

NEW JERSEY HISTORIC TRUST

NJHT Board of Trustees Meeting Wednesday, June 20, 2018 Hoboken Public Library Hoboken, Hudson County

Call to Order

Ms. Foster called the meeting to order at 10:07 a.m.

Open Public Meetings Act

Ms. Guzzo notified the Board that notice of the meeting was made in accordance with the New Jersey Open Public Meeting Act.

Roll Call

Ms. Guzzo called the roll and confirmed the meeting had a quorum.

Trustees present: Janet Foster, Deborah Kelly, Peter Lindsay, Kenneth Miller (via phone, left meeting at 11:37), Katherine Ng, Chris Perks (via phone), Patricia Anne Salvatore, Robert Tighue (via phone), and Sean Thompson.

NJHT Staff present: Dorothy Guzzo, Glenn Ceponis, Carrie Hogan, Haley McAlpine, and Michele Racioppi.

Public in Attendance: Allen Kratz

Public Comment

Mr. Kratz provided a very thorough summary of the grant funded work at the Hoboken Public Library. Mr. Kratz spoke of the importance of the project, the façade restoration, and flood mitigation. The Library had received a SANDY Disaster Recovery grant and a Preserve New Jersey grant.

Approval of Minutes

Ms. Foster provided clarification to the March Board minutes, specifically requesting that the minutes reflect that the Executive Committee has a standing phone meeting the first Friday of the month, not every Friday. Ms. Foster asked if anyone had any additional comments on the March Board meeting minutes. There being no additional comments or revisions, Ms. Foster moved to approve the amended minutes. The Board voted in favor to approve the minutes without objection. Ms. Foster asked for comment or revision for the Special Meeting of the Board held Friday May 4, 2018. There being no comments, Ms. Foster moved to accept the meeting minutes of the May 4th Special Meeting. The Board voted in favor of accepting the meeting minutes as presented without objection. Ms. Kelly abstained from the vote.

Reports of Officers

Chair:

Ms. Foster thanked Mr. Miller for chairing the March Board meeting in her absence. Ms. Foster also thanked Ms. Guzzo and the Trust staff for a wonderful conference, both the location and content were great. Ms. Foster expressed regret that the Lieutenant Governor's schedule did not allow her to attend the conference. Ms. Foster stated that she will work with other Trust Board members to develop a relationship with the Lieutenant Governor and work on setting up a meeting with her. Ms. Guzzo stated that she will reach out to the Lieutenant Governor's office to schedule a meeting with Board members.

Vice Chair

No report.

Treasurer:

Mr. Tighue reported that the Trust will end its fiscal year strong. Mr. Tighue reported that Treasury credited the Trust the overhead they had previously placed on hold. Mr. Tighue also reported that our legal services had increased and that our outside contracts had also been quite active. Mr. Tighue briefly reviewed account balances and reported that the Trust is fiscally strong moving into next year. Ms. Foster asked about the shift in funds from Treasury. Ms. Guzzo explained the process where fringe and overhead dollars are held by Treasury and then returned to the Trust near the end of the fiscal year. If Treasury were to stop returning those dollars then the Board would have to try and increase the Trust's annual budget. Board members would likely have to attend budget hearings and request an increase in the Trust's annual budget line item to compensate for the fringe and overhead. It was noted that this is something we need to keep an eye on. Unfortunately, about ten months of the year the Trust does not have access to fifteen percent of our budget. The Trust's operating budget is coming out of the State's General Operating rather than separate Trust accounts.

Mr. Tighue reported that all state accounts are currently frozen as is typical at the end of the fiscal year. Ms. Kelly then moved to accept the Trust Fiscal Year 19 Budget as presented, seconded by Ms. Salvatore. The motion passed unopposed.

Secretary:

No report.

Executive Director's Report

Ms. Guzzo referenced her report, and the staff report included in the Board packet. Ms. Guzzo reported that the Trust is writing a scope of work to improve its database. The Trust is working with DCA's IT department on developing the scope and contracting with an outside consultant. Ms. Guzzo also reported that the license plate marketing contract is underway. This phase will develop a plan and lowcost marketing of the license plate.

