO Award of Excellence for Innovation in Affordable Housing.

Other recent examples of this work include, Allentown Town Center Square, where Pennrose transformed the blighted eight-story Allentown National Bank Building – which had been vacant since the late 1990s – into a 63-unit building, saving it from demolition and restoring it to its historic splendor. The new building contains apartment units affordable to seniors at or below 50% of area median and is an important catalyst for revitalization. The Residences at Hanover Shoe, in Hanover, PA, where Pennrose transformed the largest historic building in Borough – a historic shoe factory – into 70 two and three bedroom units, affordable to families at or below 50% of Area Median Income. Finally, Vernon House in Philadelphia, PA was a dilapidated, vacant apartment building on a historic street facing Fairmount Park. Pennrose was able to reclaim the building and place it back in service as 68-units affordable to seniors at or below 50% of the area median income.

Redevelopment of vacant property

Pennrose has redeveloped numerous vacant properties. The redevelopment activity has gone from just a modest rehabilitation of the existing structure to a full demolition and new construction in its place. One example is in the City of Camden, NJ, where Pennrose along with HACC redeveloped a Superfund site. It was part of the Baldwin's Run HOPE VI development. The EPA monitored the clean up of the site and the building was eventually demolished as it was in complete disarray and instead we built 73 affordable rental family townhomes. On another project in Camden, Pennrose took a vacant building, rehabbed it, built a new addition onto it and came up with approximately 80 affordable senior units.

Accessing operating and investment capital

Pennrose will secure the funding needed to make the proposed projects a reality and to leverage the NSP funding to the fullest extent. Pennrose has an unparalleled track record in obtaining funding for mixed-income/mixed-finance development. The developer has received more awards in terms of both money and number of units under the Low-Income Housing Tax Credit and Balanced Housing (State funding for affordable housing) programs than any other developer in the state of New Jersey. Over the past two years, Pennrose has closed on 31 developments representing more than \$435 million in construction activity. In addition, it maintains a number of strong relationships with private sector financing entities, ensuring that Pennrose will be able to maximize the participation of the private sector in its financing plan for the proposed projects.

Pennrose is widely recognized in the industry as a leader in the creative utilization of multiple sources of financing to facilitate all of our developments. With regularity, we combine as many as four or more sources, e.g. multiple sources of investor equity, private loans and mortgage financing, and various federal, state, and local funding programs. In the current equity environment our ability to leverage multiple sources of financing is even more critical to the successful erection of our developments. Despite the challenging condition of today's LIHTC equity market, Pennrose continues to secure investors for its current deals. The strength of our financial relationships and the depth of our experience allow us to tailor development financing to meet the needs of even the most challenging economic climate.

While building quality housing is the obvious component of any successful redevelopment program, the effort hinges on the ability to shape public and private sector partnerships to raise funds necessary to rebuild the physical, social, and economic infrastructure of a community. In addition to tax credits, Pennrose routinely utilizes federal, state and local funding programs including HOPE VI, Comprehensive Grant Program (CGP), HOME, tax-exempt bonds, CDBG, Affordable Housing Program funds from the Federal Home Loan Bank Boards (Pittsburgh, Atlanta and New York), and leverages funds with the use of project-based Section 8 vouchers. Pennrose also utilizes conventional debt and taps into resources available through area businesses and through local social service providers, such as the United Way, for in-kind support.

More recently, Pennrose has taken steps to secure innovative funds for green buildings. Pennrose and its team have had significant success working closely with Housing Authorities to obtain these types of funds and in-kind services and to anticipate which of these sources will be able to provide gap financing for the effort as necessary.

Working productively with other organizations

Pennrose has a successful record of partnering with neighborhood organizations and Community Development Corporations (CDCs), in the planning and implementation of its development projects. Pennrose has worked with resident organizations, CDCs, and non-profit organizations to provide social and supportive services for the residents of its developments. Throughout its history, Pennrose has had over 40 such partnerships with non-profit and community-based organizations. Virtually every project that Pennrose has developed over the past 15 years has included a relationship with a community-based organization. Pennrose pursued and established these relationships long before there existed any pressure, preference, or privilege associated with such relationships in the development and operation of affordable housing. Pennrose determined that it was in the best interest of the community to foster, establish, and nurture such relationships in its development efforts.

One example where Pennrose has leveraged its partnerships with other organizations and the community in a variety of ways to enhance the over all development was at Gateway Crossing HOPE VI development was a multi-year, multi-phase revitalization of the blighted and dilapidated Westview Homes Public Housing Project in Hagerstown, Maryland. A 2001 HOPE VI Grant of just over \$27million enabled us to collaborate with the Housing Authority of the City of Hagerstown Maryland (HACH) to demolish the distressed 210-unit public housing project and build 352 mixed-income and mixed-tenure rental and for-sale homes.

The keystone to the community is a spectacular new 20,050 square foot community center, Elgin Station. Resembling an historic train station that reflects and celebrates the area's railroad heritage, this award-winning community center unifies the community by providing outdoor play and indoor recreation space. It contains a gymnasium, a large commercial kitchen and cafeteria, offices, and computer labs for meetings and training programs. Head Start, the Boys and Girls Club, the Health Department of Washington County, and property management offices are all housed within the building.

