JERSEY CITY
REDEVELOPMENT AGENCY

October 14, 2021

Via Electronic Mail
Ms. June Jones
MORRIS CANAL COMMUNITY DEVELOPMENT CORPORATION
317-319 Pacific Avenue
Jersey City, NJ 07304
junejones@morriscanalcdc.org

Re: Proposed Joint Venture
Morris Canal Community Development Corporation and Phillip Gesue
408-420 Communipaw Ave., Jersey City, NJ / Block 20001, Lots 18-22

Dear Ms. Jones:

The Jersey City Redevelopment Agency ("Agency") has considered the proposed joint venture between the Morris Canal Community Development Corporation ("MCCDC") and Mr. Phillip Gesue (collectively the "Proposed JV"), including the draft Operating Agreement and additional information you have provided to the Agency and our office, and the proposed assignment of the Redevelopment Agreement, dated May 1, 2018, between the Agency and MCCDC to the Proposed JV (the "RDA"). Based on its review of same, the Agency hereby rejects the proposal.

It is important to note at the outset, that the public policy goals shared by the Agency and MCCDC in the original project, sought to maximize opportunities for affordable home ownership for moderate income families in the Morris Canal Redevelopment Area. Initially, MCCDC was to construct forty-six (46) moderate income affordable condominium units, or 100% of the total units. This was made possible by a CDBG grant, as well as contributions from the Agency with the understanding of a consistent shared outcome and a non-profit developer.

In 2018, MCCDC asked to reduce their affordable obligation from 100% (46 units) to 20% (10 units). The Agency, with great apprehension, complied. The Agency also made the concession to reduce the purchase price from Fair Market Value (estimated at $1.3 million), to $925,000.

Now, the MCCDC is requesting further changes that seem to indicate the public policy goal of maximizing affordable housing has been abandoned. The Proposed JV, in fact, describes an entirely different project. The transfer, if approved, would change the project from a non-profit, community development, home-ownership project, into a for-profit rental venture.

The deal terms in the current RDA with MCCDC were negotiated to be deliberately advantageous to MCCDC because it is a non-profit community developer, and because MCCDC sought to create affordable home ownership. In the Agency's considered opinion, these advantageous deal terms would not and should not apply to the for-profit Proposed JV.

Moreover, the reduction in the amount of on-site affordable housing from 100% to 20% will cause the City to suffer a HUD recapture of funds (stemming from the original HUD investment). The amount of the recapture will be based on the current fair market value of the property. In other words, the recapture sum will be significant. The proposed change to a for-profit rental venture does not justify subjecting the City to an HUD recapture.

In addition, Mr. Gesue has previously represented that he can only provide the 20% on-site affordable housing in the current RDA, if the Proposed JV receives a $2.8 million subsidy from the City. Currently, MCCDC has a conditional AHTF grant award from the Division of Community Development (DCD) in the amount of $2 million[1]. Whether a for-profit venture should receive a $2.8 million subsidy to create only 10-12 units of affordable housing remains to be determined.

For all of these reasons and the changing lands space with a greater importance on construction of affordable housing , the Agency hereby offers this counter proposal:

1. Restore the public policy goal of maximizing affordable housing, preferably home ownership.
2. Include 100% moderate income affordable housing if the project is rental, or include between 50-100% if the project is home ownership.
3. Renegotiate the purchase price, based on FMV.

Regards,

Diana H. Jeffrey
Executive Director

DHJ/he
cc: Eric Tomaszewski, Esq. (via e-mail)
Annisia Cialone, Director, HEDC

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[1]The MCCDC has also received two previous pre-development grants from the AHTF totaling $200,000.