Ms. Guzzo reported that the paperwork for “On Demand with Rob Lowe” has been completed. The producers are still working to get into the state system, so the contract is not yet executed. Ms. Guzzo recapped the proposed ‘On Demand’ project.

Ms. Guzzo referenced her report regarding budgets and contacts. Contracts for Best Practices Workshop, the Database and marketing will likely go out over the summer. Funding for the Database contract will likely come from the Trust’s general operating account; however, there is money available in the Trust’s 1772 account if needed. Ms. Guzzo expected our legal counsel retainer to go up as a result of the NJ Supreme Court decision against the funding of buildings used for religious worship. Ms. Guzzo stated that the Trust does not have a formal opinion from the Attorney General’s office regarding the State Supreme Court’s ruling against Morris County’s grant funding for the preservation of churches. Ms. Guzzo emphasized that we will need to know prior to proceeding with the next capital grant round.

Ms. Guzzo also informed the Board that the certificate program in historic preservation partnership with MARCH continues.

Ms. Guzzo also reported that she will reach out to the DMV to see what it would take to make a change to the license plate design.

Report of the Department of Community Affairs

Mr. Thompson reported that the Lieutenant Governor has been very supportive of all of DCA’s programs. Mr. Thompson stated that the department is waiting for the final budget to pass the legislature to see if DCA’s departments are affected. Mr. Thompson said that he will follow-up regarding the status of board appointments. Mr. Thompson stated that the Administration is working on regulations for the Main Street program. The department is moving forward with the program. Ms. Foster pointed out that the Main Street program and the New Jersey Historic Trust have similar goals and that the Trust is open and willing to assist. If there is an advisory board for the Main Street program the Trust would be willing to provide a representative. Mr. Thompson stated that there will be coordination between the two programs.

Report of the Department of Environmental Protection

No Report

Report of the Department of Treasury

Mr. Tighue had no additional report.

Report of the Executive Committee

In preparation for the Trust’s annual meeting in September there needs to be a nominating committee. Ms. Salvatore and Ms. Ng volunteered to develop a slate of officers to be presented to the Board at its September annual meeting.

Report of the Grants & Loans Committee

Ms. Kelly referenced the Committee report included in the Board packet. Ms. Kelly asked if Board members had any conflicts with these projects. There being no conflicts Ms. Kelly reviewed the one project requesting an extension: Franklin Street School project in Cape May. Mr. Miller made motion to approve the extension of the Franklin Street School project, seconded by Ms. Salvatore. The motion passed unopposed.

Ms. Kelly then reviewed applications received for grants under the Discover NJ History License Plate Fund. The Trust received two applications during this quarter and is recommending the funding of the application from the Essex County Parks Foundation for \$5,000 for heritage interpretive signs for the Essex County Reservations. Ms. Kelly made the motion to award the grant, seconded by Ms. Foster. The motion was approved unopposed. Ms. Kelly informed the Board that the Committee is not recommending funding the second application. Ms. Kelly informed the Board that there is about \$1,000 left in the fund that would carry over to the next round

Ms. Kelly then introduced applications for the Trust's Revolving Loan Fund.

Ms. Guzzo and Mr. Ceponis provided a brief overview of the Revolving Loan Application for the Watchcase Tower project located in Riverside, Burlington County. Ms. Guzzo reminded the board that having the Trust become involved in private development is part of the Trust's strategic plan and the proposed Watchcase revolving loan fund application might be an opportunity for the Trust to move in that direction.

Mr. Ceponis informed the board that this application is ongoing and that the Trust is still receiving information from the developer. Mr. Ceponis stated that the application was submitted by a non-profit organization that was initially set up in order to qualify for grant funding. The non-profit status is also a Trust requirement for its Revolving Loan program. He noted that although the non-profit is technically the applicant, all conversations have been held directly with the developer. It was noted that the non-profit does not currently have any real presence in the community or in the Watchcase building. He informed the board that their initial loan request of \$835,000 was higher than the amount available in the program (no more than 15% of the corpus can comprise an individual loan). He noted that the developer was made aware that the Trust could only provide a maximum loan of \$550,000.

