

Local Tools for Affordable Housing

It is not uncommon for an affordable housing project, whether new construction or preservation, to rely on private market financing from Fannie Mae and public support from a state or local jurisdiction, and in many cases, federal programs. When a project leverages each of these resources, the project becomes more complicated. Fannie Mae's Multifamily affordable program was designed with that complexity in mind and with flexible features such as Special Public Purpose that are able to support each community's specific priorities. "Local Tools for Affordable Housing" presents a handful of examples of how States and Localities are addressing affordable housing issues and incorporating economic diversity and workforce housing into those programs.

Case Study

New Jersey: Economic Redevelopment and Growth Program

The Economic Redevelopment and Growth (ERG) program is a state incentive program for New Jersey developers delivering projects in areas targeted for growth. In exchange for a tax credit of up to 20% of total project cost, at least 20% of any newly constructed residential units must be reserved for low- or moderate-income households. As evidenced by its title, the program is not strictly an affordable housing program, but is a program aimed at economic growth in strategic locations throughout the state of New Jersey and can be used for commercial and mixed-use projects, as well as multifamily residential.

Case Study: New Brunswick Performing Arts Center



*New Brunswick Performing Arts Center, New Brunswick, NJ part of New Jersey's Economic Redevelopment & Growth Program
Source: New Brunswick Development Corporation, devco.org*

In New Brunswick, NJ, a bond credit enhancement from Fannie Mae in 2017¹ helped finance a mixed-use development that also received funding through the New Jersey Economic Redevelopment and Growth (ERG) program, a state incentive program for developers delivering projects in areas targeted for growth. As part of the renewed effort to transform the Downtown Cultural Arts District in the city of New Brunswick, the New Brunswick Performing Arts Center (NBPAC) combines state-of-the-art theater space with office, parking, and 207 mixed-income residential units in a public-private partnership that represents one of the most important urban investments in the state.

New Brunswick has long been a center for the arts in New Jersey, with the industry generating \$36.57 million in local economic activity.² In a renewed effort to transform the Downtown Cultural Arts District and ensure that the city continues to serve as a cultural hub, a private-public partnership between Pennrose, LCC, Rutgers University, the

private nonprofit developer New Brunswick Development Corporation (DEVCO), Middlesex County, and the city of New Brunswick embarked to deliver a \$172 million, 23-story multi-use property featuring two state-of-the-art theaters, dedicated rehearsal space, 15,000 square feet of office space, 344 parking spaces, and 207 residential apartments. Slated to open in the fall of 2019, the New Brunswick Performing Arts Center is a transformational project that represents one of the most important urban initiatives in the state.

¹ The project is part of an unfunded forward commitment from 2017, slated to deliver in 2020.

² https://www.newbrunswickarts.org/wp-content/uploads/2017/10/newbrunswicknj_finalreport.pdf, pp. 4



Thanks to debt leveraged from the Economic Redevelopment and Growth program, 42 of the property’s residential units will be made affordable to households earning at or below 50% of the area median income (AMI). Of those 42 units, five will be affordable to those earning at or below 30% AMI. Through a partnership with the Actors Fund, these affordable units will be marketed to



actors, musicians, dancers, and other theater support personnel – allowing those who work in the performing arts industry the opportunity to live in the community and continue to contribute to the performances next door. The project, which had a complex capital stack including New Market Tax Credits, conventional private equity, and a permanent loan from Fannie Mae, also benefitted from a 30-year Payment in Lieu of Taxes (PILOT) program – a long-term agreement between the developer and the municipality where a smaller lump sum is paid in lieu of the annual property tax bill.

*New Brunswick Performing Arts Center, New Brunswick, NJ
Source: New Brunswick Development Corporation, devco.org*

Despite its recent reemergence as a cultural hub, New Brunswick, like many American cities, experienced a decline in the 1970’s. The city sought public-private partnerships to foster revitalization, redevelopment, and investment in the city and in the 1980’s, the city began to slowly rebound as a result. Today, the city is continuing to establish itself as a vibrant and desirable city. Nicknamed the “Hub City,” it is considered an economic powerhouse within the state, home of Rutgers University, several medical facilities and international pharmaceutical companies such as Johnson & Johnson and Bristol-Myers Squibb.

As a result of these revitalization efforts, New Brunswick’s population has grown consistently, unlike other cities throughout the state that have experienced stagnation or even decline. Along with this growing population came an increased need for affordable housing. On average, renter households in New Brunswick spend 40.4% of their income on rent, representing a significant cost burden.³

Home to the historic George Street Playhouse and Crossroads Theatre Company, the New Brunswick Performing Arts Center will solidify the area as one of New Jersey’s top cultural destinations while simultaneously creating a dynamic community for residents, visitors, and performers alike that fuels economic development downtown. In addition to attracting visitors, it is estimated that the facility will create 120 fulltime jobs, impacting not just the cultural resources but the local economy for generations to come.

Fannie Mae Financing

The project received an Unfunded Forward Commitment Bond Credit Enhancement via Fannie Mae’s Mortgage Backed Tax-Exempt Bond (M.TEB) product.

³ https://www.nj.com/data/2018/02/25_towns_where_residents_spend_the_most_of_their_i.html#incart_m-rpt-2