At Gateway Crossing, Pennrose far exceeded the industry norm in community involvement by establishing through the auspices of Hagerstown Community Development Block Grant (CDBG) funds an area-wide "Neighborhood Beautification Program." Beyond the boundaries of the former public housing site lay over 50 existing blighted properties. To integrate the 350 newly developed homes with this adjacent neighborhood along the "gateway" to the neighborhood, Pennrose worked with community residents to create a beautification initiative that brought cohesiveness to the

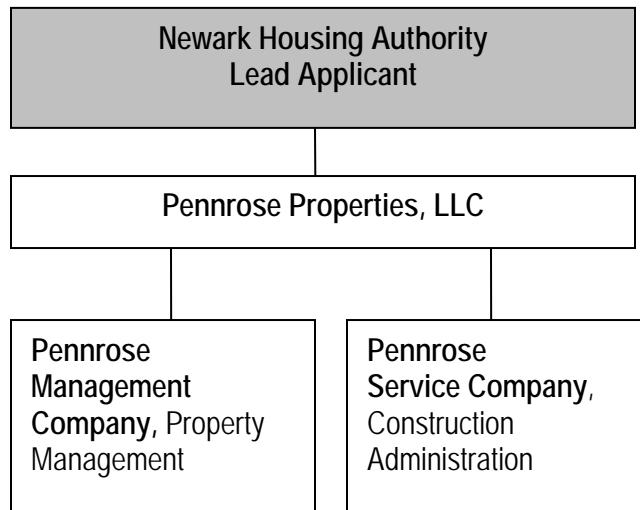
entire community. First, the brand new streets of the development were connected to existing streets, completing what was a disconnected grid. Next, each homeowner received a beautification package that included new siding, a porch portico, a matching house number, matching porch light-fixtures, and a mailbox. Finally, new sidewalks, street trees, and attractive street lighting brought unity to the entire community. The façade and streetscape improvements wove together the revitalized community with its established neighbors.

B. Management Structure

The NSP2 program will be administered by the lead applicant, Newark Housing Authority. Specifically, the Department of Asset Development and Preservation will oversee the program activities and ensure that all timelines, standards, and reporting requirements are met throughout the development process. Karen Torian, Chief Asset Development and Preservation Officer and Morris Warner, Assistant Chief Asset Development and Preservation Officer, will oversee all activities. Ms. Torian and Mr. Warner will draw on the expertise of Tory Gunsolley, Chief Administrative Officer, Ellen Michelle Harris, Chief Legal Officer, and Marvin Walton, Chief Financial Officer for the Newark Housing Authority.

Timothy Henkel, Senior Vice President, will be the primary contact for Pennrose Properties, LLC. Nicole Lockett, Development Officer and Jacob Fisher, Development Associate will assist Mr. Henkel on all aspects of the approval, permitting, financing, and construction processes. In addition, Fred Werner of the Pennrose Service company will serve as owners representative during the construction. The Pennrose Management Company, under the leadership of Robert Lampher, President, and Fatima Cabrera, Regional Manager for the Newark area will manage the completed rental properties.

Organizational Chart



References

Newark Housing Authority:

Mayor Cory Booker
Mayor of the City of Newark
920 Broad Street
Room 205
Newark, New Jersey 07102

Dr. Stephanie Bush-Baskette
Director of the Cornwall Center
Rutgers, the State University
47 Bleeker Street
Newark, New Jersey 07102
United States of America

Pennrose:

Marge Della Vecchia
Executive Director & Chief Operating Officer
New Jersey Housing and Mortgage Finance Agency
837 South Clinton Avenue
P.O. Box 18550
Trenton, NJ 08650
609-278-7440

*MLK Boulevard/Historic High Street Corridor
NSP2 Application – Newark Housing Authority
Application ID #969674462*

Tyrone Garrett, Executive Director and Director of Development & Planning
Long Branch Housing Authority
P.O. Box 337
Long Branch Housing Authority
Garfield Court Admin Bldg
Long Branch, NJ 07740
(732) 571-6615

Factor 3: Soundness of Approach

A. Proposed Activities

The Newark Housing Authority, along with its development partner, Pennrose Properties, LLC, is applying for \$23,000,000 in NSP2 funds to complete a redevelopment effort that will return vacant housing and vacant land along the Martin Luther King / Historic High Street corridor to productive use.

Production Goals	Units	NSP Amount
HERA use B: Rehabilitate homes and residential properties, that have been abandoned or foreclosed on, in order to sell - Brick Towers Homeownership	32	2,216,432
HERA use B: Rehabilitate homes and residential properties, that have been abandoned or foreclosed on, in order to rent - Brick Towers	80	9,494,946
HERA use B: Rehabilitate homes and residential properties, that have been abandoned or foreclosed on, in order to rent - High/Spruce Rehabilitation	90	10,288,622
HERA use E: Redevelop demolished vacant properties as housing - Montgomery Street	80	0
Newark Housing Authority Administrative Expenses		1,000,000
Total	282	23,000,000

Pennrose and NHA will be jointly responsible for the successful completion of the developments contemplated in this application. All activities will be carried out within the required 3-year timeframe. The total cost for this proposed NSP program is 96,441,470. Overall, the project will leverage the NSP funding \$4.19 per \$1.00 of NSP Funding (\$96,441,470/\$23,000,000).

