

REQUEST FOR PROPOSALS
Township of Neptune Housing Authority

FINANCING FOR IMMEDIATE AND LONG-TERM CAPITAL REPAIRS

AMP 1

Ridge Court – 60 Family Units
William Steele – 20 Senior Units and 25 Family Units

AMP 2

Lake Alberta – 55 Senior Units
Richard Stout – 75 Senior Units

AMP 3

Battle Homes – 50 Senior Units

OFFERING SIZE: \$3,400,000

BORROWER: Township of Neptune Housing Authority

DUE: **Close of Business: January 31, 2020**

NARRATIVE:

The Township of Neptune (“TNHA”), whose offices are located at 1810 Alberta Avenue, Neptune Township, NJ applied for and received approval from the U.S. Department of Housing and Urban Development, through their Rental Administration Demonstration (“RAD”) Program, to convert their 285 units of Public Housing Projects to Section 8 project-based units. This transaction does not include the 60 family units located at 1130 Heck Avenue. Through the RAD program, the TNHA will be given a 20-year Section 8 Project-Based Housing Assistance Payment (“HAP”) contract with an Authority election to extend for an additional 20 years. The HAP contract will have rents that will increase at the HUD determined Operating Cost Adjustment Factor (“OCAF”) annually.

We have attached an operating proforma that should be used as parameters for underwriting. The last three years Audits can be found on the TNHA website. The operating proforma will be forwarded to HUD for approval and includes the efficiencies in operating costs that will result from the physical needs that will be completed as part of this conversion.

As required under the HUD RAD Program, the TNHA procured an independent HUD approved engineer to examine the buildings and units and has determined the cost of the immediate and long-term physical needs of the properties. Through this transaction, the buildings and units will have sufficient funding to repair any immediate needs that are necessary along with the initial funding of a repair for replacement account that will satisfy any long-term needs over the course of twenty years. Approximately \$2,084,528 (including contingency) will be used for rehab work to be completed within 18 months of closing and an initial deposit to the replacement reserve (“IDRR”) of \$700,000 will also be funded. The TNHA has not yet contracted for an appraisal.

The TNHA is seeking proposals for a financing that will fund the immediate capital needs, an initial deposit into a replacement reserve account, an operating account along with costs of the transaction.

The TNHA is considering a number of different financing options that include traditional lending, FHA lending programs, tax-exempt bonds or an alternative proposal. Please provide the best financing opportunity to the TNHA that provides the necessary funding levels. The TNHA would like the financing proposal to include information regarding yearly prepayment options from available cash flow. Include a Source and Uses section that includes all fees and costs, third party reports, and any necessary collateral for the transaction. Please use the attached Proposal of Basic Terms and Conditions or similar formatting.

A lender conference is scheduled for January 15, 2020 at 10:30 am. The call-in number is 1-201-332-5193, when prompted input PIN #909353. During this call questions regarding the HUD RAD program will be addressed.

Please go to [www. http://tnha.org](http://tnha.org) for information on previous audits, budgets, and general information regarding the Authority.

For more on the RAD program please visit www.HUD.gov/rad

Please direct all inquiries and responses via email to:

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Township of Neptune Housing Authority - RAD Financing Cashflow

| | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 6 | YEAR 7 | YEAR 8 | YEAR 9 | YEAR 10 | YEAR 11 | YEAR 12 | YEAR 13 | YEAR 14 | YEAR 15 | YEAR 16 | YEAR 17 | YEAR 18 | YEAR 19 | YEAR 20 | |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| REVENUE | | | | | | | | | | | | | | | | | | | | | |
| Rental Income | \$ 3,007,524 | \$ 3,067,674 | \$ 3,129,028 | \$ 3,191,609 | \$ 3,255,441 | \$ 3,320,550 | \$ 3,386,961 | \$ 3,454,700 | \$ 3,523,794 | \$ 3,594,270 | \$ 3,666,155 | \$ 3,739,478 | \$ 3,814,268 | \$ 3,890,553 | \$ 3,968,364 | \$ 4,047,731 | \$ 4,128,686 | \$ 4,211,260 | \$ 4,295,485 | \$ 4,381,395 | |
| less vacancy 3% | (90,226) | (92,030) | (93,871) | (95,748) | (97,663) | (99,616) | (101,609) | (103,641) | (105,714) | (107,828) | (109,985) | (112,184) | (114,428) | (116,717) | (119,051) | (121,432) | (123,861) | (126,338) | (128,865) | (131,442) | |
| bad debt 2% | (60,150) | (61,353) | (62,581) | (63,832) | (65,109) | (66,411) | (67,739) | (69,094) | (70,476) | (71,885) | (73,323) | (74,790) | (76,285) | (77,811) | (79,367) | (80,955) | (82,574) | (84,225) | (85,910) | (87,628) | |
| Net Rent | \$ 2,857,148 | \$ 2,914,291 | \$ 2,972,577 | \$ 3,032,028 | \$ 3,092,669 | \$ 3,154,522 | \$ 3,217,612 | \$ 3,281,965 | \$ 3,347,604 | \$ 3,414,556 | \$ 3,482,847 | \$ 3,552,504 | \$ 3,623,554 | \$ 3,696,025 | \$ 3,769,946 | \$ 3,845,345 | \$ 3,922,252 | \$ 4,000,697 | \$ 4,080,711 | \$ 4,162,325 | |
| Other Income: | \$ 5,000 | \$ 5,100 | \$ 5,202 | \$ 5,306 | \$ 5,412 | \$ 5,520 | \$ 5,631 | \$ 5,743 | \$ 5,858 | \$ 5,975 | \$ 6,095 | \$ 6,217 | \$ 6,341 | \$ 6,468 | \$ 6,597 | \$ 6,729 | \$ 6,864 | \$ 7,001 | \$ 7,141 | \$ 7,284 | |
| Total Revenue | \$ 2,862,148 | \$ 2,919,391 | \$ 2,977,779 | \$ 3,037,334 | \$ 3,098,081 | \$ 3,160,042 | \$ 3,223,243 | \$ 3,287,708 | \$ 3,353,462 | \$ 3,420,532 | \$ 3,488,942 | \$ 3,558,721 | \$ 3,629,895 | \$ 3,702,493 | \$ 3,776,543 | \$ 3,852,074 | \$ 3,929,116 | \$ 4,007,698 | \$ 4,087,852 | \$ 4,169,609 | |
| EXPENSES | | | | | | | | | | | | | | | | | | | | | |
| | 2018 | | | | | | | | | | | | | | | | | | | | |
| Administrative | \$ 322,207 | \$ 331,873 | \$ 341,829 | \$ 352,084 | \$ 362,647 | \$ 373,526 | \$ 384,732 | \$ 396,274 | \$ 408,162 | \$ 420,407 | \$ 433,019 | \$ 441,680 | \$ 450,513 | \$ 459,524 | \$ 468,714 | \$ 478,088 | \$ 487,650 | \$ 497,403 | \$ 507,351 | \$ 517,498 | \$ 527,848 |
| Tenant Services | \$ 74,687 | \$ 76,928 | \$ 79,235 | \$ 81,613 | \$ 84,061 | \$ 86,583 | \$ 89,180 | \$ 91,856 | \$ 94,611 | \$ 97,450 | \$ 100,373 | \$ 102,381 | \$ 104,428 | \$ 106,517 | \$ 108,647 | \$ 110,820 | \$ 113,036 | \$ 115,297 | \$ 117,603 | \$ 119,955 | \$ 122,354 |
| Salaries, benefits and other general | \$ 464,400 | \$ 478,332 | \$ 492,682 | \$ 507,462 | \$ 522,686 | \$ 538,367 | \$ 554,518 | \$ 571,153 | \$ 588,288 | \$ 605,937 | \$ 624,115 | \$ 636,597 | \$ 649,329 | \$ 662,316 | \$ 675,562 | \$ 689,073 | \$ 702,855 | \$ 716,912 | \$ 731,250 | \$ 745,875 | \$ 760,792 |