Mr. Ceponis then provided additional details on the application and project. Mr. Ceponis explained that the building can really be separated into two parts: the formal office section and the factory section. The developer had stated the potential Trust loan would be applied to the exterior rehabilitation aspects of the formal office portion of the building, specifically restoration of the windows (which are not original to the building), the rooftop balustrade, exterior iron fencing, and the interior original elevator. The developer informed the Trust that without the Trust loan, the project would not include restoration activities and would not use a historically compatible replacement window. The developer stated that he is not pursuing any federal Historic Tax Credits. Mr. Ceponis noted that Riverside does not have a local Historic Preservation Commission charged with regulating changes to the exterior of the Watchcase building.

Mr. Ceponis explained that providing a loan for a development project is very different than providing a loan to a small non-profit to repair a roof or porch, which is more typical of the Trusts past loan projects. As such, he and Ms. Guzzo have been working closely with New Jersey Housing and Mortgage Finance Agency (NJHMFA). They were extremely helpful in reviewing the project documents and they raised a number of concerns. One major concern was the discrepancy between the estimated construction cost per square foot and the proposed above-market rents. The developer has proposed at \$91/square foot, which HMFA did not believe would cover the high-end finishes required to attain the proposed monthly rent. Additionally, HMFA noted the proposed rent costs are generally too high for the area.

Mr. Ceponis explained that HMFA shared with the Trust a checklist that they use to vet potential projects. Among other items, the checklist recommended that the Trust reach out to the developer's construction lender to understand what gave the lender the confidence to fund the project. The developer denied the Trust's request to speak with the construction lender, stating that it was difficult securing the funding in the first place and they did not want to potentially jeopardize the construction loan. Ms. Kelly asked if HMFA requires a discussion with the construction lender. Mr. Ceponis noted that it is common practice and that the developers' denial of the request raised a red flag for HMFA and the Trust. In lieu of speaking to the construction lender the developer offered the Trust numerous personal guarantees. Mr. Ceponis noted that if they were to proceed, they would have to seek the guidance of the DAG to determine if the personal guarantees would be sufficient. Additionally, the developer was hesitant to agree to the Trust's requirement for a preservation easement to be a condition of the loan, partly because it would require the construction lender to agree to subordinate to the provisions of the easement.

The developer suggested that being part of the "Development Plan," which is an agreement between the town and the developer for transfer of the property would be a substitute for the preservation easement. In essence, the town would be charged with ensuring the Trust's interests in the property are protected. Mr. Ceponis stated that they will need to confer with the DAG to ensure that this would suffice. He also noted that the developer seems to think that an easement or development plan agreement would only protect the historic features of the building that the Trust's loan would fund. The Trust has reiterated to the developer that the entire building must meet the Secretary of the Interior's Standards in order to receive the funding.

Regarding a question pertaining to the developer's experience with historic preservation projects, Mr. Ceponis stated that the developer has previously pursued Historic Tax Credits on three projects and was successful in receiving federal tax credits on one of those projects. The developer informed the Trust that he had met with the HPO staff, but had ultimately decided not to pursue the tax credits for the Watchcase project.

In order to further vet the request for loan funding, the Trust requested a complete conditions assessment of the building to gain a precise understanding of the building's current condition in relation to the proposed budget and scope of work. The consultant, Pullman, demonstrated limited experience in historic preservation work. Another consultant was brought on the team, Pannoni

Engineers, to complete a façade conditions assessment, which the Trust staff received the Friday prior to the board meeting. Pannoni found issues with the terra cotta, water infiltration, and incompatible mortar replacement. Pullman provided an estimate for the façade work at \$2.4 to \$4 million. Mr. Ceponis noted that this raised another red flag, as their budget has only allocated \$43,000 for cleaning of the façade and did not provide for any stone or mortar work. Mr. Ceponis also stated that there were inconsistencies between the budgets that the developer had supplied, as well as a lack of clarity regarding the scope of work in relation to the budget.