The NSP proposal is specifically designed to capitalize on NHA and Pennrose’s unique understanding and insight into the forces that will affect the development of MLK / Historic High Street corridor. Though there has been significant investment in this area over the past five years, the neighborhood sits at crossroads between a road to revitalization and a continued downward spiral. The proposed projects in this application will serve to stabilize, arresting potential decline caused rising foreclosures, vacant land, and general neglect.

The MLK / Historic High Street Corridor sits at the middle of the Central Ward, which for years had been dominated by a high concentration of failing public housing and FHA foreclosures located adjacent to and around some of the City’s most elegant architecture, evidenced by the Feignspan Mansion and the Krueger Scott Mansion. The redevelopment activities already underway in the neighborhood have served to eradicate the most distressed of the public housing stock. This change has inspired private investment along MLK / High Street. The proposed NSP2 program would

continue to transform the neighborhood making it again an appealing place for people from all over the City of Newark to visit and reconnecting it with the downtown areas. The NHA is proposing to use the NSP2 funding to replace three developments that represent an "attractive nuisance" in the form of vandalism, squatters, and general eyesores. These developments are Brick Towers, Montgomery Heights and High Spruce.

With the bulk of the HOPE VI Revitalization activities in the area now completed at the northeasterly terminus of Quitman Street, NHA and Pennrose have turned their attention to the Montgomery Heights development, which is almost underway along MLK Boulevard, the development sites that continue along this axis to the southeasterly terminus of Quitman Street at Clinton Avenue can be envisioned in a manner that strengthens the overall community in ways far beyond the reach of any singular development effort. The development team anticipates that these developments will unfold within the required three-year timeframe. They will begin to stabilize the neighborhood as soon as construction begins as each development represents a reduction in the stock of vacant land or the return to productive use of a vacant, foreclosed property.

Brick Towers – Phase I, Montgomery Heights

Summary

Unit Size	60% AMI	50% AMI	ACC	PBV	Total
1 BR	1	2	3	2	8
2 BR	21	3	12	12	48
3 BR	10	3	5	6	24
Total	32	8	20	20	80

Montgomery Heights is a new construction family rental development to be located in Newark, NJ. The 80-unit building will contain eight (8) one-bedroom, forty-eight (48) two-bedroom, and twenty-four (24) three-bedroom units. The building will also contain approximately 10,000 square feet of neighborhood retail space. The building is a co-development of the Newark Housing Authority and Pennrose. The development received a 2008 LIHTC award in support of this development and is scheduled to begin construction in August 2009.

The property to be developed consists of two parcels totaling 1.05 acres of land. It is centrally located in the heart of Newark’s historic High District, and is proximate to a variety of redevelopment activities. The 80 units will be housed in a five-story building and will have a variety of amenities, including central air conditioning. Community amenities will include fitness center, media room, and convenient, on-site parking. The units will be affordable to residents between 35% and 60% of Area Median Income (AMI) in the following breakdown: 20 ACC / LIHTC units affordable to renters at or below 35% AMI, eight (8) LIHTC units affordable to renters at or below 50% AMI, and 52 units affordable to renters at or below 60% AMI.

Construction Financing is proposed to be a combination of investor equity from 9% Low-Income Housing Tax Credits, a loan from Cap One National, Home Express funding from the New Jersey Housing and Mortgage Finance Agency (NJHMFA), loans of Up Front Grant Funds and Replacement Housing Factor funds from the Newark Housing Authority. The private construction loan is proposed to be taken out by a permanent loan from the NJHMFA.

The Montgomery Heights building is part of the larger redevelopment of the former Brick Towers site. The complete redevelopment will consist of 192 units of mixed-income rental and for-sale housing available to renters and buyers between 35 and 115% of AMI. The subsequent phases of this redevelopment will take place on the Brick Towers site across the street.

When completed, the new development will be managed by experienced affordable housing manager, Pennrose Management Company. The management company will provide an array of social services including GED classes, parenting skills, and a Children’s Theater program in cooperation with a local non-profit organization.

Brick Towers Rental

Summary

Unit Size	60% AMI	50% AMI	ACC	PBV	Total
1 BR	1	2	3	2	8
2 BR	21	3	12	12	48
3 BR	10	3	5	6	24
Total	32	8	20	20	80

The Brick Towers sight was an FHA foreclosure taken over by the Newark Housing Authority. Among the conditions of the transfer to NHA was an Up Front Grant in the amount of \$12.6 million from FHA. These funds will be leveraged to support the redevelopment activities included in the proposed NSP2 program.

The building was in a state of decline with NHA assumed ownership. The building eventually was deemed uninhabitable and the residents were relocated. The buildings have now been demolished using a combination of Newark Housing Authority funds and Up Front Grant funds. The site is ripe for redevelopment as a centerpiece of the rejuvenated MLK/Historic High Street district.

