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New Jersey Urban Site Acquisition (NJUSA) Loan Fund

Well before a redevelopment project breaks ground, expenses are incurred, including costs to acquire clear title to the property, to demolish structures or make site improvements, and to pay for items such as inspection fees, title and recording fees, real estate taxes, appraisal fees, and an early environmental study. The funds to pay for these predevelopment expenses are normally the first money spent on a project. Financing for predevelopment is often the most difficult to obtain, since the money is needed before it is known if the project is feasible. Nonetheless, most projects cannot move forward without this initial investment.

In 1998, to provide for-profit and nonprofit developers and government entities with predevelopment and site acquisition funds, the New Jersey Redevelopment Authority (NJRA) established a $20 million revolving loan fund, known as the New Jersey Urban Site Acquisition (NJUSA) loan fund. The NJUSA loan fund offers flexible financing structured to meet a project's early costs. The program's primary focus is commercial development with a preference for mixed-use projects.

The major benefit from the state's point of view is the ability to leverage resources with other sources of financing. In particular, the NJUSA loan fund provides seed money for projects, which, if shown to be feasible, may receive construction or permanent financing from private-sector or government sources.

The NJUSA loan fund is available in NJRA-eligible communities. According to the NJRA, there are 69 such communities in the state.[1] Eligibility is based on a community's having one or more of the following designations: (1) urban aid or Abbott district; [2] (2) economically distressed area; [3] (3) special bond district; [4] or (4) state-supervised municipality. [5]

Since 1998, the loan fund has been self-sustaining and has been used for 86 projects; 36 percent involved nonprofit organizations, and 64 percent involved for-profit entities. While there is no set project size or loan limit, the size of residential projects has typically ranged from 50 units to 200 units and from $125,000 to $2.8 million. Based on loan pool size, loans are typically $2 million or less.

Statewide, the NJUSA loan fund has committed a total of $62.7 million since its inception and has leveraged a total of $938 million in development costs for all projects. This means that statewide, each dollar spent by the loan fund has leveraged $15 in additional financing.

In the 10 counties of southern New Jersey, which are in the Philadelphia Federal Reserve Bank's District, the loan fund has provided predevelopment funds for 23 projects that have a combined total cost of $265.5 million, of which $15.5 million came from the NJUSA loan fund. These projects are located in the cities of Camden, Trenton, Woodbury, Mount Holly, and Burlington. In eight of these projects NJUSA funds were used for planning expenses, and in 15 projects these funds have been used for acquisition in addition to predevelopment expenses. The following are examples of projects that have used the NJUSA loan fund:

- Burlington: Adaptive reuse project for subsidized housing for seniors;
- Camden: Mixed-use commercial and mixed-income residential units; economic feasibility study for commercial corridor;
- Mount Holly: Redevelopment plan for residential neighborhood;
- Trenton: A supermarket; headquarters for a new technology company; mixed-use redevelopment; and senior housing with supportive services;
- Woodbury: senior housing with services.

NOTE: Footnotes are on back.

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Purpose	The New Jersey Urban Site Acquisition (NJUSA) loan fund provides loans for pre-development expenses, including costs incurred to acquire clear title to the property, to demolish structures and make site improvements, and to pay for items such as inspection fees, title and recording fees, real estate taxes, appraisal fees, and an early environmental study. All projects, including site acquisition, must be part of a development or redevelopment plan in eligible urban municipalities.
Eligible municipalities	Must be located in one of the NJRA's 69 eligible municipalities. (See paragraph four in the text.) A link to eligible municipalities is available online at http://www.njra.us/njra/cwp/view.asp. A map of eligible municipalities is available online at http://njgeodata4.state.nj.us/website/ucc/viewer.htm.
Eligible borrowers	The program may be used by for-profit developers, nonprofit developers, or government entities.
Loan size	Loans are typically limited to a maximum of $2 million.
Loan term	NJUSA loan terms are 18 months. Extensions are given on an as-needed basis.
Interest rate	Generally, interest rates are below market and fixed. Interest rates will vary depending on specific factors associated with the project.
Loan repayment	The NJUSA loan is repaid when permanent financing is obtained or when the construction loan is closed.
Program information	For more information on the NJUSA loan fund, contact Antonio Henson, Director of Business Development at NJRA, at (609) 292-5165 or by e-mail at ahenson@njra.state.nj.us.

[1] Eligible municipalities or "qualified municipalities" comprise any municipality which at the time of the initiation of the project is eligible to receive aid under the Special Municipal Aid Act, Public Law 1987 c. 75 (C.52:27 D118-24, et seq.) or was coextensive with a school district which qualified for designation as a "Special Needs District" pursuant to the Quality Education Act of 1990, Public Law 1990, c.52 (C.18A:7D-1, et seq.).

[2] An Abbott or a special needs district is short-hand for designations based on a series of New Jersey Supreme Court decisions growing out of litigation in 1981 filed on behalf of children residing in New Jersey's most economically disadvantaged municipalities.

[3] This designation is based on current economic indicators, such as a deteriorating tax base, high unemployment, low investment of capital, blighted conditions, and/or obsolete or abandoned industrial or commercial structures.

[4] Special bond districts are municipalities that take advantage of the state debt rating when issuing municipal debt.

[5] As of November 1, 2006, New Jersey does not have any state-supervised cities.

For more information about this Technical Brief, contact John Wackes at (215) 574-3810 or by e-mail at john.j.wackes@phil.frb.org.