NJEDA

MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan, Chief Executive Officer

DATE: February 24, 2025

RE: 1) Acceptance of $65 million from the NJ Department of Treasury (Treasury) for purchase of New Jersey Transit (NJT) properties
2) The allocation of $35 million from the economic growth account for the development of properties purchased from NJT.
3) Creation of a fund, for NJEDA's use, combining the $65 million from the NJ Treasury and the $35 million from the economic growth account to fund the required due diligence and purchase of the properties

Summary

I am request the Members approve:

1) Accepting of up to $65 million from the New Jersey Treasury, appropriated to the NJEDA for the purchase of NJT property
2) 2) Allocating $35 million from the economic growth account for the development of the properties purchased as required by P.L. 1992, c. 16, and
3) Creating a fund, for NJEDA's use, combining the $65 million from the NJ Treasury and the $35 million from the economic growth account to fund due diligence and the purchase of the properties.

Background and Benefits

It is a priority of New Jersey Governor Phillip Murphy and his administration to facilitate the state's economic growth and to ensure the financial stability of NJT. To achieve this goal the New Jersey Legislature amended P.L.1992, c.16 (C.34:1B-7.13) allocating up to $65 million from the state's 2024-2025 budget and the use of up to $35 million from NJEDA's economic growth account to purchase properties from NJT and develop Transit Oriented Developments (TOD) by the NJEDA. By redeveloping these vacant and underutilized properties into mixed-use developments NJEDA will be creating an ongoing revenue source for NJT by increasing ridership on trains and buses. This is in addition to the revenue generated to NJT via the sale of the properties. It will also increase local tax revenue and provide much needed housing opportunities to persons and families of different incomes. NJT will continue to manage all current businesses located on the properties purchased until the redevelopment is implemented.

This includes parking businesses, shops, etc. Additionally, per the legislation, NJT is entitled to 33% of the proceeds made at the time the properties are sold or leased for development.

Objective

The objective of this initiative is to improve NJT's long term financial position by increasing ridership on its trains and buses and to grow local economies by purchasing and redeveloping vacant and underutilized real estate owned by NJT to TODs.

NJEDA's Role

Real Estate Staff will assess the potential development of each of NJT properties, identify and purchase (or long-term lease) the properties that best meet the objective and work to facilitate TODs on the sites purchased. This work includes but is not limited to planning for the property's redevelopment in concert with local municipalities, clearing title, subdividing and resolving boundary issues, addressing environmental concerns, zoning or rezoning the properties for future development.

Process

The site identification and acquisition will follow the following process:

- *Assessment* – NJEDA in partnership with NJT, along with Jones Lang LaSalle Incorporated (JLL), a global real estate services company, will evaluate each of NJT's 400 plus properties to identify the sites that best meet the objective. This is currently underway.
- *Due diligence* – perform due diligence, standard to all large-scale development including environmental, financial and legal.
- *Local input* – meet and work with local municipalities to plan for the redevelopment of selected properties.
- *Development Plan* – the creation of a development plan for properties identified for purchase
- *Negotiate* - the purchase of the properties that will most likely achieve the objective.
- *Seek board approvals* – NJT and NJEDA will each seek board approval for the sale/purchase of the identified properties.
- *1st Approval of Joint Budget Oversite Committee (JBOC)* – per the legislation NJT and NJEDA will seek the approval of the JBOC for NJT's sale of the identified properties and NJEDA's purchase.
- *2nd Approval of the Joint Budget Oversite Committee (JBOC)* – Prior to developing, redeveloping, leasing or selling properties acquired from NJT using funds approved under P.L.2024, c.25 (C.34:1B-7.13a et al.) the NJEDA is required to seek approval from JBOC.
- *Redevelopment* – post the purchase of properties from NJT, NJEDA will begin their redevelopment per the legislation.
- *Sale/Lease* – at the point NJEDA sells or leases the properties purchased from NJEDA they will seek the approval of the Members, Joint Budget Oversite Committee and NJT will receive no less than 33 percent (33%) of the proceeds from such sale above the appraised value of the property at the time of its purchase by NJEDA from NJT.

Recommendation
For the reasons stated in this memo, I recommend the Members approve:

1) Accepting of up to $65 million from the New Jersey Treasury, appropriated to the NJEDA for the purchase of NJT property
2) 2) Allocating $35 million from the economic growth account for the development of the properties purchased as required by P.L. 1992, c. 16, and
3) Creating a fund, for NJEDA’s use, combining the $65 million from the NJ Treasury and the $35 million from the economic growth account to fund due diligence and the purchase of the properties.

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Tim Sullivan, CEO

Attachment: P.L. 1992, c 16

Prepared by: Brian Keenan, Senior Project Manager