The proposed Brick Towers Rental Development would be a similar size and unit mix to the Montgomery Heights building across the street, creating a mixed income community in high quality apartments with excellent views of New York City.

The 80 units will be housed in a five-story building and will have a variety of amenities, including central air conditioning. Community amenities will include fitness center,

media room, and convenient, on-site parking. The units will be affordable to residents between 35% and 60% of Area Median Income (AMI) in the following breakdown: 20 ACC / LIHTC units affordable to renters at or below 35% AMI, eight (8) LIHTC units affordable to renters at or below 50% AMI, and 52 units affordable to renters at or below 60% AMI. Like its neighbor across the street the new building would offer about 10,000 SF of neighborhood-serving retail.

Brick Towers Homeownership

Summary

Unit Size	80% AMI	120% AMI	Total
2 BR	2	14	16
3 BR	2	6	8
4 BR	1	7	8
Total	5	27	32

Of all the potential development sites under consideration by Pennrose, the side of the former Brick Towers site facing Quitman Street offers the best potential to incorporate homeownership opportunities into the overall development. In consideration of Quitman Street as a quieter location, which faces High Park Gardens, an established co-operatively owned community, the homeownership units will be designed to a scale that will fit in with the streetscape. A series of three separate 3-story buildings is proposed, with a vehicular entry to the rear parking area that provides offstreet parking for all residents in a shared, interior surface lot. The buildings themselves are ‘townhouse-over-flat’ designs, which provide for 16 handicapped accessible 2-Bedroom units at grade, plus 16 additional townhouse units on the upper two floors, each with a private entrance. Half of these townhouses are 3-Bedroom designs, with the other half providing 4-Bedroom capacity for larger families seeking to move into a homeownership situation. Due to the significant grading challenge of this site, the public sidewalk along Quitman Street is buffered from an elevated private sidewalk by a landscaped embankment, resulting in a transition from public to private spaces that enhances value and promotes resident privacy in an urban setting. Visually, these 32 new units blend traditional brick detailing with siding and residential scale detailing to provide aesthetic continuity to the entire Quitman Street community.

High Spruce Apartments

Summary

High Spruce, a 111 unit abandoned development in two buildings, is a major destabilizer in this community. Located at a prime intersection, it presents opportunities for increased criminal elements in the neighborhood and its continued disintegration acts as a depressant to both rental and homeownership properties in the area. The developments at Brick Towers, Montgomery and New Horizons (MLK) were demolished

by the NHA in an attempt to prevent further erosion of the neighborhood and to stalemate some of the nuisance elements.

Unit Size	ACC*	Project Based**	60% AMI	115% AMI**	Total
Efficiency	16				16
1 BR	7	10	19	8	44
2 BR		7	9	4	20
3 BR		3	5	2	10
Total	23	20	33	14	90

* All ACC units will be set aside for the chronically homeless; represents 25% of the units in the building. This percentage would enable the development compete for tax credits in the Supportive Housing cycle.

**Pennrose-One will work with NHA to obtain permission for vouchers to set rents at 110% of FMR

***15% of the units will be rented at rents affordable to 115% AMI

Financial Approach

By renovating the two historic structures at 111 High Street, Pennrose will capture the spirit of “Recreating the Grandeur of High Street.” To facilitate the redevelopment financing, Pennrose proposes to work with consultant Noble Preservation to perform a historic assessment and apply for historic district status with the National Parks Service. The assessment will take into account the existing historic fabric of the neighborhood as well as the history of the High District.

Pennrose proposes to fund this phase with tax exempt bonds, equity from 4% LIHTCs, construction and permanent financing from the New Jersey Housing and Mortgage Finance Agency, Neighborhood Stabilization funds, Supportive Housing Trust Funds (NJHFMA) and Replacement Housing Factor and capital funds from the Newark Housing Authority. The use of Replacement Housing Factor (RHF) funds will enable the development to claim the higher eligible basis limits reserved for developments with RHF or HOPE VI funds.

On the operating side Pennrose intends to lease the 23 ACC units to chronically homeless tenants. In order to comply with NJHMFA’s requirements for Supportive Housing, the budget includes the proper escrows and the proposed building provides space for the supportive services required to house this population and seamlessly integrate them into a diverse, mixed-income building.

Proposed Design

Located on the southeasterly corner of Spruce Street and MLK Boulevard, this parcel provides an opportunity to rehabilitate two examples of the grand apartment structures that were a hallmark of historic High Street. The renovation plan proposes to combine these two structures into a single operating entity that shares a common entrance, as well as building services and amenities. Viewed from the exterior, the historic appearance will remain largely the same, with the subtle addition of a new entrance

lobby added to one of the existing recessed entrances on MLK Boulevard (the other will be fenced and landscaped as a courtyard/greenspace). Those building areas with windows at or near grade on MLK Boulevard will be utilized for community meeting space, management offices, resident amenities, and an area to provide supportive services to meet the individual needs of the residents. So located, these nonresidential uses provide an appropriate street-level activity within the building, and afford the dwelling units the greater privacy of the upper floors above the pedestrian activity.