Mr. Ceponis noted that the Trust has not received any construction documents from the developer but has received early schematic documents. Mr. Ceponis stated that the initial set of documents showed aspects that would not meet the Secretary of Interior Standards, specifically walls intersecting the middle of windows. A revised set of schematic drawings addressed the window/wall issue, but did not provide much additional information. The developer has only provided verbal confirmation that the windows and historic fenestration pattern would not be disturbed.

Ms. Ng asked if the architect is from New Jersey and if they have any historic restoration experience. Mr. Ceponis stated that are a New Jersey firm and that their website lists historic restoration as part of their portfolio but it did not provide any specific projects. Mr. Ceponis stated that the developer informed him that Christopher Arnold will be brought onto the team and will be the historic preservation consultant on the project. Preliminary research on Mr. Arnold showed that some of the projects he listed as part of his professional portfolio did receive Historic Tax Credits but that his role in those projects and the current project is still unclear.

It was noted that the Riverside Planning Board's approval of the redevelopment project appeared contingent upon consideration of the historic fabric and that it appears that the developer is seeking the help of the Trust to meet these requirements after the fact.

Ms. Salvatore asked why the developer needs their money. Mr. Ceponis responded that the developer stated that the Trust loan would be part of a larger capital stack for the project. Ms. Foster asked if the Riverside Planning Board will have recourse if the developer does not meet their conditions. Ms. Guzzo stated that the Planning Board likely lacks the expertise to enforce the conditions affecting historic preservation.

Ms. Ng stated that she is familiar with redevelopment projects and that this proposal was raising too many red flags. Additionally, she stated her concern that the developer would not pursue the federal Historic Tax Credit as the Trust would require the project to meet the Secretary of the Interior Standards anyway. Mr. Ceponis noted that the Trust would only require the exterior work to meet the Standards while the tax credit may require interior work to comply as well. He also noted that with changes to the federal tax laws in the last year that it may not make financial sense for the developer to use federal tax credits.

Ms. Ng also raised concerns over the proposed construction costs. She stated that the proposed \$91/square foot was insufficient to complete the project. Ms. Guzzo replied that HMFA suggested

the total project is likely to cost \$18 million. Ms. Ng agreed, stating that the stabilization, abatement, and repair of the building will cost more than the \$6 million project cost that the developer has proposed. She asked what the developer gave to investors when pitching the project. Mr. Ceponis stated that we received the plan he used to market to investors but that it also raised many questions for HMFA and the Trust. Ms. Kelly asked about the surrounding development, to which Mr. Ceponis responded that this project is separate from the larger development.

Ms. Ng stated her concerns that the Trust's position in the lending package is very low and that the Trust would not get repaid. Ms. Kelly stated that she was not comfortable with his verbal "personal guarantees." Mr. Thompson asked what Riverside Borough's perspective is and if they are supportive of the development. Mr. Ceponis responded that Senator Singleton's office and a utilities authority commissioner have reached out to the Trust in support of the project. Ms. Ng stated that the designs with the historic elements aren't integrated into the project and that it clearly has not been thought through. Mr. Ceponis conveyed to the Board that the developer has stated he will not pursue any historic work without funding from the Trust. Mr. Perks stated that this project is far outside work the Trust regularly undertakes and that the Trust should not provide a loan.

Mr. Miller stated that there are too many loose ends with the proposed project. He stated that our loan would be a small contribution to the large project and that we would have to evaluate their credentials. Ms. Guzzo stated that HMFA typically requires nearly complete construction documents, which raised questions on how the developer was able to secure funding from their construction lender. Ms. Kelly asked about the time constraints for the Trust's loan. Ms. Guzzo replied that the Trust would have to receive all the pertinent documents and run a complete credit check on the developer within the next ten days in order to get a bill to the legislature prior to its summer recess and meet the developer's schedule.

Mr. Tighue stated that based on the documents received to date he is in favor of passing on the project. He states that while the Trust does want to pursue a role in private development, this project is just not the right fit. He stated that the Trust cannot afford to not be paid back, but that the Trust should consider this kind of project in the future. Ms. Guzzo stated that Trust has learned a lot about this process so far and that they have been trying to make it work because the building is so important. Ms. Ng agreed, stating that the Trust would love to see the building complete.