| Maintenance & Repairs | \$ 571,471 | \$ 531,468 | \$ 547,412 | \$ 563,834 | \$ 580,749 | \$ 598,172 | \$ 616,117 | \$ 634,601 | \$ 653,639 | \$ 673,248 | \$ 693,445 | \$ 707,314 | \$ 721,460 | \$ 735,890 | \$ 750,607 | \$ 765,620 | \$ 780,932 | \$ 796,551 | \$ 812,482 | \$ 828,731 | \$ 845,306 |
| Utilities | \$ 731,399 | \$ 716,771 | \$ 738,274 | \$ 760,422 | \$ 783,235 | \$ 806,732 | \$ 830,934 | \$ 855,862 | \$ 881,538 | \$ 907,984 | \$ 935,224 | \$ 953,928 | \$ 973,007 | \$ 992,467 | \$ 1,012,316 | \$ 1,032,562 | \$ 1,053,214 | \$ 1,074,278 | \$ 1,095,764 | \$ 1,117,679 | \$ 1,140,032 |
| PILOT | \$ 60,569 | \$ 60,569 | \$ 62,386 | \$ 64,258 | \$ 66,185 | \$ 68,171 | \$ 70,216 | \$ 72,323 | \$ 74,492 | \$ 76,727 | \$ 79,029 | \$ 80,609 | \$ 82,222 | \$ 83,866 | \$ 85,543 | \$ 87,254 | \$ 88,999 | \$ 90,779 | \$ 92,595 | \$ 94,447 | \$ 96,336 |
| Insurance | \$ 108,000 | \$ 111,240 | \$ 114,577 | \$ 118,015 | \$ 121,555 | \$ 125,202 | \$ 128,958 | \$ 132,826 | \$ 136,811 | \$ 140,916 | \$ 145,143 | \$ 148,046 | \$ 151,007 | \$ 154,027 | \$ 157,107 | \$ 160,250 | \$ 163,455 | \$ 166,724 | \$ 170,058 | \$ 173,459 | \$ 176,928 |
| Replacement Reserve | \$ 99,750 | \$ 101,745 | \$ 103,780 | \$ 105,855 | \$ 107,973 | \$ 110,132 | \$ 112,335 | \$ 114,581 | \$ 116,873 | \$ 119,210 | \$ 121,595 | \$ 124,027 | \$ 126,507 | \$ 129,037 | \$ 131,618 | \$ 134,250 | \$ 136,935 | \$ 139,674 | \$ 142,468 | \$ 145,317 | |
| Total Expenses | \$ 8,445.37 | \$ 2,406,931 | \$ 2,478,141 | \$ 2,551,468 | \$ 2,626,974 | \$ 2,704,725 | \$ 2,784,787 | \$ 2,867,229 | \$ 2,952,123 | \$ 3,039,541 | \$ 3,129,558 | \$ 3,192,149 | \$ 3,255,992 | \$ 3,321,112 | \$ 3,387,534 | \$ 3,455,285 | \$ 3,524,391 | \$ 3,594,879 | \$ 3,666,776 | \$ 3,740,112 | \$ 3,814,914 |
| Income Available for Debt | \$ 455,217 | \$ 441,249 | \$ 426,310 | \$ 410,360 | \$ 393,356 | \$ 375,255 | \$ 356,014 | \$ 335,585 | \$ 313,922 | \$ 290,973 | \$ 296,793 | \$ 302,729 | \$ 308,783 | \$ 314,959 | \$ 321,258 | \$ 327,683 | \$ 334,237 | \$ 340,922 | \$ 347,740 | \$ 354,695 | |
| Net Cash flow | \$ 455,217 | \$ 441,249 | \$ 426,310 | \$ 410,360 | \$ 393,356 | \$ 375,255 | \$ 356,014 | \$ 335,585 | \$ 313,922 | \$ 290,973 | \$ 296,793 | \$ 302,729 | \$ 308,783 | \$ 314,959 | \$ 321,258 | \$ 327,683 | \$ 334,237 | \$ 340,922 | \$ 347,740 | \$ 354,695 | |

IMPORTANT NOTES:

| | | | | | | |
|--|--------|------------|-------------------|-------------|-------------------|---------------------|
| Annual Revenue Inflation Factor: | 2.00% | <i>BRs</i> | <i># of Units</i> | <i>rent</i> | <i>monthly</i> | <i>annual</i> |
| Annual Expense Inflation Factor: | 3.00% | 0 | 63 | 757 | 47,691 | 572,292 |
| Annual Expense Inflation Factor (after Year 10): | 2.00% | 1 | 149 | 793 | 118,157 | 1,417,884 |
| Annual Replacement Reserve and PILOT Inflation Factor: | 2.00% | 2 | 42 | 986 | 41,412 | 496,944 |
| Vacancy | 3.00% | 3 | 18 | 1,286 | 23,148 | 277,776 |
| Bad Debt | 2.00% | 4 | 9 | 1,487 | 13,383 | 160,596 |
| Replacement Reserve Per Unit | \$ 350 | 5 | 4 | 1,709 | 6,836 | 82,032 |
| | | | 285 | | \$ 250,627 | \$ 3,007,524 |