The proposed design of the two buildings provides for internal linkages on the first residential floor and the lower floor containing the shared services. Above this level, the two buildings will operate independently due to the existing misaligned floor plates, and be served by their own elevators, trash chutes, laundry facilities and egress stairs. In total, the proposed design provides for 90 apartment units ranging in size from small Efficiency units to larger 3-Bedroom apartments, as follows: (16) Efficiency Units, (44) 1-Bedroom Units, (20) 2-Bedroom Units, and (10) 3-Bedroom Units. This mix and range is appropriate for the integration of the special-needs populations that often require Efficiency units as they receive the on-site services as a bridge between at-risk homelessness and independent housing.

Uses of Funds and Firm Commitments

The development team currently has firm commitments for \$39,990,968, or 41% of the total development cost. The following is a summary of all funding committed and proposed.

Total Committed Sources:	39,990,968
Tax Credit Equity (4%)	15,569,116
NJHMFA Balanced Housing	5,270,470
NJHFMA Financing	5,870,916
Special Needs	2,300,000
Sales Proceeds	5,440,000
NSP2	22,000,000
Total	96,441,470

Percent of Funds with Hard Commitments = 41%

NSP 2 23%

Balance 36%

The following chart summarizes sources and uses for all phases of the proposed NSP2 development:

*MLK Boulevard/Historic High Street Corridor
NSP2 Application – Newark Housing Authority
Application ID #969674462*

DEVELOPMENT SUMMARY

	4% LIHTC Corner High Spruce (1)	9% Montgomery Street	4% LITC Brick Towers Rental	For-Sale Brick Towers Homeownership	Total
USES	5,060,401				
Hard Costruction	21,894,650	21,525,000	21,525,000	8,031,072	72,975,722
Soft Costs	5,060,401	8,465,968	8,484,751	1,454,628	23,465,748
TOTAL	26,955,051	29,990,968	30,009,751	9,485,700	96,441,470

SOURCES

Sales Proceeds				5,440,000	
LIHTC Equity 9%		16,712,586			16,712,586
LIHTC Equity 4%	8,083,188		7,485,928		15,569,116
Balanced Housing	3,270,470	3,000,000	2,000,000		8,270,470
NJHMFA Financing	3,012,771	2,985,000	2,858,145		8,855,916
Up Front Grant			8,170,732	1,829,268	10,000,000
Special Needs TF	2,300,000				2,300,000
NSP	10,288,622		9,494,946	2,216,432	22,000,000
NHA		7,293,382			7,293,382
TOTAL	26,955,051	29,990,968	30,009,751	9,485,700	96,441,470

*The sources indicated in grey are all committed

Montgomery Heights, the first phase of this NSP2 redevelopment is fully-funded at a value of \$29,960,940. Included with this attachments to this application, please find an LIHTC equity commitment and updated pay-in schedule from Hudson Housing Capital, \$16.7 million, a construction bridge loan commitment from Capital One of \$10.9 million (some of most of which will be taken out with equity and the balance with permanent financing from the New Jersey Housing and Mortgage Financing Agency), Home Express in the amount of \$3 million from NJHMFA, and a permanent loan commitment in the amount of \$2.985 million.

In addition, the Newark Housing Authority Received an Up Front Grant in the amount of \$12.6 million from FHA in exchange for assuming ownership of the Brick Towers site and other FHA sites. \$10 million of that funding will be dedicated to the work on the former Brick Towers site. The Up Front Grant Agreement is also included with this application.

B. Project Completion Schedule

The NHA and Pennrose have planned an aggressive, though realistic, development schedule to ensure that we are able to expend 50% of the NSP2 dollars within two years of award and the balance of the funds within three years. The following schedule provides a general month-by-month summary of the major development milestones for

*MLK Boulevard/Historic High Street Corridor
NSP2 Application – Newark Housing Authority
Application ID #969674462*

each development. This timelines are aided by the fact that Montgomery Heights will soon be under construction and there is no site plan approval required for High/Spruce.

	4% LIHTC Site #1 Corner High Spruce (1)	9% Site #2 Montgomery Street	4% LITC Site #3 Brick Towers Rental	For-Sale Site #4A Brick Towers Homeownership
	90 Units	80 Units	80 Units	32 Units
<u>Year 1</u>				
1				
2				
3	4% LIHTC APP		Site Plan Approval 4% LIHTC APP	Site Plan Approval
4				
5				
6				
7				
8				
9	Financial Closing		Financial Closing	
10				
11				
12				Advertising/Pre-Sales
<u>Year 2</u>				
1		Construction Completion		Financial Closing
2				
3				
4				
5				
6		Lease up		
7	Constuction Comp			
8				
9			Construction Comp	
10				
11				
12*	50% of Funds Expended			
<u>Year 3</u>				
1	Lease Up			Construction Comp
2				
3			Lease Up	
4				
5				
6				
7				
8				Sales Complete
9				
10				
11				
12*	100% of Funds Expended			

C. Income Targeting for 120 Percent and 50 Percent of Median

All of the units in the development will serve people at or below 120% of Area Median Income. In fact, the restrictions associated with the Brick Towers and High/Spruce sites cap the maximum tenant income at 115% AMI. The following chart shows the income distribution of the proposed NSP2 development. Twenty-eight percent of the units will serve individuals and families at or below 50% AMI. In some cases, the developments will employ even deeper targeting. For example at Montgomery Heights, 10% of the units are set aside for residents at or below 35% AMI and at High/Spruce 23 of the units will be set aside for the chronically homeless, a special needs population.