Mr. Miller stated that we need to notify the developer that the tight time constraints did not allow the Trust to do its thorough due diligence. Mr. Ceponis noted that HMFA typically takes six months for this type of process and that in this case, the Trust only had one month. The Board noted issues with the project viability, the project meeting the Secretary of Interior Standards and the risk to the Trust of not having the loan repaid.

MOTION: Ms. Foster moved that the Trust deny the application for a revolving loan. Second: Mr. Perks.

UNANIMOUSLY APPROVED.

Mr. Miller suggested that the board create a sub-committee and work closely with HMFA to determine what the Trust could put in place to assist with doing this kind of project in the future. Ms. Foster suggested creating a template to guide work with private developers in the future. Mr. Miller agreed, stating that with our loan amounts capped around \$500,000 that the Trust will always be the lowest lender and that we need to have regulations and criteria to determine collateral especially with development projects.

Mr. Ceponis then reviewed a second application to the Trusts' Revolving Loan Program. Mr. Perks recused himself from the discussion because he serves on the Board of the applicant organization. The Trust received an application from the Camden County Historical Society requesting a loan of \$90,000 to replace the heating system at its campus. The Historical Society has been awarded a Community Development Grant for \$100,000 to replace the system; however, the Historical Society does not expect to receive the grant funds until the spring of 2019 at the earliest. The Historical Society has grave concerns that the current system will not last the winter and its failure can jeopardize its collections. The loan from the Trust would allow the Historical Society to install the new system prior to winter and pay back the loan in the spring following receipt of the CDBG grant funds. Mr. Ceponis reviewed the boiler estimate and stated that the Historical Society provided all the required paperwork for the loan. Additionally, through past and current grants the Trust is familiar with the Historical Society's campus and needs.

MOTION: Ms. Salvatore moved to approve the application for a revolving loan to the Camden County Historical Society for \$90,000. Second: Mr. Miller.

APPROVED UNAPPOSED.

Report of the Easements and Acquisitions Standing Committee

Mr. Ceponis referenced the Committee's report in the Board packet. Mr. Ceponis provided an overview of an application for the Trust to hold a perpetual preservation easement on the former State Street School located in Newark. The school is currently owned by the City of Newark Board of Education. As a condition of the sale the HPO has required protection of the building through a perpetual easement. Trust and HPO staff visited the building to determine the protected features to be included in the easement. The nineteenth century school is individually listed in the State and National Registers. The Committee recommends acceptance of the perpetual easement. Mr. Miller moved to accept the donation of the perpetual preservation easement on the Sate Street School, seconded by Mr. Lindsay – the motion passed unopposed.

Report of the Combined Strategic Planning and Legislation and Policy Standing Committees.

It was discussed that the Trust will be working with HMFA to address potential future revolving loan projects. Ms. Guzzo stated that the Trust would specifically investigate whether the Trust could make a loan to a non-profit who could then loan to a developer. As mentioned earlier in the meeting it was decided to set up an ad hoc committee comprised of Mr. Tighue, Mr. Miller, Ms. NG and Mr. Thompson to explore ways for the Trust's loan program to address preservation needs of the development community among other potential revisions to its guidelines and application.

Ms. Ng asked about an October Board retreat to review implementation of the Strategic Plan. This would be a one day facilitated retreat producing a report. Ms. Guzzo will look into the cost of a facilitator and reach out to Board members to determine a date.

Education Committee

No formal Report.

Unfinished Business

None

New Business

NJHT Staff Request to attend National APT Conference

Ms. Foster presented the request for NJHT staff members to attend the Association for Preservation Technology Conference in Buffalo, NY. Ms. Guzzo reference a Trust account exists for educational purposes. Funds are in the account, but DCA fiscal and the Commissioner's Office will need to approve the request. Ms. Kelly made a motion to allow staff to attend the 2018 APT conference utilizing NJHT funds to pay for the conference, seconded by Ms. Salvatore. The motion passed unopposed.

Adjournment

There being no additional business, Ms. Salvatore made a motion to adjourn the meeting, seconded by Mr. Thompson. The motion passed unopposed. The meeting adjourned at 12:00.