Income Distribution		
Target Occupancy	No of Units	PCT
50% AMI	79	28.01%
60% AMI	157	55.67%
80% AMI	16	5.67%
115% AMI	30	10.64%
Total	282	100%

The NSP2 funding will allow these developments to depend less on hard debt and therefore to target a greater number of units to people at or below 50% AMI. The units that are available to renters/buyers up to 115% AMI will serve to attract greater income diversity to the MLK / Historic High Street area. 115% of Essex county median income is just over \$100,000 for a family of four. The developments will include high quality rental and for sale product which will be able to attract higher incomes to the Central Ward. In general a three bedroom rental unit would have a gross rents (before utility allowances) of 1,095 and 2,510 for renters at 50% and 115% AMI, respectively. A buyer at 115% AMI could comfortably purchase a home for \$200,000.

D. Continued Affordability

For the rental developments there will be several layers of restrictions that will ensure ongoing affordability controls for the developments. Each of the rental developments will be financed with either 9% or 4% Low Income Housing Tax Credits. In each case a deed of restrictive covenant will be filed upon completion of the development, which will create an ongoing income restriction on the building for a minimum of 15 years, and likely 30 years. In addition, each of the LIHTC rental properties will have an investor relying on the developer and manager to comply with income restrictions. If the property falls out of compliance, the investor would face loss of tax credits and seek to recapture its equity from the development. These two controls provide strong assurance to the NSP2 program and to all other financing sources that the developments will maintain their affordability for the requisite amount of time.

In the case of the for sale housing, NHA and Pennrose will initially price the homes at affordable levels and would then consider soft-second loans or other mechanisms for ensuring the ongoing affordability of the for sale product.

E. Consultation, Outreach, Communications (5 Points)

The NHA has posted plans for its NSP2 submission on the main page of the Authority's website at www.newarkha.org. The NHA has had extensive consultation and planning with local government and other stakeholders for the past two years. The NHA created a MLK corridor stakeholders breakfast. This quarterly meeting which began in the fall of 2006 is dedicated to keeping all stakeholders informed and included in the development of the MLK corridor. The properties covered by this NSP application have been extensively discussed, as well as an overall neighbor plan for stabilization and revitalization of this important neighborhood. All council members of the Newark City Council, except one, have attended one or more meeting of the stakeholders breakfast. The City of Newark has also been represented by the Mayor, the Director of Housing, and other staff members from the city. The MLK corridor is located in Essex County. The County has had at least one Freeholder (county elected official) present at every stakeholder breakfast. The County Executive has also attended a stakeholder breakfast.

The stakeholder breakfasts have also been attended by other local government stakeholders including representatives from the Newark Police Department, the Newark Public Schools, Rutgers and NJIT.

Non government stakeholders are also active participants in the stakeholder meetings including homeowners, property owners, business owners, clergy, community-based organizations, and others. Additional consultation with government officials included multiple meetings with the Central Ward Councilman whose district includes the NSP2 area, the Mayor, the Mayor's Chief of Staff (who is our Board Chair). The NHA will continue to involve and consult local government through the stakeholder meetings and regular updates to the Central Ward City Councilor and the Mayor.

Marketing

The Pennrose Management Company (PMC) is committed to provide all the housing we manage on an equal opportunity basis to all residents or prospective residents. This means that the selection of residents, the furnishing of all facilities, services and privileges will be made without regard to race, color, sex, age, religion, national origin, disability, sexual orientation or familial status, use of a guide animal because of blindness, deafness or physical disability or because of being a handler/trainer of such a guide animal.

It is PMC's goal to ensure qualified families are identified to fill available units. It has been PMC's experience in marketing numerous affordable developments that the best results are obtained using a combination of print media advertising and community outreach. Print advertising will appear in local publications, as described below. A professionally prepared brochure will be provided by the Developer for distribution to potential tenants. In addition, brochures will be sent to community groups, along with an outreach letter. Print advertisements and the brochure will display the Equal Housing Opportunity and Disabled Access (wheelchair) logos. Print media may include daily and weekly newspapers, neighborhood and community newspapers, and print media directed at specific target markets. Advertisements will be placed in general-interest, city-wide publications, and, if applicable, in area publications with primarily minority readership.

Advertising in publications, while very productive, may not reach potential tenants from underserved and minority groups. We also market new properties by reaching out to area community groups, hospitals, universities and other large employers. Community outreach begins about 120 days prior to occupancy. Targeted groups are identified from various sources. These groups will receive information including an outreach letter introducing the property, along with brochures and other appropriate and useful information.

A notice of availability will also be sent to NHA's Section 8 Program and to the County housing office.

Ongoing Communication

The NHA will continue its stakeholder breakfasts as well as our community meetings. We have already conducted 4 community wide meetings at the Quitman Elementary School auditorium, which is adjacent to the Montgomery Towers and Brick Towers site. These community meetings, as well as the stakeholder meetings, have been used to incorporate the comments and views of the various stakeholders. Changes were made to the design of Montgomery Heights as a result of this process, and we value the expertise that the neighbors and community partners bring to the table. The NHA will maintain on its website, www.newarkha.org, the plans for the NSP2 funds and development in the MLK corridor as well as a contact person for citizen comments and complaints which will be processed within fifteen days. The NHA operates a customer care center which tracks complaints and comments to ensure that a response is processed promptly and appropriately.

F. Performance Monitoring

NHA and Pennrose understand the importance of ongoing performance monitoring to the NSP2 program. The monitoring plan for these developments has two distinct phases: During Construction and Operations. During Construction, the development

team will meet every two weeks at the site to ensure that construction is progressing as expected. All lenders, design team members and other interest parties attend these meetings. Additional layers to this oversight include, Architect's construction administration, and the Pennrose Services Company, which will serve as the owner's representative during the construction process.

As for the internal audit function, NHA will rely on its CFO, Marvin Walton and Chief Administrative Officer, Tory Gunsolley, will lead the internal audit function. Their work will be ongoing, review payment applications, visiting the site, reviewing certified payroll reports, and other documentation to make sure that construction is progressing efficiently.

Pennrose holds monthly meetings with its accountants, Reznick Group. At the meetings the development staff reviews the development budgets of every project that is moving towards financial closing, under construction, or closing out. This provides a very important check to assure that all is progressing as expected. In addition, the Pennrose staff members mentioned in the previous rating factor will be responsible for day-to-day management of the developments.

On the management side, property managers review the developments monthly, or even more frequently, to assure that review and expense numbers are coming in as expected, and, when they are not, addressing as needed.

Factor 4: Leveraging Other Funds/ Removal of Substantial Negative Effects

A. Leverage

Production Goals	Units	NSP Amount
HERA use B: Rehabilitate homes and residential properties, that have been abandoned or foreclosed on, in order to sell - Brick Towers Homeownership	32	2,216,432
HERA use B: Rehabilitate homes and residential properties, that have been abandoned or foreclosed on, in order to rent - Brick Towers	80	9,494,946
HERA use B: Rehabilitate homes and residential properties, that have been abandoned or foreclosed on, in order to rent - High/Spruce Rehabilitation	90	10,288,622
HERA use E: Redevelop demolished vacant properties as housing - Montgomery Street	80	0
Newark Housing Authority Administrative Expenses		1,000,000
Total	282	23,000,000

All activities will be carried out within the required 3-year timeframe. The total cost for this proposed NSP program is 96,441,470. **Overall, the project will leverage the NSP funding \$4.19 per \$1.00 of NSP Funding (\$96,441,470/\$23,000,000).**

B. Rubric

The proposed NSP program will have significant impact on the target neighborhoods by removing negative impacts and transforming vacant property. Collectively the rubric for the target neighborhood is 1.92.

	Montgomery Street	Brick Rental	Brick Homeownership	Total Tract	High Spruce	Total
Tract	62	62	62	62	67	90
Proposed Rehab					90	90
Proposed Demo						
Proposed Redevelopment of Vacant Property	80	80	32	192		192
Total Improved Property	80	80	32	192	90	282
Multiplier	1.15	1.15	1.15	1.15	1.15	1.15
Total Improved Property	92	92	37	221	104	325
Residential Vacancy	See Total	See Total	See Total	21	148	169
Rubric Calculation						1.92

Vacancy Sources: USPS Database and NHA records for vacancy at High / Spruce

Factor 5: Energy Efficiency and Sustainable Development Factors

Transit accessibility

The proposed NSP2 developments are located in a dense, walkable neighborhood with access to three bus lines serving the entire city. The City of Newark is served by an extensive network of highways and bridges, which provide excellent access to most portions of New Jersey, New York and the eastern seaboard. Major highways throughout the County include the New Jersey Turnpike (*Interstate 95*), the Garden State Parkway, Interstates 78, 80 and 280, US Route 1/9 and 46, State Routes 7, 10, 21 23, 124 and 159, and County Routes 506, 508, 509, 510, 527 and 577.

Green Building Standards

The NHA and Pennrose are proponents of green development where the pursuit of environmental excellence produces fundamentally better buildings and communities that are more comfortable, more efficient, more appealing, and ultimately more affordable. We focus on incorporating into everyday systems simple, elegant changes that are long-lived, easy to maintain, and offer state-of-the-art performance. This creates a permanent cost subsidy through ongoing energy reductions without increasing either our construction or maintenance costs. Whenever possible we will strive to incorporate resource-efficient and environmentally responsive design into our NSP2 developments. All Pennrose developments meet Energy Star standards for efficiency and Pennrose recently completed its first LEED Silver certified development, Garfield Court, a 67-unit rental development in Long Branch, NJ. Pennrose has installed solar panels sized to provide more than 75% of common area electricity in three recently completed developments in Long Branch (Garfield Court), Camden (Roosevelt Manor), and Newark (City View Senior). The NHA recently opened Park Place 45 unit public housing community which will feature solar panels on the roofs of all the townhomes and the leasing office. The solar panels are expected to reduce the utility costs for the individual residents by as much as 30% per year.

Our approach is three-fold with specific objectives as follows:

Environmental

- Avoid any negative impact of development upon the environment
- Conserve natural resources through sustainable land use
- Minimize waste and prevention of pollution
- Comply with environmental regulations
- Use of recyclable materials whenever possible
- Reduce storm water discharge into municipal sewer systems by promoting groundwater recharge

- Use of products that do not as they age off-gas or release gases that are hazardous to humans; for example, particleboard is known to release formaldehyde.
- Use of sealing, flashing and drainage systems to prevent moisture penetration that will damage wood and sheetrock and create molds that are hazardous to humans.
- Upgrading of ventilation systems to control indoor moisture that creates molds

Economic

- Provide adequate affordable housing by lowering utility costs we effectively lower housing costs making the equation more affordable
- Create mixed-use residential areas that preserve open space
- Minimize development impact upon existing storm water systems by reducing impermeable surfaces,
- Reduce water consumption by employing rain gardens to retain water stores for use by residents in gardening
- Design well insulated homes that require less fuel consumption to maintain constant temperatures in homes that are cooler in the summer and warmer in the winter

Social

- Promote active involvement of citizens from all sectors of the community through open, inclusive public outreach efforts
- Create sustainable communities that are considerate of local values and at the same time respectful of historical and cultural traditions
- Create and maintain safe, clean neighborhoods with recreational facilities for all
- Provide adequate and efficient Infrastructure (water, sewer, etc.) that minimizes human health hazards and environmental harm
- Allow broad public access through bike and pedestrian paths
- De-emphasize the automobile with pedestrian-friendly designs that encourage people to be out in their community

Sustainability Practices

There are several green features that NHA and Pennrose will incorporate into the developments that are part of this NSP2 redevelopment effort

- (1) For the new construction rental and homeownership phases we will design units which are commodious, but efficiently designed. Such design aims maximizes the utility of available square footage and minimizes building inefficiency. This yield benefits both in terms of resource conservation, cost savings, and energy savings during operation.

- (2) Renewable Energy – NHA and Pennrose will seek to include PV panels sized to cover at least 75% of the common area electric load on the High/Spruce Rehab and the Brick Towers Rental developments. The Montgomery Heights development will have a 20.05 KW system.
- (3) Sustainable Landscaping – NHA and Pennrose will pursue LEED certification for the developments on the Brick Towers site. Non-invasive, drought tolerant landscaping elements are a necessary feature of a LEED certified development. This landscaping will conserve water and reduce operating costs.
- (4) The developments will include many of the Healthy Homes requirements as they are part of Energy Star and LEED certification and contribute to better indoor air quality and higher energy efficiency.
- (5) Orientation and training: it is essential that renters and homeowners in our new facility understand the green features included in the developments and how to maximize energy efficiency. All renters and maintenance staff will receive orientation, training, and manuals. Home buyers will also receive an orientation and manuals showing how to operating appliances and other features of their new homes.

Factor 6: Neighborhood Transformation and Economic Opportunity

The proposed NSP2 developments are consistent with the goals and guidelines of three current plans – a neighborhood urban renewal plan (updated as of April 2008), a comprehensive plan for the City of Newark, and the New Jersey State plan. The proposed NSP2 developments will enhance each of these plans and improve the overall conditions along the MLK/Historic High Street Corridor by returning vacant land to productive use and bringing vacant housing back on line. The plan also calls for the addition of neighborhood-serving retail spaces to a neighborhood that is significantly underserved by commercial uses.

Old Third Ward Urban Renewal Plan

This plan has been in effect in the Central Ward since 1960, and periodically updated over time. The plan recognizes the impact of the changes to the Central Ward over time, the concentration of public housing, growing abandonment of property and vacant land, and sets out parameters for the rebirth of the neighborhood. The land use plan sets goals for removal blight, rehabilitating vacant structures, providing public improvements and creating an appropriate mix of uses and densities. It created a land use map, which has been updated over time, which supersedes the City's zoning map. The proposed buildings all comply with this plan in terms of density, set backs, uses, and requirements for commercial spaces.

Newark Master Plan

The City of Newark has undergone a master planning process to create a city-wide land use plan and the Newark Housing Authority certifies that the efforts described in this proposal are consistent with that plan. NHA has undergone more than two years of planning in collaboration with neighborhood residents and former residents of Brick Towers to craft a vision for the redevelopment. That vision is central to NHA and Pennrose's proposed NSP2 activities.

Statewide Plan

The City of Newark falls into Planning Area (1) under the New Jersey State Plan. This development furthers the goals of the state plan by focusing on urban infill development, reusing disturbed land. The area is well served by existing transportation and utility infrastructure.